

Prologis Inc. (PLD)

\$94.27 (As of 01/17/20)

Price Target (6-12 Months): **\$100.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/27/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: F

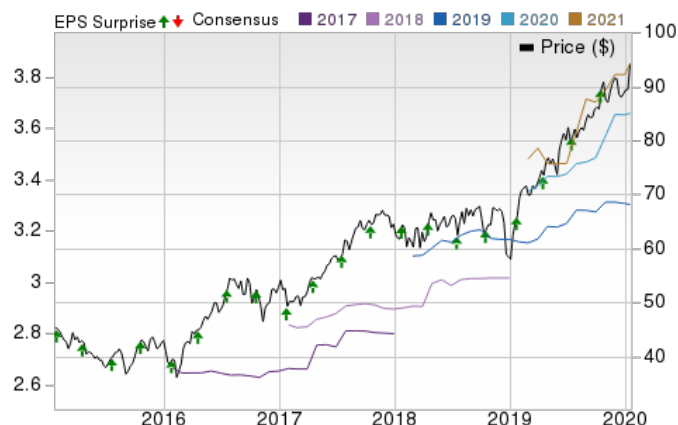
Growth: C

Momentum: A

Summary

Shares of Prologis have outperformed its industry in the past year. In early January, the company completed its buyout of warehouse owner Industrial Property Trust Inc. (IPT) in an all-cash deal worth \$4 billion, including debt, from Black Creek Group. The transaction will boost Prologis' presence in strategic markets across the United States, including Southern California, the San Francisco Bay Area, Chicago, Atlanta, Dallas, Seattle and New Jersey. Further, it indicates Prologis' efforts to bank on growth opportunities amid healthy operating fundamentals in the industrial real estate markets. Given its balance-sheet strength, the company remains well poised to capitalize on this favorable trend. However, higher supply in future will impact rent and occupancy growth. Any protectionist trade policies will add to the company's woes.

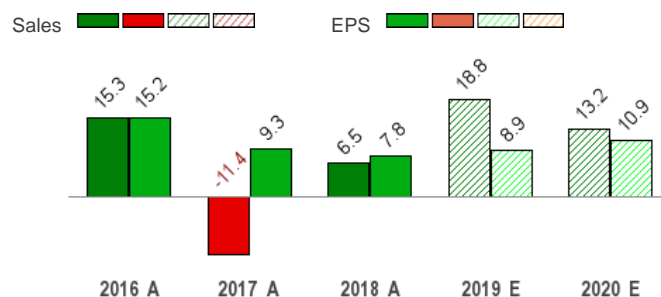
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$94.78 - \$63.28
20 Day Average Volume (sh)	1,988,902
Market Cap	\$59.6 B
YTD Price Change	5.8%
Beta	0.98
Dividend / Div Yld	\$2.12 / 2.2%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 32% (172 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.3%
Last Sales Surprise	-0.4%
EPS F1 Est- 4 week change	-0.2%
Expected Report Date	01/22/2020
Earnings ESP	-1.0%
P/E TTM	28.8
P/E F1	25.8
PEG F1	4.6
P/S TTM	18.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	726 E	736 E	747 E	757 E	3,214 E
2019	697 A	701 A	710 A	727 E	2,839 E
2018	561 A	545 A	609 A	679 A	2,389 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.85 E	\$0.93 E	\$0.94 E	\$0.94 E	\$3.66 E
2019	\$0.73 A	\$0.77 A	\$0.97 A	\$0.84 E	\$3.30 E
2018	\$0.80 A	\$0.71 A	\$0.72 A	\$0.80 A	\$3.03 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 01/17/2020. The reports text is as of 01/20/2020.

