

ViacomCBS Inc. (VIAC)

\$28.27 (As of 08/27/20)

Price Target (6-12 Months): **\$30.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 05/10/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

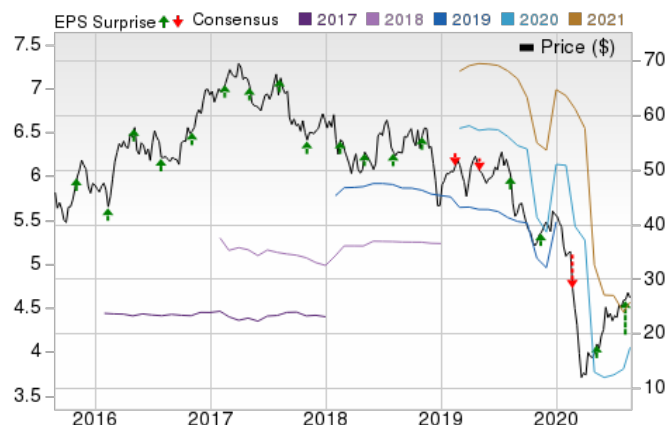
Growth: B

Momentum: B

Summary

ViacomCBS' second-quarter 2020 results were negatively impacted by the coronavirus outbreak. Advertising revenues declined due to negative impact of coronavirus on global advertising demand, tough comparison, and cancellation and postponement of professional golf tournaments. This was partially offset by higher Affiliate as well as Domestic-streaming and digital-video revenues. ViacomCBS' solid cable-network portfolio is a major growth driver. Growing traction of Showtime, BET, Comedy Central, Nickelodeon, and Pluto TV is expected to drive top-line growth. However, sluggishness in advertising demand and lowered budgets are headwinds. It also faces significant competition in the streaming space from the likes of Netflix and Disney+. Moreover, a leveraged balance sheet is a concern. Shares have underperformed the industry year to date.

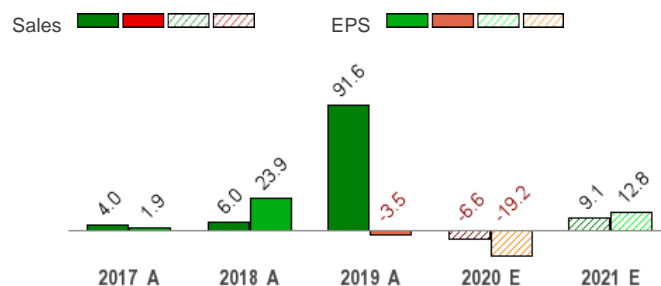
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$44.94 - \$10.10
20 Day Average Volume (sh)	9,765,850
Market Cap	\$17.4 B
YTD Price Change	-32.6%
Beta	1.89
Dividend / Div Yld	\$0.96 / 3.4%
Industry	Film and Television Production and Distribution
Zacks Industry Rank	Bottom 26% (186 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	35.9%
Last Sales Surprise	2.5%
EPS F1 Est- 4 week change	6.5%
Expected Report Date	11/10/2020
Earnings ESP	0.5%
P/E TTM	6.6
P/E F1	7.0
PEG F1	0.7
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	7,580 E	6,614 E	6,702 E	7,413 E	28,343 E
2020	6,669 A	6,275 A	6,030 E	7,035 E	25,979 E
2019	4,167 A	3,809 A	3,295 A	6,871 A	27,812 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.16 E	\$1.06 E	\$1.02 E	\$1.10 E	\$4.57 E
2020	\$1.13 A	\$1.25 A	\$0.69 E	\$1.10 E	\$4.05 E
2019	\$1.37 A	\$1.16 A	\$0.95 A	\$0.97 A	\$5.01 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 08/27/2020. The reports text is as of 08/28/2020.

Overview

ViacomCBS emerged from the combination of erstwhile Viacom and CBS Corporation on Dec 4, 2019. This leading global media and entertainment company reported revenues of \$27.81 billion in 2019.

