

## Estee Lauder(EL)

**\$213.37** (As of 08/13/20)

Price Target (6-12 Months): **\$222.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 07/01/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: D

## Summary

Shares of Estee Lauder have outpaced the industry on a year-to-date basis. The company has been undertaking cost-control measures amid the coronavirus pandemic that generated nearly \$250 million of savings during third-quarter fiscal 2020. Moreover, Estee Lauder expects these measures to deliver increased benefits in the fourth quarter. Apart from these, strength in Estee Lauder's online business along with solid presence across emerging markets bodes well. However, during third-quarter the company's top line and the bottom line declined year over year. Notably, net sales fell 11%, thanks to retail store closures due to the coronavirus outbreak. In fact, management expects majority of its retail stores to remain shut through most of the fiscal fourth quarter. Also, unfavorable foreign currency translation is a headwind for the company.

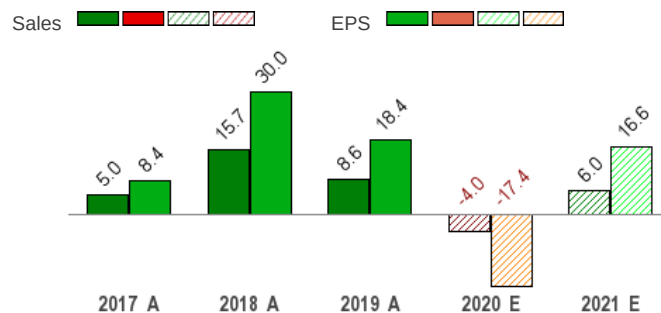
## Price, Consensus & Surprise



## Data Overview

|                            |                           |
|----------------------------|---------------------------|
| 52 Week High-Low           | \$220.42 - \$137.01       |
| 20 Day Average Volume (sh) | 1,036,887                 |
| Market Cap                 | \$76.1 B                  |
| YTD Price Change           | 2.4%                      |
| Beta                       | 0.78                      |
| Dividend / Div Yld         | \$0.00 / 0.0%             |
| Industry                   | <a href="#">Cosmetics</a> |
| Zacks Industry Rank        | Top 45% (114 out of 253)  |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 18.1%      |
| Last Sales Surprise       | 9.5%       |
| EPS F1 Est- 4 week change | -0.9%      |
| Expected Report Date      | 08/20/2020 |
| Earnings ESP              | -10.6%     |
| P/E TTM                   | 40.1       |
| P/E F1                    | 41.5       |
| PEG F1                    | 3.2        |
| P/S TTM                   | 4.9        |

## Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 3,279 E | 4,449 E | 3,815 E | 3,456 E | 15,117 E |
| 2020 | 3,895 A | 4,624 A | 3,345 A | 2,394 E | 14,264 E |
| 2019 | 3,524 A | 4,005 A | 3,744 A | 3,590 A | 14,863 A |

## EPS Estimates

|      | Q1       | Q2       | Q3       | Q4        | Annual*  |
|------|----------|----------|----------|-----------|----------|
| 2021 | \$1.14 E | \$1.87 E | \$1.46 E | \$0.76 E  | \$5.14 E |
| 2020 | \$1.67 A | \$2.11 A | \$0.85 A | -\$0.24 E | \$4.41 E |
| 2019 | \$1.41 A | \$1.74 A | \$1.55 A | \$0.64 A  | \$5.34 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 08/13/2020. The reports text is as of 08/14/2020.

## Overview

New York-based Estee Lauder Companies Inc. is one of the world's leading manufacturers and marketers of skin care, makeup, fragrance and hair care products. The company's products are sold through department stores, mass retailers, company-owned retail stores, hair salons and travel-related establishments.

