

Central Garden & Pet (CENT)

\$36.21 (As of 06/29/20)

Price Target (6-12 Months): **\$38.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/07/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: C

Momentum: D

Summary

Shares of Central Garden & Pet have outpaced the industry in the past six months, courtesy of its better-than-expected second-quarter fiscal 2020 results. Both top and bottom lines rose year over year in the quarter. Robust organic sales growth in the Garden and Pet segments and gains from the C&S and Arden acquisitions have been driving the top line. Moreover, decline in SG&A costs bode well. However, management withdrew its fiscal 2020 view on expectations of unprecedented impacts from the ongoing coronavirus pandemic. Moreover, store closures, reduced traffic along with restrictions on specialty areas, such as outdoor garden or live animals, negatively impacted the Garden segment. It envisions third and fourth quarters of fiscal 2020 to be hurt by COVID-19-related impacts. Additionally, soft margins remain a drag.

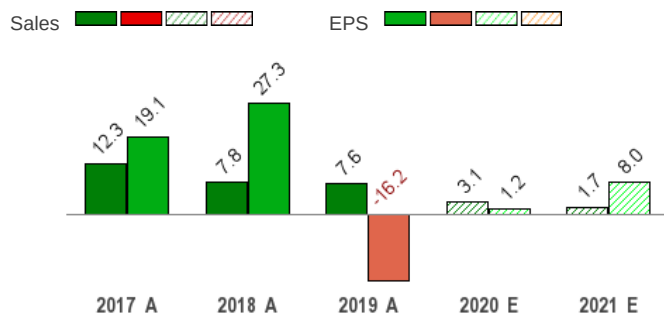
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$37.29 - \$22.40
20 Day Average Volume (sh)	78,875
Market Cap	\$2.0 B
YTD Price Change	16.5%
Beta	0.33
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Consumer Products - Discretionary
Zacks Industry Rank	Top 37% (94 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.6%
Last Sales Surprise	1.5%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	08/06/2020
Earnings ESP	0.0%
P/E TTM	23.5
P/E F1	22.4
PEG F1	3.1
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	500 E	724 E	739 E	575 E	2,498 E
2020	483 A	703 A	721 E	549 E	2,456 E
2019	462 A	674 A	707 A	541 A	2,383 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.10 E	-\$0.08 E	\$0.86 E	\$0.85 E	\$1.75 E
2020	-\$0.08 A	\$0.78 A	\$0.79 E	\$0.81 E	\$1.62 E
2019	\$0.03 A	\$0.72 A	\$0.80 A	\$0.04 A	\$1.60 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 06/29/2020. The reports text is as of 06/30/2020.

Overview

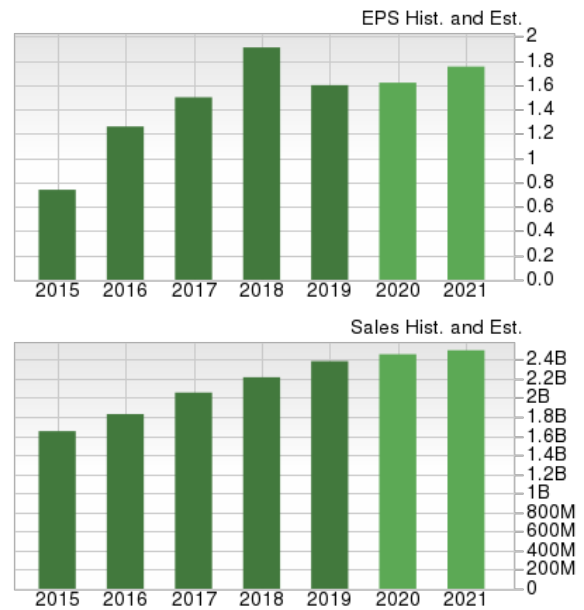
Committed to product innovation, Central Garden & Pet Co. is looking forward to strengthening its position as one of the leading companies in the U.S. pet supplies and lawn and garden supplies space. Unique packaging, point-of-sale displays, logistic capabilities and a high level of customer service are some of its key growth catalysts.

With such upsides, it boasts a wide repertoire of clients, including PetSmart, PETCO, Walmart, Home Depot and Lowe's. Further, the company actively engages in buyout activities to gain market share. In this regard, it acquired four new businesses in the last two years, including Arden and C&S.

Moving on, the company offers products to mass merchants, home improvement centers, lawn and garden nurseries, grocery stores, specialty pet stores, veterinarians' municipalities, and other individual animal buyers. It also produces both branded products and private-label products along with distributing third-party brands. With such a wide array of products in its portfolio, Central Garden & Pet operates under two segments as discussed below.

