

Lennar Corporation(LEN)

\$58.05 (As of 01/06/20)

Price Target (6-12 Months): **\$61.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 05/28/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: C

Momentum: B

Summary

Lennar's shares have outperformed its industry in the past six months and estimates for fiscal 2020 grew over the past 30 days, depicting analysts' optimism over its bottom-line prospects. Lennar is well positioned to gain market share in a choppy market environment, while remaining highly profitable and driving substantial operating cash flows. It is well positioned to grow further on continuous progress of cost and productivity initiatives, gains from realized synergies from the CalAtlantic deal, ancillary business value creation, and continued de-leveraging. Focus on lighter land strategy is enhancing free cash generation, which is being used to bolster the balance sheet, thereby mitigating risk and enabling to opportunistically buy back shares, benefiting returns. Yet, rising land and labor costs remain headwinds.

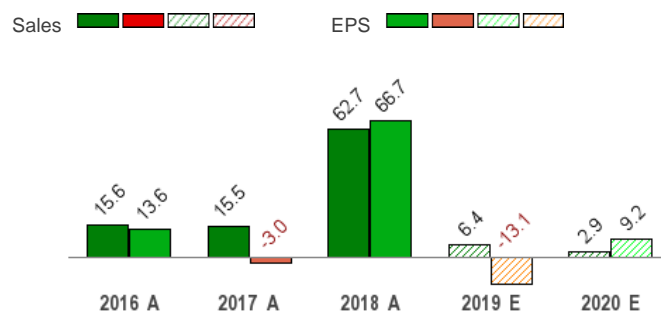
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$62.63 - \$41.84
20 Day Average Volume (sh)	3,016,492
Market Cap	\$18.4 B
YTD Price Change	4.1%
Beta	1.02
Dividend / Div Yld	\$0.16 / 0.3%
Industry	Building Products - Home Builders
Zacks Industry Rank	Bottom 27% (185 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	20.5%
Last Sales Surprise	6.1%
EPS F1 Est- 4 week change	0.7%
Expected Report Date	01/08/2020
Earnings ESP	0.0%
P/E TTM	10.4
P/E F1	9.6
PEG F1	0.7
P/S TTM	0.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	3,859 E	5,460 E	5,854 E	7,230 E	22,527 E
2019	3,868 A	5,563 A	5,857 A	6,696 E	21,889 E
2018	2,981 A	5,459 A	5,673 A	6,459 A	20,572 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.88 E	\$1.42 E	\$1.59 E	\$2.16 E	\$6.03 E
2019	\$0.74 A	\$1.30 A	\$1.59 A	\$1.90 E	\$5.52 E
2018	\$1.11 A	\$1.58 A	\$1.40 A	\$1.96 A	\$6.35 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 01/06/2020. The reports text is as of 01/07/2020.

Overview

Founded in 1954 and based in Miami, FL, **Lennar Corporation** is engaged in homebuilding and financial services in the United States. The company's reportable segments consist of Homebuilding, Lennar Financial Services, Rialto and Lennar Multifamily.

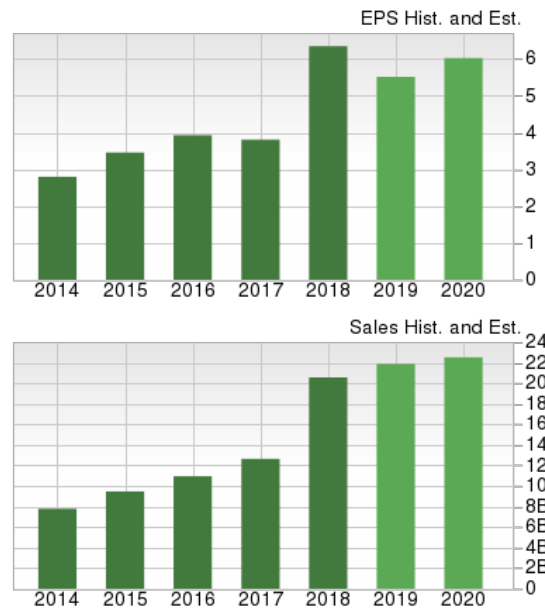
Despite the varied product portfolio, homebuilding remains Lennar's core business. **Homebuilding** operations (accounting for 93.4% of second-quarter fiscal 2019 total revenues) include the sale and construction of single-family attached and detached homes as well as the purchase, development and sale of residential land directly and through unconsolidated entities. In February 2018, Lennar completed its previously announced merger with CalAtlantic, creating the nation's largest homebuilder based on revenues. The merger makes CalAtlantic a wholly-owned subsidiary of Lennar.

