

NetApp, Inc. (NTAP)

\$42.30 (As of 07/09/20)

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

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 02/16/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: C

Summary

NetApp is well positioned to benefit from improvement in adoption of cloud-integrated all-flash solutions and hybrid multi-cloud offerings. Moreover, growing cloud of File, Block and Object Software, and Cloud Data Services, bodes well. Further, increasing deal wins and expanding customer base across varied geographies are likely to be key catalysts. NetApp's transition to data fabric strategy also holds promise. Nevertheless, the company is bearing the brunt of coronavirus crisis-induced macroeconomic weakness and supply chain constraints. Additionally, growing expenses on product enhancements by means of acquisitions, amid intensifying competition from Pure Storage in the all-flash storage market, is likely to limit margin expansion at least in the near term. Notably, shares of NetApp have underperformed the industry on a year-to-date basis.

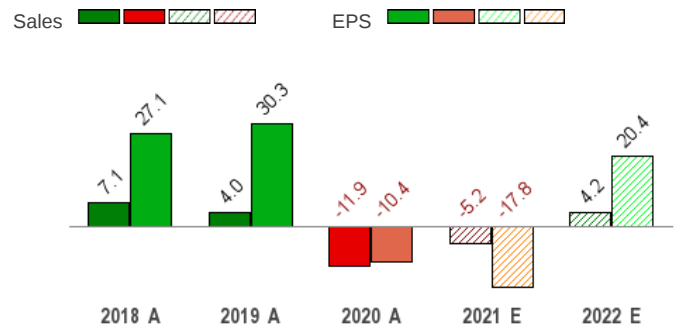
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$65.38 - \$34.66
20 Day Average Volume (sh)	2,706,326
Market Cap	\$9.4 B
YTD Price Change	-32.1%
Beta	1.30
Dividend / Div Yld	\$1.92 / 4.5%
Industry	Computer- Storage Devices
Zacks Industry Rank	Bottom 35% (163 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	14.4%
Last Sales Surprise	-0.8%
EPS F1 Est- 4 week change	-1.3%
Expected Report Date	08/12/2020
Earnings ESP	0.0%
P/E TTM	10.3
P/E F1	12.7
PEG F1	0.9
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,223 E	1,287 E	1,341 E	1,460 E	5,348 E
2021	1,156 E	1,247 E	1,313 E	1,425 E	5,130 E
2020	1,236 A	1,371 A	1,404 A	1,401 A	5,412 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.72 E	\$0.92 E	\$1.05 E	\$1.29 E	\$4.01 E
2021	\$0.41 E	\$0.78 E	\$0.92 E	\$1.17 E	\$3.33 E
2020	\$0.65 A	\$1.09 A	\$1.16 A	\$1.19 A	\$4.05 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 07/09/2020. The reports text is as of 07/10/2020.

Overview

NetApp provides enterprise storage as well as data management software and hardware products and services. The Sunnyvale, CA-based company's product line comprises two storage platforms - FAS storage platform and E-Series platform. The company's all-flash storage portfolio comprises NVMe-based storage systems and new cloud-based services in order to provide hybrid storage architecture.

FAS Storage Platform is based on the NetApp Data ONTAP operating system, which combines storage efficiency, data management and data protection. The FAS product line includes FAS6200, FAS3200 and FAS2000 series. The E-series platform helps in the deployment of Hadoop Big Data infrastructure. The E-series product line comprises EF540 Flash Array and EF550.

Moreover, the company's Cloud Volumes ONTAP storage data management service helps in data protection and storage competence. The company has built relationships with over 300 cloud service providers and hyperscaler providers, which includes Amazon Web Services (AWS), Google, IBM SoftLayer and Microsoft Azure. Further, Cloud Volumes ONTAP offers data access, insights and control to aid customers to move traditional database applications or legacy NAS applications to the cloud.

