

## Danaher Corporation (DHR)

**\$160.25** (As of 04/22/20)

Price Target (6-12 Months): **\$168.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/15/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: B

### Summary

Danaher might benefit from Danaher Business System ("DBS"), shareholder-friendly policies and inorganic activities, going forward. For instance, the Biopharma buyout is anticipated to strengthen the Life Sciences segment. It anticipates revenues to grow 3% in first-quarter 2020, while expects core revenues (on a non-GAAP basis) to be up 4.5%. Strong momentum across Radiometer, Cepheid, Pall and ChemTreat businesses are predicted to boost results of the three segments. However, the coronavirus outbreak is likely to hurt demand for Danaher's more instrument-oriented businesses in the first quarter. It has also withdrawn projections for 2020. In the past three months, Danaher's shares have recorded a decline, which is narrower than that of the industry. Earnings estimates have been lowered for 2020 in the past 60 days.

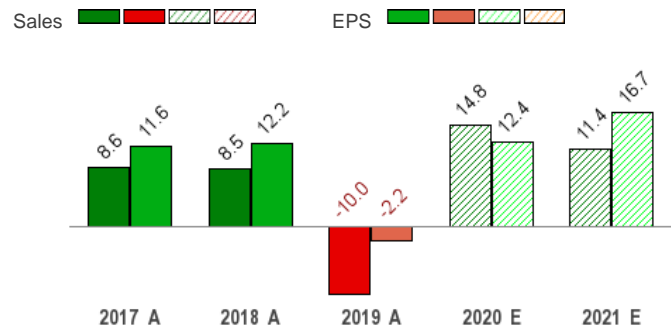
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$169.19 - \$119.60
20 Day Average Volume (sh)	3,747,047
Market Cap	\$111.7 B
YTD Price Change	4.4%
Beta	0.85
Dividend / Div Yld	\$0.72 / 0.4%
Industry	<a href="#">Diversified Operations</a>
Zacks Industry Rank	Bottom 26% (187 out of 253)

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



Last EPS Surprise	1.6%
Last Sales Surprise	1.7%
EPS F1 Est- 4 week change	-8.1%
Expected Report Date	05/07/2020
Earnings ESP	-4.3%
P/E TTM	34.1
P/E F1	32.2
PEG F1	3.0
P/S TTM	5.6

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	5,631 E	5,805 E	5,788 E	6,278 E	22,896 E
2020	4,350 E	4,999 E	5,244 E	5,921 E	20,558 E
2019	4,880 A	5,157 A	5,037 A	4,868 A	17,911 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.40 E	\$1.34 E	\$1.41 E	\$1.60 E	\$5.80 E
2020	\$1.01 E	\$1.22 E	\$1.30 E	\$1.57 E	\$4.97 E
2019	\$1.07 A	\$1.19 A	\$1.16 A	\$1.28 A	\$4.42 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 04/22/2020. The reports text is as of 04/23/2020.

## Overview

Danaher Corporation is a global conglomerate that designs, manufactures and markets diverse lines of professional, industrial, commercial and consumer products. It is headquartered in Washington, DC. The company's segmental details are provided below:

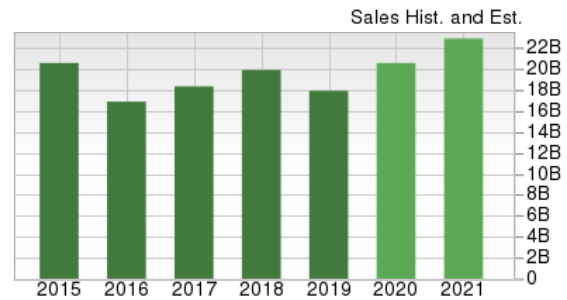
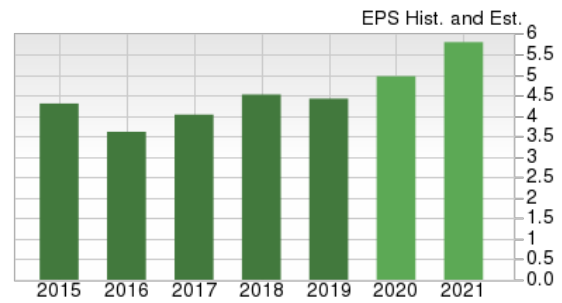
**Life Sciences:** The segment offers a broad range of research tools used to analyze a range of critical areas — including genes, proteins, metabolites and cells — to understand the causes of diseases, identify new therapies, and test new drugs and vaccines. It also provides filtration, separation and purification technologies to a range of industries, such as biopharmaceutical, food and beverage, medical, aerospace, microelectronics, and general industrial.

