

TreeHouse Foods, Inc. (THS)

\$46.98 (As of 06/11/20)

Price Target (6-12 Months): **\$50.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/13/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: D

Summary

Shares of TreeHouse Foods have outpaced the industry in the past three months. The company has been benefiting from rising demand due to the coronavirus-led stockpiling and increased at-home consumption. This bolstered the company's first-quarter 2020 results, wherein both top and bottom lines beat the Zacks Consensus Estimate and grew year over year. The company's retail business catered well to the unexpected rise in demand in March amid the pandemic. Given the current situation, such trends are likely to continue and boost sales in the near term. However, increased stay-at-home trends have dented the Food Away From Home business, which is likely to remain challenged. Also, currency headwinds and COVID-19-related costs are concerning. Nonetheless, focus on portfolio refinement, the TreeHouse 2020 program and TMOS initiative bodes well.

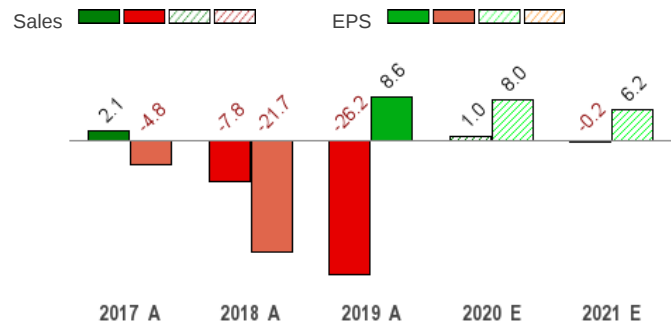
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$60.38 - \$33.84
20 Day Average Volume (sh)	583,295
Market Cap	\$2.7 B
YTD Price Change	-3.1%
Beta	0.66
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Food - Miscellaneous
Zacks Industry Rank	Top 15% (37 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	15.6%
Last Sales Surprise	3.6%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	08/06/2020
Earnings ESP	0.0%
P/E TTM	19.7
P/E F1	18.2
PEG F1	3.5
P/S TTM	0.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,069 E	1,035 E	1,079 E	1,163 E	4,323 E
2020	1,085 A	1,069 E	1,059 E	1,140 E	4,331 E
2019	1,301 A	1,251 A	1,057 A	1,140 A	4,289 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.37 E	\$0.48 E	\$0.68 E	\$1.20 E	\$2.74 E
2020	\$0.37 A	\$0.46 E	\$0.62 E	\$1.14 E	\$2.58 E
2019	\$0.13 A	\$0.36 A	\$0.55 A	\$1.10 A	\$2.39 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 06/11/2020. The reports text is as of 06/12/2020.

Overview

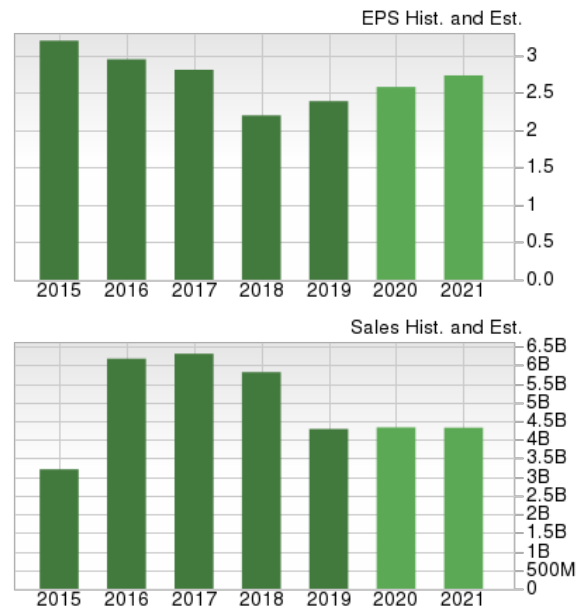
Oak Brook, Ill.-based Treehouse Foods, Inc. is a manufacturer of packaged foods and beverages with more than 50 manufacturing facilities across the United States, Canada and Italy servicing retail grocery, food away from home, and industrial and export customers.

