

## Newmont Goldcorp(NEM)

**\$43.78** (As of 01/22/20)

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

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/05/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:D

Value: C

Growth: D

Momentum: D

### Summary

Earnings estimates for Newmont Goldcorp for the fourth quarter have been moving down in the past month. The company is making notable progress with its growth projects. It is likely to gain from a number of projects including the Tanami Expansion, Subika Underground and Ahafo mill expansion. The company also remains committed to reduce debt and improve efficiency. Moreover, the merger with Goldcorp is expected to be value-accretive to the company's cash flow and generate significant synergies. Also, higher gold prices will likely support its earnings in 2019. However, the company faces headwinds from high production costs on a year-over-year basis. It also faces challenges in the copper market stemming from the oversupply of the metal. Lack of growth in the company's gold reserves and stretched valuation are other concerns.

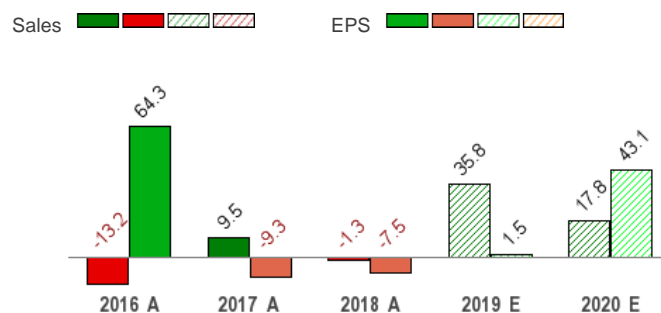
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$44.08 - \$29.77
20 Day Average Volume (sh)	6,161,773
Market Cap	\$35.9 B
YTD Price Change	0.8%
Beta	-0.02
Dividend / Div Yld	\$0.56 / 1.3%
Industry	<a href="#">Mining - Miscellaneous</a>
Zacks Industry Rank	Top 45% (115 out of 255)

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



Last EPS Surprise	-10.0%
Last Sales Surprise	-10.1%
EPS F1 Est- 4 week change	1.5%
Expected Report Date	02/20/2020
Earnings ESP	0.0%
P/E TTM	36.2
P/E F1	22.3
PEG F1	NA
P/S TTM	4.1

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	2,836 E	2,912 E	3,055 E	3,105 E	11,608 E
2019	1,803 A	2,257 A	2,713 A	3,125 E	9,853 E
2018	1,817 A	1,662 A	1,726 A	2,048 A	7,253 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.46 E	\$0.48 E	\$0.55 E	\$0.57 E	\$1.96 E
2019	\$0.33 A	\$0.12 A	\$0.36 A	\$0.50 E	\$1.37 E
2018	\$0.35 A	\$0.26 A	\$0.33 A	\$0.40 A	\$1.35 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/22/2020. The reports text is as of 01/23/2020.

## Overview

Colorado-based Newmont Goldcorp Corporation is one of the world's largest producers of gold with several active mines in Nevada, Peru, Australia and Ghana. As of Dec 31, 2018, Newmont Goldcorp had gold reserves of 65.4 million ounces. Its attributable gold production for 2018 was roughly 5.1 million ounces.

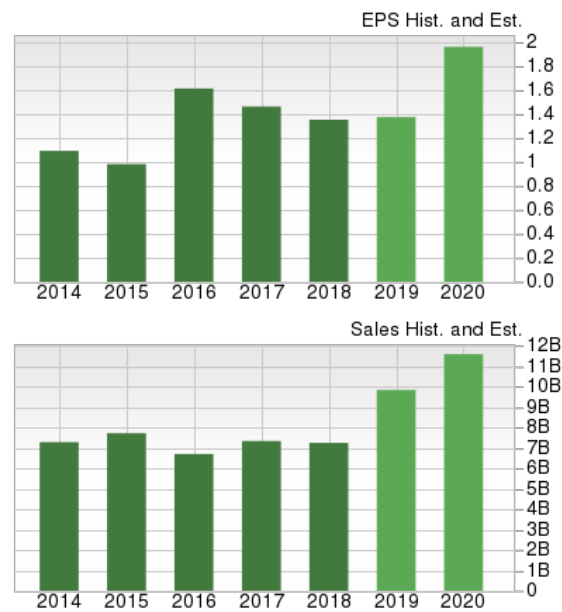
Newmont Goldcorp's operating segments are North America, South America, Australia and Africa.

