

RH (RH)

\$254.25 (As of 06/25/20)

Price Target (6-12 Months): **\$292.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 06/24/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:D

Value: C

Growth: F

Momentum: B

Summary

RH's shares have outperformed the industry in the past year. The trend is expected to continue in the near term, after its solid first-quarter fiscal 2020 results, wherein adjusted earnings handily beat the Zacks Consensus Estimate by 58.8%. Although the top line was challenged, RH's results were supported by solid gross margin expansion (up 270 bps), avoiding promotions and by controlling costs. Demand trends after the quarter have improved, with core demand up 7% y/y in May and 11% in the first week of June. RH's strength of the multi-channel platform and membership model enabled it to engage with customers virtually and not chase demand through promotions. However, lower outlet and restaurant sales still remain a drag. Closed operations, low inventory and supply chain disruptions, and lower outlet sales are near-term headwinds.

Price, Consensus & Surprise



Data Overview

| | |
|----------------------------|---|
| 52 Week High-Low | \$265.87 - \$73.14 |
| 20 Day Average Volume (sh) | 1,314,186 |
| Market Cap | \$4.9 B |
| YTD Price Change | 19.1% |
| Beta | 2.53 |
| Dividend / Div Yld | \$0.00 / 0.0% |
| Industry | Retail - Home Furnishings |
| Zacks Industry Rank | Top 5% (12 out of 253) |

Sales and EPS Growth Rates (Y/Y %)



| | |
|---------------------------|------------|
| Last EPS Surprise | 58.8% |
| Last Sales Surprise | -0.9% |
| EPS F1 Est- 4 week change | 50.9% |
| Expected Report Date | 09/08/2020 |
| Earnings ESP | 0.0% |
| P/E TTM | 23.2 |
| P/E F1 | 22.2 |
| PEG F1 | 1.8 |
| P/S TTM | 1.9 |

Sales Estimates (millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|-------|-------|-------|-------|---------|
| 2022 | 573 E | 754 E | 786 E | 748 E | 2,878 E |
| 2021 | 483 A | 683 E | 732 E | 696 E | 2,594 E |
| 2020 | 599 A | 707 A | 677 A | 665 A | 2,647 A |

EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|----------|----------|----------|----------|-----------|
| 2022 | \$2.05 E | \$3.61 E | \$3.54 E | \$3.97 E | \$13.84 E |
| 2021 | \$1.27 A | \$3.17 E | \$3.21 E | \$3.73 E | \$11.45 E |
| 2020 | \$1.85 A | \$3.20 A | \$2.79 A | \$3.72 A | \$11.66 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 06/25/2020. The reports text is as of 06/26/2020.

Overview

RH, formerly known as Restoration Hardware, is a leading luxury retailer in the home furnishing space. The company offers dominant merchandise assortments across a growing number of categories, including furniture, lighting, textiles, bath ware, décor, outdoor and garden, tableware, and child and teen furnishings.

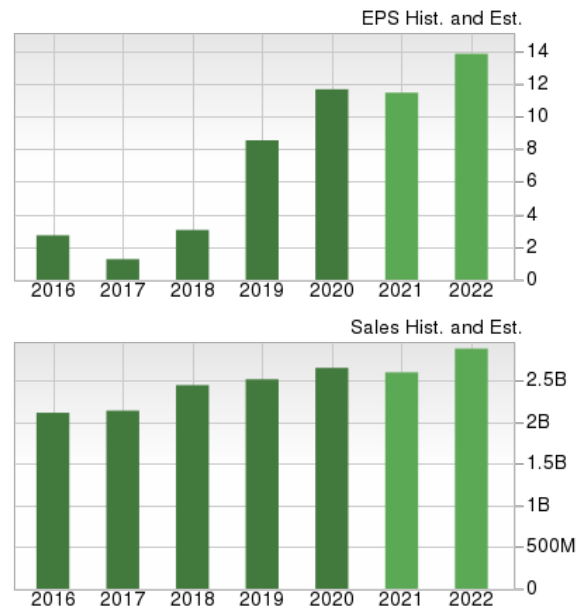
RH's business is fully integrated across its multiple channels of distribution, consisting of stores, Source Books and websites.

