

The Walt Disney (DIS)

\$118.44 (As of 06/16/20)

Price Target (6-12 Months): **\$124.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/09/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: C

Summary

Disney benefits from the growing popularity of Disney+ owing to a strong content portfolio and a cheaper bundle offering. International expansion of the service is expected to drive growth. The company also reshuffled its upcoming movie release dates with *Mulan*, now set to open on Jul 24. The opening of the Shanghai Disneyland theme park is a positive. Hong Kong, California and Florida Disneyland parks are also set open with reduced capacity. Moreover, resumption of NBA at Walt Disney World in Florida during July is a key catalyst. Notably, shares have outperformed the industry year to date. However, Disney's businesses are affected by the coronavirus outbreak, which is expected to hurt its top line as well as profitability in the near term. Moreover, a leveraged balance sheet is a significant headwind.<

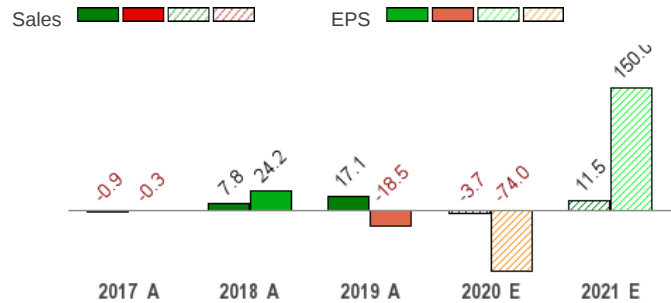
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$153.41 - \$79.07
20 Day Average Volume (sh)	14,867,298
Market Cap	\$213.9 B
YTD Price Change	-18.1%
Beta	1.09
Dividend / Div Yld	\$1.76 / 1.5%
Industry	Media Conglomerates
Zacks Industry Rank	Bottom 15% (216 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-27.7%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	-28.2%
Expected Report Date	08/04/2020
Earnings ESP	71.4%
P/E TTM	26.0
P/E F1	79.0
PEG F1	14.1
P/S TTM	2.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	17,722 E	18,379 E	20,746 E	20,574 E	74,741 E
2020	20,858 A	18,009 A	12,681 E	15,768 E	67,022 E
2019	15,303 A	14,922 A	20,245 A	19,100 A	69,570 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.63 E	\$0.99 E	\$1.08 E	\$1.06 E	\$3.75 E
2020	\$1.53 A	\$0.60 A	-\$0.35 E	\$0.05 E	\$1.50 E
2019	\$1.84 A	\$1.61 A	\$1.35 A	\$1.07 A	\$5.77 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 06/16/2020. The reports text is as of 06/17/2020.

Overview

Burbank, CA-based Walt Disney Company has assets that span movies, television, publishing and theme parks. Revenues were \$69.57 billion in fiscal 2019.

Media Networks (35.7% of total revenues) segment includes domestic broadcast television network, television production and distribution operations, domestic television stations, cable networks, domestic broadcast radio networks and stations, and publishing and digital operations. The company operates the ABC Television Network and 8 owned television stations; ESPN and Disney Channel cable networks; ESPN Radio and Radio Disney networks.

Studio Entertainment (16% of revenues) segment produces animated and live-action motion pictures, direct-to-video programming, musical recordings, and live stage plays. The library of films is distributed under 5 banners namely Walt Disney Pictures, Touchstone Pictures, Pixar, Marvel, and Lucasfilms.

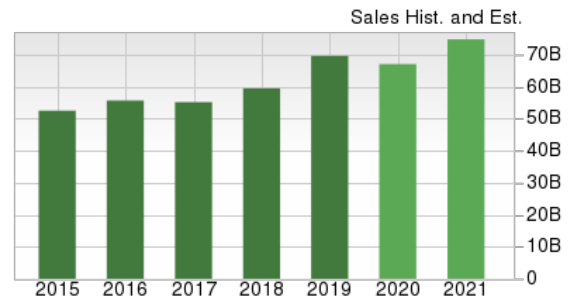
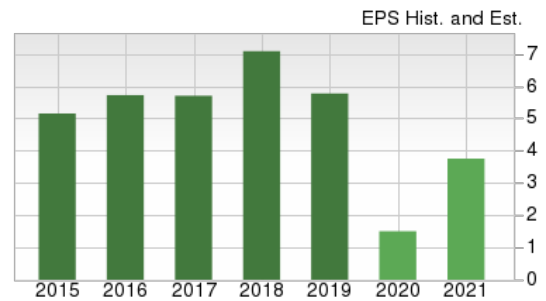
Parks, Experiences & Consumer Products (37.7% of revenues) segment is a combination of global consumer products business with Parks and Resorts. Parks and Resorts owns and operates the Disney World Resort in Florida, the Disneyland Resort in California, the Disney Vacation Club, the Disney Cruise Line, and Adventures by Disney. The company also has ownership interests in Disneyland Paris, in Hong Kong Disneyland Resort and in Shanghai Disney Resort, and licenses the operations of the Tokyo Disney Resort in Japan.

