

The Clorox Company (CLX)

\$152.88 (As of 12/30/19)

Price Target (6-12 Months): **\$161.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/09/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: B

Momentum: F

Summary

Clorox's shares have declined and underperformed the industry in the past year due to soft investor sentiments after reporting dismal first-quarter fiscal 2020 results. Although Clorox's bottom line beat the Zacks Consensus Estimate, both earnings and sales declined year over year. Results were marred by higher trade promotional spending, unfavorable mix, higher manufacturing and logistics costs, and adverse currency. Moreover, headwinds in the Charcoal, and Bags and Wraps businesses dented organic sales. Elevated costs also keep us on the sidelines. Clorox reiterated the recently lowered view for fiscal 2020, on revised currency rate assumptions. However, its growth efforts and earnings trend reflect its long-term potential. Pricing and cost-saving efforts along with investments in innovations aided its gross margin in recent quarters.

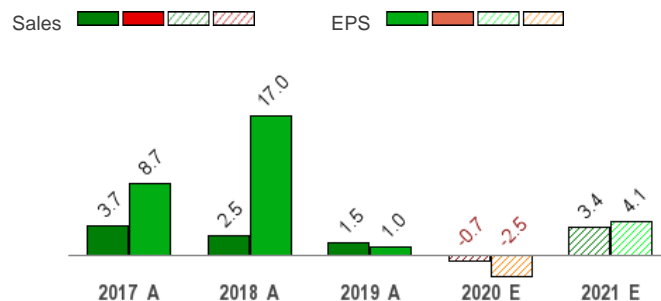
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$166.90 - \$143.58
20 Day Average Volume (sh)	848,316
Market Cap	\$19.2 B
YTD Price Change	-0.8%
Beta	0.38
Dividend / Div Yld	\$4.24 / 2.8%
Industry	Soap and Cleaning Materials
Zacks Industry Rank	Top 39% (99 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.3%
Last Sales Surprise	-0.4%
EPS F1 Est- 4 week change	-0.0%
Expected Report Date	02/03/2020
Earnings ESP	0.0%
P/E TTM	24.2
P/E F1	24.8
PEG F1	4.6
P/S TTM	3.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,549 E	1,485 E	1,609 E	1,715 E	6,377 E
2020	1,506 A	1,424 E	1,558 E	1,671 E	6,169 E
2019	1,563 A	1,473 A	1,551 A	1,627 A	6,214 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.83 E	\$1.62 E	\$1.41 E	\$1.51 E	\$6.41 E
2020	\$1.59 A	\$1.54 E	\$1.31 E	\$1.44 E	\$6.16 E
2019	\$1.62 A	\$1.40 A	\$1.44 A	\$1.88 A	\$6.32 A

*Quarterly figures may not add up to annual.

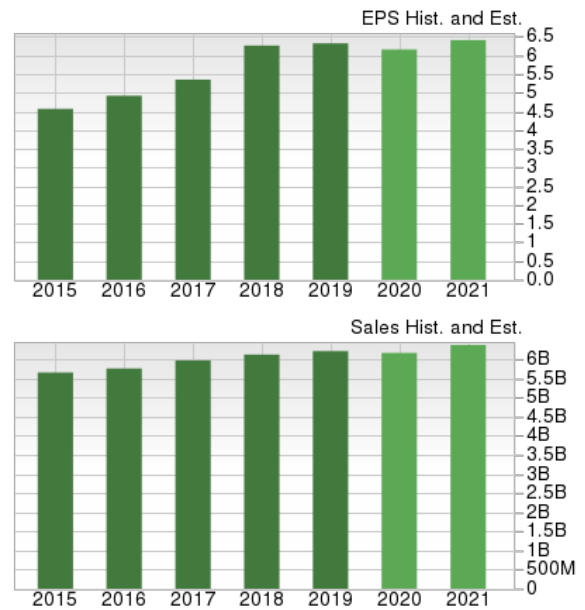
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 12/30/2019. The reports text is as of 12/31/2019.

Overview

Headquartered in Oakland, CA, The Clorox Company is engaged in the production, marketing and sale of consumer products in the U.S. and international markets. The company sells its products primarily through mass merchandisers, grocery stores and other retail outlets. Clorox markets some of the most trusted and recognized brands, including its namesake bleach and cleaning products, Green Works natural cleaners and laundry products, Poett and Mistolin cleaning products, Armor All and STP auto-care products, Fresh Step and Scoop Away cat litter, Kingsford charcoal, Hidden Valley and K C Masterpiece dressings and sauces, Brita water-filtration systems, Glad bags, wraps and containers, and Burt's Bees natural personal care products. The company manufactures products in over 24 countries and markets them in more than 100 countries.