The New York-based company operates through four segments: TV Entertainment (43% of 2019 revenues), Cable Networks (45%), Filmed Entertainment (10%) and Publishing (3%).

TV Entertainment segment comprises Television Network, Studios and Distribution business; CBS Interactive; streaming services CBS All Access, CBSN, CBS Sports HQ and ET Live; CBS Sports Network; and CBS Television Stations consisting of 29 company-owned broadcast television stations. Advertising, content licensing and affiliate revenues were approximately 50%, 26% and 21%, respectively, of total segment revenues in 2019.

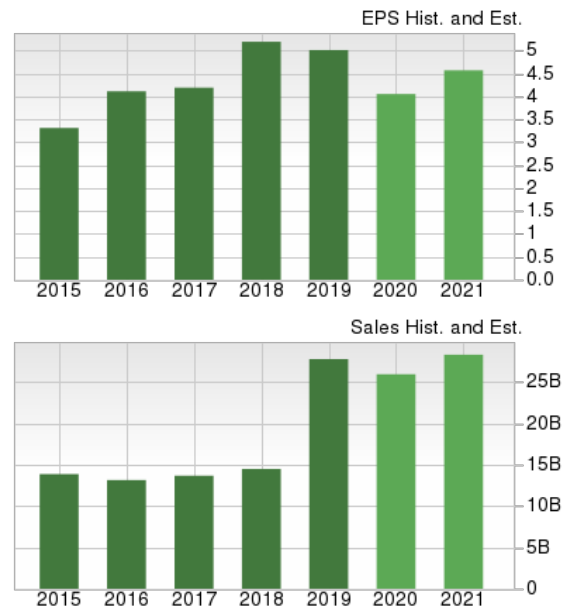
Cable Networks segment includes Showtime, The Movie Channel and Flix, as well as a subscription-based streaming offering of Showtime. Brands like Nickelodeon, MTV, BET, Comedy Central, Paramount Network, Nick Jr., VH1, TV Land, CMT, Pop TV and Smithsonian Channel are operated through this segment. International extension of these brands is operated by ViacomCBS Networks International (VCNI). It also includes Network 10, Channel 5 and Telefe; and Pluto TV, a leading free streaming TV platform in the United States. Affiliate, advertising and content licensing revenues were roughly 49%, 41% and 10%, respectively, of total segment revenues in 2019.

Filmed Entertainment segment comprises Paramount Pictures, Paramount Players, Paramount Animation and Paramount Television Studios divisions. It partners on various projects with key ViacomCBS brands, including Nickelodeon Movies, MTV Films and BET Films. Licensing, home entertainment and theatrical revenues were approximately 57%, 21% and 18%, respectively, of total segment revenues in 2019.

Publishing segment consists of Simon & Schuster, Scribner, Atria Books and Gallery Books. In 2019, the sale of digital content represented approximately 25% of Publishing's revenues.

As of Dec 31, 2019, National Amusements (NAI), directly or indirectly owned roughly 79.4% of ViacomCBS voting Class A shares, and approximately 10.2% of Class A and Class B shares on a combined basis.

ViacomCBS faces significant competition from the likes of Fox, Facebook and Google in the advertising market.



Reasons To Buy:

- ▲ ViacomCBS' solid cable network portfolio is a major growth driver. Showtime (including Showtime over-the-top service) continues to gain traction. As of Jun 30, 2020, Showtime's subscriber-base totaled roughly 27 million in the U.S., certain U.S. territories and Bermuda. Further, resurgence in popularity of MTV benefits the company. MTV's flagship programming event, the *MTV Video Music Awards*, in 2019 drew 5.5 million viewers across its live linear simulcast and 269 million video views from the launch of the VMA website through the day of the show.
- ▲ BET has also gained significant traction among African American audience. The launch of BET+, an online subscription video-on-demand (SVOD) service focused on black audiences and consumers of black culture, featuring more than 1,000 hours of advertising-free premium content, is expected to aid further penetration into black communities. Moreover, Comedy Central's *South Side* remains the network's highest-rated series premiere since 2012 among African-Americans aged 18-49. Higher investments in original content and focus on providing quality entertainment are expected to expand the audience base for brands like MTV, BET and Comedy Central.
- ▲ Moreover, Nickelodeon remains one of the most popular ad-supported basic cable networks among kids aged 2-11. Notably, in 2019, the company acquired the entity holding global rights to the popular *Garfield* franchise, which is expected to boost content as well as viewership. Moreover, Noggin, Nickelodeon's preschool subscription-based streaming service features more than 1,000 full-length library episodes, interactive videos and short-form educational content and also has an Amazon prime video channel.
- ▲ ViacomCBS television stations are located in the six largest, and 15 of the top 20, television markets in the United States. The company owns multiple television stations within the same designated market area in 10 major markets including New York and Los Angeles. Moreover, ViacomCBS is expected to benefit from its deals with affiliates like Nexstar and Meredith. Its multi-year agreement to renew nine CBS network affiliations for Nexstar stations will help the company reach approximately 3.5% of the U.S. audience and nearly 4 million television households. Moreover, the company announced a multi-year deal with Meredith to renew affiliation agreements for all seven of its CBS Affiliates, including three top-25 market affiliates. The seven markets combined reach 7% of the U.S. audience, serving more than 7.6 million television households. These deals expand ViacomCBS' content offerings and boost user engagement levels, thereby attracting advertising dollars.
- ▲ ViacomCBS is expected to benefit from Paramount's extensive library of films and television programs (1,300 produced, 2,100 acquired) including Oscar winner *Titanic*. The acquisition of a 49% stake in Miramax boosts content portfolio. The deal gave ViacomCBS access to Miramax's impressive film library of more than 700 titles, which include 68 Oscars. Further, strong slate of movies including *A Quiet Place Part II* and *Top Gun: Maverick* is a key catalyst. Moreover, Paramount Television Studios has been producing content for leading streaming platforms like Amazon, Netflix, Apple TV+ and Hulu.
- ▲ ViacomCBS' boasts of a solid portfolio of streaming services (both advertising and subscription-based offerings), including CBS All Access, Showtime OTT, Pluto TV, Noggin and BET+. The acquisition of Pluto TV is particularly noteworthy as it offers more than 250 live linear channels and thousands of hours of on-demand content. Pluto TV partners with more than 175 content providers including media houses, film and TV studios that actually help it to produce a variety of content. It currently has more than 24 million monthly active users. Moreover, Pluto TV expanded distribution in the United States and internationally with XBOX, Roku and Verizon in April, and TiVo in May. Driven by solid content, the free ad-supported service is expected to attract advertisers and provide target-based ads, thereby driving ViacomCBS' advertising revenues.
- ▲ ViacomCBS' expanding international footprint is a major growth driver. The launch of Pluto TV Latino, a suite of 22 channels streaming more than 4,000 hours of programming in Spanish and Portuguese in Jul 2019 was a major step forward. Additionally, Pluto TV is available in the UK, Germany, Austria and Switzerland. In first quarter, Pluto TV was launched across 17 countries in Latin America with more than 12,000 hours of Spanish language programming. Through Network 10, Channel 5, Telefe and Colors, ViacomCBS reaches Australia, the United Kingdom, Argentina and India. Moreover, advertising free, premium video-on-demand service, Paramount+ is available in Sweden, Denmark, Norway, Finland, Hungary, Poland and across Latin America, as of December 2019.

Solid cable network, television station and streaming service portfolio are key catalysts. Expanding international footprint is a major growth driver.