The company operates under two segments: RH Segment (comprising 95% of fiscal 2019 net revenues) and Waterworks (5%). The segments include all sales channels accessed by the company's customers, including sales through catalogs, the company's websites, stores, and commercial channels.

As of May 2, 2020, RH operated 69 RH Galleries and 38 RH outlet stores in 31 states, the District of Columbia and Canada, as well as 15 Waterworks showrooms throughout the United States and U.K., and had sourcing operations in Shanghai and Hong Kong.

As of Jun 3, 2020, the company reopened 74% of its gallery locations, 68% of its outlets and 50% of its Restaurants. The company is gradually reopening all of its retail locations in the United States and Canada.

In the first week of June, its core RH business demand further increased 11% despite business disruption due to the recent civil unrest in many markets served. The company remains optimistic that these trends will continue to improve with the reopening of the rest of the galleries. On Jun 16, the company revealed that it has opened RH Charlotte — The Gallery at Phillips Place.



Reasons To Buy:

- ▲ **Stellar Performance:** RH's shares have outperformed the industry in the past year. This trend is expected to continue in the near term, courtesy of its solid performance through fiscal 2019. The price performance was backed by the company's robust earnings surprise history, having surpassed the Zacks Consensus Estimate in all the trailing eight quarters.

In fiscal 2019, adjusted revenues increased 5.4% from the prior year, adjusted operating margins expanded 290 basis points (bps) to reach an industry best of 14.3%, and adjusted earnings per share advanced 49%. It also generated \$330 million of free cash flow in 2019. The company maintained solid performance even during the pandemic. RH posted stronger-than-expected fiscal first-quarter results supported by solid gross margin expansion. Although the top line was challenged, RH executed well in the quarter via avoiding promotions and controlling costs. The company's strength of the multi-channel platform and membership model enabled it to engage with customers virtually and not chase demand through promotions. Encouragingly, demand trends have improved after the fiscal first quarter, with core demand up 7% year over year in May and 11% in the first week of June.

RH has been exhibiting strong profitability, buoyed by its focus on improving profit margins, and creating a new and differentiating shopping experience with the addition of hospitality (restaurants and cafes) in new galleries. Focus on elevating the brand and architecting an integrated operating platform have aided RH in becoming one of the few retailers with expanding margins, rising operating earnings, while driving significantly higher returns on invested capital (industry-leading ROIC was 35.3% as of fiscal 2019).

- ▲ **Growth Initiatives to Drive Profitability:** Over the past three years, RH has been busy in architecting a new operating platform that includes transitioning from a promotional to membership model, distribution center network redesign, the redesign of reverse logistics and outlet business, and reconceptualization of its home delivery and customer experience. These initiatives have helped the company lower costs and inventory levels, while boosting earnings and inventory turns. Going forward, RH expects this multi-year effort to result in a dramatically improved customer experience, continued margin enhancement and significant cost savings over the next several years. During fiscal first-quarter earnings call, the company's management emphasized on a number of strategic initiatives to evolve RH from a home furnishings retailer to a luxury lifestyle brand over time including: 1) a transformation of the website to "The World of RH", 2) expansion of interior design services to include architecture and landscape architecture; 3) the launch of RH Residences, or furnished homes and condos; 4) launch of RH3, a luxury yacht that customers can rent for travel to the Caribbean and Mediterranean; and 5) international expansion in Europe, with the first three stores expected in the U.K. and France.

Notably, in 2016, the company transformed the business from a promotional to a membership model (RH Members Program), which is expected to enhance its brand, streamline operations and enhance customer experience. The membership model has eliminated the frantic buying patterns and associated returns, exchanges and canceled orders. This is expected to contribute to improved financial performance through higher conversion of demand into revenues, improved margins and lower costs. In fiscal 2019, RH's members, approximately 415,000 at the end of the year, drove roughly 95% of sales in the core RH business. Core RH business reflects the product categories to which membership discount can be applied. Hence, sales derived through Outlet, Contract, Hospitality or Waterworks are excluded.

