

## Highwoods Properties (HIW)

**\$50.11** (As of 01/31/20)

Price Target (6-12 Months): **\$53.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 04/05/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:C

Value: D

Growth: C

Momentum: B

### Summary

Shares of Highwoods have outperformed its industry over the past three months. The company is making significant progress with its market-rotation plan aimed to fortify its portfolio in BBDs of higher-growth markets such as Charlotte and exit the Greensboro and Memphis markets. As part of such efforts, the company recently announced \$233.4 million worth of asset sales in Greensboro while in December, it sold office properties in Memphis for \$89.6 million. Amid healthy job-market environment, Highwoods is well poised to capitalize on solid demand for office space. Also, a robust balance sheet positions it well to pursue growth endeavors. However, large-scale asset disposition is expected to result in near-term earnings dilution. Moreover, an extensive development pipeline exposes the company to operational risks such as higher development costs.

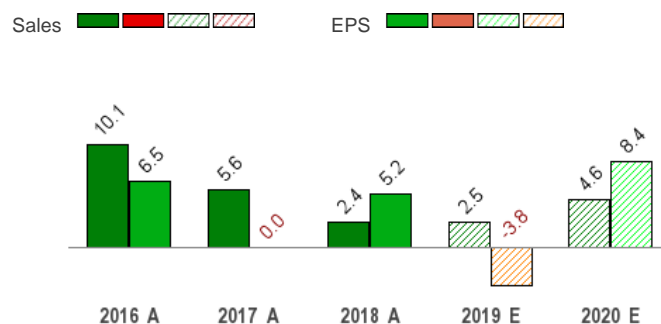
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$50.91 - \$40.75</b>
20 Day Average Volume (sh)	<b>715,212</b>
Market Cap	<b>\$5.2 B</b>
YTD Price Change	<b>2.5%</b>
Beta	<b>0.80</b>
Dividend / Div Yld	<b>\$1.90 / 3.8%</b>
Industry	<b><a href="#">REIT and Equity Trust - Other</a></b>
Zacks Industry Rank	<b>Bottom 33% (171 out of 255)</b>

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



Last EPS Surprise	<b>3.5%</b>
Last Sales Surprise	<b>0.8%</b>
EPS F1 Est- 4 week change	<b>0.0%</b>
Expected Report Date	<b>02/04/2020</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>15.1</b>
P/E F1	<b>13.9</b>
PEG F1	<b>3.5</b>
P/S TTM	<b>7.2</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	195 E	193 E	193 E	194 E	772 E
2019	172 A	184 A	187 A	193 E	738 E
2018	180 A	179 A	179 A	181 A	720 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.88 E	\$0.91 E	\$0.89 E	\$0.91 E	\$3.60 E
2019	\$0.72 A	\$0.87 A	\$0.88 A	\$0.90 E	\$3.32 E
2018	\$0.85 A	\$0.87 A	\$0.86 A	\$0.86 A	\$3.45 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 01/31/2020. The reports text is as of 02/03/2020.

## Overview

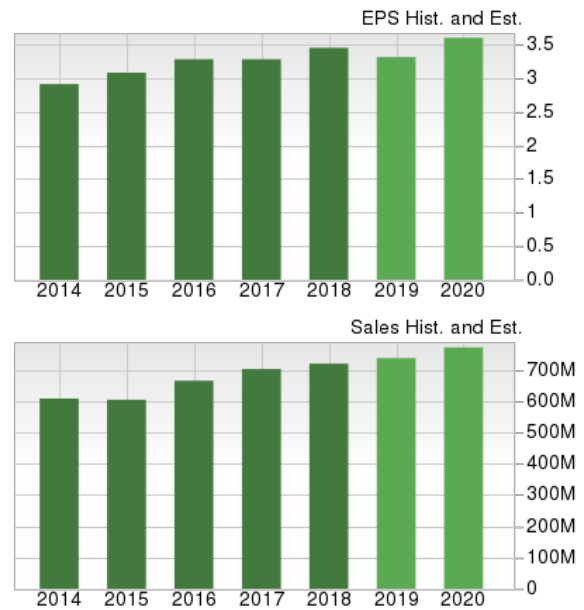
Raleigh, NC-based Highwoods Properties, Inc. is a real estate investment trust (REIT) that owns, manages, leases and develops office, industrial and retail properties. In addition, the company provides customer-related and fee-based real estate management services for its properties as well as third-party clients.

