

Intl Business Machines (IBM)

\$121.91 (As of 06/12/20)

Price Target (6-12 Months): **\$127.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/09/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

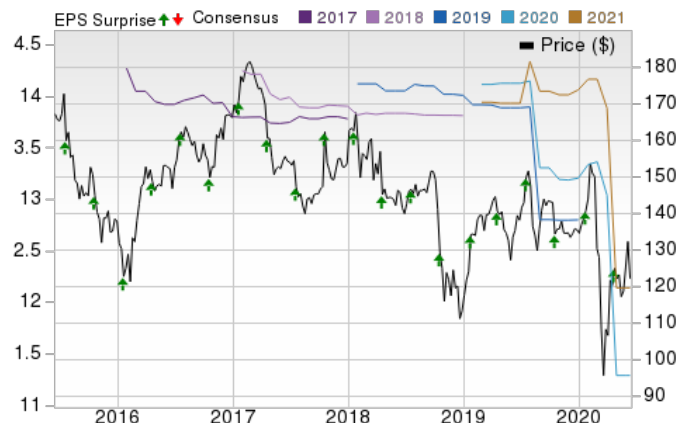
Growth: C

Momentum: B

Summary

IBM is benefiting from improving position in the hosted cloud, security and analytics domains. Moreover, Red Hat acquisition has helped IBM to enhance containerized software capabilities and strengthen competitive position in the hybrid cloud market. Further, growing cloud of Watson Health and growth in Payer, Provider, Imaging and Life Sciences verticals are noteworthy. Also, gains from z15 hold promise. Notably, IBM stock has outperformed the industry on a year-to-date basis. However, stiff competition in the cloud computing market remains a woe. Notably, adoption of cognitive applications and transaction processing platforms in March was affected by coronavirus outbreak, which is a major concern. For 2020, IBM has withdrawn guidance, citing uncertainty pertaining to coronavirus crisis. Also, a highly leveraged balance sheet, adds to the risks.

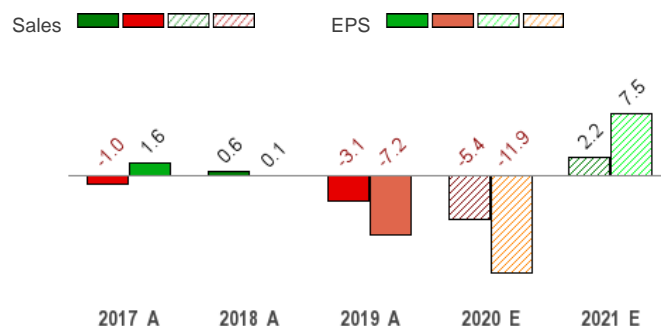
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$158.75 - \$90.56
20 Day Average Volume (sh)	4,705,020
Market Cap	\$108.2 B
YTD Price Change	-9.1%
Beta	1.22
Dividend / Div Yld	\$6.52 / 5.3%
Industry	<u>Computer - Integrated Systems</u>
Zacks Industry Rank	Bottom 43% (143 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.4%
Last Sales Surprise	-1.4%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/15/2020
Earnings ESP	0.0%
P/E TTM	9.8
P/E F1	10.8
PEG F1	2.7
P/S TTM	1.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	17,922 E	18,392 E	18,646 E	20,468 E	74,612 E
2020	17,571 A	17,720 E	17,624 E	20,396 E	72,980 E
2019	18,182 A	19,161 A	18,028 A	21,777 A	77,147 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.05 E	\$2.62 E	\$3.05 E	\$4.72 E	\$12.14 E
2020	\$1.84 A	\$2.14 E	\$2.75 E	\$4.45 E	\$11.29 E
2019	\$2.25 A	\$3.17 A	\$2.68 A	\$4.71 A	\$12.81 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 06/12/2020. The reports text is as of 06/15/2020.

Overview

International Business Machines Corporation has gradually evolved as a provider of cloud and data platforms.

Red Hat acquisition, in particular, has helped IBM in strengthening competitive position in the hybrid cloud market. With Red Hat buyout, the company offers Linux operating system — Red Hat Enterprise Linux — and hybrid cloud platform — Red Hat OpenShift — that aids enterprises with digital transformation.

