

The Clorox Company (CLX)

\$237.16 (As of 08/05/20)

Price Target (6-12 Months): **\$249.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/05/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: D

Growth: A

Momentum: A

Summary

Clorox's shares have outpaced the industry in the past six months. The company delivered a robust fourth-quarter fiscal 2020, wherein top and bottom lines beat the Zacks Consensus Estimate and grew year over year. While higher sales and gains from cost savings aided bottom line, volume growth and higher organic sales drove top line. Further, persistently strong demand globally for cleaning and disinfecting products, aggressive investments in its global portfolio and minimal disruptions in its extended supply chain are likely to reflect in fiscal 2021 performance. It envisions earnings per share between a mid-single-digit decline and a mid-single-digit rise. Moreover, the view includes gains from its recently increased stake in the Kingdom of Saudi Arabia joint venture. The venture is likely to drive growth at its international unit as well.

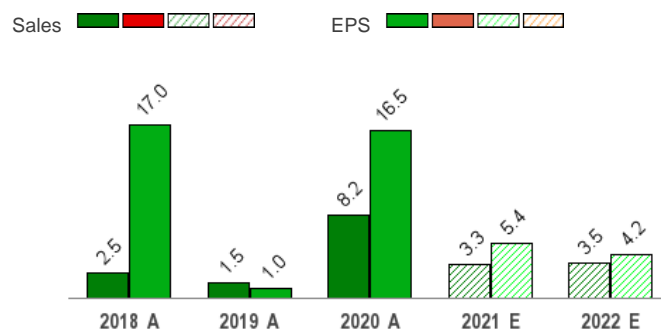
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$239.87 - \$144.12
20 Day Average Volume (sh)	1,265,446
Market Cap	\$29.9 B
YTD Price Change	54.5%
Beta	0.28
Dividend / Div Yld	\$4.44 / 1.9%
Industry	Soap and Cleaning Materials
Zacks Industry Rank	Top 10% (25 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	20.5%
Last Sales Surprise	6.8%
EPS F1 Est- 4 week change	7.1%
Expected Report Date	10/29/2020
Earnings ESP	0.0%
P/E TTM	32.3
P/E F1	30.6
PEG F1	5.6
P/S TTM	4.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,762 E	1,750 E	1,815 E	1,864 E	7,189 E
2021	1,744 E	1,656 E	1,718 E	1,792 E	6,943 E
2020	1,506 A	1,449 A	1,783 A	1,983 A	6,721 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.04 E	\$1.80 E	\$1.92 E	\$2.07 E	\$8.09 E
2021	\$2.37 E	\$1.70 E	\$1.68 E	\$1.90 E	\$7.76 E
2020	\$1.59 A	\$1.46 A	\$1.89 A	\$2.41 A	\$7.36 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 08/05/2020. The reports text is as of 08/06/2020.

Overview

Headquartered in Oakland, CA, The Clorox Company is engaged in the production, marketing and sale of consumer products in the U.S. and international markets. The company sells its products primarily through mass merchandisers, grocery stores and other retail outlets. Clorox markets some of the most trusted and recognized brands, including its namesake bleach and cleaning products, Green Works natural cleaners and laundry products, Poett and Mistolin cleaning products, Armor All and STP auto-care products, Fresh Step and Scoop Away cat litter, Kingsford charcoal, Hidden Valley and K C Masterpiece dressings and sauces, Brita water-filtration systems, Glad bags, wraps and containers, and Burt's Bees natural personal care products. The company manufactures products in over 24 countries and markets them in more than 100 countries.

In fourth-quarter fiscal 2020, the company realigned its Cleaning segment through operational and systems integration. The segment is now called Health and Wellness. As part of the operational and system integration, the company's Digestive Health and Dietary Supplements business units were combined into a new business unit named Vitamins, Minerals and Supplements, while the Laundry and Home Care business units were combined to create the Cleaning business unit. These two newly formed business units as well as the Professional Products business unit collectively make the company's new Health and Wellness segment.