Overview

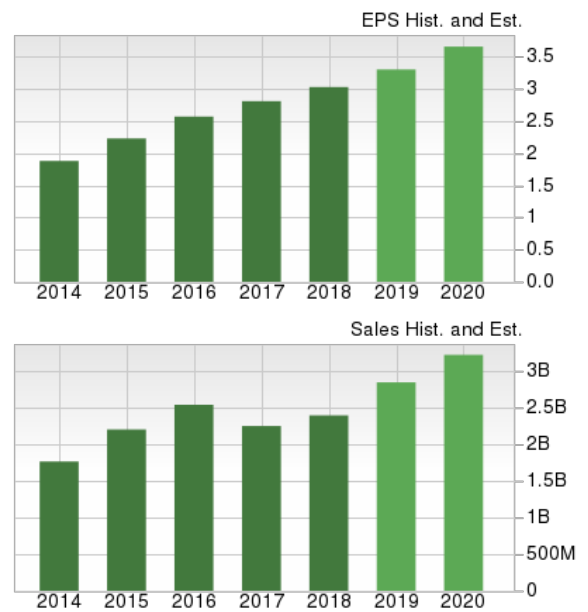
Prologis Inc. is a leading industrial real estate investment trust (REIT) that acquires, develops, operates and manages industrial real estate space in the Americas, Asia and Europe. The company principally targets investments in distribution facilities for customers who are engaged in global trade and depend on efficient movement of goods through the global supply chain.

As of Sep 30, 2019, Prologis owned or had investments in properties and development projects aggregating around 797 million square feet of space in 19 countries, either on a wholly-owned basis or through co-investment ventures. Modern distribution facilities are being leased by the company to around 5,100 customers. These customers belong to two main categories — business-to-business and retail/online fulfillment.

The company has been actively banking on its growth opportunities through acquisitions and developments. On Aug 22, 2018, Prologis completed the acquisition of DCT Industrial Trust Inc. for \$8.5 billion in a stock-for-stock deal. Moreover, on Jul 15, 2019, it announced signing a definitive merger agreement to acquire warehouse owner IPT in an all-cash deal valued at \$4 billion, including debt, from Black Creek Group. The transaction closed in January 2020.

Further, on Oct 27, Prologis announced that it has entered into a definitive merger agreement with Liberty Property Trust to acquire the latter in an all-stock transaction, valued at roughly \$12.6 billion, including the assumption of debt. The acquisition, which is anticipated to close in first-quarter 2020, will strengthen Prologis' presence in target regions such as Chicago, Lehigh Valley, New Jersey, Houston, Central PA, and Southern California.

Note: All EPS numbers presented in this report represent funds from operations (FFO) per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Prologis provides industrial distribution warehouse space in some of the busiest distribution markets across the globe. The properties of the company are typically located in large, supply-constrained infill markets in close proximity to airports, seaports and ground transportation facilities, which facilitates rapid distribution of customers' products.
- ▲ In a rising e-commerce market, the industrial real estate asset category has grabbed headlines and continues to play a pivotal role, transforming the way how consumers shop and receive their goods. Services like same-day delivery are gaining traction and last-mile properties in high-income urban areas are witnessing solid pricing, occupancy and growth in rentals. Companies are making immense efforts to improve supply-chain efficiencies, propelling demand for logistics infrastructure and efficient distribution networks. Given Prologis' solid capacity, the company remains well poised to capitalize on this trend. Moreover, Prologis' share of net effective rent change was 37% in the July-September quarter compared with 22.6% recorded a year ago. This was driven by the United States at 41.7%. With rents outperforming, management raised its 2019 U.S. rent growth forecast from 6% to 7%, resulting in an 80-basis point expansion in its global rent forecast to 6.5%. Also, management increased the bottom end of its cash same-store net operating income (NOI) guidance by 25 basis points and now expects a range of 4.75% to 5%.
- ▲ With healthy operating fundamentals in the industrial real estate markets, Prologis is actively capitalizing on growth opportunities through acquisitions and developments. The company's JV with NBIM has signed a deal to acquire a 19-million-square-foot logistics real estate portfolio across multiple U.S. markets worth \$1.99 billion. Moreover, in October 2019, the company announced that it has agreed to acquire Liberty Property Trust in an all-stock transaction, valued at roughly \$12.6 billion, including the assumption of debt. The acquisition, anticipated to close in first-quarter 2020, will lead to addition of a logistics operating portfolio, spanning 107 million square feet of space, overlapping in 87% of key markets. Furthermore, through this buyout, Prologis will acquire 5.1 million square feet of logistics development in progress. The buyout is expected to significantly boost annual core FFO per share. Moreover, in January, the company completed its acquisition of warehouse owner IPT in an all-cash deal valued at about \$4 billion, including debt, from Black Creek Group. The portfolio consists of 37.5 million square feet and 24 U.S. markets. Particularly, the deal expands the company's position in Southern California, the San Francisco Bay Area, Chicago, Atlanta, Dallas, Seattle and New Jersey. Also, in 2018, Prologis gained significant scale by acquiring DCT Industrial Trust Inc. for \$8.5 billion in a stock-for-stock deal.
- ▲ Prologis' high number of build-to-suit development projects highlights the advantageous location of the company's land bank, as well as demand from its multi-site customers, many of whom are focused on e-commerce. The sites are positioned near large population centers that are suited for serving as the last warehouse before goods are delivered to consumers.
- ▲ Prologis is focused on bolstering its liquidity. The company exited the September-end quarter with cash and cash equivalents of \$1.02 billion, up from the \$401.2 million recorded at the end of the previous quarter. Prologis ended the quarter with leverage of 18.4% on a market capitalization basis and debt-to-adjusted EBITDA of 3.9x and \$4.9 billion of liquidity. The company's financing activities in the reported quarter has helped it lower total weighted average interest rate and lengthen weighted average maturity. Being a market leader, Prologis has the ability to raise capital at favorable rates. Given its balance-sheet strength and prudent financial management, the company remains well poised to capitalize on growth opportunities.
- ▲ Finally, solid dividend payouts are arguably the biggest enticement for REIT shareholders and Prologis remains committed to that. In February, ushering in good news for its shareholders, the company's board increased its annualized dividend rate by 10% to \$2.12 from the \$1.92 paid earlier. Given the company's financial position and lower debt-to-equity ratio compared to that of the industry, this dividend rate is expected to be sustainable.
- ▲ Over the past year, shares of Prologis have surged 45.7% compared with the industry's growth of 18.7%. In addition, the trend in estimate revisions of 2020 FFO per share indicates a favorable outlook for the company. In fact, the Zacks Consensus Estimate for 2020 FFO per share has been revised marginally upward over the past week. Therefore, given the improvement in fundamentals and positive estimate revisions, the stock has decent upside potential.

