

## American Eagle (AEO)

**\$11.33** (As of 08/18/20)

Price Target (6-12 Months): **\$12.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 04/27/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**4-Sell**

Zacks Style Scores:

VGM:D

Value: C

Growth: F

Momentum: C

### Summary

Shares of American Eagle have risen in the past three months. The stock received a boost after it started reopening stores. Further, the company witnessed strong digital demand, which provided cushion to the top line in first-quarter fiscal 2020. Also, the Aerie brand marked the 22nd straight quarter of double-digit comps growth. However, it reported drab first-quarter fiscal 2020 results mainly on extended store closures due to the coronavirus outbreak and aggressive inventory liquidation efforts. As part of inventory liquidation efforts, it cleared excessive inventory through the AE spring and summer merchandise program. This resulted in increased markdowns and promotions that weighed on its margins and bottom line. Moreover, management has withdrawn its fiscal 2020 view due to the unprecedented COVID-19 impacts.

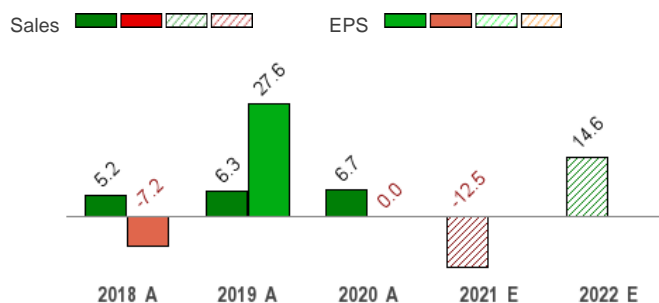
### Price, Consensus & Surprise



### Data Overview

|                            |  |
|----------------------------|--|
| 52 Week High-Low           | \$18.01 - \$6.54                           |
| 20 Day Average Volume (sh) | 6,852,098                                  |
| Market Cap                 | \$1.9 B                                    |
| YTD Price Change           | -22.9%                                     |
| Beta                       | 1.14                                       |
| Dividend / Div Yld         | \$0.00 / 0.0%                              |
| Industry                   | <a href="#">Retail - Apparel and Shoes</a> |
| Zacks Industry Rank        | Bottom 7% (235 out of 252)                 |

### Sales and EPS Growth Rates (Y/Y %)



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | -250.0%    |
| Last Sales Surprise       | -15.3%     |
| EPS F1 Est- 4 week change | -18.1%     |
| Expected Report Date      | 09/02/2020 |
| Earnings ESP              | 17.0%      |

### Sales Estimates (millions of \$)

|      | Q1    | Q2      | Q3      | Q4      | Annual* |
|------|-------|---------|---------|---------|---------|
| 2022 | 673 E | 864 E   | 1,016 E | 1,324 E | 4,319 E |
| 2021 | 552 A | 834 E   | 1,053 E | 1,320 E | 3,769 E |
| 2020 | 886 A | 1,041 A | 1,066 A | 1,315 A | 4,308 A |

### EPS Estimates

|      | Q1        | Q2        | Q3       | Q4       | Annual*   |
|------|-----------|-----------|----------|----------|-----------|
| 2022 | -\$0.08 E | -\$0.01 E | \$0.31 E | \$0.29 E | \$1.03 E  |
| 2021 | -\$0.84 A | -\$0.14 E | \$0.36 E | \$0.33 E | -\$0.32 E |
| 2020 | \$0.24 A  | \$0.39 A  | \$0.48 A | \$0.37 A | \$1.48 A  |

\*Quarterly figures may not add up to annual.

