

Molson Coors Beverage(TAP)

\$38.05 (As of 06/12/20)

Price Target (6-12 Months): **\$40.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: D

Summary

Despite soft first-quarter 2020 results, Molson Coors is progressed well on the revitalization plan before the coronavirus pandemic became widespread in North America and Europe. In the short term, it plans to use savings from the revitalization plan to preserve its liquidity position. It is also implementing cost-cutting measures like reducing capital expenditures by \$200 million and furloughing certain European workers and staff in North America to maintain financial stability. Further, its premiumization efforts, robust innovation and cost-saving efforts appear encouraging. However, shares of the company have declined year to date. The company expects the loss of on-premise sales due to the coronavirus pandemic to hurt its revenues and profit in second-quarter and 2020. Consequently, it withdrew its guidance for 2020.

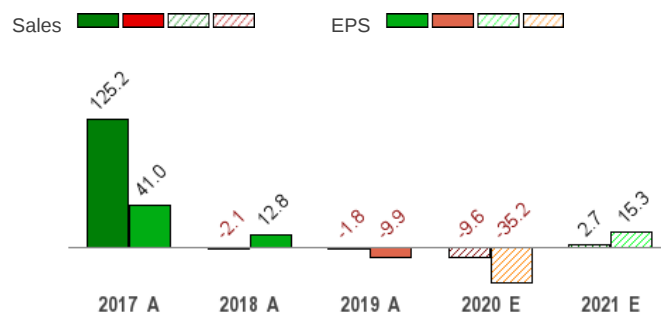
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$61.94 - \$34.01
20 Day Average Volume (sh)	3,086,943
Market Cap	\$8.2 B
YTD Price Change	-29.4%
Beta	0.86
Dividend / Div Yld	\$2.28 / 6.0%
Industry	Beverages - Alcohol
Zacks Industry Rank	Top 26% (65 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	16.7%
Last Sales Surprise	-3.2%
EPS F1 Est- 4 week change	-2.0%
Expected Report Date	07/29/2020
Earnings ESP	2.3%
P/E TTM	8.7
P/E F1	12.9
PEG F1	2.9
P/S TTM	0.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,163 E	2,612 E	2,650 E	2,413 E	9,815 E
2020	2,103 A	2,458 E	2,590 E	2,364 E	9,561 E
2019	2,303 A	2,948 A	2,842 A	2,486 A	10,579 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.36 E	\$1.05 E	\$1.30 E	\$0.88 E	\$3.39 E
2020	\$0.35 A	\$0.73 E	\$1.24 E	\$0.86 E	\$2.94 E
2019	\$0.52 A	\$1.52 A	\$1.48 A	\$1.02 A	\$4.54 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/12/2020. The reports text is as of 06/15/2020.

Overview

Molson Coors Beverage Company, previously known as Molson Coors Brewing Company, was formed by the merger of Molson Inc. and Adolph Coors Co. in February 2005. This global manufacturer and seller of beer and other beverage products has an impressive diverse portfolio of owned and partner brands.

These brands include global priority brands such as Blue Moon, Miller Lite, CoorsBanquet, Coors Light, Miller Genuine Draft and Staropramen; as well as regional champion brands like Carling, Molson Canadian. The company also boasts some other major country-specific brands, along with craft and specialty beers, namely, Creemore Springs, Henry's Hard, Cobra, Doom Bar and Leinenkugel's.

Molson Coors crafts high-quality, innovative products with an aim of delighting the world's beer drinkers, thus targeting to become the first choice for its consumers. The company's brands are designed to resonate well with consumer tastes and preferences, styles and prices. Its largest markets are the United States, Canada and Europe.

