

## Brinker International (EAT)

**\$18.91** (As of 05/13/20)

Price Target (6-12 Months): **\$16.00**

Long Term: 6-12 Months

**Zacks Recommendation: Underperform**

(Since: 04/07/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

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

**5-Strong Sell**

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: A

### Summary

Shares of Brinker have underperformed the industry in the past six months. The dismal performance can primarily be attributed to the coronavirus pandemic. The company reported third-quarter fiscal 2020 results, wherein earnings and surpassed the Zacks Consensus Estimate. However, the company's results in fourth-quarter fiscal 2020 are likely to be impacted by the coronavirus. Owing to the outbreak, the company has suspended Chili's re-image program and delayed construction of new restaurants. Moreover, costs related to various sales-boosting initiatives, including advertising expenses, and commodity inflation are expected to hurt margins. High debt is also a concern. Further, elevated expenses and slowdown in some of the major emerging markets remain potent headwinds. Moreover, weak sales trend at Maggiano's is adding to the downside.

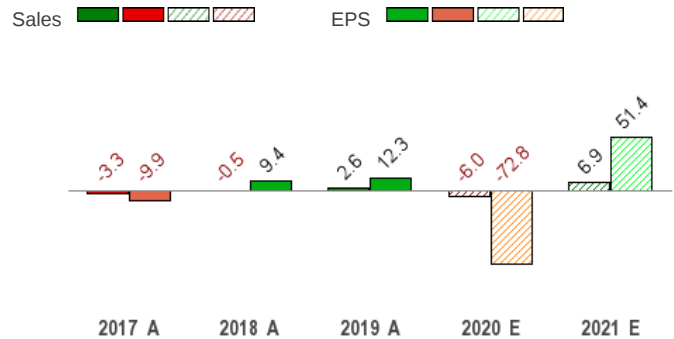
### Price, Consensus & Surprise



### Data Overview

|                            |                                      |
|----------------------------|--------------------------------------|
| 52 Week High-Low           | \$47.57 - \$7.00                     |
| 20 Day Average Volume (sh) | 4,008,276                            |
| Market Cap                 | \$850.1 M                            |
| YTD Price Change           | -55.0%                               |
| Beta                       | 2.18                                 |
| Dividend / Div Yld         | \$1.52 / 8.0%                        |
| Industry                   | <a href="#">Retail - Restaurants</a> |
| Zacks Industry Rank        | Bottom 31% (175 out of 253)          |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 166.7%     |
| Last Sales Surprise       | 1.2%       |
| EPS F1 Est- 4 week change | 401.7%     |
| Expected Report Date      | 08/11/2020 |
| Earnings ESP              | 0.0%       |
| P/E TTM                   | 4.7        |
| P/E F1                    | 17.7       |
| PEG F1                    | 2.2        |
| P/S TTM                   | 0.3        |

### Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | 656 E | 803 E | 885 E | 893 E | 3,234 E |
| 2020 | 786 A | 848 A | 860 A | 507 E | 3,025 E |
| 2019 | 754 A | 791 A | 839 A | 834 A | 3,218 A |

### EPS Estimates

|      | Q1        | Q2       | Q3       | Q4        | Annual*  |
|------|-----------|----------|----------|-----------|----------|
| 2021 | -\$0.58 E | \$0.44 E | \$0.92 E | \$0.90 E  | \$1.62 E |
| 2020 | \$0.41 A  | \$1.01 A | \$1.28 A | -\$1.61 E | \$1.07 E |
| 2019 | \$0.47 A  | \$0.89 A | \$1.26 A | \$1.36 A  | \$3.93 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 05/13/2020. The reports text is as of 05/14/2020.

