

AmerisourceBergen (ABC)

\$98.66 (As of 06/02/20)

Price Target (6-12 Months): **\$103.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/25/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: B

Summary

AmerisourceBergen exited the fiscal second quarter on a strong note, wherein both earnings and revenues beat the consensus mark. The company continues to gain from Pharmaceutical segment and World Courier business, which have been generating substantial amount in profits for quite some time. Its specialty distribution business also continues to contribute significantly to the top line. In fiscal second quarter, the company announced it is going to continue its strategic relationship with American Oncology Network, LLC. Over the past year, AmerisourceBergen outperformed the industry. However, the company is facing headwinds like conversion of branded drugs and lower price generics. Cut-throat competition in the MedTech space and economic stagnation amid coronavirus outbreak add to woes.

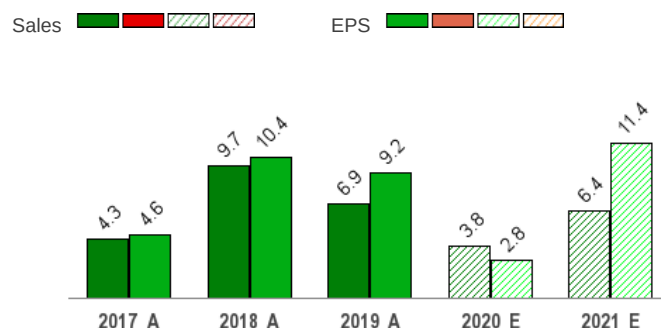
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$99.93 - \$72.06
20 Day Average Volume (sh)	1,304,336
Market Cap	\$20.1 B
YTD Price Change	16.0%
Beta	0.62
Dividend / Div Yld	\$1.68 / 1.7%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Bottom 24% (192 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.3%
Last Sales Surprise	3.2%
EPS F1 Est- 4 week change	2.2%
Expected Report Date	08/06/2020
Earnings ESP	4.2%
P/E TTM	13.1
P/E F1	13.5
PEG F1	1.8
P/S TTM	0.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	50,286 E	48,808 E	48,960 E	49,950 E	198,270 E
2020	47,865 A	47,418 A	44,431 E	46,905 E	186,349 E
2019	45,392 A	43,320 A	45,239 A	45,638 A	179,589 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.84 E	\$2.47 E	\$1.89 E	\$1.83 E	\$8.12 E
2020	\$1.76 A	\$2.40 A	\$1.50 E	\$1.60 E	\$7.29 E
2019	\$1.60 A	\$2.11 A	\$1.76 A	\$1.61 A	\$7.09 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/02/2020. The reports text is as of 06/03/2020.

Overview

Chesterbrook, PA-based AmerisourceBergen is one of the world's largest pharmaceutical services companies, which focuses on providing drug distribution and related services to reduce health care costs and improve patient outcomes.

The company reports through two segments – Pharmaceutical Distribution and Other. The **Pharmaceutical Distribution business** includes the operations of AmerisourceBergen Drug Corporation (ABDC) and AmerisourceBergen Specialty Group (ABSG). The segment services healthcare providers in the pharmaceutical supply channel. The ABSG division provides pharmaceutical distribution and other services mainly to physicians, who specialize in a variety of diseases, especially oncology, and to other health care providers, including dialysis clinics. The ABDC division is involved in the distribution of branded pharma drugs and generic drugs, over-the-counter healthcare products, home healthcare supplies and equipment and related services to a range of healthcare providers.