Consumer products business engages with licensees, manufacturers, publishers and retailers to design, develop, publish, promote and sell a wide variety of products based on existing and new Disney characters and other intellectual property via its Merchandise Licensing, Publishing and Retail businesses throughout the world.

Direct-to-Consumer (DTC) & International segment (13.4% of revenues) comprises Disney's direct-to-consumer streaming services, international media operations and global advertising sales and ad technology for Disney media properties including Freeform, ESPN, ABC and Disney Channels.

On Mar 20, 2019, Disney completed the acquisition of 21st Century Fox and got hold of Fox's production, animation and television assets. National Geographic channel, FX Networks and international networks were also part of the deal.

Additionally, the company has acquired full operational control of Hulu.



Reasons To Buy:

- ▲ Disney launched its own direct-to-consumer service Disney+ on Nov 12 in the United States, Canada and The Netherlands. The service offers nearly 500 movies and 7,500 episodes of television from brands such as Disney, Pixar, Marvel, Star Wars and National Geographic and Disney+ originals. Disney+ costs \$6.99 a month or \$69.99 a year. Notably, the service can also be purchased in the United States as part of a bundle that includes Hulu (with ads) and ESPN for \$12.99 a month. Moreover, Disney+ will be available in Japan during June, followed by the Nordics, Belgium, Luxembourg and Portugal in September while Latin America will follow toward the end of 2020.
 - ▲ Disney+ is expected to have between 60 million and 90 million subscribers globally by the end of fiscal 2024. However, based on the current coronavirus driven momentum Disney+ is expected to surpass the lower end in 2020. Notably, Disney+ paid subscriber base hit 28.6 million as of Feb 3. Lockdowns and shelter-in-place guidelines due to coronavirus helped the service exceed 50 million paid subscribers globally as of Apr 8. Moreover, as of May 4, the service has 54.5 million users. Disney's plan to add exclusive content like *Artemis Fowl* movie is a key catalyst.
 - ▲ Disney is benefiting from the acquisition of majority of Fox's assets. Fox's television business is expected to help the company strengthen its TV slate globally, which has been facing some issues in terms of distribution or subscribers. Disney's international footprint will increase substantially post the acquisition. Notably, Fox Networks International operates above 350 channels in 170 countries, while Star India has 69 channels serving 720 viewers per month.
 - ▲ Disney's Studio Entertainment segment has an impressive line-up of big budget movies slated to be released over the next 18 months. Additionally, following Fox's acquisition, the company's slate of movie releases has increased. The movies scheduled to release include *Mulan*, *Free Guy* and *Black Widow*.
 - ▲ ESPN+ offers tournaments like Major League Baseball, National Hockey League, Major League Soccer, Grand Slam tennis, Italy's Serie A soccer and thousands of college sports. Although global sports, affected by coronavirus, will take some time to resume, prospects for ESPN+ is rosy over the long term. The service currently has more than 7.9 million paid subscribers, which is expected to expand through continued investments in content.
 - ▲ Disney boasts solid liquidity to address its working capital and debt maturities. The company's new \$5-billion 364-day bank facility combined with its existing credit facilities of \$12.25 billion enhanced its total credit facility capacity to \$17.25 billion. Moreover, Disney decided to forego the semi-annual dividend payment for the first half of the current fiscal year, thereby saving \$1.6 billion in cash. Further, on Apr 29, 2020, Standard and Poor's affirmed Disney's short-term debt rating of A-2, which means that the company's capacity to meet its debt commitments is satisfactory. Standard and Poor's also removed the short-term debt rating from CreditWatch with negative implications..
-

The acquisition of the majority of Fox's assets, impressive lineup of big budget movies and impressive Disney+ user growth rate are key catalysts.

