

## Allergan plc(AGN)

**\$191.38** (As of 01/13/20)

Price Target (6-12 Months): **\$211.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 01/04/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**2-Buy**

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: D

### Summary

Allergan's key products like Botox and new products such as Viberzi and Vraylar support sales. Allergan also continues to deliver on its R&D pipeline with some major product launches expected over the next couple of years. The acquisition by AbbVie could prove to be rewarding for Allergan's shareholders. Allergan's stock has outperformed the industry in the past year. However, sales are being hurt by loss of exclusivity of key drugs, product recalls, pricing pressure and currency headwinds. Its blockbuster eye drug, Restasis is also expected to face generic competition soon. Meanwhile, new competition for key growth drivers, Botox, Restasis and Linzess, is a concern. Estimates have remained stable ahead of the Q4 earnings release. Allergan has a positive record of earnings surprise in the recent quarters.

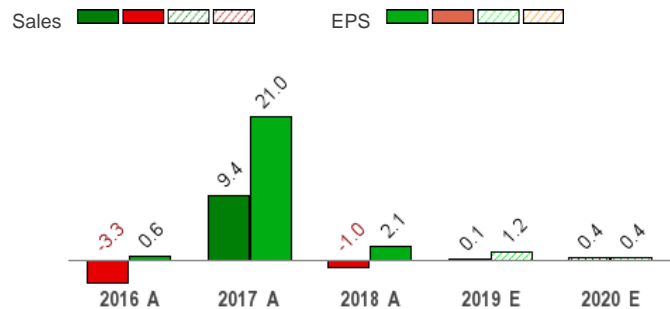
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$193.42 - \$114.27
20 Day Average Volume (sh)	2,226,745
Market Cap	\$62.8 B
YTD Price Change	0.1%
Beta	1.64
Dividend / Div Yld	\$2.96 / 1.5%
Industry	<a href="#">Medical - Generic Drugs</a>
Zacks Industry Rank	Top 38% (97 out of 254)

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



Last EPS Surprise	0.0%
Last Sales Surprise	4.0%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/04/2020
Earnings ESP	0.0%
P/E TTM	11.5
P/E F1	11.3
PEG F1	1.7
P/S TTM	4.0

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	3,681 E	3,940 E	3,933 E	4,046 E	15,863 E
2019	3,597 A	4,090 A	4,051 A	4,044 E	15,795 E
2018	3,672 A	4,124 A	3,911 A	4,080 A	15,787 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$3.84 E	\$4.35 E	\$4.32 E	\$4.50 E	\$16.95 E
2019	\$3.79 A	\$4.38 A	\$4.25 A	\$4.59 E	\$16.89 E
2018	\$3.74 A	\$4.42 A	\$4.25 A	\$4.29 A	\$16.69 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 01/13/2020. The reports text is as of 01/14/2020.

## Overview

Dublin, Ireland-based Allergan plc is a pharma company engaged in the development, manufacturing, marketing, sale and distribution of branded pharmaceuticals, device, biologic, surgical and regenerative medicine products. It addresses central nervous system (CNS), eye care, medical aesthetics (MA) and dermatology, gastroenterology (GI), women's health, urology and anti-infective therapeutic categories.

Following its March 2015 acquisition of Botox maker Allergan Inc., Actavis changed its name to Allergan. With the \$77 billion acquisition, Allergan, which was previously known for its strong presence in the generics market, finds itself in the list of the top 10 pharma companies across the world based on sales. Allergan sold its generics business in August 2016 and the Andia distribution business to Teva in October 2016.

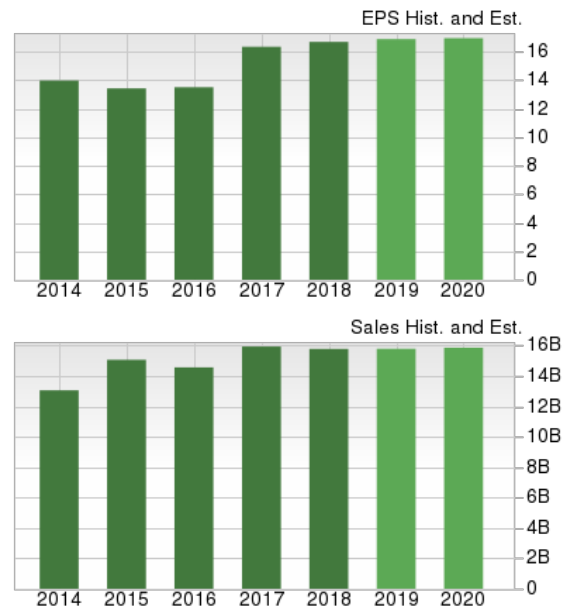
Other significant acquisitions include Durata in November 2014, Forest Laboratories in July 2014, Warner Chilcott plc in October 2013 and the Actavis Group acquisition in October 2012. While the Forest acquisition added well-established franchises in the central nervous system (CNS), cardiovascular and respiratory markets, as well as R&D programs that address a wide range of health conditions to Allergan's portfolio, the Warner Chilcott deal resulted in the creation of a leading global specialty pharma company.