Highwoods long-term strategic plan entails acquisition of high-quality, trophy office buildings in the BBDs of markets that enjoy favorable economic and demographic trends. Its core portfolio consists mainly of office properties in Raleigh, Atlanta, Tampa, Nashville, Memphis, Pittsburgh, Richmond, Orlando and Greensboro.

As of Sep 30, 2019, Highwoods had ownership or interest in 31.2 million rentable square feet of in-service assets. This included office, industrial and retail space. The company also owns nearly 275 acres of development land as of the same date.

In August, Highwoods announced a number of strategic investment actions, in an effort to fortify its BBD office focus. The company also revealed its plan to exit the Greensboro and Memphis markets. Specifically, in November, the company acquired Bank of America Tower at Legacy Union for \$436 million, in a bid to enter CBD Charlotte. This buyout was funded with available cash and borrowings under its unsecured revolving credit facility. Highwoods also has a two-phased plan for departure from Greensboro and Memphis. In the first phase, the company plans to sell a hand-picked portfolio of assets in Greensboro and Memphis by mid-2020 and its latest efforts indicate that the company is on track with its rotation plan. The rest of the assets will be sold in the second phase, which has no pre-planned schedule.

Note: All EPS numbers presented in this report represent FFO per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



---

## Reasons To Buy:

- ▲ Highwoods provides comprehensive real estate services to customers and third parties through a fully integrated platform and the company has a well-diversified tenant base that includes several bellwethers. On account of this, the company's rental and other revenues have witnessed CAGR of 6.7% over the last five years (ended 2018). Further, a large part of its portfolio is concentrated in high-growth Sun Belt markets, which have long-term favorable demographic trends and are expected to continue experiencing above-average job growth. This bodes well for Highwoods' long-term growth.
- ▲ With a resilient economy and encouraging job market environment, demand for office spaces is expected to remain stable. This is because, as the economy remains healthy, business grows and therefore, corporate sectors seek expansion, renting more space to accommodate the increased workforce. Furthermore, the company is witnessing stable demand from existing and prospective tenants. Amid this, Highwoods is anticipated to witness rent growth, strong leasing activity and positive net absorption across its footprint. The company is also addressing its lease expirations and has rolled over its two largest 2021 lease expirations by signing two long-term renewal leases.
- ▲ Highwoods has been making concerted efforts to expand its footprint in high-growth markets and improve portfolio quality. In addition, the company is following a disciplined capital-recycling strategy that entails disposing of non-core assets and investing the proceeds in premium asset acquisitions and for undertaking accretive development projects. In sync with this strategy, in August, Highwoods announced a market-rotation plan, per which it aims to fortify its BBD office focus, and exit Greensboro and Memphis, through a two-phased planned departure. In fact, in November, it entered the Charlotte market through the acquisition of Bank of America Tower. Further, in December, it announced \$89.6 million of office properties sale in Memphis and in January, the company announced \$233.4 million worth of asset sales in Greensboro. The company is also focused on development efforts in key markets. During the third quarter, the company placed in service an office building worth \$41 million in Cary's Weston submarket. Further, management anticipates development starts to be \$150-\$250 million for 2019. These efforts will strengthen its portfolio and stoke long-term growth.
- ▲ The company already has a strong balance sheet and is trying to lower its leverage further. As of third-quarter end, the company's debt had a weighted average maturity of 6.7 years, while unencumbered net operating income stood at 96.4%. The company exited the September-end quarter with a net debt-to-EBITDA ratio of 4.92x. A robust balance sheet, along with capital reaped through debt and equity, including an ATM program, position Highwoods to adequately capitalize on future growth opportunities.
- ▲ In addition, dividend payouts are arguably the biggest enticement for REIT investors and Highwoods has consistently increased its dividend rate. In February 2019, the company announced a 2.7% increase in its fourth-quarter 2018 dividend to 47.5 cents. This represented Highwoods' third consecutive year of common dividend hike. Subsequently, the company has maintained the same payout.
- ▲ In the past three months, shares of Highwoods have outperformed the industry it belongs to. During this period, shares of the company have appreciated 6.4% against the industry's increase of 1.4%. Moreover, the trend in estimate revisions of 2020 FFO per share indicates a favorable outlook for the company as the Zacks Consensus estimate for FFO per share has been revised marginally upward over the past two months. Therefore, given its progress on fundamentals and positive estimate revisions, the stock has decent upside potential in the near term.

