

Caterpillar Inc. (CAT)

\$130.11 (As of 06/16/20)

Price Target (6-12 Months): **\$105.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 03/29/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: C

Summary

Caterpillar's global retail sales witnessed a decline of 23% in the three-month period ended May owing to low demand across all segments and regions. Its global retail sales has also been declining for six months in a row in May 2020, which remains a woe. The company did not provide guidance for 2020 citing uncertainty related to the coronavirus pandemic and stated that results for the balance of the year will continue to bear the impact. Notably, Caterpillar's supply chain has been disrupted and it had to temporarily suspend operations at certain facilities due to weak demand. Caterpillar's results this year are likely to be impacted by a weak backlog, a sluggish manufacturing sector, reduced spending at mining customers and low oil prices. The earnings estimate for the current year has thus undergone negative revisions lately.

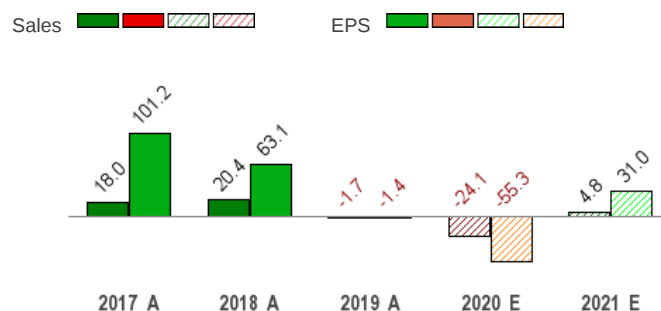
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$150.55 - \$87.50
20 Day Average Volume (sh)	3,820,067
Market Cap	\$70.4 B
YTD Price Change	-11.9%
Beta	1.10
Dividend / Div Yld	\$4.12 / 3.2%
Industry	Manufacturing - Construction and Mining
Zacks Industry Rank	Bottom 15% (216 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-9.1%
Last Sales Surprise	-4.5%
EPS F1 Est- 4 week change	-1.0%
Expected Report Date	07/22/2020
Earnings ESP	0.0%
P/E TTM	13.4
P/E F1	26.3
PEG F1	2.2
P/S TTM	1.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	10,506 E	9,990 E	10,312 E	12,695 E	42,825 E
2020	10,635 A	9,052 E	9,700 E	11,430 E	40,851 E
2019	13,466 A	14,432 A	12,758 A	13,144 A	53,800 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.53 E	\$1.09 E	\$1.61 E	\$2.08 E	\$6.47 E
2020	\$1.60 A	\$0.69 E	\$1.31 E	\$1.65 E	\$4.94 E
2019	\$2.94 A	\$2.83 A	\$2.66 A	\$2.63 A	\$11.06 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 06/16/2020. The reports text is as of 06/17/2020.

Overview

Caterpillar, known for its iconic yellow machines, is the largest global manufacturer of construction and mining equipment. Given that it serves a gamut of sectors - infrastructure, construction, mining, oil & gas and transportation, the company is considered a bellwether of the global economy.

Since 1925, Caterpillar's product portfolio has evolved and currently boasts 20 brands and generated revenues of \$53.8 billion in 2019. It has more than 4 million of products with an extensive dealer network of 165 dealers spanning 191 countries. Caterpillar started using telematics in the 1990's and reached its target of 1 million connected assets in 2019. The combination of innovation, cutting-edge technology, coupled with the formidable reputation, sets Caterpillar apart from its peers.

While a weak manufacturing sector, coronavirus, oil price rout impacted Caterpillar's stock price lately, it is the 80th-largest company in the S&P 500 Index with a market capitalization of \$67 billion. Caterpillar holds the 44th position in Fortune's "World's most admired companies" and 11th in the Dow Jones Industrial Average, with 3.30% weight of the index.

The Deerfield, IL-based company has six operating segments. **Machinery, Energy & Transportation (ME&T)** (94% of total revenues in 2019) includes

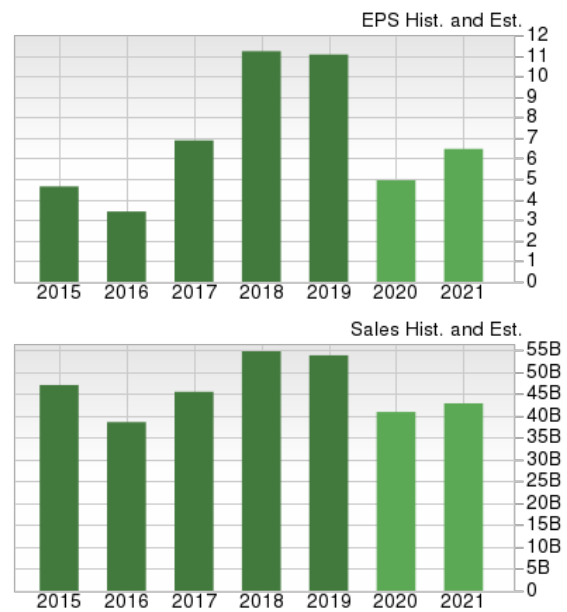
Construction Industries (38%) manufactures machinery utilized in infrastructure, forestry and building construction.

