

## Sonoco Products Co. (SON)

**\$53.11** (As of 08/21/20)

Price Target (6-12 Months): **\$56.00**

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: D

### Summary

Sonoco's earnings estimates for the current quarter and current year have been stable of late. The company projects third-quarter adjusted earnings per share (EPS) to be 73-83 cents compared with the year-ago quarter's 97 cents. Sonoco anticipates global macroeconomic conditions to improve from the second-quarter levels. However, recovery in demand might be impacted by the resurgence of coronavirus cases, in turn slowing the reopening of business activities. Sonoco will gain from growth in consumer-packaging businesses on solid demand from food packaging. Further, stable Old Corrugated Containers (OCC) price will likely offset the negative impact of price/cost, improving operating margins in the ongoing quarter. Moreover, the company's focus on improving productivity, cost control and solid financial position will stoke growth.

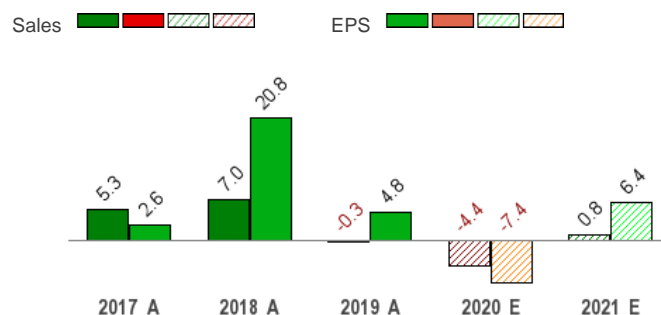
### Price, Consensus & Surprise



### Data Overview

|                            |  |
|----------------------------|--|
| 52 Week High-Low           | \$62.77 - \$37.30                                |
| 20 Day Average Volume (sh) | 380,831  |
| Market Cap                 | \$5.3 B  |
| YTD Price Change           | -14.0%   |
| Beta                       | 0.79   |
| Dividend / Div Yld         | \$1.72 / 3.2%                                    |
| Industry                   | <a href="#">Containers - Paper and Packaging</a> |
| Zacks Industry Rank        | Top 40% (102 out of 252)                         |

### Sales and EPS Growth Rates (Y/Y %)



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 1.3%       |
| Last Sales Surprise       | -5.2%      |
| EPS F1 Est- 4 week change | 0.0%       |
| Expected Report Date      | 10/15/2020 |
| Earnings ESP              | 0.0%       |
| P/E TTM                   | 15.4       |
| P/E F1                    | 16.2       |
| PEG F1                    | 3.5        |
| P/S TTM                   | 1.0        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2021 |         |         |         |         | 5,176 E |
| 2020 | 1,303 A | 1,245 A | 1,304 E | 1,285 E | 5,137 E |
| 2019 | 1,352 A | 1,360 A | 1,354 A | 1,309 A | 5,374 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 |          |          |          |          | \$3.48 E |
| 2020 | \$0.94 A | \$0.79 A | \$0.80 E | \$0.72 E | \$3.27 E |
| 2019 | \$0.85 A | \$0.95 A | \$0.97 A | \$0.75 A | \$3.53 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 08/21/2020. The reports text is as of 08/24/2020.

## 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 300 operations in 34 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.

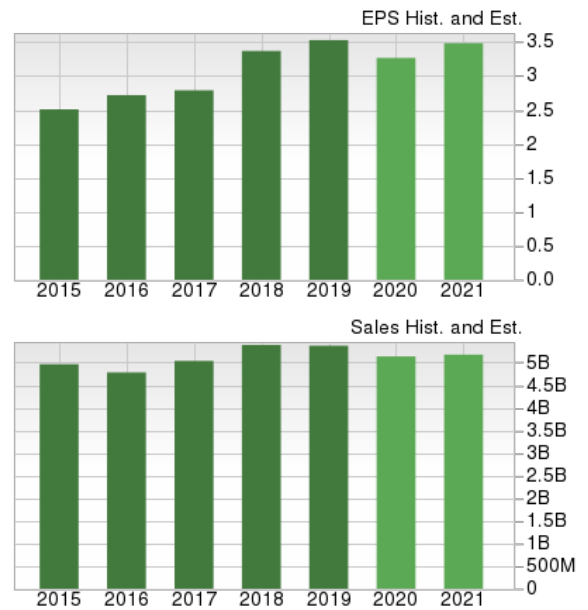
**Consumer Packaging** (43% of sales in fiscal 2019) makes round and shaped rigid containers and trays (both composite and thermoformed plastic), extruded and injection-molded plastic products; printed flexible packaging; global brand artwork management; and metal and peelable membrane ends and closures.

