

## Costco Wholesale (COST)

**\$308.29** (As of 06/01/20)

Price Target (6-12 Months): **\$327.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/22/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:A

Value: C

Growth: A

Momentum: A

### Summary

Shares of Costco have risen and outpaced the industry in the past six months. The company's growth strategies, better price management and strong membership trends reinforce its position. Notably, top line grew year over year and the company logged a decent comparable sales growth during third-quarter fiscal 2020. The company's e-commerce sales surged during the quarter. Yet we note that Costco's bottom line came under pressure. Management highlighted that incremental wage and sanitation costs owing to the coronavirus outbreak hurt the company's quarterly earnings. The company anticipates incremental expenses related to this catastrophe to exceed \$100 million in the fourth quarter. Also, any higher investments or aggressive pricing strategy may hurt margins. Again, rising SG&A expenses and stiff competition pose concerns.

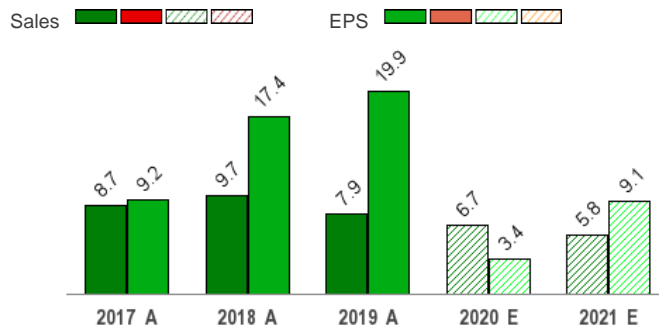
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$325.26 - \$238.08
20 Day Average Volume (sh)	2,911,083
Market Cap	\$136.1 B
YTD Price Change	4.9%
Beta	0.70
Dividend / Div Yld	\$2.80 / 0.9%
Industry	<a href="#">Retail - Discount Stores</a>
Zacks Industry Rank	Top 25% (63 out of 253)

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



Last EPS Surprise	-1.6%
Last Sales Surprise	-0.7%
EPS F1 Est- 4 week change	-2.9%
Expected Report Date	10/01/2020
Earnings ESP	0.1%
P/E TTM	36.7
P/E F1	36.4
PEG F1	4.3
P/S TTM	0.9

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	38,918 E	40,981 E	40,055 E	53,888 E	172,292 E
2020	37,040 A	39,072 A	37,266 A	49,489 E	162,880 E
2019	35,069 A	35,396 A	34,740 A	47,498 A	152,703 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.93 E	\$2.25 E	\$2.18 E	\$2.96 E	\$9.24 E
2020	\$1.73 A	\$2.10 A	\$1.89 A	\$2.72 E	\$8.47 E
2019	\$1.61 A	\$2.01 A	\$1.89 A	\$2.69 A	\$8.19 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 06/01/2020. The reports text is as of 06/02/2020.

## Overview

Based in Issaquah, Washington, Costco Wholesale Corporation sells high volumes of foods and general merchandise (including household products and appliances) at discounted prices through membership warehouses. It is one of the largest warehouse club operators in the United States. The company also operates e-commerce websites in the U.S., Canada, Mexico, U.K., Korea, Taiwan and Japan.

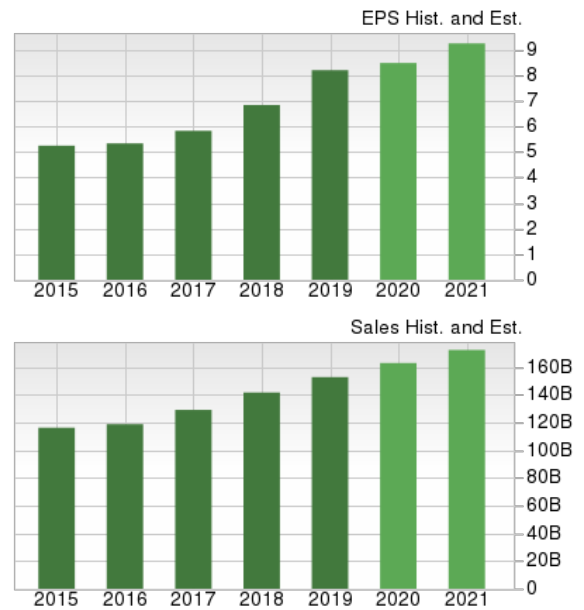
The company's warehouses offer an array of low-priced nationally branded and select private labeled products in a wide range of merchandise categories. Costco offers three types of memberships to its customers: Business, Gold Star (individual), and Executive.

