

## Church & Dwight(CHD)

**\$96.33** (As of 07/31/20)

Price Target (6-12 Months): **\$102.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 03/27/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:A

Value: C

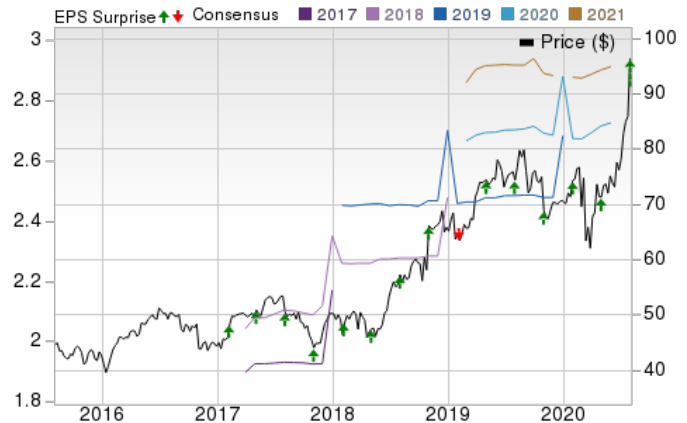
Growth: A

Momentum: A

### Summary

Church & Dwight has outpaced the industry year to date. The company has been gaining from rising consumer demand for its products amid coronavirus. This also boosted its second-quarter 2020 results, wherein top and bottom lines rose year over year and beat the consensus mark. Results gained from robust household and personal care businesses on consumers' shifted preference for essential products amid the coronavirus outbreak. Further, e-commerce sales played a strong role, with more consumers buying online. The company continued to see strength in its organic sales and the Consumer Domestic segment. However, SG&A costs increased and the company also saw high manufacturing costs related to COVID-19. Management expects gross margin to drop in the second half due to new product promotional support and certain additional investments.

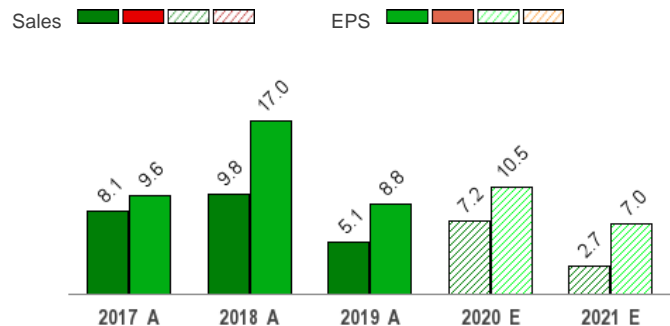
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$96.40 - \$47.98</b>
20 Day Average Volume (sh)	<b>1,610,910</b>
Market Cap	<b>\$23.7 B</b>
YTD Price Change	<b>37.0%</b>
Beta	<b>0.32</b>
Dividend / Div Yld	<b>\$0.96 / 1.0%</b>
Industry	<b><a href="#">Soap and Cleaning Materials</a></b>
Zacks Industry Rank	<b>Top 10% (25 out of 253)</b>

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



Last EPS Surprise	<b>22.2%</b>
Last Sales Surprise	<b>3.8%</b>
EPS F1 Est- 4 week change	<b>0.2%</b>
Expected Report Date	<b>NA</b>
Earnings ESP	<b>0.3%</b>
P/E TTM	<b>34.3</b>
P/E F1	<b>35.3</b>
PEG F1	<b>4.1</b>
P/S TTM	<b>5.2</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,159 E	1,189 E	1,207 E	1,239 E	4,798 E
2020	1,165 A	1,194 A	1,159 E	1,194 E	4,672 E
2019	1,045 A	1,079 A	1,089 A	1,144 A	4,358 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.84 E	\$0.68 E	\$0.77 E	\$0.64 E	\$2.92 E
2020	\$0.83 A	\$0.77 A	\$0.70 E	\$0.58 E	\$2.73 E
2019	\$0.70 A	\$0.57 A	\$0.66 A	\$0.55 A	\$2.47 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 07/31/2020. The reports text is as of 08/03/2020.

