

Starbucks Corporation(SBUX)

\$93.62 (As of 01/17/20)

Price Target (6-12 Months): **\$98.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/10/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: D

Growth: A

Momentum: C

Summary

Shares of Starbucks have outperformed the industry in the past year. Solid global footprint, successful innovations, best-in-class loyalty program and digital offerings bode well. Moreover, the company's strategic efforts have helped to bring back traffic growth. Traffic that was down in the first-half of 2019 improved in the third and fourth quarter. The company anticipates global comps growth in the range of 3-4% in fiscal 2020. Meanwhile, Starbucks' business is rapidly growing in China, courtesy of innovative store designs and the success of the MSR program. The company believes that China and the Asia-Pacific region will drive business growth over the next five years. However, operating margin contraction over the past few quarters has been a concern. Of late, earnings estimate for both current quarter and year have been stable.

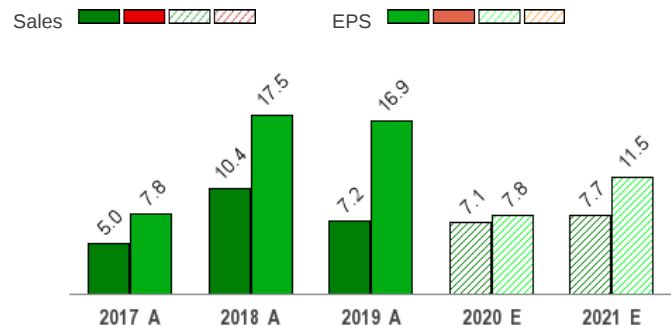
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$99.72 - \$62.93
20 Day Average Volume (sh)	5,462,824
Market Cap	\$110.6 B
YTD Price Change	6.5%
Beta	0.51
Dividend / Div Yld	\$1.64 / 1.8%
Industry	Retail - Restaurants
Zacks Industry Rank	Top 40% (101 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	1.1%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	01/28/2020
Earnings ESP	0.0%
P/E TTM	33.1
P/E F1	30.7
PEG F1	2.4
P/S TTM	4.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	7,616 E	7,268 E	7,843 E	7,993 E	30,567 E
2020	7,085 E	6,750 E	7,290 E	7,257 E	28,382 E
2019	6,633 A	6,306 A	6,823 A	6,747 A	26,509 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.83 E	\$0.75 E	\$0.92 E	\$0.92 E	\$3.40 E
2020	\$0.75 E	\$0.66 E	\$0.82 E	\$0.81 E	\$3.05 E
2019	\$0.75 A	\$0.60 A	\$0.78 A	\$0.70 A	\$2.83 A

*Quarterly figures may not add up to annual.

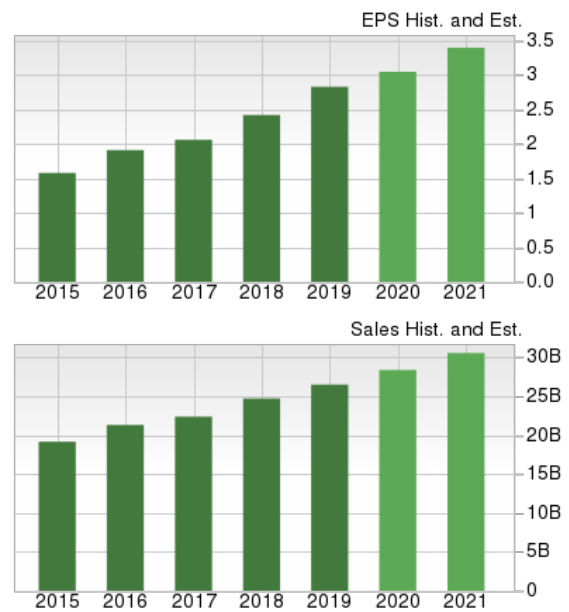
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/17/2020. The reports text is as of 01/20/2020.

Overview

Founded in 1985 and based in Seattle, WA, Starbucks Corporation is the leading roaster and retailer of specialty coffee in the world. In addition to fresh, rich-brewed coffees, Starbucks' offerings include many complementary food items and a selection of premium teas and other beverages, sold mainly through the company's retail stores. The company's popular brands include Starbucks coffee, Teavana tea, Seattle's Best Coffee, La Boulange bakery products and Evolution Fresh juices.

