

Las Vegas Sands Corp. (LVS)

\$72.16 (As of 01/13/20)

Price Target (6-12 Months): **\$76.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/03/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: C

Summary

Shares of Las Vegas Sands have outperformed the industry in the past year. The company's revenue diversification efforts, planned investment in new capital projects in Macao and higher revenues from The Parisian Macao are likely to drive growth. To strengthen the resort portfolio, Las Vegas Sands is focusing on expanding the Four Seasons Tower Suites Macao, St. Regis Tower Suites Macao and the Londoner Macao. Notably, the EBITDA margins have been expanding consistently owing to the company's focus on mass and non-gaming segments that carry higher margins. However, the US-China trade war and high debt remain concerns. A slowdown in China, tighter visa policies, political unrest and a smoking ban on mass market gaming floors added to the woes.

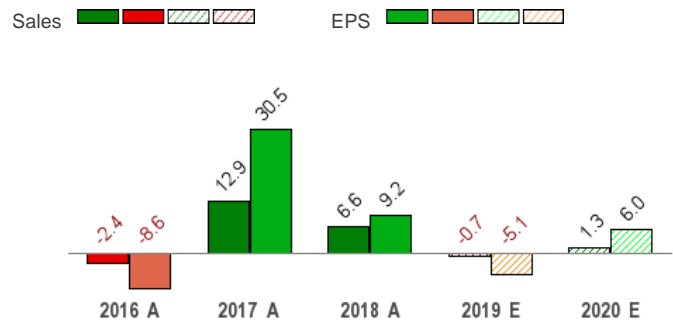
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$72.77 - \$51.17
20 Day Average Volume (sh)	2,723,931
Market Cap	\$55.4 B
YTD Price Change	4.5%
Beta	1.61
Dividend / Div Yld	\$3.08 / 4.3%
Industry	Gaming
Zacks Industry Rank	Bottom 33% (169 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-1.3%
Last Sales Surprise	-1.9%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	01/22/2020
Earnings ESP	-3.4%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	3,439 E	3,365 E	3,357 E	3,526 E	13,804 E
2019	3,646 A	3,334 A	3,250 A	3,408 E	13,632 E
2018	3,579 A	3,303 A	3,372 A	3,475 A	13,729 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.86 E	\$0.80 E	\$0.82 E	\$0.91 E	\$3.34 E
2019	\$0.91 A	\$0.72 A	\$0.75 A	\$0.80 E	\$3.15 E
2018	\$1.04 A	\$0.74 A	\$0.77 A	\$0.77 A	\$3.32 A

*Quarterly figures may not add up to annual.

P/E TTM	22.9
P/E F1	21.6
PEG F1	9.0
P/S TTM	4.0

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/13/2020. The reports text is as of 01/14/2020.

Overview

Based in Las Vegas, NV, Las Vegas Sands is a leading international developer of multi-use integrated resorts primarily operating in the U.S. and Asia.

U.S. Business: In the U.S., the company owns two resorts and casinos. These properties are:

Las Vegas Operations: The company has three properties in Las Vegas – The Venetian Casino, Las Vegas, The Palazzo, Las Vegas and an Expo and Convention Center.

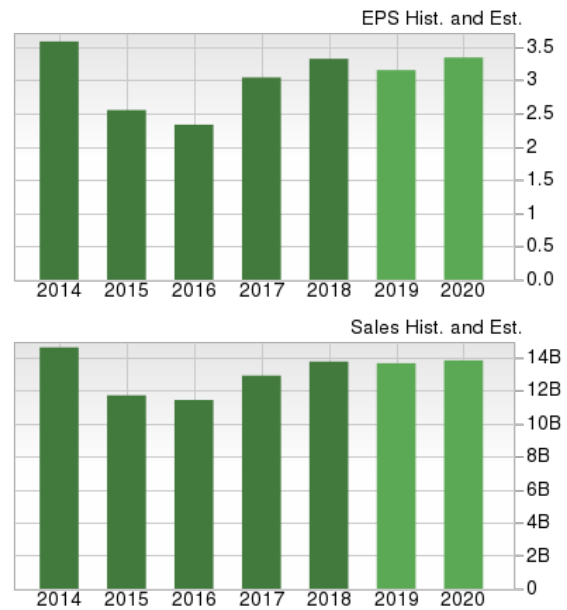
Asia Business: In Asia, the company owns and operates several properties in Macao, China and one in Singapore. These properties are as follows:

