

Henry Schein, Inc. (HSIC)

\$68.24 (As of 08/07/20)

Price Target (6-12 Months): **\$71.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/23/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

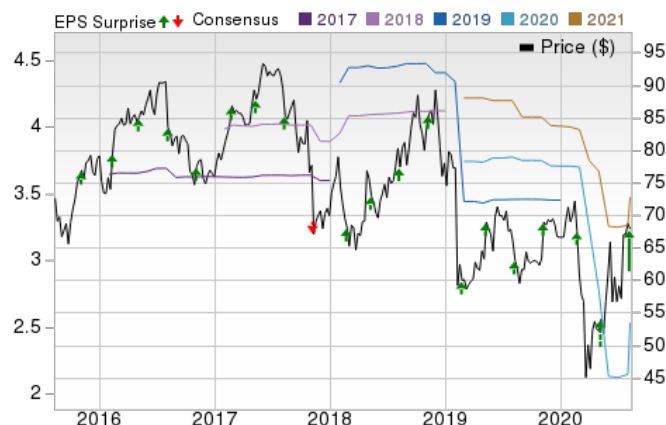
Growth: D

Momentum: A

Summary

Henry Schein exited the second quarter of 2020 with better-than-expected results despite the pandemic-led crisis. In its Medical business, demand for PPE was robust. The company's response to the pandemic buoys optimism. Yet, dismal performances by all three of Henry Schein's operating segments are concerning. Its international and North American performances were disappointing. Contraction of both margins is deterring as well. The company's inability to provide financial guidance raises apprehensions. The government and insurance companies' efforts to contain healthcare costs are affecting Henry Schein's financial operations. A weak solvency with slight leverage is also deterring. Growing importance of GPOs and tough competition are other headwinds. Overall, it has underperformed the industry over the past six months.

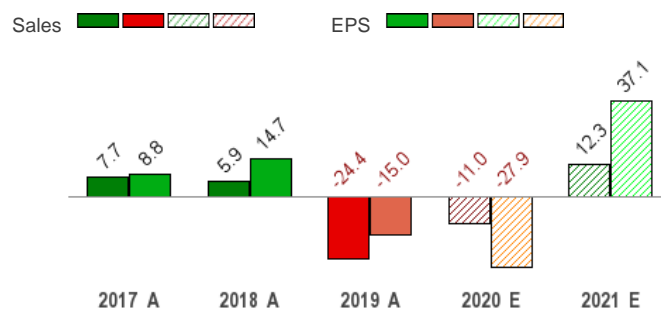
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$73.99 - \$41.85
20 Day Average Volume (sh)	1,718,826
Market Cap	\$9.7 B
YTD Price Change	1.6%
Beta	1.03
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Bottom 34% (167 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	100.0%
Last Sales Surprise	20.0%
EPS F1 Est- 4 week change	11.1%
Expected Report Date	NA
Earnings ESP	-8.7%
P/E TTM	24.1
P/E F1	27.0
PEG F1	4.3
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,410 E	2,258 E	2,543 E	2,735 E	9,975 E
2020	2,429 A	1,684 A	2,347 E	2,591 E	8,884 E
2019	2,360 A	2,448 A	2,509 A	2,669 A	9,986 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.81 E	\$0.75 E	\$0.90 E	\$0.99 E	\$3.47 E
2020	\$0.94 A	\$0.00 A	\$0.67 E	\$0.84 E	\$2.53 E
2019	\$0.80 A	\$0.84 A	\$0.90 A	\$0.97 A	\$3.51 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 08/07/2020. The reports text is as of 08/10/2020.

Overview

Headquartered in Melville, NY, Henry Schein Inc. is a leading distributor of health care products and services across the globe. The company serves office-based dental, medical and animal health practitioners, dental laboratories, government as well as institutional health care clinics and other alternate-care sites. Presently, Henry Schein operates in 33 countries.

At the end of 2015, the company served a vast distribution network worldwide with a selection of over 110,000 branded products. Additionally, Henry Schein offers other value-added services such as practice management software, e-commerce solutions and an array of financial services.

