

Abercrombie & Fitch (ANF)

\$18.05 (As of 01/08/20)

Price Target (6-12 Months): **\$19.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/15/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: B

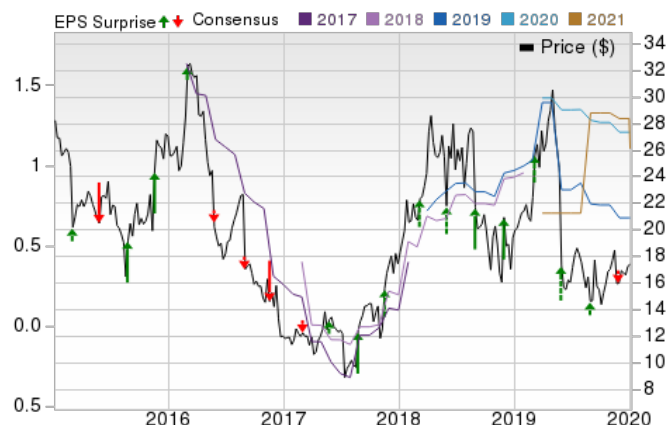
Growth: F

Momentum: C

Summary

Abercrombie has outpaced the industry in the past three months. The company's transformation initiatives, including store fleet optimization, omni-channel expansion and investment in loyalty program bode well. Despite lower-than-expected top and bottom-line results in third-quarter fiscal 2019, investors were optimistic about the strong performance in the United States and the Abercrombie brand, which cushioned sales and comps. However, the top line was impacted by weak Hollister brand performance and disruptions in international markets. Also, soft margins hurt the bottom line, which should continue in fiscal 2019. The company cut fiscal 2019 view on the anticipated currency and tariffs woes. It expects List 3 and List 4 China tariffs to hurt cost of sales and gross profit by \$4 million in the fourth quarter and \$5 million in fiscal 2019.

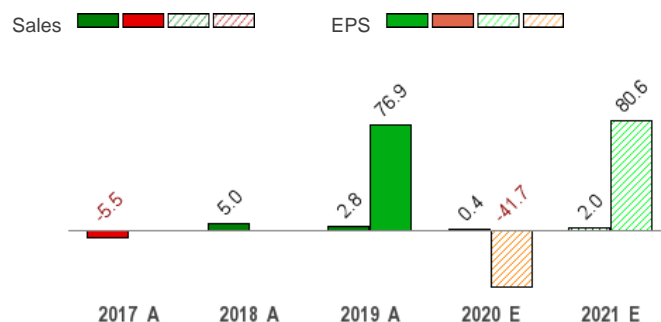
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$30.63 - \$13.58
20 Day Average Volume (sh)	1,622,860
Market Cap	\$1.1 B
YTD Price Change	4.4%
Beta	0.99
Dividend / Div Yld	\$0.80 / 4.4%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 13% (32 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-8.0%
Last Sales Surprise	-0.7%
EPS F1 Est- 4 week change	0.3%
Expected Report Date	03/04/2020
Earnings ESP	1.6%
P/E TTM	22.3
P/E F1	26.9
PEG F1	1.8
P/S TTM	0.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	752 E	866 E	882 E	1,190 E	3,676 E
2020	734 A	841 A	863 A	1,166 E	3,604 E
2019	731 A	842 A	861 A	1,156 A	3,590 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.41 E	\$-0.00 E	\$0.31 E	\$1.35 E	\$1.21 E
2020	-\$0.29 A	-\$0.48 A	\$0.23 A	\$1.23 E	\$0.67 E
2019	-\$0.56 A	\$0.06 A	\$0.33 A	\$1.35 A	\$1.15 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 01/08/2020. The reports text is as of 01/09/2020.

Overview

Abercrombie & Fitch Co. operates as a specialty retailer of premium, high-quality casual apparel for men, women, and kids through a network of 881 stores across North America, Europe, Asia and the Middle East.

Abercrombie's product portfolio includes knit and woven shirts, graphic T-shirts, fleece, jeans and woven pants, shorts, sweaters, outerwear, personal care products and accessories for men, women and kids, under the Abercrombie & Fitch, abercrombie kids and Hollister brands.

