

## CVS Health (CVS)

**\$71.56** (As of 02/07/20)

Price Target (6-12 Months): **\$75.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 04/22/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: D

### Summary

Over the past six months, CVS Health outperformed its industry. It successfully executed its strategic priorities, resulting in all three of the company's segments performing in line with, or above its expectations. We are pleased with its solid progress in terms of the 2020 selling season. The company has started to witness increased customer traffic and incremental sales in pharmacy front store and MinuteClinics. The Health Care Benefits segment, launched after the Aetna acquisition, is showing strong momentum. The company posted better-than-expected third-quarter results on the back of robust progresses. However, persistent reimbursement pressure and the impact of recent generic introductions dented the company's retail LTC business growth. Also, Omnicare business performance should continue to remain soft through the rest of 2019.

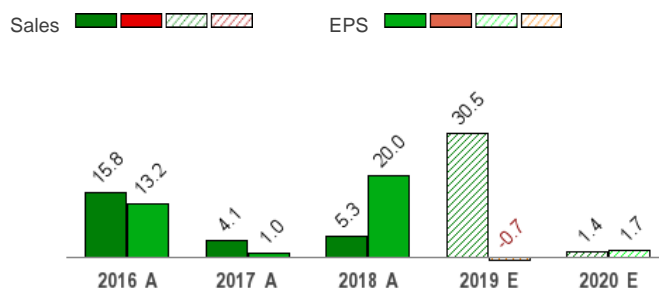
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$77.03 - \$51.72
20 Day Average Volume (sh)	6,740,939
Market Cap	\$93.1 B
YTD Price Change	-3.7%
Beta	0.93
Dividend / Div Yld	\$2.00 / 2.8%
Industry	<a href="#">Retail - Pharmacies and Drug Stores</a>
Zacks Industry Rank	Top 28% (70 out of 254)

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



Last EPS Surprise	4.0%
Last Sales Surprise	2.8%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/12/2020
Earnings ESP	0.0%
P/E TTM	9.6
P/E F1	10.0
PEG F1	1.4
P/S TTM	0.4

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	62,891 E	64,438 E	65,300 E	65,346 E	257,610 E
2019	61,646 A	63,431 A	64,810 A	64,209 E	253,998 E
2018	45,693 A	46,708 A	47,269 A	54,424 A	194,579 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$1.62 E	\$1.85 E	\$1.85 E	\$1.83 E	\$7.15 E
2019	\$1.62 A	\$1.89 A	\$1.84 A	\$1.68 E	\$7.03 E
2018	\$1.48 A	\$1.69 A	\$1.73 A	\$2.14 A	\$7.08 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 02/07/2020. The reports text is as of 02/10/2020.

## Overview

Headquartered in Woonsocket, RI, CVS Health Corporation (formerly known as CVS Caremark Corporation) is a pharmacy innovation company with integrated offerings across the entire spectrum of pharmacy care. On Sep 3, 2014, CVS Caremark Corporation announced a change of its corporate name to CVS Health to reflect its broader health care commitment.

In Nov 2018, CVS Health completed the \$70-billion consolidation of insurance-giant Aetna. With the acquisition, the segments of CVS Health have been realigned.

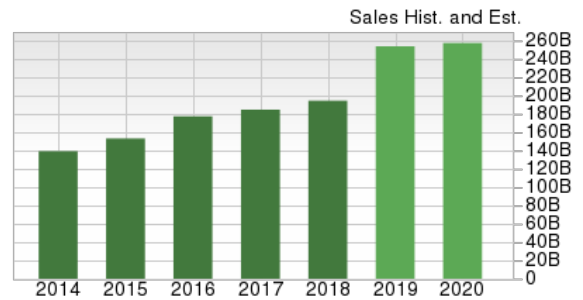
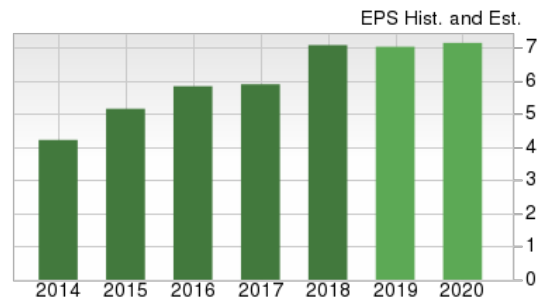
Effective first-quarter 2019, the company's SilverScript Medicare Part D prescription drug plan (PDP) has shifted from the Pharmacy Services segment to the Health Care Benefits segment. In addition, the mail order and specialty pharmacy operations of Aetna have been transitioned from the Health Care Benefits segment to the Pharmacy Services segment.

