

Conagra Brands (CAG)

\$27.85 (As of 03/26/20)

Price Target (6-12 Months): **\$31.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/19/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: D

Momentum: A

Summary

Conagra has outperformed the industry in a year. The company is gaining from the buyout of Pinnacle Foods, which boosted the top line during second-quarter fiscal 2020. Further, it is striving to boost capabilities across the frozen and snacking businesses. Notably, the company expects to see a strong performance in the second half of fiscal 2020, on the back of innovation in frozen and snacks categories, continued promotions of key brands, constant synergies and Pinnacle Foods' action plan. On the flip side, adverse impacts of divestitures acted as deterrents during the quarter, wherein the top line missed the consensus mark and the bottom line fell year over year again. Absence of profits from Sold businesses and higher outstanding share count impeded growth. Also, input cost inflation is expected to persist in fiscal 2020.

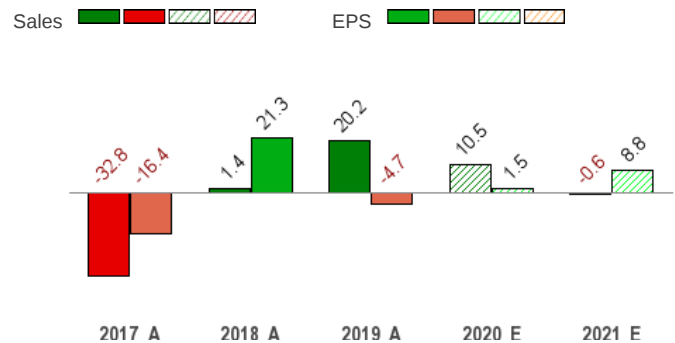
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$35.59 - \$22.83
20 Day Average Volume (sh)	7,145,707
Market Cap	\$13.6 B
YTD Price Change	-18.7%
Beta	1.08
Dividend / Div Yld	\$0.85 / 3.1%
Industry	Food - Miscellaneous
Zacks Industry Rank	Top 36% (92 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	10.5%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	0.5%
Expected Report Date	03/31/2020
Earnings ESP	-1.0%

P/E TTM	14.4
P/E F1	13.7
PEG F1	2.0
P/S TTM	1.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,409 E	2,839 E	2,647 E	2,606 E	10,475 E
2020	2,391 A	2,821 A	2,580 E	2,739 E	10,535 E
2019	1,834 A	2,384 A	2,707 A	2,613 A	9,538 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.48 E	\$0.67 E	\$0.59 E	\$0.54 E	\$2.22 E
2020	\$0.43 A	\$0.63 A	\$0.49 E	\$0.49 E	\$2.04 E
2019	\$0.47 A	\$0.67 A	\$0.51 A	\$0.36 A	\$2.01 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 03/26/2020. The reports text is as of 03/27/2020.

Overview

Chicago-based Conagra Brands, Inc. (CAG) is one of the leading branded food company of North America. The company offers premium edible products, with refined focus on innovation.

The company maintains a highly dynamic product portfolio and incorporates alterations within it as per the preference pattern of the end-users. Some iconic brands of the company are Reddi-Wip, Hunt's, Healthy Choice, Frontera, Slim Jim, Blake's and Marie Callender.

Conagra currently reports results in the following segments:

Grocery & Snacks (41% of second-quarter fiscal 2020 sales): This unit includes branded, shelf stable food products sold in several retail channels in the United States.

Refrigerated & Frozen (41% of second-quarter sales): This comprises branded, temperature-controlled food products sold in many retail channels in the United States.

