

Colgate-Palmolive Co. (CL)

\$77.20 (As of 07/31/20)

Price Target (6-12 Months): **\$82.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/29/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: C

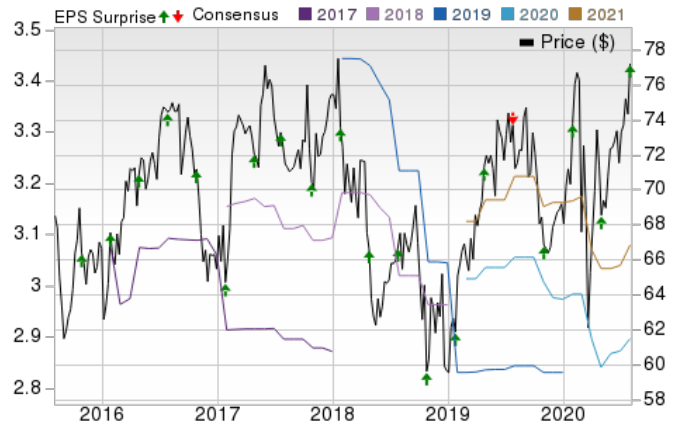
Growth: A

Momentum: A

Summary

Shares of Colgate have outpaced the industry year to date. The stock got a boost from the better-than-expected second-quarter 2020 results, wherein both the top and the bottom line rose year over year. Notably, this was the third straight quarter of sales beat. Strong volume growth, robust price increases and sturdy organic sales boosted the quarterly results. It experienced organic sales growth across all regions, except Europe. Notably, the company's recent buyout of Hello, in a bid to expand its already strong oral care portfolio, is performing well. Moreover, solid e-commerce growth and strong financial position bode well. However, deleverage in advertising and SG&A expenses and adverse currency fluctuations remain concerns. Management expects adverse currency rates to hurt net sales by mid-single digits in 2020.

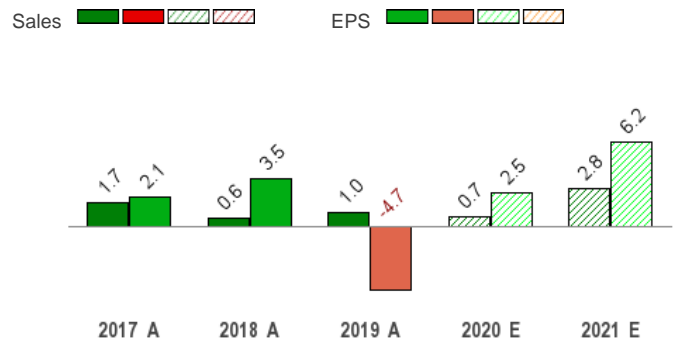
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$77.46 - \$58.49
20 Day Average Volume (sh)	3,232,749
Market Cap	\$66.1 B
YTD Price Change	12.1%
Beta	0.60
Dividend / Div Yld	\$1.76 / 2.3%
Industry	Soap and Cleaning Materials
Zacks Industry Rank	Top 10% (25 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.2%
Last Sales Surprise	2.6%
EPS F1 Est- 4 week change	1.0%
Expected Report Date	NA
Earnings ESP	0.7%
P/E TTM	26.4
P/E F1	26.6
PEG F1	4.9
P/S TTM	4.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,052 E	4,004 E	4,088 E	4,164 E	16,249 E
2020	4,097 A	3,897 A	3,920 E	3,980 E	15,803 E
2019	3,884 A	3,866 A	3,928 A	4,015 A	15,693 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.78 E	\$0.78 E	\$0.75 E	\$0.83 E	\$3.08 E
2020	\$0.75 A	\$0.74 A	\$0.69 E	\$0.75 E	\$2.90 E
2019	\$0.67 A	\$0.72 A	\$0.71 A	\$0.73 A	\$2.83 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 07/31/2020. The reports text is as of 08/03/2020.