CVS currently has four reportable segments: Pharmacy Services, Retail/Long Term Care (LTC), Health Care Benefits and Corporate/Other.

The Pharmacy Services segment provides a full range of pharmacy benefit management ("PBM") solutions, including plan design offerings and administration, formulary management, retail pharmacy network management services, mail order pharmacy, specialty pharmacy and infusion services, clinical services, disease management services and medical spend management.

The Retail/LTC segment sells prescription drugs and a wide range of general merchandise, including over-the-counter drugs, beauty products, cosmetics and personal care products, health care services through its MinuteClinic walk-in medical clinics and conducts long-term care pharmacy operations, which distribute prescription drugs and provide related pharmacy consulting and other ancillary services to chronic care facilities and other care settings.

The Health Care Benefits segment offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, medical management capabilities, Medicare Advantage and Medicare Supplement plans, PDPs, Medicaid health care management services, workers' compensation administrative services.



## Reasons To Buy:

▲ **Share Price Performance:** Over the past six months, CVS Health outperformed its industry. The stock gained 21.8%, in comparison to the 14.4% growth of the industry. The company posted better-than-expected third-quarter results demonstrating successful execution of its strategic priorities. This has led to all three of the company's segments performing in line with, or above its expectations. Going by these priorities, CVS Health is currently on track to make approximately 50 hubs operational by year-end along with its original plan to have 1,500 hubs by the end of 2021. The company has already started to witness increased customer traffic and incremental sales in pharmacy front store and MinuteClinics.

Increasing demand for PBM and specialty pharmacy along with significant growth observed in the retail business are encouraging.

In terms of segmental performances, year-over-year growth in the top line was driven by a strong Pharmacy Services segment, benefiting from the upside in specialty services. We are also pleased with CVS Health's solid progress in terms of the 2020 and 2021 selling seasons. The company's recently introduced Health Care Benefits segment following the Aetna acquisition is showing strong momentum, particularly in government business.

▲ **Health Care Benefit shows Potential:** Following the colossal 70-billion acquisition of health insurance giant Aetna for a colossal sum of \$70 billion, CVS Health has introduced a new business arm called Health Care Benefits. This segment has already started to show strong momentum, particularly in government business. In the reported quarter, revenues exceeded the company's expectations driven by strong growth in Medicare products.

In this regard, we note that, CVS Health expects to earn \$750 million from near-term synergies of Aetna integration with low to mid-single digit accretion in the second year post the transaction's closure. Per the company, shareholders can look forward to several outcomes with respect to near-term synergy including enhanced competitive positioning and a new combined platform that might redefine access to high-quality care at low cost, substantially accelerating the consolidated business' growth.

▲ **PBM business gaining traction:** With regard to its 2020 PBM selling season, CVS Health has noted that, its 2020 selling season is nearing to its completion with gross new business increasing \$1.1 billion and net new business improving by approximately \$1 billion since the sequentially last quarter's update. The 2021 selling season is now underway and according to the company, it is well positioned to serve both new and existing clients.

In the third quarter, adjusted claims volumes increased 9.3% over the year-ago quarter, driven by net new business wins and continued adoption of maintenance choice. According to CVS health, service levels and performance metrics are currently remaining at historically high levels and the company expects to return to its historical retention levels in future periods.

▲ **Specialty pharmacy – a high-growth avenue:** The soaring demand for specialty pharmacy, especially in the on-going decade, is likely to accelerate growth for the company. This time the company encouragingly noted that despite a slowdown in revenue growth compared to prior years on lower levels of inflation on specialty drugs and increase in generic dispensing, the company registered strong performance overall. The year-over-year growth was driven largely by increases in the pharmacy network claims, brand inflation, and growth in specialty pharmacy.

We are also positive on the company's newly developed comprehensive set of programs to effectively manage specialty trends, which includes formulary exclusion strategy. According to recent data, 3 million people in the U.S. are currently in need of specialty treatment while the potential cost of treatment tends to be very high. With management's notification that the company's specialty business remains a top priority for customers, we believe CVS Health is well positioned to capitalize on that opportunity based on its broad, differentiated offering which includes the likes of Specialty Connect. Moving forward, management expects drug price inflation, new product launch, higher utilization and new PBM clients to fuel growth. We expect the segment to serve as a stable growth platform going forward.