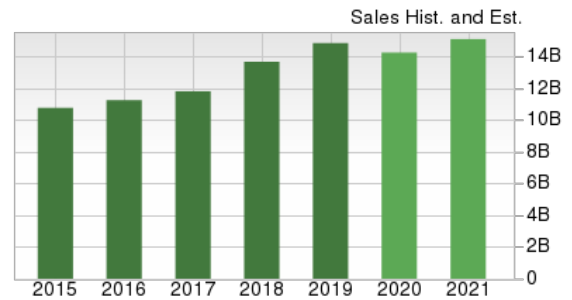
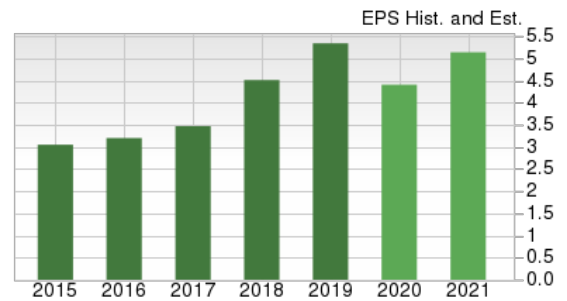
Estee Lauder's manufacturing and research facilities are spread across the U.S., Canada, Belgium, Switzerland, Japan, South Africa and the U.K.

The company reports operating results in terms of product categories and geographic regions.

In terms of product categories, Estee Lauder's primary segments include:

- **Skin Care division** (44.1% of fiscal 2019 sales): This segment sells skin care products for men and women. The products consist of moisturizers, creams, lotions, cleansers, sunscreens and self-tanning products.
- **Makeup division** (39.4% of fiscal 2019 sales): This segment manufactures, markets and sells makeup products. Products include lipsticks, mascaras, foundations, eye shadows, nail polishes, powders and related items, such as compacts, brushes and other makeup tools.
- **Fragrances division** (12.1% of fiscal 2019 sales): This segment sells fragrance products for men and women. Its products include eau de perfume, sprays and colognes, as well as lotions, powders, creams and soaps that are based on a particular fragrance.
- **Hair care division** (3.9% of fiscal 2019 sales): This segment includes hair color and styling products, shampoos, conditioners, and finishing sprays.
- **Other division**: This segment sells ancillary products and services.

Region-wise, the company reports under **Americas** (31.9% of fiscal 2019 sales); **Europe, the Middle East & Africa** (43.4% of fiscal 2019 sales); and **Asia-Pacific** (24.7% of fiscal 2019 sales).



---

## Reasons To Buy:

- ▲ **Cost-Saving Efforts Amid COVID-19:** During the third quarter of fiscal 2020, the company undertook various expense-control measures that included suspending travel, meetings, consulting, non-essential recruits and cutting certain employee costs. In fact, these measures have resulted in nearly \$250 million of savings during the quarter. Moreover, Estee Lauder expects these cost-control measures to deliver increased benefits in the fourth quarter.

On Apr 15, the company resorted to other measures like salary cuts for senior executives and other management employees along with furloughing workers, among others. These along with other cost-control measures implemented in the third quarter are expected to reduce operating expenses by \$500-\$600 million in the fourth quarter. Shares of the company have gained 2.6% year to date against the industry's 27.3% decline.

- ▲ **Solid Presence in Emerging Markets:** Estee Lauder has strong presence in emerging markets which insulates it from the macroeconomic headwinds in the matured markets. The company derives significant revenues from emerging markets like Thailand, India, Russia and Brazil, which keeps it encouraged about making distributional, digital and marketing investments in these countries.

Markedly, China remains a major area of focus for Estee Lauder. In fact, the company's recently piloted emerging business model for online and offline stores in Mainland China region is yielding. Moreover, Mainland China has recently seen recovery owing to reopening of retail stores with reduced working hours owing to relaxations in coronavirus-induced lockdowns. Incidentally, management anticipates returning to double-digit sales growth in the region by fourth-quarter.

