

Digital Realty Trust (DLR)

\$145.77 (As of 05/04/20)

Price Target (6-12 Months): **\$155.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/09/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: D

Growth: B

Momentum: A

Summary

Shares of Digital Realty have outperformed its industry over the past year. The company's recently acquired unit, Interxion, has started building a major expansion project in Paris. This will allow the company to gain a strong foothold in the growing digital market of France. Also, the company recently "powered on" its third data center, in Singapore. The move came as part of its expansion strategy to capitalize on the country's digital economy. Notably, solid fundamental of the data-center market is expected to help the company ride on its growth curve. Accretive acquisitions and development efforts backed by healthy balance sheet augur well. However, the company faces intense competition in the industry. Amid this, aggressive pricing pressure will likely persist in the upcoming period. Also, the company has a substantial debt burden.

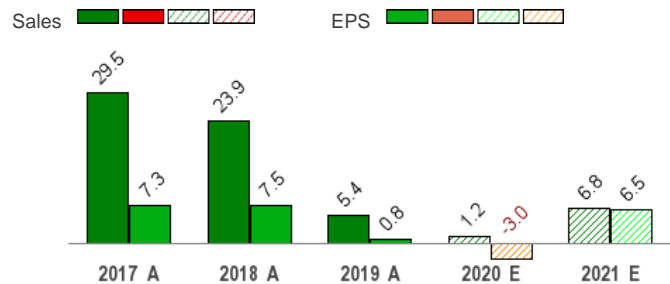
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$158.36 - \$105.00
20 Day Average Volume (sh)	2,241,176
Market Cap	\$39.1 B
YTD Price Change	21.7%
Beta	0.21
Dividend / Div Yld	\$4.48 / 3.1%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Top 31% (79 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.5%
Last Sales Surprise	-0.8%
EPS F1 Est- 4 week change	-0.7%
Expected Report Date	05/07/2020
Earnings ESP	-4.5%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	856 E	858 E	881 E	894 E	3,468 E
2020	787 E	796 E	823 E	837 E	3,248 E
2019	815 A	801 A	806 A	787 A	3,209 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.75 E	\$1.72 E	\$1.78 E	\$1.78 E	\$6.87 E
2020	\$1.57 E	\$1.62 E	\$1.65 E	\$1.68 E	\$6.45 E
2019	\$1.73 A	\$1.64 A	\$1.67 A	\$1.62 A	\$6.65 A

*Quarterly figures may not add up to annual.

P/E TTM	21.9
P/E F1	22.6
PEG F1	3.3
P/S TTM	12.2

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/04/2020. The reports text is as of 05/05/2020.

Overview

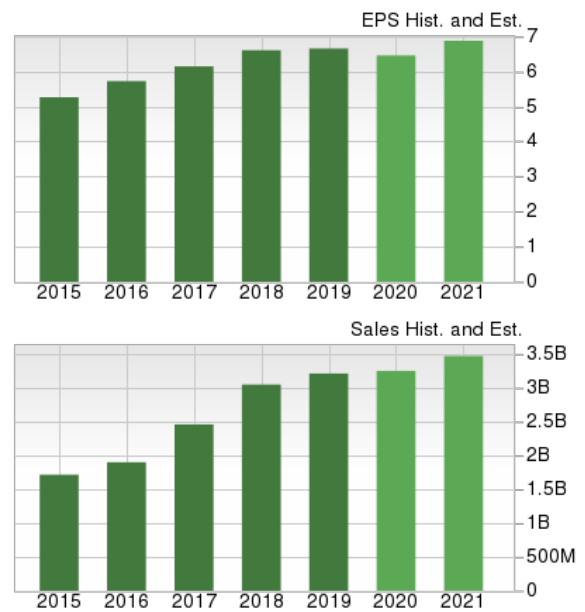
Digital Realty Trust is engaged in the ownership, acquisition, repositioning and management of the technology-related real estate. Specifically, the company offers data center, colocation and interconnection solutions for domestic and international tenants through its portfolio of data centers located throughout North America, Europe, Asia and Australia. The tenants belong to a wide variety of industry verticals, ranging from financial services, cloud and information technology services, to manufacturing, energy, healthcare and consumer products.

