

Dollar Tree, Inc. (DLTR)

\$100.30 (As of 08/21/20)

Price Target (6-12 Months): **\$105.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/27/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: F

Summary

Dollar Tree has outperformed the industry in the past three months. The stock got a boost from the robust first-quarter fiscal 2020 results, wherein earnings and sales beat the consensus mark. Although earnings declined year over year, the company displayed strength in its operations amid the coronavirus crisis. Earnings benefited from strong top line growth as well as SG&A expense leverage. Its top line benefited from the continuity of its store operations as well as an extraordinary spike in demand for certain products witnessed in March. Moreover, the company stated that it is witnessing strong momentum in its business in the early fiscal second quarter, following the volatility in the first quarter. However, Dollar Tree continued to witness soft margins in the fiscal first quarter, this time, due to higher payroll costs amid the pandemic.

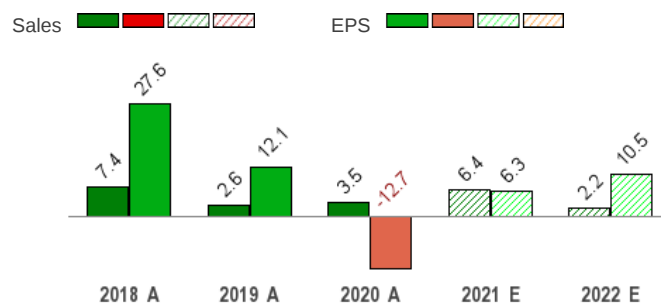
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$119.71 - \$60.20
20 Day Average Volume (sh)	1,573,892
Market Cap	\$23.8 B
YTD Price Change	6.7%
Beta	0.62
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Discount Stores
Zacks Industry Rank	Top 19% (49 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	22.4%
Last Sales Surprise	1.7%
EPS F1 Est- 4 week change	-0.6%
Expected Report Date	08/27/2020
Earnings ESP	-5.2%
P/E TTM	21.5
P/E F1	19.8
PEG F1	2.0
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	6,312 E	6,240 E	6,242 E	6,876 E	25,685 E
2021	6,287 A	6,213 E	6,011 E	6,607 E	25,127 E
2020	5,809 A	5,741 A	5,746 A	6,315 A	23,611 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.27 E	\$1.04 E	\$1.22 E	\$2.13 E	\$5.59 E
2021	\$1.04 A	\$0.90 E	\$1.12 E	\$1.95 E	\$5.06 E
2020	\$1.14 A	\$0.76 A	\$1.08 A	\$1.79 A	\$4.76 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/21/2020. The reports text is as of 08/24/2020.

Overview

Founded in 1986 and headquartered in Chesapeake, VA, Dollar Tree Inc. is an operator of discount variety stores offering merchandise and other assortments. Its stores successfully operate in major metropolitan areas, mid-sized cities and small towns. The company offers a wide range of quality everyday general merchandise in many categories, including housewares, seasonal goods, candy and food, toys, health and beauty care, gifts, party goods, stationery, books, personal accessories, and other consumer items. Its stores are supported by a nationwide logistics network and distribution centers.

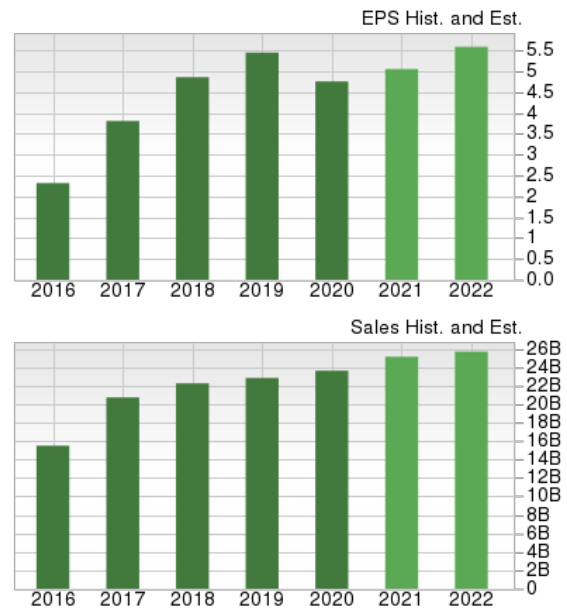
Dollar Tree also owns an e-commerce platform – DollarTree.com – which sells its merchandise in bulk to individuals and small businesses as well as organizations. Through its online platform, the company advertises its in-store events and showcases its special and seasonal promotions for featured products. Further, it acquired Family Dollar Stores, Inc. on July 6, 2015.

