

## Chipotle Mexican Grill (CMG)

**\$1,277.28** (As of 08/26/20)

Price Target (6-12 Months): **\$1,341.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/24/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:D

Value: F

Growth: C

Momentum: D

### Summary

Shares of Chipotle have outperformed the industry so far this year. Notably, digitalization has played a crucial role in sustaining growth for restaurant operators amid the coronavirus crisis. Moreover, initiatives like redesigned online ordering site, online payment for catering, meal customizations as well as collaboration with third-party providers for delivery, bode well. The company is also increasing digital awareness via advertising. Notably, earnings estimates for 2020 have increased over the past 30 days, depicting analysts optimism regarding the stock growth potential. However, the pandemic mess is likely to dent traffic and sales in the coming quarters. Also rise in food and labor costs are likely to keep profits under pressure.

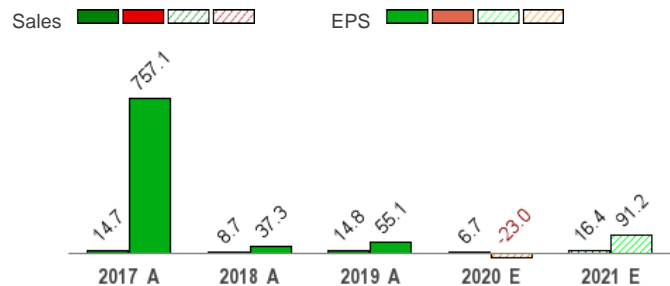
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$1,284.23 - \$415.00
20 Day Average Volume (sh)	229,717
Market Cap	\$35.7 B
YTD Price Change	52.6%
Beta	1.21
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Retail - Restaurants</a>
Zacks Industry Rank	Top 40% (101 out of 252)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-21.6%
Last Sales Surprise	2.4%
EPS F1 Est- 4 week change	2.7%
Expected Report Date	10/27/2020
Earnings ESP	-2.8%
P/E TTM	125.7
P/E F1	118.1
PEG F1	6.2
P/S TTM	6.4

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,620 E	1,761 E	1,773 E	1,814 E	6,941 E
2020	1,411 A	1,365 A	1,578 E	1,602 E	5,962 E
2019	1,308 A	1,434 A	1,404 A	1,440 A	5,586 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$4.45 E	\$5.63 E	\$5.50 E	\$5.69 E	\$20.69 E
2020	\$3.08 A	\$0.40 A	\$3.25 E	\$4.01 E	\$10.82 E
2019	\$3.40 A	\$3.99 A	\$3.82 A	\$2.86 A	\$14.05 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 08/26/2020. The reports text is as of 08/27/2020.

## Overview

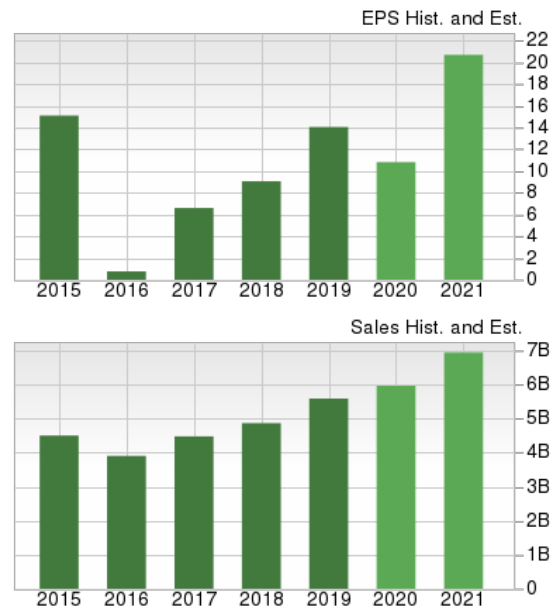
A Delaware corporation, Chipotle Mexican Grill, together with its subsidiaries operates quick-casual and fresh Mexican food restaurant chains. The company was founded in 1993 by Steve Eells who started with a single restaurant in Denver, CO. The company offers a focused menu of burritos, tacos, burrito bowls (a burrito without the tortilla) and salads. Chipotle restaurants feature free-range, hormone-free pork, natural chicken and other meat products cooked through traditional methods and served in a unique atmosphere. Chipotle classifies its restaurants as end-caps (at the end of a line of retail chains), in-lines (in a line of retail chains), free-standing units and others.