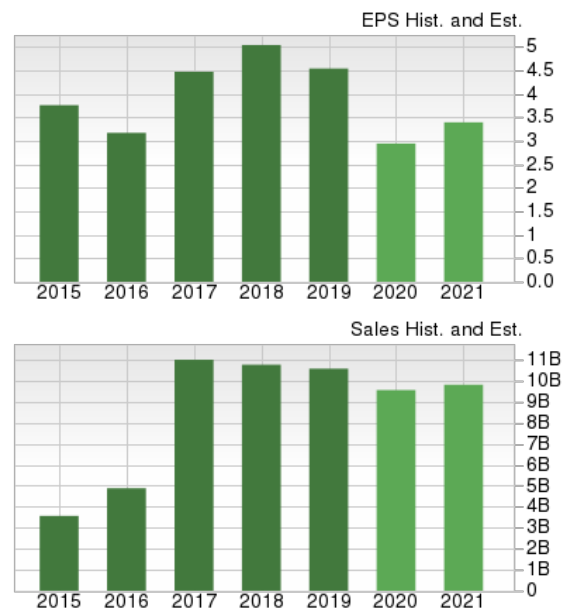
Impressively, Molson Coors remains well on track with its First Choice plan. This strategy aims at solidifying and preimmunizing portfolio, enhancing customer relations and generating significant profits from international businesses via enhanced capability, productivity and continued cost savings.

Furthermore, Molson Coors operates through MillerCoors LLC (U.S. segment), operating in the United States ("U.S."); Molson Coors Canada (Canada segment), operating in Canada; Molson Coors Europe (Europe segment), operating in Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, the Republic of Ireland, Romania, Serbia, the United Kingdom and other European countries; and Molson Coors International (International segment), operating in various other countries.

Segment Performance

North America: The North America business unit includes operations in the United States, Canada and corporate center. The segment contributed nearly 89% to its net sales in first-quarter 2020.

Europe: The Europe unit operates as a stand-alone segment, including Africa and the Asia Pacific regions. The segment contributed nearly 16% to the company's net sales in first-quarter 2020.



Reasons To Buy:

▲ **Focus on Premiumization & Innovation:** Molson Coors is one of the largest brewers in the world and boasts a strong portfolio of well-established brands. The company's focus on premiumization and cost savings has been aiding its bottom line performance. In fact, it remains committed to growing its market share through innovation and premiumization. With a view to accelerate portfolio premiumization, the company has made significant additions to its above-premium brands portfolio in the past few years. Consequently, nearly 30% and 20% of the company's portfolio in Europe and Canada, respectively, is now in above-premium brands. Further, the company is now focused on increasing investments in the above-premium category in the United States. Going forward, the company is encouraged by its innovation pipeline and launch of various innovative brands across regions. Molson Coors remains on track to witness continued segment share gains in premium brands; increased volumes in above-premium brands and bring stability to its below-premium brands' volumes and market share.

Molson Coors implements measures like reducing capital expenditures by \$200 million and furloughing certain European workers and staff at North American businesses to maintain financial stability.

Additionally, the company's innovation plans are focused on introducing new flavors and variations for its customers. The company remains optimistic about the recently launched brands, including Vizzy Hard Seltzer, Blue Moon LightSky, Saint Archer Gold and Movo canned wine spritzers.

▲ **Cost Savings and Restructuring Initiatives:** Molson Coors has undertaken restructuring initiatives to reduce overhead costs and boost profitability. The initiatives included closure of underperforming breweries, improving efficiencies in finance, administration and human resources and reducing labor and general overhead costs. In addition, the company has been focusing on initiatives to improve its supply-chain network and build on efficiencies across the business to generate additional resources to invest in brand building and innovation.

In 2020, the company remains committed to delivering more cost savings under its next-generation cost-saving program. It expects the current program to generate cost savings of \$600 million over the three years ending 2022. These cost savings include \$150 million related to the revitalization plan. Further, it expects to incur one-time costs of \$120-\$180 million for generating savings from the revitalization plan.

▲ **Financial Flexibility:** Molson Coors is committed to maintaining its balance sheet strength, by efficiently deleveraging debt levels and investing in its business using cash flows and cost savings. The company's long term debt of \$8,032.1 million as of Mar 31, 2020, reflected a decline of nearly 1% sequentially. Moreover, the company is taking proactive measures to ensure continuity of business and adequate liquidity, amid the coronavirus crisis. To preserve liquidity, it borrowed \$750 million, effective Mar 13, and another \$250 million, effective Mar 25 on its \$1.5 billion revolving credit facility, resulting in aggregate drawings of \$1 billion as of Mar 31. As of Apr 30, it repaid \$400 million under the revolving credit facility, bringing the aggregate drawings to \$600 million. Consequently, it currently has an additional \$900 million drawings capacity under the facility.

