

Cisco Systems(CSCO)

\$46.30 (As of 06/01/20)

Price Target (6-12 Months): **\$50.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/14/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: B

Momentum: A

Summary

Cisco's third-quarter fiscal 2020 results reflect weakness in the commercial, service provider and enterprise end markets and coronavirus crisis-led supply chain constraints, which led to decline in revenues. However, robust adoption of identity and access, advanced threat and unified threat management security solutions amid high growth in Internet traffic, lessened the decline. Solid uptake of Webex video conferencing and business productivity offerings on COVID-19 led work-from-home demand environment is noteworthy. Also, Cisco witnessed strong demand for Catalyst 9000 switches. Moreover, growth in Meraki adoption and strength across WiFi 6 products was a positive in wireless vertical. However, weak demand for servers, and HyperFlex solutions, is a concern. Notably, Cisco's stock has underperformed the industry in the year-to-date period.

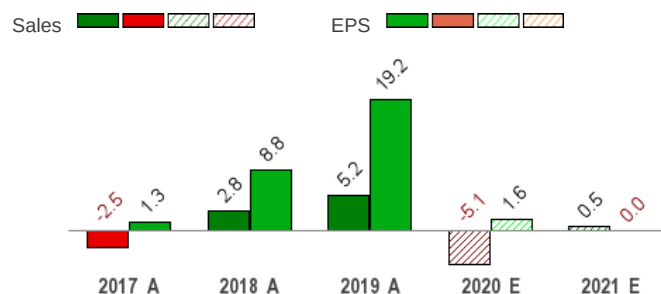
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$58.26 - \$32.40
20 Day Average Volume (sh)	22,402,336
Market Cap	\$201.9 B
YTD Price Change	-0.3%
Beta	0.97
Dividend / Div Yld	\$1.44 / 3.0%
Industry	Computer - Networking
Zacks Industry Rank	Top 27% (68 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	9.7%
Last Sales Surprise	0.9%
EPS F1 Est- 4 week change	4.1%
Expected Report Date	NA
Earnings ESP	-0.2%
P/E TTM	14.8
P/E F1	14.8
PEG F1	2.1
P/S TTM	4.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	12,252 E	12,024 E	12,654 E	13,015 E	49,471 E
2020	13,159 A	12,005 A	11,983 A	12,093 E	49,241 E
2019	13,072 A	12,446 A	12,958 A	13,428 A	51,904 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.75 E	\$0.75 E	\$0.80 E	\$0.82 E	\$3.15 E
2020	\$0.84 A	\$0.77 A	\$0.79 A	\$0.74 E	\$3.15 E
2019	\$0.75 A	\$0.73 A	\$0.78 A	\$0.83 A	\$3.10 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 06/01/2020. The reports text is as of 06/01/2020.

Overview

Headquartered in San Jose, CA and founded in December 1984, Cisco Systems Inc. is an IP-based networking company, which offers other products and services to service providers, companies, commercial users and individuals.

Cisco has seven product categories: Switches aggregate and distribute information, collecting LANs, MANs and WANs filtering, processing and distributing it in the required volume and to the designated locations. They provide connectivity to end users, workstations, IP phones, access points and servers.

Next-Generation Network (NGN) Routers transport data, voice and video information from one IP network to another. Collaboration products integrate voice, video, data and mobile applications on fixed and mobile networks. Key products are Unified Communications and Cisco TelePresence Systems products.

Wireless technology includes networking products: wireless LAN controllers, wireless integrated switches and routers, wireless management software, wireless LAN clients and client software, bridges, antennas and accessories.

