

Chemed Corporation (CHE)

\$459.90 (As of 07/01/20)

Price Target (6-12 Months): **\$483.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/10/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

Growth: A

Momentum: D

Summary

Chemed's continued solid revenue growth across key subsidiaries in the first quarter of 2020 buoys optimism. VITAS has been recording continued uptick in total admissions. Expansion of average daily census is also encouraging. Roto-Rooter arm has been seeing growth on strong performance by the core plumbing, excavation and drain cleaning service segments. Expansion in both margins in the quarter also bodes well. It put up a robust show in the quarter with better-than-expected earnings. Over the past six months, its share price has consistently outperformed its industry. Yet, revenue miss along with economic doldrums due to the pandemic affected the share price over the past few months. Reimbursement issues, business seasonality and a tough competition are other concerns. A weak slency with a slightly leveraged balance sheet is also deterring.

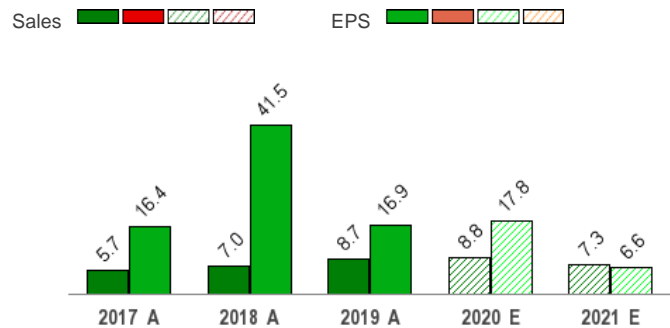
Price, Consensus & Surprise



Data Overview

| | |
|----------------------------|----------------------------------------------------------|
| 52 Week High-Low | \$513.75 - \$330.01 |
| 20 Day Average Volume (sh) | 123,441 |
| Market Cap | \$7.3 B |
| YTD Price Change | 4.7% |
| Beta | 0.70 |
| Dividend / Div Yld | \$1.28 / 0.3% |
| Industry | Medical - Outpatient and Home Healthcare |
| Zacks Industry Rank | Top 39% (99 out of 252) |

Sales and EPS Growth Rates (Y/Y %)



| | |
|---------------------------|------------|
| Last EPS Surprise | 2.2% |
| Last Sales Surprise | -1.5% |
| EPS F1 Est- 4 week change | 0.0% |
| Expected Report Date | 07/23/2020 |
| Earnings ESP | 0.0% |
| P/E TTM | 31.2 |
| P/E F1 | 28.0 |
| PEG F1 | 3.2 |
| P/S TTM | 3.7 |

Sales Estimates (millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | 548 E | 560 E | 570 E | 585 E | 2,263 E |
| 2020 | 516 A | 509 E | 529 E | 554 E | 2,109 E |
| 2019 | 462 A | 474 A | 481 A | 522 A | 1,939 A |

EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|----------|----------|----------|----------|-----------|
| 2021 | \$3.93 E | \$4.38 E | \$4.42 E | \$4.93 E | \$17.51 E |
| 2020 | \$3.68 A | \$3.79 E | \$4.06 E | \$4.68 E | \$16.43 E |
| 2019 | \$2.92 A | \$3.36 A | \$3.46 A | \$4.22 A | \$13.95 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 07/01/2020. The reports text is as of 07/02/2020.

