Hyatt Hotels(H)

$50.84 (As of 07/20/20)

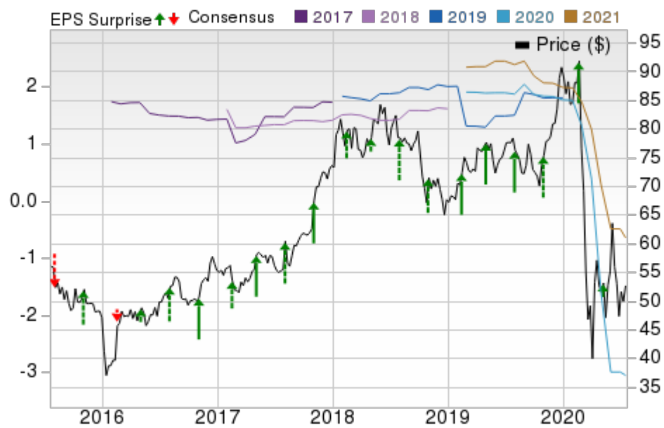
Price Target (6-12 Months): **$54.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/13/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**4-Sell**
	Zacks Style Scores:	VGM:F
	Value: D | Growth: F | Momentum: F	

Summary

Shares of Hyatt have underperformed the industry so far this year. Notably, the COVID-19 pandemic along with related travel restrictions and other containment efforts have had a significant impact on the company. Due to this, the company suspended operations in 35% of its hotels globally. Moreover, owing to the uncertainty of the crisis, the company has discontinued all share repurchase activity as well as suspended dividend payments. Notably, earning estimates for 2020 have declined over the past 30 days, depicting analysts concern regarding the stock's earnings growth potential. However, the company's differentiated brand portfolio and strong expansion plans bode well. Also, its increased focus to strengthen financial flexibility and core operation is noteworthy.

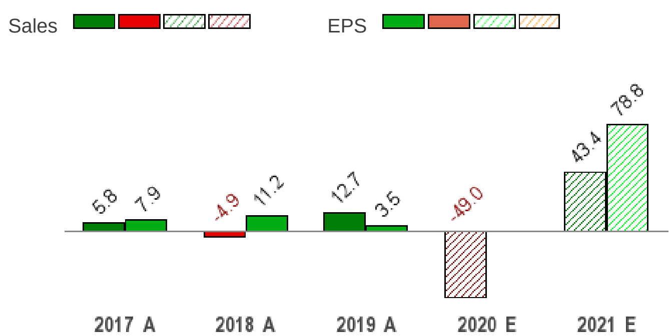
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$94.98 - $24.02**
20 Day Average Volume (sh)	**855,038**
Market Cap	**$5.1 B**
YTD Price Change	**-43.3%**
Beta	**1.41**
Dividend / Div Yld	**$0.80 / 1.6%**
Industry	**Hotels and Motels**
Zacks Industry Rank	**Bottom 14% (217 out of 252)**
Last EPS Surprise	**0.0%**
Last Sales Surprise	**5.4%**
EPS F1 Est- 4 week change	**-2.0%**
Expected Report Date	**08/03/2020**
Earnings ESP	**-7.9%**
P/E TTM	**40.7**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**1.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	856 E	730 E	861 E	952 E	3,670 E
2020	993 A	267 E	514 E	782 E	2,560 E
2019	1,241 A	1,289 A	1,215 A	1,275 A	5,020 A

EPS Estimates

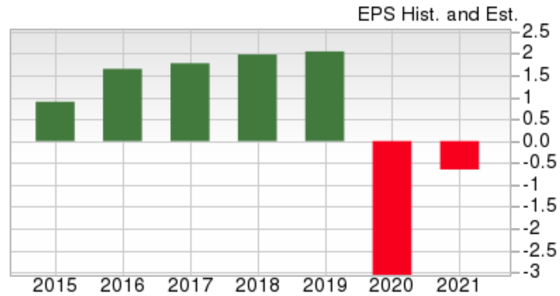
	Q1	Q2	Q3	Q4	Annual*
2021	-$0.34 E	-$0.23 E	-$0.15 E	-$0.08 E	-$0.65 E
2020	-$0.35 A	-$1.33 E	-$0.89 E	-$0.46 E	-$3.06 E
2019	$0.45 A	$0.76 A	$0.37 A	$0.47 A	$2.05 A

