

E*TRADE Financial (ETFC)

\$41.89 (As of 04/29/20)

Price Target (6-12 Months): **\$36.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 03/19/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: C

Growth: C

Momentum: C

Summary

Shares of E*TRADE have underperformed the industry in the past year. Yet, the company has an impressive earnings surprise history, surpassing the Zacks Consensus Estimate in three of the trailing four quarters. The first-quarter 2020 results reflected a decline in revenues, escalating expenses and provisions and improved DARTs. The company's persistently increasing expenses is a major concern. Further, introduction of zero trading commission plan and low rates is likely to impede the company's revenue growth. Though continued improvement in DARTs on increased market volatility acts as a tailwind, along with several restructuring measures, intense competition with other established companies keeps us apprehensive. Notably, this February, E*TRADE entered into an all-stock acquisition deal, per which it will be acquired by Morgan Stanley.

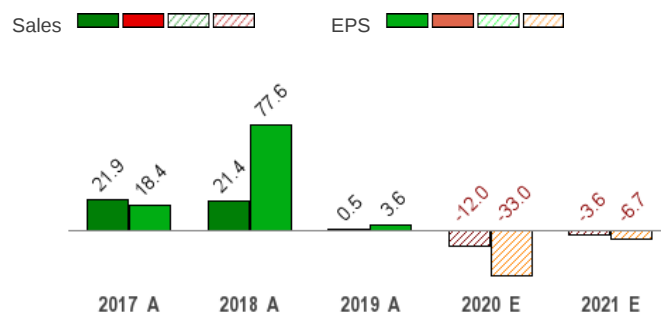
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$57.30 - \$25.76
20 Day Average Volume (sh)	3,935,386
Market Cap	\$9.3 B
YTD Price Change	-7.7%
Beta	1.19
Dividend / Div Yld	\$0.56 / 1.3%
Industry	Financial - Investment Bank
Zacks Industry Rank	Bottom 24% (193 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-10.9%
Last Sales Surprise	-5.7%
EPS F1 Est- 4 week change	-9.2%
Expected Report Date	07/16/2020
Earnings ESP	0.0%
P/E TTM	10.9
P/E F1	15.5
PEG F1	1.4
P/S TTM	3.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	603 E	598 E	598 E	603 E	2,450 E
2020	707 A	648 E	588 E	597 E	2,541 E
2019	755 A	685 A	767 A	679 A	2,886 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.61 E	\$0.65 E	\$0.61 E	\$0.65 E	\$2.52 E
2020	\$0.82 A	\$0.71 E	\$0.56 E	\$0.67 E	\$2.70 E
2019	\$1.09 A	\$1.12 A	\$1.08 A	\$0.84 A	\$4.03 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/29/2020. The reports text is as of 04/30/2020.

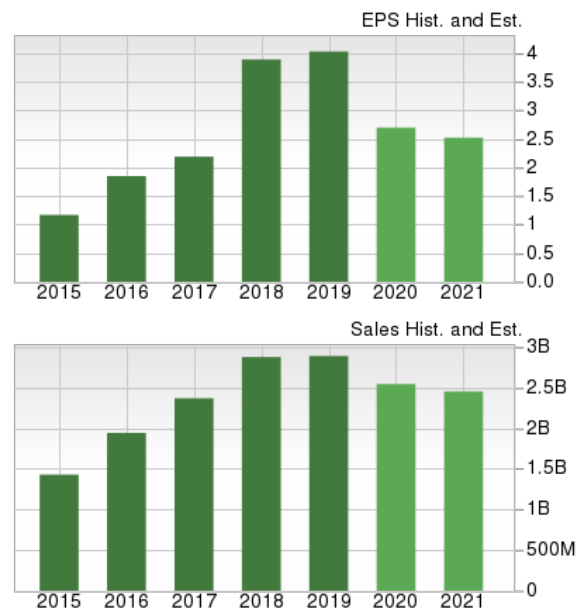
Overview

Founded in 1982 in California and headquartered in New York, E*TRADE Financial Corporation provides online brokerage and related products and services primarily to individual retail investors, under the brand name of “E*TRADE Financial” worldwide. The company was reincorporated in Delaware in July 1996. Along with its subsidiaries, E*TRADE offers various brokerage products and services including automated order placement and execution of the U.S., as well as international equities, currencies, futures, options, exchange-traded funds, mutual funds, and bonds. The banking products and services include checking, savings and clearing facilities, along with money market and certificates of deposit products. E*TRADE operates worldwide, primarily in the U.S., Europe and Asia. The company provides these services to customers online through its network of customer service representatives, investment professionals, and investment advisors – over the phone and in person in all of its 30 E*TRADE branches.

