

Wynn Resorts Ltd. (WYNN)

\$91.71 (As of 11/11/20)

Price Target (6-12 Months): **\$85.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 10/20/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: F

Summary

Shares of Wynn Resorts have underperformed the industry in the past year. The dismal performance can primarily be attributed to the coronavirus pandemic. The company reported dismal third-quarter 2020 results, wherein earnings and revenues missed the Zacks Consensus Estimate. Although most of the casinos in Macau have resumed operations after the coronavirus-induced shutdown, the company is still witnessing low visitation. The company has also suspended its dividend program due to the uncertainty of the crisis. Meanwhile, earnings estimates for 2020 have declined over the past 30 days, reflecting analysts' concern regarding the stock growth potential. However, despite the coronavirus pandemic, the company is confident about its prospects in Macau. It also stated that it has enough liquidity to tide over the current scenario.

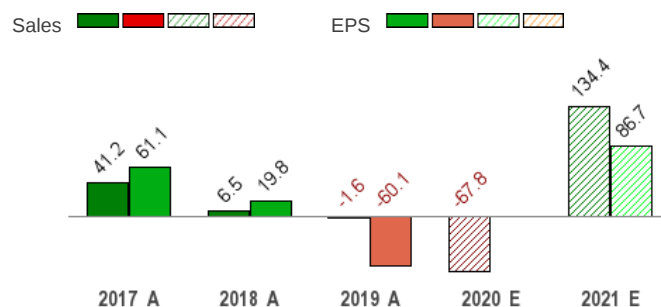
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$153.41 - \$35.84
20-Day Average Volume (Shares)	4,319,705
Market Cap	\$10.4 B
Year-To-Date Price Change	-30.4%
Beta	2.20
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Gaming
Zacks Industry Rank	Bottom 23% (192 out of 249)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-112.1%
Last Sales Surprise	-19.5%
EPS F1 Estimate 4-Week Change	-32.7%
Expected Report Date	02/04/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,139 E	1,204 E	1,385 E	1,432 E	4,998 E
2020	954 A	86 A	370 A	729 E	2,132 E
2019	1,652 A	1,658 A	1,648 A	1,653 A	6,611 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.95 E	-\$0.69 E	-\$0.10 E	\$0.08 E	-\$2.54 E
2020	-\$3.54 A	-\$6.14 A	-\$7.04 A	-\$2.18 E	-\$19.11 E
2019	\$1.61 A	\$1.44 A	\$0.17 A	-\$0.62 A	\$2.61 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	3.4

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 11/11/2020. The reports text is as of 11/11/2020.

Overview

Based in Las Vegas, NV, Wynn Resorts was founded in 2002. The company, together with its subsidiaries, is a leading developer, owner and operator of casino resorts. The company currently owns and operates casino hotel resort properties in Las Vegas, and in Macau Special Administrative Region of the People's Republic of China.

Wynn Las Vegas and Encore at Wynn Las Vegas are managed as a single integrated resort and are treated as one reportable segment (Las Vegas Operations). Wynn Macau, Encore at Wynn Macau and Wynn Palace are managed as a single integrated resort and are accounted as one reportable segment (Macau Operations).

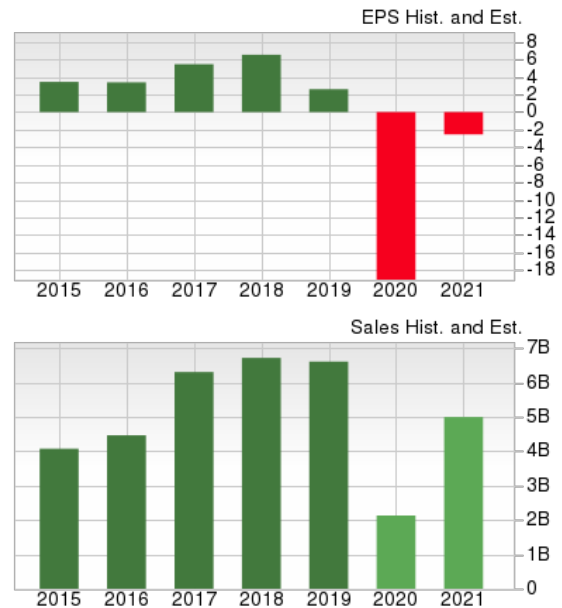
Las Vegas Operations (50% of total revenues in 3Q20): Wynn Las Vegas was opened on Apr 28, 2005 while Encore Las Vegas was opened on Dec 22, 2008.

