

Altria Group, Inc. (MO)

\$42.12 (As of 02/26/20)

Price Target (6-12 Months): **\$44.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 05/01/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: B

Momentum: A

Summary

Altria's shares have lagged the industry in the past three months. The company is grappling with lower cigarette volumes, which remained a concern in fourth-quarter 2019. Further, management expects domestic cigarette industry volumes to drop 4-6% in 2020. To this end, tight regulations surrounding sales and marketing of cigarettes along with consumers' rising health awareness are deterrents. Apart from this, the company was disappointed with its 2019 JUUL investment results, which led to lowered earnings view for 2020-2022. Nonetheless, prudent pricing strategies continued to aid Altria's OCI in both units during the fourth quarter. Also, its cost-reduction plans bode well. Additionally, the company is making expansions in the smokeless products arena, which is evident from the launch of IQOS and the commercialization of on!

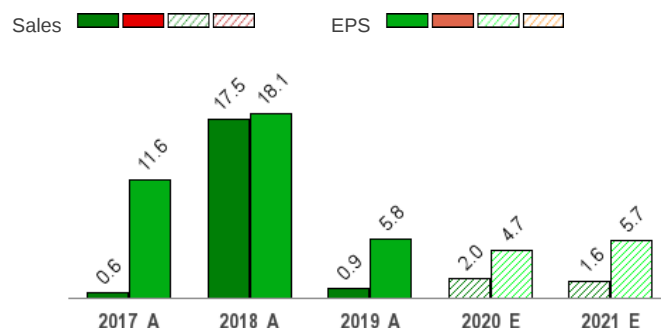
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$57.88 - \$39.30
20 Day Average Volume (sh)	9,961,162
Market Cap	\$78.3 B
YTD Price Change	-15.6%
Beta	0.50
Dividend / Div Yld	\$3.36 / 8.0%
Industry	Tobacco
Zacks Industry Rank	Bottom 18% (208 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.0%
Last Sales Surprise	-1.9%
EPS F1 Est- 4 week change	0.3%
Expected Report Date	04/23/2020
Earnings ESP	0.0%
P/E TTM	10.3
P/E F1	9.6
PEG F1	1.5
P/S TTM	3.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,624 E	5,304 E	5,500 E	4,892 E	20,527 E
2020	4,587 E	5,240 E	5,444 E	4,852 E	20,195 E
2019	4,389 A	5,193 A	5,412 A	4,802 A	19,796 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.07 E	\$1.22 E	\$1.29 E	\$1.12 E	\$4.67 E
2020	\$0.99 E	\$1.16 E	\$1.22 E	\$1.04 E	\$4.42 E
2019	\$0.90 A	\$1.10 A	\$1.08 A	\$1.02 A	\$4.22 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 02/26/2020. The reports text is as of 02/27/2020.

Overview

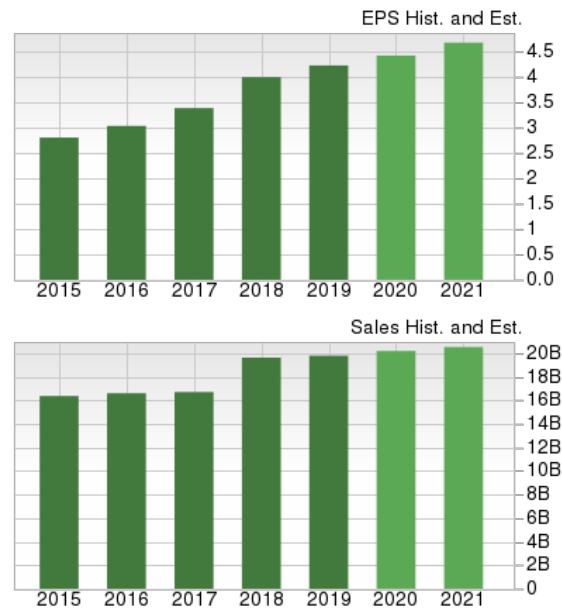
Altria Group has been evolving with the changing industry dynamics. Given the rising health consciousness and stern government regulations to discourage smoking, this tobacco behemoth has been moving beyond traditional cigarettes and expanding in the Smokeless category. We note that revenues from the Smokeless product category have been steadily rising on the back of growing popularity for reduced risk products. In this respect, Altria is gaining from the sale of IQOS in United States, through its licensing deal with Phillip Morris. Further, Altria's investment in Cronos Group highlights its focus on exploring the cannabis market.