- ▲ **Strong Online Business:** Estee Lauder has a strong online business and the company expects it to be a major growth engine for the upcoming few years. Estee Lauder was the first global prestige beauty company that went online with the Clinique brand in the United States in 1996 and has now spread its presence online to about 50 markets. Further, Estee Lauder has been implementing new technology and digital experiences including online booking for each store appointment, omni-channel loyalty programs and high touch mobile services. These initiatives and the company's digital-first mindset have been aiding the company's online sale.

Moreover, Estee Lauder's brand teams have been fully committed to enhancing consumer experiences online since coronavirus-induced lockdowns were imposed. In this regard, they have been focusing on proper product placement and showing cases tools including virtual try-on to ease decision-making. Markedly, the company's online sales rose sharply since the end of March and continued to climb through April. We note that, products like La Mer, Crème de la Mer Treatment Lotion and Estee Lauder's Advanced Night Repair among others have been witnessing solid demand online amid the coronavirus pandemic. Apart from these, management is on track with expanding brand presence across various third-party sites, rolling out new digital payment technologies and enhancing its loyalty programs as it continues to widen market reach.

- ▲ **Financial Status:** Estee Lauder's long-term debt (including long-term operating lease liabilities) of \$6,962 million as of Mar 31, 2020, fell 0.3% sequentially. Further, the company had cash and cash equivalents of \$4,876 million as of Mar 31, which is sufficient to fund its current debt of \$1,527 million. Notably, in an attempt to enhance its financial flexibility amid the coronavirus outbreak, Estee Lauder has drawn down the full amount under its \$1.5-billion revolving credit facility. Also, management has issued \$700-million aggregate principal amount of 2.6% senior unsecured notes that are due in 2030.
- 

Estee Lauder's cost-control measures amid the coronavirus outbreak are yielding. Additionally, it has been depicting strong growth in its online business.

---

## Reasons To Sell:

- ▼ **COVID-19 Hurts Q3 Results:** Estee Lauder reported third-quarter fiscal 2020, with the top line and the bottom line declining year over year. Notably, adjusted earnings per share of 85 cents fell 45% year over year. Moreover, Estee Lauder's net sales of \$3,345 million declined 11% year over year (down 9% at constant currency). The downside was caused by retail store closures due to the coronavirus pandemic. In fact, sales declined across all regions and product segments year over year. Also, operating income in third-quarter declined 84% year over year.
- ▼ **Coronavirus-Led Store Closures:** The coronavirus outbreak is spreading at an alarming rate. The cosmetics space has been under major pressure with companies shutting stores, limiting store hours and withdrawing their guidance. In this regard, Estee Lauder anticipates majority of its retail stores to remain shut through most of fourth-quarter fiscal 2020. The company expects these store closures to continue impacting the global prestige beauty negatively. Moreover, restrictions placed on air travel are likely to act as a deterrent.
- ▼ **Risk of Operating in Overseas Markets:** Estee Lauder's financial performance may be largely affected by its significant presence in the international markets, which exposes it to the risk of unfavorable foreign currency translations, economic or political instability, and other governmental actions on trade and repatriation of foreign profits. We believe that, the above mentioned factors pose a major threat to the company's performance.
- ▼ **Market Trends and Consumer Preferences:** As Estee Lauder 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. Hence, failure to stay up to date on product mix by continually searching for new products and anchoring new supplier agreements may result in becoming obsolete.

Retail store closures due to the coronavirus pandemic hurt Estee Lauder's top-line in third-quarter fiscal 2020.

## Last Earnings Report

### Estee Lauder Q3 Earnings Beat Estimates, Sales Down

The Estee Lauder Companies reported third-quarter fiscal 2020 results, with the top line and the bottom line surpassing the respective Zacks Consensus Estimate. Notably, this marked the company's 23rd and 13th straight quarter of earnings and sales beat, respectively. However, both earnings and sales declined year over year.

#### Quarter in Detail

The company posted adjusted earnings per share of 85 cents, which beat the Zacks Consensus Estimate of 72 cents. However, the metric declined 45% year over year.

