

Macys, Inc. (M)

\$12.99 (As of 03/02/20)

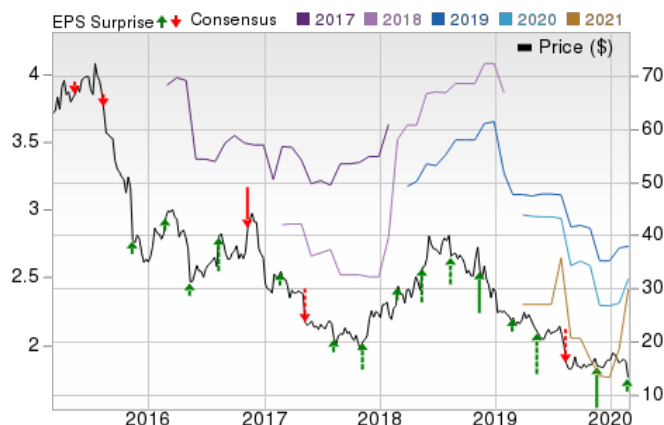
Price Target (6-12 Months): **\$15.00**

Long Term: 6-12 Months	Zacks Recommendation:	Outperform
	(Since: 03/01/20)	
	Prior Recommendation: Neutral	
Short Term: 1-3 Months	Zacks Rank: (1-5)	1-Strong Buy
	Zacks Style Scores:	VGM:A
	Value: A	Growth: C
		Momentum: B

Summary

Although shares of Macy's have fallen in the past three months, they have outperformed the industry. Clearly, this provides a good entry point given the stock's attractive valuation, sound fundamentals and better-than-expected fourth-quarter fiscal 2019 results. The quarter marked the second straight earnings beat. Macy's has outlined plans under its three-year Polaris Strategy to adapt better to the new retail ecosystem. From revamping stores to bringing in loyalty program, from embracing new technologies to investments in merchandising strategies, and from improving websites and mobile apps to supply chain modernization, Macy's is looking at every aspect. Notably, the company's sustained focus on price optimization, merchandise planning and private label offering should facilitate in meeting customer-oriented demand.

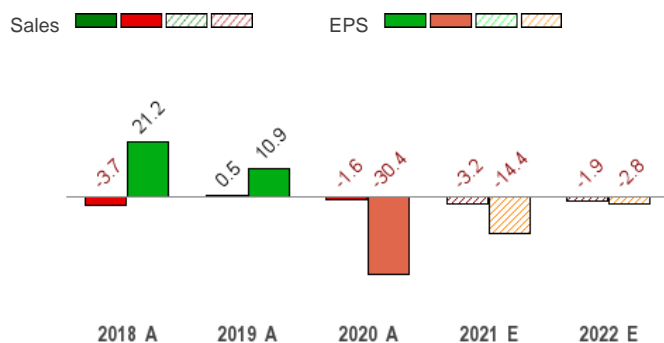
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$26.33 - \$12.41
20 Day Average Volume (sh)	13,292,249
Market Cap	\$4.0 B
YTD Price Change	-23.6%
Beta	0.79
Dividend / Div Yld	\$1.51 / 11.6%
Industry	Retail - Regional Department Stores
Zacks Industry Rank	Top 11% (28 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.7%
Last Sales Surprise	0.2%
EPS F1 Est- 4 week change	7.8%
Expected Report Date	05/20/2020
Earnings ESP	0.0%
P/E TTM	4.5
P/E F1	5.2
PEG F1	0.7
P/S TTM	0.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					23,336 E
2021	5,280 E	5,353 E	5,034 E	8,127 E	23,777 E
2020	5,504 A	5,546 A	5,173 A	8,337 A	24,560 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.24 E	\$0.28 E	\$0.11 E	\$1.95 E	\$2.42 E
2021	\$0.18 E	\$0.25 E	\$0.10 E	\$1.97 E	\$2.49 E
2020	\$0.44 A	\$0.28 A	\$0.07 A	\$2.12 A	\$2.91 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 03/02/2020. The reports text is as of 03/03/2020.