The company manufactures a variety of shelf-stable, refrigerated, and fresh products. The product categories include beverages; salad dressings; snacks; beverage enhancers; pickles; Mexican and other sauces; soup and infant feeding; cereals; dry dinners; aseptic products; jams; and other products. The company also offers natural, organic, and preservative-free ingredients in many categories.

On Aug 1, 2019, the company completed the divestiture of the Snack business to Atlas Holdings.

The company, which was earlier operating under Baked Goods, Beverages and Meal Solutions segments, has reorganized itself into two segments on the basis of market dynamics – Snacking & Beverages, and Meal Preparation. The reorganization took effect from the first quarter of 2020.

- The **Snacking & Beverages** segment includes categories with increased market growth potential. These particularly include Bars, Broth, Powdered & Liquid Beverages, Griddle, Candy, Cookies & Crackers, Tea, Pita, Pretzels, and Other Blends. The segment will be focused on driving revenues, and undertaking research, development and commercialization per the changing consumer trends. Notably, the Snacking & Beverages division generated revenues of \$1.7 billion in 2019.
- The **Meal Preparation** unit consists of categories — including Bouillion, Cheese & Pudding, Pickles, Pourable & Spoonable Dressings, Hot Cereal, Preserves, Red Sauces, Refrigerated Dough, Non-Dairy Creamer, Pasta & Dry Dinners, Sauces, Single Serve Coffee, and Syrup. The segment will be concentrated on enhancing productivity, efficiency and cash flow. In 2019, the unit produced revenues of \$2.6 billion.



Reasons To Buy:

▲ **COVID-19-Led Demand Aids Q1 Results, Stock Gains:** Shares of TreeHouse Foods have rallied 23.5% in the past three months compared with the industry's growth of 16.4%. The company has been benefiting from rising demand due to coronavirus-led stockpiling and increased at-home consumption. This bolstered the company's first-quarter 2020 results, wherein both top and bottom lines beat the Zacks Consensus Estimate and improved year over year. The company's retail business catered well to the unexpected rise in demand in March amid the pandemic. This compensated for softness in the food-away-from-home business. Management remains pleased with its first-quarter performance amid the coronavirus crisis. Notably, adjusted EBITDA was in line with the forecast despite the company incurring higher costs to increase production shifts and ensure the availability of labor at all manufacturing and distribution facilities.

TreeHouse Foods is gaining on increased demand amid coronavirus-led higher at-home consumption. Apart from this, the company has been benefitting from its restructuring initiatives.

For the second quarter of 2020, net sales are expected in a band of \$1.05-\$1.09 billion, indicating growth of about 4% at the midpoint. Further, management expects adjusted earnings from continuing operations of 40-50 cents, suggesting a roughly 13% increase at the midpoint. Management expects increased demand and greater at-home consumption in the near term, while the foodservice business is likely to suffer. The company expects first-half sales to be robust.

▲ **TreeHouse 2020 Program Bodes Well:** The company is now in the last year of its TreeHouse 2020 strategic plan that was announced in second-quarter 2017. The plan has been designed to restructure and realign the business as a whole. Alongside cost savings, the initiative is expected to manage the company's portfolio and optimize production and supply chain. The plan aims to improve the company's operating margin by 300 bps by the end of 2020, by undertaking complete business integration and expense reduction. The company expects to invest these savings in market-differentiated capacities to cater to consumers' ever-changing demands. In this regard, the company made certain achievements in the first phase of the program. TreeHouse Foods is also progressing well with its TreeHouse Management Operating Structure or TMOS.

▲ **Healthy and Organic Products Offerings:** The company focuses on organic foods, as consumers appear to be more interested in foods described as being "better for you," which include fresh or freshly prepared foods, and natural, organic, or specialty foods. The company expects sustained growth in these areas and continues to focus on consumer's needs by developing new formulations, packaging, and sizes.