Estee Lauder's net sales of \$3,345 million surpassed the Zacks Consensus Estimate of \$3,055 million. However, sales declined 11% year over year (down 9% at cc). The downside was caused by retail store closures due to the coronavirus pandemic. Nevertheless, the decline was partially offset by inclusion revenues from the recently-acquired Have&Be Co. Ltd.

Gross profit came in at \$2,509 million, down 14%. Also, gross margin contracted 310 basis points (bps) to 75%. Operating income declined 84% year over year to \$109 million. Operating income margin declined significantly to 3.3% from 18% reported in the year-ago quarter's levels.

#### Product-Based Segment Results

**Skin Care's** sales declined 1% year over year (flat at cc) to \$1,723 million, due to reduced sales from Clinique, La Mer and Origins brands.

**Makeup** revenues were down 22% year over year (down 20% at cc) to \$1,146 million, thanks to softness in brands like Clinique, Bobbi Brown and Tom Ford Beauty to name a few. The downside can be mainly attributed to impacts of the outbreak of coronavirus. Also, persistent softness in color cosmetics sales in most markets was a deterrent.

In the **Fragrance** category, revenues fell 11% year over year (down 10% at cc) to \$349 million caused by softness in various designer scents like Jo Malone London mainly due to the coronavirus outbreak. This along with expiration of the Tory Burch license agreement in Dec, 2019 acted as a deterrent.

**Hair Care** sales totaled \$119 million, down 13% year on year (down 12% at cc). This was caused by lower sales from Aveda, and Bumble and bumble owing to the coronavirus outbreak.

#### Regional Results

Sales in the **Americas** declined 23% year over year (also at cc) to \$892 million, due to reduced sales in brick & mortar stores following retail store closures in March due to the coronavirus outbreak. Nevertheless, growth in online sales during this time offered some respite. Sales in **Europe, the Middle East & Africa** region declined 6% (down 5% at cc) to \$1,525 million due to the coronavirus outbreak. Nevertheless, gains in the online and travel retail offered some respite. In the **Asia-Pacific** region, sales fell 4% (down 1% at cc) to \$928 million, thanks to lower sales following store closures due to the pandemic. Nevertheless, online sales increased double-digits during the quarter.

#### Other Financial Updates

Net cash flow used for operating activities for nine months ended Mar 31, 2020 came in at \$1.95 billion. Further, to maintain financial flexibility, the company has decided to suspend its next quarterly dividend which was due to be paid in Jun, 2020.

#### Guidance

Estee Lauder anticipates majority of its retail stores to remain shut through most of fourth-quarter fiscal 2020. The company expects these store closures to continue impacting the global prestige beauty negatively. Given the uncertainty related to the pandemic, management is not providing any guidance for the fourth quarter and fiscal year 2020.

During the third quarter, the company undertook various expense-control measures that included suspending non-essential recruits among others. In fact, these measures have resulted in nearly \$250 million of savings during the quarter. Moreover, Estee Lauder expects these cost-control measures to deliver increased benefits in the fourth quarter.

On Apr 15, the company took various other measures including salary cuts for senior executives and other management employees along with furloughing workers, among others. These along with other cost-control measures implemented in the third quarter are expected to reduce operating expenses by \$500-\$600 million in the fourth quarter.

Quarter Ending 03/2020

| Report Date      | May 01, 2020 |
|------------------|--------------|
| Sales Surprise   | 9.50%        |
| EPS Surprise     | 18.06%       |
| Quarterly EPS    | 0.85         |
| Annual EPS (TTM) | 5.27         |

## Valuation

Estee Lauder shares are up 2.6% in the year-to-date period and 21.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 27.3% and 6.3%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry is down 14.5%, while the sector declined 1.2%.

The S&P 500 index is up 4.4% in the year-to-date period and 19.6% in the past year.