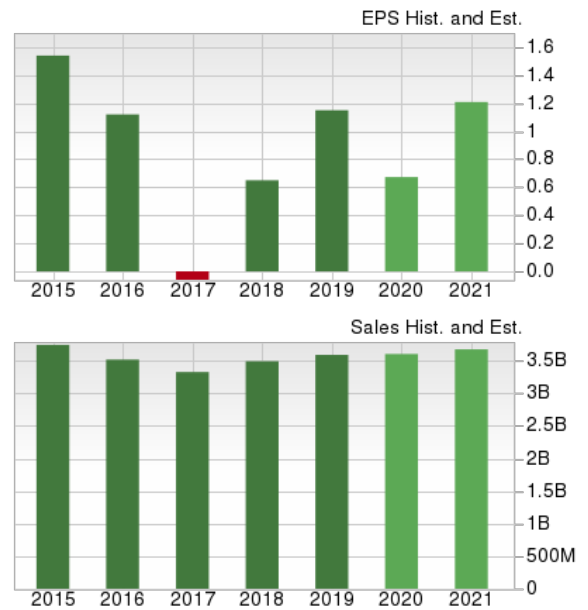
Additionally, the company sells inner wear, personal care products, sleepwear and at-home products for girls through direct-to-consumer operations and Hollister stores under the Gilly Hicks brand. It also sells products through its e-commerce platform.

Region-wise, Abercrombie reports its sales under two segments – U.S. Stores and International Stores.

- **U.S. Stores** includes the results from store operations and direct-to-consumer business in the U.S. and Puerto Rico.
- **International Stores** includes the store operations and direct-to-consumer business in Canada, Europe, Asia, Australia and the Middle East.

Brand-wise, Abercrombie reports in two segments – Abercrombie and Hollister.

- **Abercrombie** includes the Abercrombie & Fitch and abercrombie kids brands. Abercrombie & Fitch, targeted at the college-going crowd, is positioned as a luxury lifestyle concept that uses the finest materials to create high-quality casual wear. abercrombie kids, themed as "classic cool", is aimed at pre-teens and is the children's version of Abercrombie & Fitch.
- **Hollister** is based on a South California theme, and targets youth in their late teens. Stores under this brand also offer intimate products of the Gilly Hicks brand.



Reasons To Buy:

- ▲ **Strong Performance in the United States & Abercrombie Brand:** Abercrombie's sales remained flat year over year and missed the Zacks Consensus Estimate in third-quarter fiscal 2019. However, the top line rose 1% on a constant-currency basis. Sales gained from a solid back-to-school period in August and continued momentum in October. Further, sales and comparable sales (comps) benefited from strong performance in the United States and for the Abercrombie brand. Notably, net sales grew 4% in the United States, while it rose 1% for the Abercrombie brand. Comps improved 3% for the Abercrombie brand, driven by improved conversions and average transaction value. Moreover, the brand's performance was aided by positive trends in the United States on strong start to the back-to-school season, robust sell-through of products and launch of girls' curvy jeans collection, offset by a decline in international. The company's comps also benefited from strong performance in the United States, owing to continued double-digit growth in digital and positive traffic trends. Further, Hollister and Abercrombie brands witnessed positive comps in the United States. Notably, U.S. comps improved 3%. Shares of Abercrombie have gained 25.7% in the past three months compared with the industry's 12.5% growth.
- ▲ **Focus on Digital & Omni-Channel:** Abercrombie is making significant progress in expanding digital and omni-channel capabilities. The company's investments in mobile, omni-channel and fulfillment have significantly aided the growth of its digital business. Notably, digital engagement with consumers has been its core strength. Digital business continued to perform well backed by robust momentum across both brands and geographies. Notably, this business reached a key milestone of crossing the \$1 billion mark in annual sales during fiscal 2018. Further, the company is progressing well on its goal of delivering integrated digital and in-store shopping experiences. The company's 'purchase online, pick up in store' (POPinS), and 'order in-store' capabilities are delivering strong results.
- ▲ **Store Fleet Optimization:** Abercrombie has been closely working on its goals to optimize store fleet, which has resulted in significant store closures over the past eight years. The company considers these closures as an opportunity to improve store productivity by reducing store occupancy costs. In fact, global store optimization is a key component of its efforts to deliver operating margin expansion and reach goals for fiscal 2020. As part of its continued focus on optimizing store fleet, the company delivered 34 new store experiences in the reported quarter, including 19 Hollister, six Abercrombie adults and nine kids. This brings the year-to-date total to 70 new store experiences. The company is currently on track to deliver about 85 new experiences in fiscal 2019, up from 67 delivered in fiscal 2018.
- ▲ **Transformation Initiatives:** Apart from omni-channel and store-optimization initiatives, Abercrombie is making significant progress on the other key transformation initiatives. Some of the latest actions include the launch of expanded payment options in the United States, a partnership with Klarna, the introduction of its China loyalty program in stores and on Tmall, the rebranding of the Abercrombie loyalty program, and offering Instagram checkout.
- ▲ **Sound Balance Sheet & Shareholder-Friendly Moves:** Abercrombie's balance sheet had cash and cash equivalents of \$410.8 million as of Nov 2, 2019, and gross borrowings of \$243.3 million. In the first nine months of fiscal 2019, the company spent \$154.4 million as capital expenditure and expects to spend \$200 million in fiscal 2019. The company's healthy cash flow generation ability supports dividend payouts, share repurchases and strategic investments. In third-quarter fiscal 2019, it bought back 412,000 shares for \$6 million, following which it had 4.6 million shares remaining under its current repurchase authorization. Further, it declared a quarterly cash dividend of 20 cents per share on the Class A shares, which was paid out on Dec 16, 2019.