## Overview

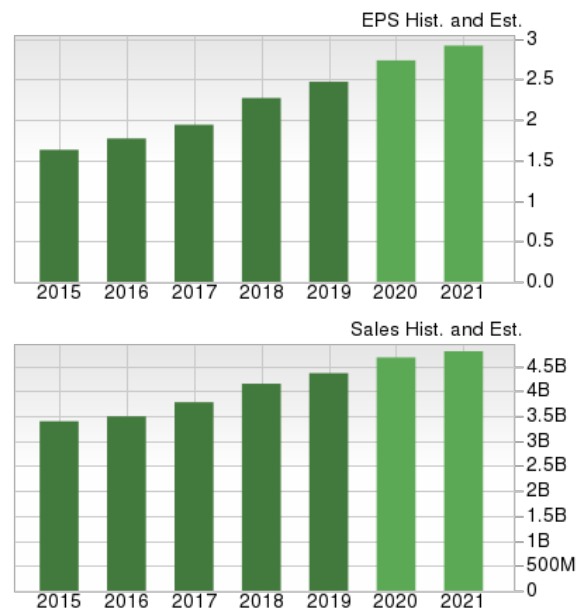
Founded in 1846 and based in Ewing, NJ, Church & Dwight Co., Inc. develops, manufactures and markets a broad range of household, personal care and specialty products. It is the leading U.S. producer of sodium bicarbonate, popularly known as baking soda, a natural product that cleans, deodorizes, leavens and buffers.

The company operates in six countries (Canada, Mexico, U.K., France, Australia and Brazil) and exports to over 90 other countries. Approximately 16% of the company's net sales came from outside the U.S. in 2016.

The company has 11 key brands, including ARM & HAMMER, Trojan, OxiClean, Spinbrush, First Response, Nair, Orajel, Xtra, Water Pik, VMS and Batiste. The company's ARM & HAMMER brand is one of the nation's most trusted trademarks for a broad range of consumer and specialty products and its products are sold under ARM & HAMMER liquid and powder laundry detergent, ARM & HAMMER cat litter, ARM & HAMMER dental care and ARM & HAMMER baking soda. The remaining nine power brands were acquired by the company and added to its portfolio in 2001.

The company's business is divided into three primary segments, Consumer Domestic, Consumer International and Specialty Products.

- The **Consumer Domestic** segment (75.9% of 2019 sales) includes eight power brands, ARM & HAMMER, Trojan, First Response, Nair, Spinbrush, OxiClean, Orajel and XTRA and other household and personal care products.
- The **Consumer International** segment (17.4% of 2019 sales) sells a variety of household and personal care products in international markets, including Canada, Europe, Australia, Mexico and Brazil.
- The **Specialty Products** segment (6.9% of 2019 sales) is the largest U.S. producer of sodium bicarbonate, which it sells together with other specialty inorganic chemicals for a variety of industrial, institutional, medical and food applications. This segment also sells a range of animal nutrition and specialty cleaning products.



## Reasons To Buy:

▲ **Coronavirus-Led Demand Boosts Q2 Results & View, Stock Gains:** Shares of Church & Dwight have gained about 37% year to date compared with the industry's growth of 8.1%. The company has been gaining from rising consumer demand for its products amid the coronavirus-led crisis. This also boosted second-quarter 2020 results, wherein both top and bottom lines improved year over year and beat the Zacks Consensus Estimate. Earnings were backed by solid sales, improved gross margin and reduced marketing costs. Results gained from the robust household and personal care businesses owing to consumers' shifted preference for essential products amid the coronavirus outbreak. In this regard, the company witnessed double-digit growth in the consumption of products like gummy vitamins, women's hair removal, cleaners and baking soda. Markedly, online sales also remained sturdy.

Church & Dwight with a strong brand portfolio and constant innovation is well-positioned for growth. Moreover, the company's strategic buyouts are encouraging.

Encouraged with its results so far in 2020, management raised its sales and earnings guidance for 2020. The company now anticipates sales growth of 9-10% compared with 6.5% growth mentioned earlier. For 2020, adjusted earnings per share are expected to grow 13%, higher than the previously mentioned 7-9% increase. Notably, Church & Dwight had earlier announced that all its products have been categorized as essential commodities, per the requirements and guidance of the government. Hence, the company has been witnessing significant increase in demand for its products, especially household cleaning products as consumers are focusing on increased cleanliness. Also, the demand for brands like FLAWLESS is benefiting from elevated at-home grooming sessions. Management has undertaken steps to increase short-term production capacity for its cleaning and healthcare products. Further, the company has been working with retail associates and suppliers to ensure a smooth supply chain and support the increased demand.

