

Sonoco Products Co. (SON)

\$59.50 (As of 01/21/20)

Price Target (6-12 Months): **\$63.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/19/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: F

Summary

Sonoco anticipates 2019 earnings per share in the range of \$3.50-\$3.54. The mid-point of the range suggests year-over-year rise of 4%. The ongoing year's earnings is likely to be driven by combination of positive price and cost, lower tax rate, and benefits from the Conitex and Corenso acquisitions. The company's focus on optimizing businesses through process improvement, standardization and cost control will also aid results. The company is also focused on driving profitable growth, margin expansion and generating solid free cash flow. However, impact of tariffs on steel, aluminum and other products will continue to weigh on Sonoco's margins. The recent slowdown in customer orders owing to weakening global economic conditions remains a concern. The company's earnings estimates for the current year have been stable of late.

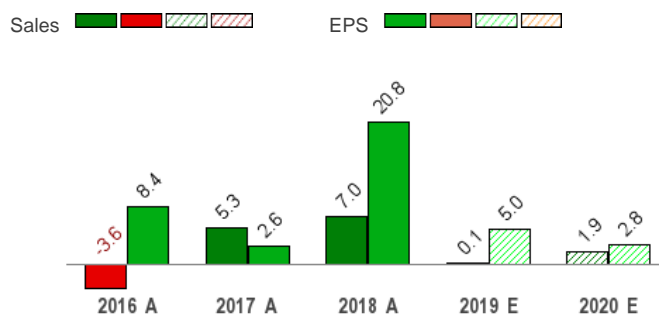
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$66.57 - \$54.64
20 Day Average Volume (sh)	325,069
Market Cap	\$6.0 B
YTD Price Change	-3.6%
Beta	0.89
Dividend / Div Yld	\$1.72 / 2.9%
Industry	Containers - Paper and Packaging
Zacks Industry Rank	Bottom 18% (210 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.6%
Last Sales Surprise	-1.9%
EPS F1 Est- 4 week change	-0.9%
Expected Report Date	02/13/2020
Earnings ESP	-1.3%
P/E TTM	16.5
P/E F1	16.4
PEG F1	3.5
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	1,355 E	1,385 E	1,383 E	1,339 E	5,503 E
2019	1,352 A	1,360 A	1,354 A	1,332 E	5,398 E
2018	1,304 A	1,366 A	1,365 A	1,356 A	5,391 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.87 E	\$0.99 E	\$0.97 E	\$0.96 E	\$3.64 E
2019	\$0.85 A	\$0.95 A	\$0.97 A	\$0.76 E	\$3.54 E
2018	\$0.74 A	\$0.93 A	\$0.86 A	\$0.84 A	\$3.37 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 01/21/2020. The reports text is as of 01/22/2020.

Overview

Incorporated in 1899, Hartsville, SC-based Sonoco Products is a leading provider of consumer packaging, industrial products, protective packaging and packaging supply chain services.

The company has around 312 operations in 36 countries throughout North and South America, Europe, Australia and Asia. The majority of the Sonoco's revenues are from products and services sold to consumer and industrial products companies for use in the packaging of their products for sale or shipment.

The company manufactures paperboard, primarily from recycled materials, for both internal use and open market sale. The company reports financial results in four segments.

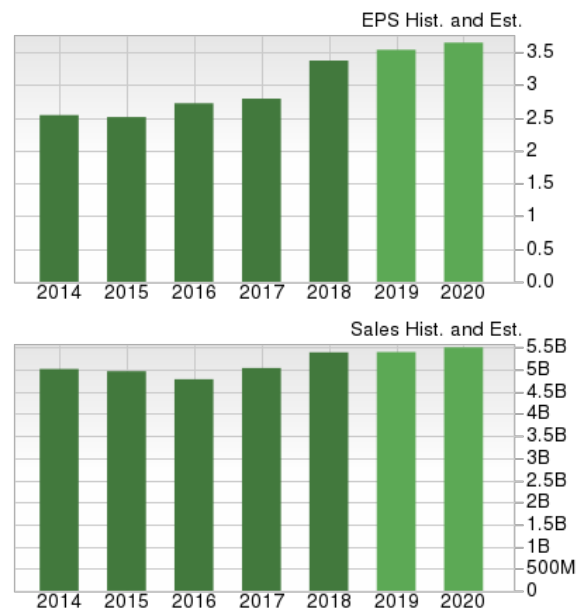
Consumer Packaging (44% of sales in fiscal 2018) makes round and shaped rigid containers and trays (both composite and thermoformed plastic), extruded and injection-molded plastic products; printed flexible packaging; global brand artwork management; and metal and peelable membrane ends and closures.

