

Coty, Inc. (COTY)

\$4.89 (As of 05/06/20)

Price Target (6-12 Months): **\$6.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: B

Momentum: D

Summary

Coty's shares have underperformed the industry year to date. As part of its update on COVID-19 situation, the company withdrew its guidance for fiscal 2020 and said that it expects net revenues for the third quarter to tumble 20% on an LFL basis, with a considerable impact on profits. However, the company that is on track with the strategic review of its Professional hair and Brazilian businesses is taking several measures to cut costs and protect cash flows amid the global pandemic. Also, it is producing and offering sanitizers to medical and emergency services, alongside making business adjustments like increasing focus on e-commerce. Apart from this, the company has been benefitting from its turnaround plans as well as strength in the Luxury unit. On the other hand, its Consumer Beauty unit has been weak for a while.

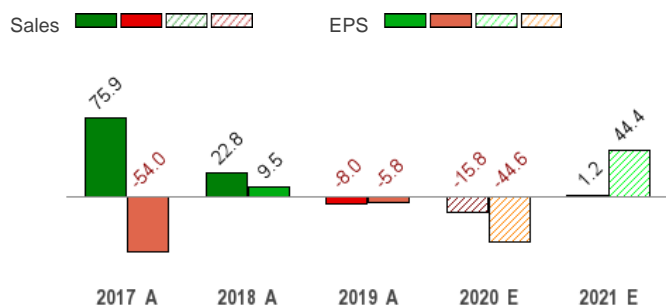
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$14.14 - \$3.02
20 Day Average Volume (sh)	8,482,552
Market Cap	\$3.7 B
YTD Price Change	-56.5%
Beta	1.06
Dividend / Div Yld	\$0.50 / 10.2%
Industry	Cosmetics
Zacks Industry Rank	Bottom 26% (187 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.5%
Last Sales Surprise	0.1%
EPS F1 Est- 4 week change	-24.8%
Expected Report Date	05/13/2020
Earnings ESP	-426.7%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,763 E	2,257 E	1,660 E	1,575 E	7,372 E
2020	1,943 A	2,345 A	1,543 E	1,424 E	7,286 E
2019	2,031 A	2,511 A	1,991 A	2,115 A	8,649 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.06 E	\$0.23 E	\$0.13 E	\$0.18 E	\$0.52 E
2020	\$0.07 A	\$0.27 A	\$0.01 E	\$0.11 E	\$0.36 E
2019	\$0.11 A	\$0.24 A	\$0.13 A	\$0.16 A	\$0.65 A

*Quarterly figures may not add up to annual.

P/E TTM	7.8
P/E F1	13.6
PEG F1	2.0
P/S TTM	0.4

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/06/2020. The reports text is as of 05/07/2020.

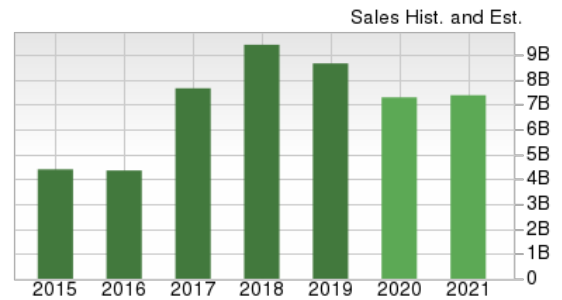
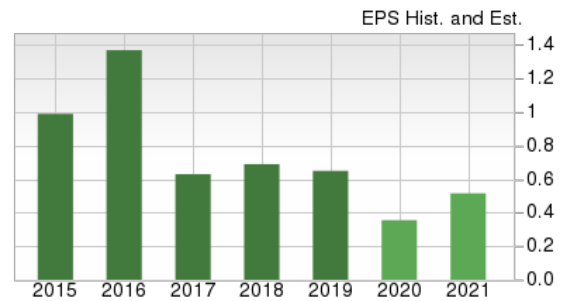
Overview

New York-based **Coty Inc.**, along with its subsidiaries, manufactures, markets, and distributes beauty products worldwide. The company sells its products through retailers, including hypermarkets, supermarkets, independent and chain drug stores and pharmacies, upscale perfumeries, upscale and mid-tier department stores, nail salons, specialty retailers, duty-free shops and traditional food, and drug and mass retailers. It also markets products under the Astor, Coty, Joop!, Jovan, Manhattan, and N.Y.C. New York Color brands.