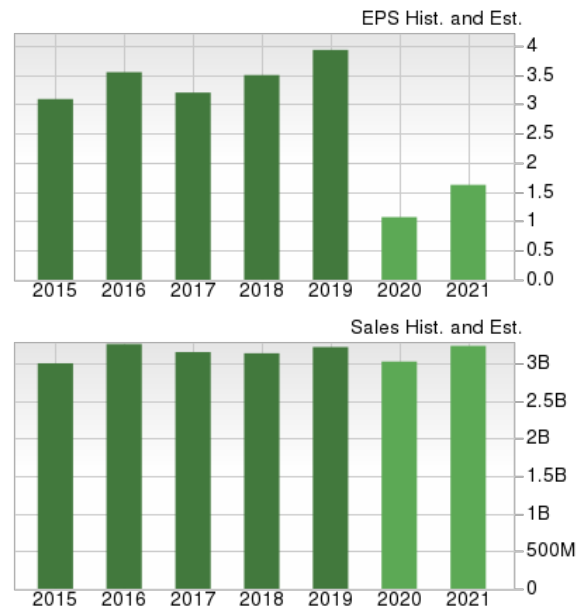
## Overview

Based in Dallas, TX, Brinker International primarily owns, operates, develops and franchises various restaurants under Chili's Grill & Bar (Chili's) and Maggiano's Little Italy (Maggiano's) brands. The company took over Chili's, Inc., a Texas corporation from September 1983 and completed the acquisition of Maggiano's in August 1995.

Chili's is a preeminent leader in the bar & grill category of casual dining. The brand has been functioning for over the last 40 years. With a global presence in 31 countries and two territories outside the United States, the brand features typical American menu. Additionally, it is known for gourmet burgers, sizzling fajitas, baby back ribs and hand-shaken margaritas. In fiscal 2018, Brinker relaunched its My Chili's Rewards program and began offering free chips and salsa or soft drink to members at every visit.

Maggiano's is a full-service, national, casual dining Italian restaurant brand, featuring individual and family-style menus, and most restaurants. The brand also has extensive banquet facilities designed to host large party business or social events. The menu features a classic Italian-American range in forms of appetizers and entrees, with portions of pasta, chicken, seafood, veal, prime steaks and desserts.

In third-quarter fiscal 2020, Chili's contributed 89% to total revenues, while Maggiano's contributed 11%. As of Mar 25, 2020, the company owned, operated or franchised 1,117 restaurants. Among these, 1,665 were Chili's and the remaining 52 were Maggiano's units.



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## Reasons To Sell:

- ▼ **Coronavirus to Hurt Future Results:** The coronavirus pandemic is expected to materially affect the company's operating and financial results for fiscal 2020. It has been undertaking numerous measures to protect employees, customers and business partners. However, owing to the outbreak, the company has suspended Chili's re-image program and delayed construction of new restaurants. It has suspended quarterly cash dividend and all share repurchase activity. Further, salaries of the executive committee have been deducted by 50%. The company has also withdrawn 2020 guidance. Earnings estimates for current quarter and next year have witnessed sharp downward revisions over the past 30 days.
- ▼ **High Debt a Concern:** A strong balance sheet will help a company tide over the ongoing crisis. The company has a significant amount of debt, which has increased to \$2.6 billion (as of Mar 25, 2020), from \$2.5 billion at Dec 25, 2019. As a result, the company's debt-to-capitalization of 127% is high compared to 124.1% for the sub industry to which it belongs. Notably, its "Times Interest Earned" ratio of 3.1 reflects decline from 3.5 in the prior quarter. Moreover, the company ended the quarter with cash and cash equivalent of \$167 million, which may not be enough to manage the high debt level.
- ▼ **Higher Costs:** Higher labor costs due to increased wages and costs incurred due to the implementation of the Affordable Care Act are expected to continue to keep profits under pressure. This means that the restaurant operators will have to continue shouldering increased labor costs, which in turn will hurt margins. In the fiscal third quarter, total operating costs and expenses rose roughly 6.5% to nearly \$818.9 million. Additionally, costs related to various sales-boosting initiatives, including advertising expenses, and commodity inflation are expected to continue to hurt margins. Moreover, operating costs are likely to increase during the ongoing crisis. Consequently, the company's profits in the upcoming quarters might remain under pressure despite its cost-saving initiatives.
- ▼ **Weak Maggiano's Performance:** Brinker is seeing weak sales trend at Maggiano's. In the fiscal third quarter, Maggiano's sales were down 10.3% year over year to \$95.6 million primarily due to decline in comparable restaurant sales and adverse weather conditions. In the third quarter, comps dropped 9.9% year over year following a decline of 1.4% in the preceding quarter.
- ▼ **Slowdown in International Market:** Brinker's international comps might be under pressure in the coming quarters, due to a slowdown in some of the international markets that it operates in. Brinker is highly exposed to various emerging nations, which has been exhibiting decelerating growth for some time due to various macro headwinds. This might limit discretionary spending, in turn hurting the company's top line. For instance, the company's business in the Middle East is widely challenged, given the adverse economic factors impacting the region. In second-quarter fiscal 2020, the company reported dismal international franchise comparable sales at Chili's restaurants.