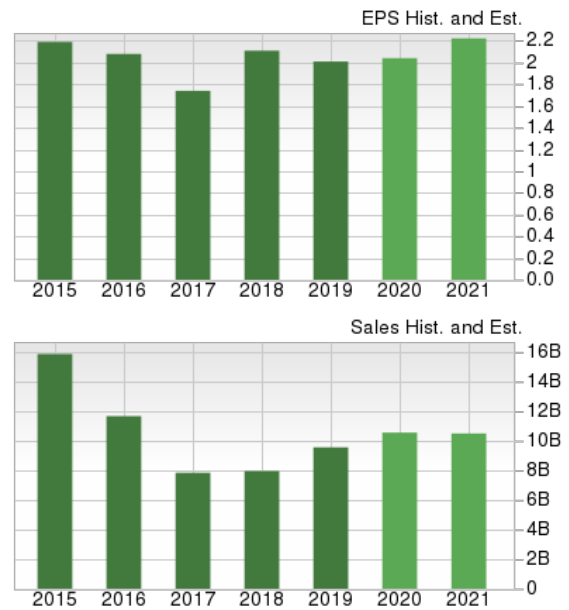
International (8% of second-quarter sales): The segment takes care of branded food products, in various temperature states, offered to various retail and foodservice channels outside the United States.

Foodservice (10% of second-quarter sales): The segment includes branded and customized food products, such as meals, entrees, sauces and a wide assortment of custom-made culinary products packaged for sale to restaurants and other foodservice setups in the United States.

Conagra acquired Pinnacle Foods in October 2018. Further, the company took over Sandwich Bros. in February 2018, which forms part of Conagra's Refrigerated and Frozen segment.

In October 2017, Conagra acquired Angie's Artisan Treats, LLC, which is a part of its Grocery & Snacks business. This segment also includes Thanasi Foods and BIGS LLC, which were acquired in April 2017.

In September 2016, Conagra bought the assets of Frontera Foods, Inc. and Red Fork LLC.



Reasons To Buy:

▲ **Pinnacle Foods' Buyout Aids Growth:** Conagra acquired Pinnacle Foods in October 2018. The combination of the two companies is appropriate, given the increasing demand for frozen foods and snacks. The consolidation of these food companies has helped to create a robust portfolio of leading, iconic and on-trend brands. Further, the move is aiding to speed up innovation and exploit the long-term benefits in the frozen foods space. Notably, management is boosting some of the Pinnacle Foods business banners, especially the Gardein brand. Gardein holds a leading position in the plant-based meat-alternatives food space, an area which is growing rapidly.

Brand modernizing moves, stronger innovation and meaningful buyouts are driving Conagra's performance. In particular, the company focuses on strengthening capabilities of Pinnacle Foods.

Conagra is on track with the integration process of the buyout as well as realizing synergies from the same. In fact, the companies' complementary portfolios, cultures and supply chain are making the integration process easier. The buyout drove the company's second-quarter fiscal 2020 net sales, which advanced 18.3% year over year. Also, Conagra has generated total cost synergies of \$112 billion since Pinnacle Foods' buyout. The buyout is likely to continue boosting the company's performance in the forthcoming periods. Notably, the company raised its synergy target for fiscal 2020 from around \$160 million to roughly \$180 million. Through fiscal 2022, the company now expects synergies of about \$305 million compared with \$285 million expected earlier. Such upsides along with well-chalked initiatives to reshape portfolio are likely to aid the stock, which has climbed just 0.5% in a year, though much better than the industry's decline of 18%.

▲ **Portfolio Reshaping Efforts Bode Well:** Conagra intends to boost its competency by reshaping portfolio through meaningful inorganic moves. In sync with this, the company tries to acquire high-margin generating businesses while divesting the less profitable ones. Conagra's latest development on this front includes acquisition of Pinnacle Foods (discussed in details above). In previous instances, the company took over Angie's Artisan Treats, LLC (in October 2017), which is strengthening its snacking business. Sandwich Bros. buyout (completed in February 2018) has also been a valuable inclusion in Conagra's frozen business.

Additionally, the company exited private-label brands and non-key businesses, including the Lender's bagel business, DSD snacks business, Wesson oil business, Gelit, the Trenton production facility, and the Canadian Del Monte business. The company also concluded the sale of its peanut butter manufacturing facility (in Streator) after the end of the second quarter of fiscal 2020. This move forms part of Conagra's efforts to optimize its peanut butter business. To this end, the company also decided to exit its private-label peanut butter business. Apart from this, in an earlier development, Conagra executed Lamb Weston's spin-off (in 2016). These endeavors are expected to continue aiding Conagra's transformation into a pure-play branded food company.

