

Align Technology (ALGN)

\$260.50 (As of 06/22/20)

Price Target (6-12 Months): **\$276.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/21/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: A

Summary

Align Technologies reported lower-than-expected numbers in the first quarter with poor sales of Invisalign clear aligners and iTero scanners amid the pandemic outbreak. In APAC, Japan, Taiwan, Korea and India saw continued growth. Despite this, sales in APAC were down, primarily reflecting a longer duration of COVID-19 measures in China. The withdrawal of 2020 guidance is concerning. Align has underperformed its industry in the past six months. On a positive note, despite all COVID-19-led deferral of procedures, in the first quarter, Invisalign shipment volumes improved, reflecting solid growth from non-comprehensive products on strong adoption of Invisalign Go and Invisalign Moderate systems. Within iTero, the company's buyout of Exocad is expected to strengthen the company's position in the CAD/CAM software market.

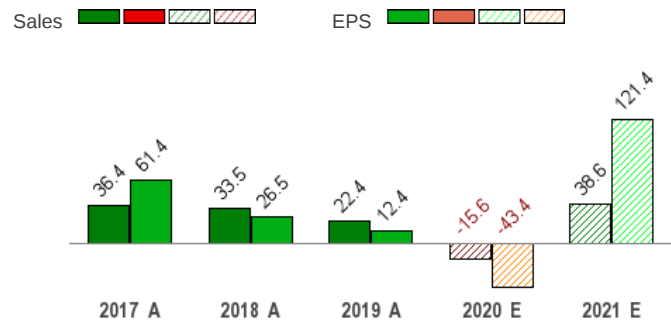
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$301.65 - \$127.88
20 Day Average Volume (sh)	1,079,703
Market Cap	\$20.5 B
YTD Price Change	-6.6%
Beta	1.99
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Bottom 30% (177 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-31.8%
Last Sales Surprise	-6.3%
EPS F1 Est- 4 week change	5.1%
Expected Report Date	07/22/2020
Earnings ESP	-816.7%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	649 E	672 E	734 E	821 E	2,815 E
2020	551 A	328 E	485 E	667 E	2,031 E
2019	549 A	601 A	607 A	650 A	2,407 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.52 E	\$1.58 E	\$1.81 E	\$2.16 E	\$6.93 E
2020	\$0.73 A	-\$0.01 E	\$0.60 E	\$1.68 E	\$3.13 E
2019	\$0.89 A	\$1.83 A	\$1.28 A	\$1.53 A	\$5.53 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 06/22/2020. The reports text is as of 06/23/2020.

Overview

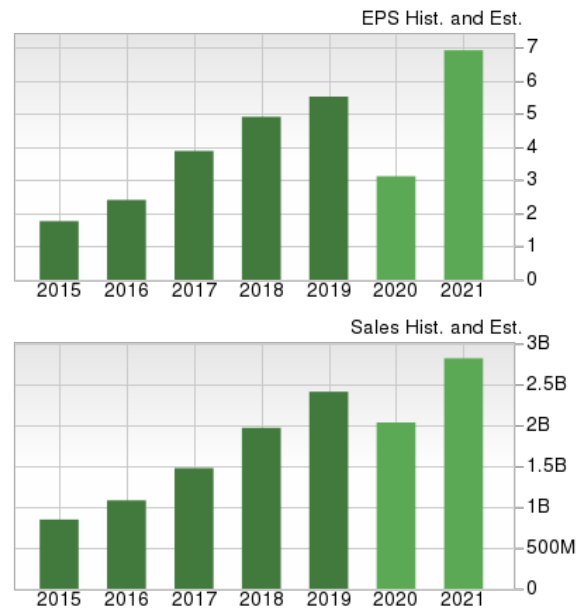
Align Technology, based in California, manufactures and markets a system of clear aligner therapy, intra-oral scanners and CAD/CAM (computer-aided design and computer-aided manufacturing) digital services used in dentistry, orthodontics, and dental records storage. The clear aligner system corrects malocclusion using nearly invisible and removable appliances that gently move the tooth to a desired final position.

