

Cracker Barrel (CBRL)

\$117.34 (As of 06/16/20)

Price Target (6-12 Months): **\$123.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/02/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: F

Summary

Shares of Cracker Barrel have underperformed the industry so far this year. Recently, the company reported dismal third-quarter fiscal 2020 results, wherein earnings and revenues not only missed the Zacks Consensus Estimate but also declined on a year-over-year basis. The dismal performance was primarily caused by the coronavirus pandemic. Due to this, the company suspended its dividend and stock buyback programs. Also, higher labor costs along with decline in traffic are likely to dent profits going forward. Notably, earning estimates for 2020 have declined in the past 30 days. However, increased focus on menu innovation, marketing strategies along with seasonal promotions and cost-cutting efforts are likely to aid the company. The company is also gradually reopening its dining services on lifting of the lockdown.

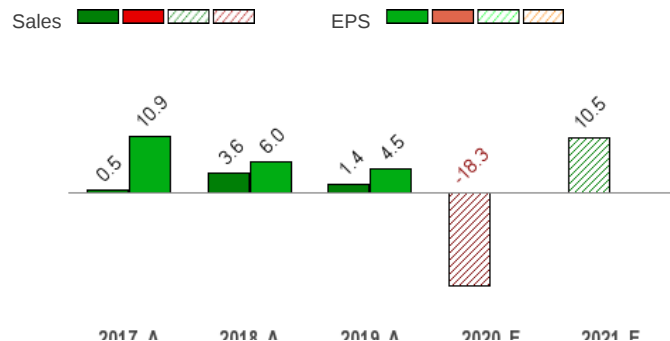
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$180.93 - \$53.61
20 Day Average Volume (sh)	734,583
Market Cap	\$2.8 B
YTD Price Change	-23.7%
Beta	1.08
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Restaurants
Zacks Industry Rank	Top 37% (94 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-44.3%
Last Sales Surprise	-4.4%
EPS F1 Est- 4 week change	11.9%
Expected Report Date	09/15/2020
Earnings ESP	0.0%
P/E TTM	158.6
P/E F1	51.2
PEG F1	NA
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	608 E	750 E	676 E	743 E	2,774 E
2020	749 A	846 A	433 A	484 E	2,511 E
2019	734 A	812 A	740 A	787 A	3,072 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.47 E	\$1.49 E	\$1.29 E	\$2.07 E	\$4.96 E
2020	\$2.15 A	\$2.70 A	-\$6.81 A	-\$0.76 E	-\$1.37 E
2019	\$1.96 A	\$2.52 A	\$2.09 A	\$2.70 A	\$9.27 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

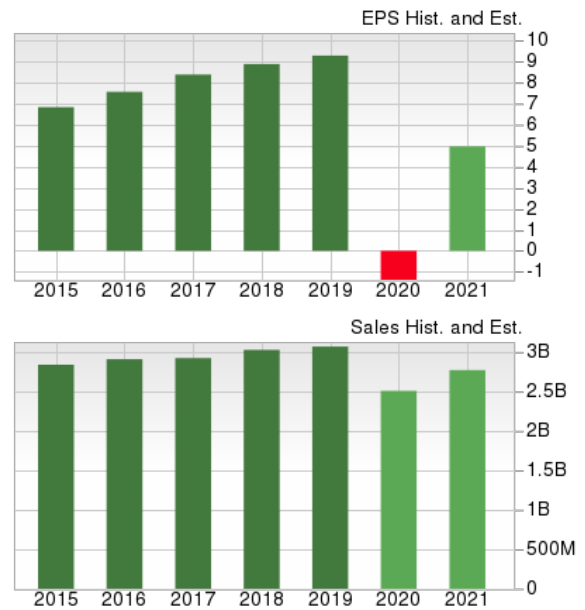
Based in Lebanon, TN and founded in 1969, Cracker Barrel Old Country Store, is engaged in the ownership and operation of full service restaurants with a restaurant and a retail store in the same unit. The restaurants serve home-style country food including meatloaf, homemade chicken n' dumplings as well as its signature biscuits using an old family recipe. Meanwhile, the retail stores offer unique gifts and self-indulgences.

