

## L3Harris Technology (LHX)

**\$182.49** (As of 05/07/20)

Price Target (6-12 Months): **\$193.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 09/09/19)

Prior Recommendation: NA

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: C

### Summary

L3Harris ended first-quarter 2020 on a solid note, with both its earnings and revenues surpassing the respective Zacks Consensus Estimate. On completion of its integration, post the merger deal, L3Harris is expected to come up with \$18 billion in annualized revenues. The company follows a disciplined divestment strategy, which is expected to boost its cash flow account. Its shares have outperformed its industry in the past year. However, expanded tariff on import of aluminum by the U.S. administration may increase the input cost of aerospace and defense stocks like L3Harris. Its unfavorable financial ratios indicate that this defense major may face difficulty in paying off its short-term obligations. COVID-19 and its persistent effect on the commercial aviation market remains a cause of concern for the company's commercial business growth.

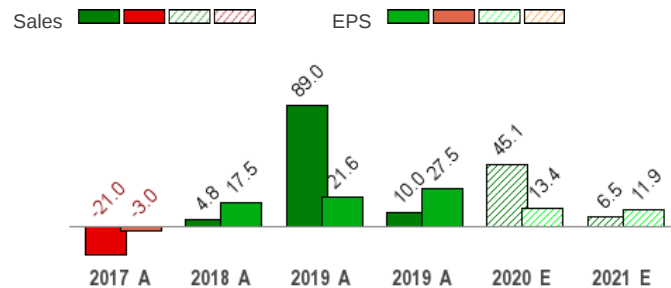
### Price, Consensus & Surprise



### Data Overview

|                            |                                     |
|----------------------------|-------------------------------------|
| 52 Week High-Low           | \$230.99 - \$142.01                 |
| 20 Day Average Volume (sh) | 1,092,980                           |
| Market Cap                 | \$39.6 B                            |
| YTD Price Change           | -7.8%                               |
| Beta                       | 0.77                                |
| Dividend / Div Yld         | \$3.40 / 1.9%                       |
| Industry                   | <a href="#">Aerospace - Defense</a> |
| Zacks Industry Rank        | Bottom 37% (159 out of 253)         |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 7.3%       |
| Last Sales Surprise       | 0.7%       |
| EPS F1 Est- 4 week change | -1.9%      |
| Expected Report Date      | 07/29/2020 |
| Earnings ESP              | -3.9%      |
| P/E TTM                   | 17.1       |
| P/E F1                    | 16.0       |
| PEG F1                    | 2.0        |
| P/S TTM                   | 2.5        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 4,915 E | 4,798 E | 4,789 E | 5,309 E | 19,868 E |
| 2020 | 4,626 A | 4,616 E | 4,589 E | 5,016 E | 18,648 E |
| 2019 | 1,728 A | 1,865 A | 4,431 A | 4,832 A | 12,856 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*   |
|------|----------|----------|----------|----------|-----------|
| 2021 | \$3.07 E | \$3.16 E | \$3.16 E | \$3.49 E | \$12.79 E |
| 2020 | \$2.80 A | \$2.76 E | \$2.82 E | \$3.18 E | \$11.43 E |
| 2019 | \$2.11 A | \$2.44 A | \$2.58 A | \$2.85 A | \$10.08 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 05/07/2020. The reports text is as of 05/08/2020.

