

Las Vegas Sands Corp. (LVS)

\$51.00 (As of 08/11/20)

Price Target (6-12 Months): **\$54.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/04/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:F

Value: D

Growth: D

Momentum: C

Summary

Shares of Las Vegas Sands have underperformed the industry so far this year. The company reported second-quarter 2020 results, wherein both earnings and revenues not only missed the Zacks Consensus Estimate but also declined sharply year over year. Coronavirus related woes continue to pose concern. Notably, earning estimates for 2020 have declined in the past 30 days, depicting analyst's concern regarding the stock's growth potential. However, revenue diversification efforts, planned investment in new capital projects in Macao and higher revenues from The Parisian Macao are likely to drive performance. Moreover, the company is confident regarding the expansion of Marina Bay Sands, where it expects demand to be robust. Despite the pandemic, it will continue to invest in Macau and Singapore to strengthen position in the markets.

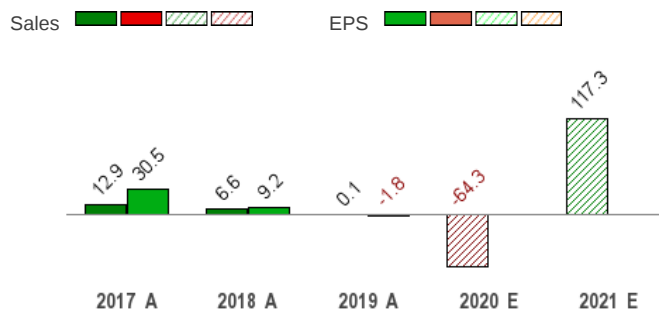
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$74.29 - \$33.30
20 Day Average Volume (sh)	6,752,407
Market Cap	\$39.0 B
YTD Price Change	-26.1%
Beta	1.53
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Gaming
Zacks Industry Rank	Top 47% (118 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-45.8%
Last Sales Surprise	-86.7%
EPS F1 Est- 4 week change	-312.8%
Expected Report Date	10/28/2020
Earnings ESP	0.0%
P/E TTM	92.7
P/E F1	NA
PEG F1	NA
P/S TTM	4.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,550 E	2,543 E	2,681 E	2,851 E	10,652 E
2020	1,782 A	98 A	973 E	1,866 E	4,903 E
2019	3,646 A	3,334 A	3,250 A	3,509 A	13,739 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.51 E	\$0.43 E	\$0.53 E	\$0.61 E	\$1.73 E
2020	-\$0.03 A	-\$1.05 A	-\$0.36 E	\$0.07 E	-\$1.49 E
2019	\$0.91 A	\$0.72 A	\$0.75 A	\$0.88 A	\$3.26 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 08/11/2020. The reports text is as of 08/12/2020.

Overview

Based in Las Vegas, NV, Las Vegas Sands is a leading international developer of multi-use integrated resorts primarily operating in the U.S. and Asia.

U.S. Business: In the U.S., the company owns two resorts and casinos. These properties are:

Las Vegas Operations: The company has three properties in Las Vegas – The Venetian Casino, Las Vegas, The Palazzo, Las Vegas and an Expo and Convention Center.

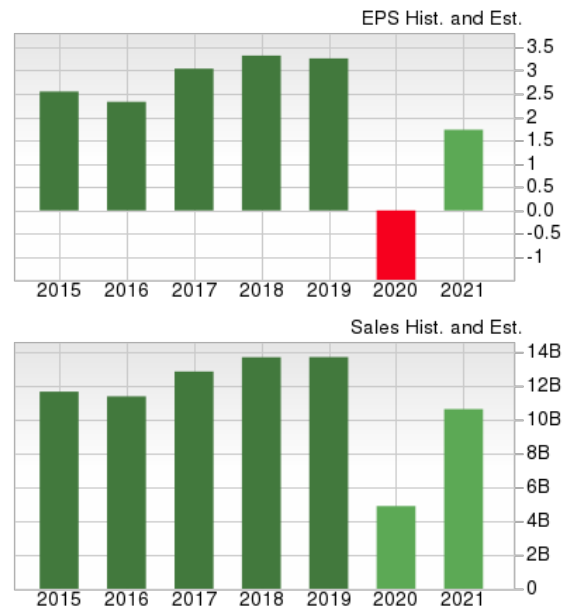
Asia Business: In Asia, the company owns and operates several properties in Macao, China and one in Singapore. These properties are as follows:

Macao Operations: Las Vegas Sands' integrated resort properties and other assets in Macao are owned and operated by Sands China Ltd., which is a majority-owned subsidiary of the company. The company's Macao business comprises the following resorts: Sands Macao, The Venetian Macao, Four Seasons Macao, The Parisian Macao and Sands Cotai Central (under development).

