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**Jan 06, 2020**

## AT&T Inc.(T)

**$39.06** (As of 01/03/20)

Price Target (6-12 Months): **$41.00**

| | | |
|---|---|---|
| Long Term: 6-12 Months | **Zacks Recommendation:**<br>(Since: 09/27/18)<br>Prior Recommendation: Outperform | **Neutral** |
| Short Term: 1-3 Months | **Zacks Rank:** (1-5)<br>Zacks Style Scores:<br>Value: B \| Growth: C \| Momentum: B | **3-Hold**<br>VGM:A |

## Summary

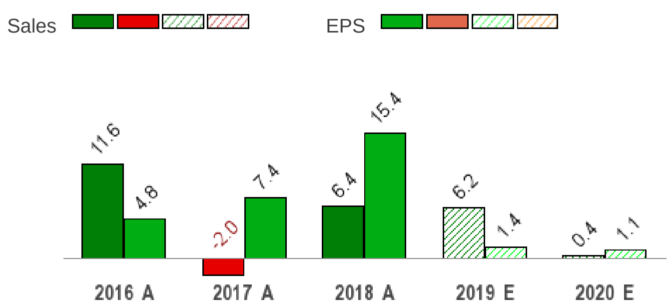
AT&T has offered a three-year financial framework, which is expected to drive significant improvement in margins and bottom-line growth with sustained investments and debt reduction. It aims to deploy a standards-based, nationwide mobile 5G network in early 2020. AT&T's 5G Evolution technology is live in more than 200 markets, which is expected to increase significantly in the near future. The company anticipates gaining a competitive edge over rivals through edge computing services and healthy dividend payout. However, AT&T is witnessing a steady decline in linear TV subscribers and legacy services. Its wireline division is facing loss in access line due to competitive pressure from VoIP service providers. As the company tries to woo customers with discounts, freebies and cash credits, margin pressures tend to soar.

## Price, Consensus & Surprise


## Data Overview

| | |
|---|---|
| 52 Week High-Low | **$39.70 - $28.92** |
| 20 Day Average Volume (sh) | **21,786,436** |
| Market Cap | **$285.3 B** |
| YTD Price Change | **-0.1%** |
| Beta | **0.62** |
| Dividend / Div Yld | **$2.08 / 5.2%** |
| Industry | **Wireless National** |
| Zacks Industry Rank | **Top 38% (96 out of 252)** |
| | |
| Last EPS Surprise | **1.1%** |
| Last Sales Surprise | **-0.9%** |
| EPS F1 Est- 4 week change | **-0.0%** |
| Expected Report Date | **01/29/2020** |
| Earnings ESP | **1.1%** |
| | |
| P/E TTM | **11.0** |
| P/E F1 | **10.8** |
| PEG F1 | **1.8** |
| P/S TTM | **1.6** |

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




## Sales Estimates **(millions of $)**

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2020 | 44,745 E | 44,791 E | 45,040 E | 47,369 E | 182,108 E |
| 2019 | 44,827 A | 44,957 A | 44,588 A | 46,988 E | 181,361 E |
| 2018 | 38,038 A | 38,986 A | 45,739 A | 47,993 A | 170,756 A |

## EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2020 | $0.87 E | $0.90 E | $0.92 E | $0.89 E | $3.61 E |
| 2019 | $0.86 A | $0.89 A | $0.94 A | $0.88 E | $3.57 E |
| 2018 | $0.85 A | $0.91 A | $0.90 A | $0.86 A | $3.52 A |

*Quarterly figures may not add up to annual.

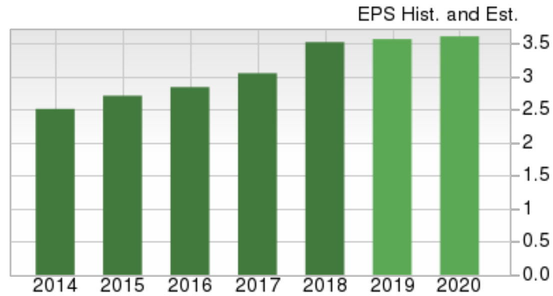
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/03/2020. The reports text is as of 01/06/2020.