The company operates through strategic business units, which are aggregated into 4 reportable segments:

- **Cleaning** (37.3% of 1Q20 Net Sales) consists of laundry, home-care, professional products and auto-care products, marketed and sold domestically.
- **Household** (25.3%) consists of charcoal, cat litter and plastic bags, wraps and containers, marketed and sold in the United States.
- **Lifestyle** (21.4%) consists of food products and water-filtration systems and filters, marketed and sold in the United States, along with all natural personal care products.
- **International** (16%) consists of products sold outside the United States.



Reasons To Buy:

- ▲ **Robust Organic Sales Outlook:** Although Clorox's overall outlook for fiscal 2020 remains soft, it continues to project 1-3% organic sales growth. The company's organic sales view is backed by its robust innovation program and previously stated expectation of returning Charcoal, and Bags and Wraps businesses to growth in the second half of fiscal 2020.
- ▲ **IGNITE Strategy:** Clorox recently introduced IGNITE, its latest and integrated strategy, formulated on a sturdy foundation of its 2020 Strategy. This new initiative mainly focuses on the expansion of the key elements under the 2020 Strategy to pace up innovation in each area of business. As a result, the company will be able to boost overall growth and reinforce competitive advantage, hence boost shareholder value. The IGNITE strategy mainly binds Clorox on four strategic areas namely, fuel growth through brand reinvestments, innovate to deliver enhanced customer experience, develop product portfolio, and re-imagine the company's operations. IGNITE's main principle is 'Innovating for Good Growth', delivering sustainable and responsible growth. IGNITE strategy encompasses the long-term financial targets of achieving net sales growth of 2-4%, EBIT margin expansion of 25-50 basis points (bps) and free cash flow generation of 11-13% of sales.
- ▲ **Strategic Innovations:** Clorox's diversified brand portfolio positions it well ahead of peers to generate above-average industry growth and sustain it in the currently challenging environment. Further, it remains committed to investing in innovative products and platforms to deliver frictionless shopping experiences. In first-quarter fiscal 2020, the company witnessed significant top-line gains through innovations in various categories including professional products (Clorox Hydrogen Peroxide and Clorox Fuzion innovation platforms), Cat Litter (Fresh Step Clean Paws innovation platform), and Lip Care (introduction of watermelon lip balm). Based on its IGNITE Strategy, the company has a strong innovation plan with investments in bigger and enduring multi-year innovation platforms that differentiate its products and brands. This is supported by a robust innovation pipeline in the back half of fiscal 2020.
- Notably, Clorox's innovation pipeline is led by the Compaction of Clorox Liquid Bleach as well as the launch of Clorox Compostable Cleaning Wipes, Clorox Fabric Sanitizer and Kingsford Pellets, and several innovations in Bags and Wraps and Natural Personal Care, in fiscal 2020. Further, the company plans to invest in expanding innovation platforms such as Clorox Scentiva, Fresh Step Clean Paws, Brita Filtering Water Bottles and Hidden Valley Ready-to-Eat Dips.
- ▲ **Cost Saving & Productivity Initiatives:** Clorox remains on track with its cost-saving and productivity initiatives. Backed by the IGNITE strategy, Clorox aims at higher cost savings annually by emphasizing more on technology and integrated design. With this, it expects to achieve EBIT margin expansion of 175 basis points annually. Further, the company's cost-based pricing strategy has enabled it to address the inflationary environment that has persisted for over three years. These cost-saving and pricing actions should continue to support its investment in long-term brands and category growth. In the fiscal first quarter, Clorox witnessed gross margin expansion of 60 bps, driven by 180 bps of benefit from cost savings and 120 bps benefit from pricing. Notably, the cost-savings program has meaningfully contributed in generating year-over-year gross margin expansion for the fourth consecutive quarter. By the end of fiscal 2020, the company expects to surpass its annual cost savings target of 150 bps, supported by meaningful productivity improvements.
- ▲ **International Business Strength:** Clorox is witnessing strong progress in the core International business as it continues to build on the success of the segment's Go Lean strategy. These efforts will help in accelerating profitable growth for the segment. While sales for the International segment remained flat year over year, it demonstrated strong volume growth, innovation and benefits of price increases, which offset the currency headwinds. Moreover, organic sales for the segment rose 8%, driven by strong gains in Latin America and Asia. It also delivered seventh consecutive quarter of profit growth for the segment in the fiscal first quarter. Driven by its IGNITE Strategy, which aims to improve profitability in International business, the company expects to invest selectively in profitable platforms. These investments are likely to result in improved returns from businesses like Burt's Bees and Cat Litter.
- ▲ **Disciplined Capital Strategy:** Clorox has always maintained disciplined capital allocation strategy. The company's robust cash flows and healthy balance sheet enable it to make investments to develop business and return excess cash to shareholders through dividend payouts and share buybacks. In first-quarter fiscal 2020, the company generated \$271 million of net cash from continuing operations, indicating an increase of 5%. Driven by the solid cash flows, the company paid dividend of \$133 million in the fiscal first quarter. Further, the company has two share repurchase programs – an open-market purchase program with an authorization to repurchase up to \$2,000 worth of shares and the Evergreen program to offset the anticipated impact of dilution related to stock-based awards. These programs have no expiration dates. In the fiscal first quarter, the company returned about \$104 million to its shareholders through share buybacks under the Evergreen program.