▲ **Impressive Organic & Online Sales Trend:** Church & Dwight have been witnessing organic sales growth for a while now. In the second quarter of 2020, organic sales rose 8.4% on the back of increased consumption, reduced couponing and retail inventory restocking. The uptick was fueled by a positive product mix and pricing, and a rise in volumes of 3.5% and 4.9%, respectively. Prior to this, organic sales improved 9.2% in the first quarter and 4.4%, 3.6%, 4.9% and 4.5% in the fourth, third, second and first quarters of 2019, respectively. Organic sales are now expected to increase 7-8% in 2020. Earlier, management guided 3.5% growth in organic sales.

Further, Church & Dwight's e-commerce sales have been playing a strong role amid the pandemic, with more consumers buying online. The company's online sales surged 72% with growth in all retailer websites. Online sales formed 13% of the top line in the second quarter, surpassing management's goal of reaching 9% for 2020. The company expects online sales to remain equally solid in the second half of 2020.

▲ **Robust Acquisitions Strengthen Portfolio:** Church & Dwight had a long history of acquisitions. The company started with only one brand, i.e. ARM & HAMMER and since then it has acquired a number of brands which are generally number-one or number-two brands with high margin and have been contributing significantly toward top-line growth. Progressing along these lines, we note that the buyout of FLAWLESS has been a prudent addition to Church & Dwight's portfolio. Sales in the FLAWLESS brand contributed to the company's Consumer Domestic segment results in the second quarter of 2020. The brand witnessed robust consumption growth from May to July due to customers' reduced access to salons. The brand is poised to keep gaining from rising at-home grooming trends, and management has solid advertising plans in place for FLAWLESS in the second half of 2020. Some of the previous noteworthy acquisitions of the company include WATERPIK, Agro BioSciences, and VIVISCAL business. Prior to that, the acquisitions of ANUSOL and RECTINOL brands from Johnson & Johnson in December 2016 helped the company boost its business internationally.

▲ **Impressive Brand Portfolio and Innovation Aids Market Share:** Church & Dwight develops, manufactures and markets a broad range of household, personal care and specialty products. It is the leading U.S. producer of sodium bicarbonate, popularly known as baking soda. The company, which was started in 1846 with just one brand, is now diversified with dozens of brands. It boasts power brands, including ARM & HAMMER, Trojan, OxiClean, Spinbrush, First Response, Nair, Orajel, Xtra, VMS, WATERPIK, FLAWLESS and Batiste, which represents majority of its consumer sales. Notably, the company earlier said that it looks forward to having 20 power brands in its portfolio over time. Additionally, the company's regular innovation helps in improving brand positions and market share in the consumer categories. We note that management remains focused on innovation and R&D spending for product development even amid the pandemic. Management believes that innovation remains the biggest driver for its top and bottom-line growth in future.

Notably, the company recently launched ARM & HAMMER laundry detergent called CLEAN & SIMPLE, which is touted to be at par with its bestselling product, namely ARM & HAMMER with OXICLEAN. Further, its BATISTE brand, belonging to the personal care unit, launched a line of waterless cleansing foam for normal, dry and curly hair. Apart from this, the company introduced NU RAZOR by FLAWLESS, which is a waterless whole-body hair removal product for women. The company also floated the WATERPIK WATER FOR WELLNESS showerhead product in the quarter under review. Moreover, its VITAFUSION gummy vitamins launched various items like Apple Cider Vinegar, Triple Immune Power, Organic Prenatal Multi and IRRESISTIBLE SKIN.

▲ **Financial Position:** Church & Dwight's long-term debt of \$1,811.4 million as of the end of the second quarter of 2020 (Jun 30, 2020) remained almost in line with the previous quarter's level. Further, the company had cash and cash equivalents of \$451.7 million, while its short-term debt stood at \$65.8 million as of Jun 30. Apart from this, at a juncture where many companies are suspending dividend payments to protect financial flexibility amid the pandemic, Church & Dwight has been committed to regular dividend payments. The company declared a quarterly dividend of 24 cents per share on Jul 29. Notably, the company has a dividend payout of 34.2%, a dividend yield of 1% and a free cash flow yield of 4.3%. With an annual free cash flow return on investment of 19.9%, the dividend payment is likely to be sustainable.