Other than the company's own retail stores, it generates revenues through licensed stores, consumer packaged goods and foodservice operations. The company receives royalties and license fees from the U.S. and international licensed stores. Under its consumer packaged goods operations, Starbucks sells packed coffee and tea products as well as a variety of ready-to-drink beverages and single-serve coffee and tea products to grocery, warehouse clubs and specialty retail stores. It also includes revenues from licensing deals with many partners to produce and sell its Starbucks and Seattle's Best Coffee branded products. Under its foodservice operations, Starbucks supplies some of its products to restaurants, office coffee distributors, hotels, airlines and other retailers.

Starbucks operates through the following segments: Americas (inclusive of the United States), Canada and Latin America — (70% of total revenues in Q4 fiscal 19); International (23%); and Channel Development (CD — 7%). The CD segment is not a geographic region but an entirely different channel (it is a combination of the consumer packaged goods or CPG and foodservice businesses). It includes roasted whole bean and ground coffees, premium Tazo teas, a variety of ready-to-drink beverages (like Frappuccino and Starbucks Refreshers) and Starbucks and Tazo branded K-Cup packs sold through channels such as grocery, specialty retailers, and foodservice to name a few. The All-Other segment comprises Teavana-branded stores, Seattle's Best Coffee, as well as certain developing businesses such as Siren Retail, which includes Starbucks Reserve Roastery & Tasting Rooms, Starbucks Reserve brand and products and Princi operations.



Reasons To Buy:

- ▲ **Impressive Top- & Bottom-Line Performance:** Shares of Starbucks have outperformed the industry in the past year. The uptrend is likely to continue as the company's top and bottom line performances continue to impress investors. In the trailing five out of six quarters, the company's earnings and revenues have surpassed the Zacks Consensus Estimate. The company results continue to benefit from robust performance by the Americas and China-Asia-Pacific segments, store openings, enhanced customer experience and, digitalization. The company witnessed strong demand for its new beverages in the United States and China. Moreover, the company's strategic efforts have helped to bring back traffic growth. Traffic that was down in the first-half of 2019 improved in the third and fourth quarter.
- ▲ **Strong Brand Position:** Starbucks is one of the most recognized coffee brands in the world. From espresso to specialty roast and ground coffee to premium single-serve market, Starbucks commands authority and a leading position in all coffee segments. Further, management focuses on increasing its global market share by judiciously opening stores in new and existing markets, remodeling existing stores, deploying technology, controlling costs and aggressive product innovation and brand building. In fiscal 2019, Starbucks added 1,900 net new stores. In 2018 and 2017, the company had added 2,300 and 2,250 net new locations. For fiscal 2020, Starbucks plans to add 2,000 (600 net new stores in Americas and 1,400 net new stores internationally) net new stores. New store productivity and Return on Investment (ROI) in the United States and China are high. By fiscal 2021, the company intends to open approximately 12,000 stores globally, taking the total store count to an estimated 37,000. Notably, Starbucks' long-term growth targets include 3-4% comps growth, yielding high-single digit revenue growth and EPS growth of at least 12%.
- ▲ **Global Coffee Alliance With Nestle Expands Starbucks' Channel Development Footprint:** Starbucks and the Swiss-based food giant Nestle SA have teamed up to revitalize their coffee domains. Starbucks and Nestle announced a global marketing deal that gives the latter "perpetual rights" to market Starbucks' products globally outside its coffee shops. This alliance will expand the global reach of Starbucks brands in the consumer packaged goods ("CPG") and foodservice categories to nearly 190 countries around the world. In the past year, the company has launched three new coffee platforms in over 30 new markets — Starbucks by Nespresso, Starbucks by Dolce Gusto, and Starbucks roast and ground coffee.
- ▲ **Emphasis on China:** China Asia Pacific or CAP has now become the fastest growing segment. Improving customer experience via innovative new store designs, up-leveling product offerings and margin expansion through process and supply chain efficiencies are driving CAP performance. China has witnessed comps growth of 1%, 3%, 6% and 5% in the first, second, third and fourth of fiscal 2019. Management believes that China and the Asia-Pacific region will drive business growth over the next five years supported by rapid unit growth, growing brand awareness, and increased usage of the digital/mobile/loyalty platforms.

