

Kraft Heinz(KHC)

\$31.43 (As of 06/02/20)

Price Target (6-12 Months): **\$34.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/08/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: B

Growth: F

Momentum: C

Summary

Shares of Kraft Heinz have outpaced the industry in the past three months. The company has been witnessing higher consumer demand for its products. This can be attributed to panic-induced stockpiling amid the coronavirus outbreak. Impressively, first-quarter 2020 net sales increased year over year and surpassed the Zacks Consensus Estimate. Also, organic sales rose 6.2% on the back of strong consumer demand stemming from the coronavirus pandemic. For the second quarter, it expects a low to mid-single digit year over year organic net sales growth. Apart from these, Kraft Heinz's efficient pricing strategy has been aiding results. However, rising costs and unfavorable currency rates are headwinds. Also, adjusted EBITDA in the quarter fell year over year due to higher general corporate costs along with reduced demand from Canada region.

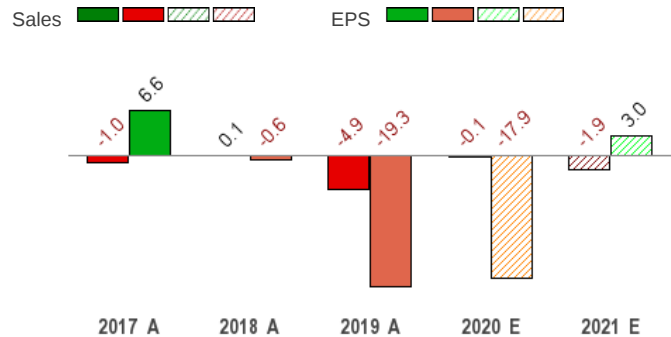
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$33.43 - \$19.99
20 Day Average Volume (sh)	5,384,254
Market Cap	\$38.4 B
YTD Price Change	-2.2%
Beta	0.99
Dividend / Div Yld	\$1.60 / 5.1%
Industry	Food - Miscellaneous
Zacks Industry Rank	Top 16% (41 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	7.4%
Last Sales Surprise	0.3%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	08/13/2020
Earnings ESP	0.0%
P/E TTM	11.4
P/E F1	13.4
PEG F1	3.7
P/S TTM	1.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	5,835 E	6,099 E	5,908 E	6,456 E	24,471 E
2020	6,157 A	6,433 E	5,967 E	6,408 E	24,941 E
2019	5,959 A	6,406 A	6,076 A	6,536 A	24,977 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.53 E	\$0.63 E	\$0.54 E	\$0.60 E	\$2.41 E
2020	\$0.58 A	\$0.63 E	\$0.54 E	\$0.60 E	\$2.34 E
2019	\$0.66 A	\$0.78 A	\$0.69 A	\$0.72 A	\$2.85 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 06/02/2020. The reports text is as of 06/03/2020.

Overview

Headquartered in Pittsburgh, PA, The Kraft Heinz Company (KHC) is one of the largest consumer packaged food and beverage companies in North America. It manufactures and markets food and beverage products like condiments and sauces, cheese as well as dairy, meals, meats, refreshment beverages, coffee, and other grocery products.

Its popular brands include Heinz, Kraft, Oscar Mayer, Planters, Philadelphia, Velveeta, Lunchables, Maxwell House, Capri Sun, and Ore-Ida. Notably, the company generates sales across roughly 190 countries and territories.

Well, the merger of Kraft Foods Group, Inc. ("Kraft") with and into a wholly-owned subsidiary of H.J. Heinz Holding Corporation ("Heinz") was concluded in July 2015. Upon the merger, Heinz was rechristened as The Kraft Heinz Company and H.J. Heinz Holding Corporation was renamed to Kraft Heinz Foods Company. Kraft and Heinz were both pioneers in the food space for more than 100 years.