Align presently has 2 operating segments, **Clear Aligner** (84.2% of total revenues in 2019), known as the Invisalign system and the **Scanner and Services** (15.8% of total revenues in 2019) which is known as the iTero intra-oral scanners and OrthoCAD services (which we earlier referred to as Scanner and CAD/CAM Services). In fiscal 2019, the Clear Aligner segment registered revenue growth of 19.8% from 2018, while the latter registered revenue growth of 38.5% from 2018.

Product portfolio:

Invisalign System – An exclusive method to treat malocclusion based on a series of doctor-prescribed, custom manufactured, clear plastic removable orthodontic aligners. The Invisalign system offers a range of treatment options, specialized services, and proprietary software for treatment visualization and comprises several phases.

The Clear Aligner products are Invisalign Full, Teen and Assist (Full Products), Express/Lite (Express Products), Vivera retainers, along with training and ancillary products for treating malocclusion.



Reasons To Buy:

- ▲ **Solid Y-O-Y Invisalign Growth:** In sync with its last-year performance, Align Technology continued with its streak of delivering a strong Invisalign Technology volume growth across the company's entire customer base.

Despite all COVID-19-led deferral of procedures, in the first quarter, Invisalign shipment volumes were up 2.9% year-over-year, reflecting solid growth from non-comprehensive products on strong adoption of Invisalign Go and Invisalign Moderate systems across all regions. The upside was primarily driven by continued adoption by teenage and younger patients as well as increased utilization among orthodontists and expansion of the company's global customer base. For the quarter, the company shipped Invisalign cases to approximately 61,000 doctors, of which 4,100 were new customers. The company also trained over 4,600 new doctors in this period, including 2,600 international doctors. Overall for the teen market, 104,000 teens and preteens started treatment with Invisalign clear aligners, representing 29% of total cases shipped, reflecting growth from EMEA and the Americas regions and across comprehensive products.

For the Americas region, through early March, solid growth was driven primarily by North American GP dentists and DSOs, along with continued strength in Latin American doctors. On a reported basis, Invisalign case volume was up 5.2% year-over-year, reflecting growth from both orthodontists and GP dentist channels, which were up 5.6% and 4.6%, respectively. Latin America volume was up 83% year-over-year led by strong growth from Brazil. Internationally, through early March, barring China, the EMEA and APAC regions were performing well. Despite major revenues slash in the APAC, in the first quarter, on a year-over-year basis, international shipments were flat, reflecting growth from EMEA. Invisalign volumes were up 11.1% in EMEA on a year-over-year basis driven by growth in Spain, the U.K. and Germany, along with in the expansion markets led by Central Eastern Europe and Benelux.

- ▲ **Invisalign Portfolio Expansion:** Align Technology's Invisalign portfolio offers orthodontic treatment to straighten teeth without metal braces.

In May, amid the coronavirus hullabaloo, Align Technology has launched two virtual solutions that help doctors connect with existing Invisalign patients to ensure continuity of care. These are Invisalign Virtual Appointment and Invisalign Virtual Care, both enable doctors to manage a range of practice services remotely. In February, the company launched the ClinCheck "In-Face" Visualization tool for the Invisalign Go system.

Earlier in North America, the company launched the Invisalign Moderate package, a 20-stage treatment solution, designed for consumers whose treatment goals fall between the existing Invisalign Lite and Invisalign comprehensive packages and can be completed in the range of five months to one year. The company also launched SmileView, an online tool created to help potential Invisalign patients visualize a straighter smile before starting with Invisalign treatment.

At present, the company is successfully rolling out the Invisalign First clear aligners for treatment of younger patients with early mixed dentition in the United States, Australia, New Zealand, Japan, and the EMEA. This apart, another product in the company's portfolio — the Invisalign treatment with mandibular advancement — currently addresses roughly 45% of teen cases and is the only clear aligner to move the mandibular forward while straightening teeth at the same time. In the first quarter, the company reached another major milestone with 2-millionth Invisalign teenage patient.