While sales for the International segment remained flat year over year, it demonstrated strong volume growth, innovation and benefits of price increases, which offset the currency headwinds.

Reasons To Sell:

- ▼ **Stock Underperforms, Valuation Looks Stretched:** Shares of Clorox have declined 0.8% in the past year against the industry's growth of 23%. Most of this decline is attributed to soft investor sentiments surrounding the company's dismal performance. Considering Price-to-Earnings (P/E) ratio, Clorox looks pretty overvalued when compared with the industry and the S&P 500. The stock has a trailing 12-month P/E of 24.2x compared with 20.7x for the industry and 20.2x for the S&P 500. Its trailing 12-month P/E ratio is below the median level of 25x and the high level of 26.7x, scaled in the past year.
- ▼ **Dismal Q1 Results:** Although Clorox's bottom line beat the Zacks Consensus Estimate, both earnings and sales declined year over year. Further, the top line missed the consensus mark. Results were marred by higher trade promotional spending, unfavorable mix, increased manufacturing and logistics costs, and unfavorable currency rates. Notably, higher trade promotional spending cast 3 percentage point of negative impact on net sales while unfavorable mix contributed 2 points of headwinds. Also, organic sales declined 2% due to the ongoing headwinds in the Bags and Wraps and Charcoal businesses. Moreover, headwinds related to an unfavorable mix and declines in Charcoal, and Bags and Wraps businesses hurt the top lines for the Cleaning and Household segments.
- ▼ **Headwinds in Charcoal, Bags and Wraps Businesses:** Clorox has been witnessing operational headwinds in the Charcoal, and Bags and Wraps businesses, which are hurting the top line of the Household segment as well as the overall company. Notably, the Household segment reported sales decline of 14% in first-quarter fiscal 2020 while the company's net sales fell 4%. Sales for the Bags and Wraps declined double-digits owing to larger price gaps compared with the year-ago quarter as well as distribution losses in certain portions of the portfolio. Meanwhile, the Charcoal business delivered double-digit sales decline on lower shipments as well as increased trade promotional spending to manage inventory levels before the 2020 grilling season. With revival efforts underway, the company expects to bring these categories back on growth path in the second half of fiscal 2020. Nevertheless, it remains to be seen how well these efforts play out.
- ▼ **Higher Costs to Linger:** Unlike most of its peers, Clorox witnessed gross margin expansion in the fiscal first quarter. However, growth was partly negated by 180-bps impact of elevated trade promotion spending, and higher manufacturing and logistics expenses. Additionally, higher trade promotion spending hurt pretax earnings of the Household segment. While selling and administrative expenses remained flat on a year-over-year basis, it increased 40 bps to 14%, as a percentage of sales, due to reduced operating leverage. Further, advertising and sales promotion investments, as a percentage of sales, were nearly flat in the fiscal first quarter, while spending for the U.S. retail business was 10% of sales. In fiscal 2020, advertising and sales promotion spending is anticipated to be roughly 10% of sales. Selling and administrative expenses are projected to be nearly 14% of sales, driven by ongoing acquisition-related investments and technology transformation investments to support long-term growth and cost savings.
- ▼ **Soft Fiscal 2020 View:** Clorox reiterated its outlook for fiscal 2020, which was lowered on revised assumptions of foreign currency rates on Oct 2. The company projects sales between low-single digits decline and up 1% in fiscal 2020, including currency headwinds. Furthermore, the company anticipates sales in the first half of fiscal 2020 to be lower than the second half, due to its ongoing efforts to navigate through the challenges in Bags and Wraps and Charcoal. Driven by the ongoing gains from cost-saving offset by the aforementioned costs, gross and EBIT margins are estimated to be slightly down in fiscal 2020. The company envisions effective tax rate of 22-23% for fiscal 2020. Consequently, management anticipates earnings per share of \$6.05-\$6.25 for fiscal 2020.
- ▼ **Currency Headwinds:** Clorox's significant international presence exposes it to major foreign currency risks, which have been weighing on the company's performance. Apparently, net sales for the fiscal first quarter included 2 percentage points of negative impacts of foreign currency translations, mainly due to the devaluation of Argentine peso. Additionally, unfavorable currency effects of 8 percentage points marred sales for the International segment, resulting in flat top-line results. Moreover, the company expects currency to remain a headwind in fiscal 2020. The company's top-line view for fiscal 2020 includes nearly 2 percentage points of currency headwinds.