▲ **Retail on a Growth Track:** Over the last few quarters, the retail Long Term Care business registered positive revenue growth after several quarters of drag. The year-over-year growth was 2.9% in the third quarter, in line with the company's expectation. The strong growth was primarily driven by increased prescription volume and brand name drug price inflation. The company delivered strong adjusted script growth of 6.4% with comp scripts up 7.8%, primarily driven by the continued adoption of patient care programs.

Going forward, Retail is expected to continue to deliver strong adjusted script growth in the range on successful execution of pharmacy clinical care program that drive improved adherence and patient retention. CVS Health is experiencing growth in the Medicare partnerships it formed in recent times, as well as a few new regional preferred relationships in 2019.

▲ **Strong Balance Sheet:** CVS Health exited the third quarter of 2019 with cash and cash equivalents of \$5.19 billion compared with \$6.06 billion at the end of the second quarter. Year-to-date, net cash provided by operating activities was \$10.21 billion, as compared to \$6.39 billion a year ago.

The company however earlier noted that, due to the Aetna acquisition and the associated debt CVS has issued, it has to suspend the share repurchase program and will be keeping dividend flat until it reaches a leverage ratio of approximately 3 times adjusted debt to EBITDA.

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## Reasons To Sell:

- ▼ **Near-term challenges to impede growth in 2019:** For CVS Health, the year 2019 is a transition year that primarily focuses on the colossal integrates the Aetna. This accordingly, has certain adverse impacts on the year's operating income of its Pharmacy Services and Retail/LTC segments compared to 2018.

Ongoing pharmacy reimbursement pressure in the Pharmacy Services and Retail/LTC segments and reductions in the traditional offsets to those pressures, including a declining benefit from the introduction of new multi-source generic prescription drugs and lower benefits from generic dispensing rate increases.

The reimbursement pressure in the Pharmacy Services segment is projected to be exacerbated by the cumulative effect on rebate guarantees of lower brand name drug price inflation and a modest selling season.

The Retail/LTC segment is projected to be impacted by structural and company specific challenges in the long-term care space as well as the annualization of the company's 2018 investment of a portion of the savings from the Tax Cuts and Job Act in wages and benefits.

- ▼ **Risk Related to Reimbursement Reduction:** A significant portion of CVS Health's net revenue is derived directly from Medicare, Medicaid and other government-sponsored health care programs. The company is therefore subject to federal and state reimbursement laws and regulatory requirements, anti-remuneration laws, the Stark Law and/or federal and state false claims laws. According to the company, the continued efforts of health maintenance organizations, managed care organizations, PBM companies, government entities, and other third party payors to reduce prescription drug costs and pharmacy reimbursement rates may impact its profitability. In particular, increased utilization of generic pharmaceuticals has resulted in pressure to decrease reimbursement payments to retail and mail order pharmacies for generic drugs, causing a reduction in the generic profit rate.
- ▼ **Competitive Landscape:** Despite significant new client wins in the course of a strong selling season, intense competition and tough industry conditions act as major impediments. Major competitors such as Walgreens, Target and Wal-Mart are expanding their pharmacy businesses. Competition is especially tough in the pharmacy segment, as other retail businesses continue to add pharmacy departments and low-cost pharmacy options become available. Discount retailers, in particular, have made substantial inroads in gaining market share.
- ▼ **Poor Macroeconomic Condition:** Although prescriptions and related health care service providers like CVS stay out of general macro-economic turmoil, the recent debt crisis and sluggish economic conditions in U.S. could impact consumer purchasing power. This may also influence preferences and spending patterns and result in low prescription utilization. In the reported quarter, CVS faced pricing pressure and higher operating and remediation expenses for its Medicare Part D prescription drug business.

Rising pressure to reduce reimbursement rates for generic drugs, disappointing retail performance, highly competitive market and pressure on margins provide stiff challenges to CVS Health.

## Last Earnings Report

### CVS Health's PBM Selling Season Remains Solid, Retail Grows

CVS Health's third-quarter 2019 adjusted earnings per share of \$1.84 increased 6.4% year over year and also exceeded the Zacks Consensus Estimate by 3.9%. The quarter's adjusted earnings per share considered certain transaction and integration costs pertaining to the buyout of Aetna and store rationalization charges along with other adjustments.