Coronavirus outbreak, elevated expenses and slowdown in some of the major emerging markets remain potent headwinds.

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## Risks

- **Sales-Building Initiatives to Spur Growth:** Brinker remains steadfast in its goal to drive traffic and revenues through a range of sales-building initiatives such as streamlining of menu and its innovation, strengthening its value proposition, better food presentation, advertising campaigns, kitchen system optimization and introduction of better service platform. Particularly emphasizing on menu innovation to propel revenues, the company started a strategic plan — Vision 2020 — focusing on menu innovation in Chili's, continuous improvement in service and atmosphere to differentiate the brand and gain market traction to achieve long-term earnings per share growth target in the range of 10-15%.
- **Chili's Major Growth Driver:** Chili's turn-around strategies yielded positive results with traffic and sales moving in the positive direction. It is focused on simplifying Chili's core menu by improving recipes and strengthening value proposition, with some higher-quality ingredients and new cooking techniques to deliver better food at even more compelling price points. In fact, the early momentum resulting from the menu launch has been positive and serves as the fundamental move in the process of growing traffic at Chili's. Notably, the company has been beating traffic trends of the industry for consequently eighth quarters in a row. In addition, at Maggiano's, the company is poised to continue delivering differentiated dining experience, with the rollout of a new menu. The new menu expands dining options to drive incremental visits.
- **Continued Expansion & Operational Initiatives:** Brinker is one of the few fast-casual restaurant chains that have been expanding despite a sluggish economic development. Management is gearing up for international expansion as well, especially in the faster growing emerging markets. Though it is experiencing some headwinds in the Middle East, the company's Latin American business has been solid. Notably, the company is on the lookout to expand brand in existing markets and enter new ones. In fiscal 2018, the company had opened 34 restaurants. In fiscal 2019, the company opened 23 restaurants globally. Moreover, the company anticipates opening 39-47 restaurants in fiscal 2020.
- **Remodeling Initiative:** Over the past few quarters, Brinker's remodeling efforts have gained momentum leading to improvement in sales. Notably, the company continues to invest in its reimage program. In fact, the company continues to invest in a brand-wide reimage program that will drive traffic and comps over the next three years. Brinker's remodeling initiative is thus expected to continue to invigorate its potential as a brand and augment guests' experience. The company expects its reimage program to cover 140 and 160 restaurants in fiscal 2020.
- **Strengthening Digital Capabilities:** Brinker is also investing heavily in technology-driven initiatives, like online ordering, to augment sales and boost guest services. Having installed a table top technology at all the company-owned restaurants in partnership with Ziosk, the company has now implemented handheld devices in all of California. This is resulting in increased efficiency and speed. During second-quarter fiscal 2020, the company replaced existing tabletop system with a more advanced system to enhance the guest experience and the efficiencies of the model. Moreover, Brinker effectively uses social media platforms and email database to drive customer awareness and boost traffic. These initiatives will contribute significantly to Brinker's business in the near future. Meanwhile, the To-Go platform has been the fastest growing segment of the company. At Chili's, Brinker's To-Go business has been continuously gaining.

In the first half of fiscal 2020, Maggiano's started testing electronic check presenters that facilitate a pay at the table option to provide convenience and efficiency to guests as well as to increase digital guest engagement. Maggiano's also entered into an exclusive partnership with DoorDash to create a more affordable rate structure, making third party delivery more sustainable and efficient for the brand to operate. During fiscal second quarter, guests were provided the option of online ordering directly through Maggiano's website apart from the DoorDash platforms.

Brinker also stands to gain from integrating its My Chili's Reward program with Plenti — a rewards program by American Express that offers leading brands across multiple categories. It gives Chili's access to Plenti's huge database of members and is likely to improve sales and profits. Moreover, the company launched a digital curbside platform in its company-owned restaurants. Thus, take-out guests can now order, pay, and get their food conveniently, all through the Chili's app. With about half of the company's online guests using it, the service is ensuring simpler, faster, effortless experience to take-out guests, thereby resulting in higher check, this should improve sales in the future.

