

LabCorp (LH)

\$194.84 (As of 07/30/20)

Price Target (6-12 Months): **\$206.00**

Long Term: 6-12 Months

Zacks Recommendation: **Outperform**

(Since: 07/03/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: C

Momentum: A

Summary

LabCorp exited the second quarter of 2020 with better-than-expected earnings and revenues. However, these figures dropped year-over-year raising concerns. There was a steady recovery in the Base Business during the quarter for both diagnostic and drug development. This upturn banks on the fact that people are gradually returning to their doctors for testing and clinical trials activity are getting resumed. Within Diagnostics, while, disposition of certain businesses and the implementation of PAMA dented growth, this was marginally offset by an increase in demand for COVID-19 tests. However, Covance Drug Development delivered lower sales on COVID-19 hurdles despite synergies from acquisitions. The margin debacle and the absence of 2020 guidance are other causes of concern. Overall, in the past three months, its shares have outpaced its industry.

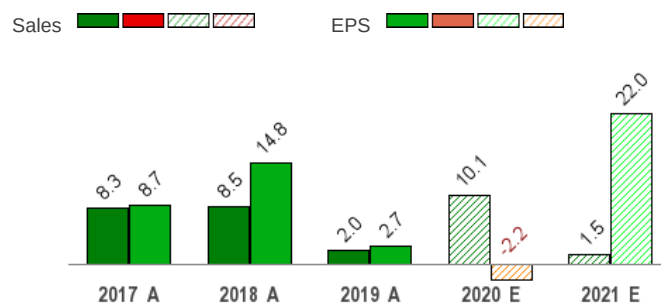
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$206.74 - \$98.02
20 Day Average Volume (sh)	805,622
Market Cap	\$18.9 B
YTD Price Change	15.0%
Beta	1.38
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Top 47% (118 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	229.5%
Last Sales Surprise	14.3%
EPS F1 Est- 4 week change	7.1%
Expected Report Date	10/22/2020
Earnings ESP	6.2%
P/E TTM	18.2
P/E F1	17.6
PEG F1	2.1
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,344 E	3,098 E	3,191 E	3,206 E	12,907 E
2020	2,824 A	2,769 A	3,209 E	3,362 E	12,718 E
2019	2,791 A	2,882 A	2,929 A	2,953 A	11,555 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$3.65 E	\$3.25 E	\$3.26 E	\$3.28 E	\$13.51 E
2020	\$2.37 A	\$2.57 A	\$3.24 E	\$4.01 E	\$11.07 E
2019	\$2.62 A	\$2.93 A	\$2.90 A	\$2.86 A	\$11.32 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 07/30/2020. The reports text is as of 07/31/2020.

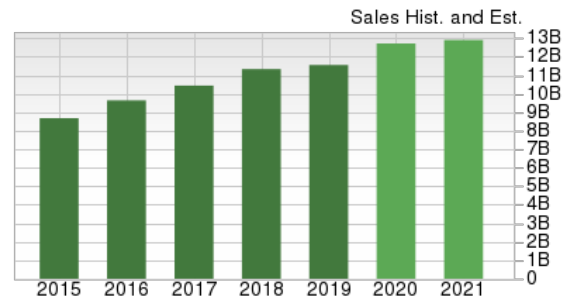
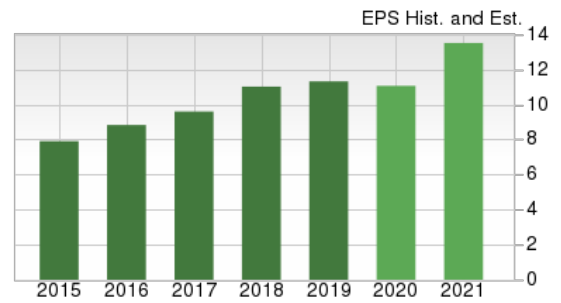
Overview

Headquartered in Burlington, NC, Laboratory Corporation of America Holdings or LabCorp is a leading healthcare diagnostics company, providing comprehensive clinical laboratory services and end-to-end drug development support.

In 2015, LabCorp acquired NJ based Covance, a drug development services company providing a wide range of early stage and late stage product development services on a worldwide basis primarily to the pharmaceutical and biotechnology industries. With this, currently LabCorp reports under two operating segments:

LabCorp Diagnostics (61% of total revenues in 2019): Includes LabCorp's legacy business except for its clinical trial services business, which is now part of Covance Drug Development, and includes the nutritional chemistry and food safety business, which was previously part of Covance. This business registered 0.4% revenue decline in 2019 from the year-ago period.