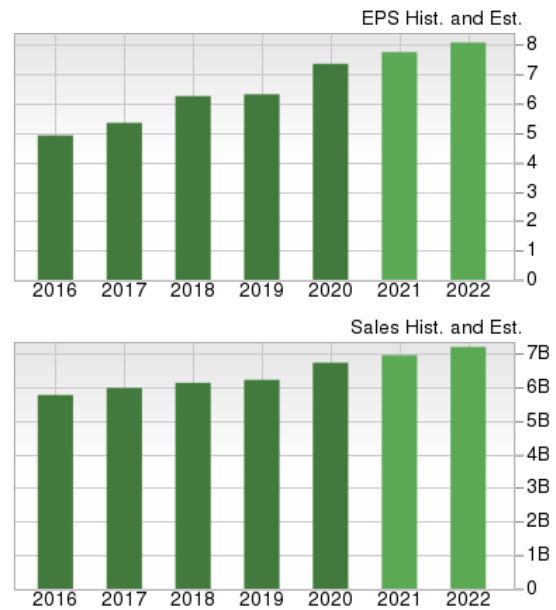
The company operates through the following business units:

Health and Wellness: This new segment represents 40.9% of fiscal 2020 Net Sales.

Household (26.7%) consists of charcoal, cat litter and plastic bags, wraps and containers, marketed and sold in the United States.

Lifestyle (17.2%) consists of food products and water-filtration systems and filters, marketed and sold in the United States, along with all natural personal care products.

International (15.2%) consists of products sold outside the United States.



Reasons To Buy:

▲ **Upbeat Q4 Performance, Stock Outperforms:** Shares of Clorox have appreciated 42.7% in the past six months, outperforming the industry's 6.3% gain. Moreover, the company has delivered a sturdy fourth-quarter fiscal 2020 results, wherein earnings and sales beat the Zacks Consensus Estimate and grew year over year. Robust demand for disinfecting and cleaning products due to the coronavirus outbreak and broad-based growth at all segments primarily aided results. Also, the company's IGNITE strategy and product portfolio bode well. While higher sales and gains from cost savings aided bottom line, robust volume growth across all segments and higher organic sales drove top line.

Clorox's gross margin grew 170 bps in fourth-quarter fiscal 2020, driven by volume increases, cost savings and favorable mix. This marked the seventh-straight quarter of gross margin expansion.

Further, Clorox provided fiscal 2021 outlook based on the current trends and some assumptions. These include persistence of strong demand globally for cleaning and disinfecting products, aggressive investments in its global portfolio and minimal disruptions in its extended supply chain and other operations. Backed by the factors, the company predicts flat to low-single-digit sales growth in fiscal 2021. Further, organic sales are expected to be flat to up in low-single digits. Management anticipates fiscal 2021 earnings per share between a mid-single-digit decline and a mid-single-digit rise. Moreover, earnings per share are expected to include 45-53 cents of contribution from its recently increased stake in the Kingdom of Saudi Arabia joint venture.

▲ **IGNITE Strategy:** Clorox is on track with the IGNITE strategy, its latest and integrated strategy, formulated on a sturdy foundation of its 2020 Strategy. This initiative mainly focuses on the expansion of the key elements under the 2020 Strategy to pace up innovation in each area of business. As a result, the company will be able to boost overall growth and reinforce competitive advantage, hence boost shareholder value. The IGNITE strategy mainly binds Clorox on four strategic areas namely, fuel growth through brand reinvestments, innovate to deliver enhanced customer experience, develop product portfolio, and re-imagine the company's operations. IGNITE's main principle is 'Innovating for Good Growth', delivering sustainable and responsible growth. IGNITE strategy encompasses the long-term financial targets of achieving net sales growth of 2-4%, EBIT margin expansion of 25-50 basis points (bps) and free cash flow generation of 11-13% of sales.

