

Columbia Sportswear (COLM)

\$84.97 (As of 08/24/20)

Price Target (6-12 Months): **\$89.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 05/19/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: F

Summary

Columbia Sportswear has underperformed the industry in the past three months. The company has been reeling under coronavirus concerns. Incidentally, temporary store closures affected the company's second-quarter 2020 results, wherein top and bottom lines fell year over year. Sales declined across all brands, categories, channels and regions as most stores in the United States, Japan, Europe and Canada were closed in the beginning of the quarter. Though the company has reopened almost all stores, traffic remains well below year-ago levels. Thus, sales volume is likely to remain lower through the rest of 2020. Also, high COVID-19 costs are a concern, though management is focused on reducing operating costs by more than \$100 million in 2020. Also, solid e-commerce sales are acting as cushion. To this end, focus on X1 initiative is noteworthy.

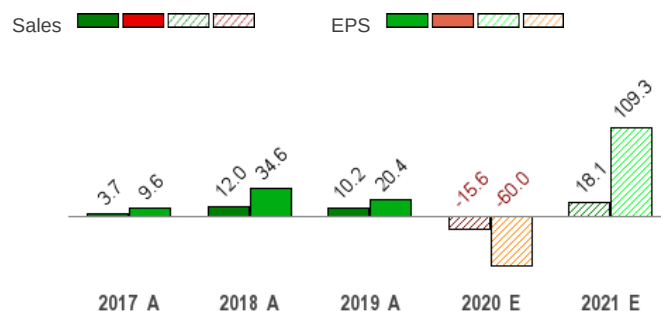
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$102.88 - \$51.82
20 Day Average Volume (sh)	302,493
Market Cap	\$5.6 B
YTD Price Change	-15.2%
Beta	0.61
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Textile - Apparel
Zacks Industry Rank	Bottom 17% (210 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.5%
Last Sales Surprise	0.4%
EPS F1 Est- 4 week change	-5.2%
Expected Report Date	11/04/2020
Earnings ESP	1.4%
P/E TTM	32.1
P/E F1	44.0
PEG F1	4.9
P/S TTM	2.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	618 E	415 E	889 E	959 E	3,034 E
2020	568 A	317 A	774 E	909 E	2,568 E
2019	655 A	526 A	907 A	955 A	3,042 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.72 E	-\$0.54 E	\$1.78 E	\$1.81 E	\$4.04 E
2020	\$0.00 A	-\$0.77 A	\$1.09 E	\$1.57 E	\$1.93 E
2019	\$1.07 A	\$0.23 A	\$1.75 A	\$1.67 A	\$4.83 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 08/24/2020. The reports text is as of 08/25/2020.

Overview

Headquartered in Portland, OR, **Columbia Sportswear Company** engages in the sourcing, marketing and distribution of outdoor and active lifestyle apparel, footwear, accessories and equipment in the U.S. and internationally.

The company offers products under four well-established brands – Columbia, Sorel, Mountain Hardwear and prAna. Amongst other brands, The OutDry and The Pacific Trail are worth mentioning.

The high quality products manufactured by the company under different banners makes them ideal for a range of sporting activities. The company also engages in innovation, in order to match consumers changing preferences, especially in relation with outdoor activities.

The company distributes its products through a mix of wholesale distribution channels, own direct-to-consumer ("DTC") channels (retail stores and e-commerce), independent international distributors, as well as licensees.

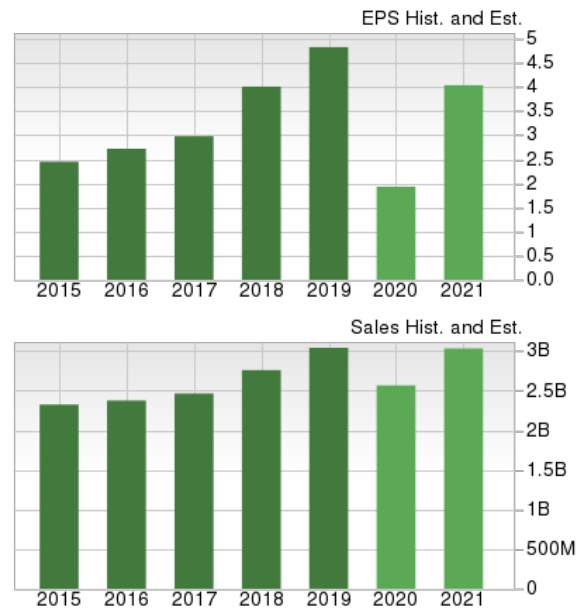
In 2019, the company's products were sold across 90 countries. Majority of the company's products are manufactured by contract manufacturers located outside the United States.