- ▲ **iTero in Focus:** Align Technology has been focusing on expanding work flow options of its leading iTero scanners. Cumulatively, 20.5 million orthodontic scans and 4.7 million restorative scans have been performed with iTero scanners by 2019-end. According to the company, use of the iTero scanners for Invisalign case submissions continues to grow and remains a positive catalyst for Invisalign utilization.

In the first quarter, iTero reported increased revenues in EMEA and Latin America, reflecting the addition of Zimmer Biomet distribution agreement, the introduction of iTero 5D going direct to Mexico and additional Latin American distributor markets.

The continued commercialization of the iTero Element 2 and Element Flex scanners are encouraging as well. With its major DSO partners, the company continued the rollout of these offerings, especially for orthodontists in North America, and also witnessed an increase in international sales, especially in Japan.

Meanwhile, we are looking forward to the company's recently-completed acquisition of xocad Global Holdings GmbH, which is a privately-held key player in the dental computer-aided design/computer-aided manufacturing (CAD/CAM) software market. The acquisition has expanded Align Technology's digital platform's reach by adding technology to enable ortho-restorative and comprehensive dentistry.

- ▲ **International Focus to Drive Growth:** Align Technology has undertaken several strategies to improve adoption of Invisalign Technology that includes product/technology development, extending clinical effectiveness, extension of the Invisalign Technology brand and driving international growth.

For the international business, despite major revenues slash in the APAC, in the first quarter, on a year-over-year basis, shipments were flat, reflecting growth from EMEA. Invisalign volumes were up 11.1% in EMEA on a year-over-year basis driven by growth in Spain, the U.K. and Germany, along with in the expansion markets led by Central Eastern Europe and Benelux.

- ▲ **Strong Solvency Position:** At the end of fiscal 2019, net cash provided by operating activities was \$747.2 million, compared with \$554.7 million at the end of the year-ago period. The company has negligible amount of debt on its balance sheet hinting towards a rich solvency position. When the company is grossly suffering from coronavirus-led procedural deferrals, this is particularly good news for the investors. Total debt-to-capital ratio for Align Technologies stands at a very low level of 0.02 at present.

Align Technology's recent product development, balanced growth observed across all channels and the company's consistent focus in international markets to drive growth and bolster our confidence in the stock.

Reasons To Sell:

▼ **Share Price Performance:** Align Technology has been underperforming its industry over the past six months. The stock has plunged 6.2% compared with the industry's 3.1% fall. The ongoing economic doldrums in the wake of global coronavirus outbreak is slashing the stock price down. Since the early March, the time when coronavirus took the shape of a pandemic, the global healthcare industry started to postpone non-emergency and elective procedures to focus on COVID-19 treatments. This has heavily weighed on the company's first-quarter performance.

Align Technologies reported lower-than-expected earnings and revenues for the quarter. As expected, the company registered significantly lower-than-expected sales of Invisalign clear aligners and iTero scanners due to the COVID-19 pandemic. Sales in APAC were down significantly, primarily reflecting a longer duration of COVID-19 measures implemented in China. Particularly, in mid-March most governments in EMEA and North America closed down non-essential businesses and initiated stay-at-home orders. As a result, the vast majority of Invisalign practices got closed and accordingly this business fell off sharply.

As per Align, the incremental impact of COVID-19 on the first-quarter results was approximately 50,000 fewer cases and approximately \$85 million less revenues for Invisalign and iTero products.

▼ **Coronavirus Deferring Elective Procedures Hits Sales Hard:** In the first quarter, Align Technologies witnessed lower-than-expected sales of Invisalign clear aligners and iTero scanners due to the COVID-19 pandemic. Invisalign case volume was down 5.5% sequentially, reflecting significantly less-than-expected Invisalign case shipments in March due to the impact of COVID-19. Internationally, Invisalign case volume was down 22.3%, sequentially, reflecting significant decline in APAC, primarily China, due to the impact from COVID-19.

For iTero scanner and services business, the first-quarter revenues were down sequentially as expected, following a seasonally strong fourth quarter and consistent with trends in the capital equipment market. The reported quarter also reflects the impact of COVID-19 across all regions in especially North America, Australia, China, Japan and other APAC countries.

