

## Inter Parfums, Inc. (IPAR)

**\$45.99** (As of 04/29/20)

Price Target (6-12 Months): **\$39.00**

Long Term: 6-12 Months

**Zacks Recommendation:** Underperform

(Since: 04/27/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

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

**5-Strong Sell**

Zacks Style Scores:

VGM:C

Value: D

Growth: A

Momentum: C

### Summary

Shares of Inter Parfums have lagged the industry year to date. The stock got further hit when the company released soft sales numbers for the first quarter of 2020. Net sales declined in both Europe-based and U.S.-based operations, with comparable sales of several major brands being hurt by closure of almost all points of sale worldwide due to the coronavirus pandemic. Further, as part of its cost-control measures, Inter Parfums postponed product launches under various brands until 2021. In an earlier move, the company had withdrawn full-year view for 2020 due to the uncertainty surrounding COVID-19. Apart from this, the company has been battling strained gross margins for a while. Nonetheless, Inter Parfums is focused on brand-enhancement. Also, it is making efforts to protect financial position amid the crisis.

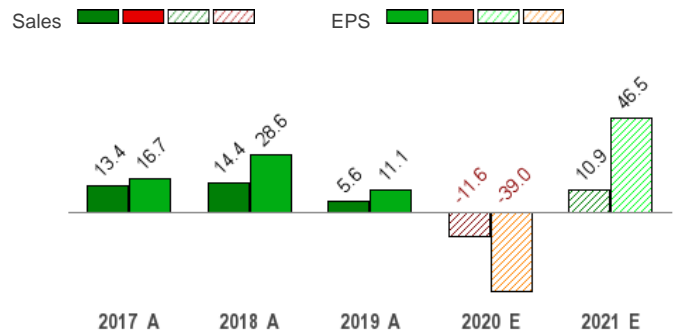
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$81.40 - \$34.20
20 Day Average Volume (sh)	154,234
Market Cap	\$1.5 B
YTD Price Change	-36.8%
Beta	1.10
Dividend / Div Yld	\$1.32 / 2.9%
Industry	<a href="#">Cosmetics</a>
Zacks Industry Rank	Bottom 17% (210 out of 253)

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



Last EPS Surprise	0.0%
Last Sales Surprise	0.0%
EPS F1 Est- 4 week change	-36.7%
Expected Report Date	05/11/2020
Earnings ESP	-29.3%

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	162 E	152 E	197 E	189 E	700 E
2020	145 E	118 E	181 E	173 E	631 E
2019	178 A	166 A	191 A	178 A	714 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.53 E	\$0.36 E	\$0.67 E	\$0.28 E	\$1.70 E
2020	\$0.41 E	\$0.13 E	\$0.50 E	\$0.25 E	\$1.16 E
2019	\$0.60 A	\$0.39 A	\$0.66 A	\$0.26 A	\$1.90 A

\*Quarterly figures may not add up to annual.

P/E TTM	24.1
P/E F1	39.7
PEG F1	3.2
P/S TTM	2.0

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

Inter Parfums, Inc. is engaged in the manufacturing, distribution and marketing of a wide range of fragrances and related products. Organized as per the laws of the State of Delaware in May 1985, the company was formerly known as Jean Philippe Fragrances, Inc. In July 1999, the company changed its name to Inter Parfums, Inc.

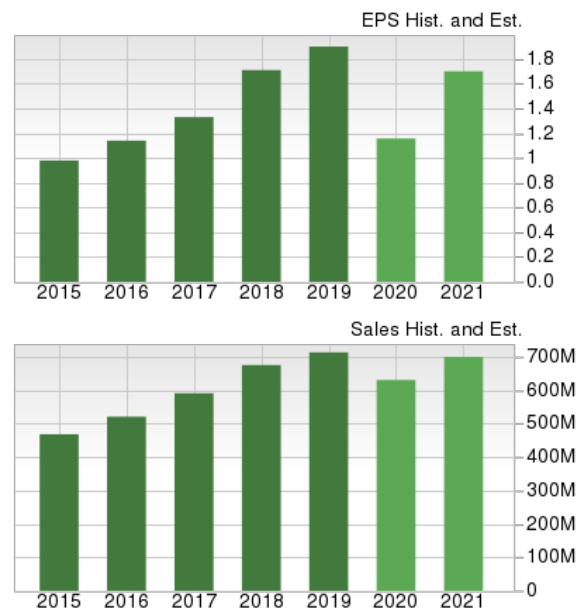
The company manages its business through two operational units — European-based operations and United States-based operations. In context with the European unit, the company produces and distributes products through license agreements with other brands. Certain prestige fragrance products of the company are marketed by its owned subsidiary in Paris, Interparfums SA.