Columbia reports its operating results under two major segments:

Apparel, accessories and equipment segment: This segment designs, develops, markets and distributes apparel, accessories and equipment for men and women under its Columbia, Sorel, Mountain Hardwear and prAna brands, and for youth under the Columbia and Mountain Hardwear brand.

Footwear segment: The segment designs, develops, markets and distributes footwear products for men, women and youth under its Columbia and Sorel brands.

The company operates in four geographic regions: The United States, Canada, Latin America and Asia Pacific (LAAP), and Europe, Middle East and Africa (EMEA).



Reasons To Buy:

▲ **Direct-to-Consumer E-Commerce Business – A Major Driver:** Columbia Sportswear remains committed to expanding and enhancing its global direct-to-consumer (DTC) business, through accelerated investments. In the second quarter of 2020, the company's DTC e-commerce sales soared 72% and formed 28% of the company's top line. In the United States, the company's Columbia brand's online penetration was roughly 40% in the second quarter. Management said that DTC e-commerce is seeing robust momentum with more consumers opting to shop online. E-commerce sales remained strong through the first few weeks of July. This channel is likely to continue performing well in the forthcoming periods.

Columbia Sportswear has been gaining from brand enhancement initiatives. The company is also on track with Project CONNECT initiative.

▲ **Experience First or X1 Initiative on Track:** Columbia Sportswear began investing in its Experience First initiative or the X1 initiative in 2018. The company remains on track with this initiative, which is aimed at enhancing e-commerce operations to keep pace with the evolving consumer environment. Notably, the company's e-commerce platform has been largely operational during the pandemic, except for some distribution center closures. The company is focused on implementing X1 in a phased manner. In this regard, the initiative was implemented across 10 countries in Europe-direct and for the prAna brand in the United States in 2019. The company expects to keep implementing X1 in North America in 2020. It anticipates this platform to become operational for Columbia, SOREL and Mountain Hardwear brands ahead of the holiday season peak.

▲ **Debt Analysis:** As of the end of first-quarter 2020 (Jun 30, 2020), Columbia Sportswear's long-term operating lease liabilities of nearly \$348 million declined 4.5% quarter over quarter. Additionally, the company's debt-to-capitalization ratio stood at 0.2, much better than the industry's 0.65. Further, the company had cash and short-term investments of about \$474.8 million, while its short-term borrowings (including operating lease liabilities) stood at \$73.7 million.

▲ **Brand Enhancing Initiatives:** Columbia Sportswear undertakes brand-enhancing and unique marketing initiatives that further strengthen its presence in the apparel industry. Even amid the pandemic, Columbia Sportswear remains committed to undertaking innovation. It has a solid pipeline for apparel innovation. To this end, the company plans to launch Omni-Heat Black Dot this fall and has a number of planned launches for spring and fall 2021. The company is also making investments to strengthen its footwear products across Columbia and SOREL brands.

▲ **Project CONNECT to Drive Growth:** Columbia Sportswear has been progressing well with its Project CONNECT program, which is aimed toward driving sales and earnings along with strengthening the company's financial position. Project CONNECT focuses on connecting consumers, wholesale customers and international distributors with its manufacturing partners and employees around the globe. Markedly, the program comprises design to value, assortment optimization and manufacturing efficiency endeavors.

Reasons To Sell:

- ▼ **Coronavirus Hurts Q2 Results:** Though shares of Columbia Sportswear gained 16.5% in the past three months, it underperformed the industry's growth of 20.6%. The company reported second-quarter 2020 results, wherein the top and bottom lines plummeted year over year. Results were largely affected by store closures and other concerns related to COVID-19. Net sales slumped 40% to \$316.6 million. Sales declined across all brands, categories, channels and regions. Sales plummeted 58%, 47% and 20% in April, May and June, respectively. In the reported quarter, DTC channels displayed a sales decline of 32%, while wholesale net sales tumbled 46%. The company's second-quarter results were largely affected by store closures amid the pandemic. Most of the company's own stores in the United States, Japan, Europe and Canada were closed in the beginning of the second quarter. Also, many of the company's international distributors and wholesale customers were closed.
- In May and June, stores started gradually reopening in these markets, and by the quarter-end, almost all company-owned stores were open worldwide. However, the company noted that a few stores in a few locations that had reopened globally shut down again due to local regulations as well as safety factors. Further, management highlighted that brick-and-mortar traffic remains significantly lower than the year-ago period, with outlets in destination locations and tourist-dependent regions most affected. Additionally, a rise in coronavirus cases in recent weeks has affected the company's stores in the affected regions. The company expects its sales volume to remain lower than the year-ago period through the remainder of 2020, while it expects the second quarter to have witnessed the biggest year-over-year sales decline in 2020.
- ▼ **Cost & Margin Concerns:** During the second quarter of 2020, gross margin declined 200 basis points to 46.2% due to coronavirus-led impacts. These include reduced DTC product margins due to elevated promotional activities, increased inventory reserves and reduced wholesale close-out sales volumes. Though SG&A expenses declined year over year, it was impacted by high COVID-19-related costs. The company reported an operating loss of \$70.3 million against an operating income of \$16.4 million in the year-ago period. In its earnings release, management commented that it intends to continue its investments to create demand, drive brand awareness and enhance digital capabilities. Though these investments are likely to fuel growth, they may weigh on margins.
- ▼ **Currency Headwinds:** Due to exposure in international markets, Columbia Sportswear is prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside the United States. Increase in prices may have adverse impact on demands for the products. Therefore, unfavourable currency movements remain a threat to the company's profitability.
- ▼ **Volatile Product Costs:** Columbia Sportswear remains prone to volatility in the prices of several raw materials in the commodity market, such as oil, leather and cotton among others. The company's product costs depend largely on these prices, along with quality and availability of raw materials; labor market fluctuations that impact wage rates; transportation costs and general economic conditions like inflation. Thus, any major changes in these factors can impact the company's production cost, which can hurt profitability.
- ▼ **Risk Related to Contract Manufacturers:** Columbia Sportswear mainly procures its products through contract manufacturers. The order commitments of the company with such contract manufacturers are not long term in nature, thus posing the risk of meeting production needs timely and adequately on the event of any lags from the manufacturers end.
-

Adverse impacts from unfavourable currency rates as well as rising COVID-19 costs are headwinds for Columbia.

Last Earnings Report

Columbia Sportswear's Q2 Loss Narrower Than Expected

Columbia Sportswear reported second-quarter 2020 results, which were largely affected by store closures and other concerns related to COVID-19. Nonetheless, e-commerce sales surged 72% in the quarter, forming 28% of total sales. E-commerce sales remained high in July and management is taking steps to adapt its distribution centers accordingly.

This company posted a loss of 77 cents against the year-ago period's earnings of 34 cents. However, the quarterly loss was narrower than the Zacks Consensus Estimate of a loss of 88 cents. Net sales slumped 40% to \$316.6 million, though it came ahead of the consensus mark of \$315 million. Sales declined across all brands, categories, channels and regions. Sales plummeted 58%, 47% and 20% in April, May and June, respectively. In the reported quarter, DTC channels displayed a sales decline of 32%, while wholesale net sales tumbled 46%.

Gross margin declined 200 basis points (bps) to 46.2% due to coronavirus-led impacts. These include reduced DTC product margins due to elevated promotional activities, increased inventory reserves and reduced wholesale close-out sales volumes. SG&A expenses dropped 10% to \$217.7 million. As a percentage of sales, the same escalated from 45.8% to 68.7%. SG&A costs were lower on account of reduced retail costs, lower spending on demand creation and a decline in discretionary spending. This was countered by COVID-19-related costs. The company reported an operating loss of \$70.3 million against an operating income of \$16.4 million in the year-ago period.

Regional Segments, Product Category & Brand

In the United States, net sales fell 42% to \$183.2 million. Latin America/Asia Pacific (LAAP) net sales fell 34% to \$67.4 million. Further, net sales dropped 36% to \$58.3 million in Europe/Middle East/Africa (EMEA). In Canada, net sales were down 56% to \$7.7 million. Net sales in the Apparel, Accessories and Equipment category declined 44% to \$243.8 million, while the same for Footwear fell 23% to \$72.8 million. Further, the Columbia, prAna, Mountain Hardwear and Sorel brands registered sales declines of 42%, 28%, 44% and 12%, respectively.

Other Updates

Columbia Sportswear, which shares space with Hanesbrands (HBI), ended the quarter with cash, cash equivalents and short-term investments of \$475.8 million and total shareholders' equity of \$1,652.8 million. The company also had short-term borrowings of \$2.8 million in its balance sheet. During the quarter, the company used cash from operating activities of \$37.3 million, while it incurred capital expenditures of almost \$21 million. Management recently suspended share buyback activities and quarterly dividend payments as part of its efforts to preserve capital amid the COVID-19 crisis.