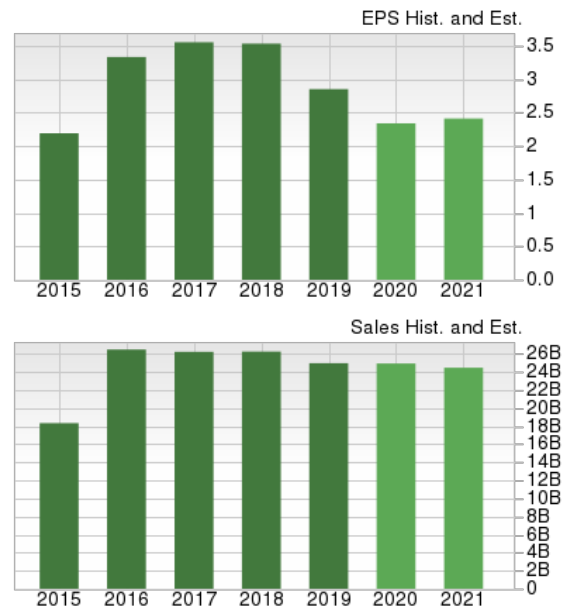
We note that during the third quarter of 2017, management revealed plans to reorganize some of its international businesses for better geographic alignment. These plans included shifting the Middle East and Africa businesses from AMEA segment to Europe, which in turn will form the Europe, Middle East, and Africa (EMEA) segment. The remaining AMEA unit will form the Asia Pacific or APAC segment, which will be a part of the Rest of the World.

Effective first-quarter 2018, Kraft Heinz has three reportable segments defined by geographic region:

United States (71.1% of the total revenues in FY19), Canada (7.5% of the total revenues in FY19), and Europe, Middle East, and Africa or EMEA (10.2% of the total revenues in FY19). The remaining businesses are combined and disclosed as "Rest of World" or ROW.

Rest of World (11.2% of the total revenues in FY19) comprises two operating segments: Latin America, and Asia-Pacific (APAC).

On Jan 30, 2019, Kraft Heinz announces the completion of sales of Indian brands namely Glucon-D, Nycil, Complan and Sampriti to Zydus Wellness Limited.



Reasons To Buy:

- ▲ **Robust Sales, Dividend Policy on Track Amid COVID-19:** Kraft Heinz's first-quarter 2020 net sales increased 3.3% year over year to \$6,157 million. Also, the figure surpassed the Zacks Consensus Estimate. Further, organic sales rose 6.2% on the back of strong consumer demand thanks to the coronavirus pandemic. For second-quarter 2020, the company anticipates a low to mid-single digit year over year organic net sales growth. This outlook reflects increased demand from retail customers owing to greater in-at-home consumption amid coronavirus, especially in developed markets.

Kraft Heinz is gaining from strong consumer demand stemming from the coronavirus pandemic.

Moreover, at a juncture where many companies have suspended dividends, Kraft Heinz declared quarterly dividend of 40 cents per share, which is payable on Jun 26 to shareholders of record as of May 29. This reflects the company's commitment toward shareholders. We note that, shares of Kraft Heinz have increased 22.8% in the past three months against the industry's decline of 1.4%.

- ▲ **Pricing Strategies Bode Well:** Solid pricing initiatives have been aiding Kraft Heinz despite for a while now. In the first quarter of 2020, overall pricing was up 1.6%, driven by price improvements in the United States and International markets. During the quarter, pricing in the United States moved up 2.4% owing to increased list prices. Within International markets pricing inched up 1.7% owing to better prices in Latin America, Australia and the U.K. We believe that Kraft Heinz's robust pricing actions are likely to help the company mitigate adverse impacts of cost inflation.
- ▲ **Efficiency Building Plans on Track:** In order to ramp up overall business, management laid down certain enterprise transformation strategies. In this context, the company is on track to build efficiency across its supply chain, with particular emphasis on procurement, manufacturing and distribution. During third-quarter 2019, the company had implemented nine transformational projects to strengthen some of the core areas of the business. Among them, five projects are directed toward bolstering the top line, two for enhancing operational efficiencies and the remaining for increasing effectiveness. Another important focus-area of the company is its workforce. Management believes that strength in its people plays a key role in realizing the company's strategic goals. As a result, management has undertaken several moves to strengthen the company's leadership.

In terms of cost savings, the company has been increasing visibility and control of its cost components, especially in areas such as marketing and e-commerce. It is also keeping a close watch on investments made for enhancing sales and customer services. Further, the company is in the process of identifying cost-curtailed opportunities across the supply chain. It is also seeking to induce efficiency across operations. The company is on track with examining its SKU's to remove complexities and boost mix. Other productivity improvement initiatives include programs such as zero-based budgeting; modernization and capability building within the manufacturing footprint and building a performance driven culture in the company. A portion of the gains from such initiatives will be re-invested in the business for innovation, brand building and advertising to stimulate top-line growth.