Besides, the company provides advanced information technology solutions, computer systems, quantum computing and super computing solutions, enterprise software, storage systems and microelectronics.

Moreover, IBM has the leading position with the highest number of patent wins, which is a testament to its technical expertise in innovative research and development. In 2019, the company maintained the lead spot for the 27th year, with 9,262 patents.

Armonk, NY-based, IBM reported revenues of \$77.15 billion in 2019.

The company's five reporting segments are as follows:

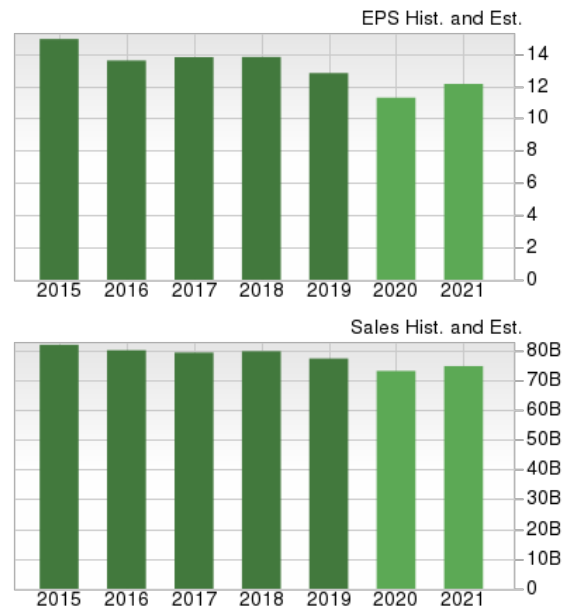
Cloud & Cognitive Software segment (30% of 2019 revenues) includes cloud and data platform, Cognitive application and transaction processing. Watson Platform, Watson Health and Watson Internet of Things (IoT) are notable offerings, which are included in Solutions Software.

Global Business Services segment (21.6%) includes consulting, global process services, application management. These professional services offer value and innovation to clients through solutions that leverage industry, technology and business strategy and process know-how.

Global Technology Services segment (35.5%) includes infrastructure services, technical support services, integration software. It provides comprehensive IT infrastructure and platform services that helps to build business value for clients.

Systems segment (9.9%) includes systems hardware and operating systems software. It offers clients with infrastructure platforms to help address the new requirements of hybrid cloud and enterprise.

Global Financing (1.8%) includes financing, primarily conducted through IBM Credit LLC (IBM Credit) and used equipment sales.



Reasons To Buy:

- ▲ IBM's growth is expected to be driven primarily by analytics, cloud computing, and security in the long haul. A combination of a better business mix, improving operating leverage through productivity gains and increased investment in growth opportunities will drive profitability. IBM's research and development (R&D) initiatives set it apart from its peers. On an annual basis, the company invests around 7-8% on R&D for reaping the high growth and high-value opportunities. Notably, the company was awarded the maximum number of U.S. patents for the 27th consecutive year in 2019, totaling 9,262 patents, reflecting a year-over-year rise of 2%. The patents represent inventions in artificial intelligence, cloud, cybersecurity and other strategic growth areas.
- ▲ With the strength of its global on-demand model (responding to customer demand with flexibility and speed), IBM has been gaining a lot of traction in emerging markets. As growth and investment opportunities in developed countries continue to slow down, we believe that emerging economies will play a key role for the company.
- ▲ IBM has been building its portfolio through strategic acquisitions (over 150 companies since 2000), which are generating incremental revenues, strengthening its technology leadership, and resulting in a more favorable mix of business. The company's strategy of making accretive acquisitions that can be easily integrated into its current business has expanded its product portfolio into higher-growth segments, such as cloud computing, analytics, and security. The acquisitions have also increased its scale of operations globally.
- ▲ IBM has completed the acquisition of Red Hat for \$34 billion in cash on Jul 9, 2019. Notably, the deal is one of the notable software-based acquisitions, surpassing Microsoft's LinkedIn buy for \$26.2 billion. The deal is part of the company's efforts to bolster Open Hybrid Architecture Initiative. The deal marks IBM's largest acquisition ever and the combined company is likely to alter the dynamics of "the cloud market for business." Specifically, IBM hopes to leverage Red Hat to help it become the world's largest hybrid cloud platform provider. The company anticipates Red Hat buyout to improve revenue growth approximately by a CAGR of two points over a five-year period. IBM Cloud remains the key to winning back investors' optimism regarding strength of the company's business model. IBM's cloud revenue as a percentage of total revenue has increased from 4% in 2013 to 25% in 2019. In fact, revenues from Red Hat in the first quarter improved 20% (at cc) on a normalized basis. Currently, more than 2,200 clients are utilizing Red Hat and IBM's hybrid cloud platform. We believe IBM's attempt to bolster its hybrid cloud business is likely to pave the way for the company's growth prospects. Apart from the aforementioned factors, Red Hat's expanding foothold across Asia Pacific is also anticipated to bolster IBM's TAM.
- ▲ IBM has been returning cash to shareholders for over a decade. From 2000 to 2018, IBM has returned more than \$175 billion to shareholders in the form of dividends and share repurchases. In 2019, IBM returned \$7.1 billion to shareholders through dividends and share repurchases. In first-quarter 2020, IBM returned \$1.4 billion to shareholders through dividends. The company reported cash flow from operations of \$4.5 billion and generated free cash flow of \$1.4 billion in the first quarter. Strong free cash flow generation is expected to provide the financial flexibility required for strategic investments in the changing business environment. The company's ability to generate solid free cash flow is expected to help it sustain current dividend payout (0.52) level at least in the near term.