The company is headquartered in San Francisco, CA. It has regional U.S. offices in Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia and Phoenix, as well as regional international offices in Amsterdam, Dublin, London, São Paulo, Singapore, Sydney, Tokyo and Hong Kong.

As of Dec 31, 2019, the company's portfolio comprised 225 data centers. This included 41 properties held as investments in unconsolidated joint ventures. Out of these, 147 data centers are situated throughout the United States, while 41 are located in Europe, 19 in Latin America, 10 in Asia, five in Australia and three in Canada. The portfolio contains around 36.6 million square feet, including about 4.5 million square feet of space under active development and 1.8 million square feet of space held for future development.

In recent years, Digital Realty has opted for strategic acquisitions which helped the company gain scale. Particularly, in March 2020, the company announced that it has completed the acquisition of Interxion, a provider of carrier and cloud-neutral colocation data-center services. The acquisition deal, which was announced last October and valued at \$8.4 billion, including debt, aids Digital Realty to gain a strong presence in Europe and capitalize on Interxion's expertise in the colocation and interconnection space in the region.

*Note**: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.*



Reasons To Buy:

- ▲ Digital Realty has a high-quality diversified customer base comprising tenants from Cloud, Content, Information technology, Network and Enterprise, and Financial industries. Tenant roster includes names like Facebook, IBM, Oracle, LinkedIn, Uber, Verizon, Comcast and others. Majority of its tenants are investment grade and numerous customers use multiple locations across the portfolio.
- ▲ Digital Realty is expected to ride on its growth curve backed by strategic acquisitions. The company recently completed the previously-announced acquisition of Interxion, a European provider of carrier and cloud-neutral colocation data-center services for a total consideration of \$8.4 billion, including debt. The combined company will enjoy enhanced presence in major European metro areas, and its size and scale is expected to result in an efficient cost structure and superior EBITDA margins. Moreover, during 2018, the company completed the acquisition of Ascenty, a data-center provider in Brazil, in a transaction valued at \$1.8 billion. This helped gain eight assets and six development projects in Brazil. Also, the earlier merger with DuPont Fabros enhanced Digital Realty's portfolio in the top U.S. data-center metro areas across Northern Virginia, Chicago and Silicon Valley. It helped Digital Realty enhance hyper-scale product offering and grow its blue-chip customer base. Also, the company enhanced its presence in Europe, Australia and Asia in recent years through the development of high-quality facilities. We believe such expansion efforts will drive the company's top and bottom lines in the years ahead.
- ▲ With growth in cloud computing, Internet of Things and big data, and an increasing number of companies opting for third-party IT infrastructure; data-center REITs are experiencing a boom market. Also, the estimated growth rates for the artificial intelligence, autonomous vehicle and virtual/augmented reality markets will remain robust over the next five to six years. In fact, demand is outpacing supply in top-tier data center markets and despite enjoying high occupancy, the top-tier markets are absorbing new construction at a faster pace. These are anticipated to drive demand for data centers.
- ▲ Moreover, the company delivered a healthy performance in fourth-quarter 2019 on solid data-center demand. Signed total bookings during the reported quarter are estimated to generate \$69 million of annualized GAAP rental revenues. This would include a \$7-million contribution from inter-connection. Notably, the weighted-average lag between leases signed during fourth-quarter 2019 and the contractual commencement date was four months. Also, the company signed renewal leases, marking \$117 million of annualized GAAP rental revenues.
- ▲ The company focuses on maintaining a solid balance sheet and enjoys ample and growing liquidity, with diversified sources of capital and has a well-laddered debt maturity schedule, with weighted average maturity of 6.5 years and 2.9% weighted average coupon. Further, 99% of its total debt is unsecured.
- ▲ Additionally, solid dividend payouts are the biggest enticement for REIT shareholders and Digital Realty remains committed to that. Furthermore, in February 2020, the company announced a 4% hike in dividend to \$1.12 per share. The company has raised dividend every year since its initial public offering and the latest dividend hike marked the 15th consecutive year of increase.

Digital Realty is well poised to grow amid robust demand for data centers, accretive acquisitions, development efforts and solid balance-sheet strength. Rising dividends augur well for shareholders.