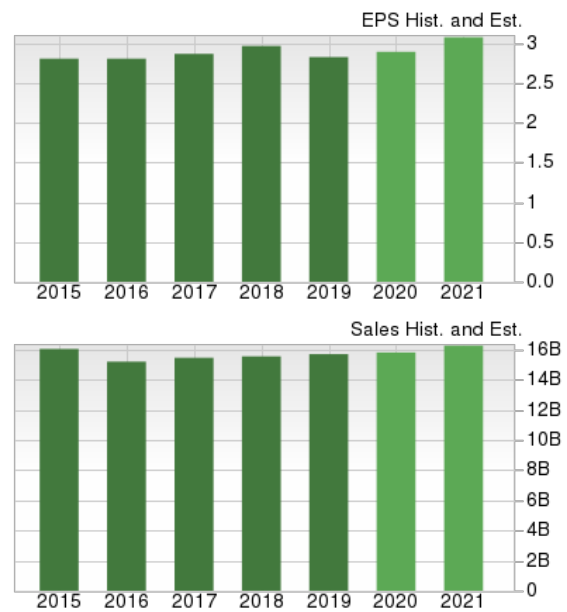
Overview

Colgate-Palmolive Company's business strategy closely defines efforts to increase its leadership in key product categories through innovation in core businesses, tracking adjacent categories growth and expansion into new markets and channels. Due to the shift of consumer preference to organic and natural ingredients, the company is expanding its Naturals range, including Naturals toothpaste. The company's recent buyout of Hello Products LLC, in a bid to expand its already strong oral care portfolio, is performing well. It is ranked as a leading consumer goods company with global household penetration of 61.6%.

Colgate-Palmolive generated \$15.7 billion in revenues in 2019 and earnings of around \$2.4 billion. Sales contributions for 2019 included 46% from Oral Care, 20% from Personal Care, 18% from Home Care and 16% from Pet Nutrition businesses. It has a market share of 41.1% in the global toothpaste market and 31.6% in the manual toothbrush market. New York City-based Colgate-Palmolive is a global leader in the oral care hygiene market. It produces and distributes household, healthcare and personal care products. The company sells its products in more than 200 countries around the world. Its business is tightly focused on four core categories including – Oral Care, Personal Care, Pet Nutrition and Home Care. Colgate-Palmolive operates through two business segments: (1) Oral, Personal and Home Care; and (2) Pet Nutrition.

Oral, Personal and Home Care: The company's portfolio of Oral, Personal and Home Care products include toothpaste, toothbrushes, mouthwash, bar and liquid hand soaps, shower gels, shampoos, conditioners, deodorants and antiperspirants, skin health products, dishwashing detergents, fabric conditioners, household cleaners and other similar items. The segment is managed geographically in five reportable operating segments: North America, Latin America, Europe, Asia Pacific and Africa/Eurasia. The Oral, Personal and Home Care products contributed nearly 83.9% to total sales in 2019.

Pet Nutrition: The pet nutrition segment consists of pet food products for dogs and cats manufactured by Colgate-Palmolive's subsidiary, Hill's Pet Nutrition. These products are marketed under two brands - Hill's Science Diet and Hill's Prescription Diet. It contributed nearly 16.1% to tot



Reasons To Buy:

▲ **Robust Q2 Results:** Shares of Colgate have gained 12.1% year to date outperforming the industry's growth of 8.1%. The company posted second-quarter 2020 results, wherein earnings and sales beat the Zacks Consensus Estimate and have improved year over year. In the reported quarter, gains from strong volume growth and robust pricing were offset by unfavorable foreign currency. Total net sales of \$3,897 million improved 1% from the year-ago period driven by strong demand for some categories like liquid hand soap, dish liquid, bar soap and cleaners across almost all geographies. On an organic basis, the company's sales advanced 5.5%. Organic sales were aided by improved volume and higher pricing. This marked the seventh consecutive quarter of sequential improvement in organic sales. On a geographic basis, it experienced organic sales growth across all of its regions, except Europe.

Strong volume growth and robust pricing boosted Colgate's Q2 results. This marked the seventh consecutive quarter of sequential improvement in organic sales.