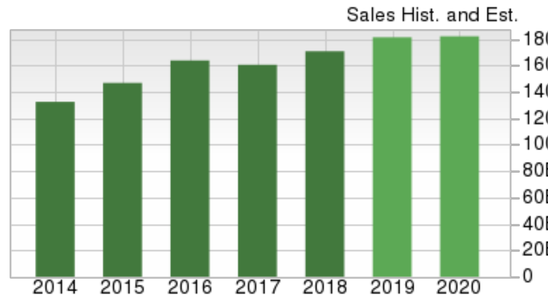
## Overview

Based in Dallas, TX, AT&T Inc. is the second largest wireless service provider in North America and one of the world's leading communications service carriers. Through its subsidiaries and affiliates, the company offers a wide range of communication and business solutions that include wireless, local exchange, long-distance, data/broadband and Internet, video, managed networking, wholesale and cloud-based services.

Post the Time Warner acquisition, the company has reorganized its operating segments effective third-quarter 2018 to better reflect its current businesses. The new segments of the company are Communications, WarnerMedia, Latin America, and Xandr.

**Communications** (79.4% of total operating revenues in third quarter 2019): This segment includes three separate business units namely, Mobility, Entertainment Group and Business Wireline. Mobility provides wireless service to consumer and wholesale subscribers throughout the United States and its territories. The Entertainment Group provides video, high-speed Internet and communications services predominantly to residential customers in the United States. Business Wireline provides communications services to more than 3 million business customers, including multinational corporations and government and wholesale customers.




**WarnerMedia** (17.6%): This segment represents the various business units of the erstwhile Time Warner namely, Turner, Home Box Office and Warner Bros. It also includes AT&T's Regional Sports Networks in the Turner division and Otter Media.

**Latin America** (3.9%): The segment comprises wireless services in Mexico and pay-TV entertainment services in Latin America under Vrio. AT&T also owns 41% of Sky Mexico, financial results of which are accounted for as an equity-method investment.

**Xandr** (1.1%): Xandr is AT&T's advertising and analytics firm, which provides targeted advertising services leveraging data insights. The company aims to create a new option for advertisers and publishers to reach specific audiences at scale in trusted, premium content environments.

## Reasons To Buy:

> AT&T's wireless growth opportunities with the widespread launch of mobile 5G services in 2019 remain impressive. Incremental contribution from WarnerMedia and Xandr segments also bode well.

- AT&T has offered a three-year financial framework, which is expected to drive significant improvement in margins and bottom-line growth with sustained investments and debt reduction. For the three-year period from 2020 to 2022, AT&T expects consolidated revenue growth of 1-2% per year. Adjusted earnings are expected to be significantly up to $4.50 to $4.80 per share by 2022 with adjusted EBITDA margin of 35%. While adjusted EBITDA margin is expected to be stable in 2020, it is likely to grow in 2021 and 2022 driven by extensive companywide cost-reduction plan, WarnerMedia synergies, continued Mobility growth and AT&T Mexico EBITDA growth. Free Cash flow is anticipated to be within $30 billion to $32 billion in 2022 with net-debt-to-adjusted EBITDA of 2.0x to 2.25x as 100% debt related to the acquisition of Time Warner assets is likely to be repaid.

- At the same time, AT&T remains poised to benefit from the impending 5G boom. As the first carrier in the industry, the company has unveiled its 5G policy framework that will hinge on three pillars — mobile 5G, fixed wireless and edge computing. In order to have a seamless transition among Wi-Fi, LTE and 5G services, AT&T intends to deploy a standards-based nationwide mobile 5G network in early 2020. Its 5G service entails utilization of millimeter wave spectrum for deployment in dense pockets while in suburban and rural areas, it intends to deploy 5G on mid- and low-band spectrum holdings. It believes that as the 5G ecosystem evolves, customers can experience significant enhancements in coverage, speeds and devices.

- AT&T anticipates gaining a competitive edge over rivals through edge computing services that allow businesses to route application-specific traffic, where they need it and where it's most effective — whether that's in the cloud, the network or on their premises. Through its Multi-access Edge Compute (MEC) solution, the company offers the flexibility to better manage the data traffic. The MEC leverages indigenous software-defined network to enable low-latency, high-bandwidth applications for faster access to data processing. AT&T expects edge computing solutions to be widely available in autonomous vehicles, drones, robotic production lines and autonomous forklifts in the near future. Utilizing machine learning techniques and more connected devices, this could transform the way data-intensive images are transferred across the industry on real time basis.

