

BCE Inc. (BCE)

\$38.77 (As of 05/13/20)

Price Target (6-12 Months): **\$41.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/06/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: B

Growth: C

Momentum: D

Summary

BCE reported mixed first-quarter 2020 results, with the bottom line beating the Zacks Consensus Estimate and the top line missing the same. As part of its mobile 5G strategy, BCE's Bell announced its first 5G network equipment supplier agreement with Nokia. It aims to deliver initial 5G service in urban centers across Canada as smartphones come to market in 2020. Bell is bringing direct fiber links in the City of Hamilton and continues to expand the reach of its fiber network in smaller centers. However, its local lines for traditional telephony service continue to witness lower traction among large customers. The successful implementation of BCE's core goals is the most critical factor in determining its profitability. The execution requires enhanced employee skills and more capital investments, which put pressure on margins.

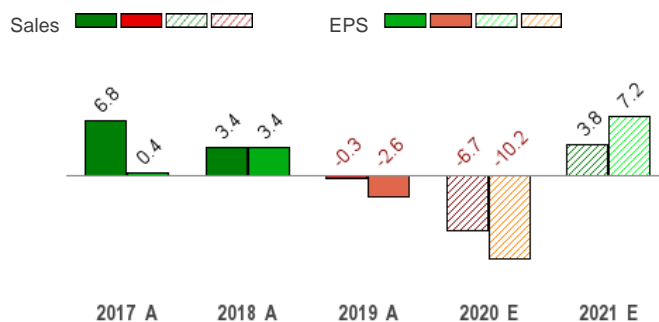
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$49.58 - \$31.66
20 Day Average Volume (sh)	1,163,655
Market Cap	\$35.1 B
YTD Price Change	-16.4%
Beta	0.38
Dividend / Div Yld	\$2.37 / 6.2%
Industry	Diversified Communication Services
Zacks Industry Rank	Top 49% (123 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.6%
Last Sales Surprise	-0.2%
EPS F1 Est- 4 week change	-1.8%
Expected Report Date	08/06/2020
Earnings ESP	-11.5%
P/E TTM	14.7
P/E F1	16.4
PEG F1	3.6
P/S TTM	2.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					17,494 E
2020	4,187 A	4,353 E	4,365 E	4,466 E	16,846 E
2019	4,313 A	4,433 A	4,533 A	4,785 A	18,059 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.57 E	\$0.65 E	\$0.67 E	\$0.63 E	\$2.54 E
2020	\$0.58 A	\$0.63 E	\$0.62 E	\$0.55 E	\$2.37 E
2019	\$0.58 A	\$0.70 A	\$0.69 A	\$0.67 A	\$2.64 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 05/13/2020. The reports text is as of 05/14/2020.

Overview

BCE Inc. is Canada's largest communications service provider and serves as the holding company for Bell Canada. The company provides local and long-distance phone service to approximately 70% of the Canadian population, primarily in Ontario and Québec.

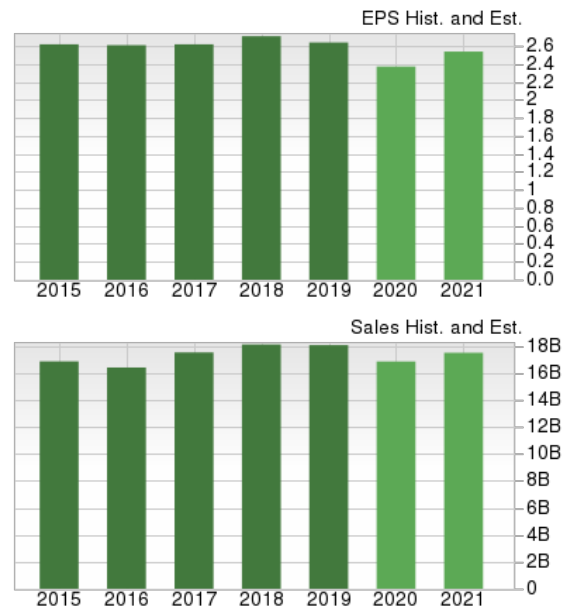
BCE's wholly-owned subsidiary Bell Canada operates the company's wireline (Bell Wireline) and wireless (Bell Wireless) businesses, Bell Media as well as the satellite TV operation, known as ExpressVu. Bell Canada is the largest local exchange carrier in Ontario and Quebec. The company provides wireless service, data communications, telephone, high-speed Internet, direct-to-home (DTH) satellite television and Voice over Internet Protocol (VoIP) services. Bell Canada also offers integrated information and communications technology (ICT) services to businesses and governments, and is the virtual chief information officer (VCIO) to small and medium businesses (SMBs).

