

Quest Diagnostics (DGX)

\$89.05 (As of 04/15/20)

Price Target (6-12 Months): **\$98.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/15/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: B

Momentum: F

Summary

Quest Diagnostics outperformed its industry over the past year. Fourth-quarter revenues for Diagnostic Information Services grew on strong volume, an easy comparable and acquisitions amid significant reimbursement pressure related to PAMA. We are upbeat about the company's expanded network access, which helped accelerate volume growth in the quarter. The current-year outlook seems promising despite the company's having reckoned another year of meaningful reimbursement. On the flip side, the ongoing economic doldrums in the wake of global coronavirus outbreak is slashing the stock price down. The company is currently facing several PAMA-related reimbursement issues and pricing pressure. This apart, escalating costs and a tough competitive landscape are concerns.

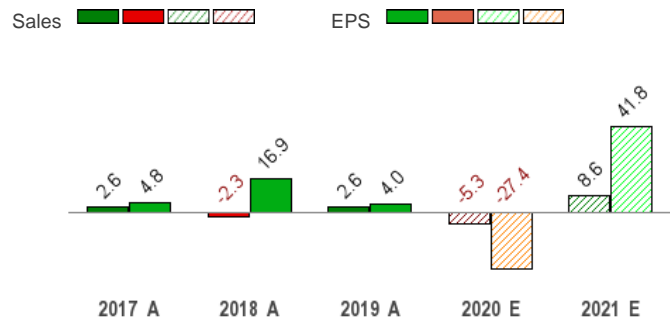
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$118.58 - \$73.02
20 Day Average Volume (sh)	2,035,153
Market Cap	\$11.9 B
YTD Price Change	-16.6%
Beta	1.12
Dividend / Div Yld	\$2.24 / 2.5%
Industry	Medical - Outpatient and Home Healthcare
Zacks Industry Rank	Top 25% (64 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.4%
Last Sales Surprise	0.4%
EPS F1 Est- 4 week change	-28.5%
Expected Report Date	04/22/2020
Earnings ESP	-16.8%
P/E TTM	13.6
P/E F1	18.7
PEG F1	2.5
P/S TTM	1.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,971 E	1,953 E	2,012 E	2,019 E	7,944 E
2020	1,810 E	1,546 E	1,967 E	2,039 E	7,314 E
2019	1,891 A	1,953 A	1,956 A	1,926 A	7,726 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.60 E	\$1.65 E	\$1.77 E	\$1.77 E	\$6.75 E
2020	\$1.02 E	\$0.23 E	\$1.70 E	\$1.90 E	\$4.76 E
2019	\$1.40 A	\$1.73 A	\$1.76 A	\$1.67 A	\$6.56 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 04/15/2020. The reports text is as of 04/16/2020.

Overview

Quest Diagnostics, Inc., headquartered in Madison, NJ, is one of the largest providers of commercial laboratory services in North America. The company was spun off from Corning, Inc.'s laboratory testing business in 1996 and has grown primarily through acquisitions and strategic alliances. Quest provides lab testing services primarily to physicians, hospitals, managed care organizations, employers, government institutions, and other independent clinical laboratories.

The company consists of two business groups – Diagnostic Information Services (95.4% of total revenues in full-year 2019) and Diagnostic Solutions (accounting for the rest).

5 Point Strategy

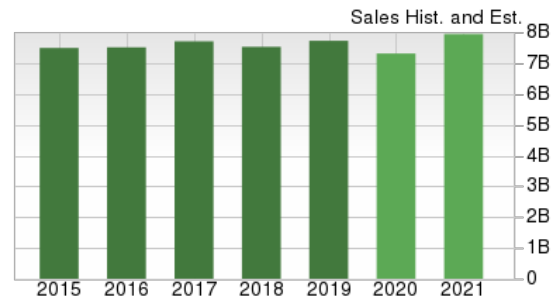
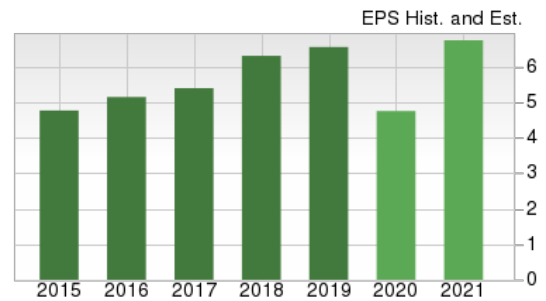
In 2012, Quest Diagnostics introduced a five-point business strategy which the company continued to execute till 2016. The points being refocus on diagnostic information services; drive operational excellence; restore growth; simplifying the organization to enable growth and productivity and delivering disciplined capital deployment; and strategically aligned accretive acquisitions.

