

## PepsiCo Inc. (PEP)

**\$143.38** (As of 01/22/20)

Price Target (6-12 Months): **\$151.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 04/17/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: B

## Summary

PepsiCo has outpaced the industry in a year on a positive surprise trend and robust organic sales view. The company reported earnings and sales beat in third-quarter 2019, driven by strength in all segments and robust pricing. This marked its ninth sales beat in the last 11 quarters, with positive earnings surprise in 14 of the last 15 quarters. The company's productivity savings goal of at least \$1 billion annually through 2023 bodes well. Moreover, PepsiCo now expects organic revenues for 2019 to meet or exceed 4% growth stated previously. However, unfavorable impacts of ongoing investments to strengthen business, higher tax rate, and the absence of asset sale and refranchising gains that occurred in 2018 are likely to hurt PepsiCo's earnings in 2019. Adverse currency rates are also likely to hurt the company's results.

## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	\$143.85 - \$108.00
20 Day Average Volume (sh)	3,793,436
Market Cap	\$199.9 B
YTD Price Change	4.9%
Beta	0.53
Dividend / Div Yld	\$3.82 / 2.7%
Industry	<a href="#">Beverages - Soft drinks</a>
Zacks Industry Rank	Top 42% (106 out of 255)

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



Last EPS Surprise	4.0%
Last Sales Surprise	1.3%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	02/13/2020
Earnings ESP	0.0%
P/E TTM	25.8
P/E F1	24.1
PEG F1	3.5
P/S TTM	3.0

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	13,305 E	17,306 E	17,968 E	21,385 E	69,764 E
2019	12,884 A	16,449 A	17,188 A	20,382 E	66,850 E
2018	12,562 A	16,090 A	16,485 A	19,524 A	64,661 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$1.07 E	\$1.65 E	\$1.67 E	\$1.53 E	\$5.94 E
2019	\$0.97 A	\$1.54 A	\$1.56 A	\$1.43 E	\$5.51 E
2018	\$0.96 A	\$1.61 A	\$1.59 A	\$1.49 A	\$5.66 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

Headquartered in Purchase, NY, PepsiCo, Inc. is one of the leading global food and beverage companies. Its complementary brands/businesses include Frito-Lay snacks, Pepsi-Cola beverages, Gatorade sports drinks, Tropicana juices and Quaker foods. The company serves customers in more than 200 countries and territories.

The company is organized into six reportable segments:

**Frito-Lay North America (FLNA - accounted for 25% of total revenues in 2018):** The segment produces and sells snack foods in the United States, including some popular names like Cheetos cheese-flavored snacks, Doritos tortilla chips, Fritos corn chips, Lay's potato chips, Ruffles potato chips and Tostitos tortilla chips.

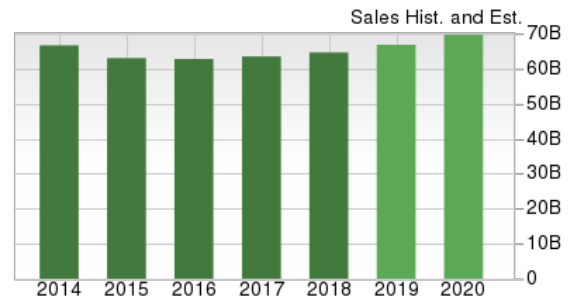
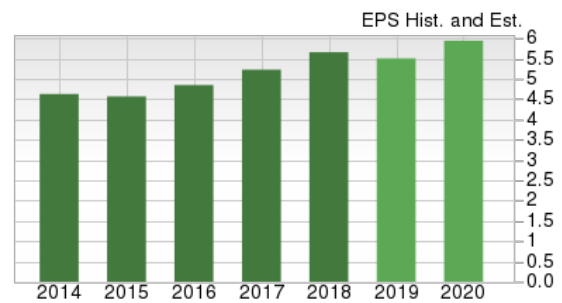
**Quaker Foods North America (QFNA - 4%):** The segment manufactures and sells cereals, rice, pasta, dairy and other branded products and includes some popular names like Quaker oatmeal and Aunt Jemima mixes and syrups, Quaker grits.