Chipotle, being one of the most recognized fast-casual Mexican restaurant chains in the United States, had a good share of negative publicity throughout 2016 due to an issue of food-borne illnesses that surfaced toward 2015-end. As a safety measure, the company was forced to close several outlets. In order to chalk out a viable business strategy, Chipotle discarded its former co-CEO model and appointed former Yum! Brands' executive Brian Niccol as the CEO.

The company is committed to using high-quality real ingredients, classic cooking techniques and distinctive interior design to serve customers. As of Jun 30, 2020, the company operated nearly 2,669 restaurants across the United States, Canada, the U.K., France and Germany.

Chipotle's marketing strategy shifted from a promotion driven decentralized approach in 2017 to a more central model designed to generate higher consumer awareness and attract guests. The company utilizes multiple marketing channels, including national television, digital marketing, social media, fundraising, events and sponsorships to reach consumers. Delivery services are mostly made by third party service providers.

In 2018, Chipotle launched a loyalty program called Chipotle Rewards, which provides customers with the opportunity to earn bonus points or free food. Earned rewards generally expire one to six months after they are issued, and points generally expire if an account is inactive for a period of six months.



## Reasons To Buy:

- ▲ **Increased Focus on Food and Environment Safety:** As a part of its revival strategy, Chipotle fulfilled its pledge of using no added colors, flavors or preservatives of any kind in any of its ingredients. In fact, Chipotle has long been a pioneer in serving superior quality ingredients including the use of local and organically grown produce, dairy from cows raised on pasture, and meat from animals raised without hormones or antibiotics.

Chipotle's increased focus on food safety and enhancing customer experience, along with various sales-building and strategic initiatives bode well.

Over the past few years, the company has strengthened many of its food-safety initiatives. These include wellness checks before every shift, availability of trained nurses to evaluate employee's health on the job and installation of advanced technology air purification systems to reduce the risk of viruses. It is also offering improved internal training and education as well as a third-party consultant to perform regular inspections of all restaurants. The company has also taken noteworthy steps to reduce the amount of food and packaging waste to be disposed of in landfills. As announced, Chipotle is implementing practices like minimal food waste disposal during the preparation process, recycling and compost programs for food packages, use of reusable lids replacing plastic wraps, and participation in the Harvest Program to donate leftover food to local communities. The company is also increasing composting convenience in its restaurants to 20% by 2020. For ensuring food safety, the company introduced a crew bonus program, which will pay its employees a bonus amount if they achieve their desired goal in food safety. Further, the company recently introduced the Debt-Free Degrees program in addition to its newly expanded tuition reimbursement program to develop a better restaurant culture.

- ▲ **Strengthening Digital Capabilities:** Chipotle is focusing on expanding digital program to drive growth during the coronavirus pandemic. In order to drive digital sales and retain customers amid the coronavirus crisis, the company is leaving no stone unturned to make digital ordering more appealing to customers and more efficient for its restaurants. In this regard, Chipotle has redesigned and simplified its online ordering site, enabled online payment for catering, online meal customizations and collaborated with several well-known third-party providers for delivery. Also, there has been a significant increase in digital orders and guest satisfaction since the rollout of its "Smarter Pickup Times" technology. Meanwhile, the company is advancing with its plans to enhance delivery system. Another initiative that has been benefiting the company is its rewards program. It has more than 15 million enrolled members. This is a great achievement for the company considering the program was launched 15 months ago

In second-quarter 2020, digital sales soared 216.3% year over year to \$829.3 million in second-quarter 2020. Digital sales represented 60.7% of sales during the quarter. The company has increased focus on digitalization due to the coronavirus pandemic. It is increasing digital awareness via advertising. Moreover, partnerships with Uber Eats and Grubhub are attracting new customers. The company has also expanded digital capabilities into Canada. Moreover, collaboration with all the major third-party delivery aggregators has increased orders. Although the company's in-restaurant dining rooms are opening, its digital sales momentum remained strong in July with a mix of nearly 50%.