**Diagnostics:** The segment offers analytical instruments, reagents, consumables, software and services that are deployed in hospitals, physicians' offices, reference laboratories and other critical care settings. It helps to diagnose diseases and take suitable treatment decisions.

**Environmental & Applied Solutions:** The segment offers products and services to keep global food and water supplies safe. It offers instrumentation, consumables, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, waste, ground, source and ocean water. Moreover, the product identification businesses develop and manufacture equipment, consumables and software for various printing, marking, coding, packaging, design and color management applications.

It is worth noting here that Danaher completed the divestment of its dental assets and transferred those to Envista Holdings Corporation in September 2019. Further, the company completed the divestiture of its stake in Envista Holdings in December 2019. Envista trades on the NYSE under the ticker symbol NVST.

Envista consists of Danaher Dental segment's three operating businesses, namely Nobel Biocare Systems, Ormco and KaVo Kerr. These businesses specialize in dental equipment, orthodontics, dental implants and consumables. Some notable brands are Nobel Biocare, Kerr, i-CAT, KaVo, Dexis, Pelton & Crane, Metrex, Ormco, Implant Direct and Orascopic.



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## Reasons To Buy:

- ▲ In the fourth quarter of 2019, Danaher's earnings and sales surpassed estimates by 1.6% and 1.7%, respectively. On a year-over-year basis, earnings expanded 12.3% on sales growth of 5.7%. The top-line performance was driven by organic sales growth and benefits from acquired assets. Product demand in developed and high-growth markets was healthy in the quarter. Going forward, DBS initiatives — that enabled the company to focus more on product innovation, superior product quality, building an efficient workforce and enhancing shareholder value — might be beneficial. For first-quarter 2020, the company predicts revenue growth of 3%, with rise in core revenues (non-GAAP) of 4.5%. The segmental results are anticipated to be healthy on the back of strong momentum across Radiometer, Cepheid, Pall and ChemTreat businesses.
- ▲ Over time, Danaher has relied on inorganic activities to boost its competency. In this regard, the buyouts of Integrated DNA Technologies (in April 2018), Blue Software (in July 2018) and Labcyte Corporation (in January 2019) are worth mentioning. The takeover of Labcyte has been fortifying Danaher's automation capabilities. Further, Danaher completed the acquisition of General Electric's BioPharma business in March this year. The buyout is anticipated to complement Danaher's biologics workflow solutions of the Life Sciences segment. Further, Danaher divested its dental business to Envista in September 2019 and later closed the disposition of its stake in Envista in December. This strategic transaction is projected to work in the best interests of Danaher's shareholders. Notably, acquired assets boosted the company's sales growth by 0.5% in the fourth quarter of 2019 and 1% in the full year.
- ▲ Danaher remains committed to rewarding its shareholders handsomely through dividend payments. In 2019, the company used \$526.7 million of funds to pay out dividends, which is higher than \$433.4 million distributed in the previous year. It is worth mentioning here that the company announced a hike of one cent per share in the quarterly dividend rate in February 2020.

Danaher might benefit from its DBS initiatives, inorganic moves (including the buyout of General Electric's BioPharma business and shareholder-friendly policies).

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## Reasons To Sell:

- ▼ In the past three months, Danaher's shares have lost 1.3%. Notably, the industry has also recorded a decline of 25.1% over the same time frame. On a P/E (TTM) basis, the stock looks overvalued compared with the industry, with respective tallies of 34.10x and 17.63x. Also, its shares are trading above the industry's three-month highest level of 22.98x. In the wake of the coronavirus outbreak, the company communicated that demand for its more instrument-oriented businesses has suffered in the first quarter. Also, it withdrew the previously mentioned projections for 2020. In the past 60 days, earnings estimates for Danaher have been lowered by 7.6% to \$4.97 per share for 2020 and by 4.8% to \$5.80 per share for 2021. This makes us cautious about the stock.
- ▼ In order to finance buyout activities and working capital needs, sometimes the company generates funds through the issuance of long-term debt instruments and equities. This, in turn, could affect its cost of funds, liquidity and access to capital markets in case of a downgrade in investment grade ratings. To fund the acquisition of the Biopharma business, the company raised funds through the issuance of common and preferred shares. Also, it priced senior notes offerings of €6.25 billion last September and \$4 billion in October, while offered €1.75 billion senior notes in March 2020 and €750 million in April. It is worth mentioning here that Danaher's long-term debt at the end of the fourth quarter stood at \$21.5 billion, reflecting a sequential increase of 30.1% and a year-over-year growth of 122%. Significantly, proceeds from borrowing (maturities longer than 90 days) totaled \$12.1 billion while repayments of borrowings were \$1.6 billion.
- ▼ Rising cost of sales has been a major cause for concern for Danaher. Its cost of sales increased on a year-over-year basis for the four quarters of 2019. Notably, the metric had expanded 4.5% year over year in the fourth quarter and 5.1% in 2019. Also, operating expenses (including selling, general and administrative expenses, and research and development expenses) increased 4.3% year over year in the fourth quarter and 4.1% in 2019. Escalating costs, if unchecked, will continue to erode the company's margins in the quarters ahead. In addition, international operations exposed the company to risks arising from unfavorable movements in foreign currencies and geopolitical issues. Sales in the fourth quarter dipped 1% due to forex woes. Persistence of the headwind might be detrimental to Danaher in the quarters ahead. Also, the company's business is overseen by a number of U.S. and non-U.S. governmental and self-regulatory entities. These entities ensure Danaher's compliance with multiple regulations related to import laws, export control and economic sanctions laws, restricting its scope. Further, any change in governmental regulations may curb demand for the company's product or service portfolio and elevate expenses.

Annual projections have been withdrawn due to the coronavirus outbreak-related worries. Also, huge debts and unfavorable movements in foreign currencies pose threats.

## Last Earnings Report

### Danaher's Q4 Earnings and Sales Surpass Estimates

Danaher reported better-than-expected results for the fourth quarter of 2019, with earnings and sales surpassing estimates by 1.6% and 1.7%, respectively.

The company's adjusted earnings were \$1.28 per share in the reported quarter, which outpaced the Zacks Consensus Estimate of \$1.26. The same also grew 12.3% from the year-ago quarter's figure of \$1.14 on sales growth and margin improvement.

For 2019, the company's adjusted earnings were \$4.42 per share, increasing 9.1% year over year. However, the bottom line lagged the Zacks Consensus Estimate of \$4.67.

Quarter Ending **12/2019**

Report Date	Jan 30, 2020
Sales Surprise	1.71%
EPS Surprise	1.59%
Quarterly EPS	1.28
Annual EPS (TTM)	4.70

### Segmental Sales

In the quarter under review, the company's net sales were \$4,868.4 million, which grew 5.7% from the year-ago quarter. Organic sales in the quarter grew 6% and acquired assets had a positive 0.5% impact. However, foreign-currency translations had a negative impact of 1%.

Also, the company's top line surpassed the Zacks Consensus Estimate of \$4,787 million.

Effective third-quarter 2019, the company started reporting net sales under three segments — Life Sciences, Diagnostics, and Environmental & Applied Solutions. The segmental information is briefly discussed below:

Revenues for the **Life Sciences** segment totaled \$1,916 million, rising 6.8% year over year. Results were driven by 1% gain from acquired assets and 6.5% growth in core sales, partially offset by a 0.5% adverse impact of foreign-currency translations.

Revenues in the **Diagnostics** segment grossed \$1,804.5 million, increasing 7.1% year over year. The improvement came on the back of 8% rise in core sales, which was partially offset by a 1% negative impact of foreign-currency translations.

Revenues in the **Environmental & Applied Solutions** segment totaled \$1,147.9 million, rising 1.9% year over year. The uptick can be attributed to 2.5% growth in core sales. However, foreign-currency translations had an adverse impact of 0.5%.

For 2019, the company's net sales were \$17.9 billion, reflecting growth of 5.1% from the previous year. However, the top line lagged the Zacks Consensus Estimate of \$19.9 billion.