BCE reports operating results in three segments, namely, Bell Wireline, Bell Wireless and Bell Media. The following is a snapshot of the company's operating segments:

Bell Wireline (52.5% of total operating revenues in first-quarter 2020): Provides local telephone, long distance, data, video and other communications services to residential, business and large enterprise customers primarily in the urban areas of Ontario and Quebec.

Bell Wireless (34.7%): Offers wireless voice and data communications products and services to residential, small and medium businesses and large enterprise customers across Canada.

Bell Media (12.8%): Offers a package of mobile content featuring the most popular news, entertainment and sports programming in Canada, including live or on-demand programming from TSN, RDS, BNN, MTV and The Comedy Network as well as Bell's popular Sympatico.ca portal.



Reasons To Buy:

- ▲ As part of its mobile 5G strategy, Bell has announced its first 5G network equipment supplier agreement with long-time partner Nokia. Bell aims to deliver initial 5G service in urban centers across Canada as smartphones come to market in 2020, and will continue to enhance 5G access speeds, capacity and coverage as additional 5G wireless spectrum, including in the 3.5 GHz band, becomes available this year through the federal government's spectrum auction process. As part of its fiber to the premises (FTTP) expansion into the populous 905 region surrounding Toronto, Bell is bringing direct fiber links to more than 200,000 residential and business locations in the City of Hamilton. The company also continues to expand the reach of its fiber network in smaller centers, including Northern Manitoba to about 2,800 locations in the City of Flin Flon.
- ▲ BCE's wireless segment is expected to benefit from postpaid business as it continues to enjoy solid subscriber additions as well as higher revenue contribution from prepaid services. Significant investments in network coverage, customer retention, lucrative data plans and launch of new handsets are likely to drive subscriber base expansion. Of late, it is witnessing operating profitability growth across its wireless, wireline, and media segments. Bell Media's Crave is currently a bilingual TV and streaming service offering more than 6,000 hours of exclusive francophone content from Crave and Super Écran as well as French-language versions of Showtime and HBO programming.
- ▲ On the wireline front, the Canadian telecommunications company expects financial results to improve in 2020 as it continues to gain from an increase in net revenue generation units. The EBITDA growth trend in the segment is expected to stay. BCE continues to benefit from FibeTV and FibreOP TV growth, price hike and an improved business market stemming from a steady economy. The company is likely to benefit from robust activities in the wireless business, strong subscriber additions, drop in churn rates and its focus on technology upgrades. The company continues to focus on six strategic areas, investment in broadband network and services, accelerating wireless services, leveraging wireline momentum, expanding media coverage, improving customer service and achieving a competitive cost structure. These initiatives are expected to generate higher revenue per user and attract new customers in the coming days.
- ▲ The company's underlying business fundamentals is strong. Its strong liquidity position, underpinned by a healthy balance sheet, substantial free cash flow generation and access to the debt and bank capital markets, is expected to provide financial flexibility to execute on its planned capital expenditures for 2020. As of Mar 31, 2020, the company had \$1,998 million in cash and equivalents with \$19,025 million of long-term debt compared with the respective tallies of \$109 million and \$16,892 million at the end of the prior quarter. BCE currently has a debt-to-capital ratio of 0.52 compared with 0.67 of the sub-industry. Although the times interest earned has declined over the past few quarters to 4.8 at present compared with 1.6 of the sub-industry, BCE has a dividend payout rate of 90.5% compared with 60.4% of the sub-industry. The rate has increased over the past several quarters, indicating that the company is sharing more of its earnings with stockholders. It is to be seen whether BCE can maintain the momentum in the coming days despite disruptions caused by the COVID-19 pandemic.

BCE continues to benefit from robust activities in the wireless business, strong subscriber additions, drop in churn rates and focus on technology upgrades. Margins are expected to improve gradually.

