

Rite Aid Corporation (RAD)

\$15.80 (As of 07/17/20)

Price Target (6-12 Months): **\$18.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 06/29/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: B

Summary

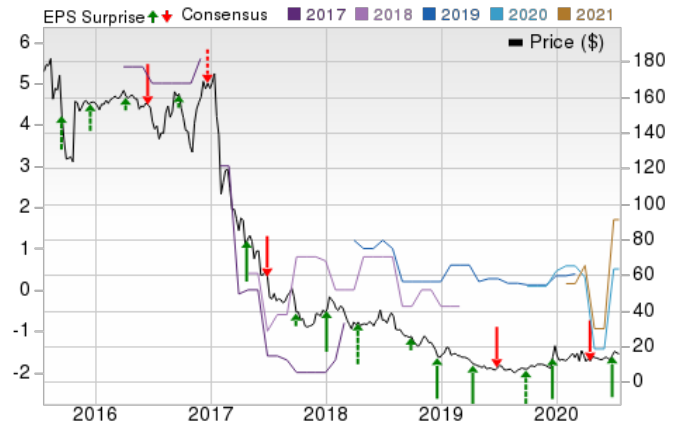
Shares of Rite Aid have outpaced the industry in the past three months. The stock got a boost from the better-than-expected first-quarter fiscal 2021 result. It reported narrower than expected loss, while sales beat the estimates. Solid revenues in pharmacy services and retail pharmacy segments coupled with a rise in the prescription count drove first-quarter fiscal 2021 results. The company is gaining from the expansion of services amid the COVID-19 crisis. It is also witnessing solid demand from the stocking of medications by customers amid the pandemic. Further, the EnvisionRxOptions witnessed solid growth, backed by an increase in Medicare Part D membership. However, uncertainty regarding the COVID-19 pandemic led management to withdraw guidance for fiscal 2021. Moreover, soft margins owing to rising SG&A expenses remain a concern.

Data Overview

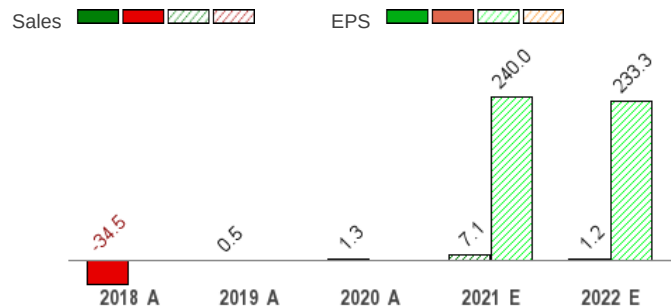
52 Week High-Low	\$23.88 - \$5.04
20 Day Average Volume (sh)	5,599,897
Market Cap	\$863.4 M
YTD Price Change	2.1%
Beta	0.91
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Pharmacies and Drug Stores
Zacks Industry Rank	Top 9% (23 out of 251)

Last EPS Surprise	92.6%
Last Sales Surprise	7.7%
EPS F1 Est- 4 week change	135.3%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	63.2
P/E F1	31.6
PEG F1	31.6
P/S TTM	0.0

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	6,146 E	5,829 E	5,817 E	5,973 E	23,764 E
2021	6,027 A	5,757 E	5,763 E	5,943 E	23,490 E
2020	5,373 A	5,366 A	5,462 A	5,727 A	21,928 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.03 E	\$0.47 E	\$0.73 E	\$0.48 E	\$1.70 E
2021	-\$0.04 A	\$0.11 E	\$0.34 E	\$0.10 E	\$0.51 E
2020	-\$0.14 A	\$0.12 A	\$0.54 A	-\$0.37 A	\$0.15 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 07/17/2020. The reports text is as of 07/20/2020.

Overview

Rite Aid Corporation, headquartered in Camp Hill, PA, is the third largest retail drugstore in the United States, based on revenues and number of stores. As of Feb 29, 2020, the company operated 2,400 retail pharmacy stores across 18 states. Through EnvisionRxOptions, the company also provides pharmacy benefit management to nearly 1,900 clients and 3.4 million members.

The company operates its business in two distinct segments – Retail Pharmacy Segment and Pharmacy Services Segment.