Macao Operations: Las Vegas Sands' integrated resort properties and other assets in Macao are owned and operated by Sands China Ltd., which is a majority-owned subsidiary of the company. The company's Macao business comprises the following resorts: Sands Macao, The Venetian Macao, Four Seasons Macao, The Parisian Macao and Sands Cotai Central (under development).

Sands Cotai Central is Las Vegas Sands' master-planned resort-casino project under development in the Cotai Strip, Macao. A part of the project has begun its operations while the other part is still under construction. Post completion, Sands Cotai Central will comprise an integrated resort complex featuring rooms, suites and apart-hotel units, approximately 800,000 square feet of retail, entertainment and dining space and more than 550,000 square feet of meeting facilities and a multipurpose theater.

Meanwhile, on Sep 13, 2016, the company opened The Parisian Macao, an integrated resort which includes a 253,000-square-foot casino, approximately 3,000 rooms and suites; roughly 340,000 square feet of retail and dining space; a meeting room complex of around 63,000 square feet; and a 1,200-seat theater.

Marina Bay Sands, Singapore: The resort was opened in Jun 2010.



Reasons To Buy:

▲ **A Strong Portfolio Acts as a Safeguard Against Economic Fluctuations:** Las Vegas Sands, one of the leading companies in the gaming and lodging industry, has a solid business model, extensive non-gaming revenue opportunities, high-quality assets and attractive property locations. The strong portfolio has somewhat aided the company in withstanding the economic downturn in China, which negatively impacted its Macao operations. Meanwhile, with the economic recovery in the United States, the company's business should continue to grow. Moreover, some entertainment offerings in the pipeline are expected to boost profitability across the company's properties. Las Vegas Sands is also in the process of building 1,200 suites for Londoner and the Four Seasons. By the end of 2020, the company's suite products will exceed most of its competitors.

Revenue diversification efforts, planned investment in new capital projects in Macao and higher revenues from The Parisian Macao will drive growth

▲ **Macao Business to Spur Growth Over the Long Term:** Las Vegas Sands generates major part of revenues from Macao. In the first nine months of 2019, the company's Macao operations reported revenue growth of 2.5%. Moreover, adjusted EBITDA for Macao improved 3.1% in the first-nine months of 2019. Additionally, it reported robust mass market growth in Macao during the same period.

Meanwhile, its industry-leading Cotai Strip property portfolio in Macao is witnessing strong visitation and higher hotel occupancy rates buoyed by the addition of The Parisian Macao. In fact, strong visitation at The Parisian Macao has now established it as a 'must-see' destination for visitors to the Cotai Strip. In fact, management is positive about Las Vegas Sands' entire Cotai Strip portfolio of properties. It expects these properties to continue providing the economic benefits of diversification to Macao, help lure greater numbers of business and leisure travelers as well as provide both Macao and the company with a superior platform for growth in the future. The company also sees huge potential in the redevelopment of Sands Cotai Central into The Londoner Macao that will add the third iconic must-see destination to the Cotai Strip.

Markedly, Las Vegas Sands has invested over \$13 billion in Macao since 2004, consistently contributing to Macao's diversification and appeal as a business and leisure tourism destination. In the next couple of years, the company is likely to spend \$2 billion. At the moment, the company is focusing on expanding the Four Seasons Tower Suites Macao, St. Regis Tower Suites Macao and the Londoner Macao to strengthen resort portfolio. Backed by these investments, the company aims to benefit from the likely structural growth in Macao in coming years and stay ahead of the curve in terms of the quality and scale of its product and amenities.