▲ **Efforts to Boost Frozen & Snacks Business:** Conagra is undertaking initiatives to boost the frozen and snacking businesses. In fact, the company expects to see a strong performance in the second half of fiscal 2020, on the back of innovation in frozen and snacks categories, continued promotions of key brands, constant synergies and Pinnacle Foods' action plan. The company is on track with a range of innovations and brand-building efforts for exploring growth prospects these areas. Speaking of the frozen business, single-serve meals are particularly doing well. The company has a number of innovations lined up in the frozen category. Sales in the Refrigerated & Frozen segment gained from increased organic sales of Birds Eye, Healthy Choice, Marie Callender's, and P.F. Chang's Home Menu brands during the second quarter. Further, management expects its recent innovation under the Healthy Choice Power Bowls line and Marie Callender's brand, along with the planned innovation for the second half of the year to boost segment organic sales.

It is also on track with innovations for the snacking business, which includes meat snacks with bold flavors and optimized packaging. Further, the company is launching their salty snacks in new markets and reframing the sweet treats brands. We note that during the second quarter, strength in the snacks business boosted Conagra's Grocery & Snacks segment sales. The snacks business, in turn, gained from solid innovation and momentum across brands like Slim Jim, Angie's BOOMCHICKAPOP, Snack Pack, Swiss Miss and Act II. Such efforts are likely to yield results in the forthcoming periods.

▲ **Value-Over-Volume Strategy:** Conagra remains focused on boosting performance on the back of its unique value-over-volume strategy. Under this regime, Conagra ensures that its robust volume performance is not driven by price discounts but by strong innovations as well as new merchandising, distribution and consumer trail-related investments. Encouraged by the robust results gained by adopting the strategy, Conagra has extended the same to the Pinnacle Foods portfolio. This entails efforts such as exiting low margin SKUs and redesigning investments to achieve improved ROI.

Reasons To Sell:

- ▼ **Guidance Lowered on Weak Performance:** Conagra lowered its guidance for fiscal 2020. A weaker-than-anticipated category performance in third-quarter fiscal 2020 (ending on Feb 23, 2020) adversely impacted a broad range of categories in the food space, including those wherein Conagra operates.

Management stated that weak consumption trends were first noticed in the foodservice industry with lower restaurant traffic this holiday season. Further, this softness extended to the retail space in January, which in turn weighed on several food categories. Although Conagra was anticipating tough year-over-year comparisons for the third quarter, it saw greater-than-expected category weakness. Consequently, Conagra now expects fiscal 2020 net sales growth of 10-10.5%, down from 12.4-12.9% projected earlier. Organic sales growth is now expected to be flat to up 0.5% compared with the prior view of 1-1.5%. Further, the company lowered its adjusted operating margin guidance from 16.2-16.8% to 15.8-16.2%. Finally, adjusted earnings from continuing operations for fiscal 2020 is now envisioned in the range of \$2.00-\$2.07 per share, indicating a decline from the previous guidance of \$2.07-\$2.17. Notably, Conagra's adjusted earnings from continuing operations came in at \$2.01 per share in fiscal 2019.

- ▼ **Input Cost Inflation a Worry:** Escalated input costs are a threat to Conagra. During the second quarter of fiscal 2020, the company's adjusted gross profit was hurt by input cost inflation, reduced profits stemming from divestiture of the Sold businesses and greater brand-building investments related to retailers. The company anticipates increased levels of inflation stemming from protein and inflation of about 2.8% for fiscal 2020.
 - ▼ **Currency Volatility:** Conagra's international presence keeps the company exposed to the risk of adverse currency fluctuations. Volatile currency movements remain a threat to Conagra's performance.
-

Conagra's performance was adversely impacted by business divestitures. It also struggles with input cost inflation.

Last Earnings Report

Conagra's Q2 Earnings Beat Estimates, Sales Up Y/Y

Conagra Brands released second-quarter fiscal 2020 results. Quarterly adjusted earnings came in at 63 cents, which surpassed the Zacks Consensus Estimate of 57 cents. However, the figure declined about 6% from 67 cents reported in the year-ago period. The year-over-year decline was caused by higher outstanding share count, partly offset by increased adjusted net income. Adjusted net income growth was backed by Pinnacle Foods' operating profit, cost-saving synergies and higher organic sales.

