

The Home Depot Inc. (HD)

\$248.50 (As of 07/02/20)

Price Target (6-12 Months): **\$261.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/13/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: B

Summary

Home Depot has outpaced the industry year to date courtesy of its fundamental strength and strong top line performance in first-quarter 2020, despite the looming impacts of coronavirus outbreak. The top line benefited from strong interconnected presence, which helped adapt to changing customer preference during the pandemic in late March. The company quickly adapted to consumer needs providing contactless curbside pickup and other fulfillment services, adhering to the safety protocols. This helped boost comps performance across stores. However, the bottom-line results reflected the impacts of higher costs to steer through the environment, particularly enhanced benefits to associates. Moreover, the company suspended its previously outlined guidance for fiscal 2020, citing the unprecedented impacts of the pandemic.

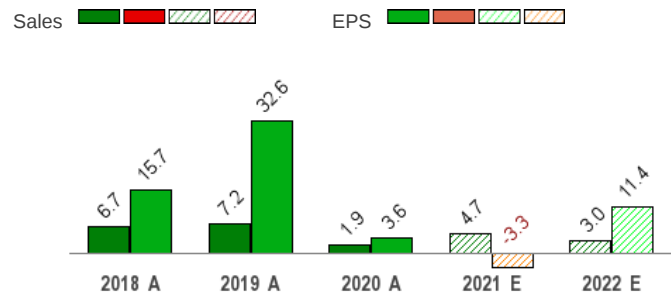
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$259.29 - \$140.63
20 Day Average Volume (sh)	4,599,461
Market Cap	\$267.3 B
YTD Price Change	13.8%
Beta	1.06
Dividend / Div Yld	\$6.00 / 2.4%
Industry	Building Products - Retail
Zacks Industry Rank	Top 8% (20 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-8.0%
Last Sales Surprise	2.4%
EPS F1 Est- 4 week change	1.1%
Expected Report Date	08/18/2020
Earnings ESP	6.3%
P/E TTM	24.7
P/E F1	25.1
PEG F1	2.3
P/S TTM	2.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	28,770 E	33,327 E	29,259 E	27,716 E	118,817 E
2021	28,260 A	32,878 E	28,013 E	26,390 E	115,402 E
2020	26,381 A	30,839 A	27,223 A	25,782 A	110,225 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.47 E	\$3.55 E	\$2.79 E	\$2.39 E	\$11.04 E
2021	\$2.08 A	\$3.23 E	\$2.49 E	\$2.13 E	\$9.91 E
2020	\$2.27 A	\$3.17 A	\$2.53 A	\$2.28 A	\$10.25 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 07/02/2020. The reports text is as of 07/03/2020.

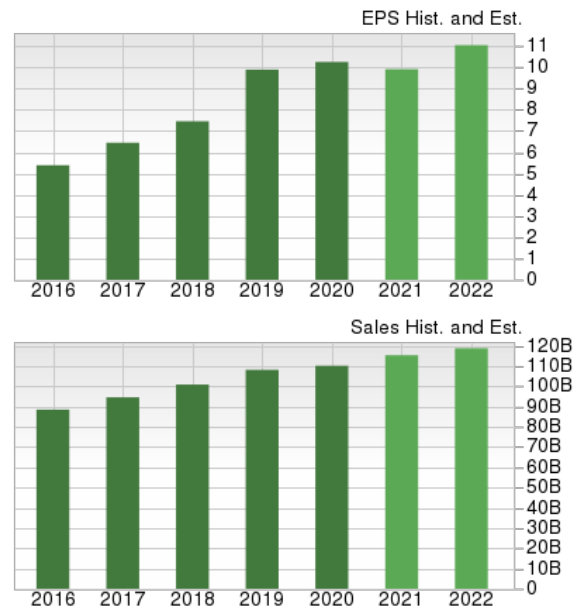
Overview

Based on net sales, The Home Depot Inc. is the world's largest home improvement specialty retailer with 2,291 retail stores across the globe as of the end of fiscal 2019. It offers a diverse range of branded and proprietary home improvement items, building materials, lawn and garden products, décor products and related services.