This Richmond-based company specializes in cigarettes, smokeless products and wine. It is the holding company for Philip Morris USA, Inc. (PM USA), U.S. Smokeless Tobacco Company LLC (UST), John Middleton Inc., Sherman Group Holdings, LLC and its subsidiaries — Ste. Michelle Wine Estates Ltd. (Ste. Michelle) and Philip Morris Capital Corporation (PMCC).

At Dec 31, 2019, Altria had an approximate 10.1% ownership in Anheuser-Busch InBev SA/NV (AB InBev). It also holds investments in JUUL and Burger Sohne Holding AG. Altria reports under the following segments on the basis of products:

- **Smokeable Products (87.6% of 2019 Sales):** The segment, which comprises mainly of PM USA, sells major brands like Marlboro cigarettes, Virginia Slims cigarettes and Parliament cigarettes.
- **Smokeless Tobacco (9.4%):** The segment was formed after the acquisition of UST and its smokeless tobacco business in Jan 2009. The smokeless products segment includes brands like Copenhagen, Skoal, Red Seal, Husky and Marlboro Snus, a PM USA spit-less smokeless tobacco product.
- **Wine (2.7%):** The segment was formed after the acquisition of UST and its premium wine business — Ste. Michelle. The main brands are Chateau Ste. Michelle and Columbia Crest. The company also owns wineries or distributes wines from several other wine regions and foreign countries.
- **All Other (0.3%):** Altria holds investments in finance leases, principally in transportation (including aircraft), power generation and manufacturing equipment and facilities.

Products of the company are mainly sold through distributors, wholesalers and large retail chains.



Reasons To Buy:

▲ **Strong Pricing a Driver:** Altria's strong pricing has helped it stay afloat in the industry even in the face of declining cigarette volumes. Though higher pricing might lead to possible decline in cigarette consumption, it is seen that smokers tend to absorb price increases owing to the addictive quality of cigarettes. In fourth-quarter 2019, higher pricing boosted adjusted OCI growth in both smokeable and smokeless segments. Continuation of such trends is likely to continue aiding Altria's OCI and bottom line. Incidentally, fourth-quarter adjusted earnings of \$1.02 per share rose 7.4% year over year and beat the Zacks Consensus Estimate by a penny. This was backed by higher pricing, solid cost savings and lower promotional expenditure.

The company gains from strategic pricing for its smokeable and smokeless products. Moreover, it is striving to expand in the reduced risk tobacco products space.

▲ **Efforts to Expand Smokeless Tobacco & Other Categories:** There has been a general shift among consumers toward low-risk, smokeless tobacco products due to serious health hazards of smoking cigarettes. Altria has been responding to the changing market scenario by offering several reduced risk tobacco products (RRPs). We note that revenues from the Smokeless product category have been steadily rising. During the fourth and third quarters of 2019, revenues in the unit advanced 5.8% each, while it rose 4% in the second quarter. Continuation of such trends is likely to fuel Altria in the forthcoming periods. In 2019, the company made considerable progress in its noncombustible business platform despite the challenges related to its investment of 35% stake in JUUL. Growth in the noncombustible business was backed by the launch of IQOS as well as the commercialization of on! Further, the company continues to make increased investments in the commercialization of IQOS as well as the expansion of on!'s U.S. distribution.

