

CVS Health (CVS)

\$64.96 (As of 08/07/20)

Price Target (6-12 Months): **\$68.00**

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: A

Growth: A

Momentum: D

Summary

CVS Health ended the second quarter with both earnings and revenues surpassing the respective Zacks Consensus Estimate. The year-over-year revenue rise was primarily driven by strong growth in the company's recently-introduced Health Care Benefits segment. Encouragingly from June, the company started to see prescription volume growth accelerate. Increased guidance amid the pandemic scenario is another positive. Over the past year, CVS Health has outperformed its industry. The COVID-19 pandemic affected second-quarter revenues in the Retail/LTC and Pharmacy Services segments as new therapy prescriptions reduced due to lower provider visits as well as front store revenues due to shelter-in-place orders. Meanwhile, the LTC business is facing some industry-wide challenges. Reimbursement risk continues to be a dampener.

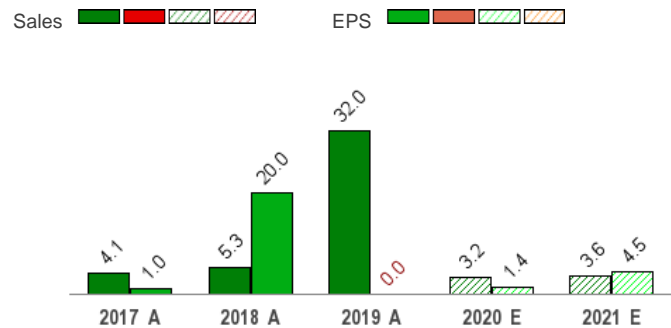
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$77.03 - \$52.04
20 Day Average Volume (sh)	6,841,451
Market Cap	\$85.0 B
YTD Price Change	-12.6%
Beta	0.73
Dividend / Div Yld	\$2.00 / 3.1%
Industry	Retail - Pharmacies and Drug Stores
Zacks Industry Rank	Top 49% (123 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	36.8%
Last Sales Surprise	2.0%
EPS F1 Est- 4 week change	1.3%
Expected Report Date	NA
Earnings ESP	-7.6%
P/E TTM	8.0
P/E F1	9.1
PEG F1	1.3
P/S TTM	0.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	67,511 E	68,119 E	69,729 E	71,963 E	274,551 E
2020	66,755 A	65,341 A	65,962 E	68,289 E	265,109 E
2019	61,646 A	63,431 A	64,810 A	66,889 A	256,776 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.86 E	\$1.87 E	\$1.87 E	\$1.93 E	\$7.50 E
2020	\$1.91 A	\$2.64 A	\$1.47 E	\$1.52 E	\$7.18 E
2019	\$1.62 A	\$1.89 A	\$1.84 A	\$1.73 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 08/07/2020. The reports text is as of 08/10/2020.

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.

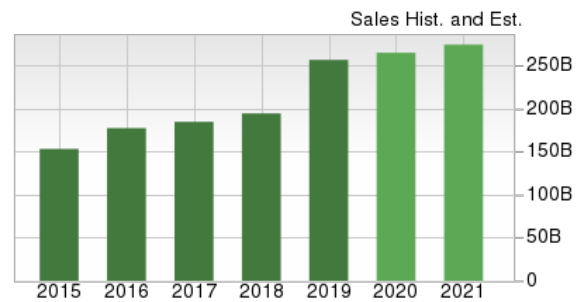
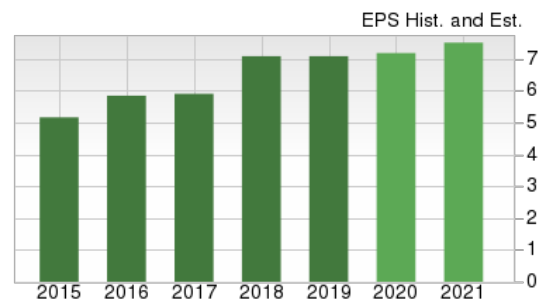
Effective first-quarter 2019, the company's SilverScript Medicare Part D prescription drug plan (PDP) has shifted from the Pharmacy Services segment to the Health Care Benefits segment. In addition, the mail order and specialty pharmacy operations of Aetna have been transitioned from the Health Care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



