

Nordstrom, Inc. (JWN)

\$15.28 (As of 08/06/20)

Price Target (6-12 Months): **\$16.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/03/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:F

Value: D

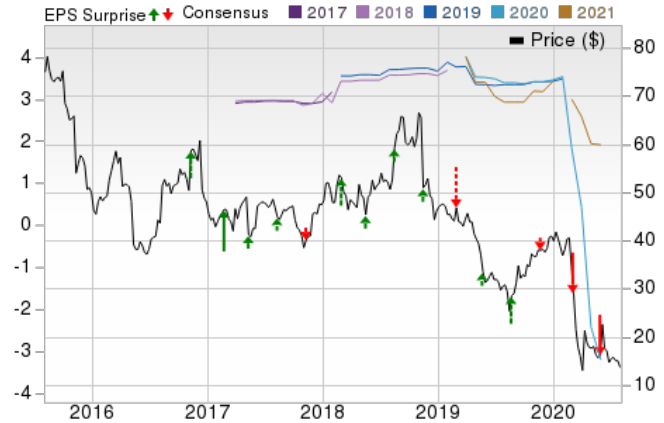
Growth: F

Momentum: C

Summary

Shares of Nordstrom have underperformed the industry in the past three months. The company posted dismal first-quarter fiscal 2020 results, wherein sales and earnings declined year over year. Results were affected by temporary store closures stemming from the COVID-19 outbreak. As a result, management withdrew its guidance for fiscal 2020, suspended dividend payments and share repurchase programs as well as drew \$800 million from its revolving credit facility. Weak margins, and elevated SG&A and interest expenses are added concerns. Nevertheless, the company witnessed solid online sales of more than \$1 billion in the first quarter. Further, it remains on track to generate savings of \$200-\$250 million in fiscal 2020, resulting in a reduction in non-occupancy related overhead expenses of about 20%.

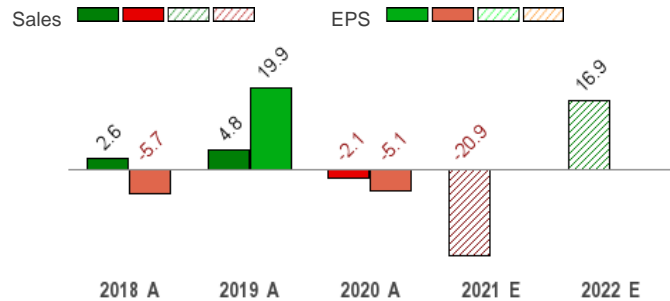
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$43.37 - \$12.27
20 Day Average Volume (sh)	8,468,501
Market Cap	\$2.4 B
YTD Price Change	-62.7%
Beta	1.33
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Bottom 5% (239 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-84.3%
Last Sales Surprise	-10.0%
EPS F1 Est- 4 week change	-11.1%
Expected Report Date	08/19/2020
Earnings ESP	0.0%
P/E TTM	17.0
P/E F1	NA
PEG F1	NA
P/S TTM	0.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	3,032 E	3,577 E	3,492 E	4,345 E	14,355 E
2021	2,026 A	2,375 E	3,552 E	4,233 E	12,278 E
2020	3,443 A	3,872 A	3,672 A	4,538 A	15,524 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$0.35 E	\$0.48 E	\$0.45 E	\$1.10 E	\$1.86 E
2021	-\$2.23 A	-\$1.43 E	\$0.46 E	\$0.97 E	-\$3.44 E
2020	\$0.23 A	\$0.90 A	\$0.81 A	\$1.42 A	\$3.37 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 08/06/2020. The reports text is as of 08/07/2020.

Overview

Founded in 1901 as a retail shoe business, and headquartered in Seattle, Washington, Nordstrom Inc. is a leading fashion specialty retailer in the United States. The company offers an extensive selection of both branded and private-label merchandise, which are positioned in the upscale segment of the industry.