The company operates through two brands of restaurants – “Cracker Barrel Old Country Store” and “Holler & Dash Biscuit House”. The company also owns fast-casual Holler and Dash restaurants. As of Jun 2, 2020, there were 664 company-owned Cracker Barrel stores in 45 states across the United States.

On Oct 10, 2019, the company acquired Maple Street Biscuit Company (“MSBC”). As of Jan 31, 2020, MSBC had 28 company-owned and five franchised fast casual locations across seven states. As of Jan 31, the company started converting its existing six Holler & Dash Biscuit House™ locations (“Holler & Dash”) into MSBC locations. The Holler & Dash locations operate in the same states as MSBC. The company plans to convert all Holler & Dash units into Maple Street locations in the upcoming months.

Although Cracker Barrel currently manages its business on the basis of one reportable operating segment, total revenues of the company is reportedly divided into two product lines — Restaurant (83.3% of total revenues in third-quarter fiscal 2020) and Retail (16.7%).

The company's restaurants provide home-style country cooking featuring its own recipes and serves breakfast, lunch and dinner.



Reasons To Buy:

▲ **Re-Opening Of Dining Rooms to Drive Top Line:** Cracker Barrel intends to support the recovery of its business with improved traffic and more dining re-openings. As of May 29, the company operates 505 stores with limited dine-in service and expects to substantially increase it across all its stores by June-end. Moreover, to support the re-openings, the company has transitioned to a new menu offering greater variety compared to the limited menu of its off-premise only stores.

Enhanced marketing efforts, seasonal promotions as well as unit growth bode well for the top line. Moreover, cost cutting efforts might aid in margin expansion.

▲ **Relentless Focus on Menu Innovation & Expansion:** Cracker Barrel is continuously focusing on rejuvenating its menu, which serves as the backbone of the company's riveting growth potential. The company's in-store menu feature Fried Chicken Benedict bowl, a Ham n' Maple Bacon bowl as well as a Sausage, Grits Cakes and Green Tomato Gravy bowl. Also, in the past year, Cracker Barrel completed the rollout of crafted coffee. The company believes that the platform will complement the strength of its breakfast all day offering, drive check favorability and promote guest perceptions of menu variety. The company's current menu promotion centered around Cracker Barrel homestyle favorites such as chicken and dumplings, country fried steak and Grandma's Sampler. Moreover, the company plans to strengthen the dinner daypart by introducing new signature craveable items. The initiative is likely to simplify the menu to increase consistency and execution as well as providing a more optimized menu.

During the third quarter, the company introduced offerings such as Chicken Pot Pie and Saturday Fried Pork Chops. Notably, it is appropriately balancing its menu breadth with labor productivity and food waste amid depressed traffic levels. Moreover, the company initiated the addition of beer and wine tableside beverage program. Apart from limited beer and wine selection, it is featuring popular orange and strawberry moses. Currently, with offerings in approximately 20 stores, the company looks forward to expand on the back of positive customer response.

Cracker Barrel's continuous expansion strategies are also helping the company to drive growth. In fiscal 2018, Cracker Barrel unveiled its first California location. Further, the company opened one Holler & Dash location in Charlotte, NC. In fiscal 2019, the company have opened eight restaurants. Also, the company expects to open two new Cracker Barrel stores and 15 Maple Street location in fiscal 2020.