**Paper and Industrial Converted Products** (37%) 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** (10%) 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:

- ▲ Sonoco is an essential provider of consumer, industrial and medical packaging. Hence, the company's global operations continue to operate and are serving customers' critical needs during the coronavirus crisis. Sonoco expects global macroeconomic conditions to gradually improve from the second-quarter levels. As the global economy continues to reopen, the company has been witnessing improved demand for its products and services. It anticipates consumer packaging businesses to keep performing well in the third quarter as sales from food packaging will continue to benefit from stay-at-home customers. Approximately 80% of the Consumer Packaging segment's sales come from food packaging where the company is witnessing increased orders. Moreover, the company's focus on optimizing businesses through productivity improvement, standardization and cost control will also aid results in the near term.
- ▲ In second-quarter 2020, paperboard operations in North America are likely to be relatively steady as increased demand for tissue and towel market will help offset declines from some industrial converted-product businesses. Further, stable OCC price is likely to offset negative impacts of price/cost, improving operating margins in the third quarter. OCC is the largest raw material used by the company's recycled paperboard mills. The Protective Solutions segment, which serves automotive and appliance markets, is likely to witness improved demand in the September-end quarter, as these markets have started to recover gradually. The ThermoSafe temperature-assured packaging business is likely to gain from a strong flu vaccine season, and improved demand from its base pharmaceutical and food customers during the third quarter. The company is responding to the pandemic-related crisis with cost-reduction initiatives, and is focused on continuing production and shipping products to customers without supply-chain disruptions.
- ▲ Sonoco's \$83-million capital investment in project Horizon over the next several years will significantly lower uncoated recycled paperboard mill operating costs in the United States and Canada. The investment will transform Hartsville corrugated medium machine to a state-of-the-art URB operation with annual production capacity of roughly 180,000 tons. Design and development of project work will begin later this year and the machine conversion is expected to be completed in early 2022. The new machine will be able to produce a wide range of URB paper grades and will enable to meet internal and trade customer needs. This will create larger opportunity for the company's North America URB system. In fact, the investment will provide annual cost savings of \$24 million after the full ramp up of production. Sonoco has increased capital expenditure to \$195 million from the prior estimate of \$170 million.
- ▲ The company is focused on driving profitable growth, margin expansion and generating solid free cash flow. Sonoco's balance sheet strength and availability of substantial liquidity in the form of cash and revolving credit facilities, as well as the ability to issue commercial paper and to access liquidity in the bank or other debt capital markets place it well to sail through the current unprecedented crisis. The company currently has \$500 million available under its revolving credit facility and cash in hand of approximately \$850 million. Sonoco is also implementing further actions to strengthen cash flow and improve liquidity. These actions include deferring pension-termination contributions to 2021 and closely managing working capital. It is also taking aggressive actions to reduce operating costs and selling, general and administrative expenses.
- ▲ In the June-end quarter, Sonoco registered top-line growth from TEQ acquisition in consumer segment and the Corenso acquisition in the industrial segment. 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 has aided the company in expanding manufacturing presence in the Americas, Europe, and rapidly growing emerging markets in Asia. The buyout of Corenso Holdings North America strengthened Sonoco's domestic paperboard operations. The company also penetrated the growing healthcare market with the addition of Thermoformed Engineered Quality LLC, and Plastique Holdings, LTD, (together TEQ) in January 2020. The fast-growing healthcare packaging space is the company's key growth area.

Sonoco is poised to gain from consumer packaging business, strong productivity and cost control. Further its strong balance sheet enables the company to invest in growth as well as acquisitions.