The North America segment (38% of 2018 gold production) is represented by operations at Nevada. In Nevada, its operations include the Carlin, Twin Creeks and Phoenix mines. The South America segment (19%) is represented by operations in Yanacocha, Peru. The Asia Pacific segment (28%) now consists of the operations in Australia. In Australia, Newmont Goldcorp fully owns and operates the Tanami mine. The Super Pit mine in Kalgoorlie are jointly owned with Barrick Gold. It also owns 100% of the Boddington mine. The Africa segment (15%) operations are represented by the fully-owned Ahafo and Akyem mines in Ghana.

The company closed the sale of its 48.5% ownership interest in PT Newmont Nusa Tenggara (PTNNT), which operates the Batu Hijau copper and gold mine in Indonesia, to PT Amman Mineral Internasional (PTAMI) on Nov 2, 2016. The asset's name is now changed to PT Amman Mineral Nusa Tenggara (PTAMNT).

The company, in February 2014, completed the sale of its Midas underground operation and mill complex to Klondex Mines Ltd. The company, in March 2014, also sold its 5.4% equity interest in Paladin Energy Ltd. through a block sale deal with UBS Australia. Moreover, the company, in July 2014, completed the sale of its Jundee underground gold mine in Australia to Northern Star Resources for roughly \$91 million. The company also completed the sale of its 44% stake in the Penmont joint venture in Mexico in October 2014 to Fresnillo plc for \$477 million.

In January 2019, the company entered into a definitive deal with Goldcorp to acquire all of the outstanding common shares of the latter in a stock-for-stock transaction. The transaction was successfully closed on Apr 18, 2019. The deal provides Newmont Goldcorp an investment-grade balance sheet and financial flexibility to pursue promising projects.



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## Reasons To Buy:

- ▲ Newmont Goldcorp continues to invest in growth projects in a calculated manner. The company is pursuing a number of projects including Tanami Expansion in Australia, and Subika Underground and Ahafo mill expansion in Africa. Subika Underground is expected to yield an average annual gold production of 150,000-200,000 ounces per annum for the first five years starting 2019 and has an initial mine life of roughly 11 years. Also, the company's production is likely to be boosted by higher grade production from the Subika Underground project in 2019. It is also pursuing a second expansion at Tanami and advancing greenfields exploration prospects in Western Australia, the Northern Territory and New South Wales. The Tanami Power Project is also fully permitted, which will lower Tanami power costs and carbon emissions by roughly 20% starting 2019. The project was successfully completed in March 2019. It expects the Tanami power project to deliver net cash savings per ounce of \$34 from 2019 to 2023 and generate an IRR of more than 50%. The Ahafo expansion projects represents additional upside. The expansion was also brought on line in third-quarter 2019, with a budget of around \$175 million. It is likely to boost mill capacity to nearly 10 million tons per year. It will also add annual gold production of 75,000-100,000 ounces per year from 2020 to 2024.
- ▲ Newmont Goldcorp is well placed benefit from its merger with Goldcorp. The transaction is immediately value-accretive to its cash flow and net asset value per share. It is projected to generate an annual expected benefit of around \$165 million per year. Moreover, annual pre-tax synergies and full potential benefits are expected to be \$265 million, representing value creation potential of more than \$2.5 billion. In third-quarter 2019, the company stated that it is exceeding synergy targets from the Goldcorp acquisition. Run rate improvements are now expected to reach \$240 million by the end of 2019. On the general and administrative (G&A) front, the company has accelerated and increased the total synergies to \$120 million per annum.
- ▲ After a turbulent 2018, gold has had a stellar run in 2019. Gold prices surpassed the \$1,500 an ounce threshold in the third quarter and traded at levels last seen in 2013. Prices hit a six-year high of \$1,556 an ounce during the quarter. Uncertainties over the U.S.-China standoff, a weaker U.S. dollar and geopolitical tensions have triggered the safe haven demand for gold so far this year. Higher gold prices will likely lend support to Newmont Goldcorp's earnings in 2019.
- ▲ Newmont Goldcorp remains committed to de-lever its balance sheet. The company repaid debt worth \$1.3 billion in 2016 utilizing proceeds from the sale of its PTNNT stake, reducing its net debt to \$1.9 billion from \$3.5 billion at the end of 2015. It further reduced its long-term debt by 15.4% year over year to \$3.4 billion and net debt was at \$0.9 billion at the end of 2018. Since 2013, the company has been streamlining its balance sheet and has significantly lowered its net debt.
- ▲ Newmont Goldcorp is making notable progress with efficiency improvement programs. Improved operational efficiency is allowing the company to generate positive free cash flow. The company ended 2018 with roughly \$3.4 billion cash in hand, up 5.8% year over year. In February 2018, the company also hiked quarterly dividends from 7.5 cents to 14 cents per share of common stock on strong financials. The company also returned nearly \$400 million to shareholders in 2018, through share buyback program and dividends. Moreover, Newmont Goldcorp targets to maintain an industry-leading dividend of 56 cents per share for 2019 along with share repurchase program. Moreover, it returned \$590 million in dividends to shareholders in the second quarter of 2019. The company also maintained a strong balance sheet with an investment-grade credit rating and had nearly \$5 billion of liquidity. Notably, the company's operating cash flow from continuing operations surged 85% year over year in the last reported quarter due to higher realized gold prices and inclusion of sales from the Goldcorp assets.