The company has announced a historic partnership with Alibaba for providing seamless Starbucks Experience to drive growth in China. Starbucks began delivery services in Beijing and Shanghai via Alibaba's Ele.me platform. The company announced that it has surpassed the goal of increasing Starbucks Delivers footprint to 3,000 stores in 100 cities by the end of the fiscal year. Starbucks' business in China is rapidly growing due to innovative store designs, local product innovations and the success of MSR program. It has plans to launch certain features in China loyalty program this year and full digital capabilities over time. The company has plans to build 600 net new stores annually over the next five years in Mainland China that will double the market's store count from the end of fiscal 2017 to 6,000 across 230 cities. This speedy expansion in China is likely to triple its revenues and double its operating profit by the end of fiscal 2022 from fiscal 2017.
- ▲ **Best-in-Class Loyalty Program and Digital Offerings:** Starbucks holds a leading position in digital, card, loyalty and mobile capabilities. Starbucks' loyalty cards are gaining popularity. In the United States, the company's membership increased 11% year over year under the My Starbucks Rewards (MSR) program in fiscal 2017 and rose 15% as well to 15.3 million active members in fiscal 2018. The momentum continued in 2019 with the membership improving 15% year over year to 17.6 million active members. Customers in the United States are utilizing the chain's mobile app to order and pay for drinks. They are also joining the company's rewards program. Currently, MSR is one of the most important business drivers of Starbucks. Moreover, this loyalty program, launched in December 2018, in China, had total of 10 million members at the end of fourth-quarter fiscal 2019, improving by 45% year over year.
- ▲ **Focus on Innovation:** Starbucks is strengthening its product portfolio with significant innovation around beverages, refreshment, health and wellness, tea and core food offerings. Starbucks is leaning toward fast-growing categories like Cold Brew, Draft Nitro beverages, and plant-based modifiers, including almond, coconut, and soy milk alternatives. Apart from the numerous beverage innovations, Starbucks has also been making an effort to offer more nutritional and healthy products to its customers. Meanwhile, the company's Reserve Roastery and Tasting Room elevates the coffee experience to the next level, with small-batch super-premium coffee produced using innovative coffee-brewing techniques. Starbucks' strategy to boost the overall brand through its premium Roastery/Reserve brands is a huge opportunity. Starbucks is fast expanding its food offerings in the United States to complement its drinks. Food has become a key growth driver and contributes more than 21% to the company's U.S. revenues.

Starbucks' solid execution of several initiatives in the United States and China, along with best-in-class loyalty programs and digital offerings are expected to drive profits

Reasons To Sell:

- ▼ **Soft Channel Development Sales:** Channel Development is another segment that has disappointed investors. Sales at the segment have declined for the fifth straight quarter. In fourth-quarter fiscal 2019, net revenues at this segment decreased 6% to \$508.1 million, following a decline of 6% in third-quarter fiscal 2019. The downturn can be attributed to licensing of the company's CPG and foodservice businesses to Nestlé (completed on Aug 26, 2018). Sales have also declined 20%, 23%, and 6% in first and second-quarter 2019 and fourth-quarter fiscal 2018, respectively.
 - ▼ **Margins Continue to Shrink:** Margin contraction has been a major concern. In the first, second, third and fourth quarter of fiscal 2018, Starbucks non-GAAP operating margin shriveled 170, 80, 230 and 190 bps, respectively. The downtrend continued in first, second, third and fourth-quarter fiscal 2019, with margin declining 180, 40, 20 and 80 bps year over year to 17.4%, 15.8%, 18.3% and 17.2%, respectively. The impact of from streamline-driven activities, U.S. tax reform-funded investments, Siren Retail and onetime investment in the Chicago leadership conference resulted in the downturn in fourth-quarter fiscal 2019. Rise in costs due to investment in digitalization also dented the company's operating margin.
 - ▼ **Tricky Retail and Consumer Spending Environment in the United States:** Being a retail restaurant, Starbucks is dependent on consumer discretionary spending environment. Consumers' propensity to spend largely depends upon the overall macro-economic scenario. Although higher disposable income and increased wages are favoring the industry right now, it can change with the slightest disruption in the economy. The company, therefore, is highly vulnerable to the inconsistent nature of consumer discretionary spending. If it does not make pragmatic use of advanced technologies to innovate across value chains, it has high chances of fading out like many other restaurant retailers.
 - ▼ **Valuation Looks Stretched:** Considering price-to-earnings (P/E) ratio, Starbucks looks overvalued when compared with the industry. The stock has a trailing 12-month P/E ratio of 33.08, which is above the median level of 30.31, scaled in the past year. Meanwhile, the trailing 12-month P/E ratio for the industry is 28.38.
-

Operating margin contraction over the past few quarters has been a concern.