Amid healthy industrial real estate market, Prologis is well poised to benefit from its capacity to offer modern distribution facilities in strategic locations. The company also has decent balance sheet strength.

Reasons To Sell:

- ▼ Recovery in the industrial market has continued for long and a whole lot of new buildings are slated to be completed and made available in the market in the near term, leading to higher supply and lesser scope for rent and occupancy growth. Additionally, any protectionist trade policies will have an adverse impact on economic growth, as well as the company's business over the long term.
- ▼ Prologis generates a significant portion of its revenues from operations outside the United States. Therefore, state of affairs and developments, associated with international operations, have an impact on performance. Moreover, given its international presence, Prologis often faces unfavorable foreign currency movements and other economic fluctuations that impair top-line growth.
- ▼ Although interest rate levels are low at present, any hike in future is likely to be a challenge for the company. Essentially, rising rates imply higher borrowing cost for the company, which would affect its ability to purchase or develop real estate and lower dividend payouts as well. Moreover, the dividend payout might become less attractive than the yields on fixed income and money-market accounts.
- ▼ Prologis faces significant competition from other REITs and private institutional funds. A competitive market lowers the company's ability to lease its properties, raise rents and acquire or dispose assets at favorable terms.

Rising number of new facilities, competitive landscape and protectionist trade policies are the company's chief concerns. Also, given its international presence, it is susceptible to foreign currency risk.

Last Earnings Report

Prologis Q3 FFO Tops Estimates on Rent Growth, View Up

Prologis reported third-quarter 2019 core FFO per share of 97 cents, beating the Zacks Consensus Estimate of 93 cents. Results also compare favorably with the year-ago figure of 72 cents. Notably, the company had net promote income of 18 cents in the just-reported quarter, while no promotes were earned in the year-ago period.

The company witnessed rent growth in the third quarter, but period-end occupancy moderated slightly as the company prioritized rent over occupancy. Moreover, results reflect substantial earnings from the company's strategic capital business. The industrial REIT also raised its guidance for 2019 core FFO per share.

Prologis generated rental revenues of \$710.5 million, which registered 16.7% growth from the prior-year quarter. However, the figure narrowly missed the Zacks Consensus Estimate of \$713.2 million.

Quarter in Detail

At the end of the reported quarter, occupancy level in the company's owned-and-managed portfolio was 96.5%, down 100 basis points year over year, indicating the company's strategy of prioritizing rent over occupancy. However, during the quarter, 38 million square feet of leases commenced in the company's owned-and-managed portfolio, up from 37 million square feet in the year-ago period.