Additionally, the company is implementing cost-cutting measures to maintain financial stability, including reducing discretionary spend and marketing investments as well as capital expenditures by \$200 million. Moreover, it is limiting new hiring and furloughing certain European workers and staff at North American hospitality businesses. The company is also evaluating other capital allocation options, including suspension, reduction or temporary elimination of dividend.

▲ **Revitalization Plan:** Molson Coors is on track with its revitalization plan focused on achieving sustainable top-line growth by improving efficiency and unlocking resources to reinvest in business opportunities. The company intends to invest in iconic brands and growth opportunities in the above-premium beer space; expand in adjacencies and beyond beer, without hampering the support for its existing large brands; and creating digital competencies for commercial functions, supply-chain-related system capabilities and employees. To facilitate these investments, it plans to generate savings of nearly \$150 million by simplifying structure.

The company made significant progress against its revitalization plan before the impact of coronavirus pandemic became widespread in North America and Europe. It continued to invest and maintain momentum with iconic core brands, including continued positive share gains for Miller Lite and Coors Light in January and February. Moreover, the company has been successful in generating the expected revitalization plan savings. In the short term, it plans to use these savings to preserve cash and liquidity position, given the uncertainty in the economy due to the coronavirus.

Reasons To Sell:

- ▼ **Soft Q1 Performance:** Though Molson Coors' earnings beat the Zacks Consensus Estimate in first-quarter 2020, top line missed the same. Moreover, top and bottom lines declined year over year. Earnings and sales were mainly impacted by unfavorable mix as well as keg sales returns and reimbursements associated with the on-premise impacts of the coronavirus pandemic across major markets. The impacts on-premise sales due to aforementioned factors were \$31.5 million on sales and costs of \$50 million on earnings. Lower financial volume and inflation were other deterrents. Apart from the impacts of coronavirus pandemic, the company's results were marred by the aftermath of a shooting at its Milwaukee brewery. Moreover, underlying EBITDA declined 16.6% in the first quarter, with a 15.8% fall in constant currency. Shares of Molson Coors have witnessed a decline of 31.3% year to date compared with the industry's fall of 25.7%.

Molson Coors' earnings and sales in Q1 were impacted by unfavorable mix as well as keg sales returns and reimbursements related to on-premise impacts of coronavirus pandemic across major markets.
 - ▼ **Decline in Worldwide Volume:** Molson Coors' worldwide brand volume declined 1.8% to 17.9 million hectoliters and financial volume declined 8.3% to 18.4 million hectoliters. The decline in worldwide brand volume was mainly attributed to declines in Europe due to the impacts of the coronavirus outbreak. Notably, the company's U.K. business has greater exposure to the on-premise channel, which caused more estimated impacts of on-premise keg sales returns due to the pandemic. Meanwhile, financial volume was hurt by soft North America performance owing to unfavorable shipment timing in the United States, including brewery downtime related to the Milwaukee tragedy, market share declines and lower contract brewing volume. The Milwaukee tragedy materially impacted sales to wholesalers in late February and early March. Further, in North America, it witnessed an estimated on-premise keg sales returns and reimbursements of \$19.0 million due to the coronavirus outbreak.
 - ▼ **Higher Input Costs:** Molson Coors continues to battle input cost inflation, which has been a hindrance for a while now. Underlying COGS per hectoliter rose 3.3% on a constant-currency basis in the first quarter, driven by volume deleverage and cost inflation, partially offset by cost savings.
 - ▼ **Impacts of COVID-19, Withdraws Outlook:** Molson Coors expects the coronavirus pandemic to have significant impacts on its revenues and profit in the second quarter and 2020. Consequently, it withdrew its guidance for 2020. The impacts are expected to primarily relate to the closure of on-premise sales channels in almost all markets as well as other impacts of the pandemic on global economy. In many instances, the company notes that on-premise sales have been reduced to zero. It notes that the pandemic continues to hurt the on-premise channel in April 2020 due to extended closures. While the off-premise (retail stores) sales continue to perform well, this is not be enough to fully offset the loss of the on-premise (bars, restaurants, etc.) volume. Further, it notes that the benefits of pantry loading, which aided North America performance in March, have not continued in April. This is likely to weigh on second quarter performance.
-

Last Earnings Report

Molson Coors Q1 Earnings Beat Estimates, Sales Down Y/Y

Molson Coors has reported mixed first-quarter 2020 results, wherein the top line missed estimates but the bottom line beat the same. However, adjusted earnings and sales declined on a year-over-year basis.