In Dec 2016, the company formed a joint venture with Crown Acquisitions Inc. to own and operate an existing retail space and another retail space that is currently under construction at Wynn Las Vegas. Per the agreement, Crown will pay the company \$472.0 million in two installments for a 49.9% ownership interest in each of the Retail Joint Ventures.

Macau Operations (19%): The Wynn Macau casino resort was opened on Sep 6, 2006. The company operates Wynn Macau under a 20-year casino concession agreement granted by the Macau government in Jun, 2002. Encore at Wynn Macau was opened on Apr 21, 2010.

Encore Boston Harbor (31%): On June 23, 2019, the company opened Encore Boston Harbor, an integrated resort in Everett, MA.

On Aug 22, 2016, the company unveiled the Wynn Palace resort in the Cotai area of Macau. Featuring 1,706 hotel rooms, suites and villas, a lake with gondolas and fountains, floral sculptures, expensive artwork, lounge and meeting space, a casino, stores, recreation and leisure facilities along with exclusive food-and-beverage outlets and costing over \$4 billion, it is the company's first resort in the Cotai region.



Source: Zacks Investment Research

Reasons To Sell:

- ▼ **Coronavirus to Hurt Future Results:** Wynn Resorts' performance in 2020 is likely to be impacted by the outbreak of coronavirus. Although casinos in Macau properties are now open, the company is witnessing low visitation. Moreover, Wynn Resorts board of directors and top executives have decided to forgo between 33% and 100% of their salaries in the light of the coronavirus-induced economic downturn. Matt Maddox, CEO, has agreed to give up 100% of his salary in exchange for shares for the rest of 2020. The company announced that it is still witnessing dismal performance in Macau as visitors volume is only 8% to 10% compared to the pre-pandemic levels. Moreover, the state imposed curfew in Massachusetts, which starts at 9:30 at night, is likely to hurt the company's performance.
- ▼ **Q3 Results Declines Sharply:** Wynn Resorts reported dismal third-quarter 2020 results, wherein both earnings and revenues missed the Zacks Consensus Estimate for the fifth straight quarter. Both top and bottom lines declined sharply year over year. In the reported quarter, the bottom line was hurt by operating loss at Encore Boston Harbor, Wynn Palace, Wynn Macau, Las Vegas operations and Encore Boston Harbor. Results in the quarter were negatively impacted by the coronavirus pandemic, which hurt visitation. Revenues also declined 77.5% due to dismal performances by Wynn Palace, Wynn Macau and Las Vegas operations. The company's operations were impacted by the coronavirus pandemic.
- ▼ **Suspends Dividends:** Wynn Resorts has suspended its dividend program in a bid to maintain sufficient liquidity. The company stated that it is preserving \$100 million of liquidity every quarter on the back of dividend suspension.
- ▼ **Macau/China Regulatory Issues:** The Macau government has joined forces with mainland authorities to tackle money laundering and terrorism financing, and beefed up its anti-money laundering framework with a much wider scope and stringent compliance measures. In sync with this, new security measures including facial recognition at ATM machines are also being rolled out. Earlier, the government had put withdrawal limit on each ATM transaction to stem the recent increase in overseas ATM withdrawals. While these policies might be helpful in the long run, they are likely to restrict gaming revenues in the near term. Moreover, Macau's Gaming Inspection and Coordination Bureau ("DICJ") is increasing its audits of the junket industry owing to worries of money laundering. This, in turn, may weigh down on the company's performance in the region. That said, recent numbers published by The Macau Gaming Inspection and Coordination Bureau raised concerns for the short term.
- ▼ **Increased Competition & Promotional Activities:** Wynn Resorts operates in highly competitive marketplaces like Las Vegas and Macau. Competition is stiff with increased hotel openings and promotional activities. Excess supply, especially in the Macau market, might reduce the company's market share. Particularly, the company's resort in Cotai – Wynn Palace – is likely to face extreme peer pressure from several local Chinese casino operators as well as the recently opened The Parisian Macao and the Sands Cotai Central project of Las Vegas Sands Corp. This may pose a huge threat to the company's business in the region in the future. Meanwhile, continual construction around Wynn Palace has been hampering its foot traffic. Also, the opening of Wynn Palace is somewhat leading to cannibalization at Wynn Macau. On the other hand, the company often offers higher promotional allowances to gambling patrons.

