

Dillards Inc. (DDS)

\$26.16 (As of 08/07/20)

Price Target (6-12 Months): **\$30.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/28/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

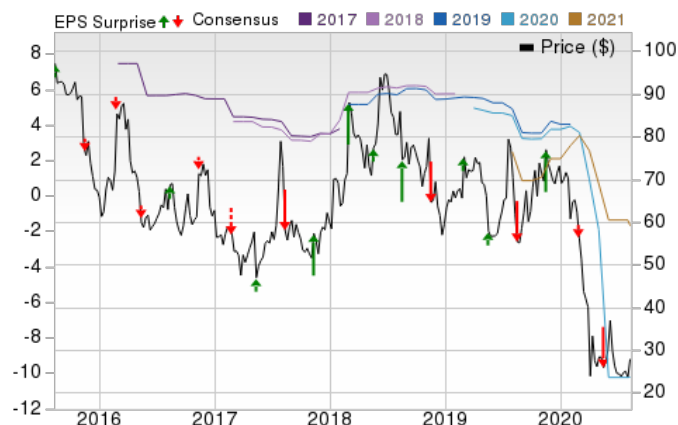
Growth: F

Momentum: F

Summary

Shares of Dillard's have outpaced the industry in a year's time. The company's positive commentary on the re-opening of stores, improving trends and strong liquidity bode well. Driven by relaxation of mandates in some locations, Dillard's is committed to re-opening stores in a phased manner. Moreover, it has a strong balance sheet and liquidity, which positions it well to weather the uncertainties arising out of the pandemic. The company notes that its e-commerce site continues to provide cash flow, even though stores remain closed through the ship-from-store capability. However, the company posted wider-than-expected loss per share in first-quarter fiscal 2020, driven by soft sales and lower retail gross margin. Moreover, the company expects to be in a net operating loss position for fiscal 2020.

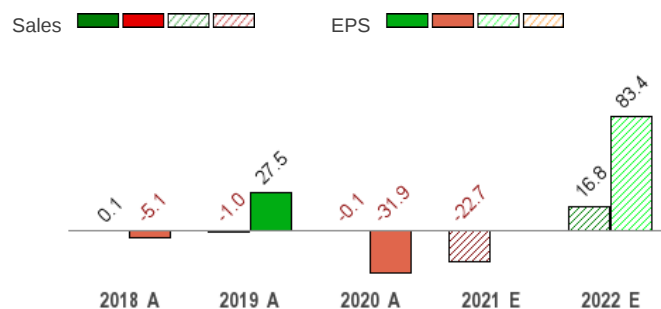
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$84.47 - \$21.50
20 Day Average Volume (sh)	429,906
Market Cap	\$647.2 M
YTD Price Change	-62.1%
Beta	0.87
Dividend / Div Yld	\$0.60 / 2.2%
Industry	Retail - Regional Department Stores
Zacks Industry Rank	Bottom 10% (227 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	142.9%
Last Sales Surprise	-11.6%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	08/20/2020
Earnings ESP	-1.5%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	0.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					5,731 E
2021	787 A	1,000 E	1,287 E	1,863 E	4,906 E
2020	1,465 A	1,459 A	1,388 A	1,968 A	6,348 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$4.54 E	-\$4.27 E	\$0.05 E	\$3.56 E	-\$1.70 E
2021	-\$6.94 A	-\$4.54 E	-\$0.55 E	\$2.00 E	-\$10.25 E
2020	\$2.77 A	-\$1.74 A	\$0.23 A	\$2.75 A	\$4.17 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.

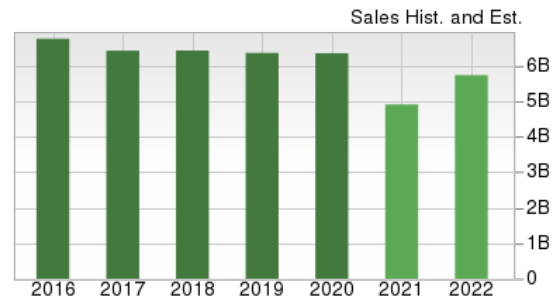
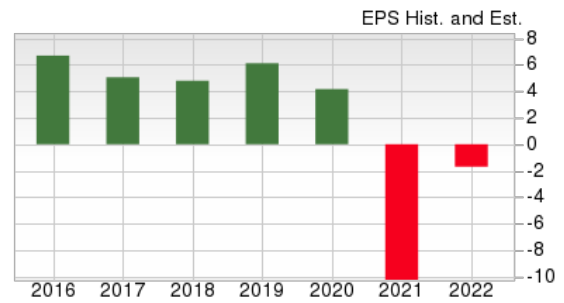
Overview

