

Estee Lauder(EL)

\$176.86 (As of 04/29/20)

Price Target (6-12 Months): **\$186.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/01/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:C

Value: F

Growth: A

Momentum: D

Summary

Although shares of Estee Lauder have outpaced the industry in the past three months it is likely to derail in the near term. The company informed that most of the retail stores across the Americas, Europe and the Middle East & Africa (operated by the company as well as its customers) have been shut since mid-March. Also, air travel has been restricted, which is hurting Estee Lauder's travel retail operations. Apart from these, adverse currency movements along with challenges in Hong Kong's retail environment and tariff impacts in China are a concern. Nevertheless, the company has been gaining from growth across most brands and sales channels. The trend continued in second-quarter fiscal 2020, with the top and the bottom line surpassing estimates and rising year on year.

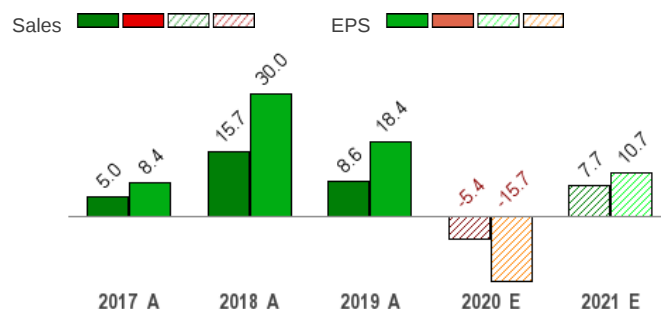
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$220.42 - \$137.01
20 Day Average Volume (sh)	2,076,463
Market Cap	\$63.6 B
YTD Price Change	-14.4%
Beta	0.77
Dividend / Div Yld	\$1.92 / 1.1%
Industry	Cosmetics
Zacks Industry Rank	Bottom 17% (210 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	10.5%
Last Sales Surprise	6.0%
EPS F1 Est- 4 week change	-11.9%
Expected Report Date	05/01/2020
Earnings ESP	-0.1%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,613 E	4,569 E	3,632 E	3,100 E	15,148 E
2020	3,895 A	4,624 A	3,055 E	2,482 E	14,064 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	\$1.39 E	\$1.93 E	\$1.31 E	\$0.47 E	\$4.98 E
2020	\$1.67 A	\$2.11 A	\$0.72 E	-\$0.06 E	\$4.50 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.

P/E TTM	29.6
P/E F1	39.3
PEG F1	3.0
P/S TTM	4.0

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/29/2020. The reports text is as of 04/30/2020.

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.

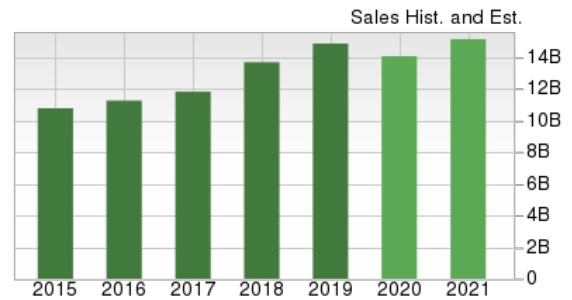
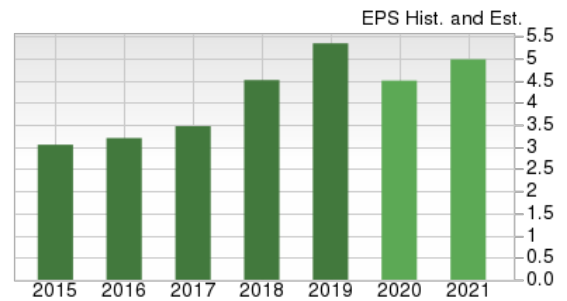
Estee Lauder's manufacturing and research facilities are spread across the U.S., Canada, Belgium, Switzerland, Japan, South Africa and the U.K.

