

## Merit Medical Systems (MMSI)

**\$44.26** (As of 05/27/20)

Price Target (6-12 Months): **\$46.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 12/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:A

Value: C

Growth: A

Momentum: A

## Summary

Merit Medical exited the first quarter of 2020 on a strong note, with earnings and revenues beating estimates. We are encouraged by the revenue growth at the company's key operating segments. The acquisitions of Cianna Medical and Vascular Insights continue to contribute to earnings. Further, the company stands to benefit from the implementation of the global growth and profitability plan. A robust pipeline of new and internally-developed products instills investor optimism in the stock. Despite COVID-19, the company has witnessed robust demand for several of its critical care products. However, contraction in both margins is a concern. Also, competition and higher consolidation in the healthcare industry remain dampeners. The company has underperformed its industry in the past year.

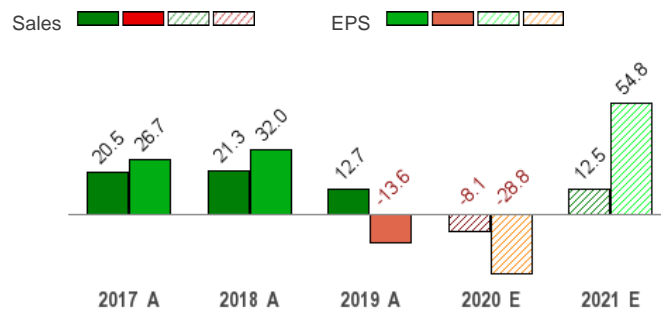
## Price, Consensus & Surprise



## Data Overview

|                            |   |
|----------------------------|---|
| 52 Week High-Low           | \$61.93 - \$19.50                         |
| 20 Day Average Volume (sh) | 384,153                                   |
| Market Cap                 | \$2.5 B                                   |
| YTD Price Change           | 41.8%                                     |
| Beta                       | 1.10                                      |
| Dividend / Div Yld         | \$0.00 / 0.0%                             |
| Industry                   | <a href="#">Medical - Dental Supplies</a> |
| Zacks Industry Rank        | Bottom 39% (146 out of 248)               |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 40.7%      |
| Last Sales Surprise       | 5.2%       |
| EPS F1 Est- 4 week change | 0.0%       |
| Expected Report Date      | 07/23/2020 |
| Earnings ESP              | 0.0%       |
| P/E TTM                   | 29.9       |
| P/E F1                    | 42.6       |
| PEG F1                    | 3.7        |
| P/S TTM                   | 2.5        |

## Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | 249 E | 245 E | 249 E | 275 E | 1,028 E |
| 2020 | 244 A | 193 E | 217 E | 260 E | 914 E   |
| 2019 | 238 A | 256 A | 243 A | 258 A | 995 A   |

## EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$0.34 E | \$0.34 E | \$0.36 E | \$0.45 E | \$1.61 E |
| 2020 | \$0.38 A | \$0.03 E | \$0.20 E | \$0.42 E | \$1.04 E |
| 2019 | \$0.37 A | \$0.42 A | \$0.28 A | \$0.40 A | \$1.46 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 05/27/2020. The reports text is as of 05/28/2020.

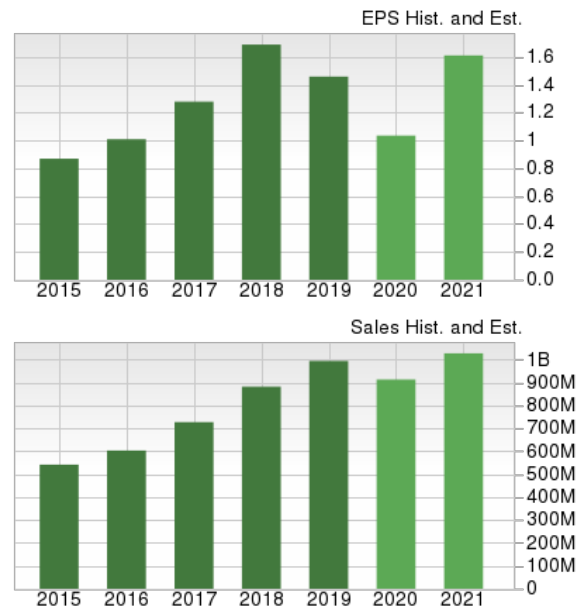
## Overview

Headquartered in South Jordan, UT, Merit Medical Systems, Inc. (MMSI) provides various peripheral and cardiac intervention products to cure cardiac conditions specific to interventional cardiology and electrophysiology.

