

Facebook, Inc. (FB)

\$256.13 (As of 08/11/20)

Price Target (6-12 Months): **\$269.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/04/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: A

Summary

Facebook's second-quarter 2020 results were driven by steady user growth across all regions. The company benefited from increased engagement with its products in the reported quarter as more people were compelled to stay at home due to the coronavirus outbreak. Shares have outperformed the industry year to date. However, Facebook expects user-base growth to be flat or slightly down in most of its regions in the third quarter of 2020, sequentially. The company expects ad-revenue growth on a year-over-year basis to be roughly 10%. Facebook assumes some of the recent surge in community engagement to normalize as regions reopen. Further, a number of companies have announced plans to freeze ad spending on Facebook due to its failure to eradicate hate speech and misinformation. This is expected to hurt top-line growth, at least in the near term.

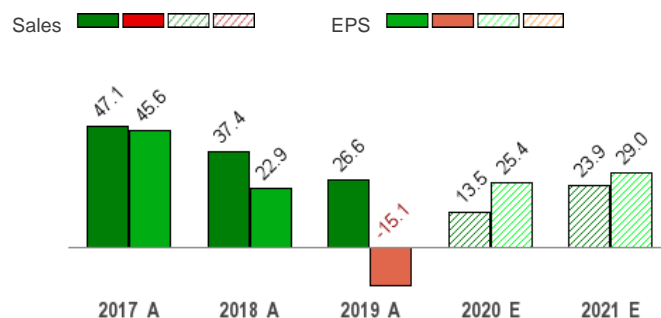
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$278.89 - \$137.10
20 Day Average Volume (sh)	24,818,870
Market Cap	\$729.7 B
YTD Price Change	24.8%
Beta	1.20
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Top 47% (118 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	25.0%
Last Sales Surprise	8.1%
EPS F1 Est- 4 week change	13.3%
Expected Report Date	11/04/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	21,821 E	24,119 E	24,963 E	29,203 E	99,387 E
2020	17,737 A	18,687 A	19,640 E	24,153 E	80,224 E
2019	15,077 A	16,886 A	17,652 A	21,082 A	70,697 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.09 E	\$2.35 E	\$2.48 E	\$3.23 E	\$10.40 E
2020	\$1.71 A	\$1.80 A	\$1.93 E	\$2.61 E	\$8.06 E
2019	\$0.85 A	\$0.91 A	\$2.12 A	\$2.56 A	\$6.43 A

*Quarterly figures may not add up to annual.

P/E TTM	31.3
P/E F1	31.8
PEG F1	1.7
P/S TTM	9.7

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/11/2020. The reports text is as of 08/12/2020.

Overview

Facebook Inc. is the world's largest social media platform. The company's portfolio offering evolved from a single Facebook app to multiple apps like photo and video sharing app Instagram and WhatsApp messaging app owing to acquisitions. Along with in-house developed Messenger, these apps now form Facebook's family of products used by almost 3 billion people on a monthly basis as of Mar 31, 2020.

Facebook uses metrics like daily active users (DAUs) and monthly active users (MAUs) to measure its user base. As of Mar 31, 2020, DAUs and MAUs were 1.734 billion and 2.603 billion, respectively. Newly introduced metric, which is the family daily active people (DAP) that measures daily users of its family of products, was 2.36 billion.

Headquartered in Menlo Park, CA, Facebook generated revenues worth \$70.70 billion in 2019. Advertisement accounted for 98.5% of revenues. Marketers buy ads that can appear on multiple platforms including Facebook, Instagram, Messenger and third-party applications and websites.

Facebook, thanks to its huge user base gained a significant market share in the advertising space wherein it faces tough competition from Google, Twitter, Amazon and Snapchat-parent Snap.

