

Tapestry, Inc. (TPR)

\$15.08 (As of 08/19/20)

Price Target (6-12 Months): **\$17.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 08/19/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:F

Value: B

Growth: F

Momentum: C

Summary

Shares of Tapestry have increased over the past three months. The stock gained from the company's better-than-expected fourth-quarter fiscal 2020 results. The company posted narrower-than-expected loss. Further, the net sales surpassed the Zacks Consensus Estimate for the third straight quarter. However, the coronavirus pandemic did impact the company's performance with both top and bottom line declining sharply from the year-ago period. Nonetheless, management stated that quarterly results came ahead of internal expectations. The company expects to revert to sustained sales growth in the second half of fiscal 2021 with the first half to remain under pressure. Notably, Tapestry has announced an Acceleration Program with multi-year initiatives to drive revenue growth, gross margin expansion and operating leverage across its portfolio.

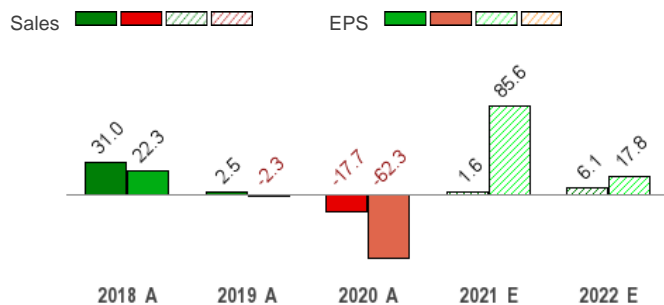
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$30.40 - \$10.18
20 Day Average Volume (sh)	6,008,943
Market Cap	\$4.2 B
YTD Price Change	-44.1%
Beta	1.32
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Bottom 10% (228 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	47.9%
Last Sales Surprise	3.4%
EPS F1 Est- 4 week change	16.9%
Expected Report Date	11/03/2020
Earnings ESP	0.0%
P/E TTM	15.4
P/E F1	8.4
PEG F1	0.8
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,236 E	1,658 E	1,257 E	1,264 E	5,345 E
2021	1,041 E	1,546 E	1,229 E	1,231 E	5,038 E
2020	1,358 A	1,816 A	1,073 A	715 A	4,961 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.27 E	\$0.90 E	\$0.23 E	\$0.66 E	\$2.12 E
2021	\$0.16 E	\$0.84 E	\$0.29 E	\$0.55 E	\$1.80 E
2020	\$0.40 A	\$1.10 A	-\$0.27 A	-\$0.25 A	\$0.97 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 08/19/2020. The reports text is as of 08/20/2020.

Overview

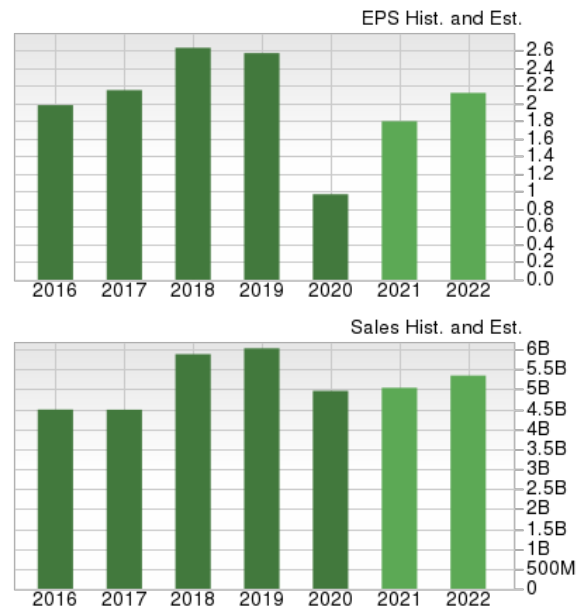
Founded in 1941 and headquartered in New York, Tapestry, Inc. (TPR), which was formerly known as Coach, Inc., is the designer and marketer of fine accessories and gifts for women and men in the United States and internationally. The Company offers lifestyle products, which include handbags, women's and men's accessories, footwear, jewelry, seasonal apparel collections, sunwear, travel bags, fragrance and watches. Tapestry now operate under three segments comprising Coach brand (North America and International - 71% of FY20 Sales), Kate Spade & Company (23% of FY20 Sales) and Stuart Weitzman (6% of FY20 Sales).