Previously, the company operated through two reporting segments – *Trading and Investing* and *Balance Sheet Management*. However, the company made several reporting changes in the first quarter of 2016 including consolidation of its reporting segments. Given that most of the company’s legacy costs are behind it and balance sheet strength now depends on maximizing the value of customer deposits, management viewed that it was the right time to terminate the balance sheet management segment as well as the corporate category.

In January 2015, the company obtained regulatory approval for moving its two U.S. broker-dealers – E*TRADE Clearing LLC and E*TRADE Securities LLC – from under E*TRADE Bank. E*TRADE Securities and E*TRADE Clearing were moved from under E*TRADE Bank in February 2015 and July 2015, respectively. The reorganized structure will aid in simplification of distribution of capital generated by those entities to the parent.

In April 2018, E*TRADE completed the Trust Company of America (TCA) acquisition deal, diversifying business and securing access to high growth Advisor service delivery model. Previously, in an effort to fortify its derivatives platform, the company completed the acquisition of online options broker — OptionsHouse — in September 2016.



Reasons To Sell:

- ▼ E*TRADE's expanding cost base exposes the company to operational risks. Notably, non-interest expenses recorded a CAGR of 8.9% over the last four years (2015-2019), primarily due to rise in almost all the cost components. The uptrend continued in first-quarter 2020 as well. Therefore, mounting expenses will likely be a near-time headwind as the company focuses on growing its franchise.
- ▼ E*TRADE has to compete with many established and renowned players with greater financial, marketing and technical capabilities. Some of these competitors are in position to withstand the changing market conditions in a better way and can mould to take advantages of the opportunities. Also, these big peers can easily come out with better terms, conduct promotional activities and can offer better terms to entice customers. This intense competition can have adverse impact on the company's revenues and customer base.
- ▼ We remain apprehensive about E*TRADE's significant dependence on interest-based revenue streams (net interest income constituted 57% of net revenues in first-quarter 2020). Therefore, following the recent moves of Fed on rate cuts, the top line will likely be impacted.
- ▼ Shares of E*TRADE have underperformed the industry in the past year. With this unfavorable trend, the company's current-year earnings estimates have been revised 11.6% downward over the past 30 days. Also, the stock seems overvalued when compared with the broader industry. Its price-to-book and price-earnings (F1) ratios are above the respective industry averages. Therefore, given the above concerns and lack of positive estimates revision, the stock has limited upside potential.

Escalating expenses and significant dependence on interest-based revenue streams remain key concerns for E*TRADE. Further, intense competition with other established companies keeps us apprehensive.