More concerning fact is that, the uncertainties regarding the duration and impact of the coronavirus pandemic on the company's overall business have compelled Align Technologies to suspend its previously-issued 2020 financial guidance. It did not even provide a guidance for the second quarter.

▼ **Invisalign Store Closure Hampers Growth:** Since April 2018 Align was engaged in an arbitration proceeding with the SDC Entities stemming from the claim that the company's Invisalign retail stores violate non-compete provisions applicable to the members of SDC Financial LLC, including Align. In March 2019, Align Technology finally announced that the outcome of the proceedings did not come in favor of the company. In the first-quarter of 2020 as well, the company had to pay \$29.8-million charge related to the Invisalign store closure costs recorded in the year-ago quarter.

▼ **Competitive Landscape:** Align Technology faces significant competition from traditional orthodontic appliance (or wires and brackets) players such as 3M's Unitek, Danaher Corporation's Sybron Dental Specialties and Dentsply International. The company also competes with products similar to Invisalign Technology, such as the products from Ormco Orthodontics, a division of Sybron Dental Specialties. Align Technology has witnessed a continuous decline in ASP primarily resulting from advantage rebate, promotional activity and product mix.

▼ **Economic Uncertainty:** The general slowdown in the U.S. and certain international economies is having a negative impact on consumer spending and affecting Align Technology's business fundamentals. Align Technology attributed the waning earnings to the macro economic crisis that affected the overall dental market and led to continued soft dental sales for Align Technology. Dental procedures are primarily elective in nature and are deferred when unemployment levels rise. Continued weakness in the global economy results in a challenging environment for dental technology sales; dentists may postpone investments in capital equipment, such as intra-oral scanners. Although we expect a gradual pickup in patient traffic, any hiccup in the recovery process will aggravate the situation. Further, the recent coronavirus outbreak has been causing a very unstable economic condition for the company.

▼ **Currency Headwinds:** The significant challenges arising from unfavorable foreign currency translation have been affecting Align Technology's financials over the past few quarters. Per management, significant currency fluctuations could have a material impact on revenues, cost of sales and operational results.

▼ **Overdependence on Invisalign Technology System:** A vast majority of Align Technology's total net revenues largely depends on the sale of its Invisalign Technology System, primarily Invisalign Technology Full and Invisalign Technology Teen, and the same trend is expected to continue at least in the near future. Thereby, continued and widespread market acceptance of Invisalign Technology by orthodontists, GPs and consumers is critical to Align Technology's future success. Management fears that if orthodontists and GPs somehow experience a reduction in consumer demand for orthodontic services, or consumers become reluctant to adopt Invisalign Technology as rapidly as management expects that might hurt the company's business heavily. Also, if consumers start to prefer a competitive product over Invisalign Technology or if the average selling price of Align Technology product declines, the company's operating results will suffer a severe setback.

We remain concerned about the current economic uncertainty which continues to cast a negative impact on Align's dental procedures. The competitive landscape also remains an overhang.

Last Earnings Report

Align Technology Earnings Miss in Q1, Margins Dip

Align Technology first-quarter 2020 earnings per share (EPS) were 73 cents, reflecting a 41.6% decline from the year-ago period. The figure lagged the Zacks Consensus Estimate by a huge margin of 31.8%. The significantly lower-than-expected revenues of Invisalign clear aligners and iTero scanners during the first quarter due to the COVID-19 pandemic outbreak resulted in such a lackluster bottom line.

Revenues edged up 0.4% year over year to \$550.9 million in the quarter but missed the Zacks Consensus Estimate by 6.3%.

Segments in Detail

In the first quarter, revenues at the Clear Aligner segment rose 2.6% year over year to \$481.6 million. Within the segment, Invisalign case shipments amounted to 359.4 thousand, up 2.9% year over year.

Despite the COVID-19 impact on sales, the company noted solid growth from non-comprehensive products driven by the Invisalign Go system and Invisalign Moderate across all regions. This was offset by a lower mix of comprehensive products primarily due to the shortfall in China.

During the quarter, Invisalign volumes were up 5.2% and down 0.2% year over year in the Americas and International regions, respectively. Invisalign volume for teenage patients was 104,000 cases, up 6.8% year over year.