- ▲ **Margin Expansion Initiatives:** From fiscal 2016 through fiscal 2019, RH significantly increased operating margins in its business. For the upcoming period, the company expects continued improvements in operating margins as a result of its focus on a number of strategic initiatives that include: (i) occupancy leverage that it expects to gain from real estate transformation (ii) product margin expansion as it continues to drive higher full price selling in core business and (iii) cost savings from improvements of its operating platform and organizational structure.

Impressively, CEO Friedman reaffirmed the company's ability to still deliver positive operating margin expansion in fiscal 2020 and highlighted a clear pathway to achieve an operating margin of approximately 20% in the next few years. Specifically, management expects Outlet margins to positively impact this fiscal year's operating margins by 100 bps, while cycling last year's elevated outlet sales. Management had anticipated at least 200 bps of operating margin expansion in fiscal 2020 before the COVID-19 crisis.

- ▲ **Enough Liquidity & Active Management of Cash Flows:** RH ended the fiscal first quarter with cash and cash equivalents of \$17.2 million, current debt of \$295.6 million (convertible notes due Jul 15, 2020), and long-term debt of \$578.7 million. The company has plans to pay the convertible notes due Jul 15, 2020 with cash on hand and borrowings from the revolving asset-based credit facility. Even after the redemption of the notes, it would still have \$170 million available under its revolver.

RH's initiatives have been providing a major opportunity to optimize the allocation of capital in business, including generation of free cash flow, optimization of balance sheet, and deployment of capital to repay debt and repurchase shares.

RH pursues an aggressive share repurchase strategy. During fiscal 2019, RH repurchased approximately 2.2 million shares for roughly \$250 million. There were no share repurchases under the \$950-million buyback plan during first-quarter fiscal 2020. As of May 2, 2020, there was \$450 million remaining for future share repurchases under this program.

Share repurchases benefit the company's earnings per share, book value as well as shareholder equity as shares outstanding reduce. Thus, share repurchase programs raise optimism among investors and boost their confidence in the stock. The company generated \$330 million, \$163 million and \$415 million of free cash flow in fiscal 2019, 2018 and 2017, respectively.

The transformation to a membership model, rationalization of product offerings and the expansion of its chain of restaurants are expected to boost growth

Risks

- **Coronavirus Outbreak Hurts Near-Term Prospects:** In the fiscal second quarter, the company expects sales growth to lag demand growth by 10-12% due to supply chain disruptions and reduced inventory purchases. However, RH projects this lag effect to neutralize in the second half of fiscal 2020, given the anticipated normalization of manufacturing and inventory purchases. In 2020, it continues to expect a 400-bps headwind to sales growth from lower outlet sales.

Although demand trends after the fiscal first quarter have improved, lower outlet and restaurant sales are still serving as a drag on the business. Closed operations, low inventory and supply chain disruptions, as well as lower outlet sales are near-term headwinds.

In view of the major disruption in financial markets and retail business operations due to the COVID-19 outbreak, RH has withdrawn all prior guidance pertaining to fiscal 2020.

- **Softness in the High-End Housing Market & Impact of Exit From Unprofitable Business:** Continued softness in the high-end housing market over the last few quarters is a cause of concern. The home furnishing industry is highly sensitive to strength of the economy.

Housing fundamentals in the United States were exceptionally strong through February 2020 before the crisis began. The picture has altered drastically since then. Most expensive housing markets in the country like New York, Seattle, San Francisco and Los Angeles are experiencing tough times due to the pandemic. This may further disrupt the demand-side scenario of the home furnishing industry.

Also, RH's ongoing exit from unprofitable and non-strategic businesses added to the woes. The company's fiscal 2019 guidance includes approximately 3 point revenue reduction as a result of exiting unprofitable and non-strategic businesses, i.e. the elimination of the remaining holiday business and fringe promotions (1 point each), as well as the transition of rug business from a single source importer to a direct sourcing model (1 point). Notably, the drag was approximately 2 points, 4 points and 2 points in the fiscal first, second and third quarters, respectively.

