

Baxter International (BAX)

\$88.63 (As of 06/04/20)

Price Target (6-12 Months): **\$93.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/01/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: D

Summary

Baxter outperformed its industry in a year's time. Baxter's surgical portfolio is anticipated to generate huge profits on the back of products including FLOSEAL Hemostatic Matrix and TISSEEL Fibrin Sealant. The company has estimated that the COVID-19 related demand contributed around \$45 million to sales in the quarter. Expansion of margins is a positive. The company ended first-quarter 2020 on a strong note, with both earnings and revenues beating the Zacks Consensus Estimate. The company witnessed strong performance across all its segments. However, cut-throat competition in the MedTech markets is indicative of dull prospects. Moreover, the company anticipates incurring around \$150 million in incremental expenses due to its efforts to address the pandemic, in 2020.

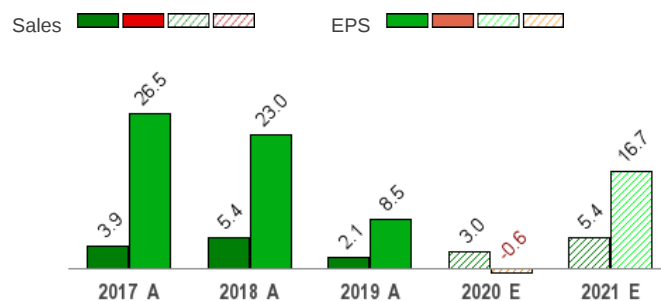
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$95.19 - \$69.10
20 Day Average Volume (sh)	2,699,343
Market Cap	\$45.0 B
YTD Price Change	6.0%
Beta	0.83
Dividend / Div Yld	\$0.98 / 1.1%
Industry	Medical - Products
Zacks Industry Rank	Top 22% (56 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.3%
Last Sales Surprise	1.9%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/23/2020
Earnings ESP	0.3%
P/E TTM	27.4
P/E F1	26.9
PEG F1	2.1
P/S TTM	3.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,911 E	3,082 E	3,120 E	3,318 E	12,334 E
2020	2,802 A	2,857 E	2,922 E	3,130 E	11,703 E
2019	2,632 A	2,840 A		3,039 A	11,362 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.87 E	\$0.92 E	\$0.98 E	\$1.10 E	\$3.84 E
2020	\$0.82 A	\$0.70 E	\$0.80 E	\$0.95 E	\$3.29 E
2019	\$0.76 A	\$0.89 A		\$0.97 A	\$3.31 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 06/04/2020. The reports text is as of 06/05/2020.

Overview

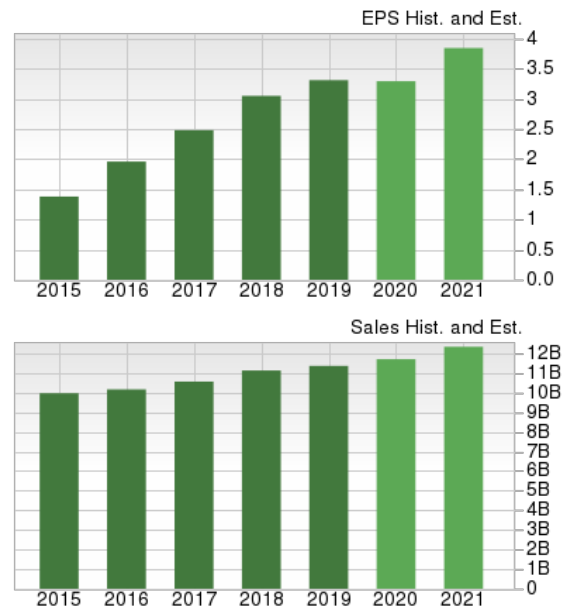
Headquartered in Deerfield, IL, Baxter International Inc. (BAX) is a global medical technology company. However, the company spun off its biopharmaceuticals segment into an independent entity – Baxalta Inc. Following the spinoff, the company consists of renal and hospital products, providing items such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



Reasons To Buy:

- ▲ **Shares Up:** Year-to-date, shares of Baxter have gained 15.3% against the industry's rise of 0.3%.