Overview

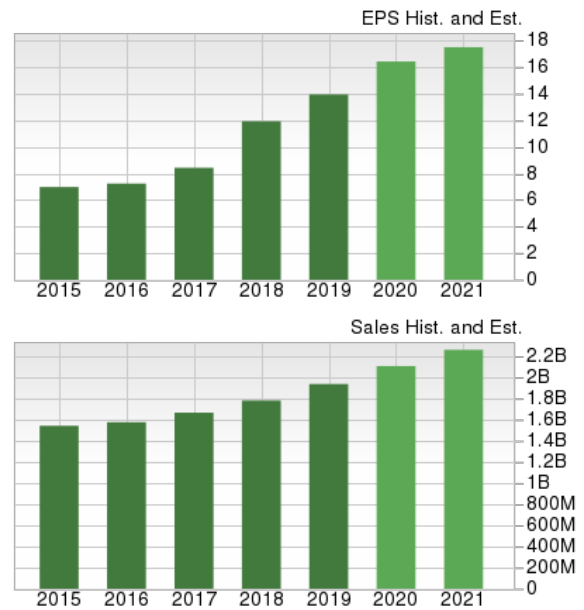
Cincinnati, OH-based Chemed Corporation purchases, operates and divests subsidiaries engaged in diverse business activities. The company's operating businesses are managed on a decentralized basis. Since its inception, Chemed has engaged in twelve significant acquisitions or divestitures of diverse business units.

Chemed currently operates as two wholly-owned subsidiaries: VITAS Healthcare and Roto-Rooter.

VITAS Healthcare (65.1% of total revenues in 2019; underlying growth rate was 10.8% from 2018): The segment provides hospice and palliative care services for patients with terminal illnesses. This type of care is aimed at making a terminally ill patient's last days as comfortable and pain-free as possible. Hospice care is available for patients who have been initially certified or re-certified as terminally ill (a prognosis of six months or less) by their attending physician, if any, and the hospice physician. VITAS offer all levels of hospice care in a given market, including routine home care, inpatient care and continuous care. Over 95% of VITAS' revenues are derived through Medicare and Medicaid reimbursement programs.

Roto-Rooter (34.9%; up 21.2%): The segment provides plumbing and drain-cleaning services to both residential and commercial customers. This segment provides repair and maintenance services to residential and commercial accounts using the Roto-Rooter registered service marks. Such services include plumbing and sewer, drain and pipe cleaning. They are delivered through company-owned and operated territories, independent contractor-operated territories and franchised locations. This segment also manufactures and sells products and equipment used to provide such services.

In 2019, Roto-Rooter made two separate acquisitions of territories from former franchisees. This was part of Roto-Rooter's current strategy of franchise acquisition to boost productivity, market share and profitability.



Reasons To Buy:

▲ **Share Price Movement:** Over the past six months, Chemed's share price has consistently outperformed its industry. The stock has gained 4.2% against the industry's 3.2% fall. The company exited the first quarter with better-than-expected earnings. It is optimistic to note that in the quarter, the company once again registered solid revenue growth both across key subsidiaries. Over the past few quarters, VITAS has been registering continued uptick in total admissions. Expansion of average daily census is also encouraging. Meanwhile, the Roto-Rooter business has been seeing growth on strong performance by the core plumbing, excavation and drain cleaning service segments. Expansion in both margins in the quarter also bodes well.

Chemed's Roto-Rooter business growth buoys optimism. The company has been registering strong performance from VITAS business over the past few quarters.

▲ **VITAS Prospects Bright:** Chemed has been registering strong performance from VITAS business over the past few quarters.

In the first quarter, net revenues at VITAS reflected a rise of 10.1% year over year. The top-line improvement was driven by a 5% increase in geographically weighted average Medicare reimbursement rate, 5.9% rise in days-of-care and acuity mix shift.

In the reported quarter, the company's average daily census witnessed an uptick of 4.7% year over year. Total admissions grew 4.8% in the first quarter of 2020. However, on a year over year basis, it expanded 1.1% in March. This was when the COVID-19 related business disruption started to impact the healthcare system since the second half of March. This represented a continuation of improvement in admissions over the previous five quarters. Further, admissions from hospital referrals increased 7.9% in the quarter. Home-based admissions increased 2.8% and nursing home admissions expanded 20 basis points.

Notably, the segment received \$80.2 million from the CARES Act Relief Fund as a formulaic calculation applied to VITAS' 2019 Medicare fee-for-service revenue.

▲ **Roto-Rooter Continues to Expand:** Roto-Rooter is currently the nation's leading provider of plumbing and drain cleaning services, providing services to over 90% of the U.S. population.