Expanding product portfolio, accretive acquisitions, strong free cash flow generating ability and aggressive share buyback are key positives.

Reasons To Sell:

- ▼ IBM is having a tough time, given the ongoing and heavily time-consuming business model transition to cloud. Though IBM's Strategic Imperatives are performing well but these are not enough yet to make up for the weakness in its traditional business. Further, foreign exchange volatility is a significant concern. Also, higher profit on lower revenues indicates that the company has been lowering costs to maintain profits. We believe that the scope for further cost cutting is limited. Consequently, if costs are further reduced, there could be a negative impact on product quality. It could also delay the launch of new products, causing it to lag its peers.
- ▼ IBM faces stiff competition in most of its markets. In the hardware enterprise servers and storage segment, the company competes against Dell, Oracle, Hewlett-Packard, and NetApp. The IT services business is also becoming increasingly competitive due to its high-margin nature and the company is facing pricing pressure from Hewlett-Packard. Although it possesses massive data centers, we believe that the company will continue facing tough competition from Amazon Web Services (AWS) and Microsoft's Azure. In the services and software space, the company competes with Accenture. The company competes with Oracle in the middleware software market. Although IBM continues to extend and build its capabilities in the analytics arena, competition from Oracle in this space is intensifying.
- ▼ IBM's frequent acquisitions have escalated integration risks. Moreover, we note that the buyouts negatively impacted the company's balance sheet in the form of high level of goodwill and net intangible assets, which totaled \$72.18 billion, representing 47.1% of total assets as of Mar 31, 2020.
- ▼ Moreover, highly leveraged balance sheet has been troubling IBM over time. At the end of first-quarter 2020, net debt amounted to \$52.3 billion. Notably, total debt to total capital of 76.2% is higher than the industry's figure of 63.5%. Further, times interest earned is 6.6X, compared with the industry's figure of 7X. Although the company generates significant cash flow, the high debt level can not only jeopardize its ability to sustain dividend payout but also pursue accretive acquisitions.

Time consuming transition to cloud, weakness in traditional businesses, cash crunch and increasing competition are primary headwinds.

Last Earnings Report

IBM Q1 Earnings Top Estimates, Revenues Miss

International Business Machines Corporation (IBM) reported first-quarter 2020 non-GAAP earnings of \$1.84 per share, which surpassed the Zacks Consensus Estimate by 3.4%. However, the bottom line fell 18% on a year-over-year basis.

Revenues of \$17.57 billion missed the Zacks Consensus Estimate by 1.4% and declined 3.4% on a year-over-year basis. At constant currency (cc), the top line remained flat. However, adjusting for currency and divested businesses, the top line improved 0.1%.

Markedly, total Cloud revenues came in at \$5.4 billion during the quarter, up 19% year over year. Adjusting for currency and divested businesses, total cloud revenues increased 23%.