Resource Industries (18%) caters to customers using machinery in mining, quarry and aggregates, heavy construction, waste and material handling applications.

Energy & Transportation (45%) supports customers in oil and gas, power generation, marine, rail and industrial applications.

All Other Segments (1%) primarily comprise activities such as the re-manufacturing of CAT engines and components and re-manufacturing services for other companies and product management, development, manufacturing, marketing and product support.

Financial Products Segment (6%) provides retail and wholesale financing alternatives for Caterpillar products.



Reasons To Sell:

- ▼ Caterpillar had earlier withdrawn guidance for 2020 citing that the impact of the coronavirus outbreak on its financial and operating results cannot be reasonably estimated at this time. The company did not provide any guidance with the first-quarter results and stated that its financial results for the remainder of 2020 will bear the impact of the persistent global economic uncertainty due to the COVID-19 pandemic. Caterpillar had to suspend operations temporarily at certain facilities on account of supply chain issues, weak demand or as per government mandates to stem the spread of the coronavirus. Currently, approximately 75% of the company's primary production facilities are operational. The company cautioned that it may suspend operations temporarily at additional facilities if necessary.
- ▼ Mining customers will remain disciplined with their capital expenditures this year due to low commodity prices, which in turn will impact Caterpillar's sales. In Energy & Transportation segment, demand will be particularly weak in the oil and gas sector on account of low oil prices and sluggish capital spending at customers end. Given that China represents about 10% to 15% of the construction industry segment's sales and about 5% to 10% of total Caterpillar sales and revenues, consequently slowdown in the country will continue to be a drag on the company's results.
- ▼ At the end of first-quarter 2020, Caterpillar's order backlog was at \$14.1 billion, down a substantial \$2.8 billion from the prior-year quarter. This does not bode well for second-quarter 2020 top-line performance. The company's global retail sales recorded a decline of 23% in the three-month period ended May 2020 — levels last witnessed in February 2016. This can be attributed to overall weak performance across all regions and segments. This marks the sixth consecutive month that Caterpillar's global retail sales have been in the negative territory. The Resource Industries segment's sales declined 21% in May — the seventh consecutive month of negative growth. Sales in the Construction Industries segment were down 23%. The segment's sales have been declining for six straight months. Sales in the Energy & Transportation segment declined 17%. The segment has been contracting for eight consecutive months. Considering the uncertainty of the duration of the coronavirus pandemic and its overall impact on all sectors, Caterpillar's sales are likely to continue bearing the impact until the situation stabilizes.
- ▼ The U.S.-China trade war and waning global demand had already taken a toll on the U.S manufacturing sector, and the coronavirus pandemic has only aggravated the scenario. Per the Institute for Supply Management's report, the U.S Purchasing Managers' Index (PMI) came in at 41.5% for April — the lowest since April 2009 when it registered 39.9%. In May, the PMI came in at 43.1%. A reading below 50 denotes contraction.

Caterpillar's results will continue to bear the brunt of low demand due to the global economic uncertainty stemming from the coronavirus pandemic until the situation stabilizes.