▲ **Marketing, Digital & Other Sales-Building Initiatives:** In a bid to address the challenges of the competitive restaurant industry, Cracker Barrel undertakes extensive marketing efforts, mainly focusing on the brand's differentiation, menu offering and its value. In order to drive traffic, Cracker Barrel relies heavily on seasonal promotions and limited-time offers to boost its top-line performance as they are appealing to both regular users and less-frequent guests. In fiscal 2020, the company aims to meet consumers' need for convenience via growth in its off-premise business. In fact, it plans to enhance its off-premise platform by introducing catering menu offering and in-store training of hourly employees. In fiscal 2019, off-premise sales (as a percentage of total revenues) increased 150 basis points year over year. Further, management will continue to invest in its product line-up for improving guest experience and employee training to support long-term plans within this space. Multiple delivery options will also be tested in this fiscal year

The company continues to focus on off-premise initiatives, such as curbside delivery, third-party delivery, family meal baskets. It also continues to invest in technology initiatives to enhance guests experience. To this end, the company plans to roll out Pay in App that allows contactless payments via mobile devices. It is also initiating the launch of digital store that enhances customer experience for ordering food and retail. Notably, investments in this direction are likely to boost its hospitality service along with customer experience in a brand new way.

▲ **Cost Cutting Efforts:** Cracker Barrel has an effective cost-cutting mechanism in place. The company undertakes various measures to keep costs under control. Currently, the company is carrying out its cost-saving plan through its two prime initiatives — food waste and labor management. The company changed the structure in its retail sales and service functions and now cross-trains its retail sales associate and cashier positions. This system-wide change allows it to deploy fewer associates during the outlet's low volume hours, thereby reducing store hourly labor by 25–30 hours per week. The company believes that this initiative will be a significant contributor to its cost savings. Cracker Barrel also introduced a new food management program that includes back of the house process improvements, additional focus on food reporting and analytics as well as a new food auditing process. This program resulted in savings in the restaurants' cost of goods sold. On the utility front, the company has undertaken the implementation of LED lighting, which is being installed on the exterior of its stores. This is improving energy efficiencies and driving cost favorability. Notably, the company expects costs savings of approximately \$50 million, over the long term.

Reasons To Sell:

- ▼ **Coronavirus to Impact 2020 Results:** Cracker Barrel suspended its dividend and stock buyback in an effort to preserve cash and maintain ample liquidity amid a possible recession due to the coronavirus outbreak. We also believe that the coronavirus outbreak will further hurt traffic and sales in the coming quarters as well. Given the level of uncertainty regarding the coronavirus impact, the company has withdrawn its 2020 guidance.
- ▼ **Rising Cost Scenario:** Despite cost-saving initiatives, higher labor costs due to increased wages are expected to persistently keep profits under pressure. Also, the company is apprehensive that inflationary costs are likely to be incurred. Meanwhile, management is making significant investments to support the training and launch of several initiatives as well as its value testing. Although these initiatives are expected to drive Cracker Barrel's top-line growth during fiscal 2020, initial investments might dent margins. Moreover, expenses for opening units are expected to hurt the company's margins. Resultantly, operating margin in third-quarter fiscal 2020 was a negative 18.3%, down 2,710 basis points (bps) from the year-ago quarter's figure. The decline was caused by increases in operating as well as general and administrative expenses along with cost of goods sold and labor-related expenses.
- ▼ **High Debt a Concern:** At the end of May 1, 2020, the company's long-term debt stood at \$940 million, compared with \$400 million on Aug 2, 2019. As a result, the company's debt-to-capitalization was 70.6% compared with 39.8% on Aug 2. Moreover, the company ended third-quarter fiscal 2020 with cash and cash equivalent of \$363.3 million, which may not be enough to manage the high debt level.
- ▼ **Traffic Woes Linger:** Even though comps have increased over the past few quarters, decline in traffic continues to be a major concern for the stocks in this space. In the fiscal 2019, traffic declined 0.7%. The downtrend continued in the first and second-quarter of fiscal 2020, with traffic declining 1.5% and 0.2%, respectively. During the fiscal third quarter 2020, comparable store restaurant traffic declined 43.6%.
- ▼ **Limited International Presence:** While several other restaurateurs including Yum! Brands, McDonald's and Domino's Pizza are capitalizing on the emerging market potential, Cracker Barrel seems to be slow on this front. We believe that the company needs to spread its presence beyond the United States in order to offset the impact of cut-throat in the saturated domestic market.
- ▼ **Industry Susceptible to Consumer Discretionary Spending:** Cracker Barrel operates in the retail restaurant space that is highly dependent on consumer discretionary spending. Consumers' propensity to spend largely depends on the overall macroeconomic scenario. Although higher disposable income and increased wages are favoring the industry right now, it can change with the slightest disruption in the economy. The company, therefore, is highly vulnerable to the inconsistent nature of consumer discretionary spending. If it does not make pragmatic use of advanced technologies to innovate across value chains, it has high chances of fading out like many other restaurant retailers.

