

Kimco Realty (KIM)

\$11.71 (As of 05/28/20)

Price Target (6-12 Months): **\$12.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/03/19)

Prior Recommendation: NA

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: C

Growth: D

Momentum: C

Summary

Kimco has decided for partial monetization of its investment in Albertsons Companies, Inc., in association with Albertsons' \$1.75 billion sale of convertible preferred stock. The company received rent deferral requests approximating 35% of its pro-rata minimum base rent for April. Notably, retail REITs, which have already been battling store closure and bankruptcy woes, are feeling the brunt because consumers are avoiding gathering in public spaces and e-commerce adoption is gaining pace. Shares of Kimco have underperformed its industry over the past year. However, with a high-quality, mixed-use portfolio concentrated in the top U.S. markets and majority of its annual base rent coming from grocery-anchored centers along with efforts to boost balance-sheet strength, Kimco remains well poised to navigate through the current blues.

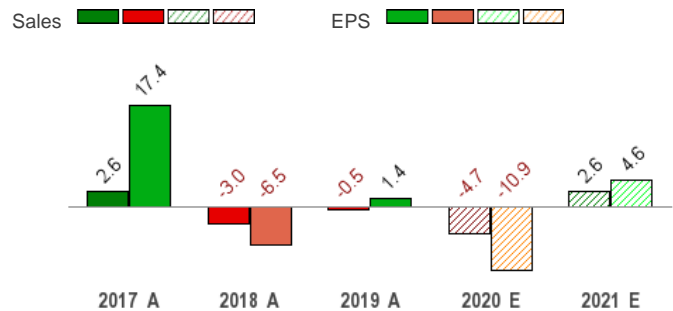
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$21.86 - \$7.45
20 Day Average Volume (sh)	8,497,375
Market Cap	\$5.1 B
YTD Price Change	-43.5%
Beta	1.24
Dividend / Div Yld	\$1.12 / 9.6%
Industry	REIT and Equity Trust - Retail
Zacks Industry Rank	Bottom 16% (213 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.8%
Last Sales Surprise	0.7%
EPS F1 Est- 4 week change	-5.8%
Expected Report Date	08/07/2020
Earnings ESP	4.7%
P/E TTM	8.0
P/E F1	8.9
PEG F1	2.2
P/S TTM	4.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	277 E	278 E	276 E	287 E	1,133 E
2020	290 A	265 E	269 E	279 E	1,104 E
2019	295 A	285 A	283 A	296 A	1,159 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.32 E	\$0.33 E	\$0.34 E	\$0.35 E	\$1.37 E
2020	\$0.37 A	\$0.29 E	\$0.30 E	\$0.32 E	\$1.31 E
2019	\$0.37 A	\$0.36 A	\$0.37 A	\$0.37 A	\$1.47 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 05/28/2020. The reports text is as of 05/29/2020.

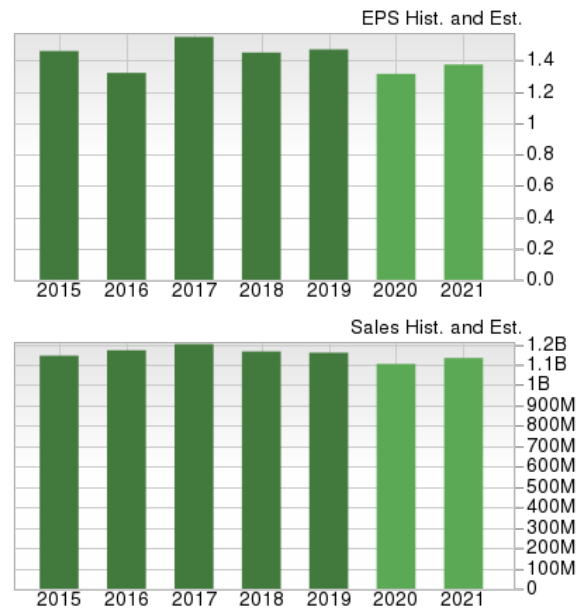
Overview

New Hyde Park, NY-based Kimco Realty Corporation — a retail real estate investment trust (REIT) — along with its subsidiaries is one of the major owners and operators of neighborhood and community shopping centers in the United States. Since Kimco went public in 1991, it has been widely recognized for acquiring properties with below-market-rate leases and maintaining a strong balance sheet with an easy access to capital that enables it to pursue strategic opportunities and facilitate continuous growth.