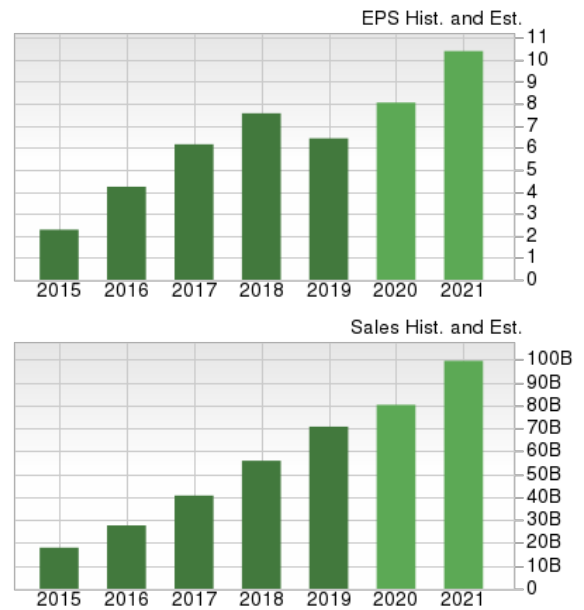
Facebook also faces significant competition from the likes of Apple (messaging), YouTube (advertising and video), Bytedance (social media) and Tencent (messaging and social media).

Facebook core app enables people to connect, share, discover and communicate with one other on mobile devices and personal computers. User engagement on core Facebook platform is fostered by News Feed that displays an algorithmically-ranked series of stories and advertisements customized for each user.

Instagram is a community for sharing photos, videos and messages, enabling people to discover interests that they care about. People can express themselves through photos, videos and private messaging via Instagram Feed and Stories.

Messenger helps people to connect with friends, family, groups and businesses across platforms and devices. WhatsApp is a simple, reliable and secure messaging application, used by people and businesses around the world to communicate in a private way.

Facebook also offers virtual reality (VR) products through its Oculus division.



Reasons To Buy:

- ▲ Facebook continues to witness significant traction in online and mobile advertising spending. The company intends to capture the opportunity presented by ever-increasing video viewing on social media platforms. Online video is the most lucrative component of digital advertising. As video ads generate more revenues than its photo and text-based substitutes, Facebook is trying to incorporate more and more video-oriented content to bring in more ad dollars. The company launched Watch, a dedicated tab for video viewing, to achieve its goal.
- ▲ Instagram has emerged as an important cash cow for Facebook after introducing its ad platform to worldwide advertisers. To attract more advertisers (over 3 million and counting), Facebook has unveiled tools to promote posts and evaluate business performance directly on Instagram. Moreover, the Facebook is also looking for ways to monetize Instagram Stories, and adding the Checkout feature to the platform is a step toward that direction. The feature allows Instagram users to browse and purchase products from 23 top brands in the United States, all within Facebook's app. Further, solid adoption of the Explore tab, which is used by more than 50% of Instagram users every month, increases the platform's monetization opportunities. Recently, the company started placing ads on the Explore tab that is expected to drive the top line.
- ▲ Messenger and WhatsApp are the other extremely prized possessions. Facebook is aggressively working on monetizing the opportunities presented by its subsidiaries. The company is pretty excited as it opened the Messenger app, which has more than 1 billion users, to developers for creating chatbots that would enable businesses to extend customer service and other transactions. Facebook is rewriting the app from scratch to make it the fastest and most secure major messaging platform in the world. It is also working to bring end-to-end encryption and ephemerality to boost user experience.
- ▲ Ephemerality and end-to-end encryption are also driving popularity of WhatsApp. Per the company, WhatsApp Status is the most popular ephemeral Stories product in the world. Facebook continues to promote WhatsApp business as a private way of interaction between businesses and customers. Rapid adoption of WhatsApp Business by small and mid-sized businesses is noteworthy. The company is building new tools like product catalogs that entrepreneurs can use for free to attract prospective customers. Moreover, increased communication enhances chances of Facebook penetrating the lucrative payments market. The company continues to test the payments feature on WhatsApp in India and intend to launch the same in other countries soon.
- ▲ Oculus is the result of the company's ambitious augmented reality/virtual reality (AR/VR) efforts. Facebook is investing heavily to develop VR content ecosystem. Launch of VR headset, Rift and Oculus Quest, its first all-in-one headset with no wires and full freedom of movement are a step forward to that goal. AR/VR technology is fast emerging as a lucrative business opportunity. Plus, Facebook said it will be spending over \$3 billion in the next 10 years on VR.
- ▲ Facebook is considered to have pioneered the concept of social networking, which is why it enjoys a first mover's advantage in this market. However, as developed regions mature, Facebook has taken measures to drive penetration in emerging markets of South East Asia, Latin America and Africa. Of all places, India deserves special mention in terms of user growth. The world's second largest populated country offers tremendous potential for the company. With China off the radar, India can prove to be a terrific growth engine for Facebook. This is primarily due to a burgeoning well-educated middle class, increasing spending power and rapid adoption of smartphones in the country. Facebook's investment in with Reliance Jio is a step towards gaining significant footprint in the country.
- ▲ Facebook has a strong balance sheet and generates significant cash flow, which makes it an attractive stock for investors. As of Mar 31, 2020, cash & cash equivalents and marketable securities were \$60.29 billion compared with \$54.86 billion as of Dec 31, 2019. Moreover, free cash flow surged 37.4% year over year to \$7.34 billion in first-quarter 2020. The company continues to invest in developing its platform and products. We believe that its ability to generate strong cash flows will help it to make further investments in product development and acquisitions in the future.

