

## Baxter International (BAX)

**\$83.16** (As of 08/03/20)

Price Target (6-12 Months): **\$71.00**

Long Term: 6-12 Months

**Zacks Recommendation:** Underperform

(Since: 08/03/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

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

**5-Strong Sell**

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: C

### Summary

Baxter ended second-quarter 2020 on a strong note, with both earnings and revenues beating the Zacks Consensus Estimate. However, the company saw weak performance across Medication Delivery, Pharmaceuticals and Advanced Surgery segments is a dampener. Also, margin contraction raises concern. Further, cut-throat competition in the MedTech markets remains a woe. Further, the company anticipates incurring around \$150 million in incremental expenses owing to its efforts to address the pandemic in 2020. Nonetheless, Baxter witnessed solid performance across Renal Care, Clinical Nutrition, Acute Therapies and Other segments. Its surgical portfolio is anticipated to generate huge profits on the back of products including FLOSEAL Hemostatic Matrix and TISSEEL Fibrin Sealant. The company outperformed the industry in a year's time.

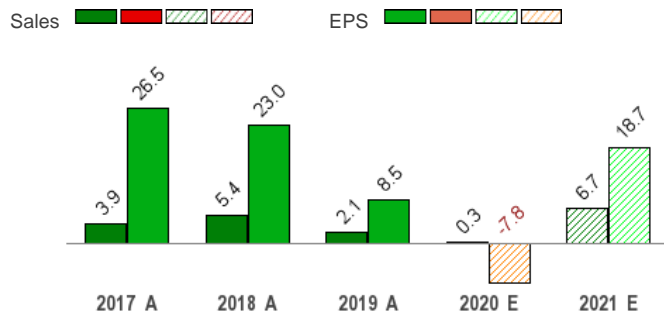
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$95.19 - \$69.10
20 Day Average Volume (sh)	2,833,192
Market Cap	\$42.1 B
YTD Price Change	-0.6%
Beta	0.82
Dividend / Div Yld	\$0.98 / 1.2%
Industry	<a href="#">Medical - Products</a>
Zacks Industry Rank	Bottom 25% (191 out of 254)

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



Last EPS Surprise	-9.9%
Last Sales Surprise	-5.3%
EPS F1 Est- 4 week change	-7.3%
Expected Report Date	10/29/2020
Earnings ESP	0.0%

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,910 E	2,979 E	3,017 E	3,228 E	12,163 E
2020	2,802 A	2,718 A	2,841 E	3,068 E	11,400 E
2019	2,632 A	2,840 A		3,039 A	11,362 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.81 E	\$0.86 E	\$0.91 E	\$1.00 E	\$3.62 E
2020	\$0.82 A	\$0.64 A	\$0.71 E	\$0.85 E	\$3.05 E
2019	\$0.76 A	\$0.89 A		\$0.97 A	\$3.31 A

\*Quarterly figures may not add up to annual.

P/E TTM	25.8
P/E F1	27.3
PEG F1	2.1
P/S TTM	3.7

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/03/2020. The reports text is as of 08/04/2020.

## Overview

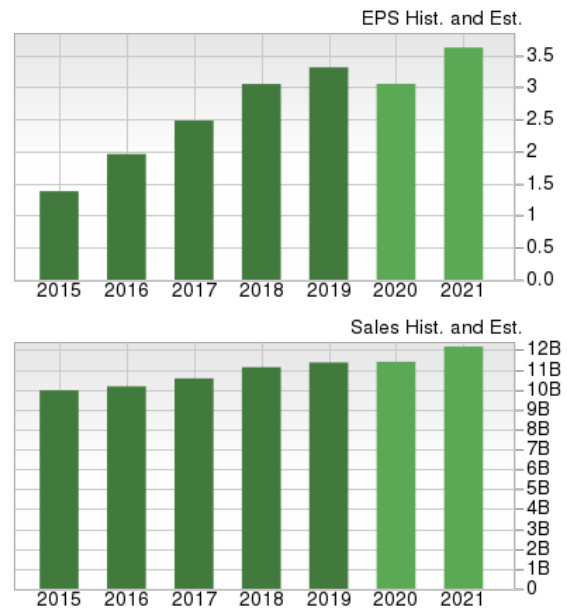
Headquartered in Deerfield, IL, Baxter International Inc. (BAX) is a global medical technology company. However, the company spun off its biopharmaceuticals segment into an independent entity – Baxalta Inc. Following the spinoff, the company consists of renal and hospital products, providing items such as kidney-dialysis equipment, infusion pumps, and intravenous (IV) solutions.