Highwoods' diversified real estate portfolio, efforts to expand in high-growth markets, non-core assets sale and investing the proceeds for further expansion bode well for long term growth.

---

## Reasons To Sell:

- ▼ Highwoods faces intense competition from developers, owners and operators of office properties as well as other commercial real estates, including sublease space available from its tenants. This restricts its ability to attract and retain tenants at relatively higher rents than its competitors. It also impacts the company's ability to acquire properties at favorable prices. Further, higher development activities across the company's markets will likely result in new supply in the upcoming periods. This will likely impact the occupancy levels of its office properties.
- ▼ The company also has an extensive development pipeline worth \$500 million, which is 73% pre-leased. Although this is encouraging for long-term effect, it exposes the company to various operational risks such as construction cost overruns. In addition, the company is shedding non-core assets to enhance its portfolio mix. In fact, dispositions were anticipated to be in the range of \$37-\$473 million in 2019. While dispositions are a strategic fit for long-term growth, the near-term dilutive effect on earnings is unavoidable.
- ▼ The company's assets are mainly concentrated in Atlanta, Nashville, Raleigh, and Tampa. As of Sep 30, 2019, the contribution from these markets to the company's annualized cash revenues were 18.8%, 18.7%, 17% and 13%, respectively. Hence, any economic or political downturn in these markets might affect Highwoods' performance.
- ▼ Although interest rate levels are low presently, any hike in future is likely to be a challenge for the company. Essentially, rising rates imply higher borrowing cost for the company, which would affect its ability to purchase or develop real estate and lower dividend payouts as well. Moreover, the dividend payout itself might become less attractive than the yields on fixed income and money market accounts.

Near-term earnings dilution on account of large-scale asset dispositions is a concern for Highwoods. Further, an extensive development pipeline exposes the company to higher development costs.

## Last Earnings Report

### Highwoods Properties Beats Q3 FFO & Revenue Estimates

Highwoods third-quarter FFO per share of 88 cents surpassed the Zacks Consensus Estimate of 85 cents. The reported tally excluded the net impact of 5 cents relating to the company's market rotation plan. The figure also improved 2.3% year over year.

Encouraging business conditions facilitated healthy leasing volume and robust rent spreads for the company. Highwoods also extended its near-term lease expirations by signing renewal agreements.

Particularly, rental and other revenues of \$187.5 million in the quarter outpaced the Zacks Consensus Estimate of \$185.9 million. Further, the reported figure compared favorably with the year-earlier quarter's \$179.4 million.

#### Quarter in Detail

Highwoods leased 939,000 square feet of second-generation office space during the third quarter. Rents were up 19.4% on a GAAP basis and 5.6% on a cash basis.

The company also signed a long-term renewal for largest remaining lease expiration in 2021. Highwoods achieved a weighted average lease term of 6.7 years. This is 14% longer than the prior five-quarter average.

Same-property cash NOI inched up 0.5% year over year and 1.9% excluding the effect from Laser Spine's sudden closure. The company ended the July-September quarter with occupancy of 91.4%.