The company offers products focused in five core product groups: peripheral intervention, cardiac intervention, interventional oncology and spine, cardiovascular and critical care as well as endoscopy. However, the company operates in two revenue segments — Cardiovascular and Endoscopy Devices.

**The Cardiovascular Segment:** The segment includes peripheral intervention, cardiac intervention, interventional oncology, spine, cardiovascular and critical care product groups.

**The Endoscopy Devices Segment:** Within the Endoscopy division, the company's flagship Merit Endotek integrates advanced non-vascular stent technology with balloon dilators, inflation devices, guide wires, procedure kits and other devices that are used by endoscopists in interventional gastroenterology, interventional pulmonology as well as thoracic and general surgery. Merit Endotek has a dedicated marketing and sales organization serving the underpenetrated emerging economies.



### 2019 at a Glance

Merit Medical reported worldwide revenue of \$994.9 million, up 12.7% on a year-over-year basis.

The Cardiovascular segment recorded revenues of \$960.9 million (96.6% of net revenues).

The Endoscopy devices segment recorded revenues of \$33.9 million (3.4% of net revenues).



## Reasons To Buy:

- ▲ **New Products:** By the end of the fourth-quarter 2018, management at Merit Medical announced that new products like EmboCube Embolization Gelatin, the basixTAU Inflation Device, the Prelude Prestige Splittable Sheath Introducer, the Prelude Ideal Sheath Introducer, the PreludeSYNC Radial Hemostasis Device are likely to expand the company's customer base.

The company has gained significant momentum on the back of new products and is optimistic about the product pipeline, including radio and electrophysiology products, going forward.

Merit Medical expects to launch its significant Aspira pleural drainage, pleural effusion and peritoneal drainage products between second and third-quarter 2020 in Europe, Canada, Australia and other locations. Another important product – Surfacar – is a device in which the company has an equity interest in.

It is important to note here that the company will move 14 new products from Salt Lake City and one or two other facilities to either Texas or Mexico. This transfer process will be done in 2020 and on an annual basis the company anticipates the savings to range between \$6 million and \$10 million a year.

- ▲ **HeRO Products (Hemodialysis Reliable Outflow):** Merit Medical's HeRO product line has been a key contributor to growth. HeRO Graft, Super HeRO Adapter and HeRO Ally Revision Kit are the three platforms within the company's HeRO family of dialysis devices. Considering the solid global prospects of hemodialysis solutions, the HeRO product line is likely to provide Merit Medical with a competitive edge in the MedTech markets. Per a report by MarketWatch, the global hemodialysis and peritoneal dialysis market is estimated to reach a worth of \$84 billion by 2024, at a CAGR of 6%.

Notably, the HeRO product line was acquired by Merit Medical from CryoLife in 2017. Per management, the 'Think HeRO Graft Training program' in the HeRO platform is likely to provide substantial scope over the long run.

Of all the three HeRO lines, HeRO Graft is the most important given its strong cost-saving efficiencies. HeRO Graft is a fully subcutaneous vascular access system, intended for use in maintaining long-term vascular access for chronic hemodialysis patients who have failing fistulas, grafts or are catheter dependent due to a central venous blockage.

Per management, HeRO Graft offers cost savings of more than \$3,100 (per patient/year) to the dialysis center when converting catheter-dependent patients to the HeRO Graft.

- ▲ **Peripheral Intervention Unit Holds Promise:** The company's peripheral intervention consists of Peripheral Drainage & Biopsy, Peripheral Angiography, Peripheral Intervention and Peripheral Access Portfolio. Merit Medical also offers low-profile ASAP Aspiration Catheters, which offer clinicians two options for the safe and efficient removal of fresh, soft emboli and thrombi from vessels. These products have been contributing enormously to the company's top-line growth.

In the recent past, Merit Medical announced a new project of biopsy devices that are under development. This is likely to boost the company's R&D prospects in the quarters to come.

During the first quarter, the Peripheral Intervention unit saw 2.9% growth in revenues, driven by increased demand for its access and drainage products.