Risks

- E*TRADE, with the introduction of brokerage products and services and enhancement of capabilities on professional trading and mobile platforms, is focused on improving its technology space to offer a better digital experience to customers. The company's DARTs recorded a four-year compound annual growth rate (CAGR) of 21% in 2019, with the increasing trend continued in first-quarter 2020. Notably, first-quarter 2020 marked the record total DARTs nearly double the previous peak, while derivative DARTs were more than 65% above the prior record as market volatility achieved new heights amid the coronavirus pandemic-related uncertainties.
 - In an effort to boost its derivatives platform and diversifying business, E*TRADE completed a number of acquisitions since 2016. The company is focused on derivatives mix and crossed the target of increasing it to 35% of DARTs in third-quarter 2019 and also set managed account AUM target of \$6 billion within the next two years. The company aims to achieve 2-3% improvement in its rate of annual organic growth, across accounts, assets and trades. We expect several of its ongoing initiatives and customer services to further lower the attrition rate of the annual brokerage accounts and support its overall growth strategy.
 - E*TRADE continues to streamline its balance sheet risk by reducing credit risk in its legacy loan portfolios. Notably, the company's loan portfolio reported a negative CAGR of 23.3%, over the last five years (2015-2019), with the declining trend continued in the first quarter. We believe successful completion of the balance sheet restructuring will significantly strengthen the company's financials in the mid to long term.
 - Driven by a solid capital position, E*TRADE is now focused on returning capital to shareholders. In July 2019, it announced a new share-repurchase plan worth \$1.5 billion and initiated common stock dividend in October 2018. Notably, the company completed its previous \$1-billion authorization in third-quarter 2019 and made progress toward the current \$1.5-billion program. We believe, with strengthening of its overall performance, the company enhances shareholders' value with the commitment to return excess capital to them.
 - E*TRADE has seen improvement in its net interest margin (NIM) after witnessing a declining trend for years. It recorded NIM of 3.18%, 3.08%, 2.79%, 2.65%, 2.50% and 2.30% in 2019, 2018, 2017, 2016, 2015 and 2014, respectively. Though the Federal Reserve recently slashed interest rates to zero, which led to a fall in NIM in first-quarter 2020, improvement in domestic economy might support margin.
 - Amid the coronavirus crisis and its impact on economy, the company holds a corporate debt level of \$1.4 billion, which has witnessed a decline over the past few quarters. Further, its debt-capital ratio, currently 17.73, has remained stable or declining and is below the industry's average of 29.33. Therefore, with a time-interest-earned ratio of 14-16 over the past few quarters which indicates the company's ability to meet its debt obligations based on current income and a record of consistent earnings, we believe E*TRADE carries lower credit risk, and a lesser likelihood of default of interest and debt repayments if the economic situation worsens.
-

Last Earnings Report

E*TRADE Q1 Earnings Miss Estimates, DARTs Up

E*TRADE came up with a negative earnings surprise of 10.9% in first-quarter 2020 amid the coronavirus crisis. Adjusted earnings of 82 cents per share missed the Zacks Consensus Estimate of 92 cents. Also, the reported figure compares unfavorably with the prior-year quarter's \$1.09.

The company's results reflect a decline in revenues on lower net interest income. Further, escalating expenses and provisions were major drags. However, improved daily average revenue trades (DARTs) owing to an upsurge in volatility on coronavirus concerns were a positive. In addition, rise in non-interest income and customer accounts during the period acted as tailwinds.

Including expenses of \$23 million, or 10 cents per share, associated with the provision for credit losses, costs related to the proposed merger with Morgan Stanley, and other notable items, net income available to common shareholders came in at \$161 million or 72 cents per share compared with the \$270 million or \$1.09 recorded in the year-ago quarter.

Revenues Slump, Expenses Soar

Net revenues in the first quarter declined 6.4% year over year to \$707 million on lower net interest income, partly offset by a higher non-interest income. Also, the reported figure lagged the Zacks Consensus Estimate of \$750 million.

Net interest income slipped 18.7% year over year to \$400 million in the quarter, primarily due to lower interest income, partly negated by reduced interest expenses. Net interest margin was 2.82%, down 41 basis points from the 3.23% reported in the prior-year quarter.

Non-interest income was \$307 million, up 16.7% year over year. Elevated fees and service charges, higher gains on securities and other revenues mainly led to this upside, muted by lower commissions to some extent.

Total non-interest expenses escalated 18.7% year over year to \$445 million. This upswing mainly resulted from rise in almost all components of expenses.

Steady Trading Performance

Total DARTs more than doubled on a year-over-year basis to 651,746 during the March-end period, including 29% in derivatives. At the end of the quarter, E*TRADE had 7.6 million customer accounts (including 5.5 million retail accounts), up 8% from the year-ago quarter.

Also, the company's total customer assets were \$587.3 billion, down 2% year over year. Brokerage-related cash increased 37% year over year to \$84.6 billion.

Notably, customers were net buyers of about \$0.9 billion of securities compared with net buyers of \$3.3 billion recorded in the prior-year quarter. Net new retail assets more than doubled to \$18.3 billion from the comparable period last year.