At the end of the quarter, Highwoods' development pipeline totaled \$500 million and was 73% pre-leased on a dollar-weighted basis. The company placed in service 5000 CentreGreen, a 170,000-square-foot office building in Cary's Weston submarket during the reported period. The property was 100% leased.

As of Sep 30, 2019, Highwoods had \$116.7 million of cash and cash-equivalents compared with \$3.8 million reported as of Dec 31, 2018.

The company exited the September-end quarter with a net debt-to-EBITDA ratio of 4.92x. This included the net impact relating primarily to Highwoods' market rotation plan. It did not issue any shares under the ATM program.

#### 2019 Outlook

Highwoods has revised its 2019 FFO per share guidance to reflect the net impact of the company's market rotation plan. Accordingly, the company now anticipates full-year 2019 FFO per share in the range of \$3.31 to \$3.33 as compared with the \$3.32-\$3.38 issued earlier.

Further, for the ongoing year, dispositions are anticipated in the \$37-\$473 million band.

Quarter Ending **09/2019**

Report Date	<b>Oct 22, 2019</b>
Sales Surprise	<b>0.83%</b>
EPS Surprise	<b>3.53%</b>
Quarterly EPS	<b>0.88</b>
Annual EPS (TTM)	<b>3.33</b>

---

## Recent News

### Highwoods Progresses With Rotation Plan With Greensboro Asset Sales – Jan 31, 2020

Highwoods announced \$233.4 million worth of asset sales in Greensboro. The move marks a significant step towards completion of the first phase of the company's market-rotation plan, which entails exiting the Greensboro and Memphis markets and fortifying its portfolio in BBDs of higher-growth markets such as Charlotte.

Particularly, the company sold its industrial and single-story flex portfolio encompassing 2.8 million square feet for \$193.4 million. Further, the company expects to close on the sale of The Knollwood, a two-building office complex comprising 250,000 square feet, on or before Feb 15, 2020 for \$40 million. In relation to these, the company expects to record non-FFO gains of around \$123.5 million in first-quarter 2020.

Notably, with these dispositions, the company will accomplish around 75% of the first phase of sales and remains on track to complete the first phase by mid-2020, the management said.

### Highwoods Leases Space at Facility Vacated by Laser Spine – Jan 7, 2020

Highwoods Properties signed a lease for three floors of the company's six-story building previously occupied by Laser Spine Institute for its headquarters and an ambulatory surgery center.

Specifically, the company will now rent out 92,000 square feet of space at 5332 Avion in Avion Park, Tampa to Fanatics Brands. Fanatics Brands is Fanatics, Inc.'s in-house apparel division and a new office tenant for Highwoods.

Fanatics has immediate access to the leased space to commence construction of tenant improvements. Hence, Highwoods will account GAAP NOI and include the effect of Fanatics' lease in occupancy as of year-end 2019. Further, the lease is anticipated to have only nominal impact on 2020 same-property cash NOI.

Per Fanatics Brands management, the lease supports its global growth initiatives and offers collaborative space in Tampa for it to integrate numerous teams under one roof.

Further, Highwoods management noted that the transaction substantiates the company's standard practice of designing properties aimed to offer long-term, multi-customer office flexibility, including build-to-suits.

Notably, the office property offers structured parking and is located in the Westshore submarket, a BBD. The building was developed by Highwoods in 2014 for Laser Spine Institute. However, the abrupt shut down of Laser Spine Institute last March impacted Highwoods' funds from operations (FFO) per share in first-quarter 2019 by 12 cents.

Nonetheless, the strategic location in a BBD, proximity to the Tampa International Airport, flexible design with 29,000-square-foot floor plates, above-market parking ratio and other aspects have likely attracted office tenants.

Highwoods has bagged significant lease agreements in Tampa in recent times. In fact, in September, 2019, the company signed a long-term lease renewal at Highwoods Preserve in Tampa.

The lease renewal is for 176,000 square feet of space. This is Highwoods' largest lease expiration remaining through 2021 and through the transaction, the company has significantly reduced its near-term lease rollover risk. Such strong leasing activity is encouraging.