Altria is undertaking dedicated endeavors to bolster presence in the RRP space. In this respect, the marketing and technology sharing agreement between Altria and Philip Morris, pertaining to the sale of IQOS in the United States, has been approved by the FDA. IQOS, which has been faring well internationally, is expected to boost Altria's performance in the United States as well. In 2019, IQOS was commercialized in Atlanta, GA, and Richmond, VA. Additionally, Altria (through its subsidiary Helix Innovations) acquired 80% stake in certain companies of Burger Group, which is engaged in the commercialization of the oral tobacco-derived nicotine (TDN) pouch product — on! Management believes that on! is a worthwhile addition to Altria's smokeless portfolio, as oral TDN products are gaining popularity in the United States owing to their low risk claims. Notably, on! is now available in 15,000 stores nationally. Also, on! is expected to be manufactured at Richmond Manufacturing Center in the first quarter of 2020.

Further, Altria is undertaking efforts to expand in the cannabis industry. This is evident from the acquisition of stakes of the Canadian cannabis company, Cronos Group, for nearly \$1.8 billion. We expect Altria's efforts to strengthen presence in the nascent but booming cannabis space is likely to boost growth in the forthcoming periods.

▲ **Cost Reduction Efforts:** The company is progressing well with its cost-reduction initiatives. Markedly, Altria generated annualized cost savings of \$600 million during 2019, surpassing its Cost Reduction Program target of \$575 million. The program includes savings generated through reductions in workforce and third-party spending as well as the closure of Nu Mark operations.

▲ **Enhances Shareholders' Value:** Altria has been consistently returning value to shareholders through dividend payouts and share buybacks. In 2019, Altria repurchased 16.5 million shares for nearly \$845 million. As of Dec 31, 2019, the company had shares worth \$500 million remaining under its ongoing repurchase plan of \$1 billion. The program is expected to conclude by the end of 2020. Apart from this, the company anticipates maintaining a dividend payout ratio of nearly 80% of adjusted earnings per share from 2020 through 2022.

Reasons To Sell:

▼ **JUUL Investment Headwinds & Lowered View, Stock Underperforms:** In fourth-quarter 2019, Altria recorded a non-cash pre-tax impairment charge of \$4.1 billion associated with its JUUL investment. Also, the company recorded charges worth \$8.6 billion in 2019, which brought down the value of Altria's investment in JUUL to \$4.2 billion as of Dec 31, 2019. This is mainly accountable to the increasing legal cases against JUUL. Notably, management stated that it was disappointed with the results of its JUUL investments in 2019 and remains skeptical about the current state of the e-vapor category. Markedly, Altria revised its terms related to the JUUL investment. The company will continue to offer regulatory affair services to JUUL, which includes support in preparing and submitting PMTA filings by May 2020. However, Altria will cease all other services by the end of March. Also, per the updated deal terms, JUUL will establish a new board after securing antitrust clearance from the FTC.

Management expects domestic cigarette industry volume to decline in 2020. This is most likely to be triggered by consumers growing health awareness and regulatory barriers.

Finally, Altria lowered its compounded annual adjusted earnings per share growth outlook for the 2020-2022 period, mainly because it currently has no equity earnings contribution expectations from JUUL till 2022. Consequently, the company now envisions compounded annual adjusted EPS growth of 4-7% for the said timeframe compared with the prior view of 5-8% growth. These factors along with continued decline in cigarette volumes have been playing on investors' sentiments. Shares of the company have dipped 15.3% in the past three months, compared with the industry's drop of 1.7%.

▼ **Cigarette Volumes to Remain Soft:** The company has long been struggling with weak shipment volumes in the smokeables unit. During the fourth quarter of 2019, net revenues in the smokeable products category fell 2.7% year over year to \$5,159 million due to lower shipment volumes. Reported domestic cigarette shipment volumes decreased 8.7% year over year due to adverse trade inventory movements, the cigarette industry's rate of decline and retail share losses. During the quarter, the company's total cigarette retail share declined 0.4 percentage point to 49.5%.

Cigarette shipment volumes are being adversely impacted by anti-tobacco campaigns and increased consumer awareness regarding the harmful impacts of tobacco consumption. Regulatory hurdles (discussed below) are also a vital factor limiting the marketing of cigarettes, thereby adversely impacting its sales volume. This has been hurting Altria's smokeable product category. Such industry-wide headwinds are likely to persist in the forthcoming periods. Altria expects the domestic cigarette industry's adjusted volumes to decline 4-6% in 2020.