▲ **Focus on Refining Portfolio:** TreeHouse Foods has always been focused on expanding its product offerings through acquisitions. In February 2016, the company acquired Private Brands business for \$2.7 billion. The Private Brands Business is a leading manufacturer of private label refrigerated and shelf stable products in the bars, bakery, cereal, condiments, pasta, and snacks categories. The addition of Private Brands has added to the revenues and has helped the company to lower debt. The company's other acquisitions include Flagstone Foods, PFF Capital Group, Inc. ("Protenergy"), Cains Foods, L.P., Associated Brands, and Naturally Fresh, Inc.

On the flip side, the company remains committed toward exiting underperforming businesses and shifting focus toward areas with high growth potential. To this end, the company completed the divestiture of the Snack business to Atlas Holdings on Aug 1. Further, TreeHouse Foods inked a deal to offload two of its in-store bakery facilities to Rich Products Corporation, which is likely to help the former focus on core growth areas. Notably, the transaction with Rich Products is expected to conclude by Apr 10.

▲ **Diverse Customer Base:** Treehouse Foods sells to a wide and diverse customer base, including the leading grocery retailers and foodservice operators in the United States and Canada, and also a variety of customers that purchase bulk products for industrial food applications. The company supplies to more than 200 food retail customers in North America, including each of the 50 largest food retailers, and more than 500 foodservice customers, including 50 of the 100 largest restaurant chains.

Reasons To Sell:

- ▼ **Gross Margin Pressurized:** TreeHouse Foods' gross margin has been contracting year over year for the last few quarters. In the first quarter of 2020, gross margin came in at 18%, down 40 basis points (bps) from the year-ago quarter's figure. This was accountable to an adverse mix of lower-margin business, unfavorable pricing and costs incurred in connection with the pandemic, like higher production shifts, increased sanitization measures and protective equipment. Prior to this, the metric contracted 130 bps, 150 bps, 30 bps and 70 bps in the fourth, third, second and first quarters of 2019, respectively, mainly due to fixed cost impact of soft volumes. Further, first-quarter adjusted EBITDA from continuing operations declined 1.3% to \$98.7 million due to an adverse mix of lower-margin business, unfavorable pricing and mark-to-market losses on investments.
- ▼ **COVID-19 Related Costs:** While management is encouraged about the rise in demand owing to pantry hoarding and increased stay-at-home trends, it incurs incremental costs to cater to the rising demand. Incidentally, the company is witnessing higher costs to increase production shifts and ensure the availability of labor at all manufacturing and distribution facilities. Additionally, costs related to increased sanitization measures and protective equipment, as mentioned above, pose threats to margins.
- ▼ **Food Away from Home Sales Soft:** Increased social distancing and at-home consumption has marred the Food Away From Home channel for many companies, including TreeHouse Foods. In first-quarter 2020, the Food Away From Home business witnessed a decline of \$11 million. This channel is likely to remain weak, given the continuation of stay-at-home trends. Also, competition from private label brands is a concern. Management still expects 2020 sales in the range of \$4.10-\$4.40 billion. The company delivered net sales of \$4288.9 million (nearly \$4.29 billion) in 2019. Further, it expects sales growth in the second half of 2020 to be flat to down 2%.
- ▼ **Unfavorable Currency Translations:** TreeHouse foods has manufacturing facilities in the United States, Canada and Italy. Thus, the company's overseas subsidiaries buy several raw materials abroad, keeping it exposed to the risk of adverse currency movements. This can hamper overall profitability. Evidently, foreign currency headwinds hurt net sales during the first quarter of 2020 – particularly in the Meal Preparation segment. Currency headwinds are expected to hurt the company's overall top line by about \$4 million in 2020 due to weaker Canadian dollar. This is likely to serve as a headwind to the tune of roughly \$5 million for second-quarter sales.
- ▼ **Debt Analysis:** TreeHouse Foods' long-term debt of nearly \$2,341 million increased 4% sequentially at the end of the first quarter of 2020 (Mar 31, 2020). Further, its debt-to-capitalization ratio is high when compared with the industry. Incidentally, TreeHouse Foods' debt-to-capitalization ratio of 0.57 stands above the industry's ratio of 0.45. Also, the company's ratio has deteriorated from 0.55 as of the end of the fourth quarter of 2019. The company, however, informed that during the first quarter of 2020, it drew \$100 million, as a precaution, from its revolving credit facility of \$750 million to increase financial flexibility and liquidity amid the crisis. As of the quarter-end, the company had nearly \$624 million available under the facility.