Newmont Goldcorp is making notable progress with its growth projects. We are also impressed with its efforts to reduce debt and improve efficiency. The merger with Goldcorp will also generate significant synergies.

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## Reasons To Sell:

- ▼ High expected production cost is a concern for the company. Newmont Goldcorp recorded AISC of \$909 per ounce for 2018, up 2% year over year. The company projects AISC at \$965 per ounce in 2019, marking an expected increase of 6.2% year over year. Moreover, the company's AISC rose around 10% year over year in the last reported quarter, while CAS increased 6.1%. As such, rising cost may continue to weigh on margins.
- ▼ In the gold industry, gold grades have been declining over the past few years. As operations mature, gold producers, including Newmont Goldcorp, are forced to extract ores with lower grades that are often accompanied by higher separation and extraction costs. The company's gold reserve also declined 4.7% year over year at 65.4 million ounces at the end of 2018. As such, lack of growth in reserves is a concern.
- ▼ Newmont Goldcorp still faces challenges in the copper market stemming from the oversupply of the metal. Copper – an important barometer for the global economy – is a major industrial metal and plays a significant role especially in emerging countries. However, oversupply in the market (with production exceeding demand) poses a threat on copper prices. A slowdown in demand in China adds to the concerns. China's move to tighten credit growth could hurt demand for copper in its property and infrastructure sectors. The company's average realized copper price also declined around 5% year over year in the last reported quarter to \$2.37 per pound.
- ▼ The company's stretched valuation is another concern. In case of Newmont Goldcorp, the trailing 12-month EV/EBITDA multiple (a preferred valuation metric for cyclical industries like mining) is 32.93 whereas its industry's trailing 12-month EV/EBITDA multiple is lower at 23.18. As such, investors might not want to pay more for Newmont Goldcorp's stock.

Newmont Goldcorp faces headwinds from high production costs on year over year comparison basis. Lack of growth in the company's gold reserves is another concern.

## Last Earnings Report

### Newmont Goldcorp's Earnings & Sales Lag Estimates in Q3

Newmont Goldcorp reported net income from continuing operations of \$2,226 million or \$2.71 per share in third-quarter 2019, against net loss of \$161 million or 31 cents in the year-ago quarter. The results were driven by gains from the formation of Nevada Gold Mines as well as higher realized gold prices and production.

Barring one-time items, adjusted earnings were 36 cents per share. However, the figure trailed the Zacks Consensus Estimate of 40 cents.

Newmont Goldcorp delivered revenues of \$2,713 million, up 57.2% year over year. However, the figure missed the Zacks Consensus Estimate of \$3,016.9 million.

### Operational Highlights

Newmont Goldcorp's attributable gold production rose around 28% year over year to 1.64 million ounces in the third quarter.

The company's CAS for gold was \$733 per ounce, up 6.1% year over year.

AISC for gold rose nearly 10% year over year to \$987 per ounce mainly due to higher gold CAS per ounce and higher sustaining capital spending.

### Regional Performance

#### North America

Attributable gold production in North America was 325,000 ounces, up 296% year over year. Gold CAS for the region was \$945 per ounce, up around 15% year over year.

#### South America

Attributable gold production in South America was 275,000 ounces, up 54% year over year. Gold CAS for the region rose around 5% to \$669 per ounce.