The company operates in two reporting business segments: Dollar Tree and Family Dollar.

Dollar Tree: Being the major operator of discount variety stores, this segment offers merchandise at the fixed price point of \$1.00. The segment has nearly 7,562 stores operating under the Dollar Tree and Dollar Tree Canada banners, 12 distribution centers in the United States and two in Canada. Dollar Tree stores primarily range from 8,000 - 10,000 selling square feet.

Family Dollar: This segment operates general merchandise discount retail stores with competitively-priced merchandise in the neighborhood stores. It has nearly 7,808 stores, which sell merchandise at prices ranging from \$1.00 to \$10.00. These stores primarily range from 6,000 - 8,000 selling square feet. The segment includes store operations under the Family Dollar brand and 11 distribution centers.

As of May 2, 2020, Dollar Tree operated 15,370 stores in 48 states and five Canadian provinces.



Reasons To Buy:

▲ **Strong Q1 Results:** Shares of Dollar Tree have gained 22.7% in the past three months compared with the industry's growth of 11.4%. The stock received a boost from the robust first-quarter fiscal 2020 results. Notably, the company reported earnings and sales beat in first-quarter fiscal 2020. Although earnings declined year over year, the company displayed strength in its operations amid the coronavirus crisis. Earnings benefited from strong top line growth as well as SG&A expense leverage despite soft margins. Notably, SG&A expense, as a percentage of sales, contracted 40 basis points (bps) due to leverage on operating and corporate expenses, occupancy costs, and advertising. Its top line benefited from the continuity of its store operations as well as an extraordinary spike in demand for certain products witnessed in March. Moreover, the company stated that it is witnessing strong momentum in its business in the early fiscal second quarter, following the volatility in the first quarter.

Dollar Tree reported enterprise comps growth of 7%. Family Dollar comps primarily gained from the initial trend of stock-piling essentials amid households in March due to the spread of coronavirus.

▲ **Impressive Comps:** Apart from robust top line growth, Dollar Tree reported enterprise same-store sales (comps) growth of 7%. Comps growth was backed by a 15.5% improvement in Family Dollar stores, offset by a 0.9% decline in Dollar Tree. Family Dollar comps primarily benefited from the initial trend of stock-piling essentials amid households in March due to the spread of coronavirus. Demand for the consumables category was strong throughout the quarter, with more than 17% comps growth recorded at Family Dollar. Meanwhile, discretionary category witnessed growth in the start of the quarter with a resurgence in demand seen at the end of the quarter, resulting in comps growth of nearly 9%. Moreover, the company notes that the Family Dollar stores continue to witness improvements in discretionary categories in the fiscal second quarter. Further, the Dollar Tree stores are seeing a rebound in its discretionary categories like crafts, graduation, stationery, Mother's Day seasonal and balloons.

▲ **Coronavirus-Related Actions:** In the wake of the coronavirus pandemic, Dollar Tree has implemented several measures to provide uninterrupted service to customers across both banners. The company quickly took to adopting enhanced cleaning protocols to keep its facilities clean and sanitized. It is encouraging social distancing at its stores, implementing associate health screening procedures and providing PPE kits, masks and gloves to staff. Additionally, it has installed more than 16,000 plexiglass shields at store checkouts and is encouraging contactless payment options through tap-to-pay with Visa, MasterCard, Apple Pay and Google Pay. Further, it is closely working with vendor partners to support and streamline shipments of needed essentials.