The coronavirus pandemic and increased competition remain concerns for the company.

Risks

- **Focus on Non-Gaming Revenues:** The company generates a solid share of revenues from Macau resorts. Apart from the gaming business in Macau, it has been increasingly focusing on driving non-gaming revenues. Given the decent visitation pattern in Macau prior to the coronavirus outbreak, infrastructure development and government's efforts to boost tourism, non-gaming sources are expected to boost revenues in the days ahead. Although the company business in Macau and Las Vegas have been impacted by the coronavirus pandemic, the demand is likely to increase once the COVID-19 fear eases.

Moreover, the company's full-scale integrated resort in Cotai, Macau, is poised to witness increased visits from tourists and leisure gamblers over the long term, which should fortify its position in the Cotai strip. Notably, such projects are expected to draw business and leisure travelers, and provide a solid platform for growth. In fact, building resorts in Boston and Macau will help Wynn Resorts capitalize on strong consumer spending trend in the region. Meanwhile, in Las Vegas, the company is working on two new restaurant concepts that are expected to make significant additions to the non-gaming business. Not only this, Wynn Resorts plans to open new retail and a convention center in Las Vegas.

- **Strong Brand Recognition:** Wynn Resorts, one of the leading companies in the gaming and lodging industry, is well poised to grow strategically. Given its strong brand name, Wynn Resorts is better positioned to command a premium rate relative to its peers in the gaming and lodging industry. Moreover, the company recently opened Encore Boston Harbor in Massachusetts. The company stated that it will upgrade Encore Boston Harbor to be the top performing Casino in the northeast.
- **Macau to Drive Growth in the Long Run:** Wynn Resorts derives a solid share of revenues from Macau — the largest gaming destination in the world. Despite the coronavirus pandemic, the company is confident about prospects in Macau. Nevertheless, the worst seems to be over for the gaming industry in Macau as China economy is slowly gaining momentum. In mid-July, Guangdong province lifted quarantine measures. Further, the country has commenced the issuance of non-tourist visas.

The government of China is considering measures to support Macau's economy and introduce favorable policies, which is expected to improve visitation pattern and boost tourism and traffic in the region. These include approval of Macau's maritime expansion plans that are expected to aid shipping and tourism. Also, the government has enabled mainland Chinese cities to offer multi-entry permits. Meanwhile, Wynn Resorts too has been offering various promotional allowances and undertaking initiatives to attract gambling patrons. Also, the company is undertaking several initiatives and building newer concepts to boost non-gaming revenues in Macau. Moreover, the opening of the world's longest sea-crossing bridge and tunnel in the prior year, which connects Macau to Hong Kong as well as mainland China's Pearl River Delta, is likely to prove beneficial to casino operator.