Reasons To Buy:

▲ **Share Price Performance:** Over the past year, CVS Health outperformed its industry. The stock has gained 10.6% compared to the 4.2% rise of the industry. CVS Health ended the second quarter on a promising note with both earnings and revenues surpassing the respective Zacks Consensus Estimate. The year-over-year revenue rise was primarily driven by strong underlying core growth across all segments. Particularly, despite the unprecedented decline in utilization due to the pandemic, there was strong growth in the company's recently-introduced Health Care Benefits segment which benefitted from a significantly lower medical cost. Further, amid the pandemic situation, retail prescription home delivery volume improved sequentially by more than 500% in the second quarter. In addition, within specialty pharmacy capabilities, there was continued growth. The Coram infusion professionals have conducted more than 160,000 home visits year-to-date, collaborating with hospitals and providers to help transition eligible IV therapy patients to home-based care.

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

Increased guidance amid the pandemic scenario is a positive.

▲ **COVID-19 Crisis Drives Growth:** During the time of coronavirus crisis, CVS Health's consumer centric digital strategy has become even more relevant as people are using technology more while they stay at home. So far in this period, the company achieved higher levels of engagement across its digital assets. This trend began in January and accelerated with COVID-19. Through the end of July, the company administered approximately 2 million COVID-19 tests with the vast majority scheduled digitally as a result of highly adaptable consumer centric digital health strategy. The company recently launched a new digital platform to assist with registering COVID-19 patients for clinical trials as vaccines and therapeutic treatments are developed. This new service is a natural extension of CVS Health's clinical and data analytics capabilities. According to the company, these new diagnostic and digital services will provide sustainable value for this enterprise as already 40% of those being tested at a CVS pharmacy were not pharmacy customers originally. However, under this pandemic situation, CVS Health is now connected with them digitally with the objective of making them long-term CVS customers. The company is also well-positioned to administer COVID-19 vaccines once they become available through its community presence, as well as on-site with Return Ready and long-term care solutions.

In terms of COVID-19 testing, the company continued to evolve HealthHUB footprint and offerings. Currently it has 205 locations open across 22 states, and is remaining on track to open approximately 1500 hubs by the end of 2021.

▲ **Health Care Benefit Shows Potential:** Following the colossal 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.

Revenue growth in the segment during the second quarter was driven by strong membership growth in the company's government product portfolio, expansion of its Medicare Advantage business and successful synergy benefit coming from the Aetna integration.

In this regard, we note that, CVS Health earlier expected 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 2021 PBM selling season, CVS Health has noted that, till the end of the second quarter, it has completed approximately 90% of renewals with strong retention rate of 98%. Till this period, the company won \$4.3 billion in gross new business for 2021 and continued to increase pharmacy penetration within the Aetna book of business with approximately \$250 in incremental revenue.

CVS Health earlier noted that, it has extended its contract with Centene through 2022. 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. In the second quarter, Specialty pharmacy revenue increased 15% reflecting new client and existing channel growth. There was continued growth within specialty pharmacy capabilities. The Coram infusion professionals have conducted more than 160,000 home visits year-to-date, collaborating with hospitals and providers to help transition eligible IV therapy patients to home-based care.

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. Despite the challenging environment, this business witnessed year-over-year growth of 1% in the second quarter. According to CVS Health, COVID-19 had a significant negative impact on segment performance on a reduction in new therapy prescriptions due to lower provider visits and reduced front store traffic. However, from June, the company started to see prescription volume growth accelerate, as members refilled 90-day prescriptions from March. In June, front store growth started to benefit from states reopening, followed by customers stocking up on key preventative and treatment items in the Sunbelt states during July.

▲ **Balance Sheet View Strong:** CVS Health ended the second quarter of 2020 with cash and cash equivalents of \$17.5 billion compared with

\$12.7 billion at the end of the first quarter. Meanwhile, total debt came up to \$92.1 billion, a slight decline from the sequentially last figure of \$92.3 billion. Although, the quarter's total debt was much higher than the corresponding cash and cash equivalent level, the near-term payable debt is coming at \$9.96 billion, lower than the short-term cash level. This is a good news in terms of the company's solvency level as, at least during the year of economic downturn, the company is holding sufficient cash for debt repayment.

