

## The Michaels Companies (MIK)

**\$6.67** (As of 07/14/20)

Price Target (6-12 Months): **\$7.25**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 06/03/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**4-Sell**

Zacks Style Scores:

VGM:C

Value: B

Growth: F

Momentum: B

### Summary

Shares of Michaels have outpaced the industry in the past three months. Despite dismal first-quarter fiscal 2020 results, the company's initiatives to reopen stores in a phased way boosted the stock. Further, its newly-launched delivery options, including curbside pick-up, same day delivery, expanded ship-from-store and BOPIS capabilities, as well as in-app purchases are driving e-commerce sales. Also, solid demand for canvas, paint, kids' crafts bodes well for Maker strategy, which is expected to remain positive in fiscal 2020 and beyond. However, temporary store closures in March due to COVID-19 hurt quarterly results. The bottom line was hurt by lower sales and margins, somewhat offset by a fall in SG&A expenses. Weak margin trends and rising costs have been persistent concerns for the company and are likely to continue.

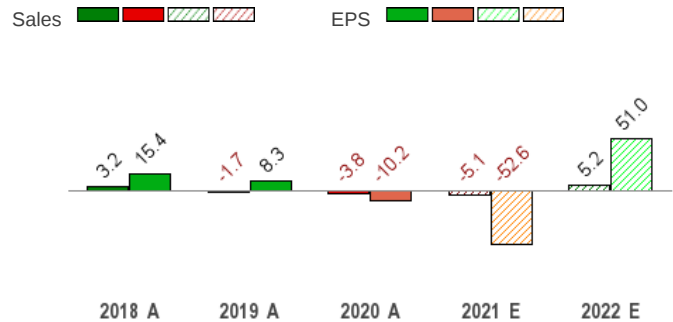
### Price, Consensus & Surprise



### Data Overview

|                            |                                        |
|----------------------------|----------------------------------------|
| 52 Week High-Low           | <b>\$11.10 - \$1.00</b>                |
| 20 Day Average Volume (sh) | <b>4,213,247</b>                       |
| Market Cap                 | <b>\$982.8 M</b>                       |
| YTD Price Change           | <b>-17.6%</b>                          |
| Beta                       | <b>2.71</b>                            |
| Dividend / Div Yld         | <b>\$0.00 / 0.0%</b>                   |
| Industry                   | <a href="#">Retail - Miscellaneous</a> |
| Zacks Industry Rank        | <b>Top 42% (105 out of 251)</b>        |

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



|                           |                   |
|---------------------------|-------------------|
| Last EPS Surprise         | <b>-530.0%</b>    |
| Last Sales Surprise       | <b>-16.4%</b>     |
| EPS F1 Est- 4 week change | <b>0.0%</b>       |
| Expected Report Date      | <b>09/02/2020</b> |
| Earnings ESP              | <b>0.0%</b>       |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2022 |         |         |         |         | 5,067 E |
| 2021 | 800 A   | 1,001 E | 1,172 E | 1,695 E | 4,815 E |
| 2020 | 1,094 A | 1,034 A | 1,222 A | 1,723 A | 5,072 A |

### EPS Estimates

|      | Q1        | Q2        | Q3       | Q4       | Annual*  |
|------|-----------|-----------|----------|----------|----------|
| 2022 | \$0.07 E  | \$0.12 E  | \$0.23 E | \$1.08 E | \$1.51 E |
| 2021 | -\$0.43 A | -\$0.07 E | \$0.26 E | \$1.09 E | \$1.00 E |
| 2020 | \$0.31 A  | \$0.19 A  | \$0.40 A | \$1.26 A | \$2.11 A |

\*Quarterly figures may not add up to annual.

|         |            |
|---------|------------|
| P/E TTM | <b>4.7</b> |
| P/E F1  | <b>6.7</b> |
| PEG F1  | <b>1.1</b> |
| P/S TTM | <b>0.2</b> |

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/14/2020. The reports text is as of 07/15/2020.