Risks

- Caterpillar continues to monitor end-user demand, commercial shipments, dealer inventory, orders and backlog and plans to adjust production levels accordingly. The company has been successful in reducing the lead times, which allow dealers to maintain lower levels of inventory. Further, shorter lead times enable both the company and dealers to adapt quickly to changing market conditions. The company is also making every effort to reduce production to match dealer demand and will proactively increase production once order levels improve.
 - Caterpillar's cash and liquidity position remains strong with the company ending first-quarter 2020 with cash and short-term investments of \$7.1 billion and available global credit facilities of \$10.5 billion. Further, in April, Caterpillar raised \$2.0 billion of incremental cash by issuing new 10- and 30-year bonds and also arranged \$8.0 billion of additional back-up facilities to supplement the company's liquidity position. The company currently has \$11.2 billion in long-term debt with no maturities until 2021. Caterpillar's current ratio is at 1.42. The company's times interest earned ratio is currently at 7.0 and has shown significant improvement over the past five years. These figures indicate that the company is in a good position to meet its debt obligations. Caterpillar has suspended buyback plans but remains committed to maintaining its dividend.
 - In September 2015, Caterpillar set out with significant restructuring and cost reduction initiative, which has now been substantially completed. The plan will likely lower annual operating costs by about \$1.5 billion. Caterpillar is focused on developing a more competitive and flexible cost structure and controlling discretionary spending. Caterpillar expects to double ME&T services sales to \$28 billion by 2026 and deliver higher adjusted operating margins through cycles of three to six percentage points above historical performance. In the wake of the coronavirus crisis, the company has taken actions to reduce costs including reducing discretionary expenses, suspending 2020 base salary increases and short-term incentive compensation plans for many employees and all senior executives. This will help sustain margins amid low volumes.
 - Caterpillar continues to focus on customers and on the future by continuing to invest in digital capabilities, connecting assets and jobsites along with developing the next generation of more productive and efficient products. The company plans to fund initiatives that drive long-term profitable growth focused on areas of expanded offerings and services and digital initiatives like e-commerce. In its GC line, the company has launched six new models in 2019 including excavators, articulated trucks, motor graders, wheel loaders and paving products and has plans to roll out five additional GC models this year. In 2019, Caterpillar achieved its target of connecting 1 million assets by year-end and boasts the largest fleets of connected assets in the industries it serves. Notably, connected products, such as CAT and non-CAT assets, provide rich data, including operating hours, location and product health, enabling customers to better manage and plan their maintenance.
-

Last Earnings Report

Caterpillar Q1 Earnings Lag Estimates on Weak Demand

Caterpillar reported first-quarter 2020 adjusted earnings per share of \$1.60, which missed the Zacks Consensus Estimate of \$1.77. The bottom line also plunged 46% from the prior-year quarter's adjusted earnings per share of \$2.94. The disappointing performance can primarily be attributed to lower demand across all segments and geographies. The company also did not provide any guidance for 2020 and stated that results for the remainder of the year will bear the impact of the coronavirus pandemic.

Including one-time items, Caterpillar's earnings per share came in at \$1.98 in first-quarter 2020, 39% lower than \$3.25 in the prior-year quarter.

Quarter Ending **03/2020**

Report Date	Apr 28, 2020
Sales Surprise	-4.47%
EPS Surprise	-9.09%
Quarterly EPS	1.60
Annual EPS (TTM)	9.72

Revenues Lag Estimates on Low Demand

The company's first-quarter revenues slumped 21% year over year to \$10.6 billion, missing the Zacks Consensus Estimate of \$11.13 billion. Sales were impacted by lower sales volumes on account of weak demand. The company witnessed decline in sales across the board. Sales in Asia Pacific fell 27% followed by a decline of 24% in North America. While sales in Latin America were down 21%, sales in EAME declined 7%.

Margins Dip on Lower Sales Volume

In first-quarter 2020, cost of sales decreased 19% year over year to \$7.3 billion. Manufacturing costs were down due to lower period manufacturing and material costs, partially offset by higher warranty expense. Period manufacturing costs declined owing to lower short-term incentive compensation and the favorable impact cost-reduction actions implemented in the wake of low demand. Gross profit contracted 25% to \$3.37 billion on lower sales. Gross margin was 31.7% in the reported quarter, down from 33.1% in the prior-year quarter.

Selling, general and administrative (SG&A) expenses decreased 15% to around \$1.1 billion. Research and development (R&D) expenses declined 18% to \$356 million from the prior-year quarter figure of \$435 million. Operating profit in the quarter was \$1.4 billion, down 36% from the prior-year quarter. Benefits from lower SG&A and R&D expense, and favorable manufacturing costs were offset by lower sales volume and unfavorable currency impacts related to the Australian dollar. Operating margin was 13.2% in the reported quarter, down 320 basis points from the prior-year quarter.

Segment Performances Dented By Weak Demand

Machinery and Energy & Transportation (ME&T) sales plunged 22% year over year to \$9.9 billion. Construction Industries sales slumped 27% year over year to \$4.3 billion owing to lower sales volumes. Sales at Resource Industries declined 24% year over year to around \$2.1 billion due to lower sales volume. Spending on mining equipment was muted due to lower commodity prices. Demand for equipment supporting non-residential construction and quarry and aggregates was also impacted in the quarter. Sales of Energy & Transportation segment in the quarter was at \$4.3 billion, a decline of 17% from the prior-year quarter on account of lower sales across all applications.

