

## The Hershey Company(HSY)

**\$152.44** (As of 01/22/20)

Price Target (6-12 Months): **\$161.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/21/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:C

Value: C

Growth: B

Momentum: F

### Summary

Hershey's shares have outpaced the industry in the past year. The company has been gaining from prudent buyouts and pricing strategies. These upsides drove third-quarter 2019 performance, with the top and the bottom line rising year over year. Markedly, the Pirate's brand buyout boosted the company's sales in the third quarter. Management expects acquisitions, especially One Brands, to favorably impact the top line in 2019. Additionally, the company is on track with product launches under some of its key brand banners. Also, it expects to continue gaining from net price realization. However, third-quarter results were somewhat hurt by currency headwinds. Moreover, advertising and marketing costs were high that dented adjusted operating margin. Persistence of such headwinds is a concern for the company.

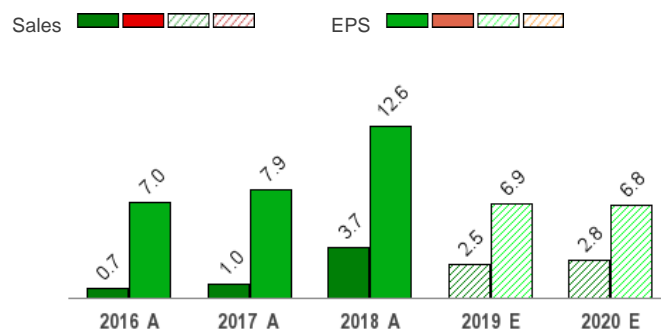
### Price, Consensus & Surprise



### Data Overview

|                            |                                      |
|----------------------------|--------------------------------------|
| 52 Week High-Low           | \$162.20 - \$100.80                  |
| 20 Day Average Volume (sh) | 669,489                              |
| Market Cap                 | \$31.9 B                             |
| YTD Price Change           | 3.7%                                 |
| Beta                       | 0.05                                 |
| Dividend / Div Yld         | \$3.09 / 2.0%                        |
| Industry                   | <a href="#">Food - Confectionery</a> |
| Zacks Industry Rank        | Top 2% (4 out of 255)                |

### Sales and EPS Growth Rates (Y/Y %)



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 0.0%       |
| Last Sales Surprise       | 0.6%       |
| EPS F1 Est- 4 week change | -0.1%      |
| Expected Report Date      | 01/30/2020 |
| Earnings ESP              | 0.0%       |
| P/E TTM                   | 26.4       |
| P/E F1                    | 24.9       |
| PEG F1                    | 3.1        |
| P/S TTM                   | 4.0        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2020 | 2,059 E | 1,820 E | 2,206 E | 2,127 E | 8,206 E |
| 2019 | 2,016 A | 1,767 A | 2,134 A | 2,066 E | 7,984 E |
| 2018 | 1,972 A | 1,752 A | 2,080 A | 1,988 A | 7,791 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2020 | \$1.70 E | \$1.34 E | \$1.73 E | \$1.37 E | \$6.12 E |
| 2019 | \$1.59 A | \$1.31 A | \$1.61 A | \$1.23 E | \$5.73 E |
| 2018 | \$1.41 A | \$1.14 A | \$1.55 A | \$1.26 A | \$5.36 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 01/22/2020. The reports text is as of 01/23/2020.

## Overview

Founded in 1894 and based in Hershey, PA, **The Hershey Company** (HSY), is the largest chocolate manufacturer in North America as well as a global leader in chocolate and non-chocolate confectionery. In addition, Hershey manufactures pantry items like baking ingredients, toppings and beverages; and gum and mint refreshment products; snack bites and mixes, as well as spreads.