Reasons To Sell:

- ▼ Digital Realty faces stiff competition in its industry. In fact, the company competes with several data center developers, owners and operators, many of whom enjoy ownership of similar assets in locations same as Digital Realty. Also, there are a number of local developers in the United States, and several regional operators in Europe, Asia and Australia. Given the solid growth potential of the data center real estate market, competition is expected to increase in the upcoming period from existing players, as well as the entry of new players. Amid this, there is likely to be aggressive pricing pressure in the data center market.
- ▼ Digital Realty has a significant number of properties situated outside the United States. The company is also considering making additional international acquisitions. Although a sound global footprint helps the company meet rising data center requirements of customers around the world, the process exposes the company's earnings to foreign currency translation.
- ▼ The company has a substantial debt burden. In fact, as of Dec 31, 2019, the company had around \$10.1 billion of total debt outstanding, of which \$10 billion was unsecured debt and around \$0.1-billion secured debt. Although interest rate levels are low at present, any hike in future is likely to be a challenge for the company. Essentially, rising rates imply higher borrowing cost for the company, which would affect its ability to purchase or develop real estate and lower dividend payouts as well. Moreover, the dividend payout might become less attractive than the yields on fixed income and money-market accounts.
- ▼ Shares of Digital Realty have outperformed its industry over the past year. The stock has gained 22.1%, compared with the industry's decline of 11.3%. However, the recent trend in estimate revision of current-year FFO per share does not indicate an upbeat outlook. In fact, over the past month, the Zacks Consensus Estimate for 2020 FFO per share moved marginally downward. Therefore, given the above-mentioned factors and downward estimate revisions, the stock has limited upside potential.

Digital Realty faces cut-throat competition in the industry, leading to aggressive pricing pressure. Substantial debt burden and notable exposure to foreign currency translation are other concerns.

Last Earnings Report

Digital Realty Beats Q4 FFO Estimates, Revenues Up Y/Y

Digital Realty reported fourth-quarter 2019 core FFO per share of \$1.62, beating the Zacks Consensus Estimate of \$1.58. However, results compare unfavorably with the year-ago figure of \$1.68.

The company reported operating revenues of \$787.5 million in the fourth quarter, marking a 1.2% year-over-year rise. The revenue figure, however, missed the Zacks Consensus Estimate of \$794 million.

For full-year 2019, the company reported core FFO per share of \$6.65, up from the prior year's \$6.60. Revenues for the year amounted to \$3.2 billion, up 5.3% year on year.

Quarter in Detail

Signed total bookings during the reported quarter are estimated to generate \$69 million of annualized GAAP rental revenues. This would include a \$7-million contribution from inter-connection. Notably, the weighted-average lag between leases signed during fourth-quarter 2019 and the contractual commencement date was four months.

Moreover, the company signed renewal leases, marking \$117 million of annualized GAAP rental revenues. Rental rates on renewal leases signed during the quarter rolled down 0.6% on a cash basis and up 4.2% on a GAAP basis.

Portfolio Activity

In November, Digital Realty closed \$1-billion joint venture (JV) with Mapletree Investments and Mapletree Industrial Trust on three existing Turn-Key Flex® data centers in Ashburn, VA. Digital Realty retained 20% interest in the JV, while the entity acquired 80% stake for around \$811 million. Digital Realty will keep operating and managing these facilities. These facilities are anticipated to generate aggregate cash NOI of around \$61 million next year. This indicates a 6% cap rate.

Balance Sheet

Digital Realty exited fourth-quarter 2019 with cash and cash equivalents of around \$89.8 million, up from the \$7.2 million recorded at the end of the prior quarter.

Additionally, as of Dec 31, 2019, the company had around \$10.1 billion of total debt outstanding, of which \$10 billion was unsecured debt and \$0.1 billion secured debt. Also, as of the same date, its net debt-to-adjusted EBITDA was 5.7x, while fixed charge coverage was 4.1x.

Quarter Ending **12/2019**

Report Date	Feb 13, 2020
Sales Surprise	-0.82%
EPS Surprise	2.53%
Quarterly EPS	1.62
Annual EPS (TTM)	6.66

Recent News

Digital Realty Unit Begins Paris Digital Park Construction – Apr 21, 2020

Digital Realty's recently-acquired unit — Interxion — has started building a major expansion project in Paris. This move will provide an impetus to the PlatformDIGITAL™ expansion in France.

