

Colgate-Palmolive Co. (CL)

\$71.18 (As of 01/17/20)

Price Target (6-12 Months): **\$75.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/29/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:C

Value: D

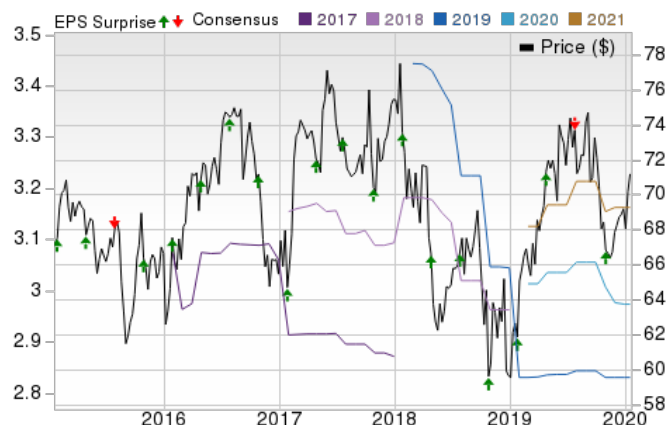
Growth: C

Momentum: B

Summary

Shares of Colgate have declined and underperformed the industry in the past six months, driven by its strained margin trend. In third-quarter 2019, escalated expenses of raw and packaging materials, including foreign-currency transaction costs, hurt gross margin. This coupled with higher SG&A expenses, as a rate of sales, hurt operating profits. Consequently, earnings fell year over year and are likely to decline in mid-single digits in 2019. Nevertheless, Colgate's better pricing, strategic marketing, investments in e-commerce capabilities, innovative product launches along with relaunch of Colgate Total and Hill's Science Diet are likely to contribute to top line. Moreover, it expects to sustain organic sales growth trend in 2019, backed by higher volume and pricing. Management now estimates organic sales growth of 3-4%.

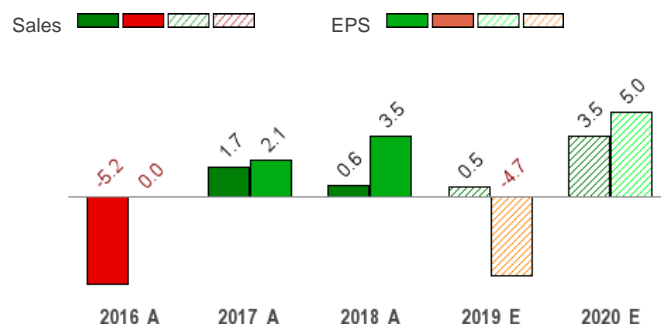
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$76.41 - \$60.96
20 Day Average Volume (sh)	3,133,814
Market Cap	\$61.0 B
YTD Price Change	3.4%
Beta	0.71
Dividend / Div Yld	\$1.72 / 2.4%
Industry	Soap and Cleaning Materials
Zacks Industry Rank	Bottom 9% (232 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.4%
Last Sales Surprise	-0.7%
EPS F1 Est- 4 week change	-0.1%
Expected Report Date	01/31/2020
Earnings ESP	0.0%
P/E TTM	25.1
P/E F1	24.0
PEG F1	4.5
P/S TTM	3.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	3,996 E	4,002 E	4,071 E	4,069 E	16,163 E
2019	3,884 A	3,866 A	3,928 A	3,934 E	15,617 E
2018	4,002 A	3,886 A	3,845 A	3,811 A	15,544 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.72 E	\$0.75 E	\$0.72 E	\$0.78 E	\$2.97 E
2019	\$0.67 A	\$0.72 A	\$0.71 A	\$0.73 E	\$2.83 E
2018	\$0.74 A	\$0.77 A	\$0.72 A	\$0.74 A	\$2.97 A

*Quarterly figures may not add up to annual.

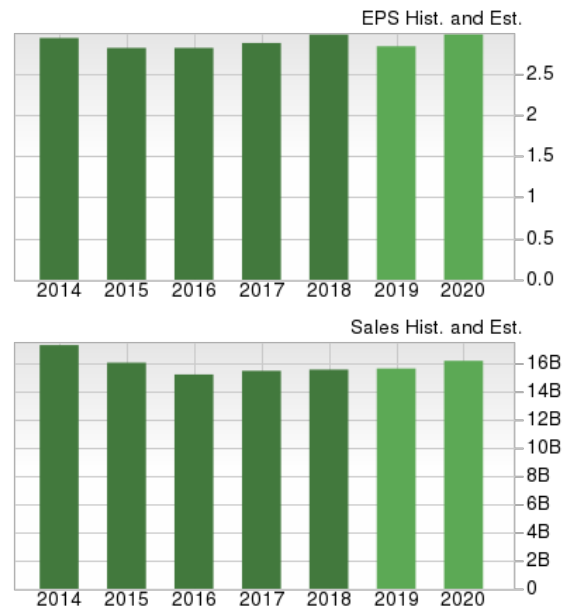
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/17/2020. The reports text is as of 01/20/2020.