## Overview

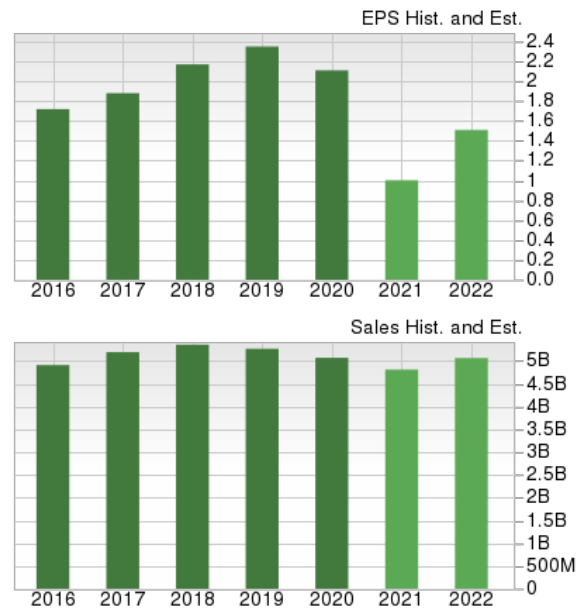
Based in Irving, TX, The Michaels Companies, Inc. is one of the leading arts and crafts specialty retailers in North America on the basis of store count. The company provides materials, project ideas and education for creative activities. It delivered \$5,072 million in sales in fiscal 2019.

The company's stores offer stock-keeping units (SKUs) in arts, crafts, floral, framing, home decor and seasonal merchandise, and do-it-yourself home decorator. It produces exclusive private brands, which include Recollections, Studio Decor, Bead Landing, Creatology, Ashland, Celebrate It, ArtMinds, Artist's Loft, Craft Smart, Loops & Threads, Make Market, Imagin8, and Sticky Sticks, among others. Michaels' private brands contributed about 60% to net sales in fiscal 2019.

Its crafting classes, store events, store displays, mobile applications and online videos, offer an omni-channel shopping experience that can inspire creativity and build confidence in customers' artistic abilities.

Additionally, the company has partnerships with popular brands such as Crayola, Elmer's and Cricut. It also owns Artistree, a producer of top-quality custom and framing merchandise; and Darice which is a premier wholesale distributor in the craft, gift and decor industry.

As of Feb 1, 2020, it operated 1,274 Michaels stores across 49 states and Canada. Further, the company serves through various digital platforms, namely, Michaels.com, Canada.michaels.com, ConsumerCrafts.com, Darice.com, AaronBrothers.com and the Michaels app.



In March 2018, Michaels decided to close all of its Aaron Brothers stores. In January 2019, it closed all 36 of Pat Catan's stores.



---

## Reasons To Buy:

▲ **Store Reopening Plans Boost Stock:** Michaels is gradually opening stores in a phased manner, in coherence with the health guidelines. As of May 2, 2020, less than 500 stores reopened. Further, 1,000 stores have reopened as of Jun 4, 2020. At the reopened stores, the company is witnessing encouraging trends. Moving on, it envisions reopening 1,273 stores by the end of June. This might have boosted investors' sentiments. We note that shares of this company have surged 199.1% in the past three months compared with the industry's growth of 24.6%.

▲ **Strategic Initiatives:** Michaels has embarked on a customer-centric, core 'Maker' strategy which aims at building the business better, leveraging digital and data, and repositioning the business. In this regard, it opened its first Maker store in McKinney, TX. The store offers personalized assortment, better layout, improved services and a host of omni-channel capabilities. During the first quarter, the company witnessed solid demand for canvas, paint, kids' crafts categories. Going ahead, the company plans to open more such stores in fiscal 2020. Management remains optimistic about Maker strategy and foresees positive momentum in fiscal 2020 and beyond. Additionally, the company tested a rewards program in the fourth quarter and received positive feedback for the same. This program has now been rolled out.