- **Dependence on Foreign Manufacturing and Imports:** RH's business highly depends on the successful operation of a global supply chain. In fiscal 2019, the company sourced approximately 86% of its merchandise from outside the United States, including 70% from Asia, majorly from China (38%). Thus, any economic or regulatory changes in the foreign countries will affect RH's business. Implementation of tax or tariffs may lead to an increase in the cost of goods sold and in turn higher product prices. This might also lead to a decline in consumer demand, denting the company's financial performance. RH noted that a major section of its products sourced from China has been affected by higher level of tariffs that were imposed in 2018 and 2019.

The presence of the COVID-19 virus and response to the health crisis in various countries are likely to have a continuing impact on its supply chain in the near term. RH expects the amount of products that it sources from China to be lower in fiscal 2020 than fiscal 2019.

- **Competition in Home Furnishings Sector:** The home furnishings sector is highly competitive. RH competes with interior design trade and specialty stores, antique dealers, national and regional home furnishing retailers and department stores. In addition, the company competes with mail order catalogs and online retailers focused on home furnishings. Increased catalog mailings by its competitors may affect response rates to RH's Source Book mailings. Increased competition has resulted in potential or actual litigation between RH and its competitors related to a variety of activities.
-

Last Earnings Report

RH's Q1 Earnings Top Estimates, Recent Sales Trends Improve

RH reported first-quarter fiscal 2020 results (ended May 2, 2020), wherein adjusted earnings handily beat the Zacks Consensus Estimate but revenues missed the same.

The company's strength of the multi-channel platform and membership model enabled it to engage with customers virtually and not chase demand through promotions. While fiscal first-quarter adjusted revenues were lower than expected, adjusted earnings topped the same for the 10th consecutive quarter as it continues to manage the business with a bias for earnings over revenue growth.

Quarter Ending **04/2020**

| Report Date | Jun 04, 2020 |
|------------------|--------------|
| Sales Surprise | -0.87% |
| EPS Surprise | 58.75% |
| Quarterly EPS | 1.27 |
| Annual EPS (TTM) | 10.98 |

Earnings, Revenue & Margin Discussion

Adjusted earnings of \$1.27 per share surpassed the consensus mark of 80 cents by 58.8%. However, the reported figure dropped 35.5% from the year-ago level.

Adjusted revenues (including recall accrual) of \$482.9 million missed the consensus mark by 0.9%. The figure also declined 19.3% from the year-ago level of \$598.4 million.

Adjusted gross margin increased 270 bps to 41.8% in the quarter. However, the company's adjusted operating margin contracted 180 bps year over year to a record 10%. Adjusted EBITDA also dropped 22.9% year over year to \$77.4 million in the quarter.

Store Update & Balance Sheet

As of May 2, 2020, RH operated 69 RH Galleries and 38 RH outlet stores in 31 states, the District of Columbia and Canada, as well as 15 Waterworks showrooms throughout the United States and U.K., and had sourcing operations in Shanghai and Hong Kong.

RH's cash and cash equivalents were \$17.2 million as of May 2, 2020 compared with \$47.7 million on Feb 1, 2020. The company ended the quarter with merchandise inventories worth \$494.3 million compared with \$438.7 million as of Feb 1, 2020. Net cash used in operating activities was \$16.9 million in the fiscal first quarter versus \$38.8 million cash provided by operating activities.

Fiscal 2020 View

Given uncertainties in the overall market, RH did not provide any guidance for fiscal 2020. Nonetheless, it highlighted that the company experienced a strong rebound in performance in the second quarter and remains optimistic that these business trends will continue as it reopens Galleries, Outlets and Restaurants. As of Jun 3, 2020, RH had reopened approximately 74% of Galleries, 68% of Outlets and 50% of Restaurants.

Its business had been strong in May, with core RH business demand increasing 7% year over year, with significantly higher product margins. In the first week of June, core RH business demand further increased 11% despite business disruption due to the recent civil unrest in many markets served. The company remains optimistic that these trends will continue to improve with the reopening of the rest of the galleries during the quarter and new Design Galleries in Charlotte and Marin from mid to late June, along with expected positive response to the mailing of RH Interiors and RH Modern Sourcebooks that are arriving in home in June.