Overview

New York City-based Colgate-Palmolive Co. is a global consumer products manufacturer with a distribution network spanning across more than 200 countries and territories around the world. The company is the world leader in oral care products and one of the leading manufacturers of personal care products. The company follows a closely defined business strategy to increase its leadership positions in key product categories. The product categories are further prioritized based on their capacity to utilize the company's core competencies and strong global equities at optimal levels in order to deliver sustainable long-term growth.

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 care products includes toothpaste, manual toothbrushes, and other offerings, such as pharmaceutical products for dentists and other oral health professionals. Within personal care items, it has global leadership in liquid hand soaps, which it sells under the Softsoap, Palmolive and Protex brands. The company's personal care range also includes soap bars under the Palmolive, Protex and Irish Spring brands; shower gels from Palmolive, Sanex and Softsoap brands; deodorants such as Speed Stick, Lady Speed Stick, Sanex deodorants and antiperspirants; Elta MD and PCA Skin professional skin care products; and Palmolive and Caprice shampoos and conditioners. Home care products include Palmolive and Ajax dishwashing liquids and Fabuloso, Murphy's Oil Soap and Ajax household. It is also sells fabric conditioners with leading brands, including Suavitel in Latin America, Soupline in Europe and Cuddly in the South Pacific.
- 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. The pet products are sold to veterinarians and specialty pet retailers in over 80 countries. Sales of Pet Nutrition products contributed nearly 15% of the company's total sales in 2018.



Reasons To Buy:

▲ **Pricing & Volume Boost Sales:** Although Colgate missed sales estimates in third-quarter 2019, the metric rose 2.2% from the year-ago period. The year-over-year improvement can be primarily attributed to 3% increase in global unit volume and 1.5% rise in pricing, somewhat offset by negative currency rates. Moreover, organic sales improved 4.5%, marking the fifth consecutive quarter of sequential growth. On a geographic basis, the company witnessed organic sales growth in five of its six divisions. Moreover, it delivered organic growth in all four businesses, namely, Oral Care, Personal Care, Home Care and Pet Nutrition. It also witnessed organic sales growth in the developed and emerging markets. For the rest of 2019, management expects top-line gains, backed by accelerated investment in brands, higher pricing and strong innovation. It expects sales to be between flat and up low-single digit for 2019, based on current spot rates. Moreover, it now estimates organic sales growth of 3-4% compared with 2-4% rise mentioned earlier.

Higher global unit volume and rise in pricing are boosting Colgate's sales. Going forward, management expects top-line gains from accelerated investment in brands, higher pricing and innovation.

▲ **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, the company remains focused on the premiumization of its Oral Care portfolio through major innovations. Its innovation efforts in 2019 are highlighted by the relaunch 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 in 2019. Notably, the Hill's Science Diet's relaunch remains impressive, and is expected to roll out worldwide in the quarters ahead. Moreover, the company has a solid innovation pipeline in the next few quarters, which includes the launch of Optic White. Additionally, it continues to expand 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 continues to expand its portfolio by introducing pharmacy brands like elmex and meridol to newer markets. Moreover, it remains impressed with the performance of its professional skincare businesses — Elta MD and PCA Skin — in spas and dermatologists. Further, it is on track to expand 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. All these actions are likely to drive top-line growth in 2019.

▲ **Strategic Initiatives:** Colgate is on track with its savings program. Notably, both Global Growth and Efficiency Program or 2012 Restructuring Program and the Funding the Growth undertakings are delivering impressive results. Acknowledging the success of the Global Growth and Efficiency Program, the company's board on Oct 26 approved an expansion and extension of the program through Dec 31, 2019. This will enable the company to take advantage of the incremental opportunities in the process of streamlining operations. The company expects after-tax savings from the program of \$500-\$575 million. The projected savings target a three to four-year average cash payback, with an after-tax rate of return above 30%. The company's four-year Global Growth and Efficiency Program focuses on reducing structural costs in order to improve gross and operating profit, standardizing processes to improve the decision-making procedure and enhance its market share position worldwide. On the other hand, by funding the growth initiative, the company aims at opening new environmentally sustainable distribution centers to offer better service to its customers, while also reducing fuel and transportation costs. These programs are expected to contribute significantly toward the improvement of gross and operating margins over the long term.