We also believe these new products along with The Parisian Macao would significantly bolster its strategic position and competitiveness across multiple segments. The company would be able to significantly grow its retail business and meetings, incentive, convention and exhibitions (MICE) space. Both these areas of business would aid non-gaming revenues, which would appeal to middle-class travelers. These projects thus demonstrate the company's commitment toward diversifying its business as these are not solely meant for gaming.

▲ **Expansion Efforts in Las Vegas:** Las Vegas Sands is concentrating on renovation and promotion of its Las Vegas properties in order to drive segmental performance. In fact, the Las Vegas Strip has been recording high occupancy rates over the past year. The improvement in employment rate and rise in tourism numbers in the region has been increasing demand at the company's properties in Las Vegas. Further, the diversification of its resort portfolio and non-gaming options would contribute highly to revenues. In fact, Las Vegas Sands, in collaboration with The Madison Square Garden, Live Nation Entertainment and Oak View Group, plans to create a large-scale music and entertainment venue in Las Vegas for concerts and events.

▲ **Consistent Improvement in EBITDA Margins:** EBITDA margins have been expanding consistently owing to the company's focus on mass and non-gaming segments that carry higher margins. This apart, Las Vegas Sands expects that it would continue to deliver growth in the non-gaming segment. Notably, it has reported margin growth of more than 30% since the beginning of 2012. In 2018, the company reported hold-normalized EBITDA margin of 38.5%, flat year over year. While most companies in the leisure industry are still grappling with margin pressure, Las Vegas Sands' performance has set it apart from the rest.

Reasons To Sell:

▼ **Lower-Than-Expected Q3 Results:** Las Vegas Sands' both earnings and revenues missed the Zacks Consensus Estimate in third-quarter 2019. Notably, the bottom line fell short of the consensus estimate in five of the trailing six quarters, the average miss being 5.3%. Adjusted earnings came in at 75 cents per share, which fell short of the Zacks Consensus Estimate by a penny and declined 2.6% year over year. The bottom line was impacted by higher interest expenses. Net revenues totaled \$3,250 million, which lagged the consensus mark of \$3,314 million and declined 2.6% on a year-over-year basis. The top line was negatively impacted by decline in casino, and convention, retail and other revenues.

▼ **Trade War:** The trade war between China and the United States has been hurting gambling stocks for a while, and Las Vegas Sands is no exception to the trend. Moreover, the flagging China property price has adversely impacted the high-end VIP segment.

▼ **Macao/China Regulatory Issues:** A tough operating environment in Macao weighed on casino stocks from June 2014 to most part of 2016. In fact, the crackdown on corruption in China compelled Macao officials to impose restrictions on high rollers to stop billions of dollars from being siphoned off illegally from mainland China to Macao. Consequently, this lowered footfall at the local casinos, leading to a constant decline in gaming revenues. A slowdown in China, tighter visa policies, political unrest and a smoking ban on mass market gaming floors compounded the woes.

Nevertheless, Macao's gambling revenues marked a turnaround and have been rising since the second half of 2016 with new resorts attracting high rollers as well as leisure gamblers. Meanwhile, efforts undertaken by Macao operators to revive revenues by wooing tourists and recreational gamblers with family-friendly resorts and more non-gaming facilities have also started yielding results. However, the Macao government has joined hands with the mainland authorities to tackle money laundering and terrorism financing, and beefed up its anti-money laundering framework with a much wider scope and stringent compliance measures. In sync with this, new security measures including facial recognition at ATM machines are also being rolled out. Earlier, the government had put withdrawal limit on each ATM transaction to stem the recent increase in overseas ATM withdrawals. While these policies might be helpful in the long run, they are likely to restrict gaming revenues in the near term. Moreover, Macao's Gaming Inspection and Coordination Bureau ("DICJ") is increasing its audits of the junket industry owing to worries of money laundering. Markedly, junkets are responsible for about half the gaming revenue in Macao. Thus, this latest crackdown may hamper Macao's revenue growth. This, in turn, may weigh down on the company's performance in the region.