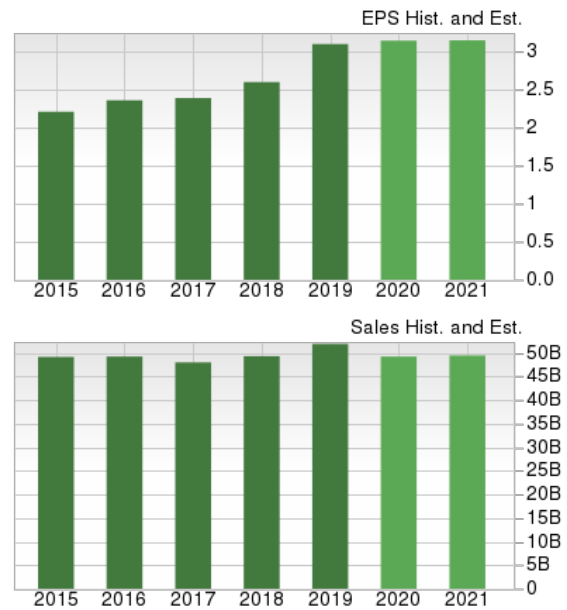
Security includes products and services preventing unauthorized access to system resources and protecting from worms, spam, viruses and other malware. The Data Center product category includes Cisco Unified Computing System (UCS) and Server Access Virtualization. It also comprises of The Other products segment and Related Services.

Cisco realigns its reporting segments into four distinct categories – infrastructure platform, applications, security, and other products.

On Oct 28, 2018, Cisco concluded the divestiture of its Service Provider Video Software Solutions (SPVSS) business. SPVSS included digital STBs and media technology products for reception, encoding, transcoding, translating, multiplexing, switching and modulation.

Total revenue was \$51.74 billion in fiscal 2019. The Americas, EMEA and APJC generated 59.6%, 25.2% and 15.2% of total revenues, respectively.

The company competes in the networking and communications equipment markets with companies like Amazon Web Services, Check Point Software Technologies, Dell, F5 Networks, FireEye, Fortinet, Hewlett-Packard Enterprise Company, Juniper Networks and Microsoft Corporation, to name few.



Reasons To Buy:

- ▲ Cisco is the largest player in the networking space. The company has a strong presence in the router and switch market. It also retained a leadership position in WLAN and Ethernet switching. Moreover, expansion into relatively under-penetrated markets is expected to drive growth.
- ▲ Cisco has pioneered a network system, which has been referred to as the Unified Computing System (UCS). This blade server system based on x86 architecture is transforming data centers. The system lowers the cost of ownership by making the entire data center more network-centric, significantly reducing the number of computers/servers required. The UCS is intended to simplify the operation of the data center, improving its flexibility and scalability. For this purpose, the company has tied up with Accenture, BMC, EMC, Intel, Microsoft, NetApp, Novell, Oracle and VMware. Notably, UCS adoption is expected to increase owing to the inherent cost advantage and the growing number of data centers across the world. This is working in Cisco's favor. UCS remains a major factor to Cisco's future success as the company builds its Next Generation Data Center stack.
- ▲ Cisco has inked strategic alliances with most of major technology companies globally. These partnerships have increased access to new technology, helped in developing innovative products, facilitated joint sales & marketing programs, and expanded total addressable market (TAM). The company has strategic partnerships with Apple, IBM, Microsoft, Viacom, Telenor, Google and Alibaba, which are expected to aid the company in enhancing business opportunities. We believe partnerships will help Cisco in winning new customers in the long haul. Further, Cisco's integration with Microsoft Azure Virtual WAN and Office 365, and deepening partnership with Amazon cloud arm Amazon Web Services, and Alphabet's Google Cloud has prepared it to deliver highly secure end-to-end connectivity and better application performance. These partnerships with hyperscalers are likely to help Cisco sell more of its SD-WAN solutions as customers shift more applications to the cloud.
- ▲ Cisco's focus on wireless carriers has increased of late, as evidenced by acquisitions such as Intucell, BroadHop, Cognitive Security, Cariden, ClearAccess and Ubiquisys. With data demand exploding, the wireless carrier segment has grown in importance. Mobile carriers in the U.S. are increasingly looking to make their networks more spectrum-efficient and put their network resources to use without having to materially increase capex expenditure. Also, the proliferation of smartphones has caused mobile data traffic to grow exponentially and the advent of high-speed LTE networks is likely to accelerate that growth. Therefore, networking solutions that allow carriers to manage traffic efficiently are to become increasingly important in the coming years. Cisco intends to tap this market by adding network management solutions to its product portfolio and broadening its relationship with carriers. The increased carrier focus might help Cisco to gain share in the edge routing segment, where its competitors, Juniper and Alcatel Lucent, have substantial market share. Moreover, these acquisitions have diversified Cisco's revenue source. Increasing recurring nature of the top line is a major growth factor.
- ▲ In order to counter the threat of SDN, Cisco has devised a strategy of its own, which it is referring to as Application Centric Infrastructure (ACI). ACI is a comprehensive approach that ties together physical and virtual compute, network and storage by leveraging centralized policies and orchestration. ACI is made up of new hardware in the Nexus 9000 portfolio and software in the shape of an updated NX-OS operating system along with the Application Policy Infrastructure Controller (APIC). The solution streamlines operational processes and reduces operating expenses for power, cooling and cabling. This reduces the total cost of ownership by 75% when compared with software-only network virtualization. The technology ensures the infrastructure is focused on the application. Nexus 9000 Series switches deliver high scalability, performance and energy in a compact form factor and are ideal for data center aggregation- and access-layer deployments in enterprise, service provider, and cloud networks. It is quite encouraging to see that Cisco's ACI technology is gaining significant traction with customers.
- ▲ Management execution has been good amid the coronavirus-induced crisis scenario. The company had solid net-cash balance of \$12.49 billion as of Apr 25, 2020, compared with \$11.07 billion as of Jan 25, 2020. This provides them the flexibility required to pursue any growth strategy, whether by way of acquisitions or otherwise. Moreover, total debt to total capital of 24.5% is lower than the prior quarter's figure of 29%. Further, times interest earned is 22.4X compared with prior quarter's 20.4X. Moreover, cash from operations in the third fiscal quarter was \$4.2 billion, compared with \$3.8 in the previous quarter. Further, free cash flow was \$4.1 billion, compared with \$3.6 billion in the prior quarter. The strong cash flows help Cisco to continue shareholder friendly initiatives of share repurchase and dividend hike. Notably, lower number of outstanding shares helps the bottom line. In the fiscal third quarter, Cisco returned \$2.5 billion to shareholders through share buybacks and dividends. The company has \$10.8 billion remaining under its current share buyback program with no termination date. The company's ability to generate solid free cash flow is also expected to help it sustain current dividend payout (0.47) level at least in the near term.

Order growth in new markets of the company remain encouraging and we are positive about the company's market position, innovative prowess, product range, growth initiatives and dividend payouts.

Reasons To Sell:

- ▼ Cisco continues to acquire a large number of companies. While this improves revenue opportunities, it increases integration risks. Moreover, we also note that the large acquisitions negatively impact the balance sheet in the form of high level of goodwill and net intangible assets, which totalled \$35.2 billion or 38.5% of total assets, as of Apr 25, 2020.
- ▼ Cisco has been forced to offer discounts and deals in response to actions by peers due to stiff competition from Arista Networks, Juniper, HPE and Huawei, in Ethernet switch and router market. Cisco's competitors are revamping their product lines with faster and power-efficient products. Although the edge business remains strong, the competitive pressure at the core remains intense and is likely to hurt profitability.
- ▼ One of the primary markets that Cisco serves is federal, state and local governments. Therefore, the company is widely exposed to the stringent budget activities of the U.S. government, which remains a major concern.
- ▼ Moreover, Cisco generates significant portion of revenues from outside the United States (40.4% of total revenues in fiscal 2019), subjecting the company to exchange rate volatility. Unfavorable movement in exchange rates of foreign currencies like renminbi, euro, pound sterling, Costa Rican colon, and yen related to the U.S. dollar can adversely impact results and undermine its growth potential to some extent. Weakness in service provider business in China, amid coronavirus crisis-led supply chain constraints, is a headwind. Moreover, imposition of tariffs owing to trade war between the United States and China is anticipated to affect growth prospects. The uncertainty over the trade war truce has impacted investors' confidence and is likely to remain an overhang on the company's performance.
- ▼ We note that the stock currently has a trailing 12 month Price/Book (P/B) ratio of 5.65, which compares unfavorably to some extent with what the industry saw over the last year. Hence, valuation looks slightly stretched from P/B perspective.