TreeHouse Foods grapples with softness in the Food Away From Home business owing to higher stay at-home trends amid the pandemic. Also, currency headwinds are likely to hurt 2020 sales by \$4 million.

Last Earnings Report

TreeHouse Foods Q1 Earnings Top Estimates, Sales Up Y/Y

TreeHouse Foods released first-quarter 2020 results, wherein both top and bottom lines beat the Zacks Consensus Estimate and improved year over year. The company's retail business catered well to the unexpected rise in demand in March, stemming from the coronavirus-led stockpiling and increased at-home consumption. This compensated for softness in the food-away-from-home business.

Adjusted earnings from continuing operations amounted to 37 cents per share that surpassed the Zacks Consensus Estimate of 32 cents. Further, the bottom line grew 12.1% year over year.

Net sales of \$1,084.9 million came ahead of the consensus mark of \$1,047 million and advanced 1.7% year over year. Organic sales grew 2.6%, though it was partly hurt by SKU rationalization, the divestiture of two in-store Bakery facilities and foreign currency headwinds.

Gross margin came in at 18%, down 40 basis points (bps) from the year-ago quarter's figure. This was accountable to an adverse mix of lower-margin business, unfavorable pricing and costs incurred in connection with the pandemic, like higher production shifts, increased sanitization measures and protective equipment. This was partly offset by the lower cost of the restructuring program.

Total operating expenses, as a percentage of sales, dropped 1.7 percentage points to 15.2%. However, adjusted EBITDA from continuing operations declined 1.3% to \$98.7 million due to an adverse mix of lower-margin business, unfavorable pricing and mark-to-market losses on investments. This was cushioned by reduced freight costs and the coronavirus-led surge in demand.

Segment Details

Meal Preparation: During the first quarter, sales in the segment climbed 0.4% year over year to \$673.6 million. The upside was backed by improved volumes/mix primarily stemming from the coronavirus-led increase in demand, which compensated for distribution losses. This was partially mitigated by adverse pricing and currency woes. Direct operating income (DOI) margin in the segment contracted 70 bps due to an adverse mix of lower-margin business, somewhat made up by increased volumes and reduced freight costs.

Snacking & Beverages: Net sales rose 3.8% to \$411.3 million on improved volumes/mix, courtesy of the coronavirus-led increase in demand, which offset distribution losses. This was partially mitigated by adverse pricing and SKU rationalization. Results were also affected by divestitures. DOI margin declined 10 bps, mostly due to the same factors responsible for the DOI margin decline in the Meal Preparation segment.

Other Financial Updates

The company concluded the quarter with cash and cash equivalents of \$330.4 million, long-term debt of \$2,189.5 million and total shareholders' equity of \$1,788.1 million. In the first quarter, cash provided by operating activities of continuing operations amounted to \$68.5 million. Also, during the quarter, the company drew \$100 million, as a precaution, from its revolving credit facility of \$750 million to increase financial flexibility and liquidity amid the crisis. For 2020, the company still expects free cash flow between \$250 million and \$300 million.

Guidance

Management remains pleased with its first-quarter performance amid the coronavirus crisis. The company benefited from increased demand. The adjusted EBITDA was in line with the forecast despite the company incurring higher costs to increase production shifts and ensure the availability of labor at all manufacturing and distribution facilities.

While management is encouraged about the rise in demand, thanks to pantry hoarding and increased stay-at-home trends, it incurs incremental costs to cater to the rising demand. Further, the duration and impact of the pandemic remain uncertain. All said, the company reiterated its guidance for 2020.