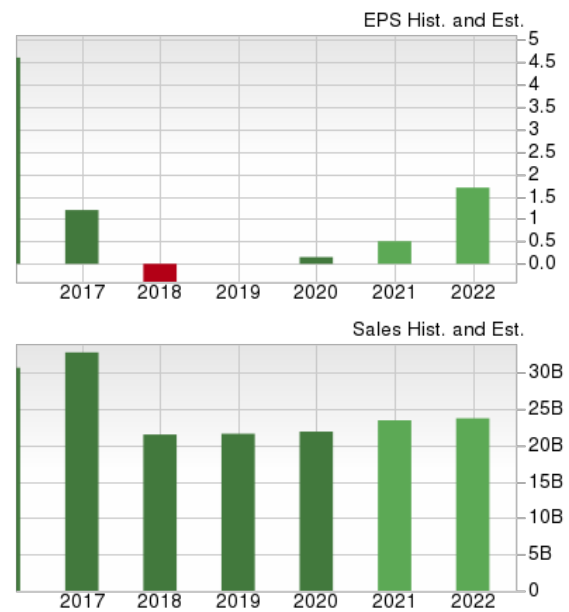
Retail Pharmacy Segment (70% of FY20 Revenues) consists of Rite Aid stores, RediClinic and Health Dialog. *Rite Aid stores* offer prescription drugs and a wide assortment of other merchandise called "front-end" products. Front-end products include over-the-counter (OTC) medications, health and beauty aids, personal care items, cosmetics, household items, food and beverages, greeting cards, seasonal merchandise and other convenience products.

RediClinic is an operator of retail clinics. RediClinics are staffed by board-certified nurse practitioners and physician assistants, who are trained and licensed to treat common conditions and provide preventative services, in collaboration with local physicians affiliated with a leading health care system in each market. The company operated a total of 65 RediClinics at the end of fiscal 2019.

Health Dialog provides healthcare coaching and disease management services to health plans and employers. Health Dialog provides these services using a call in line staffed by nurse practitioners and through an on-line platform.

Pharmacy Services Segment (30% of FY20 Revenues) comprises the EnvisionRx – its PBM operations that have been rebranded as EnvisionRxOptions. This segment provides a broad range of pharmacy benefits and services, including both transparent and traditional PBM options through its EnvisionRx and MedTrakRx PBMs, EnvisionPharmacies, EnvisionInsurance, EnvisionSavings and Laker Software.

In January 2019, Rite Aid proposed a 1-for-20 reverse stock split to regain compliance with NYSE minimum average share price listing requirements. The company's shares started trading on a split-adjusted basis from Apr 22.



Reasons To Buy:

