

Keurig Dr Pepper Inc. (KDP)

\$29.50 (As of 02/21/20)

Price Target (6-12 Months): **\$31.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 02/19/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: C

Growth: B

Momentum: F

Summary

Although Keurig Dr Pepper underperformed the industry in the past three months, its robust earnings trend drives optimism. Earnings benefit from strong underlying sales growth across all segments, expansion in adjusted operating margin and reduced indebtedness. Underlying sales gain from a balanced contribution of volume/mix and pricing. Moreover, the company is witnessing strong dollar consumption growth across the majority of its portfolio, with market share gains in several categories. It reiterated its view for 2019. However, the adverse effects of changes in its Allied Brands portfolio are hurting the Packaged Beverages segment's top line and total sales. It now expects changes in the Allied Brands portfolio to impact total sales by 200 bps compared with a 100-bps impact mentioned at the beginning of the year.

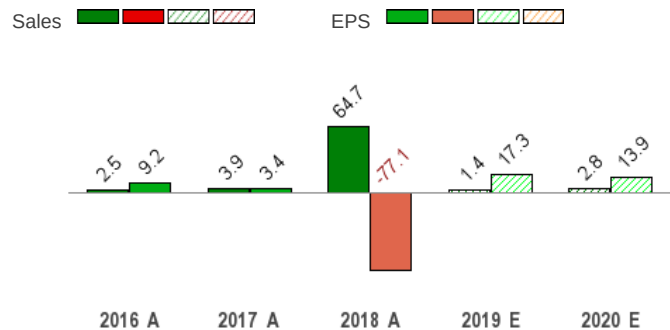
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$32.00 - \$25.05
20 Day Average Volume (sh)	2,025,861
Market Cap	\$41.5 B
YTD Price Change	1.9%
Beta	0.48
Dividend / Div Yld	\$0.60 / 2.0%
Industry	Beverages - Soft drinks
Zacks Industry Rank	Top 37% (95 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.2%
Last Sales Surprise	0.6%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/27/2020
Earnings ESP	0.0%
P/E TTM	25.2
P/E F1	21.2
PEG F1	1.4
P/S TTM	3.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	2,591 E	2,892 E	2,957 E	3,065 E	11,490 E
2019	2,504 A	2,812 A	2,870 A	2,964 E	11,175 E
2018	1,594 A	2,835 A	2,856 A	2,813 A	11,020 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.29 E	\$0.34 E	\$0.37 E	\$0.41 E	\$1.39 E
2019	\$0.25 A	\$0.30 A	\$0.32 A	\$0.35 E	\$1.22 E
2018	\$0.98 A	\$0.27 A	\$0.30 A	\$0.30 A	\$1.04 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 02/21/2020. The reports text is as of 02/24/2020.

Overview

With dual headquarters in Burlington, MA, and Plano, TX, Keurig Dr Pepper Inc. was formed with the merger of Keurig Green Mountain and Dr Pepper Snapple Group Inc. on Jul 9, 2018.

Keurig Dr Pepper plans to upgrade to the Texas co-headquarters by relocating the Plano, TX office to a new facility at The Star in Frisco, TX. It will begin operating from the new Texas headquarters after its completion in 2021.

Keurig Dr Pepper is a beverage and coffee company in the United States and Canada, with annual revenues of more than \$11 billion. It sells its products through at-home and away-from-home channels to retailers, including supermarkets, department stores, mass merchandisers, club stores and convenience stores; and restaurants, hospitality accounts, office coffee distributors and partner brand owners, as well as to consumers through its websites.

The company is also a leader in soft drinks, specialty coffee and tea, water, juice and juice drinks and mixers, and markets the No.1 single-serve coffee brewing system in the United States. It offers a wide range of hot and cold beverages, including Keurig, Dr Pepper, Green Mountain Coffee Roasters, Canada Dry, Snapple, Bai, Mott's and The Original Donut Shop.