As of May 28, 2020, Costco operates 787 warehouses, comprising 547 in the United States and Puerto Rico, 100 in Canada, 39 in Mexico, 29 in the United Kingdom, 26 in Japan, 16 in Korea, 13 in Taiwan, 12 in Australia, two in Spain, and one each in Iceland, France and China.

Costco generates revenue from two sources: 1) Store sales (Net sales; 97.8% of fiscal 2019 total revenue) and 2) Membership fees (MFI; 2.2% of fiscal 2019 total revenue).

Costco offers myriad varieties of food products as well as a vast range of household and lifestyle products, stationeries and appliances. The company also sells gasoline to customers at cheap prices and offers merchandise in the following categories:

- 1) Food and Sundries (including dry foods, packaged foods, groceries, snack foods, candy, alcoholic and nonalcoholic beverages, and cleaning supplies)
- 2) Hardlines (including major appliances, electronics, health and beauty aids, hardware, and garden and patio)
- 3) Fresh Foods (including meat, produce, deli, and bakery)
- 4) Softlines (including apparel and small appliances)
- 5) Ancillary (including gasoline and pharmacy businesses).



---

## Reasons To Buy:

▲ **Decent Comps Performance:** In the evolving retail ecosystem, Costco has been able to create a niche for itself on the back of growth strategies, better price management, strong membership trends and increasing penetration of e-commerce business. Certainly, these helped the company to continue with its decent comparable sales run. Comparable sales for third-quarter fiscal 2020 improved 4.8%, reflecting an increase of 5.9% and 6.2% in the United States and Other International locations, respectively, partly offset by 2.5% decline in Canada. Excluding the impact of foreign currency fluctuations and gasoline prices, the company witnessed comparable sales growth of 7.8% during the quarter. Notably, the United States, Canada and Other International locations registered comparable sales growth of 8%, 3% and 12.2%, respectively. Average transaction improved 9.3% on a year-over-year basis. Markedly, shares of the company have increased 4.2% in the past six months compared with the industry's rise of 0.4%.

The company's strategy to sell products at heavily discounted prices has helped it to remain on a growth track as cash-strapped customers continue to reckon Costco as a viable option for low-cost necessities.

▲ **A Dominant Warehouse Retailer:** We believe that Costco continues to be one of the dominant retail wholesalers based on the breadth and quality of merchandise offered. The company's strategy to sell products at heavily discounted prices has helped it to remain on a growth track as cash-strapped customers continue to reckon Costco as a viable option for low-cost necessities. In the wake of the fast-spreading coronavirus, the company has been witnessing increasing demand for toilet paper, disinfectants, packaged water and related food staples. A differentiated product range enables Costco to provide an upscale shopping experience for its members, resulting in market share gains and higher sales per square foot. The company has been employing the Zest Fresh solution to augment its Fresh Food Supply Chain. Zest Fresh lower waste by 50%, increase shelf life of the food and allows the company to offer low prices on fresh food.

▲ **Increasing E-Commerce Penetration:** The company is also gradually expanding its e-commerce capabilities in the United States, Canada, the U.K., Mexico, Korea, Taiwan, Japan and Australia. To drive its online sales, the company launched CostcoGrocery to deliver non-perishable items to buyer's home, and expanded same day grocery delivery service in collaboration with Instacart. These delivery systems have been yielding favorably and driving more traffic. The company has also launched same day prescription Rx delivery and same-day alcohol delivery through Instacart. Also, Costco acquired Innovent Solutions, a leading provider of third-party end-to-end logistics solutions, for a purchase price of \$1 billion from Transform Holdco. The buyout boosts Costco's e-commerce capabilities and facilitates it to sell "big and bulky" items such as appliances, furniture, mattresses, televisions, grills, patio, fitness equipment and wine cellars. We note that e-commerce comparable sales advanced 64.5% year over year during the quarter under review. Excluding the effect of gasoline prices and foreign exchange, the same exhibited an improvement of 66.1% year over year. We note that e-commerce comparable sales soared 85.7% during the month of April. This follows an increase of 48.3% in the month of March. Going ahead, the company plans to continue improving online merchandise and discovering ways to further enrich shopping experience.

