

## U.S. Bancorp (USB)

**\$54.42** (As of 01/21/20)

Price Target (6-12 Months): **\$57.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 12/20/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: F

### Summary

Shares of U.S. Bancorp have underperformed the industry over the past six months. The company possesses a decent earnings surprise history, having beaten the Zacks Consensus Estimate in two of the trailing four quarters. Fourth-quarter results reflect benefits from higher loans balance offset by lower revenues and elevated costs. U.S. Bancorp's solid business model, core franchise and diverse revenue streams are expected to continue supporting its performance. Also, rising loan and deposit balances have strengthened the balance sheet. This enables it to undertake strategic acquisitions, which helps to open new markets and fortify the existing ones. Yet, escalating costs due to its ongoing investments in technology and likely increase in legal expenses remain concerns. Also, concentration of commercial loans remains a headwind for the company.

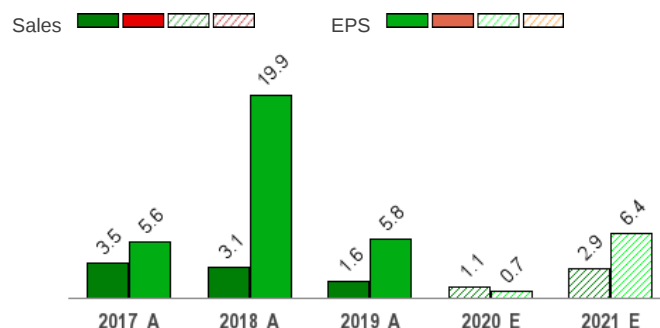
### Price, Consensus & Surprise



### Data Overview

|                            |                                        |
|----------------------------|----------------------------------------|
| 52 Week High-Low           | \$61.11 - \$47.57                      |
| 20 Day Average Volume (sh) | 5,413,727                              |
| Market Cap                 | \$85.0 B                               |
| YTD Price Change           | -8.2%                                  |
| Beta                       | 1.11                                   |
| Dividend / Div Yld         | \$1.68 / 3.1%                          |
| Industry                   | <a href="#">Banks - Major Regional</a> |
| Zacks Industry Rank        | Top 16% (41 out of 255)                |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 0.0%       |
| Last Sales Surprise       | -2.5%      |
| EPS F1 Est- 4 week change | -1.3%      |
| Expected Report Date      | 04/15/2020 |
| Earnings ESP              | -0.3%      |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 5,809 E | 6,020 E | 6,104 E | 6,108 E | 23,790 E |
| 2020 | 5,635 E | 5,804 E | 5,883 E | 5,923 E | 23,125 E |
| 2019 | 5,550 A | 5,795 A | 5,895 A | 5,643 A | 22,883 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.06 E | \$1.16 E | \$1.23 E | \$1.23 E | \$4.65 E |
| 2020 | \$1.02 E | \$1.09 E | \$1.13 E | \$1.12 E | \$4.37 E |
| 2019 | \$1.00 A | \$1.09 A | \$1.15 A | \$1.08 A | \$4.34 A |

\*Quarterly figures may not add up to annual.

|         |      |
|---------|------|
| P/E TTM | 12.6 |
| P/E F1  | 12.5 |
| PEG F1  | 1.8  |
| P/S TTM | 3.1  |

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/21/2020. The reports text is as of 01/22/2020.

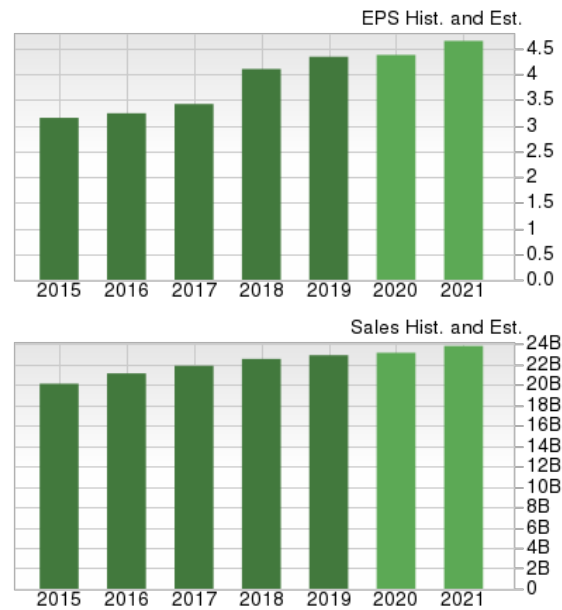
## Overview

Headquartered in Minneapolis, MN, U.S. Bancorp was formed in February 2001 with the merger of the former U.S. Bancorp and Firststar Corporation. It provides banking and investment services through a network of 3,018 banking offices principally operating in the Midwest and West regions of the United States through on-line services and over mobile devices. Also, with 74,000 employees and \$495 billion in assets as of Dec 31, 2019, U.S. Bancorp is the parent company of U.S. Bank — the fifth-largest commercial bank in the United States.