Molson Coors' underlying adjusted earnings of 35 cents per share declined 32.7% year over year but beat the Zacks Consensus Estimate of 30 cents. The bottom line was impacted by estimated keg sales returns and finished goods' obsolescence reserves, which led to incurring \$50 million costs as the on-premise were hurt by the impacts of the coronavirus pandemic. Further, lower financial volume, inflation and negative mix led to the decline. However, favorable net pricing, cost savings, and lower marketing, general and administrative (MG&A) expenses partly offset the declines.

The aforementioned factors also led to a decline in the company's underlying EBITDA, which moved down 16.6% to \$352.2 million year over year. Further, underlying EBITDA declined 15.8% year over year in constant currency.

Net sales declined 8.7% to \$2,102.8 million and missed the Zacks Consensus Estimate of \$2,173 million. The decline was mainly caused by unfavorable mix as well as keg sales returns and reimbursements of \$31.5 million associated with the on-premise impacts of the coronavirus pandemic across major markets. This was partly offset by higher global net pricing. On a constant-currency basis, net sales decreased 8.2%.

Notably, net sales per hectoliter decreased 1.6% on a brand volume basis, owing to estimated on-premise sales returns and reimbursements as well as unfavorable geographic mix.

However, Molson Coors' worldwide brand volume declined 1.8% to 17.9 million hectoliters and financial volume declined 8.3% to 18.4 million hectoliters. The decline in worldwide brand volume was mainly attributed to declines in Europe due to the impacts of the coronavirus outbreak. Meanwhile, financial volume was hurt by the impacts in North America due to the unfavorable shipment timing in the United States, including brewery downtime-related Milwaukee tragedy, market share declines and lower contract brewing volume.

Segmental Details

North America: Molson Coors' North America net sales declined 7.4% to \$1,789.7 million on a reported basis and 7.2% in constant currency, driven by a decline in financial volume and a 1.3% fall in net sales per hectoliter (brand volume basis). North America brand volume rose 0.4%, while financial volume decreased 7.8%. Financial volume decline was attributed to unfavorable shipment timing in the United States, including brewery downtime for the Milwaukee tragedy, lower contract brewing volume, and estimated on-premise keg sales returns and reimbursements of \$19.0 million due to the coronavirus outbreak.

Net sales per hectoliter were hurt by unfavorable geographic mix due to growing licensed volume in Mexico and on-premise keg sales returns and reimbursements, partly offset by higher net pricing. Brand volume benefited from favorable timing of trading days versus the prior year as well as March pantry loading, particularly in the United States, partly negated by market share declines in North America. Underlying EBITDA declined 12.7% to \$348.7 million, with a constant-currency decline of 11.9%.

Europe: The segment's reported net sales dropped 15.5% to \$317.6 million and 13.4% in constant currency. The net sales decline was attributed to lower volume, drop in net sales per hectoliter and estimated on-premise keg sales returns of \$12.5 million due to the coronavirus outbreak. Net sales on brand volume basis fell 5.2%, owing to unfavorable geographic mix mostly in its high-margin U.K. business, partly offset by favorable pricing. Notably, the company's U.K. business has greater exposure to the on-premise channel, which caused more estimated impacts of on-premise keg sales returns due to the pandemic. Financial volume fell 10% and brand volume was down 8.5% due to the virus spread. The segment reported underlying EBITDA loss of \$4.1 million compared with earnings of \$13.5 million in the prior-year quarter.

Other Financial Updates

Molson Coors ended the first quarter with cash and cash equivalents of \$666.1 million, and total debt of \$9,477 million. This resulted in net debt of \$8,811 million at the end of the quarter. The company used net cash of \$18.1 million in operating activities in the first quarter, with used underlying free cash flow of \$216.6 million.

Coronavirus Update

The company expects the coronavirus pandemic to have significant impacts on its performance in the second quarter as well as 2020 results. Consequently, it withdrew its guidance for 2020. The impacts are expected to primarily relate to the closure of on-premise sales channels in almost all markets as well as other impacts of the pandemic.