Sales are expected in the range of \$4.10-\$4.40 billion. The company delivered net sales of \$4288.9 million (nearly \$4.29 billion) in 2019. For 2020, management expects adjusted earnings from continuing operations of \$2.40-\$2.65 per share compared with \$2.39 recorded in 2019. Net sales for the second quarter of 2020 are expected in a band of \$1.05-\$1.09 billion, indicating growth of about 4% at the midpoint. Further, management expects adjusted earnings from continuing operations of 40-50 cents, suggesting a roughly 13% increase at the midpoint.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	3.64%
EPS Surprise	15.63%
Quarterly EPS	0.37
Annual EPS (TTM)	2.38

Recent News

TreeHouse Foods to Optimize Business With Restructuring Plans - Feb 27, 2020

TreeHouse Foods unveiled a host of organizational changes to optimize the business and better serve customers. The company, which currently operates under Baked Goods, Beverages and Meal Solutions segments, will reorganize itself into two segments namely, Snacking & Beverages, and Meal Preparation. It is currently organized on the basis of product category, while its planned restructuring is on the basis of market dynamics. The reorganization will be effective from the first quarter of 2020. The move seems appropriate amid the competitive retail grocery scenario, as it will help TreeHouse Foods' customers to encourage more innovations in line with consumer needs and in turn be more relevant.

The Snacking & Beverages segment will include categories with increased market growth potential. These particularly include Bars, Broth, Powdered & Liquid Beverages, Griddle, Candy, Cookies & Crackers, Tea, Pita, Pretzels, and Other Blends. The segment will be focused on driving revenues, and undertaking research, development and commercialization per the changing consumer trends. Notably, the Snacking & Beverages division generated revenues of \$1.7 billion in 2019.

The Meal Preparation unit will consist of categories — including Bouillion, Cheese & Pudding, Pickles, Pourable & Spoonable Dressings, Hot Cereal, Preserves, Red Sauces, Refrigerated Dough, Non-Dairy Creamer, Pasta & Dry Dinners, Sauces, Single Serve Coffee, and Syrup. The segment will be concentrated on enhancing productivity, efficiency and cash flow. In 2019, the unit produced revenues of \$2.6 billion.

TreeHouse Foods Calls Off Contract With Post Holdings - Jan 13, 2020

TreeHouse Foods and Post Holdings mutually decided to pull the plug on their deal, as part of which the former would sell its ready-to-eat (RTE) cereal business to the latter. Also, in a separate press release, TreeHouse Foods inked a deal to offload two of its in-store bakery facilities to Rich Products Corporation, which is likely to help the former focus on core growth areas. Notably, the transaction with Rich Products is expected to conclude by Apr 10, 2020. TreeHouse Foods and Post Holdings dismissed their deal for the RTE cereal business as a result of the Federal Trade Commission's (FTC) complaint (filed on Dec 19) opposing the transaction. The contract was originally penned in May 2019. The RTE cereal business is a component of TreeHouse Foods' Baked Goods unit.

Nevertheless, alongside announcing the termination of this deal, TreeHouse Foods revealed intentions to restart the marketing process for the sale of the RTE cereal business. Moreover, the company is on track to divest two of its in-store bakery facilities (housed in Minnesota and California) to a family-owned firm – Rich Products. These facilities produce breads, rolls and cakes for in-store retail bakeries as well as foodservice customers.

Valuation

TreeHouse Foods shares are down 3.1% in the year-to-date period and 15.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 7.5% and 10.1%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is down 0.5% and the sector is down 7.2%.

The S&P 500 index is down 1% in the year-to-date period and up 10.2% in the past year.

The stock is currently trading at 17.73X forward 12-month earnings, which compares to 18.79X for the Zacks sub-industry, 20.17X for the Zacks sector and 23.03X for the S&P 500 index.

Over the past five years, the stock has traded as high as 28.56X and as low as 11.73X, with a 5-year median of 20.74X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$50 price target reflects 18.87X forward 12-month earnings.