Coach Brand North American segment includes sales to customers via North American company-owned stores, including the Internet, and sales to North American wholesale customers and distributors.

Coach Brand International segment includes sales via company-operated outlets (including the Internet) and concession store-in-stores in — Japan, mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, Italy, Austria, Belgium, the Netherlands and Switzerland. Additionally, International includes sales to consumers through the Internet in Japan, mainland China, the United Kingdom and South Korea, as well as sales to wholesale customers and distributors in about 55 countries.

Stuart Weitzman segment includes sales generated by the Stuart Weitzman brand globally, principally via department stores in North America and international locations, within numerous independent third party distributors and within Stuart Weitzman operated stores, comprising the Internet, in the U.S., Canada and Europe.

Kate Spade & Company, which designs and markets accessories and apparel under two multichannel lifestyle brands – kate spade new york and Jack Spade New York.



Reasons To Buy:

- ▲ **Stock Gaining Traction:** In the past three months, shares of Tapestry have risen 5.9%, while the industry gained 31.5%. Markedly, the company delivered better-than-expected fourth-quarter fiscal 2020 results. It posted narrower-than-expected loss. Further, the company's net sales surpassed the Zacks Consensus Estimate for the third straight quarter. Management stated that quarterly results came ahead of internal expectations. Notably, Tapestry continued with its sturdy e-commerce performance with digital sales rising in triple digits compared with the year-ago period. Impressively, the company registered year-over-year increase in sales in Mainland China during the quarter under review. Additionally, the company notified that the vast majority of directly operated stores globally were reopened by the end of the quarter. The company also efficiently managed inventories, which were down 5% from the prior-year period. Additionally, gross margin expanded 370 basis points owing to lower and more disciplined promotional activity as well as the benefit of geographic mix, given the higher penetration of international businesses. Gross margins increased at each of Coach, Kate Spade and Stuart Weitzman during the quarter.
- ▲ **Growth Drivers:** Tapestry's long-term growth drivers include deepening engagement with consumers, creating innovative and compelling products, venturing into under-penetrated markets and enhancement of digital and data analytics capabilities. Notably, the company's compelling pricing strategy, smaller format locations and cost-effective global sourcing model have been contributing in enhancing store productivity. No wonder, these strategies should help drive sales and margins. From growth perspective, China remains one of the prominent markets for Tapestry. The company is accelerating growth in the region through tailored and optimized assortments, enhanced marketing and expanded reach across direct channels and third-party online distribution. Tapestry has a strategic alliance with Alibaba's Tmall, China's largest B2C e-commerce platform. The company has been expanding digitally through the rollout of the Luxury Soho flagship for Coach on Tmall. Additionally, the company has been expanding its digital distribution channels across North America with focus on enhancing curbside or store pickup service. The company's other strategic endeavors include multi-year licensing agreement with Incipio Group to launch mobile device accessories with Coach as well as partnership with Disney. Moreover, as a part of its customer engagement strategy, the company launched made-to-order CitySole on coach.com.
- ▲ **Acceleration Program:** Tapestry announced an Acceleration Program with multi-year initiatives to drive revenue growth, gross margin expansion and operating leverage across its portfolio. The program aims at transforming into a leaner and more responsive organization, building significant data and analytics capabilities with focus on enhancing digital and omnichannel capabilities, and operating with a clearly defined path and strategy for each brand. Management anticipates to realize about \$300 million in gross run rate expense savings from these endeavors, including \$200 million projected for fiscal 2021. Although management did not provide any guidance for fiscal 2021, it stated that the company is undertaking actions to lower promotional activity and improve Average Unit Retail or AURs across brands. These are contributing to gross margin expansion. The company is also targeting reductions in SG&A expenses and right sizing store fleet. With regards to Stuart Weitzman the company intends to rationalize the North America retail fleet by reducing the number of doors in fiscal 2021 and close all direct locations in Europe, Japan, Australia and Malaysia. Assuming a continuation of the slow and steady recovery from the pandemic, management anticipates fiscal 2021 revenues to be roughly even with the prior year. Impressively, the company expects to revert to sustained sales growth in the second half of fiscal 2021 as well as bottom-line growth in fiscal 2021, 2022 and 2023.
- ▲ **Undergoing Brand Transformation:** Tapestry has undertaken transformation initiatives revolving around, product, stores and marketing. The acquisitions of Stuart Weitzman and Kate Spade have facilitated it to emerge as a multi-brand company. Also, the company is introducing modern luxury concept stores in key markets. Moreover, the company has undertaken strategic measures involving upgrading of core technology platforms and enhancement of international supply chain. The company is focusing beyond bags into women's and men's footwear and ready-to-wear categories. It is focusing on renewing Stuart Weitzman brand's reputation for fit, comfort and quality, and growing key categories by building a leading presence in boots, booties and sandals and expanding the casual assortment. With respect to Kate Spade, the company remains focused on growing handbags and leathergoods, and capitalizing on a new Signature platform.
- ▲ **Actions to Mitigate Covid-19 Impact:** To address challenges tied to the pandemic Tapestry remains focused on global digital opportunity for all its brands. Management has been taking actions to curb expenses in order to stay resilient during the ongoing crisis. It has decided to eliminate non-essential operating expenses and lower fixed costs like rent as well as enhance SG&A savings via right-sizing marketing spend. It is also reducing corporate payroll. Management is implementing structural changes, including 20% reduction in the global corporate headcount expense on a run rate basis. The company has also lowered its SKU count by approximately 50% for the upcoming holiday season. No wonder, the company is cutting down on capex by deferring or cancelling store openings, while prioritizing investments in high-return areas, including digital. Furthermore, it is focused on effectively managing inventories, and expects working capital savings of more than \$500 million, of which approximately \$135 million was realized in fiscal 2020. Management now expects to incur capital expenditures of approximately \$150 million during the fiscal year 2021 as compared to its run-rate spend of about \$275 million. Management had earlier announced plans to suspend shareholder-friendly moves, including repurchases and quarterly cash dividend. This will result in savings of approximately \$700 million annually. Also, Tapestry has drawn \$700 million from the \$900 million revolving credit facility to strengthen liquidity.

