

Henry Schein, Inc. (HSIC)

\$59.77 (As of 06/17/20)

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

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

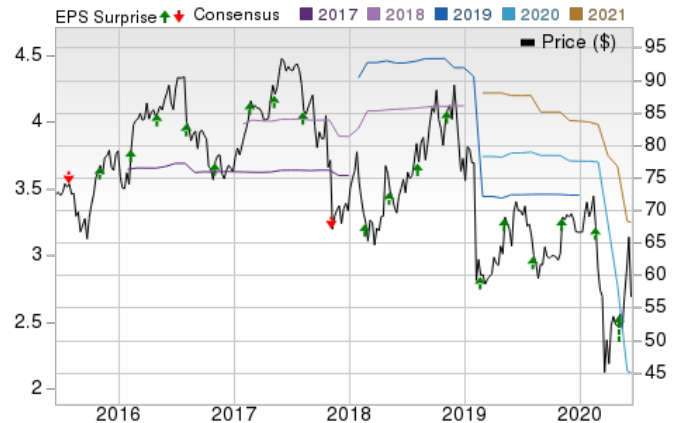
Growth: B

Momentum: F

Summary

Henry Schein exited the first quarter of 2020 with better-than-expected results despite the coronavirus pandemic. It saw solid performances by two of its operating businesses. Strong revenue uptick in the North American market was encouraging. However, a dismal performance by the company's biggest operating segment Dental is concerning. Contraction in both margins and the company's decision to not provide any guidance are worrying. 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. Factors like growing importance of group purchasing organizations and a stiff competitive landscape are other headwinds for the company. Overall, it has underperformed the industry over the past six months.

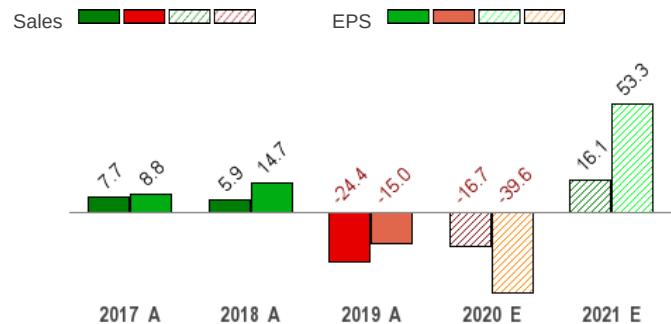
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$73.99 - \$41.85
20 Day Average Volume (sh)	1,571,638
Market Cap	\$8.5 B
YTD Price Change	-10.4%
Beta	0.98
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Bottom 23% (195 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	28.8%
Last Sales Surprise	4.9%
EPS F1 Est- 4 week change	-0.4%
Expected Report Date	08/04/2020
Earnings ESP	-258.6%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,358 E	2,155 E	2,377 E	2,634 E	9,659 E
2020	2,429 A	1,343 E	1,951 E	2,450 E	8,322 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	\$0.75 E	\$0.68 E	\$0.80 E	\$0.92 E	\$3.25 E
2020	\$0.94 A	-\$0.15 E	\$0.42 E	\$0.77 E	\$2.12 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.

P/E TTM	16.4
P/E F1	28.2
PEG F1	3.4
P/S TTM	0.9

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/17/2020. The reports text is as of 06/18/2020.

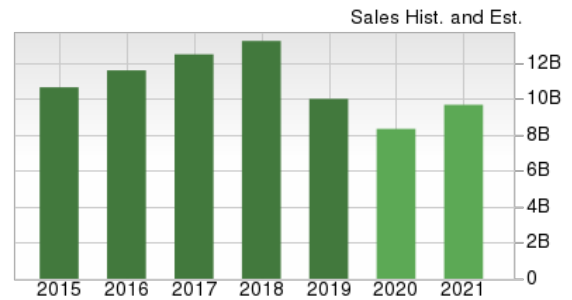
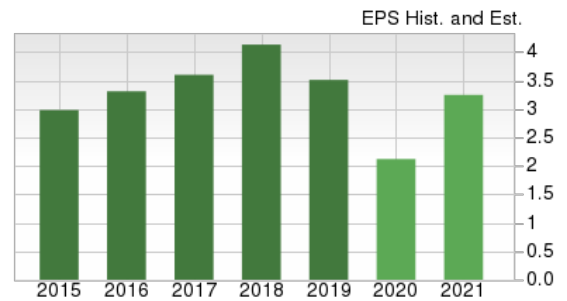
Overview

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.



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.

- ▲ **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.

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. These tools include growth areas like advanced websites, reputation management tools, improved search engine results, online marketing and automated digital communications.

A few recent 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, including more efficient insurance processing, scheduling, pin board, document management, enhanced electronic dental billing functionality, and additional electronic claim codes to help improve business outcomes.