▲ **Store Rationalization:** Dollar Tree's restructuring and expansion initiatives, as evident from steady store openings and improvement of distribution centers, are likely to drive revenues. In first-quarter fiscal 2020, Dollar Tree opened 99 stores, expanded or relocated 21 outlets, and shuttered 14 stores. It also completed the renovation of 220 Family Dollar stores to the H2 format. As of May 2, 2020, the company operated 15,370 stores in 48 states and five Canadian provinces. Moreover, the company now plans to open 500 stores in fiscal 2020, including 325 Dollar Tree and 175 Family Dollar outlets. It had originally planned 550 store openings for fiscal 2020, comprising 350 Dollar Tree and 175 Family Dollar. However, the timing of the store openings is likely to be deferred. This keeps the company on track to reach its long-term target of operating 26,000 stores, with more than 10,000 Dollar Tree and 15,000 Family Dollar outlets, across North America. Additionally, the company is on track to leverage Family Dollar and Dollar Tree distribution center systems and combined merchandise. This will help in bringing the latest products into Dollar Tree stores without any disruptions.

▲ **Store Renovation Initiatives Back on Track:** Backed by the uncertainties related to the coronavirus pandemic, Dollar Tree suspended its Family Dollar H2 renovations and Dollar Tree Snack Zone installation initiatives to minimize travel and protect employees, in its March business update. However, it is now in the process of resuming these initiatives in select, low-risk markets. Consequently, the company now expects to complete 750 Family Dollar H2 renovations in fiscal 2020 compared with its initial guidance of 1,250 renovations. Its annual target for Dollar Snack Zone installations remained unchanged, although the timing of the completion is likely to shift according to the suspension.

▲ **Financial Flexibility:** Dollar Tree ended first-quarter fiscal 2020 with cash and cash equivalents of \$1,755.1 million, reflecting a significant growth from \$539.2 million at the end of the prior quarter. The company's cash balance as of May 2 included \$750 million drawn on its revolving credit facility. Further, its long-term debt of \$8,108.5 million (including non-current operating lease liabilities) declined 4.6% sequentially. Though its debt-to-capitalization ratio of 0.62 is higher than the industry's ratio of 0.56, it remains unchanged on a sequential basis. Moreover, the company looks to preserve liquidity by suspending share buybacks. On its March business update, the company suspended its share-repurchase plan, citing unprecedented effects of the COVID-19 crisis. Currently, it has nearly \$800 million remaining under its share-buyback plan.

Reasons To Sell:

- ▼ **Higher Payroll Costs Weigh on Margins:** Dollar Tree continued to witness soft margins in the fiscal first quarter, this time, due to higher payroll costs, in the wake of the coronavirus crisis. Notably, incremental payroll expenses for premium wage payments to frontline associates in stores and distribution centers and field management staff bonuses, mainly marred gross and operating margins, as well as partly offset the improvement in SG&A expenses. The company's fiscal first-quarter operating income included \$73.2 million (23 cents per share) of additional operating costs related to the coronavirus outbreak. These comprised premium wages to hourly store and distribution store associates as well as supplies for sanitization and safety. Segment-wise, the company incurred additional costs of \$42.2 million at Dollar Tree, \$30.4 million at Family Dollar, and \$0.6 million for Corporate and Support. Evidently, this was the ninth straight quarter of soft gross and operating margin performance for the company. Gross margin contracted 120 bps, while operating margin decreased 80 bps. Apart from increased payroll costs, adverse merchandise mix, incremental tariffs of \$23 million and Easter merchandise-related markdowns hurt gross margin.
- Incremental payroll expenses for premium wage payments to frontline associates in stores and distribution centers and field management staff bonuses marred margins in first-quarter fiscal 2020.
- ▼ **Stay-At-Home Orders Mar Dollar Tree Segment Comps:** While enterprise comps improved, comps for the Dollar Tree segment declined 0.9% largely impacted by soft Easter holiday sales, with lower sales of seasonal and discretionary products. Categories like party, candy and Easter seasonal were the most impacted, which hurt comps by 490 bps. Notably, comps for the Dollar Tree segment improved 7.1% in the first eight weeks of the reported quarter driven by strength in Valentine's seasonal category. Prior to the slowdown, the Valentine's seasonal category witnessed comps growth of more than 4%, with strong sales growth. However, with the initial shelter-in-place orders implemented around Easter, the segment witnessed a decline in traffic as well as a sudden stacking up of consumables. Further, with widespread stay-at-home mandates enforced, schools, church services, weddings and parties were canceled. This led to a sharp decline in demand for many of the seasonal and discretionary products related to celebrations and large gatherings. Notably, at Dollar Tree segment, comps for the consumables category were up 9%, while discretionary comps declined nearly 9%. Notably, Dollar Tree's comp transaction count was down 11.7%, while comp average ticket increased 12.2% in the quarter as consumers in general have been shopping less but buy more, a trend that has been seen across retail.
- ▼ **Competitive Pressure:** Dollar Tree operates in the highly competitive discount retail merchandise sector. The company faces stiff competition from Wal-Mart and Dollar General that will probably continue to weigh on its results. The competitors have a larger number of stores, greater market presence, brand recognition and financial resources.
- ▼ **Risks of Sourcing Merchandise from Overseas Markets:** A significant portion of Dollar Tree's merchandise is imported from countries outside the U.S. such as China and other Asian countries. Consequently, the company is exposed to political, social and economic risks associated with operations in these countries. Further, an adverse movement in foreign currency exchange rates may dent the company's operational performance.
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Last Earnings Report