With the help of its stores, the company operates throughout the United States (including Puerto Rico and the territories of the Virgin Islands and Guam), Canada and Mexico and employs more than 300,000 associates. The company's average store area is almost 104,000 square feet with approximately 24,000 square feet of additional outside garden area. It also functions through a network of distribution and fulfillment centers, as well as a number of e-commerce websites.

The company typically serves three primary customer groups: Do-It-Yourself (DIY), Do-It-For-Me (DIFM), and Professional Customers.

- **DIY Customers:** These customers are usually homeowners, who prefer purchasing products and completing installations on their own. The company engages these customers in various platforms to provide product and project knowledge.
- **DIFM Customers:** These customers are usually homeowners, who purchase products on their own and employ third-parties to complete the projects and installations. The company offers a variety of installation services in stores, online, or in their homes through in-home consultations for DIFM customers.
- **Professional Customers:** This customer segment mostly comprises professional remodelers, general contractors, repairmen, small business owners, and tradesmen. These customers build, renovate, remodel, repair and maintain residential properties, multifamily properties, hospitality properties and commercial facilities.



Reasons To Buy:

- ▲ **Robust Q1 Sales:** Shares of Home Depot rallied 13.8% year to date, outpacing the industry's growth of 12.4%. Much of this momentum can be attributed to the company's continued operations during the pandemic, which also helped deliver strong first-quarter fiscal 2020 sales. The company's fiscal first-quarter sales beat the Zacks Consensus Estimate and improved 7.1% year over year. The top line benefited from benefited from the company's robust and flexible interconnected infrastructure, which helped it quickly adapt to changing customer preferences, amid the coronavirus pandemic in late March. Notably, the company's overall comps grew 6.4%, with a 7.5% improvement in the United States. The company witnessed positive comps in 11 of the 14 merchandising departments. The first-quarter sales performance is divided into three phases. In phase one (first 7 weeks of the quarter), the company saw strong sales across the store with all departments showing mid single to double-digit comps growth, as customers prepared for shelter-in-place. In phase two (last week of March in the first 2 weeks of April), the implementation of reduced store hours, limited customer traffic in stores and canceled the Spring Black Friday event led to negative comps in most departments in this phase. In phase three (last 3 weeks of the quarter), the company witnessed strong comps across most departments as customers focused on a number of home improvement projects.
- ▲ **Action Plan Amid COVID-19:** In the wake of the coronavirus pandemic in mid-March, Home Depot implemented several operational changes to prioritize the safety of associates and provide continued services to customers. Among these, the company implemented early store closures to ensure the sanitization of stores and replenishment of shelves. Further, it took early steps to limit customer traffic in stores to better maintain physical and social distancing protocols. It also canceled high-traffic annual Spring events, like Spring Black Friday, to avoid rush in stores. These aside, the company leveraged its long standing investments in interconnected One Home Depot strategy to serve customers.