- ▲ **Robust Q1 Results, Stock Outperforms:** Shares of Rite Aid gained 20.4% in the past three months outperforming the industry's growth of 10.7%. Rite Aid reported first-quarter fiscal 2021 results, wherein loss was narrower than expected, while sales beat the Zacks Consensus Estimate. Also, revenues grew 12.2% in the reported quarter. Further, retail pharmacy segment revenues grew 6.7% due to higher same-store sales. In the pharmacy services segment, revenues rose 26.2% owing to a rise in Medicare Part D membership. Moreover, retail pharmacy same-store sales advanced 6.6%, thanks to a 14.2% and 2.2% rise in front-end and pharmacy sales, respectively. The company's decision to keep stores open amid the coronavirus outbreak and enhanced digital capabilities to provide essential services to customers aided results. Solid growth in prescription deliveries to the tune of 86%, driven by free home delivery services as well as a sturdy performance at Elixir, also contributed to the quarterly growth.
- ▲ **Rite Aid's Expands Services Amid COVID-19:** Rite Aid is benefiting from the expansion of services to its customers amid the COVID-19 crisis. The company has hired 5,000 full-time and part-time associates across the United States to serve customers better. Notably, the company will provide home service delivery to customers with an eligible prescription. Also, the customers will have the benefit of zero delivery fees. Apart from this, it will also offer pick up services for prescriptions and over-the-counter products, and customers can use the drive-through option available at more than 50% of its retail locations. Moreover, it is progressing well with the rollout of the Buy Online Pickup In Store initiative, which will offer better drive through and curbside pickup options. Apart from these, Rite Aid expanded the Instacart delivery facility to more than 2,400 locations and received positive feedback for the same. Moreover, the surge in demand for Tele Health in the wake of COVID-19 has led the company to accelerate the launch of Rite Aid Virtual Care.
- ▲ **Growth Efforts:** As part of its corporate strategy and growth plan, Rite Aid remains focused on strengthening its foothold in mid-market PBM, innovation across its retail and mail-order pharmacy channels, enhancing in-store experience by curated digital offerings, improved merchandises and rebranding its image with a new logo. The company continues to witness solid performance in PBM, in terms of mail orders, with client retention rate of nearly 95% for the 2021 selling period. This can be mainly attributable to customers increasingly stocking up of 90-day refills in the wake of COVID-19. Notably, sales from mail orders grew 22% year over year on the back of rise in Medicare Part D membership and COVID-19. However, it noted that post reopening early refill limits on 30-day prescriptions will no longer be waived off. Apart from this, its new RxEvolution strategy with the help of which Rite Aid is likely to become a leader in mid-market PBM, remains on track.
- ▲ **Increased Focus on EnvisionRxOptions:** Rite Aid remains on track with its growth strategy, which focuses on leveraging unique opportunities such as EnvisionRxOptions (which is to be renamed Elixir), enhancing the front-end channels and transforming processes to deliver operational efficiency. It continues to invest in the expansion of EnvisionRxOptions, especially its services, technologies and clinical offerings. In first-quarter fiscal 2021, the EnvisionRxOptions witnessed solid growth, backed by an increase in the Medicare Part D membership. Going forward, management is optimistic about the company on the back of EnvisionRxOptions as well as health and wellness offerings.
- ▲ **Financial Flexibility:** Despite long-term debt (including operating lease liabilities) of \$6,270.4 million as of May 30, 2020 and debt-to-capitalization ratio of 0.65, which stands higher than the industry's ratio of 0.60, Rite Aid looks quite stable from a liquidity stand point. The company boasts liquidity of roughly \$1.7 billion, with a revolving credit facility of nearly \$1.52 billion. Further, it cut down on expenses related to shrink, advertising, rent, travel and call center. This is expected to result in cost savings of more than \$40 million in fiscal 2021.

Rise in prescription deliveries and sturdy performance at Elixir drove Rite Aid's Q1 results. Also, expansion of delivery services in the wake of the COVID-19 crisis bode well.

Risks

- **Stock Looks Overvalued:** Considering the price-to-earnings (P/E) ratio, Rite Aid looks overvalued when compared with the industry. The stock has a trailing 12-month P/E ratio of 68.24, which is below the high level of 122.93 scaled in a year. Meanwhile, the trailing 12-month P/E ratio for the industry and the S&P 500 are currently pegged at 8.54 and 19.98, respectively.
 - **Uncertain Outlook:** Despite better-than-expected first-quarter results, management withdrew guidance for fiscal 2021 due to continued uncertainty regarding the COVID-19 pandemic. Going ahead, it also anticipates adverse impacts on acute prescription volumes, SG&A expenses and Pharmacy Services Segment memberships.
 - **High Costs Lead to Soft Margins in Q1:** During the fiscal first quarter, Rite Aid's gross profit increased 4.9% from the prior-year quarter, while gross margin contracted 43 basis points to 26.2% due to higher markdowns. Adjusted EBITDA decreased 2.6%, while adjusted EBITDA margin contracted 30 bps to 1.8%. The metric included a negative impact of \$30 million due to the COVID-19 pandemic. Sluggishness in margins can be attributed to elevated SG&A expenses that rose 3.5% year over year to \$1,109 million. Persistent rise in SG&A expenses have been hurting the company's bottom line for the past few quarters.
 - **Competitive Risks:** Rite Aid's generic drug sales have been adversely affected by Wal-Mart's strategy of entering the retail generic drug market. Due to Wal-Mart's wide array of manufacturers in India, Israel, and the U.S., the mass merchant offers generic drugs at a discounted price compared with its rival companies.
-

Last Earnings Report

Rite Aid's Q1 Loss Narrower Than Expected, Sales Up Y/Y

Rite Aid reported first-quarter fiscal 2021 results, wherein loss was narrower than expected, while sales beat the Zacks Consensus Estimate. Both metrics improved year over year. The company gained market share and grew double digits in front-end sales as it kept stores open amid the coronavirus outbreak and enhanced its digital capabilities to provide essential services to customers.

Solid growth in prescription deliveries to the tune of 86%, driven by free home delivery services as well as a sturdy performance at Elixir, also contributed to the quarterly results. Further, it noted that the new RxEvolution strategy is on track.