Dollar Tree Earnings & Sales Beat Estimates in Q1

Dollar Tree has reported first-quarter fiscal 2020 results, wherein earnings and sales surpassed the Zacks Consensus Estimate. Although earnings declined year over year, the company displayed strength in its operations amid the coronavirus crisis. Its top line benefited from the continuity of its store operations as well as an extraordinary spike in demand for certain products witnessed in March.

Moreover, the company stated that it is witnessing strong momentum in its business in the early fiscal second quarter, following the volatility in the first quarter. The Family Dollar stores are witnessing improvements in discretionary categories. Meanwhile, the Dollar Tree stores are seeing a rebound in its discretionary categories like crafts, graduation, stationery, Mother's Day seasonal and balloons.

However, the company has refrained from updating its outlook for fiscal 2020, given expectations of continued volatility and uncertainty as the coronavirus situation evolves.

Quarter in Detail

Dollar Tree's earnings declined 8.8% year over year to \$1.04 per share but surpassed the Zacks Consensus Estimate of 85 cents.

Consolidated net sales rose 8.2% to \$6,286.8 million and surpassed the Zacks Consensus Estimate of \$6,184.2 million. Enterprise same-store sales (comps) grew 7%. Comps growth was backed by a 15.5% improvement in Family Dollar stores, offset by a 0.9% decline in Dollar Tree. Comps for the Dollar Tree segment were largely impacted by soft Easter holiday sales, with lower sales of seasonal and discretionary products. Categories like party, candy and Easter were the most impacted, which hurt comps by 490 basis points (bps).

Quarterly gross profit improved 3.9% year over year to \$1,794.9 million, while gross margin contracted 120 bps to 28.5%. The margin contraction mainly resulted from adverse merchandise mix, incremental tariffs of \$23 million, Easter merchandise-related markdowns and increased payroll costs at distribution centers. These gains were partly offset by occupancy costs leverage, driven by robust comps.

Selling, general and administrative (SG&A) expenses, as a percentage of sales, contracted 40 bps to 22.7% due to leverage on operating and corporate expenses, occupancy costs, and advertising. These were partly negated by increased payroll expenses for premium wage payments to frontline associates and field management staff bonuses.

Operating income declined 5.1% to \$365.9 million, while operating margin contracted 80 bps. The company's fiscal first-quarter operating income included \$73.2 million (23 cents per share) of additional operating costs related to the coronavirus outbreak. These comprised premium wages to hourly store and distribution store associates as well as supplies for sanitization and safety. Segment-wise, the company incurred additional costs of \$42.2 million at Dollar Tree, \$30.4 million at Family Dollar, and \$0.6 million for Corporate and Support.

Balance Sheet

Dollar Tree ended the quarter with cash and cash equivalents of \$1,755.1 million, comprising \$750 million drawn on its revolving credit facility. Moreover, it had net merchandise inventories of \$3,198.5 million, net long-term debt (excluding current maturities) of \$3,223.3 million and shareholders' equity of \$6,520.6 million as of May 2, 2020.