Dillard's Inc. is a large departmental store chain featuring fashion apparel and home furnishings. As of May 2, 2020, Dillard's had about 255 namesake outlets and 30 clearance centers spanning in 29 states. The company also sells its merchandise through the Internet at www.dillards.com. Stores are mainly located in the Southwest, Southeast, and Midwest regions of the United States.

The company's primary product categories comprise women's and children's apparel, shoes, accessories and lingerie, men's clothing and accessories, cosmetics, home, and children's clothing. Its merchandise mix consists of both branded and private-label items. The company's strategy is to offer more fashion-forward and trendy products in order to attract customers.

Dillard's also owns a real estate investment trust (REIT), which helps it to enhance its liquidity position. Revenues of a REIT company mostly come from either rent or mortgage payments. The company has an obligation to distribute at least 90% of its taxable income to investors in the form of dividends. A REIT company does not have to pay taxes at the corporate level.

Moreover, Dillard's has a wholly owned captive insurance company, which enables it to manage its risks more efficiently and provide access to more reinsurance markets. A captive insurance company is an 'in-house' insurance company with limited purpose, which insures the risks of its parent company. The captive insurance company may reinsure some or all risks, or may retain such risks of its parent company. The primary goal of forming a captive insurance company is to retain the profit that would have been made by an outside third-party insurance company or in a situation where the coverage is not available for business risks.



Reasons To Buy:

▲ **Stock Performance:** Although shares of Dillard's declined 53.6% in a year's time, it fared better than the industry's slump of 59.6%. Despite the soft results and unprecedented coronavirus impacts, the company's positive commentary about the re-opening of stores, improving trends and strong liquidity position is likely to have aided stock performance.

▲ **Re-opening of Stores:** Driven by relaxation of mandates in some locations, Dillard's re-opened 45 Dillard's stores as on May 5, after the temporary shutdowns due to the coronavirus pandemic. These included stores in Arkansas, Colorado, Florida, Georgia, Mississippi, Missouri, Oklahoma, South Carolina, Tennessee, Texas and Utah. Further, it re-opened more 80 stores on May 12. To date, the company has re-opened 149 stores, including 24 clearance centers. Currently, these stores are operating with reduced hours. Furthermore, the company had predicted the re-opening of 116 Dillard's stores and five clearance centers by May 22. Together, this accounts for the opening of about 241 Dillard's stores and 29 clearance centers.

Despite the soft results and unprecedented coronavirus impacts, Dillard's is optimistic about the phased re-opening of stores as restrictions ease, improving trends and strong liquidity position.

The company is not assuming the future performance at stores based on the nine days of operations of stores re-opened on May 5. However, it notes that these stores have generated about 56% of last year's sales despite limited store hours. The company is assessing the easing of restrictions in all markets and expects to re-open all stores as soon as possible. Going forward, as stores re-open, the company will make purchasing decisions based on consumer behavior so as to align purchases with expected sales trends.

▲ **Measures to Stay Afloat in Pandemic:** Citing the extended store closures and business disruptions, Dillard's has taken several steps to reduce costs in the fiscal first-quarter. Some of these are extension of vendor payment terms; cancellation, suspension and delaying of shipments; merchandise purchases reduction; reduction of discretionary and capital expenditures; payroll reduction; and aggressive measures to clear inventory. Notably, the company significantly reduced merchandise purchases with the pandemic intensifying in March and April, resulting in 33% decline in purchases for the fiscal first quarter. Additionally, it adopted aggressive discounting on merchandise to clear product by Mar 24. It offered incremental discount of 40% on permanently marked down merchandise through Apr 1. However, the company made use of ship-from-store capabilities of its online site where allowed, which resulted in generation of sales from closed stores. Owing to these efforts, the company's inventory declined 14% as of May 2, 2020.

