

Mohawk Industries (MHK)

\$93.09 (As of 06/01/20)

Price Target (6-12 Months): **\$79.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 05/01/19)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:B

Value: B

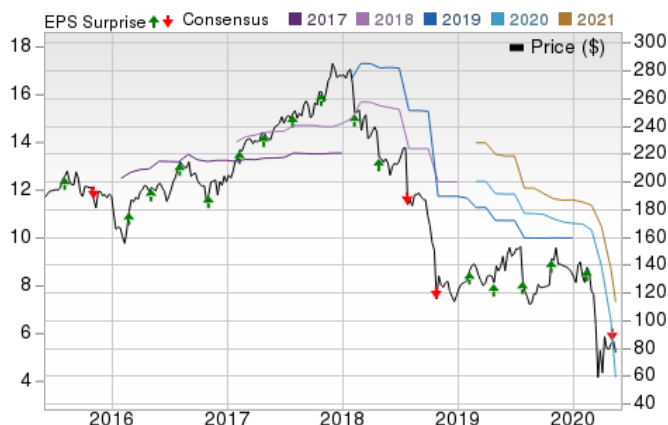
Growth: B

Momentum: F

Summary

Mohawk reported lackluster results in first-quarter 2020. The top and bottom lines lagged the Zacks Consensus Estimate by 1.1% and 0.6%, and declined 6.4% and 22.1% year over year, respectively. Revenues declined across all the three segments. The downside was mainly due to softness in retail demand, reduced production volume and unplanned shutdown costs. Although it has been benefiting from lower raw material and energy costs, other headwinds pose a serious risk. Although management did not provide any guidance due to uncertainty surrounding COVID-19, it expects to record operating loss in the second quarter. Mohawk's shares have underperformed the industry year to date. Earnings estimates for 2020 have been trending downward, depicting analysts' concern.

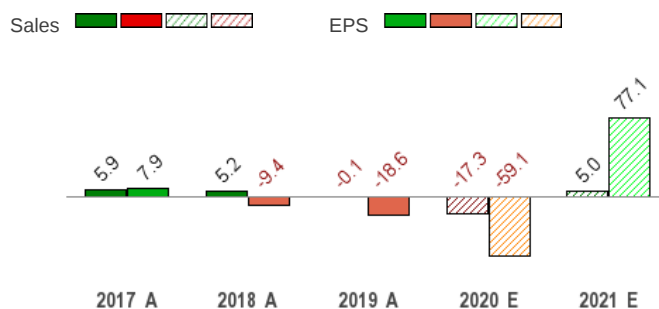
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$156.60 - \$56.62
20 Day Average Volume (sh)	726,153
Market Cap	\$6.6 B
YTD Price Change	-31.7%
Beta	1.53
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Textile - Home Furnishing
Zacks Industry Rank	Bottom 5% (240 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-0.6%
Last Sales Surprise	-1.1%
EPS F1 Est- 4 week change	-36.8%
Expected Report Date	07/23/2020
Earnings ESP	-43.1%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,300 E	2,052 E	2,223 E	2,220 E	8,652 E
2020	2,286 A	1,692 E	2,031 E	2,225 E	8,242 E
2019	2,442 A	2,584 A	2,519 A	2,425 A	9,971 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.93 E	\$1.37 E	\$1.97 E	\$2.09 E	\$7.28 E
2020	\$1.66 A	-\$0.33 E	\$1.06 E	\$1.70 E	\$4.11 E
2019	\$2.13 A	\$2.89 A	\$2.75 A	\$2.25 A	\$10.04 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/01/2020. The reports text is as of 06/02/2020.