The company operates through five segments:

- The **Corporate and Commercial Banking** segment (22% of total net revenues in 2019) extends traditional banking services, such as lending, depository and treasury management, to mid-sized and larger corporations, commercial real estate, financial institutions, non-profit and public sector organizations.
- The **Consumer and Business Banking** segment (33%) offers banking services and products through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing and mobile devices.
- The **Payment Services** segment (22%) includes consumer and business credit cards, stored-value cards, debit cards, corporate, government and purchasing card services, consumer lines of credit and merchant processing.
- The **Wealth Management & Investment Services** segment (13%) includes private banking, trust, custody, retail brokerage services, insurance, trust, custody, investment management, and related financial advisory services, which are extended to individuals and institutional investors.
- The **Treasury and Corporate Support** segment (10%) includes investment portfolios, funding, capital management, asset securitization and interest rate risk management.

In September 2018, U.S. Bancorp's subsidiary, Elavon, recently acquired Electronic Transaction Systems Corporation -- a Virginia-based financial technology company. The company divested its third-party ATM and Debit Servicing business to Fiserv.



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## Reasons To Buy:

- ▲ Organic growth remains a key strength at U.S. Bancorp, as reflected by its revenue growth story. Revenues witnessed a CAGR of 3.3% over the last five years (2015-2019). This rise was chiefly due to higher net interest income (NII). Decent loan demand and expected pause in interest rate cuts are likely to support the company's NII, going forward. Also, the company's diverse revenue streams support fee income growth. Hence, we believe the company is well positioned to maintain its increasing revenue trend in the near term.
- ▲ Backed by relatively higher interest rate environment, margin pressure for U.S. Bancorp eased. In 2017 and 2018, the company reported rise in net interest margin (NIM), after facing a declining trend for years. The increase reflected an improvement in the yield on earning assets and improved loan portfolio mix. Though NIM declined slightly in 2019 due to decline in rates, improvement in economy and decent loan growth might support margin expansion in the quarters ahead.
- ▲ U.S. Bancorp has made a number of strategic bank acquisitions in the past years, which have opened new markets to it and fortified existing markets. These acquisitions, combined with ongoing investments in innovative product enhancements, services and people has strengthened the company's balance sheet and fee-based businesses besides increasing market share.
- ▲ U.S. Bancorp experienced strong growth in average loans and deposits during the past few years, as it continued to expand and deepen relationships with current customers, as well as acquire new customers and market share. Notably, the company's average deposits and loans reflected five-year CAGR of 4.8% and 3.8%, respectively, in 2019. Further, we believe both loan and deposit balances are poised to grow amid an improving economy.
- ▲ Following the approval of its 2019 capital plan, U.S. Bancorp increased its quarterly dividend by 13.5% in September 2019. The approved plan also includes share repurchase programs of up to \$3 billion for the four-quarter period, which began Jul 1, 2019. Additionally, the company announced an additional share-repurchase program of up to \$2.5 billion in November 2019, which will continue through Jun 30, 2020. Thus, U.S. Bancorp boasts an impressive capital deployment plan on the back of its solid capital position. Also, its debt/equity ratio compares favorably with the industry's average. Hence, we believe that these capital deployment activities are sustainable.
- ▲ Though the weakness in the credit card segment impacted some of the credit metrics, it improved significantly over the past few years. Allowance for credit losses and non-performing assets declined as economic conditions improved with some quarterly volatility. With the recovery of the economy, we expect this trend to continue in the upcoming quarters. Notably, a slowdown in the pace of improvement in asset quality is expected, given the company's movement toward a more normalized level of credit metrics.
- ▲ U.S. Bancorp's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' fund. The company's ROE of 15.23% compares favorably with 12.11% for the industry.

Diversified product mix and rise in revenues will support U.S. Bancorp's growth opportunities. Also, rising loan and deposit balances are slated to benefit from the economic recovery.