Facebook benefits from increasing mobile ad revenues, growing adoption of Stories by advertisers across Instagram, core Facebook app and Messenger, and initiatives to improve security.

Reasons To Sell:

- ▼ Facebook maintains a cautious stance on revenue growth due to the coronavirus-related headwinds. The company expects ad-sales to be hurt by weakness in the travel and automotive industries. Further, a number of companies including Starbucks, Coca Cola, Verizon among others have announced plans to freeze ad spending on the social media platform due to its failure to eradicate hate speech and misinformation. This is expected to hurt top-line growth, at least in the near term.
 - ▼ Moreover, Facebook's focus on Stories, which generates lower revenues than News Feed, is a headwind. Further, as the company continues to ramp up investments on products (Video, AR/VR and AI) as well as security, costs are already on the rise. Facebook is already on a hiring spree, especially engineers and people involved in maintaining safety and security. This is expected to hurt profitability..
 - ▼ Facebook currently faces stiff competition from other big and small social media players. In the ad space, we believe that Google continues to have a significant competitive edge, owing to its scale and diversified product offerings. YouTube, Snapchat and Pinterest offer tough competition as far as user growth is concerned. Moreover, Amazon's ad business is growing rapidly. Intensifying competition for ad dollar is a major concern for the company.
 - ▼ As Facebook hosts a huge amount of personal data, it has been under constant scrutiny from privacy groups and federal agencies. This huge database is its primary asset for attracting advertisers. As a result, the company has been criticized for allegedly selling personal data to advertisers in order to boost its top line. Facebook also finds itself increasingly at loggerheads with authorities across different countries like Israel, who accuse the social media giant of repeatedly failing to co-operate with them on extremely sensitive matters. The Cambridge Analytica data fiasco sparked broader concerns about data privacy and security which led to increased scrutiny over data security and a relatively heavy regulatory pressure from all corners on Facebook.
 - ▼ Moreover, Facebook is facing increased legal woes. Although it successfully settled the FTC inquiry, it paid a penalty of \$5 billion. Notably, the company is being investigated by International Trade Commission (ITC) for violation of antitrust principles. Moreover, it is also facing antitrust investigation from FTC. Furthermore, the company received significant backlash post the announcement of blockchain-based cryptocurrency, Libra, on Jun 18, 2019. These are major concerns for the company, at least in the near term.
 - ▼ Although Facebook has significant growth opportunities in the emerging countries of South-East Asia and Africa, low internet penetration in these regions may negatively affect its expansion. Further, while the company can be accessed from Hong Kong, its usage has been restricted in mainland China due to excessive government regulations and censorship. This limits its growth opportunities in the Asian region (Facebook's fastest growing user base in terms of geography). The company is experiencing better growth in international markets than in the U.S. However, ARPU is significantly low in these regions compared with the U.S.
-

Stiff competition for ad dollars, a plethora of controversies over the company's treatment of user data and increasing regulations related to user privacy are key concerns.

Last Earnings Report

Facebook's Q2 Earnings Beat Estimates, Revenues Up Y/Y

Facebook's second-quarter 2020 earnings of \$1.80 per share beat the Zacks Consensus Estimate by 25% and soared 97.8% year over year.