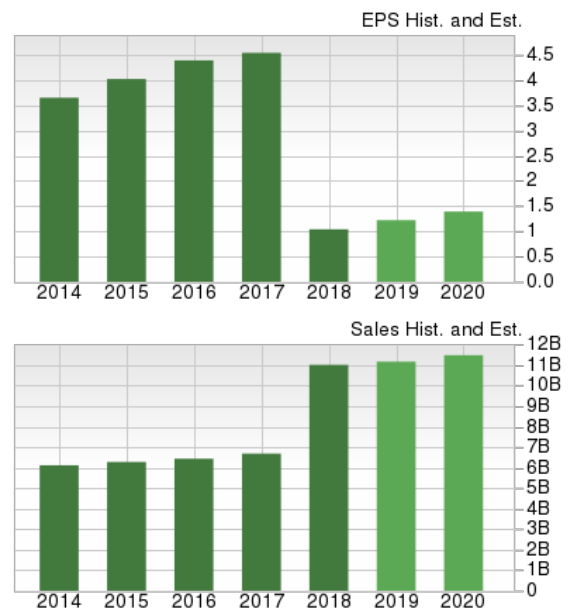
With over 25,000 employees, the company operates more than 120 offices, manufacturing plants, warehouses and distribution centers in North America. The company operates in four reportable segments:

Coffee Systems segment manufactures and distributes finished goods relating to its coffee system, pods and brewers, in the United States and Canada.

Packaged Beverages segment manufactures and distributes finished beverages and other products in the United States and Canada, through the Direct Store Delivery system and the Warehouse Direct system. Other products include the company's own brands and third-party brands.

Beverage Concentrates segment includes the sale of branded concentrates and syrup to third-party bottlers primarily in the United States and Canada. Most of the brands in this segment are carbonated soft drink brands.

Latin America Beverages segment manufactures and distributes concentrates, syrup and finished beverages in Mexico, the Caribbean, and other international markets.



Reasons To Buy:

▲ **Earnings Trend Strong:** Keurig Dr Pepper boasts a robust earnings trend, which continued in third-quarter 2019. Notably, its earnings beat the Zacks Consensus Estimate and also improved year over year, marking the third straight bottom-line beat. Earnings benefited from strong underlying sales growth across all segments, expansion in the adjusted operating margin and reduced indebtedness. Moreover, net sales beat estimates and rose 0.5% year over year, backed by underlying sales growth of 3.1%. The rise in underlying net sales was driven by balanced contribution from volume/mix and pricing. Notably, volume/mix improved 1.5%, with 1.6% increase in net price realization. Moreover, the top line included a 0.3% benefit from an additional shipping day.

Keurig Dr Pepper's earnings benefited from strong underlying sales growth across all segments, adjusted operating margin expansion and reduced indebtedness. Strong volume/mix and pricing aided sales.

▲ **View for 2019 in Sync With Long-Term Targets:** Keurig Dr Pepper remains on track with long-term targets set out at the time of the merger in July 2018. It continues to anticipate adjusted earnings per share growth of 15-17% for 2019, in line with the long-term target for 2018-2021. This brings the company's adjusted earnings per share guidance to \$1.20-\$1.22 for 2019. It now expects net sales growth of 3%, which is at the high-end of its long-term sales growth target of 2-3%. The robust sales view is supported by expectations of continued strong performance of core brands and lesser inclination of Allied Brands. Further, it anticipates capturing merger-related synergies of \$200 million in 2019, consistent with the long-term target of capturing \$200-million synergies every year between 2019 and 2021.

▲ **Market Share Gains Reflect Strength:** Keurig Dr Pepper witnessed strong in-market performance across most of the business in the third quarter. The company witnessed dollar consumption growth, with market share gains across its major categories — including CSD's3, premium unflavored still water, shelf-stable fruit drinks and shelf-stable apple juice. The uptick was backed by strength in Dr Pepper and Canada Dry CSDs, CORE Hydration, Snapple juice drinks, and Motts apple juice. Further, in coffee, retail consumption for single-serve pods manufactured by KDP rose nearly 2% in channels tracked by IRI. The coffee business also witnessed robust growth in untracked channels, particularly in e-commerce and Canada. Further, dollar market share in tracked channels in the United States was 81.4% for the 52-week period ending September.