On a GAAP basis, the company registered earnings of \$1.17 per share, reflecting a 13.9% drop from the year-ago period.

Moreover, total revenues in the third quarter surged 36.5% year over year (after adjusting the interest income on financing the Aetna acquisition, adjusted revenues increased 37.1% year over year) to \$64.81 billion. The same also topped the Zacks Consensus Estimate by 2.8%.

The year-over-year revenue rise was primarily driven by the acquisition of Aetna, expanded volume and the brand name drug price inflation in both the Pharmacy Services and Retail/LTC segments, partially offset by a persistent reimbursement pressure in the Retail/LTC, price compression in the Pharmacy Services segment and an increased generic dispensing rate.

#### Quarter in Detail

Earlier this year, CVS Health realigned the composition of its segments. As a result, the company's SilverScript Medicare Part D prescription drug plan (PDP) was shifted from the Pharmacy Services segment to Health Care Benefits. In addition, the mail order and specialty pharmacy operations of Aetna were transitioned from the Health Care Benefits segment to Pharmacy Services.

Pharmacy Services revenues were up 6.4% to \$36 billion in the reported quarter, driven by growth in total pharmacy claims volume and the brand name drug price inflation. This was, however, partially offset by a continued client price compression and an increase in generic dispensing rate.

Total pharmacy claims processed rose 9.3% on a 30-day equivalent basis, attributable to net new business and the steady adoption of Maintenance Choice offerings.

Revenues from CVS Health's Retail/LTC were up 2.9% year over year to \$21.47 billion. Per the company, the result was based on higher prescription volume and branded drug price inflation, partially offset by a persistent reimbursement pressure and the impact of an increased generic dispensing rate. Front store revenues represented 21.5% of total Retail/LTC revenues in the reported quarter, primarily banking on improved sales of health and beauty products, which benefited from consistent strength in cough and cold products.

Total prescription volume grew 6.4% on a 30-day equivalent basis, boosted by the steady uptake of patient care programs.

Within Health Care Benefits segment, the company registered revenues worth \$16.5 billion in the third quarter.

Gross profit soared 52.6% to \$11.52 billion. Accordingly, gross margin expanded 188 bps to 17.8%. However, operating margin in the quarter under review contracted 90 bps to 4.5% despite a 13.7% rise in operating profit to \$2.93 billion.

#### Outlook

CVS Health has updated its 2019 guidance.

Adjusted earnings per share expectation is raised to the band of \$6.97-\$7.05 from the earlier-provided range of \$6.89-\$7. The Zacks Consensus Estimate for current-year earnings is pegged at \$6.98, within the company's guided range.

This apart, the company's 2019 adjusted operating profit estimate is lifted to the \$15.22-\$15.40 billion band from the previous view of 15.16-\$15.36 billion.

Further, the company reaffirmed its cash flow from operations guidance at \$10.1-\$10.6 billion.

Quarter Ending 09/2019

Report Date	Nov 06, 2019
Sales Surprise	2.83%
EPS Surprise	3.95%
Quarterly EPS	1.84
Annual EPS (TTM)	7.49

## Recent News

On **Dec 9, 2019**, CVS Pharmacy (the retail division of CVS Health) announced the completion of its rollout of time delay safes in all of its 58 CVS Pharmacy locations in West Virginia, including pharmacies located in Target stores. The safes are expected to help prevent pharmacy robberies and the diversion of controlled substance narcotic medications by keeping them out of the hands of unauthorized individuals.

On **Dec 5, 2019**, CVS Health announced the successful completion of the first year of combined operations following the acquisition of Aetna in late 2018.

On **Dec 3, 2019**, CVS Health joined the U.S. Department of Health and Human Services (HHS) to support the fight against HIV. This coincides with the launch of a new HHS initiative called Ready, Set, PrEP, a critical component of the Ending the HIV Epidemic in America Initiative.

On **Dec 2, 2019**, CVS Health inked a deal with Centene Corporation under which CVS Health will acquire Centene's Illinois health plan subsidiary, IlliniCare Health Plan (IlliniCare). The transaction entails the sale of Centene's Medicaid and Medicare Advantage lines of business in Illinois. This partnership is in connection with the previously announced merger agreement between Centene and WellCare Health Plans.