-Building Initiatives to Spur Growth: Brinker remains steadfast in its goal to drive traffic and revenues through a range of sales-building initiatives such as streamlining of menu and its innovation, strengthening its value proposition, better food presentation, advertising campaigns, kitchen system optimization and introduction of better service platform. Particularly emphasizing on menu innovation to propel revenues, the company started a strategic plan — Vision 2020 — focusing on menu innovation in Chili's, continuous improvement in service and atmosphere to differentiate the brand and gain market traction to achieve long-term earnings per share growth target in the range of 10-15%.

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## Last Earnings Report

### Brinker Q3 Earnings & Revenues Beat Estimates, Rise Y/Y

Brinker International reported solid third-quarter fiscal 2020 results, wherein earnings and revenues not only surpassed the Zacks Consensus Estimate but also grew year over year.

Adjusted earnings of \$1.28 per share surpassed the consensus estimate of 48 cents and also increased 1.6% from the year-ago quarter. The upside was primarily driven by reduced performance-based compensation expenses and income taxes, partially offset by a decline in traffic due to COVID-19. The company has withdrawn its fiscal 2020 guidance owing to the same.

Quarterly revenues of \$860 million not only beat the consensus mark of \$850 million but also improved 2.5% on a year-over-year basis. Notably, the upside was driven by increased capacity at the 116 Chili's restaurants, which were acquired in the fiscal first quarter. However, this was partially offset by the traffic decline.

### Brand Performances

Brinker primarily engages in ownership, operation, development and franchising of various restaurant brands under Chili's Grill & Bar (Chili's) and Maggiano's Little Italy (Maggiano's).

#### Chili's

Revenues at Chili's totaled \$764.4 million in the reported quarter, up 4.3% from the prior-year quarter on an increase in off-premise sales as well as revenues generated from the acquisition of Chili's restaurants. However, this was partially offset by a decline in net comparable restaurant sales due to reduced dining room traffic as well as 10 temporary store closures due to the pandemic.

Notably, Chili's transitioned to a 100% off-premise business model by the end of the third quarter of fiscal 2020. Chili's off-premise sales, which include both to-go and delivery, grew approximately 20% of sales, with around 14% coming from to-go and 6% from delivery.

In third-quarter fiscal 2020, company-owned comps declined 5.3% from the prior-year quarter.

Comps at Chili's franchised restaurants declined 7.7% compared with a 0.2% decline in the year-ago quarter. At international franchised Chili's restaurants, the same fell 9.5% compared with the year-ago quarter's decline of 3.9%. Meanwhile, at the U.S. franchised units, comps declined 6.3% against 2% growth in the year-ago quarter.

At Chili's, domestic comps (including company-owned and franchised) fell 5.4% compared to 2.7% growth in the year ago quarter.

#### Maggiano's

Maggiano's sales fell 10.3% year over year to \$95.6 million, primarily due to a decline in dining and banquet room traffic due to COVID-19 as well as adverse weather conditions.

Comps dropped 9.9% year over year.

### Operating Results

Total operating costs and expenses jumped roughly 6.5% to \$818.9 million from \$769.1 million in the year-ago quarter. However, restaurant operating margin — as a percentage of company sales — was 12.8% compared with 14.3% in the prior-year quarter.

### Balance Sheet

As of Mar 25, 2020, cash and cash equivalents amounted to \$167.2 million compared with \$12.2 million as on Mar 27, 2019.

Long-term debt was \$1,428.9 million as of Mar 25, 2020, compared with \$1,206.6 million on Jun 26, 2019. Total shareholders' deficit in the reported quarter was \$574.7 million compared with \$778.2 million as of Jun 26, 2019.

As of Mar 25, 2020, the company made dividend payments worth \$43.3 million, compared with \$46 million as on Mar 27, 2019.