Credit Quality

E*TRADE's overall credit quality displayed a decent performance. Net recoveries were \$5 million during the January-March period compared with the \$9 million recorded as of Dec 31, 2019. Also, the company recorded provisions of \$6 million compared with the benefit of \$19 million witnessed in the year-earlier period. A significant rise in provisions underlines the heightening coronavirus concerns.

Balance Sheet and Capital Ratios

E*TRADE's loan portfolio totaled \$1.63 billion at the end of the reported quarter, down from \$1.6 billion as of Dec 31, 2019.

As of Mar 31, 2020, E*TRADE had total assets of \$67.9 billion compared with \$61.4 billion as of Dec 31, 2019.

The company's capital ratios remained strong. As of Mar 31, 2020, E*TRADE reported Tier 1 risk-based capital ratio of 35.1% compared with the 35.9% witnessed in the year-ago quarter. Total risk-based capital ratio was 35.1%, down from the prior-year quarter's 36.3%. Tier 1 leverage ratio was 6.8% compared with the year-earlier quarter's 6.7%.

Capital Deployment

During the March-end quarter, the company returned \$126 million to shareholders, including dividends worth \$31 million and share repurchases of \$95 million.

Quarter Ending 03/2020

Report Date	Apr 23, 2020
Sales Surprise	-5.72%
EPS Surprise	-10.87%
Quarterly EPS	0.82
Annual EPS (TTM)	3.86

Recent News

At the end of the reported month, E*TRADE's total number of accounts were approximately 7.3 million, comprising about 5.2 million retail accounts, 1.9 million corporate services accounts, and 0.2 million advisor services accounts.

E*TRADE's total accounts included 50,707 net new accounts for February. Total number of brokerage accounts highlights the company's ability to gain and retain customers who trade and invest.

Moreover, E*TRADE's net new retail assets came in at \$4.7 billion compared with the \$2.6 billion reported in the last month. There were no net new advisor service assets.

At the end of February, E*TRADE's customer security holdings were \$294 billion, down from the \$315.1 billion in January. The company's brokerage-related cash came in at \$76 billion compared with the previous month's \$72.3 billion. Additionally, bank-related cash and deposits for the company totaled \$4.2 billion, up from the \$2.2 billion in January 2020.

Morgan Stanley to Acquire E*TRADE for \$13 Billion - Feb 20, 2020

Morgan Stanley entered into an all-stock acquisition deal with E*TRADE, per which the former will acquire the latter for \$13 billion. Post completion, Morgan Stanley will be well positioned as a leader in the Wealth Management industry across all channels and wealth segments, with significant increase in the scale and breadth of its franchise.

E*TRADE's more-than 5.2-million client accounts and \$360 billion of retail client assets will augment Morgan Stanley's current 3-million client relationships and \$2.7 trillion of client assets. Thus, the combined entity will have client assets worth \$3.1 trillion, 8.2 million retail client relationships and accounts, and 4.6 million stock-plan participants.

Morgan Stanley will be able to serve clients with superior products and services catering the advisor-driven model, combined with E*TRADE's direct-to-consumer and digital processes. Therefore, Morgan Stanley will be transitioned to a more balance-sheet light business mix, with strong and diversified revenue sources.

"E*TRADE represents an extraordinary growth opportunity for our Wealth Management business and a leap forward in our Wealth Management strategy. The combination adds an iconic brand in the direct-to-consumer channel to our leading advisor-driven model, while also creating a premier Workplace Wealth provider for corporations and their employees. E*TRADE's products, innovation in technology, and established brand will help position Morgan Stanley as a top player across all three channels: Financial Advisory, Self-Directed, and Workplace," said James Gorman, chairman and CEO of Morgan Stanley. "In addition, this continues the decade-long transition of our Firm to a more balance sheet light business mix, emphasizing more durable sources of revenue," Gorman further noted on this.

However, the deal awaits certain regulatory approvals and customary approvals by shareholders of E*TRADE. The transaction is anticipated to close in the final quarter of 2020.

Terms of the Deal

Per terms of the deal, each common shareholder of E*TRADE will get stock equivalent to 1.0432 of Morgan Stanley shares for every E*TRADE share held. This represents per share value of \$58.74 based on the closing price of Morgan Stanley common stock as on Feb 19, 2020.

