ZACKS | Our Research. Your Success.

**May 01, 2020**

## Altria Group, Inc. (MO)

**$39.25** (As of 04/30/20)

Price Target (6-12 Months): **$42.00**

Long Term: 6-12 Months | **Zacks Recommendation:** **Neutral**
(Since: 05/01/19)
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

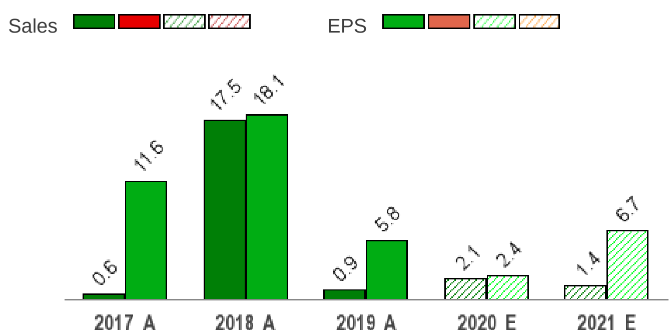

Altria's shares have lagged the industry in the past three months. The company has been battling weak cigarette volumes due to stern regulations and consumers' rising health awareness. Though reported domestic cigarette shipment volumes rose in first-quarter 2020, it was hurt by the cigarette industry's rate of decline and retail share losses. While management withdrew its 2020 earnings view due to COVID-19-related uncertainties, it continues to expect domestic cigarette industry volumes to drop in 2020. Nonetheless, pricing strategies and solid oral tobacco products continued aiding Altria during the quarter, wherein top and bottom lines beat the consensus mark. Management highlighted that it hasn't seen any material disruptions from coronavirus and is focused on strengthening its cash position amid the crisis.


## Price, Consensus & Surprise


## Data Overview

| | |
|---|---|
| 52 Week High-Low | $54.00 - $30.95 |
| 20 Day Average Volume (sh) | 9,479,255 |
| Market Cap | $72.9 B |
| YTD Price Change | -21.4% |
| Beta | 0.45 |
| Dividend / Div Yld | $3.36 / 8.6% |
| Industry | Tobacco |
| Zacks Industry Rank | Top 16% (41 out of 253) |
| Last EPS Surprise | 12.4% |
| Last Sales Surprise | 9.2% |
| EPS F1 Est- 4 week change | -1.2% |
| Expected Report Date | 08/04/2020 |
| Earnings ESP | 0.0% |
| P/E TTM | 9.2 |
| P/E F1 | 9.1 |
| PEG F1 | 1.4 |
| P/S TTM | 2.8 |

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




## Sales Estimates (millions of $)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | 4,642 E | 5,286 E | 5,497 E | 4,878 E | 20,503 E |
| 2020 | 5,046 A | 5,222 E | 5,442 E | 4,846 E | 20,217 E |
| 2019 | 4,389 A | 5,193 A | 5,412 A | 4,802 A | 19,796 A |

## EPS Estimates

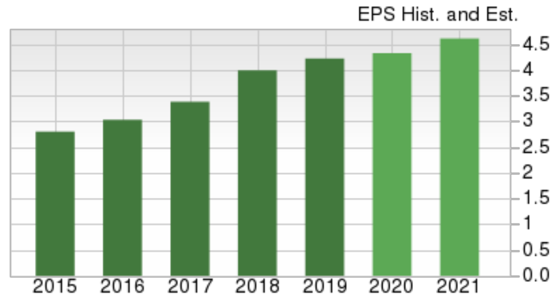
| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | $1.04 E | $1.20 E | $1.27 E | $1.10 E | $4.61 E |
| 2020 | $1.09 A | $1.10 E | $1.17 E | $1.05 E | $4.32 E |
| 2019 | $0.90 A | $1.10 A | $1.08 A | $1.02 A | $4.22 A |

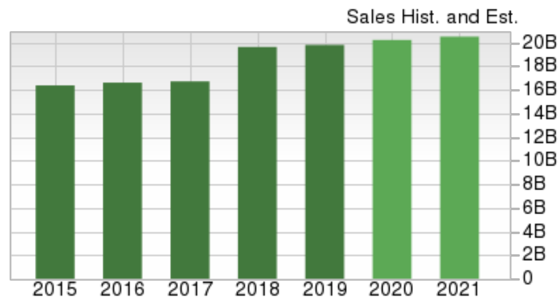
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/30/2020. The reports text is as of 05/01/2020.