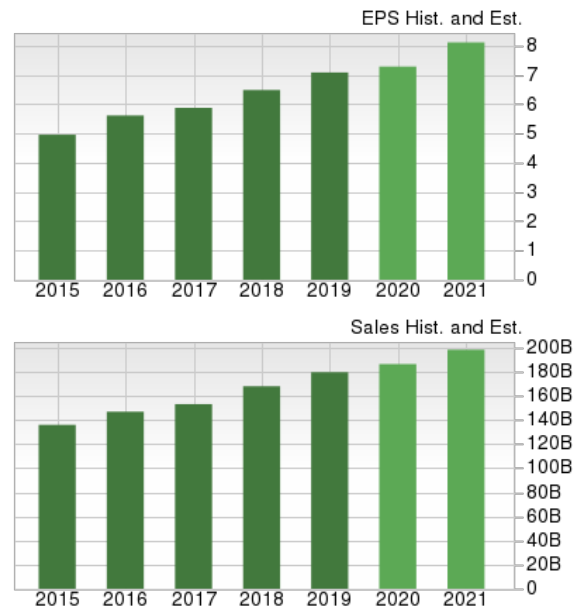
The “**Other**” segment consists of AmerisourceBergen Consulting Services (ABCS), World Courier and MWI Veterinary Supply. The ABCS business provides commercialization support services to pharmaceutical and biotech manufacturers.

Key Acquisitions & Divestitures

In Jan 2018, AmerisourceBergen declared that it has completed the acquisition of H.D. Smith, the largest independent wholesaler in the United States, for \$815 million in cash. The deal was initiated back in Nov 2017. The acquisition is expected to be slightly accretive to adjusted earnings per share in fiscal year 2018. Furthermore, the deal is expected to return 15 cents to adjusted earnings per share in fiscal year 2020. It is designed to strengthen the company's support to community pharmacy and drive long-term, durable value.

FY19 at a Glance

The company's fiscal year ends on Sep 30. Total revenue in fiscal 2019 came in at \$179.56 billion. The Pharmaceutical Distribution Services contributed to 96.2% of net revenues in fiscal 2019. The other segment accounted for 3.8% of net revenues.



Reasons To Buy:

- ▲ **Shares Up:** Over the past year, shares of AmerisourceBergen have gained 20% against the industry's decline of 8.5%. Robust fiscal 2020 outlook, solid organic revenue growth, strong performing World Courier unit and Specialty distribution business continues to drive the company's performance.
- ▲ **Stable Fiscal 2020 Guidance:** AmerisourceBergen has updated fiscal year 2020 outlook, reflecting its sustained strong performance, prudent share buybacks in the quarter under review and potential impact of COVID-19 in the second half of the fiscal year.

The company should benefit from continued solid organic revenue growth, World Courier unit and Specialty distribution business.

Adjusted EPS is now estimated in the range of \$7.35-\$7.65 (down from the previously guided range of \$7.55-\$7.80). The Zacks Consensus Estimate is currently pegged at \$7.30.

The company estimates revenue growth in the low-to-mid-single digit percent range (down from the previously guided range of mid-to-high-single digit percent range).

Adjusted operating income is now projected to grow in the low-to-mid-single digit percent range (widening from the previously guided mid-single-digit percent range).

Adjusted operating expenses is projected to increase in the low-single digit percent range (down from the previously guided mid-single digit percent range).

Operating income at Pharmaceutical Distribution Services segment is now anticipated to improve in the low-to-mid-single digit percent range (widened from the mid-single digit percent range).

Further, the company now anticipates weighted average diluted shares to range between 206 million and 207 million (down from the prior estimate of 208 million).

Nonetheless, the company has reaffirmed all the other previously communicated aspects of fiscal 2020 guidance and assumptions, which are as follows:

For the Other segment, the metric is estimated to grow in the high-single digit percent range.

Adjusted free cash flow is estimated to be around \$1.5 billion.

The company anticipates adjusted effective tax rate in the range of 21-22%.

- ▲ **World Courier Business Holds Ground:** World Courier, a global leader in specialty logistics and a part of AmerisourceBergen, designs and executes world-class logistics processes. Per management, its position as the leader in global specialty logistics services drove compelling volume growth and overall performance for the company. The company also announced its designation as the first logistics company to obtain global Good Distribution Practices, or GDP, certification against three major GDP standards and the only provider to hold a GDP certification with such wide and global scope.

The business has been delivering robust results in recent times and the fiscal second quarter was not an exception. World Courier's robust business fundamentals position it for another year of strong growth.

Going forward, World Courier will continue to design and deploy patient-centric and forward-thinking transport services in new areas like in-home clinical trials, making treatments in patients' home possible in virtually every therapeutic area.