**PepsiCo Beverages North America (PBNA - 33%):** The segment includes all beverage businesses in the United States and Canada. The segment, formerly known as North America Beverages (NAB), manufactures and sells beverage concentrates, fountain syrups and many carbonated soft drinks (CSD) and non-carbonated beverages (NCB). It also sells ready-to-drink tea and coffee products through joint ventures (JV) with Unilever and Starbucks along with brands like Crush and Dr Pepper.

**Latin America (11%):** The segment includes all beverage, food and snack businesses in Latin America.

**Europe Sub-Saharan Africa (ESSA - 18%):** The segment includes all beverage, food and snack businesses in Europe and Sub-Saharan Africa. It also sells ready-to-drink tea products through an international JV with Unilever (under the Lipton brand name) and some leading dairy products.

**Asia, Middle East and North Africa (AMENA - 9%):** The segment includes all beverage, food and snack businesses in Asia, the Middle East and North Africa.



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## Reasons To Buy:

▲ **Robust Surprise Trend, Strong Organic Sales View Boost Stock:** PepsiCo's shares have rallied 31% in a year, outpacing the industry's growth of 16.7%. The outperformance can be attributed to the company's positive surprise trend and robust organic sales view. It reported top and bottom-line beat in third-quarter 2019. With this, it reported positive earnings surprise in 14 of the last 15 quarters and sales beat in nine of the last 11 quarters. Top-line gains in all six operating segments as well as robust pricing aided the company's results. Further, strength in product and geographic portfolios, and progress on productivity targets aided results. Growth across segments also bolstered organic revenues, which grew 4.3%. Driven by robust revenue growth witnessed in the third quarter, PepsiCo now expects organic revenues for 2019 to meet or exceed 4% growth stated previously. Further, it reiterated other earlier stated assumptions for 2019. It plans to continue investing in capabilities, which will position it for growth.

PepsiCo delivered robust organic revenue growth in each of its international segments in third-quarter 2019. This included organic revenue growth of 7% in developing and emerging markets.

▲ **Productivity Improvement and Cost Savings Program:** PepsiCo has been continually focused on driving greater efficiency and effectiveness, by driving down costs and plowing back these savings to develop scale and core capabilities. The company now estimates generating productivity savings of at least \$1 billion annually through 2023. This marks an expansion from the prior target of \$1 billion annual savings through 2019, under its five-year restructuring plan that was announced in February 2014. The company expects to achieve this productivity goal through savings generated from restructuring actions. These actions are likely to position the company to further simplify, synchronize and automate processes; re-engineer the go-to-market and information systems; simplify the organization and optimize its manufacturing and supply chain footprint. As part of these restructuring actions, the company estimates incurring pre-tax charges of nearly \$2.5 billion through 2023 (with cash portion of nearly \$1.6 billion). Savings from the productivity and restructuring plans should go a long way in driving top line and margins.

▲ **Strong Snacking Category:** PepsiCo has the competitive advantage of selling both snacks and beverages, which are complementary food categories. The complementary portfolio results in cost leverage, capability sharing, cross-category promotions and other commercial benefits. Notably, the company holds the number one position in the global snacks market with popular brands like Doritos, Cheetos and Lay's. Just over half of PepsiCo's sales come from snacks, while the remainder is contributed by beverages. The company's strong and growing snacks business has largely offset its sluggish beverages business in the past several quarters. The Frito-Lay North American snacks business has delivered consistent solid performance over the last four years. Notably, Frito-Lay is growing value share in salty, savory and macro snack categories. Investments in innovation, marketing, consumer insights and manufacturing capabilities in this segment have led to strong revenue growth for its mainstream brands like Doritos, Cheetos, Ruffles and Fritos. Additionally, it drove double-digit growth for its smaller premium brands such as Bare and Off the Eaten Path.

Gaining significant share in the snacking market, PepsiCo's Frito-Lay North America business reported core constant-currency operating profit growth of 4% and organic revenue growth of 5.5% in third-quarter 2019. Moreover, organic snacks/food volume increased 1% in the third quarter. This segment is likely to continue delivering strong sales and profits as the demand for savory snacks is rising.