Abercrombie focuses on enhancing customer experience by investing in loyalty programs, store fleet and omni-channel capabilities. This keeps it on track to reach fiscal 2020 profitability goal.

Reasons To Sell:

▼ **Stock Looks Overvalued:** Considering price-to-earnings (P/E) ratio, Abercrombie looks pretty overvalued when compared with the industry and the S&P 500. The stock has a trailing 12-month P/E ratio of 22.3x, which is above the median level of 18.2x but below the high level of 25.1x, scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 13.2x for the industry and 20.2x for the S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.

▼ **International Business & Hollister Brand:** In third-quarter fiscal 2019, Abercrombie reported flat comps as gains from the Abercrombie brand and strong performance in the United States was offset by soft results for the Hollister brand and international markets. Notably, comps declined 2% for Hollister and were down 8% in international markets. The decline in international business was primarily due to escalating macro headwinds in key markets. The company is facing uncertainties related to Brexit, which continue to hurt sales in the U.K. — its largest international market. Additionally, ongoing protests in Europe and Asia, particularly in Hong Kong, hurt comps. Also, extremely hot weather in Europe in late August and early September hurt sales for soft clothing and accessories. Notably, Hollister has greater international presence compared with Abercrombie. Consequently, comps for the Hollister brand also reflected the impacts of the aforementioned headwinds related to the international business.

▼ **Soft Margins:** In third-quarter fiscal 2019, gross margin contracted 120 basis points (bps) (down 80 bps in constant currency) driven by higher shrink losses as well as headwinds of 30 bps from increased average unit costs (AUC). Moreover, adjusted operating income declined 32.4% year over year. Adjusted operating margin contracted 140 bps year over year and 80 bps in constant currency. Driven by soft margins, Abercrombie's earnings declined 30.3% in the fiscal third quarter and missed the Zacks Consensus Estimate. In constant currency, adjusted earnings declined 14.8% year over year.

▼ **Currency & Tariffs Weigh on Outlook:** Abercrombie remains exposed to unfavorable foreign currency translations, which are hurting its financial performance for a while now. Adverse foreign currency marred the top line by \$8 million in third-quarter fiscal 2019. Further, management updated the view for fiscal 2019 on the anticipated impacts of currency and tariffs. The company expects top-line gains in fiscal 2019 to be offset by adverse currency impacts of \$40 million of which \$35 million was witnessed in the first nine months of fiscal 2019. Moreover, it expects List 3 and List 4 China tariffs to hurt cost of goods sold and gross profit by \$4 million in the fourth quarter and \$5 million in fiscal 2019. Gross margin for fiscal 2019 is expected to include headwinds of 40 bps from adverse currency and anticipated China tariffs.

For the fiscal fourth quarter, the company anticipates sales to include an adverse impact of \$5 million from negative currency translations. Moreover, gross margin is expected to include adverse impacts of 70 bps from currency and China tariffs.

