

Hill-Rom Holdings (HRC)

\$101.92 (As of 06/02/20)

Price Target (6-12 Months): **\$106.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: B

Summary

Hill-Rom exited second-quarter fiscal 2020 with better-than-expected results. Solid increase in revenues came from robust domestic growth, boosted by strength in majority of segments and geographies. The pandemic has boosted demand for ICU beds and thermometry, a major plus for Hill-Rom. Expansion in both margins buoys optimism. Long-term growth plans through fiscal 2022 and M&A pipeline boost optimism as well. Focus on expansion via product innovation, strong solvency with high leverage and progress in Digital Health are other positives. However, unfavorable timing of large capital projects denting international sales is worrying. Divestiture of surgical consumables dented sales in Surgical Solutions. The decision to not provide any guidance for 2020 is worrying. Over the past three months, Hill-Rom has underperformed its industry.

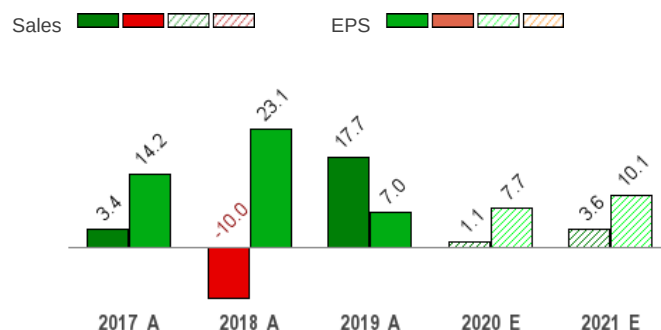
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$117.50 - \$72.29
20 Day Average Volume (sh)	529,741
Market Cap	\$6.8 B
YTD Price Change	-10.2%
Beta	0.70
Dividend / Div Yld	\$0.88 / 0.9%
Industry	Medical - Products
Zacks Industry Rank	Top 23% (57 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.3%
Last Sales Surprise	3.3%
EPS F1 Est- 4 week change	0.7%
Expected Report Date	08/07/2020
Earnings ESP	13.9%
P/E TTM	19.1
P/E F1	18.6
PEG F1	1.7
P/S TTM	2.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	717 E	746 E	764 E	827 E	3,045 E
2020	685 A	723 A	737 E	787 E	2,940 E
2019	684 A	714 A	727 A	783 A	2,907 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.26 E	\$1.40 E	\$1.51 E	\$2.01 E	\$6.02 E
2020	\$1.13 A	\$1.28 A	\$1.43 E	\$1.66 E	\$5.47 E
2019	\$1.02 A	\$1.14 A	\$1.23 A	\$1.69 A	\$5.08 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 06/02/2020. The reports text is as of 06/03/2020.

Overview

Headquartered in Batesville, IN, Hill-Rom Holdings, Inc. is one of the leading global medical device companies. The company partners with health care providers in more than 100 countries by focusing on patient care solutions that improve clinical and economic outcomes in five core areas: Advancing Mobility, Wound Care and Prevention, Clinical Workflow, Surgical Safety and Efficiency, and Respiratory Health.

The company recently restructured its reporting segments and currently operates its business through three segments:

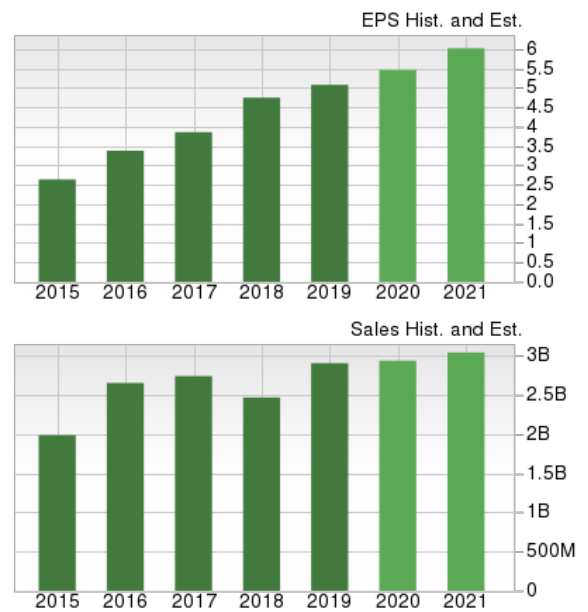
Patient Support Systems – This business (51.3% of fiscal 2019 revenues; up 5.4% at CER from fiscal 2018) globally provides specialty bed frames and surfaces and mobility solutions, as well as clinical workflow solutions which specializes in software and information technologies to improve care and deliver actionable insight to caregivers and patients.