### Margin Profile

In the quarter under review, Danaher's cost of sales rose 4.5% year over year to \$2,164.8 million. It represented 44.5% of net sales compared with 45% in the year-ago quarter. Gross margin increased 50 basis points (bps) year over year to 55.5%.

Selling, general and administrative expenses of \$1,448.1 million reflect a year-over-year increase of 3.9%. As a percentage of net sales, it was 29.7%. Research and development expenses were \$293.8 million, which rose 6.4% year over year. It represented 6% of net sales.

Operating income in the quarter under review grew 11.4% year over year to \$961.7 million. Operating margin increased 100 bps to 19.8% in the quarter. The improvement was driven by the contribution of 175 bps from the core business, partially offset by 15-bps adverse impact of acquisitions and 60-bps impact of miscellaneous sources.

Interest expenses doubled year over year to \$44.4 million.

### Balance Sheet and Cash Flow

Exiting the fourth quarter, Danaher had cash and cash equivalents of \$19,912.3 million, up 39.7% from \$14,252.1 million at the end of the last reported quarter. Long-term debt balance rose 30.1% sequentially to \$21,516.7 million.

In 2019, the company generated net cash of \$3,657.4 million from operating activities, increasing 0.4% from the previous year. Capital used for purchasing property, plant and equipment totaled \$635 million versus \$583.5 million in the previous year.

In the year, the company paid out dividends worth \$526.7 million to its shareholders.

### Outlook

In the quarters ahead, Danaher expects to consistently benefit from Danaher Business System initiatives. These efforts enabled the company to focus more on product innovation, superior product quality, building an efficient workforce and enhancing shareholder value.

Also, Danaher anticipates completing the acquisition of General Electric's Biopharma business in the first quarter of 2020. The buyout will likely strengthen the company's biologics workflow solutions business under its Life Sciences segment.

For the first quarter of 2020, Danaher anticipates adjusted earnings of \$1.06-\$1.09 per share. Core sales growth is forecast to be 6-6.5% (including the impact of three extra selling days).

For 2020, the company anticipates adjusted earnings per share of \$4.80-\$4.90. Core sales growth will likely be 5%.

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## Recent News

### Update on Q1 Results, Withdrawal of 2020 Projections

On **Apr 13, 2020**, Danaher provided an update on first-quarter 2020 results and withdrew its earlier announced guidance for 2020.

For the first quarter of 2020, the company anticipates revenues to increase 3%, while expects core revenues (on a non-GAAP basis) to be up 4.5%. Results are expected to be healthy for the three business segments, backed by strong momentum across Radiometer, Cepheid, Pall and ChemTreat businesses. The company also noted that demand for its more instrument-oriented businesses has suffered due to the coronavirus outbreak.

For 2020, it has withdrawn its previously mentioned projections. Notably, the duration of the coronavirus pandemic, its geographic spread and the impacts of the governmental regulations imposed in response to the crisis will likely have a bearing on Danaher's results.

### Danaher Senior Notes Offering

On **Apr 8, 2020**, Danaher closed the offerings of €750 million worth of senior notes.

As noted, the offerings comprised €150 million of 1.700% senior notes due to expire on Mar 30, 2024; €300 million of 2.100% senior notes due to expire on Sep 30, 2026; and €300 million of 2.500% senior notes due to expire on Mar 30, 2030.

Notes due to expire in 2024 were priced at 100.298% of the principal amount plus interest (accrued). Moreover, the 2026 notes were priced at 100.842% of the principal amount plus accrued interest. Also, the notes due 2030 were offered to the public at 102.166% of the principal amount plus accrued interest.

Interest on the senior notes will be paid out annually. The first interest payment will be made on Mar 30, 2021, for the 2024 notes; on Sep 30, 2020, for the 2026 notes; and on Mar 30, 2021, for the 2030 notes.

Post the closing of the offerings, the company's outstanding balance of 1.700% senior notes due to expire in 2024 is €900 million. The outstanding balance for both 2.100% senior notes due 2026 and 2.500% senior notes due 2030 are €800 million.

Danaher anticipates using net proceeds from the notes offerings for satisfying general corporate purposes — including repaying borrowings under the revolving credit facility and commercial papers.

### Completion of BioPharma Buyout

On **Mar 31, 2020**, Danaher announced that it completed the acquisition of General Electric's BioPharma business. Notably, the buyout deal was revealed in February 2019 by the parties involved.