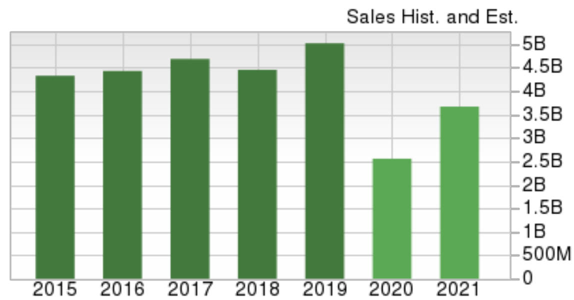
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/20/2020. The reports text is as of 07/21/2020.

Overview

Hyatt Hotels Corporation is a leading global hospitality company engaged in the development, ownership, operation, management, franchising and licensing of a portfolio of properties, including hotels, resorts and residential and vacation ownership properties around the world. As of Mar 31, 2020, the company's portfolio included more than 900 properties in 65 countries across six continents. The company's portfolio has more than 20 premier brands.





Hyatt manages its business within four reportable segments:

The Owned and Leased Hotels segment consists of the company's owned and leased hotel properties, located mostly in the Unites States and also across few international locations.

The Americas Management and Franchising segment includes management and franchising of the company's properties located in the United States, Latin America, Canada and the Caribbean. The segment revenues also include the reimbursement of costs incurred for managed and franchised properties.

The ASPAC Management and Franchising segment comprises the company's management and franchising of properties located in Southeast Asia, as well as greater China, Australia, South Korea, Japan and Micronesia. The segment revenues also include the reimbursement of costs incurred for managed and franchised properties.

The EAME/SW Asia Management and Franchising segment encompasses the company's management and franchising of properties located primarily in Europe, Africa, the Middle East, India, Central Asia and Nepal. The segment revenues also include the reimbursement of costs incurred for managed and franchised properties.

Notably, in 2017, Hyatt acquired Exhale Enterprises from an unrelated third party for a price of $16 million. Also, in Jan 2017, the company acquired Miraval, the renowned provider of wellness and mindfulness experiences, for $239 million, subject to working capital adjustments. In November 2018, Hyatt completed the acquisition of Two Roads for $405 million. As of Dec 31, 2018, the acquisition of Two Roads added 65 hotel properties or approximately 12,000 rooms, along with 10 condominium ownership properties comprising approximately 1,500 units, to the company's portfolio.

Reasons To Buy:

> We expect Hyatt's differentiated brand portfolio, strong expansion plans and acquisition strategies to spur growth

▲ **Strong Brand Recognition Across the Globe:** Hyatt aims to differentiate its brands from one another by providing distinct travel experiences. Hyatt is also consistently trying to expand its presence worldwide and has expansion plans in Asia-Pacific, Europe, Africa, Middle East and Latin America. Expansion in these markets should help the company gain market share in the hospitality industry, thus boosting business. Thus, an essential aspect of the company's riveting growth potential is its strong brand presence and continual expansion in higher growth and under-penetrated markets such as India and China. Apart from these, the company has also announced expansion plans in diverse international markets like Australia, Brazil, Germany, the U.K., Indonesia, Japan, Mexico, Saudi Arabia, Singapore, Thailand, Netherlands and others. Meanwhile, the company's new signings across its brands globally have consistently outpaced openings. This trend is anticipated to continue in 2020 and beyond. In 2018 and 2019, Hyatt registered net room growth of 13.6% and 7.4%, on a year-over-year basis, respectively. For the first quarter 2020 Hyatt registered net room growth of 6.3%.