As of Mar 31, 2020, Kimco owned interests in 401 U.S. shopping center properties and mixed-use assets, spanning 70 million square feet of gross leasable area (GLA), mainly situated in the top major metropolitan markets, located in 27 states. Apart from these, the company had 215 other property interests, mainly through its preferred equity investments and other real estate investments, aggregating 6 million square feet of GLA.

Notably, the company's strategic 2020 Vision envisages the ownership of high-quality assets, concentrated in major metro markets which offer several growth levers. The company aims at increasing net asset value through a selected collection of mixed-use projects, redevelopments as well as active investment management.

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



Reasons To Buy:

- ▲ Kimco is a leading publicly-traded owner and operator of neighborhood and community shopping centers in the United States. The company enjoys ownership of high-quality assets, concentrated in the top 20 major metro markets, which offer several growth levers. Notably, 10% of pro-rata annual base rent (ABR) comes from ground leases mainly to high quality institutional tenants, while 88% of pro-rata ABR comes from anchors, mid-tier stores, and national/franchise-based tenants which usually have stronger credit profiles and greater access to capital.
- ▲ Further, in these uncertain times, having a grocery component has been saving the grace of retail REITs, and Kimco has a high-quality, mixed-use portfolio concentrated in the top U.S. markets and more than 77% of its annual base rent comes from grocery-anchored centers. In fact, percentage of Kimco's ABR from grocery-anchored centers has increased to 77.3% in first-quarter 2020 from 62.1% in first-quarter 2014, witnessing a CAGR of 3.7% over this period. Moreover, the company's focus on multi-family assets is encouraging as demand for this asset category is comparatively better than other asset types.
- ▲ The coronavirus pandemic has also made local grocery, pharmacy and essential physical brick and mortar retail all the more important. Though the situation is resulting in fast adoption of the e-commerce platform, management pointed out that majority of e-commerce deliveries are originating at the store base. Amid these, curbside pick-up, combined with click and collect options, are likely to gain attention and therefore, the company recently launched the curbside pick-up program to capitalize on this growing trend. Such efforts are likely to add competitive advantage in current times.
- ▲ Kimco has achieved significant diversification with respect to geography and tenants. As of Mar 31, 2020, the company's five largest tenants were TJX Companies, Home Depot, Ahold DelhaizeUSA, Albertsons and Ross Stores. These companies contributed 3.9%, 2.5%, 2.1%, 2% and 1.8%, respectively, to Kimco's annualized base rental revenues. Given the strength of its retailers with a developed omni-channel presence, Kimco remains well poised to navigate through the challenging times. Moreover, as the COVID-19 pandemic has led to a substantial increase in the number of tenants that have made late or partial rent payments, requested a deferral of rent payments, or defaulted on rent payments, this diversification is likely to support the company's cash flows.
- ▲ Further, Kimco has been engaged over the recent years in the execution of measures to boost its capital structure, enhance growth profile and tax efficiency. Also, the company has been making concerted efforts to bolster its financial flexibility to tide through the current challenging environment. With such moves, at the end of April, Kimco had access to more than \$2.2 billion of immediate liquidity, with nearly \$900 million of cash on the balance sheet and \$1.3 billion available under its unsecured revolving credit facility. Moreover, the company has more than 320 unencumbered assets, which represents roughly 80% of its total NOI. The company also has one of the longest weighted-average debt maturity profiles in the industry at 10.1 years, owing to its decent balance-sheet management so far and has only 114 million of pro-rata debt maturing for the remainder of 2020. Further, the company currently has strong investment grade ratings of BBB+ from S&P and Baa1 from Moody's.

Premium properties in high-growth areas, diversified tenant base, focus on grocery anchored centers and mixed use assets, and balance sheet-strengthening moves to help sail through present turbulence.

Reasons To Sell:

- ▼ Over the recent years, mall traffic has continued to suffer amid a rapid shift in customers' shopping preferences and patterns with online purchases growing by leaps and bounds. These have made retailers reconsider their footprint and eventually opt for store closures. Further, retailers that are not being able to cope with competition are filing bankruptcies. This has emerged as a pressing concern for retail REITs like Kimco, as the trend is curtailing demand for the retail real estate space considerably.
- ▼ Furthermore, the escalating number of coronavirus cases has forced several retailers to close stores, in order to contain the spread of the virus. Some retailers have also reduced store hours, while many others are keeping their e-retail operations running as consumers are now increasingly opting for online purchases. As a result, retail REITs, including Kimco, which have already been battling store closure and bankruptcy issues, are feeling the brunt. The company noted that roughly 44% of annual base rent across the portfolio comes from tenants that are subject to some form of mandatory closure or have voluntarily closed. As a result, there is a significant increase in the number of tenants that have made late or partial rent payments, requested a deferral of rent payments, or defaulted on rent payments and given the current environment, this trend is likely to continue in the near term. Particularly, it received rent deferral requests approximating 35% of its pro-rata minimum base rent for April and the company selectively permitted deferrals for 14% of the minimum base rent for this period and continues to negotiate for payment of the residual April rent not yet collected.
- ▼ Solid dividend payouts remain the biggest attraction for REIT investors and Kimco had remained committed to that. However, on May 8, amid the coronavirus pandemic and related economic uncertainties, the company announced that its board has temporarily suspended the dividend on its common shares. The company's financial performance and economic outlook will be monitored on a monthly basis by its board. However, it plans to restore the common dividend at a later date in 2020 of at least the amount required to maintain compliance with its REIT taxable income distribution requirements.
- ▼ Further, Kimco is focused on simplifying its business structure by concentrating on its U.S. shopping center portfolio, targeting ownership of large, high-quality assets in major metro markets and simultaneously shedding non-core assets. In connection to this, the company has been making significant disposition of its assets over the past few years. The company reported full-year 2018 disposition deals worth \$1.1 billion. Further, dispositions for 2019 included 32 properties and five land parcels, for \$542.5 million and \$50.8 million, respectively. While such efforts are encouraging for the long term, the dilutive effect on earnings from high disposition activity cannot be averted in the near term.
- ▼ Shares of Kimco have underperformed its industry in the past year. During this time frame, shares of the company have plunged 34.7% compared with the industry's 26.1% decline. Moreover, the recent trend in estimate revisions does not indicate a favorable outlook as the Zacks Consensus Estimate for 2020 FFO per share has witnessed a 7.1% downward revision over the past month. Given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential.

Dwindling traffic at retail properties, store closures and tenant bankruptcy remain concerns. The coronavirus pandemic and the resultant rent collection issue has added to the company's woes.

Last Earnings Report

Kimco Realty Beats on Q1 FFO, Collects 60% of April Rent

Kimco's first-quarter 2020 FFO per share came in at 37 cents, surpassing the Zacks Consensus Estimate of 36 cents. The retail REIT generated revenues of \$289.7 million, beating the Zacks Consensus Estimate of \$287.7 million.

Results reflect healthy portfolio occupancy, leasing spreads on new lease and positive same-property NOI.

However, on a year-over-year basis, the FFO per share came in lower than the year-ago quarter's number of 38 cents. Revenues too slipped 1.8% year on year.

Notably, at the end of April, all of the company's shopping centers remained open and operational with around 56% of tenants, based on the annualized base rent currently open, including some that are operating on a limited basis. About 43% of the company's tenants are deemed to be essential.

The company noted that it has collected roughly 60% of the total pro-rata base rents billed for April. This included 78% from its top 50 tenants and 40% from those tenants that are shut. Further, it received rent deferral requests approximating 35% of its pro-rata minimum base rent for April. Kimco is selectively permitting deferrals for 14% of the minimum base rent for this period and is negotiating for payment of the residual April rent not yet collected.

Kimco had earlier withdrawn its guidance for the full year. The company's board has now temporarily suspended the dividend on its common shares amid the coronavirus pandemic and related economic uncertainties.

Quarter in Detail

Pro-rata occupancy ended the first quarter at 96%, stable year on year. The company attained pro-rata anchor occupancy of 98.6%, displaying an 80-basis-point expansion, year over year. However, small-shop occupancy ended the reported quarter at 88.8%. This marks a sequential contraction of 50 basis points. It primarily reflects Pier 1 vacating four leases and six remaining Dress Barn stores closing during the quarter.

Pro-rata rental-rate leasing spreads on comparable spaces increased 7.3%, with rental rates for new leases and renewals/options climbing 13.3% and 6.8%, respectively. Same-property NOI inched up 1.5% year over year, primarily reflecting a 230-basis-point contribution from minimum rent.

Portfolio Activity

During the reported quarter, Kimco sold one property for \$13.5 million. The company also acquired an unowned parcel at North Valley Shopping Center in Peoria, AZ for \$7 million.

Balance-Sheet Position

Kimco exited first-quarter 2020 with cash and cash equivalents of \$451.8 million, down from the \$123.9 million recorded at the end of 2019. Further, the company ended the quarter with a consolidated weighted-average debt maturity profile of 10.1 years and more than 320 unencumbered properties.

The company closed on a new \$2-billion unsecured revolving credit facility. This facility can be expanded to \$2.75 billion under an accordion feature, with commitments from 21 lending institutions.