Covance Drug Development (39%): Includes Covance's legacy business except for its nutritional chemistry and food safety business, which is now part of LabCorp Diagnostics, and includes LabCorp's legacy clinical trial services business. This business reported 6.1% revenue growth in 2018.



Company Strategy

LabCorp has adopted a five-pillar strategy to achieve growth in its businesses . These five strategic pillars are:

- Deploy capital to investments
- Enhance IT capabilities to improve physician, patient experience
- Improve efficiency to remain the most efficient and highest value provider of laboratory services
- Continue scientific innovation to offer tests at reasonable pricing
- Development of alternative delivery models to improve patient outcome and reduce cost of care



Reasons To Buy:

- ▲ **Share Price Movement:** Over the past three months, shares of LabCorp improved 19.5% compared with the industry's 5.7% gain. Despite the challenges associated with COVID-19, the company exited the second quarter with better-than-expected results. Although diagnostic testing revenues declined on a year-over-year basis, there was a steady recovery in the Base Business during the quarter for both diagnostic and drug development. This upturn banks on the fact that people are gradually returning to their doctors for testing and clinical trials activity are getting resumed. COVID-19 related research to is progressing well. More encouragingly, in the month of June, volumes were up year-over-year and COVID-19-related testing more than offset the decline in the Base Business.

Within the Covance Drug Development business, the company reported a solid trailing 12-month book-to-bill of 1.32, and more encouragingly, backlog grew to \$11.8 billion, compared to \$11.3 billion in the first quarter.

In terms of COVID-19 testing updates, the company was the first commercial lab to launch the PCR tests in March. Since then, LabCorp has rapidly expanded both, capacity and accessibility for testing.

- ▲ **Progress with COVID-19 Tests to Aid Diagnostics:** In terms of COVID-19 developments, LabCorp was the first commercial lab to launch PCR testing on March 5, just after the FDA liberalized the rules around Emergency Use Authorization for testing. Since then, LabCorp has rapidly expanded both, capacity and accessibility for testing.

The company has performed more than 8.5 million molecular tests with current capacity of 180,000 tests per day and this capacity is growing. Molecular testing is now processed in 16 labs, including Covance Drug Development Central Lab in Indianapolis.

LabCorp has also significantly expanded accessibility of PCR testing to reach even those in underserved communities. These PCR tests are available to doctors, to hospitals, other healthcare providers, retail pharmacy chains, drive-through testing sites, and through our website. The company is the first lab authorized for at-home sample collection through Pixel by LabCorp platform, and recently, the first to offer a seamless digital service to help doctors electronically order a COVID-19 at-home sample collection for patients as appropriate. To help meet the rapid acceleration in sample volumes, the company recently received an EUA for pool testing.

LabCorp also offers antibody testing. The company began offering antibody testing in April and performed more than 2 million tests with capacity for 300,000 tests per day. The company has launched a neutralizing antibody test to assess the capacity of antibodies in patient plasma, which may help to accelerate the evaluation of vaccines.

- ▲ **COVID-19 Offers in Covance Drug Development Aid Growth:** This business is benefitting from collaborations with leading pharmaceutical and biotechnology companies with whom it started to work on potential antivirals, treatments and vaccines. Among the collaborations, the alliance with Ridgeback Biotherapeutics to test an antiviral drug is significant. Further, the Covance business is also working with companies like Adaptive Biotechnologies and Microsoft to focus on immune response to the virus. Separately, it is also working with Pacific Bioscience on unique research programs on virus characteristics that can support patient treatment decisions. Meanwhile, the company has launched its patient registry which Ciox Health that will enable researchers to better understand and characterize COVID-19 diagnosis and treatment and generate the insights that will aid ongoing and future pandemic preparedness and prevention efforts.

- ▲ **Covance Drug Development Base Business Holds Potential:** Of late, LabCorp is enhancing Covance's offerings through strategic acquisitions. The acquisition of MI Bioresearch is expected to create opportunity for Covance to move from preclinical to clinical development. We are also optimistic about the company's plans to acquire Regulatory and Clinical Research Institute (RCRI), a device focused CRO with strong regulatory consulting expertise.