Lennar's reportable homebuilding segments consist of Homebuilding East, which covers Florida, Georgia, Maryland, New Jersey, North Carolina, South Carolina and Virginia; Homebuilding Central covers Arizona, Colorado and Texas; Homebuilding West covers California and Nevada; Homebuilding Other covers Illinois, Indiana, Minnesota, Oregon, Tennessee, Utah and Washington. However, Homebuilding Other is not considered a reportable segment.

The **Financial Services** business (3.7%) includes mortgage financing, title insurance and closing services to the company's homebuyers as well as others through Lennar's financial services subsidiaries — Universal American Mortgage Company and Eagle Home Mortgage.

Lennar Multi-Family (2.6%), created in fourth-quarter 2013, is involved in the development, construction and property management of multi-family rental apartments in premium markets of California through unconsolidated entities.

Lennar & Other (0.3%): This segment includes operations primarily from the company's share of carried interests in the Rialto fund investments, retained after the sale of Rialto's asset and investment management platform, along with equity in earnings/loss from the Rialto fund investments and strategic technology investments, including other income (expense).



Reasons To Buy:

▲ **Strong Performance:** After a strong performance in fiscal 2014, 2015, 2016, 2017 and 2018, Lennar has been maintaining its growth momentum in this fiscal year as well. Amid affordability challenges and general housing market uncertainty, the company delivered impressive results in the first nine months of fiscal 2019. During the period, its total revenues grew 8.3% year over year. Precisely, homebuilding operation registered 9.6% revenue growth, driven by higher number of homes delivered (up 11% year over year). Lennar's core homebuilding results remain consistent with "slow and steady" housing recovery.

Meanwhile, the company was successful in meeting its target of achieving lower SG&A percentage in fiscal 2016, 2017 and 2018. In the first nine months of fiscal 2019, SG&A expenses — as a percentage of revenues from home sales — improved 10 basis points (bps), courtesy of improved operating leverage as a result of an increase in home deliveries and continued benefit from technology initiatives. Notably, its fiscal second-quarter SG&A of 8.4% marked an all-time second-quarter low. Lennar remains focused on continued improvement in the SG&A line from operating leverage and investments in technology. The company is focused on driving operating costs down, in order to drive bottom line and cash flow. Notably, the company exceeded its cost synergy target of \$160 million in 2018 by about \$10 million. Lennar remains on track with its fiscal 2019 synergy target of \$380 million, of which direct construction cost savings are likely to account for about \$265 million, and corporate and SG&A savings are expected to constitute \$115 million.

Lennar's shares have outperformed its industry in the past six months and earnings estimates have increased 0.7% for fiscal 2020 over the past 30 days, depicting analysts' optimism over bottom-line prospects.

▲ **Leading Homebuilder:** Lennar is considered a leading homebuilder in the United States. The company offers a diversified line of homes for first-time, move-up and active adult homebuyers. The company's 'Everything's Included' marketing program focuses on improving the value of its homes through standard upgrades and competitive pricing. Moreover, a simplified manufacturing process, product standardization and volume purchasing reduce construction and overhead costs, thereby making the homes more affordable.

The company regularly upgrades the homes to cater to the changing consumer requirements. For example, it introduced NextGen homes, or a home within a home, to cater to homebuyers who need to accommodate children and parents to share the cost of their mortgage and other living expenses.

▲ **Housing Market Fundamental Remains Steady:** The U.S. housing market started building up strength since the beginning of 2019, after a torrid second-half 2018. Declining mortgage rates & construction costs, along with moderate home prices have been adding strength to Lennar and other homebuilders. Again, solid job market, falling unemployment rate, increasing wages and a limited home supply are somewhat offsetting the ongoing industry headwinds.