Baxter has been reporting through six revenue segments.

- Renal Care (32.9% of net sales in 2018)
- Medication Delivery (24%)
- Pharmaceuticals (18.8%)
- Clinical Nutrition (7.9%)
- Advanced Surgery (7.2%)
- Acute Therapies (4.6%)
- Other (4.6%)

Baxter's Renal segment primarily consists of Peritoneal Dialysis (PD) and Hemodialysis (HD) therapies. The portfolio addresses the needs of patients with kidney failure or kidney disease, and their healthcare providers, with a comprehensive range of therapeutic options across home, in-center, and hospital settings for better individualized care. Pharmacy Solutions (IPS) mainly includes premixed and oncology drug platforms, nutrition products and pharmacy compounding services. Cyclophosphamide is a part of this division. Surgical Care includes inhaled anesthesia products as well as biological products and medical devices used in surgical procedures for hemostasis, tissue sealing and adhesion prevention. Other segment primarily generates revenues from the company's pharmaceutical partnering business.

**2019 at a Glance:** Baxter reported net revenues of \$11.36 billion in 2019, up 2.4% year over year on a reported basis. Adjusted earnings of \$3.31 per share, improved 13.7% year over year.



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## Reasons To Sell:

▼ **Generic Competition for Cyclophosphamide:** Cyclophosphamide is a part of Baxter's Hospital Products segment. However, Baxter's cyclophosphamide performance over the last five years has lacked luster for the most part. Lower cyclophosphamide sales pose threats to the Integrated Pharmacy Solutions franchise business. Despite a promising portfolio, the company has failed to grab market share and substantially grow its top line, thanks to generic competition for cyclophosphamide.

Generic competition for Cyclophosphamide, and lackluster sales in a few sub-segments are key concerns.

▼ **Sluggish Macro-environment:** Baxter depends on the European Union for about a third of its sales. This is a cause for concern, given the sluggish macro-environment, a glum outlook for hospital spending and tightening of reimbursement. The outlook also remains slightly uneasy in the U.S., where demand for many health care products is soft with an expectation of further price cuts on account of health care reforms.

▼ **Cutthroat Competition in Renal Care Market:** Increase in prevalence of renal diseases and a huge diabetic and obese population is responsible for the growth of renal dialysis market in North America, Europe and Asia Pacific. Notably, Middle East and Africa has the least share in the renal dialysis market. Per a report by Global Market Insights, the Global Renal Dialysis market is expected to exceed US\$ 104 billion by end of 2024.

Cutthroat competition in the Renal Care Market is likely to dent Baxter's margins. The company faces aggressive rivalry from MedTech behemoths like Fresenius Medical Care, DaVita Healthcare Partners Inc. and more.

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## Risks

- **Shares Up:** Over the past year, shares of Baxter have gained 1.6% against the industry's decline of 1%.

Plethora of regulatory nods, strategic acquisitions and robust surgical portfolio continue to benefit the stock. Moreover, the company's multi-year transformation has enabled it to strengthen its capability to respond to the pandemic.

- **Acute Therapies Profile:** Baxter's performance in acute therapies has been continued to be driven by improving utilization for CRRT globally, and increased demand for multi-organ support products. In acute therapies, Baxter launched the first 3-in-1 oXIRIS set for continuous renal replacement therapy and sepsis management protocols. This adds to Baxter's multi-organ therapy offering, utilizing the Prismaflex system. PrisMax is available in the intensive care units in more than 20 countries across Europe and Asia-Pacific. Per management, the company plans to bring additional markets on board through 2020.

The company has been witnessing tremendous demand for many products, which includes its PrisMax and PRISMAFLEX, continuous renal replacement therapy, devices and associated consumables. The company's MINI-BAG Plus drug delivery system, the Spectrum IQ infusion system in SAS, plus IV Solutions parenteral nutrition therapies and injectable drugs are in great demand as well.

Per the second-quarter results, revenues in Acute Therapies business were \$186 million, reflecting growth of 40.9% on a reported basis and 45% on a constant currency (cc) basis. Per management, increased demand for acute therapies products due to the COVID-19 pandemic contributed to the improvement.