▼ **Regulatory Restrictions on Tobacco Consumption:** Government bodies across different nations are imposing restrictions on tobacco companies. The U.S. Food and Drug Administration (FDA) has made it mandatory for tobacco companies to use precautionary labels on cigarette packets to dissuade customers from smoking. Also, per court orders, Altria and other cigarette manufacturers have been directed to put up self-critical advertisements on television and newspapers to dissuade customers from smoking.

The FDA had also announced that tobacco makers must seek marketing authorization for any tobacco product introduced after Feb 15, 2007. In May 2016, the FDA expanded this restriction to include e-cigarettes, pipe tobacco, cigars and hookah alongside traditional tobacco products. Moreover, the European Union and the FDA proposed a ban on menthol in accordance with the Tobacco Control Act which essentially states that menthol cigarettes have an adverse impact on public health. In recent developments, the FDA raised concerns surrounding the consumption of e-cigarettes. Regulatory authorities are particularly concerned about the high use of these products among the youth.

▼ **Challenging Industry Landscape & Limited Suppliers:** The tobacco industry witnesses high volatility due to consumers changing preferences, as evident from the rising demand for reduced risk and flavored tobacco offerings. As a result, it is essential for Altria to frequently update its offerings to match consumer's needs. Failure to do so might radically impact the company's market share. Moreover, changes in consumer preferences and regulatory hurdles may cause the company to recall products, which may drastically impact financial strength. Additionally, Altria depends on a limited number of suppliers and facilities to manufacture tobacco products. Any hindrance emerging from the supply end can lead to adverse business impacts.

Last Earnings Report

Altria's Q4 Earnings Beat Estimates, Revenues Down Y/Y

Altria Group released fourth-quarter 2019 results. Adjusted earnings came in at \$1.02 per share, which rose 7.4% year over year and beat the Zacks Consensus Estimate by a penny. The uptick can be attributed to increased adjusted operating companies income (OCI) in the smokeable and smokeless product segments and higher adjusted earnings from the company's equity investment in AB InBev. These were partly offset by elevated interest expenses.

Net revenues dipped 1.8% year over year to \$6,007 million. Revenues, after deducting excise taxes, remained almost flat at \$4,802 million. The consensus mark was \$4,897 million. Revenues were hurt by softness in the smokeable unit, which was somewhat compensated by an increase in smokeless product revenues.

Gross profit in the quarter advanced 5.5% to \$3,084 million from the prior-year quarter. Notably, reported OCI increased 29.9% to 2,488 million and operating income rose 39.2% to \$2,427 million.

Segment Details

Smokeable Products: Net revenues in the category fell 2.7% year over year to \$5,159 million due to lower shipment volumes, partly offset by higher pricing and reduced promotional investments. Revenues, net of excise taxes, dipped 0.5% year over year to \$3,991 million.

Reported domestic cigarette shipment volumes decreased 8.7% year over year due to adverse trade inventory movements, the cigarette industry's rate of decline and retail share losses. During the quarter, the company's total cigarette retail share declined 0.4 percentage point to 49.5%. Meanwhile, reported cigar shipment volumes rose 4.6%. Adjusted OCI in the segment improved 10.1% to \$2,187 million, owing to better pricing as well as reduced costs and promotional spending. Adjusted OCI margins rose 5.3 percentage points to 54.8%.

Smokeless Products: Net revenues in the segment improved 5.8% from the year-ago quarter to \$605 million, driven by higher pricing and reduced promotional investments. These were partially countered by lower shipment volumes. Revenues, net of excise taxes, increased 6.1% to \$574 million in the quarter.

Domestic shipment volumes for the segment fell 4% due to the industry's rate of decline, retail share losses and calendar differences, among other factors. Total smokeless products retail share went down 0.1 percentage point to 53.9%. Adjusted OCI rose 9.7% to \$395 million, owing to improved pricing, reduced promotional investments and lower costs. These were partially offset by lower shipment volumes. Adjusted OCI margin expanded 2.3 percentage points to 68.8%.