Also, a decrease in lumber prices and the benefit of synergies from Lennar's CalAtlantic acquisition are adding to the positives. In the fiscal fourth quarters of fiscal 2019, the company expects margin improvement owing to a combination of additional lumber savings and direct cost synergies.

▲ **Strategic Land Investments, Multiple Growth Platforms:** Lennar strategically focused on acquiring low-cost new home sites in well-positioned markets during the downturn, which placed it well to meet growing demand during the upturn, thus giving it a competitive edge over its peers facing land availability constraints.

In the fiscal second quarter, Lennar announced a strategic transaction with Level Homes, an Engquist Development in Raleigh, North Carolina. Through this transaction, it purchased 34 homes under construction and 29 developed homesites. Importantly, in view of asset-light land strategy, Lennar has a future right to purchase approximately 1,600 finished homesites across seven communities. These homesites will be delivered by Engquist over the next six years, marking the beginning of a new strategic relationship in the Carolinas. Lennar's acquisition of CalAtlantic Group Inc. in February 2018 made it one of the country's top three home builders in 24 of the top 30 U.S. markets.

Although Lennar's Homebuilding and Financial Services divisions are the primary drivers of near-term revenues and earnings, Multi-Family business provides diversification as well as complementary long-term growth opportunities. Lennar's Multi-Family rental business which began in 2011 is a leading blue-chip developer of apartment communities. These multi-family rental properties are expected to witness a huge demand as the need for such properties is growing. Rental rates are soaring and vacancies are at historic lows with demand rising but supply remaining limited. In 2015, Lennar formed the Lennar Multifamily Venture, a build to core equity fund designed for the development, construction and property management of class-A multifamily assets.

▲ **Dynamic Pricing Model:** The company is using its dynamic pricing model, which enables it to set price according to the evolving market conditions. Courtesy of this strategy, Lennar has been taking advantage of the strong demand trend, which is helping it to maximize cash flow and return on inventory. Lennar ended the fiscal third quarter with a sales backlog of 18,908 homes, having a dollar value of \$7.6 billion. The company is well positioned to deliver solid results through 2019 and 2020, given solid backlog and current housing inventory. Based on its existing land position, operating strategy and dynamic pricing model, the company expects to deliver 51,000 homes in fiscal 2019, given increased efficiency, improving margins, strong bottom-line growth and cash flow.

Lennar is poised to gain from diverse revenue mix, strategic land investments and improving SG&A leverage.

Reasons To Sell:

▼ **Rising Labor, Land and Material Costs & Lower Backlog:** Rising land and labor costs are threatening margins as they limit homebuilders' pricing power. Labor shortages are leading to higher wages while land prices are inflating due to limited availability. This is denting homebuilders' margins. Again, rising construction material prices have been putting up hurdles for homebuilders. Builders are increasingly concerned that tariffs placed on Canadian lumber and other imported products are already hurting housing affordability.

Gross margin compression due to rising land and labor costs, along with increasing incentives are significant headwinds

Although the company's fiscal third-quarter gross and operating margins improved, the adverse effect of labor shortage in the construction industry is the strongest headwind that Lennar is currently facing. Notably, labor cost represents 43% of Lennar's direct costs.

Meanwhile, backlog at the end of the fiscal third quarter decreased 2% from the comparable year-ago period to 18,908. Potential housing revenues from backlog also declined 9% year over year to \$7.6 billion. We believe lower ability to drive revenues in the remainder of 2019 will impact the company's performance in the near term.

▼ **Margin Pressure Owing to Higher Incentives:** Lennar continues to use incentives (albeit at reduced levels) to keep the business on track for 50,000+ home deliveries this year. Although incentives continue to subside, management noted that fiscal third-quarter gross margins were negatively impacted by 60 basis points on a year-over-year basis due to increase in incentives per home.

▼ **Supply Constraints:** Several years of production deficits during the housing downturn limited the supply of both rental and new homes in the country. At present, a shortage of buildable lots, skilled labor and available capital for smaller builders are limiting home production, thereby lowering the inventory of homes, both new and existing. Limited capital for land and land development has left entitled lands in short supply while growing demand drove land prices higher. The labor market has also tightened with limited availability of labor arresting the rapid growth in housing production. If the supply picture does not improve, prices could go up, thereby affecting affordability.