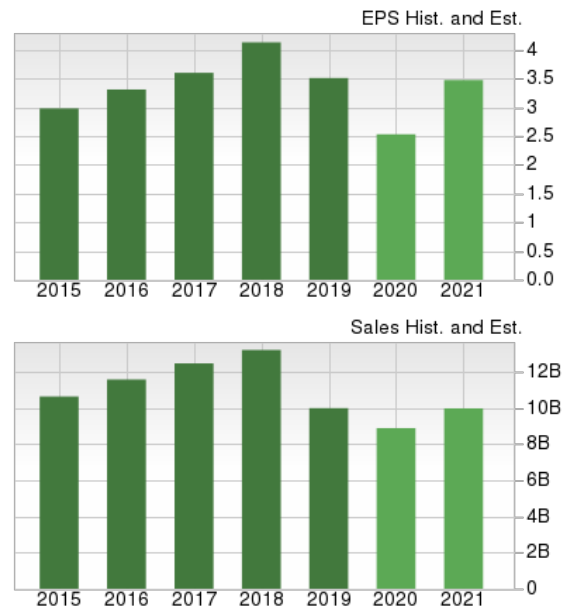
Henry Schein has completed the spinoff of its global Animal Health business in February 2019.

Henry Schein's 3 businesses – **Dental** (comprising 64.2% of total revenue in 2019; up 1.1% from fiscal 2018), **Medical** (29.8%; up 11.7%) and **Technology and Value-Added Services** (5.1%; up 26.1%) serve millions of customers worldwide.

The global dental group serves office-based dental practitioners, dental laboratories, schools and other institutions.

The global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions.

The global technology and value-added services group provides software, technology and other value-added services to health care practitioners. Our technology group offerings include practice management software systems for dental and medical practitioners.



Reasons To Buy:

- ▲ **Widespread Network and Channel Mix:** Henry Schein's distribution business boasts a wide global footprint with 61 distribution centers. Henry Schein's distribution deals with MindChild Medical (in early 2019), Sprig Oral Health Technologies and Welch Allyn, a Hill-Rom company, are also encouraging.

Apart from North America and Europe, the company has presence in Australia and New Zealand as well as in emerging nations like China, Brazil, Israel, Czech Republic and Poland. We believe Henry Schein's worldwide reach is a major competitive advantage over other players in the healthcare distribution industry.

Henry Schein registered strong momentum in dental consumable merchandise and equipment internal sales in North America as well as internationally till early March, before being adversely impacted by the suspension of non-emergency procedures in response to the coronavirus outbreak. In the quarter under review, the company noted that despite dismal dental consumable merchandise and equipment internal sales, the performance exceeded the company's expectations.

- ▲ **Market Dynamics:** Henry Schein stands to gain from several favorable trends in the end markets. One of the major positives is demographics. The increasing number of lives covered, following the healthcare reforms in the United States, is likely to benefit Henry Schein. We believe that an aging population and increasing healthcare expenditure across the globe will aid in providing additional top-line opportunities. Further, the company's medical segment continues to grow as it gains traction in large group practices including those within health systems.

Moreover, in the dental industry, a rise in oral health care expenditures is predicted as population ageing 45 years and above segment of the population increases. Moreover, Henry Schein is upbeat about the expected increase in dental insurance coverage along with lower insurance reimbursement rates leading to a rising need for new technologies. We believe this will boost demand for Henry Schein's products and services as well.

- ▲ **Dental Business Trends Favorable for the Long Term:** Henry Schein's strategy to expand digital dentistry globally is encouraging. Henry Schein is busy promoting digital workflows for general dentistry as well as dental specialties. The company is currently focusing on offering a diversified portfolio and value-added services along with favorable end market.

Per a report by The Business Research Company, the global dental services market was valued at approximately \$436.2 billion in 2018, seeing a CAGR of 7.4% since 2014. The market is expected to reach approximately \$629.3 billion by 2022, witnessing a CAGR of 9.6%.

Henry Schein's joint venture (JV), Henry Schein One is working on combining a host of unique and powerful dental software tools that help dentists build awareness for their practice and better communicates with existing patients as well as generating new patients. A few other achievements by the company in this line are, all major imaging vendors have now signed on with Henry Schein's Dentrix Smart image integration solution. This apart, Henry Schein's cloud-based dental practice management system Dentrix Ascend continues to enhance its focus on practice and patient experience with the addition of multiple new enhancements.