▲ **Early Signs of Improvement in China:** As the economy is opening up, early signs of improvement can be noticed in greater parts of China and South Korea. Notably, the company has only one hotel with fully suspended operations, down from 26 hotels in the first quarter. In April, occupancies in China improved to nearly 25%, up from the mid-single digits registered in the first quarter.

Additionally, the company is experiencing positive booking trends in South Korea. This was driven by a short-term transient business as demand improved in markets.

▲ **Focus on Expanding Select Service Presence:** The Hyatt Place and Hyatt House brands allow to expand Hyatt's presence globally in a bid to further strengthen its fast-growing select service category. The company strongly believes that the opportunity for properties that offer selected services at a lower price than full-service hotels is particularly compelling in certain markets, including India, China and the Middle East. This is because there is a large and growing middle-class population in these markets along with a significant number of local business travelers. Notably, the company intends to grow its select service presence via third-party construction of new franchised properties, conversion and renovation of existing non-Hyatt properties, and in certain cases, participation in the development of new managed properties.

▲ **Acquisition & Divestitures as Growth Strategies:** Hyatt is strongly invested in the strategies related to various acquisitions and divestitures that can drive growth for the company. In 2017, the company acquired Miraval Group, which extended the Hyatt brand beyond traditional hotel stays into a wellness category that resonates well with the high-end travelers. Moreover, the company is also increasing its focus on private accommodations, another fast-growing travel segment, which has the potential to extend the Hyatt brand beyond traditional hotel space and is a fantastic fit to the Hyatt portfolio and its brand positioning. The company has also acquired Exhale for $16 million and the 693-room Hyatt Regency Phoenix, Arizona, for roughly $140 million. In 2018, the company also acquired lifestyle hotel management company Two Roads Hospitality. These buyouts are part of Hyatt's ongoing asset recycling program. In an effort to strengthen financial flexibility and focus more on core operation, the company is also focusing on the sale of assets. The sale of assets is helping Hyatt grow through management and licensing arrangements instead of direct ownership of selective assets. However, the company does not intend to sell assets at distressed prices just to meet goals.

▲ **Loyalty Program and Other Initiatives to Increase Occupancy:** In order to survive in a tough economic environment, Hyatt is continuously devising newer ways to enhance guest experience and raise occupancy. Successful innovation has been a trademark of Hyatt, with a commitment to impactful architectural design of hotels in both the large-scale convention and smaller leisure markets. The company also has a creative approach to food and beverage at its hotels worldwide and has created profitable and popular venues that build and enhance demand for its hotel properties. Meanwhile, in 2017, the company launched a new loyalty program, World of Hyatt, which replaced its Gold Passport loyalty program. Notably, World of Hyatt is a platform for guest engagement. The company is witnessing a higher level of guest satisfaction owing to the enhancements.

▲ **Enough Liquidity to Tide Over Coronavirus Crisis:** Hyatt has enough liquidity to survive the coronavirus pandemic for some time. As of Mar 31, 2020, the company has $1.2 billion in cash and cash equivalent. Total liquidity inclusive of cash and equivalents, combined with borrowing capacity, is currently more than $3.1 billion. Markedly, the company stated that it has sufficient liquidity to maintain operations at the current scenario for the next 30 months. As of Mar 31, the company's long-term debt stands at $1.9 billion, compared with $2 billion at the end of Dec 31, 2019. In the next 36 months, the company has only long-term debt maturity of $250 million, which is due in third-quarter 2021. Moreover, the company has a debt to capitalization ratio of 0.39, comparing favorably with the industry's average of 0.68. "Times Interest Earned" ratio stands at 11.8, compared with the industry average of 2.7. This shows that Hyatt is well positioned to meet debt obligations.

Reasons To Sell:

> Decline in RevPAR and occupancy rates due to the coronavirus pandemic and stiff competition remain a concern.