The stock is currently trading at 40.29X forward 12-month earnings, which compares to 38.9X for the Zacks sub-industry, 19.9X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 42.9X and as low as 21.25X, with a 5-year median of 27.62X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$222 price target reflects 42.29X forward 12-month earnings.

The table below shows summary valuation data for EL

| Valuation Multiples - EL |               |       |              |        |         |
|--------------------------|---------------|-------|--------------|--------|---------|
|                          |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                 | Current       | 40.29 | 38.9         | 19.9   | 22.6    |
|                          | 5-Year High   | 42.9  | 38.9         | 22.37  | 22.62   |
|                          | 5-Year Low    | 21.25 | 19.65        | 16.63  | 15.25   |
|                          | 5-Year Median | 27.62 | 24.86        | 19.58  | 17.58   |
| P/S F12M                 | Current       | 4.97  | 4.64         | 9.44   | 3.65    |
|                          | 5-Year High   | 4.97  | 4.64         | 11.15  | 3.65    |
|                          | 5-Year Low    | 2.28  | 1.53         | 8.1    | 2.53    |
|                          | 5-Year Median | 3.37  | 2.86         | 9.89   | 3.05    |
| EV/EBITDA F12M           | Current       | 22.8  | 31           | 32.76  | 13.18   |
|                          | 5-Year High   | 23.43 | 34.06        | 37.28  | 14.2    |
|                          | 5-Year Low    | 12.12 | 8.68         | 25.89  | 9.15    |
|                          | 5-Year Median | 16.47 | 17.85        | 33.7   | 11.01   |

As of 08/12/2020

## Industry Analysis Zacks Industry Rank: Top 45% (114 out of 253)



## Top Peers

| Company (Ticker)                | Rec          | Rank |
|---------------------------------|--------------|------|
| Helen of Troy Limited (HELE)    | Outperform   | 2    |
| L'Oreal SA (LRLCY)              | Outperform   | 2    |
| Nu Skin Enterprises, Inc. (NUS) | Outperform   | 1    |
| Coty Inc. (COTY)                | Neutral      | 3    |
| e.l.f. Beauty Inc. (ELF)        | Neutral      | 3    |
| Inter Parfums, Inc. (IPAR)      | Neutral      | 3    |
| Revlon, Inc. (REV)              | Underperform | 5    |
| Shiseido Co. (SSDOY)            | Underperform | 4    |