New Two-Point Strategy

In Nov 2016, the company updated its existing 5-Point strategy and narrowed its focus to two elements- to accelerate growth and to drive operational excellence.

1. Restore Growth: The company has adopted seven tactical approaches to accelerate growth such as sales and marketing excellence; development of esoteric testing through a disease focus; partnerships with hospitals and successful testing of international IDNs; creation of value from information assets; leadership in companion diagnostics; and extension into adjacent markets.

2. Drive Operational excellence: The company plans to focus on four strategic requirements – to enhance end-to-end customer value chain, enterprise information technology architecture, business performance tools and cost excellence.



Reasons To Buy:

▲ **Share Price Performance:** Quest Diagnostics has outperformed its industry over the past year. Per the last share price movement, the stock has gained 3.9% compared to 1.2% rise of the industry. The company reported a strong fourth quarter with both earnings and revenues beating the respective Zacks Consensus Estimate. Revenues for Diagnostic Information Services grew 5.1%, driven by strong volume growth, an easy comparable and acquisitions amid significant reimbursement pressure related to PAMA. We are upbeat about the company's expanded network access, which helped the company accelerate volume growth in the fourth quarter. This solid volume expansion combined with its strategy to attain operational excellence aided it to counter significant reimbursement pressure. The current-year outlook seems promising despite the company's having reckoned another year of meaningful reimbursement pressure.

As a part of its two-point strategy, Quest Diagnostics has been focusing on areas with high potential. Positive demography and cost reduction initiative are the other upsides.

Quest Diagnostics is currently refocusing on diagnostic information services wing and disciplined capital deployment. Its acquisitions and collaborations with hospitals and integrated delivery networks consistently act as major catalysts. During the fourth quarter, the company announced the acquisition of Boston Clinical Laboratories, a small regional laboratory in Massachusetts. Two other recently announced acquisitions are Blueprint Genetics (to strengthen position in advanced diagnostics) and a multifaceted long-term collaboration with the Memorial Hermann Health System. Quest Diagnostics has also signed a professional laboratory services agreement with an eight-hospital health system in Tennessee.

▲ **Positive Demography:** We are upbeat about the long-term growth drivers that are expected to deliver positive outcomes in the upcoming period. With baby boomers moving into Medicare and living longer, the company is grasping the benefit from continued population growth and favorable demographics. Esoteric testing business is growing at a faster pace as physician medicine drives demand for advanced esoteric tests. Going by a Grand View Research analysis, the global clinical laboratory testing market is expected to reach \$286.7 billion by 2026 at a 7.1% CAGR from 2018. In fact, there is growing demand for these diagnostic testing laboratories which can help in providing early diagnosis in order to render effective therapeutic interventions. According to many researchers, there increasing incidence rates of infectious and chronic diseases in the years to come where these clinical labs will come up with range of diagnostic tests. This is expected to drive market growth gradually in this niche. As far as the market projections, going forward, the company continues to see modest shifts from uninsured patient volumes to government and other payers.

▲ **Long Term Growth Outlook Strong:** Quest Diagnostics' long-term growth outlook based on its new and extended two-point strategy to generate shareholder value- accelerating growth and driving operational excellence has continued to drive investors' optimism. As per this outlook, revenue growth for the period 2017-2020 is expected to be 3-5% with 1% to 2% growth expected from acquisitions. Earnings for the same period are expected to grow faster than revenues in the mid-to-high single digit range. According to the company, this outlook implied adjusted EPS in the range of \$6 to \$7 by 2020.

Quest Diagnostics stated that, its increasing number of partnerships with other health care leaders are creating promising opportunities for top and bottom line growth while improving the patient experience and reducing the overall cost of care.

Despite the PAMA related reimbursement pressure, the company is attaining the outlined targets through 2020. In fact, the company has recently noted that the impact of these Medicare reimbursement cuts will be more significant on smaller independent and hospital outreach laboratories. Per Quest Diagnostics, these reimbursement cuts could potentially eliminate the majority of its profits and provide a catalyst for market consolidation.