Overview

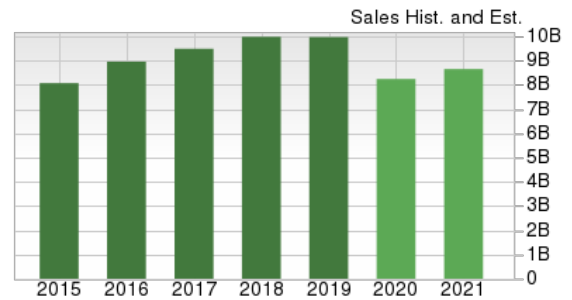
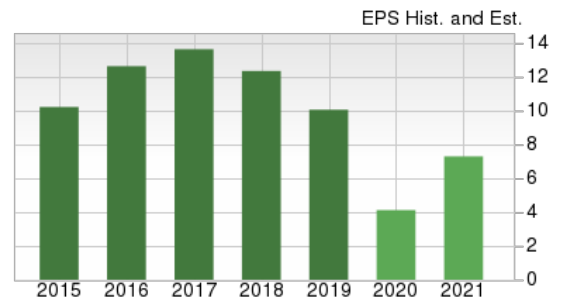
Mohawk Industries, Inc. is a leading global manufacturer of flooring products that enhance residential and commercial space. The company manufactures carpet, rugs, ceramic tile, laminate, wood, stone and vinyl flooring. It has a global presence with operations in Australia, Brazil, Canada, Europe, India, Malaysia, Mexico, New Zealand, Russia and the United States.

The company has reorganized its business into three segments — Global Ceramic, Flooring North America (Flooring NA) and Flooring Rest of the World (Flooring ROW).

Global Ceramic (accounting for 36.4% of 2019 net sales): The Global Ceramic segment includes ceramic tile, porcelain tile and natural stone operations. Some of the brands included in this segment are American Olean, Daltile, KAI, Kerama Marazzi, Marazzi and Ragno.

Flooring NA segment (38.6%): The Flooring NA segment includes North American operations of various product categories, including carpets, rugs, carpet pad, hardwood, laminate and vinyl products including LVT. The new segment combines the former Carpet segment, the North American operations of the former Laminate and Wood segment, and the North American operations of the newly acquired vinyl flooring businesses. Some of the brands in this segment include Aladdin, Bigelow, Columbia Flooring, Durkan, Horizon, IVC, Karastan, Lees, Mohawk, Pergo, Portico, QuickStep and SmartStrand.

The **Flooring ROW** segment (25%): The Flooring ROW segment includes laminate, hardwood flooring, roofing elements, insulation boards, medium-density fiberboard (MDF), chipboards, and vinyl flooring products, including LVT. The new segment combines the European and Rest of the World operations of the former Laminate and Wood segment and the European and Rest of the World operations of the vinyl flooring businesses acquired recently. Some of the brands in this segment include IVC, Moduleo, Pergo, Quick-Step and Unilin.



Reasons To Sell:

- ▼ **COVID-19 to Weigh on Near-Term Results:** While Mohawk is geographically quite diversified, the pandemic is impacting all the 18 countries where it operates. The scope and suddenness of this pandemic is quite different from the housing recession in 2008-2009, which makes it difficult for manufacturers to respond to. Demand has dropped drastically across all the markets served by the company, with residential remodeling being impacted the most and DIY products having performed most impressively, as some people have started projects while staying home. Although the company has been benefiting from lower raw material and energy costs, other headwinds pose a serious threat. At the end of April 2020, overall sales rate was roughly 35% below the prior year, with business in Europe being hit more than that of the United States. Hence, given the uncertainty surrounding COVID-19, management did not provide its second-quarter EPS guidance and indicated that it is anticipating an operating loss for the quarter.
- ▼ **Challenging U.S. Ceramic Market:** Mohawk's operating backdrop had remained tough throughout 2018 and 2019. Specially, the U.S. ceramic market has been impacted by a decline in product mix, soft retail demand, a stronger dollar, shift of customers to LVT and excess inventories in the channel. Recently, the United States imposed 104% tariffs on Chinese imports. Further anti-dumping duties are anticipated going forward. Mohawk expects the U.S. ceramic market to remain soft in the upcoming period. During fourth-quarter 2019, total U.S. ceramic imports declined 17%, with Chinese ceramic imports falling 90% from the year-ago period.