## Overview

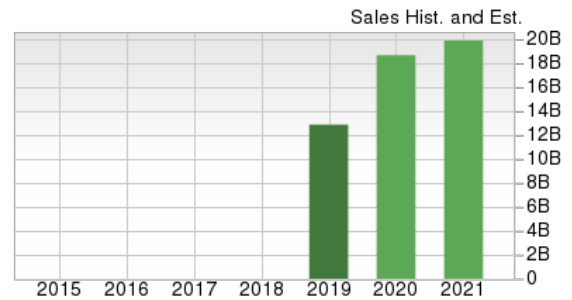
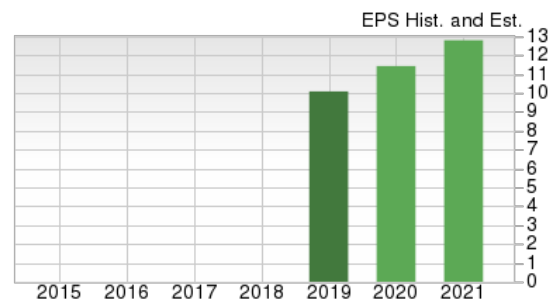
L3Harris Technologies, Inc. was formed following the merger of L3 Technologies and Harris Corporation on Jun 29, 2019. The company is a technology-oriented aerospace and defense player that delivers advanced defense and commercial technologies across air, land, sea, space and cyber domains. It currently operates through four major business segments:

**Integrated Mission Systems** provides complex ISR systems for large military platforms; advanced electro-optical and infrared, laser imaging and targeting sensor systems; and electrical and electronic systems and integration for maritime power and navigation solutions. In 2019, this segment contributed 21.8% to the company's total revenues.

**Space and Airborne Systems** provides space payloads, sensors and full-mission solutions for classified, civil and commercial customers; situational awareness, optical networks and advanced wireless solutions; avionic sensors, hardened electronics, release systems, data links and antennas supporting fixed-wing and rotary platforms; and multi-spectral situational awareness, threat warning and countermeasures capabilities for electronic warfare solutions. In 2019, this segment contributed 33.7% to the company's total revenues.

**Communication Systems** provides tactical radio communications, SATCOM terminals and battlefield management networks; broadband secured mobile networked communication equipment and integration; a full suite of helmet and weapon-mounted integrated night vision systems; and radios, applications and equipment. In 2019, this segment contributed 26% to the company's total revenues.

**Aviation Systems** provides defense aviation products such as precision engagement sensors and systems, small UAVs, antennas and arrays, RF amplifiers and microwave electron devices; commercial aviation products such as airport security and detection solutions and airborne avionics products (for example, traffic collision avoidance and flight recorders); mission communications and networking solutions. In 2019, this segment contributed 18.4% to the company's total revenues. The total revenues for 2019 consisted of \$0.09 million of corporate eliminations and \$0.1 million of other non-reportable business segments' revenues.



---

## Reasons To Buy:

- ▲ The latest merger between L3 Technologies and Harris Corp has resulted in a global aerospace and defense technology innovator, which delivers end-to-end solutions to meet customers' mission-critical needs. The deal amalgamated L3 Technologies, a prime contractor in ISR systems, aircraft sustainment, communication, electronic and sensor systems, with technology company Harris Corp. The new company is expected to come up with \$18 billion in annualized revenue, on completion of the integration, with customers in over 130 countries.

Disciplined divestment strategy, solid capital deployment policy and consolidated operational strength to boost L3Harris' growth

As of Apr 3, 2020, the integration is progressing ahead of plan. L3Harris delivered \$55 million of net synergies in first quarter on account of improvements in benefits in overhead costs. Going ahead, the company now expects to achieve \$165 million of incremental net savings in 2020, higher than its previous expectation of \$115 million. It targets \$300 million net savings, \$500 million in total, in 2021, a year ahead of plan. We expect the merger to offer the new company improved economies of scale, considering the optimistic investment stance adopted lately by the U.S. administration in the nation's aerospace-defense industry.