Sands Cotai Central is Las Vegas Sands' master-planned resort-casino project under development in the Cotai Strip, Macao. A part of the project has begun its operations while the other part is still under construction. Post completion, Sands Cotai Central will comprise an integrated resort complex featuring rooms, suites and apart-hotel units, approximately 800,000 square feet of retail, entertainment and dining space and more than 550,000 square feet of meeting facilities and a multipurpose theater.

Meanwhile, on Sep 13, 2016, the company opened The Parisian Macao, an integrated resort which includes a 253,000-square-foot casino, approximately 3,000 rooms and suites; roughly 340,000 square feet of retail and dining space; a meeting room complex of around 63,000 square feet; and a 1,200-seat theater.

Marina Bay Sands, Singapore: The resort was opened in Jun 2010.



Reasons To Buy:

▲ **A Strong Portfolio Acts as a Safeguard Against Economic Fluctuations:** Las Vegas Sands, one of the leading companies in the gaming and lodging industry, has a solid business model, extensive non-gaming revenue opportunities, high-quality assets and attractive property locations. The strong portfolio has somewhat aided the company in withstanding the economic downturn in China, which negatively impacted its Macao operations. Meanwhile, with the economy recovering in the United States, the company's business should continue to grow. Moreover, some entertainment offerings in the pipeline are expected to boost profitability across the company's properties. Las Vegas Sands is also in the process of building 1,200 suites for Londoner and the Four Seasons. By the end of 2020, the company's suite products will exceed most of its peers.

Revenue diversification efforts, planned investment in new capital projects in Macao and higher revenues from The Parisian Macao will drive growth

▲ **Macao Business to Spur Growth:** Las Vegas Sands generates significant portion of revenues from Macao. In 2019, the company's Macao operations reported revenue growth of 1.7%. Moreover, adjusted EBITDA for Macao improved 3.6% in 2019. Additionally, it reported robust mass market growth in Macao during the same period.

Las Vegas Sands has invested over \$13 billion in Macao since 2004, consistently contributing to Macao's diversification and appeal as a business and leisure tourism destination. Despite the current scenario, the company announced that it will progress with its \$2.2 billion investment in Macau. Management believes that investment will strengthen its position in Macau. At the moment, the company is investing in The Londoner Macao and The Grand Suites at Four Seasons to reinforce portfolio. It expects to complete these and other capital projects during 2020 and 2021. Backed by these investments, the company aims to capitalize on the likely structural growth in Macao in coming years to stay ahead of the curve in terms of quality and scale of its product and amenities.

We also believe these new products along with The Parisian Macao would significantly bolster its strategic position and competitiveness across multiple segments. The company would be able to significantly grow its retail business and meetings, incentive, convention and exhibitions (MICE) space. Both these areas of business would aid non-gaming revenues, which would appeal to middle-class travelers. These projects thus demonstrate the company's commitment toward diversifying its business as these are not solely meant for gaming.

▲ **Singapore to Drive Growth:** Las Vegas Sands is quite confident about growth opportunity in Singapore, which is one of the top spots for gambling. Despite the coronavirus pandemic, the company announced it will continue to invest in the expansion of Marina Bay Sands, Singapore to strengthen its dominant position in the region. The company expects demand in Singapore to be robust after travel and tourism spending return to normal. Marina Bay Sands in Singapore is now open following the lifting of the coronavirus-induced shutdown.

▲ **Enough Liquidity to Tide Over Coronavirus Pandemic:** Las Vegas Sands has enough liquidity, which will help it survive in a zero revenue scenario. At the end of second-quarter 2020, the company had \$3.02 billion in cash and \$3.9 billion in revolving credit. In a zero revenue scenario, it requires \$110 million, \$45 million and \$65 million in cash to run Macau, Marina Bay Sands in Singapore and Las Vegas, respectively. Including interest expenses, corporate costs, and minimal maintenance and growth capital expenditures, the company requires \$365 million per month to operate under this scenario. Hence, the company has enough liquidity to survive for 18 months. At the end of second-quarter, the company had long-term debt of \$13.8 billion, compared with \$12.3 billion at the end of first-quarter 2020. However, the company has no debt maturity prior to 2023.