Some of the well-known brands of the company in the European unit are Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont and Van Cleef & Arpels. Markedly, sales through European operations contributed nearly 80% to net sales in 2018.

Additionally, products sold and marketed under the United States operations unit are either owned by the company or through licensing agreements. The unit contributed nearly 20% to the company's sales in 2018. Some of the established brands in this category are Abercrombie & Fitch, Agent Provocateur, Anna Sui, bebe, Dunhill, Hollister, French Connection, Graff, GUESS, Lily Aldridge and Oscar de la Renta.

It is important to note that the company does not own any manufacturing facilities. Inter Parfums acts as a general contractor by sourcing the required components from suppliers. The components are assembled at distribution centers, which are then sent to third-party fillers. The third-party fillers manufacture the finished products for Inter Parfums and deliver the same to distribution centers.

The company sells its products mainly through department stores, specialty stores, perfumeries, domestic and international wholesalers, and distributors.



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## Reasons To Sell:

▼ **Coronavirus Woes, Stock Underperforms:** Shares of Inter Parfums have plunged 33.4% in the past three months, compared with the industry's decline of 20.5%. The stock got further hammered when the company released sales results for the first quarter of 2020. For the three months ended Mar 31, 2020, net sales amounted to \$144.8 million, down 18.7% (down 17.8% at constant currency) from \$178.2 million reported in the year-ago quarter. The company's Europe-based operations registered net sales of \$114.1 million in the first quarter, which declined 20.6% year over year. In U.S.-based operations, net sales dropped 10.9% to \$30.7 million during the first quarter.

Strained gross margins and adverse impacts from currency fluctuations are a threat to the company.

While Coach and Guess? brands saw higher sales, comparable sales declined in many other major brands due to closures of almost all points of sale worldwide due to the coronavirus pandemic. Moreover, the company reported robust growth in brands like Montblanc and Jimmy Choo in the year-ago quarter, which now serves as a high benchmark in 2020 for Inter Parfums. As part of its cost-control measures, Inter Parfums also postponed various plans including product launches under bands like Kate Spade New York, Jimmy Choo, Anna Sui and GUESS? until 2021. Further, the company has decided to temporarily suspend its quarterly cash dividend to maintain a sound financial position amid this crisis. Nevertheless, Inter Parfums is seeing some rebound in its Asia business. Prior to this, in March, Inter Parfums had withdrawn its full-year 2020 guidance, which was issued along with its fourth-quarter earnings results on Mar 3. This was done due to the unpredictable impact of COVID-19 on revenues and costs.

▼ **Strained Gross Margin:** Inter Parfums has been witnessing strained gross margin for a while now. In the fourth quarter, gross margin was 64.5%, down 160 bps year over year. Further, gross profit amounted to \$114.7 million, down 2.1% from the year ago period. Prior to this, gross margin was 59.8%, down 180 bps in the third quarter. We believe that, persistence of this trend may exert pressure on the company's bottom line in the future.

▼ **Currency headwinds:** A significant share of Inter Parfums' revenues are sourced from international markets, thereby exposing the company to significant currency risks. In fact, foreign currency headwinds had an adverse impact of \$1.1 million in the company's 2019 performance. Volatility in currency movements remains a threat to the company.

▼ **Stiff Competition:** The cosmetics and beauty segment is rife with competition, thanks to the existence of strong peers as well as abundant product alternatives. Cheaper alternatives may hinder customers' loyalty and impact sales.

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## Risks

- **Strong Brands & Effective Product Launches:** Inter Parfums' strong brand portfolio is one of its primary growth drivers. The company's Prestige brands have been doing well and supported performance of the company during 2019. In fact, the GUESS? Brand has been gaining traction outside the United States in regions like Middle East. Moreover, the company plans to launch GUESS? brand in China sometime in 2020.

Further, the company has been focused on making product launches under different brand banners. Though Inter Parfums has delayed some product launches in the wake of COVID-19 spread, the company's focus on launches bodes well for the long run.