On **Dec 2, 2019**, CVS Pharmacy, the retail division of CVS Health, announced the completion of the rollout of time delay safes in all of its 375 CVS Pharmacy locations in North Carolina, including pharmacies located in Target stores.

On **Nov 19, 2019**, CVS Health announced that MinuteClinic, the company's retail medical clinic, has rolled out its video visit offering in the states of Colorado, Illinois and New Jersey.

On **Nov 13, 2019**, CVS Health announced that it has developed a Social Isolation Index to estimate each member's risk of social isolation. The Index, which is based on claims data and multi-dimensional information on social determinants of health, will help to identify high-risk Medicare beneficiaries. They will get proactive outreach from specially-trained consultants within our Resources For Living program.

On **Nov 4, 2019**, CVS Health announced entering a three-year corporate collaboration with the Alzheimer's Association aimed at fighting Alzheimer's disease – a disease impacting more than 5 million Americans and 16 million caregivers across the country.

On **Oct 29, 2019**, CVS Pharmacy, the retail division of CVS Health inaugurated its first standalone store in Oregon.

On **Oct 25, 2019**, CVS Health announced the expansion of its safe medication disposal program, giving customers access to safer, easier and more convenient drug disposal options at every CVS Pharmacy location in Ohio at no cost.

On **Oct 24, 2019**, Aetna (a CVS Health company) announced its 2020 Medicare offerings, featuring expanded plan options with low or \$0 monthly premiums in most areas, plus enhanced benefits that focus on members' total health.

On **Oct 23, 2019**, the company announced the expansion of its safe medication disposal program in Wisconsin at no additional cost. This gives customers access to safer, easier and more convenient drug disposal options at every CVS Pharmacy location in Wisconsin at no additional cost.

On **Oct 22, 2019**, the company announced the expansion of its highly interactive beauty department, BeautyIRL, into approximately 50 stores by the end of 2019. This is expected to encourage the discovery of new brands and trends in key markets of New York City, Los Angeles, Miami and Boston.

On **Oct 21, 2019**, CVS Health announced the expansion of its safe medication disposal program. This gives customers access to safer, easier and more convenient drug disposal options at every CVS Pharmacy location in Massachusetts at no additional cost.

On **Oct 10, 2019**, CVS Health announced that the MinuteClinic service has been expanded to the states of Oregon and Washington.

On **Oct 8, 2019**, CVS Health announced that the company's retail medical clinic, MinuteClinic, has started its video visit offering in the states of Michigan, Pennsylvania and South Carolina. People in these states with minor illnesses, minor injuries and skin conditions can now seek care through MinuteClinic Video Visits. This telehealth offering will provide access to care to patients as per their convenience from their mobile device or computer.

## Valuation

CVS Health shares are down 3.7% and up 9.9% in the year-to-date and the trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are down 6.2% while the Zacks Medical sector is up 3.4% in the year-to-date period. Over the past year, the sub-industry is down 6.4% and sector is up 19.6%.

The S&P 500 index is up 3.2% in the year-to-date and up 21.9% in the past year.

The stock is currently trading at 9.9X Forward 12-months earnings, which compares to 9.7X for the Zacks sub-industry, 25.4X for the Zacks sector and 19.1X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.3X and as low as 7.5X, with a 5-year median 12.7X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$75 price target reflects 10.5X forward 12-months earnings.

The table below shows summary valuation data for CVS.

Valuation Multiples-CVS					
P/E F12M		Stock	Sub-Industry	Sector	S&P 500
	Current	9.95	9.65	25.43	19.12
	5Year High	20.26	20.64	26.20	19.34
	5-Year Low	7.49	7.72	19.07	15.18
	5-Year Median	12.70	13.64	23.00	17.47

P/S F12M	Current	0.36	0.31	1.07	3.53
	5-Year High	0.81	0.78	1.10	3.53
	5-Year Low	0.21	0.24	0.80	2.54
	5-Year Median	0.42	0.46	0.92	3.00
P/B TTM	Current	1.48	1.40	5.31	4.29
	5-Year High	3.45	3.18	5.86	4.42
	5-Year Low	0.91	1.18	3.60	2.85
	5-Year Median	2.28	2.33	4.85	3.62