|         |      |
|---------|------|
| P/E TTM | 28.3 |
| P/E F1  | NA   |
| PEG F1  | NA   |
| P/S TTM | 0.5  |

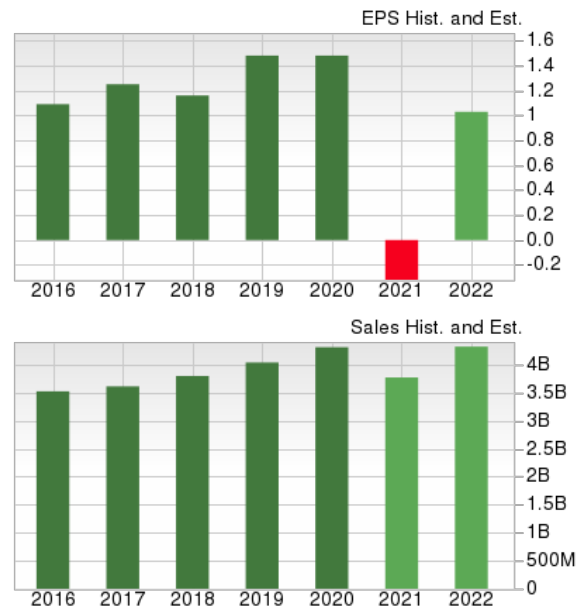
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/18/2020. The reports text is as of 08/19/2020.

## Overview

Based in Pittsburgh, PA, American Eagle Outfitters Inc. is a specialty retailer of casual apparel, accessories and footwear for men and women aged 15–25 years. American Eagle, along with its subsidiaries, engages in the designing and marketing of casual clothing. The company's assortment includes jeans, cargo pants, graphic T-shirts as well as a range of accessories, outerwear and footwear.

American Eagle currently operates under the American Eagle (AE) Brand, Aerie by American Eagle and an online retailing channel – AEO Direct.

- **AE Brand:** Under this brand, the company sells latest fashion apparel and accessories for men and women in the age group of 15–25 years, including sweaters, graphic T-shirts, fleece, outerwear and accessories.
- **Aerie by American Eagle:** Launched in 2006, Aerie is a lifestyle brand providing simple and stylish apparel, especially for young girls. The company sells apparel through its standalone Aerie stores across the United States and Canada, and globally through its online channel, aerie.com.
- **AEO Direct:** AEO Direct is American Eagle's online retailing channel, through which it sells a wide range of apparel and accessories from its different brands. The company merchandises its products through e-commerce websites, ae.com and aerie.com.



As of May 2, 2020, the company operated 1,093 stores, comprising 938 AE (including 175 Aerie side-by-side locations), 148 Aerie stand-alone, five Tailgate and two Todd Snyder stores. Additionally, it operated 215 international licensed outlets.



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## Reasons To Buy:

▲ **Store Reopening Efforts Boost Stock:** Shares of American Eagle gained 34% in the past three months compared with the industry's growth of 39.3%. The stock is benefiting from its efforts to reopen stores following temporary store closures due to the coronavirus outbreak. The company is on track with reopening stores, with safety protocols to protect both customers and employees. The measures include sanitization stations and masks for all customers. As of Jun 3, the company has reopened 556 stores. It notes that the reopened stores are performing ahead of expectations, which has helped the stores to be less promotional to move inventory. Notably, these stores are achieving nearly 95% of last year's sales productivity.

American Eagle's Aerie brand reported the 22nd straight quarter of double-digit comps growth in first-quarter fiscal 2020. Further, store reopening efforts appear encouraging.

▲ **Robust Online Demand Aid Digital Growth:** With the ongoing pandemic forcing in-store shoppers to shift to online shopping, American Eagle witnessed strong digital demand. Management is banking on further digital acceleration in the current scenario. In the fiscal first quarter, it ramped up e-commerce promotions and offered major discounts in a bid to increase customer engagement and boost sales. Also, the company tied up with social media influencers to attract more customers online. As a result, American Eagle's digital demand, as measured by ordered sales, was up 33% in the first quarter of fiscal 2020. After stores closed, demand accelerated to nearly 70% as new online customers more than doubled for both American Eagle and Aerie. This led to strong, consolidated digital sales growth of 9%, with a 75% increase for Aerie and 15% for AE.