▲ **Gross Margin Returns to Growth:** Colgate has been witnessing gross margin expansion for the past three quarters. Adjusted gross profit margin of 60.8% increased 120 basis points (bps) from the prior-year quarter. In dollar terms, adjusted gross profit rose 2.6% to \$2,369 million. The uptick can be attributable to improved pricing which contributed to gross margins by 130 basis points somewhat offsetting headwinds from raw materials to the tune of 320 basis points. Notably, the company's commitment toward pricing efforts through premiumization and revenue growth management has been paying off. This has resulted in organic sales growth and gross margin expansion. Moreover, its funding-the-growth endeavors remain impressive.

▲ **Innovation to Aid Business Growth:** Innovation and in-store implementation have been the guiding principles for Colgate's growth strategy over the years. The company's innovation strategy is focused on growing in adjacent categories and product segments. Further, it is focused on the premiumization of its Oral Care portfolio through major innovations. The company's recent buyout of Hello Products LLC (a leading oral care brand in the United States that produces eco-friendly and organic products), in a bid to expand its already strong oral care portfolio, is performing well. The brand's products, which have a distinct position in the market, are extremely popular with young consumers and across the broader segment. Further, the brand fully complements the company's Tom's of Maine and Colgate brands.

Also, the company's innovation efforts were highlighted by the re-launch of Colgate Total and Hill's Science Diet as well as the continued expansion of the Naturals and Therapeutics divisions. This, along with accelerated investments in brands and higher pricing, is likely to aid the top line. Additionally, it continues to expand the Naturals toothpaste and prescription diet. In fact, the Naturals range is a key area of focus for the company in personal and home care categories.

▲ **Expanding in New Channels and Markets:** Expanding the availability of its products, through enhanced distribution to newer markets and channels, is one of Colgate's priorities to improve organic sales performance. The company is aggressively expanding into faster growth channels while extending the geographic footprint of its brands. In 2019, the company expanded its portfolio by introducing pharmacy brands like elmex and meridol to newer markets. Moreover, it remains impressed with the performance of professional skincare businesses — Elta MD and PCA Skin — in spas and dermatologists. Further, the company expanded its premium skincare portfolio with the buyout of Filorga skincare business. It is also keen on expanding the availability of its products through the e-commerce channel. Speaking of e-commerce, the company has increased its focus on this platform as more and more consumers are using online services for their essential needs, given the COVID-19 outbreak. This led the e-commerce business to grow more than 50% in the second quarter backed by solid online show in Hill's and U.S. businesses. Also, following the launch of Optic White Renewal, it witnessed robust market share gains in toothpaste across the United States during quarter under review. We note that the company has been expanding the availability of its products through the e-commerce offerings with the launch of Hill's to home, which enables pet parents to purchase prescription diet products directly from their veterinarian with home delivery option. All these actions are likely to fuel sales.

▲ **Financial Flexibility:** Colgate enjoys strong financial status. Colgate ended the quarter with total debt of \$7,392 million, which was down 5.8% from the prior-quarter. Moreover, the company's debt- times interest earned ratio of 26 has improved from 25 in the prior-quarter. 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.

▲ **Sustained Shareholder Returns:** Colgate follows a disciplined capital allocation strategy that focuses on making investments to develop business while using the excess cash to enhance shareholder returns through dividend payouts and share buybacks. The company has been regularly increasing its dividend every year since 2001. In second-quarter 2020, the company paid out dividends of \$411 million. Earlier, management increased its quarterly cash dividend from 43 cents per share to 44 cents, payable on May 15. Notably, Colgate has a dividend payout ratio of 59.7%, annualized dividend yield of 2.3% and free cash flow yield of 5.3%. With an annual free cash flow return on investment of 39.32%, ahead of the industry's nearly 22.57%; the dividend payment is likely to be sustainable.