Paper and Industrial Converted Products (35%) makes paperboard tubes, cones, and cores; fiber-based construction tubes; wooden, metal and composite wire and cable reels and spools; and recycled paperboard, linerboard, corrugating medium, recovered paper and material recycling services.

Display and Packaging (11%) is engaged in designing, manufacturing, assembling, packing and distributing temporary, semi-permanent and permanent point-of-purchase displays; supply chain management services, including contract packing, fulfillment and scalable service centers; retail packaging, including printed backer cards, thermoformed blisters and heat sealing equipment; and paper amenities, such as coasters and glass covers.

Protective Solutions (10%) offers custom-designed paperboard-based and expanded foam protective packaging and temperature-assurance packaging.

Due to its geographic footprint and the cost-competitive nature of its businesses, the company is constantly seeking the most cost-effective means and structure to serve its customers and to respond to fundamental changes in its markets. As such, restructuring costs have been and are expected to be a recurring component of the Company's operating costs.



Reasons To Buy:

- ▲ For 2020, Sonoco anticipates earnings per share to lie within \$3.65 and \$3.75. The mid-point of the target range is at \$3.70 per share. If achieved it would be a record for the company. The company projects sales for 2020 at \$5.55 billion, an estimated year-over-year growth of 3%. Sonoco expects to deliver 4% organic growth in Flexible packaging and 4-5% organic growth in Rigid Plastic Packaging in 2020.
- ▲ For 2019, Sonoco anticipates adjusted earnings per share in the range of \$3.50 to \$3.54. The mid-point of the guidance range indicates an improvement of 4% from the \$3.37 reported in 2018. Earnings growth in 2019 is likely to be aided by combination of positive price and cost, lower tax rate, and benefits from the Conitex and Corenso acquisitions. The company's focus on optimizing businesses through process improvement, standardization and cost control will also aid results. Further, restructuring actions are likely to lower costs between \$15 million and \$20 million this year.
- ▲ Last October, the company acquired the remaining 70% interest in the Conitex-Sonoco joint venture and Texpack's composite can operation in Spain. The acquisition of Conitex Sonoco will assist the company in expanding manufacturing presence in the Americas, Europe, and rapidly growing emerging markets in Asia. The company also completed the buyout of Highland Packaging Solutions last April and bought Clear Lam July 2017. Recently, Sonoco completed the acquisition of Corenso Holdings America, Inc. for a cash consideration of \$110 million. The deal creates a long-term opportunity for Sonoco by expanding its paperboard and core converting operations.
- ▲ The company is focused on driving profitable growth, margin expansion and generating solid free cash flow. Its strong balance sheet enables the company to invest in capacity and pursue acquisitions. For 2020, operating cash flow is projected at around \$635 million. The company expects to generate free cash flow of \$260 million after spending \$195 million in capital investments and a dividend payout of \$180 million, subject to approval of its board. Meanwhile, Sonoco remains focused on acquisitions in targeted consumer and industrial markets. The company plans to turn the consumer packaging segment around in fiscal 2020 and grow and optimize industrial packaging.

Sonoco is poised to gain from pricing initiatives, margin expansion and focus on new product development. A strong balance sheet also enables the company to invest in growth and acquisitions.