The company is shifting to store selling culture, crafting a customer-centric assortment, optimizing pricing and promotions, and maximizing marketing productivity to build a better business. It launched a store-selling initiative in August 2019 to shift from a task-based store culture to serving customers and selling. Further, it is progressing well to maximize marketing productivity through its media-mix model, wherein it will shift to higher productivity media options such as digital and addressable TV, without increasing the spending. Michaels also implemented a pricing and promotion strategy, which is likely to help in optimizing discounts and improving customers' perception of the value it offers through discounts, coupons and other promotional activities.

▲ **Enhancing Omni-Channel Experience:** Michaels remains focused on integrating its e-commerce and in-store operations to enhance the omni-channel experience. Notably, the e-commerce platform has been a growing contributor to sales since its launch in 2014. In first-quarter fiscal 2020, e-commerce sales surged significantly to \$118.8 driven by new delivery options, including curbside pick-up, same day delivery, expanded ship-from-store and BOPIS capabilities, as well as in-app purchases. Moving further, management foresees e-commerce sales growth to continue in the near term. Moreover, the company is also putting together additional data analytics into its supply chain, inventory, and marketing programs, which should help expand operating margins over time. These apart, efforts such as optimizing digital spending, enhancing web capabilities and customizing website as per consumer preferences bode well.

▲ **Financial Flexibility:** Michaels' ended first-quarter fiscal 2019 with \$926.8 million in cash on its balance sheet, which reflects more than two-folds hike on a sequential basis. The cash balance at the end of the first quarter included \$600 million draw down from its revolving credit facility. Further, total debt of \$2,639.1 million fell 0.2% sequentially at the end of the first quarter of fiscal 2020 (May 2, 2020). Moreover, at the end of the first quarter, the company's debt-to-capitalization ratio was a respectable 1.44 compared to 1.5 reported in the last quarter. Post the first quarter, it repaid debt of \$300 million from the credit facility. This leaves it with sufficient liquidity for the near future. Such efforts make it well poised to remain financially stable in the near term.

---

Michaels is on track with solid e-commerce efforts like BOPUS, the core 'maker' strategy, which bode well for long-term profitability. Also, store reopening efforts appears encouraging.

---

## Reasons To Sell:

- ▼ **Soft Q1 Results:** Michaels posted drab first-quarter fiscal 2020 results, wherein the bottom and top lines declined on a year-over-year basis. Results were negatively impacted by temporary store closures stemming from COVID-19 situation. The decline in bottom line can be mainly attributed to lower sales and margins, somewhat offset by a fall in SG&A expenses. Further, comparable store sales (comps) fell 27.6%. Moreover, management did not provide any fiscal 2020 guidance due to the uncertain impacts of the ongoing COVID-19 outbreak.
- ▼ **Sluggish Margins, A Worry:** Michaels has been witnessing weakness in margins for the past few quarters. Notably, gross profit declined 46.9% year over year to \$221.8 million and gross margin contracted significantly to 27.7% from 38.2% in the last-year quarter. Lower gross margin can be attributed to deleverage in occupancy and distribution costs stemming from the ongoing pandemic along with high tariffs and negative channel mix. This also led to adjusted operating loss of \$60.4 million against adjusted operating income of \$101.4 million in the last-year quarter. Prior to this, gross margin contracted 250 bps and 150 bps in the preceding two quarters. Persistence of this trend is likely to weigh on the company's bottom line.
- ▼ **High Cost, a Concern:** Although SG&A expenses decreased 14% to \$281.3 million, the metric as a percentage of sales, including pre-opening costs, increased 590 bps to 35.2%. Prior to this, it increased 20 bps, as a percentage of sales, in the preceding quarter. Moreover, the company incurred costs of roughly \$15 million due to COVID-19 impacts. Post the reopening of some stores in May, average cost rose 11%. Costs related to COVID-19 in this quarter totaled approximately \$15 million. Going ahead, management expects to incur further cost of \$46-\$52 million in relation to the closure of its Darice wholesale operations.
- ▼ **Competitive Pressure:** Michaels operates in a highly fragmented market, which comprises stores in the United States and Canada. As a result, Michaels faces intense competition from multi-store chains, mass merchandisers, independent and local specialty players, as well as online retailers. It competes with these players on grounds of pricing strategies, store location, availability of financial, distribution and marketing resources, breadth of selection and, quality of merchandise and customer service. The company's inability to stay afloat amid such competition may result in loss of market share and adversely impact its business.