In addition, the company has progressed with the Covance LaunchPad initiative. At the end of the second quarter, LabCorp remains on track to deliver \$150 million of net savings from Covance LaunchPad by the end of 2020. Earlier, the company completed the \$30 million in cost synergies from the integration of Chiltern that it had committed to deliver in 2020. As per the pre-COVID-19 update, the company expected to achieve \$10 million in net cost synergies from the integration of Envigo by the end of 2021.

- ▲ **LaunchPad in Diagnostics May Help Rebound Growth:** On the heels of a successful execution of the company's LaunchPad cost saving initiative in its drug development business, LabCorp has introduced this program within its Diagnostics arm which is facing severe headwinds over the recent term. This Phase II of LaunchPad initiative in Diagnostics is expected to deliver \$200 million of savings by the end of 2021. This initiative focuses on eliminating manual processes; digitizing the business; using technology to improve quality, operations and service; enhancing the consumer experience and bringing LabCorp's services closer to the customer. Phase II of LaunchPad is expected to streamline its business, unlock new avenues for growth and contribute to improvement in the long-term margins. As per the company's second-quarter update, despite the COVID-19 downsides, it is currently on track to deliver diagnostics Launchpad target.

- ▲ **Meaningful Acquisitions to Add Value:** LabCorp continues to add complementary capabilities through targeted acquisitions. In the second quarter, the company expanded its capabilities in hybrid and virtual trials by completing the acquisition of GlobalCare Clinical Trials. Further, it acquired RDL Reference Laboratory in June, a player in the field of rheumatologic and autoimmune testing. Further, the company acquired the ambulatory testing business and entered into a comprehensive laboratory services relationship with Franciscan Missionaries of Our Lady Health System, one of the largest health systems serving Louisiana and Mississippi.

- ▲ **Strategic Plans to Drive Growth:** As part of its three key strategic plans, LabCorp is working hard on new innovations with academic institutions in order to capture the growing lab testing market with its advanced assays and tools. In Diagnostics, the company successfully continues to provide the foundation for new collaborations with health systems, large physician groups and managed care partners. LabCorp has also created growth opportunities in women's health, medical drug monitoring, genetics and oncology testing, as well as in critical collaborations with players like Thermo Fisher, Walgreens and 23andMe. Also, its partnerships with UnitedHealthcare and Aetna have helped LabCorp to become a contracted laboratory provider for all major national plans. In the second quarter, as a major development, the company

The solid revenue and earnings outlook for 2019 holds optimism indicating improving industry trends along with ongoing positive synergy from the Covance integration.

launched liquid biopsy test for patients with non-small cell lung cancer.

Within Covance Drug Development, the company's ongoing strategic investments in precision medicine, therapeutic expertise, FSP solutions and biologic drug development capabilities continue to increase its win rate with existing partners and new customers. The acquisition of Chiltern is significantly strengthening LabCorp's strategic position in clinical development and accelerating revenue and profit growth within Covance. This apart, the company's recent strategic technology contract with QIAGEN is expected to garner positive outcome down the line.

Risks

- **COVID-19 Impact Severe:** LabCorp's Diagnostics and Drug Development arms are significantly experiencing the impact of coronavirus with clients postponing programs and lower demand for diagnostic testing. The increased testing performed by the company for COVID-19 did not nearly offset the decline in other testing.

Diagnostics revenue declined 3.9% year over year due to sluggish Base Business revenue on the impact of COVID-19 and continued price pressures from PAMA. This reduction in demand impacted testing volume broadly, but this was more heavily weighted towards routine procedures. It also impacted esoteric tests, but to a lesser degree due to the critical and time sensitive nature of these tests. In the Drug Development business, revenues declined 2.9% affected by a 5.2% decline in organic revenues,

Due to the unpredictability regarding the duration and the impact of the COVID-19 pandemic the company could not provide its 2020 guidance.

- **Difficult Solvency Position:** LabCorp exited the second quarter with cash and cash equivalents of \$557 million compared with \$323.6 million at the end of the first quarter. Meanwhile, the company's high level of debt on the balance sheet has pretty much to worry about, especially during the time when the coronavirus mayhem has forced the corporate sector halt their production and supply.

Total debt came up to \$6.21 billion, a slight reduction from \$6.41 billion in the first quarter. While, the quarter's total debt was much higher than the corresponding cash and cash equivalent level, the current-year payable debt too is coming at \$790.8 million, much more than the short-term cash level. This is particularly worrisome in terms of the company's solvency level as, during the year of economic downturn, the company is not holding sufficient cash for short-term debt repayment. The quarter's total debt-to-capital of 45.8% stands at a pretty high level right now. It represented a sequential decline from 47.7% at the end of the first quarter.