- ▲ **Henry Schein One Holds Potential:** Henry Schein seems to be upbeat about its dental technology business, Henry Schein One. Henry Schein One was formed as a result of the company's JV with Internet Brands last July. The JV combines Henry Schein Practice Solutions' products and services with the dental businesses of Internet Brands. The company has been expanding market share with its Henry Schein One business, not only in the United States and Canada, but also globally.

Despite business disruptions in the first quarter due to the coronavirus outbreak, the Henry Schein One dental software business holds potential of a rebound. Currently, the company is helping physicians focus on existing patients and implement plans to attract new patients once operations resume. The recent notable software development in Henry Schein One is that while dentists are taking care of emergency cases, the patient engagement solutions will create virtual waiting rooms for patients to complete formalities online and wait until the patient can actually be called for a visit.

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.

In March, Henry Schein announced the creation of a JV with Casa Schmidt to provide new solutions and technologies for patients' benefit. The JV will be operating in Spain and Portugal under the Henry Schein name. This should strengthen the company's international presence in the dental business going forward.

In January, Henry Schein inked an agreement with United Parcel Service (UPS) to explore and test a variety of drone delivery use cases. The use cases would examine unmanned aerial vehicles within business-to-business operating models.

Other acquisitions like that of the Cliniclands (August 2019), Hayes Handpiece franchise (June 2019) and the agreement to buy Lighthouse 360 from Web.com 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 3.2% against the industry's 13.5% rise. A dismal performance by the company's biggest operating segment Dental (down 4.6% on suspension of non-emergency procedures in response to the coronavirus outbreak), is concerning. We are also disappointed with the contraction in both margins. Its decision to refrain from providing a guidance is concerning as well.

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. Overall, in the first quarter, the company's global Dental sales declined 4.6% year over year. The dismal performance by the company's biggest operating segment is concerning. The impact has been felt since March when dental consumable merchandise and equipment internal sales were adversely impacted by suspension of non-emergency procedures in response to the coronavirus outbreak.

As the company is unable to assess the financial impact of the pandemic, it withdrew the 2020 guidance owing to the growing impact of COVID-19 on its business and customers.

- ▼ **Impact of Group Purchasing Organizations:** 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 group purchasing organizations (GPO) 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 first quarter of 2020 with cash and cash equivalents of \$617 million compared with \$106 million at the end of the fourth quarter of 2019. Meanwhile, total debt came up to \$1.58 billion for the period, a surge from \$998 million in the sequentially last reported quarter. This figure is much higher than the first quarter's cash and cash equivalent level. However, if we go by the company's current-year-payable debt level of \$555 million, this comes to a lower level when compared to the quarter-ended cash in hand. This is good news in terms of solvency position of the company. This implies, during the year of economic downturn, the company is holding enough cash for debt repayment.

Debt comparison with the industry is, however, favorable as industry's total debt of \$5.35 billion, stands much higher to the company's debt level.

The quarter's total debt-to-capital ratio of 0.25 stands at a moderately high level indicating a leveraged balance sheet. It also represents a sequential increase from 0.21 at the end of the fourth quarter. This compares favorably with the total debt-to-capital of the industry, which stands at a higher ratio of 0.48.

The times interest earned for the company in the reported quarter stands at 17.3%, representing a sequential increase from 14.4% at the end of the fourth quarter.

Last Earnings Report

Henry Schein Q1 Earnings and Revenues Top Estimates

Henry Schein reported adjusted earnings per share from continuing operations of 94 cents in the first quarter of 2020, up 17.5% year over year. Adjusted earnings per share also beat the Zacks Consensus Estimate by 28.8%. The quarter's adjustments exclude the impact of certain restructuring charges among others.

The solid year-over-year earnings improvement came on the back of solid revenue growth across two of its operating segments as well as a decline in operating expenses.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	4.94%
EPS Surprise	28.77%
Quarterly EPS	0.94
Annual EPS (TTM)	3.65

Revenues in Detail

Henry Schein reported net sales of \$2.43 billion in the first quarter, up 2.9% year over year. The metric beat the Zacks Consensus Estimate by 4.9%. The year-over-year improvement came on the back of 4% growth in local currencies. In local currencies, internally generated sales increased 2.1% and acquisition growth was 1.9%. However, unfavorable foreign currency exchange made a 1.1% impact on the top line.

Excluding product sales to Covetrus under the transition services agreement related to Henry Schein's Animal Health spin-off, internal sales growth in local currencies was 1.8%.

In the quarter under review, the company recorded sales of \$1.78 billion in the North American market, up 5.6% year over year. Sales totaled \$648.9 million in the international market, down 3.7% year over year.