Reasons To Sell:

- ▼ Per the Institute for Supply Management's latest report, the Manufacturing PMI declined to 47.2% in December 2019 from 48.1% in November and 48.3% in October. This marked the lowest contraction in the manufacturing sector since June 2009, primarily due to the U.S.-China trade tensions. Over the last several months, business confidence indexes are slumping. This is reflected in recent customers' order patterns. Weakening global economic conditions and the uncertainty of tariffs and trade disputes are weighing on consumer confidence. Customers have thus taken a conservative stance to manage their businesses by aggressively destocking inventory and holding back on new product launches. This slowdown in customer orders remains a major headwind. Moreover, over the past few years, Consumer Packaging volumes have been affected as consumers' preference for packaged food is clearly being impacted by changing taste for more fresh and natural products.
- ▼ Sonoco reaffirmed fourth-quarter 2019 and full-year earnings per share (EPS) guidance ranges, which were provided during the third-quarter earnings release. For the fourth quarter, EPS is envisioned between 72 and 76 cents. Compared with earnings of 84 cents in the year-ago quarter, the mid-point of the guidance range reflects a year-over-year decline of 12%. Moreover, impact of tariffs on steel, aluminum and other products will continue to hurt Sonoco's margins. The company is also facing inflationary cost pressure from higher freight, wages, energy and elevated cost for materials, particularly resins.
- ▼ Sonoco maintains operating cash flow guidance range at \$435-\$455 million and free cash flow at \$60-\$70 million. Both operating cash flow and free cash flow this year are anticipated to be impacted by the estimated \$200 million full-year after tax cash flow impact from the company's voluntary contributions to U.S. defined benefit pension plans.

Higher material and other costs, impact of tariffs on steel, aluminum and other products and the recent slowdown in customer orders will weigh on both Sonoco's top and bottom lines.

Last Earnings Report

Sonoco Misses Q3 Earnings & Sales Estimates, Trims View

Quarter Ending **09/2019**

Sonoco Products Company's third-quarter 2019 adjusted earnings increased 12.8% year on year to 97 cents per share. Earnings also exceeded the upper-end of management's guidance of 88-94 cents. The reported figure, however, missed the Zacks Consensus Estimate of 91 cents, resulting in a negative surprise of 6.6%.

Report Date	Oct 17, 2019
Sales Surprise	-1.87%
EPS Surprise	6.59%
Quarterly EPS	0.97
Annual EPS (TTM)	3.61

On a reported basis, including one-time items, earnings per share came in at 91 cents, compared with the year-ago quarter's 72 cents.

Sonoco's net sales came in at \$1.35 billion, marginally down from the prior-year quarter's \$1.36 billion. This downside primarily resulted from lower volumes and stronger U.S. dollar, partly offset by increased sales from acquisitions. The sales figure also missed the Zacks Consensus Estimate of \$1.38 billion.

Operational Update

Cost of sales came in at \$1.09 billion compared with the \$1.10 billion recorded in the year-earlier quarter. Gross profit during the third quarter totaled \$265.5 million, up from the year-ago quarter's \$259.6 million. Gross margin came in at 19.6% compared with 19.0% reported in the comparable period last year.

Selling, general and administrative expenses totaled \$120.3 million, down 11.5% year over year. The downside primarily resulted from acquisition-related costs. Adjusted operating income increased 12.1% year over year to \$139 million during the July-September quarter. Operating margin came in at 10.3% compared with the 9.1% recorded in the year-ago quarter.

Segment Performance

The Consumer Packaging segment reported net sales of \$581.4 million, down 3.1% from \$600.2 million recorded in the prior-year quarter. Operating profit inched up to \$56.7 million from the \$56 million witnessed in the comparable period last year.

Net sales in the Paper and Industrial Converted Products segment came in at \$495.8 million, suggesting an increase of 6.9% year over year on the Conitex acquisition, partly offset by foreign exchange and lower volume. Operating profit totaled \$59.4 million compared with the \$53.9 million recorded in the comparable period last year.

The Display and Packaging segment's net sales slipped 12.1% year over year to \$145 million. The segment reported an operating profit of \$8.9 million compared with \$3.7 million reported in the year-earlier quarter.

The Protective Solution segment's net sales came in at \$131.7 million, down 2.9% year over year on lower volume. Operating profit of the segment jumped 34.6% year over year to \$14 million.

Financial Performance

Sonoco reported cash and cash equivalents of \$115.9 million at the end of the second quarter compared with \$250.4 million at the end of the prior-year quarter. The company recorded cash flow from operating activities of \$238.8 million in the reported quarter compared with \$451.5 million in the year-earlier period.