- **Baxter – a Leading Player in Renal-Care Space:** Baxter provides renal care services across Asia, Europe and Latin America. For more than 60 years, Baxter has been a leading provider for HD and PD. New therapies like expanded hemodialysis (HDx) and remote patient management has fortified the company's position in the renal care space.

The renal care products include AMIA Automated PD System with SHARESOURCE Remote Patient Management System, SHARESOURCE Remote Patient Management System, BICART Cartridge, Cartridge Blood Set, DIACLEAR Ultrafilter, DIASCAN Monitoring System, EXELTRA Dialyzer High-Flux, Single-Use Dialyzers, PD Simple Paks, POLYFLUX 6H Dialyzer and others. All these products enjoy high demand and have been significantly contributing to the company's top line in the past several quarters.

Baxter anticipates strong growth in global demand for continuous renal replacement therapies. In the first quarter, revenues in Renal Care business were \$870 million that increased 1.9% from the prior-year quarter and rose 4% at cc. High-single-digit growth in PD therapies globally contributed to the improvement. Also, due to the travel restrictions related to the outbreak in China, the company estimated that the need to expedite the delivery of monthly therapy supplies to PD patients contributed \$5-\$10 million in sales in the quarter.

- **Baxter's Surgical Portfolio Holds Promise:** Baxter's surgical portfolio includes products like FLOSEAL Hemostatic Matrix, TISSEEL Fibrin Sealant, COSEAL Surgical Sealant and VASCU-GUARD Patch among others. The portfolio is composed of hemostasis (addressing bleeding), tissue sealing and hard tissue regeneration as well as soft tissue repair and microsurgery with products available in nearly 60 countries. Introduction of Peri-Strips Dry stapler and Tisseel Prima are likely to boost Baxter's surgical portfolio.

Baxter expects a persistent negative impact on business growth associated with declines in elective surgeries globally. In fact, in the second quarter, revenues at the segment totaled \$168 million, down 27.3% from the year-ago quarter and 27% at cc. The Seprafilm buyout in February, contributed \$23 million to sales in the second quarter. Declines in elective surgical procedures resulted in an estimated negative impact of around \$80 million for the Advanced Surgery portfolio.

- **Strategic Collaboration with Mayo Clinic:** In 2018, in a bid to develop a renal care center in the United States, Baxter and Mayo Clinic had inked a collaboration agreement. The companies formed an outpatient clinic for chronic kidney disease management, home dialysis and in-center dialysis services. The renal care center will be established at the Mayo Clinic Dialysis Center in Jacksonville, FL. The collaboration will integrate Baxter Renal Care Services' proven clinical service model and CKD management program with Mayo Clinic's recognized excellence in care.

For investors' notice, the collaboration is the first initiative from the Baxter and Mayo Clinic five-year agreement that was announced earlier in 2017. Per the agreement, researchers and clinicians of the companies will work toward the treatment of kidney diseases, with additional projects planned in other areas. The collaboration focuses on new research and developments to bring innovation across different therapeutic areas. The agreement has been signed for a five-year period, with a five-year renewal option.

- **Positive Tidings on Regulatory Front:** Baxter has been witnessing positive tidings on the regulatory front.

In January, Baxter announced the enrollment of the first group of patients under a U.S. clinical trial for the company's flagship peritoneal dialysis (PD) solution generation system. Notably, the FDA has also approved the trial. For investors' notice, the system is not yet available for use by patients.

In the first quarter of 2020, the company received the Emergency Use Authorization (EUA) from the FDA for the Oxiris filter set, which is the only filter set available in the United States to lower pro-inflammatory cytokine levels in the blood for confirmed COVID-19 cases with confirmed or imminent respiratory failure that require blood purification.

In recent times, the company received CE mark for the Evo IQ Infusion System in the United Kingdom and Ireland, representing the first in a series of planned regulatory submissions for the Evo IQ system. Additionally, in the second quarter, Baxter announced CE marking in Europe and regulatory approval from Australia's Therapeutic Goods Administration (TGA) for the Evo IQ Syringe Infusion System. This can be utilized to deliver small volumes of medications and other fluids to patients in a controlled manner. The device is part of the broader Evo IQ Infusion Platform and is supported by Baxter's web-based Dose IQ Safety Software and wireless IQ Enterprise Connectivity Suite.