Strategically, the combined entity will enhance through advanced technologies, innovative products and create a competitive edge with financial stability. Remarkably, on completion of the acquisition, online brokerage and digital banking services will enhance clients' experience.

Mike Pizzi, CEO of E*TRADE, will join Morgan Stanley, looking after the E*TRADE business within Morgan Stanley and head the ongoing integration process. Moreover, one of E*TRADE's independent directors is likely to join Morgan Stanley's board.

Financial Benefits

Catering huge funding benefits to Morgan Stanley, the deal comes with around \$56 billion of low-cost deposits. The acquisition move follows the bank's efforts to record revenues from balance-sheet light and more lasting sources of revenues. Notably, post integration, the combined wealth and investment management businesses are likely to contribute about 57% of the bank's pre-tax profits, excluding potential synergies, above the 26% recorded in 2010.

Post combination, significant cost savings worth \$400 million is expected with optimization of technology infrastructure and shared corporate services, along with funding synergies of \$150 million from E*TRADE's around \$56 billion of deposits. In addition, \$7.3 trillion of combined current customer assets is likely to generate significant revenue opportunities.

Per Morgan Stanley, the acquisition is likely to be accretive once fully phased-in estimated cost and funding synergies are realized. Furthermore, the bank's common equity tier 1 ratio is estimated to expand by more than 30 basis points (bps) on closure and augment the bank's return on tangible common equity by more than 100 bps, with fully phased-in cost and funding synergies. Apart from this, Wealth Management's pre-tax profit margin is expected to be up more than 30%.

E*TRADE Announces Commission Free Trading, Revenues to Take a Hit - Oct 2, 2019

E*TRADE has eliminated retail commissions for online U.S. listed stock, ETF and options trades. Also, it reduced the options contract charge to

65 cents per contract for all traders while maintaining its active trader pricing at 50 cents per contract. These changes took effect on Oct 7, 2019.

The company estimates that this move will have a 10% adverse impact on its net revenues.

Post this news, Moody's Investors Service downgraded the outlook for E*TRADE to negative from stable. However, the ratings of the three firms were not changed. Moody's affirmed their ratings.

Per Moody's, relatively lower interest rates and flattening of the yield curve are already adversely impacting financials of the brokerage firm. With this fee cut, profitability is likely to be hurt even more. This is the main reason why Moody's downgraded the outlook.

Dividend Update

On Apr 23, E*TRADE's board of directors announced a quarterly common stock cash dividend of 14 cents per share. The dividend will be paid on May 19, to shareholders on record as of May 13, 2020.

Valuation

E*TRADE's shares are down 7.7% in the year-to-date period and 16.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 18.2% and 22.3%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are down 13.6% and 17.5%, respectively.

The S&P 500 Index is down 8.8% in the year-to-date period but up 0.2% in the past year.

The stock is currently trading at 15.23X forward 12 months earnings, which compares to 12.86X for the Zacks sub-industry, 15.56X for the Zacks sector and 20.81X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 24.13X and as low as 8.09X, with a 5-year median of 15.85X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$36 price target reflects 13.09X earnings per share.

The table below shows summary valuation data for ETFC

Valuation Multiples - ETFC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.23	12.86	15.56	20.81
	5-Year High	24.13	15.31	16.17	20.81
	5-Year Low	8.09	6.04	11.19	15.19
	5-Year Median	15.85	11.34	13.93	17.44
P/TB TTM	Current	3.19	1.91	2.57	11.08
	5-Year High	5.03	3.33	4	12.78
	5-Year Low	1.56	1.4	2	6.02
	5-Year Median	3.15	2.39	3.47	9.17
P/S F12M	Current	3.72	3.49	4.96	3.3
	5-Year High	5.85	4.53	6.69	3.44
	5-Year Low	2.62	2.75	4.96	2.54
	5-Year Median	4.21	3.55	6.05	3.01