---

## Reasons To Sell:

- ▼ The company has issued guidance for third-quarter 2020. It expects adjusted earnings per share between 73 cents and 83 cents compared with earnings of 97 cents per share reported in third-quarter 2019. The guidance reflects challenging economic conditions stemming from the coronavirus pandemic. Even though the company expects gradual improvement in global macroeconomic environment, recovery in demand might be short lived due to the resurgence of coronavirus cases, slowing the reopening of business activities. Moreover, the negative impact of foreign-currency translation and higher interest expenses will impact bottom-line results in the third quarter. Sonoco has withdrawn the current-year guidance citing the uncertainties regarding the severity and duration of the pandemic, and inability to ascertain its impact on the company's served markets.
- ▼ Sonoco's industrial-related markets will continue to witness bleak demand compared with the previous year due to the pandemic-induced shutdowns. The Paper and Industrial Converted Products segment will be affected by a negative price/cost relationship during the third quarter due to year-over-year higher recycled fiber costs and lower market pricing. The Display and Packaging business will continue to face weak retail promotional display activity.
- ▼ The overall slowdown in the U.S manufacturing sector pose a threat to the company's industrial segment. Per the Institute for Supply Management's report, the U.S Purchasing Managers' Index (PMI) came in at 41.5% for April — the lowest since April 2009 when it registered 39.9%. In May, the PMI came in at 43.1%. A reading below 50 denotes contraction. Even though the index climbed to 52.6% in June, the manufacturing index averaged 45.7% for the second quarter. The July PMI reading came in at 54.2%. It remains to be seen whether the recovery in the past two months will sustain considering the surge in coronavirus cases. Weakening global economic conditions and the uncertainty regarding the impact of the outbreak are weighing on the sector's customers. 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.
- ▼ 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's plastic business continues to struggle, particularly in the Perimeter of the Store and industrial operations. Further, 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.

Impact of the coronavirus outbreak on the company's operations and the slowdown in customer orders will weigh on Sonoco's top line. Higher material and other costs will dent margins.

## Last Earnings Report

### Sonoco's Earnings Beat, Sales Miss Estimates in Q2

Sonoco reported adjusted earnings of 79 cents in second-quarter 2020, which outpaced the Zacks Consensus Estimate of 78 cents. The figure, however, declined 16.8% from the prior-year quarter. The bottom line came within management's guidance of 73-83 cents on strong productivity, cost-reduction actions and contributions from recent acquisitions. However, these gains were partly offset by negative volume/mix, negative price and cost, unfavorable impact of foreign-exchange translation as well as higher tax and interest rates.

On a reported basis, including one-time items, earnings per share came in at 55 cents compared with the year-ago quarter's 80 cents.

Sonoco's net sales came in at \$1.25 billion, missing the Zacks Consensus Estimate of \$1.31 billion. The top line also declined 8.4% year over year on lower volume/mix, reduced selling prices and a stronger U.S. dollar. However, higher sales from acquisitions somewhat offset these negatives.

### Operational Update

Cost of sales came in at around \$998 million compared with the \$1,084 million witnessed in the year-earlier quarter. Gross profit during the reported quarter totaled \$248 million, down from the year-ago quarter's \$275 million. Gross margin came in at 19.9% compared with the 20.2% reported in the prior-year period.

Selling, general and administrative expenses totaled \$121.4 million, down 8% year over year. This can primarily be attributed to the company's focus on reducing controllable costs across its business. Adjusted operating income declined 11.8% year over year to \$127 million during the June-end quarter. Operating margin came in at 10.2% compared with the year-ago quarter's 10.6%.

### Segment Performance

The Consumer Packaging segment reported net sales of \$615 million, up 2% from the prior-year quarter's \$603 million. Operating profit climbed to \$86 million from the \$63 million recorded in the comparable period last year.

Net sales in the Paper and Industrial Converted Products segment came in at \$434 million, marking a year-over-year decline of 11.6%. Operating profit totaled \$29.9 million compared with the \$61.2 million witnessed in the year-ago period.

The Display and Packaging segment's net sales declined 20.7% year over year to \$107 million. The segment reported an operating profit of \$5.9 million, flat compared with the year-earlier quarter.

The Protective Solution segment's net sales came in at \$89 million, down 32% year over year. Operating profit of the segment slumped 71.4% year over year to \$4.5 million.

### Financial Performance

Sonoco reported cash and cash equivalents of \$857.3 million at the end of second-quarter 2020 compared with the \$96.2 million witnessed at the end of prior-year quarter. The company recorded cash flow from operating activities of \$281 million in the first half of 2020 compared with \$40 million in 2019. In the second quarter, free cash flow was \$123 million compared with cash outflow \$145 million in the same period last year.

As of the second quarter's end, total debt was \$2.27 billion compared with the \$1.68 billion recorded at the end of 2019. At the end of the second quarter, the company's total debt to total capital ratio was 55.6% compared with the 48.1% at the end of 2019.

### Q3 Guidance

Sonoco expects third-quarter adjusted earnings per share between 73 cents and 83 cents compared with earnings of 97 cents per share reported in third-quarter 2019. The company anticipates global macroeconomic conditions to gradually improve from the second-quarter levels. However, recovery in demand might be offset by resurgence of coronavirus cases, slowing the reopening of business activities.

Sonoco anticipates Consumer Packaging business to continue performing well in the September-end quarter as sales from food packaging will continue to benefit from stay-at-home customers. Approximately 80% of the Consumer Packaging segment's sales come from food packaging where the company is witnessing increased orders.