- ▲ **Acquisitions to Drive Growth:** Merit Medical has been leveraging on bolt-on buyouts to drive inorganic growth. The company remains optimistic about Merit Medical's Becton Dickinson deal, the acquisitions of Cianna Medical and Vascular Insights, and the execution of the global growth and profitability plan.

The Cianna transition has been completed and sales continue to grow per management's expectations. In the fourth quarter, acquired products contributed revenues of \$16.1 million, of which \$13.8 million was attributable to Cianna and \$2.3 million to ClariVein. The company remains focused toward developing new products out of Cianna.

Apart from this, Merit Medical recently acquired a small U.S.-based entity, Laurane Medical with manufacturing operations in Europe. The purchased company specializes in the bone biopsy business. Management at Merit Medical expects accretive returns from this deal with Laurane Medical. Laurane Medical has already been consolidated into Merit Medical's Irish facility.

- ▲ **Deal with MedTech Behemoth - Becton Dickinson:** In February 2018, Merit Medical closed the purchase of assets from Becton, Dickinson and Company ("BD"). The deal is related to BD's recently-completed acquisition of C.R. Bard, Inc for \$100 million. The assets acquired are soft tissue core needle biopsy products sold under the trade names of Achieve Programmable Automatic Biopsy System, Temno Biopsy System, Tru-Cut Biopsy Needles, Aspira Pleural Effusion Drainage Kits and the Aspira Peritoneal Drainage System. These products will be sold by Merit's global direct sales force and distribution partners. Notably, the transaction is expected to expand Merit Medical's operating margins and increase its cash flow.

Per management, transition of the Becton, Dickinson deal remained on track with some of the acquired products currently being built in the facility in Tijuana, Mexico. The entire transition program was concluded in 2019.

- ▲ **International Exposure:** In the fourth quarter of 2018, Merit Medical received a number of orders from the Middle East for their flagship products. Per management, the company foresees solid opportunities there in the quarters to come. Additionally, Merit Medical eyes a global pipeline for Europe, Asia and South-east Asia. It is important to note here that around 50% of Merit's business comes from international markets.

During the first quarter, the company registered 15% growth in revenues from EMEA markets.

Merit Medical's acquisition-driven strategy is expected to boost growth by expanding existing product offerings across all business segments. Strong prospects in the HeRO product line is a positive.

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▲ **Favorable Tidings on Regulatory Front:** Positive feedbacks and approvals from the top-notch regulatory bodies have favored Merit Medical in most times. In recent times, Merit Medical confirmed that it has more than 50 active R&D products in its portfolio.

Complications associated with Brexit, consolidation of notified bodies and the new European Medical Device Regulation (MDR) has slowed down new product approvals. Nonetheless, the company expects to receive approval of the SAVI SCOUT for sale in Europe in the near future.

During February 2020, the company received approval for its SwiftNinja, steerable microcatheter. Additionally, Merit Medical received approval for its Amplatz, Guide Wires. Further, the company got approval for its SureCross support catheter.

In April, the company was granted two additional Breakthrough Device designations by the FDA for the Merit WRAPSODY Endovascular Stent Graft System. The system is a flexible, self-expanding endoprosthesis. This regulatory clearance is expected to bolster the company's cardiovascular segment. The CE mark of the product is likely to come through in May 2020. The company is just weeks away from submitting its application for an IDE with the U.S. government.

All of these approvals are significant with respect to driving the company's performance.

▲ **Solid R&D Focus:** Merit Medical's strong focus in research and development (R&D) is a positive. The company's strong commitment to innovation led to the introduction of several new products, improvements in the existing products and expansion of product lines as well as enhancements and new equipment in the R&D facilities. In the first quarter, research and development expenses amounted to \$14.9 million.

▲ **Stable Liquidity Position:** Merit Medical is well capitalized having the first quarter with cash and cash equivalents of \$50.1 million, compared to \$44.3 million at the end of 2019. The company also generated free cash flow of approximately \$15 million in the first quarter of 2020. However, 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. Debt at the end of first-quarter 2020 came in at \$445.6 million, up from \$439.4 million at the end of 2019. Nonetheless, in 2019, the total debt-to-capital came in at 35.5%, compared with the industry average of 50.8%.

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## Reasons To Sell:

▼ **Share Price Performance:** Merit Medical underperformed the industry in a year's time. Shares of the company have lost 16.4%, compared with the industry's decline of 10.9%. Stiff competition in the MedTech space remains a concern. Further, the ongoing economic volatility on account of the global coronavirus outbreak is hampering the stock.