- **Coronavirus Impact:** The COVID-19 pandemic along with related travel restrictions and other containment efforts have had a significant impact on the company. As of the end of April, the company had suspended operations in 35% of its hotels globally, resulting in decline in occupancy rates. Operations were suspended at 62% of its full-service hotels and 19% of select service hotels in the Americas, 17% of hotels in ASPAC, and 58% of hotels in EAME/SW Asia. Operations were suspended at 82% of its owned and leased hotels. Moreover, owing to the uncertainty of the crisis, the company has discontinued all share repurchase activity as well as suspended dividend payments. The suspension of share repurchases and dividend payments will continue through the first quarter of 2021.

- **Dismal RevPar Performance:** With the global spread of COVID-19 in March, the company began to experience significant decline in demand, resulting in a system-wide RevPAR decrease of 66.6% in March. Notably, the company's RevPAR declined 63.6% in the Americas, 77.8% in ASPAC, 69.3% in EAME/SW Asia, and 71.9% in its owned and leased portfolio in the month of March. Moreover, occupancy rate has also declined sharply owing to the pandemic.

- **Valuation Looks Inappropriate:** Hyatt's valuation looks a bit stretched when compared with the industry average. Looking at the company's EV/EBITDA ratio (Enterprise Value/ Earnings before Interest Tax Depreciation and Amortization), investors might not want to pay any further premium. The company currently has a trailing 12-month EV/EBITDA ratio of 47.9X, which makes it overvalued compared with its peers as the industry average EV/EBITDA currently is 13.29x.

- **Geopolitical Concerns:** The company has a considerable international presence, which makes it vulnerable to the economic conditions in the region. In the Middle East, political unrest, lower government spending, new hotel supply and a tough oil market continue to hurt tourism and is a cause of concern. Also, the slowdown in the Chinese economy might continue to hurt discretionary spending as well as travel.

  Moreover, since the company's operations outside the United States represent approximately 20% of net revenues, in 2018, the costs of complying with laws, regulations and policies (including taxation policies) of foreign governments relating to investments and operations, may affect the company's profitability. Also, volatility in exchange rates is likely to hurt results similar to the past few quarters. Moreover, Donald Trump's stringent policies on immigration and tourist visa seem to have impelled international visitors to rethink about their vacation plans in the United States. Evidently, there has been a continued slowdown in U.S.-bound air travel bookings ever since Trump took charge. The ongoing trade spat between China and the United States had led to a demand slump in greater China.

- **Cutthroat Competition:** The hotel industry is highly competitive, as major hospitality chains with well-established and recognized brands are continuously expanding their global presence. Hyatt is continuously facing intense competition from both large hotel chains and smaller independent local hospitality providers.

  Increasingly, the company also faces competition from new channels of distribution in the travel industry. Additional sources of competition include large companies that offer online travel services as part of their business model such as Alibaba, search engines such as Google and peer-to-peer inventory sources that allow travelers to book stays on websites that facilitate the short-term rental homes and apartments from owners, thereby providing an alternative to hotel rooms, such as Airbnb and HomeAway. Unless Hyatt counters these competitions with appropriate strategies, it may pose a concern to the company's future profitability.

Last Earnings Report

Hyatt Q1 Earnings Meet Estimates, Revenues Miss Mark

Quarter Ending	03/2020
Report Date	May 06, 2020
Sales Surprise	5.38%
EPS Surprise	0.00%
Quarterly EPS	-0.35
Annual EPS (TTM)	1.25

Hyatt Hotels reported first-quarter 2020 results, wherein the bottom line matched the Zacks Consensus Estimate but the top line missed the same. Both the metrics also declined sharply year over year owing to the coronavirus pandemic.

The company reported adjusted loss per share of 35 cents, in line with the Zacks Consensus Estimate. In the prior-year quarter, the company had reported adjusted earnings per share of 45 cents. Total revenues were $993 million, which lagged the Zacks Consensus Estimate of $1,025 million and declined19.9% from the year-ago quarter.