Moreover, in April, the company secured a new \$590-million unsecured term loan facility due April 2021, with an option to extend it through April 2022.

At the end of April, Kimco has access to more than \$2.2 billion of immediate liquidity, with nearly \$900 million of cash on the balance sheet and \$1.3 billion available under its unsecured revolving credit facility.

Furthermore, it ended April with total pro-rata debt of \$113.5 million and \$707.2 million maturing during 2020 and 2021, respectively.

Notably, the company has deferred roughly \$95 million of capital spending and investment initially planned for the current year.

Quarter Ending **03/2020**

Report Date	May 08, 2020
Sales Surprise	0.71%
EPS Surprise	2.78%
Quarterly EPS	0.37
Annual EPS (TTM)	1.47

Recent News

Kimco to Monetize Albertsons Investment, Lower Stake to 7.5% - May 20, 2020

Kimco has decided for partial monetization of its investment in Albertsons Companies, Inc., in association with Albertsons' \$1.75 billion sale of convertible preferred stock.

As liquidity is important amid the coronavirus pandemic and the resultant impact on the economy and financial markets, the move to monetize Kimco's Albertsons investment seems a strategic fit.

According to Albertsons announcement, the proceeds from the preferred stock sale will be utilized for repurchasing part of common stock owned by its current shareholders. Kimco, which presently enjoys 9.29% ownership stake in Albertsons, expects to receive its allocable share of proceeds and will subsequently maintain a 7.5% ownership stake in Albertsons. The transaction is expected to close by Jun 15, and is conditioned upon customary closing norms.

Kimco had been engaged in making strategic investments over the past years. Notably, a Cerberus-led investment group had acquired 661 non-core Albertsons stores from Albertsons, Inc. in 2006 and Kimco had invested roughly \$51 million. Furthermore, the remaining Albertsons stores, in addition to the grocery banners of Jewel-Osco, Acme, Shaws and Star Markets, were acquired by the investment group in 2013 for \$3.3 billion from SUPERVALU, with Kimco making an additional \$37-million investment.

The retail REIT had purchased \$33.6 million of SUPERVALU common stock that was later sold for \$74 million, generating roughly a \$40-million gain. Then Safeway grocery banner was purchased by the consortium in 2015 and Kimco invested \$85.3 million.

Kimco has already received more than \$300 million in cash distributions from its Albertsons investment. This is inclusive of the proceeds from the SUPERVALU stock sale and prior to any proceeds obtained from the above-mentioned repurchase of common stock held by Kimco.

Kimco Realty Launches Curbside Pickup™ Program - Apr 30, 2020

Kimco announced rolling out a Curbside Pickup™ program at 23 Texas shopping centers. The move aims to help businesses adapt to the new shopping habits that have emerged as a result of the pandemic.

The program was initially rolled out to Grand Parkway Marketplace in Spring, TX with 60 designated parking spots. The company is planning for a nationwide expansion in the coming days, allowing customers to ease back into a daily shopping routine while feeling safe and comfortable.

Dividend Update

On Jan 30, Kimco's board of directors announced a quarterly cash dividend of 28 cents per share. This was paid on Apr 15, to shareholders of record as of Apr 2, 2020. However, on May 8, the company announced that its board has temporarily suspended the dividend on its common shares amid the coronavirus pandemic and related economic uncertainties.

The company's financial performance and economic outlook will be monitored on a monthly basis by its board. However, it plans to restore common dividend at a later date in 2020 of at least the amount required to maintain compliance with its REIT-taxable income distribution requirements.

Valuation

Kimco's shares declined 34.7% over the trailing 12 months. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 26.1% and 13.2%, respectively, over the past year.

The S&P 500 Index has been up 8.7% over the trailing 12-month period.

The stock is currently trading at 8.51X forward 12-month FFO, which compares with the 11.69X for the Zacks sub-industry, 16.33X for the Zacks sector and 22.02X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 20.31X and as low as 5.22X, with a 5-year median of 12.69X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$12 price target reflects 8.89X FFO.

The table below shows summary valuation data for KIM.