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:

▲ **Stellar Performance:** Estee Lauder has been performing well on strong brand growth across most sales channels and regions. Such upsides combined with efficient operational strategies have led to remarkable top-line and bottom-line trends. With second-quarter fiscal 2020 results, the company marked its 22nd and 12th straight quarter of earnings and sales beat, respectively. Also, the metrics improved year over year. Apart from strong brands, performance in the quarter was aided by solid skincare and fragrance categories along with strength in travel retail and online channel sales. Also, China and other emerging regions continued to perform well. The sturdy brand performances were supported by focus on innovation as well as prudent marketing and advertising strategies. Moreover, savings from the Leading Beauty Forward initiative provided the company additional financial strength to invest in growth moves.

Estee Lauder has been gaining from strong brands and growth in the emerging markets. Additionally, it has been depicting strong growth in its online and travel retail network.

▲ **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. In fiscal second quarter fiscal, the company witnessed growth in most emerging markets. This was backed by customer-oriented products and efficient social media operations.

Markedly, China remains a major area of focus for Estee Lauder. In fact, in second-quarter fiscal 2020, the region witnessed robust double-digit gains across most brands. Sales channels, especially online, grew significantly. Management, as part of its long-term emerging market strategy, has been making constant investments in China for the past 20 years and plans to continue growing market share in the region. Though the company is currently battling headwinds related to Coronavirus and tariffs in China, the country's long-term demographic and economic trends keeps Estee Lauder encouraged. Additionally, it is striving to expand in other emerging regions as well.

▲ **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 is 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 boosting the company's online sales, thus being a major growth driver for its overall top line. In fiscal second quarter, the online business witnessed double-digit growth across all online distribution channels along with growth in all regions.

The company is focused on expanding brand presence across various third-party sites, rolled out new digital payment technologies and enhanced its loyalty programs as it continues to widen market reach in the United States. In North America, the company gained from solid online sales from La Mer brand driven by unique product assortment and an effective holiday campaign during fiscal second quarter. Earlier, management stated that Estee Lauder has been gaining from the launch of Tom Ford Beauty and Jo Malone London brands on TMall in China. Also, significant contributions are being derived from other smaller regions. In fact, online markets in Spain, Greece, Israel and India are expanding rapidly and present solid growth opportunities.

▲ **Travel Retail to Drive Sales Further:** Estee Lauder has been strongly focused on enhancing its travel retail business, which remains a major sales driver for the company. Travel retail sales were sturdy in second-quarter fiscal 2020, with broad-based growth in most brands, regions and categories. During fiscal second quarter, the company's top eight brands grew double digits in the segment. Strength in skin care and various fragrance along with expanded targeted reach drove growth. Also, innovative pre-retail campaign, different retailers' activation and effective advertising aided performance.

Although Estee Lauder has been facing certain challenges in travel retail stemming from the recent outbreak of coronavirus, management is optimistic about gradual recovery in the future. That said, Estee Lauder's travel retail sales have been benefitting from rise in traffic, effective launches and impressive marketing strategies. Further, the company expects the travel retail business to gain from rising passenger traffic, favorable fundamentals and higher conversions. Well, the company remains committed toward undertaking more efforts to enhance conversions through strategic initiatives. To this end, it has been undertaking various endeavors like better customer insights; enhanced merchandising and improved digital marketing.

Reasons To Sell:

▼ **Coronavirus-Led Woes:** Although shares of Estee Lauder have outpaced the industry in the past three months it is likely to derail in the near term. Shares of the company lost 9.4% during this time, while the industry declined 20.6%. The coronavirus outbreak is spreading at an alarming rate. The cosmetics space is under major pressure with companies shutting stores, limiting store hours and withdrawing their guidance. In this regard, Estee Lauder informed that most of the retail stores across the Americas, Europe and the Middle East & Africa (operated by the company as well as its customers) have been shut since mid-March. Also, air travel has been restricted, which is hurting Estee Lauder's travel retail operations. We believe that, such factors could have a negative impact on the company's performance.

Management is cautious about tariff impacts and outbreak of coronavirus in China. Moreover, unfavorable currency rate is a worry.