- ▲ **Henry Schein One Holds Potential:** Henry Schein seems to be upbeat about its dental technology JV Henry Schein One. Despite business disruptions in the second quarter due to the coronavirus outbreak, the Henry Schein One dental software business has been progressing well. A few of Henry Schein One software solutions enabling patient engagement related to appointment bookings as well as developing and operating virtual waiting rooms has received favorable customer responses. The software sales witnessed gradual improvement as the second quarter progressed, in line with the resumption of dental practice operations.

Notably, Henry Schein announced the acquisition of Dentally, which is a cloud-based U.K. dental software provider. Through this buyout, Henry Schein will aim to expand its international presence and enhance its practice management software solution portfolio.

Other products within the Henry Schein One portfolio like the beta version of its Tech Dentrix and Dentrix G7.3 are likely to maintain momentum.

- ▲ **Expansion Through Partnerships:** Henry Schein's revenue growth has been consistently supported by niche acquisitions and partnerships. Its robust acquisition strategy helps it to pursue targets that provide access to additional product lines.

The company, in July, entered into an exclusive agreement with Radic8 (a U.K.-based manufacturer of air purifier systems) to distribute the latter's Radic8 Viruskiller air purifier in the United States and Canada. Further, in the same month, Henry Schein announced that its U.S. medical business, Henry Schein Medical, is on track to integrate a web-based clinical decision support system, VisualDx, with Medpod's telemedicine solutions.

Henry Schein's subsidiary ACE Surgical Supply Co. entered into a partnership with EnvisionTec in June with the aim of packaging and sterilizing 3D-printed nasal swabs used for COVID-19 testing. This partnership is part of repurposing of the Henry Schein's manufacturing capabilities.

Other Alliances like the creation of a JV with Casa Schmidt in March, agreement with United Parcel Service (UPS) in January are expected to continue to strengthen Henry Schein's foothold in the global dental market.

Henry Schein is well positioned to gain from its extensive global foothold and diverse channel mix. Favorable market dynamics is a major growth catalyst going forward.

Reasons To Sell:

▼ **Share Price Performance:** Over the past six months, Henry Schein has underperformed the industry. The stock has lost 4.4% against the industry's 1% growth. Henry Schein exited the second quarter of 2020 with better-than-expected results despite adversities posed by the coronavirus outbreak. The company saw dismal performances by all three of its operating businesses. The company's international as well as North American performances were also disappointing. Contraction of both margins is deterring as well. The company's inability to provide financial guidance raises apprehensions.

Governments and insurance companies continue to look for ways to contain the rising cost of healthcare, which is affecting Henry Schein's financial operations. A weak solvency and capital structure is also deterring. Other factors like impact of group purchasing organizations and a stiff competitive landscape are bothersome.

The year-over-year deterioration in Henry Schein's gross and operating margin was due to higher cost of sales and expenses. Also, tough competitive landscape and pricing pressure weigh on the stock.

▼ **Coronavirus Hurts Dental Sales:** The coronavirus pandemic has severely dented the company's dental revenues since March. In the second quarter, the company's global Dental sales were down 41.2% year over year. North America's dental consumable merchandise internal sales in local currencies fell 47.5%, whereas dental equipment internal sales in local currencies declined 44.9%. Internationally, dental consumable merchandise internal sales and dental equipment internal sales, both in local currencies, declined 29.2% and 30.5% respectively.

Despite the ongoing recovery of the global dental market, Henry Schein's sales improvement in the U.K. has been pretty slow due to the timing of reopening of businesses. Although the dental business prospects across the globe are on track of rebounding, the second quarter's performance was disappointing.

Given that the pandemic continues to spread unabated, the company has not provided any financial guidance for the year.

▼ **Impact of Group Purchasing Organizations (GPOs):** The healthcare industry has been facing numerous headwinds such as measures to curb capital expenditure, volume headwind, pricing pressure and procedure deferrals among others. In light of these facts, some large integrated health care providers and GPOs have gained considerable purchasing power. The GPOs act as agents that negotiate vendor contracts on behalf of their members. Moreover, the ongoing economic climate bolstered the bargaining power of GPOs. The GPOs have also increased pricing pressure in the industry. This might be a drag on Henry Schein's business in the future.