Reasons To Sell:

- ▼ **Stock Looks Overvalued:** Considering the price-to-earnings (P/E) ratio, Colgate looks pretty overvalued compared with the industry and the S&P 500. The stock has a trailing 12-month P/E ratio of 26.35x, which is above the median level of 24.77x and below the high level of 27.33x scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 20.99x for the industry and 23.11x for the S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.
- ▼ **Higher SG&A Expenses:** Colgate is grappling with higher selling, general & administrative (SG&A) expenses for a while now. During the quarter under review, adjusted SG&A expenses increased 2.6% to \$1,395 million, whereas as a percentage of sales the same deleveraged 60 basis points to 35.8%. This increase in SG&A expenses may be attributed to driven by increased advertising investment and elevated logistics cost stemming from spike in demand due to COVID-19. We believe that any substantial increase in SG&A is likely to show on operating margin.
- ▼ **Currency Headwinds Remain a Hurdle:** Despite pricing gains, Colgate's sales for second-quarter 2020 continued to be hurt by adverse currency rates. Currency had a 6% negative impact on net sales. Moreover, unfavorable currency negatively impacted sales across all geographic regions in the quarter. Currency had negative impacts of 18% in Latin America, 0.5% in North America, 10.5% in Africa/Eurasia, 3.5% in Europe, 2% in Hill's Pet Nutrition and 2.5% in the Asia Pacific. Looking ahead, management continues to expect a mid-single-digit negative impact related to foreign exchange on net sales for 2020, based on current spot rates.
- ▼ **Slowdown of Global Economies:** Colgate remains vulnerable to global economic challenges, which may impact its revenues, profits and cash flows. A global economic slowdown can reduce the personal disposable income of consumers, which in turn, will decrease the company's sales volumes as consumers move toward cheaper alternatives. Further, it may force the company to shift its product mix to lower margin products, thereby impacting margins. In fact, it has been witnessing slower category growth rates worldwide, which remains a threat to the company's profitability.

Colgate is reeling under high costs and adverse currency rates. For 2020, unfavorable currency is expected to negatively impact to the tune of mid-single-digit.

Last Earnings Report

Colgate's Q2 Earnings & Sales Beat Estimates

Colgate has reported second-quarter 2020 results, wherein earnings and sales beat the Zacks Consensus Estimate and have improved year over year. In the reported quarter, gains from strong volume growth and robust pricing were offset by unfavorable foreign currency. Citing continued uncertainty regarding the coronavirus pandemic, the company withheld its view for 2020.

However, it continues to expect a mid-single-digit negative impact related to foreign exchange on net sales for 2020, based on current spot rates.

Adjusted earnings of 74 cents per share rose 3% from the prior-year quarter and surpassed the Zacks Consensus Estimate of 71 cents. On a GAAP basis too, earnings were 74 cents per share, reflecting growth of 9% from 68 cents earned in the year-ago period.

Total net sales of \$3,897 million improved 1% from the year-ago period and beat the Zacks Consensus Estimate of \$3,800 million. On an organic basis, the company's sales advanced 5.5%. Organic sales were aided by improved volume and higher pricing. Unit volume increased 3.5% and 2% on an organic basis. Further, pricing was up 3.5%. Growth was mainly led by strength in North America and Hill's segments. However, results were partly hurt by a 6% negative impact from foreign currency.

During the quarter, the company witnessed strong demand for some categories like liquid hand soap, dish liquid, bar soap and cleaners across almost all geographies. However, it witnessed the impacts of consumers' lowering their pantry inventories for other categories, particularly in Europe.

Adjusted gross profit margin of 60.8% increased 120 basis points (bps) from the prior-year quarter. In dollar terms, adjusted gross profit rose 2.6% to \$2,369 million.

Colgate's market share of manual toothbrushes reached 31% year to date. Further, the company continued with its leadership position in the global toothpaste market, with market share at 40%.

Segmental Discussion

North America's net sales (24% of total sales) improved 12%, reflecting a 13% rise in unit volume, offset by a 0.5% decline in pricing and a 0.5% negative currency impact. On an organic basis, sales grew 11% with volume up 11.5%, driven by growth in the United States and Canada.