▲ **Accelerating Aerie Growth:** Despite keeping the stores closed for almost seven weeks, American Eagle continues to witness spectacular growth for its Aerie brand. The Aerie brand witnessed double-digit growth in demand, driven by its unique brand platform. This marked the 22nd straight quarter (sixth year) of double-digit comps growth for the brand, reflecting a significant momentum in all areas of the business. Further, Aerie's new customer acquisitions across all channels increased at a double-digit rate, despite store closures. Meanwhile, the AE brand also witnessed strong digital demand and gained in key categories. Additionally, each brand gained from its previous store-only customers engaging online for the first time. Aerie has evolved into a lifestyle brand, and remains focused on expanding market share and rapidly growing customer base. After the success of its core intimates offerings, the brand is rapidly gaining share in the innovative apparel market with the body positivity movement. The Aerie brand is a key growth engine for American Eagle and remains on track to reach the next brand milestone of \$1 billion in sales.

▲ **Financial Flexibility:** Despite long-term debt (including operating lease liabilities) of \$1,946 million as of May 2, 2020 and debt-to-capitalization ratio of 0.70, which stands higher than the industry's ratio of 0.68, American Eagle looks quite stable from a liquidity stand point. The company's cash and short-term investments were \$886 million at the end of first-quarter fiscal 2020. This included drawings of \$330 million on its line of credit and \$406 million raised in convertible bonds. Further, in a bid to preserve liquidity, management adopted proactive measures in the fiscal first quarter, including expense reductions and furloughs as well as curtailment of inventory receipts. Additionally, it suspended share repurchases and deferred its first-quarter dividend until 2021. This dividend will be payable on Apr 23, 2021, to shareholders of record as of Apr 9, 2021. It also suspended the second-quarter cash dividend and anticipates no dividend payments throughout fiscal 2020. For fiscal 2020, the company also reduced capital expenditure plan to \$100-\$125 million, whereas it spent \$210 million in the prior year.

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## Reasons To Sell:

▼ **Soft Q1 Results:** American Eagle reported drab first-quarter fiscal 2020 results mainly on extended store closures due to the coronavirus outbreak and aggressive inventory liquidation efforts. Notably, adjusted loss of 84 cents per share in the fiscal first quarter was substantially wider than the Zacks Consensus Estimate of a loss of 24 cents. As part of its inventory liquidation efforts, the company cleared excessive inventory through the AE spring and summer merchandise program. This resulted in increased markdowns and promotions that weighed on its bottom line. Moreover, management chosen to withdraw its fiscal 2020 guidance owing to unprecedented COVID-19 impacts.

American Eagle's drab Q1 results were affected by extended store closures due to the coronavirus outbreak and aggressive inventory liquidation efforts. Also, it withdrew fiscal 2020 view.

▼ **Dismal Margin Trend, a Worry:** American Eagle has been witnessing weak gross margin for the past few quarters. In first-quarter fiscal 2020, gross profit of \$28 million marked a significant decline from \$325 million in the year-ago quarter. Furthermore, gross margin rate contracted significantly from 36.7% in the prior-year quarter to 5.1% in the fiscal first quarter. The decline in gross margin mainly stemmed from reduced store revenues, higher markdowns, aggressive promotions to clear through AE spring and summer goods, and \$60 million in inventory provisions. Prior to this, the metric contracted 360 bps in fourth-quarter fiscal 2019, following a contraction of 160 bps in the preceding quarter mainly due to higher markdowns. Moreover, the company reported an adjusted operating loss of \$203 million against an adjusted operating income of \$49 million in the year-ago quarter. Persistence of this trend may weigh on the company's bottom line in the near future.