Coronavirus outbreak, along with increasing costs and a slowdown in unit development plan are potential headwinds for an industry.

Last Earnings Report

Cracker Barrel Post Wider-Than-Expected Loss in Q3

Cracker Barrel reported dismal third-quarter fiscal 2020 (ended May 1, 2020) results, wherein earnings and revenues not only missed the Zacks Consensus Estimate but also declined on a year-over-year basis.

Loss during the quarter came in at \$6.81 per share, which was 44.3% wider than the Zacks Consensus Estimate of \$4.72. The company had reported earnings per share of \$2.09 in the year-ago quarter.

Adjusted loss (excluding the impairment charges related to store assets, expenses related to COVID-19, the impairment charge related to Punch Bowl Social, and the related tax effects) was \$1.81 per share during the quarter.

Revenues of \$432.5 million also missed the consensus mark of \$453 million by 4.4%. The figure declined 41.5% on a year-over-year basis primarily due to lower traffic owing to the closure of dining rooms. As a result, breakfast and lunch day part sales were negatively impacted. Of these revenues, 83.3% was contributed by Restaurants and 16.7% was added by Retail supply chain.

Comps Details

Comparable store restaurant sales declined 41.7% in the reported quarter owing to a 43.6% fall in comparable store restaurant traffic, partially offset by a 1.9% uptick in average check. Moreover, comparable store retail sales in the fiscal third quarter declined 45.5% from the prior-year quarter's figure.

Operating Highlights

Cost of goods sold (exclusive of depreciation and rent) increased 240 basis points (bps). General and administrative expenses rose 150 bps year over year.

Operating loss in fiscal third quarter totaled \$79 million against an operating profit of \$65.1 million in the prior-year quarter. Operating margin was a negative 18.3%, down 2710 bps from the prior-year quarter. The decline in operating margin was caused by increases in operating as well as general and administrative expenses along with cost of goods sold and labor-related expenses.

Excluding \$18.3-million impairment charges related to store assets and approximately \$7.1 million of COVID-19-related expenses, adjusted operating loss was \$53.6 million.

Balance Sheet

As of May 1, 2020, cash and cash equivalents were \$363.3 million, up from \$167.6 million as of May 3, 2019.

Inventory at the end of the quarter under review amounted to \$146.3 million, down from \$152.6 million at the end of third-quarter fiscal 2019.

Long-term debt amounted to \$940 million at the end of the quarter, up from \$400 million at the end of the prior-year quarter.

On May 28, the company withdrew approximately \$40 million through an exercise of an accordion feature to increase borrowing capacity under its credit facility, which is scheduled to mature in May 2021.

Net cash provided by operating activities was \$87.2 million in the first nine months of fiscal 2020 compared with \$252.6 million in the comparable prior-year period.

However, due to uncertainty tied to the COVID-19 pandemic, the company has suspended its share repurchase activity as well as dividend payment program.

Fiscal 2020 Guidance Suspended

Given the level of uncertainty regarding the coronavirus impact, the company has withdrawn its 2020 guidance.

Stores Update

Although Cracker Barrel was operating only through delivery and takeaway services from late March through late April, the company started to initiate dine-in openings thereafter.