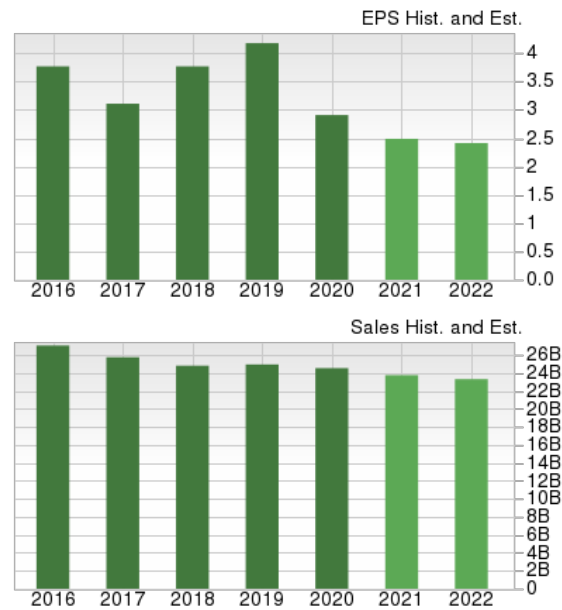
Overview

Macy's is in the process of a complete makeover and has outlined plans under its three-year Polaris Strategy to adapt better to the new retail ecosystem. Notably, the company is banking on Backstage locations, Vendor Direct, Store Pickup, Loyalty Program, Growth150 stores, 'mobile first' strategy and Destination Businesses. The department store chain is investing in areas where it has strong foothold, and these include dresses, fine jewelry, fragrances, men's tailored, women's shoes and beauty.

This Cincinnati, Ohio-based company through its retail stores and Internet websites (macys.com and bloomingdales.com) trades in a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods in 43 states, the District of Columbia, Guam and Puerto Rico.

The company operates approximately 680 department stores under the banner Macy's and Bloomingdale's, and about 190 specialty stores that include Bloomingdale's The Outlet, Bluemercury, Macy's Backstage and Story. In Dubai and Kuwait, Bloomingdale's is operated by Al Tayer Group LLC under a license agreement.

The principal private label brands offered by Macy's include Alfani, American Rag, Aqua, Bar III, Belgique, Charter Club, Club Room, Epic Threads, first impressions, Giani Bernini, Greg Norman for Tasso Elba, Holiday Lane, Home Design, Hotel Collection, Hudson Park, Ideology, I-N-C, jenni, JM Collection, John Ashford, Karen Scott, lune+aster, M-61, Maison Jules, Martha Stewart Collection, Material Girl, Morgan Taylor, Oake, Sky, Style & Co., Sutton Studio, Tasso Elba, Thalia Sodi, the cellar, and Tools of the Trade.



Reasons To Buy:

▲ **A Good Entry Point:** Shares of Macy's have beaten down 12.5% in the past three months compared with the industry's decline of 15% but this provides an excellent opportunity for long-term investors. The recent slide has cleared the deck for fresh buying given the stock's attractive valuation, sound fundamentals and better-than-expected fourth-quarter fiscal 2019 results. The quarter marked the second straight quarter of positive earnings surprise. Management highlighted that a "meaningful sales uptick in the 10 shopping days before Christmas" contributed to the results. This Cincinnati, OH-based company had earlier reported decent holiday sales number that reflected an improvement in trend from the third quarter. Following the results, the company retained fiscal 2020 sales and earnings guidance.

We believe Macy's sustained focus on price optimization, inventory management, merchandise planning, and private label offering are the primary catalysts facilitating in meeting customer-oriented demand.

▲ **Strategic Endeavors:** Macy's sustained focus on price optimization, inventory management, merchandise planning and private label offering are the primary catalysts facilitating in meeting customer-oriented demand and improving in-store shopping experience. In an attempt to increase sales, profitability and cash flows, the company has been taking steps such as integration of operations as well as developing omnichannel capabilities and online order fulfillment centers. We believe that focus on private label and private brand businesses will help augment profit margins. The company has undertaken restructuring actions, and this is likely to result in cost savings. Management anticipates cost savings of \$1.5 billion by the end of 2022, of which \$600 million is gross margin improvement and \$900 million is SG&A savings. The company also remains committed to strengthen balance sheet by reducing debt load. The company repaid \$597 million of debt in fiscal 2019 versus \$1.15 billion in fiscal 2018.