Revenues from signings increased 19% (at cc) in the first quarter to \$8.9 billion. Backlog remained flat (at cc) on a year-over-year basis and amounted to \$107.8 billion.

Synergies from Red Hat Acquisition

Revenues from Red Hat in the first quarter rallied 20% (at cc) on a normalized basis. Infrastructure for Red Hat continued to grow in double-digits. Moreover, OpenShift and Ansible have supported advancements in application and technology developments.

Further, the buyout has helped IBM to enhance containerized software capabilities and accelerate service engagement. Currently, more than 2,200 clients are using Red Hat and IBM's hybrid cloud platform.

Geographic Revenue Details

Revenues from Americas remained flat year over year (excluding divestiture impacts) and came in at \$8.2 billion. Revenues from Europe, Middle-East and Africa were \$5.5 billion, up 1% year over year. Meanwhile, revenues from Asia-Pacific remained flat on a year-over-year basis and came in at \$3.9 billion.

Cloud & Cognitive Software Segment

Cloud & Cognitive Software segment's revenues-external rose 5.5% year over year (up 6.8% on cc basis) to \$5.2 billion. The upside can be attributed to synergies from Red Hat acquisition and growth in cloud, Data & AI, security and IoT solutions. Markedly, cloud revenues soared 86% to \$1.3 billion.

Revenues in the Cloud and Data platforms increased 34% year over year to \$2.5 billion. The platform is gaining from Red Hat's acquisition synergies and traction in Cloud Paks suite.

International Business Machines Corporation price-consensus-eps-surprise-chart | International Business Machines Corporation Quote

Adoption of cognitive applications and transaction processing platforms in March was affected by the coronavirus outbreak. Revenues from the Cognitive Applications declined 3% year over year to reach \$1.2 billion. Revenues from the Transaction Processing Software, which includes software that runs mission-critical workloads, declined 15% on a year-over-year basis to reach \$1.5 billion.

Global Business Services Segment

Revenues in the Global Business Services-external segment totaled \$4.14 billion, which declined 0.5% (up 0.9% at cc) from the year-ago quarter's figure.

Consulting revenues increased 5% year over year at cc on solid performance of IBM's digital business to \$2.1 billion. Application Management and Global Process Services revenues declined 2% and 7% (at cc) year over year to reach \$1.8 billion and \$0.2 billion, respectively.

Global Technology Services Segment

Revenues from Technology Services-external fell 5.9% (down 4% at cc) from the year-ago quarter to \$6.47 billion.

Segmental revenues pertaining to cloud advanced 12% at cc from the prior-year quarter's reported figure to \$2.3 billion.

Infrastructure & Cloud Services and Technical Support Services revenues declined 4% and 5% (at cc) year over year to \$4.9 billion and \$1.6 billion, respectively.

Systems Revenues

Systems revenues-external rose 3% (up 4.1% at cc) on a year-over-year basis to \$1.4 billion, primarily owing to growth in the IBM Z and Storage Systems.

Systems Hardware revenues increased 10% (at cc) year over year to \$1 billion. Operating Systems Software declined 9% (at cc) year over year to \$0.4 billion.

IBM Z revenues surged 61% year over year owing to gains from z15 and higher demand for data privacy and resiliency solutions across hybrid cloud. However, Power revenues fell 32% from the year-ago quarter's tally.

Quarter Ending 03/2020

Report Date	Apr 20, 2020
Sales Surprise	-1.38%
EPS Surprise	3.37%
Quarterly EPS	1.84
Annual EPS (TTM)	12.40

Storage revenues improved 19% year over year owing to growth in high-end storage systems.

Segmental revenues pertaining to cloud advanced 10% at cc from the prior-year quarter's reported figure, to \$0.4 billion.

Finally, **Global Financing** (includes financing and used equipment sales) revenues-external fell 26.2% year over year and 24.9% at cc to \$299 million.

Operating Details

Non-GAAP gross margin expanded 150 basis points (bps) year over year and came in at 46.2%. The gross margin benefited from synergies from Red Hat acquisition, high-value software, and systems contributions.

Non-GAAP R,D&E expenses increased 13.4% year over year to \$1.63 billion.

Non-GAAP selling, general and administration (S,G&A) expenses increased 24.2% year over year to \$5.67 billion.