Tapestry's long-term growth drivers include deepening engagement with consumers, creating innovative and compelling products, venturing into under-penetrated markets and enhancement of digital capabilities.

Risks

- **Top-Line in 1H to Remain Under Pressure:** Management expects top line to remain under pressure during the first half of fiscal 2021, thanks to the ongoing coronavirus crisis. The pandemic did impact Tapestry's fourth-quarter fiscal 2020 performance with both top and bottom line declining sharply from the year-ago period. The company posted adjusted loss of 25 cents a share, which compared unfavorably with the year-ago period. The company had reported adjusted earnings of 61 cents in the prior-year quarter. Lower net sales and higher interest expense hurt the company's bottom-line results. Net sales came in at \$714.8 million, down 53% year over year. Sales declined across all brands. Net sales declined 53%, 51% and 61% on a year-over-year basis at Coach, Kate Spade and Stuart Weitzman, respectively.
- **Operating Loss in Q4:** Tapestry reported adjusted operating loss of \$69.8 million during the fourth quarter of fiscal 2020 as against operating income of \$222 million in the prior-year period. At Coach, adjusted operating income was \$47 million compared with \$302 million in the prior year, while operating margin was 9.1% versus 27.5% a year ago. The company reported adjusted operating loss of approximately \$30 million with operating margin of (18.2)% at Kate Spade. This compared to operating income of approximately \$31 million and an operating margin of 9.2% on an adjusted basis in the year-ago period. Adjusted operating loss for Stuart Weitzman was \$23 million compared with adjusted operating loss of \$9 million in the year-ago period.
- **Debt Analysis:** Although, the company's long-term debt (including long-term lease liabilities) of \$3,387.7 million as of Jun 27, 2020, showed a decline of 2.8% on a sequential basis, its debt-to-capitalization ratio remains quite high. The company's debt-to-capitalization ratio was 0.64 at the end of fourth-quarter fiscal 2020, which showcased an increase from 0.58 at the end of the preceding quarter. We note that the company had earlier drawn \$700 million from the \$900 million revolving credit facility. Also, the company's net interest expense came in at \$20.3 million during the fourth quarter, which reflected an increase from \$11 million in the year-ago period and \$13.5 million in the preceding quarter. Certainly, any deleverage in the same has a direct bearing on the bottom line.
- **Adverse Currency Fluctuations May Hurt Results:** Tapestry generates a significant amount of net sales outside the U.S. Due to high exposure to international markets the company remains prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside of the U.S. An increase in price may have an adverse impact on the demand for the products.
- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. For now, the novel coronavirus has wreaked havoc. The retail sector, in particular, remains under pressure. Again, job losses as well as lower disposable income due to this catastrophe are making things worse. Consumers are avoiding discretionary spending and focusing on necessities for the time being.