In April 2016, Pfizer terminated its agreement to combine with Allergan.

In June 2019, Allergan announced that it has entered into a definitive transaction to be acquired by AbbVie in a cash and stock deal. AbbVie is offering \$120.30 in cash and 0.866 of its share (worth \$67.94) for each share of Allergan. The total transaction value is nearly \$63 billion. The deal is expected to close in early 2020.

Allergan reports its business under three segments - US Specialized Therapeutics (44% of 2018 sales), US General Medicine (34%) and International (22%).

Allergan posted sales of \$15.8 billion in 2018, down 1%.



## Reasons To Buy:

- ▲ **Shares Outperforming Industry:** Allergan's shares have risen 25.4% in the past year against 7.4% decrease for the industry in the said time frame.-
- ▲ **AbbVie Buyout Can be Rewarding for Shareholders:** AbbVie's proposed offer represented a premium of 45% to Allergan's closing price on Jun 24, thereby proving to be rewarding for its shareholders. Moreover, with Restasis expected to face generic competition, fears of new competition to Botox and some recent pipeline setbacks, the merger with AbbVie could prove to be the best way out for Allergan.

Key products like Botox and new products such as Viberzi and Vraylar are supporting sales growth. Some major product launches expected over the next couple of years.

- ▲ **Growing Branded Business:** Allergan has a significant and expanding branded pharmaceutical business. The company's branded portfolio consists of products like Botox, Restasis, Viibryd, Linzess, Ozurdex among others. New products like Viberzi and Vraylar should also contribute to long-term growth.

With the Allergan Inc. acquisition, Allergan, which was previously known for its strong presence in the generics market, finds itself in the company of the top 10 pharmaceutical companies across the world based on sales. The companies have complementary product portfolios and generated cost synergies. Allergan has strengthened its global presence especially in Canada, Europe, Latin America and Southeast Asia and other high-value growth markets like China and India. The addition of several blockbuster therapeutic franchises has boosted Allergan's North American Specialty Brands business significantly.

Further, in order to focus on its branded segment, Allergan sold its generics business to Teva. Allergan retained its global branded pharmaceutical and medical aesthetic businesses as well as the biosimilars development programs. Additionally, Allergan sold its Andax distribution segment to Teva in October 2016.

The divestiture helped Allergan's goal to transform into a branded growth pharma leader. Moreover, Allergan used part of the proceeds from the Teva deal for share buyback programs while it continues to invest in growth. The company also repaid debt of almost \$10 billion in 2016, \$2.9 billion in 2017 and over \$6 billion in 2018.

- ▲ **Focus on Branded Pipeline:** Allergan has more than 46 projects in mid-to-late stage development. Key programs (either in late-stage development or under regulatory review) include Abicipar for age-related macular degeneration (AMD); Atogepant, an oral CGRP antagonist, for migraine prevention and Bimatoprost SR for glaucoma.

Regulatory applications for Abicipar and Bimatoprost SR are under review in the United States with decision on Bimatoprost and Abicipar expected in the first half of 2020 and mid-2020, respectively. So, this late-stage pipeline has the potential to lead to major product launches over the next couple of years.

Meanwhile, Vraylar gained FDA approval in September 2015 for schizophrenia and bipolar disorder and Viberzi for irritable bowel syndrome-diarrhea in May 2015. Both Vraylar and Viberzi performed above expectation in 2016, 2017 and 2018. In May 2019, Vraylar (cariprazine) was approved by the FDA for a new indication — bipolar depression — which expands the drug's eligible patient population, thereby providing an incremental sales opportunity. Ubrovelvy (ubrogepant), an oral CGRP antagonist for migraine, was approved by the FDA in December 2019.