Nevertheless, industrial-related markets will witness bleak demand compared with the previous year. The Paper and Industrial Converted Products segment will be affected by a negative price/cost relationship during the third quarter due to year-over-year higher recycled fiber costs and lower market pricing, while stable OCC price will likely improve price/cost for the remaining period of the current year. The Display and Packaging business will continue to face weak retail promotional display activity, which might be partly offset by cost-control actions.

Meanwhile, the Protective Solutions segment is likely to witness improved demand in the third quarter, as automotive and appliance markets have started to recover gradually. The ThermoSafe temperature-assured packaging business will gain from a strong flu vaccine season, and higher demand from its base pharmaceutical and food customers during the quarter.

Quarter Ending 06/2020

| Report Date      | Jul 16, 2020 |
|------------------|--------------|
| Sales Surprise   | -5.20%       |
| EPS Surprise     | 1.28%        |
| Quarterly EPS    | 0.79         |
| Annual EPS (TTM) | 3.45         |

## Recent News

### Sonoco Announces Quarterly Dividend

On Jul 15, 2020 Sonoco's board has declared a quarterly dividend of 43 cents per share, payable on Sep 10, to shareholders of record as of Aug 10, 2020.

## Valuation

Sonoco's shares are down 13.9% in the year-to-date period and 6% over the trailing 12-month period. Stocks in Containers - Paper and Packaging industry and the Zacks Industrial Products sector are down 3.3% and 2.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 7.3% and 15.2%, respectively.

The S&P 500 index is up 5.5% in the year-to-date period and 18.3% in the past year.

The stock is currently trading at 15.59X forward 12-month earnings, which compares to 15.63X for the Zacks sub-industry, 21.90X for the Zacks sector and 22.85X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.80X and as low as 10.55X, with a 5-year median of 16.50X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$56 price target reflects 16.43X 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       | 15.59 | 15.63        | 21.90  | 22.85   |
|                           | 5-Year High   | 19.8  | 18.95        | 21.90  | 22.85   |
|                           | 5-Year Low    | 10.55 | 7.13         | 12.55  | 15.25   |
|                           | 5-Year Median | 16.5  | 16.11        | 17.48  | 17.58   |
| P/S F12M                  | Current       | 1.03  | 2.49         | 2.94   | 3.71    |
|                           | 5-Year High   | 1.19  | 5.06         | 2.94   | 3.71    |
|                           | 5-Year Low    | 0.7   | 1.46         | 1.52   | 2.53    |
|                           | 5-Year Median | 1.01  | 1.82         | 2.04   | 3.05    |
| EV/EBITDA TTM             | Current       | 7.8   | 21.11        | 19.79  | 12.89   |
|                           | 5-Year High   | 10.55 | 28.56        | 20.14  | 12.89   |
|                           | 5-Year Low    | 6.24  | 12.02        | 10.74  | 8.25    |
|                           | 5-Year Median | 8.72  | 15.35        | 14.96  | 10.91   |

As of 08/21/2020

## Industry Analysis Zacks Industry Rank: Top 40% (102 out of 252)



## Top Peers

| Company (Ticker)                       | Rec        | Rank |
|--|------------|------|
| AptarGroup, Inc. (ATR)                 | Outperform | 3    |
| Berry Global Group, Inc. (BERY)        | Outperform | 2    |
| Crown Holdings, Inc. (CCK)             | Outperform | 2    |
| Silgan Holdings Inc. (SLGN)            | Outperform | 1    |
| Ball Corporation (BLL)                 | Neutral    | 3    |
| Greif, Inc. (GEF)                      | Neutral    | 3    |
| Packaging Corporation of America (PKG) | Neutral    | 3    |
| Sealed Air Corporation (SEE)           | Neutral    | 3    |