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## Reasons To Sell:

- ▼ **Stock Appears Overvalued:** Considering price-to-earnings (P/E) ratio, Church & Dwight looks pretty overvalued when compared with the industry as well as the S&P 500. This indicates limited room for upside potential. The stock has a trailing 12-month P/E ratio of 34.28, which is in line with the high level. The trailing 12-month P/E ratio for the industry and the S&P 500 is pegged at 20.99 and 23.11, respectively.
- ▼ **High Costs & Margin Concerns:** The company is grappling with rise in expenses such as SG&A costs. Notably, adjusted SG&A expenses increased 30 bps in the second quarter of 2020 due to impacts of acquisitions, elevated incentive compensation, and R&D investments. Additionally, the company witnessed escalated manufacturing costs due to COVID-19 supply-chain expenses. Management expects gross margin to fall in the second half due to new product promotional support, FLAWLESS accounting effect, increased tariffs on WATERPIK and additional investments in manufacturing and distribution capacity. Incidentally, management plans to make additional investments to boost manufacturing, R&D, consumer research, digital advertising, new product development and predictive analytics in the second half of 2020, which is likely to spike up costs.
- ▼ **Competitive Pressure:** Church & Dwight faces intense competition from other well-established players in the consumer products industry, such as Colgate-Palmolive, Clorox, and Procter & Gamble on the basis of pricing, promotional activities and new product introductions. The failure to offer exclusive high-quality products at competitive prices may hamper the company's market share.
- ▼ **Macroeconomic Headwinds:** Church & Dwight remains vulnerable to global economic challenges, which may impact its revenues, profits and cash flows. A global economic slowdown can reduce the personal disposable income of consumers, which in turn, will decrease the company's sales volumes as consumers move toward cheaper alternatives. Further, it may force the company to shift its product mix to lower margin products, thereby impacting margins.
- ▼ **Currency Headwinds:** Church & Dwight's performance is exposed to volatility in foreign currency translations, as it has a significant presence in international markets and undertakes business expansion efforts frequently. This is a persistent threat to the company's sales and profitability.

Church & Dwight is reeling under increasing SG&A costs. Also, management expects gross margin to fall in the second half due to new product promotional support and certain investments.

## Last Earnings Report

### Church & Dwight Q2 Earnings & Sales Beat Estimates

Church & Dwight reported robust second-quarter 2020 results, with the top and bottom lines improving year over year. Also, sales and earnings grew year over year. Results gained from the robust household and personal care businesses on consumers' shifted preference for essential products amid the coronavirus outbreak. Moreover, management is encouraged with its results so far in 2020. Incidentally, the company is raising its sales and earnings guidance for 2020.

Church & Dwight posted adjusted earnings of 77 cents per share that surpassed the Zacks Consensus Estimate of 63 cents and improved 35.1% from the year-ago quarter's level.

Net sales of \$1,194.3 million advanced 10.6% year over year. Moreover, the top line surpassed the Zacks Consensus Estimate of \$1,150.8 million. Results were backed by solid demand for various products stemming from the coronavirus outbreak.

Organic sales rose 8.4% on the back of increased consumption, reduced couponing and retail inventory restocking. The uptick was fueled by a positive product mix and pricing, and a rise in volumes of 3.5% and 4.9%, respectively.

Gross margin expanded 220 basis points (bps) to 46.8% on improved pricing, lower promotional costs and couponing. Also, enhanced productivity was a reason. These were somewhat offset by increased manufacturing expenses, costs related to the COVID-19 outbreak and currency headwinds. Also, marketing expenses fell 5.3% to \$122.3 million. As a percentage of sales, it contracted 180 bps to 10.2%. SG&A expenses increased 13.1% to \$186.6 million. As a percentage of sales, SG&A expenses increased 30 bps to 15.6%.

### Segment Details

**Consumer Domestic:** Net sales of the segment rose 13.6% to \$931.1 million due to higher household and personal care sales along with gains from acquisitions. Organic sales improved 10.7%, driven by a positive impact of 4.4% from price and product mix as well as 6.3% from higher volumes. The primary growth drivers in the segment were VITAFUSION and L'IL CRITTERS gummy vitamins, ARM & HAMMER liquid laundry detergent, OXICLEAN stain fighters, ARM & HAMMER laundry detergent scent boosters, FLAWLESS women's hair removal, ARM & HAMMER clumping cat litter, and baking soda.

**Consumer International:** Net sales of the segment inched up 0.5% to \$187.5 million. Organic sales improved 0.6% on favorable price and product mix of 1.3%. However, volumes edged down 0.7%. Organic sales gained from the strength in Global Markets Group, which was somewhat offset by a decline in Mexico and Europe.