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## Reasons To Sell:

- ▼ Rising costs remain a concern for U.S. Bancorp. The company's non-interest expenses recorded a CAGR of 4.3% over the last five years (2015-2019). Further, as the company continues to invest in technology platform owing to its business initiatives we believe, such costs might weigh on its expense base to some extent in the upcoming quarters.
- ▼ Major part of U.S. Bancorp's loan portfolio – nearly 49% as of Dec 31, 2019 – comprises total commercial loans (commercial and commercial real estate lending). Such high exposure to commercial loans depicts lack of diversification, which can be risky for the company amid a challenging economy and competitive markets.
- ▼ U.S. Bancorp continues to encounter many investigations and lawsuits from the investors and regulators. Though the company resolved certain litigations related to the sale of risky mortgage backed securities, many of the cases are yet to be resolved. All these are expected to lead to increased legal expenses and provisions in the near term.
- ▼ U.S. Bancorp's shares have underperformed the industry over the past six months. With this unfavorable trend, the company's current-year earnings estimates have been revised 1.4% downward over the past 30 days. Therefore, due to the above concerns and lack of positive estimate revisions, the stock has limited upside potential.

Unresolved litigations and escalating expenses on investments in technology are expected to impact bottom-line expansion. Further, lack of diversification in loan portfolio remains a headwind.

## Last Earnings Report

### U.S. Bancorp Q4 Earnings Meet Estimates, Costs Rise

U.S. Bancorp reported fourth-quarter 2019 adjusted earnings per share of \$1.08, in line with the Zacks Consensus Estimate. The bottom line jumped slightly from the prior-year quarter figure.

Higher loan and deposit balances were the driving factors. However, fall in interest and fee income was recorded. Also, escalating expenses and provisions were the undermining factors.

After considering notable items, net income came in at \$1.49 billion or 90 cents per share compared with \$1.86 billion or \$1.10 reported in the prior-year quarter.

For full-year 2019, the company reported net income of \$6.91 billion or \$4.16 compared with \$7.1 billion or \$4.14 in 2018.

### Revenues Fall, Costs & Provisions Rise

U.S. Bancorp's net revenues came in at \$5.67 billion in the fourth quarter, down 2.8% year over year. Decrease in net interest and non-interest income led to this downside. The top-line figure also lagged the Zacks Consensus Estimate of \$5.79 billion.

For 2019, the company reported net revenues of \$23 billion, which came in line with the Zacks Consensus Estimate. Also, the top line jumped 1.5% from the prior-year quarter figure.

U.S. Bancorp's tax-equivalent net interest income totaled \$3.23 billion in the reported quarter, down 3% from the prior-year quarter. This decline mainly stemmed from a flatter yield curve, deposit pricing and shift in funding mix, along with lower rates.

Average earning assets were up 4.6% year over year supported by growth in average total loans, average investment securities and average other earning assets. Furthermore, net interest margin of 2.92% shrunk 23 basis points year over year.

U.S. Bancorp's non-interest income fell around 2.5% on a year-over-year basis to \$2.43 billion. This fall can be attributed to lower deposit service charges, treasury management fees and other income.

Non-interest expenses jumped 3.7% year over year to \$3.4 billion. This was due to upsurge in mostly all components of non-interest expenses.

Efficiency ratio came in at 60.3%, improving from the year-ago quarter's 56.5%. An increase in the ratio indicates lower profitability.

### Strong Balance Sheet Position

U.S. Bancorp's average total loans inched up nearly 1% sequentially to \$294.9 billion. This was driven by a rise in commercial loans, residential mortgages, credit card and commercial real estate loans.

Average total deposits were up 1.9% from the previous quarter to \$356.5 billion. This upside resulted from growth in interest bearing deposits.

### Credit Quality: A Mixed Bag

Credit metrics at U.S. Bancorp remained mixed in the December-ended quarter. Net charge-offs came in at \$385 million, up 9.1% from the year-ago quarter. On a year-over-year basis, the company witnessed deterioration, mainly in net charge-offs in the credit card, commercial and commercial real estate portfolios. Also, provision for credit losses increased 7.3% year over year to \$395 million in the quarter.

U.S. Bancorp's non-performing assets (excluding covered assets) came in at \$829 million, down 16.2% year over year. Total allowance for credit losses was \$4.49 billion, up 1.1%.