- ▲ Coming to quarterly highlights, L3Harris secured its position as a prime mission integrator for the United States' space domain awareness program called Mosaic. On being fully exercised, this contract has the potential to reach a value worth \$2 billion. The company also won contracts worth \$383 million from the U.S. Marines for next-generation HF radio systems as part of a multi-year modernization effort and another worth \$500 million from the U.S. Space Force to provide secure and anti-jam satellite communications for the A3M program. These awards indicate solid revenue generation prospects for this defense major.
  - ▲ Post its formation, L3Harris continues to follow a disciplined divestment strategy, in line with both L3 Technologies and Harris' plans to efficiently focus on its core operations. To this end, it is imperative to mention that on May 4, L3Harris completed the sale of its airport security business for \$1 billion to Leidos Holdings. The company expects to use the net cash proceeds from this divestiture for general corporate purposes and potential repurchase of shares. In February, L3Harris agreed to sell its Applied Kilovolts and Analytical Instrumentation business. The deal is expected to be closed by mid-2020. In March, L3Harris agreed to sell its EOTech business for \$42 million, which is also expected to get completed by mid-2020. Such divestment strategies are expected to boost the company's cash flow account, thereby driving operations.
  - ▲ In February 2020, L3Harris management approved a 13.3% increase in quarterly cash dividend to 85 cents per share, translating to an increase in the annualized payout from \$3.00 to \$3.40. This represents the nineteenth consecutive annual increase in the company's quarterly cash dividend. During the first quarter, L3Harris returned \$883 million to shareholders including \$700 million in share repurchases and as of Apr 3, 2020, it had \$1.8 billion for further share repurchases. Amid the uncertainties due to the coronavirus pandemic, the company remains confident in maintaining an average payout ratio in the 30-35% range, indicating a solid expectation for cash flow from operating activities. Such impressive capital deployment expectations from this company may have boosted investors' confidence in this stock. In the past year, L3Harris has moved up 2.3% against the industry's 29.8% decline.
-

---

## Reasons To Sell:

- ▼ L3Harris' cash and cash equivalents were \$663 million as of Apr 3, 2020, compared with \$824 million as of Jan 3, 2020. While its cash reserve declined sequentially, its long-term debt of \$6.3 billion and current debt of \$898 million, as of Apr 3, 2020, remained higher than the cash balance. This reflects a weak solvency position. Given the economic downturn across the world, investors might lose confidence in this stock.

Moreover, the company's first-quarter 2020 interest coverage was 6.6%, lower than the prior-quarter level of 7.7% and the lowest in the past four quarters. Additionally, the company's current ratio of 1.67, as of Apr 3, 2020, declined sequentially from 1.79. Such unfavorable financial ratios indicate that this defense major may face difficulty in paying off its short-term obligations. Further, the company now expects to return \$1.7 billion to its shareholders in 2020.

- ▼ In January 2020, the Trump administration announced plans to expand its existing tariffs on imports of steel and aluminum from Feb 8. Steel and aluminum derivatives now come under the tariff mandate. This tariff expansion is expected to deal a heavy blow to the U.S. aerospace and defense industry, which relies heavily on imported aluminum. In 2018, when the initial tariff was imposed, the AIA had expressed concern by saying that such a tariff will raise cost and disrupt the supply chain. Now that tariffs are being imposed on derivatives as well, input costs are expected to rise even more, thereby hurting the growth prospects of aerospace and defense stocks like L3Harris.
  - ▼ A comparative analysis of the company's historical EV/EBITDA TTM ratio reflects a relatively gloomy picture, which might be a cause for investors' concern. Evidently, the stock has a current trailing 12-month EV/EBITDA ratio of 23.09. This level lies near the high end of its past year range. Moreover, the company's EV/EBITDA TTM ratio remained above the industry's EV/EBITDA TTM ratio of 13.13 in a year.
  - ▼ The novel coronavirus outbreak and its persistent effect on the commercial aviation market remains a cause of concern for the company's commercial business growth. Notably, the pandemic has significantly reduced demand for flight training, flight simulators and commercial avionics products in L3Harris' Commercial Aviation Solutions sector within its Aviation Systems segment. As a result, the company had to temporarily close some of its flight training facilities in Europe and several other locations. With commercial training representing roughly 40% of L3Harris' total sales, such shutdowns are expected to hurt the company's results. Notably, the company currently expects revenues in its Commercial Aviation Solutions sector to decrease approximately \$300 million in 2020.
- 

Poor financial ratios, impact of import tariff on aluminum and COVID-19 impact on its commercial business might mar the stock's growth

## Last Earnings Report

### L3Harris Technologies Q1 Earnings Beat, EPS View Cut

L3Harris Technologies' first-quarter 2020 adjusted earnings came in at \$2.80 per share, which surpassed the Zacks Consensus Estimate of \$2.61 by 7.3%. The bottom line also increased 20.7% from the year-ago quarter's \$2.32.