Reasons To Sell:

- ▼ Internal dynamics of the U.S. pay-TV industry has been gradually shifting from cable TV operators to large telecom operators and low-cost over-the-top service providers. Online video streaming service providers such as Netflix, Hulu, YouTube etc., have become a severe threat to cable TV operators because of their extremely cheap source of TV programming and solid content. Declining audience ratings for cable networks doesn't bode well for ViacomCBS' advertising business.
- ▼ Sluggishness in advertising demand and lowered budgets due to the coronavirus outbreak are headwinds. Advertising revenues of \$4.42 billion dropped 22.6% year over year in the first six months of 2020. While Domestic revenues were down 22%, International revenues deteriorated 29%. Weakness in the advertising market is expected to continue during the third quarter as a result of lower demand, particularly in local advertising.
- ▼ Moreover, film revenues took a hit in the first half of 2020 due to the closure of movie theaters globally amid the coronavirus pandemic. Theatrical revenues of \$170 million dipped 48% year over year. The company doesn't expect to release any new movies until theaters reopen. It has also experienced production delays in television and film programming. This is expected to negatively impact content-licensing revenues in the third quarter.
- ▼ Further, postponement of sporting events like *NCAA Division I Men's Basketball Tournament* and *PGA Championship* is expected to hurt ViacomCBS' results. The company's CBS Sports Network televises more than 700 live professional, amateur and collegiate events annually. Lack of Super Bowl in 2020 is also noteworthy. CBS Television Network broadcasts Super Bowl on a rotating basis with other networks. Its most recent Super Bowl broadcast was in February 2019 and next Super Bowl broadcast will be in February 2021.
- ▼ ViacomCBS' endeavor to expand its presence in the streaming market faces tough competition from the likes of Netflix, Amazon prime video and Disney+. Netflix enjoys a first-mover advantage in the streaming market and its solid original programming portfolio is a major differentiator. Amazon is also catching up and Apple TV+ is hard to ignore. With the entrance of HBO Max and Comcast's Peacock, the competition is likely to get stiffer. Hence, continued heavy investments in streaming services are likely to hurt ViacomCBS' profitability.
- ▼ ViacomCBS faces significant integration risks. Moreover, the balance sheet is not healthy due to significant leverage. Notably, asset quality is also not good due to high levels of goodwill and net intangible assets, which totaled \$19.97 billion or 40.3% of total assets, as of Dec 31, 2020.
- ▼ ViacomCBS' total debt as of Jun 30, 2020 was \$20.07 billion compared with \$18.54 billion as of Mar 31, 2020. The company's indebtedness compares unfavorably with cash balance of \$589 million. In the second quarter, ViacomCBS raised \$4.5 billion of capital and used the proceeds to redeem \$2.8 billion of near-term maturities. The company has access to a committed and undrawn \$3.5-billion revolving credit facility and other sources of liquidity. Nevertheless, the leveraged balance sheet amid the backdrop of a prolonged recessionary macro-environment is a major concern.

Sluggish advertising revenues due to coronavirus outbreak, postponement of sporting events, accelerated investments in highly competitive streaming services and leveraged balance sheets are headwinds.

Last Earnings Report

ViacomCBS Q2 Earnings Top Estimates, Revenues Fall Y/Y

ViacomCBS's second-quarter 2020 adjusted earnings of \$1.25 per share beat the Zacks Consensus Estimate by 25.9%. The bottom line, however, declined 16% year over year.

Revenues of \$6.28 billion beat the Zacks Consensus Estimate by 2.5% but fell 12% year over year.

Adjusted OIBDA increased 8% from the year-ago quarter to \$1.69 billion.

Selling, general and administrative expenses decreased 10.9% year over year to \$1.22 billion.

Revenues by Type

Advertising revenues of \$1.93 billion dropped 27% year over year. While Domestic revenues were down 24%, International revenues deteriorated 43%.

The year-over-year decline was primarily attributed to negative impact of coronavirus on global advertising demand, tough comparison, and cancellation and postponement of professional golf tournaments.

However, Affiliate revenues of \$2.19 billion climbed 2% year over year. Domestic revenues grew 2% while International revenues declined 5%.

Affiliate revenues benefited from growth in station affiliation and retransmission fees, as well as subscription-streaming revenues, which more than offset declines in pay-TV subscribers.

Domestic streaming and digital-video revenues increased 25% year over year to \$489 million, driven by 52% growth in streaming-subscription revenues and robust growth in Pluto TV-advertising revenues. Domestic streaming subscribers reached 16.2 million, up 74% year over year.