After the P&G Beauty Business acquisition in Oct 2016, the company reorganized its business into three new divisions:

- **Luxury** division (38% of fiscal 2019 sales) is focused on prestige fragrances, premium skin care and premium cosmetics. Some of the brands under this segment include Burberry, Hugo Boss, Escada, Gucci, Chloe, Bottega Veneta, Marc Jacobs, Miu Miu, Tiffany, Davidoff, Alexander McQueen, Balenciaga, Lacoste and Calvin Klein among others.
- **Consumer Beauty** division (41% of fiscal 2019 sales) is focused on color cosmetics, retail hair coloring and styling products, mass fragrance, mass skin care and body care. The segment includes brands such as Nautica, Jovan, Enrique, Cover Girl, Clairol, Wella, Younique, Max Factor, Mexx, Risque, Stetson, Sally Hansen, Adidas, Beckham and Beyonce among others.
- **Professional Beauty** division (21% of fiscal 2019 sales) is focused on hair and nail care products for professionals. This division incorporates Clairol Professional, ghd (Good Hair Day), Kadus Professional, Nioxin, OPI, Sebastian, Wella Professional, Sassoon Professional, System Professional and Londa Professional.

Additionally, in connection with the company's acquisition of the P&G Beauty Business, Coty reorganized its geographical structure into three regions: North America (Canada and the United States), Europe and ALMEA (Asia, Latin America, the Middle East, Africa and Australia).



Reasons To Buy:

▲ **Robust Luxury Segment:** Coty's Luxury segment has been performing well for quite some time, backed by solid brand performances, innovations and strong consumer demand. Organic (Like for Like or LFL basis) revenues in the segment increased 1.3% in fiscal second quarter. The unit's LFL sales were driven by growth in ALMEA and Europe regions along with Travel Retail. Robust product innovations under brands like Burberry, Gucci, Tiffany, Hugo Boss and Lacoste drove growth during the quarter. Notably, launch of Tiffany & Love widened the brand reach to both female and male scents consequently driving market share gains in the company's core regions. Also, Coty is optimistic about its expansion into luxury cosmetics. In this regard, the company successfully launched Gucci lipsticks in China in November 2019.

Coty's Luxury beauty segment has been performing impressively. Further, the company is on track with transformation efforts.

Adjusted operating income moved up 5% to \$185.8 million and adjusted operating margin improved 90 bps to 18.3% on solid gross margin. Management is committed toward bolstering performance in the Luxury segment, which contributed nearly 43% to Coty's revenues in fiscal second quarter.

▲ **Transformation Plans on Track:** Coty is on course to turn around its operations. The company is on track with building and streamlining operations, upgrading systems, optimizing manufacturing and logistics, and simplifying overall operations. Simultaneously, the company is focused on investing in brands and transforming digital capabilities to drive sustainable growth. Prudent promotional tactics are an important part of the company's efforts to build brands.

The company is encouraged by the progress that it has made till now. To this end, the company has eliminated many of the supply-chain hurdles that limited its performance in the past. Further, the company is on track with efforts to revive the Consumer Beauty business. In this context, the company divested its 60% stake in Younique in September 2019. Also, it is on track with various working media strategies for the Consumer Beauty unit. Notably, the company's working media expenditure in the unit improved by more than 15% during the first half of fiscal 2020. Apart from this, management earlier stated that it is seeking options for the Professional Beauty unit and related hair brands. Further, the company had unveiled plans to explore alternatives for its Brazilian operations in the past. The review process also includes intentions of a divestiture. These moves are likely to help Coty shift focus to areas with higher growth potential like fragrances, skin care and cosmetics. Recently, Coty revealed a new sustainability strategy —Beauty that Lasts — which is a part of its Turnaround Plan.

▲ **Strategic Acquisitions to Drive Top Line:** Coty has made several strategic acquisitions to enhance its brand portfolio. In this regard, the company's buyout of the iconic Burberry brand, in the second quarter of fiscal 2018, is noteworthy. This acquisition has been supporting growth in the Luxury segment. Other instances in this regard include the buyout of Good Hair Day or ghd, which was a growth driver at Coty's Professional Beauty segment in fiscal second quarter. Notably, the launch of the Glide hot-brush in ghd brand aided the performance in the quarter. Additionally, the company's buyout of Procter & Gamble Company's global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the P&G Beauty Business) has been yielding favorable results for quite some time.