▼ **Lowered Fiscal 2019 & Soft Q4 Views:** For fiscal 2019, Abercrombie now estimates flat to 1% rise in sales, backed by comps growth and contributions from new stores, offset by the aforementioned currency headwinds. Earlier, the company projected sales growth of flat to up 2%. Further, it projects comps of flat to positive 1% versus flat to positive 2% mentioned earlier. It expects gross margin decline of 100 bps in fiscal 2019, whereas it reported 60.2% in fiscal 2018. Earlier, the company had projected gross margin decline of 50-90 bps. Further, it expects 2-3% rise in operating expenses, excluding other operating income, from adjusted operating expenses of \$2.03 billion reported in fiscal 2018.

The company also provided a soft view for the fiscal fourth quarter. It anticipates sales of flat to up 2% from the prior-year quarter. Meanwhile, it anticipates comps of flat to positive 2%, whereas it reported a 3% increase in the year-ago quarter. The company expects a gross margin decline of 150 bps from the year-ago quarter's reported level of 59.1%. It expects operating expenses (excluding other operating income) to remain flat or increase 2% from adjusted operating expenses of \$555 million reported in fourth-quarter fiscal 2018.

Abercrombie updated fiscal 2019 view on the impacts of currency and tariffs. Currency will likely hurt sales by \$40 million, and tariffs will mar cost of sales and gross profit by \$5 million.

Last Earnings Report

Abercrombie Misses on Q3 Earnings & Sales, Updates View

Abercrombie reported top and bottom-line miss in third-quarter fiscal 2019. Moreover, earnings declined on a year-over-year basis, while sales were flat. Further, management updated the view for fiscal 2019 on the anticipated impacts of currency and tariffs.

The company expects List 3 and List 4 China tariffs to hurt cost of goods sold and gross profit by \$4 million in the fourth quarter and \$5 million in fiscal 2019.

Quarter Ending **10/2019**

Report Date	Nov 26, 2019
Sales Surprise	-0.70%
EPS Surprise	-8.00%
Quarterly EPS	0.23
Annual EPS (TTM)	0.81

Q3 Earnings & Sales

Abercrombie reported earnings of 23 cents per share in the fiscal third quarter, missing the Zacks Consensus Estimate of 25 cents. Further, the bottom line declined 30.3% from adjusted earnings of 33 cents in the year-ago quarter. In constant currency, adjusted earnings declined 14.8% year over year.

Net sales totaled \$863.5 million, which missed the Zacks Consensus Estimate of \$870 million and were flat with the year-ago quarter. On a constant-currency basis, the top line rose 1%. Sales included an \$8-million impact from unfavorable currency.

Sales gained from a solid back-to-school period in August and continued momentum in October, partly negated by a challenging retail environment, resulting from unseasonably warm weather in September and ongoing disruptions in key international markets.

Brand-wise, net sales were flat at \$514.8 million for the Hollister brand, while it rose 1% to \$348.7 million for Abercrombie. From a geographical viewpoint, net sales grew 4% in the United States, while dropped 6% in international markets.

Comps in Detail

Comparable sales (comps) remained flat against 3% growth in the year-ago quarter. Brand-wise, comps declined 2% for Hollister, while improved 3% for Abercrombie.

Moreover, comps benefited from strong performance in the United States, owing to continued double-digit growth in digital and positive traffic trends. Further, Hollister and Abercrombie brands witnessed positive comps in the United States. Notably, U.S. comps improved 3%.

However, this was partly offset by an 8% decline in comps in international markets primarily due to escalating macro headwinds in key markets. The company is facing uncertainty related to Brexit, which continues to hurt sales in the U.K. — its largest international market. Additionally, ongoing protests in Europe and Asia, particularly in Hong Kong, are weighing on results. Also, extremely hot weather in Europe in late August and early September hurt sales for soft clothing and accessories.

Notably, Hollister has greater international presence compared with Abercrombie. Consequently, comps for the Hollister brand reflect the impacts of the aforementioned headwinds related to the international business.

Margins

Gross margin contracted 120 basis points (bps) to 60.1%. In constant currency, gross margin declined 80 bps, including 50 bps of impact from higher shrink losses as well as headwinds of 30 bps from increased average unit costs (AUC).

Adjusted operating income of \$25 million declined 32.4% year over year. This included a \$5-million headwind from adverse currency. Further, adjusted operating margin contracted 140 bps. In constant currency, adjusted operating margin declined 80 bps year over year.

Other Financials

Abercrombie ended the fiscal third quarter with cash and cash equivalents of \$410.8 million, and gross borrowings under its term-loan agreement of \$243.3 million. As of Nov 2, 2019, inventories amounted to \$590.9 million, reflecting 3% growth from the prior-year period. In the first nine months of fiscal 2019, the company spent \$154.4 million as capital expenditure.