Revenues from Scanner and Services declined 13.1% to \$69.4 million in the quarter due to COVID-19-led lower sales in North America and APAC region, despite increase in revenues in EMEA and Latin America.

Margins

Gross margin in the quarter under review contracted 167 basis points (bps) year over year to 71.6% on a 6.6% rise in cost of net revenues.

During the quarter, Align Technology witnessed a 14.5% year-over-year increase in selling, general and administrative expenses to \$282.9 million and a 10.7% rise in research and development expenses to \$41.5 million. Operating margin contracted 871 bps to 12.7% in the quarter under review.

Financial Details

At the end of the first quarter, Align Technology had cash, cash equivalents and short-term marketable securities of \$790.1 million, compared with \$868.6 million at the end of 2019.

Net cash provided by operating activities was \$9.8 million in the first quarter, compared with \$117.2 million in the year-ago period. The company currently has approximately \$100 million left under its May 2018 repurchase program.

Guidance Update

The uncertainties regarding the duration and impact of the coronavirus pandemic on the company's overall business have compelled Align Technologies to suspend its previously-issued 2020 financial guidance.

Quarter Ending **03/2020**

Report Date	Apr 29, 2020
Sales Surprise	-6.25%
EPS Surprise	-31.78%
Quarterly EPS	0.73
Annual EPS (TTM)	5.37

Recent News

On **May 7, 2020**, Align Technology announced the availability of two virtual solutions viz. Invisalign Virtual Appointment and Invisalign Virtual Care that help doctors connect with existing Invisalign patients to ensure continuity of care.

On **Apr 2, 2020**, Align Technology announced the completion of the acquisition of privately-held exocad Global Holdings GmbH, a global leader in the dental CAD/CAM software market that offers fully integrated workflows to dental labs and dental practices via a broad customer base of partners and resellers in over 150 countries.

On **Mar 24, 2020**, Align Technology received the FDA's clearance for the company's iTero Element 5D Imaging System for commercial availability in the United States.

On **Mar 10, 2020**, Align Technology announced the creation of a combined product innovation and marketing organization to further extend its lead in digital orthodontics and dentistry by enabling greater organizational speed, agility and impact across customer channels and consumers.

On **Mar 4, 2020**, Align Technology entered into a definitive agreement to acquire privately held exocad Global Holdings GmbH (exocad).

On **Feb 20, 2020**, Align Technology launched the ClinCheck "In-Face" Visualization tool for the Invisalign Go system, Align's innovative tooth movement system designed for general dentists.

Valuation

Align Technology shares are down 6.6% and down 7.7% in the year to date period and the trailing 12-month period, respectively. Stocks in the Zacks sub-industry are down 2.1% while the Zacks Medical sector is down 1% in the year to date period. Over the past year, the Zacks sub-industry is down 13.2% and sector is down 0.2%.

The S&P 500 index is down 3.1% in the year to date period and up 5.9% in the past year.

The stock is currently trading at 73.9X Forward 12-months earnings, which compares to 18.7 for the Zacks sub-industry, 22.9X for the Zacks sector and 22.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 87.4X and as low as 21.7X, with a 5-year median of 39.3X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$276 price target reflects 78.4X forward 12-months earnings.

The table below shows summary valuation data for ALGN.

Valuation Multiples - ALGN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	73.92	18.67	22.9	22.39
	5-Year High	87.44	19.1	23.14	22.39
	5-Year Low	21.72	13.7	15.93	15.23
	5-Year Median	39.27	16.56	19.03	17.49
P/S F12M	Current	8.53	0.34	2.79	3.5
	5-Year High	13.81	0.36	3.74	3.5
	5-Year Low	3.71	0.23	2.21	2.53
	5-Year Median	7.23	0.28	2.91	3.02
P/B TTM	Current	7.19	4.35	4.29	4.26
	5-Year High	26.31	4.71	5.06	4.56
	5-Year Low	4.2	2.53	2.93	2.83
	5-Year Median	11.49	3.45	4.28	3.67