- **Enough Liquidity to Tide Over Coronavirus Pandemic:** Wynn Resorts has enough liquidity to survive a zero-revenue scenario for some time. As of Sep 30, 2020, the company's global cash and liquidity totaled nearly \$3.55 billion. The company is also likely to witness decline in cash burn as the demand is returning in each markets. Although the company's long-term debt at the end of third-quarter 2020 stood at \$12.79 billion, compared with \$12.6 billion as of second-quarter 2020, it has no debt maturing prior to 2022. At the end of third-quarter 2020, the company had debt-to-capital ratio of 0.9, which indicates that its debt levels are manageable.
 - **Sports Betting to Drive Growth:** On the development front, Wynn Resorts has made significant progress with respect to Wynn Interactive. The company has invested nearly \$80 million so far onto Wynn Interactive. The company also has access to nine U.S. gaming markets. During the third quarter, the company launched online sports and casino offerings in New Jersey. It also secured market access in other states. Apart from this, the company is applying for licenses on a standalone basis in Tennessee and Virginia. Markedly, it is on the lookout for potential partners regarding additional access agreements in other jurisdictions.
-

Last Earnings Report

Wynn Resorts Q3 Earnings & Revenues Miss Estimates

Wynn Resorts reported dismal third-quarter 2020 results, wherein earnings and revenues missed the Zacks Consensus Estimate for the fifth straight quarter. Moreover, the top and the bottom line declined on a year-over-year basis.

Q3 Earnings and Revenues

The company reported an adjusted loss of \$7.04 per share, wider than the Zacks Consensus Estimate of a loss of \$3.32. In the prior-year quarter, the company had reported adjusted earnings per share of 17 cents per share.

Revenues during the third quarter came in at \$370.5 million, missing the Zacks Consensus Estimate of \$460 million. The top line also declined 77.5% year over year owing to dismal performance by Wynn Palace, Wynn Macau and Las Vegas operations.

Wynn Palace Disappoints

During the third quarter, revenues from Wynn Palace totaled \$15.7 million in the third quarter, down 97.4% year over year. Casino revenues were \$12.3 million, down 97.5% year over year. Rooms; food and beverage; and entertainment, retail and other revenues also declined 90%, 77.3%, 131.4%, to \$4.5 million, \$6.9 million and (\$8) million, respectively.

At the VIP segment, table games turnover was \$311.7 million, down 97% year over year. VIP table games win rate (based on turnover) was 1.04%, below the expected range of 2.7-3%. It was also lower than 3.19% witnessed in the year-ago quarter. Table drop at the mass market segment was \$86.3 million, down 93.4% from the year-ago quarter. Furthermore, table games win in mass market operations amounted to \$19 million, down 94.1% year over year.

Notably, average daily rate (ADR) was \$225 (down 17.6%, year over year). Occupancy was 11.6% (compared with 97.2% reported in the prior-year quarter). Meanwhile, revenue per available room (RevPAR) came in at \$26 (down 90.2%, year over year).

Wynn Macau Operations

During the third quarter, Wynn Macau revenues were down 89.2% year over year to \$51.4 million. The downside was due to a decline in casino, rooms, food and beverage, and entertainment, retail and other revenues.

Notably, casino revenues in the reported quarter plunged 93.4% to \$27.2 million. Rooms; food and beverage; and entertainment, retail and other revenues declined 81.5%, 71.4% and 28.6%, to \$4.9 million, \$5.6 and \$13.7 million, respectively.

Table games turnover at the VIP segment declined 93.8% to \$498.5 million. However, the VIP table games win rate (based on turnover) was 3.95%, higher than expected range of 2.7% to 3.0%. It was also higher than 2.76% reported in the prior-year quarter.

Table drop at the mass market segment was \$133 million, down 89.9% year over year. Table games win in the mass market category was \$24.9 million, down 90.9%.

Notably, ADR was \$291 (up 2.8%, year over year). Meanwhile, occupancy was 16.6% compared with 99.4% in the prior-year quarter. RevPAR was \$48, down 82.9%, year over year.

Las Vegas Operations

During the third quarter, revenues from Las Vegas operations were down 53.3% year over year to \$186.7 million due to weak occupancy levels.