## Overview

Altria Group has been evolving with the changing industry dynamics. Given the rising health consciousness and stern government regulations to discourage smoking, this tobacco behemoth has been moving beyond traditional cigarettes and expanding in the smokeless category. We note that revenues from the oral product category have been steadily rising on the back of growing popularity for reduced risk products. In this respect, Altria is gaining from the sale of IQOS in United States, through its licensing deal with Phillip Morris. Further, Altria's investment in Cronos Group highlights its focus on exploring the cannabis market.




This Richmond-based company specializes in cigarettes, smokeless products and wine. It is the holding company for Philip Morris USA, Inc. (PM USA), U.S. Smokeless Tobacco Company LLC (UST), John Middleton Inc., Sherman Group Holdings, LLC and its subsidiaries — Ste. Michelle Wine Estates Ltd. (Ste. Michelle) and Philip Morris Capital Corporation (PMCC).

At Dec 31, 2019, Altria had an approximate 10.1% ownership in Anheuser-Busch InBev SA/NV (AB InBev). It also holds investments in JUUL and Burger Sohne Holding AG. Altria reports under the following segments on the basis of products:

- Smokeable Products (88% of 1Q19 Sales): The segment, which comprises mainly of PM USA, sells major brands like Marlboro cigarettes, Virginia Slims cigarettes and Parliament cigarettes.

- Oral Tobacco Products (9.5%): The segment was formed after the acquisition of UST and its smokeless tobacco business in Jan 2009. The smokeless products segment includes brands like Copenhagen, Skoal, Red Seal, Husky and Marlboro Snus, a PM USA spit-less smokeless tobacco product.

- Wine (2.3%): The segment was formed after the acquisition of UST and its premium wine business — Ste. Michelle. The main brands are Chateau Ste. Michelle and Columbia Crest. The company also owns wineries or distributes wines from several other wine regions and foreign countries.

- All Other (0.2%): Altria holds investments in finance leases, principally in transportation (including aircraft), power generation and manufacturing equipment and facilities.

Products of the company are mainly sold through distributors, wholesalers and large retail chains.

## Reasons To Buy:

▲ **Strong Pricing & Q1 Earnings:** Altria's strong pricing has helped it stay afloat in the industry even in the face of declining cigarette volumes. Though higher pricing might lead to possible decline in cigarette consumption, it is seen that smokers tend to absorb price increases owing to the addictive quality of cigarettes. In first-quarter 2020, higher pricing boosted adjusted operating companies income (OCI) growth in both smokeable and oral tobacco products segments. Continuation of such trends is likely to aid Altria's OCI and bottom line. Incidentally, first-quarter adjusted earnings of $1.09 per share rose 18.5% year over year and beat the Zacks Consensus Estimate of 97 cents. The uptick can be attributed to increased adjusted OCI in the smokeable and oral tobacco product segments along with a reduced number of outstanding shares.

The company gains from strategic pricing for its smokeable and orat tobacco products. Moreover, it is striving to expand in the reduced risk tobacco products space.

▲ **Efforts to Expand Oral Tobacco Products & Other Categories:** There has been a general shift among consumers toward several reduced risk tobacco products (RRPs) due to serious health hazards of smoking cigarettes. Altria has been responding to the changing market scenario by offering several oral tobacco products. During the first quarter of 2020, revenues in the unit improved 11.3% from the year-ago quarter to $601 million, driven by higher pricing and shipment volumes. Continuation of such trends is likely to fuel Altria in the forthcoming periods. Altria has been making considerable progress in its noncombustible business platform. Growth in the noncombustible business has been backed by the launch of IQOS as well as the commercialization of on!