Pet Segment (58% of Fiscal 2019 total sales): This segment offers food and accessories for dogs, cats, birds, small animals, fishes, horses and livestock under brands, such as Adams, Aqueon, Avoderm, Cadet, Farnam, Four Paws, Kaytee, K&H Pet Products, Nylabone, Pinnacle, TFH, Zilla, Comfort Zone and Coralife.

Garden Segment (42% of Fiscal 2019 total sales): This segment offers both proprietary and nonproprietary grass seeds, herbicides, insecticides, pesticides, decorative outdoor lifestyle and lighting products. The segment markets its products under brands such as AMDRO, Ironite, Pennington, Sevin, Over-N-Out and The Rebels.



Reasons To Buy:

▲ **Robust Q2 Performance Aids Stock:** We note that shares of Central Garden & Pet have gained 17.6% in the past six months, outperforming the industry's 7.8% growth. Central Garden reported better-than-expected second-quarter fiscal 2020 results, wherein both top and bottom lines also improved on a year-over-year basis. Notably, adjusted earnings of 78 cents per share rose 6.8% year over year driven by strong sales growth as well as operating margin expansion. Notably, operating income improved 6.3% from the prior-year quarter, while operating margin expanded 20 basis points to 9.4%. The uptick in operating margin was mainly driven by gains from acquisitions and lower SG&A expenses.

Central Garden & Pet's impressive Q2 results gained from the acquisitions of Arden and C&S coupled with organic sales growth. Also, a decline in SG&A expenses bodes well.

Additionally, the company has been witnessing a sturdy top-line performance. In second-quarter fiscal 2020, sales rose 4.4%, following hikes of 4.5%, 7.7% and 7.4% in the preceding three quarters. Net sales for the Pet segment increased 6.7% year over year driven by the acquisition of C&S. Organic sales increased 3.8% on strength in dog treats and chews, pet distribution, small animal supplies, and animal health categories. Further, sales for the Garden segment improved 2.1% year over year aided by the acquisition of Arden. The company believes that the U.S. pet supplies market will increase in the long term due to favorable demographic and leisure trends, while gardening is one of the most popular leisure activities.

▲ **Lower SG&A in Q2 Bodes Well:** During the second quarter of fiscal 2020, Central Garden & Pet's SG&A expenses declined 2% year over year owing to reduced administrative spending and transportation costs in the base business, somewhat offset by a rise in inorganic and corporate spending. Further, SG&A expenses, as a percent of sales, contracted 130 basis points to 20.1%. Persistence of this trend is likely to favorably impact the company's bottom line in the near term.

▲ **Debt Analysis:** Central Garden's cash and cash equivalents at the end of second-quarter fiscal 2020 was \$331.5 million, which is sufficient to fund its short-term obligations of \$135.4 million (includes current lease liabilities and current portion of long-term debt). As of Mar 28, 2020, the company's long-term debt (including operating lease liabilities) of \$764.4 million declined 0.5% sequentially. Moreover, its debt-to-capitalization of 0.45 remains unchanged from the prior quarter. Also, the company's times interest earned ratio is stable at 3.6 as of Mar 28, 2020. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet its debt obligations based on its current income. Moreover, the company is likely to stay afloat amid the coronavirus pandemic, with \$200 million drawn on its \$400-million credit line to meet the short-term cash crunch.

▲ **Healthy Commercial Relationship:** Being the leading producer of garden and pet supplies products in the U.S. with a diversified portfolio of brands has aided Central Garden & Pet in developing healthy commercial relationships with giant retailers such as PetSmart, PETCO, Walmart, Home Depot and Lowe's. We believe this provides the company significant opportunity to drive growth. Walmart, the company's largest customer, accounted about. Sales to Walmart represented approximately 28%, 29% and 31%, sales to Lowe's represented about 22%, 21% and 21%, and sales to Home Depot represented roughly 29%, 27% and 20% of Garden segment's net sales in fiscal 2019, 2018 and 2017, respectively.

Walmart, the company's largest customer, accounted about 16% of total company net sales in each of the fiscal years 2019, 2018 and 2017. Home Depot, the second largest customer, reflected approximately 12%, 11% and 8% of our total company net sales in fiscal 2019, 2018 and 2017, respectively. Moreover, other prominent customers include Lowe's, Costco and PetSmart, and together with Walmart and Home Depot, represented for approximately 49% of net sales in fiscal 2019, 48% in fiscal 2018 and 44% in fiscal 2017.