▲ **Partnerships & Acquisitions – Key Strategy:** Keurig Dr Pepper remains focused on partnerships and acquisitions, which form an important part of its growth strategy. The company continued with its roster of brand partnerships in the third quarter by agreeing upon a long-term master licensing and distribution agreement for McCafé packaged coffee in the United States, which will be effective from the second half of 2020. The company had signed a similar pact with McCafé in Canada in 2018. While McCafé was a partner brand in the Keurig system previously, the new agreement brings added responsibilities of manufacturing, distribution, selling and marketing the brand in all forms across all channels.

Since the completion of the merger, the company acquired Big Red and CORE Hydration. It also added Forto Coffee Energy Shots as a partner and expanded distribution terms with Peet's for ready-to-drink Iced Espresso. Additionally, it partnered with the Evian brand across the United States as well as Tim Horton's and Panera brands. Meanwhile, Keurig Dr Pepper exited FIJI Water and BODYARMOR drink brands as part of the recent reorganization of its allied brands.

▲ **Cash Flows & Debt:** Keurig Dr Pepper is displaying strength, with robust cash flow generation, which enables it to significantly pay down debt and offer shareholder value. In the first nine months of 2019, it generated operating cash flow of \$1,803 million, with free cash flows of more than \$1.6 billion and an impressive cash flow conversion of 130%. This indicates that the company is on track to rapidly deleverage to reach the long-term target leverage ratio of below 3x. Driven by the strong cash flow, it paid down structured payables of \$423 million and reduced debt by \$71 million in third-quarter 2019. This resulted in total debt reduction of \$788 million and paying down of structured payables of \$188 million in the first nine months of 2019. Lowered debt and adjusted EBITDA growth resulted in a debt-to-adjusted EBITDA ratio of 4.8x at the end of the third quarter. For 2019, the company expects interest expenses of \$550-\$565 million, driven by significant cash flow generation and continued deleveraging, including a benefit of \$40 million from the unwinding of interest rate swap contracts in the first half of 2019. It expects free cash flow of \$2.3-\$2.5 billion, with leverage ratio of 4.4-4.5x at the end of 2019.

Reasons To Sell:

▼ **Currency Headwinds:** Keurig Dr Pepper's cross-border presence exposes it to unfavorable currency movements due to the strengthening of the U.S. dollar. Net sales for the third quarter included 0.2% negative impact of adverse currency rates. Segment wise, sales for Latin America Beverages included negative currency impact of 2.2%, while currency impact for Packaged Beverages and Coffee Systems was 0.1% each. We note that, shares of Keurig Dr Pepper decreased 3.9% in the past three months, compared with the industry's 9.9% growth.

▼ **Changes in Allied Portfolio Hurt Sales:** Keurig Dr Pepper made significant changes to its Allied Brands portfolio at the time of the merger, which has given rise to the concept of underlying sales in its quarterly results. The changes in the Allied Brands portfolio has been hurting the company's top line as well as sales for the Packaged Beverages segment over the past few quarters. In the third quarter, Keurig Dr Pepper's net sales included a 2.7% adverse impact of the changes made to its Allied Brands portfolio. Meanwhile, sales for the Packaged Beverages segment declined 2.2% due to a 5.8% unfavorable impact from changes in the Allied Brands portfolio. Notably, the company's Allied Brands portfolio generates about 350 million in retail consumption and represents 3% of its cold beverage sales.

At the time of the changes made, the company mentioned that the impact of the Allied Brands will switch from a headwind to being a tailwind in the fourth quarter and will be a top-line driver in 2020. However, it notes that the ramp-up of new brands to the Allied portfolio is progressing slower than expected. Consequently, the company expects a delay in realizing the full growth potential of these brands. As a result, it now expects net changes in the Allied Brands portfolio to impact total sales by 200 basis points (bps) compared with a 100-bps impact expected at the beginning of the year.

▼ **Industry Headwinds Continue to Hurt:** Keurig Dr Pepper is not immune to the industry headwinds related to the shift in consumer taste and higher input costs, particularly for aluminum cans. Health-conscious consumers are looking for beverages that are non-carbonated and low in sugar content. This is hurting growth of the CSD category across the industry. Moreover, rising raw material costs, specifically for aluminum, has been hurting the company's performance. Although Keurig Dr Pepper witnessed operating margin expansion in the third quarter, this was slightly offset by inflation, particularly in packaging and logistics costs.