The BioPharma business originally belonged to General Electric's GE Life Sciences business under the ambit of the Healthcare segment. The BioPharma business comprises single-use technologies, process chromatography hardware and related consumables, development instrumentation and related consumables, and cell culture media and service.

**Details:** For the completion of the transaction, Danaher secured approvals from various regulatory authorities, including the European Commission as well as the antitrust authorities of Korea, Brazil, Russia, China, Israel and Japan. Also, the U.S. Federal Trade Commission gave a green signal to the buyout on Mar 19.

Danaher used cash on hand, proceeds from shares and preferred stock issuances, and funds raised through debts and credit facilities to pay \$21 billion for the buyout. The company also assumed certain pension liabilities of General Electric. The total transaction value for the buyout was \$21.4 billion.

The acquired BioPharma business will be included in Danaher's Life Sciences segment. It will be called Cytiva and work as an operating company (stand-alone).

Danaher anticipates the acquisition to strengthen its biologics workflow solutions. Earnings accretion of 60 cents per share is anticipated in 2020 (disclosed in January 2020) from the buyout. Previously, the company had expected 45-50 cents per share earnings accretion for the first year of the deal completion.

### Senior Notes Offering

On **Mar 30, 2020**, Danaher closed the offerings of €1.75 billion worth of senior notes.

As noted, the offerings comprised €750 million of 1.700% senior notes due to expire in 2024, €500 million of 2.100% senior notes due to expire in 2026 and €500 million of 2.500% senior notes due to expire in 2030.

Notes due to expire in 2024 were priced at 99.931% of the principal amount, whereas 2026 notes were priced at 99.717% and 2030 notes at 99.642%.

Interest on the senior notes will be paid out annually.

Danaher anticipates using the net proceeds from the notes offerings for satisfying general corporate purposes — including repaying borrowings under the revolving credit facility and commercial papers.

### SARS-CoV-2 Test Information

On **Mar 21, 2020**, Danaher's business subsidiary Cepheid announced the receipt of Emergency Use Authorization (EUA) from the U.S. Food & Drug Administration (FDA) for Xpert Xpress SARS-CoV-2. Notably, Xpert Xpress SARS-CoV-2 is a rapid molecular diagnostic test for qualitative detection of SARS-CoV-2, the virus responsible for causing COVID-19.

#### Dividend

On **Feb 20, 2020**, Danaher's board of directors approved the payment of a quarterly cash dividend of 18 cents per share to shareholders of record as of Mar 27, 2020. The payment will be made on Apr 24. The quarterly rate represents an increase from the previous rate of 17 cents.

#### Valuation

Danaher shares are up 4.4% and 24% in the year-to-date period and over the trailing 12-month period, respectively. Stocks in both the Zacks sub-industry and the Zacks Conglomerates sector have moved down 22.8% in the year-to-date period. Over the past year, both the Zacks sub-industry and sector have declined 21%.

The S&P 500 index has declined 15.2% year to date and 7% in the past year.

The stock is currently trading at 20.32x forward 12-month EBITDA, which compares to 22.08x for both the Zacks sub-industry and the Zacks sector, and 10.96x for the S&P 500 index.

Over the past five years, the stock has traded as high as 21.34x and as low as 11.52x, with a 5-year median of 15.92x. Our Neutral recommendation indicates the stock to perform in line with the market. Our \$168 price target reflects 32.31x forward 12-month earnings per share.

The table below shows summary valuation data for DHR.

Valuation Multiples - DHR					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA F12M	Current	20.32	22.08	22.08	10.96
	5-Year High	21.34	99	99	14.17
	5-Year Low	11.52	16.98	16.98	9.07
	5-Year Median	15.92	21.66	21.66	10.84
P/E F12M	Current	30.77	19.51	19.51	18.71
	5-Year High	32.65	20.61	20.61	19.34
	5-Year Low	15.64	15.76	15.76	15.19
	5-Year Median	21.38	18.28	18.28	17.45
EV/Sales F12M	Current	5.28	2.88	2.88	2.59
	5-Year High	5.69	4.1	4.1	3.52
	5-Year Low	2.61	2.56	2.56	2.3
	5-Year Median	3.84	3.42	3.42	2.81