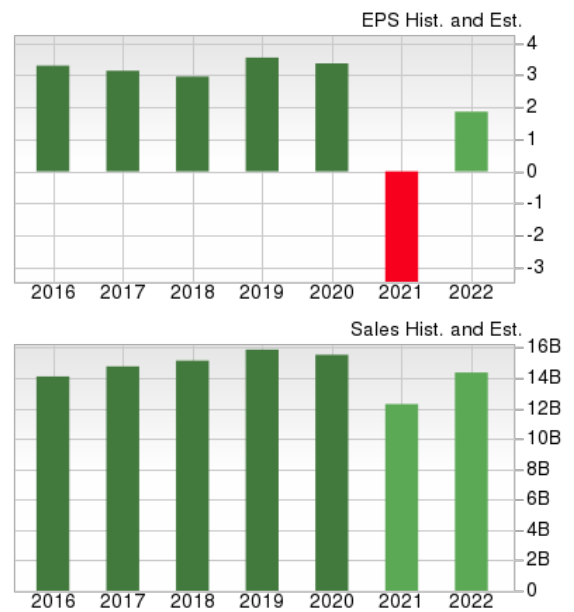
Meanwhile, the company offers high-quality apparel, shoes, cosmetics and related accessories for men, women, young adults and children through a variety of channels. These channels are namely, Nordstrom branded full-line stores; Nordstrom Rack stores; Jeffrey boutiques; clearance stores under the Last Chance name; Trunk Club clubhouses and Nordstrom Local. Also, the company serves customers online through Nordstrom.com; Nordstromrack.com; HauteLook; and TrunkClub.com.

The company aspires to become the best fashion retailer in the digital space by primarily focusing on its customers. Impressively, Nordstrom's digital sales represented approximately 31% of total sales in the first quarter of fiscal 2019.

Furthermore, Nordstrom's customer-based strategy focuses on three strategic factors — leveraging its brand strength, providing excellent services and offering compelling products. Furthermore, the company delivers service, product and experience, which include alterations, dining and styling in order to make shopping personalized and convenient.

The company operates through two segments: Retail and Credit Card. The Retail segment offers a selection of brand names and private-label merchandise. The segment includes Nordstrom branded full-line stores and website, off-price Nordstrom Rack stores and other retail channels including HauteLook and Jeffrey boutiques. The Credit Card segment operates Nordstrom private-label and co-branded VISA credit cards.

As of May 2, 2020, Nordstrom operated 354 stores across 40 states. These include 100 full-line stores in the United States, Canada and Puerto Rico, 247 Nordstrom Rack outlets, two clearance stores, six Trunk Club clubhouses and five Nordstrom Local service concepts.



Reasons To Buy:

▲ **Store Re-Opening Plan:** With almost all stores closed since Mar 17, Nordstrom is now gearing up to re-open stores in a phased manner, with a market-by-market approach in coherence with the government guidelines. It began re-opening stores in early May with about 40% of its fleet now open. Further, it continues to serve customers online and is offering contactless curbside services at full-line stores. Moreover, it has shifted its Anniversary sale event to August 19 from July. The company is keen on adopting safety and health measures in its stores through health screening for employees, providing masks for associates and customers, maintaining social distancing in stores, modifying fitting rooms as well as following cleaning and sanitization protocols. The company's stores are operating for limited hours.

Nordstrom's market strategy has supported its efforts to serve customers during the pandemic. It facilitated easy fulfillment from stores for faster delivery and providing curbside pickup and returns.

▲ **Nordstrom Leverages Market Strategy Amid Coronavirus:** Nordstrom remains keen on taking the right actions to keep its operations going, with focus on speed and flexibility to serve customers, amid the coronavirus pandemic and in the long run. It is leveraging the strength of its market strategy that focuses on providing seamless shopping experience through multiple touch points, including its store banners – Nordstrom and Nordstrom Rack – as well as in-stores and online. Its investments in physical and digital business to match the changing customer preference have gone a long way in serving customers during the pandemic. Its market strategy is enabling it to bring inventory closer to where customers live and work, facilitating the use of its stores as fulfillment centers to enhance faster delivery and connecting digital and physical experiences to provide curbside pickup and returns.

While stores are temporarily closed, the company is focused on boosting online sales as its e-commerce site continues to witness solid traffic and conversion. The company's store fulfillment capabilities are an important way to leverage inventory and bring greater selection to customers. More than half of Nordstrom.com orders are currently fulfilled from full-line stores, and 25% of Nordstromrack.com and HauteLook.com orders are now fulfilled by Nordstrom Rack stores. Nordstrom recently launched its dedicated e-commerce site to serve customers in Canada, with all online sales fulfilled from the six full-line stores there. It is also focused on clearing excess inventory through increased marketing and promotional efforts. Notably, ending inventory declined 26% year over year in fiscal first quarter, due to higher promotions and marketing activities to lower inventory.

▲ **Cost Cutting:** As part of its efforts to curb costs, Nordstrom recently revealed plans to permanently close three Jeffrey specialty stores along with 16 full-line stores announced earlier. Alongside this, its efforts to restructure regions and adjust supply chains will help it stay afloat amid the coronavirus pandemic. The restructuring is expected to result in expense savings of nearly \$150 million, or 30% of the company's previously announced plans for net cash reductions of more than \$500 million in operating expenses, capital expenditures and working capital. These actions, combined with its initial savings plan of \$200-\$250 million, represent a reduction in non-occupancy related overhead expenses of about 20%. The company remains on track to achieve these targets and have already generated savings of almost \$100 million in the fiscal first quarter.