▲ **Strategic Innovations:** Clorox's diversified brand portfolio positions it well ahead of peers to generate above-average industry growth and sustain it in the currently challenging environment. Further, it remains committed to investing in innovative products and platforms to deliver frictionless shopping experiences. In fourth-quarter fiscal 2020, the company witnessed significant top-line gains through innovations in various categories including professional products. Also, the company saw share growth in its Glad trash bag segment, buoyed by robust innovation. It rolled out an experiential Glad ForceFlex trash bags with unique fragrances and colors in the previous quarter and early feedback has been positive. Notably, Clorox's innovation pipeline encompasses innovation in Bags, Wraps and Natural Personal Care. Moreover, the Kingsford pellet innovation bodes well. For fiscal 2021, Clorox remains focused on making investments in its differentiated platform along with more innovation plans. Its innovation line up includes a new squeezezy lip color line launched in July along with CBD personal-care products rolling out in the fall.

▲ **Cost Saving & Productivity Initiatives:** Clorox remains on track with its cost-saving and productivity initiatives. Backed by the IGNITE strategy, Clorox aims at higher cost savings annually by emphasizing more on technology and integrated design. With this, it expects to achieve EBIT margin expansion of 175 basis points annually. Further, the company's cost-based pricing strategy has enabled it to address the inflationary environment that has persisted for over three years. These cost-saving and pricing actions should continue to support its investment in long-term brands and category growth. In the fiscal fourth quarter, Clorox witnessed gross margin expansion of 170 basis points, driven by gains from cost savings, double-digit volumes and favorable mix. Notably, the cost-savings program has meaningfully contributed in generating year-over-year gross-margin expansion for the seventh consecutive quarter.

▲ **International Business Strength:** Clorox is witnessing strong progress in the core International business as it continues to build on the success of the segment's Go Lean strategy. These efforts will help in accelerating profitable growth for the segment. During fourth-quarter fiscal 2020, sales at the International segment increased 12% on robust demand for cleaning and disinfecting products as well as other household items. Further, organic sales for the segment rose 24%. Driven by its IGNITE Strategy, which aims to improve profitability in International business, the company expects to invest selectively in profitable platforms. Furthermore, management continues to explore international opportunities, including the recent acquisition of a majority stake in its joint venture in the Kingdom of Saudi Arabia. Management believes that this acquisition is likely to boost long-term growth in the international segment.

▲ **Financial Status:** Although Clorox's long-term debt (including operating lease liabilities) of \$3,058 million increased 19.2% sequentially at the end of fourth-quarter fiscal 2021, its debt-to-capitalization ratio of 0.77 at the end of fiscal fourth quarter shows a decline from 0.79 at the end of the preceding quarter. Again, the company's cash and cash equivalents of \$871 million as of Jun 30, 2020, shows a sequential increase of 75.6% and looks sufficient to fund its short-term obligations of \$0.6 million. In fiscal 2020, the company generated \$1.5 billion of net cash from continuing operations.

In addition, Clorox looks well placed on the dividend-payout front. In May, the company announced that its board hiked quarterly cash dividend by 5% to \$1.11 per share from \$1.06 per share. The new dividend is payable on Aug 14, 2020 to its shareholders of record as of Jul 29. We note that the company's current annualized dividend rate of \$4.44 a share reflects a 4.7% increase from the year-ago period. Notably, Clorox has a dividend payout of 60.4%, dividend yield of 1.9% and free cash flow yield of 3.2%. With an annual free cash flow return on investment of 31.3%, ahead of the industry's nearly 22.6%; the dividend payment is likely to be sustainable.

Reasons To Sell:

▼ **Valuation Looks Stretched:** Considering Price-to-Earnings (P/E) ratio, Clorox looks pretty overvalued when compared with the industry and the S&P 500. The stock has a trailing 12-month P/E of 33.78x compared with 21.2x for the industry and 23.5x for the S&P 500. Its trailing 12-month P/E ratio is above the median level of 25.61x and below the high level of 34.87x, scaled in the past year.

