

## General Mills Inc.(GIS)

**\$60.29** (As of 06/24/20)

Price Target (6-12 Months): **\$63.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 08/20/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:B

Value: B

Growth: C

Momentum: A

## Summary

Shares of General Mills have outperformed the industry year to date. The stock got a boost when the company raised its guidance for fiscal 2020 on the back of increased coronavirus-led demand. In March, General Mills witnessed heavy demand for at-home food owing to coronavirus-led stockpiling. Though the company's away-from-home food business is exposed to challenges, General Mills is undertaking initiatives to support demand for at-home food segment. Apart from this, the company has been gaining from its Blue Buffalo buyout. Also, its saving efforts should help counter input cost inflation and high SG&A expenses. However, management earlier said that it anticipates the Asia & Latin America unit to be hit by lower demand for away from home food products, which also somewhat weighed on third-quarter fiscal 2020 performance.

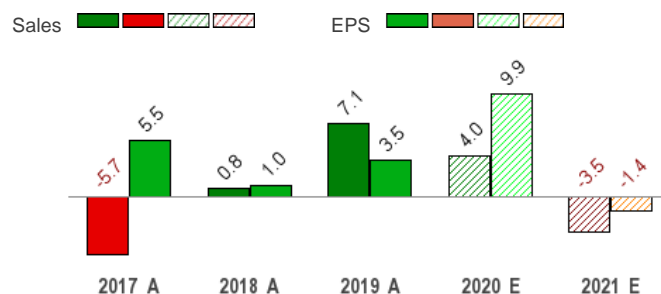
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	\$64.31 - \$46.59
20 Day Average Volume (sh)	4,683,034
Market Cap	\$36.5 B
YTD Price Change	12.6%
Beta	0.61
Dividend / Div Yld	\$1.96 / 3.3%
Industry	<a href="#">Food - Miscellaneous</a>
Zacks Industry Rank	Top 28% (72 out of 253)

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



Last EPS Surprise	2.7%
Last Sales Surprise	-0.3%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	07/01/2020
Earnings ESP	2.1%
P/E TTM	18.1
P/E F1	17.3
PEG F1	2.5
P/S TTM	2.2

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,075 E	4,496 E	4,245 E	4,117 E	16,919 E
2020	4,003 A	4,421 A	4,180 A	4,882 E	17,534 E
2019	4,094 A	4,411 A	4,198 A	4,162 A	16,865 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.84 E	\$1.00 E	\$0.83 E	\$0.84 E	\$3.49 E
2020	\$0.79 A	\$0.95 A	\$0.77 A	\$1.04 E	\$3.54 E
2019	\$0.71 A	\$0.85 A	\$0.83 A	\$0.83 A	\$3.22 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 06/24/2020. The reports text is as of 06/25/2020.

## Overview

Based in Minneapolis, MN, General Mills Inc. is a global manufacturer and marketer of branded consumer foods sold through retail stores. The company also serves the foodservice and commercial baking industries. Its principal product categories include ready-to-eat cereals, convenient meals, snacks (including grain, fruit and savory snacks, nutrition bars, and frozen hot snacks), yogurt, super-premium ice creams, baking mixes and ingredients, and refrigerated and frozen dough.

General Mills acquired Blue Buffalo in April 2018, and its consolidated results form part of a newly formed "Pet" segment following the first quarter of fiscal 2019. The company now reports under the following groups:

**North America Retail** (60% of total revenues in Q3): This segment consists of U.S. Meals & Baking and reflects business with wide variety of grocery stores, mass merchandisers, membership stores, natural food chains, and drug, dollar and discount chains operating throughout the United States. The product categories within the segment include ready-to-eat cereals, refrigerated yogurt, soup, meal kits, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza and pizza snacks, grain, fruit and savory snacks, and a wide variety of organic products including meal kits, granola bars, and ready-to-eat cereal.