Quarter Ending 03/2020

| Report Date      | Apr 29, 2020 |
|------------------|--------------|
| Sales Surprise   | 1.19%        |
| EPS Surprise     | 166.67%      |
| Quarterly EPS    | 1.28         |
| Annual EPS (TTM) | 4.06         |

## Valuation

Brinker's shares are down 55% in the year-to-date period and 54.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are down by 14.4%, while the Zacks Retail-Wholesale sector are up by 1.1% in the year-to-date period. Over the past year, the Zacks sub-industry was down by 11.5%, while sector was up by 9.9%.

The S&P 500 index is down 12.5% in the year-to-date period and 1.4% in the past year.

The stock is currently trading at 11.79X forward 12-month earnings, which compares to 32.11X for the Zacks sub-industry, 29.9X for the Zacks sector and 20.44X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.27x and as low as 1.73x, with a 5-year median of 12.15x. Our Underperform recommendation indicates that the stock will perform worse-than the market. Our \$16 price target reflects 10x forward 12-month earnings.

The table below shows summary valuation data for EAT.

| Valuation Multiples - EAT |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 11.79 | 32.11        | 29.9   | 20.44   |
|                           | 5-Year High   | 32.27 | 33.46        | 29.9   | 20.79   |
|                           | 5-Year Low    | 1.73  | 20.49        | 19.06  | 15.19   |
|                           | 5-Year Median | 12.15 | 23.09        | 23.3   | 17.45   |
| P/S F12M                  | Current       | 0.22  | 3.4          | 1.01   | 3.18    |
|                           | 5-Year High   | 1.17  | 3.93         | 1.11   | 3.44    |
|                           | 5-Year Low    | 0.08  | 2.81         | 0.8    | 2.54    |
|                           | 5-Year Median | 0.6   | 3.31         | 0.93   | 3.02    |
| P/CF                      | Current       | 2.38  | 14.74        | 12.19  | 14.72   |
|                           | 5-Year High   | 10.54 | 20.59        | 15.21  | 22.7    |
|                           | 5-Year Low    | 0.97  | 8.61         | 10.76  | 11.68   |
|                           | 5-Year Median | 6.77  | 16.81        | 12.86  | 16.37   |

As of 05/13/2020

## Industry Analysis Zacks Industry Rank: Bottom 31% (175 out of 253)



## Top Peers

| Company (Ticker)                              | Rec          | Rank |
|-----------------------------------------------|--------------|------|
| Arcos Dorados Holdings Inc. (ARCO)            | Neutral      | 3    |
| The Cheesecake Factory Incorporated (CAKE)    | Neutral      | 3    |
| Cracker Barrel Old Country Store, Inc. (CBRL) | Neutral      | 3    |
| Dominos Pizza Inc (DPZ)                       | Neutral      | 2    |
| Red Robin Gourmet Burgers, Inc. (RRGB)        | Neutral      | 3    |
| Chipotle Mexican Grill, Inc. (CMG)            | Underperform | 5    |
| DINE BRANDS GLOBAL, INC. (DIN)                | Underperform | 5    |
| Darden Restaurants, Inc. (DRI)                | Underperform | 5    |