The company has been using its cash balance to make strategic acquisitions and has been rewarding its shareholders through share repurchases. LabCorp noted interest in acquisitions in the field of contract research and pathology, including hematopathology, at an attractive valuation. However, amid the pandemic, it has temporarily suspended its existing share repurchase program.

- **Exposed to Currency Headwind:** With LabCorp deriving a huge share of its revenues internationally, it remains highly exposed to currency fluctuations. Unfavorable currency movements have been a major dampener over the last few quarters, as in the case of other important MedTech players too. While the trend has shown some sort of improvement in the reported quarter, sustainability remains a matter of question. In the fourth quarter, revenue dropped 20 basis points on account of unfavorable foreign currency translation.
- **Competitive Landscape:** LabCorp faces intense competition from its major competitor, Quest Diagnostics, and other commercial laboratories and hospitals. In a \$55 billion U.S. lab market, hospitals control an estimated 55% of the diagnostic test market, compared to LabCorp's 10% share. While pricing is an important factor in choosing a testing lab, hospital-affiliated physicians expect a high level of service, including accurate and rapid turnaround of testing results. As a result, LabCorp and other commercial labs compete with hospital-affiliated labs primarily on the basis of quality of service.
- **Reimbursement Cut to Have a Negative Impact:** Changes in governmental regulations had a significant impact on LabCorp's operations. Particularly, in the last couple of years, the company faced several reimbursement issues hurting its revenues. The company is concerned about the CMS' (Centers for Medicare & Medicaid Services) latest Medicare reimbursement reduction as a result of the implementation of Protecting Access to Medicare Act (PAMA). Notably, 2018 was the opening year operating under the clinical IP schedule.

While the company currently appreciates that congress finally passed the LAB Act back which has delayed the next PAMA date of reporting period by 1 year until 2021, regrettably, the legislation did not halt the reimbursement cuts that went into effect in 2019. Meanwhile we note that, in the fourth quarter 2019, PAMA had a negative impact of 130 basis points on the company's gross margin within Drug Development business.

Last Earnings Report

Coronavirus Impact Dent LabCorp's Testing Volume in Q2

LabCorp reported second-quarter 2020 adjusted earnings per share (EPS) of \$2.57, down 12.3% from the year-ago quarter. The adjusted figure that excludes the impact of CARES Act Emergency Funding was negatively impacted by the COVID-19 pandemic. However, the bottom line surpassed the Zacks Consensus Estimate of 78 cents.

On a reported basis, net earnings were \$2.37 per share, a 22.8% improvement from the year-ago period.

Revenues in the quarter under review declined 3.9% year over year to \$2.77 billion. However, it exceeded the Zacks Consensus Estimate by 14.3%.

The lower revenues can be attributed to 5.4% decline in organic revenues, 0.3% drop due to the disposition of a business and a 0.1% adverse impact from unfavorable foreign currency translation, partially offset by 1.9% growth from acquisitions. Despite COVID-19 testing-related growth of 15.4%, the year-over-year decline in organic revenues was due to a significant 20.9% reduction in the company's organic Base Business due to the pandemic. The lower organic revenues could be attributed to a 0.5% adverse impact of lower Medicare and Medicaid pricing as a result of implementation of Protecting Access to Medicare Act (PAMA).

Quarter in Detail

LabCorp reports results under two operating segments — LabCorp Diagnostics and Covance Drug Development.

In the second quarter, LabCorp Diagnostics reported revenues of \$1.69 billion, reflecting 3.9% decline year over year. On an organic basis, revenues declined 4.9%. This included a 30.1% negative impact from COVID-19 on organic Base Business, partially offset by 25.2% contribution from COVID-19 Testing. The decline of the organic Base Business includes a 0.8% negative impact from PAMA and a 1.2% reduction due to the September 2019 non-renewal of the BeaconLBS - UnitedHealthcare contract pertaining to the Florida market.

Organic revenue decline was partially offset by acquisitions-related growth of 1.1%.

The company witnessed a 19.5% decline in total volume (measured by requisition). Organic volume declined 20.7%, partially offset by acquisition volume growth of 1.2%. The organic volume decline was primarily due to a 35.3% negative impact from COVID-19 on Base Business, partially offset by 14.6% increase in demand for COVID-19 Testing.