Revenues of \$18.69 billion comfortably surpassed the Zacks Consensus Estimate by 8.1% and also rose 10.7% year over year. At constant currency (cc), the top line improved 12%.

Geographically, the United States & Canada was the strongest region as revenues grew 14.5% year over year followed by the Asia-Pacific's 10.9% and Europe's 9.6%. However, Rest of World (RoW) revenues declined 5.9% year over year.

Average Revenue per User (ARPU) growth was highest in the United States & Canada, increasing 9.7% year over year followed by Europe's 3.1%. However, ARPU in the Asia-Pacific and RoW fell 1.6% and 5.3%, respectively. Worldwide ARPU stayed at \$7.05.

Facebook's second-quarter advertising revenues were better than anticipated, and grew handsomely when compared to its closest peers—Alphabet's Google and Twitter. Facebook's ad revenues increased 10.2% year over year (12% at cc) to \$18.32 billion.

Notably, Google, Facebook's primary competitor for ad dollars, announced second-quarter ad revenues of \$29.87 billion, down 8% year over year. Further, Twitter's second-quarter advertising revenues declined 23% to \$561.9 million.

Facebook didn't provide any specific revenue guidance for the third quarter of 2020 due to macro-economic uncertainties related to coronavirus.

User Base Expands in Q2

Monthly active users (MAUs) were 2.701 billion, up 11.9% year over year. Daily Active Users (DAUs) were 1.785 billion, which increased 12.5% year over year and represented 66% of MAUs.

Family Daily Active People (DAP) defined as a registered and logged-in user who visited at least one of the Family products (Facebook, Instagram, Messenger and/or WhatsApp) on a given day, were 2.47 billion, up 15.4% year over year.

Family Monthly Active People (MAP) increased 13.8% year over year to 3.14 billion.

The above community metrics reflected increased engagement with Facebook products during the reported quarter as more and more people were compelled to stay at home due to the coronavirus outbreak.

Asia-Pacific DAUs were up 13.7% year over year to 699 million. DAUs in the RoW, Europe and the United States & Canada grew 16.8%, 6.6% and 5.9% each to 583 million, 305 million and 198 million, respectively.

MAUs in Asia-Pacific, RoW, Europe and the United States & Canada grew 13.9%, 14.1%, 6.5% and 4.9% each to 1.14 billion, 892 million, 410 million and 256 million, respectively.

Advertising Revenue Details

Asia-Pacific and the United States & Canada were the strongest regions, increasing 11% and 13.9%, respectively. Advertising revenues in Europe grew 9.1% year over year. However, RoW advertising revenues decreased 6.4%.

Ad impressions served rose 40%, driven by Facebook Mobile News Feed. However, average price per ad decreased 21% from the year-ago quarter.

Other revenues surged 39.7% year over year to \$366 million. This growth is primarily attributable to higher sales of Oculus and Portal products.

Operating Details

In the second quarter, total costs and expenses climbed 3.8% year over year to \$12.72 billion. However, as percentage of revenues, total costs and expenses were 68.1%, down 450 basis points (bps) year over year.

As percentage of revenues, research & development, and marketing & sales expenses increased 420 bps and 90 bps, on a year-over-year basis, respectively.

However, as percentage of revenues, general & administrative expenses decreased to 8.5% from 19.1% reported in the year-ago quarter.

Notably, Facebook's employee base was 52,534 at the end of the second quarter, up 32% year over year.

Operating income of \$5.96 billion jumped 28.9% year over year. Operating margin expanded 450 bps year over year to 31.9%.

Balance Sheet & Cash Flow

As of Jun 30, 2020, cash & cash equivalents and marketable securities were \$58.24 billion compared with \$60.29 billion as of Mar 31, 2020.

Capital expenditures declined 10.9% year over year to \$3.36 billion. Free cash flow plunged 89.4% year over year to \$514 million in the reported quarter.

Quarter Ending **06/2020**

Report Date	Jul 30, 2020
Sales Surprise	8.08%
EPS Surprise	25.00%
Quarterly EPS	1.80
Annual EPS (TTM)	8.19

Facebook bought back shares worth almost \$1.4 billion in the reported quarter.

Guidance

Facebook expects DAUs and MAUs to be flat or slightly down in most of its regions in the third quarter of 2020, sequentially.