As of 06/22/2020

Industry Analysis Zacks Industry Rank: Bottom 30% (177 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
CONMED Corporation (CNMD)	Neutral	3
Danaher Corporation (DHR)	Neutral	3
Endologix, Inc. (ELGX)	Neutral	3
Henry Schein, Inc. (HSIC)	Neutral	3
3M Company (MMM)	Neutral	3
Merit Medical Systems, Inc. (MMSI)	Neutral	3
Patterson Companies, Inc. (PDCO)	Neutral	4
DENTSPLY SIRONA Inc. (XRAY)	Underperform	4

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	ALGN	X Industry	S&P 500	HSIC	PDCO	XRAY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	4	4
VGM Score	D	-	-	B	D	F
Market Cap	20.52 B	1.96 B	21.83 B	8.49 B	1.89 B	9.61 B
# of Analysts	6	5	14	9	7	9
Dividend Yield	0.00%	0.00%	1.93%	0.00%	5.28%	0.91%
Value Score	D	-	-	B	B	D
Cash/Price	0.04	0.07	0.07	0.07	0.06	0.02
EV/EBITDA	30.83	13.08	12.63	9.72	10.60	15.57
PEG Ratio	3.56	3.48	2.90	4.43	3.72	4.34
Price/Book (P/B)	7.19	4.23	3.01	2.36	1.28	2.05
Price/Cash Flow (P/CF)	43.15	14.48	11.47	12.32	8.78	11.14
P/E (F1)	83.23	31.83	21.30	28.07	17.71	31.83
Price/Sales (P/S)	8.52	2.07	2.29	0.84	0.33	2.43
Earnings Yield	1.20%	2.42%	4.42%	3.56%	5.63%	3.15%
Debt/Equity	0.02	0.31	0.77	0.29	0.44	0.33
Cash Flow (\$/share)	6.04	1.35	7.01	4.83	2.24	3.94
Growth Score	D	-	-	B	D	F
Hist. EPS Growth (3-5 yrs)	43.46%	10.40%	10.84%	6.46%	-13.46%	-4.35%
Proj. EPS Growth (F1/F0)	-43.46%	-13.85%	-10.80%	-39.60%	-14.02%	-43.76%
Curr. Cash Flow Growth	4.59%	3.15%	5.46%	-9.03%	-11.19%	-53.28%
Hist. Cash Flow Growth (3-5 yrs)	23.79%	12.23%	8.55%	2.76%	-3.58%	12.09%
Current Ratio	1.73	1.60	1.29	1.64	1.41	2.02
Debt/Capital	1.85%	27.05%	45.14%	26.51%	30.33%	24.59%
Net Margin	78.42%	2.12%	10.53%	7.11%	0.85%	2.12%
Return on Equity	107.18%	14.85%	16.06%	15.19%	9.57%	10.70%
Sales/Assets	0.86	1.07	0.55	1.39	1.66	0.47
Proj. Sales Growth (F1/F0)	-15.60%	0.00%	-2.66%	-16.66%	-4.35%	-20.62%
Momentum Score	A	-	-	D	F	D
Daily Price Chg	-0.16%	0.00%	0.09%	-1.52%	1.76%	0.53%
1 Week Price Chg	3.78%	1.74%	0.92%	6.69%	9.03%	0.55%
4 Week Price Chg	6.88%	2.00%	5.61%	4.92%	13.28%	3.81%
12 Week Price Chg	44.79%	16.78%	16.49%	14.23%	20.62%	11.86%
52 Week Price Chg	-7.68%	-4.64%	-6.63%	-14.90%	-15.99%	-23.96%
20 Day Average Volume	1,079,703	461,452	2,841,862	1,728,527	1,239,772	2,033,513
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%
(F1) EPS Est 4 week change	5.11%	-0.05%	0.00%	-0.37%	-2.63%	-4.70%
(F1) EPS Est 12 week change	-71.33%	-31.74%	-13.25%	-40.89%	-29.57%	-45.27%
(Q1) EPS Est Mthly Chg	-231.18%	0.00%	0.00%	-7.41%	-10.35%	-77.78%

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	D
Growth Score	D
Momentum Score	A
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.

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.