#### Australia

Attributable gold in the region was 339,000 ounces, down around 12% year over year. Gold CAS in this region rose 11% year over year to \$768 per ounce.

#### Africa

Production in the region totaled 267,000 ounces of gold in the quarter, up 26% year over year. Gold CAS was \$563 per ounce, up 11% year over year.

### Financial Position

The company ended the third quarter with \$2.7 billion of consolidated cash. Net debt was around \$4.8 billion, up from nearly \$1.1 billion in the year-ago quarter.

Net cash from operating activities surged 86.1% year over year to \$791 million in the quarter.

### Outlook

Newmont Goldcorp revised its outlook for 2019. The company now expects attributable gold production for 2019 to be 6.3 million ounces, down from 6.5 million ounces projected earlier.

For 2019, all-in sustaining costs for gold are projected to be \$965 per ounce, down from previous expectation of \$975. Costs applicable to sales expectation for gold are \$715 per ounce compared with \$735 expected earlier.

Quarter Ending **09/2019**

Report Date	<b>Nov 05, 2019</b>
Sales Surprise	<b>-10.07%</b>
EPS Surprise	<b>-10.00%</b>
Quarterly EPS	<b>0.36</b>
Annual EPS (TTM)	<b>1.21</b>

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## Recent News

### **Newmont Unveils Plan to Hike Annual Dividend by 79% - Jan 6, 2020**

Newmont has declared plans to hike its quarterly dividend to 25 cents per share or an expected annual dividend of \$1 per share.

The latest hike, which will be effective upon the approval and declaration of its first-quarter dividend in April 2020, represents 79% increase from quarterly dividend of 14 cents per share declared in October 2019. The dividend hike is in line with the company's disciplined approach to capital allocation strategy and supports its industry leading return profile.

Additionally, the company intends to continue its share repurchase program for up to \$1 billion of common stock that was announced in December 2019. The company has used the repurchase program to retire 12.4 million shares worth \$506 million for the quarter ended Dec 31, 2019. Overall, the company has returned around \$1.4 billion to shareholders in 2019.

Newmont has one of the strongest and sustainable portfolios of projects, operations and exploration prospects in the gold space. The company is slated to enter its centenary year in May 2020.

Notably, the declaration and payment of future dividends are at the discretion of its board. It will also depend on future prospects, financial performance, cash requirements as well as other factors deemed relevant by the board of directors.

### **Newmont Closes KGCM Stake Sale, Cuts 2020 Production View – Jan 2, 2020**

Newmont has successfully completed the divestment of its 50% interest in Kalgoorlie Consolidated Gold Mines (KCGM) to Northern Star Resources Limited for cash proceeds of \$800 million.

Newmont had previously announced the agreements to sell Red Lake in Canada for \$375 million and its stake in Continental Gold for \$260 million. Through the latest move, the company has achieved its divestiture target of between \$1 billion and \$1.5 billion. Newmont expects to receive more than \$1.4 billion in cash proceeds in first-quarter 2020. The divestment of KCGM streamlines Newmont's portfolio. It now has 12 top-tier assets, which are located in four continents having favorable gold mining jurisdictions.

The company has also issued an updated 2020 guidance and long-term view. For 2020, Newmont expects attributable gold production to be 6.4 million ounces, down from earlier forecast of 6.7 million ounces. In the long term, gold production is projected in the range of 6.2-6.7 million ounces through 2024.

Gold costs applicable to sales projection for 2020 is unchanged at \$750 per ounce. Gold CAS per ounce for 2021 and 2022 are expected between \$650 and \$750 and in the band of \$600-\$700 for 2023 and 2024.

All-in sustaining costs per ounce expectation for gold for 2020 are unchanged at \$975 and between \$850 and \$950 for 2021 and 2022. Gold AISC per ounce is projected between \$800 and \$900 for 2023 and 2024.

The company has lowered attributable sustaining capital guidance for 2020 to \$950 million and in the range of \$0.9-\$1.1 billion in the long-term through 2024.

### **Newmont Goldcorp Announces Stock Repurchase Plan Worth \$1B – Dec 2, 2019**

Newmont Goldcorp has announced that its board of directors has approved the authorization of a stock repurchase program for up to \$1 billion of its common shares. The repurchase is scheduled to be completed in the next 12 months.