- ▲ **Integrated Retail Strategy Aids Amid Coronavirus:** Home Depot is witnessing significant benefits from the execution of its "One Home Depot" investment plan, focused on delivering an interconnected shopping experience for customers by blending its physical and digital platforms. The company's interconnected retail strategy and underlying technology infrastructure have been more relevant amid the coronavirus crisis, delivering record web traffic for several weeks without disruption. Sales leveraging the digital platforms rose 80% in the quarter, and more than 60% for instances where customers opted to pick up their orders at a store. With shelter-in-place orders rolled out customers turned online for their shopping needs. Consequently, the company witnessed accelerated digital business growth of nearly 30% in early March, which reached triple-digit growth by the end of April. Moreover, the company was able to extend its in-store capabilities within days to offer curbside pick-up, an additional fulfillment option for customers in the United States and Canada. Clearly, the company's market-leading digital assets, flexible supply chain, and a world class merchandising organization allowed it to quickly adapt to shifts in customer needs, preferences, and behaviors during the fiscal first quarter. This led to delivering robust top line growth for the company.
- ▲ **Enhanced Fulfillment Options:** Another key component of delivering an interconnected experience is enhanced delivery and fulfillment options. Over the years, the company has created the fastest, most efficient delivery network in home improvement. During the fiscal first quarter, the company effectively leveraged its different fulfillment capabilities like "buy online, pickup in store" (BOPUS) as well as enhanced delivery capabilities like flatbed truck, a box truck, or car and van service. Notably, the BOPUS and Deliver from Store fulfillment options saw triple-digit growth in the fiscal first quarter. In fact, the flexibility in its systems allowed to quickly roll-out a new fulfillment option for customers, which was the BOPUS capability clubbed with a contactless curbside pickup option.
- ▲ **Financial Flexibility:** Home Depot enjoys strong financial status. The company's cash and cash equivalents at the end of fiscal first quarter of \$8,696 million increased significantly from \$2,133 million at the end of fourth-quarter fiscal 2019. This remains sufficient to fund its short term obligations of about \$5,053 million, including current installments of long-term debt and operating lease liabilities. As of May 3, 2020, the company had a long-term debt (including operating lease liabilities) of \$36,697 million, which reflects a sequential increase 8.8%. Its debt-to-capitalization ratio of 1.09 remains stable sequentially. Though the company's debt-to-capitalization ratio is higher than the industry's ratio of 1.00, its times interest earned ratio of 12.6 versus the industry's 12.2 indicates that it is better positioned to meet its debt obligations, compared to its peers.
- During the fiscal first quarter, the company moved early to strengthen its strong liquidity position. In late March, it upsized its commercial paper program from \$3 billion to \$6 billion; and expanded its revolving credit facility capacity from \$3 billion to \$6.5 billion. Currently, it has no outstanding borrowings on its commercial paper program and no drawings on its credit facilities. On Mar 30, it also raised a long-term debt of \$5 billion with staggered maturity and an average coupon of 3%. These actions ensure more than adequate liquidity for the company amid the uncertain coronavirus environment.
- ▲ **Sustained Shareholder Returns:** Home Depot has a disciplined capital allocation strategy, supported by solid free cash flow generation capability. This allows management to undertake shareholder-friendly moves. Clearly, the long-term targets of dividend payout ratio of about 55% of earnings and return on invested capital (ROIC) of more than 40% highlight its focus on this strategy. Based on the average of beginning and ending long-term debt and equity for the trailing 12 months, ROIC at the end of first-quarter fiscal 2020 was 40.8%. In wake of the coronavirus outbreak, the company suspended its share repurchase program in mid-March to preserve liquidity. Prior to the suspension, it bought back 2.5 million shares for nearly \$600 million in the first quarter. Backed by its strong results, the company also declared a quarterly dividend of \$1.50 per share, payable on Jun 18. Notably, Home Depot has a dividend payout ratio of 59.6%, annualized dividend yield of 2.4% and free cash flow yield of 4.6%. With an annual free cash flow return on investment of 39.3%, ahead of the industry's nearly 27.6%; the dividend payment is likely to be sustainable.