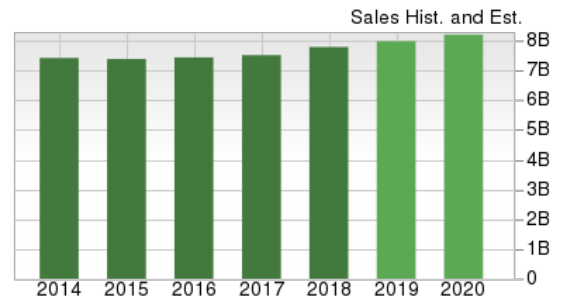
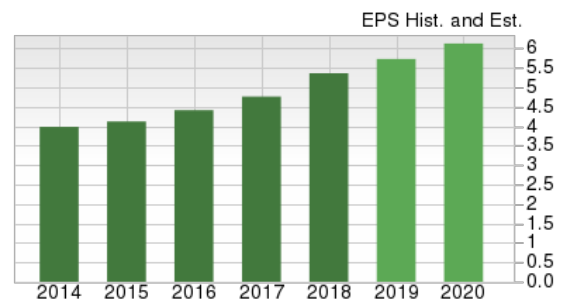
Hershey's operating segments comprise geographic regions — **North America** (88% of 2018 net sales) and **International and Other** (12%). International and Other segment includes operations in China, Mexico, Brazil, India and Malaysia, as well as export to markets in Asia, Latin America, Middle East, Europe, Africa and other regions).

The company's portfolio in North America includes a wide range of products, which are marketed and sold under brands like Hershey's, Reese's and Kisses, along with other popular chocolate and non-chocolate confectionery brands like Jolly Rancher, Almond Joy, Brookside, barkTHINS, Cadbury, Good & Plenty, Heath, Kit Kat, Lancaster, Payday, Rolo, Twizzlers, Whoppers and York.

In North America, the company also provides premium chocolates through Scharffen Berger and Dagoba brands. Further, it offers Ice Breakers mints and chewing gum, Breathsavers mints and Bubble Yum bubble gum as part of gum and mint products. Hershey's pantry and snack items include baking products, toppings and sundae syrups sold under the Hershey's, Reese's and Heath brands, as well as Hershey's and Reese's chocolate spreads, snack bites and mixes, Popwell half-popped corn snacks, baked and trans fat free Pirate's Booty snacks and other better-for-you snack brands such as Oatmega among others.

In the International and Other regions, Hershey produces and sells the same brands. It also provides other brands, which are marketed regionally. These include Pelon Pelo Rico confectionery products in Mexico, IO-IO snack products in Brazil, and Nutrine and Maha Lacto confectionery products and Jumpin and Sofit beverage products in India.

The company manufactures and markets several products through licensing agreements with Kraft Foods Ireland (York, Peter Paul Almond Joy and Peter Paul Mounds), Cadbury U.K. (Cadbury and Caramello) and Nestle (Kit-Kat and Rolo).



## Reasons To Buy:

▲ **Gains From Buyouts:** Hershey has been undertaking buyouts to augment portfolio strength as well as boost revenues. In fact, net impact from buyouts and divestitures boosted sales growth by 1.2 points during the third quarter of 2019. Gains from the Pirate's brand acquisition supported the top line in the said quarter. The company acquired Pirate Brands in September 2018 to bolster its snacking business. Additionally, the company has been gaining from Amplify Snack Brands, which was acquired in January 2018, to expand in the snacking category. Markedly, the Amplify portfolio has been delivering mid to high single-digit growth. With several plans rolled up its sleeve to further strengthen the Amplify brands, Hershey expects greater yields from this buyout in the forthcoming periods. In earlier developments, the acquisition of New York-based barkTHINS (April 2016) premium chocolate snacking brand has been aiding the company's better-for-you snacks portfolio. The SkinnyPop buyout has also been driving growth in the ready-to-eat popcorn category. Another significant addition to the company's better-for-you snacking business is ONE Brands, LLC. The buyout was completed in September 2019 and is likely to bolster the company's nutrition bar category. Management expects sales worth nearly \$25 million from this buyout in the fourth quarter. In August, the company announced minority investments in Fulfill Holdings and Blue Stripes, whose business are slowly picking pace in the snacking arena.

Hershey has been undertaking buyouts to augment portfolio strength as well as boost revenues. Also, the company regularly brings innovation to its core brands to meet consumer demand.

Evidently, buyouts and divestitures are expected to leave a positive impact of roughly 1 point on net sales in 2019. Gains from acquisitions along with prudent pricing strategies and other growth efforts seem to be boosting investors' confidence in the stock that has surged 47.9% in the past year, compared with the industry's growth of 38.6%.

