

## Tractor Supply Company (TSCO)

**\$153.58** (As of 08/17/20)

Price Target (6-12 Months): **\$160.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 07/22/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: A

### Summary

Shares of Tractor Supply have outpaced the industry driven by robust second-quarter 2020 performance. This marked the second straight quarter of earnings beat, while sales beat estimates after three consecutive misses. Results gained from robust sales and comps growth, and S&GA leverage, which also aided margins. Over the past few months, the company has rolled out technology and services like curbside pickup, same day/next day delivery and its first-ever mobile app to attract customers. This aided triple-digits e-commerce sales growth in the quarter. While the company expects results through the rest of 2020 to be dependent on the magnitude of the virus outbreak's impacts in various regions, it provided the view for the third quarter. However, it expects to witness elevated pandemic-related costs of \$15-\$20 million in the third quarter.

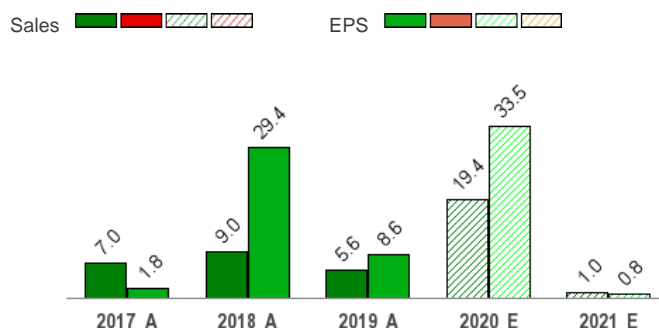
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$155.25 - \$63.89
20 Day Average Volume (sh)	1,375,396
Market Cap	\$17.8 B
YTD Price Change	64.4%
Beta	1.04
Dividend / Div Yld	\$1.60 / 0.9%
Industry	<a href="#">Retail - Miscellaneous</a>
Zacks Industry Rank	Bottom 15% (215 out of 252)

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



Last EPS Surprise	10.7%
Last Sales Surprise	5.6%
EPS F1 Est- 4 week change	11.7%
Expected Report Date	10/22/2020
Earnings ESP	0.0%
P/E TTM	26.2
P/E F1	24.6
PEG F1	2.2
P/S TTM	1.9

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,114 E	2,989 E	2,448 E	2,636 E	10,069 E
2020	1,959 A	3,176 A	2,386 E	2,449 E	9,974 E
2019	1,822 A	2,354 A	1,984 A	2,192 A	8,352 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.78 E	\$2.57 E	\$1.47 E	\$1.63 E	\$6.30 E
2020	\$0.71 A	\$2.90 A	\$1.33 E	\$1.34 E	\$6.25 E
2019	\$0.63 A	\$1.80 A	\$1.04 A	\$1.21 A	\$4.68 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 08/17/2020. The reports text is as of 08/18/2020.

## Overview

Headquartered in Brentwood, TN, Tractor Supply Company is the largest retail farm and ranch store chain in the United States. The company focuses on recreational farmers and ranchers as well as tradesmen and small businesses. It offers a wide array of merchandise such as livestock, pet and animal products, maintenance products for agricultural and rural use, hardware and tools, lawn and garden power equipment, truck and towing products, and work apparel.

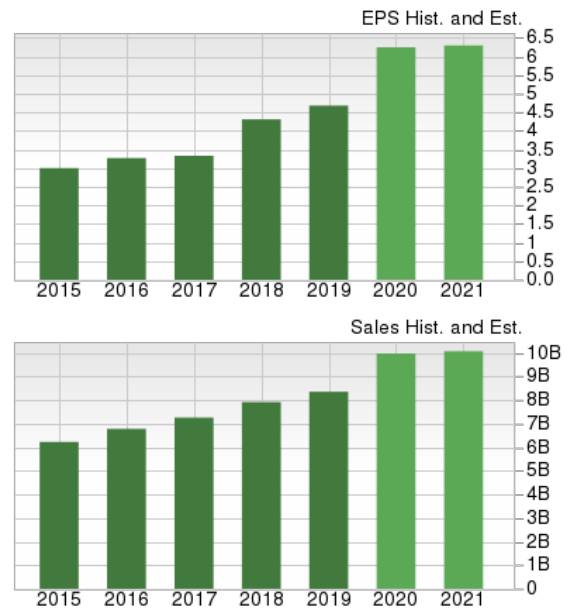
Stores of Tractor Supply are primarily located in rural areas and the suburbs of major cities, which have inside selling space of 15,000–20,000 square feet with a similar area of outside space, used to demonstrate agricultural fencing, livestock equipment and horse stalls. Petsense stores have roughly 5,500 square feet of inside selling space. For Tractor Supply retail locations, the company has a standard design for the new built-to-suit locations, including nearly 15,500 square feet of inside selling space.