### Strong Capital Position

During the fourth quarter, U.S. Bancorp maintained a solid capital position. The Tier 1 capital ratio came in at 10.7%, stable year over year. Common equity Tier 1 capital ratio under the Basel III standardized approach fully implemented was 11.9% as of Dec 31, 2019, up from 11.8%.

All regulatory ratios of U.S. Bancorp continued to be in excess of well-capitalized requirements. In addition, based on the Basel III fully implemented advanced approach, tangible common equity to risk-weighted assets ratio came in at 9.3% as of Dec 31, 2019, compared with 9.4% witnessed at the end of the year-ago quarter.

The tangible common equity to tangible assets ratio was 7.5%, down from 7.8%.

U.S. Bancorp recorded an improvement in book value per share, which increased to \$29.9 as of Dec 31, 2019, from \$28.01 at the end of the year-earlier quarter.

### Capital Deployment Update

Reflecting the company's capital strength during the fourth quarter, U.S. Bancorp returned \$2.9 billion of earnings to its shareholders through common stock dividends and buybacks.

### Outlook

For first-quarter 2020, management expects fully taxable equivalent net interest income to decline in low single-digits on a year-over-year basis.

Management expects fee revenues to increase in the mid-single-digits in first-quarter 2020. It expects mid-single-digit growth of credit and debit

| Quarter Ending   | 12/2019      |
|------------------|--------------|
| Report Date      | Jan 15, 2020 |
| Sales Surprise   | -2.46%       |
| EPS Surprise     | 0.00%        |
| Quarterly EPS    | 1.08         |
| Annual EPS (TTM) | 4.32         |

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card fee revenues in 2020. Also, the company expects merchant acquiring business to grow, thereby leading to mid-single digits rise in related revenues.

Mortgage business is expected to witness growth on account of current favorable interest rate environment. Deposit services charges are anticipated to remain flat in 2020.

Management expects low single digit rise in non-interest expenses on a year-over-year basis. Also, it expects to deliver positive operating leverage on a core basis in 2020.

On assumptions of no further interest rate decline, the company expects net interest margin to remain stable in 2020.

In 2020, management expects taxable equivalent tax rate to be about 20%. Credit quality is expected to remain relatively stable in the first quarter of 2020 compared with fourth-quarter 2019.

#### **Long-Term Targets (2020-2022)**

At its Investor Day conference held in September 2019, U.S. Bancorp lowered its long-term growth financial targets in the wake of the persistent global turmoil, anticipations of further rate cuts and low inflation in the coming quarters. However, long-term profitability expectations have been revised on efficient capital management to meet targets.

U.S. Bancorp has based its long-term forecasts on the Fed reducing interest rates to 1.5% by 2020, stable consumer confidence and unemployment of around 3.5-4%, along with gross domestic product growth of 1.5-2% and low inflation. Further, adoption of Current Expected Credit Losses Standard (CECL) in first-quarter 2020 has been taken into consideration.

#### **ROE Outlook Upped; EPS, Revenue, Expense Guidance Revised**

U.S. Bancorp now targets return on assets (ROA) in the range of 1.35-1.65%, unchanged from 2016. The company upped the return on equity (ROE) target to 14.5-17.5% from 13.5-16.5%.

Further, long-term target for return on tangible common equity had been kept unrevised in the range of 17.5-20%.

However, the bank dropped its long-term revenue growth projection to 5-7% from the 6-8% estimated in 2016.

On the cost front, management lowered its expense growth rate to be in the range of 2-4% from the prior target of 3-5%. In addition, the bank reiterated its long-term target for the efficiency ratio to remain in the low 50s range.

Therefore, given the changes in outlook for several line items, net income is now anticipated to grow at 5-7%, lower than the previous target of 6-8%. Also, the earnings per share growth rate is projected to be down in the 7-10% range from 8-10%.

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## Recent News

### U.S. Bancorp to Acquire Sage Pay, Build Payments Capabilities – Nov 18, 2019

U.S. Bancorp's subsidiary — Elavon — is buying Sage Pay, a division of The Sage Group plc. Sage Pay is a renowned payments gateway business in the United Kingdom and Ireland. The deal is subject to necessary regulatory approvals.

The move is expected to help U.S. Bancorp meet the demands of its customers, who are switching toward digital modes of banking and conducting day-to-day activities, much better. Also, the bank is looking for ways to restructure operations with software that includes payments capabilities in order to meet the growing competition.

The acquisition is expected to bolster Elavon's market share in the U.K. and Ireland. Also, the company will be able to serve small and medium-sized enterprises, where Sage Pay is a highly-trusted payments gateway with a loyal customer base.