▼ **Heightened Competition:** Increased hotel openings and promotional activities have made Las Vegas and Macao markets highly competitive. Thus, excess supply, especially in the Macao market, might reduce the company's market share. The company's recently opened The Parisian Macao along with other upcoming resorts at the Cotai Strip faces extreme peer pressure from several Chinese casino operators and other U.S.-based companies. Wynn Resorts opened a full-scale integrated resort, Wynn Palace, on the Cotai Strip for over \$4 billion in Aug 2016. Another U.S.-based casino giant, MGM Resorts International, has opened resort in Cotai in 2018. These openings might pose a huge threat to the company's business in the region.

▼ **Debt Burden:** Las Vegas Sands' heavy reliance on debt financing remains a concern. As of Jun 30, 2019, unrestricted cash balances totaled \$3.82 billion. Total debt outstanding, including the current portion and net of deferred financing costs, along with original issue discount summed \$11.93 billion. Owing to a higher debt burden, the company might fail to finance upcoming projects. Moreover, any downturn in macroeconomic and credit market conditions would make it difficult for Las Vegas Sands to pay or refinance debt in the days ahead.

Fears of another corruption crackdown by the authorities and high-debt burden remain potent headwinds for the company

Last Earnings Report

Las Vegas Sands Q3 Earnings & Revenues Lag Estimates

Las Vegas Sands reported third-quarter 2019 results, wherein both earnings and revenues missed the respective Zacks Consensus Estimate for the second straight quarter. Moreover, both the metrics also declined year over year.

Adjusted earnings came in at 75 cents per share, which missed the Zacks Consensus Estimate by a penny and declined 2.6% year over year. The bottom line was impacted by higher interest expenses. In the reported quarter, interest expense, net of amounts capitalized, improved to \$137 million compared with \$126 million in the year-ago quarter.

Net revenues totaled \$3,250 million, which lagged the consensus mark of \$3,314 million and declined 2.6% on a year-over-year basis. The top line was negatively impacted by decline in casino, and convention, retail and other revenues.

Asian Operations

Las Vegas Sands' Asia business includes the following resorts:

The Venetian Macao

Net revenues declined 0.7% year over year to \$851 million. Casino and rooms revenues came in at \$689 and \$58 million, respectively, flat year over year. However, food and beverage, and convention, retail and other revenues declined 19% and 24.1% year over year to \$17 million and \$22 million, respectively. Mall revenues improved 8.3% year over year to \$65 million.

Adjusted property EBITDA were down 0.6% year over year to \$342 million in the quarter under review.

While non-rolling chip drop improved 7.6%, rolling chip volume declined 20.6%.

Sands Cotai Central

Net revenues decreased 9.3% year over year to \$487 million owing to a 10.3% decline in casino revenues, 4.7% fall in rooms revenues and 4% decrease in food and beverage. Moreover, mall revenues remained flat year over year, while convention, retail and other revenues declined 50%.

Adjusted property EBITDA was \$169 million, down 10.1% year over year.

Both non-rolling chip drop and rolling chip volume declined 2.5% and 56.8%, respectively.

The Parisian Macao

Revenues amounted to \$381 million, reflecting year-over-year decrease of 2.1%. The downside can primarily be attributed to a decline of 2.8% in casino revenues. However, rooms and food and beverage revenues were up 10% and 5.9%, respectively.

Adjusted property EBITDA decreased 1.6% year over year to \$120 million.

Non-rolling chip drop improved 7.3%, while rolling chip volume declined 24.8%.

The Plaza Macao and Four Seasons Hotel Macao

Net revenues jumped 17.4% to \$196 million on a 25.9% and 16.7% improvement in casino, and food and beverage revenues, respectively. However, revenues from mall declined 6.1% year over year. Casino revenues were flat in the reported quarter.