| Industry Comparison Industry: Retail - Restaurants |              |            |           | Industry Peers |           |         |
|----------------------------------------------------|--------------|------------|-----------|----------------|-----------|---------|
|                                                    | EAT          | X Industry | S&P 500   | ARCO           | CAKE      | CBRL    |
| Zacks Recommendation (Long Term)                   | Underperform | -          | -         | Neutral        | Neutral   | Neutral |
| Zacks Rank (Short Term)                            | 5            | -          | -         | 3              | 3         | 3       |
| VGM Score                                          | A            | -          | -         | B              | B         | A       |
| Market Cap                                         | 850.13 M     | 236.10 M   | 18.76 B   | 683.64 M       | 830.58 M  | 2.02 B  |
| # of Analysts                                      | 10           | 6          | 14        | 2              | 11        | 3       |
| Dividend Yield                                     | 8.04%        | 0.00%      | 2.23%     | 5.97%          | 7.88%     | 0.00%   |
| Value Score                                        | A            | -          | -         | B              | B         | A       |
| Cash/Price                                         | 0.20         | 0.09       | 0.06      | 0.16           | 0.06      | 0.03    |
| EV/EBITDA                                          | 8.57         | 10.88      | 11.39     | 6.96           | 9.75      | 7.34    |
| PEG Ratio                                          | 2.09         | 4.30       | 2.54      | NA             | NA        | NA      |
| Price/Book (P/B)                                   | NA           | 1.43       | 2.56      | 1.62           | 1.43      | 3.20    |
| Price/Cash Flow (P/CF)                             | 2.36         | 6.06       | 10.04     | 3.37           | 3.97      | 6.12    |
| P/E (F1)                                           | 17.04        | 31.43      | 18.48     | NA             | NA        | 31.85   |
| Price/Sales (P/S)                                  | 0.26         | 0.50       | 1.91      | 0.24           | 0.33      | 0.65    |
| Earnings Yield                                     | 5.66%        | 0.35%      | 5.09%     | -11.94%        | -9.58%    | 3.14%   |
| Debt/Equity                                        | -4.49        | 1.05       | 0.75      | 3.52           | 2.59      | 1.46    |
| Cash Flow (\$/share)                               | 8.03         | 1.81       | 7.01      | 1.00           | 4.60      | 13.77   |
| Growth Score                                       | A            | -          | -         | C              | C         | A       |
| Hist. EPS Growth (3-5 yrs)                         | 5.16%        | 7.65%      | 10.82%    | -0.10%         | -0.49%    | 7.72%   |
| Proj. EPS Growth (F1/F0)                           | -72.75%      | -96.35%    | -10.51%   | -202.56%       | -166.98%  | -71.45% |
| Curr. Cash Flow Growth                             | -3.96%       | 4.82%      | 5.83%     | 42.39%         | -1.46%    | 7.73%   |
| Hist. Cash Flow Growth (3-5 yrs)                   | -1.24%       | 6.59%      | 8.52%     | 93.55%         | 2.15%     | 10.21%  |
| Current Ratio                                      | 0.61         | 0.69       | 1.27      | 0.68           | 0.40      | 0.64    |
| Debt/Capital                                       | NA%          | 65.09%     | 44.25%    | 77.89%         | 72.13%    | 59.38%  |
| Net Margin                                         | 3.62%        | 3.60%      | 10.59%    | 0.54%          | 3.86%     | 7.04%   |
| Return on Equity                                   | -24.65%      | 2.29%      | 16.36%    | 3.93%          | 16.40%    | 37.31%  |
| Sales/Assets                                       | 1.51         | 1.05       | 0.54      | 1.17           | 1.03      | 1.68    |
| Proj. Sales Growth (F1/F0)                         | -6.00%       | -10.32%    | -2.55%    | -42.52%        | -18.15%   | -11.25% |
| Momentum Score                                     | A            | -          | -         | C              | A         | C       |
| Daily Price Chg                                    | -8.03%       | -4.29%     | -2.85%    | -6.94%         | -5.53%    | -3.49%  |
| 1 Week Price Chg                                   | 2.42%        | 1.89%      | 3.23%     | 1.88%          | 11.48%    | 1.25%   |
| 4 Week Price Chg                                   | 29.70%       | 5.29%      | -0.28%    | -13.21%        | 4.88%     | -4.74%  |
| 12 Week Price Chg                                  | -52.91%      | -37.32%    | -23.80%   | -54.17%        | -55.31%   | -48.37% |
| 52 Week Price Chg                                  | -54.27%      | -48.18%    | -13.31%   | -48.06%        | -61.32%   | -49.40% |
| 20 Day Average Volume                              | 4,008,276    | 274,791    | 2,552,088 | 969,942        | 3,848,172 | 777,497 |
| (F1) EPS Est 1 week change                         | -4.66%       | 0.00%      | 0.00%     | 0.00%          | 8.91%     | 0.00%   |
| (F1) EPS Est 4 week change                         | 401.69%      | -23.18%    | -6.15%    | -17.65%        | -66.49%   | 0.00%   |
| (F1) EPS Est 12 week change                        | -75.31%      | -98.23%    | -16.21%   | -197.56%       | -164.02%  | -77.49% |
| (Q1) EPS Est Mthly Chg                             | 30.20%       | -24.39%    | -12.28%   | 0.00%          | 2.55%     | 0.00%   |

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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    | A |
| Growth Score   | A |
| Momentum Score | A |
| 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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### Disclosures

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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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