Additionally, fashion obsolescence remains the main concern for Tapestry's business model, which involves a sustained focus on product and design innovation. The company's pioneering position may be compromised by delays in its product launches. The company operates in the highly competitive premium handbag and accessories segment. The company faces stiff competition from European luxury brands as well as private label retailers on distinctiveness, innovativeness, quality and pricing, which may weigh on its results.

Last Earnings Report

Tapestry Q4 Loss Narrower Than Expected, Sales Fall Y/Y

Tapestry, Inc. reported better-than-expected fourth-quarter fiscal 2020 results. This house of modern luxury accessories and lifestyle brands posted narrower-than-expected loss. Further, the company's net sales surpassed the Zacks Consensus Estimate for the third straight quarter. However, the coronavirus pandemic did impact the company's performance with both top and bottom line declining sharply from the year-ago period.

The company posted adjusted loss of 25 cents a share narrower-than-the Zacks Consensus Estimate of loss of 48 cents. However, this compared unfavorably with the year-ago period. The company had reported adjusted earnings of 61 cents in the prior-year quarter. Lower net sales and higher interest expense hurt the company's bottom-line results.

Net sales of this New York-based company came in at \$714.8 million, down 53% year over year. However, the metric came ahead of the Zacks Consensus Estimate of \$691.1 million. Sales declined across all brands.

Management stated that quarterly results came ahead of internal expectations. Notably, Tapestry continued with its sturdy e-commerce performance with digital sales rising in triple digits compared with the year-ago period. Impressively, the company registered year-over-year increase in sales in Mainland China during the quarter under review. Additionally, the company notified that the vast majority of directly operated stores globally were reopened by the end of the quarter. The company also efficiently managed inventories, which were down 5% from the prior-year period.

Tapestry also announced an Acceleration Program with multi-year initiatives to drive revenue growth, gross margin expansion and operating leverage across its portfolio. The program aims at transforming into a leaner and more responsive organization, building significant data and analytics capabilities with focus on enhancing digital and omnichannel capabilities, and operating with a clearly defined path and strategy for each brand.

Notably, the company intends to harness opportunities in China through tailored and optimized assortments coupled with enhanced marketing. Management is implementing structural changes, including 20% reduction in the global corporate headcount expense on a run rate basis. The company has also lowered its SKU count by approximately 50% for the upcoming holiday season. As a part of its customer engagement strategy, the company launched made-to-order CitySole on coach.com, allowing our customers to design one of a kind sneakers, featuring a new innovative 3D and augmented reality experience. The company is concentrating on new store formats and smaller square footage locations.

Although management did not provide any guidance for fiscal 2021, it stated that the company is undertaking actions to lower promotional activity and improve Average Unit Retail or AURs across brands to expand gross margin. The company is also targeting reductions in SG&A expenses and right sizing store fleet. With regards to Stuart Weitzman the company intends to rationalize the North America retail fleet by reducing the number of doors in fiscal 2021 and close all direct locations in Europe, Japan, Australia and Malaysia.

Management anticipates to realize about \$300 million in gross run rate expense savings from these endeavors, including \$200 million projected for fiscal 2021. The company expects to revert to sustained sales growth in the second half of fiscal 2021 as well as bottom-line growth in fiscal 2021, 2022 and 2023. Assuming a continuation of the slow and steady recovery from the pandemic, management anticipates fiscal 2021 revenues to be roughly even with the prior year.