Referred as Interxion Digital Park, this new location has access to up to 85 megawatts (MW) of customer available power. Spanning an area of about 40,000 square meters, the site will house four data centers.

The first data center on this location, which also represents Interxion's eighth in Paris, has been named PAR8. Being built in three phases, PAR8 will offer 9,600 square meters of equipped space and 19 MW of customer available power when fully constructed. The total capital expenditure, excluding land and other related costs, is projected to be €207 million. The first phase of PAR8, which would likely offer about 3200 square meters, is slated to open in late 2021.

Being located near to the PAR7 facility, Interxion Paris Digital Park will gain from the network connectivity of its seven existing data centers which are all inter-connected.

The latest expansion in Paris seems a strategic fit because there is a solid demand for such facilities in Europe. The cloud and content platform providers have been expanding their presence continuously in major European cities.

Interxion, which recently concluded its combination with Digital Realty, already had a strong presence in the colocation and interconnection space in Europe, with business in more than 50 carrier-and cloud-neutral facilities across 11 countries and several metro areas, including Frankfurt, Amsterdam and Paris, as well as its Internet Gateway in Marseille.

Digital Realty Banks on Singapore Tech Boom, Powers On New Unit - Apr 7, 2020

Digital Realty "powered on" its third data center — Digital Loyang II (SIN12) — in Singapore. The move comes as part of the company's expansion strategy to capitalize on the country's digital economy, rapidly-growing FinTech industry, and aid in the operation of crucial industries.

The new, 50-megawatt SIN12 facility offers a total footprint of 34,000 square meters. It provides scope for global enterprise customers to grow their core digital assets on PlatformDIGITAL™ in the Singapore market. This facility is located neighboring to Digital Loyang I, or SIN11, with diverse high-count fiber routes connecting both data centers.

Strategically situated close to the Changi North Cable landing station, a vital sub-sea internet hub for the region, as well as less than 25 kilometers from Singapore's central business district, the Digital Loyang campus will offer up to 50 megawatts of critical power capacity to regional and global customers. The facility has already drawn solid attention from tenants. It has been partially pre-leased to a major Singaporean multinational banking corporation as well as a leading global cloud provider.

Specifically, Digital Realty is poised to benefit from the solid data-center demand, as well as accretive acquisitions, expansions and development efforts. In fact, in the Digital Capitals Index, Singapore is placed in the sixth spot and is anticipated to move up to the fifth place overall in the global rankings by 2024.

Already established as a key digital economy hub, Singapore has earned its reputation for being one of the world's leading centers for business and finance, transportation and logistics, along with technology manufacturing. It also has a superior position with respect to development and adoption of emerging technologies, with usage of artificial intelligence, IoT and blockchain technology in several industries, while use of 5G is projected to grow in the near future.

Particularly, the four emerging technologies — Artificial Intelligence (AI), Internet of Things (IoT), 5G and Blockchain — combined added S\$12.5 billion to Singapore's economy in 2019. Specifically, IoT contributed the most at 51% of the total or S\$6.4 billion. Furthermore, these new technologies are expected to contribute an estimated S\$29.4 billion to Singapore's economy in 2024, and reach a whopping \$49.8 billion by 2029.

Digital Realty Boosts European Presence on InterXion Buyout – Mar 13, 2020

Digital Realty completed its previously announced combination with InterXion. With this, Digital Realty, which is a major provider of data center, colocation and interconnection solutions, is expected to enjoy an increased presence in major European metro areas.

The transaction was completed, following the expiration of the related exchange offer. As part of the transaction, 70.9 million shares of InterXion, representing 92.3% of total shares outstanding, were tendered.

Non-tendering shareholders will receive shares of Digital Realty common stock (and/or cash in lieu of fractional shares of Digital Realty) in accordance with a liquidation distribution, which is generally subjected to a 15% Dutch dividend-withholding tax as less than 95% of InterXion's total shares outstanding were acquired in the exchange offer. Furthermore, the shareholders will no longer be able to trade the shares on any stock exchange and their transferability will also be subjected to certain restrictions.

The move is expected to be accretive to Digital Realty's long-term growth trajectory, as it capitalizes on InterXion's European colocation and interconnection expertise. Interxion's European business comprised more than 50 carrier-and cloud-neutral facilities across 11 countries and several metro areas, including Frankfurt, Amsterdam and Paris, as well as its Internet Gateway in Marseille. Interxion's European business is likely to strengthen the footprint of Digital Realty, which already has solid presence in London and Dublin.