- AT&T aims to leverage the inherent potential of its advertising unit Xandr and WarnerMedia's Turner business to offer enriching advertising content and data analysis to customers in 2020 and beyond. The company has collaborated these business entities to improve the relevancy of advertising by pooling a unique set of assets — valuable consumer data and insights, advanced advertising capabilities and engaged passionate fanbases. Advertisers of branded content on Turner network have the advantage of extending their campaign across Xandr's addressable TV advertising footprint, spanning 15 million households, to gain additional mileage. With such integrated business platforms, AT&T aims to reinvent advertising for the next generation and give a new dimension to its business model. It will also roll out a streaming service in spring 2020 with an unrivaled bouquet of premium and exclusive content for an impressive direct-to-consumer experience across the age group. Dubbed HBO Max, the strategic move will equip the company to play catch-up with avant-garde media firms, like Netflix and The Walt Disney, to secure a bigger pie of the streaming service market. With its commercial debut, HBO Max will offer about 10,000 hours of premium content, leveraging an extensive collection of exclusive original programs and the most sought-after shows from WarnerMedia's vast portfolio of beloved brands and libraries. All these initiatives augur well for the top-line growth of the company.

## Reasons To Sell:

> AT&T continues to struggle in a competitive and saturated U.S. wireless industry, while margin pressures due to promotional offers and discounts remain in the wireline division.

- In a saturated wireless market, spectrum crunch has become a major issue in the U.S. telecom industry. Most of the carriers are finding it increasingly difficult to manage mobile data traffic, which is growing by leaps and bounds. The situation has become even more acute with the growing popularity of iPhone and Android smartphones as well as rising online mobile video streaming, cloud computing and video conferencing services.

- AT&T is facing a steady decline in linear TV subscribers and legacy services. High-Speed Internet revenues are also contracting due to legacy DSL decline, simplified pricing and bundle discount. Moreover, TV content-cost pressure, high programming costs and new video platform expenses are fast eroding margins. Continued cord-cutting remains a perennial challenge as consumers increasingly cancel pay TV packages for cheaper streaming options from Netflix, Amazon, Hulu and other services. The company continued to witness significant decline in DIRECTV subscribers in third-quarter 2019. As AT&T tries to woo customers with healthy discounts, freebies and cash credits, margin pressures tend to escalate. This is likely to affect its growth potential to some extent.

- The company's wireline division is struggling with persistent losses in access lines as a result of competitive pressure from voice-over-Internet protocol (VoIP) service providers and aggressive triple-play (voice, data, video) offerings by the cable companies. These are weighing on its revenues and margins. Moreover, AT&T's quest for faster growth will increase subscriber acquisition cost in both consumer and SMB (small and medium businesses) units and put pressure on wireline margins.

## Last Earnings Report

**AT&T's Beats on Q3 Earnings, Offers 3-Year Financial View**

| Quarter Ending | 09/2019 |
| --- | --- |
| Report Date | Oct 28, 2019 |
| Sales Surprise | -0.88% |
| EPS Surprise | 1.08% |
| Quarterly EPS | 0.94 |
| Annual EPS (TTM) | 3.55 |

AT&T reported relatively tepid third-quarter 2019 results with year-over-year decline in GAAP earnings and revenues due to lower-than-anticipated performances from legacy wireline services and WarnerMedia businesses. The company has offered a three-year guidance and financial allocation plan, which is expected to drive significant improvement in margins and bottom-line growth with sustained investments and debt reduction.

**Net Income**

On a GAAP basis, AT&T reported net income of $3,700 million or 50 cents per share compared with $4,718 million or 65 cents per share in the year-ago quarter. The slump in earnings despite lower operating costs was primarily attributable to lower revenues and merger and integration-related expenses.

Excluding non-recurring items, adjusted earnings for the quarter were 94 cents per share compared with 90 cents in the year-earlier quarter, and exceeded the Zacks Consensus Estimate by a penny.

**Quarter Details**

Quarterly GAAP operating revenues decreased 2.5% year over year to $44,588 million, largely due to lower revenues from legacy wireline services, WarnerMedia and domestic video, partially offset by growth in strategic and managed business services, domestic wireless services and IP broadband. The top line missed the Zacks Consensus Estimate of $45,006 million.