For the week ended May 29, 2020, comparable store restaurant sales for stores with dine-in service fell approximately 32% year over year. As of May 29, 2020, the company operates 505 stores with limited dine-in service and expects to substantially increase it across all its stores by June-end.

Quarter Ending 04/2020

Report Date	Jun 02, 2020
Sales Surprise	-4.43%
EPS Surprise	-44.28%
Quarterly EPS	-6.81
Annual EPS (TTM)	0.74

Recent News

Cracker Barrel Boost Delivery Service With DoorDash Partnership – Apr 27, 2020

In a bid to boost its delivery services, Cracker Barrel announces its partnership with a leading on-demand logistics platform – DoorDash. The service is likely to start from April 30 onwards.

Cracker Barrel Suspends Buyback Program Due to Coronavirus – Mar 25, 2020

Cracker Barrel suspended its dividend and stock buyback in an effort to preserve cash and maintain ample liquidity amid a possible recession due to the coronavirus outbreak. Owing to the outbreak, the company has been operating only through pick-up and delivery services with the dine-in facility being waived.

Valuation

Cracker Barrel shares are down 23.7% year-to-date and 30.9% in the trailing 12-month period. Stocks in the Zacks sub-industry is down by 7%, but the Zacks Retail-Wholesale sector are up by 9.8% in the year-to-date period. Over the past year, the Zacks sub-industry were down by 7.2%, but sector were up by 17.1%.

The S&P 500 index is down 4.8% in the year-to-date period, but up 5.1% in the past year.

The stock is currently trading at 20.44X trailing 12-month earnings, which compares to 28.14X for the Zacks sub-industry, 31.78X for the Zacks sector and 19.74X for the S&P 500 index.

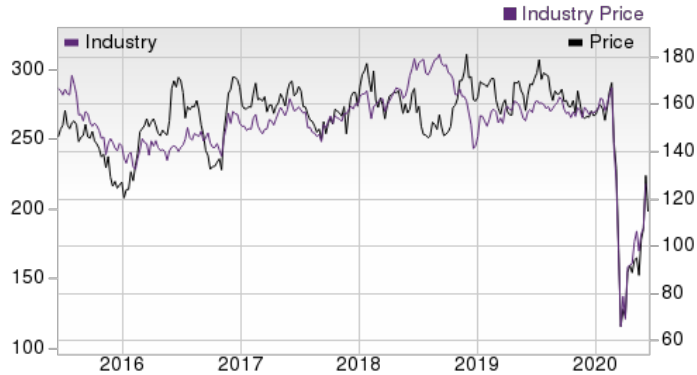
Over the past five years, the stock has traded as high as 24.85X and as low as 5.88X, with a 5-year median of 18.79X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$123 price target reflects 21.42X trailing 12-month earnings.

The table below shows summary valuation data for CBRL.

Valuation Multiples - CBRL					
		Stock	Sub-Industry	Sector	S&P 500
P/E TTM	Current	20.44	28.14	31.78	19.74
	5-Year High	24.85	29.42	31.78	22.23
	5-Year Low	5.88	22.72	23.31	15.96
	5-Year Median	18.79	26.12	26.43	19.04
P/S F12M	Current	1.01	3.66	1.1	3.44
	5-Year High	1.44	3.93	1.13	3.44
	5-Year Low	0.42	2.81	0.81	2.53
	5-Year Median	1.23	3.31	0.95	3.02
EV/EBITDA TTM	Current	15.49	16.98	17.45	11.35
	5-Year High	16.97	17.86	17.91	12.85
	5-Year Low	5.58	11.94	11.05	8.25
	5-Year Median	10.9	14.3	12.79	10.82