Pluto TV's domestic monthly active users (MAUs) were 26.5 million, up 61% year over year. Pluto TV entered 17 Latin American markets and achieved robust adoption. The platform's total global MAUs reached 33 million.

In April, ViacomCBS inked a partnership with Verizon, which covers pay TV, connected television and mobile, including a significant expansion of Pluto TV's footprint.

Content-licensing revenues of \$1.90 billion were unchanged. Coronavirus-induced production delays hurt top-line growth.

Theatrical revenues of ViacomCBS were immaterial in the reported quarter due to the closure of movie theaters in response to coronavirus.

Other revenues fell 34% year over year to \$42 million.

Segment Details

ViacomCBS' TV Entertainment revenues declined 22% year over year to \$2.29 billion due to negative impact of coronavirus on the advertising market and lower content-licensing revenues.

TV Entertainment's adjusted OIBDA decreased 36% from the year-ago quarter to \$392 million.

Cable Networks revenues of ViacomCBS inched up 2% year over year to \$3.23 billion, driven by licensing of domestic streaming rights of South Park.

Cable Networks' adjusted OIBDA increased 30% from the year-ago quarter to \$1.29 billion, driven by lower programming costs primarily due to scheduling changes and the cancellation of events as a result of coronavirus. Lower advertising and promotion costs also benefited profitability.

ViacomCBS' Filmed Entertainment revenues declined 26% year over year to \$647 million. Home-entertainment revenues jumped 30%, driven by favorable mix of titles in release, including Sonic the Hedgehog, and higher sales of catalog titles. Licensing revenues decreased 20% due to lower revenues from licensing of catalog titles.

Adjusted OIBDA was \$116 million, up 22% year over year driven by lower distribution costs due to the absence of theatrical releases in the reported quarter, as well as the strong performance of Sonic the Hedgehog in the home-entertainment market.

Publishing revenues of ViacomCBS were down 8% year over year to \$200 million, due to lower print-book sales negatively impacted by the coronavirus outbreak.

Adjusted OIBDA increased 9% year over year to \$38 million in the reported quarter.

Balance Sheet

As of Jun 30, 2020, ViacomCBS had cash and cash equivalents of \$2.29 billion compared with \$589 million as of Mar 31, 2020.

Total debt as of Jun 30, 2020 was \$20.07 billion compared with \$18.54 billion as of Mar 31, 2020.

In the second quarter, ViacomCBS raised \$4.5 billion of capital and used the proceeds to redeem \$2.8 billion of near-term maturities, including a \$340 million redemption that settled on Jul 10, 2020.

Quarter Ending 06/2020

Report Date	Aug 06, 2020
Sales Surprise	2.52%
EPS Surprise	35.87%
Quarterly EPS	1.25
Annual EPS (TTM)	4.30

Cash flow from operating activities was \$795 million compared with \$356 million in the previous quarter and \$260 million in the year-ago quarter.

Free cash flow was \$714 million compared with \$305 million in the previous quarter and \$862 million in the year-ago quarter.

Post Q2 Developments

In July, ViacomCBS announced a multi-year renewal with DISH Network and Sling TV. The company also continued to benefit from strong reverse compensation and recently signed agreements with Sinclair and Cox.

Moreover, in July, ViacomCBS unveiled its plan to transform CBS All Access into a rebranded super service. The company remains on track to relaunch this differentiated streaming service in early 2021.

Recent News

On Aug 3, ViacomCBS declared quarterly cash dividend of 24 cents per share on both its Class A and Class B common stock. The dividend will be payable on Oct 1, 2020 to stockholders of record at the close of business on Sep 15, 2020.

On Jul 20, ViacomCBS division Paramount Pictures and Skydance announced that original animated musical fantasy *Spellbound* will release on Nov 11, 2022.