Further, during the second quarter Baxter received FDA clearance of Altapore Shape Bioactive Bone Graft, which is the latest addition to

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its next-generation bone graft substitute product line.

- **Solid Global Foothold:** Baxter has a strong presence in foreign markets which makes international diversification a core component of the company's strategy.

In the second quarter, in APAC, revenues of \$580 million improved 1.2% from the prior-year quarter and 5% at cc. However, in Americas, Baxter reported revenues of \$1.41 billion, down 7.4% on a year-over-year basis and 5% at cc. In EMEA, revenues totaled \$731 million, down 1.5% from the year-ago quarter but up 1% at cc. This was primarily due to the impact of the COVID-19 pandemic resulting in substantially lower rates of hospital admissions and a reduction in elective procedures. Nonetheless, Baxter's wide geographic footprint reflects balance and stability, thereby enabling it in combating risks stemming from overexposure to a more limited range of geographies.

- **Strong Product Portfolio:** Baxter has an impressive product portfolio with improved existing products and new product development. Management has announced plans of introducing therapies and products, which are expected to contribute approximately \$1.7 billion to sales by 2023.

During first-quarter 2020, Baxter entered a partnership with MedAware — a specialist in clinical big-data analytics and machine learning algorithms that provides artificial intelligence (AI)-based safety software for identifying medication-related errors. The partnership is likely to aid Baxter's development of next-generation infusion pump dose error reduction software for direct integration into Baxter's infusion pumps and hospital enterprise connectivity solution. The company also introduced a new generation of Peri-Strips Dry with Veritas Collagen Matrix (PSDV) surgical product, known as PSDV with Secure Grip in the quarter. Moreover, during the first quarter of 2020, Baxter acquired toSense, a California-based technology company, which is likely to be crucial to Baxter's development and launch of leading-edge monitoring innovations.

Additionally, the company expanded its injectable pharmaceuticals portfolio with the U.S. launch of Myxredlin (Insulin Human in 0.9% Sodium Chloride Injection), the first and only ready-to-use insulin for IV infusion in the hospital and other acute care settings. The company also introduced a ready-to-use eptifibatide, a first-of-its-kind premix presentation of a platelet aggregation inhibitor that prevents platelets from sticking together and clotting.

Further, the company initiated collaboration with bioMerieux, a world leader in the field of in vitro diagnostics, to create future biomarkers with the target of quickly detecting and informing treatment of acute kidney injury (AKI). The efforts are meant to help diagnose AKI earlier so a patient can have improved therapy options, indicating Baxter's growth strategy of addressing patient needs across the continuum of care.

Going forward, the company's additional pipeline highlights comprise Novum IQ Smart Pump Technology, Share Source Analytics and additional differentiated generic injectables.

- **Stable Liquidity Position:** Baxter is well capitalized having exited second-quarter 2020 with cash and cash equivalents of \$4.09 billion, down from \$4.11 billion on a sequential basis. The company's cash flow trends also remain robust. Cumulative operating cash flow from continuing operations in the second quarter was \$646 million, up from \$574 million in the year-ago period. Meanwhile, long-term debt came was \$6.54 billion in the second quarter, slightly higher than \$6.48 billion, sequentially. Although the quarter's long-term debt was much higher than the corresponding cash and cash equivalent level, the company's current-year debt of \$319 million (down from \$536 million on sequential basis) is much lower than the cash level. This is good news in terms of the company's solvency level as, at least during the year of economic downturn. Moreover, per management, the cash level at the end of the second quarter is sufficient to fund the company's operations and strategically execute on its capital allocation priorities.
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## Last Earnings Report

### Baxter Earnings and Revenues Miss Estimates in Q2

Baxter International Inc. reported second-quarter 2020 adjusted earnings of 64 cents per share, which missed the Zacks Consensus Estimate of 71 cents by 9.9%. Moreover, the bottom line declined 23.8% from the year-ago quarter.

Revenues of \$2.72 billion lagged the Zacks Consensus Estimate of \$2.87 billion by 5.2%. The top line decreased 4.1% year over year on a reported basis, while 1% and 2% on a constant currency (cc) and operational basis, respectively.

Quarter Ending 06/2020

Report Date	Jul 30, 2020
Sales Surprise	-5.25%
EPS Surprise	-9.86%
Quarterly EPS	0.64
Annual EPS (TTM)	3.23

### Geographical Details

Baxter reports operating results through three geographic segments — Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific).