▲ **Saving Efforts Aid Margins:** Management is committed to optimizing the overall cost structure, which is helping Coty witness margin expansion. Stringent cost control, along with gross margin expansion, contributed to Coty's adjusted operating margin in the second quarter of fiscal 2020. During the quarter, adjusted operating margin came in at 13.9%, up 110 bps. Similar trends were witnessed in the Luxury and Consumer Beauty segments. The company plans to continue undertaking efforts to eliminate unnecessary costs.

Reasons To Sell:

▼ **Stock Underperforms:** Shares of Coty have declined 56.6% year to date, compared with the industry's drop of 40.6%. The company has been struggling with softness in its Consumer Beauty segment for a while now. Apart from this, Coty recently withdrew its guidance for fiscal 2020 amid the uncertainty surrounding coronavirus. Also, it now expects net revenues for the third quarter to tumble 20% on an LFL basis, with a considerable impact on profits. Nonetheless, the company is undertaking several measures to curtail costs and protect cash flows amid the crisis situation.

Coty's Consumer Beauty segment has been sluggish. Also, volatility in currency rates is a threat to its performance.

▼ **Soft Consumer Beauty Unit:** Coty's Consumer Beauty segment has been posting soft organic sales since the last few quarters. The segment continued to be under pressure in fiscal second quarter, with revenues declining 17.4% to \$799.7 million and LFL sales declined 6.7%. Revenues in North America were under pressure due to reductions in shelf space and persistent weakness in the mass beauty market in this particular segment. Further, revenues declined across color cosmetics, retail hair, body care and mass fragrances categories.

Also, the Consumer Beauty segment posted an adjusted operating income of \$48.7 million compared with an income of \$54.1 million in the year-ago quarter. As a result of sluggishness in the Consumer Beauty unit, Coty's top line fell 6.6% year over year in the second quarter, while LFL revenues slipped 1.4%.

▼ **Market Trends and Consumer Preferences:** As Coty operates in a consumer centric market, its ability to garner profits depends largely on how well it can predict changes in consumer preferences and spending patterns for beauty products and respond in a timely manner to fulfill the same. Additionally, material shifts in market demand for a product for any reason may result in increased inventory levels, which may lead to selling goods at lower prices. This could ultimately hurt the company's top and bottom lines.

▼ **Stiff Competition:** Coty faces competition from various products and product lines, in both domestic and international markets. The beauty and beauty-related products industry is highly competitive with the number of competitors and degree of competition varying widely from country to country. Worldwide, Coty competes against products sold to consumers by other direct-selling and direct-sales companies and through the Internet, and against products sold through the mass market and prestige retail channels.

Last Earnings Report

Coty Surpasses Earnings and Revenue Estimates in Q2

Coty Inc. released second-quarter fiscal 2020 results, with earnings and revenues beating the Zacks Consensus Estimate. Further, the bottom line improved year over year, while the top line fell from the prior-year quarter's figure.

Quarter in Detail

Adjusted earnings of 27 cents per share came ahead of the Zacks Consensus Estimate of 24 cents. Moreover, the bottom increased 13% year over year, which includes a one-time tax benefit.

Coty generated revenues of \$2,345 million, which surpassed the Zacks Consensus Estimate of \$2,342 million. However, the top line fell 6.6% year over year. Currency translations negatively impacted revenues to the tune of 1.6% and organic (Like for Like or LFL basis) revenues slipped 1.4%. Further, strength in Luxury and Professional Beauty LFL revenues was offset by weakness in the Consumer Beauty unit.

Adjusted gross margin expanded 130 basis points (bps) to 63.4%, courtesy of increased mix of higher-margin Luxury and Professional Beauty divisions. Also, robust gross margin expansion in the Luxury division aided the growth.

Additionally, adjusted operating income came in at \$325 million, up 0.8% year on year. This includes negative currency impacts of nearly 2%. Adjusted operating margin came in at 13.9%, up 110 bps on the back of gross margin growth and stringent cost control.

Segmental Details

Luxury: Net revenues in the segment inched down 0.1% to \$1016.5 million, while LFL revenues increased 1.3%. The unit's LFL sales were driven by growth in ALMEA, Europe and Travel Retail. Robust product innovations in brands like Burberry, Gucci, Tiffany, Hugo Boss and Lacoste drove growth. However, lower holiday giftset activity in North America was a deterrent. Adjusted operating income moved up 5% to \$185.8 million and adjusted operating margin improved 90 bps to 18.3%.