In the first quarter the segment surged 14.6% year over year. On a unit-for-unit basis, (excluding the Oakland and HSW acquisitions completed in July and September 2019), the segment registered a year-over-year increase of 1.6%. Total commercial revenues (including acquisitions) registered growth of 20.1% on a 25% rise in drain cleaning revenues, and 20.1% improvement in commercial plumbing and excavation.

Total residential revenues (including acquisitions) registered growth of 11.7% on an 18.5% rise in residential drain cleaning revenues, a 14.4% improvement in plumbing and excavation, and a 1% increase in residential water restoration.

The acquisition of franchise territories held by the company's largest independent franchisees, serving the Metro Los Angeles area of Inland Empire, San Fernando Valley, San Gabriel County, and Orange County. Additionally, territories in San Diego, CA; Dallas and El Paso, TX; Phoenix, Tucson and Florence, AZ; Salt Lake City, Ogden, Park City and Provo, UT; and Portland and Salem, OR hold potential for long term growth. These areas (in which Roto-Rooter operates) garnered initial aggregate revenues of \$17 million and currently serves a population of approximately 32 million.

Reasons To Sell:

- ▼ **Reimbursement Headwind Hampering Topline Growth:** CMS' implementation of a refinement to the Medicare hospice reimbursement per diem (announced in Jan 2016) eliminated the single-tier per diem for routine home care (RHC) and replaced it with a two-tiered rate, with a higher per diem rate for the first 60 days of a hospice patient's care, and a lower rate for day 61 and after. In addition, CMS provided for a Service Intensity Add-on (SIA) payment, which provides for reimbursement of care provided by a registered nurse or social worker for RHC patients within seven days prior to death. The current two-tiered national per diem rate for RHC is \$190.41 for the first 60 days and \$149.68 for RHC provided to patients in hospice beyond 60 days. An individual hospice's actual per diem rate is adjusted for differences in geographic cost of living.
- ▼ **Seasonality of the Business Weigh on the Stock:** A significant portion of the VITAS business operates in the state of Florida. As the majority of Chemed's patients are Medicare recipients, retirees relocating to Florida during the winter months generally result in higher admissions and revenue concentrated only within Florida during that period. Besides, the Roto-Rooter's revenue and operating results are also impacted by significant weather patterns across the U.S. which generally affects the revenue and operating results at Roto-Rooter.
- ▼ **Tough Competitive Landscape:** The market for sewer, drain and pipe cleaning and plumbing repair businesses is highly competitive. Competition is fragmented in most markets with local and regional firms providing much of the competition. Besides, Hospice care in the U.S. is competitive as programs for hospice services are generally uniform. As the hospice care industry is highly fragmented, VITAS compete with a large number of organizations on the basis of its ability to deliver quality, responsive services.
- ▼ **Dependence on Government Mandates:** Over 90% of VITAS' revenues consist of payments from the Medicare and Medicaid programs. The Medicare and Medicaid programs are increasing pressure to control health care costs and cut or limit increases in reimbursement rates for health care services. As with most government programs, the Medicare and Medicaid programs are subject to statutory and regulatory changes, possible retroactive and prospective rate and payment adjustments, administrative rulings, freezes and funding reductions, all of which may adversely affect the level of program payments and have a material adverse effect on VITAS' business. Hence, VITAS' levels of revenues and profitability are subject to the effect of legislative and regulatory changes, including possible reductions in coverage or payment rates or changes in methods of payment, by the Medicare and Medicaid programs.
- ▼ **Weak Solvency With Slight Leverage:** Chemed exited the first quarter of 2020 with cash and cash equivalents of \$29 million compared with \$6 million at the end of the fourth quarter of 2019. Meanwhile, total debt rose to \$284 million for the period from \$216 million in the sequentially last-reported quarter. This figure is much higher than the quarter-end cash and cash equivalent, indicating weak solvency.

Headwinds like seasonality in business, competitive landscape and dependence on government mandates are intimidating.