▲ **Solid Q3 Results & Optimistic View:** Hershey delivered robust third-quarter 2019 results, with both the top and the bottom line improving year on year. Moreover, earnings were in line with the Zacks Consensus Estimate, while sales beat the same. Price realization, acquisitions and volumes benefited sales growth. Also, earnings gained from higher sales and lower tax rate. Further, organic sales rose 1.6% at cc on efficient pricing in North America and volume increases. Hershey's e-commerce sales grew nearly 50%, driven by favorable impacts of the Halloween season and balanced performance across fulfillment models. Additionally, adjusted gross margin improved on the back of favorable commodities and price realization.

Hershey is firmly focused on achieving its financial goals, making core brand investments and generating balanced growth. That said, management raised the sales outlook for 2019. It now expects net sales to rise 2.5% compared with the prior view of a rise of 2%. The augmented view reflects gains from the One Brands acquisition. Further, the company reinstated its bottom-line view. It continues to envision adjusted earnings for 2019 in the range of \$5.68–\$5.74. This view indicates a rise of 6-7% from the reported figure in 2018.

▲ **Strong Brand Portfolio & Focus on Innovation:** Hershey is the largest producer of quality chocolate products in the United States. It markets some of the world's leading brands which enjoy widespread consumer acceptance. The company is also a global leader in sugar confectionery products, which is attractive category as confectionery products are easily available, affordable and highly indulgent, thus making the industry almost recession resistant. Hershey's core brands — Hershey's, Reese's, Hershey's Kisses, Jolly Rancher, Brookside, Sofit and Ice Breakers — have been growing strongly on the back of advertising investments, in-store merchandising, and programming and innovation.

In fact, Hershey regularly brings innovation to its core brands to meet consumer demand and needs that are not addressed by its current portfolio. In this respect, Hershey's Gold and Reese's Outrageous, which were launched in 2018, have been doing well. Further, the launch of Reese's Thins is drawing customers' attention. The company also relaunched the Take5 brand under the Reese's banner. The launch of Kisses brand in India is also reaping benefits. Additionally, the company is planning to launch Kit Kat Duos in December and is accordingly undertaking investments to boost supply chain and capacity. An important strategy of the company is to create a unique and holistic portfolio for every season, which can meet consumers' seasonal shopping needs.

▲ **Efforts to Boost Efficiency & Pricing Strategies:** Hershey focuses on optimizing its portfolio in order to deliver increased profitability. In this respect, the company's SKU rationalizing efforts have been fruitful. In addition, the company remains on track with its Margin for Growth multi-year program. This program is intended to improve overall operating margin through supply chain optimization, streamlining the operating model and reduction of administrative expenses. These moves are anticipated to boost efficiency, leverage global shared services and common processes and increase capacity utilization.

Additionally, the company has undertaken strategic pricing initiatives to improve mix. Notably, net price realization benefited Hershey's top line by 1.1 points in the quarter under review. Management expects further benefits from net price realization, which in turn is expected to continue fueling gross margin.

▲ **Gaining Traction in Key Markets:** Keeping in mind its weak international presence, Hershey is accelerating its business in key markets like China, India, Brazil and Mexico where consumer spending growth is positive. Hershey is slowly activating its five core brands in these markets. Constant-currency organic sales in Mexico, Brazil, China and India increased 7.4% in the third quarter of 2019. Among the emerging countries, the company's special focus is on China. The company plans to add additional manufacturing capacity and resources to boost growth in the region.

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## Reasons To Sell:

▼ **High Advertising & Marketing Costs:** Total advertising and related consumer marketing expenses increased 10.5% in the third quarter, due to increased advertising spending in North America. Excluding this, the company's selling, marketing and administrative expenses increased 3.5% due to higher incentive compensation. Moreover, high advertising expenses in North America as well as increased incentive compensation exerted pressure on the company's adjusted operating margin, which declined 30 bps in the said quarter. Persistent rise in such expenses is likely to dent the company's performance in the forthcoming periods.

Currency had an adverse impact of nearly 20 bps on the company's top-line growth in the third quarter of 2019.

▼ **Currency Headwinds:** Hershey remains exposed to volatile currency movements despite a low international presence. Markedly, currency had an adverse impact of nearly 0.2 points on the company's top-line growth in the third quarter of 2019. In North America as well as in the International and Other segments, currency headwinds hurt net sales by 0.1 and 1 point, respectively. Currency headwinds are anticipated to be slightly negative on net sales growth in 2019.