Despite better-than-expected first-quarter results, management withdrew guidance for fiscal 2021 due to continued uncertainty in relation to the COVID-19 pandemic. It also anticipates possible adverse impacts on acute prescription volumes, SG&A expenses and Pharmacy Services Segment memberships.

Q1 in Detail

The company delivered an adjusted loss of 4 cents per share, narrower than the Zacks Consensus Estimate of a loss of 54 cents. Also, the bottom line came below the year-ago quarter's adjusted loss of 14 cents. This might be attributable to a rise in gross profit and lower interest expenses, somewhat offset by increased SG&A expenses stemming from COVID-19-related investments.

Revenues grew 12.2% to \$6,027 million and surpassed the Zacks Consensus Estimate of \$5,599 million. During the quarter, retail pharmacy segment revenues grew 6.7% due to higher same-store sales. In the pharmacy services segment, revenues rose 26.2% owing to a rise in Medicare Part D membership.

Retail pharmacy same-store sales advanced 6.6%, thanks to a 14.2% and 2.2% rise in front-end and pharmacy sales, respectively. Excluding cigarettes and tobacco products, front-end same-store sales rose 16% on the back of solid demand for general cleaning products, sanitizers, wipes, paper products, liquor, over-the-counter products and summer seasonal products. Apart from these, average order value and units per transaction increased to the tune of 87% and 43% year over year, respectively.

Further, prescription count at same-store sales, adjusted to 30-day equivalents, inched up 0.4%. The uptick was due to growth in maintenance medication fills, somewhat offset by reduced acute prescription count to the tune of 14.8%, stemming from a delay in outpatient medical visits and optional surgical procedures due to COVID-19. Also, prescription sales contributed 64.2% to total drugstore sales.

Moreover, the company witnessed comparable front-end sales (excluding cigarettes and tobacco products) growth of 7.2% in the first three weeks of June, driven by robust demand for personal care, paper products and OTC medications.

During the reported quarter, Rite Aid's gross profit came in at \$1,081.5 million, up 4.9% from the prior-year quarter, while gross margin contracted 43 basis points to 26.2%. Adjusted EBITDA decreased 2.6% year over year to \$107.4 million, while adjusted EBITDA margin contracted 30 bps to 1.8% in the quarter under review. The metric includes a negative impact of \$30 million due to the COVID-19 pandemic. In addition, SG&A expenses rose 3.5% year over year to \$1,109 million.

Financial Status

Rite Aid ended the quarter with cash and cash equivalents of approximately \$288.3 million, long-term debt (net of current maturities) of \$3,322 million and total shareholders' equity of \$613.8 million. Further, the company used cash for operating activities of \$118.3 million in the fiscal first quarter. Going ahead, management does not anticipate positive free cash flow in fiscal 2021. Capital expenditure has been lowered from \$350 million to \$275 million. Rite Aid boasts liquidity of roughly \$1.7 billion with a revolving credit facility of nearly \$1.52 billion.

Business Development

The company has sacked 254 corporate employees in both Retail Pharmacy and Pharmacy Services segments. Also, it cut down on expenses related to shrink, advertising, rent, travel and call center. This is expected to result in cost savings of more than \$40 million in fiscal 2021. However, a restructuring expense of \$7 million will be incurred in the fiscal year due to a reduction in corporate employees.

Further, Rite Aid expanded the Instacart delivery facility to more than 2,400 locations and received positive feedback for the same. Apart from this, it successfully completed the expansion of Pay and Go to all stores. This new facility is likely to speed up the process of prescription pickup, both in-store and at drive-through locations. Moreover, it is progressing well with the rollout of the Buy Online Pickup In Store initiative, which will offer better drive through and curbside pickup options. Also, the surge in demand for Tele Health in the wake of COVID-19 has led the company to accelerate the launch of Rite Aid Virtual Care.

The company now intends to remodel 45 stores in fiscal 2021 as compared to 75 stores guided earlier due to lesser permitting and construction activity as a result of COVID-19. The remaining 30 stores will be remodeled in the beginning of fiscal 2022.