As of 2/7/2020

## Industry Analysis Zacks Industry Rank: Top 28% (70 out of 254)



## Top Peers

Rite Aid Corporation (RAD)	Outperform
Herbalife LTD. (HLF)	Neutral
Humana Inc. (HUM)	Neutral
The Kroger Co. (KR)	Neutral
Target Corporation (TGT)	Neutral
Universal Health Services, Inc. (UHS)	Neutral
Walgreens Boots Alliance, Inc. (WBA)	Neutral
Walmart Inc. (WMT)	Neutral

Industry Comparison Industry: Retail - Pharmacies And Drug Stores				Industry Peers		
	CVS Neutral	X Industry	S&P 500	RAD Outperform	WBA Neutral	WMT Neutral
<b>VGM Score</b>	<b>A</b>	-	-	<b>A</b>	<b>B</b>	<b>C</b>
Market Cap	93.10 B	510.79 M	24.00 B	717.58 M	47.16 B	330.39 B
# of Analysts	23	4.5	13	1	10	14
Dividend Yield	2.79%	0.00%	1.78%	0.00%	3.44%	1.82%
<b>Value Score</b>	<b>B</b>	-	-	<b>A</b>	<b>B</b>	<b>C</b>
Cash/Price	0.09	0.11	0.04	0.44	0.02	0.03
EV/EBITDA	13.08	10.29	14.07	18.17	10.85	15.79
PEG Ratio	1.41	1.38	2.04	NA	1.38	4.52
Price/Book (P/B)	1.48	1.94	3.28	0.71	1.94	4.22
Price/Cash Flow (P/CF)	4.48	4.48	13.58	0.97	6.35	13.45
P/E (F1)	10.17	10.01	18.86	38.50	9.07	22.39
Price/Sales (P/S)	0.38	0.36	2.65	0.03	0.34	0.63
Earnings Yield	9.99%	8.70%	5.30%	2.60%	11.03%	4.47%
Debt/Equity	1.32	0.36	0.71	6.22	1.34	0.83
Cash Flow (\$/share)	15.97	3.97	6.89	13.52	8.38	8.66
<b>Growth Score</b>	<b>A</b>	-	-	<b>A</b>	<b>B</b>	<b>C</b>
Hist. EPS Growth (3-5 yrs)	11.14%	0.22%	10.80%	NA	12.45%	0.13%
Proj. EPS Growth (F1/F0)	1.64%	23.34%	7.23%	NA	-2.00%	4.38%
Curr. Cash Flow Growth	87.00%	0.71%	9.51%	16.33%	-2.42%	5.58%
Hist. Cash Flow Growth (3-5 yrs)	19.17%	5.33%	8.55%	-0.39%	11.05%	-0.35%
Current Ratio	0.92	0.99	1.20	1.46	0.66	0.81
Debt/Capital	56.88%	56.88%	42.90%	86.15%	57.22%	45.25%
Net Margin	1.83%	-0.02%	11.76%	-1.86%	2.69%	2.77%
Return on Equity	15.45%	-11.78%	16.98%	1.40%	21.76%	18.47%
Sales/Assets	1.14	1.77	0.54	2.20	1.85	2.24
Proj. Sales Growth (F1/F0)	1.42%	0.00%	4.15%	-0.05%	2.21%	2.96%
<b>Momentum Score</b>	<b>D</b>	-	-	<b>A</b>	<b>D</b>	<b>F</b>
Daily Price Chg	1.02%	-0.23%	-0.64%	3.72%	-0.47%	0.12%
1 Week Price Chg	-5.05%	-3.95%	-2.60%	-2.85%	-2.29%	0.10%
4 Week Price Chg	-1.78%	-2.21%	0.72%	3.15%	-2.63%	-0.78%
12 Week Price Chg	-1.89%	8.93%	4.69%	36.35%	-14.05%	-3.48%
52 Week Price Chg	8.84%	-23.42%	16.01%	-17.54%	-25.23%	20.39%
20 Day Average Volume	6,740,939	995,472	1,961,054	4,482,168	4,740,475	5,581,766
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	13.23%	0.00%	0.00%
(F1) EPS Est 4 week change	0.04%	0.00%	-0.00%	13.23%	-1.08%	0.00%
(F1) EPS Est 12 week change	-0.22%	-0.11%	-0.16%	220.83%	-1.08%	1.41%
(Q1) EPS Est Mthly Chg	-0.13%	0.00%	0.00%	49.06%	-8.12%	0.00%

## 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	<b>B</b>
Growth Score	<b>A</b>
Momentum Score	<b>D</b>
VGM Score	<b>A</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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