Clorox's first-quarter fiscal 2020 results were marred by higher trade promotional spending, unfavorable mix, increased manufacturing and logistics costs, and unfavorable currency rates.

Last Earnings Report

Clorox's Q1 Earnings Beat Estimates, Sales Miss

Clorox reported first-quarter fiscal 2020 results, wherein earnings beat estimates but sales lagged. Both the top and bottom line declined on a year-over-year basis. Further, the company reiterated its recently lowered view for fiscal 2020, based on revised assumptions for currency rates.

Q1 Highlights

Quarterly earnings from continuing operations of \$1.59 per share dipped nearly 2% year over year but beat the Zacks Consensus Estimate of \$1.54. The bottom-line beat can be attributed to gains from cost savings and price increases. However, the gains were marred by higher trade promotion spending as well as increased manufacturing and logistics costs, and unfavorable currency rates.

Net sales of \$1,506 million declined nearly 4% year over year and missed the Zacks Consensus Estimate of \$1,512 million. Further, sales declined 2% on an organic basis. The soft top-line result was caused by higher trade promotion spending and unfavorable mix as well as effects of unfavorable currency. This was partially offset by gains from price increases. Currency headwinds hurt sales by nearly 2 percentage points.

Driven by the recent price increases and cost savings, Clorox witnessed gross margin expansion of 60 bps to 44% in the fiscal first quarter. However, the aforementioned gains were partly negated by elevated trade spending, and manufacturing and logistics expenses.

Segmental Discussion

Sales of the **Cleaning** segment dipped 2% to \$562 million on declines in Laundry and Home Care businesses along with an unfavorable mix that resulted from sturdy growth in non-tracked channels. However, strength in the Professional Products business partly cushioned the decline.

The **Household** segment's sales declined 14% to \$381 million mainly due to declines in Charcoal, and Bags and Wraps businesses. Bags and Wraps sales were impacted by larger price gaps compared with the year-ago quarter as well as distribution losses. Further, the Charcoal business delivered soft sales due to increased trade promotional spending to manage inventory levels before the 2020 grilling season.

Sales at the **Lifestyle** segment rose 4% to \$322 million. Results were aided by growth in the Natural Personal Care business, driven by innovation in Lip Care and Face Care categories.

At the **International** segment, sales remained flat with the year-ago quarter at \$241 million. Organic sales for the segment rose 8%, driven by strong gains in Latin America and Asia, partly offset by adverse currency rates.

Financials

Clorox ended the fiscal first quarter with cash and cash equivalents of \$150 million, and long-term debt of \$2,287 million. In first-quarter fiscal 2020, the company generated \$271 million of net cash from continuing operations.

Fiscal 2020 Guidance

Clorox reiterated its outlook for fiscal 2020, which was lowered on revised assumptions of foreign currency rates on Oct 2. The company projects sales between low-single digits decline and up 1% in fiscal 2020, reflecting about 2 percentage points of currency headwinds. However, it continues to estimate organic sales growth of 1-3%. The company's organic sales view is backed by its robust innovation program and previously stated expectation of returning Charcoal, and Bags and Wraps businesses to growth in the second half of fiscal 2020.