▲ **Concentrating on Enhancing Global Footprint:** We remain encouraged by Costco's expansion strategy. The company has one of the highest square footage growth in the industry, and remains committed to opening new clubs in the domestic and international markets. In our view, the company's diversification strategy is a natural hedge against risks that may arise in specific markets. The company opened 23, 29, 26, 21 and 25 locations in fiscal 2015, 2016, 2017, 2018 and 2019, respectively. Management expects to open net 13 units during fiscal 2020. There were two new openings during the third quarter. During the final quarter, the company plans to open 10 units, including two relocations.

▲ **Enough Liquidity:** Even with a long-term debt (including operating lease liabilities) of \$10,133 million, as of May 10, 2020, Costco looks quite comfortable from liquidity point of view. The company's cash & equivalents (including short term investments) were \$11,774 million at the end of the third quarter of fiscal 2020, which showcased an increase of 35% on a sequential basis. Moreover, at the end of the quarter, the company's debt-to-capitalization ratio was a respectable 0.41 compared with 0.56 for its industry. Further, in order to improve financial flexibility, the company completed a \$4 billion debt offering on April 20. Following the completion of the debt offering, the company called the outstanding debt due May of 2021. That was a \$1 billion tranche and an additional \$5 million tranche that was due in February 2022. Both of these tranches were paid off after a 30-day call notice.

Costco looks well placed on the dividend-payout front. At a juncture where companies are suspending dividends to preserve cash, Costco raised its quarterly dividend by 7.7% to 70 cents a share in the month of April 2020. Notably, the company has a dividend payout of 32.1%, dividend yield of 0.9% and free cash flow yield of 3.1%. With an annual free cash flow return on investment of 18.9%, ahead of the industry's nearly 16.2%, we believe that the dividend payment is likely to be sustainable.

---

---

## Reasons To Sell:

▼ **Q3 Earnings & Sales Miss Estimates:** After delivering five straight quarters of positive earnings surprise, Costco reported a miss in third-quarter fiscal 2020 results. Total revenues also lagged the Zacks Consensus Estimate, after surpassing the same in the preceding quarter. Overall sales increased in the month of March, as consumers stocked up food and essentials items in the wake of the pandemic. However, sales in the month of April dropped as stay-at-home orders, social distancing and some mandatory closures resulted in lower traffic and soft sales at warehouses. Management highlighted that temporary store closures lowered its sales numbers for the quarter by an estimated 1-2%.

Stiff competition from both brick-and-mortar stores and online retailers and cautious consumer spending may hurt Costco's performance. Moreover, it remains prone to currency fluctuations.

We note that Costco's bottom line also came under pressure. Management highlighted that incremental wage and sanitation costs owing to the coronavirus outbreak hurt the company's quarterly earnings. The company pointed that the third-quarter bottom line was adversely impacted by additional COVID-19 related costs of \$283 million pretax (or 47 cents a share). Management anticipates incremental expenses related to this biological catastrophe to exceed \$100 million in the fourth quarter.

▼ **Stock Looks Little Stretched:** Considering price-to-earnings (P/E) ratio, Costco looks pretty overvalued when compared with the industry as well as the S&P 500. The stock has a trailing 12-month P/E ratio of 36.66, which is above the median level of 35.78 but below the high level of 38.95 scaled in the past one year. On the contrary, the trailing 12-month P/E ratio for the industry and the S&P 500 is 32.37 and 19.61, respectively.