Last Earnings Report

Starbucks' Q4 Earnings Match Estimates

Starbucks reported fourth-quarter fiscal 2019 results, wherein earnings met the Zacks Consensus Estimate, after outpacing the same for five straight quarters. Meanwhile, revenues surpassed the consensus mark during the reported quarter. With this, revenues topped analysts' expectations in six of the trailing seven quarters.

The quarterly results benefited from robust performance of Americas and China-Asia-Pacific segments, store openings, enhanced customer experience, as well as digitalization. Furthermore, the company witnessed strong demand for new beverages in the United States and China. Meanwhile, comparable sales from China increased for the fifth straight quarter.

Quarter Ending **09/2019**

Report Date	Oct 30, 2019
Sales Surprise	1.14%
EPS Surprise	0.00%
Quarterly EPS	0.70
Annual EPS (TTM)	2.83

Discussion on Earnings, Revenues & Comps

In the quarter under review, adjusted earnings of 70 cents per share met the consensus mark but increased 12.9% on a year-over-year basis.

Total revenues came in at \$6,747 million, which outpaced the consensus estimate of \$6,660 million by 1.1% and increased 7% from the year-ago level. The upside was driven by robust global retail sales, comparable sales growth and streamline-driven activities.

Global comparable store sales increased 5% compared with 6% improvement in the second quarter of fiscal 2019. Global comps were driven by a 3% increase in average ticket and 2% improvement in comparable transactions.

Starbucks opened 630 net new stores worldwide in the fiscal fourth quarter, bringing the total store count to 31,256. Global store growth came in at 7%, based on a year-over-year comparison.

Overall Margin Contraction Continues

On a non-GAAP basis, operating margin contracted 90 basis points (bps) year over year to 17.2%. The downturn was largely due to the impact from factors comprising streamline-driven activities, U.S. tax reform-funded investments, Siren Retail and one-time investment in the Chicago leadership conference. After adjusting for all these items, non-GAAP operating margin was up 40 bps in the quarter, reflecting the benefits of sales leverage and productivity improvements.

Segmental Performance

Notably, in fourth-quarter fiscal 2019, the company realigned its operating segments. Specifically, the China/Asia Pacific segment and Europe, Middle East and Africa segment have been combined into one International segment.

Results of Siren Retail — which is a non-reportable operating segment consisting of Starbucks Reserve™ Roastery & Tasting Rooms, Starbucks Reserve brand and Princi operations — were previously included within Corporate and Other. It will now report within Americas and International segments based on the geographical location of operations.

Americas: Net revenues at this flagship segment increased 9% year over year to \$4,651.4 million, driven by 607 store openings in a year's time and comps growth of 6% in the quarter under review.

Markedly, segmental growth was driven by robust performance of beverage — the company's highest margin category. Growth was also favored by an improved in-store experience and digital initiatives. Starbucks' cold beverage platform grew across all dayparts led by cold coffee, refreshment and tea. The Nitro Cold Brew platform, which reached full penetration of its company-operated stores by the end of the fiscal fourth quarter, continued to be well received. Beverage and food contributed five points and one point of comps growth, respectively, during the quarter.

Operating margin in the Americas segment contracted 70 bps to 20.2% due to the 2019 Starbucks Leadership Experience, higher wages and increased investments in labor hours.

International: Net revenues grew 6% year over year to \$1,572.1 million at this segment. After adjusting for the unfavorable impact of streamline-related activities and foreign exchange at 5% and 1% respectively, revenues grew 12% year over year in the quarter. The upside was mainly driven by 11% store growth and comps growth of 3% in the quarter under review.

Also, operating margin in the segment expanded 180 bps to 16.7% on the back of sales leverage, cost-saving initiatives, labor efficiencies and the impact of conversion of certain retail businesses to fully-licensed markets.

In China, which is the company's main international market, new store development continues to be the number one growth factor. Its store count increased 17% from the prior-year figure.

Comps growth was 5% in China that includes 2% transaction growth, driven by strength in digital customer engagement, primarily owing to growth of delivery, the Starbucks Rewards loyalty program and MOP.

Channel Development: Net revenues at this segment decreased 6% from the prior-year quarter to \$508.1 million. The downturn was due to licensing of the company's CPG and foodservice businesses to Nestlé, following completion of the deal on Aug 26, 2018. Nonetheless, operating margin expanded 220 bps to 37.6%, attributable to lapping prior-year costs associated with the establishment of the Global Coffee Alliance, including business taxes related to the up-front payment and employee-related costs.