### Highwoods on Track With Rotation Plan With Memphis Asset Sales – Dec 19, 2019

Highwoods announced \$89.6 million of office properties sale in Memphis. The move marks the first closing of sales under the company's market-rotation plan, which entails exiting the Greensboro and Memphis markets and fortifying its portfolio in BBDs of higher-growth markets.

The company sold a 248,000-square-foot, single customer building — International Paper IV — for \$76.4 million. It also expects to close on the sale of a two-building office complex encompassing 84,000 square feet — Atrium I and II — for \$13.2 million. In relation to these, the company expects to record non-FFO gains of around \$29.3 million in fourth-quarter 2019.

### Highwoods Closes Bank of America Tower at Legacy Union Buyout – Nov 14, 2019

Highwoods Properties announced closing the acquisition of Bank of America Tower at Legacy Union. The company has shelled out \$436 million as total investment for this transaction, which marks the company's entry into the CBD Charlotte. Highwoods funded the buyout with available cash and borrowings under its unsecured revolving credit facility.

Being part of the CBD Charlotte with the latest acquisition is a strategic move by the company. This marks an iconic asset buyout in a prime infill location in a top-tier submarket, offering the company a solid footing in a higher-growth market and platform to expand its presence. This LEED gold-registered office building comprises 841,000 square feet and is presently 90% leased.

In fact, this August, the company came up with a number of strategic investment actions to fortify its BBD office focus. Meanwhile, Highwoods also revealed its plan to exit the Greensboro and Memphis markets.

According to the company's earlier press release, its portfolio includes 2,672,000 square feet of industrial space, 1,151,000 square feet of office space and 30 acres of development land in Greensboro. Assets in Memphis comprise 1,656,000 square feet of office space.

The company has a two-phased plan for departure. In the first phase, it will be selling a hand-picked portfolio of assets in Greensboro and Memphis by mid-2020. The sales price will approximate the \$436-million total investment for Bank of America Tower at Legacy Union and closing its division offices. The rest of the assets will be sold in the second phase, which has no pre-planned schedule.

---

## Dividend Update

On Oct 17, Highwoods announced third-quarter 2019 common stock cash dividend of 47.5 cents per share. The dividend was paid on Dec 3, to shareholders on record as of Nov 11, 2019.

---

## Valuation

Highwoods' shares have been up 11.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have gained 12.3% and 6.3% in the past year, respectively.

The S&P 500 index is up 17.5% in the past year.

The stock is currently trading at 13.89X forward 12-month FFO, which compares to 18.13X for the Zacks sub-industry, 14.49X for the Zacks sector and 18.51X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.47X and as low as 10.62X, with a 5-year median of 13.80X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$53 price target reflects 14.69X FFO per share.

The table below shows summary valuation data for HIW.

Valuation Multiples - HIW					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.89	18.13	14.49	18.51
	5-Year High	16.47	18.85	16.21	19.34
	5-Year Low	10.62	14.29	12.01	15.18
	5-Year Median	13.8	16.1	14.07	17.46
P/S F12M	Current	6.72	8.17	6.53	3.43
	5-Year High	7.88	8.17	6.61	3.43
	5-Year Low	5.2	5.9	5.39	2.54
	5-Year Median	6.52	6.88	6.04	3
P/B TTM	Current	2.43	2.83	2.76	4.41
	5-Year High	2.89	2.89	2.89	4.55
	5-Year Low	1.75	2.06	1.83	2.85
	5-Year Median	2.35	2.52	2.51	3.62

As of 01/31/2020

## Industry Analysis Zacks Industry Rank: Bottom 33% (171 out of 255)



## Top Peers

Alexandria Real Estate Equities, Inc. (ARE)	Neutral
Boston Properties, Inc. (BXP)	Neutral
Cousins Properties Incorporated (CUZ)	Neutral
Douglas Emmett, Inc. (DEI)	Neutral
Hudson Pacific Properties, Inc. (HPP)	Neutral
Kilroy Realty Corporation (KRC)	Neutral
Piedmont Office Realty Trust, Inc. (PDM)	Neutral
SL Green Realty Corporation (SLG)	Neutral