Further, the company has been undertaking expense-control measures, postponing various capital investments, suspending non-essential recruits along with enhancing advertising and promotion expenditures. Among other moves, Estee Lauder temporarily suspended its share buyback plans as well as cancelled plans to give out its next quarterly dividend due in June. Apart from these factors, Estee Lauder has drawn down the full amount under its \$1.5-billion revolving credit facility amid the coronavirus crisis. Also, management has issued \$700-million aggregate principal amount of 2.6% senior unsecured notes that are due in 2030.

▼ **Dismal Outlook:** We note that Estee Lauder is witnessing a difficult time caused by the recent outbreak of coronavirus in China and globally. In fact, management anticipates the next few months to remain tough as consumer traffic in China remains slow. The outbreak has led to a number of store closures as well as limited hours of work. Moreover, restricted global travel has been affecting the company's travel retail business.

Apart from this, management is cautious about factors like tariff impacts in China and challenges in Hong Kong's retail environment. Incidentally, the company lowered its outlook for fiscal 2020. For fiscal 2020, adjusted earnings are projected in the band of \$5.60-\$5.70 compared with previous view of \$5.85-\$5.93. At constant currency, earnings are projected to grow in the range of 9-11% compared with the previous guidance of 10-12% growth. Net sales are expected to rise 6-8% compared with previous view of 7-8% for fiscal 2020.

▼ **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. In fiscal 2020, currency movements are likely to affect the bottom line by almost 5 cents. Further, currency fluctuations are likely to have a 1% negative impact on the top line in the same period.

▼ **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.

Last Earnings Report

Estee Lauder Q2 Earnings & Sales Beat Estimates

Estee Lauder Companies Inc. reported second-quarter fiscal 2020 adjusted earnings per share of \$2.11, beating the Zacks Consensus Estimate of \$1.91. This reflected growth of 21% on adjusted as well as constant-currency basis. The upside was driven by a robust top-line performance.

Estee Lauder's net sales of \$4,624 million surpassed the Zacks Consensus Estimate of \$4,364 million. Moreover, sales increased 15% year over year (16% at cc). Results gained from strong international market performance (especially Asia/Pacific region); strength in Skin Care and Fragrance categories, and solid sales of Estee Lauder and various other luxury brands. Also, the company's travel retail and online channels performed well. Further, it gained from innovation and digital marketing.

Gross profit came in at \$3,583 million, up 16%. Also, gross margin expanded 20 basis points (bps) to 77.5%.

However, operating income declined 66% year over year to \$261 million. Operating income margin declined significantly to 5.6% from 19.3% reported in the year-ago period.

Product-Based Segment Results

Skin Care reported sales growth of 27% year over year (up 28% at cc) to \$2,205 million, backed by strength in Estee Lauder and La Mer brands.

Makeup revenues were up 6% year over year (up 7% at cc) to \$1,660 million, owing to solid sales of Estee Lauder, Tom Ford Beauty, La Mer and Bobbi Brown, partly negated by softness in Smashbox and BECCA.

In the Fragrance category, revenues improved 8% year over year (up 9% at cc) to \$581 million driven by increased sales of Jo Malone London and Tom Ford Beauty.

Hair Care sales totaled \$162 million that grew 5% year on year (also at cc). This can be attributed to strong sales of Aveda and Bumble and bumble.

Regional Results

Sales in the Americas increased 1% year over year (also at cc) to \$1,226 million, driven by growth from Estee Lauder, Origins and La Mer. Further, the fragrance category increased in double digits in North America.

Sales in Europe, the Middle East & Africa region improved 18% (also at cc) to \$2,079 million, backed by strong gains in the online, travel retail and specialty-multi channels.

In the Asia-Pacific region, sales rose 29% (up 30% at cc) to \$1,319 million, with broad-based growth across most markets.

Other Financial Updates

Net cash flow used for operating activities during the first half of fiscal 2020 was \$1.26 billion.

In a separate press release, management announced quarterly dividend of 48 cents for Class A and Class B shares. This is payable on Mar 16, 2020, to shareholders of record as of Feb 28.