Consumer Beauty: Consumer Beauty revenues declined 17.4% to \$799.7 million, while LFL sales declined 6.7%. Region-wise, revenues in North America were under pressure due to reductions in shelf space and persistent weakness in the mass beauty market. Further, revenues declined across color cosmetics, retail hair, body care and mass fragrances categories. The segment posted an adjusted operating income of \$48.7 million compared with an income of \$54.1 million in the year-ago quarter.

Professional Beauty: Net revenues in the segment amounted to \$528.8 million, up 0.6% year over year and 2.2% on a LFL basis. The unit's performance was fueled by strength in Europe regions. Strength in ghd along with growth in the hair brands drove growth. Adjusted operating income in the category was flat at \$90.8, while the margin contracted 10 bps to 17.2%.

Regional Results

On a regional basis, net revenues in North America declined 14.4% (6.3% on a LFL basis) year on year to \$635 million. Sales in Europe dropped 2.4% (up 1.5% at LFL) to reach \$1172.9 million. Sales in the ALMEA region declined 5.3% (down 1.7% at LFL) to \$537.1 million.

Other Financial Updates

Coty ended the quarter with long-term debt of \$7,205.9 million.

During the quarter, the company provided \$422.1 million of net cash from operating activities and first half operating cash flow amounted to \$462 million. Also, free cash flow for fiscal second quarter came in at \$363.5 million. In the first of the fiscal, free cash flow was \$317 million.

Further, the company paid out a dividend of 12.5 cents a share on Dec 27. Also, concurrent with its earnings release, Coty declared a dividend of 12.5 cents per share, payable on Mar 27, to shareholders of record as of Feb 18.

Other Developments

On Jan 6, Coty formed a long-term strategic partnership with Kylie Jenner to develop the latter's beauty business into a global powerhouse brand. The company also unveiled a new sustainability strategy —Beauty that Lasts — which is a part of its Turnaround Plan.

Outlook

For fiscal 2020, management continues to expect net LFL revenues to be stable to slightly lower from the fiscal 2019 level. Further, it still expects adjusted operating income (at constant currency) to increase 5-10% year on year, after considering investments for brand growth. Adjusted earnings are likely to depict mid-single-digit growth. Free cash flow is likely to improve moderately year on year.

Quarter Ending **12/2019**

Report Date	Feb 05, 2020
Sales Surprise	0.11%
EPS Surprise	12.50%
Quarterly EPS	0.27
Annual EPS (TTM)	0.63

Recent News

Coty Provides Update in the Wake of Coronavirus – Mar 20, 2020

Amid the coronavirus outbreak, Coty is taking measures to remain committed toward shareholders, while maintaining business continuity. The company, which is focused on its employees' safety is also producing and offering sanitizers to medical and emergency services.

Apart from this, Coty has been making adjustments to its business, owing to the pandemic. In this regard, it has prioritized open networks and markets, with particular emphasis on e-commerce. Management also expects increased demand (starting in Asia) after the virus-led disruptions are over. Further, the company has undertaken increased measures to curtail expenses and preserve cash flows.

Given the current situation, Coty expects its net revenues in the third quarter of fiscal 2020 to fall by around 20% on a like-for-like basis, with a considerable effect on profits. Also, the company withdrew its guidance for fiscal 2020. Notably, management remains on track with the strategic review of its Professional hair and Brazilian businesses.

Coty Enters into Strategic Partnership With Kylie Jenner - Jan 6, 2020

Coty forms a long-term strategic partnership with Kylie Jenner with an aim to further develop the latter's beauty business into a global powerhouse brand.

Valuation

Coty shares are down 56.6% in the year-to-date period and 57.8% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 40.6% and 17.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 30.4% and 13.1%, respectively.

The S&P 500 index is down 11.5% in the year-to-date period and 1.5% in the past year.

The stock is currently trading at 9.94X forward 12-month earnings, which compares to 32.27X for the Zacks sub-industry, 18.46X for the Zacks sector and 20.52X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.52X and as low as 5.34X, with a 5-year median of 19.99X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$6 price target reflects 12.2X forward 12-month earnings.