Casino and food and beverage revenues plunged 24.5% and 63.2% to \$65.7 million and \$55 million, respectively. Rooms and entertainment, retail and other revenues also decreased 61.3% and 55.1% to \$45 million and \$21 million, respectively.

Further, table games drop fell 24.6% to \$324.9 million. Meanwhile, table games win witnessed a decline of 23.5% year over year to \$65.6 million. During the third quarter, table games win percentage of 20.2% was below the projected range of 22-26% but above 19.9% reported in the prior year quarter.

During the reported quarter, RevPAR declined 61% year over year to \$105. Occupancy rate was 39.2%, down from 87.9% from the prior-year period. ADR was \$269, down 12.1% year over year.

Encore Boston Harbor

Encore Boston Harbor closed all operations on Mar 15 for remainder of the first quarter and second-quarter 2020. On Jul 10, Encore Boston Harbor reopened operations. Adjusted property EBITDA from Encore Boston Harbor for third-quarter 2020 was \$26 million.

Operating Performance

During the third quarter, adjusted property earnings before interests, taxes, depreciation and amortization (EBITDA) was (\$65.9) million. In the prior-year quarter, the company had reported adjusted property EBITDA of \$396.9 million.

In the quarter under review, adjusted property EBITDA from Macau totaled (\$112.1) million against \$301.2 million reported in the prior-year

Quarter Ending	09/2020
Report Date	Nov 05, 2020
Sales Surprise	-19.48%
EPS Surprise	-112.05%
Quarterly EPS	-7.04
Annual EPS (TTM)	-17.34

quarter. Adjusted property EBITDA from Las Vegas operations was \$20.3 million, compared with \$88.0 million in the prior-year quarter.

Cash Position

As of Sep 30, 2020, Wynn Resorts' cash and cash equivalents totaled \$3.55 billion.

Outstanding debt at the end of the third quarter amounted to \$12.79 billion, including \$3.12 billion of Wynn Las Vegas related debt, \$5.96 billion of Macau debt, \$3.10 billion of Wynn Resorts Finance debt, and \$612.2 million of debt held by the retail joint venture, which the company consolidated.

Valuation

Wynn Resorts shares are down 30.4% year-to-date and 20% in the trailing 12-month period. Stocks in the Zacks sub-industry is down by 9.9%, but Zacks Consumer Discretionary sector is up by 2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry was down by 2.1%, while the sector was up by 8.2%.

The S&P 500 index is up 10.4% in the year-to-date period and 15.1% in the past year.

The stock is currently trading at 3.2X forward 12-month sales, which compares to 3.45X for the Zacks sub-industry, 2.46X for the Zacks sector and 4.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 3.15X and as low as 0.71X, with a 5-year median of 1.94X. Our Underperform recommendation indicates that the stock will perform worse-than the market. Our \$85 price target reflects 1.93X trailing 12-month sales.

The table below shows summary valuation data for WYNN.

Valuation Multiples - WYNN					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	2.2	3.45	2.46	4.15
	5-Year High	3.15	3.45	2.9	4.3
	5-Year Low	0.71	1.62	1.7	3.17
	5-Year Median	1.94	2.53	2.48	3.67
EV/EBITDA TTM	Current	216.07	40.79	11.75	15.67
	5-Year High	222.68	40.8	17.88	15.7
	5-Year Low	8.45	7.26	8.28	9.52
	5-Year Median	17.16	13.35	12.26	13.1
P/B TTM	Current	38	3.55	3.26	6.26
	5-Year High	NA	4.99	4.93	6.28
	5-Year Low	NA	1.91	2.22	3.74
	5-Year Median	38.02	3.8	4.21	4.9

As of 11/10/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 23% (192 out of 249)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Boyd Gaming Corporation (BYD)	Outperform	2
Churchill Downs, Incorporated (CHDN)	Neutral	4
Century Casinos, Inc. (CNTY)	Neutral	3
Caesars Entertainment, Inc. (CZR)	Neutral	4
MGM Resorts International (MGM)	Neutral	3
Melco ResortsEntertainment Limited (MLCO)	Neutral	4
Penn National Gaming, Inc. (PENN)	Neutral	3
Las Vegas Sands Corp. (LVS)	Underperform	4