As of the third quarter's end, long-term debt was \$1.18 billion compared with the \$1.19 billion recorded at the end of 2018. As of Sep 30, 2019, the company's total debt-to-capital ratio was 45.6% compared with 43.9% reported at the end of 2018.

Acquisition

This May, Sonoco signed an agreement to acquire Corenso Holdings America, Inc. from Madison Dearborn Partners, LLC, for a cash consideration of \$110 million. The company completed the acquisition in August.

Guidance

For 2019, Sonoco now expects adjusted earnings per share guidance of \$3.50-\$3.54 compared with the prior estimate of \$3.52-\$3.62. The company reaffirmed its operating cash flow and free cash-flow guidance. Operating cash flow is expected between \$435 million and \$455 million and free cash flow is projected at \$60-\$80 million.

For the ongoing quarter, the company projects adjusted earnings per share of 72-76 cents compared with the year-ago quarter's 84 cents. However, the company anticipates slowdown in customer orders in certain markets.

Recent News

Sonoco Closes TEQ Buyout, Eyes Growth in Healthcare Packaging - Jan 2, 2020

Sonoco has completed the acquisition of Thermoform Engineered Quality, LLC, and Plastique Holdings, LTD, (together TEQ) from ESCO Technologies, Inc. for a cash payment of \$187 million. Sonoco had entered into an agreement to acquire TEQ last November.

Headquartered in Huntley, IL, TEQ is a global manufacturer of thermoformed packaging, offering services for the healthcare, medical device and consumer markets. The company generated sales worth \$87 million in the fiscal year ended Sep 30, 2019.

TEQ operates three thermoforming and extrusion facilities in the United States, has one thermoforming operation unit in the U.K., and a thermoforming and molded-fiber manufacturing facility in Poland. Each facility enables production of sterile and barrier packaging systems for pharmaceuticals and medical devices with state-of-the-art cleanroom capabilities. Additionally, the company produces recyclable, molded-pulp-fiber packaging and thermoformed plastic packaging for various consumer products, mainly based out of Europe.

Sonoco's healthcare packaging business is a fast-growing key growth area. The latest acquisition will enable the company to become a larger supplier to healthcare and medical device manufacturers. Along with the TEQ's broad capabilities, Sonoco's healthcare packaging space now include its best-in-class ThermoSafe temperature-assured pharmaceutical packaging, multi-cell cuvettes and appliances, injection-molded vials, thermoformed trays for OTC medical products and medical devices, plus Alloyd heat-sealing equipment for commercial medical applications.

The company funded the deal using short-term credit facilities. This transaction is expected to be conducive to Sonoco's 2020 earnings.

Sonoco's Industry Alliance to Enhance Fiber-Based Packaging - Dec 18, 2019

Sonoco has joined an international industry alliance, 4evergreen. This alliance is aimed at boosting fiber-based packaging for creating a more sustainable economy, in a bid to reduce climate change and other environmental impacts.

The alliance has been launched by Cepi, the European association for the paper industry. 4evergreen is focused on spreading awareness about the benefits of fiber-based packaging materials, support recyclable product design, and stimulate the development of optimized collection systems and suitable recycling infrastructures.

This alliance was initially formed to connect industry members from across the fiber-based packaging value chain, from paper producers to packaging converters, retailers and brand owners, material suppliers and technology, as well as waste sorters and collectors. Environmental awareness and rising consumer concerns have fueled rapid development of climate-friendly options, including fiber-based packaging.

The first 4evergreen alliance members include Nestlé, Danone, Sappi, WestRock, Graphic Packaging International, International Paper to name a few. Moreover, the cooperation is welcoming more organizations to join the collaboration.

Sonoco to Gain in 2020 on Buyouts, Productivity Initiatives - Dec 6, 2019

Sonoco provided financial outlook for 2020 and reaffirmed the same for 2019. The company plans to focus on acquisitions, portfolio optimization initiatives, new products and margin expansion through operating excellence and SG&A cost control.

2019 Guidance Maintained

Sonoco reaffirmed fourth-quarter 2019 and full-year earnings per share (EPS) guidance ranges, which were provided during the third-quarter earnings release. For the fourth quarter, EPS is envisioned between 72 and 76 cents. Compared with earnings of 84 cents in the year-ago quarter, the mid-point of the guidance range reflects a year-over-year decline of 12%.