In Americas, Baxter reported revenues of \$1.41 billion, down 7.4% on a year-over-year basis and 5% at cc.

In EMEA, revenues totaled \$731 million, down 1.5% from the year-ago quarter but up 1% at cc.

In APAC, revenues of \$580 million improved 1.2% from the prior-year quarter and 5% at cc.

### Segmental Details

#### *Renal Care*

This segment reported revenues of \$919 million in the quarter under review, up 1.3% year over year. Revenues at the segment increased 5% at cc.

#### *Medication Delivery*

Revenues at the segment amounted to \$612 million, down 11.2% from the year-ago quarter and 9% at cc.

#### *Pharmaceuticals*

Revenues at the segment totaled \$485 million, down 9.9% from the year-ago quarter and 7% at cc.

#### *Clinical Nutrition*

Revenues at the segment were \$219 million, up 1.9% from the year-ago quarter and 5% at cc.

#### *Advanced Surgery*

Revenues at the segment totaled \$168 million, down 27.3% from the year-ago quarter and 27% at cc.

#### *Acute Therapies*

This segment reported revenues of \$186 million, up 40.9% from the prior-year quarter and 45% at cc.

#### *Other*

Revenues in the segment were \$129 million, up 5.7% on a year-over-year basis and 7% at cc.

### Margin Analysis

Baxter reported gross profit of \$1.04 billion in the second quarter, down 9.9% year over year. As a percentage of revenues, gross margin contracted 250 bps on a year-over-year basis at 38.2% in the second quarter.

Operating income fell 5.4% year over year to \$331 million in the quarter under review. As a percentage of revenues, operating margin contracted 20 bps to 12.2% in the quarter under review.

### Guidance

For full-year 2020, Baxter anticipates sales growth between (1%) and 1% on a reported basis. On both constant currency and operational basis, sales growth is expected to be flat to up low-single digits.

Adjusted earnings per share is estimated in the range of \$3-\$3.10.

It is important to mention here that the aforementioned outlook takes into account, among other factors, a sequential improvement on a quarterly basis in both hospital admissions and surgical volumes although still below year-ago period levels.

## Recent News

### Baxter receives the CE marking for the Evo IQ Syringe Infusion System: May 20

Baxter received the CE marking and regulatory approval from Australia's Therapeutic Goods Administration (TGA) for the Evo IQ Syringe Infusion System. The system has been developed to optimize efficiency for clinicians, thereby enhancing flexibility to help meet future demands. With this approval, Baxter is likely to strengthen its Medication Delivery segment and global presence.

## Valuation

Baxter's shares are down 0.6% in the year-to-date period while up 1.6% in the trailing 12-month period. Stocks in the Zacks sub-industry are down 3.9% in the year-to-date period, while that in the Zacks Medical sector are up 0.02%. Over the past year, stocks in the Zacks sub-industry are down 1% while that in the sector are up 9.8%.

The S&P 500 index is up 1.6% in the year-to-date period and 15.4% in the past year.

The stock is currently trading at 24X Forward 12-months earnings, which compares to 29.9X for the Zacks sub-industry, 22.5X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 31.3X and as low as 18.8X, with a 5-year median of 23.9X.

Our Underperform recommendation indicates that the stock will perform below the market. Our \$71 price target reflects 20.5X forward 12-months earnings.

The table below shows summary valuation data for BAX.

Valuation Multiples - BAX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.04	29.88	22.54	22.62
	5-Year High	31.29	31.01	23.16	22.62
	5-Year Low	18.76	17.09	15.89	15.25
	5-Year Median	23.9	20.24	18.9	17.55
P/S F12M	Current	3.49	3.85	2.79	3.59
	5-Year High	4.03	3.92	3.41	3.59
	5-Year Low	1.76	2.9	2.22	2.53
	5-Year Median	3.17	3.29	2.9	3.04
P/B TTM	Current	5.16	2.99	4.35	4.47
	5-Year High	6.2	3.48	5.07	4.56
	5-Year Low	2.15	2.2	2.94	2.83
	5-Year Median	3.82	2.81	4.29	3.72