Quarter Ending **11/2019**

Report Date	Dec 19, 2019
Sales Surprise	-0.14%
EPS Surprise	10.53%
Quarterly EPS	0.63
Annual EPS (TTM)	1.93

Conagra generated net sales of \$2,820.8 million, which advanced 18.3% year over year but missed the Zacks Consensus Estimate of \$2,825 million. The year-over-year sales growth was driven by contributions from the Pinnacle Foods buyout and organic sales growth. However, divestiture of Sold Businesses weighed on sales. Organic sales climbed 1.6% on favorable volumes and price/mix.

Adjusted gross profit grew 14.1% to \$804 million, backed by the net impact of Pinnacle Foods' inclusion, improved price/mix, supply-chain efficiencies and cost-saving benefits. This was countered by lost profits from Sold Businesses, inflated input costs and greater brand-building investments related to retailers.

Segmental Details

Grocery & Snacks: Quarterly sales in the segment came in at \$1,142.5 million, which increased 14.2% year over year owing to contributions from Pinnacle Foods, somewhat offset by the divestiture of the Wesson oil and DSD snacks businesses. Organic sales rose 0.9%, with volumes up 2.1% but price/mix down 1.2%.

Refrigerated & Frozen: Net sales rose 28.8% to \$1,168.3 million. Gains from Pinnacle Foods were somewhat negated by Gelit's divestiture. Organic sales climbed 2.4%, with volumes and price/mix up 0.5% and 1.9%, respectively.

International: Net sales grew 7.3% to \$234.3 million, thanks to Pinnacle Foods' acquisition. This was offset by the divestiture of the Wesson oil business as well as adverse currency movements. On an organic basis, net sales increased 1.8%. Volumes rose 1.8%, while price/mix was flat.

Foodservice: Quarterly sales in the segment grew 6.8% year over year to \$275.7 million, primarily owing to Pinnacle Foods' inclusion, somewhat negated by the sale of the Wesson oil business. Organic sales climbed 0.8% in the reported quarter, with volumes down 2.8% but price/mix up 3.6%.

Other Financial Fundamentals

Conagra exited the quarter with cash and cash equivalents of \$192 million, senior long-term debt (excluding current portion) of \$9,100 million and total stockholders' equity of \$7,690.6 million. During the first half, the company generated net cash of \$427.5 million from operating activities. During the quarter, Conagra paid out a quarterly dividend of 21.25 cents per share.

Business Development

The company concluded the divestiture of the DSD snacks business on Oct 21. Further, it concluded the sale of its peanut butter manufacturing facility (in Streator) after the end of the quarter under review. This move forms part of Conagra's efforts to optimize its peanut butter business. To this end, the company also decided to exit its private-label peanut butter business. Apart from this, Conagra inked a deal to offload its Lender's bagel business, which is part of the Refrigerated & Frozen segment. This sale is expected to conclude in the third quarter.

Guidance

Considering the divestiture of DSD Snacks and the exit from the private-label peanut butter business, Conagra lowered its sales guidance for fiscal 2020.

On a reported basis, net sales are expected to rise 12.4-12.9% now compared with 13.5-14% growth expected earlier.

Organic sales are still expected to increase 1-1.5%. Further, management projects the adjusted operating margin to be 16.2-16.8%.

Adjusted earnings for the fiscal year are now anticipated to be \$2.07-\$2.17 per share compared with \$2.08-\$2.18 forecasted earlier.

Recent News

Conagra Trims Fiscal 2020 View on Soft Consumption in Q3 - Feb 18, 2020

Conagra lowered its guidance for fiscal 2020 nearly a month before its next earnings release. A weaker-than-anticipated category performance in third-quarter fiscal 2020 (ending on Feb 23, 2020) adversely impacted a broad range of categories in the food space, including those wherein Conagra operates. This compelled management to slash forecasts for fiscal 2020.

Management stated that weak consumption trends were first noticed in the foodservice industry with lower restaurant traffic this holiday season. Further, this softness extended to the retail space in January, which in turn weighed on several food categories. Although Conagra was anticipating tough year-over-year comparisons for the third quarter, it saw greater-than-expected category weakness. Consequently, Conagra now expects fiscal 2020 net sales growth of 10-10.5%, down from 12.4-12.9% projected earlier. Organic sales growth is now expected to be flat to up 0.5% compared with the prior view of 1-1.5%. Further, the company lowered its adjusted operating margin guidance from 16.2-16.8% to 15.8-16.2%.