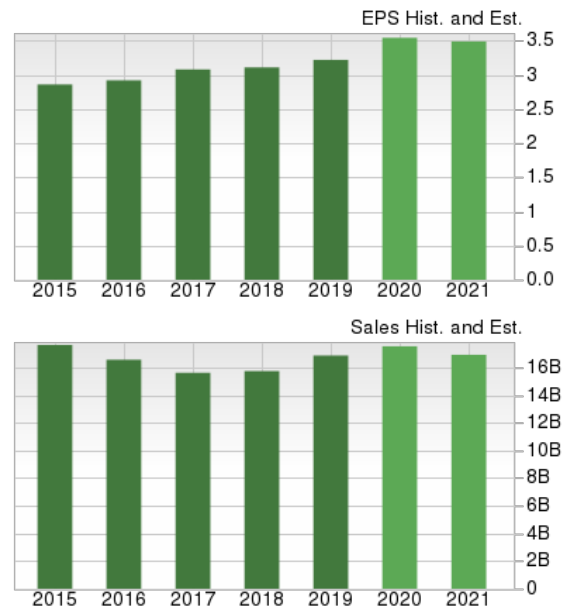
**Convenience Stores & Foodservice** (11% of total revenues in Q3):

The segment sells ready-to-eat cereals, snacks, refrigerated yogurt, frozen meals, unbaked and fully baked frozen dough products and baking mixes to foodservice, convenience stores, vending, and supermarket bakeries.

**Europe & Australia** (10% of total revenues in Q3): This segment reflects retail and foodservice businesses in the greater Europe & Australia regions.

**Asia & Latin America** (9.8% of total revenues in Q3): This segment consists of retail and foodservice businesses in the greater Asia and South America regions.

**Pet** (9.2% of total revenues in Q3): This segment consists of the consolidated results of the recently acquired Blue Buffalo Pet Products.



## Reasons To Buy:

- ▲ **Coronavirus-Led Demand & Raised View Boost Stock:** Shares of General Mills have gained 14.6% so far this year against the industry's decline of 7.6%. The stock got a further boost when the company raised its fiscal 2020 guidance on the back of increased coronavirus-led demand. In March, General Mills witnessed heavy demand for at-home food (nearly 85% of net sales), especially in North America Retail as well as Europe and Australia segments owing to coronavirus-led stockpiling. Markedly, the company's Nielsen-measured U.S. retail revenues rallied 45% and 32% year-over year in March and April, respectively. Though the company's away-from-home food (nearly 15% of net sales) business is exposed to challenges, General Mills is undertaking initiatives to maintain an undisrupted supply chain to support higher demand for at-home food segment.

Consumer-focused innovations, yielding buyouts and robust savings such as the HMM plan are aiding General Mills.

Higher demand from customers in at-home food segment for March and April caused the company to pull up its forecasts for fourth-quarter fiscal 2020. Although, it expects this trend to moderate in the month of May, it is still likely to remain higher when compared with the pre-pandemic periods. General Mills expects organic sales to grow by double digits year over year in fiscal fourth quarter, thanks to strength in North America Retail and Pet segment. Moreover, adjusted operating profit at constant currency (cc) is anticipated to increase at a faster rate when compared with organic net sales during the quarter. In its third-quarter earnings call, management stated that it expects organic sales to grow in the fourth quarter, courtesy of an extra month of Pet segment results. Management now anticipates exceeding its previously provided fiscal 2020 guidance. General Mills had earlier anticipated organic sales to improve 1-2%. Further, adjusted operating profit (at cc) was expected to improve 4-6%. Moreover, the company had envisioned adjusted earnings per share growth (at cc) of 6-8%.

- ▲ **Gains From Blue Buffalo Aids Pet Segment:** General Mills acquired Blue Buffalo Pet Products, Inc. in fiscal 2018, which now forms its Pet segment. Following this acquisition, the company became one of the leading players in the pet food arena. Blue Buffalo manufactures and markets wholesome natural pet food items and is contributing to General Mills' top line. In third-quarter fiscal 2020, the company witnessed sales growth only in the Pet segment.

Revenues came in at \$383.5 million, up 11% year over year on the back of volume growth as well as favorable net price realization and mix impacts. A double-digit rise in the segment's biggest product lines — Life Protection Formula and Wilderness — fueled growth. Further, expansion in the Food, Drug and Mass (FDM) and favorable price mix were a key driver. Encouragingly, courtesy of an extra month of Pet segment, the company expects to see a step up in organic sales growth in the fourth quarter of fiscal 2020. Management anticipates sales in the Pet segment to grow 8-10% on a like-for-like basis in fiscal 2020. Also, it is encouraged about the long-term growth prospects of the segment.