The company is also working on expanding the labels of marketed products like Botox and Linzess among others. R&D focus is on core therapeutic areas like eye care, CNS, gastrointestinal and medical aesthetics, which represents more than 80% of Allergan's top line.

Allergan is also extending its R&D pipeline to adjacent categories like NASH, Parkinson's disease, and gene therapy with many promising phase II/III programs in development.

- ▲ **Acquisitions to Drive Growth:** Acquisitions form an integral part of Allergan's expansion strategy as the company completed four major acquisitions (Arrow, Specifar, Actavis Group and Warner Chilcott) apart from the Forest and Allergan Inc. deals in the past few years. We view the Arrow acquisition as a positive move – it has helped Allergan expand its footprint in ex-U.S. territories and also boosted Allergan's product offerings and pipeline. The acquisition also provided Allergan with operational expertise and manufacturing capability needed to support its long-term investment in biogenerics.

Allergan enhanced its commercial presence in key European markets and strengthened its foothold in the Greek pharmaceutical market through the May 2011 Specifar acquisition.

The Forest acquisition pushed up Allergan's branded products revenues significantly. The acquisition has led to the creation of a specialty company with a diversified portfolio and a presence in different geographical areas. We are also positive on the Warner Chilcott acquisition which makes strategic and financial sense.

In 2016, Allergan made a string of small buyouts - Tobira Therapeutics, Akarna Therapeutics, Vitae, RetroSense Therapeutics, ForSight VISION 5, Chase Pharmaceuticals Corporation among others.

In 2017, through the accretive acquisitions of LifeCell and Zeltiq, Allergan expanded its medical aesthetics business into regenerative medicine and body sculpting, respectively. In October 2018, Allergan acquired small clinical stage biotech company, Bonti, which makes fast-acting neurotoxin programs and is complementary to Botox.

- ▲ **Cost Saving Initiatives:** In January 2018, Allergan announced that it is laying off over 1,000 employees as part of a cost-saving and restructuring program. The job cuts and other cost-savings measures were completed in 2018 and led to operating cost savings of approximately \$400 million in 2018 at a time when Allergan was facing competitive and generic pressure related to some of its highest revenue generating products.
- ▲ **Biosimilars to Boost Revenues:** Biosimilars represent significant opportunity. In Dec 2011, Allergan and Amgen entered into a collaboration

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agreement for the worldwide development and commercialization of four oncology antibody biosimilars. Amgen/Allergan's biosimilar version of Roche's Avastin, Mvasi, was launched in the United States in July 2019 and approved in the EU in January 2018. Meanwhile, Kanjinti, the biosimilar version of Roche's Herceptin was launched in the United States and EU in July 2019 and May 2018, respectively. Also, a biosimilar of Roche's Rituxan (ABP 798) is under review with the FDA. The products developed under the collaboration will be sold under a joint Amgen/Allergan label.

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## Reasons To Sell:

▼ **Generic Challenges:** Allergan is facing loss of exclusivity for several of its key products. While the first generic versions of Alzheimer's treatment, Namenda XR and Estrace cream were launched in the first quarter of 2018 that of blockbuster dry-eye drug, Restasis, Allergan's second best-selling drug, is expected to be launched soon. In October, a Texas federal district court invalidated four of the six patents covering Restasis, potentially opening doors for early generic competition. Though Restasis patents are scheduled to expire in August 2024, a generic version is expected to be launched soon. Generic versions of Canasa and Rapaflo were launched in December 2018 while that of Delzicol was launched in May 2019, which is hurting sales of these drugs.

Loss of exclusivities (LOEs) hurt sales by \$1.2 billion in 2018 and is expected to have an adverse impact of another \$1.4 billion in 2019.

Other products including Bystolic, Gelnique, Saphris and Viibryd are all slated to lose exclusivity over the next few years. The earlier-than-expected entry of generic competition will impact branded segment sales.

▼ **Competition for New Drugs:** Meanwhile, new competition for key growth drivers, Restasis and Linzess, is an investor concern. Shire's (now a part of Takeda) dry eye disease drug, Xiidra, launched in 2017, is posing strong competition for Restasis. Meanwhile, Synergy's (now a part of Bausch Health Companies) Trulance (plecanatide) was launched in 2017 for chronic idiopathic constipation, which is posing competition to Linzess.