Coronavirus Update

While Hyatt has been witnessing signs of improving demand in Greater China, negative trends in the rest of the world are yet to stabilize. At the end of April, the company announced occupancy in Greater China was approaching 25%. As of Apr 30, 2020, system-wide occupancy rates are averaging nearly 15% for hotels that remain operational.

Moreover, the company announced that as of Apr 30, 2020, nearly 35% of its system-wide hotels remain suspended. The company has suspended operations in 62% full service hotels and 19% select service hotels in the Americas. It has suspended operations in 17% and 58% select service hotels in the ASPAC region and EAME/SW Asia region, respectively.

RevPAR Details

In the reported quarter, comparable system-wide revenues per available room (RevPAR) were down 28.1%. RevPAR in the quarter under review was impacted by the coronavirus-induced shutdowns and travel restrictions. Comparable owned and leased hotels RevPAR declined 25.8%. Moreover, comparable U.S. hotel RevPAR fell 24.5%. While full-service hotel RevPAR was down 25.2%, that of select service hotel declined 23%.

Operating Highlights

Adjusted EBITDA slumped 54.3% to $86 million (down 53.9% at constant currency). Moreover, adjusted EBITDA margin contracted 1,010 bps to 18.3%. Meanwhile, comparable owned and leased hotels' operating came in at 14.5%, down 1,060 bps year over year.

Segmental Details

Hyatt manages business through four reportable segments — Owned and Leased Hotels; Americas Management and Franchising; Southeast Asia, Greater China, Australia, South Korea, Japan and Micronesia (ASPAC) Management and Franchising; and Europe, Africa, Middle East and Southwest Asia (EAME/SW Asia) Management and Franchising.

Revenues at **Owned and Leased Hotels** totaled $330 million, down 30.7% from the year-ago quarter number. The sharp decline can primarily be attributed to the impact of the coronavirus pandemic on comparable owned and leased hotels and dispositions. Comparable owned and leased hotels RevPAR were down 25.8%. While ADR was down 0.5%, occupancy increased by 1,880 basis points to 55.3%. Meanwhile, adjusted EBITDA decreased 66.9% to $34 million. At constant currency, the same declined 66.8%.

Revenues at **Americas Management and Franchising** amounted to $111 million, reflecting a decline of 21.3% and 21% from the year-ago figure and constant currency, respectively. RevPAR for comparable Americas full-service hotels decreased 24.2%. While ADR declined 1.2%, occupancy decreased 1,650 bps to 54.3% from the year-ago quarter number. Meanwhile, RevPAR for comparable Americas select-service hotels was down 22.9%. Occupancy increased 1,380 bps to 56.7% and ADR declined 4% in the quarter under review. Adjusted EBITDA increased 26.6% (down26.6% at constant currency) to $68 million.

Revenues at **ASPAC Management and Franchising** decreased 40.6% year over year (down 39.6% at constant currency) to $19 million. RevPAR for comparable ASPAC full-service hotels declined 48% on account of increase in coronavirus cases beginning in late January 2020, mostly in Greater China, and spreading to other countries in the region throughout February 2020. While occupancy was down 3,150 bps to 36.3%, ADR declined 3.1%in the quarter. Adjusted EBITDA were down 58.5% (up 57.6% at constant currency) to $8 million.

Revenues at **EAME/SW Asia Management and Franchising** were down 43% to $10 million. Comparable EAME/SW Asia full-service hotels' RevPAR decreased 22.5% on account of suspension of hotel operation owing to the ongoing crisis. While ADR decreased 0.7%, occupancy fell 800 bps to 58.2%. Adjusted EBITDA rose 91.2% (were up 90.8% at constant currency) to $1 million.