Gross margin is estimated to be slightly down in fiscal 2020. Advertising and sales promotion spending is anticipated to be roughly 10% of sales. Selling and administrative expenses are projected to be nearly 14% of sales. The company envisions effective tax rate of 22-23% for fiscal 2020. Consequently, management anticipates earnings per share of \$6.05-\$6.25 for fiscal 2020.

Quarter Ending **09/2019**

Report Date	Oct 31, 2019
Sales Surprise	-0.37%
EPS Surprise	3.25%
Quarterly EPS	1.59
Annual EPS (TTM)	6.31

Recent News

Clorox Declares Dividend – Nov 20, 2019

Clorox announced a quarterly cash dividend of \$1.06 per share, payable Feb 20, 2020 to its shareholders of record as of Jan 29.

Clorox Introduces IGNITE Strategy, Trims FY20 Guidance – Oct 2, 2019

Clorox launched IGNITE, its latest and integrated strategy, formulated on a sturdy foundation of its 2020 Strategy. This new initiative mainly focuses on the expansion of the key elements under the 2020 Strategy to pace up innovation in each area of business. As a result, the company will be able to boost overall growth and reinforce competitive advantage, hence boost stakeholder value.

Notably, the IGNITE strategy mainly binds Clorox on four strategic areas namely, fuel growth through brand reinvestments, innovate customer experience, develop product portfolio, and re-imagine the company's operations. This integrated business strategy forms part of environmental and governance, or ESG goals, which highlights Clorox's solid commitments. IGNITE's main principle is 'Innovating for Good Growth', delivering sustainable and responsible growth.

IGNITE strategy encompasses the long-term financial targets of achieving net sales growth of 2-4%, EBIT margin expansion of 25-50 basis points (bps) and free cash flow generation of 11-13% of sales.

Management revised its outlook for fiscal 2020 to incorporate current assumptions of foreign currency translations. The company now projects sales to decline low-single digits to up 1%, versus the earlier projection of flat to up 2%. However, organic sales growth is still estimated in the range of 1-3%. Further, gross margin is now anticipated to be slightly down compared with the range of flat to slightly down, guided earlier.

Consequently, Clorox now envisions earnings per share of \$6.05-\$6.25 for fiscal 2020, down from the prior projection of \$6.30-\$6.50.

Other Details

Backed by the IGNITE strategy, Clorox will aim at higher cost savings annually by emphasizing more on technology and integrated design. This will help it accomplish EBIT margin expansion of 175 basis points in a year. Moreover, the company will opt for several approaches to fulfil consumer demands efficiently. It is likely to focus on building brands with a purpose and selling them to consumers in a more personalized way. Next year, Clorox is set to launch compostable cleaning wipes in January.

Meanwhile, management will continue to strengthen the company's product portfolio by focusing more on core business and consumer megatrends in its U.S. business. On the international front, it will capitalize on growth opportunities in the core business and focus on the segment's Go Lean strategy. It also targets to create a diverse workforce by crafting a more inclusive work environment, investing in digital capabilities and identifying ways to facilitate decision-making process.

Encouragingly, the company accomplished these milestones from Jul 1, 2013, through Jun 30, 2019. It generated a compound growth rate of 2.4% in net sales, 7.6% in earnings per share and 7.5% in economic profit, annually.

Moreover, Clorox returned to shareholders around 91%. It also witnessed increase in strategic brands and product portfolio with sustainability improvements as well as maintained employee engagement at higher levels.

Valuation

Clorox shares are down 0.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are up 23% and 20.4% over the past year, respectively.

The S&P 500 index is up 28% in the past year.

The stock is currently trading at 24.33X forward 12-month earnings, which compares to 22.71X for the Zacks sub-industry, 19.87X for the Zacks sector and 18.76X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.41X and as low as 18.27X, with a 5-year median of 23.52X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$161 price target reflects 25.62X forward 12-month earnings.