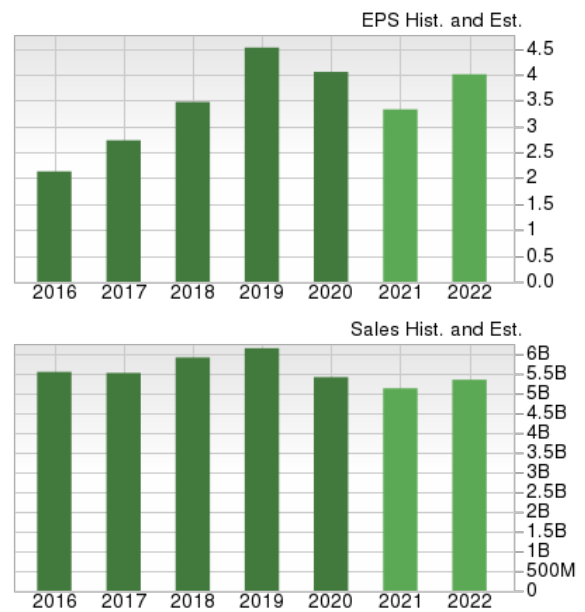
Leveraging these solutions, the company addresses both the Storage Area Network (SAN) and Networked Attached Storage (NAS) markets. A networked storage necessarily provides external data repository that can be shared through LAN, thus freeing local storage space. Also, network storage also supports automated backup programs that prevent data loss.

NetApp also offers support, consulting and training services. The company markets and distributes products worldwide through a direct sales force, value-added resellers, system integrators, original equipment manufacturers and distributors.

NetApp reported revenues of \$5.412 billion in fiscal 2020. The company derived 55.3% of revenues from Products, 19.1% from Software maintenance, and 25.6% from Hardware Maintenance and Other Services.

On geographical basis, NetApp generated 53% of revenues in fiscal 2020 from the Americas (the United States, Canada and Latin America), 32% from Europe, Middle East and Africa (EMEA) and the remaining 15% from Asia Pacific (APAC).

NetApp faces stiff competition from companies like HP, Dell, IBM and Oracle.



Reasons To Buy:

▲ NetApp is expected to gain from the shift from traditional dedicated storage to shared storage in virtualized IT infrastructures. The company is gaining traction in the network-attached storage (NAS) market. Enterprises are shifting to NAS primarily due to its easy deployment capabilities and support for several networking environments. Other advantages include regulatory compliance needs, tremendous growth in digital data due to shift of legacy and media content to digital formats and general IT trends such as server virtualization, need for improved efficiency of storage devices and data center consolidation. Further, growing cloud of NetApp ONTAP AI aided the company in gaining recognition as a leader in IDC's latest report on scale-out, file-based storage, titled, IDC MarketScape Worldwide Scale-Out File-Based Storage 2019 Vendor Assessment.

NetApp is gaining momentum in flash-based solutions with the newly introduced all-flash array, which will help it to gain traction in the storage market.

▲ The company is gaining from robust growth in Cloud Data Services, which recorded annualized recurring revenues of \$111 million in the fourth quarter of fiscal 2020, up 113% year over year. Adoption of Microsoft Azure NetApp Files is a key catalyst. Cloud Data Services' customer count exceeded 3,500, which more than doubled year over year. The company's partnerships with Alphabet's Google Cloud platform and Amazon's Amazon Web Services are expected to bolster adoption of its Cloud Data Services and expand customer base.

▲ NetApp is witnessing higher demand for its flash-based solutions. The company boasts of cloud-capable all-flash storage solutions primarily aimed at expanding presence among smaller enterprises looking to manage business across hybrid cloud platforms. The company's all-flash storage portfolio comprises NVMe-based storage systems and new cloud-based services in order to provide hybrid storage architecture. The company continues to launch new products for all segments of the market. Moreover, with IT organizations increasingly preferring the flash-based storage systems, due to its cost effectiveness, faster speeds in read and write tasks, NetApp with broad portfolio of array-based flash solutions should be able to capitalize on this opportunity. During the fourth quarter of fiscal 2020, the company's All-Flash Array Business annualized net revenue run rate came in at \$2.6 billion, up 12% sequentially.