▼ **Stiff Competition:** Costco faces stiff competition from BJ's Wholesale Club and Sam's Club, a division of Wal-Mart Stores. These two rivals follow similar business models as they market high volumes of merchandise at low prices in a membership-only warehouse clubs. Sam's Club, in particular, poses the biggest threat to Costco as both primarily target professionals and small-business owners who typically make bulk purchases. Analysts pointed that any incremental investments or aggressive pricing strategy may hurt margins.

▼ **Rising SG&A Expenses May Strain Margins:** We note that SG&A expenses and merchandise costs increased 13.6% and 6.7%, respectively, during the third quarter of fiscal 2020, following an increase of 8.1% and 10.9%, and 7.4% and 5.3% in the preceding two quarters. In the first, second, third and fourth quarters of fiscal 2019, SG&A expenses rose 7.8%, 7.1%, 6.8% and 9.9%, while merchandise costs rose 10.9%, 6.9%, 7.5% and 6.8%, respectively.

▼ **Macroeconomic Headwinds:** The company's customers are very sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, sluggishness in the housing market, unemployment levels, and high household debt levels, which may affect their spending levels. Moreover, due to exposure to international markets, Costco remains prone to currency fluctuations. Management stated that foreign currencies relative to the U.S. dollar adversely impacted sales by roughly 110 basis points and gasoline price deflation negatively impacted sales by about 190 basis points. Additionally, gasoline volumes or gallons were down about 20% year over year in the quarter as a result of less driving due to the pandemic.

---

## Last Earnings Report

### Costco Q3 Earnings Miss Estimates, Revenues Up Y/Y

After delivering five straight quarters of positive earnings surprise, Costco Wholesale Corporation reported a miss in third-quarter fiscal 2020 results. Total revenues also lagged the Zacks Consensus Estimate, after surpassing the same in the preceding quarter. However, the top line improved year over year and the company logged a decent comparable sales growth.

The company's overall sales increased in the month of March, as consumers stocked up food and essentials items in the wake of the pandemic. However, sales in the month of April dropped as stay-at-home orders, social distancing and some mandatory closures resulted in lower traffic and soft sales at warehouses. Nonetheless, the company's e-commerce sales showcased a sharp rise in both March and April months.

Yet we note that Costco's bottom line came under pressure. Management highlighted that incremental wage and sanitation costs owing to the coronavirus outbreak hurt the company's quarterly earnings.

### Q3 Earnings & Sales Picture

Costco reported third-quarter earnings of \$1.89 per share that fell short of the Zacks Consensus Estimate of \$1.92. We note that the company had reported earnings of \$2.05 per share — including the benefit of a non-recurring tax item of 16 cents per share — in the year-ago period. Excluding the same, prior-year earnings came in at \$1.89 per share.

The operator of membership warehouses stated that the third-quarter bottom line was adversely impacted by additional COVID-19 related costs of \$283 million pretax (or 47 cents a share). Management anticipates incremental expenses related to this biological catastrophe to exceed \$100 million in the fourth quarter.

Total revenues, which include net sales and membership fee, came in at \$37,266 million, up 7.3% from the prior-year quarter. However, the figure missed the Zacks Consensus Estimate of \$37,530.7 million. Net sales declined 1.8% during the month of April, following a rise of 11.7% in March.

In the reported quarter, the company's e-commerce comparable sales rose 64.5% year over year. Excluding the effect of gasoline prices and foreign exchange, the same exhibited an improvement of 66.1% year over year. We note that e-commerce comparable sales soared 85.7% during the month of April. This follows an increase of 48.3% in the month of March.

### Delving Deeper

Costco's net sales grew 7.3% to \$36,451 million, while membership fee increased 5% to \$815 million. Comparable sales for the reported quarter improved 4.8%, reflecting an increase of 5.9% and 6.2% in the United States and Other International locations, respectively, partly offset by 2.5% decline in Canada.

Excluding the impact of foreign currency fluctuations and gasoline prices, the company witnessed comparable sales growth of 7.8% during the quarter. Notably, the United States, Canada and Other International locations registered comparable sales growth of 8%, 3% and 12.2%, respectively.