Michaels Q1 results were affected by temporary store closures stemming from the COVID-19 crisis. The bottom line was hurt by lower sales and margins, somewhat offset by a fall in SG&A expenses.

## Last Earnings Report

### Michaels Companies Reports Q1 Loss, Misses on Sales

Michaels Companies posted drab first-quarter fiscal 2020 results, wherein the bottom and top lines declined on a year-over-year basis. Results were negatively impacted by temporary store closures. Further, management refrained from issuing any guidance for fiscal 2020, citing unprecedented impacts of COVID-19.

However, the company has made significant transformations by enhancing digital and other omnichannel capabilities. Additionally, management is witnessing encouraging trends with the reopening of stores.

Quarter Ending **04/2020**

| Report Date      | Jun 04, 2020 |
|------------------|--------------|
| Sales Surprise   | -16.35%      |
| EPS Surprise     | -530.00%     |
| Quarterly EPS    | -0.43        |
| Annual EPS (TTM) | 1.42         |

### Q1 Numbers

Michaels' loss was 43 cents per share against adjusted earnings of 31 cents in the prior-year quarter. Also, the figure missed the Zacks Consensus Estimate of 10 cents. This downside can be mainly attributed to lower sales and margins, somewhat offset by a fall in SG&A expenses.

Net sales of this arts and crafts specialty retailer declined 26.9% year over year to \$800 million and fell short of the Zacks Consensus Estimate of \$956 million. Sales declined year over year due to temporary store closures stemming from the COVID-19 pandemic. Further, comparable store sales (comps) fell 27.6%. Since stores reopened in May, the company has witnessed solid demand, resulting in comps growth of 11%.

On the flip side, e-commerce surged significantly to \$118.8 million, driven by new delivery options, including curbside pick-up, same-day delivery, expanded shipment from store and BOPIS as along with in-app purchases. This helped in providing some cushion to sales.

Gross profit declined 46.9% year over year to \$221.8 million and gross margin contracted significantly to 27.7% from 38.2% in the last-year quarter. Lower gross margin can be attributed to deleverage in occupancy and distribution costs stemming from the ongoing pandemic along with higher tariffs and negative channel mix.

SG&A expenses, including pre-opening costs, decreased 14% to \$281.3 million. As a percentage of sales, SG&A expenses, including pre-opening costs, increased 590 bps to 35.2%.

Adjusted operating loss was \$60.4 million against adjusted operating income of \$101.4 million in the prior-year quarter. This might be due to lower gross profit, somewhat offset by a decline in SG&A expenses.

### Financial Position

Michaels had cash and equivalents of \$926.8 million, long-term debt of \$2,639.1 million and total stockholders' deficit of \$1,515.4 million as of May 2, 2020. Total merchandise inventory inched up 0.8% to \$1,110.8 million at the end of the quarter under review.

In March, the company withdrew \$600 million from its revolving credit facility. Post the first quarter, it repaid debt of \$300 million from the credit facility. This leaves it with sufficient liquidity for the near future. Going ahead, it anticipates utilizing this cash position to fund capital expenditures, working capital and debt.

### Store Update

As of May 2, 2020, less than 500 stores were reopened. However, curbside pickup and ship-from-store facilities are being used for fulfillment by certain closed stores.

Meanwhile, the company highlighted that 1,000 stores reopened as of Jun 4, 2020. These stores are following the local health guidelines and further envision to reopen 1,273 stores by the end of June.

### Looking Ahead

On May 14, Michaels revealed plans of closing its Darice wholesale operations. This move, which is expected to be concluded by Nov 30, came after the completion of a strategic review. The company further noted that it will keep the sourcing-related office in China and incur a cost of \$46-\$52 million.

In addition to this, the company has completed successful testing of its loyalty program and now expects to launch it later in fiscal 2020. Apart from these, management foresees positive cash flow in the second half of fiscal 2020.