On its March business update, the company suspended its share-repurchase plan, citing unprecedented effects of the COVID-19 crisis. Currently, it has nearly \$800 million remaining under its share-buyback plan.

Store Update

In first-quarter fiscal 2020, Dollar Tree opened 99 stores, expanded or relocated 21 outlets, and shuttered 14 stores. It also completed the renovation of 220 Family Dollar stores to the H2 format. As of May 2, 2020, the company operated 15,370 stores in 48 states and five Canadian provinces.

Backed by the uncertainties related to the coronavirus pandemic, the company earlier suspended its Family Dollar H2 renovations and Dollar Tree Snack Zone installation initiatives to minimize travel and protect employees. It is now in the process of resuming the initiatives in select, low-risk markets. Consequently, the company now expects to complete 750 Family Dollar H2 renovations in fiscal 2020 compared with its initial guidance of 1,250 renovations. Its annual target for Dollar Snack Zone installations remained unchanged, although the timing of the completion is likely to shift according to the suspension.

Moreover, the company now plans to open 500 stores in fiscal 2020, including 325 Dollar Tree and 175 Family Dollar outlets. It had originally planned 550 store openings for fiscal 2020, comprising 350 Dollar Tree and 175 Family Dollar. However, the timing of the store openings is likely to be deferred.

Quarter Ending **04/2020**

Report Date	May 28, 2020
Sales Surprise	1.66%
EPS Surprise	22.35%
Quarterly EPS	1.04
Annual EPS (TTM)	4.67

Recent News

ADT & Dollar Tree Announce Partnership - Jun 8, 2020

Dollar Tree teamed up with ADT, which through ADT Commercial will offer safety and protection to the retailer's countrywide stores. Per the deal, ADT Commercial will help most Dollar Tree and Family Dollar locations in the United States with its efficient security and monitoring services.

Valuation

Dollar Tree shares are up 6.6% in the year-to-date period and 4.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 6.2% and 31.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 18.7% and 42.1%, respectively.

The S&P 500 index is up 5.4% in the year-to-date period and 18.3% in the past year.

The stock is currently trading at 18.72X forward 12-month earnings, which compares to 27.93X for the Zacks sub-industry, 33.24X for the Zacks sector and 22.85X for the S&P 500 index.

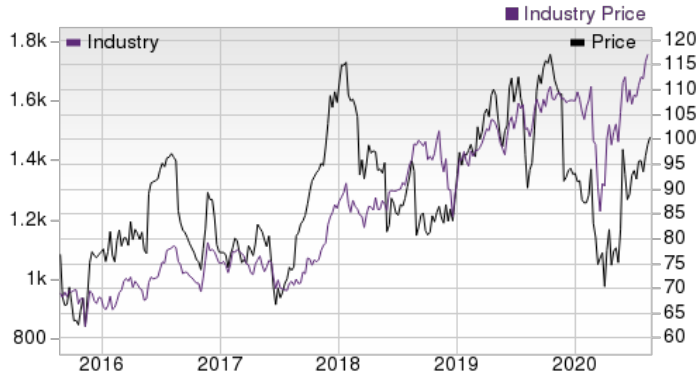
Over the past five years, the stock has traded as high as 32.81X and as low as 12.93X, with a 5-year median of 17.92X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$105 price target reflects 19.6X forward 12-month earnings.

The table below shows summary valuation data for DLTR

Valuation Multiples - DLTR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.72	27.93	33.24	22.85
	5-Year High	32.81	29.98	34.77	22.85
	5-Year Low	12.93	17.93	19.08	15.25
	5-Year Median	17.92	20.11	23.47	17.58
P/S F12M	Current	0.94	1.51	1.27	3.71
	5-Year High	1.24	1.51	1.27	3.71
	5-Year Low	0.63	0.96	0.82	2.53
	5-Year Median	0.89	1.15	0.97	3.05
EV/EBITDA TTM	Current	12.62	26.08	19.98	12.89
	5-Year High	17.05	26.32	20.01	12.89
	5-Year Low	4.95	11.02	10.68	8.25
	5-Year Median	11.11	14.16	12.97	10.91