▼ **Contagion of Economic Problems:** The current macroeconomic environment across the globe has adversely affected Henry Schein's financial operations. Governments and insurance companies continue to look for ways to contain the rising cost of healthcare. This might put pressure on players in the healthcare industry with Henry Schein being no exception.

Moreover, fluctuating currency rates also hamper growth of a multinational like Henry Schein, given that it derives a substantial amount of its revenues from international markets. The company's sales are thus directly affected by unfavorable macroeconomic conditions. We are concerned that such macroeconomic softness might hamper Henry Schein's growth.

▼ **Tough Competition:** The U.S. healthcare products and service distribution industry are highly competitive and consist principally of national, regional and local distributors. In the North American dental products market, the company faces stiff competition from Patterson Dental business of Patterson Companies Inc. and Benco Dental Supply.

The competition in the fast-growing animal health market is also fierce with Patterson Veterinary Supply under Patterson Companies and IDEXX Laboratories gaining traction. Henry Schein operates in a highly competitive medical product distribution market with larger players like McKesson Corp. Moreover, the presence of specialized players like Quality Systems, eClinicalWorks and athenahealth in the electronic medical records market puts Henry Schein in a tight spot. Moreover, competitive landscape in overseas market is also tough. The tussle for market share might be a drag on results.

▼ **Weak Solvency With Slight Leverage:** Henry Schein exited the second quarter of 2020 with cash and cash equivalents of \$296 million compared with \$617 million at the end of the first quarter of 2020. Meanwhile, total debt came up to \$1.35 billion for the period, a decrease from \$1.58 billion in the sequentially last reported quarter. This figure is much higher than the second quarter's cash and cash equivalent level. Moreover, if we go by the company's current-year-payable debt level of \$674 million, this also comes to a higher level when compared to the quarter-ended cash in hand. This is bad news in terms of solvency position of the company. This implies that, during the year of economic downturn, the company is not holding enough cash for debt repayment.

The quarter's total debt-to-capital ratio of 0.19 stands at a moderately lower level indicating a slightly leveraged balance sheet. It also represents a sequential decrease from 0.25 at the end of the first quarter.

The times interest earned for the company in the reported quarter stands at 14%, representing a sequential decrease from 17.3% at the end of the first quarter.

Last Earnings Report

Henry Schein Q2 Earnings Top Estimates, Margins Dip

Henry Schein reported breakeven adjusted earnings per share from continuing operations in the second quarter of 2020 compared with earnings per share of 84 cents in the year-ago quarter. However, adjusted earnings per share compared favorably with the Zacks Consensus Estimate of a loss of 16 cents. The quarter's adjustments exclude the impact of certain restructuring charges.

The year-over-year earnings were primarily impacted by pandemic-led business disruptions, especially in the company's Dental business.

Quarter Ending **06/2020**

Report Date	Aug 04, 2020
Sales Surprise	19.98%
EPS Surprise	100.00%
Quarterly EPS	0.00
Annual EPS (TTM)	2.81

Revenues in Detail

Henry Schein reported net sales of \$1.68 billion in the second quarter, down 31.2% year over year. The metric beat the Zacks Consensus Estimate by 19.9%.

The year-over-year decline resulted from pandemic-led impacts on business and 30.3% decline in local currencies. In local currencies, internally-generated sales declined 30.5%. Further, acquisition growth was 0.2%. However, unfavorable foreign currency exchange made a 0.9% impact on the top line.

In the quarter under review, the company recorded sales of \$1.21 billion in the North American market, down 31.7% year over year. Sales totaled \$478.9 million in the international market, down 29.9% year over year.

Segment Analysis

Henry Schein derives revenues from three operating segments — Dental, Medical, and Technology and Value-added Services.

In the second quarter, the company derived \$941.3 million of global **Dental** sales, down 41.2% year over year. This includes a 40% decline in local currencies and 1.2% adverse impact of foreign currency exchange. At local currencies, internally-generated sales declined 40.1%, which included a decrease of 46.9% in North America and a drop of 29.5% internationally. However, acquisition growth was 0.1%.

North America's dental consumable merchandise internal sales in local currencies fell 47.5% whereas dental equipment internal sales in local currencies declined 44.9%. Internationally, dental consumable merchandise internal sales and dental equipment internal sales, both in local currencies, declined 29.2% and 30.5% respectively.