The company's latest move is in line with its disciplined capital allocation priorities, which includes investing in profitable growth, returning cash to shareholders and maintenance of investment grade credit profile. Moreover, the repurchased shares will be retired. This will lead to immediate accretion to shareholders by lowering total outstanding shares and boosting financial performance.

Notably, the company has completed its integration process with Goldcorp. It is now positioned to realize more than \$500 million per year in total cash flow improvements by 2021 from supply chain efficiencies, G&A and exploration synergies along with full potential productivity and cost improvements.

The stock repurchase program will be executed at the company's discretion. The company is likely to utilize the open market repurchases throughout the authorization period.

### **Newmont Goldcorp Declares Quarterly Dividend – Oct 22, 2019**

Newmont Goldcorp's board of directors announced a quarterly dividend of 14 cents per share of common stock. The dividend was paid on Dec 27, 2019 to holders of record at the close of business on Dec 5, 2019.

### **Newmont Goldcorp's Ahafo Mill Expansion Attains Production – Oct 15, 2019**

Newmont Goldcorp has announced that the Ahafo Mill Expansion in Ghana attained commercial production per schedule and within budget of around \$175 million.

Considering the completion of the Subika Underground project last year, the company expects this mill expansion to boost Ahafo's average annual gold production to 550,000-650,000 ounces through 2024 and lower life-of-mine processing costs.

Notably, Ahafo Mill Expansion is Newmont Goldcorp's third profitable project that was completed per schedule and within budget in 2019. The other two projects are the Borden mine in Canada and the Tanami Power project in Australia.

The company expects the expansion to generate an IRR of more than 20% at a gold price of \$1,200 per ounce and also extend profitable production at Ahafo through at least 2029.

The mill capacity at Ahafo is likely to increase by more than 50% to nearly 10 million tons per year. It will add annual gold production of 75,000-100,000 ounces for the first five years starting 2020. It will accelerate efficient processing of ore from stockpiles and support profitable development of Ahafo's highly-prospective underground resources.

#### **Newmont Goldcorp's Penasquito Mine Illegal Blockade Lifted – Oct 9, 2019**

Newmont Goldcorp has announced that the unlawful blockade of the Penasquito mine in Mexico has been lifted. The company is working closely with the state and federal governments for a sustainable, long-term solution.

The move also paves way for resuming the government-sponsored dialogue. Mining operations are temporarily suspended. It is expected to resume after assessment of the situation on the ground and assurances that more blockades will not be allowed.

Notably, Penasquito operations had been suspended since the illegal blockade started on Sep 14, 2019. The initiative was undertaken by the company to protect people, assets as well as the long-term viability of the mine.

#### **Newmont Goldcorp Achieves Commercial Production at Borden Mine – Oct 1, 2019**

Newmont Goldcorp declared that it has achieved commercial production at the Borden mine near Chapleau, Ontario, which was on schedule and within budget.

### **Valuation**

Newmont Goldcorp's shares are up 35.9% over the trailing 12-month period. Stocks in the Zacks Mining - Miscellaneous industry and the Zacks Basic Materials sector are up 14.8% and 1.6% over the past year, respectively.

The S&P 500 index is up 25% in the past year.

The stock is currently trading at 21.94X forward 12-month earnings, which compares to 10.6X for the Zacks sub-industry, 13.58X for the Zacks sector and 19.13X for the S&P 500 index.

Over the past five years, the stock has traded as high as 38.43X and as low as 14.31X, with a 5-year median of 24.59X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$46 price target reflects 23.05X forward 12-month earnings per share.

The table below shows summary valuation data for NEM:

Valuation Multiples - NEM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.94	10.6	13.58	19.13
	5-Year High	38.43	35.66	21.12	19.34
	5-Year Low	14.31	8.63	9.77	15.17
	5-Year Median	24.59	10.6	13.77	17.44
P/B TTM	Current	1.6	3.41	2.33	4.54
	5-Year High	2.75	4.39	3.54	4.55
	5-Year Low	0.58	0.45	1.33	2.85
	5-Year Median	1.5	2.13	2.18	3.61
P/S TTM	Current	4.08	5.72	2.17	3.59
	5-Year High	4.94	7.47	3.1	3.64
	5-Year Low	1.1	2.96	1.82	2.51
	5-Year Median	2.67	5.93	2.5	3.16