▼ **Federal Government Actions:** The housing industry is cyclical and affected by consumer confidence levels, prevailing economic conditions and interest rates. The federal government's actions related to economic stimulus, taxation and borrowing limits could affect consumer confidence and spending levels, which in turn could hurt both the economy and housing market.

Although strong economy along with labor market strength provide the basis for strong demand, its influence on the homebuilding industry is undeniable and uncertain. Indeed, rising interest and mortgage rates as well as land and labor shortages raise concerns, as do rising material prices. High mortgage rates dilute the demand for new homes as mortgage loans become expensive. This lower purchasing power of the buyers hurts volumes, revenues and profits of homebuilders.

Additionally, the rise in mortgage rates may impact affordability at a time when millennials are taking baby steps into the housing market. Higher interest rates will only flare up the issues and further delay home purchases by millennials.

Last Earnings Report

Lennar's (LEN) Shares Up on Q3 Earnings and Revenue Beat

Lennar Corporation reported better-than-expected results in third-quarter fiscal 2019 (ended Aug 31, 2019). The results mainly benefited from a solid resurgence in demand for new homes, depicting a healthy economy and declining borrowing costs. The company reported quarterly earnings of \$1.59 per share, surpassing the consensus mark of \$1.32 by 20.5%. Also, the reported figure jumped 16.1% from \$1.37 reported in the year-ago quarter. The upside was mainly driven by higher deliveries and continued operating leverage backed by technological efforts. Revenues of \$5.86 billion topped the consensus estimate of \$5.52 billion by 6%. The reported figure also increased 3% year over year. Moderate home prices and declining mortgage rates stimulated both affordability and demand, thereby enhancing its top line during the quarter.

Quarter Ending **08/2019**

Report Date	Oct 02, 2019
Sales Surprise	6.05%
EPS Surprise	20.45%
Quarterly EPS	1.59
Annual EPS (TTM)	5.59

Segment Details

Homebuilding: Revenues from the segment totaled \$5.44 billion, up 2.9% from the prior-year period. The increase was backed by a higher number of homes delivered during the quarter. Within the Homebuilding umbrella, home sales contributed \$5.33 billion to total revenues, up 2% from a year ago, and land sales accounted for \$104.5 million, significantly up from the year-ago figure of \$62 million. Other homebuilding revenues added approximately \$4 million to total Homebuilding revenues. Home deliveries during the reported quarter increased 7% year over year to 13,522, buoyed by a higher number of homes delivered across all the regions served by the company. The average sales price of homes delivered was \$394,000, reflecting a 5.1% year-over-year decline. The decline in selling price was owing to continued shift to lower-priced communities, higher sales incentives and an unfavorable product mix, as a larger percentage of deliveries came from the East segment. New orders grew 8.5% from the year-ago quarter to 13,369 homes. Potential value of net orders also increased 2.7% year over year to \$5.2 billion. Backlog at the end of the fiscal third quarter decreased 2% from the comparable year-ago period to 18,908. Potential housing revenues from backlog also declined 9% year over year to \$7.6 billion.

Homebuilding Margins

Gross margin on home sales was 20.4% in the quarter, up 10 basis points (bps). The upside was attributable to the absence of purchase accounting adjustments on CalAtlantic Group, Inc. homes that were delivered during the comparable period of last year. Selling, general and administrative or SG&A expenses, as a percentage of home sales, improved 20 bps to 8.3%. The improvement was due to better operating leverage, owing to increased home deliveries. Operating margin on home sales improved 30 bps to 12% in the quarter.

Financial Services: The segment's revenues decreased 13.1% year over year to \$224.5 million in the reported quarter. However, operating earnings came in at \$78.8 million, up from \$60.5 million a year ago. The upside was primarily backed by a strong mortgage business.

Lennar Multi-Family: Revenues of \$184 million from the segment increased 82% from the prior-year quarter. However, the segment generated operating earnings of \$10.5 million in the quarter against an operating loss of \$3.9 million in the comparable year-ago period.