▼ **High Dependence on Outside Suppliers:** American Eagle does not own or operate any manufacturing facility and therefore, depends on third-party manufacturers for all its merchandise. The company's operations may be adversely affected in case of any import disruptions, like manufacturers' failure to ship orders on time or meet the company's standards.

▼ **Macroeconomic Challenges & Seasonality of Business:** The apparel retail industry is consumer driven and hence, very sensitive to the health of the economy. Spending on apparel and accessories is heavily dependent on the personal disposable income of consumers. The current macroeconomic challenges such as high household debt and unemployment levels may restrain consumers from spending on these items. Further, the seasonal and cyclical nature of the company's business puts it at risk as failure to perform well during the peak season might hurt its annual performance.

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## Last Earnings Report

### American Eagle Posts Wider-Than-Expected Loss in Q1

American Eagle reported adjusted loss per share and a sales decline in first-quarter fiscal 2020 mainly on extended store closures due to the coronavirus outbreak and aggressive inventory liquidation efforts. However, the company benefited from increased customer engagement and strong digital demand. Also, its Aerie brand reflected immense strength despite store closures.

As part of its inventory liquidation efforts, the company cleared excessive inventory through the AE spring and summer merchandise program. This resulted in increased markdowns and promotions that weighed on its gross margin as well as the bottom line.

Nevertheless, the inventory clearance positions the Aerie and AE brands for new back-to-school collections in late July, followed by the fall season in late September. The company expects the inventory optimization initiatives currently in place to streamline assortments, provide greater alignment of inventory to sales plans and better utilize supply-chain strengths to chase product demand.

Highlighting the recovery path, it has begun re-opening stores, following safety protocols to protect both customers and employees. The measures include sanitization stations and masks for all customers. As of Jun 3, the company has re-opened 556 stores. It notes that the re-opened stores are performing ahead of expectations, which has helped the stores to be less promotional to move inventory. Notably, these stores are achieving nearly 95% of last year's sales productivity.

Further, the company notes that growth in the digital channel remains strong even as stores re-open. On a quarter-to-date basis, digital demand has increased more than 100% for Aerie, while it is up about 50% for the AE brand.

#### Q1 Details

Adjusted loss of 84 cents per share in the fiscal first quarter was substantially wider than the Zacks Consensus Estimate of a loss of 24 cents. Moreover, the figure compares unfavorably with adjusted earnings of 24 cents reported in the prior-year quarter.

Total revenues declined 38% year over year to \$552 million and missed the Zacks Consensus Estimate of \$652 million. The decline in the top line is mainly attributed to store closures for both brands due to the coronavirus outbreak. Meanwhile, the company witnessed robust digital demand, which partly cushioned the top line.

Brand-wise, revenues declined 45% for American Eagle (AE), while it fell 2% for Aerie. Digital demand, as measured by ordered sales, was up 33% in the quarter. After stores closed, demand accelerated to nearly 70% as new online customers more than doubled for both American Eagle and Aerie. This led to strong consolidated digital sales growth of 9%, with a 75% increase for Aerie and 15% growth for AE. Despite strong demand, digital sales were partly hurt by temporary delays in fulfillment, which led to higher-than-usual backlogs in distribution centers. However, the company managed to reduce backlogs from the peaks in mid-April.

Despite store closures for almost seven weeks, the Aerie brand witnessed double-digit growth in demand, driven by its unique brand platform. In fact, Aerie's new customer acquisitions across all channels increased at a double-digit rate despite store closures. However, AE witnessed pronounced impacts due to store closures in the fiscal first quarter as most of the brand's revenues come from stores. Meanwhile, the AE brand also witnessed strong digital demand and gained in key categories. Additionally, each brand gained from its previously store-only customers engaging online for the first time.

Gross profit of \$28 million in the reported quarter marked a significant decline from \$325 million in the year-ago quarter. Furthermore, gross margin rate contracted from 36.7% in the prior-year quarter to 5.1% in the fiscal first quarter. The decline in gross margin mainly stemmed from reduced store revenues, markdowns and promotions to clear through AE spring and summer goods, and \$60 million in inventory provisions. Moreover, the company's buying, occupancy and warehousing costs, as a percentage of revenues, witnessed significant pressures, owing to the sales decline.