▲ **Three-Year Polaris Strategy:** Macy's has outlined plans under its three-year Polaris Strategy to adapt better to the new retail ecosystem. This includes trimming of 2,000 positions or approximately 9% of its corporate and support function headcount. As part of its strategy, the company is committed toward building four \$1 billion power private brands. Moreover, to better engage with customers, the company expanded Star Rewards Loyalty program that was initiated in 2017. Apart from these, Macy's is evaluating store portfolio. The company plans to shutter roughly 125 stores in lower tier malls within three years that are least productive, and upgrade the remaining by applying Growth treatment. The treatment, which comprises merchandising strategies, technology improvements, talent and local marketing, will be applied to another 100 stores in fiscal 2020. Clearly, Macy's has undertaken a strategic review of business operating model to bring itself back on growth trajectory. The company highlighted that Polaris strategy will help attain gross savings of \$600 million in the current year and \$1.5 billion annually by 2022. If we look at the company's three-year financial targets it buoys optimism. Macy's envisions net sales in the range of \$23.2-\$23.9 billion and comparable sales on an owned plus licensed basis to be down 1% to flat by fiscal 2022. Moreover, it anticipates adjusted earnings between \$2.50 and \$3.00 per share.

▲ **Customer Friendly Endeavors:** Macy's Backstage locations, Vendor Direct, Store Pickup, Loyalty Program, Growth150 stores, 'mobile first' strategy and Destination Businesses remain primary growth drivers. The company is investing in areas where it has strong foothold, and these include dresses, fine jewelry, fragrances, men's tailored, women's shoes and beauty. The company's "Buy Online Pickup in Store" and "Buy Online Ship to Store" initiatives are gaining traction. After a positive response from customers on STORY, a concept store, Macy's introduced second iteration of STORY — Outdoor STORY. The company has added a new feature to its mobile app such as My Wallet, My Store and My Stylist. Macy's is steadily expanding its virtual reality furniture gallery. The company has taken a minority stake in b8ta, a technology retailer that allow customers to try, buy and learn about new tech products. The investment is seen as a part to enhance customer shopping experience at its The Market @ Macy's, a store-within-a-store retail concept. The company has partnered with ThredUP, a fashion resale website for consumers to buy and sell secondhand clothing online. Bloomingdale's has launched My List, a subscription rental service. Moreover, it also testing a new store format, Market by Macy's, which is smaller in size than an average Macy's store. These new prototype stores will be located off-mall in lifestyle centers.

▲ **Macy's Targeting a Vast Audience:** The company has been widening its operations via deals and collaborations to increase its customer base. The company had entered into an agreement with Best Buy, whereby the latter is operating stores within its department stores. Macy's, which reached an agreement to end the joint venture with Fung Retailing Limited, will remain active on TMall, the e-commerce platform of Alibaba and other social media channels in China. The company had also entered into a deal with Luxottica Group, the designer, manufacturer and distributor of fashion, luxury and sports eyewear, whereby the latter has opened LensCrafters licensed departments in Macy's outlets. Macy's unveils its second experiential concept, Outdoor STORY, in collaboration with DICK'S Sporting Goods and Miracle-Gro.

▲ **Focus on Backstage Expansion:** Management expanded Backstage, Macy's off-price offering, to another 50 locations within Macy's stores during fiscal 2019. The company informed that Backstage locations open for more than 12 months continued to attain mid-single-digit comparable sales growth and have improved both gross margin and inventory turn. Macy's also stated that as a standalone business, Bloomingdale's generated revenues of more than \$3 billion and contributes to profitability. Bloomingdale's has 34 full line stores as well as two international stores we operate under licensed agreements in Dubai and Kuwait. As part of its store growth strategy, Macy's plans to expand its off-price chains, Backstage and Bloomingdale's The Outlet. The company intends to open an additional 50 Backstage store-within-store locations and seven additional freestanding, off-mall Backstage stores in 2020.

Risks

- **Comps Continue to Decline:** Macy's reported \$8,337 million and \$24,560 million in net sales for the fourth quarter and fiscal 2019, which reflects year-over-year decline of 1.4% and 1.6%, respectively. It also stated that comparable sales on an owned plus licensed basis declined 0.5% and 0.7%, during the respective periods. Again, comparable sales on an owned basis slid 0.6% and 0.8%, during the said periods. This followed declines of 3.5% and 3.9% in comparable sales on an owned plus licensed basis and on an owned basis, respectively, during the third quarter of fiscal 2019.