Moreover, Abercrombie expects inventories to be up in low to mid-single digits at the end of the fiscal fourth quarter, driven by tight inventory controls.

The company also bought back 412,000 shares in third-quarter fiscal 2019 for nearly \$6 million. With this, it repurchased about 4 million shares in the first nine months of fiscal 2019. At the end of the fiscal third quarter, Abercrombie had 4.6 million shares remaining under its current share-repurchase authorization. In the first nine months of fiscal 2019, the company returned \$102.5 million via share repurchases and dividend payouts.

On Nov 13, the company declared a quarterly dividend of 20 cents per share on Class A shares, payable Dec 16, 2019, to shareholders of record as of Dec 6.

Store Update

Abercrombie has been working to optimize the store fleet. Notably, global store optimization is a key component of its efforts to deliver operating margin expansion and reach goals for fiscal 2020.

As part of its continued focus on optimizing store fleet, the company delivered 34 new store experiences in the reported quarter, including 19 Hollister, six Abercrombie adults and nine kids. This brings the year-to-date total to 70 new store experiences. It is currently on track to deliver

about 85 new experiences in fiscal 2019.

Outlook

For fiscal 2019, Abercrombie now estimates flat to 1% rise in sales, backed by comps growth and contributions from new stores. This will likely be offset by adverse impacts of currency of \$40 million of which \$35 million was witnessed in the first nine months of fiscal 2019. Earlier, the company had projected sales growth of flat to up 2%.

Further, it projects comps of flat to positive 1% versus flat to positive 2% mentioned earlier. It reported an improvement of 3% in the year-ago period.

For the fiscal year, the company expects gross margin decline of 100 bps from 60.2% reported in fiscal 2018. This includes headwinds of 40 bps from adverse currency and anticipated China tariffs. Earlier, the company had projected gross margin decline of 50-90 bps.

It expects rise in operating expenses, excluding other operating income, of 2-3% from adjusted operating expenses of \$2.03 billion reported in fiscal 2018. The view for operating expenses includes flagship store exit charges of \$45 million incurred in the fiscal second quarter and asset impairment charges of \$13 million incurred in the third quarter. Furthermore, it anticipates effective tax rate in the mid-20s.

Additionally, Abercrombie continues to envision capital expenditure of \$200 million for fiscal 2019.

For the fiscal fourth quarter, the company anticipates sales of flat to up 2% from the prior-year quarter. This includes an adverse impact of nearly \$5 million from negative currency translations. Meanwhile, it anticipates comps of flat to positive 2%, whereas it reported a 3% increase in the year-ago quarter.

The company expects a gross margin decline of 150 bps from the year-ago quarter's reported level of 59.1%. This will likely include adverse impacts of 70 bps from currency and China tariffs.

Abercrombie expects operating expenses (excluding other operating income) to remain flat or increase 2% from adjusted operating expenses of \$555 million reported in fourth-quarter fiscal 2018. It anticipates effective tax rate in mid-to-upper 20s.

Recent News

Abercrombie Announces Quarterly Dividend – Nov 14, 2019

Abercrombie declared a quarterly cash dividend of 20 cents per share on the Class A shares. This was paid out on Dec 16, 2019, to its shareholders of record as of Dec 6.

Valuation

Abercrombie shares are down 1.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 20.2% but the Zacks Retail-Wholesale sector is up 20.7% over the past year.

The S&P 500 index is up 26.4% in the past year.

The stock is currently trading at 0.31X forward 12-month sales, which compares to 0.61X for the Zacks sub-industry, 1.07X for the Zacks sector and 3.47X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.62X and as low as 0.19X, with a 5-year median of 0.38X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$19 price target reflects 0.33X forward 12-month sales.