The table below shows summary valuation data for CLX

Valuation Multiples - CLX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.33	22.71	19.87	18.76
	5-Year High	26.41	23.53	22.39	19.34
	5-Year Low	18.27	17.89	16.65	15.17
	5-Year Median	23.52	21.03	19.74	17.44
P/S F12M	Current	3.05	2.66	9.81	3.41
	5-Year High	3.32	2.72	11.03	3.41
	5-Year Low	2.34	1.86	8.02	2.54
	5-Year Median	2.82	2.29	9.78	3
EV/EBITDA TTM	Current	16.81	13.11	40.3	12.01
	5-Year High	18.96	14.61	44.63	12.86
	5-Year Low	12.74	9.26	31.32	8.49
	5-Year Median	14.68	10.9	37.9	10.65

As of 12/30/2019

Industry Analysis Zacks Industry Rank: Top 39% (99 out of 253)



Top Peers

Procter & Gamble Company (The) (PG)	Outperform
Church & Dwight Co., Inc. (CHD)	Neutral
Colgate-Palmolive Company (CL)	Neutral
Johnson & Johnson (JNJ)	Neutral
Kimberly-Clark Corporation (KMB)	Neutral
Reckitt Benckiser Group PLC (RBGLY)	Neutral
Unilever PLC (UL)	Neutral
Henkel AG & Co. (HENKY)	Underperform

Industry Comparison Industry: Soap And Cleaning Materials				Industry Peers		
	CLX Neutral	X Industry	S&P 500	CHD Neutral	CL Neutral	PG Outperform
VGM Score	D	-	-	B	D	C
Market Cap	19.19 B	58.58 B	23.75 B	17.26 B	58.96 B	310.40 B
# of Analysts	6	5	13			9
Dividend Yield	2.77%	2.22%	1.79%	1.29%	2.50%	2.40%
Value Score	D	-	-	D	D	D
Cash/Price	0.01	0.04	0.04	0.01	0.02	0.03
EV/EBITDA	16.61	16.28	13.92	20.17	15.94	34.27
PEG Ratio	4.54	3.37	2.12	3.26	5.60	3.37
Price/Book (P/B)	34.88	6.57	3.32	6.75	338.83	6.74
Price/Cash Flow (P/CF)	19.22	15.86	13.73	24.41	19.14	21.24
P/E (F1)	24.80	22.63	19.56	28.39	24.31	25.18
Price/Sales (P/S)	3.12	3.47	2.67	4.03	3.81	4.51
Earnings Yield	4.03%	4.44%	5.10%	3.53%	4.11%	3.97%
Debt/Equity	4.69	0.71	0.72	0.71	43.94	0.44
Cash Flow (\$/share)	7.95	3.59	6.94	2.88	3.59	5.86
Growth Score	B	-	-	B	C	B
Hist. EPS Growth (3-5 yrs)	7.26%	6.74%	10.53%	11.23%	0.50%	2.36%
Proj. EPS Growth (F1/F0)	-2.58%	4.75%	6.30%	9.16%	-4.71%	9.37%
Curr. Cash Flow Growth	1.11%	7.32%	14.83%	13.93%	2.68%	4.72%
Hist. Cash Flow Growth (3-5 yrs)	5.39%	4.15%	9.00%	7.92%	-0.02%	-0.93%
Current Ratio	0.87	0.84	1.23	0.80	1.03	0.72
Debt/Capital	82.41%	41.42%	42.99%	41.42%	97.78%	30.03%
Net Margin	13.20%	12.09%	11.08%	14.33%	15.04%	6.24%
Return on Equity	123.56%	24.99%	17.10%	24.91%	6,492.71%	25.07%
Sales/Assets	1.19	0.90	0.55	0.68	1.16	0.58
Proj. Sales Growth (F1/F0)	-0.00%	0.00%	2.86%	5.14%	0.44%	4.09%
Momentum Score	F	-	-	B	D	D
Daily Price Chg	-0.42%	-0.53%	-0.43%	-0.50%	-0.56%	-1.28%
1 Week Price Chg	0.57%	0.64%	0.13%	0.64%	0.48%	0.58%
4 Week Price Chg	2.65%	0.77%	2.78%	0.77%	1.81%	1.43%
12 Week Price Chg	1.14%	-0.38%	8.67%	-7.50%	-3.95%	1.33%
52 Week Price Chg	-0.82%	7.21%	27.07%	6.98%	15.57%	35.41%
20 Day Average Volume	848,316	940,722	1,731,328	1,442,928	3,457,325	6,351,389
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.03%	0.00%	0.00%	0.01%	0.00%	0.00%
(F1) EPS Est 12 week change	-3.04%	-0.38%	0.14%	-0.29%	-0.47%	2.05%
(Q1) EPS Est Mthly Chg	-0.15%	-0.08%	0.00%	-0.18%	0.00%	0.18%

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	B
Momentum Score	F
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

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