Front Line Care – This segment (33.6%; up 2.9%) globally provides respiratory care products, and sells medical diagnostic monitoring equipment and a diversified portfolio of physical assessment tools that assess, diagnose, treat, and manage a wide variety of illnesses and diseases.

Surgical Solutions – This business (15.1%; up 2%) globally provides products that improve surgical safety and efficiency in the operating room including tables, lights, pendants, positioning devices and various other surgical products and accessories.

Hill Rom's products and services are outlined below:

Advancing Mobility: A variety of bed systems, as well as mobility solutions; **Wound Care and Prevention:** Rent and sale of non-invasive therapeutic products and surfaces; **Clinical Workflow:** Developing and marketing of a variety of communications technologies and software solutions; **Surgical Safety and Efficiency:** providing surgical tables, lights, and pendants utilized within the operating room setting; **Respiratory Health:** offering therapeutic products that provide bronchial hygiene (airway clearance) for acute care.



Reasons To Buy:

- ▲ **Demand Rises Amid Pandemic:** The coronavirus pandemic has been wreaking havoc on the economy as a whole. However, Hill-Rom seems to be an exception. Geographically, the company registered strong performance in the United States with all three businesses contributing to core growth of 8%. International business recorded core growth of 3%, which exceeded the company's expectations. This resulted from strong international COVID-19-related demand for products like ICU beds and thermometry. This more than offset the expected impact of the timing of large capital projects in selected markets.

The company's Patient Support Systems segment revenues grew 7% and core growth was 8% driven by majority of the early COVID-19-related demand.

- ▲ **Long-Term Vision Looks Impressive:** Hill-Rom's newly-initiated long-term growth strategies through fiscal 2022, focusing on all four strategic priorities look attractive at this moment.

In terms of the first priority, to accelerate top-line growth with innovative new products and solutions, the company expects to launch 5 to 6 new products each year through 2022. New product launches are projected to result in the contribution of approximately 200 basis points of growth annually over the 3-year plan.

Going by the second key objective of international expansion and driving penetration in emerging markets, Hill-Rom expects, over the next 3 years, emerging market growth to increase to high-single-digits in 2020 and ramp-up in double-digits thereafter. This will add approximately 100 basis points of top-line growth annually over this 3-year period.

The third priority area includes strategic M&As to strengthen portfolio. According to the company, the acquisitions of Voalte and Breathe created durable new source of growth over a multiyear period. The company also expects future M&As to be incremental to the 3-year plan that it has outlined.

The last key strategic priority area includes operational execution and strong financial performance. Under the 3-year growth plan, the company projects core revenue growth of approximately 5%, double-digit earnings growth and significant cash flow generation.

- ▲ **Several Strategic Acquisitions to Add Value:** Hill-Rom's merger and acquisition (M&A) pipeline continues to remain robust. The company aggressively pursues acquisitions to accelerate growth in five key clinical focus areas viz. advancing patient mobility, wound care and prevention, surgical, safety and efficiency, clinical workflow solutions and respiratory help. Worth mentioning is, Hill-Rom's acquisition of Voalte, a mobile health care communication player. The acquisition has already started to accelerate the company's digital and mobile communications platform capabilities and scale with a substantial installed customer base and is in process to strengthen Hill-Rom's connected solutions and digital offerings.

In the second half of fiscal 2019, the company acquired Breathe Technologies, a developer and manufacturer of a patented nasal cannula technology that enables improved patient mobility. The acquisition of this differentiated and disruptive respiratory therapy creates an opportunity to leverage Hill-Rom's vertically integrated commercial model.