Segment Analysis

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

In the first quarter, the company derived \$1.48 billion of global **Dental** sales, down 4.6% year over year. This includes 3% decline in local currencies and 1.6% adverse impact of foreign currency exchange. At local currencies, internally-generated sales declined 3.7% and acquisition growth was 0.7%. The 3.7% internal decline in local currencies included a decrease of 3.9% in North America and a drop of 3.4% internationally.

North America dental sales were in line with the company's expectations for the first two months of the quarter. However, since March dental consumable merchandise and equipment internal sales were adversely impacted by suspension of non-emergency procedures in response to the coronavirus outbreak. Internationally also, the revenue picture remains the same, with significant impacts in Europe and China.

Global **Medical** revenues, however, climbed 17.1% year over year to \$800.7 million resulting from 17.2% growth in local currencies. In local currencies, internally-generated sales grew 13.4% and acquisition growth was 3.8%. Unfavorable foreign currency exchange made a 0.1% impact.

The business registered strong organic growth as well as an increase of personal protective equipment (PPE) sales in March.

Revenues from global **Technology and Value-added Services** grew 14.2% to \$131.9 million. This included 14.5% growth in local currencies and a 0.3% drop owing to adverse currency translation. At local currencies, internally-generated sales grew 6.4% and acquisition growth was 8.1%.

The revenue uptick resulted from positive trends in recurring revenue associated with the company's practice management, patient engagement and patient demand creation software solutions. However, the segment was negatively impacted since mid-March due to material impacts on sales in these categories, new system installations, DentalPlans.com and financial services businesses.

Margin Trend

In the reported quarter, gross profit totaled \$746 million. Gross margin contracted 113 basis points (bps) to 30.7% on a 0.8% fall in gross profit.

Selling, general and administrative expenses reduced 1.3% to \$567.4 million in the quarter under review.

Overall adjusted operating profit was \$178.7 million, up 0.9% year over year. However, adjusted operating margin contracted 15 bps year over year to 7.4%.

Financial Position

The company exited the first quarter of 2020 with cash and cash equivalents of \$617.4 million compared with \$106.1 million at the end of 2019.

The company temporarily suspended its acquisition activity and share repurchase program in March. However, prior to this, the company repurchased 1.2 million shares of its common stock during the first quarter. Per Henry Schein, as of today, it has \$201.2 million authorized and available for stock repurchases.

At the end of the first quarter, net cash flow from continuing operations was \$90.8 million compared with \$133.3 million in the year-ago period.

2020 Guidance Withdrawn

The company had initially provided its financial guidance for 2020 during its fourth-quarter earnings release on Feb 20, where it specifically noted that guidance did not assume any significant supply chain disruption related to COVID-19.

However, on Apr 6, Henry Schein announced the withdrawal of the previously-announced guidance given the growing impact of COVID-19 on its business and customers. As the uncertainty of the pandemic and its impact on business operations cannot be ascertained at present, the company is not issuing any new financial guidance for the year at present.

Recent News

On **May 4, 2020**, Henry Schein launched the Henry Schein Thrive Practice Recovery Program, which is a single and cost-effective suite of solutions to help dentists prepare for the re-opening of their practices, reconnect with patients, and access a wide range of financial services.

On **Apr 13, 2020**, Henry Schein announced the availability of VisualDX to assist health care professionals treating patients virtually or in person amid the coronavirus outbreak.

On **Apr 1, 2020**, Henry Schein announced that it will serve as the exclusive distributor of a second point-of-care rapid test kit in the United States, which can detect antibodies associated with COVID-19 in a lesser time.

On **Mar 26, 2020**, Henry Schein announced today the availability of an antibody rapid blood test — Standard Q COVID-19 IgM/IgG Rapid Test — intended to be administered at the point of care.

On **Mar 16, 2020**, Henry Schein released the COVID-19 Resource Center, which is a web-based hub providing industry-specific information. This was set up with the aim of helping office-based dental and medical practitioners navigate the COVID-19 outbreak.

On **Mar 10, 2020**, Henry Schein inked a joint venture deal with Casa Schmidt with the aim of advancing the mutual goal of helping health care professionals operate more efficient practices by providing new solutions and technologies for the ultimate benefit of patients.

Valuation

Henry Schein shares are down 10.4% in the year-to-date period and down 17.1% in the trailing 12-month periods. Stocks in the Zacks sub-industry are down 1.9% while the Zacks Medical sector fell 2.2% in the year-to-date period. Over the past year, the Zacks sub-industry is down 12.9% and sector is down 1.5%.

The S&P 500 index is down 3.3% in the year-to-date period and rose 6.4% in the past year.