Keurig Dr Pepper continues to be hurt by adverse effects of changes in the Allied Brands portfolio and currency headwinds. This partly negated top-line growth in the third quarter.

Last Earnings Report

Keurig Dr Pepper Q3 Earnings and Sales Beat Estimates

Keurig Dr Pepper reported third-quarter 2019 results, wherein sales and earnings beat the Zacks Consensus Estimate, and improved year over year. Results benefited from strong underlying sales growth, margin expansion and reduced debt. Backed by strong results, shares of the company gained 5.9% on Nov 7.

Adjusted earnings of 32 cents per share improved 6.7% year over year and surpassed the Zacks Consensus Estimate of 31 cents. This improvement was driven by strong underlying growth across all segments, adjusted operating margin expansion and reduced indebtedness.

Net sales in the quarter under review were \$2,870 million, which beat the Zacks Consensus Estimate of \$2,860 million and rose 0.5% from adjusted pro forma net sales of \$2,856 million (including merger-related adjustments) in the year-ago quarter. The increase was driven by strong underlying net sales growth of 3.1%, partly negated by 2.7% adverse effects of the changes made to its Allied Brands portfolio and a 0.2% impact of negative currency translations.

The rise in underlying net sales was driven by balanced contribution from volume/mix and pricing. Notably, volume/mix improved 1.5%, with 1.6% increase in net price realization. Moreover, the top line included a 0.3% benefit from an additional shipping day.

In the third quarter, the company benefited from strong in-market performance. Keurig Dr Pepper witnessed dollar consumption growth, with market share gains across its several major categories—including CSD's3, premium unflavored still water, shelf-stable fruit drinks and shelf-stable apple juice. The uptick was backed by strength in Dr Pepper and Canada Dry CSDs, CORE Hydration, Snapple juice drinks and Motts apple juice.

Further, in coffee, retail consumption for single-serve pods manufactured by KDP rose nearly 2% in channels tracked by IRI. The coffee business also witnessed robust growth in untracked channels, particularly in e-commerce and Canada. Further, dollar market share in tracked channels in the United States was 81.4% for the 52-week period ending September.

Adjusted operating income grew 0.8% year over year to \$754 million, driven by strong underlying net sales growth as well as solid productivity and merger synergies, which leveraged costs of goods sold and SG&A expenses. This was partly offset by inflation, packaging and logistics in particular along with unfavorable comparison due to \$6-million gain recorded in the year-ago quarter related to the Big Red acquisition. Meanwhile, adjusted operating margin expanded 190 basis points (bps) to 26.3%.

Segmental Details

Sales at the **Beverage Concentrates** segment rose 8.8% year over year to \$360 million from adjusted pro forma net sales of \$331 million in the year-ago quarter. Net revenues primarily benefited from 6.5% higher net price realizations and a 2.3% increase in volume/mix.

Sales at the **Packaged Beverages** segment totaled \$1.31 billion, down 2.2% from adjusted pro forma net sales of \$1.34 billion in the year-ago quarter. The downturn can be primarily attributed to a 5.8% impact of changes in the Allied Brands portfolio and 0.1% adverse currency effects. However, this was mitigated with underlying sales growth of 3.1%, driven by a 2.7% increase in prices and 0.4% rise in volume/mix. Further, the segment witnessed 0.6% gain from an additional shipping day in the third quarter.

Sales from the **Latin America Beverages** segment improved 1.5% to \$138 million from adjusted pro forma net sales of \$136 million in the prior-year quarter. Gains from 5.2% rise in price realization were partly offset by a 1.5% fall in volume/mix and a 2.2% impact of negative currency translations.

The **Coffee Systems** segment's sales increased 1.1% to \$1,065 million from \$1,053 million recorded in the year-ago quarter. The increase was backed by improved volume/mix, offset by lower pricing and unfavorable currency. Volume/mix grew 3.1%, benefiting from a 6.1% increase in pod volume and 8% rise in brewer volume, offset by adverse pod sales mix.