Tractor Supply's broad assortment of products is tailored to meet the regional and geographic needs of its markets. Moreover, the retailer's full line of product offerings is supported by a strong in-stock inventory position with an average of 16,000–19,500 unique products per store.

Apart from selling nationally recognized branded merchandise, the company also markets an increasing list of products under its "private-label programs." The latter include Masterhand and Job Smart (tools and tool chests), Dumor and Producers Pride (livestock feed) and Retriever and Paws 'n Claws (pet foods). Further, the company recently acquired 100% stake in Petsense, to fortify its presence in the pet specialty space.

Tractor Supply operates retail stores under the names Tractor Supply Company, Del's Feed & Farm Supply, and Petsense as well as operate websites under the names TractorSupply.com and Petsense.com. Its online selling websites are expected to offer expanded assortment of products beyond in-store as well as boost store traffic through buy online, pickup in-store and ship to store programs.

As of Jun 27, 2020, the company operated 1,881 Tractor Supply stores across 49 states and 180 Petsense stores in 25 states.



## Reasons To Buy:

- ▲ **Strong Q2 Results:** Shares of Tractor Supply have increased 40.8% in the past three months, compared with the industry's 29% growth. In second-quarter 2020, the company's top and bottom lines surpassed the Zacks Consensus Estimate and improved year over year. This marks the second straight quarter of earnings beat, while sales beat estimates after three consecutive misses. The improvement in top line was driven by comparable store sales (comps) increase of 30.5%, led by growth of 15.8% in comparable average ticket and 14.6% in comparable transaction count. Comps growth was backed by strength in demand for spring and summer seasonal categories as well as robust growth in everyday merchandise, including consumable, usable and edible products. Further, robust comps growth at all of the company's geographic regions aided results. Meanwhile, the top line was partly hurt by significant impacts of the coronavirus outbreak on consumer demand across all major product categories as customers were focused on the care of their homes, land and animals.
- ▲ **Cost Leverage & Favorable Q2 Margins:** Tractor Supply's bottom line in the second quarter benefited from robust gross and operating margin growth, as well as lower SG&A expenses. Gross profit rose 41% year over year, while gross margin expanded 155 basis points (bps) to 36.4%. Gross margin gained from lower depth and frequency of sales promotions, favorable product mix, and reduced transportation costs, as a percent of net sales. Selling, general and administrative (SG&A) expenses — including depreciation and amortization — as a percentage of sales declined 33 bps to 22.3% on leverage in occupancy and other fixed costs due to higher comps, partly offset by incremental costs related to the pandemic and increased incentive compensation. Driven by higher gross margin and SG&A leverage, operating income rose 55.7%, along with 188 bps expansion in operating margin to 14.1%.
- ▲ **Q3 Outlook:** While Tractor Supply expects its results through the rest of 2020 to be dependent on the magnitude of the virus outbreak's impacts in various regions, it provided the view for the third quarter. The company expects net sales of \$2.30-\$2.40 billion for the third quarter, with comps growth of 12-18%. Moreover, net income is likely to be \$136-\$162 million, reflecting earnings per share of \$1.15-\$1.35.
- ▲ **Continued Efforts to Combat Coronavirus Woes:** Tractor Supply has kept stores and e-commerce business open for consumers to buy their everyday essentials all through the pandemic related hardships. Apart from providing additional temporary benefits early in the second quarter, the company rolled out a permanently enhanced compensation and benefits to team members, including wage increases of a minimum of \$1 per hour for all hourly members. It is also now providing annual restricted stock units to more than 2,000 frontline managers at stores and distribution centers, as well as health and wellness packages to team members. Furthermore, the company recruited more than 5,000 employees for full-time and part-time positions across its stores and distribution centers to provide better service to customers amid the new normal. Over the past few months, the company has also rolled out technology and services like curbside pickup, same day/next day delivery and its first-ever mobile app to attract customers.