Latin America's net sales (21% of total sales) dropped 13.5% year over year as 9% gains in pricing were offset by a 4.5% decline in unit volume and an 18% negative currency impact. On an organic basis, sales were up 4.5%, led by growth in Argentina, Brazil, the Caribbean region and Colombia, partially negated by a decline in Mexico. Organic volume also decline 4.5% in the quarter.

Europe's net sales (16% of total sales) increased 5% year over year on a 7.5% rise in unit volume, somewhat offset by flat pricing and 2.5% adverse impact of unfavorable currency exchange. However, organic sales in Europe were down 1.5%, driven by a 1.5% decline in organic volume as well as declines in the U.K., Germany and Spain. This was slightly offset by organic sales growth in Switzerland and Belgium.

The **Asia Pacific** segment's net sales (16% of total sales) declined 3%, attributable to a 3% fall in unit volume and a 3.5% impact of unfavorable currency rates, offset by 3.5% pricing gains. On an organic basis, sales for the Asia Pacific were up 0.5%, mainly driven by growth in Greater China and Australia, partly compensated by declines in Thailand and India.

Africa/Eurasia's net sales (6% of total sales) dropped 6% year over year, owing to a 10.5% adverse impact from foreign exchange, which more than offset the 0.5% increase in unit volume and 4% pricing gains. Organic sales for Africa/Eurasia improved 2.5%, driven by gains in Turkey, the Saudi Arabia/Gulf States region and South Africa. Organic volume in the region declined 1.5%.

Hill's Pet Nutrition's net sales (17% of total sales) grew 9.5% from the year-ago quarter. Results gained from a 7.5% increase in unit volume and a 4% rise in pricing, offset by a 2% negative impact of currency. On an organic basis, sales were up 11.5%, aided by gains in the United States and Europe.

Other Financial Details

Colgate ended second-quarter 2020 with cash and cash equivalents of \$997 million, and total debt of \$7,392 million. Net cash provided by operating activities amounted to \$1,794 million as of Jun 30, 2020.

Quarter Ending 06/2020

Report Date	Jul 31, 2020
Sales Surprise	2.56%
EPS Surprise	4.23%
Quarterly EPS	0.74
Annual EPS (TTM)	2.93

Recent News

Colgate's Declares Quarterly Dividend – Jun 12, 2020

Colgate's board approved a quarterly dividend of 44 cents per share which is payable on Aug 14, 2020 as of shareholders record as on Jul 20.

Valuation

Colgate shares are up 12.1% in the year-to-date period but down nearly 12.2% for the trailing 12-month period. Stocks in the Zacks sub-industry are up 8.1% but the Zacks Consumer Staples sector are down 8.2% in the year-to-date period. Over the past year, the Zacks sub-industry is up 13.5% but the sector is down 4.1%.

The S&P 500 index is up 1.6% in the year-to-date period and 15.4% in the past year.

The stock is currently trading at 25.7X forward 12-month earnings, which compares to 23.74X for the Zacks sub-industry, 20.04X for the Zacks sector and 22.64X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.76X and as low as 19.83X, with a 5-year median of 23.86X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$82 price target reflects 27.3X forward 12-month earnings.

The table below shows summary valuation data for CL

Valuation Multiples - CL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.7	23.74	20.04	22.64
	5-Year High	25.76	23.74	20.04	22.64
	5-Year Low	19.83	20.62	16.63	16.43
	5-Year Median	23.86	22.53	19.28	18.44
P/S F12M	Current	4.12	2.84	9.46	3.59
	5-Year High	4.12	2.84	9.8	3.59
	5-Year Low	3.1	2.39	8.15	2.81
	5-Year Median	3.76	2.65	9.53	3.3
EV/EBITDA TTM	Current	20.14	13.38	35.82	12.67
	5-Year High	20.14	14.72	41.56	12.71
	5-Year Low	14.56	10.16	28	8.3
	5-Year Median	16.75	12.67	38.97	11.34