- ▲ **Product Development Efforts:** Kraft Heinz remains focused on improving the performance of three key brands — Heinz, Kraft and Planters — and five global product categories, which are condiments and sauces, cheese, meals, nuts and baby food. Management earlier outlined that the company will make significant investments in marketing, go-to-market capabilities and product development. These capabilities and platforms are expected to further add to the company's gains. Although Kraft Heinz has been adjusting various product innovations amid the coronavirus outbreak, it has continued to remain an integral part of the company's growth strategies. The company is on track with identifying areas that hold significant growth opportunities and is accordingly undertaking product development efforts. It is also undertaking efforts to boost the e-commerce channel. Such well-chalked efforts have been aiding growth across several business categories.

Additionally, with growing awareness of the nutritional value of food products, responsible and sustainable sourcing of raw materials has become an important issue for food companies. The importance of using real ingredients and minimal processing in packaged food products is also being emphasized increasingly. As a result, a large number of companies in the food industry are switching or have already switched to the use of cage-free eggs. Kraft Heinz had stated earlier that it plans to switch to 100% cage-free eggs for its North American operations by 2025. Kraft Heinz uses eggs for its sauces portfolio.

- ▲ **Strong Brand Portfolio:** Kraft Heinz is the fifth-largest branded food and beverage company in the world and the third-largest food and beverage company in North America. Globally, the company markets more than \$1 billion brands. The company boasts many iconic brands which enjoy long-standing consumer recognition. Eight of its brands generate more than \$1 billion in sales including Oscar Mayer, Planters, Philadelphia, Velveeta, and Smart Ones.

Reasons To Sell:

- ▼ **EBITDA Remains Pressurized:** Kraft Heinz's adjusted EBITDA has been declining year over year for a while now. In the first-quarter 2020, the metric declined 1.1% to \$1,415 million in the quarter due to higher general corporate costs along with reduced demand from Canada region. In fourth-quarter 2019, overall adjusted EBITDA fell 6.6% including adverse impacts of 1.3 percentage points from currency movements and a headwind of 1.5 percentage points from divestitures.
- ▼ **Soft Canada Business:** During first-quarter 2020, net sales in the segment declined 19.8% year over year, which included unfavorable impact of divestitures to the tune of 20.7% and an unfavourable currency impact of 1.3%. Moreover, pricing dropped 6.4% due to higher trade expenses and reduced prices in foodservice. Although volume/mix in the segment improved during the quarter, the company saw weakness in coffee as well as reduced foodservice shipment. Incidentally, segment adjusted EBITDA declined 54% to \$55 million due to unfavorable pricing and higher supply chain costs.
- ▼ **Higher Costs:** For a while, high costs have been a headwind for the company. In the first quarter, rise in supply-chain costs, witnessed in the United States, International and Canada segments, was a headwind. In its last earnings call, management stated that they have been incurring additional costs to keep its business operating amid the coronavirus crisis. These costs include incentives paid to the company's front-line workers along with costs related to various other equipments that are required amid the crisis. We note that, persistence of these headwinds is concerning.
- ▼ **Currency Headwinds:** Kraft Heinz's cross-border presence exposes it to unfavorable currency movements due to the strengthening of the U.S. dollar. During the first quarter, currency movements had an adverse impact of 1.1% on the top line. Moreover, unfavourable currency rates had an adverse impact of 4.5% and 1.3% across the company's International and Canada segments sales, respectively. We believe that persistence of this trend is a threat to the company's performance in the future.
- ▼ **Debt Analysis:** Kraft Heinz's long-term debt of \$31,531 million as of Mar 28, 2020, increased 11.7% from the preceding quarter. Moreover, at the end of first-quarter 2020 the company's debt-to-capitalization ratio of 0.39 stands slightly higher than the preceding quarter's figure of 0.36. Further, its times interest earned ratio of 2.9 in first-quarter is below the previous quarter's ratio of 3. Also, the metric compares unfavourably with the industry's ratio of 3.7. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet its debt obligations based on its current income.

Adverse impacts related to rising costs and currency rate fluctuations put pressure on Kraft Heinz's first-quarter 2020 performance.

Last Earnings Report

The Kraft Heinz Company reported first-quarter 2020 results, with the top and the bottom line surpassing the Zacks Consensus Estimate. Moreover, sales improved year over year. However, earnings declined from the year-ago quarter's figure.

Q1 in Detail

Adjusted earnings per share of 58 cents surpassed the consensus mark of 54 cents. However, the bottom line fell 12.1% year over year due to decline in other income along with unfavorable changes in non-cash equity award compensation costs. Also, higher taxes were deterrent.