Margin Discussions

Consolidated adjusted gross profit came in at \$507.3 million, significantly down \$1,017.9 million in the year-ago period. However, gross margin expanded 370 basis points to 71% owing to lower and more disciplined promotional activity as well as the benefit of geographic mix, given the higher penetration of international businesses. Gross margins increased at each of Coach, Kate Spade and Stuart Weitzman during the quarter.

Further, the company reported adjusted operating loss of \$69.8 million as against operating income of \$222 million in the prior-year quarter. We note that adjusted SG&A expenses fell 27.5% to \$577.1 million. However, as a percentage of net sales, the same increased to 80.8% from 52.6% in the year-ago quarter.

Segment Details

Net sales for Coach came in at \$517.4 million, down 53% year over year. Adjusted gross margin for the segment expanded 390 basis points to 73.6%. We note that adjusted operating margin shriveled to 9.1% from 27.5% a year ago.

Kate Spade sales came in at \$164.1 million, down 51% from the year-ago period. Adjusted gross margin for the segment increased 270 basis points to 64.9%. The segment reported adjusted operating loss was \$30 million as against adjusted operating income of \$31 million in the year-ago period.

Net sales for Stuart Weitzman totaled \$33.3 million, down 61% year over year. The segment's adjusted gross margin jumped 460 basis points to 59.4%. Adjusted operating loss for the segment was \$23 million compared with adjusted operating loss of \$9 million in the year-ago period.

Store Update

At the end of the quarter, the company operated 375 Coach stores, 213 Kate Spade outlets and 58 Stuart Weitzman stores in North America. Internationally, the count was 583, 207 and 73 for Coach, Kate Spade and Stuart Weitzman, respectively.

Other Financial Details

Tapestry ended the quarter with cash, cash equivalents and short-term investments of \$1,434.4 million (including \$700 million drew down on

Quarter Ending 06/2020

Report Date	Aug 13, 2020
Sales Surprise	3.42%
EPS Surprise	47.92%
Quarterly EPS	-0.25
Annual EPS (TTM)	0.98

\$900 million revolver), long-term debt of 1,587.9 million and stockholders' equity of \$ 2,276.4 million. During the quarter, the company capital expenditures of \$33 million, reflecting a year-over-year decline of about 60%. Management now expects to incur capital expenditures of approximately \$150 million during the fiscal year 2021, down \$125 million from normal annualized spend.

Recent News

Tapestry Announces Interim Leadership Changes – Jul 21, 2020

Tapestry announced that effective immediately, Jide Zeitlin, Chairman and Chief Executive Officer, has resigned for personal reasons. As a result, Joanne Crevoiserat, Chief Financial Officer, has been appointed Interim Chief Executive Officer of Tapestry. Todd Kahn, President, Chief Administrative Officer and Company Secretary, will serve as Interim Chief Executive Officer and Brand President of Coach, and Andrea Shaw Resnick, Global Head of Investor Relations and Corporate Communications, has been named Interim Chief Financial Officer of the Company.

Valuation

Tapestry shares are down 44.1% in the year-to-date period and 30.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 19.7% but the Zacks Retail-Wholesale sector is up 31.5%, in the year-to-date period. Over the past year, the sub-industry is down 9.7% but the sector is up 39.5%.

The S&P 500 index is up 5.2% in the year-to-date period and 16.1% in the past year.

The stock is currently trading at 8.98X forward 12-month earnings, which compares to 46.06X for the Zacks sub-industry, 34.31X for the Zacks sector and 22.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22X and as low as 4.51X, with a 5-year median of 16.84X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$17 price target reflects 10.12X forward 12-month earnings.

The table below shows summary valuation data for TPR

Valuation Multiples - TPR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	8.98	46.06	34.31	22.9
	5-Year High	22	87.27	34.77	22.9
	5-Year Low	4.51	8.16	19.08	15.25
	5-Year Median	16.84	19.44	23.47	17.58
P/S F12M	Current	0.79	0.59	1.28	3.72
	5-Year High	2.96	1.09	1.28	3.72
	5-Year Low	0.49	0.32	0.82	2.53
	5-Year Median	2	0.8	0.97	3.05
EV/EBITDA TTM	Current	11	12.41	20.64	12.83
	5-Year High	14.18	12.64	20.64	12.85
	5-Year Low	4.81	4.71	11.14	8.25
	5-Year Median	9.72	6.63	12.95	10.91