Covance Drug Development revenues declined 2.9% to \$1.09 billion in the second quarter affected by a 5.2% decline in organic revenues, a 0.7% impact owing to the disposition of the Covance Research Products business and 0.1% impact of adverse foreign currency translation. This was partially offset by a 3.1% contribution from acquisitions.

Margins

Gross margin contracted 116 basis points (bps) to 27.5% in the second quarter. Also, adjusted operating income declined 11.1% year over year to \$364.2 million. Adjusted operating margin contracted 106 bps from the year-ago quarter to 13.2%.

Cash Position

LabCorp exited the second quarter with cash and cash equivalents of \$557 million compared with \$323.6 million at the end of the first quarter. Cumulative cash flow from operating activities at the end of the second quarter was \$574.5 million, up from \$419.3 million a year ago. Additionally, cumulative free cash flow at the end of the second quarter was \$369.4 million, up from \$239.9 million a year ago.

Earlier, the company had temporarily suspended its existing share repurchase program due to the pandemic.

2020 View

The company did not provide 2020 guidance as it is still unable to gauge the impact of the ongoing COVID-19 pandemic. However, overall, it noted that, while LabCorp's Base Business continues to be negatively impacted by the pandemic, the company's outlook has improved across the business.

Quarter Ending 06/2020

Report Date	Jul 28, 2020
Sales Surprise	14.27%
EPS Surprise	229.49%
Quarterly EPS	2.57
Annual EPS (TTM)	10.70

Recent News

Receives EUA for Pool Testing : Jul 25, 2020

LabCorp announced that, it received FDA's EUA permitting diagnostic testing of groups of individuals for active COVID-19 infections utilizing matrixed pooled testing, a method that tests several patient samples at once.

Launches At Home Test Collection Service: Jul 7, 2020

LabCorp launched the LabCorp At Home COVID-19 Test Collection Service post the receipt of the Emergency Use Authorization by the FDA on Jul 1.

Launches Xcellerate COVID-19 Solution: Jun 29, 2020

LabCorp announced that its Covance drug development business, has deployed the Xcellerate COVID-19 solution as part of its Xcellerate platform.

Launches New COVID-19 Antibody Test: Jun 25, 2020

LabCorp announced the launch of a new test that can be used to assess the capacity of antibodies in patient plasma to inhibit the SARS-CoV-2 virus.

Progress with Decentralized Clinical Trials: May 28, 2020

LabCorp announced that its Covance business is expanding its technology ecosystem to accelerate the adoption of decentralized clinical trials, often referred to as hybrid and virtual clinical trials.

Update on at-home Collection Test Kit: May 12, 2020

LabCorp announced the availability of its COVID-19 at-home collection test kit for individuals nationwide having symptoms consistent with COVID-19 infection and individuals without symptoms who may have been exposed to the virus.

Launches IgG Antibody Test: May 5, 2020

LabCorp announced the availability of its COVID-19 Immunoglobulin G (IgG) antibody test for individuals through LabCorp.com.

Valuation

LabCorp shares are up 15.1% in the year-to-date period and up 16.2% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 8.5% while the Zacks Medical sector rose 1.4% in the year-to-date period. Over the past year, the Zacks sub-industry is down 1.6% and sector is up 8.3%.

The S&P 500 index is up 1.3% in the year-to-date period and increased 9.8% in the past year.

The stock is currently trading at 15.7X Forward 12-months earnings, which compares to 20.2X for the Zacks sub-industry, 23X 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 18.2X and as low as 8.6X, with a 5-year median 14.4X. Our Outperform recommendation indicates that the stock will perform above the market. Our \$206 price target reflects 16.7X forward 12-months earnings.

The table below shows summary valuation data for LH.