Cisco is facing integration risks as well as stiff competition from smaller players.

Last Earnings Report

Cisco Q3 Earnings and Revenues Top Estimates

Cisco Systems reported third-quarter fiscal 2020 non-GAAP earnings of 79 cents per share that beat the Zacks Consensus Estimate by 9.7% and improved 1% year over year.

However, revenues declined 8% year over year to \$11.98 billion but surpassed the consensus mark by 0.9%. The decline can be attributed to coronavirus crisis-induced supply chain and component constraints and associated manufacturing challenges.

Quarter Ending 04/2020

Report Date	May 13, 2020
Sales Surprise	0.91%
EPS Surprise	9.72%
Quarterly EPS	0.79
Annual EPS (TTM)	2.96

Quarter in Detail

Region-wise, the Americas, the EMEA and the APJC revenues decreased 8%, 7% and 9% year over year, to \$7.12 billion, \$3.14 billion and \$1.73 billion, respectively.

Service revenues (28.3% of total revenues) increased 5% to \$3.39 billion, driven by growth in software and solution services. Software subscriptions represent 34% of Cisco's software revenues, up 9% year over year.

Product revenues (71.7% of total revenues) declined 12% on a year-over-year basis to \$8.6 billion.

Total product orders were down 5% on a year-over-year basis. In terms of customer segments, product orders for public sector was up 1%. Commercial, enterprise and service provider revenues were down 11%, 4% and 3%, respectively.

Region-wise, EMEA and APJC product orders decreased 4% and 22%, respectively, while product orders across the Americas were flat on a year-over-year basis. Product orders across total emerging markets declined 21% and the BRICs plus Mexico fell 29%.

Breakup of Product Revenues

Infrastructure Platforms comprise Switching, NGN routing, Wireless and Data Center solutions. Revenues fell 15% year over year to \$6.43 billion. The segment was severely impacted by coronavirus crisis-induced supply chain constraints.

Routing declined due to weakness in service provider and enterprise end markets. Switching declined in both campus and data center end markets. However, Cisco witnessed strong demand for Catalyst 9000 family of switches.

Additionally, wireless revenues declined overall despite strong growth in Meraki and strength across WiFi 6 products. Data Center revenues decreased owing to weak demand for servers, and HyperFlex solutions.

Applications consist of the Collaboration portfolio of Unified Communications (UC), Conferencing and TelePresence, IoT, and application software businesses such as AppDynamics and Jasper. Revenues decreased 5% year over year to \$1.36 billion due to a decline in Unified Communications and TP end points, partially offset by double-digit growth at AppDynamics and IoT software.

Notably, solid uptake of Webex video conferencing and business productivity offerings amid the COVID-19 induced work-from-home demand environment lessened the decline. Management stated that 95% of the Fortune 500 is now utilizing Cisco's collaboration solutions.

Security revenues improved 6% to \$776 million. The upside can be attributed to solid demand witnessed by identity and access, advanced threat, and unified threat management solutions, amid high growth in Internet traffic.

Cisco witnessed strong demand for cloud-based solutions, including Duo and Umbrella. The company's differentiated end-to-end approach across the network, cloud and endpoints has helped it expand the clientele. The company introduced SecureX, comprehensive cloud-based security platform, to strengthen enterprise security infrastructure with unified visibility, automation and security capabilities across network endpoints, applications, and the cloud.

Other Products contains service provider video, cloud and system management, and various emerging technology offerings. Revenues slumped 27% to \$28 million.

Operating Details

Non-GAAP gross margin expanded 200 basis points (bps) from the year-ago quarter to 66.6%. On a non-GAAP basis, product gross margin expanded 210 bps to 65.8% due to favorable mix and memory cost savings, partially negated by pricing impacts, while service gross margin expanded 160 bps to 68.9%.