Reasons To Sell:

▼ **Top & Bottom Lines Decline Sharply in Q2:** Las Vegas Sands' both earnings and revenues declined sharply in second-quarter 2020 owing to the coronavirus related shutdown. In second-quarter 2020, it reported adjusted loss per share of \$1.05, wider than the Zacks Consensus Estimate of a loss of 72 cents. In the prior-year quarter, the company reported adjusted earnings per share of 72 cents. However, net interest expenses declined in the quarter. Interest expenses, net of amounts capitalized, improved to \$118 million from \$143 million in the year-ago quarter. Quarterly revenues of \$98 million missed the consensus mark of \$739 million by 86.7%. The top line also declined 97.1% from the prior-year quarter. Notably, the top line was impacted by lower occupancy rates and Revpar across all regions, and casino closures in Las Vegas.

The coronavirus pandemic and stiff competition remain a concern for the company.

▼ **Coronavirus to Hurt Future Results:** The coronavirus pandemic will continue to hurt the company in the upcoming quarters. Earnings estimates for the current quarter and year have witnessed sharp downward revisions over the past 30 days. Although casinos in Macau and Las Vegas are now open, the company is witnessing low visitation. Previously, the company announced that that demand in Asia is likely to rebound more quickly than the United States as Asian countries have dealt with deadly diseases like SARS and swine flu in the past. Visitation in Asia is likely to rebound but in phases throughout the summer. Moreover, the company has suspended its dividend program due to the ongoing crisis.

▼ **Macao/China Regulatory Issues:** A tough operating environment in Macao weighed on casino stocks from June 2014 to most part of 2016. In fact, the crackdown on corruption in China compelled Macao officials to impose restrictions on high rollers to stop billions of dollars from being siphoned off illegally from mainland China to Macao. Consequently, this lowered footfall at the local casinos, leading to a constant decline in gaming revenues. A slowdown in China, tighter visa policies, political unrest and a smoking ban on mass market gaming floors compounded the woes.

Nevertheless, Macao's gambling revenues marked a turnaround and have been rising since the second half of 2016 with new resorts attracting high rollers as well as leisure gamblers. Meanwhile, efforts undertaken by Macao operators to revive revenues by wooing tourists and recreational gamblers with family-friendly resorts and more non-gaming facilities have also started yielding results. However, the Macao government has joined hands with the mainland authorities to tackle money laundering and terrorism financing, and beefed up its anti-money laundering framework with a much wider scope and stringent compliance measures. In sync with this, new security measures including facial recognition at ATM machines are also being rolled out. Earlier, the government had put withdrawal limit on each ATM transaction to stem the recent increase in overseas ATM withdrawals. While these policies might be helpful in the long run, they are likely to restrict gaming revenues in the near term. Moreover, Macao's Gaming Inspection and Coordination Bureau ("DICJ") is increasing its audits of the junket industry owing to worries of money laundering. Markedly, junkets are responsible for about half the gaming revenue in Macao. Thus, this latest crackdown may hamper Macao's revenue growth. This, in turn, may weigh down on the company's performance in the region.

▼ **Heightened Competition:** Increased hotel openings and promotional activities have made Las Vegas and Macao markets highly competitive. Thus, excess supply, especially in the Macao market, might reduce the company's market share. The company's recently opened The Parisian Macao along with other upcoming resorts at the Cotai Strip faces extreme peer pressure from several Chinese casino operators and other U.S.-based companies. Wynn Resorts opened a full-scale integrated resort, Wynn Palace, on the Cotai Strip for over \$4 billion in Aug 2016. Another U.S.-based casino giant, MGM Resorts International, has opened resort in Cotai in 2018. These openings might pose a huge threat to the company's business in the region.

Last Earnings Report

Las Vegas Sands Q2 Earnings Miss Estimates, Fall Y/Y

Las Vegas Sands reported dismal second-quarter 2020 results, wherein earnings and revenues not only missed the Zacks Consensus Estimate but also declined sharply on a year-over-year basis.

Despite the dismal performance, the company is optimistic about future growth on a strong balance sheet. Also markets in Macao, Singapore and Las Vegas are in the initial stages of recovery amid the pandemic effect.