The company notes that the coronavirus pandemic continues to hurt the on-premise channel in April 2020 due to extended closures. However, it notes that the benefits of pantry loading, which aided North America performance in March, have not continued in April.

Quarter Ending 03/2020

Report Date	Apr 30, 2020
Sales Surprise	-3.22%
EPS Surprise	16.67%
Quarterly EPS	0.35
Annual EPS (TTM)	4.37

Recent News

Molson Coors Unveils Movo, To Explore Colorado's CBD Space – Apr 15, 2020

Molson Coors retains its pace of introducing new flavors and variations for its customers. After the successful nationwide launch of the Vizzy hard seltzer early this month and the Leinenkugel's Spritzen beer in March, the company rolled out a new line of canned wine spritzers — Movo — in the United States. Moreover, it formed a new joint venture with HEXO Corp. to explore opportunities for CBD-infused beverages in Colorado.

Molson Coors' Movo spritzer comes in three flavors, including Peach White Blend, Raspberry Rosé and Blood Orange Sangria. This marks the company's biggest step in the fast-growing wine category. Apart from natural flavors, the new spritzer contains wine, sparkling water and fruit juice, with no added sugar, and is gluten-free. It is packed in four different types of slim cans, with each 8.4-ounce can containing 100 calories. Further, the novel variant of traditional wine is low in alcohol content, with only 5.5% of alcohol by volume. Therefore, it is light, refreshing and easy-to-drink compared with traditional wines.

The Movo wine spritzer has been making an appearance on shelves since March, with the brand now launched nationwide. Movo represents one of Molson Coors' key innovations in recent months, which places the company on track with its strategy of expanding beyond the beer aisle into wine and spirits and non-alcohol drinks as well as adjacent categories.

Moreover, Molson Coors has established a new joint venture ("JV") in Colorado with HEXO Corp., which will be known as Truss CBD USA. Molson Coors will have the majority ownership in the new JV, operating as a separate entity with its own board of directors, management team and market strategy. The new JV will primarily focus on capturing opportunities in the fast-growing non-alcoholic hemp-derived CBD beverages in Colorado. The Colorado state has an established regulatory framework for hemp-derived CBD in food and beverages, making it the right choice for the JV. The companies plan to keep all the production and distribution for Truss CBD USA within Colorado state lines.

Molson Coors Announces Updates on COVID-19 Impact – Mar 27, 2020

Molson Coors has been undertaking several measures to prevent the spread of coronavirus as well as safeguard its employees and customers. In this regard, the company has extended work from home facility to all employees across North America for an indefinite time span. Also, management has withdrawn its 2020 guidance given the unprecedented impacts of the ongoing pandemic. Further, it has launched a new voluntary paid leave plan for the month of April for employees who are currently working. These workers will be eligible for paid leaves to the tune of 60% of salary. Moreover, all hourly brewery employees who are working will be offered extra \$5 for every hour of work, while salaried brewery employees will get an additional \$200 per week.

Valuation

Molson Coors shares are down 31.3% in the year-to-date period and nearly 31% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 25.7% and 13.7%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are down 20.7% and 10.3%, respectively.

The S&P 500 index is down 5.6% in the year-to-date period but up 5.2% in the past year.

The stock is currently trading at 12.09X forward 12-month earnings, which compares to 26.7X for the Zacks sub-industry, 19.35X for the Zacks sector and 21.93X for the S&P 500 index.

Over the past five years, the stock has traded as high as 28.49X and as low as 8.9X, with a 5-year median of 14.53X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$40 price target reflects 12.71X forward 12-month earnings.

The table below shows summary valuation data for TAP

Valuation Multiples - TAP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.09	26.7	19.35	21.93
	5-Year High	28.49	27.52	22.37	22.11
	5-Year Low	8.9	18.8	16.65	15.23
	5-Year Median	14.53	23.2	19.59	17.49
P/S F12M	Current	0.85	14.28	9.34	3.41
	5-Year High	5.69	20.67	11.16	3.44
	5-Year Low	0.71	13.04	8.1	2.53
	5-Year Median	1.56	17.34	9.89	3.02
EV/EBITDA TTM	Current	7.31	34.1	33	11.25
	5-Year High	18.8	53.27	45.11	12.85
	5-Year Low	6.73	27.03	27.19	8.25
	5-Year Median	11.89	43.34	38.37	10.82