▲ **Financial Stability:** Nordstrom's cash and cash equivalents at the end of first-quarter fiscal 2020 increased 59.4% sequentially to \$1,355 million. Notably, the company's cash position remains sufficient to fund its short-term obligations of about \$1,043 million as of May 2, 2020, which included \$800 million drawn on its revolving credit facility. Notably, the company significantly reduced its cash burn by more than 40% from March into April and took early actions to increase liquidity to stay afloat amid the coronavirus pandemic. Nordstrom drew down and amended its \$800 million revolver, issued \$600 million in senior secured notes and suspended dividends and share repurchases. Further, it targets a reduction in operating expenses, capital expenditures and working capital to the tune of roughly \$500 million, which will be incremental to its initial cost savings goal of \$200-\$250 million for fiscal 2020.

▲ **Long-Term Growth Strategy – Strong Digital Growth:** Nordstrom remains on track with its customer-based strategy which focuses on three strategic factors — leveraging its brand strength, providing excellent services and offering compelling products to its customers. Nordstrom remains focused on advancing in the technology space, by boosting e-commerce and digital networks, and improving its supply-chain channels and marketing efforts. With stores closed, online demand grew 9% consistent with the second half of fiscal 2019. Consequently, digital sales advanced 5% to \$1.1 billion in first-quarter fiscal 2020 with home, sleepwear and activewear being the top performing categories. This represents 54% of the company's business, up from 31% in the prior-year quarter. Further, the company experienced significant growth new customers of more than 50%.

Reasons To Sell:

- ▼ **Dismal Q1 Results, Stock Underperforms:** Shares of Nordstrom have declined 15.3% in the past three months against the industry's growth of 25.2%. The company posted dismal first-quarter fiscal 2020 results, wherein sales and earnings declined year over year. Notably, the company's bottom line posted an adjusted loss of \$2.23 per share against earnings of 23 cents in the year-ago quarter due to rise in SG&A expenses as a percentage of sales and higher interest expenses. The figure was also wider than the Zacks Consensus Estimate of a loss of \$1.21. Results were affected by temporary store closures stemming from the COVID-19 outbreak. Also, weak margins hurt the bottom line to some extent. Moreover, citing continued uncertainty regarding the coronavirus pandemic, the company refrained from providing guidance for fiscal 2020.
- ▼ **Higher Costs and Markdowns Hurt Margins:** Nordstrom witnessed soft margins in the fiscal first quarter owing to higher COVID-19 related costs and higher promotions to reduce inventory. Notably, gross margin contracted significantly to 11% from 34% in the prior-year quarter. This downside was due to higher markdowns in a bid to clear inventory and soft sales volume. Moreover, selling, general and administrative (SG&A) expenses, as a percentage of sales, grew to 55% from 34% in the year-ago quarter. This included charges of \$250 million related to COVID-19. Excluding these charges, SG&A expenses declined 25%. The company reported operating loss of \$813 million against operating income of \$77 million. Operating loss mainly stemmed from soft sales volume due to temporary store closures and charges of \$280 million related to COVID-19.
- ▼ **Competitive Pressure:** Nordstrom operates in a highly fragmented specialty retail sector and faces intense competition from other well-established players such as The Gap Inc., Limited Brands Inc., Abercrombie & Fitch Co. and Saks Inc. The company primarily competes on the basis of fashion, quality and service. To retain its existing market share, the company may have to reduce its sales prices, which in turn can affect its margins.
- ▼ **Macroeconomic Challenges & Seasonality of Business:** The apparel retail industry is consumer driven and hence, very sensitive to the health of the economy. Spending on apparel and accessories is heavily dependent on the personal disposable income of consumers. The current macroeconomic challenges such as high household debt and unemployment levels may restrain consumers from spending on these items. Further, the seasonal and cyclical nature of the company's business puts it at risk as failure to perform well during the peak season might hurt its annual performance.

Nordstrom's drab Q1 results reflect impacts of temporary store closures stemming from the COVID-19 situation. As a result, management withdrew its fiscal 2020 view.

Last Earnings Report

Nordstrom Q1 Loss Wider Than Expected, Sales Down Y/Y

Nordstrom reported dismal first-quarter fiscal 2020 results, wherein sales and earnings declined year over year. Despite a solid start to the first quarter, the onset of coronavirus led to temporary store closures starting Mar 17. This had a material impact on the company's quarterly results. Hence, the company earlier refrained from providing any guidance for fiscal 2020.