Altria is undertaking dedicated endeavors to bolster presence in the RRPs space. In this respect, the marketing and technology sharing agreement between Altria and Philip Morris, pertaining to the sale of IQOS in the United States, was approved by the FDA in 2019. IQOS, which has been faring well internationally, is aiding Altria's performance in the United States as well. In 2019, IQOS was commercialized in Atlanta, GA, and Richmond, VA. Additionally, Altria (through its subsidiary Helix Innovations) acquired 80% stake in certain companies of Burger Group, which is engaged in the commercialization of the oral tobacco-derived nicotine (TDN) pouch product — on! Management believes that on! is a worthwhile addition to Altria's smokeless portfolio, as oral TDN products are gaining popularity in the United States owing to their low risk claims. Notably, on! was sold in more than 28,000 stores by the end of the first quarter of 2020. Apart from this, Altria is undertaking efforts to expand in the cannabis industry. This is evident from the acquisition of stakes of the Canadian cannabis company, Cronos Group. We expect Altria's efforts to strengthen presence in the cannabis space is likely to boost growth in the forthcoming periods.

▲ **COVID-19 Update:** Altria saw some spike in demand for smokeable as well as oral tobacco products in the first quarter, thanks to consumers' stockpiling trends amid the coronavirus crisis. The company has not witnessed any material impacts of the coronavirus outbreak on its supply chain or distribution systems. Also, it hasn't experienced any material disruptions related to the government's restrictions on consumer movements and business operations. Most of the retail stores where the company's products are sold (like convenience stores) have been considered as essential businesses and remain open. Further, the company reopened its Richmond Manufacturing Center under improved safety measures.

Notably, Altria is making efforts to protect its financial status amid the pandemic, as part of which it has borrowed the entire $3 billion under its revolving credit facility. The company anticipates maintaining a higher cash balance in the coming quarters to protect its financial flexibility.

▲ **Cost Reduction Efforts:** The company is progressing well with its cost-reduction initiatives. Markedly, Altria generated annualized cost savings of $600 million during 2019, surpassing its Cost Reduction Program target of $575 million. The program includes savings generated through reductions in workforce and third-party spending as well as the closure of Nu Mark operations.

## Reasons To Sell:

Management expects domestic cigarette industry volume to decline in 2020. This is most likely to be triggered by consumers growing health awareness and regulatory barriers.

- **Cigarette Volumes to Remain Soft, Stock Underperforms:** Shares of Altria have dropped 15.2% in the past three months compared with the industry's decline of 10%. The company has long been struggling with weak shipment volumes in the smokeables unit. During the first quarter of 2020, though reported domestic cigarette shipment volumes rose 6.1%, it continued being adversely impacted by the cigarette industry's rate of decline and retail share losses. During the quarter, the company's total cigarette retail share declined 0.7 percentage point to 49.2%. In fact, on adjusting for trade inventory movements, calendar differences, preliminary estimates of stock hoarding amid coronavirus and other factors, Altria's smokeable products' domestic cigarette shipment volumes fell approximately 5% and total domestic cigarette industry volumes declined an estimated 3.5%.

  Cigarette shipment volumes are being adversely impacted by anti-tobacco campaigns and increased consumer awareness regarding the harmful impacts of tobacco consumption. Regulatory hurdles (discussed below) are also a vital factor limiting the marketing of cigarettes, thereby adversely impacting its sales volume. This has been hurting Altria's smokeable product category. Such industry-wide headwinds are likely to persist in the forthcoming periods. Owing to coronavirus-related uncertainties, Altria withdrew its adjusted earnings per share view for 2020 as well as compounded annual adjusted earnings growth guidance for 2020-2022. However, the company continues to expect the domestic cigarette industry's adjusted volumes to decline 4-6% in 2020.