Quarter Ending 06/2020

Report Date	Jul 22, 2020
Sales Surprise	-86.74%
EPS Surprise	-45.83%
Quarterly EPS	-1.05
Annual EPS (TTM)	0.55

Earnings & Revenue Discussion

The company reported adjusted loss per share of \$1.05, wider than the Zacks Consensus Estimate of a loss of 72 cents. In the prior-year quarter, the company reported adjusted earnings per share of 72 cents.

However, net interest expenses declined in the quarter. Interest expenses, net of amounts capitalized, improved to \$118 million from \$143 million in the year-ago quarter.

Quarterly revenues of \$98 million missed the consensus mark of \$739 million by 86.7%. The top line also declined 97.1% from the year-ago quarter. Notably, the top line was impacted by lower occupancy rates and Revpar across all regions as well as casino closures in Las Vegas.

Asian Operations

Las Vegas Sands' Asia business includes the following resorts:

The Venetian Macao

Net revenues declined 96.7% year over year to \$28 million. Casino and rooms revenues came in at \$5 and \$1 million, down 99.3% and 98.1%, respectively. Food and beverage, and convention, retail and other revenues declined 94.1% and 87.5% year over year to \$1 million and \$3 million, respectively. Mall revenues contracted 71% year over year to \$18 million.

Adjusted property EBITDA during the second quarter came in at (\$97) million against \$336 million reported in the prior year quarter.

Non-rolling chip drop declined 99.3% and rolling chip volumes fell 98.3% on a year-over-year basis.

During the second quarter of 2020, the segment's hotel Revpar declined 97.6% year over year to \$5 million, while occupancy rates came in at 2.1% compared with 93.9% in the prior-year quarter.

Sands Cotai Central

Net revenues plunged 97.9% year over year to \$10 million owing to a decline 99.7%, 100% and 95.8% in casino revenues, rooms revenues, and food and beverage, respectively. Moreover, mall, and convention, retail and other revenues declined 56.3% and 87.5% year over year, respectively.

Adjusted property EBITDA plunged 147.9% year over year to (\$79) million.

Both non-rolling chip drop and rolling chip volume declined 99.6% and 100% year over year, respectively.

The Parisian Macao

Revenues amounted to (\$23) million, reflecting a year-over-year decrease of 105.6%. The downside can primarily be attributed to a decline of 108.7% in casino revenues and 96.9%, 94.1%, 73.3% and 85.7%, decline in rooms, food and beverage, mall, convention and other retail revenues, respectively.

Adjusted property EBITDA plunged 158.3% year over year to (\$81) million.

Both non-rolling chip drop and rolling chip volumes declined 99.5% and 90.8% year over year, respectively.

During second-quarter 2020, the segment's hotel Revpar declined 96.7% year over year to \$5 million, while occupancy rates came in at 3.5% compared with 95.8% in the prior-year quarter.

The Plaza Macao and Four Seasons Hotel Macao

Net revenues tanked 91% to \$19 million owing to a 95.1%, 90%, 85.7%, 71% decline in casino, rooms, food and beverage and mall revenues, respectively.

Adjusted property EBITDA in the reported quarter totaled (\$18) million, declining 121.7% on a year-over-year basis.

Both non-rolling chip drop and rolling chip volume declined 95.3% and 82.6% year over year, respectively.

During the second quarter of 2020, Revpar declined 92.7% year over year to \$22 million, while occupancy rates came in at 6.2% compared with

89.9% in the prior-year quarter.

Sands Macao

Revenues were down 95.5% year over year to \$7 million owing to a 96.5%, 80%, 100%, decline in casino, rooms, food and beverage revenues, respectively.

Adjusted property EBITDA in the reported quarter totaled (\$31) million, declining 121.7% on a year-over-year basis.

Both non-rolling chip drop and rolling chip volume fell 96% and 82.6% year over year, respectively.

During the second quarter of 2020, the segment's hotel Revpar declined 90.5% year over year to \$16 million, while occupancy rates came in at 10.6% compared with 99.5% in the prior-year quarter.

Marina Bay Sands, Singapore

Net revenues decreased 96.7% year over year to \$23 million owing to a 98.5%, 98.9%, 96.6%, 92.9% and 63% fall in casino, rooms, food and beverage, mall, and convention, retail and other revenues, respectively.

Adjusted property EBITDA in the reported quarter totaled (\$113) million, declining 132.7% on a year-over-year basis.

Both non-rolling chip drop and rolling chip volumes declined 97.9% and 98.3% year over year, respectively.