- ▲ **Key Global Strategies:** General Mills is on track with growth plans such as Consumer First strategy as well as key global growth strategies to drive consistent sales growth. To this end, the company is focused on solid innovations, efficient customer marketing and strong in-store execution to sharpen its competitive edge. Management is on track with Compete, Accelerate and Reshape growth framework. Additionally, the company is focusing to improve U.S. Yogurt business, expand presence in the emerging nations, stabilize distribution channels and focus on enhancing price mix.

The company's next main strategy focuses on driving growth across four differential global platforms, which include Haagen-Dazs ice cream, snack bars, Old El Paso Mexican food, and General Mills' natural and organic food brands. Finally, the company is working toward reshaping its portfolio via prudent buyouts and divestitures. Apart from these, the company is focused on improving its e-commerce channel given its rapid acceleration. For fiscal 2020, management still expects organic sales to improve 1-2%. Moreover, the combined impact of divestitures, currency translations and contributions from the 53rd week is likely to boost net sales by nearly 1 percentage point. Notably, the company expects to see a step up in organic sales growth in the fourth quarter of fiscal 2020, courtesy of an extra month of Pet segment results. Also, fourth-quarter results will include gains from an additional week or the 53rd week.

- ▲ **Concentration on Innovation, Health & Nutrition:** The company focuses on maintaining a steady pipeline of products to boost sales momentum and capture market share. With evolving consumer food preferences, General Mills is investing in consumer-focused innovation and marketing and accelerating the natural and organic product portfolio to boost its sales. In this respect, the company expects to reap continued benefits from Annie's, General Mills' biggest natural and organic brand. Other noteworthy brands included in this category are Bunny Grahams, Muir Glen tomatoes and EPIC meat bars. The natural products platform is likely to continue expanding in the forthcoming periods.

- ▲ **Cost-Saving Initiatives:** General Mills is currently pursuing many initiatives focused on improving operational efficiency to generate cost savings and support its key growth strategies. The company expects to achieve cost savings through increased efficiency, reduced complexity through SKU optimization, further supply chain optimization and continued expansion of zero-based budgeting across the business, which will result in accelerated margin expansion. Also, the company remains on track with its Holistic Margin Management (HMM), which is expected to continue generate greater savings. In fact, savings from this initiative aided the gross margin to an extent during the third quarter of fiscal 2020. Also, HMM productivity savings, reduced forecasts for input-cost inflation and solid administrative cost control encouraged management to raise adjusted operating profit and earnings view for fiscal 2020.

---

## Reasons To Sell:

▼ **Weakness in U.S. Snacks & More Categories:** General Mills is witnessing a weakness in the U.S. Snacks, U.S. Meals & Baking and U.S. Yogurt categories for the past few quarters, which is weighing on its North America Retail unit's performance. In third-quarter fiscal 2020, revenues in the North America Retail segment dipped 1% to \$2,501.9 million. U.S. Meals & Baking sales saw a dip of 2%, while U.S. Snacks, U.S. Cereal and U.S. Yogurt categories slipped 1% each. Although the company is undertaking efforts to boost performance in these categories, the same is yet to yield results.

Input cost inflation has been a persistent hurdle for General Mills. Moreover, weakness in U.S. Snacks category is a headwind.

▼ **COVID-19 Impact on Q3:** The company's sales and adjusted operating profit were dented by the impact of coronavirus to an extent during the third quarter of fiscal 2020. Incidentally, sales included an adverse impact of about 50 bps from reduced sales of Haagen-Dazs in Asia in February, led by the coronavirus. The outbreak weighed on traffic in Haagen-Dazs shops as well as foodservice outlets in the region. Management stated that the company saw a 90% plunge in traffic in shops, and significant declines in other foodservice outlets in China during February. This also weighed on adjusted operating profit and bottom-line growth to the tune of 158 bps.

Additionally, this was partly accountable for the 5% revenue decline noted in Asia & Latin America segment during the quarter. The company expects to see lower consumer demand for away from home food in the near-term, which is likely to hurt its Asia & Latin America as well as Convenience Stores & Foodservice units. Nonetheless, it expects increased orders from retail customers across North America and Europe.

▼ **Input Cost Inflation a Worry:** General Mills has been battling input cost inflation for a while now. In third-quarter fiscal 2020, adjusted gross margin contracted 30 bps to 33.9% due to inflated input costs and elevated supply-chain costs. Management anticipates input cost inflation in fiscal 2020, though it is likely to be at a lower level. Apart from this, escalated SG&A costs, including greater media investments have been a threat to the company's profits.

