



Position Close Update: Zions Bancorp (ZION)

Zions Bancorp (ZION: \$42/share) – Closing Short Position – up 159% vs. S&P up 130%

Zions Bancorp (ZION) was originally selected as a [Danger Zone Idea on 12/6/11](#). At the time of the initial report, the stock received a Very Unattractive [rating](#). Our short thesis noted the firm's low return on invested capital ([ROIC](#)) and high growth expectations implied by its valuation.

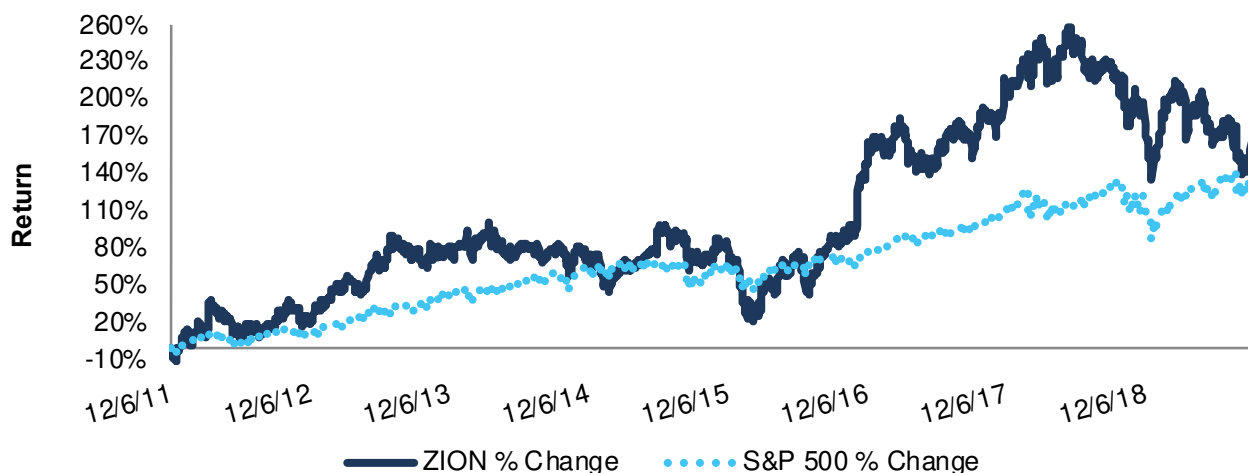
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During the nearly 8-year holding period, ZION underperformed as a short position, gaining 159% compared to a 130% gain for the S&P 500.

ZION has steadily improved its ROIC from -3% when we wrote our article, to 8% TTM. We also [updated](#) our weighted average cost of capital ([WACC](#)) calculation, which reduced ZION's WACC and lowered the growth expectations implied by its valuation. These factors, combined with a 17% decline in the stock price over the past year, means ZION now trades a more reasonable level. Given the improved fundamentals and valuation, we are closing this short position.

Figure 1: ZION vs. S&P 500 – Price Return – Unsuccessful Short Call

ZION Performance During Holding Period



Sources: New Constructs, LLC and company filings

Note: Gain/Dcline performance analysis excludes transaction costs and dividends.

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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