As of 08/21/2020

Industry Analysis Zacks Industry Rank: Top 19% (49 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Dollar General Corporation (DG)	Outperform	2
Target Corporation (TGT)	Outperform	1
Big Lots, Inc. (BIG)	Neutral	1
Burlington Stores, Inc. (BURL)	Neutral	4
Costco Wholesale Corporation (COST)	Neutral	3
Ross Stores, Inc. (ROST)	Neutral	3
Walmart Inc. (WMT)	Neutral	3
The TJX Companies, Inc. (TJX)	Underperform	4

Industry Comparison Industry: Retail - Discount Stores				Industry Peers		
	DLTR	X Industry	S&P 500	DG	ROST	TGT
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	2	3	1
VGM Score	A	-	-	A	B	A
Market Cap	23.79 B	18.24 B	23.62 B	50.08 B	31.04 B	76.82 B
# of Analysts	9	10	14	17	7	13
Dividend Yield	0.00%	0.00%	1.65%	0.72%	0.00%	1.77%
Value Score	B	-	-	B	B	B
Cash/Price	0.07	0.08	0.07	0.05	0.08	0.07
EV/EBITDA	13.54	13.48	13.29	21.13	13.33	12.20
PEG Ratio	2.03	3.55	3.03	1.80	10.77	3.55
Price/Book (P/B)	3.65	6.53	3.11	6.95	11.02	6.11
Price/Cash Flow (P/CF)	11.31	14.75	12.69	22.36	15.61	13.20
P/E (F1)	19.94	22.53	21.51	22.53	107.68	21.48
Price/Sales (P/S)	0.99	0.97	2.43	1.69	2.43	0.91
Earnings Yield	5.04%	3.46%	4.46%	4.44%	0.93%	4.65%
Debt/Equity	1.24	1.67	0.76	1.65	1.75	1.31
Cash Flow (\$/share)	8.87	6.38	6.93	8.90	5.59	11.64
Growth Score	A	-	-	A	B	A
Hist. EPS Growth (3-5 yrs)	18.19%	12.69%	10.44%	14.79%	14.75%	5.85%
Proj. EPS Growth (F1/F0)	6.21%	-6.79%	-5.53%	31.21%	-82.31%	11.94%
Curr. Cash Flow Growth	-55.39%	9.68%	5.20%	9.68%	4.53%	10.26%
Hist. Cash Flow Growth (3-5 yrs)	19.78%	8.54%	8.52%	9.69%	11.61%	3.95%
Current Ratio	1.15	1.34	1.33	1.44	1.75	1.11
Debt/Capital	55.43%	62.49%	44.50%	62.32%	63.58%	56.64%
Net Margin	3.35%	2.86%	10.13%	6.69%	4.25%	4.16%
Return on Equity	18.69%	20.79%	14.67%	29.33%	21.59%	30.25%
Sales/Assets	1.22	1.42	0.51	1.29	1.30	1.89
Proj. Sales Growth (F1/F0)	6.42%	6.42%	-1.54%	16.23%	-21.29%	7.26%
Momentum Score	F	-	-	D	D	A
Daily Price Chg	1.41%	0.69%	-0.15%	0.57%	-0.27%	0.91%
1 Week Price Chg	2.44%	4.00%	1.09%	1.67%	5.17%	3.63%
4 Week Price Chg	4.13%	3.97%	1.64%	3.80%	-0.59%	25.57%
12 Week Price Chg	2.72%	5.39%	6.72%	8.05%	-11.24%	29.72%
52 Week Price Chg	3.18%	5.93%	1.00%	42.36%	-18.79%	44.50%
20 Day Average Volume	1,573,892	1,332,434	1,873,576	1,562,647	2,583,822	5,635,743
(F1) EPS Est 1 week change	-0.40%	-0.20%	0.00%	0.26%	-2.12%	4.66%
(F1) EPS Est 4 week change	-0.55%	-0.10%	1.79%	0.35%	-8.34%	6.90%
(F1) EPS Est 12 week change	6.76%	3.34%	3.35%	17.42%	-9.91%	6.90%
(Q1) EPS Est Mthly Chg	-0.69%	-0.21%	0.42%	0.26%	-3.66%	3.67%

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	B
Growth Score	A
Momentum Score	F
VGM Score	A

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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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.

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