- **JUUL Investment Headwinds:** Pertaining to Altria's minority investment in JUUL Labs, the U.S. Federal Trade Commission recently notified about its decision to file an administrative complaint in a bid to challenge the deal. Per the FTC, Altria's minority investment is anticompetitive owing to its decision to shut down the Nu Mark operating company in the fourth quarter of 2018. Nevertheless, Altria is focused on defending its investment. Until then, the company will continue to offer regulatory affair services to JUUL, which includes support in preparing and submitting PMTA filings.

- **Regulatory Restrictions on Tobacco Consumption:** Government bodies across different nations are imposing restrictions on tobacco companies. The U.S. Food and Drug Administration (FDA) has made it mandatory for tobacco companies to use precautionary labels on cigarette packets to dissuade customers from smoking. Also, per court orders, Altria and other cigarette manufacturers have been directed to put up self-critical advertisements on television and newspapers to dissuade customers from smoking. Incidentally, on Mar 17, the FDA issued a final rule, which requires graphic health warnings on cigarettes as well as advertisements. However, Altria believes that the rule goes beyond what is allowed under First Amendment and is assessing options for further moves.

  The FDA had also earlier announced that tobacco makers must seek marketing authorization for any tobacco product introduced after Feb 15, 2007. In May 2016, the FDA expanded this restriction to include e-cigarettes, pipe tobacco, cigars and hookah alongside traditional tobacco products. Moreover, the European Union and the FDA proposed a ban on menthol in accordance with the Tobacco Control Act which essentially states that menthol cigarettes have an adverse impact on public health. In recent developments, the FDA raised concerns surrounding the consumption of e-cigarettes. Regulatory authorities are particularly concerned about the high use of these products among the youth.

- **Soft Wine Segment:** In first-quarter 2020, net revenues in the wine segment fell 3.3% year on year to $146 million due to lower shipment volumes. The segment's revenues, net of excise taxes, dipped 2.7% to $142 million. Reported wine shipment volumes dropped 10.2% to about 1.7 million cases. Markedly, wine sales in restaurants, cruise lines, bars and other avenues have been largely hurt by coronavirus-led social distancing and closures. Adjusted OCI in the wine segment declined 13.3% to $13 million, resulting from escalated selling, general and administrative costs and reduced shipment volumes. Adjusted OCI margin contracted 1.1 percentage points to 9.2%. As the duration and severity of coronavirus is uncertain, such trends pose threats to the wine division.

## Last Earnings Report

**Altria's Q1 Earnings Top Estimates, Guidance Withdrawn**

| Quarter Ending | 03/2020 |
|---|---|
| Report Date | **Apr 30, 2020** |
| Sales Surprise | **9.23%** |
| EPS Surprise | **12.37%** |
| Quarterly EPS | **1.09** |
| Annual EPS (TTM) | **4.29** |

Altria Group released first-quarter 2020 results, wherein both top and bottom lines increased year over year and beat the Zacks Consensus Estimate. However, management withdrew its 2020 earnings guidance owing to the uncertainty related to COVID-19.

Adjusted earnings came in at $1.09 per share, which rose 18.5% year over year and beat the Zacks Consensus Estimate of 97 cents. The uptick can be attributed to increased adjusted operating companies income (OCI) in the smokeable and oral tobacco product segments along with a reduced number of outstanding shares. This was somewhat offset by a decrease in adjusted earnings from the company's equity investment in AB InBev.

Net revenues advanced 13% year over year to $6,359 million. Revenues, after deducting excise taxes, grew 15% to $5,046 million. The consensus mark was $4,619 million. Revenues were backed by strength in the smokeless and oral tobacco product segments.

Gross profit in the quarter advanced 2.2% to $2,873 million from the prior-year quarter. Notably, reported OCI increased 4.7% to $2,400 million and operating income rose 4.4% to $2,336 million.