| Industry Comparison Industry: Containers - Paper And Packaging |         |            |           | Industry Peers |            |           |
|--|---------|------------|-----------|----------------|------------|-----------|
|  | SON     | X Industry | S&P 500   | ATR            | CCK        | SEE       |
| Zacks Recommendation (Long Term)                               | Neutral | -          | -         | Outperform     | Outperform | Neutral   |
| Zacks Rank (Short Term)  | 3       | -          | -         | 3              | 2          | 3         |
| VGM Score  | B       | -          | -         | B              | B          | A         |
| Market Cap   | 5.33 B  | 5.23 B     | 23.62 B   | 7.60 B         | 10.10 B    | 6.36 B    |
| # of Analysts  | 5       | 6          | 14        | 7              | 7          | 6         |
| Dividend Yield   | 3.24%   | 2.22%      | 1.65%     | 1.22%          | 0.00%      | 1.57%     |
| Value Score  | B       | -          | -         | C              | B          | B         |
| Cash/Price   | 0.15    | 0.04       | 0.07      | 0.03           | 0.04       | 0.05      |
| EV/EBITDA  | 8.87    | 8.87       | 13.29     | 14.83          | 10.66      | 13.93     |
| PEG Ratio  | 3.56    | 2.19       | 3.03      | 5.01           | 2.89       | 2.17      |
| Price/Book (P/B)   | 2.95    | 2.76       | 3.11      | 4.61           | 4.55       | NA        |
| Price/Cash Flow (P/CF)   | 8.91    | 7.99       | 12.69     | 16.52          | 8.44       | 10.71     |
| P/E (F1)   | 16.61   | 16.12      | 21.51     | 35.06          | 14.44      | 14.01     |
| Price/Sales (P/S)  | 1.02    | 1.02       | 2.43      | 2.72           | 0.89       | 1.31      |
| Earnings Yield   | 6.16%   | 6.18%      | 4.46%     | 2.85%          | 6.92%      | 7.14%     |
| Debt/Equity  | 0.90    | 1.32       | 0.76      | 0.69           | 3.67       | -53.51    |
| Cash Flow (\$/share)   | 5.96    | 3.82       | 6.93      | 7.13           | 8.88       | 3.82      |
| Growth Score   | B       | -          | -         | B              | B          | A         |
| Hist. EPS Growth (3-5 yrs)                                     | 8.88%   | 11.82%     | 10.44%    | 6.58%          | 9.93%      | 2.63%     |
| Proj. EPS Growth (F1/F0)                                       | -7.42%  | -1.25%     | -5.53%    | -14.94%        | 1.59%      | 3.43%     |
| Curr. Cash Flow Growth   | 3.38%   | 7.93%      | 5.20%     | 5.66%          | 7.40%      | 10.79%    |
| Hist. Cash Flow Growth (3-5 yrs)                               | 5.30%   | 7.51%      | 8.52%     | 5.76%          | 12.67%     | -2.40%    |
| Current Ratio  | 1.42    | 1.48       | 1.33      | 1.62           | 1.15       | 1.20      |
| Debt/Capital   | 47.24%  | 58.26%     | 44.50%    | 40.81%         | 78.59%     | NA        |
| Net Margin   | 5.23%   | 5.06%      | 10.13%    | 7.24%          | 4.28%      | 8.24%     |
| Return on Equity   | 19.35%  | 19.35%     | 14.67%    | 14.41%         | 32.53%     | -240.81%  |
| Sales/Assets   | 1.00    | 0.86       | 0.51      | 0.76           | 0.73       | 0.85      |
| Proj. Sales Growth (F1/F0)                                     | -4.41%  | -0.36%     | -1.54%    | -1.35%         | -3.05%     | -0.72%    |
| Momentum Score   | D       | -          | -         | C              | F          | C         |
| Daily Price Chg  | -0.17%  | -0.75%     | -0.15%    | 0.21%          | 0.82%      | -0.49%    |
| 1 Week Price Chg   | 3.78%   | 1.56%      | 1.09%     | -0.64%         | 2.98%      | 0.96%     |
| 4 Week Price Chg   | -0.99%  | 2.80%      | 1.64%     | -0.54%         | 5.77%      | 8.75%     |
| 12 Week Price Chg  | 1.65%   | 7.62%      | 6.72%     | 5.56%          | 12.77%     | 27.08%    |
| 52 Week Price Chg  | -6.43%  | 4.18%      | 1.00%     | -2.27%         | 12.43%     | -1.97%    |
| 20 Day Average Volume  | 380,831 | 197,411    | 1,873,576 | 236,494        | 665,633    | 1,255,478 |
| (F1) EPS Est 1 week change                                     | 0.00%   | 0.00%      | 0.00%     | 0.00%          | 0.00%      | 0.00%     |
| (F1) EPS Est 4 week change                                     | 0.00%   | 0.98%      | 1.79%     | 6.05%          | 0.48%      | 9.41%     |
| (F1) EPS Est 12 week change                                    | 0.49%   | 1.23%      | 3.35%     | 6.16%          | 3.54%      | 8.14%     |
| (Q1) EPS Est Mthly Chg   | 0.00%   | 1.17%      | 0.42%     | 4.46%          | 1.16%      | 6.65%     |



---

## 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 | D |
| 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.