Also, there have been concerns regarding possible new competitors to Botox, its largest product. The entry of CGRP antibodies in 2018 may have a negative impact on sales of Botox Therapeutics, mainly for the chronic migraine indication. Amgen/Novartis, Eli Lilly and Teva Pharma's CGRP migraine treatments, Aimovig, Emgality and Ajovy, respectively were all launched in 2018.

Evolus' Jeuveau injection, indicated to improve the appearance of glabellar or frown lines, was launched in the United States in May this year and was off to a strong start. It poses strong competition for Botox. Meanwhile, Revance Therapeutics has filed for approval of DaxibotulinumtoxinA for Injection (DAXI), a rival treatment to Botox for the frown lines indication. It has demonstrated longer duration of efficacy compared to Botox in late-stage studies.

▼ **Pipeline Setbacks:** Allergan has been working on expanding its branded business and is investing a lot in its pipeline. However, the company has had its share of pipeline setbacks including complete response letters (CRL) for products like Byvalson and Vraylar, which resulted in a delay in the approval of these products. The company reported disappointing results from the MD-72 study on Vraylar in Aug 2016, which was evaluating the drug as an adjunctive treatment to antidepressant therapy in adults with major depressive disorder (MDD).

A key pipeline setback in 2019 was the failure of Allergan's three acute pivotal studies on depression candidate, rapastinel, which failed to meet the primary endpoints.

Allergan currently has several late-stage and regulatory stage candidates in its pipeline. Additional pipeline and regulatory setbacks would weigh on the stock.

▼ **Global Pricing Pressure:** Global efforts toward health care cost containment are creating pricing pressure on drugs and market access. While many of the company's drugs face pricing pressure in the United States and markets outside the United States, government-mandated pricing actions have led to lowering of generic and patented drug prices. All these factors are creating pressure on sales and profits of pharma companies. Also changes in the U.S. healthcare system as part of the health care reforms could further create pricing pressure.

This pricing pressure is expected to continue and hurt the top line in the future quarters.

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In 2019, sales are being hurt by loss of exclusivity of key drugs, product recalls, pricing pressure and currency headwinds. Its blockbuster eye drug, Restasis is also expected to face generic competition this year.

## Last Earnings Report

### Allergan Meets Q3 Earnings Estimates, Ups '19 Sales View

Allergan's third-quarter adjusted earnings came in at \$4.25 per share, in line with the Zacks Consensus Estimate. Earnings were flat year over year as higher revenues were offset by lower operating profits.

Revenues came in at \$4.05 billion, which exceeded the Zacks Consensus Estimate of \$3.89 billion. Revenues rose 3.6% from the year-ago quarter as higher sales of key products like Botox (cosmetic and therapeutics), Juvéderm collection of fillers, Vraylar, Ozurdex, and Lo Loestrin made up for the loss of exclusivity on some brands and divestitures of some others.

Quarter Ending **09/2019**

Report Date	Nov 05, 2019
Sales Surprise	4.01%
EPS Surprise	0.00%
Quarterly EPS	4.25
Annual EPS (TTM)	16.71

### Segment Discussion

Allergan reports revenues under three segments – U.S. General Medicine, U.S. Specialized Therapeutics and International.

U.S. Specialized Therapeutics' net revenues declined 2.1% to \$1.67 billion. Strong demand for its facial aesthetics products, Botox and Juvéderm and Botox Therapeutic was offset by decline in sales of Restasis and divestiture of Medical Dermatology business in September 2018. Sales of CoolSculpting and Alloderm also declined in the quarter.

In Facial Aesthetics, Botox (cosmetic) recorded sales of \$237.6 million, up 10% year over year. Juvéderm collection of fillers rose 6% to \$134.8 million.

Alloderm sales, however, fell 10.2% to \$95.0 million while CoolSculpting sales of \$53.0 million declined 37.6% year over year. Allergan expects to launch the CoolTone body contouring device in fourth quarter 2019, which can revive sales of this aesthetics franchise.

In Eye Care, while Ozurdex sales rose 17.8% to \$33.7 million, Restasis sales fell 3.8% to \$286.8 million. A generic version of Restasis is expected to be launched this year.

Botox Therapeutic revenues were \$431.6 million, up 5.9% year over year.

U.S. General Medicine net revenues were up 9.9% year over year to \$1.52 billion in the reported quarter as strong demand growth of Vraylar, Viibryd and Lo Loestrin was offset by lower sales of drugs that lost exclusivity.