The company expects ad-revenue growth on a year-over-year basis to be roughly 10%. Facebook assumes some of the recent surge in community engagement to normalize as regions reopens.

Further, a number of companies including Starbucks, Coca Cola and Verizon among others have announced plans to freeze ad spending on the social media platform. This is expected to hurt ad-sales growth.

Moreover, changes made by Apple and Google in their mobile operating systems and browser platforms have limited Facebook's ability to track user-activity trend.

Additionally, it expects total expenses for the current year between \$52 billion and \$55 billion, narrowed down from the prior range of \$52-\$56 billion.

Moreover, in the ongoing year, Facebook expects capital expenditures to be \$16 billion.

Recent News

On Aug 5, Facebook announced Instagram Reels that helps users to create and discover short, entertaining videos on Instagram.

On Jul 31, Facebook announced that it is bringing official music videos to the platform in the United States. Users can now discover, watch and share music videos not only from top artists but also from up-and-coming bands and classics across various music genres on Facebook.

On Jul 22, Facebook announced new privacy and security features related to Messenger. App Lock lets users add another layer of security to its private messages and helps prevent other people from accessing them.

On Jul 20, Facebook announced that it will ask for permission to use certain types of data, such as data with special protections under Brazil's new data protection law, LGPD. The company is also adding a new Brazil privacy notice to its data policies on Facebook and Instagram.

On Jul 1, Facebook announced new WhatsApp features including Animated Stickers, QR codes and Dark mode for WhatsApp web and desktop. The company also announced improvements to group video calls. Moreover, Facebook introduced Status for KaiOS users.

On Jun 30, Facebook announced that original news reporting and stories with transparent authorship will get priority in News Feed.

On Jun 26, Facebook announced that it will soon start labeling all harmful posts including political content, which it used to leave despite violating its policies, because of newsworthiness.

On Jun 25, Facebook began to roll-out a notification screen that will inform people if the news articles they are about to share are more than 90 days old.

On Jun 18, Facebook reportedly acquired mapping technology provider Mapillary.

On Jun 15, Facebook announced the launch of a WhatsApp-based digital payments service for the messaging app's 120 million users in Brazil, moving ahead with its plans to capitalize on emerging markets and bring e-commerce to its platforms.

On Jun 2, Facebook announced an investment in Indonesia-based Gojek, a fast-evolving app for ordering food, shopping, commuting and making digital payments across Southeast Asia.

On May 26, Facebook announced Novi, previously known as Calibra. Novi is the digital wallet that will help people send and hold Libra digital currencies.

On May 15, Facebook announced the acquisition of GIF search engine GIPHY, which is now a part of its Instagram team.

On Apr 24, Facebook introduced Messenger Rooms for video call, which will soon hold up to 50 people with no time limit. The company also announced that WhatsApp will soon start supporting group voice and video calls with up to eight people.

On Apr 22, Facebook announced the expansion of Messenger Kids to more than 70 new countries around the world.

Valuation

Facebook shares increased 24.8% in the year-to-date period and 36% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 16% and 18% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry

and the sector are up 25.2% and 31.9%, respectively.

The S&P 500 Index is up 3.3% in the year-to-date period and 14.1% in the past year.

The stock is currently trading at 26.98X forward 12-month earnings, which compares to 31.16X for the Zacks sub-industry, 26.17X for the Zacks sector and 22.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 56.45X and as low as 15.18X, with a 5-year median of 27.22X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$269 price target reflects 28.33X forward 12-month earnings.

The table below shows summary valuation data for FB

Valuation Multiples - FB					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.98	31.16	26.17	22.8
	5-Year High	56.45	43.63	26.31	22.80
	5-Year Low	15.18	22.25	16.72	15.25
	5-Year Median	27.22	33.9	19.61	17.58
P/S F12M	Current	7.93	6.8	4.05	3.67
	5-Year High	13.65	14.87	4.05	3.67
	5-Year Low	4.68	5.13	2.32	2.53
	5-Year Median	9.24	8.5	3.14	3.05
EV/Sales TTM	Current	9.06	7.1	4.66	3.26
	5-Year High	18.25	13.67	4.66	3.46
	5-Year Low	5.25	4.46	2.58	2.14
	5-Year Median	11.92	9.51	3.65	2.86