The table below shows summary valuation data for THS

Valuation Multiples - THS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.73	18.79	20.17	23.03
	5-Year High	28.56	22.9	22.37	23.03
	5-Year Low	11.73	14.82	16.65	15.23
	5-Year Median	20.74	18.79	19.66	17.49
P/S F12M	Current	0.61	1.69	9.72	3.58
	5-Year High	1.16	2.05	11.16	3.58
	5-Year Low	0.34	1.41	8.1	2.53
	5-Year Median	0.64	1.81	9.89	3.02
EV/EBITDA F12M	Current	8.37	13.82	34.16	12.28
	5-Year High	13.61	16.59	37.75	12.62
	5-Year Low	6.29	11.67	29.77	9.03
	5-Year Median	9.3	13.23	34.09	10.79

As of 06/11/2020

Industry Analysis Zacks Industry Rank: Top 15% (37 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Campbell Soup Company (CPB)	Neutral	2
Darling Ingredients Inc. (DAR)	Neutral	3
Flowers Foods, Inc. (FLO)	Neutral	2
Lamb Weston Holdings Inc. (LW)	Neutral	3
McCormick Company, Incorporated (MKC)	Neutral	3
Sysco Corporation (SYU)	Neutral	3
TateLyle PLC (TATYY)	Neutral	3
Post Holdings, Inc. (POST)	Underperform	5

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	THS	X Industry	S&P 500	CPB	FLO	LW
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	2	2	3
VGM Score	B	-	-	B	A	C
Market Cap	2.65 B	3.58 B	21.32 B	14.49 B	4.72 B	9.24 B
# of Analysts	6	3.5	14	7	3	4
Dividend Yield	0.00%	0.00%	1.99%	2.92%	3.58%	1.45%
Value Score	C	-	-	A	B	C
Cash/Price	0.12	0.06	0.06	0.09	0.05	0.00
EV/EBITDA	29.65	12.24	12.31	12.92	14.87	13.73
PEG Ratio	3.46	3.23	2.88	2.00	NA	8.33
Price/Book (P/B)	1.48	2.21	2.92	5.62	3.58	34.17
Price/Cash Flow (P/CF)	7.66	11.86	11.24	12.65	13.55	14.52
P/E (F1)	18.21	18.39	20.84	16.58	20.49	28.34
Price/Sales (P/S)	0.58	1.07	2.24	1.73	1.12	2.34
Earnings Yield	5.49%	5.00%	4.64%	6.02%	4.88%	3.53%
Debt/Equity	1.31	0.66	0.76	2.01	1.06	8.12
Cash Flow (\$/share)	6.13	2.58	7.01	3.79	1.65	4.36
Growth Score	B	-	-	C	A	B
Hist. EPS Growth (3-5 yrs)	-9.29%	5.03%	10.87%	-2.14%	1.38%	18.82%
Proj. EPS Growth (F1/F0)	7.95%	1.65%	-10.81%	25.78%	13.54%	-14.30%
Curr. Cash Flow Growth	-1.33%	5.12%	5.46%	-12.42%	1.85%	18.57%
Hist. Cash Flow Growth (3-5 yrs)	5.96%	5.64%	8.55%	0.50%	1.66%	12.76%
Current Ratio	1.58	1.72	1.29	0.84	1.65	1.85
Debt/Capital	56.69%	39.92%	44.75%	66.79%	51.53%	89.03%
Net Margin	-8.06%	3.18%	10.54%	18.34%	2.21%	12.12%
Return on Equity	7.25%	10.79%	16.08%	46.05%	17.35%	342.27%
Sales/Assets	0.85	1.11	0.55	0.66	1.29	1.20
Proj. Sales Growth (F1/F0)	-8.80%	0.00%	-2.60%	-8.78%	4.87%	-3.94%
Momentum Score	D	-	-	F	C	D
Daily Price Chg	-4.28%	-4.12%	-6.44%	-1.98%	-2.79%	-10.30%
1 Week Price Chg	-7.36%	4.31%	7.51%	-5.49%	-3.52%	18.63%
4 Week Price Chg	-9.51%	3.50%	8.40%	-9.44%	-2.10%	16.05%
12 Week Price Chg	18.85%	18.69%	25.04%	0.99%	-2.53%	29.60%
52 Week Price Chg	-15.03%	-6.84%	-6.33%	12.50%	-3.83%	3.35%
20 Day Average Volume	583,295	198,436	2,634,935	3,306,020	1,110,103	2,199,321
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.11%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	5.15%	2.51%	-0.56%
(F1) EPS Est 12 week change	3.55%	-1.08%	-15.86%	12.80%	4.47%	-39.99%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.56%	1.25%	-10.87%

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	C
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.