Home Depot's interconnected retail strategy and underlying technology infrastructure have been more relevant amid the coronavirus crisis, delivering record web traffic for weeks without disruption.

Reasons To Sell:

- ▼ **Stock Valuation:** Considering Price-to-Earnings (P/E) ratio, Home Depot looks overvalued when compared with broader industry and the S&P 500. The stock has a trailing 12-month P/E of 24.7x compared with 23.8x for the industry and 20.1x for S&P 500. The company's trailing 12-month P/E ratio is above the median level of 22.2x and below the high level of 25.5x, scaled in the past year. These factors profess that the stock's valuation is quite stretched.
- ▼ **Q1 Earnings Miss, Withholds View:** Home Depot's first-quarter fiscal 2020 earnings took a hit despite robust top line and comparable store sales. The company's earnings declined 8.4% year over year and missed the Zacks Consensus Estimate owing to the higher costs incurred to reward store associates during the coronavirus pandemic, which more than offset strong top-line gains. Notably, the company incurred about \$850 million of pre-tax expenses (or \$640 million after-tax) in first-quarter fiscal 2020 related to actions taken to support associates during the pandemic. This resulted in an impact of 60 cents per share on earnings per share during the first quarter of fiscal 2020. Despite the robust top-line trends in the fiscal first quarter and strong initial results in the second quarter, the company suspended its previously outlined guidance for fiscal 2020, citing the unprecedented impacts of the pandemic.
- ▼ **Increased Coronavirus-Related Costs:** In the wake of the coronavirus pandemic, Home Depot decided to provide enhanced payments to hourly associates, including expanded paid time-off, additional paid time-off for older associates who are at high risk, weekly bonuses for store and distribution center workers, doubled overtime pay, and extended dependent care benefits. These enhanced benefits created 300 basis points (bps) of expense deleverage during the quarter. The actions led to an increase in operating expenses, which impacted the bottom line in the fiscal first quarter. As already mentioned, it incurred pre-tax expenses of about \$850 million (\$640 million after-tax) in the fiscal first-quarter to support associates during the pandemic.
- ▼ **Soft Margins:** Despite the strong top line, Home Depot's gross margin contracted 13 basis points (bps) to 34.05% in first-quarter fiscal 2020. This decrease was primarily driven by changes in the mix of products sold and continued pressure from shrink. Meanwhile, operating income declined 8.9% year over year, while operating margin contracted 200 bps to 11.6%. The decline in operating margin resulted from soft gross margin as well as higher operating expenses in the quarter, including an 18% increase in SG&A expenses. In the fiscal first quarter, operating expense as a percent of sales increased 190 bps to 22.5% driven by enhanced benefits to associates to recognize their efforts amid the pandemic.
- ▼ **Coronavirus Hinders Pro Customer Sales:** While both DIY (do-it-yourself) and Pro customers grew during the fiscal first quarter, DIY sales outpaced Pro sales. The company displayed high level of engagement with Pro customers. However, some states and municipalities restricted in-home activity, which had a direct bearing on Pro customer sales. Further, social distancing norms implemented in the first quarter were a headwind Pro activity.
- ▼ **Stiff Competition:** In the home improvement retailing business, Home Depot faces stiff competition from Lowe's, Sherwin-Williams Company and other home supply retailers on aspects such as location, price and quality of merchandise, in-stock consistency, merchandise assortments and customer service. Additionally, the company faces intense competition from online retailers. This may weigh upon the company's results.

Home Depot's first-quarter fiscal 2020 earnings took a hit on higher costs incurred to reward store associates during the coronavirus pandemic, despite robust top line and comparable store sales.

Last Earnings Report

Home Depot Q1 Earnings Miss Despite Strong Sales & Comps

Home Depot has posted first-quarter fiscal 2020, wherein earnings missed the Zacks Consensus Estimate, while sales beat the same. The top line benefited from strong interconnected presence, which helped adapt to changing customer preference during the coronavirus pandemic in late March. However, the bottom-line results reflected the impacts of higher costs to steer through the environment.

Despite the robust top-line trends in the fiscal first quarter and strong initial results in the second quarter, the company suspended its previously outlined guidance for fiscal 2020, citing the unprecedented impacts of the pandemic.

Notably, the company incurred about \$850 million of pre-tax expenses (or \$640 million after-tax) in first-quarter fiscal 2020 related to actions taken to support associates during the pandemic. This resulted in an impact of 60 cents per share on earnings per share during the first quarter of fiscal 2020.

In the wake of the coronavirus pandemic in mid-March, the company implemented several actions to prioritize the safety of associates and provide enhanced benefits to them. Among these, the company implemented early store closures to ensure the sanitization of stores and replenishment of shelves. Further, it took steps like limiting customer traffic in stores and canceling high-traffic events like Spring Black Friday. Additionally, the company took to providing enhanced payments to hourly associates, including expanded paid time-off, additional paid time-off for older associates who are at high risk, weekly bonuses for store and distribution center workers, doubled overtime pay, and extended dependent care benefits. The actions led to an increase in operating expenses, which impacted the bottom line in the fiscal first quarter.

Q1 Highlights

Earnings of \$2.08 per share declined 8.4% from \$2.27 registered in the year-ago quarter. The bottom line missed the Zacks Consensus Estimate of \$2.26. Results were mostly hurt by the higher costs incurred to reward store associates during the coronavirus pandemic, which more than offset strong top-line gains.