- Further, it is on track to build up on Tractor Supply's Out Here lifestyle assortment and convenient shopping format to gain new customers and market share. Additionally, the company launched the Field Activity Support Team ("FAST") and is implementing various technology and service enhancements across the enterprise. It is also in the initial phase of transforming its side lots and mature stores to improve space productivity, bringing the latest merchandising strategies to life and advancing efforts to remain nationally strong and locally relevant.
- ▲ **'ONETractor' Strategy:** Given the changing consumer trends, Tractor Supply is focused on integrating its physical and digital operations to offer consumers a seamless shopping experience. Incidentally, the company remains on track with the 'ONETractor' strategy that is aimed at connecting store and online shopping. Backed by this initiative, the company continues to drive growth, build customer-centric engagement, offer suitable products and services, and reinforce core infrastructure capabilities. Moreover, Tractor Supply is benefiting from the roll out of capabilities like stockyard in-store kiosk and mobile point-of-sale (PoS) in all its stores, as well as enhancing of the Tractor Supply credit card offering, and investments in its supply chain. The company's omni-channel investments, including curbside pickup, same day, next-day delivery, a re-launched website and new mobile app, helped record triple-digits digital sales growth in the second quarter. This followed double-digits digital sales growth in the preceding 30 straight quarters.
- ▲ **Store Growth Initiatives:** Tractor Supply is persistently focusing on its growth initiatives, which include expansion of store base and incorporation of technological advancements to induce traffic and drive the top line. The company's sales and comps have been considerably gaining from the addition of new stores every quarter. Moreover, the company expects to drive comps by improving marketing and merchandising initiatives as well as supply chain efficiencies. The company is well positioned to expand store base, remaining on track to increase its domestic store to 2,500 in the long term. In the second quarter, Tractor Supply opened 18 namesake and three Petsense stores. Moreover, it closed three Petsense stores. Management remains on track with its store opening initiatives. For fiscal 2020, the company expects to open 75-80 Tractor Supply stores. It now anticipates opening 10 new Petsense locations compared with the prior outlook of 10-15 stores. However, some store openings might be delayed owing to government restrictions stemming from the COVID-19 crisis.
- ▲ **Debt Analysis:** Tractor Supply's cash and cash equivalents at the end of second-quarter 2020 increased substantially to \$1,206.4 million from \$461 million in the prior quarter. Notably, the company's cash position remains sufficient to fund its short term obligations of about \$671.6 million as of Jun 27, 2020. Further, it has no amounts drawn on its \$500 million revolving credit facility as of July 22, 2020. This provides ample financial flexibility to the company to steer through the pandemic. Its long-term debt of \$2,656.1 million (including non-current operating lease liabilities and finance lease liabilities) declined 13.5% sequentially. Moreover, its debt-to-capitalization ratio of 0.66 compares favorably with the industry's ratio of 0.77 and represents a sequential improvement from 0.71 as of Jun 27. Also, the company's times interest earned ratio of 39.3 versus the industry's 2.7 indicates that it is better positioned to meet its debt obligations, compared to its peers.

Tractor Supply's omni-channel investments like curbside pickup, same day, next-day delivery, a re-launched website and new mobile app, aided triple-digits digital sales growth in Q2.

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## Reasons To Sell:

- ▼ **Stock Looks Overvalued:** Considering price-to-earnings (P/E) ratio, Tractor Supply looks pretty overvalued when compared with the industry and the S&P 500. The stock has a trailing 12-month P/E ratio of 26.21x, which is above the median level of 20.98x and below the high level of 27.65x, scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 16.97x for the industry and 23.92x for the S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.
- ▼ **Higher COVID Related & Other Costs:** Despite a decent view for the third quarter, Tractor Supply expects costs related to the coronavirus outbreak to hurt its business by \$15-\$20 million in the third quarter. Additionally, the aforementioned strategic growth initiatives will hurt the cost structure by an estimated \$15 million in the third quarter. The company earlier announced permanent wage and benefit changes, which are likely to result in costs of \$13 million in the third quarter.
- ▼ **Increased Capex View:** In the first half of 2020, it incurred capital expenditure of \$86.6 million and generated cash flow from operating activities of \$993.1 million. However, it raised the capital expenditure view for 2020 owing to increased capital investments to support the company's strategic growth initiatives. It now expects capital expenditure of \$300-\$325 million for 2020, compared with \$225-\$275 million mentioned earlier.
- ▼ **Seasonality Risk:** Tractor Supply's business is highly seasonal, with sales and profits soaring in the spring and winter selling seasons on the back of seasonal demand for its merchandise offering. Unseasonable weather, heavy precipitation, drought conditions and early or late frosts may have a material impact on the company's financial condition and its operational results. In fact, fourth-quarter top line performance was affected by adverse seasonal weather trends. Unseasonably warm temperatures in December hurt sales for many seasonal categories.
- ▼ **Competitive Threat:** Tractor Supply's business is highly competitive, primarily based on customer services, price, store location and assortment of merchandise. It faces stiff competition from local, regional and international players. Being in such a highly competitive industry, Tractor Supply may find it difficult to execute and implement new business strategies, which could adversely impact its operations.
- ▼ **Volatility in Raw Material Prices:** Tractor Supply's business involves the purchase of commodities like grain, steel, petroleum, corn, and cotton, among various other raw materials, whose prices keep fluctuating. Prices of these products are also quite prone to inflationary and deflationary pressures, which in turn can hurt the company's sales, margins and overall financial results. Though the company is focused on minimizing such price volatility, the failure to implement its strategies efficiently may be a cause for concern.

Despite a decent view for third-quarter 2020, Tractor Supply expects costs related to the coronavirus outbreak to hurt its business by \$15-\$20 million in the third quarter.

## Last Earnings Report

### Tractor Supply Beats Q2 Earnings & Sales Estimates

Tractor Supply reported second-quarter 2020 results, wherein the top and bottom lines surpassed the Zacks Consensus Estimate. The company also provided the view for the third quarter. Tractor Supply's adjusted earnings of \$2.90 per share surpassed the Zacks Consensus Estimate of \$2.62. Moreover, the bottom line improved 61.1% from the prior-year quarter.

Net sales grew 35% year over year to \$3,176.3 million and beat the Zacks Consensus Estimate of \$3,007 million. The improvement was driven by comparable store sales (comps) increase of 30.5%, led by growth of 15.8% in comparable average ticket and 14.6% in comparable transaction count.

Comps growth was backed by strength in demand for spring and summer seasonal categories as well as robust growth in everyday merchandise, including consumable, usable and edible products. Further, robust comps growth at all of the company's geographic regions aided results. Additionally, the company witnessed triple-digit sales growth in the e-commerce business. Meanwhile, the top line was partly hurt by significant impacts of the coronavirus outbreak on consumer demand across all major product categories as customers were focused on the care of their homes, land and animals.

Gross profit rose 41% year over year to \$1,156.8 million, while gross margin expanded 155 basis points (bps) to 36.4%. Gross margin gained from lower depth and frequency of sales promotions, favorable product mix, and reduced transportation costs, as a percent of net sales.

Selling, general and administrative (SG&A) expenses — including depreciation and amortization — as a percentage of sales declined 33 bps to 22.3%. SG&A expenses benefited from leverage in occupancy and other fixed costs due to higher comps, partly offset by incremental costs related to the pandemic and increased incentive compensation. In dollar terms, SG&A expenses, including depreciation and amortization, rose 33% to \$709.1 million. Driven by higher gross margin and SG&A leverage, operating income rose 55.7% to \$447.8 million in the second quarter. Operating margin expanded 188 bps to 14.1%.

### Strategic Initiatives

Over the past few months, the company has rolled out technology and services like curbside pickup, same day/next day delivery and its first-ever mobile app to attract customers. Further, it is on track to build up on Tractor Supply's Out Here lifestyle assortment and convenient shopping format to gain new customers and market share. Additionally, the company launched the Field Activity Support Team ("FAST") and is implementing various technology and service enhancements across the enterprise. It is also in the initial phase of transforming its side lots and mature stores to improve space productivity, bringing the latest merchandising strategies to life and advancing efforts to remain nationally strong and locally relevant.