As of 07/31/2020

Industry Analysis Zacks Industry Rank: Top 10% (25 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
The Clorox Company (CLX)	Outperform	2
Reckitt Benckiser Group PLC (RBGLY)	Outperform	2
ChurchDwight Co., Inc. (CHD)	Neutral	3
Henkel AGCo. (HENKY)	Neutral	3
JohnsonJohnson (JNJ)	Neutral	3
KimberlyClark Corporation (KMB)	Neutral	3
ProcterGamble Company The (PG)	Neutral	2
Unilever PLC (UL)	Neutral	2

Industry Comparison Industry: Soap And Cleaning Materials				Industry Peers		
	CL	X Industry	S&P 500	CLX	PG	UL
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	2	2
VGM Score	A	-	-	B	B	A
Market Cap	66.12 B	66.12 B	22.59 B	29.78 B	324.61 B	70.67 B
# of Analysts	8	6.5	14	7	9	2
Dividend Yield	2.28%	2.08%	1.83%	1.88%	2.41%	2.91%
Value Score	C	-	-	D	D	A
Cash/Price	0.01	0.05	0.07	0.02	0.05	0.09
EV/EBITDA	18.31	18.31	12.94	24.48	35.49	5.16
PEG Ratio	4.94	4.45	3.04	5.42	3.39	NA
Price/Book (P/B)	193.91	6.03	3.17	42.86	6.92	3.52
Price/Cash Flow (P/CF)	22.36	19.73	12.51	29.74	19.73	7.28
P/E (F1)	26.62	24.80	21.87	31.91	24.40	21.80
Price/Sales (P/S)	4.15	4.37	2.44	4.68	4.58	NA
Earnings Yield	3.76%	4.03%	4.31%	3.13%	4.10%	4.60%
Debt/Equity	21.51	0.64	0.75	3.69	0.50	0.00
Cash Flow (\$/share)	3.45	3.45	6.94	7.95	6.65	8.31
Growth Score	A	-	-	A	B	A
Hist. EPS Growth (3-5 yrs)	0.72%	7.61%	10.85%	7.61%	5.01%	NA
Proj. EPS Growth (F1/F0)	2.34%	2.35%	-7.75%	7.06%	4.97%	-2.97%
Curr. Cash Flow Growth	-4.58%	1.99%	5.39%	1.11%	11.93%	1.99%
Hist. Cash Flow Growth (3-5 yrs)	-1.27%	5.95%	8.55%	5.39%	-0.93%	5.95%
Current Ratio	0.96	0.96	1.31	0.98	0.85	0.86
Debt/Capital	95.56%	39.12%	44.32%	78.68%	33.43%	0.00%
Net Margin	15.86%	14.32%	10.44%	13.67%	18.36%	NA
Return on Equity	942.99%	27.00%	14.73%	147.52%	29.38%	NA
Sales/Assets	1.09	0.86	0.52	1.17	0.61	NA
Proj. Sales Growth (F1/F0)	0.70%	1.13%	-1.95%	3.60%	1.41%	-0.23%
Momentum Score	A	-	-	A	B	B
Daily Price Chg	0.88%	-0.38%	-0.92%	0.11%	2.42%	-1.32%
1 Week Price Chg	-1.17%	0.61%	0.37%	-0.59%	0.26%	7.99%
4 Week Price Chg	5.35%	8.47%	3.81%	6.46%	8.47%	8.64%
12 Week Price Chg	12.21%	18.37%	11.93%	17.09%	16.89%	19.64%
52 Week Price Chg	8.34%	12.33%	-1.92%	51.47%	12.33%	0.12%
20 Day Average Volume	3,232,749	941,046	1,887,986	953,854	6,081,513	928,238
(F1) EPS Est 1 week change	0.13%	1.13%	0.00%	0.86%	1.40%	6.94%
(F1) EPS Est 4 week change	0.96%	1.93%	0.38%	2.27%	1.60%	7.14%
(F1) EPS Est 12 week change	1.11%	2.48%	-0.07%	6.97%	1.79%	3.16%
(Q1) EPS Est Mthly Chg	1.73%	1.68%	0.16%	3.51%	0.53%	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	C
Growth Score	A
Momentum Score	A
VGM Score	A

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.