Valuation Multiples - KIM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	8.51	11.69	16.33	22.02
	5-Year High	20.31	19.44	16.33	22.02
	5-Year Low	5.22	9.72	11.58	15.23
	5-Year Median	12.69	14.87	13.94	17.49
P/S F12M	Current	4.47	6.41	5.81	3.42
	5-Year High	11.33	13.91	6.7	3.44
	5-Year Low	2.86	5.43	4.99	2.53
	5-Year Median	6.96	8.17	6.05	3.01
P/B TTM	Current	1.04	2.30	2.26	4.14
	5-Year High	2.48	5.57	2.9	4.56
	5-Year Low	0.69	1.77	1.71	2.83
	5-Year Median	1.56	3.37	2.53	3.65

As of 05/28/2020

Industry Analysis Zacks Industry Rank: Bottom 16% (213 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Acadia Realty Trust (AKR)	Neutral	4
Brixmor Property Group Inc. (BRX)	Neutral	4
Federal Realty Investment Trust (FRT)	Neutral	3
Regency Centers Corporation (REG)	Neutral	4
Retail Properties of America, Inc. (RPAI)	Neutral	4
SITE CENTERS CORP. (SITC)	Neutral	3
Urban Edge Properties (UE)	Neutral	4
Weingarten Realty Investors (WRI)	Neutral	4

Industry Comparison Industry: Reit And Equity Trust - Retail				Industry Peers		
	KIM	X Industry	S&P 500	BRX	FRT	REG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	3	4
VGM Score	D	-	-	D	D	F
Market Cap	5.06 B	1.43 B	21.49 B	3.48 B	6.08 B	7.58 B
# of Analysts	10	6	14	8	9	9
Dividend Yield	9.56%	8.38%	1.98%	9.71%	5.22%	5.33%
Value Score	C	-	-	C	D	D
Cash/Price	0.09	0.15	0.06	0.19	0.17	0.11
EV/EBITDA	13.57	11.95	12.50	10.65	13.73	17.00
PEG Ratio	2.15	5.19	2.87	NA	6.00	5.08
Price/Book (P/B)	1.04	1.13	2.95	1.30	2.49	1.19
Price/Cash Flow (P/CF)	7.18	6.83	11.81	5.86	10.23	12.89
P/E (F1)	8.67	9.66	21.33	6.72	13.73	12.90
Price/Sales (P/S)	4.39	3.59	2.28	3.00	6.51	6.71
Earnings Yield	11.19%	10.33%	4.50%	14.91%	7.28%	7.76%
Debt/Equity	1.19	1.18	0.76	2.06	1.84	0.74
Cash Flow (\$/share)	1.63	2.19	6.96	2.00	7.86	3.47
Growth Score	D	-	-	D	D	D
Hist. EPS Growth (3-5 yrs)	-1.00%	1.39%	10.87%	-1.65%	4.59%	6.75%
Proj. EPS Growth (F1/F0)	-10.61%	-10.41%	-10.48%	-8.57%	-7.46%	-10.91%
Curr. Cash Flow Growth	-14.81%	0.37%	5.39%	-14.31%	22.11%	-0.84%
Hist. Cash Flow Growth (3-5 yrs)	1.91%	5.61%	8.55%	5.61%	12.40%	11.14%
Current Ratio	2.01	2.53	1.29	1.68	4.79	4.54
Debt/Capital	54.42%	54.42%	44.54%	67.30%	64.19%	42.49%
Net Margin	33.33%	22.53%	10.59%	23.43%	37.27%	11.02%
Return on Equity	7.64%	6.04%	16.26%	9.94%	14.40%	1.97%
Sales/Assets	0.10	0.13	0.55	0.14	0.14	0.10
Proj. Sales Growth (F1/F0)	-4.74%	-3.97%	-2.53%	-3.20%	-1.46%	-2.42%
Momentum Score	C	-	-	D	C	D
Daily Price Chg	-5.79%	-3.08%	-0.65%	-2.41%	-4.00%	-2.52%
1 Week Price Chg	23.83%	9.15%	4.99%	15.83%	8.98%	12.09%
4 Week Price Chg	7.33%	-0.65%	4.28%	2.53%	-3.40%	1.78%
12 Week Price Chg	-34.47%	-36.76%	-3.05%	-36.16%	-33.43%	-27.58%
52 Week Price Chg	-32.78%	-40.00%	0.01%	-31.82%	-38.42%	-31.56%
20 Day Average Volume	8,497,375	1,302,726	2,425,602	4,045,128	948,203	1,518,142
(F1) EPS Est 1 week change	-3.52%	0.00%	0.00%	0.00%	-0.62%	-2.59%
(F1) EPS Est 4 week change	-5.77%	-2.20%	-1.70%	-1.83%	-2.37%	-3.35%
(F1) EPS Est 12 week change	-11.75%	-10.83%	-16.00%	-10.28%	-9.78%	-11.48%
(Q1) EPS Est Mthly Chg	-8.42%	-5.17%	-3.25%	-3.62%	-1.75%	-4.92%

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	C
Growth Score	D
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

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