- ▲ **Pharmaceutical Distribution in Focus:** Pharmaceutical Distribution serves healthcare providers in the pharmaceutical supply channel. AmerisourceBergen has been witnessing strong revenue growth in this unit in the last couple of quarters. The segment rides on increasing volume and an expanding customer base. Strong organic growth rates in the U.S. pharmaceutical market, improving patient access to medical care, improved economic conditions and population demographics should benefit the segment in the quarters to come. In fiscal second-quarter 2020, revenues at this segment totaled \$45.56 billion, reflecting an improvement of 9.3% on a year-over-year basis. Consistent robust specialty product sales and increase in volume related to growth of some of its largest customers and overall market growth contributed to the improvement. Segmental operating income was \$563.1 million, up 8.9% year over year. Increase in gross profit drove the upside.

- ▲ **Other Segment to Drive Growth:** This segment includes AmerisourceBergen Consulting Services (ABCS), World Courier and MWI Veterinary Supply. In second-quarter fiscal 2020, revenues at this segment came in at \$1.88 billion, up 12.7% year over year. This upside was driven by growth across all three operating segments — MWI, ABCS and World Courier.

Operating income in the segment was \$108.3 million in the quarter, up 8.4% year over year primarily on the back of the performance of MWI and ABCS.

- ▲ **Operational Efficiencies:** In the last two years alone, AmerisourceBergen invested more than \$1 billion in capital expenditures to create operational efficiencies, leverage scale and provide best-in-class customer service. The company is now well positioned to realize long-term benefits from. Further, the recent U.S. tax legislation enhances the company's ability to invest in business, to innovate and to deliver value to its shareholders. Over the long-term, this enables AmerisourceBergen to grow the U.S. business. Recently, the company made strategic investments in IT systems, positioning AmerisourceBergen to realize greater operational efficiency and increased operating leverage.

- ▲ **Generics & New Product Launches to Drive Growth:** AmerisourceBergen is expected to benefit from generics growth in the long run. AmerisourceBergen is well-positioned to help ensure products get to market as efficiently as possible. Strong organic growth rates in the U.S.

pharmaceutical market, improving patient access to care, improved economic conditions and population demographics, introduction of new innovative drugs like hepatitis C drugs, and a continued good brand pricing environment should drive growth. Moreover, the company's focus on specialty drugs has boded well. As per the IMS, pharmaceutical sales are estimated to grow approximately 7.1% annually over a five-year period through 2020 primarily due to strong demand, favorable pricing and new product introductions.

- ▲ **Strategic Acquisitions:** AmerisourceBergen has been actively pursuing acquisitions to strengthen its core areas. In the recent past, the company announced that it acquired H.D. Smith, the largest independent wholesaler in the United States.

The MWI Veterinary acquisition has diversified the company's existing pharmaceutical distribution & services businesses into the attractive animal health market, which holds huge potential at the moment. MWI Veterinary Supply sells pharmaceuticals, vaccines, parasiticides, diagnostics, capital equipment, supplies, pet food and nutritional products. Organic growth, new innovative product introductions and market share gains continue to boost AmerisourceBergen's business. In fiscal first-quarter 2020, AmerisourceBergen's Other business unit was significantly driven by MWI apart from ABCS and World Courier.

- ▲ **Other Deals to Boost Business:** We are positive on the deals signed by AmerisourceBergen, which should boost its top line. By the end of first quarter of fiscal 2019, management at AmerisourceBergen announced that it partners with Good Neighbor Pharmacy Network, Walgreens and others on safe drug disposal programs. The company has already entered into a strategic agreement with Walgreen Boots Alliance. The agreement includes a 10-year pharmaceutical distribution contract with Walgreens Boot Alliance, under which the company will distribute branded and generic pharmaceutical products to Walgreens.

Moreover, the company announced that it has extended the term of its 10-year pharmaceutical distribution agreement with Walgreens Boot Alliance for three years. The contract will now expire in 2026.

Notably, the company entered into a long-term strategic relationship with OneOncology — a national partnership of community oncologists in the United States. Additionally, Innomar Strategies, the Canadian operations business unit of the company, added Chronically Simple to its digital solutions portfolio. Chronically Simple is a secure web-based service and mobile application that has been developed to meet the complex needs of patients with chronic illnesses and ongoing health challenges.