Finally, adjusted earnings from continuing operations for fiscal 2020 is now envisioned in the range of \$2.00-\$2.07 per share, indicating a decline from the previous guidance of \$2.07-\$2.17. Notably, Conagra's adjusted earnings from continuing operations came in at \$2.01 per share in fiscal 2019.

Despite the aforementioned third-quarter trends, Conagra remains optimistic about its brand strength, focus on innovation and the Conagra Way playbook. During the quarter, the company gained share in several categories. Further, management stated that it is seeing some improvement in the consumption trends and anticipates organic sales to grow year over year in the fourth quarter.

Also, the company remains focused on achieving its leverage target for fiscal 2021 and goals for fiscal 2022, though management revised part of its fiscal 2022 target owing to divestitures. The company continues to expect organic sales growth (3-year CAGR ending fiscal 2022) of 1-2%. Adjusted operating margin for fiscal 2022 is still envisioned in the range of 18-19%. However, the adjusted earnings per share from continuing operations guidance was reduced by 2 cents to \$2.66-\$2.76 due to the recent divestiture impacts.

Conagra Divests Lender's Bagel Business - Jan 2, 2020

In sync with its efforts to reshape portfolio, Conagra concluded the sale of its Lender's bagel business to Bimbo Bakeries USA, Inc. The deal involved the Lender's brand and related intellectual property, the production facility in Mattoon Ill., as well as inventory. Notably, the Lender's bagel business was part of Conagra's Refrigerated & Frozen segment.

Valuation

Conagra shares are down 18.6% in the year-to-date period and up 0.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 25.9% in the year-to-date period, while the Zacks Consumer Staples sector declined 25.4%. Over the past year, the Zacks sub-industry and the sector declined 18% and 19.9%, respectively.

The S&P 500 index is down 23.1% in the year-to-date period and 12.9% in the past year.

The stock is currently trading at 12.7X forward 12-month earnings, which compares to 14.1X for the Zacks sub-industry, 15.48X for the Zacks sector and 14.92X for the S&P 500 index.

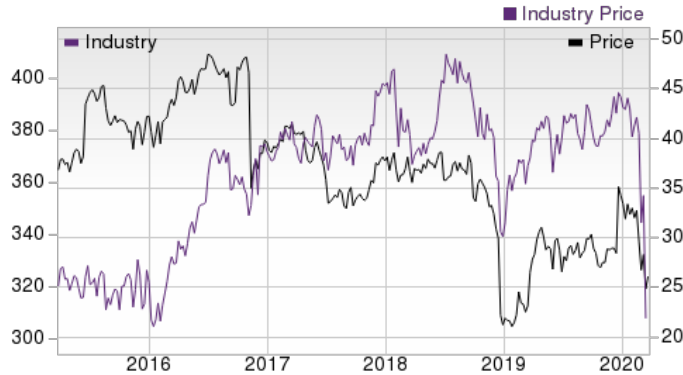
Over the past five years, the stock has traded as high as 23.24X and as low as 9.43X, with a 5-year median of 17.29X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$31 price target reflects 14.14X forward 12-month earnings.

The table below shows summary valuation data for CAG

Valuation Multiples - CAG					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.7	14.1	15.48	14.92
	5-Year High	23.24	22.9	22.37	19.34
	5-Year Low	9.43	14.1	15.48	14.92
	5-Year Median	17.29	19.1	19.66	17.42
P/S F12M	Current	1.29	1.29	7.58	2.68
	5-Year High	2.32	2.05	11.16	3.43
	5-Year Low	0.96	1.29	7.58	2.54
	5-Year Median	1.5	1.81	9.89	3
EV/EBITDA F12M	Current	10.32	13.78	34.16	12.28
	5-Year High	14.63	16.59	37.75	12.64
	5-Year Low	5.51	11.67	29.77	9.09
	5-Year Median	11.51	13.27	34.07	10.8