The ME&T segment reported operating profit of \$1.34 billion, a decline of 38% from the year-ago quarter. The Resource Industries segment's operating profit slumped 47% year over year to \$304 million in first-quarter 2020. Construction Industries segment's profit witnessed a year-over-year decrease of 41% to \$640 million. The Energy & Transportation segment's operating profit declined 28% year over year to \$602 million.

Financial Products' revenues went down 4% to \$814 million from the prior-year quarter. Financial Products' profits were \$105 million in the reported quarter, down 50% from \$211 million in the prior-year quarter.

Cash Position

For the first quarter, operating cash flow was \$1.13 billion compared with \$1.12 billion in the prior-year quarter. Caterpillar ended first-quarter 2020 with cash and short-term investments of \$7.1 billion and available global credit facilities of \$10.5 billion. In April, Caterpillar raised \$2.0 billion of incremental cash by issuing new 10- and 30-year bonds, and arranged \$8.0 billion of additional back-up facilities to supplement the company's liquidity position.

Other Updates

Caterpillar stated that it had to suspend operations temporarily at certain facilities on account of supply chain issues, weak demand or as per government mandates to stem the spread of the coronavirus. Currently, approximately 75% of the company's primary production facilities continue to operate. Some facilities that were temporarily closed have reopened. The company cautioned that it may suspend operations temporarily at additional facilities if necessary. Meanwhile, it has taken actions to reduce costs, which include cutting down discretionary expenses, and suspending 2020 base salary increases and short-term incentive compensation plans for many employees and all senior executives.

The company has not provided any guidance. However, it cautioned that its financial results for the remainder of 2020 will bear the impact of the persistent global economic uncertainty due to the COVID-19 pandemic.

Recent News

Caterpillar May Retail Sales Fare the Worst Since 2016 - Jun 12, 2020

Caterpillar's global retail sales witnessed a fall of 23% in the three-month period ended May 2020 following a slump of 22% in April — marking the sixth consecutive month of global retail sales decline. The company had last reported a decline of 21% in February 2016. This downside can be attributed to overall weak performance across all regions and segments primarily on account of the COVID-19 pandemic. Low oil prices, ongoing slowdown in the manufacturing sector, constrained spending in the mining sector, suspension of mining and construction activities to check the spread of the virus have taken a toll on the company's performance.

North America fared the worst during the month with a decline of 36% followed by Latin America, which witnessed a fall of 31%. EAME and Asia Pacific were down 14% and 1%, respectively.

The Resource Industries segment's sales declined 21% in May — the seventh consecutive month of negative growth. While sales in North America plunged 39%, Latin America declined 36%. While Sales in EAME were down 12%, sales in Asia Pacific were down 9%.

Sales in the Construction Industries segment were down 23%, hitting a trough. The segment's sales have been declining for six straight months. Sales in North America and Latin America were down 35% and 28%, respectively. EAME and Asia Pacific fell 23% and 2%, respectively.

Sales in the Energy & Transportation segment declined 17%. The segment has been contracting for eight consecutive months. Sales to Transportation and Industrial sectors plunged 33% and 32% respectively. Sales to the Oil & Gas sector were down 12%, while the Power Generation sector witnessed a decline of 10%.

Caterpillar Maintains Dividend - Jun 10, 2020

Caterpillar's board of directors voted to maintain the quarterly cash dividend of \$1.03 per share of common stock, payable on Aug 20, 2020, to shareholders of record at the close of business on Jul 20, 2020. Given the economic uncertainty associated with the COVID-19 pandemic, the board has postponed any decision on a dividend increase until later this year. Notably, Caterpillar has paid a cash dividend every year since the company was formed and has paid a quarterly dividend since 1933.

Valuation

Caterpillar's shares have gone down 16.6% in the year-to-date period and 3.3% over the trailing 12-month period. Stocks in the Zacks Manufacturing – Construction and Mining industry and the Zacks Industrial Products sector are down 12.7% and 11.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 1.8% and 5.6%, respectively.

The S&P 500 index is down 3.0% in the year-to-date period and up 7.1% in the past year.

The stock is currently trading at 23.06X forward 12-month earnings, which compares with 23.73X for the Zacks sub-industry, 22.06X for the Zacks sector and 22.51X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.58x and as low as 8.88x, with a 5-year median of 16.95x.

Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$105 price target reflects 19.59x forward 12-month earnings.