Net sales rose 7.1% to \$28,260 million from \$26,381 million in the year-ago quarter and beat the Zacks Consensus Estimate of \$27,610.6 million. Sales benefited from the company's robust and flexible interconnected infrastructure, which helped it quickly adapt to changing customer preferences amid the coronavirus pandemic. The company's overall comps grew 6.4%, with a 7.5% improvement in the United States.

In the reported quarter, comps were aided by an 11% rise in average ticket, offset by a 3.9% decline in customer transactions. Moreover, sales per square foot rose 7.2%.

In dollar terms, gross profit increased 6.7% to \$9,625 million from \$9,017 million in the year-ago quarter, primarily driven by robust sales growth. However, gross profit margin contracted 13 basis points (bps) to 34.05%.

Operating income declined 8.9% to \$3,276 million, while operating margin contracted 200 bps to 11.6%. The decline in operating margin resulted from soft gross margin as well as higher operating expenses in the quarter, including an 18% increase in SG&A expenses. The increase in SG&A expenses can be attributed to higher remunerations to staff to recognize their efforts amid the pandemic.

Balance Sheet and Cash Flow

Home Depot ended first-quarter fiscal 2020 with cash and cash equivalents of \$8,696 million, long-term debt (excluding current maturities) of \$31,622 million, and shareholders' deficit of \$3,490 million. In first-quarter fiscal 2020, it generated \$5,737 million of net cash from operations.

In first-quarter fiscal 2020, the company paid out cash dividends of \$1,611 million and repurchased shares worth \$791 million.

Concurrently, it declared the fiscal first-quarter dividend of \$1.50 per share, which is payable Jun 18, 2020, to shareholders of record as of Jun 4.

Quarter Ending 04/2020

Report Date	May 19, 2020
Sales Surprise	2.35%
EPS Surprise	-7.96%
Quarterly EPS	2.08
Annual EPS (TTM)	10.06

Recent News

Home Depot Issues Business Updates On covid-19 Impact - Apr 1, 2020

Home Depot has stepped up preventive measures in response to rising cases of coronavirus. In this regard, the company has decided to close stores at 6 pm for sanitization and restocking purposes. Also, it is closely monitoring the number of customers at a given time in the store along with implementing social and physical distancing via marking floors. Further, the company has decided not to engage in spring promotions in a bid to avoid high traffic in stores.

Apart from these, Home Depot remains poised on safeguarding employees and customers via providing thermometers to store associates and those working in distribution centers. It has also reduced installation and other related services except those that are required for maintenance and repairment purposes.

Moving on, the company is adding 80 hours paid time off for full time employees, 40 hours paid time off for part time workers and 160 hours paid time off for elderly workers. Further, it is offering 14 days paid time off for employees who have been quarantined. Also, full-time and part-time workers will be paid \$100 and \$50 per week as well as double salary for overtime hours.

Valuation

Home Depot shares are up 13.8% in the year-to-date period and 17.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 12.4% and 14.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 20% and 20.7%, respectively.

The S&P 500 index is down 3.2% in the year-to-date period but up 4.6% in the past year.

The stock is currently trading at 23.92X forward 12-month earnings, which compares to 22.32X for the Zacks sub-industry, 32.63X for the Zacks sector and 22.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.11X and as low as 14.42X, with a 5-year median of 20.16X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$261 price target reflects 25.12X forward 12-month earnings.

The table below shows summary valuation data for HD

Valuation Multiples - HD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	23.92	22.32	32.63	22.16
	5-Year High	27.11	22.67	32.63	22.16
	5-Year Low	14.42	16.02	19.06	15.25
	5-Year Median	20.16	18.95	23.38	17.52
P/S F12M	Current	2.29	1.56	1.14	3.47
	5-Year High	2.39	1.58	1.14	3.47
	5-Year Low	1.44	1.06	0.81	2.53
	5-Year Median	1.85	1.28	0.95	3.02
EV/EBITDA TTM	Current	16.8	13.52	18.14	11.57
	5-Year High	17.3	13.71	18.14	12.86
	5-Year Low	11.02	8.46	11.05	8.25
	5-Year Median	13.44	10.77	12.81	10.86