During the second quarter of 2020, the segment's hotel Revpar declined 67.6% year over year to \$132 million, while occupancy rates came in at 40.2% compared with 97.2% in the prior-year quarter.

Domestic Operations

Las Vegas

Net revenues from Las Vegas operations dropped 92.3% to \$36 million owing to a decline of 87.5% and 93.3% in casino, and food and beverage revenues, respectively. Rooms revenues also decreased 94.2%. Moreover, convention, retail and other revenues declined 93.5% year over year.

Adjusted property EBITDA in the reported quarter totaled (\$122) million, declining 189.7% on a year-over-year basis.

Table games drop were down 80.7%, while slot handle fell 73% on a year-over-year basis.

During the second quarter of 2020, Revpar declined 77.9% year over year to \$54 million, while occupancy rates came in at 33.5% compared to 97.2% in the prior year quarter.

Operating Results

On a consolidated basis, adjusted property EBITDA came in at (\$547) million in the second quarter, compared to \$1,266 million reported in the prior year quarter. Las Vegas operating properties, Sands Macao, The Plaza Macao and Four Seasons Hotel Macao, Venetian Macao, Sands Cotai Central, The Parisian Macao and Marina Bay Sands, all witnessed decline in adjusted EBITDA.

Balance Sheet

As of Jun 30, 2020, unrestricted cash balances amounted to \$3.02 billion. Total debt outstanding (excluding finance leases) was \$13.82 billion.

In the reported quarter, capital expenditures totaled \$382 million. This can primarily be attributed to construction, development and maintenance activities of \$337 million in Macao, \$30 million in Las Vegas and \$15 million at Marina Bay Sands.

Recent News

Las Vegas Sands Cancels Japan Casino Plan – May 12, 2020

Las Vegas Sands recently abandoned its pursuit of Integrated Resort (IR) development in Japan. The company had been negotiating with the Japanese regulator for more than a decade. The company intends to focus on other opportunities following the decision.

Las Vegas Sands Temporarily Shut Down Operation – Mar 17, 2020

Due to coronavirus, the company has already closed its Venetian and Palazzo resorts in Las Vegas. The company also announced that it will continue to pay its employee during lockdown.

Valuation

Las Vegas Sands' shares are down by 37% in the year-to-date period and 30.3% over the trailing 12-month period. Stocks in the Zacks sub-industry is down by 17.6%, and Zacks Consumer Discretionary sector is down by 4.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down by 0.3%, but the sector is up by 4.3%.

The S&P 500 index is up 4.2% in the year-to-date period and 15% in the past year.

The stock is currently trading at 4.62x forward 12-month sales, which compares to 3.08x for the Zacks sub-industry, 2.38x for the Zacks sector and 3.67x for the S&P 500 index.

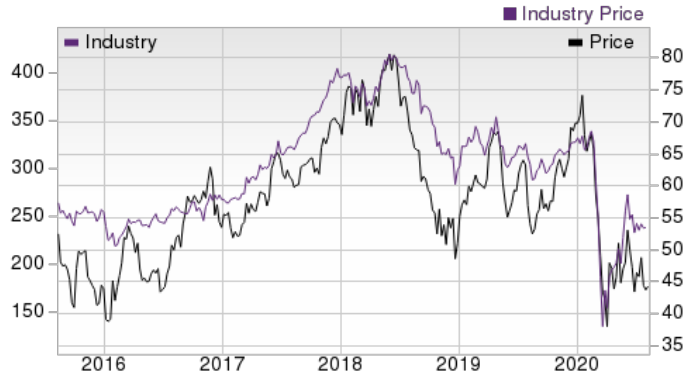
Over the past five years, the stock has traded as high as 4.7x and as low as 2.21x, with a 5-year median of 3.52x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$54 price target reflects 4.89x forward 12-month sales.

The table below shows summary valuation data for LVS.