Balance Sheet

As of Mar 31, 2020, Hyatt reported cash and cash equivalents (including investments in highly-rated money market funds and similar investments) of $1,194 million. The total debt was $1.962 billion as of Mar 31, 2020.

Hyatt repurchased $69 million shares of its Class A common stock year to date through Mar 2, 2020. The company ended the first quarter with 35,570,053 Class A and 65,463,274 Class B shares issued as well as outstanding.

Recent News

Hyatt on Expansion Spree, Unveils Properties in Lenox – Jul 15, 2020

Hyatt Hotels recently announced the opening of a destination Hotel — Wyndhurst Manor & Club. The company also announced the opening of Miraval Berkshires. Miraval is a leading wellness resorts and spa brand. Covering a total area of 380 acres, both the venues are located in the same property in Lenox, MA.

Hyatt to Open Grand Hyatt Limassol in Cyprus by 2025 – Jul 13, 2020

In a bid to strengthen its portfolio across Europe, Hyatt Hotels affiliate recently entered into a management agreement with Anolia Holdings Limited to launch the first-ever Grand Hyatt Limassol hotel on the island of Cyprus. The company expects to open the property by 2025.

Hyatt to Bolster Alila Brand Portfolio With New Hotel – Jul 9, 2020

Hyatt Hotels recently announced its intentions to expand its Alila Brand in Americas. The company is likely to open Alila resort in the Americas, located in Encinitas, CA — a quintessential beach town in San Diego's North County Coastal region — by 2021.

Hyatt Expands Thompson Hotels Brand Portfolio With New Hotels – Jul 7, 2020

Hyatt Hotels is planning to open two new properties — Thompson Savannah and Thompson Buckhead — in an effort to expand Thompson Hotels brand. Both the properties are expected to open in Georgia in 2021. These will join four other Thompson hotels already under development that includes Dallas, Houston, San Antonio and Austin, TX.

Valuation

Hyatt's shares are down 43.3% year-to-date and 33.8% in the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down by 33.6% and 8.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down by 25.2% and 2.2%, respectively.

The S&P 500 index is up 0.4% in the year-to-date period and 8.7% in the past year.

The stock is currently trading at 40.67X trailing 12-month earnings, which compares to 20.63X for the Zacks sub-industry, 25.42X for the Zacks sector and 21.01X for the S&P 500 index.

Over the past five years, the stock has traded as high as 72.38X and as low as 17.83X, with a 5-year median of 39.15X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $54 price target reflects 43.2X trailing 12-month earnings.

The table below shows summary valuation data for H.

Valuation Multiples - H

		Stock	Sub-Industry	Sector	S&P 500
P/E TTM	Current	40.67	20.63	25.42	21.01
	5-Year High	72.38	33.79	32.62	22.25
	5-Year Low	17.83	17.11	19.76	15.98
	5-Year Median	39.15	23.58	25.39	19.13
P/S F 12M	Current	1.62	2.1	2.29	3.58
	5-Year High	2.12	2.25	3.2	3.58
	5-Year Low	0.75	1.13	1.67	2.53
	5-Year Median	1.56	1.65	2.49	3.02
EV/EBITDA TTM	Current	45.52	13.55	10.4	11.98
	5-Year High	148.1	23.07	17.63	12.86
	5-Year Low	N/A	9.3	8.29	8.25
	5-Year Median	12.86	14.49	12.22	10.88

As of 07/20/2020

Industry Analysis **Zacks Industry Rank:** Bottom 14% (217 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
Choice Hotels International, Inc. **(CHH)**	Neutral	3
Hilton Worldwide Holdings Inc. **(HLT)**	Neutral	4
Extended Stay America, Inc. **(STAY)**	Neutral	3
Marriot Vacations Worldwide Corporation **(VAC)**	Neutral	3
China Lodging Group, Limited **(HTHT)**	Underperform	5
Intercontinental Hotels Group **(IHG)**	Underperform	5
Marriott International, Inc. **(MAR)**	Underperform	4
MGM Resorts International **(MGM)**	Underperform	5