**Specialty Products:** Sales in the segment increased 3% to \$75.7 million. Also, organic sales advanced 3% owing to higher volumes of 3.3%, while unfavorable pricing of 0.3% was a drag. Further, management stated that demand for dairy products is anticipated to improve during the second half of the year. Also, demand for prebiotic and probiotic products remained strong.

### Other Financial Updates

Church & Dwight ended the quarter with cash and cash equivalents of \$451.7 million, long-term debt of \$1,811.4 million, and total shareholders' equity of \$2,998.8 million.

For the six months ended Jun 30, 2020, cash flow from operating activities was \$598.6 million and the company incurred a capital expenditure of \$30.9 million.

### Other Developments

It recently launched ARM & HAMMER laundry detergent called CLEAN & SIMPLE, which is touted to be at par with its bestselling product, namely ARM & HAMMER with OXICLEAN. Further, its BATISTE brand, belonging to the personal care unit, launched a line of waterless cleansing foam for normal, dry and curly hair. Apart from this, the company introduced NU RAZOR by FLAWLESS, which is a waterless whole-body hair removal product for women. The company also floated the WATERPIK WATER FOR WELLNESS showerhead product in the quarter under review. Moreover, its VITAFUSION gummy vitamins launched various items like Apple Cider Vinegar, Triple Immune Power, Organic Prenatal Multi and IRRESISTIBLE SKIN.

### 2020 Outlook

The company now anticipates sales growth of 9-10% compared with 6.5% growth mentioned earlier. Organic sales are now expected to increase 7-8%. Earlier, management guided 3.5% growth in organic sales. For 2020, adjusted earnings per share are expected to grow 13%, higher than the previously mentioned 7-9% increase.

Quarter Ending 06/2020

Report Date	Jul 31, 2020
Sales Surprise	3.78%
EPS Surprise	22.22%
Quarterly EPS	0.77
Annual EPS (TTM)	2.81

## Recent News

### Church & Dwight Facilities Operational Even Amid Coronavirus- Mar 25, 2020

As per the requirements and guidance of the government, Church & Dwight announced that all its products have been categorized as essential commodities. Hence, the company informed that all its production facilities and distribution centers are operational even amid the coronavirus outbreak. In fact, for March, Church & Dwight has been witnessing a significant increase in demand for its products, including Vitafusion gummy vitamins, Simply Saline and Sterimar nasal hygiene, among others. The company expects this trend to continue in the second quarter of 2020.

Moreover, management has undertaken steps to increase short-term production capacity for its cleaning and healthcare products. Apart from this, Church & Dwight is making efforts to ensure uninterrupted supply of its products to support the increased demand.

Meanwhile, Church & Dwight has enhanced the sanitization process and implemented work from home for several workers as precautionary measures. Also, the company has been undertaking various practices like social distancing and restrictions on business travel for its employees, among other moves, in an attempt to contain the spread of the deadly coronavirus.

Also, in order to enhance its financial flexibility amid the coronavirus outbreak, the company announced that it has drawn down \$825 million out of its \$1-billion revolving credit facility. Consequently, Church & Dwight's cash in hand is likely to be nearly \$1 billion as of Mar 31.

## Valuation

Church & Dwight shares are up 36.9% year to date period and 29.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 8.1% and the Zacks Consumer Staples sector are down 9.2%. Over the past year, the Zacks sub-industry is up 13.4%, but the sector is down 4.1%.

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 33.9X forward 12-month earnings, which compares to 23.74X for the Zacks sub-industry, 20.04X for the Zacks sector and 22.63X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.9X and as low as 19.58X, with a 5-year median of 25.65X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$102 price target reflects 35.9X forward 12-month earnings.