Mohawk's European ceramic business is also being impacted by lower market demand. Hence, the company has been reducing inventory levels, expanding product offerings and entering new categories.

Its ability to offset these pressures is hindered by continuous inflation, more competitive imports due to a stronger dollar and substitution of LVT to other alternatives. In 2019, adjusted earnings decreased 18.6% year over year. Adjusted operating margin also contracted 250 basis points from a year ago, attributed to the above-mentioned headwinds.
- ▼ **Competitive Landscape:** The flooring industry is highly competitive with a number of players (large and small), including imports, offering products in the marketplace. The company needs to make significant investments in new products, distribution network and manufacturing facilities that could impact profitability.
- ▼ **Business Sensitive to General Economic Conditions:** Mohawk's business is dependent on general economic conditions like consumer confidence, income and spending, corporate and government spending, interest rate levels plus availability of credit and demand for housing. Hence, any prolonged downturns in the United States and global economies are expected to leave a negative impact on the floor covering industry and in turn, the company's business.

Coronavirus-related disruptions, softening demand, along with stiff competition mar growth prospects

Risks

- **Well-Positioned in the Sector:** Mohawk is one of the largest flooring manufacturers in the global market. The company holds a dominant market share in extremely fragmented and competitive industry. In addition, the company commands a competitive advantage in the laminate flooring channel backed by the Laminate and Wood segment's industry-leading design, patented technologies and brands.

Mohawk is making higher internal investments to boost capacity and enter new markets. Although higher inflation and slowing market conditions have been grappling Mohawk over the last few quarters, it selectively invested approximately \$1.5 billion to enhance its long-term performance, primarily in new product categories and geographies, with greenfield projects and acquisitions, cost-saving initiatives and share buyback.

The largest investments during the 2017-2018 period have been the expansion of LVT in the United States and Europe; ceramic capacity increases in the United States, Mexico, Italy, Poland, Bulgaria and Russia; luxury laminate in the United States, Europe and Russia; carpet tile in Europe; sheet vinyl in Russia; countertops in the United States and Europe; and carpet and rugs in the United States.

The company is also adding unique capabilities to introduce differentiated products and anticipates higher productivity improvement in the days ahead.

- **Enough Liquidity to Tide Over COVID-19 Crisis:** As of Mar 28, 2020, the company had cash and cash equivalents of \$263.1 million (of which \$118.5 million was in the United States and \$144.6 million in foreign countries), higher than \$135 million at 2019-end. On Apr 7, 2020, it borrowed \$500 million from the delayed draw term loan facility in order to support liquidity needs during the COVID-19 crisis. Evidently, its total debt to total capital increased to 27.4% in the first quarter from 25.6% in the preceding quarter. Nonetheless, this has boosted liquidity to \$1.3 billion, after it paid off a €300 million note in May 2020. Now, with no other maturities in 2020, Mohawk has enough liquidity to manage and strengthen its position when the economy recovers. Moreover, the company's times interest earned ratio improved to 19.4 from 19.2 in the preceding quarter. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet debt obligations based on the current income.
- **Strategic Initiatives to Boost Performance:** Over the last few quarters, Mohawk has been experiencing various headwinds like softness across the business, inflationary pressure, lower volumes and pricing concerns.

It has undertaken various strategic initiatives to improve profitability. The most significant of these initiatives are aligning ceramic production with demand in the United States, realigning its North American carpet operations, optimizing LVT manufacturing and ramping up new plant. In addition, it has been focusing on new product categories, introducing innovative product extensions and optimizing the recent buyouts. Mohawk is also investing in more sales personnel and marketing to boost its penetration in new and existing products to address ever-changing market needs. In addition, the company is streamlining operations to enhance efficiencies and leveraging automation and process enhancements to lower costs.