Moreover, if we go by the company's debt payable in the near term, it stands at \$36 million, more than the current cash holding. This is not good news as it implies that it does not have sufficient cash for short-term debt repayment during the pandemic. Debt comparison with the industry is, however, favorable as industry's total debt of \$3.12 billion, stands much higher than the company's debt level.

The quarter's total debt-to-capital ratio of 0.29 indicates a slightly leveraged balance sheet. This also represents an increase from the total debt-to-capital ratio of 0.23 in the sequentially last-reported quarter. This compares favorably with the total debt-to-capital of 0.47 of the industry.

Meanwhile, the times interest earned for the company stands at a pretty encouraging level of 64.8%, representing an increase from 58.7% at the end of the fourth quarter of 2019. This compares favorably with industry's low level of 5%.

The current payout ratio stands at an encouragingly low level of 8.6%. It also represents a sequential decline from 8.9% at the end of the fourth quarter of 2019. This ratio indicates sustainability in terms of dividend payment amid the ongoing economic crisis. Moreover, this compares favorably with the payout rate of the industry which stands at a higher level (14.8%).

On Mar 13, 2020, Chemed's management authorized an additional \$250 million for stock repurchase under the existing share repurchase program. As of Mar 31, there was approximately \$254 million of share repurchase authorization remaining under this plan.

Last Earnings Report

Chemed's Q1 Earnings Beat Estimates, Margins Improve

Chemed reported first-quarter 2020 adjusted earnings per share of \$3.68, up 26% year over year. The figure beat the Zacks Consensus Estimate by 2.2%.

The company's GAAP earnings per share was \$3.38, up 25.2% year over year.

Revenues in Detail

Revenues in the reported quarter improved 11.6% year over year to \$515.8 million, which lagged the Zacks Consensus Estimate by 1.5%.

Segmental Details

Chemed operates through two wholly-owned subsidiaries, namely VITAS (a major provider of end-of-life care) and Roto-Rooter (a leading commercial and residential plumbing plus drain cleaning service provider).

In the first quarter, net revenues at **VITAS** totaled \$337.9 million, reflecting a rise of 10.1% year over year. The top-line improvement was driven by a 5% increase in geographically weighted average Medicare reimbursement rate, 5.9% rise in days-of-care and acuity mix shift. However, decline in Medicare Cap, increase in Medicaid net room and board pass through and other contra revenue activity had minimal impact on revenue growth.

Roto-Rooter reported sales of \$177.9 million in the first quarter, reflecting growth of 14.6% year over year. On a unit-for-unit basis, excluding the Oakland and HSW acquisitions completed in July and September 2019, the segment registered revenues of \$158 million for the first quarter (a year-over-year increase of 1.6%).

Per the company, total commercial revenues (including acquisitions) registered growth of 20.1% on a 25% rise in drain cleaning revenues, and 20.1% improvement in commercial plumbing and excavation. However, commercial water restoration revenues declined 4.4%.

Total commercial revenues (excluding acquisitions) declined 3.5% due to flat year-over-year commercial drain cleaning revenues, a 4.3% fall in commercial plumbing and excavation revenues, and a 15.5% decline in commercial water restoration revenues.

Total residential revenues (including acquisitions) registered growth of 11.7% on an 18.5% rise in residential drain cleaning revenues, a 14.4% improvement in plumbing and excavation, and a 1% increase in residential water restoration.

Total residential revenues (excluding acquisitions) rose 2.4% due to a 4.1% growth in residential drain cleaning revenues, 4.4% increase in plumbing and excavation revenues. However, there was a 1.9% fall in residential water restoration revenues.

Margin in Detail

Gross profit rose 17.1% year over year to \$164.1 million in the first quarter of 2020. Gross margin expanded 149 basis points (bps) year over year to 31.8%.

Adjusted operating profit grew 41.5% from the year-ago period to \$93.5 million. Moreover, adjusted operating margin expanded 383 bps to 18.1% on a 4.7% decline in adjusted operating expenses.

Operational Update

Chemed exited the first quarter of 2020 with cash and cash equivalents of \$28.9 million compared with \$6.2 million at the end of 2019. Long-term debt at the end of first-quarter 2020 was \$160 million compared with \$90 million at 2019-end.