Quarter Ending 05/2020

Report Date	Jun 25, 2020
Sales Surprise	7.66%
EPS Surprise	92.59%
Quarterly EPS	-0.04
Annual EPS (TTM)	0.25

Recent News

Rite Aid Continues Expansion of Coronavirus Testing Sites – Jun 15, 2020

Rite Aid has been contributing to the society in these times by opening various COVID-19 testing locations across the United States in collaboration with the U.S. Department of Health and Human Services (HHS). In this regard, the company has now added 161 drive-through locations in California, Washington, Idaho, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania and Virginia. These new sites will be open from today and operate from 10 am to 8 pm on the weekdays and from 10 am to 5 pm during weekends. This brings the total number of testing facilities to 258. Also, these testing locations can now perform roughly 94,000 tests each week, which is double the prior figure.

Rite Aid Expands COVID-19 Testing Facilities – Jun 19, 2020

Rite Aid has currently expanded its efforts to curb the spread of the COVID-19 virus by launching five no-charge testing sites at New Jersey, Ohio And Michigan. These testing locations are now open and will operate via drive-through windows at its stores. It will be open for testing from 10 am to 8 pm in the weekdays and for 10 am to 5 pm during weekends. This brings the total number of testing facilities to 97. Also, all these testing locations can now perform more than 48,000 tests each week. Moreover, individuals can take online appointments to avail this facility.

Rite Aid Continues to Add More COVID-19 Testing Facilities – Jun 10, 2020

Rite Aid has currently expanded its efforts to curb the spread of the COVID-19 virus by launching 21 no-charge testing sites. These testing locations will be accessible from June 11 and will operate via drive-through windows at its stores. It will be open for testing from 10 am to 8 pm in the weekdays and for 10 am to 5 pm during weekends. This brings the total number of testing facilities to 92. Also, all these testing locations can now perform roughly 47,000 tests each week. Moreover, individuals can take online appointments to avail this facility.

Rite Aid Join Hands With Instacart to Expite Delivery – May 13

Rite Aid collaborated with Instacart to provide delivery of essential healthcare and grocery items directly to customers homes in a more convenient way, given the current coronavirus situation.

Rite Aid Brings in Free COVID-19 Testing Facility – May 7, 2020

Rite Aid has currently expanded its efforts to curb the spread of the COVID-19 virus by launching 46 no-charge testing sites. These testing locations will be accessible from May 11 and will operate via drive-through windows at its stores. It will be open for testing from 10 am to 8 pm in the weekdays and for 10 am to 5 pm during weekends. Also, these sites will come with a capacity to perform roughly 10,000 tests each day. Moreover, individuals can take online appointments to avail this facility.

Rite Aid Introduces New COVID-19 Testing Criteria – Apr 28, 2020

Rite Aid will from now on test all individuals aged 18 and above for the COVID-19 diseases with symptoms such as fever, cough, shortness of breath, chills, repeated shaking with chills, muscle pain, headache, sore throat, new loss of taste or smell. It currently has 25 such testing locations across the United States which has been done in partnership with the U.S. Department of Health and Human Services (HHS).

Valuation

Rite Aid shares are up 2.1% in the year-to-date period but up nearly 150.4% over the trailing 12-month period. Stocks in the Zacks sub-industry is down 14.3% while the Zacks Retail-Wholesale sector is up 20.4%, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 6.2% and 25.8%, respectively.

The S&P 500 index is up 0.3% in the year-to-date period and 8.8% in the past year.

The stock is currently trading at 0.04X forward 12-month sales, which compares to 0.27X for the Zacks sub-industry, 1.2X for the Zacks sector and 3.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.3X and as low as 0.01X, with a 5-year median of 0.08X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$18 price target reflects 0.05X forward 12-month sales.

The table below shows summary valuation data for RAD

Valuation Multiples - RAD					
P/S F12M	Stock Sub-Industry Sector S&P 500				
	Current	0.04	0.27	1.2	3.58
	5-Year High	0.3	0.79	1.2	3.58

EV/EBITDA TTM	5-Year Low	0.01	0.24	0.82	2.53
	5-Year Median	0.08	0.42	0.97	3.02
	Current	7.42	7.59	17.95	11.98
	5-Year High	14.25	13.66	18.37	12.86
	5-Year Low	NA	5.85	11.12	8.25
P/B TTM	5-Year Median	7.46	8.13	12.9	10.88
	Current	1.41	1.26	5.6	4.41
	5-Year High	61.93	3.21	6.02	4.56
	5-Year Low	0.27	1.06	3.69	2.83
	5-Year Median	2.4	2.23	4.99	3.71