▼ **Higher Costs to Linger:** Clorox continued to witness gross margin expansion in the fiscal fourth quarter. However, growth was partly marred by higher expenses for manufacturing and logistics. This, along with increased selling and administrative costs and advertising investments, partly hurt the bottom line. Selling and administrative expenses, as a percentage of sales, increased 80 bps to 14.1% due to higher incentive compensation year over year. Further, advertising and sales promotion investments, as a percentage of sales, were 11%, up nearly 0.5% from the year-ago period, while spending for the U.S. retail business was roughly 12% of sales. The company invested \$70 million more year over year in the second half of fiscal 2020, associated with aggressive investments to drive long-term growth.

For fiscal 2021, advertising and sales promotion spending is anticipated to increase to 11% of sales. Selling and administrative expenses are projected to be 14% of sales. Moreover, management expects to increase brand investments to address the unprecedented demand for its products. Meanwhile, the company will continue investing in expanding its production capacity to resonate well with the ongoing elevated demand.

▼ **Currency Headwinds:** Clorox's significant international presence exposes it to major foreign currency risks, which have been weighing on the company's performance. Net sales for the fiscal fourth quarter included 2 percentage points of negative impacts of foreign currency translations. Unfavorable currency fluctuations also hurt gross margin in the reported quarter. Additionally, adverse currency effects of 12 percentage points marred sales for the International segment. The company's sales view for fiscal 2021 reflects about 1 point of negative impact from foreign exchange.

▼ **Competitive Pressure:** Clorox faces intense competition from other well-established players in the consumer products industry, such as Church & Dwight, Colgate, and Procter & Gamble on the basis of pricing, promotional activities and new product introductions. The failure to offer exclusive high-quality products at competitive prices may hamper the company's market share, and in turn, dent its top- and bottom-line performances.

Clorox's gross margin gains in fiscal fourth quarter were partly negated by higher manufacturing and logistics expenses. Selling and administrative costs, as a rate of sales, increased 80 bps.

Last Earnings Report

Clorox Beats Q4 Earnings & Sales Estimates

Clorox has reported robust fourth-quarter fiscal 2020 results, wherein earnings and sales beat the Zacks Consensus Estimate and grew year over year. Robust demand for disinfecting and cleaning products due to the coronavirus outbreak, and broad-based growth at all segments primarily aided results.

Q4 Highlights

Quarterly earnings from continuing operations of \$2.41 per share increased about 28% year over year and beat the Zacks Consensus Estimate of \$2.00. The upside was mainly driven by higher net sales and gains from cost-savings, which aided margins. Nonetheless, increased selling and administrative costs, manufacturing and logistics costs, and advertising investments partly hurt the bottom line.

The company posted net sales of \$1,983 million, up nearly 22% year over year and surpassing the Zacks Consensus Estimate of \$1,858 million. This was backed double-digit volume growth across all segments, fueled by strong demand for its products due to the coronavirus outbreak and the stay-at-home trend. However, growth was partly offset by 2 points of adverse foreign currency impact. Organic sales increased 24% in the quarter.

Gross margin expanded 170 basis points (bps) to 46.8% in the fiscal fourth quarter. This marked the company's seventh-straight quarter of gross margin expansion. The rise in gross margin was driven by gains from cost savings and double-digit volume growth, somewhat marred by higher expenses for manufacturing and logistics.

Segmental Discussion

Sales of the **Health and Wellness** segment rose 33% at \$805 million on double-digit growth in two of the aforesaid three business units. Robust gains from the increased demand for disinfecting and cleaning products across the Cleaning and Professional Products units due to COVID-19 were the primary growth drivers.