Guidance

Estee Lauder expects solid demand for its premium products in fiscal 2020, wherein it anticipates to deliver above-industry growth.

However, the company expects coronavirus to impact global prestige beauty industry over the next few months. The company's guidance includes expected impacts from the recent coronavirus outbreak.

For fiscal 2020, adjusted earnings are projected in the band of \$5.60-\$5.70 compared with prior view of \$5.85-\$5.93. At cc, earnings are projected to grow in the range of 9-11% compared with the previous guidance of 10-12% growth. Currency is likely to adversely impact the bottom line by almost 5 cents.

Net sales are expected to rise 6-8% compared with previous view of 7-8% for fiscal 2020. The company's acquisition of Have & Be is expected to contribute around 1% to overall sales. Currency fluctuations are likely to have a 1% negative impact on the top line.

Quarter Ending **12/2019**

Report Date	Feb 06, 2020
Sales Surprise	5.95%
EPS Surprise	10.47%
Quarterly EPS	2.11
Annual EPS (TTM)	5.97

Recent News

Estee Lauder Shuts Stores, Draws for Credit Amid Coronavirus Fears – Apr 15, 2020

Estee Lauder informed that most of the retail stores across the Americas, Europe and the Middle East & Africa (operated by the company as well as its customers) have been shut since mid-March. Also, air travel has been restricted, which is hurting Estee Lauder's travel retail operations. Nevertheless, most retail stores in the Asia/Pacific region have been reopening over the last few weeks.

Also, Estee Lauder is witnessing higher online sales growth worldwide amid the coronavirus crisis. Also, most of the company's manufacturing facilities are operational right now, but in limited capacity. Apart from these factors, the company has undertaken various measures to enhance its financial flexibility during the crisis. In this regard, 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.

Further, the company has been undertaking expense-control measures, postponing various capital investments, suspending non-essential recruits along with enhancing advertising and promotion expenditures. Among other moves, Estee Lauder temporarily suspended its share buyback plans as well as cancelled plans to give out its next quarterly dividend due in June.

Keeping along these lines, Estee Lauder's executive chairman, president and members of executive leadership team among others are taking salary cuts starting from May 1 until Oct 31, due to the coronavirus crisis. Further, the company's board of directors will give up their cash retainers till November.

Estee Lauder Announces Dividend – Feb 6, 2020

Estee Lauder announced that its board of directors declared dividend of 48 cents per share paid out on March 16, 2020, to shareholders of record at the close of business on Feb 28, 2020.

Valuation

Estee Lauder shares are down 14.4% in the year-to-date period and up 3.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 40.4% and the Zacks Consumer Staples sector is down 14.5% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are down 31.4% and 10.5%, respectively.

The S&P 500 index is down 11.3% in the year-to-date period and 2.6% in the past year.

The stock is currently trading at 36.1X forward 12-month earnings, which compares to 33.14X for the Zacks sub-industry, 18.86X for the Zacks sector and 20.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.1X and as low as 21.25X, with a 5-year median of 27.06X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$186 price target reflects 37.97X 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	36.1	33.14	18.86	20.16
	5-Year High	36.1	33.14	22.37	20.2
	5-Year Low	21.25	19.65	16.5	15.19
	5-Year Median	27.06	24.39	19.66	17.45
P/S F12M	Current	4.25	3.66	9.14	3.21
	5-Year High	4.69	4.02	11.16	3.44
	5-Year Low	2.28	1.53	8.1	2.54
	5-Year Median	3.09	2.73	9.89	3.01
EV/EBITDA F12M	Current	16.9	27.52	34.16	12.29
	5-Year High	21.24	28.06	37.75	12.65
	5-Year Low	11.83	10.93	29.77	9.09
	5-Year Median	15.31	20.79	34.08	10.82