Global **Medical** revenues plunged 11.4% year over year to \$617.8 million, resulting from an 11.4% fall in local currencies. In local currencies, internally-generated sales declined 11.4% and acquisition growth was flat. Foreign currency exchange had no impact.

The business registered strong demand for personal protective equipment (PPE) in the quarter under review. Further, the fall in sales of consumable merchandise was lower than the company's expectations. The company, while responding to the pandemic, made available a wide menu of COVID-19 point-of-care diagnostic tests and related solutions to its medical customers.

Revenues from global **Technology and Value-added Services** plunged 15.9% to \$105.2 million. This included a 15.4% fall in local currencies and a 0.5% drop owing to adverse currency translation. At local currencies, internally-generated sales declined 17% but acquisition growth was 1.6%.

Despite the plunging revenues, the segment registered some positives during the quarter. Henry Schein One's dental software sales witnessed improvement as the second quarter progressed, in line with the resumption of dental practice operations. Notably, the monthly trend for transactional software revenues improved resulting from more patients visiting the dental offices across the globe.

Margin Trend

In the reported quarter, gross profit totaled \$454.3 million. Gross margin contracted 438 basis points (bps) to 26.9% on a 40.8% fall in gross profit.

Selling, general and administrative expenses declined 24.9% to \$445.8 million in the quarter under review.

Overall adjusted operating profit was \$8.5 million, down 95.1% year over year. Further, adjusted operating margin contracted 661 bps year over year to 0.5%.

Financial Position

The company exited the second quarter of 2020 with cash and cash equivalents of \$296.1 million compared with \$617.4 million at the end of the first quarter. Long-term debt for the company at the end of the second quarter was \$515.8 million compared with \$865.8 million at the end of the first quarter of 2020.

Cumulative net cash used in operating activities from continuing operations at the end of the second quarter was \$843 million compared with net cash provided by operating activities from continuing operations of \$298.8 million in the year-ago period.

2020 Guidance

As the uncertainty of the pandemic and its impact on business operations cannot be ascertained at present, the company is not providing any

financial guidance for the year at present.

Recent News

Henry Schein, Radic8 Enter Into Exclusive Distribution Agreement: Jul. 15, 2020

Henry Schein entered into an exclusive agreement with Radic8, a UK-based manufacturer of air purifier systems, to distribute the latter's Radic8 Viruskiller air purifier system in the United States and Canada.

Henry Schein Medical to Expand in Telemedicine With VisualDx: Jul. 9, 2020

Henry Schein announced that its U.S. medical business, Henry Schein Medical, is on track to integrate a web-based clinical decision support system VisualDx with Medpod's telemedicine solutions.

ACE Surgical, EnvisionTec Enters Into Partnership: Jun 4, 2020

Henry Schein's subsidiary ACE Surgical Supply Co. entered into a partnership with EnvisionTec in June with the aim of packaging and sterilizing 3D-printed nasal swabs used for COVID-19 testing. This partnership is part of repurposing of the Henry Schein's manufacturing capabilities.

Valuation

Henry Schein shares are up 1.6% in the year-to-date period and up 8.3% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 6.4% while the Zacks Medical sector up 1.1% in the year-to-date period. Over the past year, the Zacks sub-industry is down 1.5% and sector is up 9.1%.

The S&P 500 index is up 3.9% in the year-to-date period and rose 16.4% in the past year.

The stock is currently trading at 21.8X Forward 12-months earnings, which compares to 19.1X for the Zacks sub-industry, 22.4X for the Zacks sector and 22.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26X and as low as 11.5X, with a 5-year median 20.1X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$71 price target reflects 22.9X forward 12-months earnings.

The table below shows summary valuation data for HSIC.