As of 03/26/2020

Industry Analysis Zacks Industry Rank: Top 36% (92 out of 253)



Top Peers

B&G Foods, Inc. (BGS)	Neutral
Campbell Soup Company (CPB)	Neutral
General Mills, Inc. (GIS)	Neutral
Ingredion Incorporated (INGR)	Neutral
Post Holdings, Inc. (POST)	Neutral
The J. M. Smucker Company (SJM)	Neutral
Kellogg Company (K)	Underperform
TreeHouse Foods, Inc. (THS)	Underperform

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	CAG Neutral	X Industry	S&P 500	CPB Neutral	GIS Neutral	SJM Neutral
VGM Score	B	-	-	B	B	A
Market Cap	13.55 B	3.21 B	18.50 B	13.15 B	30.31 B	11.80 B
# of Analysts	8	3	13	6	8	7
Dividend Yield	3.05%	0.16%	2.35%	3.21%	3.92%	3.40%
Value Score	B	-	-	B	B	B
Cash/Price	0.02	0.05	0.07	0.00	0.02	0.01
EV/EBITDA	14.64	11.26	11.16	12.62	12.81	11.31
PEG Ratio	1.92	2.55	1.74	2.65	2.06	3.15
Price/Book (P/B)	1.76	1.83	2.44	5.26	3.86	1.44
Price/Cash Flow (P/CF)	11.03	10.70	9.87	11.49	11.73	7.92
P/E (F1)	13.42	14.45	15.29	16.13	14.45	12.62
Price/Sales (P/S)	1.29	1.08	1.93	1.58	1.81	1.55
Earnings Yield	7.32%	6.69%	6.47%	6.19%	6.92%	7.93%
Debt/Equity	1.21	0.60	0.70	1.97	1.47	0.58
Cash Flow (\$/share)	2.52	2.68	7.01	3.79	4.26	13.07
Growth Score	D	-	-	C	D	C
Hist. EPS Growth (3-5 yrs)	-2.47%	5.54%	10.85%	-1.52%	2.74%	9.69%
Proj. EPS Growth (F1/F0)	1.55%	6.11%	2.89%	17.47%	7.45%	-1.09%
Curr. Cash Flow Growth	10.04%	3.82%	5.93%	-12.42%	5.47%	1.65%
Hist. Cash Flow Growth (3-5 yrs)	-0.87%	5.64%	8.55%	0.50%	1.32%	11.97%
Current Ratio	0.88	1.58	1.23	0.61	0.64	0.77
Debt/Capital	54.72%	38.43%	42.57%	66.31%	59.59%	36.60%
Net Margin	7.62%	3.90%	11.64%	17.46%	12.68%	8.21%
Return on Equity	12.50%	10.86%	16.74%	50.69%	26.40%	11.70%
Sales/Assets	0.47	1.15	0.54	0.64	0.55	0.45
Proj. Sales Growth (F1/F0)	10.44%	0.11%	2.37%	-12.23%	2.16%	-2.98%
Momentum Score	A	-	-	A	A	A
Daily Price Chg	6.79%	4.53%	6.21%	5.26%	4.93%	-1.64%
1 Week Price Chg	5.08%	-6.99%	-16.96%	-8.08%	-0.21%	1.09%
4 Week Price Chg	5.61%	-16.23%	-15.70%	-4.62%	-0.28%	-2.49%
12 Week Price Chg	-17.19%	-21.53%	-23.67%	-10.11%	-4.09%	1.30%
52 Week Price Chg	0.40%	-19.54%	-13.99%	13.81%	-2.89%	-10.84%
20 Day Average Volume	7,145,707	220,488	4,286,768	5,049,254	8,577,474	1,543,778
(F1) EPS Est 1 week change	0.18%	0.00%	-0.15%	0.00%	0.10%	0.00%
(F1) EPS Est 4 week change	0.47%	-0.07%	-2.28%	6.64%	2.49%	0.56%
(F1) EPS Est 12 week change	-3.97%	-2.34%	-3.22%	6.53%	1.94%	0.59%
(Q1) EPS Est Mthly Chg	1.03%	0.00%	-1.60%	9.36%	7.51%	-4.35%

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	D
Momentum Score	A
VGM Score	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.

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.