Non-GAAP operating expenses were \$3.81 billion, down 9% year over year. As a percentage of revenues, operating expenses contracted 60 bps to 31.8%.

Non-GAAP operating margin expanded 270 bps year over year to 34.9%.

Balance Sheet and Cash Flow

As of Apr 25, 2020, Cisco's cash & cash equivalents and investments balance were \$28.57 billion, compared with \$27.06 billion as of Jan 25, 2020.

Total debt (short-term plus long-term), as of Apr 25, was \$16.08 billion compared with \$15.99 billion, as of Jan 25.

Operating cash flow was \$4.2 billion compared with \$3.8 billion reported in the prior quarter.

Remaining performance obligations (RPO) at the end of the reported quarter were \$25.5 billion, up 11%. The metric represents total committed non-cancelable future revenues.

In the fiscal third quarter, Cisco returned \$2.5 billion to shareholders through share buybacks worth \$1 billion and dividends worth \$1.5 billion. The company has \$10.8 billion remaining under its current share buyback program, with no termination date.

Q4 Guidance

For fourth-quarter fiscal 2020, revenues are expected to decline 8.5-11.5% on a year-over-year basis.

Non-GAAP gross margin is expected in the range of 64-65%, while operating margin is anticipated between 31.5% and 32.5% for the quarter.

Non-GAAP earnings are anticipated between 72 cents and 74 cents per share.

Recent News

On May 28, Cisco announced its plans to acquire San Francisco, CA-based startup — ThousandEyes, Inc. The deal will enable Cisco to address the growing demand for software solutions that can help enterprises deal with the uncertainty and chaos stemming from COVID-19 outbreak, triggered dependence on the Internet and accelerated cloud adoption. The company expects the deal to be completed by the end of first-quarter fiscal 2021.

On Apr 14, Cisco announced a new Business Resiliency Program, which includes \$2.5 billion in financing, that will be offered via Cisco Capital, to aid businesses alleviate coronavirus crisis-induced financial challenges.

On Apr 6, Cisco announced its plans to acquire New York-based wireless tech company — Fluidmesh Networks. The acquisition of Fluidmesh is anticipated to strengthen Cisco's Industrial IoT portfolio and enable it to address growing demand for IoT based solutions in the market. Nevertheless, the financial terms of the deal have been kept under wraps. The deal is expected to be completed by fourth-quarter fiscal 2020.

Valuation

Cisco shares are down 3.2% in the year-to-date period and 10.4% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 0.8%, while the same in the Zacks Computer & Technology sector are up 4.6%, in the year-to-date period. Over the past year, the Zacks sub-industry is down 7.6%, while the sector is up 27.5%.

The S&P 500 index is down 5.4% in the year-to-date period but up 11.1% in the past year.

The stock is currently trading at 15.19X forward 12-month earnings, which compares to 17.04X for the Zacks sub-industry, 24.39X for the Zacks sector and 22.09X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.8X and as low as 10.48X, with a 5-year median of 15.14X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$50 price target reflects 15.88X forward 12-month earnings.

The table below shows summary valuation data for CSCO

Valuation Multiples - CSCO					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.19	17.04	24.39	22.09
	5-Year High	19.8	19.21	24.39	22.09
	5-Year Low	10.48	11.26	16.72	15.23
	5-Year Median	15.14	15.39	19.26	17.49
P/S F12M	Current	4.09	3.7	3.69	3.43
	5-Year High	5.19	4.3	3.69	3.44
	5-Year Low	2.28	2.36	2.32	2.53
	5-Year Median	3.50	3.29	3.11	3.02
EV/Sales TTM	Current	3.66	3.35	4.19	2.98
	5-Year High	4.48	4.03	4.43	3.46
	5-Year Low	1.5	1.46	2.55	2.13
	5-Year Median	2.81	2.56	3.59	2.83