Reasons To Sell:

- ▼ Coronavirus dealt a severe blow to Disney's top-line growth and profitability. The company closed its domestic parks and hotels for an unknown period of time, suspended cruise lines, stalled film and TV productions and shuttered retail stores in mid-March due to the coronavirus outbreak. The pandemic affected Disney's income from continuing operations before income taxes by \$1.4 billion in second-quarter fiscal 2020. Parks, Experiences and Products segment's operating income dented by a headwind of \$1 billion. Although Disney reopened Shanghai Disneyland, the other parks are expected to remain locked for an extended time. This doesn't bode well for its top line, at least for the next couple of quarters.
- ▼ Moreover, theatrical distribution was hampered by coronavirus as theaters closed domestically beginning mid-March and internationally at different times starting late January. The Studio Entertainment business is expected to suffer delayed releases. *Mulan* is now set to open on Jul 24 followed by *Jungle Cruise* on Jul 30. Much-anticipated Marvel Studios' *Black Widow* is scheduled for Nov 6 while *The Eternals* will hit the theaters on Feb 12, 2021. Further, the timeline by which film and content production can resume is uncertain. Despite a healthy portfolio of new releases, the lack of visibility poses a challenge to Studio business.
- ▼ ESPN's advertising revenues declined due to lower average viewership on account of cancellation of major sporting events beginning mid-March as a result of the coronavirus outbreak. Results were also negatively impacted by higher programming and production costs. Since resumption in sports events are expected to take significant time, we believe ESPN's ad business will remain under pressure in fiscal 2020.
- ▼ Moreover, continued heavy investments in ESPN+ and Disney+ is likely to hurt DTC& International segment's profitability. Notably, management projects license content expenses related to Disney+ to increase from less than \$1.5 billion for fiscal 2020 to mid-\$2-billion range by fiscal 2024. Additionally, total operating expenses for Disney+, which include marketing, technology, customer service, billing and G&A expenses, are estimated to be slightly less than \$1 billion for fiscal 2020. Furthermore, Disney will spend \$1 billion in cash on original programming for Disney+ in fiscal 2020. Spending on Disney+ originals is likely to flare up to around \$2.5 billion by fiscal 2024. The company expects Disney+ to achieve profitability not before fiscal 2024, which is expected to keep margins under pressure.
- ▼ Disney+ is facing significant competition in the streaming market from the likes of Netflix and Amazon Prime. Netflix enjoys a first-mover advantage in the streaming market and its solid original programming portfolio is a major differentiator. Amazon is also catching up. With the entrance of Apple TV+, HBO Max and Comcast's Peacock, the competition is likely to get stiffer. In fact, we believe Disney is significantly late to the streaming market and thus have to spend a significant amount to attract subscribers.
- ▼ Disney has a leveraged balance sheet. Total borrowings were \$55.45 billion as of Mar 31, 2020 compared with \$48.08 billion as of Dec 31, 2019. The company's indebtedness compares unfavorably with cash, cash equivalents and its current marketable investment securities balance of \$14.34 billion. Moreover, Fitch assigned a negative outlook to Disney's debt ratings while Standard & Poor's affirmed negative implications for its long-term debt rating to CreditWatch.

Adverse impact of Coronavirus on major businesses, higher programming costs at ESPN, heavy investments in ESPN+ and Disney+ and softness in tourism in China are factors that may hamper growth.

Last Earnings Report

Disney Misses on Earnings & Revenues in Coronavirus-Hit Q2

Disney reported second-quarter fiscal 2020 adjusted earnings of 60 cents per share, missing the Zacks Consensus Estimate by 27.7% and also plunging 63% year over year.

Although revenues increased 20.7% from the year-ago quarter to \$18.01 billion, the same lagged the consensus mark by 0.14%.

Disney closed its domestic parks and hotels indefinitely, suspended cruise line, halted film and TV productions and shuttered retail stores in mid-March due to the coronavirus outbreak.

The pandemic affected Disney's income from continuing operations before income taxes by \$1.4 billion.