Prologis' share of net effective rent change was 37% in the July-September quarter compared with 22.6% recorded a year ago. This was driven by the United States at 41.7%. Cash rent change was 21.4%, as against 11.6% recorded in the year-earlier quarter. However, cash same-store NOI registered 4.3% growth compared with the 5.9% increase reported in the comparable period last year, with the company emphasizing on rent over occupancy.

In third-quarter 2019, Prologis' share of building acquisitions amounted to \$191 million, with a weighted average stabilized cap rate of 4.3%. Development stabilization aggregated \$658 million, while development starts totaled \$577 million, with 63.6% being build-to-suit. Furthermore, the company's total dispositions and contributions came in at \$498 million, with weighted average stabilized cap rate (excluding land and other real estate) of 4.8%.

Liquidity

The company exited the September-end quarter with cash and cash equivalents of \$1.02 billion, up from the \$401.2 million recorded at the end of the previous quarter. Prologis ended the quarter with leverage of 18.4% on a market capitalization basis and debt-to-adjusted EBITDA of 3.9x and \$4.9 billion of liquidity.

Notably, during the reported quarter, the company and its co-investment ventures issued \$2.8 billion of debt, mainly in euros. This was done at a weighted average fixed interest rate of less than 1% and a weighted average term of more than 14 years.

Outlook Raised

Prologis raised its core FFO per share outlook for full-year 2019. The company projects core FFO per share of \$3.30-\$3.32, up from the \$3.26-\$3.30 estimated earlier.

The company forecasts year-end occupancy of 96.5-97.0% against the prior projection of 96.5-97.5%, and cash same-store NOI (Prologis share) of 4.75-5.0% compared with the prior projection of 4.5-5%.

Quarter Ending **09/2019**

Report Date	Oct 15, 2019
Sales Surprise	-0.38%
EPS Surprise	4.30%
Quarterly EPS	0.97
Annual EPS (TTM)	3.27

Recent News

Prologis' Acquisition of IPT for \$4B Reaches Pinnacle – Jan 8, 2020

Prologis' acquisition of the wholly-owned real estate assets of IPT reached its finale, when the former shelled out \$4 billion in cash, including the assumption and repayment of debt, for the transaction.

Specifically, IPT is a sponsored investment fund of Black Creek Group, a real estate investment manager and development company. Prologis has acquired IPT's properties through its two U.S. co-investment ventures, split evenly between USLV and USLF.

The acquired portfolio consists of 37.5 million square feet of highly-leased industrial properties and 236 properties across 24 geographic areas, 96% of which overlaps Prologis' existing footprint.

The transaction will expand Prologis' presence in strategic markets across the United States, including Southern California, Chicago, the San Francisco Bay Area, Atlanta, Seattle, Dallas and New Jersey.

Per management, through this acquisition, the company has added high-quality assets that are positioned in markets providing excellent long-term investment potential. Moreover, it has added 450 customers through this deal, 172 of which are existing relationships with Prologis. Further, the company anticipates leveraging on the benefit of its large-scale and operating expertise, in order to deliver better services to customers and maximize shareholder value.

Prologis Expands Development Venture, Eyes Growth in China – Dec 4, 2019

Prologis is capitalizing on growth opportunities across the globe. This industrial REIT recently opted for expansion of its development venture in China. The company raised its development capacity to more than \$3.5 billion. The company has also announced formation of a \$1.7-billion open-ended Prologis China Core Logistics Fund, LP (PCCLF).

This expansion in China is a strategic fit, with the nation being the largest consumption opportunity in the world. The e-commerce market is growing at a rapid pace and there is a solid demand for premium logistics assets in key consumption markets in the region. This is grabbing attention of investors and spurring strong demand for China logistics.

Particularly, in an effort to grow Prologis China Logistics Venture 3, an additional US\$882 million of equity has been committed by HIP China Logistics Investments Limited and Prologis. With leverage, this will let the venture to develop roughly US\$3.5 billion of logistics properties in China. The partners will keep their respective ownership percentages in this venture.