- ▲ **Positive Demography — A Growth Factor:** As a result of the growing population of the elderly and obese, there are rising incidences of complex diseases and conditions such as diabetes, congestive heart failure and respiratory disease. Patients are being moved through the hospital faster and generally desire to rapidly move to lower acuity settings. This trend indicates increase in demand for more sophisticated means to deliver care for these patients, such as improved medical technologies, communication tools and information technologies. This, in turn, expands Hill-Rom's scope of growth. We believe, the company's constant efforts to meet changing demand with new differentiated products will increase its ability for further revenue growth and improve margins in the future.

- ▲ **Focus on Expansion Through Innovation:** For quite some time now, Hill-Rom has been focusing on expansion through product development, which is reflected in its escalating research and development expenditure. The company is currently focusing on introducing a range of products to meet the unique treatment challenges resulting from COVID-19. It also implemented a comprehensive business continuity plan to ensure minimal disruption of its global manufacturing operations and supply chain. The contribution from new products has been a significant driver of the top line in the second quarter of fiscal 2020, adding approximately 190 basis points to growth in this period.

The company received the FDA's EUA for a new closed-circuit design using a bacterial-viral filter for oscillation and lung expansion therapy with the MetaNeb System. This is aimed at reducing cross contamination from escaped aerosolized particles.

Hill-Rom's other products include RetinaVue 700 Imager, EarlySense and WatchCare.

- ▲ **Progress in Digital Health Space:** Hill-Rom's smartphone application LINQ mobile is currently available in the United States and Canada. Per the company, the platform has integrated Clinical Workflows with Nurse Call and clinical surveillance with monitoring systems to enhance care team communication and efficiency. Per management, this move is expected to have paved the way for an additional market opportunity of around \$200 million.

Hill-Rom launched Voalte Extend in the second quarter of fiscal 2020, a remote mobile software solution, to respond to customers' emergency requirements to connect patients and caregivers from a mobile device in makeshift care areas while limiting unnecessary exposure. Further, Hill-Rom added a feature to its Connex Vital Signs Monitor to capture a patient's respiratory rate digitally. It also includes a remote monitoring platform to simplify connectivity to the recently launched Welch Allyn Spot 4400 Vital Signs Monitor.

In line with its strategy to boost hold in the Digital Health space, Hill-Rom recently completed the acquisition Excel Medical, a software company with a digital platform. This is expected to improve clinical workflow, provide greater access and assimilation of real-time patient data and predictive analytics with a vendor-neutral interoperable solution.

Hill-Rom, is witnessing a solid growth in domestic revenues, driven by sturdy performance in Patient Support Systems and Front Line Care.

Hill-Rom also partnered with AgileMD, a developer of EHR-integrated web and mobile applications for point-of-care use, to offer a digital COVID-19 solution, including clinical pathways and predictive analytics through an EHR-integrated software platform.

Another notable partnership includes the one with Microsoft to bring together Hill-Rom's extensive clinical knowledge as well as streaming operational data from medical devices and Microsoft's cloud, including Azure IoT and Azure Machine Learning.

▲ **Strong Solvency With High Leverage:** Hill-Rom exited the second quarter of fiscal 2020 with cash and cash equivalents of \$291 million compared with \$204 million at the end of the first quarter of fiscal 2020. Meanwhile, total debt came up to \$2.11 billion for the period, compared with \$1.99 billion in the last-reported quarter. This is much higher than the quarter-end cash and cash equivalent, indicating weak solvency. However, if we go by the company's current-year debt level of \$246 million, it is slightly low compared to the current cash in hand. This is good news in terms of solvency position of the company implying that, at least during the year of economic downturn, it has sufficient cash for short-term debt repayment.

Debt comparison with the industry is favorable as the industry's total debt of \$10.59 billion is much higher than the company's debt level.

The quarter's total debt-to-capital ratio of 0.58 indicates a leveraged balance sheet. Moreover, it represents an increase from 0.55 at the end of the fiscal first quarter. This compares unfavorably with the total debt-to-capital of the industry, which is at a lower level of 0.37.

The times interest earned for the company stands at 3.3% in the fiscal second quarter, flat when compared with the last-reported quarter. This, however, compares unfavorably with the times interest earned for the industry which stands at a higher level (4.8%).

In the fiscal second quarter, the company returned \$99 million to shareholders through dividends and share repurchases during the first six months of fiscal 2020.