The company's second-quarter results were largely affected by store closures amid the pandemic. Most of the company's owned stores in the United States, Japan, Europe and Canada were closed in the beginning of the second quarter. Also, many of the company's international distributors and wholesale customers were closed. However, in May and June, stores started gradually reopening in these markets, and by the quarter-end, almost all company-owned stores were open worldwide. However, the company noted that a few stores at a few locations that had reopened globally shut down again due to local regulations as well as safety factors.

Further, management highlighted that brick-and-mortar traffic remains significantly lower than the year-ago period, with outlets in destination locations and tourist-dependent regions most affected. Additionally, a rise in coronavirus cases in recent weeks has affected the company's stores in the impacted regions. The company expects its sales volume to remain lower than the year-ago period through the remainder of 2020, while it expects the second quarter to have witnessed the biggest year-over-year sales decline in 2020.

Management remains on track to curtail operating costs by more than \$100 million in 2020 and is also planning actions to optimize its cost structure in 2021 and thereafter. Management intends to continue its investments to create demand, drive brand awareness and enhance digital capabilities. It will also continue exploring growth opportunities in the DTC business and improve support processes.

Quarter Ending 06/2020

Report Date	Jul 30, 2020
Sales Surprise	0.37%
EPS Surprise	12.50%
Quarterly EPS	-0.77
Annual EPS (TTM)	2.65

Recent News

Columbia Sportswear Reopens Stores, Brings Back Employees - May 14, 2020

Columbia Sportswear announced its plans to reopen 30 Columbia branded stores across 10 states on May 15. Incidentally, the company said that it will bring back more than 250 retail employees who were furloughed in the past. Prior to this, the company already reopened one Columbia branded store located in Nebraska.

Further, the company is taking several actions to curtail costs and fortify capital position in the wake of this crisis. To this end, it has suspended dividend payouts and share buybacks, reduced operating and discretionary expenses as well as reduced planned inventory purchases for fall 2020

Columbia Sportswear Withdraws View, Keeps Stores Closed Amid Coronavirus – Apr 17, 2020

Columbia Sportswear provides an update on the coronavirus outbreak. The company's stores across North America and Europe remain shut until it is safe to reopen them amid the coronavirus crisis. Also, U.S. retail store operations staffs have been partially furloughed through May 1. Similar moves to furlough workers have been taken in the company's distribution centers and corporate offices.

Although, most stores in China and Korea have opened again, majority of these stores are still operating with reduced store hours. Also, retail traffic in these reopened stores are seeing some improvements but it stands well below pre-pandemic levels. Meanwhile, the company's online business has largely been operational amid the coronavirus crisis.

Further, management has temporarily suspended its quarterly dividend as well as share buyback plans. Moreover, the company has been undertaking measures to control its capital expenditures among other moves to improve liquidity amid coronavirus crisis. Apart from these, the Company has taken other moves including amending and restating its domestic credit agreement to improve its financial position amid the crisis. In this regard, it has drawn down \$325 million under its domestic credit agreement since Mar 27.

Also, given the coronavirus outbreak and its impact on revenues and costs, management has withdrawn its first half and full year 2020 financial outlook, which was issued along with its fourth-quarter results on Feb 7.

Valuation

Columbia Sportswear's shares are down 14.9% in the year-to-date period and 9.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 14% and 4.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 6.4% while the sector gained 8%.

The S&P 500 index is up 6.7% in the year-to-date period and 20.5% in the past year.

The stock is currently trading at 25.74X forward 12-month earnings, which compares to 28.34X for the Zacks sub-industry, 33.88X for the Zacks sector and 22.83X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.33X and as low as 11.61X, with a 5-year median of 20.77X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$89 price target reflects 26.96X forward 12-month earnings.