- **Healthy Financial Status:** A strong cash position has been working in favor of Inter Parfums, helping it to further expand brand offerings and license agreements. The company ended 2019 with working capital of \$389 million, including cash and cash equivalents of nearly \$253 million. Moreover, it has a working capital ratio of more of 3:1. Such financial flexibility is likely to continue favoring the company. Also, the financial flexibility has helped Inter Parfums to boost shareholders' returns.
  - **Debt Analysis:** Inter Parfums' long-term debt (including lease liabilities) of \$35.4 million as of the end of fourth-quarter 2019 (Dec 31, 2019) dipped 1.3% on a sequential basis. Further, the company's debt-to-capitalization ratio of 0.08 stood much lower than the industry's ratio of 0.64. It also represents a sequential improvement from 0.09 as of Sep 30, 2019. Apart from this, the company's times interest earned ratio (as of the fourth-quarter end) of 50 reflects that it is well-positioned to meet its debt. Incidentally, the times-interest-earned ratio is very important for companies, as it measures a company's ability to meet its debt obligations based on its current income.
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## Last Earnings Report

### Inter Parfums Q4 Earnings Meet Estimates, View Down

Inter Parfums, Inc. delivered fourth-quarter 2019 results, with the top and the bottom line meeting the Zacks Consensus Estimate. Moreover, earnings were flat year on year. Nevertheless, revenues rose on a year-over-year basis. Sturdy brand performances across U.S. operations fueled the metric.

#### Quarter in Details

The company posted earnings per share of 26 cents, in line with the Zacks Consensus Estimate.

Net sales for the quarter amounted to \$177.8 million, up 0.3% on a year-over-year basis. Moreover, revenues were in line with the consensus mark. At comparable-currency exchange rates, net sales inched up 1.5%. Growth across the U.S. operations boosted sales in the reported quarter.

In **U.S. based** operations, net sales rose 14.7% to \$48.7 million. Net sales in the **European-based** operations amounted to \$129.1, down 4.2% year on year.

Gross profit amounted to \$114.7 million, down 2.1% year on year. Further, gross margin was 64.5%, down 160 basis points (bps).

SG&A expenses amounted to \$102.3 million, down 3.9% year on year. Also, as a percentage of net sales, SG&A expenses were 57.6%. The metric declined from 60.1% in the prior-year quarter.

Operating income came in at \$12.3 million, up 16.5% year on year. Further, operating margin was 6.9%, up 90 bps.

#### Other Financial Aspects

The company ended the quarter with cash and cash equivalents of \$192.4 million, long-term debt (excluding current portion) of \$10.7 million and total shareholder equity of \$468 million.

The company declared a quarterly dividend of 33 cents. The dividend will be paid out on Apr 15, 2020 to shareholders on record as on Mar 31, 2020.

#### Guidance

In 2020, management expects sales to be aided by fragrance launches at key brands. The company launched a new women's fragrance range by Coach brand in the beginning of 2020 in Europe. Also, Inter Parfums plans to launch women's scent for Montblanc sometime this spring in the region. Moreover, management hopes to launch scents from brands like Jimmy Choo and Kate Spade New York during the year in Europe. For U.S. operations, the company plans to launch new fragrance under the GUESS and Hollister brands sometime this spring. Moreover, Inter Parfums is optimistic about the debut of a number scents from brands like Anna Sui and Graff in the region.

That said, the company is mindful of the recent outbreak of coronavirus. Inter Parfums has been witnessing significant decline in air travel along with reduced customer traffic in major shopping and tourist destinations. Consequently, management delayed various launches toward the end of 2020. Management stated that if the prevalence of coronavirus impact is limited to the initial few months of 2020, it expects net sales and net income to be in line with 2019 numbers. In 2019, Inter Parfums delivered net sales of \$713.5 million, whereas net income was \$1.90 per share. The company had earlier envisioned net sales to be roughly \$742 million in 2020, while net income was earlier expected to be nearly \$2.00 per share.

Quarter Ending **12/2019**

Report Date	Mar 02, 2020
Sales Surprise	0.00%
EPS Surprise	0.00%
Quarterly EPS	0.26
Annual EPS (TTM)	1.91

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## Recent News

### Inter Parfums Q1 Sales Soft, Launches Delayed Amid Coronavirus – Apr 22, 2020

Inter Parfums released sales numbers for first-quarter 2020. For the three months ended Mar 31, 2020, net sales amounted to \$144.8 million, down 18.7% (down 17.8% at constant currency) from \$178.2 million reported in the year-ago quarter.

The company's Europe-based operations registered net sales of \$114.1 million in the first quarter, which declined 20.6% year over year. In U.S.-based operations, net sales dropped 10.9% to \$30.7 million during the first quarter.

The company's two largest brands Coach and GUESS? witnessed solid sales growth during the quarter under review. Earlier this year, Inter Parfums launched Coach Dreams that drove the brands sales by 35.9%. Further, the already existing products and brand extensions under GUESS? helped the brand to register a 28.9% sales growth in the first quarter.