As of 07/17/2020

Industry Analysis Zacks Industry Rank: Top 9% (23 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Herbalife LTD. (HLF)	Outperform	1
The Kroger Co. (KR)	Outperform	1
Cigna Corporation (CI)	Neutral	2
CVS Health Corporation (CVS)	Neutral	3
Target Corporation (TGT)	Neutral	3
Walmart Inc. (WMT)	Neutral	3
GNC Holdings, Inc. (GNC)	Underperform	NA
Walgreens Boots Alliance, Inc. (WBA)	Underperform	5

Industry Comparison Industry: Retail - Pharmacies And Drug Stores				Industry Peers		
	RAD	X Industry	S&P 500	CVS	GNC	WBA
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Underperform	Underperform
Zacks Rank (Short Term)	1	-	-	3	-	5
VGM Score	C	-	-	A	-	B
Market Cap	863.36 M	4.16 B	22.62 B	85.43 B	NA	35.89 B
# of Analysts	2	2	14	11	0	10
Dividend Yield	0.00%	0.00%	1.82%	3.06%	%	4.42%
Value Score	C	-	-	A	-	A
Cash/Price	0.33	0.15	0.07	0.16	NA	0.02
EV/EBITDA	13.88	10.84	13.05	9.58	NA	6.50
PEG Ratio	31.60	2.11	2.99	1.46	NA	2.76
Price/Book (P/B)	1.41	1.55	3.13	1.30	NA	1.68
Price/Cash Flow (P/CF)	2.58	5.59	12.20	6.25	NA	4.94
P/E (F1)	31.60	12.03	22.02	9.21	NA	8.71
Price/Sales (P/S)	0.04	0.39	2.34	0.33	NA	0.26
Earnings Yield	3.16%	8.80%	4.28%	10.86%	NA%	11.49%
Debt/Equity	9.83	0.21	0.75	1.29	0.00	0.57
Cash Flow (\$/share)	6.13	3.36	6.94	10.47	1.14	8.38
Growth Score	C	-	-	A	NA	C
Hist. EPS Growth (3-5 yrs)	NA%	6.03%	10.85%	10.15%	-51.63%	9.15%
Proj. EPS Growth (F1/F0)	236.67%	0.99%	-9.37%	0.23%	-300.00%	-20.57%
Curr. Cash Flow Growth	-53.93%	-5.12%	5.51%	-16.33%	-3.21%	-2.42%
Hist. Cash Flow Growth (3-5 yrs)	-16.86%	-4.76%	8.55%	14.66%	-21.34%	11.05%
Current Ratio	1.47	0.99	1.30	0.99	0.50	0.69
Debt/Capital	90.77%	56.34%	44.33%	56.34%	99.40%	36.22%
Net Margin	-1.84%	-1.84%	10.59%	2.76%	-11.13%	0.55%
Return on Equity	1.66%	-1.26%	15.74%	15.17%	-4.17%	19.43%
Sales/Assets	2.25	1.66	0.54	1.17	1.23	1.66
Proj. Sales Growth (F1/F0)	7.12%	1.80%	-2.44%	3.27%	-40.20%	1.80%
Momentum Score	B	-	-	D	-	F
Daily Price Chg	-3.25%	0.17%	0.36%	0.57%	0.00%	0.17%
1 Week Price Chg	-5.87%	-3.80%	-0.41%	-3.17%	NA%	-4.43%
4 Week Price Chg	25.30%	7.57%	2.56%	1.35%	NA%	-1.33%
12 Week Price Chg	15.84%	11.25%	15.49%	6.66%	NA	-4.78%
52 Week Price Chg	119.75%	17.95%	-3.93%	15.68%	NA	-24.44%
20 Day Average Volume	5,599,897	4,233,142	2,236,294	7,151,998	0	7,831,591
(F1) EPS Est 1 week change	0.00%	0.04%	0.00%	0.04%	0.00%	0.17%
(F1) EPS Est 4 week change	135.32%	0.17%	0.01%	0.17%	0.00%	-12.81%
(F1) EPS Est 12 week change	135.32%	0.05%	-5.24%	0.05%	-4,900.00%	-13.80%
(Q1) EPS Est Mthly Chg	126.92%	0.00%	0.00%	-1.57%	0.00%	-26.34%

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	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.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.