Owing to reduced inventory receipts and disruption across the global supply chain, it expects revenue improvement to lag demand growth by approximately 10-12 points in the fiscal second quarter. The company expects a positive impact on revenues in the second half of the fiscal year as manufacturing recovers and inventory receipts catch up to demand.

Meanwhile, it continues to expect operating margins to expand in fiscal 2020 despite the current setbacks from COVID-19. Also, it expects capital expenditures of \$125-\$150 million net of landlord contributions and asset sales for fiscal 2020. Additionally, it has plans to reinvest \$80-\$90 million of the previously announced \$150 million of expense reductions.

Valuation

RH's shares are up 19.1% in the year-to-date period but up 124.1% over the trailing 12-month period. Stocks in the Zacks sub-industry is down 6.2% but the Zacks Retail-Wholesale sector is up 12.9%, in the year-to-date period. Over the past year, the Zacks sub-industry and sector is up 12.8% and 19.8%, respectively.

The S&P 500 index is down 4.2% in the year-to-date period but up 5.6% in the past year.

The stock is currently trading at 20.48X forward 12-month earnings, which compares to 21.05X for the Zacks sub-industry, 33X for the Zacks sector and 22.1X for the S&P 500 index.

Over the past five years, the stock has traded as high as 37.59X and as low as 5.85X, with a 5-year median of 16.14X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$292 price target reflects 23.53X forward 12-month earnings.

The table below shows summary valuation data for RH

| Valuation Multiples - RH | | | | | |
|--------------------------|---------------|-------|--------------|--------|---------|
| | | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M | Current | 20.48 | 21.05 | 33 | 22.1 |
| | 5-Year High | 37.59 | 30.05 | 33 | 22.11 |
| | 5-Year Low | 5.85 | 11.83 | 19.06 | 15.23 |
| | 5-Year Median | 16.14 | 15.26 | 23.36 | 17.49 |
| P/S F12M | Current | 1.81 | 0.9 | 1.13 | 3.45 |
| | 5-Year High | 2.01 | 1.31 | 1.13 | 3.45 |
| | 5-Year Low | 0.38 | 0.48 | 0.81 | 2.53 |
| | 5-Year Median | 0.83 | 0.85 | 0.95 | 3.02 |
| EV/EBITDA TTM | Current | 10.41 | 10.1 | 17.91 | 11.43 |
| | 5-Year High | 17.49 | 11.95 | 18.13 | 12.85 |
| | 5-Year Low | 2.63 | 5.22 | 11.05 | 8.25 |
| | 5-Year Median | 7.08 | 8.27 | 12.8 | 10.83 |

As of 06/25/2020

Industry Analysis Zacks Industry Rank: Top 5% (12 out of 253)



Top Peers

| Company (Ticker) | Rec | Rank |
|---|--------------|------|
| Haverty Furniture Companies, Inc. (HVT) | Outperform | 1 |
| The Lovesac Company (LOVE) | Outperform | 1 |
| WilliamsSonoma, Inc. (WSM) | Outperform | 2 |
| Ethan Allen Interiors Inc. (ETH) | Neutral | 4 |
| The Home Depot, Inc. (HD) | Neutral | 3 |
| Lowes Companies, Inc. (LOW) | Neutral | 2 |
| Tempur Sealy International, Inc. (TPX) | Neutral | 2 |
| At Home Group Inc. (HOME) | Underperform | 3 |