Although mix and competitive pressure will offset the positive impact of the price rise in the near term, the above-mentioned initiatives are likely to help the company in the upcoming quarters. Mohawk's shares have outperformed its industry in the past year.

- **Diverse Acquisitions:** An opportunistic approach to acquisitions is an important part of Mohawk's growth strategy. These acquisitions broaden Mohawk's product portfolio, expand its geographic footprint and market share.

In 2018, Mohawk acquired leading flooring companies in Australia, New Zealand and Brazil. In Europe, it bought two flooring distributors and a specialized mezzanine company. It entered into European porcelain slab and carpet tile markets during the year. The company expanded higher-quality ceramic in Eastern Europe, and initiated sheet vinyl production in Russia along with quartz countertop manufacturing in the United States. Much of the benefits from these capital investments will be realized in 2020 and beyond, as it starts to achieve higher volume, mix and productivity.

While these acquisitions have already started contributing to the top line, Mohawk has initiated new investments to enhance its capability and introduce new products.

Last Earnings Report

Mohawk (MHK) Q1 Earnings Miss, Down Y/Y on Lower Demand

Mohawk Industries, Inc. reported lackluster results in first-quarter 2020. Both the top and bottom lines lagged the Zacks Consensus Estimate and declined on a year-over-year basis. The downside was mainly due to softness in retail demand, reduced production volume and unplanned shutdown costs. In the near term, it expects markets to remain under pressure due to COVID-19 impacts.

Mohawk reported adjusted earnings of \$1.66 per share, missing the consensus mark of \$1.67 by 0.6%. Also, the metric declined 22.1% year over year.

Net sales of \$2.29 billion lagged the consensus estimate of \$2.31 billion by 1.1% and fell 6.4% from the year-ago figure of \$2.44 billion. On a constant-currency and days basis, net sales were down 3.5% year over year.

Quarter Ending 03/2020

Report Date	May 04, 2020
Sales Surprise	-1.09%
EPS Surprise	-0.60%
Quarterly EPS	1.66
Annual EPS (TTM)	9.55

Operating Highlights

Adjusted gross profit of \$627.5 million was down 5.4% year over year. Adjusted selling, general and administrative expenses increased 1.7% from the prior-year level. Adjusted operating income totaled \$163.5 million, which declined 20.9% year over year.

Segment Details

Global Ceramic: Sales in the segment totaled \$848.5 million, down 6% year over year. Also, the metric declined 2% on a constant currency and days basis. Adjusted operating margin was down 420 basis points (bps) from the prior-year level due to lower volume, unfavorable price and mix, as well as unplanned shutdown costs.

In each region served, the company lowered production to adapt to market demand. Within the U.S. ceramic business, demand declined at a slower pace as new residential and commercial projects are still being completed. Through February, U.S. ceramic imports were down 18% year over year, with average import pricing up 5%.

In Mexico, first-quarter sales were slightly up from the prior-year quarter, while the sales mix declined due to increased competition, higher inflation and investments to expand commercial distribution. In Brazil, sales improved year over year despite coronavirus impacts. In the European ceramic business, the pandemic resulted in production stoppage but shipments continued. In the Russian business, volume was more than expected as customers increased their inventory levels, anticipating higher inflation.

Flooring North America: Net sales in the segment came in at \$848.3 million, down 8% year over year (declining 5.5% on a constant days basis due to exit of the unprofitable wood and other products unit). Nonetheless, adjusted operating margin improved 140 bps from the prior-year level. Improvements in productivity and reduction in inflation were partially offset by lower volume, price, mix and the COVID-19 outbreak.

The reportable segment mostly gains from the remodeling business. The company noted that most of the retailers have temporarily stopped operations due to the pandemic. During the quarter, LVT and sheet vinyl were stronger, driven by higher daily output and increased uptime. It introduced new collections featuring enhanced design and performance within premium brands.