▲ The company has been active on the acquisition front. SolidFire buyout strengthened NetApp's position in the all-flash array market by adding new flash offerings. SolidFire's flash storage arrays, apart from improving cache performance, are primary storage for applications requiring high speed like in cloud computing and virtualization. The acquisition boosts NetApp's flash-based storage product portfolio and helps it maintain a dominant position in the flash storage market. Moreover, the acquisition of StackPointCloud, a provider of cloud-based Kubernetes as-a-service (KaaS), has helped expand NetApp's converged infrastructure capabilities. NetApp has also acquired Talon Storage, in a bid to strengthen NetApp Cloud Volumes and Azure NetApp Files offerings, and aid customers to centralize and consolidate IT storage infrastructure to the public clouds to facilitate remote work. Furthermore, the company recently announced the acquisition of CloudJumper, a cloud software company offering virtual desktop infrastructure (VDI) solutions and remote desktop services (RDS) that aid enterprises to accelerate public cloud deployments for work-from-home setup, branch offices and enterprises. We believe that the acquisitions will expand NetApp's customer base and market share driven by higher demand from enterprises.

▲ Management execution has been favorable in recent times. Solid net-cash balance, of \$1.74 billion as of Apr 24, 2020, provides the flexibility required to pursue any growth strategy, whether through acquisitions or otherwise. Moreover, the strong balance sheet helps NetApp continue shareholder-friendly initiatives of share repurchase and dividend hike. In fourth-quarter fiscal 2020, NetApp returned \$266 million to shareholders through shares repurchases worth \$161 million and dividend payouts worth \$105 million in the reported quarter. At the end of fiscal fourth quarter, NetApp had \$478 million remaining in \$4 billion buyback authorization program. Notably, lower number of outstanding shares drives the bottom line. The company generated net cash from operations of \$383 million and free cash flow was \$359 million during the quarter. The company's ability to generate solid free cash flow is expected to help it sustain current dividend payout (0.55) level at least in the near term.

Reasons To Sell:

- ▼ NetApp continues to acquire a large number of companies. While this improves revenue opportunities, it increases integration risks. Notably, large acquisitions negatively impact the balance sheet in the form of high level of goodwill and net intangible assets, which totaled \$1.82 billion or 24.2% of total assets, as of Apr 24, 2020.
- ▼ NetApp faces stiff competition from bellwethers such as HP Inc., Dell, IBM and Oracle. NetApp's competitors are revamping their product lines with faster and efficient products. Notably, Pure Storage is a major competitor in all-flash business and cloud-based storage offerings. Although the Private Cloud business and Cloud Data Services verticals remain strong, the competitive pressure at the core storage business remains intense and is likely to hurt profitability.
- ▼ NetApp's original equipment manufacturer (OEM) revenues have been declining. The company's OEM revenues declined in two straight fiscals as OEM customers such as IBM, Teradata, Fujitsu, etc., are developing their own product lines or are reacting to the weak demand environment. Coronavirus crisis-induced supply chain constraints, weak demand, and logistical challenges are likely to dampen growth prospects at least in the near term.
- ▼ NetApp is heavily dependent on sales through indirect channels, value-added resellers, systems integrators, distributors, OEMs and strategic business partners, which accounted for 79% of revenues in fiscal 2020. Thus, loss of any key customer, reseller or distributor could affect the company's overall results.
- ▼ Moreover, the company is trading at premium in terms of Price/Book (P/B). NetApp currently has a trailing 12-month P/B ratio of 38.66X. This level compares unfavorably with what the industry witnessed in the last year. Additionally, the ratio is higher than the average level of 26.77X and is near the high end of the valuation range in this period. Consequently, the valuation looks slightly stretched from P/B perspective.

Declining OEM revenues and stiff competition remain the headwinds.