As of 01/22/2020

## Industry Analysis Zacks Industry Rank: Top 45% (115 out of 255)



## Top Peers

Agnico Eagle Mines Limited (AEM)	Neutral
Yamana Gold Inc. (AUY)	Neutral
B2Gold Corp (BTG)	Neutral
Gold Fields Limited (GFI)	Neutral
Barrick Gold Corporation (GOLD)	Neutral
Kinross Gold Corporation (KGC)	Neutral
AngloGold Ashanti Limited (AU)	Underperform
Eldorado Gold Corporation (EGO)	Underperform

Industry Comparison Industry: Mining - Miscellaneous				Industry Peers		
	NEM Neutral	X Industry	S&P 500	BTG Neutral	GOLD Neutral	KGC Neutral
<b>VGM Score</b>	<b>D</b>	-	-	<b>A</b>	<b>B</b>	<b>A</b>
Market Cap	35.89 B	120.94 M	24.65 B	4.36 B	32.52 B	5.91 B
# of Analysts	5	2	13	5	8	5
Dividend Yield	1.28%	0.00%	1.77%	0.72%	1.09%	0.00%
<b>Value Score</b>	<b>C</b>	-	-	<b>B</b>	<b>C</b>	<b>B</b>
Cash/Price	0.08	0.09	0.04	0.03	0.08	0.07
EV/EBITDA	18.41	-1.06	13.98	7.77	20.17	7.50
PEG Ratio	NA	3.10	2.05	3.61	13.13	NA
Price/Book (P/B)	1.60	1.26	3.38	2.33	1.14	1.23
Price/Cash Flow (P/CF)	12.06	5.92	13.60	7.99	11.45	6.54
P/E (F1)	22.35	16.80	19.07	9.79	26.27	11.18
Price/Sales (P/S)	4.07	1.13	2.69	3.78	3.72	1.80
Earnings Yield	4.48%	2.73%	5.24%	10.17%	3.83%	8.92%
Debt/Equity	0.30	0.04	0.72	0.18	0.19	0.39
Cash Flow (\$/share)	3.63	-0.00	6.94	0.53	1.60	0.72
<b>Growth Score</b>	<b>D</b>	-	-	<b>A</b>	<b>B</b>	<b>A</b>
Hist. EPS Growth (3-5 yrs)	3.57%	1.90%	10.60%	54.19%	-1.61%	17.73%
Proj. EPS Growth (F1/F0)	42.62%	19.52%	7.53%	83.05%	32.30%	32.53%
Curr. Cash Flow Growth	-5.29%	-0.76%	13.90%	146.87%	-26.04%	-9.78%
Hist. Cash Flow Growth (3-5 yrs)	-1.24%	8.44%	9.00%	36.09%	-15.38%	-3.16%
Current Ratio	2.18	2.02	1.22	2.40	2.99	2.71
Debt/Capital	23.23%	11.99%	42.99%	15.43%	16.21%	28.14%
Net Margin	25.42%	-15.48%	11.21%	5.76%	15.85%	5.15%
Return on Equity	4.71%	-10.29%	17.16%	11.03%	3.60%	6.02%
Sales/Assets	0.30	0.35	0.55	0.44	0.27	0.40
Proj. Sales Growth (F1/F0)	17.81%	0.00%	4.08%	21.27%	16.54%	2.16%
<b>Momentum Score</b>	<b>D</b>	-	-	<b>D</b>	<b>A</b>	<b>C</b>
Daily Price Chg	0.16%	0.00%	-0.04%	-0.24%	-0.33%	0.64%
1 Week Price Chg	2.86%	0.62%	2.29%	4.04%	0.56%	-0.66%
4 Week Price Chg	3.79%	2.01%	2.05%	9.87%	-0.11%	1.95%
12 Week Price Chg	12.14%	2.74%	6.92%	25.15%	7.27%	-1.88%
52 Week Price Chg	35.96%	-10.80%	21.50%	52.16%	55.40%	50.96%
20 Day Average Volume	6,161,773	93,554	1,518,423	6,089,264	9,667,632	9,460,228
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.93%	2.77%	0.00%
(F1) EPS Est 4 week change	1.47%	0.00%	0.00%	0.93%	1.83%	0.00%
(F1) EPS Est 12 week change	-14.49%	-1.98%	-0.23%	18.13%	-6.54%	6.50%
(Q1) EPS Est Mthly Chg	-2.13%	0.00%	0.00%	-15.39%	4.08%	0.00%



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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	D
Momentum Score	D
VGM Score	D

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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