As of 08/11/2020

Industry Analysis Zacks Industry Rank: Top 47% (118 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Electronic Arts Inc. (EA)	Outperform	2
Amazon.com, Inc. (AMZN)	Neutral	3
Activision Blizzard, Inc. (ATVI)	Neutral	1
Microsoft Corporation (MSFT)	Neutral	3
Netflix, Inc. (NFLX)	Neutral	3
TakeTwo Interactive Software, Inc. (TTWO)	Neutral	2
Twitter, Inc. (TWTR)	Neutral	3
Baidu, Inc. (BIDU)	Underperform	5

Industry Comparison Industry: Internet - Services				Industry Peers		
	FB	X Industry	S&P 500	BIDU	MSFT	TWTR
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	5	3	3
VGM Score	B	-	-	D	B	F
Market Cap	729.67 B	763.34 M	23.61 B	43.09 B	1,539.11 B	29.49 B
# of Analysts	12	3	14	2	14	9
Dividend Yield	0.00%	0.00%	1.69%	0.00%	1.00%	0.00%
Value Score	C	-	-	D	C	D
Cash/Price	0.08	0.17	0.07	0.48	0.08	0.26
EV/EBITDA	22.29	2.36	13.32	9.83	21.48	23.22
PEG Ratio	1.71	2.20	2.95	2.78	2.32	NA
Price/Book (P/B)	6.61	3.41	3.22	1.80	13.01	3.85
Price/Cash Flow (P/CF)	30.15	18.77	12.79	9.31	26.97	13.52
P/E (F1)	32.48	33.09	22.02	19.47	31.81	NA
Price/Sales (P/S)	9.71	2.85	2.57	2.85	10.76	8.88
Earnings Yield	3.15%	0.69%	4.29%	5.14%	3.14%	-1.45%
Debt/Equity	0.09	0.09	0.77	0.35	0.57	0.52
Cash Flow (\$/share)	8.49	0.09	6.94	13.39	7.54	2.76
Growth Score	B	-	-	C	A	D
Hist. EPS Growth (3-5 yrs)	42.58%	18.24%	10.41%	7.34%	19.44%	NA
Proj. EPS Growth (F1/F0)	25.28%	-7.61%	-6.51%	-14.44%	10.99%	-122.64%
Curr. Cash Flow Growth	-8.33%	-3.00%	5.22%	-9.22%	17.66%	123.58%
Hist. Cash Flow Growth (3-5 yrs)	38.21%	19.91%	8.55%	10.85%	10.19%	55.36%
Current Ratio	6.02	1.64	1.34	2.95	2.52	10.10
Debt/Capital	8.02%	12.41%	44.59%	26.26%	36.24%	34.24%
Net Margin	31.29%	-8.91%	10.13%	2.49%	30.96%	-32.54%
Return on Equity	22.90%	-5.73%	14.59%	8.69%	39.45%	-12.17%
Sales/Assets	0.56	0.61	0.51	0.35	0.50	0.26
Proj. Sales Growth (F1/F0)	13.48%	0.00%	-1.45%	-0.47%	8.57%	-5.46%
Momentum Score	A	-	-	D	C	F
Daily Price Chg	-2.61%	0.00%	-0.17%	-0.37%	-2.34%	-0.43%
1 Week Price Chg	5.82%	0.70%	2.30%	4.69%	3.64%	2.03%
4 Week Price Chg	6.84%	0.28%	6.41%	-0.71%	-2.39%	8.44%
12 Week Price Chg	18.10%	17.01%	15.42%	13.53%	10.76%	24.77%
52 Week Price Chg	35.91%	8.25%	2.88%	27.95%	46.74%	-10.84%
20 Day Average Volume	24,818,870	212,475	2,007,486	2,777,841	38,283,148	20,529,242
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	13.27%	0.00%	1.84%	0.00%	2.51%	-1,161.35%
(F1) EPS Est 12 week change	13.19%	2.36%	2.40%	-32.15%	3.00%	-1,161.35%
(Q1) EPS Est Mthly Chg	15.21%	0.00%	0.72%	-9.85%	3.89%	5.71%

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	B
Momentum Score	A
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.