On Jul 15, ViacomCBS and Cox Media Group announced a multi-year deal that renews CBS Television Network-affiliation agreements for five stations. Moreover, CBS Television Studios and the NAACP (National Association for the Advancement of Colored People) inked a multi-year partnership to develop and produce scripted, unscripted and documentary content for linear television networks and streaming platforms.

On Jul 9, ViacomCBS division Nickelodeon announced that it has approved a 20-episode second season of its new hit animated series *It's Pony*. Moreover, ViacomCBS and UEFA, the governing body of European football, announced that CBS All Access and CBS Sports will provide exclusive English-language coverage of the UEFA Champions League, UEFA Europa League and UEFA Europa Conference League through 2024, beginning in August, in the United States.

On Jul 6, ViacomCBS and DISH Network announced a multi-year renewal of their carriage agreement. This will provide DISH and SLING TV customers access to ViacomCBS' portfolio of broadcast, entertainment, news and sports content.

On Jul 1, ViacomCBS and Peacock, NBCUniversal's new streaming service, announced an agreement to license popular Paramount movies and TV shows from the former's library.

On Jun 30, ViacomCBS and Sinclair Broadcast Group announced a multi-year agreement to renew eight CBS network affiliations for Sinclair stations in 9 markets, which on a combined basis reach 3% of the U.S. audience, serving more than 3 million television households.

On Jun 24, ViacomCBS International Studios (VIS) announced an agreement with Miramax to co-produce *The Turkish Detective*.

On Jun 22, ViacomCBS announced *THE SPONGEBOB MOVIE: SPONGE ON THE RUN*, which will debut digitally in the U.S. via premium video-on-demand in early 2021 and then will move exclusively to CBS All Access, ViacomCBS' subscription-based video-on-demand and live-streaming service.

Valuation

Viacom shares are down 32.6% in the year-to-date period and 33.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 16.8% and 1.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 5.1%, while the sector is up 8.2%.

The S&P 500 index is up 8.2% in the year-to-date period and 19.4% in the past year.

The stock is currently trading at 0.63X forward 12-month sales, which compares to 1.05X for the Zacks sub-industry, 2.48X for the Zacks sector and 3.65X for the S&P 500 index.

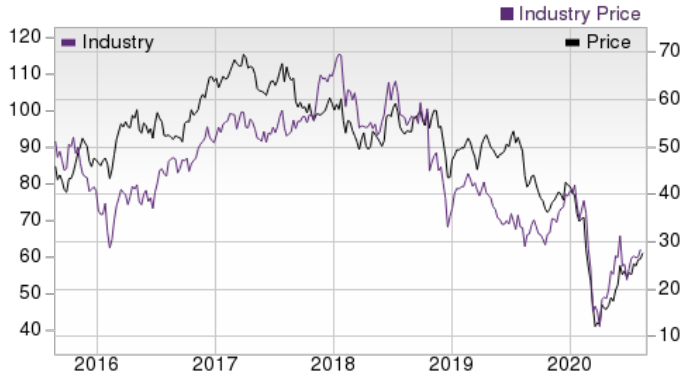
Over the past five years, the stock has traded as high as 2.08X and as low as 0.23X, with a 5-year median of 1.42X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$30 price target reflects 0.66X forward 12-month sales.

The table below shows summary valuation data for VIAC

Valuation Multiples - VIAC					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.63	1.05	2.48	3.82
	5-Year High	2.08	2.13	2.95	3.82
	5-Year Low	0.23	0.55	1.68	2.53
	5-Year Median	1.41	1.65	2.5	3.05
EV/Sales TTM	Current	1.38	1.44	3.24	3.42
	5-Year High	3	2.1	3.75	3.46
	5-Year Low	0.68	0.95	2.29	2.15
	5-Year Median	1.36	1.5	3.39	2.88
EV/EBITDA TTM	Current	2.16	2.7	11.38	13.27
	5-Year High	12.12	11.59	17.79	13.27
	5-Year Low	1.62	2.04	8.34	8.25
	5-Year Median	9.12	7.7	12.22	10.92