Vraylar sales were \$234.6 million in the third quarter, 70% higher than the year-ago quarter. In May, Vraylar was approved for the new indication of bipolar depression, which may have contributed to higher sales of the drug in the quarter.

Linzess sales rose 4.8% to \$214.7 million. Lo Loestrin sales grew 14.1% to \$161.4 million while Bystolic sales rose 0.7% to \$152.2 million. Viibryd sales were \$105.1 million, up 18.8% from the year-ago quarter.

The International segment recorded net revenues of \$835.1 million, up 5% from the year-ago period, excluding the impact of foreign exchange as growth in Facial Aesthetics and Botox (therapeutic) was partially offset by regulatory changes for textured breast implants and lower glaucoma and eye drop revenues.

### Profits Decline

Adjusted gross margin declined 100 basis points (bps) in the quarter to 84.2%. Adjusted operating income decreased 7.7% to \$1.76 billion in the third quarter due to LOEs, divestitures and higher costs.

Selling, general and administrative expenses increased 14.3% to \$1.18 billion in the third quarter, owing to higher marketing spending to support product launches.

Research and development (R&D) expenses rose 14% to \$448.9 million due to pipeline progress.

### 2019 Outlook

Allergan slightly raised its sales guidance for 2019 to account for the delay in Restasis generic while maintaining the previously issued earnings view.

Allergan expects sales to be in the range of \$15.63-\$15.83 billion, up from the previous guidance of \$15.43-\$15.63 billion. The company still estimates adjusted earnings to be more than \$16.55 per share.

Adjusted tax rate is expected to be approximately 12%-12.5% versus prior expectation of approximately 13% in 2019. Adjusted R&D expense guidance was increased from a range of \$1.6 - \$1.7 billion to \$1.75 billion while the SG&A range was increased from \$4.4 - \$4.5 billion to \$4.5 billion. Adjusted gross margin is expected to be 85% (previously 85%-85.5%).

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## Recent News

### Settles Linzess Patent Litigation With Sandoz – Jan 6

Allergan and partner Ironwood announced that they have settled a patent litigation related to Linzess with Sandoz, the generic division of Novartis. Sandoz had filed an abbreviated new drug application, seeking approval for a generic version of Linzess in the United States. Per the settlement terms, Sandoz will be able to market the generic version of Linzess, beginning Feb 5, 2030, subject to FDA approval.

### FDA Approval for Migraine Drug Ubrelvy – Dec 23

Allergan announced that the FDA has approved a new drug application (NDA) for Ubrelvy (ubrogepant) for the acute treatment of migraine with or without aura in adults. Ubrelvy is the first and only orally-administered CGRP receptor antagonist (gepant) for the treatment of migraine attacks. It has been approved in two dose strengths — 50 mg and 100 mg.

The approval was supported by data from two pivotal phase III studies — ACHIEVE I & II — and two additional safety studies evaluating ubrogepant. The candidate demonstrated positive results in both pivotal studies, which evaluated it for the treatment of a single migraine attack.

### Filed BLA for Rituxan Biosimilar – Dec 19

Allergan and partner Amgen announced the submission of a biologics license application (BLA) to the FDA for ABP 798, their biosimilar candidate to Rituxan.

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## Valuation

Allergan's shares are up 25.4% in the trailing 12-month period. While stocks in the Zacks sub-industry are down 7.4%, those in the sector are up 4.6% over the past year. The S&P 500 Index is up 24.2% in the past year.

The stock is currently trading at 11.26X forward 12-month earnings per share which compares to 8.71X for the Zacks sub-industry, 21.5X for the Zacks sector and 18.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.21X and as low as 6.85X, with a 5-year median of 12.83X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$211 price target reflects 12.4X forward 12-month earnings per share.

The table below shows summary valuation data for AGN

Valuation Multiples - AGN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	11.26	8.71	21.5	18.87
	5-Year High	20.21	16.24	21.5	19.34
	5-Year Low	6.85	6.55	15.88	15.17
	5-Year Median	12.83	9.87	18.95	17.44
P/S F 12M	Current	3.96	1.54	2.83	3.5
	5-Year High	7.17	4.31	3.81	3.5
	5-Year Low	2.46	1.14	2.42	2.54
	5-Year Median	4.3	1.93	2.93	3
P/B TTM	Current	1.07	1.28	4.52	4.46
	5-Year High	2.98	3.7	5.02	4.47
	5-Year Low	0.62	0.86	3.42	2.85
	5-Year Median	1.07	1.32	4.28	3.61