▼ **Lower International Presence:** Approximately 88% of the company's revenues was generated in the United States in 2018. Markets outside the United States form a lower proportion of the company's top-line.

Though the company is accelerating investments in the overseas markets, competitors like Mondelez International have a stronger presence outside North America.

▼ **Soft Macroeconomic Environment:** The North American food industry is experiencing changes in consumer preference (for example, shift toward products with less artificial sweeteners, sodium and saturated fat), changes in consumer dynamics, demographic shifts, and also a spending shift toward lower-priced products.

Further, Hershey is dependent on consumer discretionary spending environment, which is affected by the general macroeconomic conditions like consumer confidence and employment levels. In Europe, the economic/political conditions have become challenging post Brexit.

▼ **Stiff Competition:** Hershey operates in highly competitive markets, along with several global multinational, national, regional and local firms. The company has some competitors, which are big entities with considerable resources and significant international operations. Well, Hershey competes on the basis of product innovation, product quality, price, efficacy of marketing and promotional strategies and the ability to cater to consumer preferences among other things.

Of late, the company also witnessed heightened competition from other snack items, which in turn puts pressure on the confectionery category.

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## Last Earnings Report

### Hershey Q3 Earnings In Line With Estimates, Sales Up

The Hershey Company delivered third-quarter 2019 results, wherein adjusted earnings per share of \$1.61 were in line with the Zacks Consensus Estimate and rose 3.9% year over year. The upside can be attributed to higher sales and lower tax rate. Adjusted tax rate contracted 270 basis points (bps) to 20.1% in the quarter.

Consolidated net sales of \$2,134.4 million rose 2.6% year over year and surpassed the Zacks Consensus Estimate of \$2,124 million. Price realization and volumes benefited sales growth by 1.1 points and 0.5 points, respectively. Buyouts and divestitures had a net favorable impact of 1.2 points on the top line. Further, currency translations had a 0.2-point adverse impact on sales.

Adjusted gross profit that amounted to \$956.1 million, increased nearly 4.4% year on year. Adjusted gross margin expanded 80 bps to 44.8%, backed by favorable commodities and net price realization.

Selling, marketing and administrative costs went up 6% during the quarter. Advertising and related consumer marketing expenses rose 10.5% due to increased advertising spending in North America.

Adjusted operating profit amounted to \$477 million, up 1.3% from the prior-year quarter's figure. However, adjusted operating margin declined 30 bps to 22.3%, as gains from improved gross margin were offset by high advertising expenses in North America as well as increased incentive compensation.

### Segmental Update

**North America** (the United States and Canada) net sales improved 2.7% to \$1,894 million. Markedly, price realization and net impact of acquisitions and divestitures boosted the unit's sales by 1.5 points each. However, volumes and foreign currency dented the unit by nearly 0.2 point and 0.1 point, respectively. Income in the segment rose 2.6% to \$570.4 million on the back of favorable gross margin.

Net sales in the **International and Other** segment rose 1.8% to \$240.4 million. Volumes aided the unit's sales by 5.3 points. Divestitures, net price realization and foreign currency made unfavorable impact of 0.9 point, 1.6 points and 1 point, respectively. Combined net sales for the company's focus market that includes Mexico, Brazil, China and India increased 3.2%. Excluding currency headwinds from currency rates and divestitures, net sales from these markets were up nearly 7.4%. Segment income came in at \$39.4 million in the quarter, up 26.7% year over year. This was fueled by an improved gross margin and stronger volumes.

### Financials

Hershey ended the quarter with cash and cash equivalents of nearly \$302.6 million, long-term debt of \$2,892.2 million and total shareholders' equity of \$1,761.5 million.

In a separate press release, Hershey declared quarterly dividend payouts of 77.3 cents per share for its common stock and 70.2 cents for Class B shares. These are payable on Dec 16, 2019 to shareholders of record as on Nov 22.

### Details on 2019 Guidance

Hershey raised its sales outlook for 2019. It now expects net sales to rise 2.5% compared with the prior view of a rise of 2%. Buyouts and divestitures are expected to make nearly 1-point positive impact on the top line. Currency headwinds are anticipated to be slightly negative on net sales growth. Further, Hershey reinstated its bottom-line view. The company continues to envision adjusted EPS for 2019 in the range of \$5.68–\$5.74. This view indicates a rise of 6-7% from the reported figure in 2018.