As of 08/27/2020

Industry Analysis Zacks Industry Rank: Bottom 26% (186 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	3
Comcast Corporation (CMCSA)	Neutral	3
The Walt Disney Company (DIS)	Neutral	3
iQIYI, Inc. Sponsored ADR (IQ)	Neutral	3
Netflix, Inc. (NFLX)	Neutral	3
News Corporation (NWSA)	Neutral	4
IMAX Corporation (IMAX)	Underperform	4
Lions Gate Entertainment Corp. (LGF.A)	Underperform	4

Industry Comparison Industry: Film And Television Production And Distribution				Industry Peers		
	VIAC	X Industry	S&P 500	CMCSA	DIS	IMAX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	A	-	-	B	F	F
Market Cap	17.42 B	1.54 B	23.67 B	203.46 B	241.66 B	909.94 M
# of Analysts	7	3	14	15	10	5
Dividend Yield	3.40%	0.00%	1.64%	2.07%	0.00%	0.00%
Value Score	A	-	-	B	D	D
Cash/Price	0.14	0.14	0.07	0.07	0.10	0.41
EV/EBITDA	2.12	2.12	13.33	8.56	14.29	4.17
PEG Ratio	0.69	0.79	3.05	1.91	11.70	NA
Price/Book (P/B)	1.20	1.58	3.18	2.40	2.67	1.77
Price/Cash Flow (P/CF)	1.08	9.76	12.81	7.41	16.91	8.60
P/E (F1)	6.93	13.28	21.68	18.56	78.34	NA
Price/Sales (P/S)	0.75	0.98	2.50	1.93	3.46	3.58
Earnings Yield	14.33%	2.21%	4.43%	5.39%	1.28%	-8.93%
Debt/Equity	1.48	0.24	0.74	1.25	0.60	0.00
Cash Flow (\$/share)	26.16	1.29	6.94	6.01	7.91	1.80
Growth Score	B	-	-	B	D	F
Hist. EPS Growth (3-5 yrs)	7.78%	-2.10%	10.41%	17.39%	-1.85%	-8.69%
Proj. EPS Growth (F1/F0)	-19.16%	8.36%	-4.94%	-23.32%	-70.42%	-231.81%
Curr. Cash Flow Growth	14.85%	8.37%	5.22%	21.54%	4.37%	18.50%
Hist. Cash Flow Growth (3-5 yrs)	53.09%	10.19%	8.50%	11.76%	7.57%	8.55%
Current Ratio	1.56	1.01	1.35	0.97	1.34	1.19
Debt/Capital	59.66%	36.72%	43.86%	55.83%	41.19%	0.82%
Net Margin	4.58%	-10.41%	10.25%	10.91%	-1.58%	-18.91%
Return on Equity	20.89%	-2.74%	14.66%	16.66%	6.58%	-6.88%
Sales/Assets	0.53	0.53	0.50	0.40	0.34	0.26
Proj. Sales Growth (F1/F0)	43.20%	0.00%	-1.43%	-6.23%	-5.84%	-65.22%
Momentum Score	B	-	-	D	C	C
Daily Price Chg	1.36%	0.71%	0.43%	0.77%	1.17%	5.17%
1 Week Price Chg	-3.46%	-1.02%	-1.45%	-1.60%	-2.37%	2.50%
4 Week Price Chg	9.53%	0.00%	3.75%	1.99%	15.62%	32.82%
12 Week Price Chg	17.21%	11.34%	3.95%	7.87%	8.12%	15.03%
52 Week Price Chg	-33.26%	0.00%	2.75%	0.84%	-2.98%	-26.66%
20 Day Average Volume	9,765,850	567,978	1,887,168	13,474,136	12,459,696	885,567
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	6.46%	5.23%	0.79%	1.44%	23.70%	-16.46%
(F1) EPS Est 12 week change	9.21%	1.61%	3.43%	2.39%	2.93%	-31.36%
(Q1) EPS Est Mthly Chg	2.87%	-4.15%	0.00%	1.77%	-1,097.69%	-31.05%

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	A
Growth Score	B
Momentum Score	B
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.

Disclosures

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