▲ **Growth Acceleration Strategy Bodes Well:** Quest Diagnostics is moving ahead with regard to its accelerating growth strategy, which consists of five elements. So far, the first element to grow more than 2% through strategically aligned accretive acquisitions is progressing well.

In this regard, during the fourth quarter, the company announced the acquisition of Boston Clinical Laboratories, a small regional laboratory in Massachusetts. Quest Diagnostics has also announced two new acquisitions. The first, Blueprint Genetics to strengthens the company's position in advanced diagnostics, through proprietary bioinformatics, which is often a bottleneck in next-generation sequencing. It has announced a multifaceted long-term collaboration with the Memorial Hermann Health System under which Quest Diagnostics will acquire Memorial Hermann's outreach lab services business and manage all 17 of its inpatient hospital labs in Greater Houston.

Going by the second element, Quest Diagnostics continues to extend health plan contracts and tie-ups with hospital health systems. In this regard, the company has recently signed a professional laboratory services agreement with an eight-hospital health system in Tennessee. This apart, the company has become the UnitedHealthcare preferred lab network provider and begun an aggressive outreach campaign to physicians and UnitedHealthcare members.

With respect to the third element to offer a wider access to diagnostic innovation, the company has been witnessing growth in prescription drug monitoring, QuantiFERON and T-SPOT, hemepath, blood cancer test and Cardio IQ. The company is also optimistic about successful execution of its plans to build an esoteric testing business and boost profitability. Overall, in 2019, the G-based and esoteric testing grew approximately 5%, an acceleration from low single-digit growth a year ago.

About the fourth element of the company's growth strategy, which is to provide ample choices to consumers, the company's relationship with Walmart has already started adding value to this end with higher patient traffic. Besides, the company's alliance with Safeway currently has more than 200 patient service centers across the retail store locations.

Finally, the company is complying well with the fifth element of its growth strategy which requires to support population health with data analytics and extended care services. In this regard, earlier, the company launched Quest Clinical Trial Connect, a new patient recruitment service.



▲ **Strategy to Drive Operational Excellence on Track:** In terms of the company's efforts to ramp up operating efficiency, Quest Diagnostics' invigorated cost-cutting initiatives have been successful and the company is working on more opportunities ahead. At the end of 2019, Quest Diagnostics noted that, it has successfully delivered on its 2019 goal to reduce cost base by 3% by continuing to drive increases in productivity. The company expects to see more opportunities ahead to drive further productivity gains, while enhancing the customer experience.

In terms of productivity gains, the company noted that its immunoassay platform consolidation is expected to provide brief throughput, autonomy and more efficient footprint, while saving approximately \$35 million annually when fully implemented. Further, the company is optimizing its lab network through investments in new flagship laboratory in Clifton, New Jersey. After getting operationally active in 2021, this new lab is expected to consolidate three regional hub labs, doubling Quest Diagnostics' average throughput and provide 30% more capacity. Thus apart, the company is using digital technology to enhance the customer experience. Nearly nine million patients so far have downloaded the MyQuest digital platform, which enables them to make appointments and receive their results.

▲ **Extended Partnership With UnitedHealthcare Impresses:** Management also seems upbeat about the expanded long-term strategic partnership with UnitedHealthcare, a business of UnitedHealth Group, to operate as a preferred national laboratory for all of the company's members starting Jan 1, 2019. Under the expanded tie-up, the companies are working on a variety of value-based programs.

In this line, UnitedHealthcare is helping in moving testing volume to high-value laboratories like Quest from high-cost hospital and out-of-network labs. Further, from on October 1, UnitedHealthcare began offering a product with zero-dollar member out-of-pocket charges for laboratory testing for the majority of fully insured lives in select states. This apart, UnitedHealthcare will also make the lab savings program available for their self-insured employer groups beginning in 2020.

▲ **Strong Balance Sheet Aids Acquisitions:** Quest Diagnostics ended the year 2019 with cash and cash equivalents of \$1.19 billion compared with \$135 million at the end of 2018. Full-year net cash provided by operating activities was \$1.24 billion compared with \$1.2 billion a year ago. Capital expenditures were \$400 million in 2019, compared to \$383 million a year ago.

The company's capital deployment policy is based on its suitable acquisitions and the return of shareholders' money through dividends and share buybacks. In the fourth quarter, the board of directors authorized a 5.7% hike in the company's quarterly dividend to 56 cents per share or \$2.24 annually (payable Apr 21, 2020). The company also increased its share repurchase authorization by \$1 billion, bringing the total buyback available to \$1.2 billion as of Dec 31, 2019.