As of 06/12/2020

Industry Analysis Zacks Industry Rank: Top 26% (65 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Craft Brew Alliance, Inc. (BREW)	Outperform	1
BrownForman Corporation (BF.B)	Neutral	3
AnheuserBusch InBev SANV (BUD)	Neutral	3
Carlsberg AS (CABGY)	Neutral	3
Diageo plc (DEO)	Neutral	4
Heineken NV (HEINY)	Neutral	3
The Boston Beer Company, Inc. (SAM)	Neutral	2
Constellation Brands Inc (STZ)	Neutral	2

Industry Comparison Industry: Beverages - Alcohol				Industry Peers		
	TAP	X Industry	S&P 500	BUD	CABGY	HEINY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	D	A	A
Market Cap	8.24 B	8.82 B	21.47 B	103.80 B	19.33 B	52.68 B
# of Analysts	7	2	14	2	2	2
Dividend Yield	5.99%	0.00%	1.96%	2.14%	1.56%	2.00%
Value Score	B	-	-	C	B	B
Cash/Price	0.07	0.04	0.06	0.00	0.04	0.04
EV/EBITDA	9.55	9.28	12.36	4.61	9.11	10.14
PEG Ratio	2.86	4.67	2.92	NA	NA	NA
Price/Book (P/B)	0.64	2.62	2.96	1.23	2.80	2.72
Price/Cash Flow (P/CF)	4.43	15.97	11.51	8.15	12.05	10.58
P/E (F1)	12.79	28.58	20.86	30.02	24.41	27.38
Price/Sales (P/S)	0.65	1.71	2.25	2.02	NA	NA
Earnings Yield	7.73%	3.36%	4.55%	3.34%	4.10%	3.65%
Debt/Equity	0.62	0.47	0.76	NA	0.45	0.77
Cash Flow (\$/share)	8.59	1.49	7.01	6.32	2.17	4.32
Growth Score	F	-	-	F	A	B
Hist. EPS Growth (3-5 yrs)	7.06%	7.53%	10.87%	-5.30%	NA	NA
Proj. EPS Growth (F1/F0)	-35.18%	-19.08%	-10.81%	-57.97%	-12.30%	-31.28%
Curr. Cash Flow Growth	-5.29%	-5.14%	5.46%	11.61%	7.49%	2.45%
Hist. Cash Flow Growth (3-5 yrs)	11.28%	3.18%	8.55%	0.84%	0.41%	5.02%
Current Ratio	0.59	1.39	1.29	0.83	0.54	0.68
Debt/Capital	38.29%	32.78%	44.75%	53.57%	31.20%	43.57%
Net Margin	-0.21%	-0.05%	10.54%	6.51%	NA	NA
Return on Equity	7.01%	8.69%	16.08%	12.29%	NA	NA
Sales/Assets	0.44	0.50	0.55	0.43	NA	NA
Proj. Sales Growth (F1/F0)	-9.63%	-1.90%	-2.60%	-19.84%	-7.85%	-18.10%
Momentum Score	D	-	-	C	A	B
Daily Price Chg	4.10%	0.69%	1.48%	5.13%	0.69%	1.16%
1 Week Price Chg	11.70%	4.91%	7.51%	21.97%	6.56%	5.44%
4 Week Price Chg	4.85%	7.80%	9.78%	30.26%	10.87%	16.84%
12 Week Price Chg	-1.19%	15.47%	27.11%	41.58%	35.62%	14.30%
52 Week Price Chg	-30.96%	-10.07%	-5.42%	-40.09%	-4.74%	-17.41%
20 Day Average Volume	3,086,943	43,107	2,634,935	3,915,886	88,789	95,337
(F1) EPS Est 1 week change	-1.58%	0.00%	0.00%	0.00%	0.47%	0.00%
(F1) EPS Est 4 week change	-2.00%	0.00%	0.00%	0.00%	0.47%	0.00%
(F1) EPS Est 12 week change	-24.07%	-22.39%	-15.86%	-46.52%	-17.38%	-34.08%
(Q1) EPS Est Mthly Chg	-7.02%	0.00%	0.00%	0.00%	NA	NA

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	F
Momentum Score	D
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.