▲ **Disciplined Capital Strategy:** Colgate has always followed 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, thanks to its strong cash generation ability. The company has been regularly increasing its dividend every year since 2001. In the nine months of 2019, the company paid out dividends of \$1,140 million. Moreover, management declared a quarterly cash dividend of 43 cents per share, payable Nov 15. Further, it generated \$2,163 million of cash from operations as of Sep 30, 2019, and deployed \$226 million toward capital expenditure.

Reasons To Sell:

- ▼ **Stock Looks Overvalued:** Considering 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 23.95x, which is below the median level of 24.15x and the high level of 26.52x scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 20.22x for the industry and 20.2x for the S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.
- ▼ **Strained Margins Hurt Stock:** Shares of Colgate have lost 1.6% in the past six months against the industry's growth of 2.1%. This is attributed to its strained margins for a while. In third-quarter 2019, adjusted gross margin declined 20 basis points (bps), driven by escalated raw and packaging-material expenses, including foreign-currency transaction costs. This coupled with higher SG&A expenses, as a percentage of sales, hurt adjusted operating margin, which contracted 50 bps. Higher advertising investment resulted in rise in SG&A expenses, which was partly negated by lower overhead costs. Notably, the company delivered negative gross margin in five of the trailing six quarters and the tenth consecutive quarter of operating margin decline. Going forward, management anticipates a slight decline in gross margin in 2019, both on a GAAP and adjusted basis. Further, it continues to expect higher advertising spending throughout 2019, which may continue hurting its operating income and profitability.
- ▼ **Currency Headwinds Remain:** Despite pricing gains, Colgate's sales for third-quarter 2019 continued to be hurt by adverse currency rates. Currency had a 2.5% negative impact on net sales. Moreover, unfavorable currency impacted sales across all geographic regions except for North America, where currency rates were flat in the quarter. Currency had negative impacts of nearly 2% in Africa/Eurasia, 1.5% in Hill's Pet Nutrition, 0.5% in the Asia Pacific, and 5% each in Europe and Latin America. Further, raw material costs, which included foreign exchange transaction costs, marred gross margin by 310 bps. Persistence of any impact of currency headwinds might continue hurting the company's top and bottom lines in the rest of 2019.
- ▼ **Earnings Outlook Still Bleak:** Though Colgate expects strong top-line gains in 2019, its earnings outlook remains bleak. The company expects higher raw material costs, uncertainties in the global economy and currency rates to hurt the bottom line. Consequently, GAAP earnings per share for 2019 are likely to decline in a low-single digit. Meanwhile, adjusted earnings per share are expected to decline in a mid-single digit.
- ▼ **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, the company has been witnessing slower category growth rates worldwide, which remains a threat to the company's profitability.

Colgate expects adjusted earnings per share to decline in mid-single digits in 2019, owing to higher raw material expenses, uncertainties related to the global economy and adverse foreign currency.

Last Earnings Report

Colgate Earnings Surpass Estimates in Q3, Sales Miss

Colgate has reported third-quarter 2019 results, wherein the bottom line beat estimates but sales missed. In the quarter, gains from strong volume growth and robust price increases were offset by unfavorable foreign currency. The company reiterated its earnings and sales guidance for 2019 but raised view for organic sales growth.

Adjusted earnings of 71 cents per share dipped 1% from the prior-year quarter and beat the Zacks Consensus Estimate of 70 cents. Including one-time items, earnings were 67 cents per share compared with 60 cents in the year-ago period. Total net sales of \$3,928 million rose 2.2% from the year-ago period but missed the Zacks Consensus Estimate of \$3,957.2 million. The year-over-year improvement can be primarily attributed to 3% increase in global unit volume and 1.5% rise in pricing, somewhat offset by a negative currency impact of 2.5%. On an organic basis, the company's sales improved 4.5%. This marked the fourth consecutive quarter of sequential improvement in organic sales growth.