The **Household** segment's sales rose 17% to \$612 million, driven by growth across all business units. Particularly, the company witnessed strong double-digit growth in Bags and Wraps, and Grilling businesses, owing to a much stronger consumer demand, aided by innovation.

Sales at the **Lifestyle** segment grew 16% to \$298 million on double-digit sales growth in the Food and Water Filtration businesses, owing to strong consumer demand.

At the **International** segment, sales increased 12% to \$268 million from the year-ago quarter on robust demand for cleaning and disinfecting products as well as other household items. Though sales were hurt by 12 points of negative currency impact, this was partly mitigated by strong pricing action implemented prior to the pandemic. Organic sales for the segment rose 24%.

Financials

Clorox ended fiscal 2020 with cash and cash equivalents of \$871 million, and long-term debt of \$2,780 million. In fiscal 2020, the company generated \$1.5 billion of net cash from continuing operations.

Fiscal 2021 Guidance

Though there remains uncertainty about the future business trends, owing to the COVID-19 outbreak, Clorox provided its outlook for fiscal 2021 based on the current trends and some assumptions. These include persistent strong demand globally for cleaning and disinfecting products, aggressive investments in its global portfolio, discretionary pressures on consumers due to the ongoing recession, and minimal disruptions in its extended supply chain and other operations.

Backed by the factors, the company predicts flat to low-single-digit sales growth in fiscal 2021. This is likely to be driven by the persistence of elevated consumer demand through the first half of fiscal 2021, followed by a decelerating demand in the second half on the lapping of the initial spike in demand due to the COVID-19 outbreak in the second half of fiscal 2020. Organic sales for fiscal 2021 are expected to be flat to up in low-single digits.

Moreover, advertising and sales promotion spending is anticipated to increase to 11% of sales. Selling and administrative expenses are projected to be 14% of sales. The company envisions effective tax rate of 22-23% for fiscal 2021.

Management anticipates fiscal 2021 earnings per share between a mid-single-digit decline and a mid-single-digit rise. Moreover, earnings per share are expected to include 45-53 cents of contribution from its recently increased stake in the Kingdom of Saudi Arabia joint venture. This one-time non-cash gain due to fair value adjustments of the previously held stake is expected to be recorded in first-quarter fiscal 2021.

Quarter Ending **06/2020**

Report Date	Aug 03, 2020
Sales Surprise	6.75%
EPS Surprise	20.50%
Quarterly EPS	2.41
Annual EPS (TTM)	7.35

Recent News

Clorox Raises Quarterly Dividend – May 19, 2020

Clorox's board recently hiked quarterly cash dividend by 5% to \$1.11 per share from \$1.06 per share, to be payable on Aug 14, 2020 to its shareholders of record as of Jul 29.

Valuation

Clorox shares are up 54.4% in the year-to-date period and 50.5% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 9.4%, while the Zacks Consumer Staples sector is down 7.9%, in the year-to-date period. Over the past year, the Zacks sub-industry is up 12.6% but the sector is down 5.2%.

The S&P 500 index is up 2.6% in the year-to-date period and 14.9% in the past year.

The stock is currently trading at 31.63X forward 12-month earnings, which compares to 23.93X for the Zacks sub-industry, 19.95X for the Zacks sector and 22.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.15X and as low as 18.27X, with a 5-year median of 23.91X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$249 price target reflects 33.21X forward 12-month earnings.

The table below shows summary valuation data for CLX

Valuation Multiples - CLX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	31.63	23.93	19.95	22.58
	5-Year High	32.15	23.93	22.37	22.58
	5-Year Low	18.27	17.89	16.63	15.25
	5-Year Median	23.91	21.21	19.57	17.55
P/S F12M	Current	4.35	2.86	9.44	3.61
	5-Year High	4.36	2.86	11.15	3.61
	5-Year Low	2.34	2.02	8.1	2.53
	5-Year Median	2.88	2.34	9.89	3.04
EV/EBITDA TTM	Current	23.19	13.52	35.94	12.8
	5-Year High	23.24	14.72	45.91	12.85
	5-Year Low	12.73	9.25	28	8.24
	5-Year Median	15.12	11.15	39.09	10.89