The company has also been consistently raising dividends. We also believe that Quest Diagnostics' strong focus combined with positive long-term demographic trends should help retain its position as one of the leading players in the diagnostic industry.

Reasons To Sell:

▼ **Current Market Headwinds Weigh Heavily on the Stock:** The current market environment remains challenging for Quest Diagnostics in the form of continued decline in healthcare utilization rate, softer volume, commercial pricing pressure and reimbursement headwind. Over the last two years, reimbursement challenges became much more pronounced with a 10% reduction in Medicare payments, cuts to pathology codes on Medicare physician fee schedule, changes to Medicare fee schedules including requirements from molecular diagnostics, and the effects of renewed commercial payer contracts. This apart, the political power change redirecting towards the chance of full repeal of ACA may impact the company's business model grossly.

▼ **Reimbursement Update Not in Favor of Clinical Labs:** In the last couple of years, Quest Diagnostics faced several reimbursement issues, hurting its revenues. Turning to PAMA (Protecting Access to Medicare Act), first-quarter 2018 was the opening quarter operating under the clinical IP schedule. Medicare rates in 2019 were down by 10% from the prior year, in line with the company's expectation. With the enactment of Lab Act in December 2019 (delaying the upcoming data reporting period by one year and commissioning a study on how to improve data collection and rate setting to better reflect Congress' original intent of a market-based fee schedule for clinical laboratory services—American Clinical Laboratory Association) CDLT data that was supposed to be reported between Jan 1, 2020 and Mar 31, 2020, will now be reported between Jan 1, 2021, and Mar 31, 2021. Although, this includes an increase in reimbursement reduction caps from 10% in 2020 to 15% in 2021, according to Quest Diagnostics, the PAMA headwinds in 2021 are expected to be relatively consistent with 2019 and 2020. This PAMA impact includes both direct cuts to the Clinical Lab Fee Schedule as well as a modest indirect price changes from Medicaid and a small number of floating rate contracts.

▼ **Volume Increase Sustainable:** Pressure on volume, owing to a difficult macro-economic situation and pricing, constitutes the primary risk for Quest Diagnostics. Nevertheless, we have observed some changes in the volume trend over the past couple of quarters. In the reported quarter, volume measured by the number of requisitions expanded 4.1% year over year, (excluding acquisition, volume growth was 3.4%). Meanwhile, revenue per requisition dipped 1.2% in the reported quarter.

Overall, it is still a matter of big question whether this improvement is sustainable. We should take into consideration that the unit price headwinds persisted through the fourth quarter (at around 2.5%). We also expect that a low level of employment and slow growth of commercially-insured lives will continuously impact the company's overall improvement, until the economy rebounds.

▼ **Competitive Landscape:** Quest Diagnostics faces intense competition primarily from Laboratory Corporation of America, other commercial laboratories and hospitals. Hospitals control an estimated 60% of the diagnostic test market, compared to Quest Diagnostic's 15% share. While pricing is an important factor in choosing a testing lab, hospital-affiliated physicians expect a high level of service, including accurate and rapid turnaround of testing results. As a result, Quest Diagnostics and other commercial labs compete with hospital-affiliated labs primarily on the basis of quality of service.

Over the past several quarters, the overall soft industry trends leading to low volume environment have acted as a dampener for Quest Diagnostics. The reimbursement scenario also remains a major cause of concern.

Last Earnings Report

Quest Diagnostics Posts Earnings Beat, Revenue Per Requisition Inches Up in Q4

Quest Diagnostics' fourth-quarter 2019 adjusted earnings per share of \$1.67 surpassed the Zacks Consensus Estimate by 4.4%. Adjusted earnings also improved 23.7% from the year-ago number. The impact of certain one-time items, such as restructuring and integration charges plus amortization expenses, was excluded from both the quarters' adjusted figures.

GAAP earnings per share from continuing operations came in at \$1.86, skyrocketing 101.2% from the year-ago quarter.

For the full year, adjusted earnings of \$6.56 per share came ahead of the Zacks Consensus Estimate by 1.1% and also rose 3.9% from the year-ago figure. The figure exceeded the company's projected range of \$6.45-\$6.50 as well.

Reported revenues in the fourth quarter rose 4.7% year over year to \$1.93 billion. The same beat the consensus estimate of \$1.92 billion.