Operating income for the quarter was $7,901 million compared with 7,269 million in the prior-year quarter owing to lower operating expenses, resulting in respective operating income margins of 17.7% and 15.9%. Adjusted operating income for the reported quarter was $9,901 million compared with 10,035 million in the year-earlier quarter for respective margins of 22.2% and 21.9%.

During the reported quarter, AT&T experienced a net increase in total wireless subscribers of 3.7 million to reach 162.3 million in service. Postpaid churn was 1.19% compared with 1.16% in the year-ago quarter owing to pricing pressures and tablet churn. Postpaid phone-only average revenue per user (ARPU) increased 0.6% year over year to $55.89.

**Segmental Performance**

**Communications:** Total segment operating revenues were $35,401 million, down 1.7% year over year with decline in Business Wireline and Entertainment Group owing to lower legacy voice and data services revenues, partially offset by higher wireless service revenues. Service revenues from the Mobility unit improved 0.7% year over year to $13,930 million owing to subscriber gains and postpaid phone ARPU growth, while equipment revenues were down 3.5% to $3,771 million due to lower upgrades. Revenues from the Entertainment Group were down 3.4% to $11,197 million, while that from Business Wireline decreased 2.7% to $6,503 million due to lower legacy voice and data services.

Segment operating income was $8,036 million compared with $8,150 million in the year-ago quarter for respective operating margin of 22.7% and 22.6%. Segment EBITDA was $12,634 million compared with $12,726 million in the year-ago quarter, for respective margins of 35.7% and 35.3%.

**WarnerMedia:** Total segment revenues were $7,846 million, down 4.4% year over year primarily driven by lower Warner Bros. revenues due to lower contribution from theatrical and television division, partially offset by gains at Home Box Office and Turner. Operating income was down 1.5% to $2,544 million for corresponding margin of 32.2%. Segment EBITDA was $2,697 million for a corresponding margin of 34.1%.

**Latin America:** Total operating revenues were $1,730 million, down 5.6% year over year, due to adverse foreign currency translation. EBITDA increased to $105 million from $87 million in the year-ago quarter for respective margins of 6.1% and 4.7%.

**Xandr:** Total revenues were $504 million, up 13.3% year over year due to AppNexus acquisition, while operating income declined 1.8% to $327 million due to higher acquisition and integration costs for corresponding margin of 64.9%. EBITDA was $342 million for a corresponding margin of 67.9%.

**Cash Flow & Liquidity**

AT&T generated $36,725 million of cash from operations for the first nine months of 2019 compared with $31,522 million in the prior-year period. Free cash flow at quarter end was $6,200 million compared with $6,473 million in the year-ago period. As of Sep 30, 2019, AT&T had $6,588 million of cash and cash equivalents with long-term debt of $153,568 million. AT&T sold $3.5 billion worth of non-core assets during the quarter. The company is on track to achieve end-of-year net debt to adjusted EBITDA in the 2.5x range and has reduced debt by about $3.6 billion in the quarter and $12.7 billion year to date.

**Guidance & Three-Year Capital Allocation Plan**

Management has offered healthy guidance for 2020 and expects adjusted earnings in the range of $3.60 to $3.70 per share on revenue growth of 1-2%. Free cash flow is expected to be stable at $28 billion with non-core asset monetization of $5-$10 billion. Adjusted EBITDA margin is expected to remain steady compared with 2019 levels.

For the three-year period from 2020 to 2022, AT&T expects consolidated revenue growth of 1-2% per year. Adjusted earnings are expected to be significantly up to $4.50 to $4.80 per share by 2022 with adjusted EBITDA margin of 35%. While adjusted EBITDA margin is expected to be stable in 2020, it is likely to grow in 2021 and 2022 driven by extensive companywide cost-reduction plan, WarnerMedia synergies, continued Mobility growth and AT&T Mexico EBITDA growth. Free Cash flow is anticipated to be within $30 billion to $32 billion in 2022 with net-debt-to-adjusted EBITDA of 2.0x to 2.25x as 100% debt related to the acquisition of Time Warner assets is likely to be repaid.