Financials

Keurig Dr Pepper ended the third quarter with cash and cash equivalents of \$74 million as of Sep 30, 2019, compared with \$83 million as of Dec 31, 2018. Long-term obligations totaled \$13,147 million and total stockholders' equity was \$22,914 million. Net cash provided by operating activities totaled \$1,803 million as of Sep 30, 2019.

Outlook

The company reiterated guidance for 2019. It continues to anticipate adjusted earnings per share growth of 15-17%, in line with the long-term target set at the time of the merger for 2018-2021. This brings its adjusted earnings guidance to \$1.20-\$1.22 per share for 2019.

The company now expects net sales growth of 3%, which is at the high-end of its long-term sales growth target of 2-3%. The robust sales view is supported by expectations of continued strong performance of core brands and lesser inclination of Allied Brands.

Further, it anticipates capturing merger synergies of \$200 million in the current year, consistent with the long-term target of capturing \$200-million synergies every year between 2019 and 2021.

It projects adjusted other net expenses of \$30 million in 2019. Adjusted interest expenses are likely to be \$550-\$565 million, including \$40-million gains from the unwinding interest rate swap contracts in the first half of 2019. Adjusted effective tax is expected to be 25-25.5%, with outstanding shares estimated at 1,420 million.

Quarter Ending **09/2019**

Report Date	Nov 07, 2019
Sales Surprise	0.62%
EPS Surprise	3.23%
Quarterly EPS	0.32
Annual EPS (TTM)	1.17

Additionally, the company expects significant cash flow generation and rapid deleveraging. It expects to generate free cash flow of \$2.3-\$2.5 billion in 2019, with leverage ratio of 4.4-4.5 at the end of 2019. Further, the company reiterated the leverage ratio target of less than 3.0 in two to three years since the closing of the merger in July 2018.

Recent News

Keurig Dr Pepper Declares Dividend – Feb 13, 2020

Keurig Dr Pepper declared a quarterly cash dividend of 15 cents per share, payable in U.S. dollars. The dividend will be paid out on Apr 17, 2020, to shareholders of record as of Apr 3, 2020.

Valuation

Keurig Dr Pepper shares are up 1.9% in the year-to-date period and 9.2% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are up 6.6% and 0.1%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry and the sector is up 21.2% and 11.2%, respectively.

The S&P 500 index is up 3.6% in the year-to-date period and 18.5% in the past year.

The stock is currently trading at 20.8X forward 12-month earnings, which compares to 24.37X for the Zacks sub-industry, 19.71X for the Zacks sector and 19.09X for the S&P 500 index.

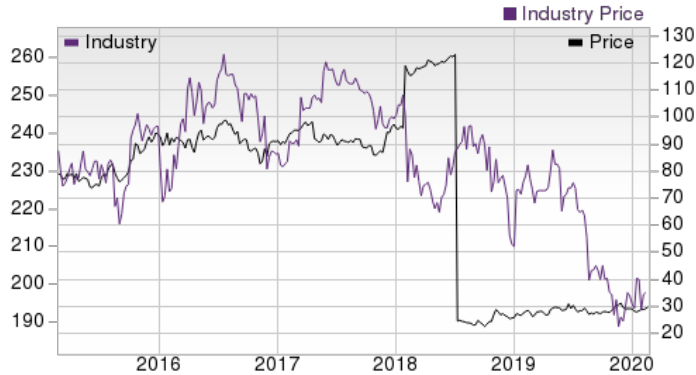
Over the past five years, the stock has traded as high as 24.56X and as low as 4.18X, with a 5-year median of 20.37X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$31 price target reflects 21.86X forward 12-month earnings.

The table below shows summary valuation data for KDP

Valuation Multiples - KDP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.8	24.37	19.71	19.09
	5-Year High	24.56	24.37	22.38	19.34
	5-Year Low	4.18	18.46	16.66	15.18
	5-Year Median	20.37	21.47	19.71	17.47
P/S F12M	Current	3.6	4.84	10.05	3.51
	5-Year High	24.43	5.23	11.13	3.51
	5-Year Low	2.2	3.59	8.09	2.54
	5-Year Median	2.65	4.45	9.88	3
EV/EBITDA TTM	Current	12	22.66	40.02	12
	5-Year High	30.27	22.66	44.94	12.87
	5-Year Low	6.16	12.15	31.55	8.48
	5-Year Median	13.08	17.28	38.45	10.77