Wine: Net revenues climbed 2% year on year to \$206 million, owing to increased shipment volumes. The segment's revenues, net of excise taxes, also increased 2% to \$200 million. Reported wine shipment volumes grew 2.6% to about 2.4 million cases. Adjusted OCI in the category declined 25.8% to \$23 million as a result of escalated costs. Adjusted OCI margin contracted 4.3 percentage points to 11.5%.

Financial Updates

In 2019, Altria repurchased 16.5 million shares for nearly \$845 million. As of Dec 31, 2019, the company had shares worth \$500 million remaining under its ongoing repurchase plan of \$1 billion. The program is expected to conclude by the end of 2020. Apart from this, the company anticipates maintaining a dividend payout ratio of nearly 80% of adjusted earnings per share from 2020 through 2022. Capital expenditures in 2020 are envisioned in the range of \$225-\$275 million.

Other Developments & Guidance

Management remains pleased with its 2019 results, wherein core tobacco businesses delivered a solid performance. Also, the company exceeded its savings target and hiked dividends for the 54th time. Markedly, Altria generated annualized cost savings of \$600 million during 2019, surpassing its Cost Reduction Program target of \$575 million.

Additionally, the company made considerable progress in its noncombustible business platform despite the challenges related to its investment in JUUL. Growth in the noncombustible business was backed by the launch of IQOS as well as the commercialization of on! Further, the company continues to make increased investments associated with the commercialization of IQOS as well as the expansion of on!'s U.S. distribution.

Considering the aforementioned investments, management expects adjusted earnings of \$4.39-\$4.51 per share that suggests 4-7% year-over-year growth. Further, Altria expects the domestic cigarette industry's adjusted volumes to decline 4-6% in 2020. Also, it expects 2020 adjusted effective tax rate of 23.5-24.5%.

Altria now expects to achieve compounded annual adjusted earnings growth of 4-7% during 2020-2022, down from the previously guided range of 5-8%. This can be accountable to expectations of no equity earnings contribution from JUUL till 2022.

Quarter Ending **12/2019**

Report Date	Jan 30, 2020
Sales Surprise	-1.94%
EPS Surprise	0.99%
Quarterly EPS	1.02
Annual EPS (TTM)	4.10

Recent News

Altria Announces Dividend - Dec 11, 2019

Altria announced a quarterly dividend of 84 cents a share, payable on Jan 10, 2020 to shareholders of record as on Dec 24.

Valuation

Altria shares are down 15.6% in the year-to-date period and 19.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 5% each in the year-to-date period. Over the past year, the Zacks sub-industry is down 3.5%, while the sector gained 5.7%.

The S&P 500 index is down 3.3% in the year-to-date period and up 11.1% in the past year.

The stock is currently trading at 9.45X forward 12-month earnings, which compares to 11.35X for the Zacks sub-industry, 18.7X for the Zacks sector and 17.81X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.81X and as low as 9.12X, with a 5-year median of 18.15X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$44 price target reflects 9.87X forward 12-month earnings.

The table below shows summary valuation data for MO

Valuation Multiples - MO					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.45	11.35	18.7	17.81
	5-Year High	22.81	21.23	22.38	19.34
	5-Year Low	9.12	10.54	16.66	15.18
	5-Year Median	18.15	17.47	19.71	17.47
P/S F12M	Current	3.87	3.59	9.53	3.28
	5-Year High	7.56	6.8	11.13	3.43
	5-Year Low	3.78	3.13	8.09	2.54
	5-Year Median	5.88	4.9	9.88	3
EV/EBITDA F12M	Current	9.32	9.41	34.39	13.54
	5-Year High	15.63	17.13	37.23	13.72
	5-Year Low	7.8	8.03	29.38	9.08
	5-Year Median	13.01	12.89	33.59	10.81

As of 02/26/2020

Industry Analysis Zacks Industry Rank: Bottom 18% (208 out of 254)