### Financial Position

Tractor Supply ended the quarter with cash and cash equivalents of 1,206.4 million, long-term debt of \$536.1 million and total stockholders' equity of \$1,695.7 million. Further, it has no amounts drawn on its \$500 million revolving credit facility as of July 22, 2020. This provides ample financial flexibility to the company to steer through the pandemic.

In the first half of 2020, it incurred capital expenditure of \$86.6 million and generated cash flow from operating activities of \$993.1 million. For 2020, it now expects capital expenditure of \$300-\$325 million compared with \$225-\$275 million mentioned earlier. The increased capital spending guidance relates to investments to support the company's strategic growth initiatives.

### Store Update

In the quarter under review, Tractor Supply opened 18 namesake stores and three Petsense stores. Moreover, it shuttered three Petsense stores. As of Jun 27, the company operated 1,881 Tractor Supply stores across 49 states and 180 Petsense stores in 25 states. Moreover, management remains on track with its store-opening initiatives. It now plans to open 75 to 80 new Tractor Supply stores in 2020. Further, it expects to inaugurate 10 Petsense stores compared with 10-15 stores mentioned earlier. However, the company notes that the timing of store openings may be delayed in some areas due to the pandemic.

### Outlook

While Tractor Supply expects its results through the rest of 2020 to be dependent on the magnitude of the virus outbreak's impacts in various regions, it provided the view for the third quarter. The company expects net sales of \$2.30-\$2.40 billion for the third quarter, with comps growth of 12-18%. Moreover, net income is likely to be \$136-\$162 million, reflecting earnings per share of \$1.15-\$1.35. However, the company expects costs related to the coronavirus outbreak to hurt its business by \$15-\$20 million in the third quarter.

Additionally, the aforementioned strategic growth initiatives will hurt the cost structure by an estimated \$15 million in the third quarter. Moreover, the company earlier announced permanent wage and benefit changes, which are likely to result in costs of \$13 million in the third quarter.

Quarter Ending 06/2020

Report Date	Jul 23, 2020
Sales Surprise	5.63%
EPS Surprise	10.69%
Quarterly EPS	2.90
Annual EPS (TTM)	5.86

## Recent News

### Tractor Supply Hikes Dividend – Aug 9, 2020

Tractor Supply announced the 10th successive quarterly dividend hike. It will now pay out a dividend of 40 cents per share, suggesting a 14.3% rise from the prior rate of 35 cents. The increased dividend will be paid out on Sep 9 to shareholders of record as of Aug 24, 2020. The latest dividend hike brings its annualized dividend to \$1.40 per share versus the prior rate of \$1.36. Notably, the company has a five-year annualized dividend growth rate of 13.7%, reflecting dividend increases for five consecutive years.

## Valuation

Tractor Supply shares are up 64.4% in the year-to-date period and nearly 51.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 3.7% and 29.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 5.7% and 38.9%, respectively.

The S&P 500 index is up 4.9% in the year-to-date period and 15.7% in the past year.

The stock is currently trading at 24.56X forward 12-month earnings, which compares to 22.91X for the Zacks sub-industry, 33.75X for the Zacks sector and 22.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.63X and as low as 13.05X, with a 5-year median of 19.76X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$160 price target reflects 25.74X forward 12-month earnings.

The table below shows summary valuation data for TSCO

Valuation Multiples - TSCO					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.56	22.91	33.75	22.87
	5-Year High	27.63	24.2	34.77	22.87
	5-Year Low	13.05	11.52	19.08	15.25
	5-Year Median	19.76	15.98	23.47	17.58
P/S F12M	Current	1.78	0.85	1.26	3.71
	5-Year High	1.9	1.13	1.26	3.71
	5-Year Low	0.86	0.51	0.82	2.53
	5-Year Median	1.31	0.92	0.97	3.05
EV/EBITDA TTM	Current	17.8	12.93	20.38	12.78
	5-Year High	18.94	12.93	20.38	12.85
	5-Year Low	8.04	6.16	11.14	8.25
	5-Year Median	13.43	9.46	12.95	10.91