However, growth in the above mentioned brands were more than offset by declines in majority of the company's other brands. Incidentally, comparable sales declined for other major brands due to closures of almost all points of sale worldwide due to the coronavirus pandemic. Moreover, the company reported robust growth in brands like Montblanc and Jimmy Choo in the year-ago quarter, which now serves as a high benchmark in 2020 for Inter Parfums.

Apart from this, Inter Parfums has been undertaking several cost-control measures to preserve its cash flow amid the coronavirus crisis. Keeping in these lines, the company postponed various plans including product launches under brands like Kate Spade New York, Jimmy Choo, Anna Sui and GUESS? until 2021. Also, advertising and promotion costs related to such events have been postponed to 2021. Going ahead, management believes that such stringent cost-containment efforts will reduce the impact of lower sales on the company's profits.

Due to the unpredictable impact of the coronavirus outbreak, the company has decided to temporarily suspend its quarterly cash dividend to maintain a sound financial position amid this crisis. Nevertheless, Inter Parfums is seeing some rebound in its Asia business.

### Inter Parfums Withdraws 2020 View Due to Coronavirus – Mar 24, 2020

The coronavirus pandemic has rattled most sectors across the globe, with the cosmetics space being no exception. Incidentally, Inter Parfums, Inc. has issued a business update, including the withdrawal of the guidance. Due to the outbreak and its impact on revenues and costs, management has withdrawn full-year 2020 guidance, which was issued along with its fourth-quarter earnings results on Mar 3.

Also, Inter Parfums, in its latest release, informed its investors that they are taking enhanced precautionary measures, including implementation of work from home for several employees, among other moves. Moreover, management believes that Inter Parfums is financially and operationally sound to withstand the current crisis. The company entered 2020 with cash, cash equivalents and short-term investments of \$253 million as well as the long-term debt of just \$10.7 million. Also, Inter Parfums is on track with optimizing fixed expenses and protecting cash flow amid the COVID-19 crisis. However, the previously announced quarterly dividend of 33 cents per share will be paid out as per schedule.

### Inter Parfums Posts Sales Numbers for Q4 & 2019 – Jan 28, 2020

Inter Parfums, released sales numbers for the fourth quarter and 2019. For the three months ended Dec 31, 2019, net sales amounted to \$177.8 million, up 0.3% (1.5% at constant currency) from \$177.2 million reported in the year-ago quarter. This indicates a slowdown from the third quarter, wherein net sales increased 7.9%. Sales in 2019 came in at \$713.5 million, up 5.6% (or 7.8% at cc) from \$675.6 million reported in 2018. Notably, the company reported record high sales in 2019 amid strong dollar and relatively fewer launches compared with prior years. Further, management was encouraged about the addition of Kate Spade New York and MCM in its brand portfolio. Also, Inter Parfums was issued an extended license for the Oscar de la Renta brand.

The company's European-based operations registered net sales of 542.1 million in 2019, which inched up 0.8% year over year. During fourth-quarter 2019, sales in the segment declined 4.2% to \$129.1 million. Growth across brands such as Montblanc, Karl Lagerfeld and Van Cleef & Arpels has been supporting growth in the European-based operations through the year. On the contrary, brands like Coach and Jimmy Choo witnessed some softness. In U.S.-based operations, net sales rallied 24.3% to \$171.4 million in 2019. During the fourth quarter, sales in the segment increased 14.7% to \$48.7 million.

Inter Parfums continues to envision 2019 earnings per share (EPS) to be approximately \$1.9. Further, the company reaffirmed its guidance for 2020, which was first issued in November 2019. Net sales are expected to be roughly \$742 million. For 2020, EPS are expected to be nearly \$2.00 per share.

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## Valuation

Inter Parfums shares are down 36.8% in the year-to-date period and 35.4% 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.

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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 29.27X 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 42.19X and as low as 18.3X, with a 5-year median of 29.79X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$39 price target reflects 24.82X forward 12-month earnings.