▲ **Acquisitions Playing Key Role:** Central Garden & Pet company has been a disciplined buyer in the garden and pet areas and has concluded more than 50 acquisitions since 1992. The company through buyouts also look to enhance manufacturing capabilities, operating synergies, or developing distribution network. In the last two years, the company has bought four new businesses including entering into the live plant and outdoor seat cushion businesses. In this regard, Central Garden & Pet acquired C&S Products in May 2019, which will complement its existing wild bird feed business. Prior to this, the company acquired the remaining 55% stake at Arden Companies in February 2019. Earlier, the company bought Bell Nursery, a leading grower and distributor of live flowers and plants in March 2018, while the same year in April, it acquired General Pet Supply, a supplier of pet food and supplies. The company also purchased two small wholesale distributors of fish and small animals during fiscal 2018.

▲ **A Complete Metamorphosis:** Central Garden & Pet's effective inventory management is helping it to optimize merchandise levels in accordance with sales trends and is also facilitating in optimum utilization of its working capital. Further, the company intends to evolve into an integrated, multi-brand company by restructuring and reorganizing operating units and consolidating facilities. The company is steadily making strides in advancing its digital capabilities to focus on e-commerce and optimizing supply chain. The company is also expanding its data analytics capability to improve and accelerate business insight. Management revealed plans to lower cost of goods sold and administrative spending by 1-2% annually via cost-containment efforts.

Reasons To Sell:

▼ **Withdraws Fiscal 2020 View On COVID-19 Impacts:** Central Garden & Pet notes that the impacts of COVID-19 on its performance became more pronounced from March, due to store closures, reduced traffic and restrictions on specialty areas like outdoor garden or live animals. This negatively impacted the Garden segment, particularly the Bell Nursery live plant business. Further, the ongoing pandemic coincides with the peak garden season, which usually starts from mid-March till June. Apart from this, management envisions COVID-19-related impacts to show on the company's results in the third and fourth quarters of fiscal 2020. Backed by expectations of unprecedented impacts, management withdrew its guidance for fiscal 2020.

Central Garden & Pet withdrew its fiscal 2020 view as a result of the uncertain COVID-19 impacts. Further, a dismal gross margin trend remains a concern.

▼ **Dismal Margin Trend:** Central Garden & Pet has been witnessing weakness in gross margins for quite some time now. Notably, gross margin contracted 110 basis points to 29.5% in second-quarter fiscal 2020 due to a decline in volumes in pottery and live fish businesses as well as unfavorable product sales mix. Moreover, gross margin fell 100 bps each in the first quarter of fiscal 2020 and the fourth quarter of fiscal 2019. This downside also stemmed from volume decline for certain categories as well as unfavorable product mix. Persistence of this trend may weigh on the company's profitability in the near future.

▼ **Seasonality of Garden Segment:** Gardening is generally limited to the period between spring to summer, which makes the garden business highly seasonal in nature. A major part of the sales occurs during the second and third fiscal quarters. Failure to perform during the season is likely to have a significant impact on the company's yearly financials. In fiscal 2019, approximately 69% of Garden segment's net sales and 58% of total net sales occurred during the second and third quarters.

▼ **Tough competition:** Central Garden & Pet operates in highly-competitive markets. It faces intense competition from regional and national firms on grounds of price, product quality, number of products offered, brand awareness and customer service. The company's growth and success depend on its ability to offer high-quality distinguished products at a competitive price. The company's lawn and garden products compete against national and regional products and private label products produced by various suppliers. The company turf and forage grass seed products, fertilizers, pesticides and combination products compete primarily against products marketed by The Scotts Miracle-Gro Company ("Scotts"). Additionally, Spectrum Brands is a strong competitor in yard and household insecticides. The company's branded pet products compete against national and regional branded products and private label products produced by various suppliers. The company's largest competitors in the product categories are Spectrum Brands and Hartz Mountain. The segment's sales and logistics operations compete with Animal Supply Co., Phillips Pet Food & Supplies and a number of smaller local and regional distributors.

Last Earnings Report

Central Garden's Q2 Earnings & Sales Beat Estimates

Central Garden reported better-than-expected second-quarter fiscal 2020 results, wherein both top and bottom lines improved on a year-over-year basis. Although uncertain impacts of COVID-19 remain a drag, gains from acquisitions contributed to quarterly results.

Despite such robust results, management withdrew its fiscal 2020 view on expectations of unprecedented impacts from the ongoing COVID-19 situation.

Quarter Ending **03/2020**

Report Date	May 06, 2020
Sales Surprise	1.45%
EPS Surprise	2.63%
Quarterly EPS	0.78
Annual EPS (TTM)	1.54

Delving Deeper

The company reported adjusted earnings of 78 cents per share, up 6.8% from 73 cents in the year-ago period. Moreover, the figure surpassed the Zacks Consensus Estimate of 76 cents.