We note that shopping frequency fell 4.1% globally and 2% in the United States. However, average transaction improved 9.3% on a year-over-year basis.

Operating income in the quarter increased 5.1% year over year to \$1,179 million, while operating margin (as a percentage of total revenues) remained flat at 3.2%.

### Store Update

Costco currently operates 787 warehouses, comprising 547 in the United States and Puerto Rico, 100 in Canada, 39 in Mexico, 29 in the U.K., 26 in Japan, 16 in Korea, 13 in Taiwan, 12 in Australia, two in Spain, one each in Iceland, France and China. There were two new openings during the quarter under review. During the final quarter of fiscal 2020, the company plans to open 10 units, including two relocations. Management expects to open net 13 units during the fiscal year.

### Financial Aspects

Costco ended the reported quarter with cash and cash equivalents of \$10,826 million and long-term debt (excluding current portion) of \$7,598 million. The company's shareholders' equity was \$16,802 million, excluding non-controlling interests of \$401 million. Further, in order to improve financial flexibility, the company completed a \$4 billion debt offering on Apr 20.

Management incurred capital expenditures of \$626 million during the quarter under review, and plans to spend approximately \$2.7-\$2.9 billion during the fiscal year.

Quarter Ending **05/2020**

Report Date	May 28, 2020
Sales Surprise	-0.71%
EPS Surprise	-1.56%
Quarterly EPS	1.89
Annual EPS (TTM)	8.41

## Recent News

### Costco Reports April Sales Results – May 6, 2020

Costco's comparable sales for the month of April — the four weeks ended May 3, 2020 — fell 4.7%. Meanwhile, net sales declined 1.8% to \$11.39 billion during the month under discussion. Stay-at-home orders, social distancing and some mandatory closures resulted in lower traffic and soft sales at warehouses. Notably, the company's e-commerce comparable sales soared 85.7% during the month of April.

### Costco Announces \$4 Billion Debt Offering – April 16, 2020

Costco announced the pricing of its offering of \$4 billion aggregate principal amount of senior unsecured notes. The notes consist of the following tranches \$1.25 billion principal amount of 1.375% notes due June 20, 2027; \$1.75 billion principal amount of 1.6% notes due April 20, 2030 and \$1 billion principal amount of 1.75 % notes due April 20, 2032. The company intends to utilize the proceeds to repay senior notes and for general corporate purposes.

### Costco Hikes Dividend – April 15, 2020

Costco announced an increase in its quarterly dividend. The company's board of directors raised the dividend by 7.7% to 70 cents a share, which is payable on May 15, 2020.

## Valuation

Costco shares are up 4.9% in the year-to-date period and nearly 27.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 1.2% but the Zacks Retail-Wholesale sector is up 7.5% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 24.3% and 24.4%, respectively.

The S&P 500 index is down 5.4% in the year-to-date period but up 11.1% in the past year.

The stock is currently trading at 34.09X forward 12-month earnings, which compares to 30.2X for the Zacks sub-industry, 31.88X for the Zacks sector and 22.08X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.89X and as low as 23.46X, with a 5-year median of 27.46X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$327 price target reflects 36.14X forward 12-month earnings.

The table below shows summary valuation data for COST

Valuation Multiples - COST					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	34.09	30.2	31.88	22.08
	5-Year High	36.89	30.2	31.88	22.08
	5-Year Low	23.46	17.95	19.07	15.23
	5-Year Median	27.46	20.07	23.31	17.49
P/S F12M	Current	0.8	1.43	1.08	3.43
	5-Year High	0.86	1.43	1.12	3.44
	5-Year Low	0.46	0.95	0.81	2.53
	5-Year Median	0.58	1.13	0.94	3.02
EV/EBITDA TTM	Current	21.25	18.7	16.75	11.27
	5-Year High	22.68	19.7	16.75	12.86
	5-Year Low	12.44	10.89	10.97	8.26
	5-Year Median	15.06	13.87	12.67	10.81