**Segment Details**

**Smokeable Products:** Net revenues in the category rose 13.6% year over year to $5,606 million due to greater shipment volumes and higher pricing. Revenues, net of excise taxes, grew 16% year over year to $4,328 million.

Reported domestic cigarette shipment volumes climbed 6.1% year over year owing to trade inventory movements, consumers' stockpiling amid the coronavirus-led crisis and calendar differences. This was partly offset by the cigarette industry's rate of decline and retail share losses. During the quarter, the company's total cigarette retail share declined 0.7 percentage point to 49.2%. On an adjusted basis, however, smokeable products' domestic cigarette shipment volumes fell approximately 5% and total domestic cigarette industry volumes declined an estimated 3.5%.

Meanwhile, Altria's reported cigar shipment volumes rose 13.1%. Adjusted OCI in the segment improved 20.1% to $2,392 million, owing to better pricing and increased shipment volumes. Adjusted OCI margins rose 2 percentage points to 55.3%.

**Oral Tobacco Products:** Net revenues in the segment improved 11.3% from the year-ago quarter to $601 million, driven by higher pricing and shipment volumes. Revenues, net of excise taxes, increased 12% to $570 million in the quarter.

Domestic shipment volumes for the segment grew 2.8% due to the industry's growth rate, calendar differences as well as retail and consumer stock hoarding amid the pandemic. This was partly offset by retail share losses and wholesale inventory trade movements. On an adjusted basis, however, oral tobacco products shipment volumes dipped an estimated 0.5%. Total oral tobacco products' retail share went down 2.8 percentage points to 50.4%.

Adjusted OCI rose 13.4% to $416 million, owing to improved pricing and shipment volumes, somewhat negated by elevated costs. Adjusted OCI margin expanded 0.9 percentage points to 73%.

**Wine:** Net revenues fell 3.3% year on year to $146 million due to lower shipment volumes. This was somewhat compensated by improved pricing and mix. The segment's revenues, net of excise taxes, dipped 2.7% to $142 million. Reported wine shipment volumes dropped 10.2% to about 1.7 million cases.

Adjusted OCI in the category declined 13.3% to $13 million, resulting from escalated selling, general and administrative costs and reduced shipment volumes. Higher pricing and improved mix offered some respite. Adjusted OCI margin contracted 1.1 percentage points to 9.2%.

**Financial Updates**

Altria did not repurchase any shares during the first quarter and borrowed the entire $3 billion under its revolving credit facility. Additionally, management suspended the company's share buyback plan of $1 billion, which had a balance of $500 million. Altria anticipates maintaining a higher cash balance in the coming quarters to protect its financial flexibility. Capital expenditures in 2020 are now envisioned in the range of $200-$250 million, down from the previous forecast of $225-$275 million.

**Other Developments & Guidance**

The company reopened its Richmond Manufacturing Center under improved safety measures. Consequently, all of the company's manufacturing facilities are now operational amid the coronavirus outbreak. Till now, the company has not witnessed any material impacts of the outbreak on its supply chain or distribution systems. Also, it hasn't experienced any material disruptions related to the government's restrictions on consumer movements and business operations. However, given the uncertainty around the pandemic, management withdrew its 2020 adjusted earnings per share view. It also withdrew its compounded annual adjusted earnings growth guidance for 2020-2022.

## Recent News

**Altria Announces Update on Coronavirus-Led Impact** - Mar 20, 2020

In the wake of COVID-19, Altria announced a temporary suspension of its operations at PM USA's Manufacturing Center in Richmond, VA, for two weeks. It also announced a temporary suspension of some Middleton domestic operations as a result of supply-chain hurdles stemming from coronavirus. However, PM USA believes it has adequate stock for at least the next two months, whereas Middleton has adequate cigar inventory for roughly three months.

## Valuation

Altria shares are down 21.3% in the year-to-date period and 26.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 14.8% and 15.2%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry is down 13.4%, while the sector declined 11%.