The table below shows summary valuation data for COTY

Valuation Multiples - COTY					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.94	32.27	18.46	20.52
	5-Year High	33.52	32.27	22.37	20.52
	5-Year Low	5.34	19.65	16.5	15.19
	5-Year Median	19.99	24.39	19.68	17.44
P/S F12M	Current	0.51	3.62	8.63	3.21
	5-Year High	2.69	4.02	11.16	3.44
	5-Year Low	0.35	1.53	8.1	2.54
	5-Year Median	1.24	2.76	9.89	3.01
EV/EBITDA F12M	Current	9.25	27.52	34.16	12.29
	5-Year High	17.66	28.06	37.75	12.64
	5-Year Low	6	10.93	29.77	9.09
	5-Year Median	10.89	20.9	34.08	10.82

As of 05/06/2020

Industry Analysis Zacks Industry Rank: Bottom 26% (187 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
The Estee Lauder Companies Inc (EL)	Neutral	4
elf Beauty Inc (ELF)	Neutral	3
L'Oreal SA (LRLCY)	Neutral	3
Nu Skin Enterprises Inc (NUS)	Neutral	3
Revlon Inc (REV)	Neutral	3
Helen of Troy Limited (HELE)	Underperform	3
Inter Parfums Inc (IPAR)	Underperform	4
Shiseido Co (SSDOY)	Underperform	4

Industry Comparison Industry: Cosmetics				Industry Peers		
	COTY	X Industry	S&P 500	EL	HELE	SSDOY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Underperform
Zacks Rank (Short Term)	3	-	-	4	3	4
VGM Score	A	-	-	D	C	C
Market Cap	3.72 B	1.27 B	19.11 B	60.95 B	4.18 B	23.72 B
# of Analysts	7	2.5	14	12	3	2
Dividend Yield	10.23%	0.00%	2.2%	1.13%	0.00%	0.74%
Value Score	B	-	-	F	D	F
Cash/Price	0.09	0.10	0.06	0.08	0.01	NA
EV/EBITDA	-4.00	15.65	11.69	21.03	20.84	NA
PEG Ratio	2.08	4.26	2.48	3.90	3.60	NA
Price/Book (P/B)	0.83	2.34	2.58	13.99	3.59	5.24
Price/Cash Flow (P/CF)	3.01	16.45	10.40	24.16	16.45	23.75
P/E (F1)	14.10	32.06	18.81	37.79	21.67	43.82
Price/Sales (P/S)	0.44	1.97	1.97	3.94	2.45	2.38
Earnings Yield	7.36%	3.10%	4.99%	2.65%	4.61%	2.29%
Debt/Equity	1.72	0.33	0.75	1.60	0.33	NA
Cash Flow (\$/share)	1.62	1.62	7.01	7.02	10.07	2.50
Growth Score	B	-	-	C	A	A
Hist. EPS Growth (3-5 yrs)	-13.69%	4.39%	10.87%	16.69%	8.00%	NA
Proj. EPS Growth (F1/F0)	-45.28%	-10.50%	-9.86%	-16.00%	-17.81%	-25.96%
Curr. Cash Flow Growth	-2.37%	0.64%	5.88%	13.88%	13.99%	3.64%
Hist. Cash Flow Growth (3-5 yrs)	17.39%	8.48%	8.55%	9.29%	4.22%	30.36%
Current Ratio	0.86	1.82	1.25	1.63	2.01	NA
Debt/Capital	63.47%	33.46%	44.23%	61.50%	24.56%	NA
Net Margin	-33.12%	1.07%	10.87%	8.43%	8.92%	NA
Return on Equity	9.14%	11.64%	16.36%	43.18%	19.29%	NA
Sales/Assets	0.46	0.95	0.55	0.95	0.95	NA
Proj. Sales Growth (F1/F0)	-15.75%	-3.95%	-2.18%	-3.62%	1.13%	-5.37%
Momentum Score	D	-	-	F	F	D
Daily Price Chg	-6.50%	0.00%	-1.27%	-0.25%	1.27%	-0.80%
1 Week Price Chg	-17.38%	0.00%	0.53%	3.75%	16.29%	-2.90%
4 Week Price Chg	-16.84%	1.64%	0.68%	2.29%	18.32%	0.39%
12 Week Price Chg	-58.59%	-14.07%	-22.30%	-21.08%	-14.81%	-8.39%
52 Week Price Chg	-57.77%	-26.83%	-11.55%	1.66%	18.41%	-23.21%
20 Day Average Volume	8,482,552	45,818	2,470,143	2,075,702	208,768	35,846
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.28%	0.00%	0.00%
(F1) EPS Est 4 week change	-24.77%	-9.95%	-6.52%	-11.14%	-17.19%	-3.90%
(F1) EPS Est 12 week change	-47.69%	-23.06%	-14.84%	-22.24%	-17.19%	-23.88%
(Q1) EPS Est Mthly Chg	-26.03%	-24.19%	-12.48%	-163.64%	NA	0.00%

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	B
Growth Score	B
Momentum Score	D
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.