Net sales increased 3.3% year over year to \$6,157 million. Also, the figure surpassed the Zacks Consensus Estimate of \$6,142 million. Net sales growth included 1.1% and 1.8% unfavorable impacts of currency and divestitures, respectively. Organic sales rose 6.2% on the back of strong consumer demand stemming from the coronavirus pandemic.

Pricing was up 1.6%, driven by price improvements in the United States and International markets. Volume/mix increased 4.6% on the back of increased at-home consumption.

Operating Highlights

Gross profit of \$1,858 million declined 7.6% year over year and gross margin came in at 30.2% in the reported quarter.

Adjusted EBITDA was down 1.1% to \$1,415 million in the quarter due to higher general corporate costs along with reduced demand from Canada region.

Segment Discussion

United States: Net sales of \$4,495 million increased 6.4% year over year. During the quarter, pricing moved up 2.4% owing to better prices in certain categories. Volume/mix increased 4% on strong growth in various categories like condiments and sauces, ready to drink beverages, and nuts to name a few. However, lower shipments in cold cuts, natural cheese and domestic foodservice acted as deterrents.

The segment's adjusted EBITDA increased 6.2% to \$1,209 million which includes contributions from increased demand related to the COVID-19 pandemic. Higher prices and volumes more than offset the adverse impacts from volume/mix, key commodity cost inflation and increased supply chain expenses.

Canada: Net sales of \$361 million declined 19.8% year over year, which included unfavorable impact of divestitures to the tune of 20.7% and an unfavourable currency impact of 1.3%. Nevertheless, organic sales increased 2.2% year over year driven by increased demand related to the coronavirus outbreak. Pricing dipped 6.4% due to higher trade expenses and reduced prices in foodservice. Volume/mix moved up 8.6% owing to growth in products such as peanut butter and pasta sauce. However, weakness in coffee and reduced foodservice shipment were headwinds.

Segment adjusted EBITDA declined 54% to \$55 million due to unfavorable pricing and higher supply chain costs.

International: Net sales of \$1301 million increased 1.3% year over year, which included unfavorable impact of divestitures to the tune of 1.1% and an unfavourable currency impact of 4.5%. Organic sales grew 6.9% year on year. Pricing inched up 1.7% owing to better prices in Latin America, Australia and the U.K. Volume/mix was up 5.2% on growth in retail consumption in both developed and emerging markets. However, reduced shipments in Asia and foodservice were a drag.

Adjusted EBITDA increased 2.5% to \$245 million on higher organic net sales.

Financials

Kraft Heinz ended the quarter with cash and cash equivalents of \$5,403 million, long-term debt of \$31,531 million as well as total shareholders' equity of \$51,009 million.

In a separate press release, the company announced a quarterly dividend of 40 cents per share, which is payable on Jun 26 to shareholders of record as of May 29.

Outlook

For second-quarter 2020, the company anticipates a low to mid-single digit year over year organic net sales growth. During the second quarter, adjusted EBITDA is expected to grow at a mid-single digit on a constant-currency basis. This outlook reflects increased demand from retail customers owing to greater in at-home consumption, especially in developed markets. Also, the outlook takes in account lower demand in foodservice channels worldwide.

Quarter Ending 03/2020

Report Date	Apr 30, 2020
Sales Surprise	0.25%
EPS Surprise	7.41%
Quarterly EPS	0.58
Annual EPS (TTM)	2.77

Recent News

Kraft Heinz Declares Dividend - Apr 30, 2020

The company announced a quarterly dividend of 40 cents per share, which is payable on Jun 26 to shareholders of record as of May 29.

Valuation

Kraft Heinz shares are up 1.1% in the year-to-date period and 16.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 7.2% and 11.5%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry is up 5%, while the sector declined 4.3%.

The S&P 500 index is down 4.4% in the year-to-date period and up 11.2% in the past year.

The stock is currently trading at 13.27X forward 12-month earnings, which compares to 18.51X for the Zacks sub-industry, 19.71X for the Zacks sector and 22.11X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.38X and as low as 8.58X, with a 5-year median of 20.07X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$34 price target reflects 14.36X forward 12-month earnings.