Further, the China open-ended perpetual life fund — PCCLF — will make investments in operating logistics properties in Prologis' target markets in China. Around RMB 3.1 billion, which approximates to \$445 million, has already been raised. The company will acquire the current portfolio of assets of nearly 22 million square feet, with a fair value of RMB 12.3 billion or \$1.7 billion from Prologis China Logistics Venture 1. While HIP will stay as a major investor in PCCLF, Prologis will maintain its ownership stake.

Prologis JV With NBIM Seals \$2 Billion Logistics Portfolio Deal – Nov 27, 2019

Prologis' JV with Norges Bank Investment Management NBIM has signed a deal to acquire a logistics real estate portfolio worth \$1.99 billion. The move comes as part of Prologis' definitive merger agreement to acquire Industrial Property Trust, Inc.

The 19-million-square-foot logistics real estate portfolio comprises 127 properties positioned across multiple U.S. markets. These include Southern California, San Francisco Bay Area, Seattle and Dallas.

NBIM, which is in charge of the Norwegian Government Pension Fund's management, will shell out \$896 million to own 45% stake in the portfolio. Prologis will own the remaining 55% and manage the properties on behalf of the JV. The agreement was signed last week and will likely conclude next January.

Prologis to Buy Liberty Property Trust in Deal Worth \$12.6B - Oct 27, 2019

Prologis has announced that it has entered into a definitive merger agreement with Liberty Property Trust to acquire the latter in an all-stock transaction, valued at roughly \$12.6 billion, including the assumption of debt. The transaction has been approved by board of directors of Prologis and the board of trustees of Liberty.

The acquisition, which is anticipated to close in first-quarter 2020, will strengthen Prologis' presence in target regions such as Chicago, Lehigh Valley, New Jersey, Houston, Central PA, and Southern California. Also, it is anticipated to significantly boost annual core FFO per share.

Per the acquisition agreement, Liberty Property's shareholders will receive 0.675x of a Prologis share for each Liberty Property share owned.

The acquisition will lead to addition of a logistics operating portfolio spanning 107 million square feet of space that overlaps in 87% of key markets. Furthermore, through this buyout, Prologis will acquire 5.1 million square feet of logistics development in progress. Also, it brings in 1,684 acres of land for future logistics development with build-out potential of 19.7 million square feet and 4.9 million square foot office operating and development portfolio. However, Prologis intends to dispose of \$3.5 billion of assets on a pro rata share basis, which comprises \$2.8 billion of non-strategic logistics properties and \$700 million of office properties.

Annual core FFO per share is expected to increase initially by 10 to 12 cents. Moreover, annual stabilized core FFO per share is projected to increase by an additional 4 cents per share for a total of 14 to 16 cents, upon stabilization of the acquired development assets, completion of the planned non-strategic asset sales as well as redeployment of the associated proceeds.

This deal is expected to create immediate cost synergies of nearly \$120 million emanating from corporate general and administrative cost

savings, operating leverage, lower interest expense as well as lease adjustments. Also, there are future synergies with the possibility to make roughly \$60 million in annual savings. This includes \$10 million from revenue synergies and \$50 million from incremental development-value creation.

Dividend Update

On Dec 5, Prologis' board announced a regular cash dividend of 53 cents per share for fourth-quarter 2019. The dividend was paid out on Dec 31 to shareholders of record as on Dec 19, 2019.

Valuation

Prologis' shares have surged 45.7% in the trailing 12 months. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 18.7% and 11.7% in the past year, respectively.

The S&P 500 index is up 23.8% in the past year.

The stock is currently trading at 25.69X forward 12-month FFO, which compares to 18.28X for the Zacks sub-industry, 14.73X for the Zacks sector and 19.2X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 26.96X and as low as 13.88X, with a 5-year median of 20.65X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$100 price target reflects 27.25X FFO.

The table below shows summary valuation data for PLD.

Valuation Multiples - PLD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.69	18.28	14.73	19.2
	5-Year High	26.96	18.94	16.21	19.34
	5-Year Low	13.88	14.29	12.01	15.17
	5-Year Median	20.65	16.11	13.98	17.44
P/S F12M	Current	18.47	8.27	6.53	3.57
	5-Year High	19.84	8.27	6.61	3.57
	5-Year Low	7.88	5.9	5.2	2.54
	5-Year Median	13.21	6.88	6.04	3
P/B TTM	Current	2.3	2.85	2.86	4.55
	5-Year High	2.3	2.92	2.89	4.55
	5-Year Low	1.02	2.06	1.83	2.85
	5-Year Median	1.65	2.52	2.51	3.61