As of 08/03/2020

## Industry Analysis Zacks Industry Rank: Bottom 25% (191 out of 254)



## Top Peers

Company (Ticker)	Rec	Rank
DaVita Inc. (DVA)	Outperform	2
Fresenius Medical Care AGCo. KGaA (FMS)	Outperform	1
Accuray Incorporated (ARAY)	Neutral	3
Becton, Dickinson and Company (BDX)	Neutral	3
3M Company (MMM)	Neutral	3
AngioDynamics, Inc. (ANGO)	Underperform	4
Boston Scientific Corporation (BSX)	Underperform	3
Medtronic PLC (MDT)	Underperform	5

Industry Comparison Industry: Medical - Products				Industry Peers		
	BAX	X Industry	S&P 500	BDX	BSX	FMS
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Underperform	Outperform
Zacks Rank (Short Term)	5	-	-	3	3	1
VGM Score	B	-	-	C	F	A
Market Cap	42.10 B	335.54 M	22.67 B	76.93 B	53.18 B	26.67 B
# of Analysts	11	3	13.5	12	11	3
Dividend Yield	1.18%	0.00%	1.77%	1.11%	0.00%	0.00%
Value Score	C	-	-	B	C	A
Cash/Price	0.09	0.10	0.07	0.03	0.01	0.08
EV/EBITDA	23.94	0.05	13.08	22.44	27.30	7.17
PEG Ratio	2.12	4.47	2.94	3.77	3.78	2.19
Price/Book (P/B)	5.16	3.42	3.10	3.67	3.84	1.82
Price/Cash Flow (P/CF)	16.74	17.43	12.34	13.66	15.81	8.04
P/E (F1)	27.12	38.57	21.71	27.40	37.76	16.83
Price/Sales (P/S)	3.69	5.19	2.46	4.42	5.23	1.34
Earnings Yield	3.67%	-0.81%	4.38%	3.65%	2.66%	5.95%
Debt/Equity	0.80	0.11	0.75	0.80	0.68	0.47
Cash Flow (\$/share)	4.97	-0.00	6.94	20.77	2.40	5.56
Growth Score	B	-	-	C	F	B
Hist. EPS Growth (3-5 yrs)	NA%	11.57%	10.46%	11.71%	11.21%	9.27%
Proj. EPS Growth (F1/F0)	-7.77%	9.80%	-7.08%	-11.36%	-36.30%	5.01%
Curr. Cash Flow Growth	4.10%	4.10%	5.47%	14.64%	12.08%	47.56%
Hist. Cash Flow Growth (3-5 yrs)	-6.10%	7.87%	8.55%	24.86%	10.33%	13.72%
Current Ratio	2.97	2.73	1.32	0.98	1.21	1.01
Debt/Capital	44.50%	15.90%	44.21%	44.51%	40.33%	32.02%
Net Margin	8.10%	-25.53%	10.25%	6.10%	39.18%	7.26%
Return on Equity	20.75%	-8.55%	14.72%	15.75%	13.68%	10.50%
Sales/Assets	0.62	0.54	0.52	0.33	0.35	0.54
Proj. Sales Growth (F1/F0)	0.95%	0.00%	-1.79%	-1.98%	-6.50%	8.54%
Momentum Score	C	-	-	D	B	C
Daily Price Chg	-3.73%	0.04%	0.27%	0.83%	-1.48%	1.94%
1 Week Price Chg	-3.23%	-0.41%	0.14%	3.48%	-0.08%	-1.66%
4 Week Price Chg	-5.62%	0.00%	2.96%	13.26%	6.77%	1.22%
12 Week Price Chg	-6.49%	5.49%	10.90%	8.25%	0.58%	12.28%
52 Week Price Chg	1.53%	0.12%	2.35%	20.03%	-8.12%	33.95%
20 Day Average Volume	2,833,192	231,406	2,043,624	1,229,695	9,156,434	178,899
(F1) EPS Est 1 week change	-7.06%	0.00%	0.00%	0.00%	9.71%	9.44%
(F1) EPS Est 4 week change	-7.29%	0.00%	0.82%	-0.54%	12.05%	13.65%
(F1) EPS Est 12 week change	-7.29%	0.00%	0.59%	-3.42%	11.03%	4.29%
(Q1) EPS Est Mthly Chg	-10.87%	0.00%	0.25%	0.90%	-2.09%	0.00%



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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	B
Momentum Score	C
VGM Score	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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