Quarter Ending 03/2020

Report Date	May 05, 2020
Sales Surprise	-0.14%
EPS Surprise	-27.71%
Quarterly EPS	0.60
Annual EPS (TTM)	4.55

Segment Details

Media Networks

Media Networks' (40.3% of revenues) revenues grew 27.7% year over year to \$7.26 billion. Revenues from Cable Networks increased 17% to \$4.45 billion. Broadcasting revenues were up 49% year over year to \$2.81 billion.

Media Networks' segment operating income increased 7% year over year to \$2.38 billion. Cable Networks' operating income inched up 1% to \$1.80 million. Broadcasting operating income surged 53% to \$397 million.

Cable Networks' operating income increased on the addition of the TFCF Corporation (TFCF) businesses (mainly the FX and National Geographic networks), partially offset by a decrease in ESPN, the Domestic Disney Channels and Freeform revenues.

ESPN's advertising revenues declined due to lower average viewership on account of cancellation of major sporting events beginning mid-March as a result of the coronavirus outbreak. Moreover, ESPN's results were negatively impacted by higher programming and production costs, somewhat negated by an increase in affiliate revenues.

Higher programming costs were due to rate increases for College Football Playoffs and other college sports as well as increased costs for the ACC Network, launched in August 2019.

Affiliate revenues benefited from contractual rate increases, partially offset by a decline in subscribers.

The rise in broadcasting operating income was driven by the TFCF consolidation, largely reflecting program sales, and to a lesser extent, a ramp-up in Disney's legacy operations.

Parks, Experiences and Products

The segment's revenues (30.8% of revenues) decreased 10.2% year over year to \$5.54 billion. Operating income dropped 57.6% to \$639 million.

Segmental results were adversely impacted by decreases at both domestic and international parks and experiences businesses. Games and merchandise licensing businesses also suffered in the reported quarter.

Disney closed its domestic parks and resorts, cruise line business and Disneyland Paris in mid-March while parks and resorts in Asia were shut down earlier in the quarter. The closures dented volumes. Attendance at domestic parks declined 11% in the fiscal second quarter.

Per Disney, the coronavirus pandemic hurt segmental operating income by roughly \$1 billion.

Studio Entertainment Details

Studio Entertainment segment (14.1% of revenues) revenues increased 17.7% to \$2.54 billion.

Operating income fell 7.9% to \$466 million. This downside was attributed to weak results at legacy operations due to higher film impairments and decreases in theatrical distribution and stage play results.

Theatrical distribution was hampered by coronavirus as theaters closed domestically beginning mid-March and internationally at various times starting late January.

Coronavirus outbreak affected the performance of *Onward*, released domestically on Mar 6. Stage play results were negatively impacted by the closure of live entertainment theaters.

However, TV/SVOD distribution results benefited from the sales of content to Disney+, such as *The Lion King*, *Toy Story 4*, *Frozen II* and *Aladdin*. TFCF theatrical releases in the current quarter included *Call of the Wild* and *Downhill*.

Direct-to-Consumer (DTC) & International Interactive Media

This segment's (22.9% of revenues) revenues came in at \$4.12 billion, up from \$1.15 billion reported in the year-ago quarter.

ESPN+ had 7.9 million paid subscribers at the end of the fiscal second quarter compared with 2.2 million at the end of the year-ago quarter.

Disney+, which was launched on Nov 12, 2019, won 33.5 million paid subscribers within its fold. As of May 4, the company estimates Disney+ subscriber base to be 54.5 million.

Hulu ended the quarter with 32.1 million paid subscribers, up 27% year over year.

The average monthly revenue per paid subscriber for ESPN+ declined 17% year over year to \$4.24 due to a shift in the mix of subscribers to Disney's bundled offering.

Notably, in November 2019, the company began offering a bundled subscription package of Disney+, ESPN+ and Hulu, which has a lower average retail price per service compared to the average retail price of each service on a standalone basis.

The average monthly revenue per paid subscriber for Disney+ was \$5.63. Moreover, the average monthly revenue per paid subscriber for Disney's Hulu SVOD Only service slipped 5% year over year to \$12.06 due to lower retail pricing.

The average monthly revenue per paid subscriber for Disney's Hulu Live TV + SVOD service rose 29% from the year-ago quarter to \$67.75 owing to higher retail pricing.

Operating loss widened to \$812 million from \$385 million in the year-ago quarter. Consolidation of Hulu and ongoing investments in ESPN+ and Disney+ eroded profitability.