Valuation Multiples - LVS					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	4.62	3.08	2.38	3.67
	5-Year High	4.7	3.26	2.95	3.67
	5-Year Low	2.21	1.62	1.68	2.53
	5-Year Median	3.52	2.48	2.39	3.05
P/B TTM	Current	9	3.68	3.26	4.64
	5-Year High	8.74	4.99	4.93	4.68
	5-Year Low	3.5	1.91	2.22	2.83
	5-Year Median	6.57	3.8	4.21	3.74
EV/EBITDA TTM	Current	22.45	22.17	11.08	12.55
	5-Year High	22.45	22.17	17.86	12.84
	5-Year Low	8.96	7.75	8.32	8.24
	5-Year Median	14.03	13.26	12.29	10.9

As of 08/11/2020

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



Top Peers

Company (Ticker)	Rec	Rank
Boyd Gaming Corporation (BYD)	Neutral	3
Churchill Downs, Incorporated (CHDN)	Neutral	3
Century Casinos, Inc. (CNTY)	Neutral	3
Caesars Entertainment, Inc. (CZR)	Neutral	3
Penn National Gaming, Inc. (PENN)	Neutral	2
Wynn Resorts, Limited (WYNN)	Neutral	3
MGM Resorts International (MGM)	Underperform	3
Melco ResortsEntertainment Limited (MLCO)	Underperform	5

Industry Comparison Industry: Gaming				Industry Peers		
	LVS	X Industry	S&P 500	MGM	PENN	WYNN
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	2	3
VGM Score	F	-	-	F	D	F
Market Cap	38.95 B	1.68 B	23.61 B	10.61 B	6.41 B	9.52 B
# of Analysts	5	3	14	2	6	6
Dividend Yield	0.00%	0.00%	1.69%	0.05%	0.00%	3.40%
Value Score	D	-	-	B	B	C
Cash/Price	0.09	0.21	0.07	0.52	0.18	0.48
EV/EBITDA	8.92	10.16	13.32	5.06	16.26	11.80
PEG Ratio	NA	1.09	2.95	NA	NA	NA
Price/Book (P/B)	8.61	2.93	3.22	0.86	3.67	34.73
Price/Cash Flow (P/CF)	10.42	10.42	12.79	6.40	11.60	10.16
P/E (F1)	NA	26.12	22.02	NA	NA	NA
Price/Sales (P/S)	4.51	1.68	2.57	1.17	1.56	2.19
Earnings Yield	-2.92%	-3.24%	4.29%	-4.93%	-14.06%	-15.18%
Debt/Equity	3.04	1.93	0.77	1.60	7.93	46.07
Cash Flow (\$/share)	4.89	0.68	6.94	3.36	4.02	8.69
Growth Score	D	-	-	F	F	F
Hist. EPS Growth (3-5 yrs)	-3.87%	0.54%	10.41%	-5.41%	-33.64%	10.13%
Proj. EPS Growth (F1/F0)	-145.58%	-147.17%	-6.51%	-127.32%	-1,868.92%	-613.49%
Curr. Cash Flow Growth	-0.77%	-0.77%	5.22%	-1.74%	26.26%	-27.48%
Hist. Cash Flow Growth (3-5 yrs)	-1.30%	9.19%	8.55%	9.93%	10.03%	-3.64%
Current Ratio	1.59	1.84	1.34	2.47	1.99	2.27
Debt/Capital	75.26%	68.14%	44.59%	61.56%	88.65%	97.88%
Net Margin	3.95%	-11.04%	10.13%	21.28%	-21.16%	-25.71%
Return on Equity	7.46%	-8.29%	14.59%	-6.64%	-15.63%	-96.61%
Sales/Assets	0.39	0.37	0.51	0.26	0.29	0.31
Proj. Sales Growth (F1/F0)	-64.31%	-2.86%	-1.45%	-54.77%	-35.13%	-57.37%
Momentum Score	C	-	-	F	A	F
Daily Price Chg	7.32%	0.58%	-0.17%	-0.69%	2.69%	8.36%
1 Week Price Chg	1.28%	3.76%	2.30%	18.27%	44.76%	2.31%
4 Week Price Chg	7.62%	12.39%	6.41%	33.04%	59.92%	11.34%
12 Week Price Chg	5.70%	12.67%	15.42%	41.82%	96.38%	7.63%
52 Week Price Chg	-4.89%	-7.91%	2.88%	-25.50%	156.04%	-18.95%
20 Day Average Volume	6,752,407	79,438	2,007,486	25,941,560	9,737,123	5,273,693
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	45.56%	-8.15%
(F1) EPS Est 4 week change	-312.78%	5.11%	1.84%	-1.41%	46.78%	-14.66%
(F1) EPS Est 12 week change	-450.37%	-6.66%	2.40%	-14.64%	60.54%	-14.59%
(Q1) EPS Est Mthly Chg	-362.20%	16.67%	0.72%	-27.36%	88.32%	-50.73%

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	D
Growth Score	D
Momentum Score	C
VGM Score	F

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.