▲ **Strong International Presence:** PepsiCo generates a significant part of its revenues outside the United States (38% of 2018 net revenues). Developing and emerging markets have significant growth potential due to their relatively low per-capita consumption. Another reason is the burgeoning middle-class population with rising income levels which has increased the demand for convenient, on-trend, affordable food and beverages. The company is expanding in developing/emerging markets like Russia, Mexico, China, India, Brazil and Africa through tailored distribution models as well as by offering locally relevant innovation and value-added products. In Mexico and India, PepsiCo has a massive expansion plan in place over the next five years. In third-quarter 2019, the company delivered solid organic revenue growth in each of its international segments despite macroeconomic uncertainties in some markets. Notably, organic revenues improved 4% each at ESSA and Latin America, and 9% at AMENA.

Looking at the detailed picture, organic revenues for the developing and emerging markets rose 7% in the third quarter, backed by strength in several key markets. Organic revenues in Mexico, Saudi Arabia, China, Turkey and Pakistan improved in double-digits. Meanwhile, India, Egypt, Poland and Colombia reported high-single-digit growth in organic revenues.

▲ **Attractive Shareholder Returns:** PepsiCo regularly returns value through higher dividends and share buybacks and reinvests greatly in its business. Pepsi's six-year annualized dividend per share (as of Dec 2018) has grown at a compounded growth rate of 9%, while cash returns over the same period were more than \$45 billion. PepsiCo has been increasing dividend for 47 consecutive years, including increases of 3% in 2019, 15% in 2018, 7% in 2017, 7.1% in 2016, 7.3% in 2015, 15% for 2014 and 5.6% for 2013. Also, it bought back shares worth \$3.2 billion in 2012, \$3 billion in 2013, \$5 billion each in 2014 and 2015, \$3 billion in 2016, and \$2 billion in both 2017 and 2018. Moreover, it plans to return a total of \$8 billion to shareholders in 2019 through the share repurchases of approximately \$3 billion and dividend payments of around \$5 billion. Free cash flow is estimated to be around \$5 billion. Operating cash flow is expected to be nearly \$9 billion, with net capital spending of \$4.5 billion.

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## Reasons To Sell:

- ▼ **Valuation Looks Stretched:** Considering price-to-earnings (P/E) ratio, PepsiCo looks overvalued compared with the Consumer Staples sector and the S&P 500 index. The stock has a trailing 12-month P/E ratio of 25.79x, which is above the median level of 23.59x and at par with the high level scaled in the past year. On the contrary, the trailing 12-month P/E ratio for the sector is 22.95x and 20.78x for S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.
- ▼ **SG&A Expenses Hurt Q2 Operating Margin & EPS:** While PepsiCo beat earnings estimates in third-quarter 2019, core earnings per share (EPS) declined year over year, owing to increased SG&A expenses that also hurt the operating margin. Notably, core EPS declined 1.9% year over year. Despite gross margin growth, the company's reported operating margin contracted 64 bps and core operating margin declined 42 bps. The decline in operating margin was mainly caused by a 7.8% increase in core SG&A expenses (up 126 bps as a percentage of sales). The increase in SG&A expenses can be attributed to rise in certain operating costs (including higher commodity costs) and advertising and marketing expenses.
- ▼ **Soft Earnings View:** While PepsiCo remains optimistic about the future outlook, it reiterated the previously outlined soft EPS view, owing to impacts of ongoing investments to strengthen the business and other factors. For 2019, the company estimates core constant-currency EPS to decline nearly 1%, owing to impacts of incremental investments to strengthen business in 2019, higher effective tax rate guidance, and lapping of a number of asset sales and refranchising gains that occurred in 2018. Notably, core effective tax rate is estimated to be nearly 21% in 2019 compared with 18.8% in 2018. Further, the company expects core earnings of \$5.50 per share in 2019, reflecting a 3% decline from \$5.66 reported in 2018.
- ▼ **Unfavorable Foreign Currency:** PepsiCo's significant international presence exposes it to foreign currency risks, which have been weighing on the performance. Apparently, net revenues and reported EPS included negative impact of 1 percentage point each from foreign exchange (Fx) translation. Further, the company estimates currency to impact both reported revenues and EPS by nearly 2 percentage points in 2019, based on current rates.
- ▼ **Industry Challenges:** The beverage industry presents substantial challenges for PepsiCo, primarily related to dynamic retail and consumer landscape, a very competitive environment, as well as operating and commodity cost inflation. The company's profits and margins are particularly pressured due to higher transportation cost, product mix costs and stepped-up advertising expense. Though the company has an advantage of diversified snacks and beverage portfolio, competing with the leading soft-drinks maker Coke is crucial for the company's business growth.