For fiscal 2020, Macy's envisions comparable sales on an owned plus licensed basis to decline in the band of 1.5-2.5%. Comparable on an owned basis are projected to be roughly 40 basis points better than comparable sales on an owned plus licensed basis. We note that comparable sales on an owned plus licensed basis had slid 0.7%, while on an owned basis, the metric had decreased 0.8% in fiscal 2019. Management hinted that comparable sales are expected to remain under pressure in fiscal 2020 on account of business trajectory in the past six months, and anticipation of continued challenges in mall-based retail and disruption as a result of to the implementation of the Polaris strategy. Planned store closures are also likely to hit sales.

- **Soft Projection:** Management highlighted that it has not factored in any potential adverse impact from the coronavirus into fiscal 2020 guidance. However, Macy's did inform that there could be a minor impact on first-quarter sales due to international tourism. It further added that less than 50% of its private brand goods come out of China. Macy's also informed that first-quarter fiscal 2020 is likely to be challenging from a top and bottom line perspective primarily due to the anticipated disruption from corporate restructuring and campus consolidations as well as cycling off a sturdy first-quarter fiscal 2019. For fiscal 2020, Macy's continues to project net sales between \$23.6 billion and \$23.9 billion compared with \$24.6 billion reported in fiscal 2019. The company reaffirmed fiscal 2020 adjusted earnings per share (excluding asset sale gains) projection of \$2.20-\$2.40. This indicates a decline from earnings of \$2.91 per share reported in fiscal 2019. Further, management expects margins to remain under pressure due to growth of lower margin businesses in 2020.
 - **Any Deleverage in SG&A Expense May Hurt Margins:** After increasing 90 basis points to 42.6% as a percentage of net sales during the third quarter of fiscal 2019, selling, general and administrative expenses rose 10 basis points to 30.1% in the fourth quarter. Analysts expect selling, general and administrative expenses may increase on account of strategic investments. We believe that any significant increase in selling, general and administrative expenses may hurt margins and in turn the bottom line.
 - **Competitive Pressure:** Macy's operates in the highly competitive retail merchandise sector. The company faces stiff competition from a diverse group of competitors, such as Wal-Mart, Target, Bed Bath & Beyond, general merchandise stores, specialty stores, discount stores and online retailers, which are likely continue to weigh on its results. We also remain concerned about Macy's low pricing power as against other discount chains, which may in turn hurt the company's market share.
-

Last Earnings Report

Macy's Q4 Earnings & Revenues Top Estimates, Down Y/Y

Macy's, Inc. reported better-than-expected fourth-quarter fiscal 2019 results. Management highlighted that a "meaningful sales uptick in the 10 shopping days before Christmas" contributed to the results. This Cincinnati, OH-based company had earlier reported decent holiday sales number that reflected an improvement in trend from the third quarter. Following the results, the company retained fiscal 2020 sales and earnings guidance.

Quarter Ending **01/2020**

Report Date	Feb 25, 2020
Sales Surprise	0.16%
EPS Surprise	8.72%
Quarterly EPS	2.12
Annual EPS (TTM)	2.91

Let's Delve Deep

Macy's posted fourth-quarter adjusted earnings of \$2.12 per share that surpassed the Zacks Consensus Estimate of \$1.95, marking the second straight quarter of beat. The company stated that cost containment endeavors and healthy sales results aided the bottom-line performance. However, the quarterly earnings fell from \$2.73 per share reported in the year-ago period.

The department store chain generated net sales of \$8,337 million that came ahead of the Zacks Consensus Estimate of \$8,324.1 million but decreased 1.4% year over year. Digital sales increased in high-single digits during the quarter under review.

The company stated that comparable sales on an owned plus licensed basis declined 0.5%, while on an owned basis fell 0.6%. Clearly, the rate of decline has decelerated sharply on a sequential basis. We note that comparable sales on an owned plus licensed basis had fallen 3.5%, while on an owned basis, the metric had decreased 3.9% in the third quarter of fiscal 2019.

We note that overall transaction dipped 0.5% compared with the last year. Items per transaction fell 1%. However, average unit retail increased 1.1% during the quarter.