Including one-time items, the company reported GAAP earnings of 99 cents per share compared with \$1.75 in the year-ago quarter.

The year-over-year downside can be attributed to an impairment of goodwill and other assets and other COVID-19 related charges, amortization of merger intangibles and a less favorable program mix.

Quarter Ending **03/2020**

| Report Date      | May 05, 2020 |
|------------------|--------------|
| Sales Surprise   | 0.66%        |
| EPS Surprise     | 7.28%        |
| Quarterly EPS    | 2.80         |
| Annual EPS (TTM) | 10.67        |

### Total Revenues

In the quarter under review, the company's revenues came in at \$4,626 million, exceeding the Zacks Consensus Estimate of \$4,590 million by 0.8%. Revenues surged 168% on a year over year basis, driven by post-merger inclusion of L3 operations.

### Segmental Performance

**Integrated Mission Systems:** Net sales at the segment came in at \$1,370 million. On a pro forma basis, revenues were up 1% on growth in Maritime.

Operating income came in at \$201 million compared with \$165 million in the year-ago quarter. Moreover, operating margin expanded 260 basis points (bps) to 14.7%.

**Space and Airborne Systems:** The segment recorded net sales of \$1,192 million in the first quarter, up 25% year over year. On a pro-forma basis, revenues increased 7% year over year driven by a ramp up in modernization on the F-35 platform in Avionics and classified growth in Intel and Cyber.

Operating income increased to \$221 million from \$198 million in the year-ago quarter. Operating margin contracted 70 bps to 18.5%.

**Communication Systems:** Net sales at the segment rose 89% to \$1,094 million. On a pro-forma basis, revenues increased 5% year over year due to ramp up in U.S. DoD modernization programs in Tactical Communications.

Operating income increased to \$250 million from \$226 million in the year-ago quarter. Operating margin expanded 120 bps to 22.9%.

**Aviation Systems:** Net sales at the segment came in at \$1,011 million, up 11% on a pro-forma basis, driven by Defense Aviation Products and Mission Networks.

Operating income increased to \$147 million from \$105 million. Operating margin expanded 300 bps to 14.5%.

### Financial Position

As of Apr 3, 2020, L3Harris had \$663 million in cash and cash equivalents compared with \$824 million as of Jan 3, 2020.

Long-term debt as of Apr 3, 2020 was \$6,294 million compared with \$6,694 million as of Jan 3, 2020.

Net cash inflow from operating activities amounted to \$533 million at the end of first-quarter 2020 compared with the year-ago cash inflow of \$405 million.

### 2020 View

Considering the impacts of the COVID-19 pandemic, L3Harris made some changes to its 2020 guidance. The company now expects organic revenues to grow in the range of 3-5%, compared with the prior band of 5-7%.

The company currently projects revenues in the range of \$18.3-\$18.6 billion. The Zacks Consensus Estimate for revenues of \$19.08 billion lies above the company provided guidance range.

Adjusted earnings per share for 2020 are now projected in the range of \$11.15-\$11.55, lower than the prior band of \$11.35-\$11.75. The Zacks Consensus Estimate for earnings of \$11.07 lies below the guidance range.

Operating cash flow and adjusted free cash flow are still expected in the range of \$2.8-\$2.9 billion and \$2.6-\$2.7 billion, respectively.

---

## Valuation

L3Harris' shares are down 7.3% in the year to date period and up 2.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Aerospace sector are down 29.2 % and 35.6% in the year to date period, respectively. Over the past year, the Zacks sub-industry and sector are down 29.8% and 32.3%, respectively.