UPS announced its drone logistics partnership with AmerisourceBergen. The collaboration will deploy the UPS Flight Forward drone airline to transport certain pharmaceuticals, supplies and records to qualifying medical campuses, which are served by AmerisourceBergen throughout the United States, and then extend its use to other sites of care. This partnership is likely to provide flexibility in meeting patient needs with emerging technology, which in turn will boost supply chain efficiencies in unique and innovative ways.

- ▲ **Stable Liquidity Position:** AmerisourceBergen exited second-quarter fiscal 2020 with cash and cash equivalents amounting to \$3.69 billion, up from \$3.37 billion sequentially. Meanwhile, the company's long-term debt came up to \$3.62 billion in the fiscal first quarter, noticeably down from \$4.03 billion sequentially. Meanwhile, we can see that the current debt level of \$522.8 million in the quarter is higher than \$139 million from the previous quarter. However, we can see that both the long-term debt and current debt levels are lower than the corresponding cash and cash equivalent level and this is favorable in terms of the company's solvency level as, at least during the year of economic downturn, the company is holding sufficient cash for debt repayment.

Further, in the fiscal second quarter, the total debt-to-capital came in at 52.8%, which stands at a pretty high level right now. But it represented a sequential drop from 57.6%, thereby indicating healthier financial structure.

Reasons To Sell:

- ▼ **Problems in PharMEDium Unit:** In late January 2020 AmerisourceBergen decided to exit the PharMEDium compounding business and, consequently, the company will cease all commercial and administrative operations related to this business. Given the decision to exit this business, the company anticipates to claim an ordinary income tax deduction and estimates that it will realize a cash tax benefit in fiscal 2020 through fiscal 2022 totaling around \$500-\$600 million. Per the fiscal second-quarter 2020 earnings call, the quarter benefited from the removal of PharMEDium from the company's adjusted results after the decision to permanently exit the business in January this year.
- ▼ **Generic Deflation:** Generic deflation has been higher than historic norms for several quarters for AmerisourceBergen, creating a headwind for the business. Generic deflation is still mid to high single-digits for the company.
- The company has been impacted by several factors, including accelerated deflation of generic drugs and a lower contribution from generic launches. These trends have intensified the effect of a shift in product mix toward lower-margin, higher-priced specialty and branded drugs, as well as the lack of generic inflation.
- ▼ **Competitive Industry:** AmerisourceBergen operates in a highly competitive pharmaceutical distribution and related health care services market. The company's primary competitors include Cardinal Health, McKesson along with national generic distributors and regional distributors. The generic industry is facing consolidation of customers and manufacturers, globalization and increasing quality and regulatory challenges. The company faces additional competition from manufacturers, chain drugstores, specialty distributors and packaging and health care technology companies. Meanwhile, ABSG is facing competition from the likes of McKesson, Cardinal Health, FFF Enterprises, Henry Schein and UPS Logistics. Increased competition will impact the company's business.
- ▼ **Contract Renewals a Headwind:** The company's largest customer – Walgreens accounted for a significant proportion of total revenue. The loss of any major customer will adversely impact the top line. However, since early fiscal 2018, AmerisourceBergen had no major contract renewals on the horizon. As of now, the company is seeing competitive stability across the industry.

Headwinds include MWI slowdown and cutthroat competition in the Medtech space.

Last Earnings Report

AmerisourceBergen Q1 Earnings & Revenues Top Estimates

AmerisourceBergen Corporation reported second-quarter fiscal 2020 adjusted earnings per share of \$2.40 surpassing the Zacks Consensus Estimate of \$2.28 by 5.3%. The bottom line also improved 13.7% year over year.

The better-than-expected bottom-line performance can be attributed to increase in adjusted operating income and lower share count.

Revenues improved 9.5% to \$47.42 billion in the reported quarter. Further, the top line outpaced the Zacks Consensus Estimate by 3.2%.