Quarter Ending **09/2019**

Report Date	Nov 01, 2019
Sales Surprise	-0.74%
EPS Surprise	1.43%
Quarterly EPS	0.71
Annual EPS (TTM)	2.84

Let's Delve Deeper

Adjusted gross profit margin of 59% declined 20 basis points (bps) from the prior-year quarter, driven by escalated raw and packaging material expenses, including foreign-currency transaction costs. This was somewhat offset by gains from cost savings under funding-the-growth program. In the reported quarter, adjusted operating profit of \$900 million was flat with the year-ago quarter. However, adjusted operating margin contracted 50 bps to 22.9%. Operating margin was mainly impacted by a decline in gross margin and 30-bps rise in adjusted selling, general & administrative expenses, as a percentage of sales. Higher advertising investment caused rise in SG&A expenses, which was partly negated by lower overhead costs.

Year to date, Colgate's market share of manual toothbrushes reached 31.6%. Further, the company continued with its leadership position in the global toothpaste market, with 41.2% year-to-date market share.

Segmental Discussion

North America's net sales (22% of total sales) improved 1.5%, reflecting 0.5% rise in unit volume and a 1% improvement in pricing along with flat currency rates. On an organic basis, sales grew 1.5%.

Latin America's net sales (23% of total sales) rose 3% year over year on unit volume growth of 4.5% and price increases of 3.5%, partly compensated by negative currency impact of 5%. During the quarter under review, volume benefited from gains in Brazil, Central America, Colombia and Mexico. On an organic basis, sales were up 8%.

Europe's net sales (15% of total sales) dropped 5% year over year on 1.5% decline in pricing and 5% adverse impact of unfavorable currency exchange, somewhat offset by 1.5% growth in unit volume. Volume benefited from gains in France, Spain and the U.K., offset by a decline in Germany. Further, organic sales in Europe remained flat year over year.

The **Asia Pacific's** net sales (18% of total sales) improved 2.5%, attributable to 2% rise in unit volume and 1% pricing gains, offset by a 0.5% negative impact of unfavorable currency rates. Volume growth stemmed from gains in the Philippines, Australia, India, New Zealand and Greater China, somewhat compensated by a decline in Malaysia. On an organic basis, sales for the Asia Pacific rose 3%.

Africa/Eurasia's net sales (6% of total sales) grew 5% year over year, owing to 3% rise in unit volume and a 4% increase in pricing, offset by currency headwinds of 2%. During the quarter, volume gains in Russia, the Gulf States and Kenya were partly negated by a decline in South Africa. Organic sales for Africa/Eurasia improved 6%. **Hill's Pet Nutrition's** net sales (16% of total sales) rose 8.5% from the year-ago quarter. Results gained from a 6.5% increase in unit volume and 3.5% rise in pricing, offset by a 1.5% negative impact of currency. Volume growth in the United States and Western Europe were partly negated by soft volume in South Africa. On an organic basis, sales were up 10%.

Other Financial Details

Colgate ended third-quarter 2019 with cash and cash equivalents of \$948 million, and total debt of \$8,151 million. Net cash provided by operating activities amounted to \$2,163 million as of Sep 30, 2019.

Outlook

Going into 2019, the company expects top-line gains, backed by accelerated investment in brands, higher pricing and strong innovation. It expects sales to be between flat and up low-single digit, based on current spot rates. Moreover, it now estimates organic sales growth of 3-4% compared with 2-4% rise mentioned earlier. The revised view is in line with organic sales growth recorded in the year-to-date period. Moreover, the company anticipates a slight decline in gross margin in 2019, both on a GAAP and adjusted basis. Further, it continues to expect higher advertising spending throughout 2019. On a GAAP basis, earnings per share for 2019 are likely to decline in a low-single digit. Meanwhile, adjusted earnings per share are expected to decline in a mid-single digit.

Recent News

Colgate Declares Quarterly Dividend - Jan 10, 2020

Colgate-Palmolive declared a quarterly cash dividend to 43 cents per share. The dividend is payable on Feb 14, 2020, to shareholders of record as of Jan 23.

Valuation

Colgate shares are up 13.6% in for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are up 22.8% and 17%, respectively, over the past year.

The S&P 500 index is up 23.8% in the past year.