- ▲ **Comps Improves in June & July:** Comps in the second quarter decreased 9.8%, which includes a 1.9% headwind from closed restaurants. However, the company is witnessing improvement in monthly comparable sales. In April and May comparable sales were down 24.4% and 7%, respectively. In June, comparable sales increased 2%. The improvement continues in July, comparable restaurant sales are up 6.4% month to date. The company has withdrawn its comparable restaurant sales guidance due to the outbreak.

- ▲ **Various Initiatives to Spur Growth:** Chipotle is working on strengthening its brand and recovering sales by shifting its strategy from giveaways, discounts and rewards to new menu items, operational excellence, enhancement of guest experience by retraining workers, technology-driven convenience, and more aggressive brand marketing. Roll out of queso substantially spurred sales. Additionally, Chipotle has been working on a new pipeline for its menu offerings.

Last year, Chipotle launched its first menu innovation called Lifestyle Bowls for mobile and web orders that resonated well with consumers. The company introduced new kitchen ovens, which are improving the quality of its latest Quesadillas. The company is also testing queso blanco, salads in quesadillas that are gaining valuable feedback in various markets besides carne asada. Although it was receiving positive feedback, the launch has been delayed due to the global impact of COVID-19. The company is also trying hard to bring back carne asada. Moreover, introduction of other items has been postponed due to the crisis. Notably, the company's robust marketing activities, including a combination of brand-building efforts, as well as transaction-driving promotions and advertising, are resulting in a steady inflow of new customers. The company also partnered with a film director, David Gelb, for the carne asada launch.

For 2020, the company's priorities will revolve around the five key initiatives, namely, use of stage gate process, leveraging digital programs to expand access and convenience, frequent customer interaction through loyalty program, and menu innovation and operational excellence. Notably, these factors will help customers to resonate more with the company. Moreover, the company is also focusing on unit expansion to drive growth. It expects to inaugurate 150-165 restaurants in 2020.

- ▲ **Enough Liquidity to Tide Over Coronavirus Pandemic:** Chipotle has a strong balance sheet, which will help the company to navigate the current scenario. As of Jun 30, 2020, the company had \$907 million in cash and cash equivalent, compared with \$881 million at the end of Mar 31, 2020. At the end of second-quarter, long-term operating lease liabilities stood at \$2.8 billion, almost flat sequentially. At the end of second-quarter 2020, the company had debt-to-capital ratio of 0.6, which indicates that its debt levels are manageable.