Reasons To Sell:

- ▼ Due to the uncertainties related to the COVID-19 pandemic, BCE has withdrawn all of its 2020 financial guidance. The successful implementation of BCE's six core goals is the most critical factor in determining its future profitability. The execution requires enhanced employee skills, more capital investments and targeted cost reductions. Failure of any of these changes might have an adverse impact on the company's financials and growth prospects, thereby leading to lower revenues and profitability.
- ▼ The price cap rules introduced by the Canadian regulators are limiting rate increase and reducing the amount that incumbent carriers can charge competitors for accessing their network. While BCE attempts to offset inter-carrier price caps by raising the fees of its own end-users, the market dynamics and dictating elasticity have reduced overall demand as customers switch to lower-priced carriers. Moreover, the company's local line access for traditional telephony service continues to face a decline among large customers due to higher wireless substitution and migration to IP-based services. This is reflected by persistent erosion in overall network access services on a year-over-year basis, hurting revenues of the local and long distance operations.
- ▼ With rapid growth in video and other bandwidth-intensive applications on the Internet and on mobile devices, BCE continues to invest substantially in LTE, broadband and fiber in order to provide additional capacity on Internet and wireless networks. The company may be unable to recover these costs from customers due to competitors' short-term pricing of comparable services. Also, a major portion of BCE's employees are represented by unions and covered by collective bargaining agreements. Renegotiating collective bargaining agreements could result in higher labor costs and work disruptions, including work stoppages or work slowdown. Moreover, satellites used by Bell TV are subject to significant operational risks. Satellites that are not yet built are subject to construction and launch delays that could have an adverse effect on Bell TV's business and financial health.

BCE continues to struggle with stringent regulatory norms, losses in network access service lines, price competition and labor union issues. Operational risks related to satellites remain headwinds.

Last Earnings Report

BCE Beats Q1 Earnings Estimates, Withdraws 2020 Guidance

BCE reported mixed first-quarter 2020 results, with the bottom line beating the Zacks Consensus Estimate and the top line missing the same.

Despite the impact of COVID-19, the company delivered positive service revenues and adjusted EBITDA growth in the first quarter. The performance was supported by ongoing broadband wireless, Internet and IPTV subscriber base expansion and a 2.6% reduction in total operating costs.

Net Income

Net earnings in the March quarter declined 8.1% year over year to C\$680 million or C\$0.75 per share. The deterioration was caused by higher other expenses stemming from net mark-to-market losses on derivatives used to economically hedge equity-settled share-based compensation plans, partially offset by higher adjusted EBITDA and lower income taxes.

First-quarter adjusted net earnings came in at C\$720 million (\$536.8 million) or C\$0.80 (58 cents) per share compared with C\$692 million or C\$0.77 per share in the prior-year quarter. The bottom line beat the Zacks Consensus Estimate by 2 cents.

Revenues

The Canada-based telecommunications company's quarterly total operating revenues dropped 0.9% year over year to C\$5,680 million (\$4,187 million). The downtick was due to reduced commercial activity as a result of COVID-19 that affected financial results for all Bell operating segments. The top line marginally lagged the consensus estimate of \$4,196 million.

Service revenues inched up 0.3% to C\$5,058 million on higher year-over-year wireless service and media revenues. Product revenues fell 9.7% to C\$622 million, reflecting reduced wireless transactions due to COVID-19 and lower business wireline data equipment sales.

Segment Results

Revenues in **Bell Wireless** fell 2% year over year to C\$2,035 million (\$1,517.1 million) due to lower product revenues, partially offset by higher service revenues. Service revenues improved 0.5% to C\$1,547 million, driven by postpaid and prepaid subscriber base growth over the past year. Product revenues declined 9.1% to C\$488 million due to a reduction in customer transactions attributable to retail channel disruptions because of the COVID-19 pandemic.

Revenues in **Bell Wireline** fell 0.7% year over year to C\$3,076 million (\$2,293.2 million). Service revenues were almost stable at C\$2,941 million, as voice revenue-erosion from traditional NAS, long-distance and satellite TV services was primarily offset by higher data revenues from retail Internet and IPTV subscriber growth. Product revenues declined 11.8% to C\$135 million due to fall in low-margin data equipment sales to large business enterprise customers and delays in customer spending, considering the current economic environment.

Bell Media generated revenues of C\$752 million (\$560.6 million), up 0.9% year over year on higher subscriber revenues from Crave growth in the past year and contract renewals with TV distributors. Advertising revenues declined year over year primarily due to the impact of COVID-19 on customer spending across all advertising platforms as the commercial activity has been curtailed and major sports leagues suspended.

Other Details

Overall adjusted EBITDA was C\$2,442 million, up 1.4%. The upside was driven by increases of 4% at Bell Wireless and 0.5% at Bell Wireline. Bell Media's adjusted EBITDA declined 6.1% due to the impact on advertising sales attributable to COVID-19. Adjusted EBITDA margin improved to 43% from 42%, reflecting a 2.6% reduction in operating costs from lower variable costs of subscriber acquisition and year-over-year decline in low-margin wireline product sales.