As of 08/17/2020

## Industry Analysis Zacks Industry Rank: Bottom 15% (215 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
MarineMax, Inc. (HZO)	Outperform	1
Archer Daniels Midland Company (ADM)	Neutral	3
Adecoagro S.A. (AGRO)	Neutral	3
BuildABear Workshop, Inc. (BBW)	Neutral	3
Calyxt, Inc. (CLXT)	Neutral	3
Calavo Growers, Inc. (CVGW)	Neutral	3
KAR Auction Services, Inc (KAR)	Neutral	2
Limoneira Co (LMNR)	Neutral	3

Industry Comparison Industry: Retail - Miscellaneous				Industry Peers		
	TSCO	X Industry	S&P 500	CLXT	CVGW	HZO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	1
VGM Score	A	-	-	F	B	A
Market Cap	17.85 B	1.39 B	23.75 B	232.62 M	1.12 B	725.84 M
# of Analysts	15	6	14	2	2	5
Dividend Yield	0.91%	0.00%	1.62%	0.00%	1.74%	0.00%
Value Score	B	-	-	F	B	A
Cash/Price	0.07	0.31	0.07	0.14	0.00	0.12
EV/EBITDA	20.55	8.99	13.49	-5.72	15.12	9.34
PEG Ratio	2.15	3.69	3.03	NA	NA	NA
Price/Book (P/B)	10.53	1.53	3.18	5.34	3.93	1.71
Price/Cash Flow (P/CF)	23.68	6.19	12.85	NA	16.71	18.76
P/E (F1)	24.37	14.49	22.17	NA	34.55	13.21
Price/Sales (P/S)	1.92	0.41	2.49	20.38	0.93	0.51
Earnings Yield	4.07%	5.89%	4.32%	-18.83%	2.90%	7.57%
Debt/Equity	1.57	1.05	0.77	0.45	0.23	0.08
Cash Flow (\$/share)	6.49	3.12	6.94	-1.15	3.79	1.79
Growth Score	A	-	-	F	B	A
Hist. EPS Growth (3-5 yrs)	13.47%	6.28%	10.44%	NA	9.77%	25.69%
Proj. EPS Growth (F1/F0)	33.49%	-43.12%	-5.97%	-9.09%	-39.24%	55.83%
Curr. Cash Flow Growth	7.18%	6.68%	5.22%	41.73%	17.65%	-1.75%
Hist. Cash Flow Growth (3-5 yrs)	9.40%	2.61%	8.52%	NA	15.90%	23.56%
Current Ratio	1.40	1.50	1.33	9.43	1.21	1.77
Debt/Capital	61.03%	57.66%	44.59%	31.07%	19.00%	7.62%
Net Margin	7.40%	2.79%	10.13%	-392.49%	0.96%	3.93%
Return on Equity	45.25%	9.84%	14.51%	-77.67%	11.12%	14.68%
Sales/Assets	1.60	1.26	0.51	0.14	2.76	1.76
Proj. Sales Growth (F1/F0)	19.42%	-5.35%	-1.67%	67.24%	-4.83%	15.92%
Momentum Score	A	-	-	F	F	C
Daily Price Chg	3.35%	0.61%	-0.02%	-3.84%	0.16%	4.13%
1 Week Price Chg	0.34%	2.68%	1.09%	30.41%	-0.17%	3.27%
4 Week Price Chg	6.14%	14.92%	4.83%	51.08%	5.00%	37.77%
12 Week Price Chg	37.31%	37.31%	13.09%	54.75%	8.10%	79.75%
52 Week Price Chg	51.74%	38.65%	2.77%	-0.14%	-29.47%	132.41%
20 Day Average Volume	1,375,396	503,111	1,932,479	148,981	92,124	503,111
(F1) EPS Est 1 week change	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	11.73%	5.87%	1.80%	-8.64%	-6.38%	67.38%
(F1) EPS Est 12 week change	32.06%	12.85%	2.88%	-8.64%	-31.91%	119.44%
(Q1) EPS Est Mthly Chg	15.38%	8.28%	0.80%	0.00%	-8.22%	77.14%



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## 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.

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### 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	A
Momentum Score	A
VGM Score	A

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

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### Disclosures

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