▼ **Sales Decline in Europe & Australia:** Sales at this segment have been declining for the past few quarters owing to a tough operating environment in France and weak trends in ice cream, among other factors. During the third quarter of fiscal 2020, revenues in the Europe & Australia segment dipped 2% to \$421.9 million, including adverse currency impacts of 1%. Further, sales declined 1% year over year on an organic basis. Softness in Yoplait yogurt and Haagen-Dazs ice cream was countered by strength in Nature Valley and Fibre One snack bars as well as Old El Paso Mexican food. This followed declines of 5%, 9% and 10.2% in the preceding three quarters, respectively.

▼ **Debt Analysis:** General Mills' long-term debt of \$11,589.6 million increased 5.8% sequentially at the end of the third quarter of fiscal 2020 — Feb 23, 2020. Further, its debt-to-capitalization ratio is high when compared with the industry. Incidentally, the company's debt-to-capitalization ratio of 0.61 stands higher than the industry's ratio of 0.45.

---

## Last Earnings Report

### General Mills Q3 Earnings Beat Estimates, View Raised

Quarter Ending **02/2020**

Report Date	Mar 18, 2020
Sales Surprise	-0.32%
EPS Surprise	2.67%
Quarterly EPS	0.77
Annual EPS (TTM)	3.34

General Mills released third-quarter fiscal 2020 results, adjusted earnings per share of 77 cents declined 7.3% year over year, while it fell 6% on a constant-currency (cc) basis. Nonetheless, the bottom line beat the Zacks Consensus Estimate of 75 cents. The downside was a result of reduced adjusted operating profit, increased adjusted effective tax rate and greater average shares outstanding. This was somewhat compensated by a decline in net interest expenses and increased non-service benefit plan income.

Net sales of \$4,180.3 million were nearly flat year over year and missed the Zacks Consensus Estimate of \$4,195 million. Also, organic sales were flat as solid growth in the Pet segment was countered by softness in the North America Retail and Convenience Stores & Foodservice segments. Organic volumes declined, though net price realization and mix were favorable. Also, sales included an adverse impact of about 50 bps from reduced sales of Haagen-Dazs in Asia in February, led by the coronavirus. The outbreak weighed on traffic in Haagen-Dazs shops as well as foodservice outlets in the region.

Adjusted gross margin contracted 30 bps to 33.9% due to inflated input costs and elevated supply-chain costs. This was partly made up by HMM savings and improved net price realization and mix. Adjusted operating profit came in at \$675 million. The metric fell 8% at cc due to escalated SG&A costs, including greater media investments. Also, reduced contributions from ice cream sales in Asia (due to COVID-19) weighed on results. Adjusted operating margin collapsed 130 bps to 16.1%.

### Segmental Performance

**North America Retail:** Revenues in the segment came in at \$2,501.9 million, which dipped 1% year over year. Sales declined in U.S. Meals & Baking, U.S. Cereal, U.S. Snacks and U.S. Yogurt categories. Sales in Canada rose 5% at cc.

**Convenience Stores & Foodservice:** Revenues dropped 2% to \$464.8 million due to weakness in non-Focus 6 products like flour and mixes. This was partially offset by improvements in Focus 6 platforms, including cereal, frozen baked goods and yogurt.

**Europe & Australia:** The segment's revenues slipped 2% to \$421.9 million, including adverse currency impacts of 1%. Further, sales declined 1% year over year on an organic basis. Softness in Yoplait yogurt and Haagen-Dazs ice cream was countered by strength in Nature Valley and Fibre One snack bars as well as Old El Paso Mexican food.

**Asia & Latin America:** Revenues declined 5% from the year-ago quarter to \$408.2 million. The downside was caused by the adverse impact of divestitures in fiscal 2019 and currency headwinds. Organic sales remained flat as improvements in Latin America were offset by softness in Asia. The segment's performance reflects the impact of coronavirus on Haagen-Dazs store traffic.

**Pet Segment:** Revenues came in at \$383.5 million, up 11% year over year on the back of volume growth as well as favorable net price realization and mix impacts. A double-digit rise in the segment's biggest product lines — Life Protection Formula and Wilderness — fueled growth.