Its state-of-the-art laminate provides a DIY alternative with realistic visuals, water-proof technology and enhanced durability. In the wood flooring business, it restructured manufacturing operations, and increased productivity and yields.

Flooring Rest of the World: Net sales in the segment fell 5% year over year to \$589 million. On a constant-currency and days basis, sales were flat with the year-ago level. Adjusted operating margin in the segment declined 150 bps on a year-over-year basis due to lower price and mix, volume and shutdown costs, partially offset by reduced inflation and increased productivity.

Its recent investments in rigid LVT, sheet vinyl and carpet tile supported the results in the first quarter. However, laminate volume declined year over year, primarily in countries that are most impacted by the virus outbreak. The company closed the wood flooring plant in the Czech Republic, which will reduce costs in Malaysian operation. The company ceased manufacturing in insulation plants in France and Ireland.

In Australia and New Zealand, sales were slightly up from a year ago owing to growth of hard surfaces and lower pressure on margins by the carpet business. Meanwhile, New Zealand's operations and retail outlets are closed since late March.

Financial Highlights

As of Mar 31, 2020, it had liquidity of \$1.3 billion. Cash and cash equivalents were \$263.1 million compared with \$105.7 million a year ago.

The company obtained a \$500-million term loan to expand liquidity. Long-term debt — less current portion — totaled \$1.51 billion, slightly up from \$1.5 billion at first quarter 2019-end. Net debt was \$2.46 billion.

Trailing 12-month net debt to adjusted EBITDA was 1.7.

COVID-19 Updates

The company's segmental results were strong, given strategic initiatives implemented in 2019. However, coronavirus-led shutdowns impacted all markets served, with the shutting down of retail and manufacturing operations in some of the markets. Demand dropped significantly, mostly in the residential remodeling business. DIY products performed pretty well, as some people started projects while staying home.

To cope with the current situation, it reduced production to adapt to market demand. It also reduced costs, expenses and investments.

Q2 View

The company continues to witness a tough business environment, given lower demand, reduced production volume and economic uncertainty. At April-end, the company generated 35% lower sales. It anticipates operating loss in the second quarter due to the impact of COVID-19.

Valuation

Mohawk shares are down 32.7% in the year-to-date period and 38.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 34.1% and 12.4% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 34.4% and 1.6%, respectively.

The S&P 500 index is down 5.2% in the year-to-date period but up 11.4% in the past year.

The stock is currently trading at 17.1X forward 12-month earnings, which compares to 14.03X for the Zacks sub-industry, 30.95X for the Zacks sector and 22.13X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.41X and as low as 5.67X, with a 5-year median of 15.13X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$79 price target reflects 14.5X forward 12-month earnings.

The table below shows summary valuation data for MHK.

Valuation Multiples - MHK					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.1	14.03	30.95	22.13
	5-Year High	20.41	19.41	30.95	22.13
	5-Year Low	5.67	6.86	16.21	15.23
	5-Year Median	15.13	14.82	19.91	17.49
P/S F12M	Current	0.79	0.46	2.16	3.44
	5-Year High	2.16	1.58	3.19	3.44
	5-Year Low	0.42	0.33	1.67	2.53
	5-Year Median	1.58	1.19	2.52	3.02
EV/EBITDA TTM	Current	6.59	5.1	10.07	11.3
	5-Year High	15.18	12.65	17.65	12.86
	5-Year Low	4.75	4.05	8.26	8.26
	5-Year Median	10.77	8.74	12.24	10.81

As of 06/01/2020

Industry Analysis Zacks Industry Rank: Bottom 5% (240 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Armstrong Flooring, Inc. (AFI)	Neutral	3
Culp, Inc. (CULP)	Neutral	3
SELECT INT CONC (SIC)	Neutral	4
American Woodmark Corporation (AMWD)	Underperform	5
Beacon Roofing Supply, Inc. (BECN)	Underperform	5
BMC Stock Holdings, Inc. (BMCH)	Underperform	5
FloorDecor Holdings, Inc. (FND)	Underperform	3
Interface, Inc. (TILE)	Underperform	4