The stock is currently trading at 23.87X forward 12-month earnings, which compares to 22.69X for the Zacks sub-industry, 19.96X for the Zacks sector and 19.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.21X and as low as 18.57X, with a 5-year median of 23.02X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$75 price target reflects 25.15X 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	23.87	22.69	19.96	19.2
	5-Year High	26.21	23.53	22.38	19.34
	5-Year Low	18.57	17.89	16.66	15.17
	5-Year Median	23.02	21.05	19.76	17.44
P/S F12M	Current	3.77	2.7	10.26	3.57
	5-Year High	4.31	2.72	11.13	3.57
	5-Year Low	3.22	1.94	8.09	2.54
	5-Year Median	3.75	2.3	9.88	3
EV/EBITDA TTM	Current	16.97	13.13	40.97	12.38
	5-Year High	17.26	14.61	44.94	12.86
	5-Year Low	12.44	9.26	31.54	8.48
	5-Year Median	15.48	10.92	38.33	10.67

As of 01/17/2020

Industry Analysis Zacks Industry Rank: Bottom 9% (232 out of 254)



Top Peers

Procter & Gamble Company (The) (PG)	Outperform
Church & Dwight Co., Inc. (CHD)	Neutral
The Clorox Company (CLX)	Neutral
Johnson & Johnson (JNJ)	Neutral
Kimberly-Clark Corporation (KMB)	Neutral
Reckitt Benckiser Group PLC (RBGLY)	Neutral
Unilever PLC (UL)	Neutral
Henkel AG & Co. (HENKY)	Underperform

Industry Comparison Industry: Soap And Cleaning Materials				Industry Peers		
	CL Neutral	X Industry	S&P 500	CLX Neutral	PG Outperform	UL Neutral
VGM Score	C	-	-	D	C	B
Market Cap	61.00 B	58.26 B	24.65 B	19.79 B	315.24 B	67.00 B
# of Analysts	8	7.5	13	6	9	3
Dividend Yield	2.42%	2.20%	1.73%	2.69%	2.36%	3.12%
Value Score	D	-	-	D	D	A
Cash/Price	0.02	0.04	0.04	0.01	0.03	0.08
EV/EBITDA	16.44	16.76	14.11	17.08	34.78	NA
PEG Ratio	4.45	3.42	2.08	5.04	3.42	2.26
Price/Book (P/B)	350.61	6.66	3.39	35.99	6.84	4.45
Price/Cash Flow (P/CF)	19.81	15.77	13.81	19.83	21.57	7.04
P/E (F1)	23.97	21.81	19.19	25.63	25.57	18.62
Price/Sales (P/S)	3.94	3.58	2.69	3.21	4.58	NA
Earnings Yield	4.17%	4.61%	5.21%	3.90%	3.91%	5.37%
Debt/Equity	43.94	0.71	0.72	4.69	0.44	NA
Cash Flow (\$/share)	3.59	3.59	6.94	7.95	5.86	8.15
Growth Score	C	-	-	B	B	B
Hist. EPS Growth (3-5 yrs)	0.50%	6.74%	10.56%	7.26%	2.36%	NA
Proj. EPS Growth (F1/F0)	5.04%	6.53%	7.57%	-2.64%	9.39%	8.07%
Curr. Cash Flow Growth	2.68%	7.32%	14.73%	1.11%	4.72%	7.32%
Hist. Cash Flow Growth (3-5 yrs)	-0.02%	4.15%	9.00%	5.39%	-0.93%	4.15%
Current Ratio	1.03	0.84	1.24	0.87	0.72	0.81
Debt/Capital	97.78%	41.42%	42.99%	82.41%	30.03%	NA
Net Margin	15.04%	12.09%	11.14%	13.20%	6.24%	NA
Return on Equity	6,492.71%	24.99%	17.16%	123.56%	25.07%	NA
Sales/Assets	1.16	0.90	0.55	1.19	0.58	NA
Proj. Sales Growth (F1/F0)	3.53%	3.81%	4.16%	-0.73%	4.15%	4.09%
Momentum Score	B	-	-	C	C	F
Daily Price Chg	0.61%	0.32%	0.27%	0.36%	0.27%	0.68%
1 Week Price Chg	3.13%	0.50%	0.39%	0.50%	1.13%	-1.23%
4 Week Price Chg	4.16%	2.54%	2.95%	4.11%	1.19%	1.34%
12 Week Price Chg	4.16%	0.85%	7.76%	4.60%	1.30%	-4.03%
52 Week Price Chg	14.81%	7.00%	22.29%	3.76%	39.46%	10.14%
20 Day Average Volume	3,133,814	748,046	1,536,375	722,114	5,799,181	773,979
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.54%
(F1) EPS Est 4 week change	-0.13%	-0.33%	0.00%	0.00%	0.00%	-0.54%
(F1) EPS Est 12 week change	-1.49%	-1.29%	-0.40%	-0.46%	2.05%	-0.54%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	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	D
Growth Score	C
Momentum Score	B
VGM Score	C

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.