The 2019 earnings guidance remains in the range of \$3.50 to \$3.54, the mid-point of which reflects a projected increase of 4% from \$3.37 per share reported in 2018. The company's projected sales for 2019 is at around \$5.4 billion.

Updates on Cash Flow Forecast

Sonoco reaffirmed guidance for 2019 operating cash flow at \$435-\$455 million and free cash flow at \$60-\$80 million. This included the estimated after-tax impact from the company's \$200 million voluntary contribution to its U.S. defined benefit pension plan. The free cash flow guidance also takes into account expected cash dividend payments to shareholders of around \$170 million.

Projects Record 2020 Earnings Performance

For 2020, Sonoco anticipates earnings per share to lie within \$3.65 and \$3.75. The mid-point of the target range is at \$3.70 per share. If achieved it would be a record for the company.

The EPS guidance factors in positive impact from acquisitions (10 cents), volume/mix (15 cents), and productivity initiatives (43 cents per share). However these benefits are likely to be partially offset by an expected 33 cents per share negative price/cost relationship primarily from higher operating inflation and 9 cents per share impact from higher depreciation and amortization and other costs.

Moreover, higher income taxes and the impact of a strengthening dollar are expected to have a negative impact of 8 cents per share. Interest expense is projected to be flat as higher debt levels are likely to be mitigated lower interest rate

Sonoco projects sales for 2020 at \$5.55 billion, an estimated year-over-year growth of 3%. This includes a positive impact of 143 million from acquisitions and \$75 million for volume/mix. Lower sales price and unfavorable foreign currency impact are estimated at \$46 million and \$10 million respectively. Sonoco expects to deliver 4% organic growth in Flexible packaging and 4-5% organic growth in Rigid Plastic Packaging in 2020.

For 2020, operating cash flow is projected at around \$635 million. The company expects to generate free cash flow of \$260 million after spending \$195 million in capital investments and a dividend payout of \$180 million, subject to approval of its board. Excluding the estimated after-tax impact of a \$200 million voluntary contribution to the company's U.S. defined benefit pension plan in 2019, the increase in 2020 operating cash flow and free cash flow are likely to exhibit year-over-year growth of 4.1% and 10.6%, respectively. Sonoco plans to pursue accretive acquisitions in targeted consumer and industrial markets.

The cash flow outlook however excludes a potential pre-tax contribution of between \$125 million and \$175 million related to terminating and annuitizing the company's U.S. pension plan, which should occur in late 2020 or early 2021. Further, Sonoco anticipates a non-cash settlement charge of between \$550 million to \$600 million at certain points in the pension termination process.

The company plans to turn the consumer packaging segment around in fiscal 2020 and grow and optimize industrial packaging. Margin expansion is expected to be aided by commercial excellence, operating excellence and SG&A cost control. Working capital management and strategic capital expenditure are likely to drive free cash flow.

Valuation

Sonoco's shares are up 7.5% over the trailing 12-month period. Stocks in Containers - Paper and Packaging industry and the Zacks Industrial Products sector are down 21.2% and up 18.8% over the past year, respectively.

The S&P 500 index is up 25.4% in the past year.

The stock is currently trading at 16.28X forward 12-month earnings, which compares to 16.08X for the Zacks sub-industry, 18.19X for the Zacks sector and 19.13X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.80X and as low as 13.67X, with a 5-year median of 16.63X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$63 price target reflects 17.23X forward 12-month earnings.

The table below shows summary valuation data for SON:

Valuation Multiples - SON					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.28	16.08	18.19	19.13
	5-Year High	19.8	18.95	19.91	19.34
	5-Year Low	13.67	7.13	12.6	15.17
	5-Year Median	16.63	16.89	16.54	17.44
EV/EBITDA TTM	Current	9.28	24.68	17.25	12.38
	5-Year High	10.55	27.66	17.44	12.86
	5-Year Low	7.42	12.71	10.89	8.48
	5-Year Median	8.78	15.3	14.72	10.67
P/S F12M	Current	1.08	2.5	2.76	3.56
	5-Year High	1.19	5.06	2.76	3.56
	5-Year Low	0.73	1.46	1.51	2.54
	5-Year Median	1	1.79	1.97	3