Industry Comparison Industry: Textile - Home Furnishing				Industry Peers		
	MHK	X Industry	S&P 500	BECN	FND	TILE
Zacks Recommendation (Long Term)	Underperform	-	-	Underperform	Underperform	Underperform
Zacks Rank (Short Term)	5	-	-	5	3	4
VGM Score	B	-	-	A	C	B
Market Cap	6.63 B	95.25 M	21.80 B	1.69 B	5.23 B	495.89 M
# of Analysts	9	3	14	7	12	3
Dividend Yield	0.00%	0.00%	1.97%	0.00%	0.00%	3.07%
Value Score	B	-	-	B	C	B
Cash/Price	0.04	0.10	0.06	0.46	0.05	0.15
EV/EBITDA	5.69	5.34	12.62	11.24	26.78	5.92
PEG Ratio	4.45	2.27	2.92	NA	2.80	NA
Price/Book (P/B)	0.84	0.84	2.98	1.00	6.46	2.07
Price/Cash Flow (P/CF)	4.90	4.90	11.85	3.69	26.69	3.24
P/E (F1)	22.65	25.79	21.45	16.81	61.60	10.22
Price/Sales (P/S)	0.68	0.35	2.30	0.24	2.46	0.37
Earnings Yield	4.42%	3.46%	4.48%	5.93%	1.62%	9.79%
Debt/Equity	0.22	0.77	0.76	2.06	1.61	2.87
Cash Flow (\$/share)	19.01	1.13	6.96	6.66	1.92	2.62
Growth Score	B	-	-	A	C	C
Hist. EPS Growth (3-5 yrs)	0.73%	-2.46%	10.87%	9.47%	NA	11.76%
Proj. EPS Growth (F1/F0)	-59.03%	-58.71%	-10.79%	-35.21%	-27.83%	-47.80%
Curr. Cash Flow Growth	-5.69%	-5.69%	5.46%	11.78%	30.45%	-12.37%
Hist. Cash Flow Growth (3-5 yrs)	7.62%	-0.96%	8.55%	40.23%	48.52%	15.06%
Current Ratio	1.61	2.75	1.29	2.71	1.88	2.32
Debt/Capital	18.26%	37.58%	44.75%	62.56%	61.67%	74.14%
Net Margin	7.47%	3.02%	10.59%	-1.24%	7.39%	-2.25%
Return on Equity	8.75%	6.89%	16.29%	9.42%	17.08%	31.53%
Sales/Assets	0.73	1.32	0.55	1.07	0.93	0.95
Proj. Sales Growth (F1/F0)	-17.33%	-14.25%	-2.67%	-8.19%	-1.53%	-18.19%
Momentum Score	F	-	-	D	A	C
Daily Price Chg	-0.12%	0.00%	0.80%	-0.04%	-1.67%	-0.12%
1 Week Price Chg	11.87%	11.87%	4.60%	8.22%	4.44%	3.54%
4 Week Price Chg	9.53%	9.53%	8.94%	19.29%	28.92%	-5.15%
12 Week Price Chg	-17.17%	-13.88%	8.65%	8.08%	12.35%	-34.82%
52 Week Price Chg	-32.70%	-32.70%	0.08%	-30.03%	41.44%	-42.66%
20 Day Average Volume	726,153	84,223	2,465,511	510,227	1,759,512	447,669
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-36.75%	-15.31%	-0.27%	-16.61%	2.79%	-15.31%
(F1) EPS Est 12 week change	-60.04%	-60.04%	-16.20%	-41.41%	-40.57%	-49.39%
(Q1) EPS Est Mthly Chg	-130.17%	-67.71%	-0.83%	-42.96%	176.92%	-68.75%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	B
Momentum Score	F
VGM Score	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.