Other Quarterly Details

Costs & expenses surged 44.3% year over year to \$16.64 billion in the reported quarter.

Segmental operating income decreased 37% year over year to \$2.42 billion.

Balance Sheet & Cash Flow

As of Mar 31, 2020, cash and cash equivalents were \$14.34 billion compared with \$6.83 billion as of Dec 31, 2019.

During the quarter, Disney issued \$6 billion of term debt, which raised its cash balance. In the beginning of the second quarter, the company issued another \$925 million in term debt.

Total borrowings were \$55.45 billion as of Mar 31, 2020 compared with \$48.08 billion as of Dec 31, 2019.

Disney's new \$5-billion 364-day bank facility combined with its existing credit facilities of \$12.25 billion enhanced its total credit facility capacity to \$17.25 billion.

Moreover, Disney decided to forego the semi-annual dividend payment for the first half of the current fiscal year, thereby saving \$1.6 billion in cash.

Cash provided by continuing operating activities declined 19% year over year to \$3.16 billion. Free cash flow at the end of the quarter was \$1.91 billion, down 30% year over year.

Outlook

Disney+ will be available in Japan during June, followed by the Nordics, Belgium, Luxembourg and Portugal in September while Latin America will follow toward the end of 2020.

Further, Disney expects total capital expenditure for fiscal 2020 to be about \$900 million, indicating a decline from its prior guidance or a fall of \$400 million from the reported 2019-level.

Recent News

On Jun 10, Disney announced that pending state and local government approvals, Disneyland Park will join Disney California Adventure in reopening its gates on Jul 17. Moreover, Downtown Disney District will reopen a week earlier on Jul 9 while Disney's Grand Californian Hotel & Spa and Paradise Pier Hotel will reopen on Jul 23.

Notably, Florida's Magic Kingdom Park and Disney's Animal Kingdom are expected to begin a phased reopening for the general public on Jul 11 followed by EPCOT and Disney's Hollywood Studios on Jul 15, subject to fulfillment of conditions set by state and local administration.

Further, the Hong Kong Disneyland Park is set to reopen on Jun 18.

On May 18, Disney announced the appointment of Josh D' Amaro as the chairman of Disney Parks, Experiences and Products segment.

On May 12, Disney along with Lin-Manuel Miranda, Jeffrey Seller and Thomas Kail announced that the filmed version of the original Broadway production, *Hamilton*, will now be shown on Disney+ come Jul 3, 2020.

On May 11, Disney reopened the gates of Shanghai Disney Resort's theme park, Shanghai Disneyland.

On Apr 8, Disney announced that its streaming service Disney+ has now more than 50 million paid subscribers, a feat achieved within five months of its launch.

On Apr 3, Disney announced upcoming movie release dates with *Mulan* now set to open on Jul 24 followed by *Jungle Cruise* on Jul 30. Much-anticipated Marvel Studios' *Black Widow* is scheduled for Nov 6 while *The Eternals* will hit the theaters on Feb 12, 2021.

Valuation

Disney shares are down 18.1% in the year-to-date period and 15% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 18.3% and 11.1% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are down 14.4% and 5.9%, respectively.

The S&P 500 Index is down 4.8% in the year-to-date period but up 5% in the past year.

The stock is currently trading at 35.49X forward 12-month earnings, which compares to 37.09X for the Zacks sub-industry, 33X for the Zacks sector and 22.09X for the S&P 500 index.

Over the past five years, the stock has traded as high as 38.81X and as low as 13.4X, with a 5-year median of 16.63X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$124 price target reflects 37.26X forward 12-month earnings.

The table below shows summary valuation data for DIS

Valuation Multiples - DIS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	35.49	37.09	33	22.09
	5-Year High	38.81	38.53	33	22.11
	5-Year Low	13.4	12.9	16.21	15.23
	5-Year Median	16.63	17.62	19.92	17.49
P/B TTM	Current	2.26	1.25	3	4.27
	5-Year High	4.17	2.89	5.05	4.56
	5-Year Low	1.63	0.98	2.2	2.83
	5-Year Median	3.29	1.86	4.21	3.66
EV/EBITDA TTM	Current	14.95	9.73	10.09	11.35
	5-Year High	24.07	15.78	17.62	12.85
	5-Year Low	9.7	5.78	8.29	8.25
	5-Year Median	11.84	7.44	12.24	10.82