## Recent News

On Dec 13, 2019, AT&T announced a 2% year-over-year hike in its quarterly dividend payout to 52 cents per share or $2.08 on an annualized basis. The company also offered an update of its capital-allocation strategy. AT&T has entered into an accelerated share-repurchase agreement during fourth-quarter 2019, by virtue of which it aims to retire about 100 million shares in the first quarter of 2020. At the same time, the company remains confident to reach its set target of net debt-to-adjusted EBITDA ratio in the 2.5x range in 2019, improving it further between 2.0x to 2.25x by the end of 2022.

On Nov 27, 2019, AT&T announced that it has collaborated with Microsoft to introduce 5G technology and advanced edge computing solutions to select customers in Dallas, TX. Dubbed Network Edge Compute, the trailblazing technology combines AT&T's network edge capabilities and Microsoft's Azure cloud services to accelerate innovation and apply cutting-edge technologies for enhanced data infrastructure.

On Nov 21, 2019, AT&T announced that it is working to bring 5G service to millions of consumers and businesses this year. The telecom bellwether remains on track to provide nationwide 5G to customers in the first half of 2020. It stated that its 5G network will be launched over low-band spectrum in areas of Indianapolis, IN; Pittsburgh, PA; Providence, RI; Rochester, NY; and San Diego, CA in the near future.

On Nov 12, 2019, AT&T announced that it has inked an agreement with Amdocs Limited to upgrade and modernize its digital business support system. Per the agreement, the companies are collaborating to augment data analytics and security programs while focusing on improved customer experience and digital enablement setup. In addition, the partnership aims to accelerate the implementation of DevOps to effectively address business priorities and evolving market conditions.

On Oct 9, 2019, AT&T announced that it would sell its wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands to Liberty Latin America in order to trim its huge debt profile. Per the agreement, the U.S. wireless carrier will receive $1.95 billion in cash at close, subject to customary closing conditions. The transaction is subject to review by the FCC and the Department of Justice. The companies expect the deal to be completed within six to nine months.

## Valuation

AT&T shares are up 26.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 13.5% and 32.2% over the past year, respectively.

The S&P 500 index is up 25.7% in the past year.

The stock is currently trading at 5.85X trailing 12-month EV/EBITDA, which compares to 6.39X for the Zacks sub-industry, 12.10X for the Zacks sector and 12.01X for the S&P 500 index.

Over the past five years, the stock has traded as high as 11.8X and as low as 5.4X, with a 5-year median of 6.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $41 price target reflects 3.79X forward 12-month earnings.

The table below shows summary valuation data for T

**Valuation Multiples - T**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| EV/EBITDA TTM | Current | 5.85 | 6.39 | 12.1 | 12.01 |
| | 5-Year High | 11.79 | 11.59 | 12.59 | 12.86 |
| | 5-Year Low | 5.37 | 5.97 | 7.68 | 8.49 |
| | 5-Year Median | 6.87 | 6.65 | 10.5 | 10.66 |
| P/E F12M | Current | 10.82 | 12.57 | 22.22 | 18.7 |
| | 5-Year High | 15.11 | 16.02 | 22.22 | 19.34 |
| | 5-Year Low | 7.56 | 10.82 | 16.86 | 15.17 |
| | 5-Year Median | 12.21 | 13.94 | 19.11 | 17.44 |
| P/S F12M | Current | 1.57 | 1.53 | 3.58 | 3.47 |
| | 5-Year High | 1.64 | 1.53 | 3.58 | 3.47 |
| | 5-Year Low | 0.91 | 1.1 | 2.29 | 2.54 |
| | 5-Year Median | 1.36 | 1.32 | 2.99 | 3 |

As of 01/03/2020

## Industry Analysis **Zacks Industry Rank:** Top 38% (96 out of 252)


## Top Peers

| | |
|---|---|
| ATN International, Inc. **(ATNI)** | Neutral |
| Altice USA, Inc. **(ATUS)** | Neutral |
| Cincinnati Bell Inc **(CBB)** | Neutral |
| DISH Network Corporation **(DISH)** | Neutral |
| Frontier Communications Corporation **(FTR)** | Neutral |
| Sprint Corporation **(S)** | Neutral |
| T-Mobile US, Inc. **(TMUS)** | Neutral |
| Verizon Communications Inc. **(VZ)** | Neutral |