The table below shows summary valuation data for CHD

Valuation Multiples - CHD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	33.9	23.74	20.04	22.64
	5-Year High	33.9	23.74	22.37	22.64
	5-Year Low	19.58	17.89	16.63	15.25
	5-Year Median	25.65	21.21	19.57	17.55
P/S F12M	Current	4.99	2.84	9.46	3.59
	5-Year High	4.99	2.84	11.15	3.59
	5-Year Low	2.69	2.02	8.1	2.53
	5-Year Median	3.45	2.34	9.89	3.04
EV/EBITDA F12M	Current	22.04	11.83	32.76	13.21
	5-Year High	22.04	13.02	37.49	14.23
	5-Year Low	12.16	9.24	25.81	9.05
	5-Year Median	15.35	10.89	33.83	11.01

As of 07/31/2020

## Industry Analysis Zacks Industry Rank: Top 10% (25 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
The Clorox Company (CLX)	Outperform	2
Unilever NV (UN)	Outperform	2
ColgatePalmolive Company (CL)	Neutral	3
JohnsonJohnson (JNJ)	Neutral	3
Newell Brands Inc. (NWL)	Neutral	3
Prestige Consumer Healthcare Inc. (PBH)	Neutral	3
ProcterGamble Company The (PG)	Neutral	2
Unilever PLC (UL)	Neutral	2

Industry Comparison Industry: Soap And Cleaning Materials				Industry Peers		
	CHD	X Industry	S&P 500	CL	CLX	PG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	2
VGM Score	A	-	-	A	B	B
Market Cap	23.69 B	66.12 B	22.59 B	66.12 B	29.78 B	324.61 B
# of Analysts	11	6.5	14	8	7	9
Dividend Yield	1.00%	2.08%	1.83%	2.28%	1.88%	2.41%
Value Score	C	-	-	C	D	D
Cash/Price	0.05	0.05	0.07	0.01	0.02	0.05
EV/EBITDA	23.88	18.31	12.94	18.31	24.48	35.49
PEG Ratio	4.05	4.45	3.04	4.78	5.42	3.39
Price/Book (P/B)	8.41	6.03	3.17	193.91	42.86	6.92
Price/Cash Flow (P/CF)	29.55	19.73	12.51	22.36	29.74	19.73
P/E (F1)	34.74	24.80	21.87	26.66	31.91	24.40
Price/Sales (P/S)	5.16	4.37	2.44	4.15	4.68	4.58
Earnings Yield	2.83%	4.03%	4.31%	3.76%	3.13%	4.10%
Debt/Equity	0.64	0.64	0.75	21.51	3.69	0.50
Cash Flow (\$/share)	3.26	3.45	6.94	3.45	7.95	6.65
Growth Score	A	-	-	A	A	B
Hist. EPS Growth (3-5 yrs)	11.72%	7.61%	10.85%	0.72%	7.61%	5.01%
Proj. EPS Growth (F1/F0)	10.71%	2.35%	-7.75%	2.34%	7.06%	4.97%
Curr. Cash Flow Growth	12.70%	1.99%	5.39%	-4.58%	1.11%	11.93%
Hist. Cash Flow Growth (3-5 yrs)	9.63%	5.95%	8.55%	-1.27%	5.39%	-0.93%
Current Ratio	1.03	0.96	1.31	0.96	0.98	0.85
Debt/Capital	39.12%	39.12%	44.32%	95.56%	78.68%	33.43%
Net Margin	14.96%	14.32%	10.44%	15.86%	13.67%	18.36%
Return on Equity	24.62%	27.00%	14.73%	942.99%	147.52%	29.38%
Sales/Assets	0.65	0.86	0.52	1.09	1.17	0.61
Proj. Sales Growth (F1/F0)	7.22%	1.13%	-1.95%	0.70%	3.60%	1.41%
Momentum Score	A	-	-	A	A	B
Daily Price Chg	0.84%	-0.38%	-0.92%	0.88%	0.11%	2.42%
1 Week Price Chg	1.18%	0.61%	0.37%	-1.17%	-0.59%	0.26%
4 Week Price Chg	23.04%	8.47%	3.81%	5.35%	6.46%	8.47%
12 Week Price Chg	33.09%	18.37%	11.93%	12.21%	17.09%	16.89%
52 Week Price Chg	29.60%	12.33%	-1.92%	8.34%	51.47%	12.33%
20 Day Average Volume	1,610,910	941,046	1,887,986	3,232,749	953,854	6,081,513
(F1) EPS Est 1 week change	0.13%	1.13%	0.00%	0.13%	0.86%	1.40%
(F1) EPS Est 4 week change	0.20%	1.93%	0.38%	0.96%	2.27%	1.60%
(F1) EPS Est 12 week change	0.57%	2.48%	-0.07%	1.11%	6.97%	1.79%
(Q1) EPS Est Mthly Chg	1.62%	1.68%	0.16%	1.73%	3.51%	0.53%



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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	A
Momentum Score	A
VGM Score	A

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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