The company reported net sales of \$703.2 million, beating the Zacks Consensus Estimate of \$693 million. Further, the metric rose 4.4% from the year-ago period, driven by acquisitions of Arden and C&S. Meanwhile, organic sales grew 0.5% on the back of solid performance of the Pet business.

Gross profit increased 0.5% to \$207.1 million, whereas gross margin contracted 110 basis points to 29.5%. Gross margin contraction can be attributable to a decline in volumes in certain categories as well as unfavorable mix in product sales.

Operating income was \$66.1 million, up 6.3% from the prior-year quarter, while operating margin expanded 20 basis points to 9.4%. The uptick in operating margin mainly driven by gains from acquisitions and declining SG&A expenses.

Additionally, SG&A expenses came in at \$141 million for the quarter under review, down 2% from \$143.9 million reported in the last year quarter. This might be due to reduced administrative spending and transportation costs in the base business, somewhat offset by a rise in inorganic and corporate spending. Further, SG&A expenses, as a percent of sales, contracted 130 basis points to 20.1%.

Segment in Detail

Net sales at the **Pet** segment advanced 6.7% year over year to \$360.8 million, driven by the acquisition of C&S. Organic sales increased 3.8%, driven by strength in dog treats and chews, pet distribution, small animal supplies, and animal health categories. This was partly offset by weak live fish sales due to major retailers exiting the category during fiscal 2019, shipment issues for live animals stemming from the COVID-19 situation and adverse impacts of lower pet bedding sales.

The segment's operating income (excluding a \$2.5 million cost related to live fish business, incurred in the last year quarter) grew 13.9% year over year to \$33.6 million, backed by the C&S acquisition and organic sales growth. Meanwhile, operating margin expanded 130 basis points to 9.3% on the back of higher volumes and lower administrative costs.

At the **Garden** segment, net sales advanced 2.1% year over year to \$342.4 million, driven by the acquisition of Arden. Organic sales decreased 2.8% due to the company's exit from the fashion decor pottery product line. Also, lower sales in grass seed and controls businesses acted as deterrents. On the flip side, Garden distribution, wild bird feed and live plant categories performed well.

The segment reported an operating income of \$53 million, down 0.7% from \$53.4 million in the year-ago quarter. Also, operating margin contracted 40 basis points to 15.5%.

Financial Details

Central Garden & Pet ended the quarter with cash and cash equivalents of \$331.6 million and total debt of \$693.6 million compared with \$329.7 million and \$697.8 million, respectively, in the prior-year period. Shareholders' equity at the end of the quarter was \$993 million, excluding non-controlling interest of \$429,000.

Cash used in operating activities was \$74.6 million in the reported quarter. Moreover, the company bought back shares worth \$25 million during the fiscal second quarter. As of Mar 28, it had \$100 million remaining under its share repurchase program. Additionally, it has 800,000 shares remaining under the board's equity dilution authorization.

Net interest expenses increased to \$9.3 million in the reported quarter, up from \$8.4 million in the prior-year period. Management incurred capital expenditure of \$10 million in the quarter under review.

Looking Ahead

Although the company's performance was in line with its full-year guidance and it witnessed positive momentum till February, the impacts of COVID-19 became more pronounced from March due to store closures, reduced traffic and restrictions on specialty areas, such as outdoor garden or live animals. This negatively impacted the Garden segment, particularly the Bell Nursery live plant business. However, changes in consumer preference, which led to a rise in pet ownership, temporary hoarding of consumables and shift from a mix of channels to e-commerce worked in favor of Central Garden & Pet.

The company also noted that the ongoing pandemic coincides with the peak garden season, which usually starts from mid-March till June. Apart from this, management envisions COVID-19-related impacts to show on the company's results in the third and fourth quarters of fiscal 2020.

Valuation

Central Garden & Pet Company shares are up 16.6% in the year-to-date period and 27.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 7.8% but those in the Zacks Consumer Discretionary sector are down 13.7% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are down 0.2% and 9.8%, respectively.

The S&P 500 index is down 5.1% in the year-to-date period but up 3.7% in the past year.

The stock is currently trading at 21.06X forward 12-month earnings, which compares to 18.33X for the Zacks sub-industry, 32.54X for the Zacks sector and 21.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.29X and as low as 12.2X, with a 5-year median of 19.18X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$38 price target reflects 22.1X forward 12-month earnings.