"We are a customer-focused company that is helping businesses succeed in a global marketplace that is changing rapidly," said Hannah Fitzsimons, president and general manager of Elavon Merchant Services, Europe. "This acquisition brings tremendous talent and leading technology to Elavon, which can be leveraged across the European market."

### U.S. Bancorp Decreases Its Prime Lending Rate by 25 Bps – Oct 30, 2019

Pursuant to the U.S. Federal Reserve interest rate cut by 25 bps, U.S. Bancorp decreased its prime lending rate from 5% to 4.75%, effective Oct 31. Prior to this, the company reduced the rate to 5% in September 2019.

### Dividend Update

On Dec 17, U.S. Bancorp's board of directors announced a quarterly cash dividend of 42 cents per share. The dividend was paid on Jan 15, 2020 to shareholders of record as of Dec 31, 2019.

## Valuation

U.S. Bancorp's shares are up 8.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 17.2% and 12% over the past year, respectively.

The S&P 500 index is up 25% in the past year.

The stock is currently trading at 12.4X forward 12 months earnings, which compares to 11.57X for the Zacks sub-industry, 14.63X for the Zacks sector and 19.13X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.04X and as low as 10.01X, with a 5-year median of 12.77X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$57 price target reflects 13.02X forward earnings.

The table below shows summary valuation data for USB

| Valuation Multiples - USB |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 12.4  | 11.57        | 14.63  | 19.13   |
|                           | 5-Year High   | 16.04 | 13.85        | 16.21  | 19.34   |
|                           | 5-Year Low    | 10.01 | 9.04         | 12.01  | 15.17   |
|                           | 5-Year Median | 12.77 | 11.43        | 13.98  | 17.44   |
| P/B TTM                   | Current       | 1.83  | 1.67         | 2.84   | 4.54    |
|                           | 5-Year High   | 2.26  | 1.93         | 2.89   | 4.55    |
|                           | 5-Year Low    | 1.58  | 1.01         | 1.83   | 2.85    |
|                           | 5-Year Median | 1.9   | 1.49         | 2.51   | 3.61    |
| P/S F12M                  | Current       | 3.67  | 3.96         | 6.53   | 3.56    |
|                           | 5-Year High   | 4.29  | 4.59         | 6.61   | 3.56    |
|                           | 5-Year Low    | 3.04  | 2.61         | 5.2    | 2.54    |
|                           | 5-Year Median | 3.7   | 3.59         | 6.04   | 3       |

As of 01/21/2020

## Industry Analysis Zacks Industry Rank: Top 16% (41 out of 255)



## Top Peers

|                                              |            |
|----------------------------------------------|------------|
| State Street Corporation (STT)               | Outperform |
| The Bank of New York Mellon Corporation (BK) | Neutral    |
| Fifth Third Bancorp (FITB)                   | Neutral    |
| Huntington Bancshares Incorporated (HBAN)    | Neutral    |
| KeyCorp (KEY)                                | Neutral    |
| M&T Bank Corporation (MTB)                   | Neutral    |
| The PNC Financial Services Group, Inc (PNC)  | Neutral    |
| Regions Financial Corporation (RF)           | Neutral    |