SG&A expenses declined 18.6% to \$188 million, thanks to lower store operating expenses during closures. However, as a percentage of sales, SG&A increased 710 bps to 34.1%.

Despite the decline in SG&A expenses, the company reported an adjusted operating loss of \$203 million against an adjusted operating income of \$49 million in the year-ago quarter.

#### Other Financial Details

American Eagle ended the quarter with cash and short-term investments (liquidity) of \$886 million. This included drawings of \$330 million on its line of credit and \$406 million raised in convertible bonds. This ensured a liquidity of \$886 million at the end of the fiscal first quarter. Total shareholders' equity as of May 2, 2020, was \$997 million.

Moreover, the company spent \$34 million as capital expenditure in first-quarter fiscal 2020. It repurchased 1.7 million shares for \$20 million in early first-quarter fiscal 2020, prior to the coronavirus outbreak.

Coming to measures to preserve liquidity, the company adopted proactive measures early in the fiscal first quarter, including expense reductions and furloughs as well as curtailment of inventory receipts. Additionally, it suspended share repurchases and deferred its first-quarter dividend until 2021. This dividend will be payable Apr 23, 2021, to shareholders of record as of Apr 9, 2021. It also suspended the second-quarter cash dividend and anticipates no dividend payments throughout fiscal 2020.

For fiscal 2020, the company also reduced capital expenditure plan to \$100-\$125 million, whereas it spent \$210 million in the prior year.

Quarter Ending **04/2020**

| Report Date      | Jun 03, 2020 |
|------------------|--------------|
| Sales Surprise   | -15.32%      |
| EPS Surprise     | -250.00%     |
| Quarterly EPS    | -0.84        |
| Annual EPS (TTM) | 0.40         |

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**Store Update**

In first-quarter fiscal 2020, American Eagle inaugurated two AE stores and one Aerie stand-alone store, while closed 4 AE stores and one Aerie stand-alone outlet.

As of May 2, the company operated 1,093 stores, comprising 938 AE (including 175 Aerie side-by-side locations), 148 Aerie stand-alone, five Tailgate and two Todd Snyder stores. Additionally, it operated 215 international licensed outlets.

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## Recent News

### American Eagle Launches New Activewear Namely Offline – Jul 27, 2020

American Eagle's Aerie has launched a new activewear collection namely Offline. This is an expansion of Aerie's popular product line - Chill.Play.Move. Further, this new offering will be available at aerie.com and at two retail stores by the end of 2020.

### American Eagle Defers Dividend & More on Coronavirus Crisis – Apr 2, 2020

As part of the recent measures, American Eagle suspended its share repurchase program and also deferred its first-quarter fiscal 2020 dividend payment of 13.75 cents per share, which was to be paid on Apr 23. Further, it announced temporary furloughs of its store, field and corporate employees starting Apr 5, as the course of store closures remains uncertain. In other efforts, the company is looking to cut on its operating expenses by delaying promotions for employees, halting hiring and undertaking other cost-saving initiatives. It will also reduce inventory receipts during the period to match with the lower demand as stores remain closed. Further, the company will focus on reducing capital expenditure cross stores, IT and other projects. However, it expects to retain investments in digital and distribution centers to serve its online customers.

## Valuation

American Eagle shares are down 22.9% in the year-to-date period and nearly 28.4% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 19.7% but the Zacks Retail-Wholesale sector is up 31.5% in the year-to-date period. Over the past year, the Zacks sub-industry is down 7.5% but the sector is up 41.4%.

The S&P 500 index is up 5.2% in the year-to-date period and 17.1% in the past year.