The S&P 500 index is down 8.8% in the year-to-date period and up 0.4% in the past year.

The stock is currently trading at 8.88X forward 12-month earnings, which compares to 10.61 for the Zacks sub-industry, 18.78X for the Zacks sector and 20.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.81X and as low as 7.05X, with a 5-year median of 17.94X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $42 price target reflects 9.5X forward 12-month earnings.

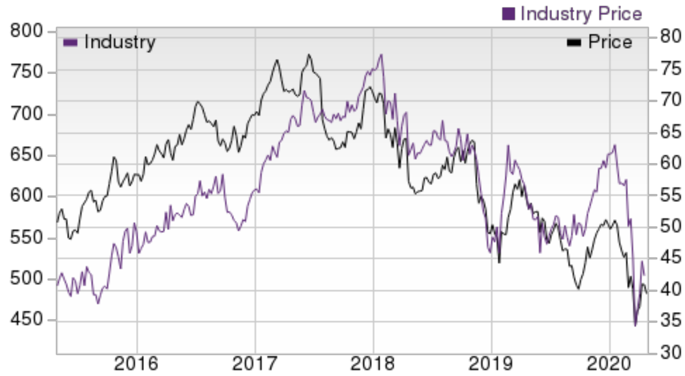
The table below shows summary valuation data for MO

**Valuation Multiples - MO**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| P/E F12M | Current | 8.88 | 10.61 | 18.78 | 20.8 |
| | 5-Year High | 22.81 | 21.23 | 22.37 | 20.8 |
| | 5-Year Low | 7.05 | 9.9 | 16.5 | 15.19 |
| | 5-Year Median | 17.94 | 17.29 | 19.68 | 17.44 |
| P/S F12M | Current | 3.59 | 3.25 | 9 | 3.3 |
| | 5-Year High | 7.56 | 6.8 | 11.16 | 3.44 |
| | 5-Year Low | 2.88 | 3.07 | 8.1 | 2.54 |
| | 5-Year Median | 5.87 | 4.89 | 9.89 | 3.01 |
| EV/EBITDA F12M | Current | 8.7 | 9.23 | 34.16 | 12.29 |
| | 5-Year High | 15.63 | 17.13 | 37.75 | 12.65 |
| | 5-Year Low | 7.8 | 8.03 | 29.77 | 9.09 |
| | 5-Year Median | 12.97 | 12.91 | 34.08 | 10.82 |

As of 04/30/2020

## Industry Analysis **Zacks Industry Rank:** Top 16% (41 out of 253)




## Top Peers

| Company (Ticker) | Rec | Rank |
|---|---|---|
| British American Tobacco p.l.c. **(BTI)** | Neutral | 3 |
| Imperial Tobacco Group PLC **(IMBBY)** | Neutral | 3 |
| JAPAN TOB INC **(JAPAY)** | Neutral | 3 |
| Constellation Brands Inc **(STZ)** | Neutral | 3 |
| Schweitzer-Mauduit International, Inc. **(SWM)** | Neutral | 2 |
| Turning Point Brands, Inc. **(TPB)** | Neutral | 3 |
| Vector Group Ltd. **(VGR)** | Neutral | 2 |
| Anheuser-Busch InBev SA/NV **(BUD)** | Underperform | 4 |