Non-GAAP pre-tax income margin from continuing operations came in at 3.9%, from 12.3% reported in the year-ago period.

Balance Sheet & Cash Flow Details

As of Mar 31, 2020, IBM had \$12 billion in total cash and marketable securities compared with \$9 billion as of Dec 31, 2020.

Total debt (which includes \$22.3 billion from Global Financing debt) was \$64.3 billion, compared with \$62.9 million reported in the last reported quarter.

The company reported cash flow from operations of \$4.5 billion and generated free cash flow of \$1.4 billion in the first quarter.

Moreover, the company returned \$1.4 billion to shareholders through dividends.

Withdraws Guidance for 2020

For 2020, IBM has withdrawn guidance, citing uncertainty pertaining to coronavirus crisis. The company stated that it will reassess its financial position "based on the clarity of the macroeconomic recovery at the end of the second quarter."

The company had earlier projected non-GAAP earnings per share to be at least \$13.35.

Recent News

On Jun 8, it was announced that IBM will no longer sell or develop facial-recognition software in an effort to curb racial discrimination. Moreover, the company will oppose the use of such technology for mass surveillance and racial profiling.

On Jun 4, IBM announced that Norway-based producer of farmed salmon, Kvarøy Arctic, is joining IBM Food Trust with an aim to improve the traceability of its Arctic salmon and build consumer trust across the supply chain with enhanced visibility capabilities.

On Jun 4, IBM announced that South Korea-based credit card company, Lotte Card, is utilizing IBM Services to modernize its enterprise system to a hybrid cloud infrastructure with IBM Cloud.

On May 21, a Bloomberg article reported that IBM has laid off a number of employees across the United States to streamline workforce. The company is reducing workforce by an unspecified number in at least five U.S states, which include North Carolina, Pennsylvania, New York, Missouri and California. Notably, the company has refused to comment on the number of affected employees. To avoid any crisis stemming from this decision, IBM is offering subsidized medical coverage to all affected U.S. employees through June 2021.

On May 11, IBM and Prairie Payments Joint Venture (PPJV) inked a multi-million-dollar agreement spread over eight years, aimed at digital transformation of credit union payment system in Canada.

On May 5, IBM unveiled new edge computing solutions, at its Think Digital conference, to aid enterprises and telecommunications companies accelerate business processes, in the 5G era.

On Apr 28, IBM board of directors declared quarterly cash dividend of \$1.63 per common share, payable Jun 10, 2020 to shareholders of record as of May 8, 2020. The dividend represents an increase of 1 cent per common share.

On Apr 9, it was announced that IBM Services were adopted by Prysmian Group to enhance its technological infrastructure. Per the terms of the three-year deal, Prysmian will utilize IBM Cloud capabilities and implement a hybrid cloud strategy.

On Apr 3, IBM announced that its Public Cloud has been adopted by Movius to help its clients with regulatory and data protection solutions. Notably, Movius will host its MultiLine application on IBM's cloud, which will enable its clients to leverage IBM's highly efficient and secure cloud services to protect sensitive data.

Valuation

IBM shares are down 9.1% in the year-to-date period and 9.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 13.4%, while the same in the Zacks Computer & Technology sector are up 5.7% in the year-to-date period. Over the past year, the Zacks sub-industry is down 11.7%, while the sector is up 21.2%.

The S&P 500 index is down 5.6% in the year-to-date period but up 5.3% in the past year.

The stock is currently trading at 10.44X forward 12-month earnings, which compares with 10.16X for the Zacks sub-industry, 24.57X for the Zacks sector and 21.93X for the S&P 500 index.

Over the past five years, the stock has traded as high as 13.12X and as low as 7X, with a 5-year median of 10.47X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$127 price target reflects 10.88X forward 12-month earnings.