Adjusted EBITDA declined 17.1% to \$1,160 million, while adjusted EBITDA margin contracted 260 basis points to 13.9%.

Macy's has been in a spot of bother for quite some time, thanks to soft mall traffic due to increasing online shopping and stiff competition from discount retailers. But these may be things of past, as the company has outlined plans under its three-year Polaris Strategy to adapt better to the new retail ecosystem.

From revamping stores to bringing in loyalty program, from embracing new technologies to investments in merchandising strategies, and from improving websites and mobile apps to supply chain modernization, Macy's is looking at every nook and cranny to be more agile.

Other Financial Aspects

Macy's ended the quarter with cash and cash equivalents of \$685 million, long-term debt of \$3,621 million, and shareholders' equity of \$6,377 million. Management incurred capital expenditures of \$1.16 billion during fiscal 2019, and expect to spend approximately \$1 billion in fiscal 2020. The company repaid \$597 million of debt in fiscal 2019 versus \$1.15 billion in fiscal 2018.

Outlook

Management highlighted that it has not factored in any potential adverse impact from the coronavirus into fiscal 2020 guidance. However, Macy's did inform that there could be a minor impact on first-quarter sales due to international tourism. It further added that less than 50% of its private brand goods come out of China. Macy's also informed that first-quarter fiscal 2020 is likely to be challenging from a top and bottom line perspective primarily due to the anticipated disruption from corporate restructuring and campus consolidations as well as cycling off a sturdy first-quarter fiscal 2019.

For fiscal 2020, Macy's continues to project net sales between \$23.6 billion and \$23.9 billion compared with \$24.6 billion reported in fiscal 2019. Comparable sales on an owned plus licensed basis are expected to decline in the band of 1.5-2.5% during fiscal 2020. Comparable on an owned basis are projected to be roughly 40 basis points better than comparable sales on an owned plus licensed basis. We note that comparable sales on an owned plus licensed basis had slid 0.7%, while on an owned basis, the metric had decreased 0.8% in fiscal 2019.

The company reaffirmed fiscal 2020 adjusted earnings per share (excluding asset sale gains) projection of \$2.20-\$2.40. This indicates a decline from earnings of \$2.91 per share reported in fiscal 2019. Management expects gross margin and SG&A expense rate to be roughly flat year over year.

Recent News

Macy's Reports Decent Holiday Sales Number – January 8, 2020

Macy's, reported decent holiday sales number that reflected an improvement in trend from the third quarter. Comparable sales on an owned plus licensed basis declined 0.6% during November and December period combined, while on an owned basis, comparable sales fell 0.7%. Strong digital business and impressive performance at Growth150 stores contributed to results. Moreover, customers responded well to the company's gifting assortment and marketing strategy.

Valuation

Macy's shares are down 23.6% in the year-to-date period and 46.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are down 23.2% and 5.1% in the year-to-date period. Over the past year, the Zacks sub-industry is down 43% but the sector is up 4.6%.

The S&P 500 index is down 8.2% in the year-to-date period but up 4.9% in the past year.

The stock is currently trading at 5.23X forward 12-month earnings, which compares to 8.76X for the Zacks sub-industry, 24.32X for the Zacks sector and 17.66X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.98X and as low as 5.23X, with a 5-year median of 9.26X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$15 price target reflects 6.01X forward 12-month earnings.

The table below shows summary valuation data for M

Valuation Multiples - M					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	5.23	8.76	24.32	17.66
	5-Year High	14.98	18.34	26.19	19.34
	5-Year Low	5.23	8.76	19.06	15.18
	5-Year Median	9.26	11.25	23.08	17.46
P/S F12M	Current	0.17	0.23	1.02	3.26
	5-Year High	0.86	0.74	1.11	3.43
	5-Year Low	0.17	0.23	0.8	2.54
	5-Year Median	0.38	0.41	0.92	3.01
EV/EBITDA TTM	Current	4.56	5.92	14.45	10.93
	5-Year High	7.82	9.34	15.92	12.88
	5-Year Low	3.75	4.6	10.8	8.49
	5-Year Median	5.5	6.25	12.48	10.79

As of 03/02/2020

Industry Analysis Zacks Industry Rank: Top 11% (28 out of 255)