On Mar 13, 2020, Chemed's management authorized an additional \$250 million for stock repurchase under the existing share repurchase program. As of Mar 31, there was approximately \$254 million of share repurchase authorization remaining under this plan.

First-quarter net cash provided by operating activities was \$89.3 million compared with \$73.6 million a year ago.

Guidance

The management is likely to provide the 2020 earnings guidance in July 2020 as part of the second quarter earnings release.

Quarter Ending **03/2020**

| Report Date | Apr 28, 2020 |
|------------------|--------------|
| Sales Surprise | -1.49% |
| EPS Surprise | 2.22% |
| Quarterly EPS | 3.68 |
| Annual EPS (TTM) | 14.72 |

Valuation

Chemed shares are up 4.7% in the year-to-date period and up 24.3% in the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Medical sector are down 3.6% and 1.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 6.1% and up 1.1%, respectively.

The S&P 500 index is down 3.8% in the year-to-date period and up 4.1% in the past year.

The stock is currently trading at 27.1X Forward 12-months earnings, which compares to 21X for the Zacks sub-industry, 22.6X for the Zacks sector and 22.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 52.9X and as low as 16.5X, with a 5-year median 24.8X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$483 price target reflects 28.5X forward 12-months earnings.

The table below shows summary valuation data for CHE.

| Valuation Multiples - CHE | | | | | |
|---------------------------|---------------|-------|--------------|--------|---------|
| | | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M | Current | 27.10 | 21.02 | 22.61 | 22.19 |
| | 5-Year High | 52.88 | 22.60 | 23.15 | 22.19 |
| | 5-Year Low | 16.45 | 14.49 | 15.93 | 15.25 |
| | 5-Year Median | 24.82 | 17.67 | 18.94 | 17.52 |
| P/S F12M | Current | 3.34 | 2.46 | 2.77 | 3.47 |
| | 5-Year High | 3.76 | 2.59 | 3.74 | 3.47 |
| | 5-Year Low | 1.30 | 0.71 | 2.21 | 2.53 |
| | 5-Year Median | 2.31 | 1.04 | 2.90 | 3.02 |
| P/B TTM | Current | 10.68 | 3.03 | 4.27 | 4.24 |
| | 5-Year High | 11.32 | 4.00 | 5.06 | 4.56 |
| | 5-Year Low | 4.16 | 1.91 | 2.93 | 2.83 |
| | 5-Year Median | 7.69 | 2.48 | 4.27 | 3.69 |

As of 07/01/2020

Industry Analysis Zacks Industry Rank: Top 39% (99 out of 252)



Top Peers

| Company (Ticker) | Rec | Rank |
|------------------------------------|------------|------|
| Brookdale Senior Living Inc. (BKD) | Outperform | 2 |
| Addus HomeCare Corporation (ADUS) | Neutral | 3 |
| Amedisys, Inc. (AMED) | Neutral | 3 |
| DaVita Inc. (DVA) | Neutral | 3 |
| Encompass Health Corporation (EHC) | Neutral | 3 |
| The Ensign Group, Inc. (ENSG) | Neutral | 3 |
| Hanger Inc. (HNGR) | Neutral | 3 |
| LHC Group, Inc. (LHCG) | Neutral | 3 |