Fiscal 2019 Highlights

Full-year adjusted earnings came in at \$2.83 per share, reflecting an increase of 17% from fiscal 2018. Revenues grew 7% in the year to \$26.5 billion. After adjusting for unfavorable impact of approximately 2% from Streamline-driven activities and 1% from foreign currency translation, revenues grew 10% year over year. Globally, comps growth was 5% from a year ago, driven by a 3% increase in average ticket and 1% improvement in comparable transactions.

Non-GAAP operating margin declined 80 bps to 17.2% during the period. After adjusting for unfavorable impact from Streamline-driven activities, the metric declined 10 bps.

Fiscal 2020 Guidance

Starbucks anticipates global comps growth in the range of 3-4%. Globally, it expects to add approximately 2,000 net new stores (600 in Americas and 1,400 in International markets). Consolidated GAAP revenue growth is projected within 6-8%.

GAAP EPS is envisioned in the band of \$2.84-\$2.89. Also, non-GAAP EPS is expected within \$3.00-\$3.05. The Zacks Consensus Estimate for fiscal 2020 earnings is currently pegged at \$3.07, higher than the company's projected range.

Recent News

Starbucks Adds Oatmilk Honey Latte to 1,300 Stores in U.S.-Jan 07, 2020

Starbucks Corporation recently introduced Oatmilk Honey Latte to its menu in Midwest. This menu is available in over 1,300 locations in the U.S. Midwest, including cafes in Illinois, Indiana, Iowa, Michigan, Missouri and Wisconsin.

Starbucks to Boost Portfolio With Toffeenut Flavored Creamer - Dec 16, 2019

Starbucks Corporation and Swiss-based food giant Nestle SA announced the addition of Starbucks Toffeenut Creamer to the refrigerated grocery aisle. Starbucks Toffeenut Creamer, which will roll out in grocery shelves in the United States next January, is inspired by the Toffeenut Latte at Starbucks cafes.

We believe the addition of Toffeenut Creamer has further strengthened Starbucks' creamer flavors portfolio. Notably, this concept of coffee creamers is inspired by café favorites including Caramel Macchiato, White Chocolate Mocha and Cinnamon Dolce.

Starbucks to Open Largest Reserve Roastery in Chicago - Nov 12, 2019

Starbucks Corporation is all set to open its largest ever Reserve Roastery in Chicago. The company will open the store for coffee lovers on Friday.

The 35,000-square-foot store, situated on North Michigan Avenue and Erie Street on Chicago's Magnificent Mile, will be the company's sixth global Reserve Roastery. The other five Reserve Roastery are located in Seattle, Shanghai, Milan, New York and Tokyo.

Starbucks & Alibaba Team Up to Offer Voice Ordering in China – Sep 18, 2019

Starbucks is poised to take delivery services to the next level. To this end, the company has signed a partnership deal with Alibaba Group Holding Limited to offer voice ordering and delivery for its customers in China.

Chinese customers can now order Starbucks beverages and food via Alibaba's smart speaker — Tmall Genie. Deliveries will arrive at the customer's doorstep within 30 minutes. Last year, Starbucks had entered a historic partnership with Alibaba to provide seamless Starbucks Experience. Following the deal, Starbucks began delivery services in Beijing and Shanghai via Alibaba's Ele.me platform.

Valuation

Starbucks shares are up 44.7% over the trailing 12-month period. Over the past year, the Zacks sub-industry and sector are up 21.9% and 18.2%, respectively.

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

The stock is currently trading at 29.69X forward 12-months Price to Earnings value, which compares to 25.41X for the Zacks sub-industry, 25.66X 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 36.24X and as low as 18.64X, with a 5-year median of 26.13X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$98 price target reflects 31.11X forward 12-months Price to Earnings value.

The table below shows summary valuation data for SBUX.