The S&P 500 index is down 9.8% in the year to date period and up 2.3% in the past year.

The stock is currently trading at 15.6X forward 12-month earnings, which compares to 19.7X for the Zacks sub-industry, 19X for the Zacks sector and 20.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.9X and as low as 11.6X, with a 5-year median of 18.3X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$193 price target reflects 16.5X earnings value.

The table below shows summary valuation data for LHX

| Valuation Multiples - LHX |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 15.59 | 19.71        | 19.03  | 20.81   |
|                           | 5-Year High   | 25.9  | 22.54        | 20.94  | 20.81   |
|                           | 5-Year Low    | 11.55 | 14.52        | 14.17  | 15.19   |
|                           | 5-Year Median | 18.25 | 17.19        | 17.06  | 17.44   |
| P/S F12M                  | Current       | 2.04  | 1.18         | 1.04   | 3.23    |
|                           | 5-Year High   | 6.11  | 1.64         | 1.49   | 3.44    |
|                           | 5-Year Low    | 1.11  | 0.95         | 0.92   | 2.54    |
|                           | 5-Year Median | 2.31  | 1.27         | 1.18   | 3.01    |
| EV/EBITDA TTM             | Current       | 23.09 | 13.31        | 9.95   | 10.51   |
|                           | 5-Year High   | 31.41 | 19.49        | 14.98  | 12.86   |
|                           | 5-Year Low    | 9.3   | 8.12         | 7.39   | 8.28    |
|                           | 5-Year Median | 17.55 | 11.71        | 10.42  | 10.77   |

As of 05/07/2020

## Industry Analysis Zacks Industry Rank: Bottom 37% (159 out of 253)



## Top Peers

| Company (Ticker)                         | Rec          | Rank |
|------------------------------------------|--------------|------|
| General Dynamics Corporation (GD)        | Neutral      | 3    |
| Heico Corporation (HEI)                  | Neutral      | 4    |
| Leidos Holdings Inc (LDOS)               | Neutral      | 2    |
| Lockheed Martin Corporation (LMT)        | Neutral      | 3    |
| Northrop Grumman Corporation (NOC)       | Neutral      | 3    |
| Teledyne Technologies Incorporated (TDY) | Neutral      | 3    |
| Transdigm Group Incorporated (TDG)       | Underperform | 5    |
| Textron Inc (TXT)                        | Underperform | 5    |