CVS Health's current debt level remains marginally high compared to the industry average of \$7.13 billion. The quarter's total debt-to-capital of 57.4% stands at a pretty high level right now indicating moderately leveraged balance sheet. However, it also represented a sequential decline from 58.5% at the end of the first quarter.

The company's second-quarter interest coverage stands at 4.8%, the highest in the past four quarters buoying optimism.

CVS Health's capital deployment policy is based on the return of shareholders' money through dividends and share buybacks. The company's current payout ratio stands at a 24.6%. Amid the pandemic-led economic crisis, if production and supply halt along with lockdowns continue through the next few months, the company might find its dividends to be over burdened.

Reasons To Sell:

▼ **COVID-19-Led Economic Crisis Mar Growth:** In the second quarter, CVS Health registered moderate reduction in discretionary medical utilization, largely driven by COVID-19. Within Pharmacy Services, the company noted major impact of the pandemic in the second quarter. Within Retail/LTC, the company estimated COVID-19 impacted adjusted script growth by about 200 basis points.

▼ **Near-term Challenges to Impede Growth:** For CVS Health, the year 2019 was a transition year that primarily focused on the colossal integration of Aetna. This accordingly, had 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.

These challenges are expected to persist through 2020 as well.

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 Q2 Earnings Top Estimates on Robust Health Care Benefit Sales

CVS Health's second-quarter 2020 adjusted earnings per share (EPS) of \$2.64 increased 39.7% year over year and exceeded the Zacks Consensus Estimate by 36.8%. The adjusted EPS figure takes into account certain integration costs pertaining to the buyout of Aetna and asset amortization costs along with other adjustments.

On a reported basis, the company's earnings of \$2.26 per share improved 51.7% year over year.

Total revenues in the second quarter rose 3% year over year to \$65.34 billion. The top line also beat the Zacks Consensus Estimate by 1.9%.

Quarter in Detail

Pharmacy Services revenues were up a marginal 0.1% to \$34.89 billion in the reported quarter. Growth was sluggish as year-over-year improvements in specialty pharmacy and brand inflation were largely offset by client losses and continued price compression.

Total pharmacy claims processed rose 3.4% on a 30-day equivalent basis, attributable to strong net new business, partially offset by reduced new therapy prescriptions on lower provider visits.

Revenues from CVS Health's Retail/LTC were up 1% year over year to \$21.66 billion. In the quarter, favorable pharmacy drug mix, growth in retail pharmacy prescription volume and brand inflation were partially offset by continued reimbursement pressure, the impact of recent generic introductions, decreased long-term care prescription volume and lower front store revenues.

Front store revenues decreased 4.6% year over year on reduced customer traffic in the retail pharmacies due to shelter-in-place orders. Prescriptions filled too dropped 1.1% on a 30-day equivalent basis on reduced new therapy prescriptions due to lower provider visits through the second quarter and decreased long-term care prescription volume. This was partially offset by the continued adoption of patient care programs.

Within Health Care Benefits segment, the company registered revenues worth \$18.47 billion in the second quarter, up 6.1% year over year. The improvement was primarily driven by membership growth in the Health Care Benefits segment's government products and favorable impact of the reinstatement of the HIF (Health Insurer Fee) for 2020. This was partially offset by the absence of the financial results of Aetna's standalone Medicare Part D prescription drug plans (PDPs) and membership declines in Commercial insured products.

Margin

Gross profit improved 17.4% to \$13.3 billion. Gross margin expanded 250 basis points (bps) to 20.4% in spite of 0.1% decline in total cost of product sold and benefit costs. Operating margin in the quarter under review grew 191 bps to \$7.16 billion on a 40.5% rise in operating profit to \$4.68 billion.

Outlook

CVS Health raised its 2020 adjusted EPS and cash flow guidance.

Adjusted EPS is expected in the band of \$7.14-\$7.27 (from the earlier band of \$7.04-\$7.17). The Zacks Consensus Estimate for 2020 earnings is pegged at \$7.11.

Full-year operating cash flow is expected in the range of \$11 billion-\$11.5 billion compared with the earlier projection of \$10.5 billion-\$11.0 billion.