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	HIW Neutral	X Industry	S&P 500	ARE Neutral	BXP Neutral	SLG Neutral
<b>VGM Score</b>	<b>C</b>	-	-	<b>D</b>	<b>D</b>	<b>F</b>
Market Cap	5.20 B	2.92 B	23.55 B	20.01 B	22.17 B	7.37 B
# of Analysts	8	4	13	3	10	10
Dividend Yield	3.79%	4.05%	1.81%	2.52%	2.73%	3.85%
<b>Value Score</b>	<b>D</b>	-	-	<b>F</b>	<b>D</b>	<b>D</b>
Cash/Price	0.02	0.03	0.04	0.02	0.04	0.03
EV/EBITDA	15.50	17.67	13.97	25.96	19.22	18.24
PEG Ratio	3.52	3.41	1.97	5.36	2.76	3.27
Price/Book (P/B)	2.42	1.70	3.21	2.08	2.84	1.29
Price/Cash Flow (P/CF)	12.99	14.62	13.36	20.82	18.48	13.30
P/E (F1)	14.17	15.70	18.42	22.12	18.96	12.72
Price/Sales (P/S)	7.17	7.04	2.60	13.67	7.49	5.95
Earnings Yield	7.18%	6.36%	5.43%	4.52%	5.27%	7.87%
Debt/Equity	1.08	0.88	0.72	0.76	1.51	0.98
Cash Flow (\$/share)	3.86	2.27	6.92	7.84	7.76	6.92
<b>Growth Score</b>	<b>C</b>	-	-	<b>C</b>	<b>C</b>	<b>F</b>
Hist. EPS Growth (3-5 yrs)	3.27%	3.10%	10.68%	7.92%	5.23%	-0.14%
Proj. EPS Growth (F1/F0)	8.56%	4.05%	7.59%	5.89%	7.87%	3.39%
Curr. Cash Flow Growth	-3.61%	12.29%	10.81%	46.47%	-2.38%	-27.69%
Hist. Cash Flow Growth (3-5 yrs)	10.23%	16.89%	8.78%	20.39%	0.61%	-0.78%
Current Ratio	1.40	1.27	1.22	0.37	4.15	1.62
Debt/Capital	52.94%	46.68%	42.99%	42.99%	59.58%	47.41%
Net Margin	17.85%	13.48%	11.69%	9.29%	17.62%	21.83%
Return on Equity	5.93%	4.54%	17.33%	1.63%	6.64%	4.56%
Sales/Assets	0.15	0.13	0.55	0.09	0.14	0.09
Proj. Sales Growth (F1/F0)	4.63%	4.89%	4.12%	NA	2.13%	0.08%
<b>Momentum Score</b>	<b>B</b>	-	-	<b>B</b>	<b>A</b>	<b>B</b>
Daily Price Chg	-1.09%	-1.15%	-1.98%	-0.78%	-0.17%	-0.85%
1 Week Price Chg	-0.57%	0.14%	-1.09%	1.08%	1.76%	2.32%
4 Week Price Chg	4.03%	2.47%	-2.11%	2.17%	5.73%	3.52%
12 Week Price Chg	8.65%	1.57%	2.15%	6.06%	3.91%	8.09%
52 Week Price Chg	13.06%	6.87%	14.15%	23.91%	8.71%	-0.42%
20 Day Average Volume	715,212	475,465	1,808,632	1,059,758	567,591	754,718
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.09%	0.18%
(F1) EPS Est 4 week change	0.03%	0.00%	0.00%	0.27%	0.38%	1.87%
(F1) EPS Est 12 week change	0.25%	-0.07%	-0.09%	-0.81%	0.63%	3.98%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	2.87%	0.19%	0.97%



## 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>D</b>
Growth Score	<b>C</b>
Momentum Score	<b>B</b>
VGM Score	<b>C</b>

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.