As of 04/22/2020

## Industry Analysis Zacks Industry Rank: Bottom 26% (187 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Abbott Laboratories (ABT)	Neutral	3
Ecolab Inc. (ECL)	Neutral	3
General Electric Company (GE)	Neutral	3
Parker-Hannifin Corporation (PH)	Neutral	4
Stryker Corporation (SYK)	Neutral	4
Thermo Fisher Scientific Inc. (TMO)	Neutral	3
3M Company (MMM)	Underperform	4
Xylem Inc. (XYL)	Underperform	4

Industry Comparison Industry: Diversified Operations				Industry Peers		
	DHR	X Industry	S&P 500	GE	MMM	PH
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	4
VGM Score	D	-	-	B	C	C
Market Cap	111.68 B	4.14 B	18.94 B	56.21 B	82.58 B	17.02 B
# of Analysts	8	1	14	8	7	9
Dividend Yield	0.45%	2.01%	2.23%	0.62%	4.09%	2.65%
Value Score	D	-	-	A	D	B
Cash/Price	0.18	0.18	0.05	1.42	0.03	0.06
EV/EBITDA	24.96	8.31	11.56	3.79	13.45	9.40
PEG Ratio	2.97	2.24	2.20	3.02	1.86	1.49
Price/Book (P/B)	4.01	0.76	2.58	1.88	8.16	2.68
Price/Cash Flow (P/CF)	25.79	5.76	10.22	4.98	11.94	8.52
P/E (F1)	32.24	15.81	17.79	17.38	17.68	14.72
Price/Sales (P/S)	5.60	0.65	1.99	0.53	2.57	1.20
Earnings Yield	3.10%	6.32%	5.49%	5.75%	5.65%	6.79%
Debt/Equity	0.75	0.64	0.72	2.36	1.79	1.28
Cash Flow (\$/share)	6.21	2.43	7.01	1.29	12.02	15.57
Growth Score	C	-	-	B	C	C
Hist. EPS Growth (3-5 yrs)	2.72%	9.90%	10.92%	-20.84%	5.88%	15.94%
Proj. EPS Growth (F1/F0)	12.33%	-12.75%	-4.22%	-43.08%	-10.75%	-23.96%
Curr. Cash Flow Growth	1.84%	2.77%	5.93%	-8.00%	-11.15%	6.37%
Hist. Cash Flow Growth (3-5 yrs)	5.87%	5.78%	8.55%	-12.27%	1.67%	7.55%
Current Ratio	5.19	1.70	1.24	1.70	1.41	1.38
Debt/Capital	41.54%	38.95%	43.79%	70.19%	64.16%	56.21%
Net Margin	15.09%	4.06%	11.55%	-4.71%	14.22%	9.63%
Return on Equity	11.50%	10.89%	16.74%	14.12%	51.39%	25.18%
Sales/Assets	0.35	0.78	0.54	0.37	0.78	0.77
Proj. Sales Growth (F1/F0)	3.09%	0.00%	-0.39%	-18.27%	-2.70%	-6.97%
Momentum Score	B	-	-	F	D	F
Daily Price Chg	4.23%	0.05%	1.83%	-0.77%	1.40%	1.67%
1 Week Price Chg	7.41%	-0.89%	0.42%	-4.20%	-0.89%	-4.53%
4 Week Price Chg	23.92%	2.90%	10.68%	-14.95%	9.18%	4.80%
12 Week Price Chg	-3.01%	-27.33%	-20.87%	-50.31%	-11.35%	-33.37%
52 Week Price Chg	23.94%	-30.71%	-15.29%	-31.01%	-34.45%	-29.27%
20 Day Average Volume	3,747,047	84,139	2,886,084	102,975,992	3,767,803	1,630,704
(F1) EPS Est 1 week change	0.00%	0.00%	-0.10%	-2.31%	-0.44%	0.00%
(F1) EPS Est 4 week change	-8.15%	-8.44%	-6.36%	-20.22%	-9.79%	-11.60%
(F1) EPS Est 12 week change	-8.61%	-22.99%	-11.38%	-45.82%	-15.44%	-16.65%
(Q1) EPS Est Mthly Chg	-8.79%	-22.51%	-9.71%	-44.12%	-15.79%	-52.10%



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## 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.

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### 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	D
Growth Score	C
Momentum Score	B
VGM Score	D

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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### 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.

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