Valuation Multiples - SBUX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	29.69	25.41	25.66	19.2
	5-Year High	36.24	26.41	26.23	19.34
	5-Year Low	18.64	20.45	19.07	15.17
	5-Year Median	26.13	23.25	22.95	17.44
P/S F 12M	Current	3.81	3.66	1.09	3.57
	5-Year High	4.45	3.85	1.11	3.57
	5-Year Low	2.59	2.91	0.8	2.54
	5-Year Median	3.5	3.25	0.91	3
EV/EBITDA TTM	Current	21.97	16.42	15.47	12.12
	5-Year High	23.53	17.48	15.47	12.86
	5-Year Low	13.88	12.08	10.37	8.48
	5-Year Median	18.74	13.93	12.38	10.67

As of 01/17/2020

Industry Analysis Zacks Industry Rank: Top 40% (101 out of 254)



Top Peers

Bloomin Brands, Inc. (BLMN)	Neutral
Chipotle Mexican Grill, Inc. (CMG)	Neutral
Dunkin Brands Group, Inc. (DNKN)	Neutral
Dominos Pizza Inc (DPZ)	Neutral
Darden Restaurants, Inc. (DRI)	Neutral
McDonalds Corporation (MCD)	Neutral
The Wendys Company (WEN)	Neutral
Yum! Brands, Inc. (YUM)	Neutral

Industry Comparison Industry: Retail - Restaurants				Industry Peers		
	SBUX Neutral	X Industry	S&P 500	DPZ Neutral	MCD Neutral	YUM Neutral
VGM Score	B	-	-	B	D	D
Market Cap	110.57 B	432.15 M	24.65 B	11.72 B	159.64 B	31.88 B
# of Analysts	14	5.5	13	11	10	9
Dividend Yield	1.75%	0.00%	1.73%	0.91%	2.36%	1.59%
Value Score	D	-	-	D	D	D
Cash/Price	0.03	0.03	0.04	0.02	0.01	0.02
EV/EBITDA	19.05	14.96	14.11	23.69	19.77	17.17
PEG Ratio	2.39	2.08	2.08	1.97	2.97	2.08
Price/Book (P/B)	NA	3.04	3.39	NA	NA	NA
Price/Cash Flow (P/CF)	22.70	11.93	13.81	27.92	21.25	27.92
P/E (F1)	30.70	22.15	19.19	27.08	25.01	25.51
Price/Sales (P/S)	4.17	0.96	2.69	3.30	7.64	5.84
Earnings Yield	3.26%	4.44%	5.21%	3.69%	4.00%	3.92%
Debt/Equity	-1.79	0.94	0.72	-1.23	-5.20	-1.30
Cash Flow (\$/share)	4.12	1.53	6.94	10.26	9.97	3.77
Growth Score	A	-	-	B	C	C
Hist. EPS Growth (3-5 yrs)	15.73%	7.71%	10.56%	30.90%	11.79%	0.29%
Proj. EPS Growth (F1/F0)	7.67%	8.29%	7.57%	12.75%	8.14%	11.94%
Curr. Cash Flow Growth	5.49%	7.73%	14.73%	37.70%	13.21%	-9.66%
Hist. Cash Flow Growth (3-5 yrs)	12.19%	6.24%	9.00%	19.72%	1.40%	-11.09%
Current Ratio	0.92	0.63	1.24	1.44	0.84	1.57
Debt/Capital	NA%	61.12%	42.99%	NA	NA	NA
Net Margin	13.58%	3.14%	11.14%	10.79%	28.09%	20.88%
Return on Equity	-75.45%	8.47%	17.16%	-12.92%	-85.71%	-11.69%
Sales/Assets	1.36	1.17	0.55	3.23	0.49	1.18
Proj. Sales Growth (F1/F0)	7.07%	3.15%	4.16%	7.37%	2.90%	4.86%
Momentum Score	C	-	-	A	D	C
Daily Price Chg	1.12%	0.00%	0.27%	-0.31%	0.54%	3.17%
1 Week Price Chg	1.50%	0.78%	0.39%	-1.89%	3.59%	-0.16%
4 Week Price Chg	5.76%	3.94%	2.95%	-1.89%	7.57%	5.59%
12 Week Price Chg	12.55%	3.32%	7.76%	8.68%	8.14%	-3.26%
52 Week Price Chg	45.64%	3.61%	22.29%	10.63%	17.04%	16.21%
20 Day Average Volume	5,462,824	175,890	1,536,375	514,056	2,934,734	1,279,565
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.24%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.46%	-0.06%	-0.60%
(F1) EPS Est 12 week change	-1.23%	0.00%	-0.40%	0.50%	-2.71%	-2.55%
(Q1) EPS Est Mthly Chg	0.17%	0.00%	0.00%	-0.12%	0.05%	-0.08%

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	D
Growth Score	A
Momentum Score	C
VGM Score	B

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.