Full-year revenues of \$7.73 billion topped the Zacks Consensus Estimate of \$7.72 billion and improved 2.6% from the 2018-level too. This also edged past the company's expected revenues of \$7.72 billion.

Quarterly Details

Volumes (measured by the number of requisitions) expanded 4.1% year over year in the fourth quarter (up 3.4% organically). Revenue per requisition also inched up 1.2% year over year.

Diagnostic information services revenues in the quarter were up 5.1% on a year-over-year basis to \$1.84 billion.

Cost of services during the reported quarter was \$1.26 billion, up 2.3% year over year. Gross margin came in at 34.4%, reflecting 153-basis point (bps) growth from the year-ago figure.

Selling, general and administrative expenses dipped 1.9% to \$349 million in the quarter under review. Adjusted operating margin of 16.3% represented a 277-bps expansion year over year.

Quest Diagnostics exited 2019 with cash and cash equivalents of \$1.19 billion compared with \$135 million at the end of 2018. Full-year net cash provided by operating activities was \$1.24 billion compared with \$1.2 billion a year ago.

In the fourth quarter, the board of directors authorized a 5.7% hike in the company's quarterly dividend to 56 cents per share or \$2.24 annually (payable Apr 21, 2020).

The company also increased its share repurchase authorization by \$1 billion, bringing the total buyback available to \$1.2 billion as of Dec 31, 2019.

2020 Guidance

Quest Diagnostics provided its 2020 outlook. Adjusted earnings per share for the full year is predicted to be more than \$6.60. The Zacks Consensus Estimate for the metric is pegged at \$6.73.

Revenues for 2020 are estimated in the band of \$7.80-\$7.96 billion. This indicates anticipated growth of 1-3%. The current Zacks Consensus Estimate for revenues of \$7.90 billion falls within the company's guided band.

Operating cash flow for 2020 is envisioned in the range of \$1.25-\$1.30 billion. The capital expenditure is forecast at \$375-\$400 million.

Quarter Ending 12/2019

Report Date	Jan 30, 2020
Sales Surprise	0.41%
EPS Surprise	4.37%
Quarterly EPS	1.67
Annual EPS (TTM)	6.56

Recent News

On **Jan 27, 2020**, Quest Diagnostics announced that, under a definitive agreement it will acquire select assets of Memorial Hermann Health System which constitute substantially all the operations of Memorial Hermann Diagnostic Laboratories (MHDL), the outreach laboratory division of Memorial Hermann.

On **Jan 22, 2020**, Quest Diagnostics announced that it has acquired Blueprint Genetics in an all-cash equity transaction. Blueprint Genetics is a specialty genetic testing company with deep expertise in gene variant interpretation based on next generation sequencing and proprietary bioinformatics.

On **Dec 2, 2019**, Quest Diagnostics announced that it has acquired certain assets of the clinical laboratory services business of Boston Clinical Laboratories (BCL), a Waltham-based regional provider of laboratory services.

Valuation

Quest Diagnostics' shares are down 16.6% in the year to date period and up 3.9% in the trailing 12-month periods. Stocks in the Zacks sub-industry and Zacks Medical are down 8.1% and up 1.2% in the year to date period, respectively. Over the past year, the Zacks sub-industry is down 6.2% and Zacks Medical is down 0.5%.

The S&P 500 index is down 16.6% in the year to date period and down 2.4% in the past year.

The stock is currently trading at 13.2X Forward 12-months earnings, which compares to 20.5X for the Zacks sub-industry, 20.4X for the Zacks sector and 18.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.5X and as low as 11.5X, with a 5-year median of 15.4X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$98 price target reflects 14.5X forward 12-months earnings.

The table below shows summary valuation data for DGX.

Valuation Multiples - DGX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.19	20.45	20.44	18.98
	5-Year High	19.51	21.46	21.07	19.34
	5-Year Low	11.52	14.49	15.81	15.19
	5-Year Median	15.42	17.61	18.81	17.45
P/S F12M	Current	1.5	2.3	2.59	3.16
	5-Year High	2	2.45	3.84	3.44
	5-Year Low	1.14	0.71	2.25	2.54
	5-Year Median	1.67	1	2.96	3.01
P/B TTM	Current	2.09	3.16	3.54	3.69
	5-Year High	3.26	3.88	5.05	4.55
	5-Year Low	1.72	1.91	2.9	2.85
	5-Year Median	2.53	2.47	4.29	3.64