The stock is currently trading at 26.76X forward 12-month earnings, which compares to 46.64X for the Zacks sub-industry, 34.34X for the Zacks sector and 22.91X for the S&P 500 index.

Over the past five years, the stock has traded as high as 60.54X and as low as 5.63X, with a 5-year median of 12.47X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$12 price target reflects 28.34X forward 12-month earnings.

The table below shows summary valuation data for AEO

| Valuation Multiples - AEO |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 26.76 | 46.64        | 34.34  | 22.91   |
|                           | 5-Year High   | 60.54 | 87.27        | 34.77  | 22.91   |
|                           | 5-Year Low    | 5.63  | 8.16         | 19.08  | 15.25   |
|                           | 5-Year Median | 12.47 | 14.22        | 23.47  | 17.58   |
| P/S F12M                  | Current       | 0.46  | 0.59         | 1.28   | 3.72    |
|                           | 5-Year High   | 1.26  | 1.09         | 1.28   | 3.72    |
|                           | 5-Year Low    | 0.25  | 0.32         | 0.82   | 2.53    |
|                           | 5-Year Median | 0.78  | 0.8          | 0.97   | 3.05    |
| EV/EBITDA TTM             | Current       | 17.79 | 12.41        | 20.64  | 12.83   |
|                           | 5-Year High   | 19.35 | 12.64        | 20.64  | 12.85   |
|                           | 5-Year Low    | 3.46  | 4.71         | 11.14  | 8.25    |
|                           | 5-Year Median | 6.24  | 6.63         | 12.95  | 10.91   |

As of 08/18/2020

## Industry Analysis Zacks Industry Rank: Bottom 7% (235 out of 252)



## Top Peers

| Company (Ticker)                   | Rec          | Rank |
|------------------------------------|--------------|------|
| AbercrombieFitch Company (ANF)     | Neutral      | 4    |
| Columbia Sportswear Company (COLM) | Neutral      | 3    |
| Foot Locker, Inc. (FL)             | Neutral      | 3    |
| The Gap, Inc. (GPS)                | Neutral      | 4    |
| L Brands, Inc. (LB)                | Neutral      | 3    |
| PVH Corp. (PVH)                    | Neutral      | 3    |
| Guess, Inc. (GES)                  | Underperform | 4    |
| Urban Outfitters, Inc. (URBN)      | Underperform | 4    |