As of 1/13/2020

## Industry Analysis Zacks Industry Rank: Top 38% (97 out of 254)



## Top Peers

Eli Lilly and Company (LLY)	Outperform
Pfizer Inc. (PFE)	Outperform
Bausch Health Cos Inc. (BHC)	Neutral
Biogen Inc. (BIIB)	Neutral
Novartis AG (NVS)	Neutral
Roche Holding AG (RHHBY)	Neutral
Sanofi (SNY)	Neutral
Teva Pharmaceutical Industries Ltd. (TEVA)	Neutral

Industry Comparison Industry: Medical - Generic Drugs				Industry Peers		
	AGN Neutral	X Industry	S&P 500	BHC Neutral	NVS Neutral	PFE Outperform
<b>VGM Score</b>	<b>B</b>	-	-	<b>B</b>	<b>B</b>	<b>D</b>
Market Cap	62.83 B	335.45 M	24.31 B	9.91 B	214.76 B	218.10 B
# of Analysts	9	4	13	9	5	5
Dividend Yield	1.55%	0.00%	1.76%	0.00%	1.97%	3.65%
<b>Value Score</b>	<b>B</b>	-	-	<b>A</b>	<b>B</b>	<b>C</b>
Cash/Price	0.07	0.18	0.04	0.08	0.04	0.04
EV/EBITDA	93.87	-1.44	14.12	75.87	10.51	13.41
PEG Ratio	1.72	0.88	2.05	0.58	1.94	4.17
Price/Book (P/B)	1.07	2.96	3.34	3.87	4.08	3.33
Price/Cash Flow (P/CF)	5.17	4.82	13.66	2.28	11.50	9.36
P/E (F1)	11.29	7.52	18.82	6.26	16.53	15.24
Price/Sales (P/S)	3.97	2.95	2.64	1.17	4.45	4.11
Earnings Yield	8.86%	-8.49%	5.29%	15.97%	6.05%	6.57%
Debt/Equity	0.33	0.08	0.72	9.17	0.42	0.55
Cash Flow (\$/share)	37.01	-0.17	6.94	12.32	8.15	4.21
<b>Growth Score</b>	<b>B</b>	-	-	<b>C</b>	<b>C</b>	<b>F</b>
Hist. EPS Growth (3-5 yrs)	3.87%	3.58%	10.56%	-19.56%	0.15%	8.42%
Proj. EPS Growth (F1/F0)	0.39%	2.24%	7.49%	2.61%	8.41%	-12.79%
Curr. Cash Flow Growth	-6.41%	-0.81%	14.83%	-1.15%	6.18%	8.89%
Hist. Cash Flow Growth (3-5 yrs)	35.89%	4.21%	9.00%	0.85%	2.20%	2.30%
Current Ratio	1.00	2.91	1.23	1.15	0.95	0.90
Debt/Capital	24.73%	8.22%	42.99%	90.16%	29.33%	35.53%
Net Margin	-58.50%	-56.06%	11.08%	-7.25%	24.43%	30.57%
Return on Equity	9.08%	-42.85%	17.16%	56.19%	20.86%	28.10%
Sales/Assets	0.16	0.29	0.55	0.26	0.37	0.33
Proj. Sales Growth (F1/F0)	0.91%	2.73%	4.23%	3.08%	2.86%	-11.59%
<b>Momentum Score</b>	<b>D</b>	-	-	<b>D</b>	<b>C</b>	<b>C</b>
Daily Price Chg	-0.23%	-0.08%	0.73%	1.70%	-0.16%	-0.20%
1 Week Price Chg	0.39%	0.00%	0.39%	-6.02%	-0.98%	1.44%
4 Week Price Chg	0.66%	0.00%	1.84%	-7.26%	0.69%	0.69%
12 Week Price Chg	9.55%	11.03%	6.48%	23.01%	8.26%	8.09%
52 Week Price Chg	28.22%	-11.83%	23.15%	26.38%	7.94%	-6.99%
20 Day Average Volume	2,226,745	499,060	1,578,594	2,485,949	1,089,264	16,586,098
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.25%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-0.74%	-0.11%	0.00%
(F1) EPS Est 12 week change	0.29%	-3.86%	-0.48%	2.15%	-1.60%	1.20%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.17%	NA	NA

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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	<b>B</b>
Growth Score	<b>B</b>
Momentum Score	<b>B</b>
VGM Score	<b>A</b>

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

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