---

## Valuation

Michaels shares are down 17.6% in the year-to-date period and 27% for the trailing 12-month period. Stocks in the Zacks sub-industry is down 11.7% but the Zacks Retail-Wholesale sector is up 20.9% in the year-to-date period. Over the past year, the Zacks sub-industry is down 19% but the sector is up 24.9%.

The S&P 500 index is down 1.8% in the year-to-date period but up 5.8% in the past year.

The stock is currently trading at 5.41X forward 12-month earnings, which compares to 22.25X for the Zacks sub-industry, 34.87X for the Zacks sector and 22.45X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.89X and as low as 0.66X, with a 5-year median of 8.63X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$7.25 price target reflects 5.88X forward 12-month earnings.

The table below shows summary valuation data for MIK

| Valuation Multiples - MIK |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 5.41  | 22.25        | 34.87  | 22.45   |
|                           | 5-Year High   | 14.89 | 24.2         | 34.87  | 22.45   |
|                           | 5-Year Low    | 0.66  | 11.52        | 19.07  | 15.25   |
|                           | 5-Year Median | 8.63  | 15.98        | 23.42  | 17.52   |
| P/S F12M                  | Current       | 0.2   | 0.74         | 1.21   | 3.51    |
|                           | 5-Year High   | 1.16  | 1.16         | 1.21   | 3.51    |
|                           | 5-Year Low    | 0.04  | 0.51         | 0.82   | 2.53    |
|                           | 5-Year Median | 0.69  | 0.9          | 0.97   | 3.02    |
| EV/EBITDA TTM             | Current       | 11.17 | 11.53        | 17.96  | 11.72   |
|                           | 5-Year High   | 11.86 | 12.39        | 18.33  | 12.86   |
|                           | 5-Year Low    | 5.1   | 6.44         | 11.12  | 8.25    |
|                           | 5-Year Median | 7.61  | 9.55         | 12.9   | 10.87   |

As of 07/14/2020

---

## Industry Analysis Zacks Industry Rank: Top 42% (105 out of 251)



## Top Peers

| Company (Ticker)                  | Rec        | Rank |
|-----------------------------------|------------|------|
| MarineMax, Inc. (HZO)             | Outperform | 1    |
| Sally Beauty Holdings, Inc. (SBH) | Outperform | 1    |
| Tractor Supply Company (TSKO)     | Outperform | 2    |
| DICKS Sporting Goods, Inc. (DKS)  | Neutral    | 3    |
| Five Below, Inc. (FIVE)           | Neutral    | 3    |
| KAR Auction Services, Inc (KAR)   | Neutral    | 4    |
| Regis Corporation (RGS)           | Neutral    | 4    |
| Ulta Beauty Inc. (ULTA)           | Neutral    | 4    |