---

## Reasons To Sell:

- ▼ **Coronavirus Hurt Results:** Chipotle results in the coming quarters are likely to be impacted by the coronavirus outbreak. The restaurant industry has been facing declining traffic for quite some time now. We believe the coronavirus outbreak will continue to hurt traffic and sales in the coming quarter. Although the company's 85% of dining services are open, traffic is still very low. Recently, the company closed 300 restaurants owing to increase in coronavirus cases. Given the volatility and uncertainty regarding the coronavirus impact, it has withdrawn 2020 guidance. Nonetheless, the company is adhering to all guidelines provided by the CDC, FDA, state and local agencies to ensure safety of employees and guests. The steps include increased sanitization of high-touch, dense-traffic areas, providing masks to employees and a tamper-evident packaging seal.
- ▼ **Cost Issues Keeping Profits Under Pressure:** Chipotle's continued efforts to connect with customers in order to regain their trust and loyalty, and bring them back to its stores on the back of high marketing and promo expenses have been hurting profitability. Moreover, costs to support the company's newly designed food safety program can weigh on the company's margins. Also, implementation of food safety practices has increased the amount of labor required to prepare and serve food, resulting in higher labor costs that may continue to keep profits under pressure.
- In second-quarter 2020, food, beverage and packaging costs, as a percentage of revenues, decreased 40 basis points (bps) to 33.3%. It was primarily owing to lower avocado costs, increase in menu price in late 2019, and to some extent, reduced waste, freight, and paper costs. Restaurant-level operating margin of 12.2% declined from 20.2% in the year-ago quarter. The downside was primarily due to increase in expensed related to delivery sales, sales deleverage, and temporary investments due to change in business structure on account of the pandemic.
- ▼ **Valuation Looks Stretched:** Chipotle's valuation looks a bit stretched compared with its industry average. Looking at the company's forward 12-month price-to-earnings (P/E) ratio, which is one of the most commonly used valuation ratios and is best suited for evaluating restaurants, investors might not want to pay any further premium. It currently has a forward 12-month P/E ratio of 73.91. So, the stock is relatively overvalued right now compared with its peers as the industry's average PE is 32.25 currently.
- ▼ **Industry Susceptible to Consumer Discretionary Spending:** Chipotle operates in the retail restaurant space that is highly dependent on consumer discretionary spending. Consumers' propensity to spend largely depends on the overall macroeconomic scenario. Although higher disposable income and increased wages are favoring the industry right now, it can change with the slightest disruption in the economy. The company, therefore, is highly vulnerable to the inconsistent nature of consumer discretionary spending. If it does not make pragmatic use of advanced technologies to innovate across value chains, it has high chances of fading out like many other restaurant retailers.

High costs associated with U.S. restaurant space and the coronavirus outbreak remains potent headwinds.

## Last Earnings Report

### Chipotle Q2 Earnings Lag Estimates, Digital Sales Solid

Chipotle reported mixed second-quarter 2020 results, wherein earnings missed the Zacks Consensus Estimate but revenues surpassed the same. The bottom line missed the consensus mark after beating the same in the 10 consecutive quarters. Meanwhile, the top line outpaced the consensus estimate for the seventh straight quarter.

The company's adjusted earnings of 40 cents per share, which missed the Zacks Consensus Estimate of 51 cents. Moreover, the bottom line declined 90% from \$3.99 reported in the year-ago quarter. The decline can primarily be attributed to dismal traffic and increased expenses.

Quarter Ending **06/2020**

Report Date	<b>Jul 22, 2020</b>
Sales Surprise	<b>2.35%</b>
EPS Surprise	<b>-21.57%</b>
Quarterly EPS	<b>0.40</b>
Annual EPS (TTM)	<b>10.16</b>

### Revenues & Comparable Restaurant Sales

Quarterly revenues of \$1,364.7 million surpassed the consensus mark of \$1,333 million but declined 4.8% year over year. The downside can primarily be attributed to dismal in-store traffic and sharp decline in comparable restaurant sales. However, it was partially offset by new restaurant openings and robust digital sales. In the quarter under review, Chipotle opened 37 new restaurants including three relocations and closed three, taking the total restaurant count to 2,669.

Digital sales grew 216.3% year over year to \$829.3 million during second-quarter 2020. Digital sales represented 60.7% of sales during the quarter. The company has increased focus on digitalization due to the coronavirus pandemic. The company is increasing digital awareness via advertising. Moreover, partnerships with Uber Eats and Grubhub are attracting new customers. The company has also expanded digital capabilities into Canada. Moreover, collaboration with all the major third-party delivery aggregators has increased orders. Although the company's in-restaurant dining rooms are opening, its digital sales momentum remained strong in July with a mix of nearly 50%.

Comps in the second quarter decreased 9.8%, which includes a 1.9% headwind from closed restaurants. However, the company is witnessing improvement in monthly comparable sales. In April and May comparable sales were down 24.4% and 7%, respectively. In June, comparable sales increased 2%. The improvement continues in July, comparable restaurant sales are up 6.4% as month to date.

### Costs, Operating Highlights & Net Income

Food, beverage and packaging costs, as a percentage of revenues, decreased 40 basis points (bps) to 33.3%. It was primarily owing to lower avocado costs, increase in menu price in late 2019, and to some extent, lower waste, freight, and paper costs.