As of 04/29/2020

Industry Analysis Zacks Industry Rank: Bottom 17% (210 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Coty Inc. (COTY)	Neutral	3
e.l.f. Beauty Inc. (ELF)	Neutral	3
L'Oreal SA (LRLCY)	Neutral	4
Nu Skin Enterprises, Inc. (NUS)	Neutral	3
Revlon, Inc. (REV)	Neutral	3
Helen of Troy Limited (HELE)	Underperform	4
Inter Parfums, Inc. (IPAR)	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	Underperform	Neutral
Zacks Rank (Short Term)	4	-	-	3	4	3
VGM Score	C	-	-	A	D	C
Market Cap	63.59 B	1.32 B	20.82 B	4.15 B	4.07 B	1.61 B
# of Analysts	12	3	14	7	3	4
Dividend Yield	1.09%	0.00%	2.07%	9.16%	0.00%	5.19%
Value Score	F	-	-	B	F	B
Cash/Price	0.06	0.11	0.06	0.07	0.01	0.24
EV/EBITDA	22.35	16.46	12.12	-4.16	18.79	5.13
PEG Ratio	3.02	3.89	2.51	1.91	3.72	8.42
Price/Book (P/B)	13.81	2.42	2.74	0.93	3.50	1.84
Price/Cash Flow (P/CF)	25.20	18.61	11.23	3.37	18.61	6.42
P/E (F1)	39.15	32.26	19.26	15.35	21.21	14.22
Price/Sales (P/S)	4.01	2.04	2.16	0.49	2.38	0.66
Earnings Yield	2.54%	3.10%	5.03%	6.59%	4.72%	7.02%
Debt/Equity	1.52	0.24	0.72	1.72	0.24	0.50
Cash Flow (\$/share)	7.02	1.62	7.01	1.62	8.69	4.50
Growth Score	A	-	-	B	C	D
Hist. EPS Growth (3-5 yrs)	16.51%	4.39%	10.88%	-13.69%	7.74%	4.39%
Proj. EPS Growth (F1/F0)	-15.76%	-13.98%	-6.94%	-45.28%	-17.99%	-34.44%
Curr. Cash Flow Growth	13.88%	-0.29%	5.92%	-2.37%	1.79%	-11.19%
Hist. Cash Flow Growth (3-5 yrs)	9.29%	8.55%	8.55%	17.39%	8.28%	-3.17%
Current Ratio	1.69	1.88	1.23	0.86	2.29	2.07
Debt/Capital	60.27%	33.46%	43.90%	63.47%	19.65%	33.46%
Net Margin	11.76%	1.07%	11.15%	-33.12%	8.92%	7.17%
Return on Equity	48.28%	11.64%	16.47%	9.14%	19.58%	20.62%
Sales/Assets	1.07	0.98	0.54	0.46	0.97	1.37
Proj. Sales Growth (F1/F0)	-5.38%	-5.37%	-1.52%	-15.75%	-9.87%	-13.51%
Momentum Score	D	-	-	C	D	F
Daily Price Chg	4.70%	0.03%	2.91%	-6.02%	9.01%	3.07%
1 Week Price Chg	-4.56%	0.00%	-1.74%	9.04%	3.90%	5.96%
4 Week Price Chg	15.31%	9.74%	21.33%	22.42%	26.37%	40.89%
12 Week Price Chg	-12.15%	-18.45%	-16.28%	-55.17%	-16.62%	-20.29%
52 Week Price Chg	3.85%	-31.67%	-7.57%	-49.63%	14.69%	-55.05%
20 Day Average Volume	2,076,463	26,818	2,658,107	8,270,990	204,426	969,494
(F1) EPS Est 1 week change	-0.15%	0.00%	0.00%	0.00%	0.00%	-0.73%
(F1) EPS Est 4 week change	-11.93%	-11.93%	-6.32%	-25.45%	-39.76%	-6.34%
(F1) EPS Est 12 week change	-24.25%	-29.13%	-12.93%	-46.34%	-44.09%	-38.45%
(Q1) EPS Est Mthly Chg	-119.41%	-40.79%	-11.84%	-27.03%	NA	-22.36%

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	F
Growth Score	A
Momentum Score	D
VGM Score	C

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.