| Industry Comparison Industry: Retail - Miscellaneous |           |            |           | Industry Peers |            |           |
|------------------------------------------------------|-----------|------------|-----------|----------------|------------|-----------|
|                                                      | MIK       | X Industry | S&P 500   | KAR            | SBH        | ULTA      |
| Zacks Recommendation (Long Term)                     | Neutral   | -          | -         | Neutral        | Outperform | Neutral   |
| Zacks Rank (Short Term)                              | 4         | -          | -         | 4              | 1          | 4         |
| VGM Score                                            | C         | -          | -         | D              | C          | D         |
| Market Cap                                           | 982.76 M  | 1.08 B     | 21.89 B   | 1.70 B         | 1.54 B     | 10.81 B   |
| # of Analysts                                        | 4         | 5.5        | 14        | 8              | 8          | 7         |
| Dividend Yield                                       | 0.00%     | 0.13%      | 1.86%     | 5.78%          | 0.00%      | 0.00%     |
| Value Score                                          | B         | -          | -         | B              | A          | B         |
| Cash/Price                                           | 0.98      | 0.27       | 0.07      | 0.24           | 0.26       | 0.10      |
| EV/EBITDA                                            | 6.31      | 7.36       | 12.84     | 6.73           | 4.78       | 10.15     |
| PEG Ratio                                            | 1.09      | 3.45       | 2.92      | 6.81           | 2.80       | 3.69      |
| Price/Book (P/B)                                     | NA        | 1.19       | 3.06      | 1.08           | NA         | 6.16      |
| Price/Cash Flow (P/CF)                               | 2.18      | 4.99       | 11.89     | 4.99           | 4.29       | 11.11     |
| P/E (F1)                                             | 6.82      | 15.73      | 21.54     | 37.71          | 11.51      | 46.78     |
| Price/Sales (P/S)                                    | 0.21      | 0.39       | 2.27      | 0.62           | 0.41       | 1.58      |
| Earnings Yield                                       | 14.99%    | 5.29%      | 4.38%     | 2.66%          | 8.65%      | 2.14%     |
| Debt/Equity                                          | -2.62     | 0.98       | 0.76      | 1.41           | -29.14     | 1.45      |
| Cash Flow (\$/share)                                 | 3.06      | 3.12       | 6.94      | 2.63           | 3.18       | 17.27     |
| Growth Score                                         | F         | -          | -         | F              | D          | F         |
| Hist. EPS Growth (3-5 yrs)                           | 6.28%     | 8.20%      | 10.85%    | 1.55%          | 8.20%      | 22.48%    |
| Proj. EPS Growth (F1/F0)                             | -52.49%   | -49.90%    | -9.64%    | -66.47%        | -47.57%    | -65.55%   |
| Curr. Cash Flow Growth                               | -14.92%   | 6.68%      | 5.51%     | -41.97%        | 0.84%      | 5.84%     |
| Hist. Cash Flow Growth (3-5 yrs)                     | 1.68%     | 2.61%      | 8.55%     | -4.24%         | 2.83%      | 20.48%    |
| Current Ratio                                        | 1.20      | 1.45       | 1.30      | 1.34           | 1.58       | 2.49      |
| Debt/Capital                                         | NA%       | 58.47%     | 44.46%    | 58.47%         | 99.86%     | 59.23%    |
| Net Margin                                           | 3.59%     | 3.06%      | 10.54%    | 4.15%          | 5.45%      | 6.37%     |
| Return on Equity                                     | -13.67%   | 9.84%      | 15.75%    | 7.42%          | -491.27%   | 24.36%    |
| Sales/Assets                                         | 1.22      | 1.26       | 0.54      | 0.43           | 1.55       | 1.36      |
| Proj. Sales Growth (F1/F0)                           | -5.06%    | -4.57%     | -2.52%    | -25.33%        | -9.75%     | -11.97%   |
| Momentum Score                                       | B         | -          | -         | F              | F          | C         |
| Daily Price Chg                                      | 5.04%     | 1.20%      | 1.60%     | 0.46%          | 6.56%      | -0.40%    |
| 1 Week Price Chg                                     | -6.28%    | -1.86%     | -0.41%    | -1.86%         | -4.36%     | -3.73%    |
| 4 Week Price Chg                                     | 8.10%     | -3.35%     | -0.71%    | -16.03%        | -0.80%     | -15.03%   |
| 12 Week Price Chg                                    | 233.50%   | 47.69%     | 15.18%    | 7.35%          | 68.60%     | -4.78%    |
| 52 Week Price Chg                                    | -27.02%   | -3.32%     | -6.45%    | -47.30%        | 10.44%     | -46.76%   |
| 20 Day Average Volume                                | 4,213,247 | 712,731    | 2,246,780 | 2,840,331      | 1,678,235  | 1,418,001 |
| (F1) EPS Est 1 week change                           | 0.00%     | 0.00%      | 0.00%     | -3.46%         | -0.21%     | 0.00%     |
| (F1) EPS Est 4 week change                           | 0.00%     | 0.00%      | 0.00%     | -9.12%         | 6.28%      | -4.63%    |
| (F1) EPS Est 12 week change                          | -25.33%   | -27.53%    | -6.22%    | -61.41%        | -29.73%    | -55.88%   |
| (Q1) EPS Est Mthly Chg                               | 0.00%     | 0.00%      | 0.00%     | -11.71%        | -12.32%    | -23.05%   |

---

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