The current payout ratio stands at a moderately low level of 15.9%, representing a sequential decrease from 16.2% from the end of the fiscal first quarter. However, this compares favorably with the payout rate of the industry which stands at a higher level (30.5%).

Reasons To Sell:

▼ **Share Price Performance:** Over the past three months, Hill-Rom has underperformed its industry. The stock has lost 0.5% against the industry's 0.4% rise. The company's international sales suffered due to the unfavorable timing of large capital projects in select markets. Sales in Surgical Solutions' dropped significantly due to the divestiture of surgical consumables. Also, the company is not providing any guidance for 2020, raising apprehensions. Another headwind for Hill-Rom is in the form of an unstable economy as its business depends heavily on general domestic and global economic conditions. Other concerns like foreign exchange fluctuations and a stiff competitive landscape continue to bother the company.

▼ **Macroeconomic Headwind May Hamper Growth:** Hill-Rom's business depends heavily on general domestic and global economic conditions, including recession or economic slowdown and disruption of domestic and international credit markets. Over the past several years, the credit and capital markets has experienced extreme volatility and disruption leading to phases of recessionary conditions and depressed levels of consumer and commercial spending. Recessionary conditions have caused customers to reduce or delay plans to purchase Hill-Rom's products and services leading to a slowdown in the company's growth rate in the market.

According to the company, if worldwide economic conditions worsen, its customers may scrutinize costs resulting from pressures on operating margin due to rising supply costs, reduced investment income and philanthropic giving, increased interest expense, reimbursement pressure, reduced elective healthcare spending and uncompensated care.

▼ **Foreign Exchange Headwind to Continue:** Hill-Rom generates a large part of its revenues from outside the U.S. According to the company is exposed to currency fluctuation. Unfavorable currency movement continued to be a major dampener during the fiscal second quarter and the company does not expect any improvement in this scenario any time soon.

▼ **Tough Competitive Landscape:** The presence of a large number of players has made the medical devices market intensely competitive. Hill-Rom evaluates its competition based on its product categories, rather than business segments. In Patient Support Systems the company competes with ArjoHuntleigh (Division of Getinge AB), Universal Hospital Services, Inc. and Stryker Corporation among others. In Front Line Care, some of the major players are GE Healthcare, Philips and ResMed. In Surgical Solutions, DeRoyal, Draegar and Skytron are some of the other competitors. Additionally, the market also consists of a large number of smaller and regional manufacturers.

Issues like general domestic and global economic headwinds, unfavorable foreign exchange and competitive landscape are major downsides.

Last Earnings Report

Hill-Rom's Q2 Earnings Top Estimates, Margins Expand

Hill-Rom reported second-quarter fiscal 2020 adjusted earnings per share of \$1.28, excluding the impact of certain one-time acquisition-related amortization expenses among others. The figure improved 12.3% from the year-ago quarter and also surpassed the Zacks Consensus Estimate by the same margin.

On a GAAP basis, earnings were 70 cents per share, reflecting a 5.4% decline from the year-ago reported figure.

Quarter Ending **03/2020**

Report Date	May 01, 2020
Sales Surprise	3.26%
EPS Surprise	12.28%
Quarterly EPS	1.28
Annual EPS (TTM)	5.33

Revenues

Revenues in the fiscal second quarter came in at \$723.2 million, up 1.3% from the year-ago quarter (up 2.2% at constant exchange rate or CER). The top line beat the Zacks Consensus Estimate by 3.3%. The revenue growth reflects the impact of the divestiture of surgical consumables in 2019.

Geographically, in the reported quarter, U.S. revenues inched up 2.7% while the metric outside the United States declined 2% (up 0.9% at CER).

Segmental Update

In the quarter under review, **Patient Support Systems** revenues rose 6.3% year over year (up 7.2% at CER) to \$382.1 million. This segment's core revenues were up 8%, resulting from double-digit growth of med-surg and specialty bed systems, including the Centrella Smart+ Bed and Progressa bed system for the ICU, and the company's care communications Voalte mobile platform. The segment benefitted from the majority of the early COVID-19 related demand.

The core international growth of 5% was driven by significant demand for the company's ICU beds, particularly in Canada.