| Industry Comparison Industry: Banks - Major Regional |             |            |           | Industry Peers |              |             |
|------------------------------------------------------|-------------|------------|-----------|----------------|--------------|-------------|
|                                                      | USB Neutral | X Industry | S&P 500   | BK Neutral     | FITB Neutral | PNC Neutral |
| <b>VGM Score</b>                                     | <b>D</b>    | -          | -         | <b>C</b>       | <b>D</b>     | <b>D</b>    |
| Market Cap                                           | 85.00 B     | 43.13 B    | 24.43 B   | 43.14 B        | 20.59 B      | 67.52 B     |
| # of Analysts                                        | 12          | 7          | 13        | 8              | 9            | 11          |
| Dividend Yield                                       | 3.09%       | 2.73%      | 1.75%     | 2.65%          | 3.31%        | 3.03%       |
| <b>Value Score</b>                                   | <b>B</b>    | -          | -         | <b>B</b>       | <b>B</b>     | <b>B</b>    |
| Cash/Price                                           | 0.26        | 0.69       | 0.04      | 3.72           | 0.33         | 0.34        |
| EV/EBITDA                                            | 10.33       | 4.95       | 14.00     | -9.87          | 8.28         | 11.36       |
| PEG Ratio                                            | 1.78        | 1.37       | 2.06      | 1.37           | 1.37         | 1.64        |
| Price/Book (P/B)                                     | 1.83        | 1.30       | 3.39      | 1.13           | 1.08         | 1.37        |
| Price/Cash Flow (P/CF)                               | 11.54       | 10.65      | 13.69     | 10.55          | 8.66         | 10.88       |
| P/E (F1)                                             | 12.45       | 11.77      | 19.00     | 11.29          | 9.84         | 12.84       |
| Price/Sales (P/S)                                    | 3.11        | 2.50       | 2.68      | 2.08           | 2.25         | 3.12        |
| Earnings Yield                                       | 8.03%       | 8.50%      | 5.26%     | 8.85%          | 10.17%       | 7.79%       |
| Debt/Equity                                          | 0.86        | 0.95       | 0.72      | 0.74           | 0.74         | 1.22        |
| Cash Flow (\$/share)                                 | 4.72        | 4.98       | 6.94      | 4.44           | 3.35         | 13.94       |
| <b>Growth Score</b>                                  | <b>F</b>    | -          | -         | <b>D</b>       | <b>F</b>     | <b>F</b>    |
| Hist. EPS Growth (3-5 yrs)                           | 8.14%       | 13.07%     | 10.60%    | 11.50%         | 12.31%       | 12.04%      |
| Proj. EPS Growth (F1/F0)                             | 0.79%       | 4.17%      | 7.57%     | 3.11%          | 5.28%        | 3.71%       |
| Curr. Cash Flow Growth                               | -1.79%      | 17.06%     | 14.00%    | -27.00%        | -9.51%       | 15.98%      |
| Hist. Cash Flow Growth (3-5 yrs)                     | 3.07%       | 7.08%      | 9.00%     | -0.19%         | -1.28%       | 4.83%       |
| Current Ratio                                        | 0.83        | 0.91       | 1.23      | 0.70           | 0.88         | 0.91        |
| Debt/Capital                                         | 43.35%      | 45.81%     | 42.99%    | 40.45%         | 40.34%       | 55.00%      |
| Net Margin                                           | 25.30%      | 23.17%     | 11.15%    | 21.39%         | 24.36%       | 24.83%      |
| Return on Equity                                     | 15.23%      | 12.11%     | 17.16%    | 10.49%         | 11.40%       | 10.92%      |
| Sales/Assets                                         | 0.06        | 0.05       | 0.55      | 0.06           | 0.06         | 0.05        |
| Proj. Sales Growth (F1/F0)                           | 1.06%       | 0.76%      | 4.05%     | -3.56%         | -3.82%       | 0.76%       |
| <b>Momentum Score</b>                                | <b>F</b>    | -          | -         | <b>D</b>       | <b>C</b>     | <b>D</b>    |
| Daily Price Chg                                      | -1.68%      | -1.12%     | -0.27%    | 1.30%          | -1.46%       | -1.12%      |
| 1 Week Price Chg                                     | -2.33%      | -0.09%     | 2.29%     | -8.63%         | -1.04%       | -3.29%      |
| 4 Week Price Chg                                     | -8.80%      | -4.94%     | 2.13%     | -7.09%         | -6.27%       | -5.47%      |
| 12 Week Price Chg                                    | -5.09%      | 2.27%      | 6.99%     | 0.32%          | -2.06%       | 2.27%       |
| 52 Week Price Chg                                    | 8.54%       | 14.53%     | 21.25%    | -11.05%        | 5.30%        | 21.73%      |
| 20 Day Average Volume                                | 5,413,727   | 3,752,710  | 1,415,064 | 3,752,710      | 3,550,873    | 1,763,030   |
| (F1) EPS Est 1 week change                           | -1.02%      | 0.00%      | 0.00%     | -3.30%         | 0.00%        | -0.29%      |
| (F1) EPS Est 4 week change                           | -1.34%      | -0.01%     | 0.00%     | -1.57%         | -0.18%       | 0.58%       |
| (F1) EPS Est 12 week change                          | -1.43%      | -0.12%     | -0.34%    | -0.12%         | -1.19%       | 0.56%       |
| (Q1) EPS Est Mthly Chg                               | -1.03%      | 0.00%      | 0.00%     | -1.18%         | 0.10%        | -0.33%      |

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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>B</b> |
| Growth Score   | <b>F</b> |
| Momentum Score | <b>F</b> |
| VGM Score      | <b>D</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.

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