As of 01/21/2020

Industry Analysis Zacks Industry Rank: Bottom 18% (210 out of 255)



Top Peers

Berry Global Group, Inc. (BERY)	Outperform
AptarGroup, Inc. (ATR)	Neutral
Ball Corporation (BLL)	Neutral
Crown Holdings, Inc. (CCK)	Neutral
Greif, Inc. (GEF)	Neutral
Packaging Corporation of America (PKG)	Neutral
Sealed Air Corporation (SEE)	Neutral
Silgan Holdings Inc. (SLGN)	Neutral

Industry Comparison Industry: Containers - Paper And Packaging				Industry Peers		
	SON Neutral	X Industry	S&P 500	ATR Neutral	CCK Neutral	SEE Neutral
VGM Score	B	-	-	B	D	B
Market Cap	5.96 B	5.96 B	24.43 B	7.39 B	9.93 B	5.96 B
# of Analysts	4	5	13	7	6	7
Dividend Yield	2.89%	2.89%	1.75%	1.25%	0.00%	1.66%
Value Score	B	-	-	D	C	C
Cash/Price	0.02	0.03	0.04	0.04	0.03	0.03
EV/EBITDA	10.36	10.56	14.00	17.54	11.48	12.41
PEG Ratio	3.51	1.93	2.06	2.65	1.91	1.30
Price/Book (P/B)	3.21	2.99	3.39	4.76	4.91	NA
Price/Cash Flow (P/CF)	10.30	8.50	13.69	16.83	8.83	11.38
P/E (F1)	16.41	16.51	19.00	27.34	13.39	12.89
Price/Sales (P/S)	1.10	1.10	2.68	2.57	0.86	1.25
Earnings Yield	6.12%	6.06%	5.26%	3.66%	7.47%	7.75%
Debt/Equity	0.64	0.98	0.72	0.73	4.06	-12.34
Cash Flow (\$/share)	5.78	4.77	6.94	6.87	8.29	3.39
Growth Score	B	-	-	A	D	C
Hist. EPS Growth (3-5 yrs)	7.80%	11.71%	10.60%	8.42%	10.60%	2.27%
Proj. EPS Growth (F1/F0)	3.08%	7.44%	7.57%	7.44%	9.03%	7.82%
Curr. Cash Flow Growth	15.51%	19.75%	14.00%	14.87%	41.18%	8.17%
Hist. Cash Flow Growth (3-5 yrs)	5.80%	8.06%	9.00%	4.89%	15.14%	-0.54%
Current Ratio	1.20	1.61	1.23	2.04	1.12	1.06
Debt/Capital	38.89%	52.05%	42.99%	42.11%	80.23%	NA
Net Margin	5.99%	4.55%	11.15%	8.16%	4.10%	7.55%
Return on Equity	20.08%	20.02%	17.16%	17.85%	41.91%	-135.60%
Sales/Assets	1.11	0.93	0.55	0.83	0.75	0.90
Proj. Sales Growth (F1/F0)	1.95%	4.38%	4.05%	3.76%	1.79%	4.38%
Momentum Score	F	-	-	B	B	A
Daily Price Chg	-0.39%	-1.21%	-0.27%	-1.44%	-0.26%	-1.76%
1 Week Price Chg	2.68%	2.37%	2.29%	1.32%	3.31%	2.05%
4 Week Price Chg	-3.28%	-1.69%	2.13%	0.78%	0.84%	-4.20%
12 Week Price Chg	1.99%	3.99%	6.99%	-2.43%	0.59%	-8.12%
52 Week Price Chg	8.48%	10.33%	21.25%	19.90%	53.15%	1.31%
20 Day Average Volume	325,069	174,437	1,415,064	193,922	741,679	795,776
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.89%	0.00%	0.00%	-0.74%	-0.39%	-0.05%
(F1) EPS Est 12 week change	0.86%	-2.47%	-0.34%	-9.70%	-0.39%	-2.47%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	1.17%	1.82%	2.42%

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	B
Growth Score	B
Momentum Score	F
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.

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