### Other Aspects

General Mills generated \$2,159.8 million as net cash from operating activities in the first nine months of fiscal 2020. During the same time frame, the company made capital investments worth \$269 million, paid out dividends of \$895 million and lowered debt by \$862 million.

### Fiscal 2020 Guidance

The company expects to see organic sales growth in the fourth quarter of fiscal 2020, courtesy of an extra month of Pet segment results. Also, fourth-quarter results will include gains from an additional week or the 53rd week.

Management remains uncertain about the impact of the coronavirus pandemic on its fiscal 2020 outcome. However, its latest guidance includes the effect of increased orders from retail customers across North America and Europe following the third quarter-end. This, in turn, resulted from higher consumer demand for food. Also, the guidance takes into account traffic-related headwinds at Haagen-Dazs shops and other foodservice networks. Management further stated that its supply chain is expected to face minimum bottlenecks through the remaining part of fiscal 2020.

Considering all factors and the year-to-date show, management revised its guidance for fiscal 2020. Organic sales are still anticipated to improve 1-2%. Moreover, the combined impact of divestitures, currency translations and contributions from the 53rd week is likely to boost net sales by nearly 1 percentage point.

Adjusted operating profit (at cc) is expected to improve 4-6% compared with the prior growth projection of 2-4%. Adjusted operating profit was \$2.86 billion in fiscal 2019. The raised outlook can be attributable to HMM productivity savings, reduced forecasts for input-cost inflation and solid administrative cost control. The company now envisions adjusted earnings per share (EPS) growth (at cc) of 6-8%, up from a 3-5% increase anticipated earlier.

## Recent News

### General Mills Ups Fiscal 2020 View on Coronavirus-Led Demand - May 11, 2020

The coronavirus outbreak has compelled people to stay indoors and step out just for purchasing essentials. As consumers are unable to gauge the severity and duration of this pandemic, they are stockpiling goods, especially staple items to avoid venturing out often. This, in turn, has been spiking up demand for products of General Mills, which raised its guidance for fiscal 2020 amid this hour of crisis.

In March, General Mills witnessed heavy demand for at-home food (nearly 85% of net sales), especially in North America Retail as well as Europe and Australia segments owing to coronavirus-led stockpiling. Although the magnitude of the rising demand had moderated in April, it was still high when compared with the pre-pandemic periods. Markedly, the company's Nielsen-measured U.S. retail revenues rallied 45% and 32% year-over-year in March and April, respectively.

However, the company's away-from-home food (nearly 15% of net sales) business is exposed to challenges. In this regard, softness in General Mills' convenience stores and Foodservice segment as well as Asia and Latin America segments is a threat to its performance.

Nevertheless, General Mills is undertaking initiatives to maintain an undisrupted supply chain to support higher demand for at-home food segment. In this regard, management is focused on increasing capacity and product availability

### General Mills Ensures Employee Protection Amid Coronavirus - Apr 1, 2020

General Mills unveiled several measures to support its workers amid the growing spread of coronavirus. In this regard, it has announced opportunities for corporate workers to work at manufacturing plants, improved benefits for plant workers (including daily bonus) and will offer charitable grants worth \$5 million to facilitate food access in core global markets.

## Valuation

General Mills shares are up 14.6% in the year-to-date period and 21.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 7.6% in the year-to-date period, while the Zacks Consumer Staples sector is down 10.8%. Over the past year, the Zacks sub-industry is up 3%, while the sector declined 5.3%.

The S&P 500 index is down 1.8% in the year-to-date period and up 9.7% in the past year.

The stock is currently trading at 17.24X forward 12-month earnings, which compares to 18.49X for the Zacks sub-industry, 19.68X for the Zacks sector and 22.46X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.31X and as low as 11.53X, with a 5-year median of 17.28X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$63 price target reflects 18.01X forward 12-month earnings.