| Industry Comparison Industry: Retail - Home Furnishings | | | | Industry Peers | | |
|---|------------|------------|-----------|----------------|--------------|------------|
| | RH | X Industry | S&P 500 | HD | HOME | WSM |
| Zacks Recommendation (Long Term) | Outperform | - | - | Neutral | Underperform | Outperform |
| Zacks Rank (Short Term) | 1 | - | - | 3 | 3 | 2 |
| VGM Score | D | - | - | A | D | C |
| Market Cap | 4.90 B | 325.67 M | 21.24 B | 263.91 B | 456.38 M | 6.51 B |
| # of Analysts | 11 | 5 | 14 | 14 | 5 | 11 |
| Dividend Yield | 0.00% | 0.00% | 1.97% | 2.45% | 0.00% | 2.29% |
| Value Score | C | - | - | B | D | B |
| Cash/Price | 0.00 | 0.13 | 0.07 | 0.03 | 0.10 | 0.13 |
| EV/EBITDA | 12.65 | 4.19 | 12.51 | 16.03 | -22.26 | 11.08 |
| PEG Ratio | 1.78 | 1.85 | 2.87 | 2.20 | NA | 1.85 |
| Price/Book (P/B) | 256.36 | 3.28 | 2.90 | NA | 1.81 | 5.30 |
| Price/Cash Flow (P/CF) | 11.56 | 6.72 | 11.34 | 19.77 | 4.29 | 11.53 |
| P/E (F1) | 22.21 | 22.20 | 20.76 | 24.76 | NA | 18.51 |
| Price/Sales (P/S) | 1.94 | 0.42 | 2.18 | 2.35 | 0.37 | 1.10 |
| Earnings Yield | 4.50% | 1.95% | 4.55% | 4.04% | -4.64% | 5.40% |
| Debt/Equity | 73.90 | 1.16 | 0.77 | -10.51 | 6.32 | 1.16 |
| Cash Flow (\$/share) | 22.00 | 1.98 | 7.01 | 12.41 | 1.66 | 7.26 |
| Growth Score | F | - | - | B | F | D |
| Hist. EPS Growth (3-5 yrs) | 55.02% | 1.34% | 10.84% | 18.43% | 8.49% | 9.68% |
| Proj. EPS Growth (F1/F0) | -1.78% | -9.91% | -10.73% | -3.31% | -158.60% | -6.56% |
| Curr. Cash Flow Growth | -8.66% | 6.05% | 5.46% | 0.60% | 9.90% | 6.05% |
| Hist. Cash Flow Growth (3-5 yrs) | 24.44% | 4.89% | 8.55% | 11.22% | 38.17% | 4.89% |
| Current Ratio | 0.65 | 1.31 | 1.29 | 1.17 | 0.82 | 1.28 |
| Debt/Capital | 98.67% | 65.09% | 45.14% | NA | 86.34% | 53.62% |
| Net Margin | 7.17% | 2.53% | 10.53% | 9.79% | -47.03% | 5.75% |
| Return on Equity | -507.50% | 3.76% | 16.06% | -496.11% | -0.66% | 31.92% |
| Sales/Assets | 1.05 | 1.24 | 0.55 | 2.09 | 0.46 | 1.45 |
| Proj. Sales Growth (F1/F0) | -2.02% | 0.00% | -2.70% | 4.70% | -6.53% | 0.28% |
| Momentum Score | B | - | - | B | A | C |
| Daily Price Chg | 1.81% | -0.81% | 0.93% | -0.30% | -3.92% | 0.08% |
| 1 Week Price Chg | 6.06% | 5.23% | 0.92% | 1.73% | 4.39% | 6.78% |
| 4 Week Price Chg | 20.92% | 17.77% | -1.04% | 0.10% | 52.90% | 14.61% |
| 12 Week Price Chg | 185.32% | 105.42% | 22.12% | 35.34% | 386.99% | 119.97% |
| 52 Week Price Chg | 124.09% | -4.56% | -8.70% | 18.53% | 5.49% | 30.25% |
| 20 Day Average Volume | 1,314,186 | 627,253 | 2,782,477 | 4,769,885 | 4,424,433 | 1,835,635 |
| (F1) EPS Est 1 week change | 0.00% | 0.00% | 0.00% | 0.00% | 9.73% | 0.00% |
| (F1) EPS Est 4 week change | 50.86% | 21.41% | 0.00% | 1.07% | 21.23% | 42.43% |
| (F1) EPS Est 12 week change | -2.13% | -11.39% | -12.23% | -4.02% | -298.81% | 47.43% |
| (Q1) EPS Est Mthly Chg | 140.85% | 56.62% | 0.00% | 2.59% | 134.42% | 167.24% |

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 | F |
| Momentum Score | B |
| 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

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.