Digital Realty Banks on Euro Tech Boom, Opens Dublin Facility – Mar 5, 2020

Digital Realty announced the launch of the Clonsbaugh data center, the company's latest facility in Dublin, Ireland. The move comes as part of the company's effort to capitalize on the multibillion-euro technology boom that the city is set to experience in the coming years.

In fact, in Dublin, per the Digital Realty-commissioned study, "Digital Capitals Index: Dublin," four innovative technologies — Artificial Intelligence (AI), IoT, 5G and Blockchain — combined added approximately €1.23 billion to Dublin's economy in 2019. Specifically, IoT contributed the most at 51% of the total or €630 million.

Moreover, these new technologies are expected to contribute an estimated €6.37 billion to Dublin's economy in 2029, which represents a whopping increase of €5.14 billion from the 2019 level. Robust growth is likely to come from 5G, with its economic contribution rising to €1.12 billion from €30 million, over the next decade.

This is owing to 5G emerging as the foundation for deployment of several other innovative, data-led technologies. AI is expected to be the biggest driver with an estimated 46% surge in value, while IoT is projected to make contribution of a further 22%.

In fact, per the study commissioned by Digital Realty and conducted by Development Economics, out of the 60 digital cities studied, Dublin ranks 39th, though after adjusting for population size, this ranking puts the city in the eight place overall. By 2029, due to rapid growth of the technology sector in the city, Dublin's ranking is expected to be up four places.

Amid these, Digital Realty's investment in the Dublin data-center market comes as a strategic fit. In fact, the latest data center which marks a €70-million investment follows the company's prior €200-million investment in the market, resulting in the opening of its Profile Park campus last May.

Dividend Update

On Feb 27, the company announced a hike in its quarterly cash dividend to \$1.12 per share from \$1.08 per share paid earlier. This represented a 3.7% increase when compared to the last quarter. The dividend was paid on Mar 31 to the common stockholders as of Mar 17, 2020.

Valuation

Digital Realty shares have been up 22.1% in the trailing 12 months. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 11.3% and 22.0% in the past year, respectively.

The S&P 500 index is down 3.7% in the past year.

The stock is currently trading at 22.10X forward 12-month FFO, which compares to 16.50X for the Zacks sub-industry, 14.85X for the Zacks sector and 20.16X for the S&P 500 Index.

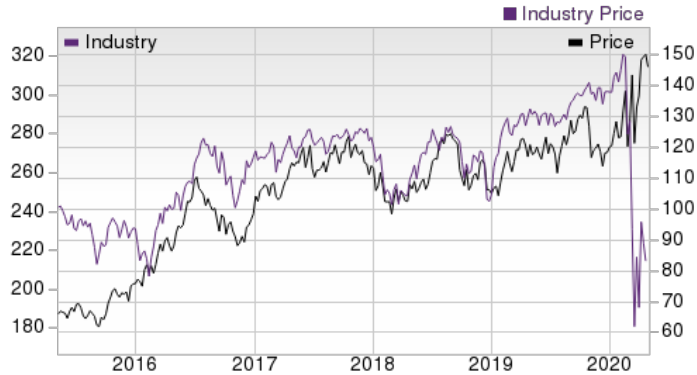
Over the past five years, the stock has traded as high as 23.50X and as low as 11.51X, with a 5-year median of 16.94X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$155 price target reflects 23.50X FFO.

The table below shows summary valuation data for DLR.

Valuation Multiples - DLR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	22.1	16.5	14.85	20.16
	5-Year High	23.5	18.1	16.18	20.16
	5-Year Low	11.51	14.32	11.24	15.19
	5-Year Median	16.94	16.04	13.94	17.44
P/S F12M	Current	11.76	7.26	4.98	3.19
	5-Year High	12.05	8.14	6.7	3.44
	5-Year Low	4.48	5.91	4.98	2.54
	5-Year Median	7.2	6.87	6.06	3.01
P/B TTM	Current	4.12	2.41	2.08	3.75
	5-Year High	5.88	3.01	2.9	4.55
	5-Year Low	2.05	1.8	1.71	2.84
	5-Year Median	3.12	2.51	2.53	3.64