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Gaming				Industry Peers		
	WYNN	X Industry	S&P 500	LVS	MGM	MLCO
Zacks Recommendation (Long Term)	Underperform	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	4	3	4
VGM Score	F	-	-	F	F	F
Market Cap	10.43 B	2.08 B	24.97 B	44.74 B	12.24 B	8.32 B
# of Analysts	4	3	14	5	2	1
Dividend Yield	0.00%	0.00%	1.53%	0.00%	0.04%	0.90%
Value Score	D	-	-	D	B	F
Cash/Price	0.44	0.19	0.07	0.06	0.42	0.26
EV/EBITDA	12.33	11.96	14.44	10.08	3.78	8.71
PEG F1	NA	1.00	2.72	NA	NA	NA
P/B	NA	3.39	3.57	11.65	1.05	4.04
P/CF	11.12	11.12	13.50	11.97	7.38	7.97
P/E F1	NA	31.42	21.72	NA	NA	NA
P/S TTM	3.40	2.66	2.81	7.49	1.79	3.14
Earnings Yield	-19.77%	-3.45%	4.45%	-3.45%	-7.95%	-14.53%
Debt/Equity	-22.98	0.69	0.70	3.60	0.98	2.75
Cash Flow (\$/share)	8.69	0.69	6.92	4.89	3.36	2.27
Growth Score	F	-	-	F	F	D
Historical EPS Growth (3-5 Years)	9.72%	-3.33%	9.77%	-3.92%	-8.35%	34.21%
Projected EPS Growth (F1/F0)	-831.99%	-110.47%	0.37%	-162.09%	-150.64%	-380.68%
Current Cash Flow Growth	-27.48%	-1.25%	5.34%	-0.77%	-1.74%	9.54%
Historical Cash Flow Growth (3-5 Years)	-3.64%	9.19%	8.33%	-1.30%	9.93%	0.60%
Current Ratio	2.29	1.70	1.38	1.31	2.24	1.69
Debt/Capital	97.85%	56.40%	42.01%	78.28%	49.50%	73.33%
Net Margin	-61.07%	-12.67%	10.44%	-12.67%	20.81%	-37.56%
Return on Equity	-327.32%	-9.17%	15.07%	-12.97%	-12.08%	-45.84%
Sales/Assets	0.21	0.35	0.50	0.27	0.19	0.38
Projected Sales Growth (F1/F0)	-67.76%	0.00%	0.17%	-72.41%	-59.12%	-64.48%
Momentum Score	F	-	-	D	F	D
Daily Price Change	-5.46%	-0.12%	1.02%	1.21%	-2.06%	-4.18%
1-Week Price Change	10.55%	5.06%	5.72%	10.24%	7.05%	0.50%
4-Week Price Change	34.74%	3.97%	5.06%	30.71%	18.17%	20.51%
12-Week Price Change	18.41%	3.45%	8.35%	22.81%	18.28%	-5.88%
52-Week Price Change	-19.94%	-1.07%	6.36%	-6.26%	-20.04%	-16.01%
20-Day Average Volume (Shares)	4,319,705	174,832	2,145,320	6,556,281	10,862,724	3,444,593
EPS F1 Estimate 1-Week Change	-27.40%	0.00%	0.00%	0.00%	0.00%	-1.50%
EPS F1 Estimate 4-Week Change	-32.69%	0.00%	1.97%	-27.94%	-3.40%	-1.50%
EPS F1 Estimate 12-Week Change	-42.56%	0.00%	4.17%	-36.21%	-14.21%	-90.40%
EPS Q1 Estimate Monthly Change	-55.22%	5.00%	0.81%	-386.72%	-12.32%	-23.81%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	F
Momentum Score	F
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.