Plethora of regulatory nods, strategic acquisitions and robust surgical portfolio continue to favor 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. PrismaMax 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 PrismaMax 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 first-quarter results, revenues in Acute Therapies business were \$156 million, reflecting growth of 20.9% on a reported basis and 23% on a constant currency (cc) basis. Continued rollout of PrismaMax across all geographies and a surge in global demand for Baxter's continuous renal replacement therapies have driven Acute Therapies business. The company has projected that the increased coronavirus related demand contributed modestly to growth in this quarter.

- ▲ **Baxter – a Leading Player in Renal-Care Space:** Baxter provides renal care services across Asia, Europe and Latin America. Per the preliminary results, sales in the renal care segment were \$918 million in the second quarter, up 0.9% on a year-over-year basis. Performance was driven by robust growth in peritoneal dialysis therapies globally, partially offset by lower volume of sales with respect to select in-center HD products and impact of Revaclear dialyzer temporary supply constraints.

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.

Per a CISION report, the Global Surgical and Medical device market is anticipated to witness a CAGR of 5.93% over the forecast period of 2017-2026, reaching a worth of \$828.6 billion by 2026. Considering the bullish market sentiments, we think this latest development is timely.

Notably, during the fourth quarter, revenues at Advanced Surgery segment grossed \$224 million, up 12.6% from the prior-year quarter and 14% at cc. The Seprafilm buyout in February contributed around \$13 million in sales in the quarter. However, starting late March, fall in elective surgeries resulted in an anticipated negative impact of around \$10 million in the Advanced Surgery portfolio. The company expects a persistent negative impact on business growth associated with declines in elective surgeries globally.

- ▲ **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 recent times, the company received CE mark for the Evo IQ Infusion System in the United Kingdom and Ireland, representing the first in a

Positive tidings on regulatory front, expanding product portfolio, strategic collaborations and strong presence in the international markets are key positives.

series of planned regulatory submissions for the Evo IQ system. Additionally, the Evo IQ Infusion System recently received regulatory approval by the Therapeutic Goods Administration (TGA) in Australia.

During the fourth quarter, the company received FDA approval for faster preparation of FlosealHemostatic Matrix. This next generation of Floseal has 20% lesser components and steps to prepare, making it easier and faster for nurses in the operating room to get Floseal into the hands of surgeons to help stop bleeding during procedures. In the first quarter, 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.

▲ **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 first quarter, in Americas, Baxter reported revenues of \$1.49 billion, up 6.4% on a year-over-year basis and 8% at cc. In EMEA, revenues totaled \$754 million, up 6.6% from the year-ago quarter and 10% at cc. In APAC, revenues of \$549 million improved 5.2% from the prior-year quarter and 9% at cc.

▲ **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 the third quarter, the company introduced new data associating Sharesource remote patient management platform with reductions in hospitalizations for home PD patients. Moreover, the company achieved substantial milestones in its innovation pipeline, which includes U.S. and Canadian launches of PrisMax, U.S. launch of Myxredlin and European launch of Finomel.

During the fourth quarter of 2019, the company introduced the Sharesource 2.0 clinical portal that will offer the healthcare providers better insights to patients' home PD treatments while offering improved clinic workflow. Additionally, the company introduced Clinolipid (20% Lipid Injectable Emulsion), which is Baxter's proprietary olive oil-based lipid emulsion, in the United States.

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, 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.