| Industry Comparison Industry: Cosmetics |           |            |           | Industry Peers |            |            |
|-----------------------------------------|-----------|------------|-----------|----------------|------------|------------|
|                                         | EL        | X Industry | S&P 500   | COTY           | HELE       | NUS        |
| Zacks Recommendation (Long Term)        | Neutral   | -          | -         | Neutral        | Outperform | Outperform |
| Zacks Rank (Short Term)                 | 3         | -          | -         | 3              | 2          | 1          |
| VGM Score                               | D         | -          | -         | D              | C          | B          |
| Market Cap                              | 76.14 B   | 1.99 B     | 23.75 B   | 3.18 B         | 5.27 B     | 2.49 B     |
| # of Analysts                           | 11        | 2          | 14        | 7              | 3          | 5          |
| Dividend Yield                          | 0.00%     | 0.00%      | 1.68%     | 0.00%          | 0.00%      | 3.12%      |
| Value Score                             | D         | -          | -         | C              | D          | B          |
| Cash/Price                              | 0.07      | 0.05       | 0.07      | 0.43           | 0.02       | 0.16       |
| EV/EBITDA                               | 26.10     | 14.24      | 13.35     | -4.15          | 25.50      | 7.62       |
| PEG Ratio                               | 3.21      | 3.07       | 2.98      | 1.46           | 3.28       | 2.85       |
| Price/Book (P/B)                        | 17.47     | 3.15       | 3.20      | 0.80           | 4.32       | 3.15       |
| Price/Cash Flow (P/CF)                  | 30.14     | 19.10      | 12.97     | 2.57           | 20.68      | 10.67      |
| P/E (F1)                                | 41.51     | 40.14      | 22.17     | 11.77          | 21.40      | 15.98      |
| Price/Sales (P/S)                       | 4.93      | 2.36       | 2.54      | 0.40           | 3.01       | 1.08       |
| Earnings Yield                          | 2.43%     | 2.44%      | 4.31%     | 8.39%          | 4.67%      | 6.27%      |
| Debt/Equity                             | 1.60      | 0.32       | 0.77      | 2.42           | 0.30       | 0.53       |
| Cash Flow (\$/share)                    | 7.02      | 1.62       | 6.94      | 1.62           | 10.07      | 4.50       |
| Growth Score                            | C         | -          | -         | D              | A          | B          |
| Hist. EPS Growth (3-5 yrs)              | 16.69%    | 5.98%      | 10.41%    | -15.60%        | 8.72%      | 3.24%      |
| Proj. EPS Growth (F1/F0)                | 16.61%    | -4.92%     | -6.32%    | 77.15%         | 4.66%      | -3.03%     |
| Curr. Cash Flow Growth                  | 13.88%    | 6.41%      | 5.22%     | -2.37%         | 13.99%     | -11.19%    |
| Hist. Cash Flow Growth (3-5 yrs)        | 9.29%     | 8.81%      | 8.55%     | 17.39%         | 4.22%      | -3.17%     |
| Current Ratio                           | 1.63      | 1.62       | 1.33      | 1.19           | 2.07       | 1.62       |
| Debt/Capital                            | 61.50%    | 34.81%     | 44.59%    | 71.00%         | 22.95%     | 34.81%     |
| Net Margin                              | 8.43%     | 2.72%      | 10.13%    | -38.33%        | 9.81%      | 6.33%      |
| Return on Equity                        | 43.18%    | 7.95%      | 14.59%    | 7.26%          | 20.17%     | 17.60%     |
| Sales/Assets                            | 0.95      | 0.90       | 0.51      | 0.45           | 0.94       | 1.31       |
| Proj. Sales Growth (F1/F0)              | 5.97%     | -0.10%     | -1.40%    | -3.75%         | 7.44%      | -0.10%     |
| Momentum Score                          | D         | -          | -         | D              | D          | D          |
| Daily Price Chg                         | 2.05%     | 0.00%      | 0.67%     | -0.71%         | 1.06%      | 1.35%      |
| 1 Week Price Chg                        | 1.24%     | 0.00%      | 2.30%     | 7.82%          | 6.91%      | 4.17%      |
| 4 Week Price Chg                        | 6.00%     | 0.00%      | 4.87%     | -5.23%         | 6.55%      | 3.76%      |
| 12 Week Price Chg                       | 17.66%    | 17.66%     | 13.54%    | 27.13%         | 24.06%     | 33.01%     |
| 52 Week Price Chg                       | 20.77%    | -6.25%     | 6.06%     | -56.29%        | 42.48%     | 21.44%     |
| 20 Day Average Volume                   | 1,036,887 | 49,160     | 2,006,991 | 8,880,315      | 135,186    | 516,187    |
| (F1) EPS Est 1 week change              | -0.47%    | 0.00%      | 0.00%     | 0.00%          | 0.00%      | -1.76%     |
| (F1) EPS Est 4 week change              | -0.90%    | 0.00%      | 1.95%     | 2.90%          | 0.00%      | 24.22%     |
| (F1) EPS Est 12 week change             | -0.67%    | -0.67%     | 2.72%     | -15.07%        | 25.08%     | 36.14%     |
| (Q1) EPS Est Mthly Chg                  | 2.31%     | 0.00%      | 0.84%     | -17.65%        | 0.00%      | 27.02%     |

---

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

---

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

|                |   |
|----------------|---|
| Value Score    | D |
| Growth Score   | 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.