As of 07/02/2020

Industry Analysis Zacks Industry Rank: Top 8% (20 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Fastenal Company (FAST)	Outperform	1
RH (RH)	Outperform	1
Beacon Roofing Supply, Inc. (BECN)	Neutral	3
Builders FirstSource, Inc. (BLDR)	Neutral	3
Lumber Liquidators Holdings, Inc (LL)	Neutral	2
Lowes Companies, Inc. (LOW)	Neutral	2
Travis Perkins PLC (TVPKF)	Neutral	3
Walmart Inc. (WMT)	Neutral	3

Industry Comparison Industry: Building Products - Retail				Industry Peers		
	HD	X Industry	S&P 500	BLDR	LL	LOW
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	2
VGM Score	A	-	-	A	A	A
Market Cap	267.27 B	1.63 B	21.98 B	2.34 B	393.90 M	102.46 B
# of Analysts	14	5	14	6	5	14
Dividend Yield	2.41%	0.00%	1.91%	0.00%	0.00%	1.62%
Value Score	B	-	-	B	A	A
Cash/Price	0.03	0.07	0.07	0.07	0.06	0.06
EV/EBITDA	16.21	8.04	12.74	7.50	17.57	15.59
PEG Ratio	2.33	1.36	2.89	NA	1.36	1.27
Price/Book (P/B)	NA	1.60	2.98	2.81	2.27	59.71
Price/Cash Flow (P/CF)	20.02	7.54	11.75	6.66	11.52	17.72
P/E (F1)	25.08	17.74	21.41	17.13	37.35	20.39
Price/Sales (P/S)	2.38	0.40	2.30	0.31	0.36	1.38
Earnings Yield	3.99%	5.63%	4.42%	5.83%	2.71%	4.91%
Debt/Equity	-10.51	1.23	0.76	1.85	0.94	14.05
Cash Flow (\$/share)	12.41	2.88	6.94	3.01	1.19	7.66
Growth Score	A	-	-	B	A	A
Hist. EPS Growth (3-5 yrs)	18.43%	15.21%	10.93%	55.52%	32.99%	15.21%
Proj. EPS Growth (F1/F0)	-3.31%	-19.33%	-9.56%	-43.94%	-36.90%	16.35%
Curr. Cash Flow Growth	0.60%	0.60%	5.51%	7.81%	-2.19%	-12.64%
Hist. Cash Flow Growth (3-5 yrs)	11.22%	10.93%	8.62%	62.81%	-15.29%	6.65%
Current Ratio	1.17	2.18	1.30	1.87	1.49	1.20
Debt/Capital	NA%	58.86%	44.46%	64.96%	48.45%	93.36%
Net Margin	9.79%	2.54%	10.62%	2.62%	2.45%	6.17%
Return on Equity	-496.11%	14.85%	15.75%	31.26%	21.58%	220.44%
Sales/Assets	2.09	1.83	0.55	2.23	1.87	1.79
Proj. Sales Growth (F1/F0)	4.70%	-0.49%	-2.54%	-5.17%	-8.65%	6.08%
Momentum Score	B	-	-	A	C	C
Daily Price Chg	0.14%	0.20%	0.47%	1.72%	-1.65%	0.06%
1 Week Price Chg	-2.29%	-1.43%	-3.90%	-10.33%	8.74%	-3.30%
4 Week Price Chg	-0.18%	0.00%	-3.77%	-10.56%	18.25%	5.46%
12 Week Price Chg	23.31%	33.44%	8.02%	33.44%	139.40%	42.39%
52 Week Price Chg	17.16%	4.31%	-7.59%	18.34%	19.18%	31.57%
20 Day Average Volume	4,599,461	425,449	2,649,865	991,891	1,024,504	4,694,335
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	1.07%	2.73%	0.00%	9.16%	0.00%	2.55%
(F1) EPS Est 12 week change	-1.50%	-20.04%	-9.53%	-41.71%	79.41%	8.81%
(Q1) EPS Est Mthly Chg	2.59%	5.60%	0.00%	39.80%	0.00%	4.83%

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
Growth Score	A
Momentum Score	B
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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.