▲ **Reducing Payroll Expenses:** Despite its stores being closed by mid of March owing to the pandemic, Dillard's continued to pay all its associates in closed locations through Mar 26. On Mar 27, it furloughed employees in closed stores, while continuing to provide certain benefits to these employees. When the closure of all stores came into effect, the company had furloughed about 90% of its 38,000 associates. With the re-opening of stores in a phased manner, nearly 65% of associates still remain on furlough. Additionally, it has temporarily reduced salaries for associates by 20% on Apr 17, while its CEO chose to forgo his salary in early April. These reductions are likely to continue through May 30. Driven by these actions, the company's payroll expenses declined by 35% to \$168.5 million in the fiscal first quarter compared with \$257.5 million in the prior-year quarter.

▲ **Financial Flexibility:** Currently, Dillard's has a strong balance sheet and liquidity, which positions it well to weather the uncertainties arising out of the pandemic. Some highlights of its financial status include smaller rent obligations compared with the industry. This is because the company owns 90% of its retail stores and 100% of its corporate headquarters, distribution and fulfillment facilities. Moreover, it has low long-term debt obligations with its next payment of \$45 million due in January 2023. As of May 2, the company's long term debt (including operating lease liabilities) of \$599.7 million was almost flat sequentially. Though its debt-to-capitalization ratio of 0.31 represents a sequential improvement from 0.27 as of Feb 1, it compares favorably with the industry's ratio of 0.52.

Moreover, on Apr 30, the company amended its \$800 million revolving credit facility to meet its liquidity needs. The amended \$800 million credit facility provides for no financial covenants as long as availability exceeds \$100 million and no event of default occurs and is continuing. The credit facility also has an option to be expanded by \$200 million, with a maturity date of Aug 9, 2022. Simultaneously, the company repaid \$779 million of indebtedness, under the previous agreement on Mar 25, 2020. The company had no borrowings under the amended facility at May 2, 2020. Further, the company notes that its e-commerce site continues to provide cash flow, even though stores remain closed through the ship-from-store capability.

▲ **Sustained Shareholder Returns:** Dillard's remains committed to rewarding shareholders with share buybacks and dividend payouts. During the fiscal first quarter, the company bought back about 1 million shares for \$61.8 million under its \$500-million repurchase program announced in March 2018. Further, it paid dividends of \$3.7 million in the fiscal first quarter. On May 16, the company declared quarterly dividend of 15 cents per share, payable Aug 3. Notably, Dillard's has a dividend payout ratio of 4.2%, annualized dividend yield of 2.2% and free cash flow yield of 46%. With an annual free cash flow return on investment of 12.96%, ahead of the industry's nearly 5.06%; the dividend payment is likely to be sustainable.

On March 12, the company temporarily suspended share repurchase program to preserve financial liquidity. As of May 2, the company had nearly \$206.9 million authorization remaining to be bought back under the aforementioned program.

Reasons To Sell:

- ▼ **Dismal Q1 Results:** Dillard's reported dismal first-quarter fiscal 2020 results. Notably, the company reported wider-than-expected loss per share due to the impact of the coronavirus pandemic, which led to store closures across all markets. The company stated that COVID-19 has impacted all aspects of its business, with significant impacts on Mall business, in general, and department stores, in particular. Moreover, net sales declined 45.1% year over year, with a 47% decline in total retail sales. However, the company did not report comparable store sales (comps) data for the reported quarter as most of its brick-and-mortar stores remained closed and in-store and online sales were interdependent on account of the coronavirus pandemic.
- ▼ **Gross Margin Decline:** To curb the effects of the pandemic, Dillard's adopted aggressive measures to reduce inventory, through increased markdowns and discounts. While this resulted in a 14% decline in inventory, it also hurt retail gross margin for the fiscal first quarter. Notably, retail gross margin declined by a significant percentage to 12.8% compared with 37.8% in the year-ago quarter. In dollar terms, consolidated gross profit declined 76.7% year over year to \$133.1 million. Meanwhile, consolidated gross margin contracted significantly to 16.2% from 38.1% in the year-ago period.
- ▼ **Higher Expenses:** Despite reporting a decline in payroll expenses, Dillard's SG&A expenses (as a percentage of sales) rose 930 bps from the prior-year quarter to 36.9%. In dollar terms, however, SG&A expenses (operating expenses) declined 28.3% to \$290.4 million. Soft gross margin and higher SG&A expenses (as a percentage of sales) caused the company to report net loss per share of \$6.94, against earnings of \$2.99 in the year-ago quarter. Moreover, the company expects to be in a net operating loss position for fiscal 2020.
- ▼ **Competitive Threat:** Dillard's operates in the highly competitive retail merchandise industry. Although it is a large regional department store, the company has many rivals at the national level competing with its individual stores, including specialty, off-price, discount, Internet and mail-order retailers. On losing its competitive position, the company might face downward pressure on prices, lower demand for its products as well as reduced margins. Further, the company will not be able to capitalize on new business opportunities and lose much of its market share.
- ▼ **Industry Challenges:** The retail merchandise business is prone to changes in consumer preferences and spending patterns, demographic trends, consumer credit availability and location of competing stores. Like most of its department store peers, the company is facing troubles due to the growth of the e-commerce era. Despite the company's efforts, investors are likely to be skeptical on the department store industry and Dillard's until it fully adapts to the online business.
- ▼ **Volatility in Raw Material Prices:** Dillard's has faced fluctuations in raw material prices in the past and remains prone to this threat in the future too. Any increase in raw material prices or price of labor and fuel can prove to be detrimental to the company's profitability. On the other hand, efforts to pass on these price hikes to consumers may lead to reduced sales volumes. Consequently, raw material price volatility and its reduced availability remain concerns for the company.