## Industry Comparison Industry: Wireless National

Industry Peers

| | T Neutral | X Industry | S&P 500 | S Neutral | TMUS Neutral | VZ Neutral |
|---|---|---|---|---|---|---|
| **VGM Score** | A | - | - | C | C | A |
| Market Cap | 285.33 B | 528.95 M | 23.66 B | 21.27 B | 66.88 B | 249.80 B |
| # of Analysts | 17 | 6 | 13 | 13 | 13 | 17 |
| Dividend Yield | 5.22% | 0.00% | 1.79% | 0.00% | 0.00% | 4.07% |
| **Value Score** | B | - | - | A | B | B |
| Cash/Price | 0.02 | 0.12 | 0.04 | 0.20 | 0.03 | 0.01 |
| EV/EBITDA | 6.65 | 5.50 | 13.88 | 4.71 | 8.88 | 8.76 |
| PEG Ratio | 1.84 | 3.13 | 1.99 | NA | 1.25 | 3.80 |
| Price/Book (P/B) | 1.47 | 1.43 | 3.36 | 0.82 | 2.41 | 4.14 |
| Price/Cash Flow (P/CF) | 4.27 | 6.77 | 13.62 | 1.86 | 7.07 | 6.77 |
| P/E (F1) | 10.82 | 14.47 | 18.74 | NA | 16.03 | 12.21 |
| Price/Sales (P/S) | 1.56 | 0.97 | 2.67 | 0.65 | 1.50 | 1.90 |
| Earnings Yield | 9.24% | 0.94% | 5.32% | -2.90% | 6.24% | 8.20% |
| Debt/Equity | 0.79 | 0.59 | 0.72 | 1.50 | 1.41 | 1.99 |
| Cash Flow ($/share) | 9.14 | 2.78 | 6.94 | 2.78 | 11.05 | 8.93 |
| **Growth Score** | C | - | - | D | C | B |
| Hist. EPS Growth (3-5 yrs) | 8.60% | 6.19% | 10.56% | NA | 71.62% | 6.19% |
| Proj. EPS Growth (F1/F0) | 1.17% | 21.02% | 7.41% | -1,623.10% | 20.34% | 2.49% |
| Curr. Cash Flow Growth | 29.91% | 14.35% | 14.83% | 30.13% | 17.42% | 14.35% |
| Hist. Cash Flow Growth (3-5 yrs) | 12.00% | 7.86% | 9.00% | 36.43% | 20.68% | 8.29% |
| Current Ratio | 0.74 | 0.91 | 1.23 | 0.78 | 0.66 | 0.89 |
| Debt/Capital | 44.14% | 51.35% | 42.92% | 60.06% | 58.56% | 66.55% |
| Net Margin | 8.97% | -0.32% | 11.08% | -8.19% | 7.53% | 12.26% |
| Return on Equity | 13.42% | 0.02% | 17.10% | -2.63% | 14.21% | 34.50% |
| Sales/Assets | 0.34 | 0.50 | 0.55 | 0.38 | 0.55 | 0.47 |
| Proj. Sales Growth (F1/F0) | 0.41% | 5.02% | 4.20% | -4.12% | 5.02% | 1.27% |
| **Momentum Score** | B | - | - | D | D | C |
| Daily Price Chg | 0.51% | -0.21% | -0.61% | -0.77% | -0.53% | -1.06% |
| 1 Week Price Chg | 0.23% | -0.10% | 0.13% | -3.53% | -0.21% | -0.87% |
| 4 Week Price Chg | 2.28% | 0.71% | 2.60% | -4.25% | 1.60% | -0.69% |
| 12 Week Price Chg | 4.38% | 1.77% | 8.87% | -17.38% | -0.17% | 0.95% |
| 52 Week Price Chg | 32.05% | -9.59% | 29.34% | -13.81% | 20.23% | 7.44% |
| 20 Day Average Volume | 21,786,436 | 200,298 | 1,603,615 | 11,055,705 | 2,598,457 | 10,676,740 |
| (F1) EPS Est 1 week change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (F1) EPS Est 4 week change | -0.02% | 0.00% | 0.00% | -9.39% | 0.22% | 0.04% |
| (F1) EPS Est 12 week change | -1.01% | 0.02% | -0.57% | -112.90% | 0.03% | 0.70% |
| (Q1) EPS Est Mthly Chg | 0.00% | 0.00% | 0.00% | -9.09% | 0.22% | 0.74% |

## 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 | C |
| Momentum Score | B |
| VGM Score | A |

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.

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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.