Quarter Ending **09/2019**

| Report Date      | Oct 24, 2019 |
|------------------|--------------|
| Sales Surprise   | 0.55%        |
| EPS Surprise     | 0.00%        |
| Quarterly EPS    | 1.61         |
| Annual EPS (TTM) | 5.77         |

## Recent News

### Hershey Concludes Buyout of One Brands - Sep 23, 2019

Hershey concluded the previously announced acquisition of ONE Brands, LLC, which is a manufacturer of a line of low-sugar, high-protein nutrition bars.

## Valuation

Hershey's shares are up 47.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are up 38.6% and 21.7% over the past year, respectively.

The S&P 500 index is up 27.7% in the past year.

The stock is currently trading at 24.81X forward 12-month earnings, which compares to 22.55X for the Zacks sub-industry, 19.93X for the Zacks sector and 19.14 for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.02X and as low as 16.46X, with a 5-year median of 21.15X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$161 price target reflects 26.11X forward 12-month earnings.

The table below shows summary valuation data for HSY

| Valuation Multiples - HSY |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 24.81 | 22.55        | 19.93  | 19.14   |
|                           | 5-Year High   | 27.02 | 24.62        | 22.38  | 19.34   |
|                           | 5-Year Low    | 16.46 | 15.77        | 16.66  | 15.17   |
|                           | 5-Year Median | 21.15 | 18.12        | 19.76  | 17.44   |
| P/S F12M                  | Current       | 3.89  | 2.56         | 10.26  | 3.56    |
|                           | 5-Year High   | 4.2   | 2.76         | 11.13  | 3.56    |
|                           | 5-Year Low    | 2.35  | 1.64         | 8.09   | 2.54    |
|                           | 5-Year Median | 2.83  | 2.08         | 9.88   | 3       |
| EV/EBITDA F12M            | Current       | 16.04 | 11.51        | 34.39  | 12.66   |
|                           | 5-Year High   | 17.49 | 12.31        | 37.23  | 12.66   |
|                           | 5-Year Low    | 10.77 | 7.4          | 29.38  | 9.08    |
|                           | 5-Year Median | 12.61 | 9.46         | 33.53  | 10.78   |

As of 01/22/2020

## Industry Analysis Zacks Industry Rank: Top 2% (4 out of 255)



## Top Peers

| HOSTESS BRANDS (TWNK)                | Outperform |
|--------------------------------------|------------|
| Conagra Brands Inc. (CAG)            | Neutral    |
| Campbell Soup Company (CPB)          | Neutral    |
| General Mills, Inc. (GIS)            | Neutral    |
| Kellogg Company (K)                  | Neutral    |
| Mondelez International, Inc. (MDLZ)  | Neutral    |
| The Simply Good Foods Company (SMPL) | Neutral    |
| TreeHouse Foods, Inc. (THS)          | Neutral    |