▲ **Stable Liquidity Position:** Baxter is well capitalized having exited first-quarter 2020 with cash and cash equivalents of \$4.1 billion compared with \$3.34 billion in the year-ago period. The company's cash flow trends also remain robust. Operating cash flow from continuing operations through the first quarter was \$272 million and free cash flow was \$102. This compares with the year-ago operating cash flow of \$128 million and free cash outflow of \$59 million. Meanwhile, long-term debt came up to \$5.99 billion in the first quarter, higher than \$4.81 billion, sequentially. It is also important to mention here that the company's US revolving credit facility offers access to an additional \$2 billion in credit, which the company can draw if necessary. Although the debt level appears to be higher than Baxter's cash position, we are optimistic that the company has the ability to meet its debt obligations in the near term.

Reasons To Sell:

▼ **Valuation Looks Dull:** Baxter's P/E (F12M) ratio currently stands 25.09 over the past year, compared with 22.55 of the S&P 500 index.

▼ **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.

▼ **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.

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

Last Earnings Report

Baxter Q1 Earnings and Revenues Surpass Estimates

Baxter International Inc. reported first-quarter 2020 adjusted earnings of 82 cents per share, which surpassed the Zacks Consensus Estimate of 73 cents by 12.3%. The bottom line also improved 9.3% from the year-ago quarter.

Revenues of \$2.80 billion beat the Zacks Consensus Estimate of \$2.75 billion by 1.8%. The top line improved 6.2% year over year on a reported basis and 8% on both constant currency (cc) and operational basis.

Quarter Ending 03/2020

Report Date	Apr 30, 2020
Sales Surprise	1.90%
EPS Surprise	12.33%
Quarterly EPS	0.82
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 \$1.49 billion, up 6.4% on a year-over-year basis and 8% at cc.

In EMEA, revenues totaled \$754 million, up 6.6% from the year-ago quarter and 10% at cc.

In APAC, revenues of \$549 million improved 5.2% from the prior-year quarter and 9% at cc.

Segmental Details

Renal Care

This segment reported revenues of \$870 million in the quarter under review, up 1.9% year over year. Revenues at the segment increased 4% at cc.

Medication Delivery

Revenues at the segment grossed \$690 million, up 8.8% from the year-ago quarter and 10% at cc.

Pharmaceuticals

Revenues at the segment amounted to \$527 million, up 3.3% from the year-ago quarter and 6% at cc.

Clinical Nutrition

Revenues at the segment were \$220 million, up 7.3% from the year-ago quarter and 10% at cc.

Advanced Surgery

Revenues at the segment totaled \$224 million, up 12.6% from the year-ago quarter and 14% at cc.

Acute Therapies

This segment reported revenues of \$156 million, up 20.9% from the prior-year quarter and 23% at cc.

Other

Revenues in the segment grossed \$115 million, up 7.5% on a year-over-year basis and 9% at cc.

Margin Analysis

Baxter registered gross profit of \$1.16 billion in the first quarter, up 7.7% year over year. As a percentage of revenues, gross margin expanded 60 bps on a year-over-year basis at 41.5% in the first quarter.

Operating income rose 6.7% year over year to \$409 million in the quarter under review. As a percentage of revenues, operating margin expanded 10 bps to 14.6% in the quarter under review.

Guidance

Due to the high-degree of uncertainty surrounding COVID-19 and the potential financial impact from the same, Baxter has refrained from issuing any guidance for the second quarter or full-year 2020.

Recent News

On **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 up 6% and 15.3% in the year-to-date and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Medical sector are down 5.5% and 1.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 0.3% and 3.8%, respectively.

The S&P 500 index is down 3.2% in the year-to-date period while up 9.9% in the past year.

The stock is currently trading at 25.1X Forward 12-months earnings, which compares to 30.8X for the Zacks sub-industry, 23.1X 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 9.1X, with a 5-year median of 23.9X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$93 price target reflects 26.3X 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	25.09	30.8	23.1	22.55
	5-Year High	31.29	30.8	23.1	22.55
	5-Year Low	9.11	17.01	15.92	15.23
	5-Year Median	23.87	20.11	18.95	17.49
P/S F12M	Current	3.76	3.86	2.78	3.51
	5-Year High	4.03	3.88	3.75	3.51
	5-Year Low	1.24	2.88	2.21	2.53
	5-Year Median	3.14	3.27	2.92	3.02
P/B TTM	Current	5.83	2.82	4.24	4.27
	5-Year High	6.2	4.26	5.07	4.56
	5-Year Low	2.15	2.19	2.93	2.83
	5-Year Median	3.77	2.76	4.29	3.66