As of 06/16/2020

Industry Analysis Zacks Industry Rank: Top 37% (94 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
The Cheesecake Factory Incorporated (CAKE)	Neutral	3
Dominos Pizza Inc (DPZ)	Neutral	2
Darden Restaurants, Inc. (DRI)	Neutral	3
Brinker International, Inc. (EAT)	Neutral	3
McDonalds Corporation (MCD)	Neutral	3
DaveBusters Entertainment, Inc. (PLAY)	Neutral	3
Starbucks Corporation (SBUX)	Neutral	3
The Wendys Company (WEN)	Neutral	3

Industry Comparison Industry: Retail - Restaurants				Industry Peers		
	CBRL	X Industry	S&P 500	CAKE	DPZ	EAT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	3
VGM Score	D	-	-	B	B	A
Market Cap	2.78 B	278.42 M	22.00 B	1.13 B	14.66 B	1.24 B
# of Analysts	3	6	14	11	12	9
Dividend Yield	0.00%	0.00%	1.92%	5.79%	0.83%	5.51%
Value Score	B	-	-	B	C	A
Cash/Price	0.13	0.13	0.06	0.05	0.03	0.14
EV/EBITDA	9.77	12.14	12.79	11.05	26.55	9.60
PEG Ratio	NA	4.80	3.00	NA	2.60	2.44
Price/Book (P/B)	7.09	2.08	3.04	1.94	NA	NA
Price/Cash Flow (P/CF)	8.52	8.68	11.81	5.41	32.92	3.44
P/E (F1)	51.17	41.21	21.70	NA	33.12	24.42
Price/Sales (P/S)	0.99	0.63	2.34	0.45	4.01	0.37
Earnings Yield	-1.17%	0.24%	4.33%	-6.63%	3.02%	4.09%
Debt/Equity	3.56	1.12	0.77	2.59	-1.26	-4.49
Cash Flow (\$/share)	13.77	1.81	7.01	4.60	11.39	8.03
Growth Score	F	-	-	C	A	A
Hist. EPS Growth (3-5 yrs)	4.00%	5.16%	10.87%	-0.49%	31.51%	5.16%
Proj. EPS Growth (F1/F0)	-114.81%	-87.62%	-10.58%	-163.15%	18.29%	-71.25%
Curr. Cash Flow Growth	7.73%	4.05%	5.46%	-1.46%	9.16%	-3.96%
Hist. Cash Flow Growth (3-5 yrs)	10.21%	6.26%	8.55%	2.15%	17.68%	-1.24%
Current Ratio	1.58	0.81	1.29	0.40	1.76	0.61
Debt/Capital	78.07%	69.35%	45.06%	72.13%	NA	NA
Net Margin	0.27%	2.64%	10.53%	3.86%	11.75%	3.62%
Return on Equity	24.85%	1.11%	16.06%	16.40%	-13.60%	-24.65%
Sales/Assets	1.39	1.03	0.55	1.03	2.86	1.51
Proj. Sales Growth (F1/F0)	-18.26%	-9.66%	-2.59%	-17.88%	8.98%	-4.67%
Momentum Score	F	-	-	B	B	A
Daily Price Chg	1.05%	0.00%	1.81%	-0.99%	-0.81%	0.99%
1 Week Price Chg	-11.74%	-7.01%	-7.25%	-14.08%	0.46%	-9.98%
4 Week Price Chg	21.36%	10.00%	8.30%	23.97%	1.31%	21.53%
12 Week Price Chg	23.62%	29.45%	28.43%	29.45%	9.11%	99.28%
52 Week Price Chg	-30.86%	-33.56%	-3.34%	-45.38%	32.76%	-28.87%
20 Day Average Volume	734,583	389,592	2,618,631	4,436,711	764,929	3,175,052
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-1.22%
(F1) EPS Est 4 week change	11.87%	0.08%	0.00%	5.72%	3.55%	4.15%
(F1) EPS Est 12 week change	-76.06%	-92.46%	-14.98%	-159.87%	3.95%	-73.20%
(Q1) EPS Est Mthly Chg	38.96%	2.29%	0.00%	2.23%	10.98%	6.19%

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	F
Momentum Score	F
VGM Score	D

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.