As of 06/01/2020

## Industry Analysis Zacks Industry Rank: Top 25% (63 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	3
Big Lots, Inc. (BIG)	Neutral	2
Dollar General Corporation (DG)	Neutral	2
Dollar Tree, Inc. (DLTR)	Neutral	2
Target Corporation (TGT)	Neutral	4
Tuesday Morning Corp. (TUES)	Neutral	3
Walmart Inc. (WMT)	Neutral	3
Burlington Stores, Inc. (BURL)	Underperform	3

Industry Comparison Industry: Retail - Discount Stores				Industry Peers		
	COST	X Industry	S&P 500	DG	DLTR	TGT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	2	4
VGM Score	A	-	-	A	A	B
Market Cap	136.13 B	18.22 B	21.80 B	48.20 B	22.83 B	59.75 B
# of Analysts	9	11	14	23	9	12
Dividend Yield	0.91%	0.83%	1.97%	0.75%	0.00%	2.21%
Value Score	C	-	-	B	A	C
Cash/Price	0.06	0.08	0.06	0.06	0.08	0.07
EV/EBITDA	21.07	14.44	12.62	20.47	13.11	9.83
PEG Ratio	4.34	4.17	2.92	1.95	2.01	3.99
Price/Book (P/B)	8.01	5.35	2.98	6.69	3.50	5.35
Price/Cash Flow (P/CF)	26.48	13.71	11.85	21.52	10.85	10.26
P/E (F1)	36.40	30.26	21.45	24.08	21.04	24.11
Price/Sales (P/S)	0.85	0.85	2.30	1.63	0.95	0.75
Earnings Yield	2.75%	2.75%	4.48%	4.15%	4.75%	4.15%
Debt/Equity	0.44	1.67	0.76	1.65	1.24	1.46
Cash Flow (\$/share)	11.64	6.38	6.96	8.90	8.87	11.64
Growth Score	A	-	-	A	A	B
Hist. EPS Growth (3-5 yrs)	12.69%	12.69%	10.87%	14.79%	18.19%	5.85%
Proj. EPS Growth (F1/F0)	3.42%	-22.15%	-10.79%	18.15%	-3.90%	-22.44%
Curr. Cash Flow Growth	14.92%	9.68%	5.46%	9.68%	-55.39%	10.26%
Hist. Cash Flow Growth (3-5 yrs)	10.65%	8.54%	8.55%	9.69%	19.78%	3.95%
Current Ratio	1.04	1.21	1.29	1.44	1.15	1.01
Debt/Capital	30.74%	62.49%	44.75%	62.32%	55.43%	59.37%
Net Margin	2.31%	3.41%	10.59%	6.69%	3.35%	3.46%
Return on Equity	22.92%	23.55%	16.29%	29.33%	18.69%	24.17%
Sales/Assets	3.31	1.60	0.55	1.29	1.22	1.85
Proj. Sales Growth (F1/F0)	6.66%	0.83%	-2.67%	10.69%	5.90%	5.95%
Momentum Score	A	-	-	A	F	A
Daily Price Chg	-0.06%	-0.03%	0.80%	-0.01%	-1.66%	-2.32%
1 Week Price Chg	2.00%	3.28%	4.60%	7.00%	19.79%	4.12%
4 Week Price Chg	1.25%	8.28%	8.94%	9.15%	23.68%	6.96%
12 Week Price Chg	2.09%	2.55%	8.65%	20.23%	15.26%	14.86%
52 Week Price Chg	27.88%	9.49%	0.08%	48.45%	-4.41%	44.05%
20 Day Average Volume	2,911,083	2,648,276	2,465,511	2,465,511	2,919,160	6,135,890
(F1) EPS Est 1 week change	-0.90%	-0.90%	0.00%	5.71%	-2.63%	0.00%
(F1) EPS Est 4 week change	-2.85%	-4.12%	-0.27%	6.60%	-4.12%	-9.32%
(F1) EPS Est 12 week change	-2.17%	-12.11%	-16.20%	6.88%	-12.11%	-27.72%
(Q1) EPS Est Mthly Chg	-0.89%	-0.89%	-0.83%	6.03%	12.72%	-9.79%



---

## 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	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.

---

### 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.