▼ **Higher Consolidation in the Healthcare Industry:** Healthcare costs have risen significantly over the past decade. Thus, in order to provide healthcare solutions at a cheaper rate and eradicate competition, large cap MedTech behemoths have started consolidating with mid cap and small cap companies. This enables the availability of healthcare products at cheap prices in the market.

Per management, such trends compel Merit Medical's customers to ask for price concessions in its products, which act against the on-going business strategies. This may also exert a solid downward pressure on the prices of Merit Medical's products and reduce customer base.

▼ **Cutthroat Competition in MedTechSpace:** The medical products industry is highly competitive. Merit Medical competes globally in several market areas, including diagnostic and interventional cardiology; interventional radiology; neurointerventional radiology; vascular, general and thoracic surgery; electrophysiology; cardiac rhythm management; interventional pulmonology; interventional nephrology; orthopaedic spine surgery and many more.

In the interventional cardiology, radiology, gastroenterology, endoscopy, general surgery, thoracic surgery and pulmonology markets, Merit Medical competes with large international, multi-divisional medical supply companies such as Cardinal Health, Boston Scientific Corporation, Medtronic, Abbott, Teleflex, Becton, Dickinson and Company, Stryker Corporation and Terumo Corporation.

Medium-size companies like B. Braun, Uresil, BTG, Olympus Medical, Edwards Lifesciences, Argon, CONMED, AngioDynamics, Medcomp and U.S. Endoscopy are the most aggressive competitors of Merit Medical.

▼ **Lack of Direct Sales and Marketing Capabilities:** Merit Medical lack direct sales and marketing capabilities in many countries. The company wholly depends on third-party distributors for the commercialization of products in these countries. These countries include China, Japan, Russia and India. Per management, because of inefficiencies in the distributor base, Merit Medical often fails to successfully commercialize its products in these countries.

Adding to the woes, the company's distributors often fail to comply with all applicable laws regarding the sale of products, including anti-competition, anti-corruption, anti-money laundering and sanctions laws. This results in disruption of operations and business in the region.

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Higher consolidation in the healthcare industry exerts downward pressure on the prices of Merit Medical's products. Cutthroat competition and lack of direct sales in many countries are other headwinds.

## Last Earnings Report

### Merit Medical Q1 Earnings & Revenues Beat Estimates

Merit Medical Systems reported first-quarter 2020 adjusted earnings per share of 38 cents, which beat the Zacks Consensus Estimate of 27 cents by 40.7%. Moreover, the bottom line rose 2.7% from the year-ago quarter.

On a GAAP basis, loss per share came in at 6 cents, compared to earnings per share of 11 cents from the year-ago quarter.

Quarter Ending 03/2020

| Report Date      | Apr 23, 2020 |
|------------------|--------------|
| Sales Surprise   | 5.17%        |
| EPS Surprise     | 40.74%       |
| Quarterly EPS    | 0.38         |
| Annual EPS (TTM) | 1.48         |

### Revenues in Details

This Utah-based provider of peripheral and cardiac intervention products reported worldwide revenues of \$243.5 million, up 2.2% from the year-ago quarter. On a comparable constant-currency basis, the figure improved 3% year over year. Moreover, the top line surpassed the Zacks Consensus Estimate of \$231.6 million by 5.2%.

The Cardiovascular unit reported first-quarter revenues of \$235.5 million, up 2.2% year over year. The upside can be attributed to a year-over-year increase of 2.9% in the segment's Peripheral Intervention revenues to \$87.1 million. Further, revenues from Cardiac Intervention improved 0.1% to \$72.6 million. Moreover, revenues from Custom Procedural Solutions climbed 3.8% to \$47.6 million. Also, OEM revenues increased 3% to \$28.3 million.

#### Endoscopy Devices

Revenues from the Endoscopy devices totaled \$7.9 million, up 1.4% year over year.

### Margins

In the quarter under review, gross profit totaled \$103.8 million, down 0.8% on a year-over-year basis. Gross margin came in at 42.6% of net revenues, down 128 basis points (bps) year over year.

Merit Medical registered selling, general and administrative expenses of \$78.8 million, up 0.6% year over year.

Meanwhile, research and development expenses amounted to \$14.9 million, down 6.9% year over year.