As of 08/05/2020

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



Top Peers

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

Industry Comparison Industry: Soap And Cleaning Materials				Industry Peers		
	CLX	X Industry	S&P 500	CHD	CL	KMB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	B	B	B
Market Cap	29.87 B	65.32 B	22.93 B	23.70 B	65.32 B	53.15 B
# of Analysts	7	7.5	14	11	8	6
Dividend Yield	1.87%	2.09%	1.76%	1.00%	2.31%	2.75%
Value Score	D	-	-	C	C	B
Cash/Price	0.02	0.05	0.07	0.02	0.02	0.03
EV/EBITDA	24.93	17.53	13.16	24.48	17.96	15.39
PEG Ratio	5.56	4.11	2.99	3.86	4.37	3.72
Price/Book (P/B)	32.89	6.04	3.20	7.90	89.23	107.37
Price/Cash Flow (P/CF)	29.82	20.08	12.45	29.40	22.07	16.20
P/E (F1)	30.36	24.98	21.78	34.22	25.76	20.26
Price/Sales (P/S)	4.44	4.33	2.47	5.16	4.10	2.82
Earnings Yield	3.27%	4.00%	4.33%	2.92%	3.89%	4.93%
Debt/Equity	3.37	0.60	0.77	0.60	9.40	14.59
Cash Flow (\$/share)	7.95	3.45	6.94	3.26	3.45	9.62
Growth Score	A	-	-	A	A	A
Hist. EPS Growth (3-5 yrs)	7.61%	7.61%	10.46%	12.34%	0.87%	5.37%
Proj. EPS Growth (F1/F0)	5.43%	3.43%	-7.14%	13.36%	4.51%	11.61%
Curr. Cash Flow Growth	1.11%	1.99%	5.47%	12.70%	-4.58%	3.32%
Hist. Cash Flow Growth (3-5 yrs)	5.39%	5.95%	8.55%	9.63%	-1.27%	2.19%
Current Ratio	1.42	0.92	1.32	1.28	0.92	0.91
Debt/Capital	77.11%	37.66%	44.59%	37.66%	90.39%	93.59%
Net Margin	13.97%	14.84%	10.15%	15.70%	16.13%	13.58%
Return on Equity	138.70%	27.48%	14.46%	25.58%	559.34%	1,319.56%
Sales/Assets	1.17	0.86	0.51	0.66	1.06	1.21
Proj. Sales Growth (F1/F0)	3.30%	1.84%	-1.68%	9.11%	1.84%	2.11%
Momentum Score	A	-	-	D	B	F
Daily Price Chg	-0.24%	-0.25%	0.59%	-0.23%	-0.77%	-0.29%
1 Week Price Chg	4.17%	2.81%	0.14%	12.18%	3.88%	3.19%
4 Week Price Chg	5.14%	6.86%	5.31%	19.40%	2.27%	8.71%
12 Week Price Chg	14.71%	17.64%	19.84%	30.47%	11.54%	13.74%
52 Week Price Chg	50.45%	11.83%	2.73%	26.29%	8.15%	14.48%
20 Day Average Volume	1,265,446	1,125,147	2,098,555	1,926,033	3,351,745	1,590,817
(F1) EPS Est 1 week change	4.70%	1.06%	0.00%	2.58%	2.11%	0.00%
(F1) EPS Est 4 week change	7.08%	4.30%	1.10%	2.78%	3.09%	1.07%
(F1) EPS Est 12 week change	8.38%	3.48%	1.04%	3.13%	3.36%	1.56%
(Q1) EPS Est Mthly Chg	38.79%	1.93%	0.39%	-3.88%	3.32%	-8.30%

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	A
Momentum Score	A
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.