However, it is making efforts to strengthen the financial position to overcome the COVID-19 hurdle by reducing inventory by more than 25% year over year along with lowering cash burn by more than 40% from March to April.

Quarter Ending **04/2020**

Report Date	May 28, 2020
Sales Surprise	-9.98%
EPS Surprise	-84.30%
Quarterly EPS	-2.23
Annual EPS (TTM)	0.90

Q1 Highlights

Nordstrom posted adjusted loss of \$2.23 per share against earnings of \$0.23 in the year-ago quarter. The figure also came wider than the Zacks Consensus Estimate of a loss of \$1.21 per share.

Total revenues declined 38.5% to \$2,119 million, while net sales fell 39.5% to \$2,026 million. The Zacks Consensus Estimate for sales was pegged at \$2,251 million. Temporary store closures for nearly half of the reported quarter stemming from the ongoing pandemic hurt sales to a large extent. Apart from these, the company's Credit Card net revenues edged down 1.1% to \$93 million.

Nordstrom's full-price net sales (including the U.S. full-line stores, Nordstrom.com, the Canadian operation, Trunk Club, Jeffrey and Nordstrom Local) declined 36% to \$1,357 million in the fiscal first quarter. The company's off-price net sales (including Nordstrom U.S. Rack stores, Nordstromrack.com/HauteLook and Last Chance clearance stores) slumped 45% to \$669 million. The decline in full-price and off-price sales were a result of softness in the average selling price, which was only partly offset by gains from sturdy online traffic and conversion trends.

Meanwhile, digital sales advanced 5% in the reported quarter. This represented 54% of the company's business, up from 31% in the year-ago quarter. Robust online demand was somewhat offset by the unfavorable timing of unshipped orders and expected returns.

Operational Update

Nordstrom's gross profit margin contracted significantly to 11% from 34% in the prior-year quarter. This downside was due to higher markdowns in a bid to clear inventory and soft sales volume. Ending inventory declined 26% from last year due to higher promotions and marketing activities to lower inventory.

Selling, general and administrative (SG&A) expenses, as a percentage of sales, grew significantly to 55% from 34% in the year-ago quarter. Excluding charges of \$250 million related to COVID-19, expenses fell nearly 25% during the quarter under review stemming from lower sales volume and a reduction in overhead costs owing to store closures.

Further, loss before interest and taxes for the reported quarter came in at \$813 million against earnings before interest and taxes (EBIT) of \$77 million due to a decline in sales volume stemming from temporary store closures and charges of \$280 million related to COVID-19.

Store Update

The company earlier closed all Nordstrom full-line, Nordstrom Rack, Trunk Club clubhouses and Jeffrey stores starting Mar 17. However, it has now started reopening few stores from early May, with roughly 40% of its store fleet open. The reopened stores are also offering contactless curbside pickup facility. Going ahead, Nordstrom intends to reopen the remaining stores by the end of June.

Apart from these, the company recently noted that it has decided to permanently close three Jeffrey specialty stores along with the 16 full-line stores announced earlier.

Other Financials

Nordstrom ended fiscal 2019 with cash and cash equivalents of \$1,355 million, long-term debt (net of current liabilities) of \$3,264 million and total shareholders' equity of \$397 million.

The company used \$778 million of net cash from operating activities and spent \$131 million as capital expenditures in the quarter under review. At the end of the quarter, it had free cash flow of \$826 million.

Moreover, management suspended its share repurchase program and dividend payments in the wake of the COVID-19 crisis. Also, the company withdrew \$800 million from its revolving credit facility. Further, it targets a reduction in operating expenses, capital expenditures and working capital to the tune of roughly \$500 million, which will be incremental to its initial savings goal of \$200-\$250 million for fiscal 2020.

Valuation

Nordstrom shares are down 62.7% in the year-to-date period and nearly 49.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 24.5% but the Zacks Retail-Wholesale sector is up 28.4% in the year-to-date period. Over the past year, the Zacks sub-industry is down 25.7% but the sector is up 38.5%.

The S&P 500 index is up 3.3% in the year-to-date period and 13.5% in the past year.

The stock is currently trading at 0.18X forward 12-month sales, which compares to 0.55X for the Zacks sub-industry, 1.27X for the Zacks sector and 3.63X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.99X and as low as 0.14X, with a 5-year median of 0.5X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$16 price target reflects 0.19X forward 12-month sales.