| Industry Comparison Industry: Food - Confectionery |             |            |           | Industry Peers |              |                 |
|--|-------------|------------|-----------|----------------|--------------|-----------------|
|  | HSY Neutral | X Industry | S&P 500   | MDLZ Neutral   | SMPL Neutral | TWNK Outperform |
| <b>VGM Score</b>                                   | <b>C</b>    | -          | -         | <b>C</b>       | <b>F</b>     | <b>C</b>        |
| Market Cap   | 31.89 B     | 2.32 B     | 24.65 B   | 79.85 B        | 2.38 B       | 1.80 B          |
| # of Analysts                                      | 5           | 4          | 13        | 7              | 3            | 4               |
| Dividend Yield                                     | 2.03%       | 0.00%      | 1.77%     | 2.06%          | 0.00%        | 0.00%           |
| <b>Value Score</b>                                 | <b>C</b>    | -          | -         | <b>C</b>       | <b>D</b>     | <b>C</b>        |
| Cash/Price   | 0.01        | 0.05       | 0.04      | 0.02           | 0.03         | 0.15            |
| EV/EBITDA  | 18.13       | 20.21      | 13.98     | 21.89          | 33.90        | 14.32           |
| PEG Ratio  | 3.12        | 3.56       | 2.05      | 2.73           | NA           | NA              |
| Price/Book (P/B)                                   | 18.10       | 2.49       | 3.38      | 2.97           | 2.01         | 1.16            |
| Price/Cash Flow (P/CF)                             | 21.56       | 24.41      | 13.60     | 18.19          | 36.21        | 18.53           |
| P/E (F1)   | 24.98       | 24.90      | 19.07     | 20.94          | 27.05        | 18.36           |
| Price/Sales (P/S)                                  | 4.03        | 4.16       | 2.69      | 3.10           | 4.29         | 1.99            |
| Earnings Yield                                     | 4.01%       | 4.01%      | 5.24%     | 4.78%          | 3.68%        | 5.43%           |
| Debt/Equity  | 1.64        | 0.58       | 0.72      | 0.48           | 0.54         | 0.62            |
| Cash Flow (\$/share)                               | 7.07        | 1.00       | 6.94      | 3.05           | 0.69         | 0.75            |
| <b>Growth Score</b>                                | <b>B</b>    | -          | -         | <b>C</b>       | <b>F</b>     | <b>D</b>        |
| Hist. EPS Growth (3-5 yrs)                         | 8.69%       | 8.69%      | 10.60%    | 8.90%          | NA           | NA              |
| Proj. EPS Growth (F1/F0)                           | 6.94%       | 23.87%     | 7.53%     | 7.42%          | 64.88%       | 23.87%          |
| Curr. Cash Flow Growth                             | -0.31%      | -3.81%     | 13.90%    | 8.30%          | 10.26%       | -7.32%          |
| Hist. Cash Flow Growth (3-5 yrs)                   | 7.24%       | 2.80%      | 9.00%     | 3.23%          | NA           | NA              |
| Current Ratio                                      | 0.80        | 2.70       | 1.22      | 0.50           | 2.67         | 2.73            |
| Debt/Capital                                       | 62.15%      | 36.74%     | 42.99%    | 32.64%         | 35.02%       | 38.45%          |
| Net Margin   | 16.18%      | 8.99%      | 11.21%    | 15.42%         | 4.96%        | 5.88%           |
| Return on Equity                                   | 77.39%      | 7.00%      | 17.16%    | 13.93%         | 5.64%        | 4.19%           |
| Sales/Assets                                       | 0.99        | 0.48       | 0.55      | 0.40           | 0.41         | 0.30            |
| Proj. Sales Growth (F1/F0)                         | 2.85%       | 4.91%      | 4.08%     | 2.53%          | 65.39%       | 4.91%           |
| <b>Momentum Score</b>                              | <b>F</b>    | -          | -         | <b>C</b>       | <b>F</b>     | <b>A</b>        |
| Daily Price Chg                                    | -0.26%      | -0.49%     | -0.04%    | -0.14%         | -0.54%       | -0.58%          |
| 1 Week Price Chg                                   | 1.84%       | 0.58%      | 2.29%     | 1.68%          | 4.87%        | -0.50%          |
| 4 Week Price Chg                                   | 4.35%       | -0.63%     | 2.05%     | 0.85%          | -10.99%      | -4.82%          |
| 12 Week Price Chg                                  | 4.43%       | 2.95%      | 6.92%     | 6.59%          | 2.95%        | 9.68%           |
| 52 Week Price Chg                                  | 40.42%      | 18.02%     | 21.50%    | 27.47%         | 27.10%       | 18.02%          |
| 20 Day Average Volume                              | 669,489     | 669,489    | 1,518,423 | 5,301,262      | 1,543,883    | 708,992         |
| (F1) EPS Est 1 week change                         | 0.00%       | 0.00%      | 0.00%     | 0.00%          | 0.00%        | 1.69%           |
| (F1) EPS Est 4 week change                         | -0.11%      | 1.69%      | 0.00%     | 0.00%          | 18.38%       | 1.69%           |
| (F1) EPS Est 12 week change                        | 0.19%       | 4.51%      | -0.23%    | -0.95%         | 22.03%       | 4.51%           |
| (Q1) EPS Est Mthly Chg                             | -0.20%      | 5.88%      | 0.00%     | 0.00%          | 8.57%        | 5.88%           |



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## 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.

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### 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    | C |
| Growth Score   | B |
| Momentum Score | F |
| VGM Score      | C |

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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### 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.

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