Unfavorable impacts of investments to strengthen business, higher tax rate, and absence of asset sale and refranchising gains witnessed in 2018 are likely to hurt PepsiCo's earnings in 2019.

## Last Earnings Report

### PepsiCo Tops Q3 Earnings & Revenue Estimates

PepsiCo reported solid third-quarter 2019 results, wherein earnings and sales surpassed estimates. With this, the company reported sales beat in nine of the last 11 quarters. Further, it recorded positive earnings surprise in 14 of the last 15 quarters. However, the company's core earnings per share declined year over year, owing to increased SG&A expenses, which also hurt operating margin.

Quarter Ending **09/2019**

Report Date	Oct 03, 2019
Sales Surprise	1.32%
EPS Surprise	4.00%
Quarterly EPS	1.56
Annual EPS (TTM)	5.56

#### Quarter in Detail

PepsiCo's third-quarter core earnings per share (EPS) of \$1.56 beat the Zacks Consensus Estimate of \$1.50. However, core EPS declined 1.9% year over year. In constant currency, core earnings were down 1% from the year-ago period.

The company's reported earnings of \$1.49 per share declined nearly 15% year over year. Foreign exchange translation unfavorably impacted reported EPS by 1 percentage points.

Net revenues of \$17,188 million advanced 4.3% year over year and surpassed the Zacks Consensus Estimate of \$16,964 million. Notably, revenues included the negative impact of 1 percentage point from foreign exchange (Fx). On an organic basis, excluding currency headwinds, revenues rose 4.3%.

Revenue growth, on a reported and organic basis, was primarily driven by strength in all of the company's businesses as well as robust pricing while volume remained flat. Notably, all segments witnessed organic and reported revenue growth in the third quarter. This was driven by strong progress on its strategic priorities and investments made in its capabilities, brands, manufacturing and go-to-market capacity to boost growth.

Total volume remained flat in the reported quarter. While organic snacks/food volume increased 1% (versus 2% growth witnessed in the second quarter); beverage volume improved 2% (after remaining flat in the last reported quarter). Meanwhile, net pricing improved 4% in the third quarter, driven by strong pricing across all segments.

On a consolidated basis, reported gross margin expanded 90 basis points (bps) while core gross margin improved 85 bps. Reported operating margin contracted 64 bps while core operating margin declined 42 bps. The decline in operating margin was mainly owing to higher SG&A expenses.

#### Segment Details

Reported revenues improved 6% at ESSA, 5.5% at FLNA, 5% at AMENA, 3.5% at PBNA, 2% in Latin America and 1.5% at QFNA segments. Meanwhile, organic revenues grew 9% at AMENA, 5.5% at FLNA, 4% each at ESSA and Latin America, 3% at PBNA, and 1% at QFNA.

Operating profit (on a reported basis) declined 12% for the QFNA segment along with declines of 9% at PBNA and 3% at Latin America. However, it grew 15% for AMENA, 8% for ESSA and 4% for FLNA segments.

#### Financials

The company ended third-quarter 2019 with cash and cash equivalents of \$5,494 million, long-term debt of \$29,630 million, and shareholders' equity (excluding non-controlling interest) of \$14,129 million.

Net cash from operating activities was \$5,063 million as of Sep 7, 2019, compared with \$4,732 million as of Sep 8, 2018.

#### Guidance

Driven by the robust revenue growth witnessed in the third quarter, PepsiCo now expects organic revenues for 2019 to meet or exceed 4% growth stated previously. Further, it reiterated other earlier stated assumptions for 2019. It plans to continue investing in capabilities that will position it for growth.

For 2019, the company continues to anticipate a nearly 1% decline in core constant-currency EPS. The decline in EPS is likely to be led by impacts of incremental investments to strengthen its business in 2019, higher core effective tax rate guidance, and lapping of a number of asset sales and refranchising gains that occurred in 2018. Core effective tax rate is estimated to be nearly 21% in 2019.

Moreover, the company estimates foreign currency to impact revenues and EPS by nearly 2 percentage points in 2019, based on current rates. Due to the above-mentioned factors, it anticipates core earnings of \$5.50 per share in 2019, suggesting a 3% decline from \$5.66 reported in 2018.