Adjusted property EBITDA jumped 41.5% to \$75 million.

Rolling chip volume decreased 35.2% while non-rolling chip drop advanced 23.4%.

Sands Macao

Revenues were up 6.9% year over year to \$171 million on account of an 8.9% increase in casino revenues.

Adjusted property EBITDA rose 26.8% to \$52 million.

While rolling chip volume declined 39.2%, non-rolling chip drop improved 6.6%.

Marina Bay Sands, Singapore

Net revenues rose 3.5% year over year to \$793 million due to an improvement of 3.9% in casino revenues. Meanwhile, convention, retail and other revenues declined 22.6%. Mall revenues were up 4.5% year over year.

Adjusted property EBITDA of \$435 million in the third quarter increased 3.8%.

While non-rolling chip drop rose 4.6%, rolling chip volume improved 2.4%.

Domestic Operations

Las Vegas

Net revenues from Las Vegas operations, which comprise The Venetian Las Vegas and The Palazzo including the Sands Expo and Convention

Quarter Ending **09/2019**

Report Date	Oct 23, 2019
Sales Surprise	-1.94%
EPS Surprise	-1.32%
Quarterly EPS	0.75
Annual EPS (TTM)	3.15

Center, increased 7.1% to \$406 million on an 17% and 10% rise in casino, and food and beverage revenues, respectively. Rooms revenues also increased 4.3%. However, convention, retail and other revenues remained flat year over year.

Adjusted property EBITDA in the reported quarter totaled \$93 million, surging 22.4% on a year-over-year basis.

Table games drop were down 6.7%, while slot handle advanced 6.8%.

Operating Results

On a consolidated basis, adjusted property EBITDA came in at \$1.28 billion in the third quarter, flat year over year. Las Vegas operating properties, Sands Macao and The Plaza Macao and Four Seasons Hotel Macao adjusted EBITDA improved in the quarter, while The Venetian Macao and The Parisian Macao witnessed decline in adjusted EBITDA.

Balance Sheet

As of Sep 30, 2019, unrestricted cash balances amounted to \$3.82 billion. Total debt outstanding (excluding finance leases) amounted to \$11.93 billion.

In the reported quarter, capital expenditures totaled \$303 million. This was primarily due to construction, development and maintenance activities of \$183 million in Macao, \$36 million at Marina Bay Sands and \$84 million in Las Vegas.

Quarterly dividend paid by the company was 77 cents per share, while it repurchased \$100 million of its common stock.

Valuation

Las Vegas Sands' shares are up 27.5% over the trailing 12-month period. Over the past year, the Zacks sub-industry and sector are up 17.4% and 20.9%, respectively.

The S&P 500 index is up 25% in the past year.

The stock is currently trading at 12.97x trailing 12-month EV/EBITDA, which compares to 12.91x for the Zacks sub-industry, 12.71x for the Zacks sector and 12.12x for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.44x and as low as 9.7x, with a 5-year median of 13.62x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$76 price target reflects 22.68x forward 12-month Price to Earnings value.

The table below shows summary valuation data for LVS.

Valuation Multiples - LVS					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	12.97	12.91	12.71	12.12
	5-Year High	20.44	24.16	17.76	12.86
	5-Year Low	9.7	10.53	11.07	8.48
	5-Year Median	13.62	13.06	12.43	10.67
P/S F12M	Current	4.01	2.45	2.38	3.52
	5-Year High	4.7	2.82	3.19	3.52
	5-Year Low	2.43	1.77	1.81	2.54
	5-Year Median	3.44	2.3	2.54	3
P/E F 12M	Current	21.54	22.2	20.48	19
	5-Year High	25.34	29.8	23.35	19.34
	5-Year Low	13.78	15.41	16.16	15.17
	5-Year Median	19.81	21.65	20.11	17.44

As of 01/13/2020

Industry Analysis Zacks Industry Rank: Bottom 33% (169 out of 254)