Adjusted operating margin in the quarter came in at 4.1%, showing a contraction of 3,302 bps year over year.

### Financial Update

Cash and cash equivalents for the quarter came in at \$50.1 million, up from \$44.3 million at the end of 2019.

### 2020 Guidance

Due to the economic uncertainty and rapid change in the global environment on account of the coronavirus pandemic, the company has withdrawn its 2020 guidance. The company has also decided to not issue any financial outlook for the remainder of 2020.

## Recent News

On **Apr 6**, Merit Medical Systems announced that it has been granted two additional Breakthrough Device designations by the FDA for the Merit WRAPSODY Endovascular Stent Graft System.

## Valuation

Merit Medical's shares are up 41.8% and down 16.4% in the year-to-date and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Medical sector are down 4.7% and 2.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 10.9% while the sector is up 4.1%.

The S&P 500 index is down 7% in the year-to-date period and up 7.4% in the past year.

The stock is currently trading at 34.9X Forward 12-months earnings, which compares to 18.3X for the Zacks sub-industry, 22.6X for the Zacks sector and 21.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 35.9X and as low as 10.5X, with a 5-year median 25.5X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$46 price target reflects 36.2X forward 12-months earnings.

The table below shows summary valuation data for MMSI.

| Valuation Multiples - MMSI |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                   | Current       | 34.86 | 18.25        | 22.57  | 21.75   |
|                            | 5-Year High   | 35.95 | 19.08        | 22.57  | 21.75   |
|                            | 5-Year Low    | 10.5  | 13.7         | 15.93  | 15.23   |
|                            | 5-Year Median | 25.48 | 16.56        | 19     | 17.49   |
| P/S F12M                   | Current       | 2.55  | 0.33         | 2.73   | 3.37    |
|                            | 5-Year High   | 3.87  | 0.36         | 3.76   | 3.44    |
|                            | 5-Year Low    | 1.06  | 0.23         | 2.21   | 2.53    |
|                            | 5-Year Median | 1.98  | 0.28         | 2.92   | 3.01    |
| P/B TTM                    | Current       | 2.61  | 4.21         | 3.98   | 4.09    |
|                            | 5-Year High   | 4.92  | 4.72         | 5.06   | 4.56    |
|                            | 5-Year Low    | 1.2   | 2.53         | 2.93   | 2.83    |
|                            | 5-Year Median | 4.21  | 3.45         | 4.29   | 3.65    |

As of 05/27/2020

## Industry Analysis Zacks Industry Rank: Bottom 39% (146 out of 248)



## Top Peers

| Company (Ticker)                                  | Rec     | Rank |
|---|---------|------|
| Cerner Corporation (CERN)                         | Neutral | 3    |
| Computer Programs and Systems, Inc. (CPSI)        | Neutral | 3    |
| Cognizant Technology Solutions Corporation (CTSH) | Neutral | 3    |
| Evolent Health, Inc (EVH)                         | Neutral | 3    |
| Inovalon Holdings, Inc. (INOV)                    | Neutral | 3    |
| IQVIA Holdings Inc. (IQV)                         | Neutral | 3    |
| Allscripts Healthcare Solutions, Inc. (MDRX)      | Neutral | 3    |
| Premier, Inc. (PINC)                              | Neutral | 3    |