Further, the company projects higher utilization in its Health Care Benefits segment in the second half of 2020 than in the first half and continued significant COVID-19 related investments in the remainder of the year.

Quarter Ending 06/2020

Report Date	Aug 05, 2020
Sales Surprise	1.95%
EPS Surprise	36.79%
Quarterly EPS	2.64
Annual EPS (TTM)	8.12

Recent News

New Program to Prioritize Health Care Needs: Jul 15, 2020

CVS Health officially launched 'Time for Care', a campaign that reinforces the importance of accessing primary health care.

Aetna Initiatives in COVID-19: Jul 9, 2020

CVS Health announced that Aetna will waive out-of-pocket costs for in-network primary care and specialist telehealth visits for all Individual and Group Medicare Advantage plan members through September 30, 2020.

New CVS Pharmacy Feature: Jul 8, 2020

CVS Health announced that it has developed a latest feature of the CVS Pharmacy app, Spoken Rx, that can read a specific type of label for visual impaired patients and those unable to read standard print labels.

New Alliance for COVID Support: Jun 22, 2020

CVS Health along with the American Lung Association launched a campaign at CVS Pharmacy locations to support the latter's COVID-19 Action Initiative, thus expanding COVID-19 research and fund the development of new vaccines, detection tests and treatment to protect against future respiratory viruses.

Agreement with DuPage Medical: Jun 19, 2020

CVS Health announced an agreement to provide access to DuPage Medical Group providers in DuPage, Kane and Will counties in Illinois to members enrolled in Aetna Medicare Advantage plans.

New Initiative on Prescription Delivery: May 28, 2020

CVS Health announced that its CVS Pharmacy is working with Nuro, a robotics company engaged in delivery, to test prescription delivery in the Houston market effective in June.

New COVID-19 test sites: May 28, 2020

CVS Health announced that it will open additional COVID-19 test sites at select CVS Pharmacy drive-thru locations from May 29 to establish a total of 1,000 sites across more than 30 states and Washington, DC.

New Cost-sharing Initiatives: May 13, 2020

CVS Health announced that it is extending a variety of cost-sharing waivers and benefits to help Aetna members access the necessary care during the COVID-19 pandemic.

Partnership with Piedmont Healthcare: Apr 30, 2020

CVS Health announced that it is working with Piedmont Healthcare in Georgia to support their solutions for increasing hospital bed capacity.

Telehealth Measures for COVID-19: Apr 29, 2020

CVS Health announced that the company's retail medical clinic, MinuteClinic, is currently offering expanded telehealth options to enable patients access safe, affordable and convenient non-emergency care.

Valuation

CVS Health shares are down 12.6% in the year-to date period and up 10.6% in the trailing 12-month periods. Stocks in the Zacks sub-industry are down 14.7% while the Zacks Retail-Wholesale sector improved 26.7% in the year-to-date period. Over the past year, the Zacks sub-industry is up 4.2% and sector is up 40.1%.

The S&P 500 index is up 3.9% in the year-to-date period and up 16.4% in the past year.

The stock is currently trading at 8.8X Forward 12-months earnings, which compares to 8.5X for the Zacks sub-industry, 33.7X for the Zacks sector and 22.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.3X and as low as 7.2X, with a 5-year median 10.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$68 price target reflects 9.2X forward 12-months earnings.

The table below shows summary valuation data for CVS

Valuation Multiples - CVS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	8.81	8.59	33.66	22.77
	5-Year High	19.33	18.28	34.76	22.77
	5-Year Low	7.24	7.66	19.08	15.25
	5-Year Median	10.99	11.11	23.16	17.58

	5-Year Median	10.33	11.41	23.46	17.36
P/S F12M	Current	0.31	0.26	1.25	3.66
	5-Year High	0.77	0.71	1.25	3.66
	5-Year Low	0.21	0.24	0.82	2.53
	5-Year Median	0.39	0.42	0.97	3.05
P/B TTM	Current	1.24	1.26	7.97	4.67
	5-Year High	3.30	3.12	8.07	4.67
	5-Year Low	0.91	1.06	3.69	2.83
	5-Year Median	2.12	2.22	5.01	3.73