The table below shows summary valuation data for CENT

Valuation Multiples - CENT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.06	18.33	32.54	21.87
	5-Year High	26.29	26.7	32.54	22.14
	5-Year Low	12.2	10.31	16.21	15.25
	5-Year Median	19.18	18.67	19.91	17.52
P/S F12M	Current	0.8	1.05	2.16	3.42
	5-Year High	1.05	1.22	3.19	3.44
	5-Year Low	0.27	0.57	1.67	2.53
	5-Year Median	0.74	0.92	2.5	3.02
EV/EBITDA TTM	Current	12.02	8.44	9.94	11.31
	5-Year High	14.99	23.03	17.62	12.86
	5-Year Low	6.47	5.43	8.29	8.25
	5-Year Median	10.04	12.23	12.23	10.85

As of 06/29/2020

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



Top Peers

Company (Ticker)	Rec	Rank
Aphria Inc. (APHA)	Neutral	3
Chewy Inc. (CHWY)	Neutral	3
General Mills, Inc. (GIS)	Neutral	3
Hengan International Group Co., Ltd. Un-sponsored ADR (HEGIY)	Neutral	3
Prestige Consumer Healthcare Inc. (PBH)	Neutral	4
Party City Holdco Inc. (PARTY)	Neutral	5
The J. M. Smucker Company (SJM)	Neutral	4
Spectrum Brands Holdings Inc. (SPB)	Neutral	2

Industry Comparison Industry: Consumer Products - Discretionary				Industry Peers		
	CENT	X Industry	S&P 500	CHWY	GIS	SPB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	B	-	-	C	B	B
Market Cap	1.98 B	190.71 M	21.46 B	18.13 B	36.82 B	1.97 B
# of Analysts	4	2	14	7	8	3
Dividend Yield	0.00%	0.00%	1.95%	0.00%	3.23%	3.68%
Value Score	B	-	-	F	B	B
Cash/Price	0.18	0.16	0.07	0.01	0.02	0.25
EV/EBITDA	11.18	8.19	12.54	-81.94	14.83	12.17
PEG Ratio	3.08	3.06	2.81	NA	2.31	1.19
Price/Book (P/B)	2.00	1.57	2.93	NA	4.68	1.71
Price/Cash Flow (P/CF)	14.03	7.62	11.53	NA	14.25	4.57
P/E (F1)	22.09	17.30	20.96	NA	17.35	15.78
Price/Sales (P/S)	0.81	0.76	2.25	3.38	2.20	0.51
Earnings Yield	4.47%	5.44%	4.53%	-1.00%	5.76%	6.33%
Debt/Equity	0.77	0.53	0.76	-0.58	1.47	2.45
Cash Flow (\$/share)	2.58	1.08	7.01	-0.55	4.26	9.99
Growth Score	C	-	-	A	C	B
Hist. EPS Growth (3-5 yrs)	18.21%	4.08%	10.93%	NA	2.74%	NA
Proj. EPS Growth (F1/F0)	1.25%	2.45%	-10.50%	-54.19%	-1.55%	1.16%
Curr. Cash Flow Growth	-4.06%	-4.06%	5.51%	-5.57%	5.47%	64.31%
Hist. Cash Flow Growth (3-5 yrs)	21.71%	14.36%	8.62%	NA	1.32%	16.24%
Current Ratio	3.81	1.66	1.30	0.61	0.64	2.39
Debt/Capital	43.49%	44.93%	44.51%	NA	59.59%	71.05%
Net Margin	3.57%	-1.52%	10.62%	-5.05%	12.68%	-6.31%
Return on Equity	8.69%	2.29%	15.82%	NA	26.40%	10.92%
Sales/Assets	1.16	1.00	0.55	5.75	0.55	0.74
Proj. Sales Growth (F1/F0)	3.05%	0.00%	-2.61%	37.26%	-3.03%	-2.73%
Momentum Score	D	-	-	C	A	D
Daily Price Chg	4.29%	0.00%	1.71%	-3.81%	2.58%	5.96%
1 Week Price Chg	3.36%	0.00%	-3.90%	-6.68%	-3.85%	-4.58%
4 Week Price Chg	0.95%	0.00%	-2.17%	0.13%	-4.41%	-4.48%
12 Week Price Chg	18.95%	22.87%	14.42%	35.91%	5.27%	22.87%
52 Week Price Chg	26.88%	-33.33%	-8.82%	34.17%	13.90%	-13.69%
20 Day Average Volume	78,875	42,278	2,732,041	5,175,239	4,793,068	502,030
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.29%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-22.27%	0.39%	-1.81%
(F1) EPS Est 12 week change	-0.15%	-0.24%	-10.60%	6.52%	1.56%	-2.47%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-10.87%	0.72%	0.00%

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	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.