Restaurant-level operating margin of 12.2% declined from 20.2% in the year-ago quarter. The downside was primarily due to increase in expensed related to delivery sales, sales deleverage, and temporary investments due to change in business structure on account of the pandemic. Moreover, operating expenses were impacted by the free or discounted delivery in the quarter.

Adjusted net income in the reported quarter amounted to \$11.4 million, compared with \$112.9 million in the prior-year quarter.

### Balance Sheet

The company had \$934.6 million in cash, restricted cash, and short-term investments as of Jun 30, 2020. The company doesn't have any debt. A strong balance sheet will help the company tide over the coronavirus-induced crisis.

Inventory totaled \$24.2 million as of Jun 30, 2020, down from \$26.1 million as of Dec 31, 2019. Goodwill, as a percentage of total assets, was 0.4% at the end of second-quarter 2020.

## Recent News

### Chipotle-Shopify Tie-Up to Launch Virtual Farmers Market – Jun 30, 2020

Chipotle recently partnered with Shopify to launch improved versions of e-commerce sites for its farmers. The move will help farmers in selling meat, dairy and grain products, and other items directly to consumers across the country. This initiative will be of great help during the coronavirus pandemic as farmers are facing declining demand due to closure of restaurants, hotels and schools. The Chipotle Virtual Farmers' Market will provide Chipotle's suppliers a new stream of revenues.

### Chipotle Boosts Delivery Services With Grubhub Partnership – Jun 29, 2020

In a bid to expand its delivery footprint in the United States, Chipotle recently announced partnership with Grubhub. Notably, this partnership allows customers to order food from Chipotle locations through Grubhub app or Grubhub.com. Moreover, the customers will be entitled for contact-free delivery.

### Chipotle Partners With Uber Eats to Boost Delivery Services – Mar 18, 2019

In a bid to expand its digital and delivery business, Chipotle Mexican Grill announced a partnership with Uber Eats. This nationwide delivery plan will enable customers to order Chipotle food through the Uber Eats app as well as ubereats.com. Along with this partnership, the company also initiated tamper evident packaging seal to ensure safe food delivery. Notably, this partnership is likely to enhance the delivery experience of its customers.

## Valuation

Chipotle's shares are up 52.6% in the year-to-date period and 52.2% over the trailing 12-month period. Stocks in the Zacks sub-industry are up by 2.7%, while the Zacks Retail-Wholesale sector are up by 34.6% in the year-to-date period. Over the past year, the Zacks sub-industry was down by 5.4%, while sector was up by 44.6%.

The S&P 500 index is up 7% in the year-to-date period and 19.6% in the past year.

The stock is currently trading at 73.91X forward 12-month earnings, which compares to 32.25X for the Zacks sub-industry, 33.67X for the Zacks sector and 23.11X for the S&P 500 index.

Over the past five years, the stock has traded as high as 206.3x and as low as 23.8x, with a 5-year median of 46.11x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$1,341 price target reflects 77.60x forward 12-month earnings.

The table below shows summary valuation data for CMG.

Valuation Multiples - CMG					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	73.91	32.25	33.67	23.11
	5-Year High	206.3	34.04	34.77	23.11
	5-Year Low	23.8	20.49	19.08	15.25
	5-Year Median	46.11	23.09	23.47	17.58
P/S F12M	Current	5.41	3.86	1.3	3.77
	5-Year High	5.41	3.93	1.3	3.77
	5-Year Low	1.44	2.81	0.82	2.53
	5-Year Median	2.77	3.32	0.97	3.05
EV/EBITDA TTM	Current	70.29	22.2	20.45	13.09
	5-Year High	70.29	22.2	20.45	13.09
	5-Year Low	13.36	11.94	10.68	8.25
	5-Year Median	26.4	14.37	12.97	10.92