The table below shows summary valuation data for KHC

Valuation Multiples - KHC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.27	18.51	19.71	22.11
	5-Year High	27.38	22.9	22.37	22.11
	5-Year Low	8.58	14.82	16.65	15.23
	5-Year Median	20.07	18.7	19.69	17.49
P/S F12M	Current	1.55	1.68	9.49	3.44
	5-Year High	5.86	2.05	11.16	3.44
	5-Year Low	1	1.41	8.1	2.53
	5-Year Median	3.29	1.81	9.89	3.02
EV/EBITDA F12M	Current	9.77	13.82	34.16	12.31
	5-Year High	18.9	16.59	37.75	12.65
	5-Year Low	8.2	11.67	29.77	9.05
	5-Year Median	12.99	13.23	34.08	10.81

As of 06/02/2020

Industry Analysis Zacks Industry Rank: Top 16% (41 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
BG Foods, Inc. (BGS)	Outperform	1
Conagra Brands Inc. (CAG)	Neutral	3
Campbell Soup Company (CPB)	Neutral	2
Flowers Foods, Inc. (FLO)	Neutral	2
General Mills, Inc. (GIS)	Neutral	3
Kellogg Company (K)	Neutral	3
Mondelez International, Inc. (MDLZ)	Neutral	3
Sysco Corporation (SYN)	Underperform	3

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	KHC	X Industry	S&P 500	CAG	CPB	MDLZ
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	3
VGM Score	D	-	-	B	A	D
Market Cap	38.40 B	3.67 B	22.11 B	16.79 B	15.69 B	74.83 B
# of Analysts	7	3	14	8	7	8
Dividend Yield	5.09%	0.00%	1.93%	2.47%	2.69%	2.18%
Value Score	B	-	-	B	A	D
Cash/Price	0.15	0.05	0.06	0.01	0.00	0.03
EV/EBITDA	13.70	12.82	12.69	16.66	14.40	17.51
PEG Ratio	3.66	3.42	2.98	2.14	2.25	3.15
Price/Book (P/B)	0.75	2.39	3.07	2.13	6.28	2.91
Price/Cash Flow (P/CF)	9.19	12.48	11.86	13.65	13.72	16.13
P/E (F1)	13.43	19.44	21.79	14.95	18.05	20.52
Price/Sales (P/S)	1.53	1.14	2.29	1.62	1.89	2.87
Earnings Yield	7.45%	4.88%	4.39%	6.70%	5.54%	4.88%
Debt/Equity	0.62	0.64	0.76	1.16	1.97	0.54
Cash Flow (\$/share)	3.42	2.68	7.01	2.52	3.79	3.24
Growth Score	F	-	-	C	B	D
Hist. EPS Growth (3-5 yrs)	0.09%	5.03%	10.87%	-2.98%	-1.52%	9.10%
Proj. EPS Growth (F1/F0)	-17.94%	1.39%	-10.74%	5.55%	25.28%	3.04%
Curr. Cash Flow Growth	-15.53%	4.76%	5.48%	10.04%	-12.42%	4.99%
Hist. Cash Flow Growth (3-5 yrs)	11.14%	5.64%	8.55%	-0.87%	0.50%	2.73%
Current Ratio	1.48	1.72	1.29	0.87	0.61	0.53
Debt/Capital	38.15%	39.19%	44.75%	53.63%	66.31%	34.87%
Net Margin	7.58%	3.18%	10.59%	7.37%	17.46%	14.24%
Return on Equity	6.54%	10.75%	16.29%	12.08%	50.69%	13.73%
Sales/Assets	0.24	1.13	0.55	0.47	0.64	0.41
Proj. Sales Growth (F1/F0)	-0.14%	0.00%	-2.67%	-3.77%	-7.21%	-0.92%
Momentum Score	C	-	-	D	A	C
Daily Price Chg	3.30%	0.00%	0.99%	-0.72%	0.56%	-0.06%
1 Week Price Chg	1.74%	4.13%	4.60%	6.46%	5.44%	4.87%
4 Week Price Chg	8.60%	4.75%	9.15%	3.23%	2.22%	3.78%
12 Week Price Chg	28.29%	3.22%	4.65%	23.73%	1.46%	-4.90%
52 Week Price Chg	9.63%	0.15%	-0.30%	20.44%	36.47%	0.15%
20 Day Average Volume	5,384,254	206,434	2,486,038	2,924,987	2,515,660	5,941,574
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.11%	1.66%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.33%	-0.11%	3.17%	-0.05%
(F1) EPS Est 12 week change	5.26%	-0.78%	-16.13%	3.55%	11.15%	-4.46%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-0.55%	-2.40%	4.21%	0.00%

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	B
Growth Score	F
Momentum Score	C
VGM Score	D

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.