| Industry Comparison Industry: Medical - Dental Supplies |         |            |           | Industry Peers |           |           |
|---|---------|------------|-----------|----------------|-----------|-----------|
|   | MMSI    | X Industry | S&P 500   | CERN           | EVH       | MDRX      |
| Zacks Recommendation (Long Term)                        | Neutral | -          | -         | Neutral        | Neutral   | Neutral   |
| Zacks Rank (Short Term)                                 | 3       | -          | -         | 3              | 3         | 3         |
| VGM Score   | A       | -          | -         | B              | A         | D         |
| Market Cap  | 2.45 B  | 1.92 B     | 21.39 B   | 20.79 B        | 798.08 M  | 1.11 B    |
| # of Analysts   | 5       | 5          | 14        | 15             | 7         | 13        |
| Dividend Yield  | 0.00%   | 0.00%      | 1.97%     | 1.05%          | 0.00%     | 0.00%     |
| Value Score   | C       | -          | -         | B              | B         | B         |
| Cash/Price  | 0.02    | 0.06       | 0.06      | 0.02           | 0.18      | 0.20      |
| EV/EBITDA   | 24.35   | 13.38      | 12.63     | 16.19          | -28.22    | 18.33     |
| PEG Ratio   | 3.67    | 3.68       | 2.91      | 1.90           | NA        | 1.74      |
| Price/Book (P/B)  | 2.61    | 4.38       | 2.99      | 5.38           | 0.86      | 0.89      |
| Price/Cash Flow (P/CF)                                  | 13.06   | 15.04      | 11.80     | 14.55          | 3.99      | 3.32      |
| P/E (F1)  | 42.69   | 29.25      | 21.42     | 24.10          | NA        | 10.94     |
| Price/Sales (P/S)                                       | 2.45    | 2.23       | 2.29      | 3.64           | 0.89      | 0.63      |
| Earnings Yield  | 2.35%   | 2.65%      | 4.44%     | 4.14%          | -4.25%    | 9.08%     |
| Debt/Equity   | 0.54    | 0.33       | 0.76      | 0.35           | 0.39      | 0.63      |
| Cash Flow (\$/share)                                    | 3.39    | 1.35       | 6.96      | 4.69           | 2.36      | 2.06      |
| Growth Score  | A       | -          | -         | B              | A         | F         |
| Hist. EPS Growth (3-5 yrs)                              | 16.78%  | 10.40%     | 10.87%    | 4.96%          | NA        | 11.77%    |
| Proj. EPS Growth (F1/F0)                                | -29.04% | -2.97%     | -10.41%   | 5.77%          | 44.25%    | -6.77%    |
| Curr. Cash Flow Growth                                  | 15.85%  | 3.15%      | 5.46%     | 6.07%          | 781.20%   | 9.89%     |
| Hist. Cash Flow Growth (3-5 yrs)                        | 21.55%  | 12.23%     | 8.55%     | 11.81%         | 58.24%    | 10.24%    |
| Current Ratio   | 2.80    | 1.63       | 1.29      | 1.93           | 1.19      | 0.78      |
| Debt/Capital  | 35.17%  | 30.33%     | 44.54%    | 25.73%         | 28.07%    | 38.84%    |
| Net Margin  | -0.39%  | 2.12%      | 10.59%    | 8.93%          | -37.17%   | -11.10%   |
| Return on Equity  | 8.73%   | 15.11%     | 16.29%    | 18.20%         | -5.78%    | 4.98%     |
| Sales/Assets  | 0.57    | 1.07       | 0.55      | 0.82           | 0.55      | 0.54      |
| Proj. Sales Growth (F1/F0)                              | -8.14%  | 0.00%      | -2.34%    | -1.60%         | 14.69%    | -3.01%    |
| Momentum Score  | A       | -          | -         | B              | B         | D         |
| Daily Price Chg   | 2.57%   | 0.00%      | 2.29%     | 1.37%          | 7.78%     | 1.64%     |
| 1 Week Price Chg  | 13.10%  | 8.57%      | 4.99%     | 3.33%          | 7.26%     | 10.50%    |
| 4 Week Price Chg  | 4.96%   | 4.56%      | 2.47%     | -3.80%         | 17.60%    | 1.94%     |
| 12 Week Price Chg                                       | 14.90%  | -0.86%     | -6.13%    | -7.05%         | 4.90%     | -10.72%   |
| 52 Week Price Chg                                       | -16.38% | -0.53%     | 0.67%     | -1.61%         | -5.89%    | -32.84%   |
| 20 Day Average Volume                                   | 384,153 | 438,235    | 2,423,651 | 1,858,435      | 1,229,130 | 1,597,641 |
| (F1) EPS Est 1 week change                              | 0.00%   | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 0.00%     |
| (F1) EPS Est 4 week change                              | 0.00%   | -5.15%     | -2.07%    | -7.61%         | 2.02%     | -12.43%   |
| (F1) EPS Est 12 week change                             | -33.38% | -22.61%    | -16.07%   | -12.73%        | -2.92%    | -22.47%   |
| (Q1) EPS Est Mthly Chg                                  | 0.00%   | -20.88%    | -3.59%    | -12.62%        | 14.22%    | -15.18%   |



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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

|                |   |
|----------------|---|
| Value Score    | C |
| Growth Score   | A |
| Momentum Score | A |
| 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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### Disclosures

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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