Last Earnings Report

NetApp Q4 Earnings Surpass Estimates, Revenues Fall Y/Y

NetApp, Inc. reported fourth-quarter fiscal 2020 non-GAAP earnings of \$1.19 per share, which surpassed the Zacks Consensus Estimate by 14.4%. However, the bottom line decreased 2.5% from the year-ago quarter.

Revenues of \$1.401 billion declined 12% from the year-ago quarter. The top line also missed the Zacks Consensus Estimate by 0.8%. The decline can be attributed to coronavirus crisis-induced supply chain constraints, weak demand and logistical challenges. Nevertheless, management noted that Storage business, driven by strength in File, Block and Object Software, and Cloud Data Services, "performed better than the rest of the businesses."

Region wise, the Americas, EMEA and Asia Pacific accounted for 54%, 32% and 14% of total revenues, respectively.

Direct and Indirect revenues represented 21% and 79%, respectively, of total revenues.

Top Line Details

Product revenues (56.6% of total revenues) decreased 21% year over year to \$793 billion. The decline can be attributed to coronavirus crisis-induced macroeconomic headwinds.

Revenues from products under Strategic grouping were \$544 million, down 12.7% year over year. The offerings include All-flash FAS products, enterprise software license agreements, private cloud solutions, and other add-on hardware and software product options.

Revenues from products under Mature grouping amounted to \$249 million, down 34% year over year. The offerings include Hybrid FAS products, and related add-on OS software and hardware, branded E-Series and OEM products.

Software Maintenance revenues (19.1%) came in at \$267 million, up 10.3% year over year.

Hardware Maintenance and Other Services revenues (24.3%) were \$341 million, down 2.6% from the year-ago quarter.

Revenues from Hardware Maintenance Support Contracts totaled \$279 million, up 1.8% year over year. Revenues from Professional and Other Services came in at \$62 million, declining 6.1% year over year.

Key Metrics

During the fiscal fourth quarter, the company's All-Flash Array Business annualized net revenue run rate came in at \$2.6 billion, up 12% sequentially. However, all-flash revenues came in at \$656 million, down 3% on a year-over-year basis.

Cloud Data Services recorded annualized recurring revenues of \$111 million, soaring 113% year over year. Robust adoption of Microsoft Azure NetApp Files was a key driver. Cloud Data Services customer count exceeded 3,500, which more than doubled on a year-over-year basis. Moreover, the company's partnerships with Alphabet's Google Cloud platform, Amazon's Amazon Web Services, are expected to bolster adoption of its Cloud Data Services and expand customer base.

Private Cloud business recorded run rate of \$408 million, up 19% quarter over quarter.

Operating Details

Non-GAAP gross margin was 68%, which expanded 280 basis points (bps) from the year-ago quarter.

On a non-GAAP basis, Product gross margin of 56.4% expanded 110 bps year over year, driven by improvement in all-flash product mix. Meanwhile, Software Maintenance gross margin of 94.4% contracted 150 bps, and Hardware Maintenance and Other Services gross margin expanded 220 bps to 74.5% year over year.

Non-GAAP operating expenses declined 7.5% year over year to \$629 million. As a percentage of net revenues, the figure expanded 220 bps on a year-over-year basis to 44.9%.

Non-GAAP operating margin expanded 60 bps to 23.1%.

Balance Sheet & Cash Flow

NetApp exited the quarter ending Apr 24, 2020, with \$2.882 billion in cash, cash equivalents and investments compared with \$3.008 billion as of Jan 24, 2020. Long-term debt (including current portion) was \$1.146 billion as of Apr 24, 2020, which remained unchanged on a sequential basis.

The company generated net cash from operations of \$383 million during the quarter under review compared with \$420 million reported in the fiscal third quarter.

Free cash flow was \$359 million compared with \$388 million in the previous quarter.

Further, the company returned \$266 million to shareholders through shares repurchases worth \$161 million and dividend payouts worth \$105 million in the reported quarter. At the end of fiscal fourth quarter, NetApp had \$478 million remaining in \$4 billion buyback authorization program.