The table below shows summary valuation data for COLM

Valuation Multiples - COLM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.74	28.34	33.88	22.83
	5-Year High	30.33	28.7	33.88	22.83
	5-Year Low	11.61	13.28	16.13	15.2
	5-Year Median	20.77	18.13	19.86	17.58
P/S F12M	Current	1.96	2.44	2.4	3.7
	5-Year High	2.46	2.48	2.95	3.7
	5-Year Low	1.18	1.45	1.68	2.53
	5-Year Median	1.81	2.09	2.5	3.05
EV/EBITDA F12M	Current	13.26	23.07	12.35	13.55
	5-Year High	15.12	24.46	17.01	14.19
	5-Year Low	6.62	10.6	8.03	9.15
	5-Year Median	11.77	14.71	11.14	11.04

As of 08/24/2020

Industry Analysis Zacks Industry Rank: Bottom 17% (210 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Hanesbrands Inc. (HBI)	Outperform	1
GIII Apparel Group, LTD. (GIII)	Neutral	4
lululemon athletica inc. (LULU)	Neutral	3
PVH Corp. (PVH)	Neutral	3
V.F. Corporation (VFC)	Neutral	3
Guess, Inc. (GES)	Underperform	4
Ralph Lauren Corporation (RL)	Underperform	4
Under Armour, Inc. (UAA)	Underperform	4

Industry Comparison Industry: Textile - Apparel				Industry Peers		
	COLM	X Industry	S&P 500	GES	GIII	LULU
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	3
VGM Score	F	-	-	C	D	F
Market Cap	5.62 B	801.49 M	23.81 B	793.66 M	532.42 M	49.00 B
# of Analysts	7	4	14	4	7	17
Dividend Yield	0.00%	0.00%	1.64%	0.00%	0.00%	0.00%
Value Score	C	-	-	C	C	F
Cash/Price	0.09	0.22	0.07	0.56	1.28	0.02
EV/EBITDA	10.42	8.23	13.37	6.25	3.95	46.08
PEG Ratio	4.90	4.91	3.02	NA	17.65	4.68
Price/Book (P/B)	3.40	1.63	3.17	1.63	0.43	26.69
Price/Cash Flow (P/CF)	12.90	6.66	12.77	4.15	2.71	60.74
P/E (F1)	43.76	35.70	21.72	NA	158.29	85.78
Price/Sales (P/S)	2.05	0.64	2.48	0.33	0.18	12.73
Earnings Yield	2.27%	1.63%	4.44%	-11.16%	0.63%	1.17%
Debt/Equity	0.21	0.86	0.76	2.06	0.91	0.35
Cash Flow (\$/share)	6.59	2.28	6.93	2.83	4.08	6.20
Growth Score	F	-	-	F	F	F
Hist. EPS Growth (3-5 yrs)	13.85%	-2.10%	10.41%	-16.06%	7.78%	26.32%
Proj. EPS Growth (F1/F0)	-59.98%	-60.40%	-5.05%	-190.34%	-97.81%	-11.01%
Curr. Cash Flow Growth	30.70%	6.85%	5.20%	24.83%	6.85%	26.75%
Hist. Cash Flow Growth (3-5 yrs)	17.53%	3.96%	8.50%	0.67%	9.97%	19.56%
Current Ratio	2.99	1.96	1.33	1.54	3.97	2.68
Debt/Capital	17.39%	48.61%	44.50%	67.45%	47.60%	25.83%
Net Margin	6.66%	-1.68%	10.13%	-1.68%	3.15%	15.01%
Return on Equity	10.53%	1.00%	14.66%	1.00%	8.68%	33.27%
Sales/Assets	0.99	0.93	0.51	1.00	1.07	1.28
Proj. Sales Growth (F1/F0)	-15.59%	-6.50%	-1.45%	-24.36%	-30.16%	1.77%
Momentum Score	F	-	-	A	B	B
Daily Price Chg	5.38%	0.99%	1.32%	6.73%	10.36%	2.05%
1 Week Price Chg	-0.28%	-0.43%	-1.45%	-13.11%	-17.94%	5.62%
4 Week Price Chg	4.76%	2.91%	3.38%	11.49%	-1.77%	13.50%
12 Week Price Chg	13.07%	12.49%	7.69%	19.92%	-1.69%	21.91%
52 Week Price Chg	-9.84%	-22.30%	3.85%	-18.47%	-45.31%	106.37%
20 Day Average Volume	302,493	112,673	1,873,293	964,395	1,166,137	1,279,314
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-24.62%	0.17%
(F1) EPS Est 4 week change	-5.17%	0.00%	1.00%	0.00%	-24.62%	0.49%
(F1) EPS Est 12 week change	-3.15%	-44.83%	3.40%	-991.67%	-91.98%	-2.83%
(Q1) EPS Est Mthly Chg	-4.72%	0.00%	0.00%	0.00%	0.63%	0.72%

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	F
Momentum Score	F
VGM Score	F

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.