The stock is currently trading at 22.6X Forward 12-months earnings, which compares to 18.8X for the Zacks sub-industry, 22.7X for the Zacks sector and 22.4X 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 \$63 price target reflects 23.9X 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 F 12M	Current	22.62	18.78	22.74	22.42
	5-Year High	26.03	19.1	23.16	22.42
	5-Year Low	11.54	13.7	15.94	15.23
	5-Year Median	20.05	16.56	19.05	17.49
P/S F 12M	Current	0.95	0.34	2.76	3.49
	5-Year High	1.26	0.36	3.74	3.49
	5-Year Low	0.6	0.23	2.21	2.53
	5-Year Median	1	0.28	2.91	3.02
P/B TTM	Current	2.37	4.37	4.24	4.26
	5-Year High	5.32	4.72	5.06	4.56
	5-Year Low	1.75	2.53	2.93	2.83
	5-Year Median	4.05	3.45	4.28	3.66

As of 06/17/2020

Industry Analysis Zacks Industry Rank: Bottom 23% (195 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
AmerisourceBergen Corporation (ABC)	Neutral	3
Covetrus, Inc. (CVET)	Neutral	3
Danaher Corporation (DHR)	Neutral	3
IDEXX Laboratories, Inc. (IDXX)	Neutral	4
McKesson Corporation (MCK)	Neutral	4
Patterson Companies, Inc. (PDCO)	Neutral	4
Align Technology, Inc. (ALGN)	Underperform	4
DENTSPLY SIRONA Inc. (XRAY)	Underperform	4

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	HSIC	X Industry	S&P 500	DHR	IDXX	PDCO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	4
VGM Score	B	-	-	D	D	D
Market Cap	8.53 B	2.09 B	21.90 B	122.99 B	26.86 B	1.85 B
# of Analysts	9	5	14	8	4	7
Dividend Yield	0.00%	0.00%	1.92%	0.41%	0.00%	5.39%
Value Score	B	-	-	D	D	B
Cash/Price	0.08	0.07	0.06	0.04	0.00	0.06
EV/EBITDA	9.76	13.11	12.65	31.06	42.94	10.43
PEG Ratio	3.38	3.35	2.98	3.98	6.25	3.64
Price/Book (P/B)	2.37	4.34	3.05	4.17	248.55	1.26
Price/Cash Flow (P/CF)	12.38	14.77	11.68	28.38	52.60	8.60
P/E (F1)	27.97	32.48	21.53	36.12	64.43	17.35
Price/Sales (P/S)	0.85	2.20	2.31	6.34	10.93	0.33
Earnings Yield	3.55%	2.39%	4.36%	2.77%	1.55%	5.75%
Debt/Equity	0.29	0.31	0.77	0.77	7.06	0.44
Cash Flow (\$/share)	4.83	1.35	7.01	6.21	6.01	2.24
Growth Score	B	-	-	C	B	D
Hist. EPS Growth (3-5 yrs)	6.46%	10.40%	10.87%	2.50%	23.99%	-13.46%
Proj. EPS Growth (F1/F0)	-39.60%	-13.85%	-10.58%	10.46%	0.36%	-14.02%
Curr. Cash Flow Growth	-9.03%	3.15%	5.46%	1.84%	12.06%	-11.19%
Hist. Cash Flow Growth (3-5 yrs)	2.76%	12.23%	8.55%	5.87%	14.54%	-3.58%
Current Ratio	1.64	1.60	1.29	1.32	0.85	1.41
Debt/Capital	26.51%	27.05%	45.14%	42.26%	87.59%	30.33%
Net Margin	7.11%	2.12%	10.53%	16.85%	17.78%	0.85%
Return on Equity	15.19%	14.85%	16.06%	11.52%	264.71%	9.57%
Sales/Assets	1.39	1.07	0.55	0.32	1.37	1.66
Proj. Sales Growth (F1/F0)	-16.66%	0.00%	-2.64%	2.85%	3.40%	-4.35%
Momentum Score	F	-	-	D	C	F
Daily Price Chg	-0.03%	0.00%	-0.67%	0.82%	1.19%	0.78%
1 Week Price Chg	-13.98%	-4.60%	-7.25%	-2.80%	-2.85%	-15.65%
4 Week Price Chg	3.44%	1.34%	5.95%	10.91%	6.99%	12.20%
12 Week Price Chg	19.47%	27.77%	23.90%	36.35%	47.60%	13.52%
52 Week Price Chg	-17.06%	-5.40%	-4.54%	23.71%	15.29%	-16.70%
20 Day Average Volume	1,571,638	399,841	2,597,851	2,739,193	540,821	1,133,281
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.37%	-0.05%	0.00%	-0.02%	0.00%	-2.63%
(F1) EPS Est 12 week change	-42.29%	-31.74%	-14.52%	-9.30%	-10.85%	-30.93%
(Q1) EPS Est Mthly Chg	-7.41%	-0.66%	0.00%	0.31%	0.00%	-10.35%

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	B
Momentum Score	F
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.

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.