Revenues at the **Front Line Care** segment improved 6.2% to \$258.2 million (up 7% at CER). According to the company, this was driven by broad-based global strength across Welch Allyn vital signs monitoring equipment, including thermometry and blood pressure monitoring, and respiratory health products like the MetaNeb System and the Life2000 non-invasive ventilator.

The **Surgical Solutions** segment's revenues declined 25.7% (down 24.6% at CER) to \$82.9 million affected by the surgical revenue divestment. Core revenues fell 3% as strong growth in the United States was offset by timing of large capital projects in select markets.

Margin

In the reported quarter, gross profit totaled \$367.5 million. Gross margin expanded 145 basis points (bps) to 50.8% on a 4.2% rise in gross profit.

Selling, general and administrative expenses expanded 2.9% to \$209.9 million in the quarter under review, while research and development expenses fell 6% to \$34.4 million.

Overall adjusted operating profit was \$123.2 million, up 9.9% year over year. Moreover, adjusted operating margin expanded 134 bps year over year to 17%.

Cash Position

The company exited the fiscal second quarter with cash and cash equivalents of \$290.5 million compared with \$204.4 million at the end of the first quarter of fiscal 2020. The company raised its dividend for the tenth consecutive year and also returned \$99 million to shareholders through dividends and share repurchases during the first six months of fiscal 2020.

Year to date, cumulative net cash, cash equivalents and restricted cash provided by operating activities was \$156.7 million compared with \$77 million at the end of the year-ago period.

Fiscal 2020 Guidance

Hill-Rom has been witnessing an increase in demand across many areas of the portfolio, which according to the company, has continued into the fiscal third quarter. However, it is also experiencing project delays, mainly in its Surgical Solutions and Care Communications businesses. Impacts to other products are arising due to fewer physician office visits.

The company is currently unable to ascertain the scope and duration of the pandemic as well as quantify the actual impact on its full-year operations and financial results. Hence, it is unable to provide any update to its existing guidance and will provide additional information as appropriate.

For investor's note, the last-provided guidance for adjusted earnings per share was pegged at the range of \$5.50-5.56 and revenue growth expectation for the full fiscal in the 1-2% range, both on reported and constant currency basis.

Recent News

On **Apr 21, 2020**, Hill-Rom introduced medical device and connectivity advancements along with updating clinical protocols, to enable easier diagnosis of COVID-19 in patients and its subsequent treatment by healthcare providers.

On **Mar 24, 2020**, Hill-Rom announced that it is ramping up its production of critical care products, including ventilators, hospital beds and vitals monitoring devices to support customers and caregivers with critical care products necessary to meet COVID-19 patient needs.

Valuation

Hill-Rom shares are down 10.2% in the year-to-date period and up 1.5% in the trailing 12-month period. Stocks in the Zacks sub-industry are down 5.4% while the Zacks Medical sector fell 0.7% in the year-to-date period. Over the past year, the Zacks sub-industry is up 2.6% and sector is up 4.8%.

The S&P 500 index is down 4.4% in year-to-date period and increased 9.9% in the past year.

The stock is currently trading at 17.6X Forward 12-months earnings, which compares to 30.9X for the Zacks sub-industry, 23.2X for the Zacks sector and 22.3X for the S&P 500 index.

Over the past five years, the stock has traded as high as 21X and as low as 12.6X, with a 5-year median 17.9X. Our Neutral recommendation indicates that the stock will perform in-line market. Our \$106 price target reflects 18.4X forward 12-months earnings.

The table below shows summary valuation data for HRC.

Valuation Multiples - HRC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.55	30.87	23.22	22.30
	5-Year High	21.04	30.87	23.22	22.30
	5-Year Low	12.59	17.01	15.92	15.23
	5-Year Median	17.99	20.11	18.95	17.49
P/S F12M	Current	2.25	3.87	2.79	3.47
	5-Year High	2.61	3.88	3.75	3.47
	5-Year Low	1.04	2.88	2.21	2.53
	5-Year Median	1.90	3.27	2.92	3.02
P/B TTM	Current	4.38	2.82	4.25	4.21
	5-Year High	4.97	4.26	5.07	4.56
	5-Year Low	2.29	2.19	2.93	2.83
	5-Year Median	3.91	2.76	4.29	3.66