As of 08/07/2020

Industry Analysis Zacks Industry Rank: Top 49% (123 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Herbalife LTD. (HLF)	Outperform	2
The Kroger Co. (KR)	Outperform	2
Rite Aid Corporation (RAD)	Outperform	2
Humana Inc. (HUM)	Neutral	3
Target Corporation (TGT)	Neutral	3
Universal Health Services, Inc. (UHS)	Neutral	2
Walmart Inc. (WMT)	Neutral	4
Walgreens Boots Alliance, Inc. (WBA)	Underperform	5

Industry Comparison Industry: Retail - Pharmacies And Drug Stores				Industry Peers		
	CVS	X Industry	S&P 500	RAD	WBA	WMT
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	2	5	4
VGM Score	A	-	-	C	B	A
Market Cap	85.01 B	4.10 B	23.30 B	822.38 M	35.98 B	368.30 B
# of Analysts	12	2	14	2	9	14
Dividend Yield	3.08%	0.00%	1.76%	0.00%	4.41%	1.66%
Value Score	A	-	-	C	A	C
Cash/Price	0.15	0.14	0.07	0.35	0.02	0.04
EV/EBITDA	9.41	7.96	13.32	13.79	6.51	12.36
PEG Ratio	1.25	1.60	2.94	NA	1.77	4.68
Price/Book (P/B)	1.24	1.53	3.19	1.34	1.71	4.97
Price/Cash Flow (P/CF)	6.21	5.58	12.51	2.45	4.96	14.68
P/E (F1)	9.05	11.88	22.02	29.80	8.86	26.36
Price/Sales (P/S)	0.32	0.38	2.53	0.04	0.26	0.69
Earnings Yield	11.05%	8.93%	4.37%	3.32%	11.27%	3.79%
Debt/Equity	1.20	0.22	0.77	9.83	0.57	0.85
Cash Flow (\$/share)	10.47	3.36	6.94	6.13	8.38	8.85
Growth Score	A	-	-	C	B	A
Hist. EPS Growth (3-5 yrs)	10.15%	6.03%	10.46%	NA	9.15%	1.81%
Proj. EPS Growth (F1/F0)	7,279.20%	15.08%	-6.80%	220.24%	-83.14%	62.71%
Curr. Cash Flow Growth	-16.33%	-5.12%	5.39%	-53.93%	-2.42%	-0.12%
Hist. Cash Flow Growth (3-5 yrs)	14.66%	-9.96%	8.55%	-16.86%	11.05%	-0.31%
Current Ratio	0.98	0.98	1.33	1.47	0.69	0.77
Debt/Capital	54.57%	54.57%	44.50%	90.77%	36.22%	46.01%
Net Margin	3.13%	-1.84%	10.13%	-1.84%	0.55%	2.81%
Return on Equity	16.32%	-1.26%	14.39%	1.66%	19.43%	18.33%
Sales/Assets	1.16	1.66	0.51	2.25	1.66	2.27
Proj. Sales Growth (F1/F0)	3.25%	1.80%	-1.51%	7.12%	1.80%	4.07%
Momentum Score	D	-	-	D	C	B
Daily Price Chg	1.31%	0.00%	0.90%	-0.53%	1.54%	0.48%
1 Week Price Chg	-0.63%	-0.15%	0.14%	0.33%	0.49%	-1.40%
4 Week Price Chg	6.01%	6.22%	8.95%	-8.57%	6.43%	1.74%
12 Week Price Chg	4.25%	5.56%	18.90%	18.22%	6.87%	5.31%
52 Week Price Chg	10.03%	24.89%	1.18%	103.38%	-21.69%	19.77%
20 Day Average Volume	6,841,451	2,332,159	2,057,775	2,429,465	6,118,810	6,966,449
(F1) EPS Est 1 week change	1.12%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	1.35%	0.67%	1.36%	0.00%	-12.59%	-0.06%
(F1) EPS Est 12 week change	1.58%	11.72%	1.57%	135.32%	-13.81%	-1.44%
(Q1) EPS Est Mthly Chg	-3.95%	-1.98%	0.54%	0.00%	-25.08%	-0.09%

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	A
Growth Score	A
Momentum Score	D
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

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