Dillard's reported wider-than-expected loss per share in first-quarter fiscal 2020 as COVID-19 hurt all aspects of its business. Net sales declined 45.1%, with 47% decline in retail sales.

Last Earnings Report

Dillard's Reports Wider-Than-Expected Q1 Loss

Dillard's reported dismal first-quarter fiscal 2020 results. Notably, the company reported wider-than-expected loss per share due to the impact of the coronavirus pandemic, which led to store closures across all markets. However, the company's positive commentary about the re-opening of stores, improving trends and strong liquidity position boosts investor sentiment.

Q1 Numbers

Dillard's reported loss per share of \$6.94 per share, wider than the Zacks Consensus Estimate of a loss of \$1.54. Moreover, the bottom line also compared unfavorably against earnings of \$2.77 in the year-ago quarter.

Net sales of \$821.6 million declined 45.1% from the prior-year quarter. Excluding services and other income, sales fell 46.3% to \$786.7 million. Total retail sales (excluding CDI Contractors, LLC) fell 47% to \$751 million. The Zacks Consensus Estimate for sales was \$889.9 million.

However, the company did not report comparable store sales (comps) data for the reported quarter as most of its brick-and-mortar stores remained closed and in-store and online sales are interdependent on account of the coronavirus pandemic.

Driven by the reduced demand due to the coronavirus pandemic and store closures enforced by the government, the company adopted aggressive measures to lower excess inventory. Consequently, the company undertook aggressive discounting on merchandise to clear product by Mar 24. It offered incremental discount of 40% on permanently marked down merchandise through Apr 1. However, the company made use of ship-from-store capabilities of its online site where allowed, which resulted in generation of sales from closed stores. Owing to these efforts, the company's inventory declined 14% as of May 2, 2020.

Further, the company significantly reduced merchandise purchases with the pandemic intensifying in March and April, resulting in 33% decline in purchases for the fiscal first quarter. Going forward, as stores re-open, the company will make purchasing decisions based on consumer behavior so as to align purchases with expected sales trends.

Retail gross margin declined by a significant percentage to 12.8% compared with 37.8% in the year-ago quarter.

The company continued to pay all its associates in closed locations through Mar 26 despite its stores being closed by mid of March owing to the pandemic. On Mar 27, the company furloughed its employees in closed stores, while continuing to provide certain benefits to these employees. When the closure of all stores came into effect, the company had furloughed about 90% of its 38,000 associates.

Now, with the re-opening of stores in a phased manner, nearly 65% of associates still remain on furlough. Additionally, the company has temporarily reduced salaries of its associates by 20% on Apr 17, while its CEO chose to forgo his salary in early April. These reductions are likely to continue through May 30. Consequently, the company's payroll expenses declined by 35% to \$168.5 million in the fiscal first quarter compared with \$257.5 million in the prior-year quarter.

Dillard's SG&A expenses (as a percentage of sales) rose 930 bps from the prior-year quarter to 36.9%. In dollar terms, however, SG&A expenses (operating expenses) declined 28.3% to \$290.4 million.