Lennar Other: The segment's revenues totaled \$9.6 million, down from \$27.6 million a year ago. Operating earnings were \$15.9 million during the quarter compared with \$10.1 million in the comparable period of 2018.

Financials

Lennar had homebuilding cash and cash equivalents of \$795.4 million as of Aug 31, 2019, down from \$1.34 billion on Nov 30, 2018. Net homebuilding debt was \$8.28 billion as of Aug 31, 2019 compared with \$7.21 billion on Nov 30, 2018. Net debt to capital ratio at the end of the reported quarter was 35% compared with 33.1% at fiscal 2018-end. During the fiscal third quarter, the company repurchased 6.1 million shares of common stock for \$295.9 million.

Fiscal 2019 Guidance

The company expects deliveries within 50,900-51,100 units (versus prior guidance of 50,500-51,000) and new orders in the range of 50,550-50,750 units. Average sales price or ASP is expected to be \$400,000. Lennar expects gross margin in the range of 20.6% (versus 20.5-21% expected earlier). SG&A expenses for the year are estimated at 8.4% (versus previous projection of 8.3-8.4%). The company expects Financial Services to generate pre-tax profits within \$218-\$220 million.

Q4 Guidance

New orders are expected between 12,200 and 12,400; deliveries within 15,800-16,000 homes; ASP between \$385,000 and \$390,000; gross margin in the range of 21.3-21.5% (versus 20.25-20.5% expected earlier); and SG&A in the band of 7.7-7.8% (versus prior expectation of 8.3-8.4%). The company expects earnings between \$1.81 and \$1.94 per share for the quarter. The company expects its multi-family segment will breakeven. Meanwhile, management anticipates pre-tax profits from the financial services operations will be in the range of \$68-\$78 million. Lennar expects 25.5% tax rate for the quarter. It expects corporate G&A in the range of 1.4% of total revenues. Lennar anticipates pre-tax earnings from the combined category of JV profits, land sales and other for the quarter to be in the range of \$5-\$10 million, bringing full year value to \$26-\$31 million.

Recent News

Lennar Unit Buys 1st Multifamily Community to Boost Presence - Oct 8, 2019

Lennar Corporation's wholly-owned subsidiary LMC has acquired Charlotte, NC-based Novel Stonewall Station, a luxury transit-oriented community located in Uptown, which is one of the most desirable rental submarkets of the city. Notably, the buyout marks LMC's first acquisition of an existing multifamily community and third transit-oriented Class A community.

The community, which is situated at 400 East Stonewall Street, features 459 luxury homes and a Whole Foods Market. The community offers convenient commuting to Interstates 77 and 277, which enable easy connectivity to the rest of the metro Charlotte area.

Lennar Strengthens Presence With Split of Northeast Division - Oct 3, 2019

Lennar Corporation announced the split of the tri-state division into two separate units - Lennar's Pennsylvania/Delaware section and Lennar's New Jersey/New York division.

Valuation

Lennar shares are up 20.3% in the past six month period and 35.3% in the and trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Construction sector are up 17.8% and 12.8% in the past six month period, respectively. Over the past year, the Zacks sub-industry and sector are up 37.7% and 32.2%, respectively.

The S&P 500 index is up 9.8% in the past six month period and 25.1% in the past year.

The stock is currently trading at 9.55X forward 12-month price to earnings, which compares to 10.44X for the Zacks sub-industry, 15.77X for the Zacks sector and 18.79X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.33X and as low as 5.77X, with a 5-year median of 10.98X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$61 price target reflects 10X forward 12-month earnings.

The table below shows summary valuation data for LEN

Valuation Multiples - LEN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	9.55	10.44	15.77	18.79
	5-Year High	16.33	15.08	18.83	19.34
	5-Year Low	5.77	7.3	10.63	15.17
	5-Year Median	10.98	10.74	15.97	17.44
P/B TTM	Current	1.19	1.38	3.82	4.43
	5-Year High	2.16	2.27	7.22	4.45
	5-Year Low	0.84	1.01	2.19	2.85
	5-Year Median	1.55	1.57	3.4	3.6
P/S F12M	Current	0.81	0.97	1.9	3.48
	5-Year High	1.42	1.23	2.23	3.48
	5-Year Low	0.53	0.65	1.25	2.54
	5-Year Median	0.89	0.92	1.63	3