As of 01/17/2020

Industry Analysis Zacks Industry Rank: Bottom 32% (172 out of 254)



Top Peers

Duke Realty Corporation (DRE)	Neutral
EastGroup Properties, Inc. (EGP)	Neutral
First Industrial Realty Trust, Inc. (FR)	Neutral
Liberty Property Trust (LPT)	Neutral
PS Business Parks, Inc. (PSB)	Neutral
Rexford Industrial Realty, Inc. (REXR)	Neutral
Stag Industrial, Inc. (STAG)	Neutral
Terreno Realty Corporation (TRNO)	Neutral

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	PLD Neutral	X Industry	S&P 500	DRE Neutral	FR Neutral	LPT Neutral
VGM Score	D	-	-	F	F	F
Market Cap	59.55 B	3.06 B	24.65 B	13.11 B	5.44 B	10.02 B
# of Analysts	9	4	13	7	8	4
Dividend Yield	2.25%	4.06%	1.73%	2.64%	2.15%	2.58%
Value Score	F	-	-	F	F	F
Cash/Price	0.02	0.03	0.04	0.01	0.01	0.06
EV/EBITDA	23.29	17.72	14.11	19.81	19.84	36.89
PEG Ratio	4.61	3.67	2.08	5.24	3.67	3.97
Price/Book (P/B)	2.30	1.74	3.39	2.61	3.16	2.42
Price/Cash Flow (P/CF)	23.34	15.13	13.81	18.31	18.79	28.23
P/E (F1)	25.76	15.69	19.19	23.53	23.46	23.82
Price/Sales (P/S)	17.98	6.98	2.69	12.93	12.95	15.12
Earnings Yield	3.88%	6.37%	5.21%	4.26%	4.27%	4.20%
Debt/Equity	0.44	0.88	0.72	0.55	0.82	0.78
Cash Flow (\$/share)	4.04	2.27	6.94	1.95	2.28	2.25
Growth Score	C	-	-	D	C	F
Hist. EPS Growth (3-5 yrs)	11.46%	3.10%	10.56%	3.68%	6.78%	1.58%
Proj. EPS Growth (F1/F0)	10.76%	4.26%	7.57%	5.26%	5.33%	4.94%
Curr. Cash Flow Growth	3.72%	13.18%	14.73%	21.26%	-12.11%	-26.23%
Hist. Cash Flow Growth (3-5 yrs)	30.33%	18.05%	9.00%	7.88%	16.76%	2.06%
Current Ratio	1.27	1.27	1.24	2.26	0.80	7.33
Debt/Capital	30.64%	46.68%	42.99%	35.53%	44.97%	43.89%
Net Margin	53.87%	13.72%	11.14%	40.04%	45.86%	64.23%
Return on Equity	6.92%	4.54%	17.16%	8.49%	11.43%	5.79%
Sales/Assets	0.09	0.13	0.55	0.13	0.13	0.09
Proj. Sales Growth (F1/F0)	13.21%	4.82%	4.16%	4.22%	4.22%	4.18%
Momentum Score	A	-	-	F	D	B
Daily Price Chg	0.99%	0.00%	0.27%	0.79%	-0.16%	0.95%
1 Week Price Chg	0.06%	-0.04%	0.39%	-0.23%	0.19%	-0.17%
4 Week Price Chg	7.97%	2.62%	2.95%	4.05%	4.76%	7.44%
12 Week Price Chg	2.37%	0.37%	7.76%	3.51%	3.80%	25.02%
52 Week Price Chg	47.18%	14.40%	22.29%	26.53%	37.83%	43.75%
20 Day Average Volume	1,988,902	497,680	1,536,375	2,035,996	568,208	1,099,658
(F1) EPS Est 1 week change	-0.18%	0.00%	0.00%	0.00%	0.00%	0.28%
(F1) EPS Est 4 week change	-0.15%	0.00%	0.00%	0.00%	0.00%	0.28%
(F1) EPS Est 12 week change	4.06%	-0.34%	-0.40%	1.24%	0.34%	0.28%
(Q1) EPS Est Mthly Chg	0.20%	0.00%	0.00%	0.00%	0.00%	0.80%

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	F
Growth Score	C
Momentum Score	A
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.

Disclosures

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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.

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