Store Update

In wake of the coronavirus pandemic, the company began closing stores beginning March 19, with all its 285 locations temporarily closed by Apr 9.

Driven by relaxation of mandates in some locations, the company has re-opened 45 Dillard's stores as on May 5. Further, it re-opened more 80 stores on May 12. To date, the company has re-opened 149 stores, including 24 clearance centers. Currently, these stores are operating with reduced hours. Furthermore, the company expects to re-open 116 Dillard's stores and five clearance centers next week. Together, this will result in the opening of about 241 Dillard's stores and 29 clearance centers.

The company is not assuming the future performance at stores based on the nine days of operations of stores re-opened on May 5. However, it notes that these stores have generated about 56% of last year's sales despite limited store hours. The company is assessing the easing of restrictions in all markets and expects to re-open all stores as soon as possible.

Financial Details & Liquidity

The company ended first-quarter fiscal 2020 with cash and cash equivalents of \$70 million, long-term debt and finance leases of \$366.3 million, and total shareholders' equity of \$3,342.3 million.

In the fiscal first quarter, the company's cash used for operating activities was \$111.1 million. However, it remained committed to rewarding shareholders with share buybacks.

During the fiscal first quarter, the company bought back about 1 million shares for \$61.8 million under its \$500-million repurchase program announced in March 2018. However, on March 12, the company temporarily suspended share repurchase program to preserve financial liquidity. As of May 2, the company had nearly \$206.9 million authorization remaining to be bought back under the aforementioned program.

Citing the extended store closures and business disruptions, the company has taken several steps to enhance and preserve liquidity in the fiscal first-quarter. Some of these are extension of vendor payment terms; cancellation, suspension and delaying of shipments; merchandise purchases reduction by 33%; reduction of discretionary and capital expenditures; payroll reduction; and aggressive measures to clear inventory.

Quarter Ending **04/2020**

Report Date	May 14, 2020
Sales Surprise	-11.59%
EPS Surprise	142.86%
Quarterly EPS	-6.94
Annual EPS (TTM)	0.81

Moreover, on Apr 30, the company amended its \$800 million revolving credit facility to meet its liquidity needs. The credit facility also has an option to be expanded by \$200 million, with a maturity date of Aug 9, 2022. Simultaneously, the company repaid \$779 million of indebtedness, under the previous agreement on Mar 25, 2020. The company had no borrowings under the amended facility at May 2, 2020.

Currently, the company has a strong balance sheet and liquidity, which positions it well to weather the uncertainties arising out of the pandemic. Some highlights of its financial status include smaller rent obligations compared with the industry. This is because the company own 90% of its retail store square footage and 100% of its corporate headquarters, distribution and fulfillment facilities.

Moreover, it has low long-term debt obligations with its next payment of \$45 million due in January 2023. The amended \$800 million credit facility provides for no financial covenants as long as availability exceeds \$100 million and no event of default occurs and is continuing. Further, the company notes that its e-commerce site continues to provide cash flow, even though stores remain closed through the ship-from-store capability.

Valuation

Dillard's shares are down 62.1% in the year-to-date period and 53.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 59.6% but the Zacks Retail-Wholesale sector is up 40% in the year-to-date period. Over the past year, the Zacks sub-industry is down 65.9% but the sector is up 38.4%.

The S&P 500 index is up 3.9% in the year-to-date period and 16.3% in the past year.

The stock is currently trading at 0.12X forward 12-month sales, which compares to 0.18X for the Zacks sub-industry, 1.25X for the Zacks sector and 3.66X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.56X and as low as 0.1X, with a 5-year median of 0.29X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$30 price target reflects 0.13X forward 12-month sales.

The table below shows summary valuation data for DDS

Valuation Multiples - DDS					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.12	0.18	1.25	3.66
	5-Year High	0.56	0.67	1.25	3.66
	5-Year Low	0.1	0.11	0.82	2.53
	5-Year Median	0.29	0.44	0.97	3.05
P/B TTM	Current	0.46	0.94	7.97	4.67
	5-Year High	1.96	3.45	8.07	4.67
	5-Year Low	0.34	0.34	3.69	2.83
	5-Year Median	1.13	2	5.01	3.73
EV/EBITDA TTM	Current	17.13	8.99	19.53	12.62
	5-Year High	21.31	8.99	19.75	12.84
	5-Year Low	2.21	3.37	11.13	8.24
	5-Year Median	4.86	5.39	12.94	10.9