As of 01/06/2020

Industry Analysis Zacks Industry Rank: Bottom 27% (185 out of 254)



Top Peers

D.R. Horton, Inc. (DHI)	Neutral
KB Home (KBH)	Neutral
M/I Homes, Inc. (MHO)	Neutral
Meritage Homes Corporation (MTH)	Neutral
NVR, Inc. (NVR)	Neutral
PulteGroup, Inc. (PHM)	Neutral
Toll Brothers Inc. (TOL)	Neutral
Beazer Homes USA, Inc. (BZH)	Underperform

Industry Comparison Industry: Building Products - Home Builders				Industry Peers		
	LEN Neutral	X Industry	S&P 500	DHI Neutral	PHM Neutral	TOL Neutral
VGM Score	A	-	-	A	A	C
Market Cap	18.44 B	2.41 B	23.72 B	19.70 B	10.65 B	5.60 B
# of Analysts	7	3	13	18	7	6
Dividend Yield	0.28%	0.00%	1.79%	1.31%	1.22%	1.09%
Value Score	A	-	-	B	A	A
Cash/Price	0.05	0.10	0.04	0.13	0.07	0.23
EV/EBITDA	11.46	9.58	13.90	9.29	9.04	9.58
PEG Ratio	0.69	1.02	2.00	0.93	1.26	1.15
Price/Book (P/B)	1.19	1.19	3.34	1.92	2.06	1.11
Price/Cash Flow (P/CF)	9.21	8.88	13.67	11.61	10.07	8.56
P/E (F1)	9.61	10.13	18.72	10.93	10.14	10.30
Price/Sales (P/S)	0.85	0.72	2.66	1.12	1.04	0.78
Earnings Yield	10.39%	9.88%	5.31%	9.16%	9.87%	9.71%
Debt/Equity	0.59	0.62	0.72	0.33	0.53	0.77
Cash Flow (\$/share)	6.30	3.60	6.94	4.60	3.90	4.72
Growth Score	C	-	-	A	B	D
Hist. EPS Growth (3-5 yrs)	15.88%	16.48%	10.56%	24.76%	32.47%	25.00%
Proj. EPS Growth (F1/F0)	9.81%	11.41%	7.42%	13.87%	9.39%	-2.73%
Curr. Cash Flow Growth	106.81%	18.07%	14.83%	3.66%	48.12%	-11.99%
Hist. Cash Flow Growth (3-5 yrs)	32.93%	23.21%	9.00%	23.21%	12.16%	13.21%
Current Ratio	14.19	4.78	1.23	7.25	0.57	7.06
Debt/Capital	36.98%	36.98%	42.92%	24.82%	34.62%	43.38%
Net Margin	9.06%	6.29%	11.08%	9.20%	9.01%	8.17%
Return on Equity	12.10%	12.10%	17.16%	16.63%	20.02%	11.83%
Sales/Assets	0.75	0.97	0.55	1.17	1.00	0.69
Proj. Sales Growth (F1/F0)	3.20%	4.60%	4.15%	7.39%	7.75%	0.45%
Momentum Score	B	-	-	B	D	D
Daily Price Chg	2.80%	0.85%	0.10%	0.85%	0.74%	-0.98%
1 Week Price Chg	0.84%	0.50%	-0.30%	0.09%	0.59%	2.26%
4 Week Price Chg	-2.27%	-1.57%	2.33%	-2.70%	-2.12%	-2.51%
12 Week Price Chg	-1.58%	3.64%	7.02%	2.14%	6.07%	2.88%
52 Week Price Chg	36.97%	36.72%	24.61%	42.81%	39.35%	14.29%
20 Day Average Volume	3,016,492	256,604	1,589,897	2,915,393	2,562,568	1,969,390
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.70%	0.00%	0.00%	0.20%	-0.52%	-3.36%
(F1) EPS Est 12 week change	2.12%	1.36%	-0.56%	6.41%	4.26%	-3.36%
(Q1) EPS Est Mthly Chg	1.15%	0.00%	0.00%	0.19%	0.00%	-32.32%

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	A

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

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