Quarter Ending 03/2020

Report Date	May 07, 2020
Sales Surprise	3.23%
EPS Surprise	5.26%
Quarterly EPS	2.40
Annual EPS (TTM)	7.53

Segmental Analysis

Pharmaceutical Distribution Segment

Revenues at this segment totaled \$45.56 billion, improving 9.3% on a year-over-year basis. Consistent robust specialty product sales and increase in volume related to growth of some of its largest customers and overall market growth contributed to the improvement.

Segmental operating income was \$563.1 million, up 8.9% year over year. Increase in gross profit drove the upside.

Other Segment

This segment includes AmerisourceBergen Consulting Services (ABCS), World Courier and MWI Veterinary Supply.

Revenues at this segment came in at \$1.88 billion, up 12.7% year over year. This upside was driven by growth across all three operating segments —MWI, ABCS and World Courier.

Operating income in the segment was \$108.3 million in the quarter, up 8.4% year over year primarily on the back of the performance of MWI and ABCS.

Margin Analysis

In the quarter under review, AmerisourceBergen reported adjusted gross profit of \$1.42 billion, up 7.5% on a year-over-year basis. As a percentage of revenues, adjusted gross margin was 2.9% in the quarter, down 5 bps from the year-ago quarter.

The company reported adjusted operating income of \$671.7 million, up 8.9% year over year. As a percentage of revenues, adjusted operating margin was 1.4% in the quarter, which remained flat from the prior-year quarter.

Fiscal 2020 Guidance Updated

AmerisourceBergen has updated fiscal year 2020 outlook, reflecting its sustained strong performance, prudent share buybacks in the quarter under review and potential impact of COVID-19 in the second half of the fiscal year.

Adjusted EPS is now estimated in the range of \$7.35-\$7.65 (down from the previously guided range of \$7.55-\$7.80). The Zacks Consensus Estimate is currently pegged at \$7.30.

The company estimates revenue growth in the low-to-mid-single digit percent range (down from the previously guided range of mid-to-high-single digit percent range).

Adjusted operating income is now projected to grow in the low-to-mid-single digit percent range (widened from the previously guided mid-single-digit percent range).

Adjusted operating expenses is projected to increase in the low-single digit percent range (down from the previously guided mid-single digit percent range).

Operating income at Pharmaceutical Distribution Services segment is now anticipated to improve in the low-to-mid-single digit percent range (widened from the mid-single digit percent range).

Further, the company now anticipates weighted average diluted shares to range between 206 million and 207 million (down from the prior estimate of 208 million).

Nonetheless, the company has reaffirmed all the other previously communicated aspects of its fiscal 2020 guidance and assumptions, which are as follows:

For the Other segment the metric is estimated to grow in the high-single digit percent range.

Adjusted free cash flow is estimated to be around \$1.5 billion.

The company anticipates adjusted effective tax rate in the range of 21-22%.

Valuation

AmerisourceBergen shares are up 16.1% and 20% in the year-to-date period and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Medical Market are down 0.5% and 1.1% in the year-to-date period, respectively. Over the past year, stocks in the Zacks sub-industry are down 8.5% while that in the sector are up 4.4%.

The S&P 500 index is down 5.1% in the year-to-date period while up 9.1% in the past year.

The stock is currently trading at 12.6X Forward 12-months earnings, which compares to 19.1X for the Zacks sub-industry, 23.1X for the Zacks sector and 22.1X for the S&P 500 index.

Over the past five years, the stock has traded as high as 21.3X and as low as 9.3X, with a 5-year median of 13.2X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$104 price target reflects 13.2X forward 12-months earnings.

The table below shows summary valuation data for ABC.

Valuation Multiples - ABC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.57	19.08	23.13	22.11
	5-Year High	21.28	19.08	23.13	22.11
	5-Year Low	9.32	13.70	15.92	15.23
	5-Year Median	13.19	16.55	18.95	17.49
P/S F12M	Current	0.10	0.34	2.78	3.44
	5-Year High	0.18	0.36	3.75	3.44
	5-Year Low	0.08	0.23	2.21	2.53
	5-Year Median	0.11	0.28	2.92	3.02
P/B TTM	Current	5.42	4.43	4.23	4.18
	5-Year High	35.25	4.72	5.07	4.56
	5-Year Low	4.46	2.53	2.93	2.83
	5-Year Median	7.28	3.45	4.29	3.66