As of 06/16/2020

Industry Analysis Zacks Industry Rank: Bottom 15% (216 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Apple Inc. (AAPL)	Neutral	3
Amazon.com, Inc. (AMZN)	Neutral	3
Cable One, Inc. (CABO)	Neutral	3
DISH Network Corporation (DISH)	Neutral	3
Lions Gate Entertainment Corp. (LGF.A)	Neutral	3
Netflix, Inc. (NFLX)	Neutral	2
ATT Inc. (T)	Neutral	3
Comcast Corporation (CMCSA)	Underperform	4

Industry Comparison Industry: Media Conglomerates				Industry Peers		
	DIS	X Industry	S&P 500	AAPL	CMCSA	NFLX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	5	-	-	3	4	2
VGM Score	D	-	-	A	B	C
Market Cap	213.93 B	7.72 B	22.00 B	1,526.03 B	180.98 B	191.81 B
# of Analysts	6	3	14	12	16	12
Dividend Yield	1.49%	0.00%	1.92%	0.93%	2.31%	0.00%
Value Score	D	-	-	C	B	D
Cash/Price	0.07	0.16	0.06	0.06	0.05	0.03
EV/EBITDA	12.70	9.18	12.79	19.43	8.06	16.72
PEG Ratio	13.94	12.56	3.00	2.68	1.80	2.27
Price/Book (P/B)	2.25	0.48	3.04	19.46	2.19	22.81
Price/Cash Flow (P/CF)	14.97	10.29	11.81	23.07	6.61	17.11
P/E (F1)	78.35	48.76	21.70	28.59	16.91	68.20
Price/Sales (P/S)	2.74	4.25	2.34	5.69	1.67	8.96
Earnings Yield	1.27%	-0.18%	4.33%	3.50%	5.91%	1.47%
Debt/Equity	0.45	0.67	0.77	1.14	1.28	1.69
Cash Flow (\$/share)	7.91	3.24	7.01	15.26	6.01	25.49
Growth Score	D	-	-	B	C	B
Hist. EPS Growth (3-5 yrs)	2.68%	83.28%	10.87%	9.79%	17.32%	92.67%
Proj. EPS Growth (F1/F0)	-73.95%	-47.30%	-10.58%	3.59%	-24.88%	54.84%
Curr. Cash Flow Growth	4.37%	-0.66%	5.46%	-3.74%	21.54%	26.74%
Hist. Cash Flow Growth (3-5 yrs)	7.57%	3.70%	8.55%	7.40%	11.76%	30.03%
Current Ratio	0.94	0.65	1.29	1.50	0.87	0.82
Debt/Capital	35.35%	40.14%	45.06%	53.18%	56.39%	62.76%
Net Margin	6.88%	-27.88%	10.53%	21.35%	10.72%	10.43%
Return on Equity	9.09%	-2.29%	16.06%	64.49%	17.56%	30.83%
Sales/Assets	0.39	0.04	0.55	0.81	0.42	0.66
Proj. Sales Growth (F1/F0)	-3.66%	-7.87%	-2.59%	0.79%	-6.07%	22.59%
Momentum Score	C	-	-	A	C	F
Daily Price Chg	1.16%	0.00%	1.81%	2.65%	-0.20%	2.50%
1 Week Price Chg	-7.47%	-1.68%	-7.25%	2.20%	-6.25%	-0.36%
4 Week Price Chg	3.56%	3.56%	8.30%	12.44%	4.03%	-3.31%
12 Week Price Chg	20.71%	22.28%	28.43%	42.61%	14.75%	22.06%
52 Week Price Chg	-14.94%	-14.94%	-3.34%	77.42%	-8.09%	22.12%
20 Day Average Volume	14,867,298	624,876	2,618,631	30,448,260	17,300,156	5,646,392
(F1) EPS Est 1 week change	-9.35%	0.00%	0.00%	0.17%	0.00%	0.00%
(F1) EPS Est 4 week change	-28.21%	-1.25%	0.00%	0.09%	-0.06%	-0.43%
(F1) EPS Est 12 week change	-66.52%	-48.44%	-14.98%	-5.81%	-26.05%	6.92%
(Q1) EPS Est Mthly Chg	-12.00%	-6.00%	0.00%	0.98%	0.57%	0.08%

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	D
Growth Score	D
Momentum Score	C
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.

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.