The table below shows summary valuation data for CAT:

Valuation Multiples - CAT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	23.06	23.73	22.06	22.51
	5-Year High	32.58	30.83	22.06	22.51
	5-Year Low	8.88	9.47	12.55	15.23
	5-Year Median	16.95	16.81	16.66	17.49
P/S F12M	Current	1.69	1.38	2.77	3.51
	5-Year High	2.13	1.64	2.77	3.51
	5-Year Low	0.79	0.71	1.52	2.53
	5-Year Median	1.39	1.15	2	3.02
EV/EBITDA TTM	Current	9.16	8.01	16.25	11.57
	5-Year High	14.28	12.92	17.45	12.85
	5-Year Low	6.66	5.95	10.72	8.25
	5-Year Median	9.34	8.49	14.82	10.82

As of 06/16/2020

Industry Analysis Zacks Industry Rank: Bottom 15% (216 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Arcosa, Inc. (ACA)	Neutral	3
Astec Industries, Inc. (ASTE)	Neutral	2
CNH Industrial N.V. (CNHI)	Neutral	4
DeereCompany (DE)	Neutral	3
The Manitowoc Company, Inc. (MTW)	Neutral	3
Terex Corporation (TEX)	Neutral	3
HE Equipment Services, Inc. (HEES)	Underperform	5
Komatsu Ltd. (KMTUY)	Underperform	5

Industry Comparison Industry: Manufacturing - Construction And Mining				Industry Peers		
	CAT	X Industry	S&P 500	CNHI	DE	KMTUY
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	4	-	-	4	3	5
VGM Score	B	-	-	F	B	B
Market Cap	70.42 B	1.38 B	22.00 B	9.50 B	49.53 B	20.30 B
# of Analysts	10	6	14	6	9	3
Dividend Yield	3.17%	1.45%	1.92%	0.00%	1.92%	1.95%
Value Score	B	-	-	D	B	B
Cash/Price	0.11	0.11	0.06	0.50	0.20	0.09
EV/EBITDA	7.58	5.30	12.79	8.90	9.81	4.74
PEG Ratio	2.18	3.04	3.00	NA	3.75	3.04
Price/Book (P/B)	4.95	1.45	3.04	1.69	4.17	1.19
Price/Cash Flow (P/CF)	8.08	6.21	11.81	3.98	9.58	7.73
P/E (F1)	26.18	21.32	21.70	NA	26.24	17.64
Price/Sales (P/S)	1.38	0.72	2.34	0.35	1.35	0.90
Earnings Yield	3.80%	3.90%	4.33%	-1.70%	3.81%	5.65%
Debt/Equity	1.71	0.56	0.77	4.18	2.89	0.24
Cash Flow (\$/share)	16.10	3.46	7.01	1.77	16.53	2.70
Growth Score	B	-	-	F	B	C
Hist. EPS Growth (3-5 yrs)	30.62%	16.77%	10.87%	25.61%	17.88%	16.33%
Proj. EPS Growth (F1/F0)	-55.33%	-43.31%	-10.58%	-114.68%	-39.30%	-21.11%
Curr. Cash Flow Growth	-6.65%	5.52%	5.46%	-1.24%	4.09%	-25.24%
Hist. Cash Flow Growth (3-5 yrs)	4.31%	4.31%	8.55%	2.82%	3.09%	7.61%
Current Ratio	1.42	1.68	1.29	6.13	2.20	1.68
Debt/Capital	63.12%	35.73%	45.06%	80.73%	74.31%	19.46%
Net Margin	10.41%	3.24%	10.53%	4.06%	7.62%	6.29%
Return on Equity	37.15%	13.23%	16.06%	14.23%	23.01%	8.23%
Sales/Assets	0.65	0.87	0.55	0.59	0.50	0.66
Proj. Sales Growth (F1/F0)	-24.07%	-12.75%	-2.59%	-22.98%	-19.33%	-8.12%
Momentum Score	C	-	-	F	D	D
Daily Price Chg	5.26%	5.24%	1.81%	1.29%	1.82%	4.66%
1 Week Price Chg	-8.86%	-9.80%	-7.25%	-9.08%	-7.05%	-4.39%
4 Week Price Chg	16.09%	23.57%	8.30%	26.85%	16.27%	7.14%
12 Week Price Chg	28.39%	37.09%	28.43%	33.84%	25.64%	25.08%
52 Week Price Chg	-0.17%	-4.03%	-3.34%	-28.46%	-0.68%	-7.90%
20 Day Average Volume	3,820,067	275,978	2,618,631	2,495,574	1,790,125	59,982
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-1.00%	0.00%	0.00%	-236.36%	-1.11%	-11.91%
(F1) EPS Est 12 week change	-43.79%	-43.79%	-14.98%	-116.57%	-36.29%	-29.14%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	-8.45%	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	B
Momentum Score	C
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.