As of 06/04/2020

Industry Analysis Zacks Industry Rank: Top 22% (56 out of 253)



Top Peers

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

Industry Comparison Industry: Medical - Products				Industry Peers		
	BAX	X Industry	S&P 500	BDX	BSX	FMS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	3	4
VGM Score	D	-	-	C	F	B
Market Cap	44.95 B	332.14 M	22.58 B	66.04 B	52.36 B	25.82 B
# of Analysts	11	3	14	12	11	4
Dividend Yield	1.11%	0.00%	1.87%	1.30%	0.00%	1.04%
Value Score	D	-	-	C	D	B
Cash/Price	0.09	0.11	0.06	0.04	0.01	0.06
EV/EBITDA	25.43	-0.11	12.93	19.77	26.94	8.02
PEG Ratio	2.10	4.96	3.06	3.08	3.91	2.48
Price/Book (P/B)	5.83	3.55	3.09	3.15	3.78	1.76
Price/Cash Flow (P/CF)	17.84	17.48	12.17	11.72	15.57	7.78
P/E (F1)	26.92	34.21	22.17	22.96	41.66	18.51
Price/Sales (P/S)	3.90	5.48	2.41	3.79	4.85	1.30
Earnings Yield	3.71%	0.11%	4.27%	4.36%	2.41%	5.41%
Debt/Equity	0.84	0.10	0.76	0.80	0.68	0.75
Cash Flow (\$/share)	4.97	-0.01	7.01	20.77	2.40	5.56
Growth Score	D	-	-	C	F	A
Hist. EPS Growth (3-5 yrs)	NA%	12.07%	10.87%	11.71%	13.88%	9.43%
Proj. EPS Growth (F1/F0)	-0.52%	0.00%	-10.79%	-9.17%	-43.15%	-7.61%
Curr. Cash Flow Growth	4.10%	5.43%	5.48%	14.64%	12.08%	47.56%
Hist. Cash Flow Growth (3-5 yrs)	-6.10%	7.71%	8.55%	24.86%	10.33%	13.72%
Current Ratio	2.74	2.73	1.29	0.98	1.21	0.91
Debt/Capital	45.61%	14.48%	44.75%	44.51%	40.33%	42.82%
Net Margin	8.85%	-27.05%	10.59%	6.10%	39.75%	6.80%
Return on Equity	22.70%	-9.21%	16.26%	15.75%	18.24%	10.06%
Sales/Assets	0.64	0.56	0.55	0.33	0.39	0.54
Proj. Sales Growth (F1/F0)	3.01%	0.00%	-2.61%	-2.10%	-11.12%	4.20%
Momentum Score	D	-	-	D	C	D
Daily Price Chg	-2.04%	-0.48%	-0.08%	0.21%	-1.29%	-0.16%
1 Week Price Chg	3.54%	0.00%	4.60%	3.21%	5.79%	3.58%
4 Week Price Chg	0.21%	6.19%	12.07%	-4.96%	1.14%	13.01%
12 Week Price Chg	17.44%	26.80%	25.17%	10.42%	20.71%	32.69%
52 Week Price Chg	15.33%	-1.31%	0.34%	2.92%	-7.70%	15.36%
20 Day Average Volume	2,699,343	284,986	2,537,324	2,581,715	10,805,295	202,005
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-0.30%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.08%	-2.21%	-0.90%	-8.24%
(F1) EPS Est 12 week change	-11.77%	-16.19%	-16.19%	-12.36%	-49.05%	-10.10%
(Q1) EPS Est Mthly Chg	-0.16%	-2.34%	0.00%	-18.22%	0.00%	-16.92%

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	D
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.