Valuation Multiples - HSIC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.84	19.10	22.38	22.77
	5-Year High	26.03	19.84	23.17	22.77
	5-Year Low	11.54	13.63	15.89	15.25
	5-Year Median	20.05	16.47	18.97	17.58
P/S F12M	Current	0.99	0.37	2.82	3.66
	5-Year High	1.26	0.38	3.41	3.66
	5-Year Low	0.60	0.23	2.22	2.53
	5-Year Median	0.99	0.28	2.89	3.05
P/B TTM	Current	2.67	3.17	4.41	4.67
	5-Year High	5.32	4.73	5.07	4.67
	5-Year Low	1.75	2.54	2.94	2.83
	5-Year Median	3.97	3.42	4.30	3.73

As of 08/07/2020

Industry Analysis Zacks Industry Rank: Bottom 34% (167 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Patterson Companies, Inc. (PDCO)	Outperform	1
West Pharmaceutical Services, Inc. (WST)	Outperform	2
Align Technology, Inc. (ALGN)	Neutral	3
Becton, Dickinson and Company (BDX)	Neutral	3
Laboratory Corporation of America Holdings (LH)	Neutral	3
Straumann Holding AG (SAUHF)	Neutral	3
DENTSPLY SIRONA Inc. (XRAY)	Neutral	4
The Cooper Companies, Inc. (COO)	Underperform	4

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	HSIC	X Industry	S&P 500	LH	PDCO	XRAY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	1	4
VGM Score	B	-	-	A	C	B
Market Cap	9.68 B	2.47 B	23.30 B	18.81 B	2.67 B	9.94 B
# of Analysts	9	5	14	8	8	9
Dividend Yield	0.00%	0.00%	1.76%	0.00%	3.75%	0.88%
Value Score	B	-	-	A	B	B
Cash/Price	0.06	0.06	0.07	0.03	0.03	0.02
EV/EBITDA	10.63	15.27	13.32	11.51	14.83	17.11
PEG Ratio	4.25	3.27	2.94	1.63	2.14	4.25
Price/Book (P/B)	2.67	4.47	3.19	2.56	3.17	2.14
Price/Cash Flow (P/CF)	14.04	15.83	12.51	9.93	2.90	11.52
P/E (F1)	26.97	34.32	22.02	14.01	20.35	33.79
Price/Sales (P/S)	1.04	2.57	2.53	1.64	0.49	2.89
Earnings Yield	3.73%	2.28%	4.37%	7.14%	4.91%	2.95%
Debt/Equity	0.19	0.33	0.77	0.83	0.76	0.49
Cash Flow (\$/share)	4.83	1.35	6.94	19.44	9.54	3.94
Growth Score	D	-	-	B	D	C
Hist. EPS Growth (3-5 yrs)	6.46%	9.48%	10.46%	8.86%	-13.56%	-4.35%
Proj. EPS Growth (F1/F0)	54.34%	-4.49%	-6.80%	11,583.33%	-42.32%	-45.22%
Curr. Cash Flow Growth	-9.03%	3.87%	5.39%	12.16%	327.70%	-53.28%
Hist. Cash Flow Growth (3-5 yrs)	2.76%	12.37%	8.55%	17.70%	27.55%	12.09%
Current Ratio	1.48	1.47	1.33	1.12	1.44	3.10
Debt/Capital	20.92%	32.96%	44.50%	45.50%	43.26%	32.96%
Net Margin	6.35%	0.40%	10.13%	3.16%	-10.72%	-1.40%
Return on Equity	11.51%	11.51%	14.39%	14.39%	11.20%	7.13%
Sales/Assets	1.28	1.02	0.51	0.65	1.69	0.41
Proj. Sales Growth (F1/F0)	-11.04%	0.00%	-1.51%	9.96%	-3.04%	-20.50%
Momentum Score	A	-	-	A	F	A
Daily Price Chg	1.22%	0.00%	0.90%	1.76%	-0.32%	4.85%
1 Week Price Chg	2.54%	0.00%	0.14%	-2.93%	6.07%	3.15%
4 Week Price Chg	20.90%	6.44%	8.95%	11.55%	21.81%	9.91%
12 Week Price Chg	30.38%	17.93%	18.90%	17.93%	87.04%	19.75%
52 Week Price Chg	8.34%	8.34%	1.18%	17.44%	51.20%	-13.39%
20 Day Average Volume	1,718,826	414,236	2,057,775	788,105	1,099,424	1,607,302
(F1) EPS Est 1 week change	9.90%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	11.11%	0.32%	1.36%	33.35%	0.65%	1.85%
(F1) EPS Est 12 week change	11.05%	0.00%	1.57%	61.20%	19.11%	-24.14%
(Q1) EPS Est Mthly Chg	44.26%	0.50%	0.54%	40.36%	-2.14%	3.45%

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	D
Momentum Score	A
VGM Score	B

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

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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.

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