| Industry Comparison Industry: Aerospace - Defense |           |            |           | Industry Peers |           |         |
|---------------------------------------------------|-----------|------------|-----------|----------------|-----------|---------|
|                                                   | LHX       | X Industry | S&P 500   | LDOS           | LMT       | NOC     |
| Zacks Recommendation (Long Term)                  | Neutral   | -          | -         | Neutral        | Neutral   | Neutral |
| Zacks Rank (Short Term)                           | 3         | -          | -         | 2              | 3         | 3       |
| VGM Score                                         | F         | -          | -         | C              | B         | F       |
| Market Cap                                        | 39.58 B   | 7.40 B     | 19.51 B   | 14.26 B        | 105.60 B  | 54.04 B |
| # of Analysts                                     | 6         | 4.5        | 14        | 8              | 7         | 6       |
| Dividend Yield                                    | 1.86%     | 0.83%      | 2.15%     | 1.35%          | 2.55%     | 1.63%   |
| Value Score                                       | D         | -          | -         | B              | C         | D       |
| Cash/Price                                        | 0.02      | 0.12       | 0.06      | 0.05           | 0.02      | 0.06    |
| EV/EBITDA                                         | 102.94    | 8.36       | 11.77     | 13.29          | 12.67     | 16.20   |
| PEG Ratio                                         | 2.00      | 2.19       | 2.54      | 1.73           | 2.26      | NA      |
| Price/Book (P/B)                                  | 1.80      | 2.72       | 2.67      | 4.24           | 30.28     | 5.96    |
| Price/Cash Flow (P/CF)                            | 19.00     | 8.54       | 10.44     | 14.28          | 14.32     | 11.75   |
| P/E (F1)                                          | 15.97     | 15.97      | 19.30     | 18.51          | 15.66     | 14.59   |
| Price/Sales (P/S)                                 | 2.51      | 0.86       | 1.99      | 1.25           | 1.73      | 1.58    |
| Earnings Yield                                    | 6.26%     | 5.40%      | 4.91%     | 5.40%          | 6.38%     | 6.86%   |
| Debt/Equity                                       | 0.32      | 0.81       | 0.75      | 0.88           | 3.28      | 1.72    |
| Cash Flow (\$/share)                              | 9.61      | 2.73       | 7.01      | 7.03           | 26.30     | 27.58   |
| Growth Score                                      | F         | -          | -         | B              | A         | F       |
| Hist. EPS Growth (3-5 yrs)                        | 12.63%    | 11.79%     | 10.87%    | 14.53%         | 17.30%    | 23.40%  |
| Proj. EPS Growth (F1/F0)                          | 37.82%    | 3.24%      | -9.87%    | 4.91%          | 9.52%     | 4.75%   |
| Curr. Cash Flow Growth                            | 23.01%    | 6.19%      | 5.88%     | 6.19%          | 18.08%    | 2.21%   |
| Hist. Cash Flow Growth (3-5 yrs)                  | 7.97%     | 6.62%      | 8.55%     | 6.45%          | 9.70%     | 14.43%  |
| Current Ratio                                     | 1.67      | 1.26       | 1.24      | 0.67           | 1.23      | 1.29    |
| Debt/Capital                                      | 24.18%    | 46.71%     | 44.23%    | 46.71%         | 76.64%    | 63.22%  |
| Net Margin                                        | 8.30%     | 5.89%      | 10.68%    | 5.20%          | 10.21%    | 6.57%   |
| Return on Equity                                  | 13.20%    | 14.41%     | 16.36%    | 22.56%         | 185.10%   | 39.22%  |
| Sales/Assets                                      | 0.54      | 0.83       | 0.55      | 1.17           | 1.26      | 0.83    |
| Proj. Sales Growth (F1/F0)                        | 92.55%    | 0.00%      | -2.26%    | 15.30%         | 6.30%     | 4.11%   |
| Momentum Score                                    | C         | -          | -         | F              | C         | F       |
| Daily Price Chg                                   | -0.01%    | 0.45%      | 1.52%     | 3.29%          | -0.54%    | 0.34%   |
| 1 Week Price Chg                                  | -0.21%    | -0.19%     | 0.53%     | -3.98%         | 0.45%     | -3.32%  |
| 4 Week Price Chg                                  | -4.35%    | -6.89%     | 0.73%     | 5.15%          | 1.49%     | -3.72%  |
| 12 Week Price Chg                                 | -19.61%   | -30.97%    | -21.09%   | -11.25%        | -13.38%   | -11.92% |
| 52 Week Price Chg                                 | 0.72%     | -31.43%    | -10.17%   | 33.80%         | 10.96%    | 9.88%   |
| 20 Day Average Volume                             | 1,092,980 | 863,062    | 2,398,409 | 1,080,856      | 1,290,950 | 789,297 |
| (F1) EPS Est 1 week change                        | -1.13%    | 0.00%      | 0.00%     | -6.05%         | 0.00%     | -0.23%  |
| (F1) EPS Est 4 week change                        | -1.85%    | -1.85%     | -6.95%    | -8.25%         | -0.34%    | -4.05%  |
| (F1) EPS Est 12 week change                       | -2.29%    | -11.40%    | -15.68%   | -5.32%         | -0.34%    | -4.21%  |
| (Q1) EPS Est Mthly Chg                            | -3.44%    | -6.06%     | -13.12%   | -15.36%        | -1.92%    | -6.06%  |

---

## 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>D</b> |
| Growth Score   | <b>F</b> |
| Momentum Score | <b>C</b> |
| VGM Score      | <b>F</b> |

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.