The table below shows summary valuation data for JWN

Valuation Multiples - JWN					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.18	0.55	1.27	3.63
	5-Year High	0.99	1.09	1.27	3.63
	5-Year Low	0.14	0.33	0.82	2.53
	5-Year Median	0.5	0.8	0.97	3.04
P/B TTM	Current	6.02	3.27	5.99	4.54
	5-Year High	12.38	6.25	6.02	4.56
	5-Year Low	2.07	1.34	3.69	2.83
	5-Year Median	8.2	4.59	5	3.73
EV/EBITDA TTM	Current	7.13	11.91	19.04	12.89
	5-Year High	9.87	11.98	19.04	12.89
	5-Year Low	3.58	4.7	11.12	8.24
	5-Year Median	6.39	6.64	12.93	10.89

As of 08/06/2020

Industry Analysis Zacks Industry Rank: Bottom 5% (239 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Buckle, Inc. The (BKE)	Neutral	NA
Foot Locker, Inc. (FL)	Neutral	3
The Gap, Inc. (GPS)	Neutral	4
L Brands, Inc. (LB)	Neutral	3
Levi StraussCo. (LEVI)	Neutral	3
Kering SA (PPRU)	Neutral	4
Tapestry, Inc. (TPR)	Neutral	3
Capri Holdings Limited (CPRI)	Underperform	5

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	JWN	X Industry	S&P 500	GPS	LB	PPRU
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	3	4
VGM Score	F	-	-	F	D	B
Market Cap	2.39 B	514.46 M	23.20 B	5.11 B	6.99 B	72.89 B
# of Analysts	7	4	14	8	12	2
Dividend Yield	0.00%	0.00%	1.78%	0.00%	3.56%	1.29%
Value Score	D	-	-	F	C	C
Cash/Price	0.63	0.26	0.07	0.22	0.14	0.04
EV/EBITDA	3.74	6.61	13.21	9.14	9.31	12.53
PEG Ratio	NA	3.08	2.94	NA	8.93	NA
Price/Book (P/B)	6.02	1.34	3.12	2.19	NA	6.23
Price/Cash Flow (P/CF)	1.72	4.03	12.27	3.92	3.59	14.31
P/E (F1)	NA	30.73	21.69	NA	116.14	33.27
Price/Sales (P/S)	0.17	0.35	2.48	0.35	0.59	NA
Earnings Yield	-22.51%	1.89%	4.39%	-17.12%	0.87%	3.01%
Debt/Equity	12.85	1.00	0.77	2.84	-4.29	0.64
Cash Flow (\$/share)	8.88	1.48	6.94	3.49	7.04	4.03
Growth Score	F	-	-	F	F	A
Hist. EPS Growth (3-5 yrs)	-6.08%	-0.46%	10.46%	-1.21%	-14.42%	NA
Proj. EPS Growth (F1/F0)	-202.20%	-80.08%	-6.80%	-218.97%	-90.50%	-41.19%
Curr. Cash Flow Growth	15.20%	-0.32%	5.39%	-14.41%	45.86%	30.38%
Hist. Cash Flow Growth (3-5 yrs)	3.66%	1.68%	8.55%	-5.36%	6.20%	20.57%
Current Ratio	0.97	1.53	1.33	1.23	1.06	0.93
Debt/Capital	92.78%	55.28%	44.50%	73.96%	NA	39.17%
Net Margin	-0.43%	-2.68%	10.13%	-5.47%	-5.89%	NA
Return on Equity	18.75%	2.61%	14.39%	-8.63%	-23.32%	NA
Sales/Assets	1.42	1.07	0.51	1.08	1.17	NA
Proj. Sales Growth (F1/F0)	-20.91%	-6.97%	-1.51%	-18.53%	-15.23%	-16.08%
Momentum Score	C	-	-	B	B	B
Daily Price Chg	-2.36%	-0.37%	-0.04%	-1.51%	-1.02%	-0.75%
1 Week Price Chg	-9.10%	-1.44%	0.14%	5.94%	27.20%	-1.32%
4 Week Price Chg	-0.07%	1.74%	7.78%	16.14%	62.76%	1.98%
12 Week Price Chg	-2.11%	20.33%	17.48%	90.66%	141.03%	28.10%
52 Week Price Chg	-49.29%	-35.20%	0.68%	-24.89%	6.67%	13.18%
20 Day Average Volume	8,468,501	323,813	2,057,775	10,818,919	6,668,295	35,406
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-11.14%	0.00%	1.36%	-2.25%	467.61%	7.10%
(F1) EPS Est 12 week change	-905.10%	-68.42%	1.57%	-564.01%	-80.78%	-13.68%
(Q1) EPS Est Mthly Chg	-32.59%	0.00%	0.54%	-3.45%	28.20%	NA

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	F
Momentum Score	C
VGM Score	F

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.