## Industry Comparison Industry: Tobacco

Industry Peers

| | MO | X Industry | S&P 500 | BTI | IMBBY | JAPAY |
|---|---|---|---|---|---|---|
| **Zacks Recommendation (Long Term)** | Neutral | - | - | Neutral | Neutral | Neutral |
| **Zacks Rank (Short Term)** | 3 | - | - | 3 | 3 | 3 |
| **VGM Score** | A | - | - | A | A | B |
| Market Cap | 72.94 B | 1.39 B | 20.61 B | 87.36 B | 20.23 B | 33.49 B |
| # of Analysts | 8 | 2 | 14 | 5 | 4 | 3 |
| Dividend Yield | 8.56% | 5.48% | 2.11% | 7.05% | 16.83% | 5.48% |
| **Value Score** | C | - | - | B | A | B |
| Cash/Price | 0.03 | 0.10 | 0.06 | 0.04 | 0.17 | 0.10 |
| EV/EBITDA | 43.07 | 8.33 | 11.87 | 9.39 | NA | 5.69 |
| PEG Ratio | 1.44 | 1.82 | 2.47 | 1.24 | NA | NA |
| Price/Book (P/B) | 11.60 | 1.79 | 2.67 | 0.99 | 2.84 | 1.33 |
| Price/Cash Flow (P/CF) | 9.03 | 8.06 | 10.66 | 7.13 | 4.13 | 6.85 |
| P/E (F1) | 9.21 | 10.72 | 19.01 | 9.11 | 6.44 | 15.06 |
| Price/Sales (P/S) | 2.82 | 1.48 | 2.10 | NA | NA | 1.68 |
| Earnings Yield | 11.01% | 9.55% | 5.05% | 10.98% | 15.56% | 6.67% |
| Debt/Equity | 4.28 | 0.29 | 0.72 | 0.59 | 2.09 | 0.25 |
| Cash Flow ($/share) | 4.35 | 3.33 | 7.01 | 5.35 | 5.11 | 1.38 |
| **Growth Score** | A | - | - | C | A | C |
| Hist. EPS Growth (3-5 yrs) | 10.82% | 6.14% | 10.88% | NA | NA | -2.67% |
| Proj. EPS Growth (F1/F0) | 2.46% | -1.04% | -7.32% | 1.40% | -2.23% | -30.37% |
| Curr. Cash Flow Growth | 4.57% | 4.57% | 5.92% | 8.98% | -3.71% | -1.32% |
| Hist. Cash Flow Growth (3-5 yrs) | 8.93% | 4.91% | 8.55% | 12.83% | 1.08% | NA |
| Current Ratio | 0.59 | 1.28 | 1.23 | 0.71 | 0.90 | 1.28 |
| Debt/Capital | 81.08% | 37.08% | 43.84% | 37.08% | 67.69% | 20.10% |
| Net Margin | -3.33% | 4.49% | 11.08% | NA | NA | 15.98% |
| Return on Equity | 76.81% | 6.76% | 16.44% | NA | NA | 12.91% |
| Sales/Assets | 0.49 | 0.86 | 0.54 | NA | NA | 0.40 |
| Proj. Sales Growth (F1/F0) | 2.13% | 0.00% | -1.42% | 0.20% | -71.48% | -4.34% |
| **Momentum Score** | A | - | - | A | B | A |
| Daily Price Chg | -3.01% | -2.46% | -2.39% | -4.67% | -2.13% | -0.42% |
| 1 Week Price Chg | -3.50% | -0.18% | -1.74% | -0.93% | -2.18% | 3.76% |
| 4 Week Price Chg | 8.37% | 8.37% | 17.07% | 3.39% | 8.03% | 4.89% |
| 12 Week Price Chg | -15.88% | -13.44% | -18.53% | -15.34% | -11.47% | -9.49% |
| 52 Week Price Chg | -26.17% | -26.17% | -9.82% | 1.73% | -31.45% | -16.09% |
| 20 Day Average Volume | 9,479,255 | 190,962 | 2,641,413 | 2,198,439 | 169,196 | 103,065 |
| (F1) EPS Est 1 week change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (F1) EPS Est 4 week change | -1.20% | 0.00% | -6.62% | 0.00% | 0.00% | 0.00% |
| (F1) EPS Est 12 week change | -2.01% | -2.65% | -13.28% | -2.88% | -6.87% | -29.59% |
| (Q1) EPS Est Mthly Chg | -3.95% | 0.00% | -11.97% | NA | NA | 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 | 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.

## 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.