The table below shows summary valuation data for IPAR

Valuation Multiples - IPAR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	29.27	33.14	18.86	20.16
	5-Year High	42.19	33.14	22.37	20.2
	5-Year Low	18.3	19.65	16.5	15.19
	5-Year Median	29.79	24.39	19.66	17.45
P/S F12M	Current	2.22	3.66	9.14	3.21
	5-Year High	3.45	4.02	11.16	3.44
	5-Year Low	1.29	1.53	8.1	2.54
	5-Year Median	2.14	2.73	9.89	3.01
EV/EBITDA F12M	Current	11.65	27.52	34.16	12.29
	5-Year High	18.74	28.06	37.75	12.65
	5-Year Low	5.74	10.93	29.77	9.09
	5-Year Median	11.64	20.79	34.08	10.82

As of 04/29/2020

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



## Top Peers

Company (Ticker)	Rec	Rank
Coty Inc. (COTY)	Neutral	3
The Estee Lauder Companies Inc. (EL)	Neutral	4
e.l.f. Beauty Inc. (ELF)	Neutral	3
L'Oreal SA (LRLCY)	Neutral	4
MANDOM CORP (MDOMF)	Neutral	4
Nu Skin Enterprises, Inc. (NUS)	Neutral	3
Revlon, Inc. (REV)	Neutral	3
Helen of Troy Limited (HELE)	Underperform	4

Industry Comparison Industry: Cosmetics				Industry Peers		
	IPAR	X Industry	S&P 500	EL	HELE	NUS
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	5	-	-	4	4	3
VGM Score	C	-	-	C	D	C
Market Cap	1.45 B	1.32 B	20.82 B	63.59 B	4.07 B	1.61 B
# of Analysts	4	3	14	12	3	4
Dividend Yield	2.87%	0.00%	2.07%	1.09%	0.00%	5.19%
Value Score	D	-	-	F	F	B
Cash/Price	0.18	0.11	0.06	0.06	0.01	0.24
EV/EBITDA	10.62	16.46	12.12	22.35	18.79	5.13
PEG Ratio	3.17	3.89	2.51	3.89	3.72	8.42
Price/Book (P/B)	2.38	2.42	2.74	13.81	3.50	1.84
Price/Cash Flow (P/CF)	20.98	18.61	11.23	25.20	18.61	6.42
P/E (F1)	39.65	32.26	19.26	39.32	21.21	14.22
Price/Sales (P/S)	2.03	2.04	2.16	4.01	2.38	0.66
Earnings Yield	2.52%	3.10%	5.03%	2.54%	4.72%	7.02%
Debt/Equity	0.06	0.24	0.72	1.52	0.24	0.50
Cash Flow (\$/share)	2.19	1.62	7.01	7.02	8.69	4.50
Growth Score	A	-	-	A	C	D
Hist. EPS Growth (3-5 yrs)	18.47%	4.39%	10.88%	16.51%	7.74%	4.39%
Proj. EPS Growth (F1/F0)	-39.08%	-13.98%	-6.94%	-15.76%	-17.99%	-34.44%
Curr. Cash Flow Growth	6.41%	-0.29%	5.92%	13.88%	1.79%	-11.19%
Hist. Cash Flow Growth (3-5 yrs)	11.74%	8.55%	8.55%	9.29%	8.28%	-3.17%
Current Ratio	3.11	1.88	1.23	1.69	2.29	2.07
Debt/Capital	5.49%	33.46%	43.90%	60.27%	19.65%	33.46%
Net Margin	8.44%	1.07%	11.15%	11.76%	8.92%	7.17%
Return on Equity	10.07%	11.64%	16.47%	48.28%	19.58%	20.62%
Sales/Assets	0.87	0.98	0.54	1.07	0.97	1.37
Proj. Sales Growth (F1/F0)	-11.58%	-5.37%	-1.52%	-5.38%	-9.87%	-13.51%
Momentum Score	C	-	-	D	D	F
Daily Price Chg	2.22%	0.03%	2.91%	4.70%	9.01%	3.07%
1 Week Price Chg	-8.91%	0.00%	-1.74%	-4.56%	3.90%	5.96%
4 Week Price Chg	14.06%	9.74%	21.33%	15.31%	26.37%	40.89%
12 Week Price Chg	-35.06%	-18.45%	-16.28%	-12.15%	-16.62%	-20.29%
52 Week Price Chg	-35.39%	-31.67%	-7.57%	3.85%	14.69%	-55.05%
20 Day Average Volume	154,234	26,818	2,658,107	2,076,463	204,426	969,494
(F1) EPS Est 1 week change	-19.06%	0.00%	0.00%	-0.15%	0.00%	-0.73%
(F1) EPS Est 4 week change	-36.75%	-11.93%	-6.32%	-11.93%	-39.76%	-6.34%
(F1) EPS Est 12 week change	-42.41%	-29.13%	-12.93%	-24.25%	-44.09%	-38.45%
(Q1) EPS Est Mthly Chg	-60.20%	-40.79%	-11.84%	-119.41%	NA	-22.36%



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## 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.

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### 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	A
Momentum Score	C
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.

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### Disclosures

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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.

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