As of 08/07/2020

Industry Analysis Zacks Industry Rank: Bottom 10% (227 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Burlington Stores, Inc. (BURL)	Neutral	3
Nordstrom, Inc. (JWN)	Neutral	4
Kohls Corporation (KSS)	Neutral	4
Macys, Inc. (M)	Neutral	4
Ross Stores, Inc. (ROST)	Neutral	3
Walmart Inc. (WMT)	Neutral	4
Chicos FAS, Inc. (CHS)	Underperform	5
The TJX Companies, Inc. (TJX)	Underperform	5

Industry Comparison Industry: Retail - Regional Department Stores				Industry Peers		
	DDS	X Industry	S&P 500	JWN	KSS	M
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	4
VGM Score	F	-	-	F	F	F
Market Cap	647.16 M	2.05 B	23.30 B	2.50 B	3.47 B	2.05 B
# of Analysts	5	7	14	7	9	7
Dividend Yield	2.15%	0.91%	1.76%	0.00%	12.79%	0.00%
Value Score	C	-	-	D	C	F
Cash/Price	0.13	0.74	0.07	0.63	0.68	0.81
EV/EBITDA	2.83	3.60	13.32	3.81	4.37	4.36
PEG Ratio	NA	NA	2.94	NA	NA	NA
Price/Book (P/B)	0.49	0.61	3.19	6.30	0.73	0.76
Price/Cash Flow (P/CF)	2.08	2.04	12.51	1.80	2.04	1.08
P/E (F1)	NA	NA	22.02	NA	NA	NA
Price/Sales (P/S)	0.12	0.11	2.53	0.18	0.19	0.09
Earnings Yield	-36.79%	-53.21%	4.37%	-21.50%	-16.44%	-69.64%
Debt/Equity	0.41	2.23	0.77	12.85	1.55	2.91
Cash Flow (\$/share)	13.37	6.12	6.94	8.88	10.77	6.12
Growth Score	F	-	-	F	F	D
Hist. EPS Growth (3-5 yrs)	-7.68%	-7.68%	10.46%	-6.08%	-1.12%	-11.95%
Proj. EPS Growth (F1/F0)	-1,430.91%	-222.14%	-6.80%	-220.85%	-162.17%	-176.76%
Curr. Cash Flow Growth	-16.01%	-10.84%	5.39%	15.20%	-10.84%	-15.88%
Hist. Cash Flow Growth (3-5 yrs)	-10.66%	-3.55%	8.55%	3.66%	-0.78%	-6.32%
Current Ratio	1.66	1.45	1.33	0.97	1.88	1.24
Debt/Capital	28.85%	67.56%	44.50%	92.78%	60.72%	74.41%
Net Margin	-2.31%	-4.52%	10.13%	-0.43%	0.48%	-14.28%
Return on Equity	-8.48%	-2.94%	14.39%	18.75%	3.34%	2.61%
Sales/Assets	1.59	1.19	0.51	1.42	1.21	1.06
Proj. Sales Growth (F1/F0)	-21.88%	-21.19%	-1.51%	-20.91%	-21.19%	-30.60%
Momentum Score	F	-	-	C	F	C
Daily Price Chg	6.50%	5.14%	0.90%	4.71%	6.27%	6.09%
1 Week Price Chg	-5.72%	-5.89%	0.14%	-9.10%	-8.72%	-6.05%
4 Week Price Chg	22.95%	5.63%	8.95%	4.64%	6.84%	-0.15%
12 Week Price Chg	20.71%	32.04%	18.90%	2.50%	31.94%	32.14%
52 Week Price Chg	-58.80%	-55.79%	1.18%	-46.90%	-56.09%	-67.42%
20 Day Average Volume	429,906	3,790,991	2,057,775	8,468,501	7,953,775	24,614,764
(F1) EPS Est 1 week change	0.12%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.12%	0.06%	1.36%	-11.14%	0.92%	0.00%
(F1) EPS Est 12 week change	-216.69%	-490.52%	1.57%	-905.10%	-1,545.54%	-764.34%
(Q1) EPS Est Mthly Chg	-17.65%	0.00%	0.54%	-32.59%	0.00%	0.00%

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	F
Momentum Score	F
VGM Score	F

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.