The table below shows summary valuation data for GIS

Valuation Multiples - GIS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.24	18.49	19.68	22.46
	5-Year High	23.31	22.9	22.37	22.46
	5-Year Low	11.53	14.82	16.65	15.23
	5-Year Median	17.28	18.57	19.66	17.49
P/S F12M	Current	2.16	1.67	9.51	3.51
	5-Year High	2.68	2.05	11.16	3.51
	5-Year Low	1.27	1.41	8.1	2.53
	5-Year Median	1.96	1.81	9.89	3.02
EV/EBITDA F12M	Current	13.5	13.57	34.2	13.65
	5-Year High	13.72	16.59	37.3	14.17
	5-Year Low	8.62	10.95	25.9	9.01
	5-Year Median	11.75	13.2	33.67	10.96

As of 06/24/2020

## Industry Analysis Zacks Industry Rank: Top 28% (72 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
BG Foods, Inc. (BGS)	Outperform	1
United Natural Foods, Inc. (UNFI)	Outperform	1
Conagra Brands Inc. (CAG)	Neutral	3
Campbell Soup Company (CPB)	Neutral	3
Flowers Foods, Inc. (FLO)	Neutral	2
Kellogg Company (K)	Neutral	3
Nomad Foods Limited (NOMD)	Neutral	2
TreeHouse Foods, Inc. (THS)	Neutral	3

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	GIS	X Industry	S&P 500	CAG	K	THS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	A	B	A
Market Cap	36.54 B	3.49 B	21.05 B	16.46 B	22.23 B	2.52 B
# of Analysts	7	3.5	14	8	7	6
Dividend Yield	3.25%	0.00%	1.99%	2.52%	3.51%	0.00%
Value Score	B	-	-	B	C	C
Cash/Price	0.02	0.07	0.07	0.01	0.04	0.12
EV/EBITDA	14.74	11.96	12.43	16.45	13.92	28.82
PEG Ratio	2.47	3.30	2.85	2.09	4.45	2.66
Price/Book (P/B)	4.65	2.36	2.87	2.09	6.92	1.40
Price/Cash Flow (P/CF)	14.14	11.94	11.32	13.39	12.09	7.28
P/E (F1)	17.28	17.97	20.46	14.62	17.05	17.31
Price/Sales (P/S)	2.18	1.11	2.19	1.59	1.65	0.56
Earnings Yield	5.79%	5.04%	4.57%	6.84%	5.87%	5.78%
Debt/Equity	1.47	0.66	0.77	1.16	2.38	1.31
Cash Flow (\$/share)	4.26	2.58	7.01	2.52	5.36	6.13
Growth Score	C	-	-	C	A	A
Hist. EPS Growth (3-5 yrs)	2.74%	5.41%	10.84%	-2.98%	3.30%	-9.29%
Proj. EPS Growth (F1/F0)	-1.49%	1.77%	-10.79%	5.65%	-3.41%	7.95%
Curr. Cash Flow Growth	5.47%	5.12%	5.46%	10.04%	-9.43%	-1.33%
Hist. Cash Flow Growth (3-5 yrs)	1.32%	5.64%	8.55%	-0.87%	-0.49%	5.96%
Current Ratio	0.64	1.67	1.29	0.87	0.77	1.58
Debt/Capital	59.59%	39.87%	45.14%	53.63%	70.39%	56.69%
Net Margin	12.68%	2.56%	10.53%	7.37%	7.61%	-8.06%
Return on Equity	26.40%	11.89%	16.06%	12.08%	41.25%	7.25%
Sales/Assets	0.55	1.08	0.55	0.47	0.75	0.85
Proj. Sales Growth (F1/F0)	-3.36%	0.00%	-2.70%	-2.81%	-1.95%	-8.80%
Momentum Score	A	-	-	B	C	A
Daily Price Chg	-1.16%	-0.98%	-3.07%	-1.26%	-2.17%	-4.51%
1 Week Price Chg	2.38%	2.98%	0.92%	3.52%	6.59%	3.12%
4 Week Price Chg	-0.87%	0.18%	-3.03%	0.18%	0.42%	-13.52%
12 Week Price Chg	13.50%	14.00%	22.03%	13.54%	6.20%	1.96%
52 Week Price Chg	17.50%	-3.39%	-8.53%	16.80%	21.38%	-15.28%
20 Day Average Volume	4,683,034	253,505	2,805,937	3,703,755	2,816,674	592,799
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.22%	0.00%	0.00%
(F1) EPS Est 4 week change	0.11%	0.00%	0.00%	0.33%	0.00%	0.00%
(F1) EPS Est 12 week change	1.27%	0.00%	-12.33%	3.98%	1.56%	2.79%
(Q1) EPS Est Mthly Chg	1.20%	0.00%	0.00%	-3.16%	0.00%	0.00%



---

## 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>B</b>
Growth Score	<b>C</b>
Momentum Score	<b>A</b>
VGM Score	<b>B</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.