Top Peers

British American Tobacco p.l.c. (BTI)	Neutral
Anheuser-Busch InBev SA/NV (BUD)	Neutral
Imperial Tobacco Group PLC (IMBBY)	Neutral
JAPAN TOB INC (JAPAY)	Neutral
Constellation Brands Inc (STZ)	Neutral
Schweitzer-Mauduit International, Inc. (SWM)	Neutral
Turning Point Brands, Inc. (TPB)	Neutral
Vector Group Ltd. (VGR)	Neutral

Industry Comparison Industry: Tobacco				Industry Peers		
	MO Neutral	X Industry	S&P 500	BTI Neutral	IMBBY Neutral	JAPAY Neutral
VGM Score	A	-	-	C	A	B
Market Cap	78.27 B	1.54 B	22.59 B	94.23 B	20.63 B	35.40 B
# of Analysts	8	1	13	5	4	3
Dividend Yield	7.98%	4.96%	1.92%	6.34%	17.25%	2.65%
Value Score	B	-	-	C	A	B
Cash/Price	0.02	0.09	0.04	0.04	0.14	0.06
EV/EBITDA	10.08	8.51	13.29	NA	NA	NA
PEG Ratio	1.46	1.44	1.93	1.38	0.91	NA
Price/Book (P/B)	12.45	1.95	3.03	1.04	2.89	1.45
Price/Cash Flow (P/CF)	9.91	8.38	12.33	8.38	4.22	7.22
P/E (F1)	9.32	10.86	17.79	9.55	6.29	12.17
Price/Sales (P/S)	3.12	1.72	2.47	NA	NA	1.77
Earnings Yield	10.47%	9.34%	5.60%	10.47%	15.91%	8.22%
Debt/Equity	4.28	0.29	0.70	0.63	2.09	0.24
Cash Flow (\$/share)	4.25	3.09	7.02	4.91	5.11	1.38
Growth Score	B	-	-	D	A	C
Hist. EPS Growth (3-5 yrs)	10.82%	5.36%	10.85%	NA	NA	-2.67%
Proj. EPS Growth (F1/F0)	4.62%	4.50%	6.79%	3.86%	2.01%	-8.89%
Curr. Cash Flow Growth	2.23%	1.47%	6.53%	20.53%	-3.71%	3.28%
Hist. Cash Flow Growth (3-5 yrs)	8.44%	2.16%	8.38%	8.12%	1.08%	NA
Current Ratio	0.59	1.20	1.22	0.73	0.90	1.24
Debt/Capital	81.06%	38.82%	42.37%	38.82%	67.69%	19.52%
Net Margin	-5.15%	4.49%	11.57%	NA	NA	15.98%
Return on Equity	67.74%	9.89%	16.80%	NA	NA	13.01%
Sales/Assets	0.46	0.90	0.54	NA	NA	0.40
Proj. Sales Growth (F1/F0)	2.01%	0.27%	4.06%	0.27%	-70.42%	2.59%
Momentum Score	A	-	-	A	D	F
Daily Price Chg	-0.87%	0.00%	-0.98%	0.24%	-1.42%	0.81%
1 Week Price Chg	1.59%	-1.00%	-0.94%	0.23%	-5.42%	-2.23%
4 Week Price Chg	-15.95%	-5.80%	-6.27%	-6.14%	-15.05%	-4.77%
12 Week Price Chg	-15.95%	-7.89%	-3.33%	6.14%	-3.14%	-13.56%
52 Week Price Chg	-19.50%	-20.85%	6.81%	10.47%	-36.85%	-22.21%
20 Day Average Volume	9,961,162	337,305	2,109,774	1,354,332	337,305	147,380
(F1) EPS Est 1 week change	0.06%	-0.18%	0.00%	-0.09%	-1.08%	-5.02%
(F1) EPS Est 4 week change	0.26%	-0.48%	-0.08%	-0.37%	-3.52%	-6.82%
(F1) EPS Est 12 week change	0.15%	-0.38%	-0.22%	0.09%	-4.99%	-6.82%
(Q1) EPS Est Mthly Chg	0.68%	0.68%	-0.61%	NA	NA	NA

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	A
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.