Further, management plans to return \$8 billion to shareholders through dividend payments worth \$5 billion and share repurchases worth \$3 billion. Free cash flow is estimated to be around \$5 billion. Operating cash flow is expected to be nearly \$9 billion, with net capital spending of \$4.5 billion.

## Recent News

### PepsiCo Strengthens Snacking Unit, Product Launches on Track – Jan 15, 2020

PepsiCo is constantly making efforts to strengthen its snacking category. In sync with this, Ruffles and Anthony Davis collaborated to extend the business and reach new heights with the launch of new flavor - Lime and Jalapeno. Recently, the Cheetos brand also launched Cheetos popcorn in stores nationwide. The new Cheetos ready-to-eat popcorn is available in two flavors - Cheddar and Flamin' Hot.

Also, Lay's unveiled three new chip flavors across its entire portfolio as the New Year kicked off. These three flavors include Lay's Cheddar Jalapeno, Lay's Poppables Sea Salt & Vinegar, and Lay's Kettle Cooked Flamin' Hot. Moreover, Doritos launched two remixes of fan favorite flavors - Flamin' Hot Limon and Amped-Up Cool Ranch. The new Flamin' Hot experience carries the same signature heat but with a tangy twist, while Doritos Cool Ranch brings even more Cool Ranch flavor.

### PepsiCo's Coffee-Cola Blend to Strengthen Beverage Portfolio – Dec 12, 2019

PepsiCo comes up again with a coffee-cola concoction, Pepsi Cafe, scheduled to be launched in the United States next April. Pepsi Cafe blends deep flavor of coffee with the refreshing savor of cola. The drink will be available in two flavors — Pepsi Cafe Original and Pepsi Cafe Vanilla — with the taste of Arabica coffee to bring a pleasant blend to the coffee and cola enthusiasts.

Pepsi Cafe will be available in 12oz slim cans, nearly doubling the amount of caffeine than a regular Pepsi cola. This easy, on-the-go beverage for drink enthusiasts looking for blended cola and coffee flavors with extra caffeine, resonates well with the customer changing beverage preferences. Notably, PepsiCo had entered the cola and coffee space with the launch of Pepsi Kona in 1996. Pepsi Cafe is the latest offering from the same space with a new twist.

### PepsiCo's BFY Brands Buyout to Expand Snacking Portfolio – Dec 2, 2019

PepsiCo has signed a deal to acquire BFY Brands, the maker of PopCorners snacks, for an undisclosed amount. After the completion of the deal, BFY Brands will report under the company's Frito-Lay North America division. The transaction is subject to customary conditions and approvals, including regulatory.

The addition of BFY Brands will enhance Frito-Lay's snacking portfolio with more nutritious options. Per PepsiCo's management, BFY Brands deals with unique products that have great taste and ingredients. BFY Brands' production capabilities will also support the growth of PepsiCo's existing, more-nutritious snack brands.

## Valuation

PepsiCo shares are up 31% in the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are up 16.7% and 18.4%, respectively, in the past year.

The S&P 500 index is up 24.9% in the past year.

The stock is currently trading at 24.03X forward 12-month earnings, which compares to 23.39X for the Zacks sub-industry, 19.92X 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 24.84X and as low as 16.44X, with a 5-year median of 20.82X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$151 price target reflects 25.31X forward 12-month earnings.

The table below shows summary valuation data for PEP

Valuation Multiples - PEP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.03	23.39	19.92	19.13
	5-Year High	24.84	23.39	22.38	19.34
	5-Year Low	16.44	18.46	16.66	15.17
	5-Year Median	20.82	21.39	19.76	17.44
P/S F12M	Current	2.86	4.72	10.26	3.56
	5-Year High	2.86	5.23	11.13	3.56
	5-Year Low	2.02	3.59	8.09	2.54
	5-Year Median	2.4	4.41	9.88	3
EV/EBITDA TTM	Current	28.16	21.93	40.97	12.38
	5-Year High	28.85	21.93	44.94	12.86
	5-Year Low	9.82	12.15	31.54	8.48
	5-Year Median	13.48	17.24	38.33	10.67