As of 08/19/2020

Industry Analysis Zacks Industry Rank: Bottom 10% (228 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
AbercrombieFitch Company (ANF)	Neutral	4
The Gap, Inc. (GPS)	Neutral	4
L Brands, Inc. (LB)	Neutral	3
Levi StraussCo. (LEVI)	Neutral	3
Vera Bradley, Inc. (VRA)	Neutral	3
Capri Holdings Limited (CPRI)	Underperform	4
Guess, Inc. (GES)	Underperform	4
Ralph Lauren Corporation (RL)	Underperform	4

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	TPR	X Industry	S&P 500	CPRI	LEVI	VRA
Zacks Recommendation (Long Term)	Outperform	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	4	3	3
VGM Score	F	-	-	C	D	D
Market Cap	4.17 B	492.49 M	23.61 B	2.38 B	4.87 B	147.87 M
# of Analysts	12	4	14	9	4	4
Dividend Yield	0.00%	0.00%	1.65%	0.00%	2.61%	0.00%
Value Score	B	-	-	C	B	B
Cash/Price	0.33	0.33	0.07	0.08	0.30	0.53
EV/EBITDA	-19.38	6.83	13.36	91.71	7.15	3.12
PEG Ratio	0.78	2.95	2.99	7.49	NA	NA
Price/Book (P/B)	1.83	1.37	3.16	1.19	4.18	0.54
Price/Cash Flow (P/CF)	8.01	4.27	12.71	2.79	9.14	1.82
P/E (F1)	8.38	32.44	21.82	36.00	NA	20.41
Price/Sales (P/S)	0.84	0.35	2.47	0.51	0.97	0.31
Earnings Yield	11.94%	1.72%	4.37%	2.78%	-1.95%	4.95%
Debt/Equity	1.49	1.01	0.76	1.66	1.29	0.61
Cash Flow (\$/share)	1.88	1.68	6.94	5.68	1.34	2.44
Growth Score	F	-	-	C	F	F
Hist. EPS Growth (3-5 yrs)	1.52%	-0.83%	10.44%	-3.98%	NA	-7.10%
Proj. EPS Growth (F1/F0)	85.31%	-76.36%	-5.97%	-88.69%	-124.23%	-73.48%
Curr. Cash Flow Growth	-48.91%	-2.23%	5.22%	-13.65%	29.04%	120.49%
Hist. Cash Flow Growth (3-5 yrs)	-6.40%	1.64%	8.52%	-3.72%	NA	8.13%
Current Ratio	1.47	1.45	1.33	0.94	1.92	3.78
Debt/Capital	59.81%	55.77%	44.50%	62.38%	56.26%	42.84%
Net Margin	-13.14%	-2.68%	10.13%	-9.62%	0.19%	-0.78%
Return on Equity	9.65%	2.57%	14.67%	12.62%	13.47%	6.69%
Sales/Assets	0.60	1.08	0.51	0.58	1.06	0.87
Proj. Sales Growth (F1/F0)	1.54%	-11.98%	-1.54%	-34.06%	-29.57%	-6.97%
Momentum Score	C	-	-	B	D	C
Daily Price Chg	-1.63%	-0.51%	-0.38%	0.19%	0.57%	-2.20%
1 Week Price Chg	9.79%	4.27%	1.09%	8.65%	2.08%	4.23%
4 Week Price Chg	10.07%	2.84%	2.23%	-3.30%	1.99%	3.02%
12 Week Price Chg	-1.95%	-1.14%	6.91%	-11.26%	-15.78%	-27.45%
52 Week Price Chg	-30.67%	-32.22%	2.28%	-43.27%	-27.68%	-55.87%
20 Day Average Volume	6,008,943	405,219	1,899,976	3,902,298	1,296,858	229,472
(F1) EPS Est 1 week change	15.29%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	16.91%	0.00%	1.70%	-47.13%	0.00%	-4.04%
(F1) EPS Est 12 week change	16.91%	-38.71%	3.08%	-82.38%	-151.65%	-61.62%
(Q1) EPS Est Mthly Chg	-10.00%	0.00%	0.83%	-60.17%	0.00%	7.02%

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	C
VGM Score	F

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.