As of 05/04/2020

Industry Analysis Zacks Industry Rank: Top 31% (79 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
American Tower Corporation (REIT) (AMT)	Neutral	3
Crown Castle International Corporation (CCI)	Neutral	3
CyrusOne Inc (CONE)	Neutral	3
CoreSite Realty Corporation (COR)	Neutral	3
Equinix, Inc. (EQIX)	Neutral	3
Iron Mountain Incorporated (IRM)	Neutral	3
QTS Realty Trust, Inc. (QTS)	Neutral	3
SBA Communications Corporation (SBAC)	Neutral	3

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	DLR	X Industry	S&P 500	CONE	COR	EQIX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3	3
VGM Score	C	-	-	C	C	C
Market Cap	39.10 B	1.89 B	19.65 B	8.16 B	4.63 B	58.08 B
# of Analysts	9	4	14	9	10	7
Dividend Yield	3.07%	4.78%	2.19%	2.82%	3.99%	1.57%
Value Score	D	-	-	D	D	F
Cash/Price	0.00	0.04	0.06	0.01	0.00	0.03
EV/EBITDA	23.34	12.93	11.76	21.05	20.90	27.75
PEG Ratio	3.25	3.57	2.48	0.84	1.14	1.55
Price/Book (P/B)	3.31	1.15	2.63	3.45	28.18	6.18
Price/Cash Flow (P/CF)	16.79	9.20	10.38	18.99	19.87	30.28
P/E (F1)	22.51	13.13	18.81	18.49	23.76	27.30
Price/Sales (P/S)	12.18	4.32	2.02	8.14	7.97	10.44
Earnings Yield	4.42%	7.56%	5.07%	5.41%	4.20%	3.66%
Debt/Equity	1.18	0.87	0.73	1.40	9.56	1.40
Cash Flow (\$/share)	8.68	2.03	7.01	3.73	6.15	22.33
Growth Score	B	-	-	A	B	B
Hist. EPS Growth (3-5 yrs)	7.22%	2.43%	10.87%	13.77%	16.68%	16.68%
Proj. EPS Growth (F1/F0)	-2.97%	-1.34%	-8.14%	5.48%	0.88%	8.54%
Curr. Cash Flow Growth	14.13%	3.36%	5.88%	24.40%	4.75%	12.38%
Hist. Cash Flow Growth (3-5 yrs)	19.36%	12.74%	8.55%	30.81%	17.21%	22.24%
Current Ratio	0.32	1.52	1.25	1.20	0.17	1.33
Debt/Capital	50.58%	46.61%	44.07%	58.41%	90.53%	58.27%
Net Margin	18.07%	15.18%	11.00%	-3.32%	12.74%	9.12%
Return on Equity	5.79%	4.35%	16.43%	1.54%	32.98%	5.84%
Sales/Assets	0.14	0.13	0.55	0.17	0.28	0.24
Proj. Sales Growth (F1/F0)	1.21%	0.44%	-1.76%	5.59%	5.74%	8.29%
Momentum Score	A	-	-	C	C	A
Daily Price Chg	-0.10%	-1.29%	-0.01%	1.58%	1.16%	0.76%
1 Week Price Chg	-2.74%	4.30%	0.53%	-4.19%	0.08%	-2.08%
4 Week Price Chg	4.49%	8.35%	6.66%	13.64%	5.49%	3.64%
12 Week Price Chg	15.62%	-30.86%	-20.38%	12.58%	10.34%	10.45%
52 Week Price Chg	22.10%	-26.41%	-13.44%	16.62%	8.36%	41.26%
20 Day Average Volume	2,241,176	833,977	2,567,149	1,324,438	304,712	484,793
(F1) EPS Est 1 week change	0.54%	0.00%	0.00%	-0.27%	0.08%	0.00%
(F1) EPS Est 4 week change	-0.70%	-1.82%	-6.96%	-0.23%	-0.55%	-0.32%
(F1) EPS Est 12 week change	-2.36%	-4.81%	-13.90%	-3.25%	-5.02%	-0.73%
(Q1) EPS Est Mthly Chg	-0.03%	-2.13%	-13.62%	-2.12%	-1.30%	-0.40%

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	B
Momentum Score	A
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.

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.