As of 05/29/2020

Industry Analysis Zacks Industry Rank: Top 27% (68 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	3
Check Point Software Technologies Ltd. (CHKP)	Neutral	3
F5 Networks, Inc. (FFIV)	Neutral	3
Juniper Networks, Inc. (JNPR)	Neutral	2
Microsoft Corporation (MSFT)	Neutral	3
NVIDIA Corporation (NVDA)	Neutral	2
Palo Alto Networks, Inc. (PANW)	Neutral	3
VMware, Inc. (VMW)	Neutral	3

Industry Comparison Industry: Computer - Networking				Industry Peers		
	CSCO	X Industry	S&P 500	AMZN	JNPR	VMW
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	A	-	-	D	C	C
Market Cap	201.91 B	100.93 M	21.48 B	1,218.20 B	8.04 B	65.32 B
# of Analysts	12	2	14	14	8	11
Dividend Yield	3.01%	0.00%	1.96%	0.00%	3.30%	0.00%
Value Score	B	-	-	F	B	C
Cash/Price	0.15	0.19	0.06	0.04	0.25	0.05
EV/EBITDA	10.67	12.71	12.56	31.91	12.53	26.89
PEG Ratio	2.11	3.25	2.87	5.18	2.16	1.59
Price/Book (P/B)	5.65	1.51	2.92	18.66	1.83	9.31
Price/Cash Flow (P/CF)	13.90	10.54	11.74	36.43	12.84	23.39
P/E (F1)	14.75	90.25	21.35	124.24	15.87	25.95
Price/Sales (P/S)	3.99	1.45	2.27	4.11	1.81	6.10
Earnings Yield	6.57%	0.99%	4.52%	0.80%	6.31%	3.85%
Debt/Equity	0.32	0.14	0.76	0.36	0.39	0.53
Cash Flow (\$/share)	3.44	0.39	6.96	67.05	1.89	6.68
Growth Score	B	-	-	C	C	B
Hist. EPS Growth (3-5 yrs)	9.03%	-1.02%	10.87%	102.38%	-4.16%	14.59%
Proj. EPS Growth (F1/F0)	1.45%	5.14%	-10.48%	-14.57%	-11.12%	-3.48%
Curr. Cash Flow Growth	6.95%	23.87%	5.39%	31.33%	-8.77%	0.87%
Hist. Cash Flow Growth (3-5 yrs)	3.53%	17.48%	8.55%	49.26%	-15.41%	13.69%
Current Ratio	1.59	2.21	1.29	1.08	1.93	0.65
Debt/Capital	24.49%	15.67%	44.54%	26.42%	28.06%	34.84%
Net Margin	21.32%	-1.67%	10.59%	3.56%	7.53%	58.44%
Return on Equity	36.47%	2.25%	16.26%	17.83%	8.93%	32.25%
Sales/Assets	0.54	0.89	0.55	1.42	0.51	0.47
Proj. Sales Growth (F1/F0)	-5.13%	0.00%	-2.53%	23.04%	-2.69%	12.37%
Momentum Score	A	-	-	C	D	C
Daily Price Chg	4.88%	0.00%	-0.11%	1.72%	2.28%	9.71%
1 Week Price Chg	1.42%	7.98%	4.99%	1.12%	0.92%	0.09%
4 Week Price Chg	12.84%	3.74%	4.40%	-1.28%	12.31%	18.82%
12 Week Price Chg	20.85%	2.17%	-2.75%	26.94%	12.37%	28.22%
52 Week Price Chg	-10.73%	-1.63%	0.07%	34.47%	-3.96%	-18.22%
20 Day Average Volume	22,402,336	42,938	2,425,602	3,954,578	3,872,437	1,147,921
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	4.15%	0.00%	-1.70%	-29.55%	0.55%	-0.70%
(F1) EPS Est 12 week change	-3.36%	-41.67%	-16.00%	-28.53%	-8.97%	-19.58%
(Q1) EPS Est Mthly Chg	8.36%	-16.67%	-3.25%	-70.91%	9.43%	-0.70%

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	A
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.