As of 01/22/2020

## Industry Analysis Zacks Industry Rank: Top 42% (106 out of 255)



## Top Peers

Conagra Brands Inc. (CAG)	Neutral
Campbell Soup Company (CPB)	Neutral
Kellogg Company (K)	Neutral
Coca-Cola Company (The) (KO)	Neutral
Coca Cola Femsa S.A.B. de C.V. (KOF)	Neutral
Mondelez International, Inc. (MDLZ)	Neutral
Monster Beverage Corporation (MNST)	Neutral
Fomento Economico Mexicano S.A.B. de C.V. (FMX)	Underperform

Industry Comparison Industry: Beverages - Soft Drinks				Industry Peers		
	PEP Neutral	X Industry	S&P 500	FMX Underperform	KO Neutral	MNST Neutral
<b>VGM Score</b>	<b>C</b>	-	-	<b>B</b>	<b>D</b>	<b>D</b>
Market Cap	199.93 B	569.30 M	24.65 B	33.59 B	246.83 B	36.27 B
# of Analysts	9	2	13	3	8	7
Dividend Yield	2.66%	0.00%	1.77%	1.57%	2.78%	0.00%
<b>Value Score</b>	<b>C</b>	-	-	<b>C</b>	<b>D</b>	<b>D</b>
Cash/Price	0.03	0.07	0.04	0.17	0.05	0.04
EV/EBITDA	17.06	6.88	13.98	11.37	25.58	25.90
PEG Ratio	3.44	2.10	2.05	1.67	3.92	2.10
Price/Book (P/B)	14.06	4.06	3.38	1.94	11.93	8.83
Price/Cash Flow (P/CF)	19.34	14.66	13.60	15.79	24.45	34.96
P/E (F1)	24.07	21.47	19.07	22.48	25.68	29.91
Price/Sales (P/S)	3.03	1.49	2.69	1.31	7.14	8.83
Earnings Yield	4.14%	4.30%	5.24%	4.45%	3.89%	3.35%
Debt/Equity	2.08	0.37	0.72	0.42	1.50	0.00
Cash Flow (\$/share)	7.41	0.81	6.94	5.94	2.36	1.93
<b>Growth Score</b>	<b>C</b>	-	-	<b>C</b>	<b>C</b>	<b>C</b>
Hist. EPS Growth (3-5 yrs)	5.32%	5.32%	10.60%	4.58%	0.38%	19.48%
Proj. EPS Growth (F1/F0)	7.91%	11.50%	7.53%	21.50%	6.79%	10.73%
Curr. Cash Flow Growth	5.77%	11.67%	13.90%	-32.42%	5.17%	19.52%
Hist. Cash Flow Growth (3-5 yrs)	1.98%	1.98%	9.00%	1.86%	-2.49%	24.17%
Current Ratio	0.95	1.25	1.22	1.52	0.92	3.31
Debt/Capital	67.57%	31.84%	42.99%	29.76%	59.99%	0.00%
Net Margin	18.78%	0.33%	11.21%	5.58%	22.41%	26.58%
Return on Equity	55.00%	7.19%	17.16%	8.37%	45.21%	28.23%
Sales/Assets	0.86	0.85	0.55	0.81	0.40	0.85
Proj. Sales Growth (F1/F0)	4.43%	3.97%	4.08%	5.20%	3.97%	8.79%
<b>Momentum Score</b>	<b>B</b>	-	-	<b>A</b>	<b>D</b>	<b>D</b>
Daily Price Chg	1.07%	0.00%	-0.04%	0.83%	0.77%	0.96%
1 Week Price Chg	5.00%	1.96%	2.29%	-2.04%	2.54%	3.02%
4 Week Price Chg	4.74%	-0.11%	2.05%	-0.21%	5.30%	6.29%
12 Week Price Chg	4.73%	2.95%	6.92%	3.87%	6.80%	20.14%
52 Week Price Chg	29.49%	-3.99%	21.50%	1.21%	19.35%	22.25%
20 Day Average Volume	3,793,436	287,483	1,518,423	396,355	10,588,579	2,351,728
(F1) EPS Est 1 week change	0.07%	0.00%	0.00%	0.00%	0.06%	0.06%
(F1) EPS Est 4 week change	0.07%	0.00%	0.00%	1.13%	0.02%	0.25%
(F1) EPS Est 12 week change	0.04%	-0.67%	-0.23%	-2.87%	-0.28%	0.38%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	NA	0.00%	0.50%

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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	C
Momentum Score	B
VGM Score	C

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

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