| Industry Comparison Industry: Medical - Outpatient And Home Healthcare | | | | Industry Peers | | |
|------------------------------------------------------------------------|---------|------------|-----------|----------------|------------|---------|
| | CHE | X Industry | S&P 500 | AMED | BKD | EHC |
| Zacks Recommendation (Long Term) | Neutral | - | - | Neutral | Outperform | Neutral |
| Zacks Rank (Short Term) | 3 | - | - | 3 | 2 | 3 |
| VGM Score | B | - | - | D | C | C |
| Market Cap | 7.30 B | 719.12 M | 21.87 B | 6.66 B | 547.66 M | 6.24 B |
| # of Analysts | 2 | 3 | 14 | 8 | 1 | 9 |
| Dividend Yield | 0.28% | 0.00% | 1.94% | 0.00% | 0.00% | 1.79% |
| Value Score | C | - | - | D | C | B |
| Cash/Price | 0.00 | 0.09 | 0.07 | 0.03 | 1.10 | 0.03 |
| EV/EBITDA | 24.13 | 11.32 | 12.69 | 28.80 | 16.56 | 10.19 |
| PEG Ratio | 3.21 | 2.75 | 2.86 | 3.22 | NA | 7.19 |
| Price/Book (P/B) | 10.68 | 2.91 | 2.98 | 9.79 | 0.52 | 3.44 |
| Price/Cash Flow (P/CF) | 26.68 | 11.85 | 11.63 | 33.09 | 2.52 | 10.09 |
| P/E (F1) | 28.44 | 32.18 | 21.27 | 44.95 | NA | 20.36 |
| Price/Sales (P/S) | 3.66 | 1.20 | 2.27 | 3.36 | 0.14 | 1.34 |
| Earnings Yield | 3.57% | 2.38% | 4.48% | 2.22% | -43.14% | 4.91% |
| Debt/Equity | 0.36 | 0.67 | 0.76 | 0.64 | 5.37 | 1.98 |
| Cash Flow (\$/share) | 17.24 | 1.90 | 6.94 | 6.21 | 1.19 | 6.22 |
| Growth Score | A | - | - | D | A | D |
| Hist. EPS Growth (3-5 yrs) | 21.36% | 7.83% | 10.93% | 35.44% | NA | 15.57% |
| Proj. EPS Growth (F1/F0) | 17.78% | 0.73% | -9.61% | 3.98% | -14.16% | -21.20% |
| Curr. Cash Flow Growth | 14.93% | 6.12% | 5.51% | 47.20% | -61.06% | 8.30% |
| Hist. Cash Flow Growth (3-5 yrs) | 14.21% | 13.00% | 8.62% | 30.47% | -11.65% | 13.00% |
| Current Ratio | 0.81 | 1.36 | 1.30 | 1.48 | 1.17 | 1.34 |
| Debt/Capital | 26.64% | 50.51% | 44.46% | 39.00% | 84.29% | 66.65% |
| Net Margin | 11.60% | 2.14% | 10.62% | 6.43% | 3.58% | 7.36% |
| Return on Equity | 35.99% | 13.48% | 15.75% | 23.09% | -23.96% | 22.00% |
| Sales/Assets | 1.64 | 0.82 | 0.55 | 1.55 | 0.55 | 0.76 |
| Proj. Sales Growth (F1/F0) | 8.78% | 2.87% | -2.57% | 5.16% | 0.00% | 1.87% |
| Momentum Score | D | - | - | B | F | B |
| Daily Price Chg | 1.96% | 0.00% | -0.32% | 3.57% | 1.36% | 1.29% |
| 1 Week Price Chg | -2.49% | -4.92% | -3.90% | 3.55% | -7.80% | -7.67% |
| 4 Week Price Chg | -1.98% | -0.38% | -4.56% | 13.51% | -25.44% | -14.86% |
| 12 Week Price Chg | 3.13% | 13.52% | 9.62% | 11.42% | -5.97% | -9.92% |
| 52 Week Price Chg | 24.29% | 12.96% | -7.80% | 71.27% | -61.72% | -0.93% |
| 20 Day Average Volume | 123,441 | 165,663 | 2,688,665 | 628,826 | 4,503,403 | 821,409 |
| (F1) EPS Est 1 week change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (F1) EPS Est 4 week change | 0.00% | 0.00% | 0.00% | 0.08% | 0.00% | -2.08% |
| (F1) EPS Est 12 week change | -0.15% | -9.26% | -9.63% | -9.41% | -18.35% | -15.15% |
| (Q1) EPS Est Mthly Chg | 0.00% | 0.00% | 0.00% | 0.13% | 0.00% | -0.19% |

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 | C |
| Growth Score | A |
| 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.