Cash Flow & Liquidity

In the first quarter, BCE generated C\$1,451 million of cash from operating activities compared with C\$1,516 million in first-quarter 2019. The downtick was caused by higher interest paid and lower cash from working capital. Free cash flow for the same period was C\$627 million compared with C\$642 million in the prior-year quarter, thanks to lower cash flows from operating activities.

As of Mar 31, the company had C\$2,679 million (\$1,890.2 million) in cash and equivalents with C\$25,513 million (\$18,001 million) of long-term debt compared with the respective tallies of C\$145 million and C\$22,415 million at the end of the prior quarter.

2020 Outlook

Due to uncertainties related to COVID-19, BCE has withdrawn all of its 2020 financial guidance that was announced on Feb 6. That said, the company's underlying business fundamentals remain strong. Its strong liquidity position, underpinned by a healthy balance sheet, substantial free cash flow generation and access to the debt and bank capital markets, is expected to provide financial flexibility to execute on its planned capital expenditures for 2020.

Conversion rate used:

C\$1 = \$0.745525 (period average from Jan 1, 2020 to Mar 31, 2020)

C\$1 = \$0.705574 (as of Mar 31, 2020)

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	-0.22%
EPS Surprise	3.57%
Quarterly EPS	0.58
Annual EPS (TTM)	2.64

Recent News

On Apr 3, 2020, Bell Media — the mass media subsidiary of BCE — announced that it has received the Canadian Radio-Television and Telecommunications Commission's (CRTC) approval for its agreement to acquire conventional TV network V along with its related digital assets, including the ad-supported VOD service Noovo.ca from Groupe V Média.

On Mar 5, Bell Canada, the wholly-owned subsidiary of BCE, announced that it is set to become the exclusive marketing partner of Quibi, an upcoming mobile video platform scheduled to be launched in the first week of April. In addition, Bell Media, a business division of BCE focused on mobile content, will be the sole provider of Canada's news and sporting events. It will be an integral part of Quibi's Daily Essentials, which will feature curated news, entertainment and inspirational content each day.

On Feb 11, BCE's wholly-owned subsidiary, Bell Canada, announced that it is set to introduce the first 5G-capable smartphone in the country to supplement its nationwide launch of the service. The company announced that Samsung Galaxy S20 5G, Galaxy S20+ 5G and Galaxy S20 Ultra 5G devices will be made available through its offline stores and corporate website, with the first product delivery scheduled in the first week of March. The Samsung 5G mobile devices are likely to offer customers faster download speed and seamless transfer of data. Becoming the first wireless service provider to officially offer 5G smartphones to local customers is likely to provide competitive advantage to Bell Canada, which operates BCE's wireline (Bell Wireline) and wireless (Bell Wireless) businesses.

On Jan 14, BCE's subsidiary, Bell MTS, announced that it has augmented its all-fiber broadband network in Flin Flon to bring Gigabit Internet speeds and advanced Fibe TV service to nearly 2,800 homes and enterprises across northern Manitoba. The move will provide economic benefit to the region and help improve the quality of life for residents. The company's commitment to invest a billion dollars in updating Manitoba's communications infrastructure is contributing to monetary and social opportunities in northern Manitoba and other parts of the province. People will have access to Bell MTS Gigabit Fibe Internet, Whole Home Wi-Fi and Fibe TV with a direct connection to the Bell MTS fiber network. Construction of the Flin Flon fiber project starts in March.

On Jan 6, BCE announced that it has welcomed Mirko Bibic as president and chief executive officer. It also communicated his appointment to the boards of BCE and Bell Canada. Mr. Bibic assumes the chief executive role following George Cope's retirement.

Valuation

BCE shares are down 13.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utilities sector are down 42.7% and 22.4% over the past year, respectively.

The S&P 500 Index is up 0.3% in the past year.

The stock is currently trading at 7.29X trailing 12-month EV/EBITDA, which compares to 12.38X for the Zacks sub-industry, 15.98X for the Zacks sector and 10.39X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 9.89X and as low as 6.51X, with a 5-year median of 8.16X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$41 price target reflects 16.94X trailing 12-month book value.