As of 04/15/2020

Industry Analysis Zacks Industry Rank: Top 25% (64 out of 253)



Top Peers

Addus HomeCare Corporation (ADUS)	Outperform
Bio-Rad Laboratories, Inc. (BIO)	Neutral
DaVita Inc. (DVA)	Neutral
Exact Sciences Corporation (EXAS)	Neutral
Laboratory Corporation of America Holdings (LH)	Neutral
Myriad Genetics, Inc. (MYGN)	Neutral
NeoGenomics, Inc. (NEO)	Neutral
OPKO Health, Inc. (OPK)	Neutral

Industry Comparison Industry: Medical - Outpatient And Home Healthcare				Industry Peers		
	DGX Neutral	X Industry	S&P 500	DVA Neutral	LH Neutral	MYGN Neutral
VGM Score	C	-	-	A	B	D
Market Cap	11.88 B	596.48 M	19.18 B	9.58 B	13.74 B	1.07 B
# of Analysts	8	3	14	7	8	5
Dividend Yield	2.52%	0.00%	2.24%	0.00%	0.00%	0.00%
Value Score	C	-	-	B	B	B
Cash/Price	0.10	0.04	0.06	0.13	0.02	0.12
EV/EBITDA	9.28	10.56	11.46	10.53	9.39	14.30
PEG Ratio	2.47	2.63	2.08	0.62	2.80	3.02
Price/Book (P/B)	2.11	2.45	2.58	4.21	1.82	0.99
Price/Cash Flow (P/CF)	9.79	11.22	10.15	6.76	7.28	6.19
P/E (F1)	18.71	27.66	17.24	12.57	14.72	39.34
Price/Sales (P/S)	1.54	1.33	1.99	0.84	1.19	1.32
Earnings Yield	5.35%	2.91%	5.64%	7.95%	6.79%	2.57%
Debt/Equity	0.70	0.58	0.70	4.61	0.86	0.26
Cash Flow (\$/share)	9.09	1.82	7.01	11.28	19.44	2.33
Growth Score	B	-	-	A	C	F
Hist. EPS Growth (3-5 yrs)	8.95%	12.31%	10.92%	2.09%	10.73%	-9.38%
Proj. EPS Growth (F1/F0)	-27.52%	5.45%	-2.92%	12.30%	-15.09%	-78.08%
Curr. Cash Flow Growth	10.66%	6.47%	5.93%	19.72%	12.16%	21.53%
Hist. Cash Flow Growth (3-5 yrs)	6.08%	12.35%	8.55%	0.89%	17.70%	-3.44%
Current Ratio	1.25	1.23	1.24	1.56	1.12	3.25
Debt/Capital	41.55%	50.68%	42.36%	83.67%	46.20%	20.85%
Net Margin	11.10%	2.93%	11.64%	7.12%	7.13%	-3.22%
Return on Equity	16.15%	13.50%	16.74%	25.18%	15.37%	5.42%
Sales/Assets	0.64	0.87	0.54	0.59	0.65	0.52
Proj. Sales Growth (F1/F0)	-5.33%	0.00%	0.00%	2.04%	-1.42%	-16.44%
Momentum Score	F	-	-	B	F	F
Daily Price Chg	-1.17%	-0.73%	-3.26%	-0.73%	-2.21%	-7.46%
1 Week Price Chg	22.40%	13.66%	16.01%	14.19%	29.56%	24.59%
4 Week Price Chg	14.96%	31.63%	16.73%	1.34%	31.29%	47.24%
12 Week Price Chg	-17.96%	-27.84%	-22.44%	-5.33%	-21.21%	-49.81%
52 Week Price Chg	3.91%	0.00%	-14.41%	49.38%	-1.86%	-55.07%
20 Day Average Volume	2,035,153	201,483	3,301,889	1,603,831	1,079,361	882,275
(F1) EPS Est 1 week change	-5.30%	0.00%	0.00%	0.00%	-3.95%	0.00%
(F1) EPS Est 4 week change	-28.46%	-6.16%	-6.78%	0.00%	-19.76%	-21.15%
(F1) EPS Est 12 week change	-29.49%	-10.62%	-9.07%	9.01%	-19.58%	-85.86%
(Q1) EPS Est Mthly Chg	-87.06%	-18.05%	-11.31%	-1.46%	-51.58%	-250.00%

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	C
Growth Score	B
Momentum Score	F
VGM Score	C

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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