Top Peers

Costco Wholesale Corporation (COST)	Neutral
Dillards, Inc. (DDS)	Neutral
Dollar General Corporation (DG)	Neutral
Dollar Tree, Inc. (DLTR)	Neutral
J. C. Penney Company, Inc. (JCP)	Neutral
Kohls Corporation (KSS)	Neutral
Target Corporation (TGT)	Neutral
Walmart Inc. (WMT)	Neutral

Industry Comparison Industry: Retail - Regional Department Stores				Industry Peers		
	M Outperform	X Industry	S&P 500	DDS Neutral	JCP Neutral	KSS Neutral
VGM Score	A	-	-	A	A	A
Market Cap	4.01 B	4.01 B	21.48 B	1.43 B	221.73 M	6.02 B
# of Analysts	7	6	13	5	6	8
Dividend Yield	11.62%	1.48%	2.07%	1.04%	0.00%	6.97%
Value Score	A	-	-	A	A	A
Cash/Price	0.17	0.18	0.04	0.20	1.75	0.08
EV/EBITDA	5.20	5.11	12.57	4.32	7.90	5.02
PEG Ratio	0.70	0.77	1.84	NA	NA	0.84
Price/Book (P/B)	0.63	0.88	2.88	0.88	0.27	1.12
Price/Cash Flow (P/CF)	2.12	3.36	11.58	4.32	0.77	3.36
P/E (F1)	5.22	8.42	16.87	16.24	NA	8.42
Price/Sales (P/S)	0.16	0.20	2.34	0.23	0.02	0.30
Earnings Yield	19.17%	9.03%	5.91%	6.17%	-105.80%	11.89%
Debt/Equity	1.03	1.06	0.70	0.37	5.65	1.09
Cash Flow (\$/share)	6.12	6.12	6.94	13.37	0.90	11.45
Growth Score	C	-	-	A	A	B
Hist. EPS Growth (3-5 yrs)	-1.84%	-1.84%	10.85%	-8.57%	NA	6.85%
Proj. EPS Growth (F1/F0)	-14.43%	-6.43%	6.79%	-14.72%	8.75%	-4.07%
Curr. Cash Flow Growth	-15.88%	8.95%	5.92%	-16.01%	10.38%	11.63%
Hist. Cash Flow Growth (3-5 yrs)	-6.32%	-2.54%	8.38%	-10.66%	28.85%	1.24%
Current Ratio	1.18	1.42	1.23	1.99	1.41	1.42
Debt/Capital	50.63%	51.38%	42.53%	26.96%	84.96%	52.13%
Net Margin	2.30%	2.04%	11.57%	1.77%	-2.40%	3.50%
Return on Equity	14.47%	10.31%	16.80%	6.15%	-27.83%	15.19%
Sales/Assets	1.15	1.37	0.54	1.73	1.34	1.40
Proj. Sales Growth (F1/F0)	-3.19%	-0.38%	4.07%	-0.38%	-5.67%	-0.07%
Momentum Score	B	-	-	F	A	C
Daily Price Chg	-1.81%	1.49%	-1.44%	2.56%	0.42%	-1.81%
1 Week Price Chg	-18.48%	-9.02%	-0.94%	-9.56%	-3.50%	-12.12%
4 Week Price Chg	-21.08%	-8.67%	-10.98%	-4.59%	-1.80%	-10.35%
12 Week Price Chg	-16.09%	-18.77%	-7.84%	-17.80%	-39.22%	-21.08%
52 Week Price Chg	-46.68%	-30.70%	1.20%	-19.23%	-55.87%	-42.17%
20 Day Average Volume	13,292,249	1,808,137	2,169,477	413,852	7,208,371	3,202,421
(F1) EPS Est 1 week change	1.63%	0.69%	0.00%	-9.11%	16.48%	-0.25%
(F1) EPS Est 4 week change	7.79%	4.21%	-0.09%	-8.94%	16.28%	0.63%
(F1) EPS Est 12 week change	8.58%	1.89%	-0.24%	-4.79%	15.31%	-7.77%
(Q1) EPS Est Mthly Chg	-26.86%	-1.02%	-0.72%	3.69%	1.75%	-3.79%

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	A
Growth Score	C
Momentum Score	B
VGM Score	A

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.