| Industry Comparison Industry: Retail - Apparel And Shoes |           |            |           | Industry Peers |           |              |
|--|-----------|------------|-----------|----------------|-----------|--------------|
|  | AEO       | X Industry | S&P 500   | ANF            | FL        | URBN         |
| Zacks Recommendation (Long Term)                         | Neutral   | -          | -         | Neutral        | Neutral   | Underperform |
| Zacks Rank (Short Term)                                  | 4         | -          | -         | 4              | 3         | 4            |
| VGM Score  | D         | -          | -         | F              | B         | D            |
| Market Cap   | 1.88 B    | 501.15 M   | 23.71 B   | 638.15 M       | 2.83 B    | 1.90 B       |
| # of Analysts  | 10        | 4          | 14        | 10             | 10        | 10           |
| Dividend Yield   | 0.00%     | 0.00%      | 1.63%     | 0.00%          | 5.88%     | 0.00%        |
| Value Score  | C         | -          | -         | D              | A         | C            |
| Cash/Price   | 0.46      | 0.33       | 0.07      | 1.06           | 0.34      | 0.33         |
| EV/EBITDA  | 6.88      | 6.88       | 13.45     | 5.54           | 5.33      | 6.98         |
| PEG Ratio  | NA        | 2.99       | 3.01      | NA             | 1.17      | NA           |
| Price/Book (P/B)   | 1.88      | 1.42       | 3.18      | 0.80           | 1.22      | 1.46         |
| Price/Cash Flow (P/CF)                                   | 4.36      | 4.19       | 12.70     | 2.93           | 3.97      | 5.88         |
| P/E (F1)   | NA        | 33.45      | 21.98     | NA             | 12.41     | NA           |
| Price/Sales (P/S)  | 0.47      | 0.35       | 2.46      | 0.19           | 0.40      | 0.51         |
| Earnings Yield   | -2.82%    | 1.68%      | 4.33%     | -28.09%        | 8.05%     | -4.69%       |
| Debt/Equity  | 1.95      | 1.01       | 0.76      | 1.78           | 1.17      | 1.01         |
| Cash Flow (\$/share)                                     | 2.60      | 1.68       | 6.94      | 3.53           | 6.86      | 3.30         |
| Growth Score   | F         | -          | -         | F              | F         | F            |
| Hist. EPS Growth (3-5 yrs)                               | 1.62%     | -0.83%     | 10.44%    | 2.25%          | -0.46%    | -2.63%       |
| Proj. EPS Growth (F1/F0)                                 | -121.55%  | -76.36%    | -5.97%    | -497.95%       | -55.56%   | -146.24%     |
| Curr. Cash Flow Growth                                   | 0.06%     | -2.23%     | 5.22%     | -6.25%         | -1.10%    | -22.87%      |
| Hist. Cash Flow Growth (3-5 yrs)                         | 10.42%    | 1.64%      | 8.52%     | -5.89%         | 1.64%     | -2.66%       |
| Current Ratio  | 2.35      | 1.45       | 1.33      | 1.32           | 1.67      | 1.77         |
| Debt/Capital   | 66.13%    | 55.77%     | 44.50%    | 63.97%         | 53.96%    | 50.21%       |
| Net Margin   | -2.68%    | -2.68%     | 10.13%    | -5.50%         | 3.21%     | -0.08%       |
| Return on Equity   | 5.92%     | 2.57%      | 14.59%    | -14.29%        | 12.13%    | 2.65%        |
| Sales/Assets   | 1.15      | 1.08       | 0.51      | 0.98           | 1.06      | 1.13         |
| Proj. Sales Growth (F1/F0)                               | -12.52%   | -11.98%    | -1.54%    | -14.42%        | -9.20%    | -16.57%      |
| Momentum Score   | C         | -          | -         | D              | A         | C            |
| Daily Price Chg  | -5.27%    | -1.84%     | -0.41%    | -7.00%         | -4.23%    | -1.87%       |
| 1 Week Price Chg   | 7.25%     | 4.27%      | 1.09%     | 9.29%          | 4.55%     | 3.78%        |
| 4 Week Price Chg   | 9.47%     | 2.01%      | 3.41%     | 5.07%          | -9.99%    | 21.33%       |
| 12 Week Price Chg  | 18.89%    | 3.93%      | 9.80%     | -18.17%        | -3.61%    | 8.40%        |
| 52 Week Price Chg  | -28.47%   | -30.63%    | 3.43%     | -33.84%        | -30.63%   | -7.10%       |
| 20 Day Average Volume                                    | 6,852,098 | 406,943    | 1,894,669 | 2,217,948      | 3,392,691 | 2,351,148    |
| (F1) EPS Est 1 week change                               | -3.27%    | 0.00%      | 0.00%     | -3.16%         | 0.00%     | -1.59%       |
| (F1) EPS Est 4 week change                               | -18.15%   | 0.00%      | 1.86%     | -3.97%         | 236.65%   | 0.90%        |
| (F1) EPS Est 12 week change                              | -202.01%  | -47.66%    | 2.86%     | -236.02%       | 15.52%    | -17.00%      |
| (Q1) EPS Est Mthly Chg                                   | -2.05%    | 0.00%      | 0.80%     | -64.58%        | 25.30%    | -2.08%       |



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## 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.

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### 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    | C |
| Growth Score   | F |
| Momentum Score | C |
| VGM Score      | D |

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.

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### 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.

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