The table below shows summary valuation data for IBM

Valuation Multiples - IBM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.44	10.16	24.57	21.93
	5-Year High	13.12	18.34	24.57	22.11
	5-Year Low	7	7.94	16.72	15.23
	5-Year Median	10.47	10.34	19.28	17.49
P/S F12M	Current	1.47	1.29	3.74	3.41
	5-Year High	2.19	1.87	3.74	3.44
	5-Year Low	1.07	0.76	2.32	2.53
	5-Year Median	1.71	1.52	3.11	3.02
EV/EBITDA TTM	Current	9.66	8.68	12.09	11.25
	5-Year High	11.85	10.86	12.72	12.85
	5-Year Low	5.4	3.92	7.57	8.25
	5-Year Median	8.67	8.54	10.75	10.82

As of 06/12/2020

Industry Analysis Zacks Industry Rank: Bottom 43% (143 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Accenture PLC (ACN)	Neutral	3
Amazon.com, Inc. (AMZN)	Neutral	3
Blackbaud, Inc. (BLKB)	Neutral	2
salesforce.com, inc. (CRM)	Neutral	3
HP Inc. (HPQ)	Neutral	3
Microsoft Corporation (MSFT)	Neutral	3
Oracle Corporation (ORCL)	Neutral	3
SAP SE (SAP)	Neutral	3

Industry Comparison Industry: Computer - Integrated Systems				Industry Peers		
	IBM	X Industry	S&P 500	AMZN	HPQ	MSFT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	C	A	B
Market Cap	108.24 B	426.32 M	21.47 B	1,269.39 B	23.28 B	1,423.72 B
# of Analysts	6	2	14	13	5	15
Dividend Yield	5.35%	0.00%	1.96%	0.00%	4.33%	1.09%
Value Score	A	-	-	D	A	C
Cash/Price	0.10	0.15	0.06	0.04	0.16	0.10
EV/EBITDA	8.48	-18.48	12.36	33.28	5.01	23.36
PEG Ratio	2.73	3.17	2.92	5.19	5.14	2.55
Price/Book (P/B)	5.38	2.97	2.96	19.45	NA	12.43
Price/Cash Flow (P/CF)	6.17	7.11	11.51	37.96	5.81	29.55
P/E (F1)	10.80	12.94	20.86	127.10	7.78	32.96
Price/Sales (P/S)	1.41	1.51	2.25	4.28	0.41	10.26
Earnings Yield	9.26%	0.57%	4.55%	0.79%	12.84%	3.04%
Debt/Equity	2.62	0.17	0.76	0.36	-5.30	0.61
Cash Flow (\$/share)	19.75	0.01	7.01	67.05	2.80	6.35
Growth Score	C	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	-3.16%	-0.85%	10.87%	102.38%	-5.33%	18.74%
Proj. EPS Growth (F1/F0)	-11.89%	-22.35%	-10.81%	-12.97%	-6.61%	19.93%
Curr. Cash Flow Growth	2.09%	2.09%	5.46%	31.33%	8.32%	19.70%
Hist. Cash Flow Growth (3-5 yrs)	-3.76%	-3.43%	8.55%	49.26%	-18.40%	11.99%
Current Ratio	0.96	1.90	1.29	1.08	0.78	2.90
Debt/Capital	72.36%	14.52%	44.75%	26.42%	NA	37.98%
Net Margin	11.78%	-3.17%	10.54%	3.56%	5.27%	33.36%
Return on Equity	57.55%	-1.06%	16.08%	17.83%	-295.77%	40.37%
Sales/Assets	0.50	0.83	0.55	1.42	1.74	0.49
Proj. Sales Growth (F1/F0)	-5.40%	-2.70%	-2.60%	24.13%	-6.75%	12.45%
Momentum Score	B	-	-	A	D	B
Daily Price Chg	3.30%	0.85%	1.48%	-0.51%	3.96%	0.79%
1 Week Price Chg	5.73%	7.02%	7.51%	1.66%	14.99%	2.16%
4 Week Price Chg	4.24%	8.25%	9.78%	6.54%	12.20%	3.99%
12 Week Price Chg	21.50%	36.36%	27.11%	35.31%	13.06%	31.55%
52 Week Price Chg	-10.20%	-10.20%	-5.42%	36.08%	-18.56%	41.88%
20 Day Average Volume	4,705,020	97,882	2,634,935	3,726,762	18,846,996	32,532,052
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	1.05%	-0.19%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	1.20%	-3.59%	0.09%
(F1) EPS Est 12 week change	-15.50%	-48.33%	-15.86%	-27.63%	-13.02%	1.32%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	4.51%	0.38%	0.41%

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	C
Momentum Score	B
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.