Top Peers

Boyd Gaming Corporation (BYD)	Outperform
Melco Resorts & Entertainment Limited (MLCO)	Outperform
Churchill Downs, Incorporated (CHDN)	Neutral
Full House Resorts, Inc. (FLL)	Neutral
Penn National Gaming, Inc. (PENN)	Neutral
Wynn Resorts, Limited (WYNN)	Neutral
Century Casinos, Inc. (CNTY)	Underperform
MGM Resorts International (MGM)	Underperform

Industry Comparison Industry: Gaming				Industry Peers		
	LVS Neutral	X Industry	S&P 500	MGM Underperform	PENN Neutral	WYNN Neutral
VGM Score	C	-	-	B	A	F
Market Cap	55.42 B	2.71 B	24.31 B	17.40 B	3.08 B	15.80 B
# of Analysts	3	4	13	2	5	5
Dividend Yield	4.27%	0.00%	1.76%	1.56%	0.00%	2.72%
Value Score	C	-	-	B	A	C
Cash/Price	0.07	0.11	0.04	0.07	0.13	0.11
EV/EBITDA	12.83	12.34	14.12	12.06	15.28	18.59
PEG Ratio	9.06	1.72	2.05	3.50	0.38	2.76
Price/Book (P/B)	8.51	3.02	3.34	1.65	1.59	9.51
Price/Cash Flow (P/CF)	14.93	11.54	13.66	9.87	8.55	12.44
P/E (F1)	21.73	21.54	18.82	23.86	12.47	27.60
Price/Sales (P/S)	4.04	1.36	2.64	1.36	0.60	2.38
Earnings Yield	4.63%	4.41%	5.29%	4.20%	8.03%	3.62%
Debt/Equity	1.82	0.89	0.72	1.47	5.75	5.75
Cash Flow (\$/share)	4.83	1.79	6.94	3.38	3.10	11.84
Growth Score	C	-	-	C	B	F
Hist. EPS Growth (3-5 yrs)	3.56%	6.08%	10.56%	16.44%	-5.06%	6.08%
Proj. EPS Growth (F1/F0)	6.03%	29.14%	7.49%	374.14%	38.92%	29.14%
Curr. Cash Flow Growth	3.58%	13.18%	14.83%	8.87%	-66.83%	13.11%
Hist. Cash Flow Growth (3-5 yrs)	1.60%	6.61%	9.00%	12.21%	-8.71%	1.94%
Current Ratio	1.60	1.09	1.23	0.87	0.72	1.09
Debt/Capital	64.58%	55.94%	42.99%	59.67%	85.19%	85.18%
Net Margin	13.86%	0.97%	11.08%	0.11%	1.85%	10.12%
Return on Equity	37.04%	4.10%	17.16%	4.10%	5.88%	25.33%
Sales/Assets	0.61	0.48	0.55	0.41	0.39	0.50
Proj. Sales Growth (F1/F0)	1.26%	4.89%	4.23%	2.31%	4.10%	7.96%
Momentum Score	C	-	-	C	F	D
Daily Price Chg	1.76%	0.11%	0.73%	0.48%	0.78%	2.94%
1 Week Price Chg	1.71%	0.00%	0.39%	-0.24%	1.52%	1.09%
4 Week Price Chg	5.96%	1.73%	1.84%	1.27%	5.36%	12.43%
12 Week Price Chg	24.48%	10.82%	6.48%	19.18%	28.29%	25.96%
52 Week Price Chg	29.30%	18.96%	23.15%	21.79%	11.85%	36.18%
20 Day Average Volume	2,723,931	61,496	1,578,594	3,126,895	977,387	1,900,339
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.09%	-0.70%	0.00%
(F1) EPS Est 4 week change	0.09%	0.00%	0.00%	-3.45%	-0.39%	-0.47%
(F1) EPS Est 12 week change	1.12%	-7.80%	-0.48%	-7.80%	-2.37%	-17.28%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	11.24%	0.00%	19.82%

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	C
Momentum Score	C
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.

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