The table below shows summary valuation data for ANF

Valuation Multiples - ANF					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.31	0.61	1.07	3.47
	5-Year High	0.62	1.31	1.1	3.47
	5-Year Low	0.19	0.55	0.8	2.54
	5-Year Median	0.38	0.82	0.9	3
P/B TTM	Current	1.14	3.22	5.17	4.42
	5-Year High	1.84	6.43	5.82	4.45
	5-Year Low	0.51	2.66	3.58	2.85
	5-Year Median	1.11	4.72	4.78	3.6
EV/EBITDA TTM	Current	10.26	8.74	15.28	11.99
	5-Year High	10.75	9.29	15.3	12.86
	5-Year Low	2.34	4.76	10.27	8.48
	5-Year Median	4.4	6.92	12.32	10.67

As of 01/08/2020

Industry Analysis Zacks Industry Rank: Top 13% (32 out of 254)



Top Peers

Buckle, Inc. (The) (BKE)	Outperform
American Eagle Outfitters, Inc. (AEO)	Neutral
Boot Barn Holdings, Inc. (BOOT)	Neutral
Chicos FAS, Inc. (CHS)	Neutral
The Gap, Inc. (GPS)	Neutral
L Brands, Inc. (LB)	Neutral
PVH Corp. (PVH)	Neutral
Urban Outfitters, Inc. (URBN)	Neutral

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	ANF Neutral	X Industry	S&P 500	AEO Neutral	BKE Outperform	GPS Neutral
VGM Score	D	-	-	B	B	D
Market Cap	1.13 B	889.68 M	23.84 B	2.40 B	1.31 B	6.75 B
# of Analysts	10	3	13	9	1	10
Dividend Yield	4.43%	0.00%	1.79%	3.82%	3.77%	5.37%
Value Score	B	-	-	A	B	A
Cash/Price	0.38	0.12	0.04	0.11	0.19	0.17
EV/EBITDA	7.74	8.42	13.88	6.78	8.55	6.57
PEG Ratio	1.77	1.58	2.02	1.70	NA	1.16
Price/Book (P/B)	1.14	1.76	3.33	1.93	3.13	1.86
Price/Cash Flow (P/CF)	5.03	7.03	13.76	5.86	10.27	4.53
P/E (F1)	26.94	13.15	18.76	9.80	13.15	10.43
Price/Sales (P/S)	0.32	0.51	2.63	0.57	1.46	0.41
Earnings Yield	3.71%	6.95%	5.32%	10.21%	7.61%	9.57%
Debt/Equity	1.48	1.07	0.72	1.07	0.69	1.90
Cash Flow (\$/share)	3.59	1.60	6.94	2.46	2.59	3.98
Growth Score	F	-	-	C	C	F
Hist. EPS Growth (3-5 yrs)	-3.52%	-0.46%	10.56%	14.64%	-12.87%	-2.48%
Proj. EPS Growth (F1/F0)	-41.48%	4.51%	7.46%	-0.68%	2.54%	-33.09%
Curr. Cash Flow Growth	8.78%	9.92%	14.83%	14.78%	1.12%	13.35%
Hist. Cash Flow Growth (3-5 yrs)	-7.00%	0.23%	9.00%	9.35%	-8.74%	-2.78%
Current Ratio	1.41	1.44	1.23	1.33	2.33	1.43
Debt/Capital	59.75%	53.51%	42.99%	51.79%	40.72%	65.50%
Net Margin	1.52%	2.74%	11.08%	6.20%	11.03%	4.97%
Return on Equity	5.30%	10.96%	17.16%	21.25%	24.46%	22.33%
Sales/Assets	1.13	1.33	0.55	1.42	1.12	1.31
Proj. Sales Growth (F1/F0)	0.39%	1.01%	4.16%	5.65%	1.18%	-2.63%
Momentum Score	C	-	-	D	B	F
Daily Price Chg	1.69%	0.00%	0.39%	0.84%	-0.56%	0.22%
1 Week Price Chg	0.75%	0.00%	-0.30%	-0.62%	-1.95%	-2.19%
4 Week Price Chg	8.41%	3.88%	2.38%	1.91%	0.61%	11.75%
12 Week Price Chg	14.53%	5.07%	6.40%	-4.06%	28.87%	2.96%
52 Week Price Chg	-14.01%	-9.16%	22.97%	-27.20%	29.88%	-30.66%
20 Day Average Volume	1,622,860	282,693	1,610,101	4,093,569	469,757	5,487,949
(F1) EPS Est 1 week change	0.30%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.30%	0.00%	0.00%	-7.61%	0.00%	0.00%
(F1) EPS Est 12 week change	-10.39%	0.00%	-0.50%	-7.68%	11.60%	-15.96%
(Q1) EPS Est Mthly Chg	-0.16%	0.00%	0.00%	-23.35%	0.00%	0.00%

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	B
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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