As of 02/21/2020

Industry Analysis Zacks Industry Rank: Top 37% (95 out of 255)



Top Peers

Campbell Soup Company (CPB)	Neutral
Coca-Cola Company (The) (KO)	Neutral
Monster Beverage Corporation (MNST)	Neutral
Nestle SA (NSRGY)	Neutral
PepsiCo, Inc. (PEP)	Neutral
Starbucks Corporation (SBUX)	Neutral
The J. M. Smucker Company (SJM)	Neutral
The Kraft Heinz Company (KHC)	Underperform

Industry Comparison Industry: Beverages - Soft Drinks				Industry Peers		
	KDP Neutral	X Industry	S&P 500	KO Neutral	MNST Neutral	PEP Neutral
VGM Score	C	-	-	D	D	C
Market Cap	41.50 B	612.35 M	24.03 B	257.63 B	37.50 B	202.67 B
# of Analysts	8	2	13	8	7	8
Dividend Yield	2.03%	0.00%	1.76%	2.66%	0.00%	2.62%
Value Score	C	-	-	D	D	C
Cash/Price	0.00	0.07	0.04	0.04	0.03	0.03
EV/EBITDA	31.99	6.73	14.08	20.92	26.80	17.55
PEG Ratio	1.38	2.29	2.08	3.69	2.29	3.39
Price/Book (P/B)	1.81	4.33	3.29	12.21	9.13	13.63
Price/Cash Flow (P/CF)	21.69	14.87	13.42	24.61	36.14	19.93
P/E (F1)	21.22	21.18	19.00	26.64	30.88	24.75
Price/Sales (P/S)	3.77	1.39	2.64	7.04	9.13	3.02
Earnings Yield	4.71%	4.33%	5.26%	3.76%	3.24%	4.04%
Debt/Equity	0.57	0.32	0.70	1.30	0.00	1.96
Cash Flow (\$/share)	1.36	0.81	7.03	2.44	1.93	7.32
Growth Score	B	-	-	C	C	C
Hist. EPS Growth (3-5 yrs)	-20.17%	5.35%	10.84%	0.87%	19.48%	5.35%
Proj. EPS Growth (F1/F0)	14.02%	11.19%	7.09%	6.99%	10.87%	6.58%
Curr. Cash Flow Growth	66.49%	7.40%	6.72%	4.40%	19.52%	-2.46%
Hist. Cash Flow Growth (3-5 yrs)	18.36%	1.54%	8.25%	-1.10%	24.17%	1.04%
Current Ratio	0.35	1.23	1.22	0.76	3.31	0.86
Debt/Capital	36.46%	31.84%	42.37%	56.60%	0.00%	66.22%
Net Margin	10.13%	0.01%	11.56%	24.38%	26.58%	10.89%
Return on Equity	7.27%	7.11%	16.80%	44.39%	28.23%	54.16%
Sales/Assets	0.22	0.83	0.55	0.42	0.85	0.88
Proj. Sales Growth (F1/F0)	2.81%	4.32%	3.90%	5.52%	8.99%	4.32%
Momentum Score	F	-	-	D	C	B
Daily Price Chg	0.68%	0.00%	-0.83%	0.69%	-0.94%	0.48%
1 Week Price Chg	1.05%	0.59%	1.65%	1.28%	1.39%	1.11%
4 Week Price Chg	6.23%	0.00%	-0.37%	3.98%	2.91%	1.53%
12 Week Price Chg	-5.48%	-0.20%	3.74%	11.45%	16.06%	7.31%
52 Week Price Chg	4.72%	-19.05%	14.14%	31.12%	18.44%	25.62%
20 Day Average Volume	2,025,861	117,464	1,992,841	10,661,309	2,773,337	3,527,156
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.02%	0.61%	0.13%	-0.97%
(F1) EPS Est 12 week change	-0.27%	0.00%	-0.17%	0.63%	0.38%	-0.93%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-0.48%	-7.14%	0.50%	-4.11%

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	C
Growth Score	B
Momentum Score	F
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.