NetApp announced quarterly cash dividend of 48 cents per share to be paid out on Jul 29, 2020, to shareholders of record as of Jul 10, 2020.

Quarter Ending 04/2020

Report Date	May 27, 2020
Sales Surprise	-0.79%
EPS Surprise	14.42%
Quarterly EPS	1.19
Annual EPS (TTM)	4.09

Guidance

NetApp is banking on improvement in adoption of hybrid multi-cloud offerings, Cloud Data Services and Private Cloud offerings.

The company anticipates non-GAAP earnings for first-quarter fiscal 2021 between 36 cents and 44 cents per share.

Moreover, net revenues are anticipated in the range of \$1.09-\$1.24 billion (mid-point of \$1.165 billion).

For first-quarter fiscal 2021, NetApp expects non-GAAP gross margin in the range of 67-68% and non-GAAP operating margin to be 10%.

NetApp did not provide any guidance for fiscal 2021, citing uncertainty in demand visibility due to COVID-19 related business impacts.

Recent News

On Jun 18, NetApp announced the pricing of \$750K in aggregate principal amount of its 1.875% senior notes due 2025, \$550K in aggregate principal amount of its 2.375% senior notes due 2027 and \$700K in aggregate principal amount of its 2.700% senior notes due 2030. The offering is expected to close on Jun 22, 2020.

On Jun 3, NetApp announced that it has signed an agreement to acquire Israel-based cloud services startup — Spot. The deal is expected to aid NetApp to address the growing demand for efficient and cost-effective cloud infrastructure and boost customer experience.

On May 27, NetApp announced quarterly cash dividend of 48 cents per share to be paid out on Jul 29, 2020, to shareholders of record as of Jul 10, 2020.

On May 12, NetApp announced that Cesar Cernuda has been appointed as the president of the company. He will be reporting to CEO George Kurian, effective in July, 2020.

On Apr 29, NetApp announced acquisition of CloudJumper, a cloud software company offering virtual desktop infrastructure (VDI) solutions, and remote desktop services (RDS) which aids enterprises to accelerate public cloud deployments for work from home setup, branch offices and enterprises.

Valuation

NetApp's shares are down 32% in the year-to-date period and 30.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 25.3% while the same in the Zacks Computer & Technology sector are up 15.8% in the year-to-date period. Over the past year, the Zacks sub-industry is down 17.8%, while the sector is up 27.2%.

The S&P 500 index is down 1.4% in the year-to-date period but up 6.2% in the past year.

The stock is currently trading at 12.23X forward 12-month earnings, which compares to 13.02X for the Zacks sub-industry, 26.43X for the Zacks sector and 22.64X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.24X and as low as 9.06X, with a 5-year median of 16.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$44 price target reflects 12.75X forward 12-month earnings.

The table below shows summary valuation data for NTAP

Valuation Multiples - NTAP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	12.23	13.02	26.43	22.64
	5-Year High	24.24	17.04	26.43	22.64
	5-Year Low	9.06	9.94	16.78	15.27
	5-Year Median	16.9	12.16	19.36	17.59
P/S F12M	Current	1.81	0.96	3.96	3.53
	5-Year High	3.58	1.41	3.96	3.53
	5-Year Low	1.08	0.79	2.33	2.52
	5-Year Median	2.03	1.13	3.12	3.04
EV/Sales TTM	Current	1.41	1.2	4.6	3.16
	5-Year High	3.22	1.69	4.6	3.35
	5-Year Low	0.49	0.61	2.67	2.1
	5-Year Median	1.42	1.33	3.58	2.84

As of 07/09/2020

Industry Analysis Zacks Industry Rank: Bottom 35% (163 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Hewlett Packard Enterprise Company (HPE)	Neutral	3
International Business Machines Corporation (IBM)	Neutral	4
Nutanix Inc. (NTNX)	Neutral	3
Oracle Corporation (ORCL)	Neutral	3
Pure Storage, Inc. (PSTG)	Neutral	2
Seagate Technology PLC (STX)	Neutral	3
Teradata Corporation (TDC)	Neutral	3
Western Digital Corporation (WDC)	Underperform	5