As of 08/26/2020

## Industry Analysis Zacks Industry Rank: Top 40% (101 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
Arcos Dorados Holdings Inc. (ARCO)	Neutral	3
Bloomin Brands, Inc. (BLMN)	Neutral	3
Cracker Barrel Old Country Store, Inc. (CBRL)	Neutral	4
Dominos Pizza Inc (DPZ)	Neutral	3
Darden Restaurants, Inc. (DRI)	Neutral	2
Brinker International, Inc. (EAT)	Neutral	3
Restaurant Brands International Inc. (QSR)	Neutral	3
Yum Brands, Inc. (YUM)	Neutral	3

Industry Comparison Industry: Retail - Restaurants				Industry Peers		
	CMG	X Industry	S&P 500	BLMN	QSR	YUM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	C	D	C
Market Cap	35.72 B	501.17 M	23.69 B	1.10 B	16.52 B	28.73 B
# of Analysts	17	4	14	7	10	9
Dividend Yield	0.00%	0.00%	1.65%	2.38%	3.82%	1.97%
Value Score	F	-	-	B	C	D
Cash/Price	0.03	0.13	0.07	0.17	0.09	0.04
EV/EBITDA	51.88	13.03	13.37	8.04	13.03	19.66
PEG Ratio	6.15	3.71	3.04	NA	2.85	2.48
Price/Book (P/B)	20.96	2.30	3.17	37.78	4.29	NA
Price/Cash Flow (P/CF)	58.16	8.85	12.78	3.01	10.94	23.61
P/E (F1)	118.05	36.61	21.63	NA	26.08	30.61
Price/Sales (P/S)	6.36	0.89	2.50	0.31	3.17	5.23
Earnings Yield	0.85%	0.85%	4.44%	-7.62%	3.83%	3.26%
Debt/Equity	0.00	0.96	0.75	83.14	3.54	-1.39
Cash Flow (\$/share)	21.96	1.81	6.94	4.19	4.98	4.04
Growth Score	C	-	-	D	F	C
Hist. EPS Growth (3-5 yrs)	14.24%	3.03%	10.41%	3.03%	22.69%	0.02%
Proj. EPS Growth (F1/F0)	-22.97%	-66.06%	-4.92%	-162.43%	-23.16%	-12.27%
Curr. Cash Flow Growth	34.05%	3.07%	5.22%	-2.22%	2.55%	3.60%
Hist. Cash Flow Growth (3-5 yrs)	1.89%	5.23%	8.50%	-0.02%	30.84%	-6.71%
Current Ratio	1.59	1.06	1.34	0.40	1.73	1.63
Debt/Capital	0.00%	70.54%	44.18%	98.81%	78.00%	NA
Net Margin	4.55%	-0.23%	10.25%	-2.51%	11.82%	18.78%
Return on Equity	17.24%	-10.35%	14.66%	-10.37%	26.85%	-12.42%
Sales/Assets	1.09	0.87	0.50	1.00	0.23	0.97
Proj. Sales Growth (F1/F0)	6.72%	-6.05%	-1.45%	-23.19%	-11.03%	-0.22%
Momentum Score	D	-	-	C	C	C
Daily Price Chg	0.60%	-0.35%	-0.18%	-0.40%	0.41%	-1.19%
1 Week Price Chg	5.62%	0.00%	-1.45%	-5.67%	-1.14%	3.72%
4 Week Price Chg	10.77%	6.08%	2.10%	5.70%	-4.18%	0.53%
12 Week Price Chg	21.68%	5.46%	3.61%	2.19%	-6.92%	0.81%
52 Week Price Chg	52.18%	-23.67%	3.61%	-23.68%	-29.72%	-18.49%
20 Day Average Volume	229,717	284,455	1,883,291	2,002,304	1,824,440	1,456,438
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	2.74%	2.50%	0.93%	0.00%	2.50%	10.10%
(F1) EPS Est 12 week change	36.66%	21.14%	3.41%	41.43%	7.84%	14.34%
(Q1) EPS Est Mthly Chg	-0.54%	7.44%	0.00%	0.00%	2.10%	6.79%



---

## 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	F
Growth Score	C
Momentum Score	D
VGM Score	D

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.