Industry Comparison Industry: Hotels And Motels

	H	X Industry	S&P 500	HTHT	MAR	VAC
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Underperform	Neutral
Zacks Rank (Short Term)	4	-	-	5	4	3
VGM Score	F	-	-	F	D	D
Market Cap	5.14 B	3.12 B	22.29 B	10.40 B	28.69 B	3.48 B
# of Analysts	8	6	14	3	9	3
Dividend Yield	1.57%	0.71%	1.85%	0.90%	2.17%	2.54%
Value Score	D	-	-	F	D	C
Cash/Price	0.24	0.15	0.06	0.07	0.06	0.28
EV/EBITDA	3.89	13.51	13.06	19.96	16.00	13.87
PEG Ratio	NA	9.45	2.98	NA	28.18	NA
Price/Book (P/B)	1.39	1.60	3.12	13.94	NA	1.26
Price/Cash Flow (P/CF)	8.08	10.11	12.03	26.26	11.98	7.03
P/E (F1)	NA	54.59	22.15	NA	170.52	22.16
Price/Sales (P/S)	1.08	1.39	2.35	6.73	1.39	0.80
Earnings Yield	-6.02%	0.77%	4.30%	-4.04%	0.59%	4.51%
Debt/Equity	0.54	0.59	0.75	1.89	-570.75	1.70
Cash Flow ($/share)	6.29	3.17	6.94	1.35	7.39	12.08
Growth Score	F	-	-	F	C	F
Hist. EPS Growth (3-5 yrs)	15.95%	15.95%	10.82%	21.13%	18.59%	19.57%
Proj. EPS Growth (F1/F0)	-249.21%	-83.20%	-9.08%	-267.85%	-91.35%	-50.92%
Curr. Cash Flow Growth	5.97%	6.05%	5.51%	69.11%	-2.82%	82.73%
Hist. Cash Flow Growth (3-5 yrs)	2.61%	4.04%	8.55%	22.85%	21.40%	32.34%
Current Ratio	1.48	1.45	1.30	0.50	0.62	3.49
Debt/Capital	34.90%	55.69%	44.41%	65.38%	93.91%	62.92%
Net Margin	12.57%	7.87%	10.54%	-4.08%	4.50%	0.18%
Return on Equity	3.58%	-1.01%	15.74%	-6.45%	231.22%	11.55%
Sales/Assets	0.58	0.49	0.54	0.22	0.82	0.48
Proj. Sales Growth (F1/F0)	-49.01%	-31.92%	-2.36%	-14.49%	-41.72%	-27.63%
Momentum Score	F	-	-	F	F	B
Daily Price Chg	-3.38%	-1.81%	-0.77%	-0.78%	-3.28%	-4.69%
1 Week Price Chg	5.54%	2.95%	3.82%	-2.30%	3.36%	4.20%
4 Week Price Chg	-4.65%	-2.41%	2.71%	-3.20%	-1.89%	-2.42%
12 Week Price Chg	-8.77%	7.51%	9.79%	15.94%	3.76%	7.48%
52 Week Price Chg	-33.79%	-32.32%	-3.79%	8.22%	-34.97%	-11.54%
20 Day Average Volume	855,038	341,295	2,095,914	2,447,126	4,317,569	373,260
(F1) EPS Est 1 week change	-0.78%	0.00%	0.00%	-0.47%	-21.62%	0.00%
(F1) EPS Est 4 week change	-1.96%	0.00%	0.09%	-307.62%	-23.40%	6.63%
(F1) EPS Est 12 week change	-407.91%	-58.48%	-4.60%	-1,802.22%	-82.43%	-36.93%
(Q1) EPS Est Mthly Chg	-3.63%	-3.63%	0.00%	-111.11%	-30.41%	-12.68%

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	D
Growth Score	F
Momentum Score	F
VGM Score	F

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

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