The table below shows summary valuation data for BCE

Valuation Multiples - BCE					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	7.29	12.38	15.98	10.39
	5-Year High	9.89	14.27	20.16	12.86
	5-Year Low	6.51	7.05	10.6	8.28
	5-Year Median	8.16	11.29	13.46	10.77
P/B TTM	Current	2.42	1.94	3.08	3.77
	5-Year High	4.41	4.66	4.05	4.55
	5-Year Low	2.2	1.75	2.01	2.84
	5-Year Median	3.43	2.36	2.6	3.65
P/E F12M	Current	15.55	11.08	11.72	20.75
	5-Year High	18.37	17.57	15.32	20.79
	5-Year Low	11.72	10.02	11.38	15.19
	5-Year Median	16.52	15.11	13.78	17.45

As of 05/13/2020

Industry Analysis Zacks Industry Rank: Top 49% (123 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Deutsche Telekom AG (DTEGY)	Neutral	4
Swisscom AG (SCMWY)	Neutral	3
Telenor ASA (TELNY)	Neutral	3
Telecom Italia SPA (TIAY)	Neutral	3
Telstra Corp (TLSYY)	Neutral	3
TELUS Corporation (TU)	Neutral	3
VEON Ltd (VEON)	Neutral	3
Vivendi SA (VIVHY)	Neutral	3

Industry Comparison Industry: Diversified Communication Services				Industry Peers		
	BCE	X Industry	S&P 500	TIAY	TLSYY	VIVHY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	A	B	B
Market Cap	35.06 B	7.13 B	18.76 B	8.13 B	23.74 B	26.28 B
# of Analysts	8	3	14	3	2	2
Dividend Yield	6.15%	0.32%	2.23%	0.00%	4.47%	2.37%
Value Score	B	-	-	A	C	B
Cash/Price	0.05	0.09	0.06	NA	NA	0.10
EV/EBITDA	7.37	6.31	11.39	NA	NA	18.03
PEG Ratio	3.56	2.21	2.54	NA	4.77	1.97
Price/Book (P/B)	2.42	1.66	2.56	0.33	2.28	1.51
Price/Cash Flow (P/CF)	6.04	5.25	10.04	2.42	15.74	13.48
P/E (F1)	16.36	16.34	18.48	6.36	17.66	17.79
Price/Sales (P/S)	1.95	1.25	1.91	NA	NA	NA
Earnings Yield	6.11%	6.11%	5.09%	15.80%	5.61%	5.60%
Debt/Equity	1.31	1.10	0.75	NA	NA	0.41
Cash Flow (\$/share)	6.42	1.94	7.01	1.59	0.63	1.54
Growth Score	C	-	-	A	B	B
Hist. EPS Growth (3-5 yrs)	0.21%	0.99%	10.82%	NA	NA	NA
Proj. EPS Growth (F1/F0)	-10.13%	-2.93%	-10.51%	-2.93%	-10.32%	-26.27%
Curr. Cash Flow Growth	5.00%	-4.22%	5.83%	-46.88%	-45.40%	42.72%
Hist. Cash Flow Growth (3-5 yrs)	2.41%	-0.03%	8.52%	-16.06%	-28.17%	22.45%
Current Ratio	0.88	0.87	1.27	NA	NA	0.78
Debt/Capital	52.13%	53.92%	44.25%	NA	NA	29.07%
Net Margin	12.63%	7.10%	10.59%	NA	NA	NA
Return on Equity	18.24%	11.14%	16.36%	NA	NA	NA
Sales/Assets	0.39	0.47	0.54	NA	NA	NA
Proj. Sales Growth (F1/F0)	-6.74%	-0.12%	-2.55%	-7.14%	-11.98%	-2.26%
Momentum Score	D	-	-	B	B	D
Daily Price Chg	-2.69%	-0.14%	-2.85%	-1.03%	0.40%	-3.38%
1 Week Price Chg	2.82%	0.34%	3.23%	-2.11%	3.45%	0.61%
4 Week Price Chg	-5.85%	-0.44%	-0.28%	1.05%	2.78%	-7.52%
12 Week Price Chg	-21.17%	-16.56%	-23.80%	-30.58%	-20.35%	-23.44%
52 Week Price Chg	-13.46%	-15.08%	-13.31%	-21.86%	-16.70%	-25.48%
20 Day Average Volume	1,163,655	68,090	2,552,088	211,783	66,625	187,780
(F1) EPS Est 1 week change	-1.96%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-1.81%	-3.83%	-6.15%	-3.70%	0.00%	-4.12%
(F1) EPS Est 12 week change	-12.08%	-16.20%	-16.21%	-4.46%	-16.30%	-15.58%
(Q1) EPS Est Mthly Chg	-10.92%	-8.97%	-12.28%	NA	NA	NA

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	C
Momentum Score	D
VGM Score	C

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.