Industry Comparison Industry: Computer- Storage Devices				Industry Peers		
	NTAP	X Industry	S&P 500	HPE	IBM	PSTG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	2
VGM Score	B	-	-	A	B	D
Market Cap	9.36 B	1.44 B	21.19 B	11.54 B	102.74 B	4.62 B
# of Analysts	10	5	14	6	6	10
Dividend Yield	4.54%	0.00%	1.96%	5.35%	5.63%	0.00%
Value Score	A	-	-	A	A	F
Cash/Price	0.30	0.21	0.07	0.42	0.11	0.28
EV/EBITDA	6.70	6.70	12.56	4.21	8.16	-50.47
PEG Ratio	0.88	2.02	2.85	1.85	3.01	2.46
Price/Book (P/B)	38.66	6.08	3.00	0.71	5.10	6.08
Price/Cash Flow (P/CF)	9.21	9.69	11.41	2.37	5.86	NA
P/E (F1)	12.87	11.01	20.79	7.16	10.27	71.43
Price/Sales (P/S)	1.73	1.16	2.19	0.42	1.34	2.74
Earnings Yield	7.87%	4.87%	4.52%	13.92%	9.73%	1.38%
Debt/Equity	4.74	0.20	0.76	0.71	2.62	0.77
Cash Flow (\$/share)	4.59	0.08	6.94	3.79	19.75	-0.17
Growth Score	C	-	-	C	C	A
Hist. EPS Growth (3-5 yrs)	27.41%	-6.87%	10.90%	-3.21%	-3.16%	NA
Proj. EPS Growth (F1/F0)	-17.85%	9.98%	-9.99%	-29.19%	-12.08%	-15.86%
Curr. Cash Flow Growth	-17.99%	-37.62%	5.51%	-2.58%	2.09%	-37.62%
Hist. Cash Flow Growth (3-5 yrs)	1.04%	1.84%	8.55%	-3.09%	-3.76%	11.70%
Current Ratio	1.18	1.49	1.30	0.89	0.96	3.12
Debt/Capital	82.57%	43.38%	44.46%	41.54%	72.36%	43.38%
Net Margin	15.13%	-1.29%	10.62%	-0.13%	11.78%	-11.36%
Return on Equity	168.65%	1.66%	15.75%	12.35%	57.55%	-17.24%
Sales/Assets	0.71	0.90	0.55	0.52	0.50	0.75
Proj. Sales Growth (F1/F0)	-5.21%	0.00%	-2.52%	-12.81%	-5.47%	3.82%
Momentum Score	C	-	-	C	D	F
Daily Price Chg	-3.34%	-0.64%	-1.52%	-2.50%	-1.70%	1.93%
1 Week Price Chg	-1.00%	1.60%	3.66%	-0.95%	2.14%	-0.41%
4 Week Price Chg	2.82%	-0.54%	0.36%	-7.90%	-1.95%	13.03%
12 Week Price Chg	2.64%	2.83%	10.41%	-3.65%	-0.02%	41.48%
52 Week Price Chg	-30.16%	-2.73%	-8.70%	-38.49%	-18.08%	10.60%
20 Day Average Volume	2,706,326	928,487	2,339,510	12,322,720	5,044,152	3,459,849
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-0.22%	0.00%
(F1) EPS Est 4 week change	-1.29%	-0.64%	0.00%	0.00%	-0.22%	-1.36%
(F1) EPS Est 12 week change	-18.67%	-22.24%	-7.77%	-15.41%	-10.80%	36.02%
(Q1) EPS Est Mthly Chg	-0.55%	0.00%	0.00%	0.00%	-0.82%	-3.14%

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	A
Growth Score	C
Momentum Score	C
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.