As of 06/02/2020

Industry Analysis Zacks Industry Rank: Top 23% (57 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Surmodics, Inc. (SRDX)	Outperform	1
BioRad Laboratories, Inc. (BIO)	Neutral	4
National Vision Holdings, Inc. (EYE)	Neutral	3
GN STORE NORD (GNNDY)	Neutral	4
Envista Holdings Corporation (NVST)	Neutral	3
ResMed Inc. (RMD)	Neutral	3
William Demant Holdings (WILYY)	Neutral	3
Cantel Medical Corp. (CMD)	Underperform	5

Industry Comparison Industry: Medical - Products				Industry Peers		
	HRC	X Industry	S&P 500	NVST	RMD	SRDX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	1
VGM Score	A	-	-	F	B	F
Market Cap	6.78 B	374.37 M	22.11 B	3.43 B	23.11 B	517.16 M
# of Analysts	6	3	14	7	6	1
Dividend Yield	0.86%	0.00%	1.93%	0.00%	0.98%	0.00%
Value Score	A	-	-	C	C	C
Cash/Price	0.04	0.11	0.06	0.11	0.02	0.10
EV/EBITDA	16.71	0.07	12.69	10.74	34.33	30.68
PEG Ratio	1.67	4.89	2.98	NA	2.58	76.02
Price/Book (P/B)	4.38	3.57	3.07	0.98	10.24	4.14
Price/Cash Flow (P/CF)	12.48	17.72	11.86	7.46	33.90	29.24
P/E (F1)	18.44	34.66	21.79	98.55	36.20	760.20
Price/Sales (P/S)	2.32	5.29	2.29	NA	7.99	5.14
Earnings Yield	5.37%	0.11%	4.39%	1.02%	2.76%	0.13%
Debt/Equity	1.20	0.10	0.76	0.50	0.65	0.00
Cash Flow (\$/share)	8.17	-0.01	7.01	2.89	4.71	1.30
Growth Score	B	-	-	F	A	F
Hist. EPS Growth (3-5 yrs)	18.04%	12.07%	10.87%	NA	11.93%	-17.18%
Proj. EPS Growth (F1/F0)	7.58%	1.03%	-10.74%	-87.79%	21.24%	-93.06%
Curr. Cash Flow Growth	3.86%	5.43%	5.48%	27.00%	7.87%	33.22%
Hist. Cash Flow Growth (3-5 yrs)	18.02%	7.71%	8.55%	NA	9.87%	1.89%
Current Ratio	1.52	2.73	1.29	1.83	2.66	5.82
Debt/Capital	54.62%	14.48%	44.75%	33.12%	39.48%	0.00%
Net Margin	5.04%	-27.05%	10.59%	NA	17.73%	6.59%
Return on Equity	22.60%	-9.21%	16.29%	NA	29.26%	6.99%
Sales/Assets	0.63	0.56	0.55	NA	0.68	0.65
Proj. Sales Growth (F1/F0)	1.13%	0.00%	-2.67%	-27.23%	12.05%	-16.33%
Momentum Score	B	-	-	F	B	F
Daily Price Chg	-0.45%	0.00%	0.99%	0.42%	-0.84%	1.74%
1 Week Price Chg	1.62%	0.00%	4.60%	11.44%	-0.33%	-0.43%
4 Week Price Chg	-3.66%	6.31%	9.15%	13.25%	0.22%	3.51%
12 Week Price Chg	12.86%	10.83%	4.65%	2.09%	-1.21%	24.87%
52 Week Price Chg	1.48%	-0.54%	-0.30%	NA	40.05%	-9.15%
20 Day Average Volume	529,741	272,556	2,486,038	3,471,885	589,569	60,909
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-19.47%	0.00%	0.00%
(F1) EPS Est 4 week change	0.71%	0.00%	-0.33%	-70.29%	0.00%	0.00%
(F1) EPS Est 12 week change	-1.47%	-16.19%	-16.13%	-87.06%	2.99%	129.41%
(Q1) EPS Est Mthly Chg	7.48%	-0.08%	-0.55%	-1,036.73%	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	A
Growth Score	B
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.