As of 04/29/2020

Industry Analysis Zacks Industry Rank: Bottom 24% (193 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Virtu Financial, Inc. (VIRT)	Outperform	1
Evercore Inc (EVR)	Neutral	5
GAIN Capital Holdings, Inc. (GCAP)	Neutral	1
Raymond James Financial, Inc. (RJF)	Neutral	4
The Charles Schwab Corporation (SCHW)	Neutral	4
WisdomTree Investments, Inc. (WETF)	Neutral	3
TD Ameritrade Holding Corporation (AMTD)	Underperform	3
LPL Financial Holdings Inc. (LPLA)	Underperform	5

Industry Comparison Industry: Financial - Investment Bank				Industry Peers		
	ETFC	X Industry	S&P 500	AMTD	RJF	SCHW
Zacks Recommendation (Long Term)	Underperform	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	4	4
VGM Score	B	-	-	D	C	B
Market Cap	9.26 B	503.73 M	20.82 B	21.83 B	9.95 B	49.93 B
# of Analysts	5	2	14	7	1	7
Dividend Yield	1.34%	0.00%	2.07%	3.07%	2.07%	1.86%
Value Score	C	-	-	B	C	C
Cash/Price	0.31	0.72	0.06	1.17	0.84	1.09
EV/EBITDA	5.28	3.23	12.12	1.06	3.12	1.83
PEG Ratio	1.37	1.01	2.51	1.01	NA	1.86
Price/Book (P/B)	1.75	1.45	2.74	2.39	1.44	2.62
Price/Cash Flow (P/CF)	8.38	8.38	11.23	8.60	8.48	10.90
P/E (F1)	14.97	13.11	19.26	13.97	17.10	18.58
Price/Sales (P/S)	3.26	1.21	2.16	3.75	1.21	4.70
Earnings Yield	6.45%	7.16%	5.03%	7.16%	5.85%	5.39%
Debt/Equity	0.24	0.50	0.72	0.54	0.40	0.39
Cash Flow (\$/share)	5.00	2.30	7.01	4.69	8.43	3.56
Growth Score	C	-	-	F	C	C
Hist. EPS Growth (3-5 yrs)	37.93%	14.18%	10.88%	30.56%	22.28%	29.34%
Proj. EPS Growth (F1/F0)	-33.05%	-24.85%	-6.94%	-30.02%	-43.51%	-23.27%
Curr. Cash Flow Growth	-5.88%	4.82%	5.92%	17.86%	13.40%	9.66%
Hist. Cash Flow Growth (3-5 yrs)	13.09%	13.46%	8.55%	21.50%	17.54%	22.65%
Current Ratio	0.29	1.28	1.23	1.17	1.10	0.34
Debt/Capital	17.73%	29.33%	43.90%	35.07%	28.53%	25.47%
Net Margin	29.81%	11.71%	11.15%	33.18%	11.64%	33.30%
Return on Equity	15.74%	14.05%	16.47%	23.05%	14.62%	19.42%
Sales/Assets	0.05	0.29	0.54	0.13	0.21	0.04
Proj. Sales Growth (F1/F0)	-11.95%	-3.57%	-1.52%	-14.43%	-5.99%	-8.20%
Momentum Score	C	-	-	A	D	A
Daily Price Chg	2.52%	1.91%	2.91%	4.67%	4.87%	4.61%
1 Week Price Chg	-3.03%	-0.23%	-1.74%	-1.61%	-3.33%	-1.09%
4 Week Price Chg	30.99%	16.95%	21.33%	18.73%	21.18%	17.69%
12 Week Price Chg	-6.66%	-22.43%	-16.28%	-19.87%	-25.45%	-19.67%
52 Week Price Chg	-16.39%	-19.16%	-7.57%	-23.19%	-20.15%	-14.86%
20 Day Average Volume	3,935,386	72,280	2,658,107	3,610,179	1,050,504	10,103,090
(F1) EPS Est 1 week change	-8.52%	0.00%	0.00%	2.12%	0.00%	3.03%
(F1) EPS Est 4 week change	-9.22%	-12.50%	-6.32%	-2.53%	-44.93%	-2.39%
(F1) EPS Est 12 week change	-24.19%	-28.47%	-12.93%	-4.35%	-45.32%	-20.51%
(Q1) EPS Est Mthly Chg	1.63%	-15.40%	-11.84%	-3.82%	-76.88%	5.97%

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	C
Growth Score	C
Momentum Score	C
VGM Score	B

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.