As of 06/02/2020

Industry Analysis Zacks Industry Rank: Bottom 24% (192 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Cardinal Health, Inc. (CAH)	Neutral	3
Herbalife LTD. (HLF)	Neutral	4
Henry Schein, Inc. (HSIC)	Neutral	3
McKesson Corporation (MCK)	Neutral	4
Nu Skin Enterprises, Inc. (NUS)	Neutral	2
OwensMinor, Inc. (OMI)	Neutral	2
PetIQ, Inc. (PETQ)	Neutral	3
Thermo Fisher Scientific Inc. (TMO)	Neutral	3

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	ABC	X Industry	S&P 500	CAH	HSIC	MCK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	A	-	-	A	B	A
Market Cap	20.07 B	1.98 B	22.11 B	16.28 B	9.03 B	28.87 B
# of Analysts	7	5	14	8	9	9
Dividend Yield	1.70%	0.00%	1.93%	3.45%	0.00%	1.00%
Value Score	A	-	-	A	B	A
Cash/Price	0.19	0.06	0.06	0.15	0.07	0.14
EV/EBITDA	12.33	13.65	12.69	6.80	10.30	13.39
PEG Ratio	1.80	3.80	2.98	2.45	4.82	1.90
Price/Book (P/B)	5.41	4.46	3.07	13.49	2.50	5.44
Price/Cash Flow (P/CF)	10.20	15.37	11.86	6.42	13.09	7.64
P/E (F1)	13.64	29.71	21.79	10.66	29.71	11.50
Price/Sales (P/S)	0.11	2.24	2.29	0.11	0.90	0.12
Earnings Yield	7.39%	2.46%	4.39%	9.38%	3.37%	8.70%
Debt/Equity	0.98	0.31	0.76	5.60	0.29	1.51
Cash Flow (\$/share)	9.67	1.35	7.01	8.69	4.83	21.35
Growth Score	A	-	-	A	B	A
Hist. EPS Growth (3-5 yrs)	8.82%	10.40%	10.87%	2.16%	6.46%	4.28%
Proj. EPS Growth (F1/F0)	2.86%	-3.33%	-10.74%	-0.92%	-39.38%	-5.04%
Curr. Cash Flow Growth	-0.05%	3.15%	5.48%	-0.80%	-9.03%	-33.76%
Hist. Cash Flow Growth (3-5 yrs)	12.37%	12.23%	8.55%	7.74%	2.76%	-0.50%
Current Ratio	0.97	1.60	1.29	1.05	1.64	0.99
Debt/Capital	49.44%	26.51%	44.75%	84.85%	26.51%	63.90%
Net Margin	0.85%	2.12%	10.59%	-2.71%	7.11%	0.39%
Return on Equity	48.85%	15.11%	16.29%	69.23%	15.19%	41.07%
Sales/Assets	4.66	1.07	0.55	3.78	1.39	3.81
Proj. Sales Growth (F1/F0)	3.76%	0.00%	-2.67%	4.96%	-16.91%	1.32%
Momentum Score	B	-	-	B	D	D
Daily Price Chg	3.69%	0.57%	0.99%	1.96%	3.42%	2.67%
1 Week Price Chg	2.36%	0.26%	4.60%	2.05%	7.07%	6.19%
4 Week Price Chg	12.15%	10.51%	9.15%	17.53%	17.73%	22.19%
12 Week Price Chg	14.63%	1.88%	4.65%	12.19%	9.24%	18.25%
52 Week Price Chg	20.01%	-1.38%	-0.30%	26.89%	-4.80%	27.93%
20 Day Average Volume	1,304,336	414,695	2,486,038	2,486,038	1,699,854	1,657,580
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	2.15%	-0.80%	-0.33%	2.27%	-14.89%	-4.88%
(F1) EPS Est 12 week change	-3.12%	-19.77%	-16.13%	-1.15%	-42.51%	-9.34%
(Q1) EPS Est Mthly Chg	-5.60%	-11.30%	-0.55%	-2.83%	-145.87%	-27.91%

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 have an excellent 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	A
Growth Score	A
Momentum Score	B
VGM Score	A

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.