Valuation Multiples - LH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.7	20.16	23	22.44
	5-Year High	18.15	20.16	23.17	22.44
	5-Year Low	8.57	13.63	15.89	15.25
	5-Year Median	14.36	16.47	18.98	17.52
P/S F12M	Current	1.58	0.38	2.88	3.59
	5-Year High	1.65	0.38	3.74	3.59
	5-Year Low	0.84	0.23	2.22	2.53
	5-Year Median	1.41	0.28	2.90	3.02
P/B TTM	Current	4.46	4.85	4.42	4.46
	5-Year High	2.81	4.86	5.07	4.56
	5-Year Low	1.34	2.54	2.94	2.83
	5-Year Median	2.46	3.45	4.30	3.71

As of 07/29/2020

Industry Analysis Zacks Industry Rank: Top 47% (118 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
DaVita Inc. (DVA)	Outperform	3
NeoGenomics, Inc. (NEO)	Outperform	1
OPKO Health, Inc. (OPK)	Outperform	2
Align Technology, Inc. (ALGN)	Neutral	3
BioRad Laboratories, Inc. (BIO)	Neutral	3
Quest Diagnostics Incorporated (DGX)	Neutral	3
Exact Sciences Corporation (EXAS)	Neutral	2
Myriad Genetics, Inc. (MYGN)	Neutral	3

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	LH	X Industry	S&P 500	DGX	EXAS	NEO
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	2	1
VGM Score	B	-	-	A	F	F
Market Cap	18.92 B	2.47 B	22.69 B	16.95 B	14.19 B	3.95 B
# of Analysts	8	5	14	8	5	4
Dividend Yield	0.00%	0.00%	1.8%	1.77%	0.00%	0.00%
Value Score	B	-	-	A	D	F
Cash/Price	0.02	0.06	0.07	0.06	0.09	0.02
EV/EBITDA	11.67	13.85	13.11	12.65	-119.26	107.26
PEG Ratio	2.05	3.64	3.05	1.02	NA	NA
Price/Book (P/B)	2.57	4.37	3.15	2.88	5.58	6.04
Price/Cash Flow (P/CF)	10.01	15.48	12.28	13.88	NA	72.48
P/E (F1)	17.60	33.01	22.27	16.19	NA	NA
Price/Sales (P/S)	1.65	2.48	2.46	2.25	13.36	9.77
Earnings Yield	5.69%	1.91%	4.25%	6.17%	-1.82%	-0.08%
Debt/Equity	0.83	0.31	0.75	0.68	0.64	0.32
Cash Flow (\$/share)	19.44	1.35	6.94	9.09	-0.85	0.52
Growth Score	C	-	-	B	F	F
Hist. EPS Growth (3-5 yrs)	9.93%	10.40%	10.85%	6.83%	NA	63.41%
Proj. EPS Growth (F1/F0)	-2.24%	-7.05%	-7.70%	18.82%	-15.70%	-109.03%
Curr. Cash Flow Growth	12.16%	3.87%	5.31%	10.66%	-8.67%	78.83%
Hist. Cash Flow Growth (3-5 yrs)	17.70%	12.37%	8.55%	6.08%	-3.28%	51.24%
Current Ratio	1.12	1.51	1.31	1.29	6.09	6.79
Debt/Capital	45.50%	27.05%	44.23%	41.06%	39.15%	24.39%
Net Margin	3.16%	0.85%	10.45%	9.99%	-10.04%	-1.33%
Return on Equity	14.39%	12.84%	14.99%	13.78%	-13.98%	0.73%
Sales/Assets	0.65	1.07	0.53	0.60	0.37	0.52
Proj. Sales Growth (F1/F0)	10.06%	0.00%	-1.97%	12.18%	43.74%	4.06%
Momentum Score	A	-	-	A	C	D
Daily Price Chg	-0.98%	0.80%	1.52%	2.22%	-0.20%	4.83%
1 Week Price Chg	2.63%	-0.18%	0.37%	-0.10%	-2.56%	-1.15%
4 Week Price Chg	16.51%	3.88%	5.44%	10.65%	8.24%	12.84%
12 Week Price Chg	22.32%	17.82%	15.38%	17.49%	21.46%	34.66%
52 Week Price Chg	16.17%	12.06%	-1.61%	23.63%	-17.80%	54.00%
20 Day Average Volume	805,622	436,086	1,846,377	1,372,337	1,059,601	783,197
(F1) EPS Est 1 week change	1.22%	0.00%	0.00%	3.65%	0.00%	0.00%
(F1) EPS Est 4 week change	7.09%	0.00%	0.27%	47.24%	0.37%	2.50%
(F1) EPS Est 12 week change	37.27%	-11.84%	-0.85%	97.47%	3.56%	22.00%
(Q1) EPS Est Mthly Chg	-1.13%	0.00%	0.13%	43.17%	0.00%	0.00%

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	C
Momentum Score	A
VGM Score	B

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

Disclosures

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