Jul 06, 2020

Childrens Place, Inc. (PLCE)

$36.46 (As of 07/03/20)

Price Target (6-12 Months): **$39.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/20/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: B | Growth: F | Momentum: D	

Summary

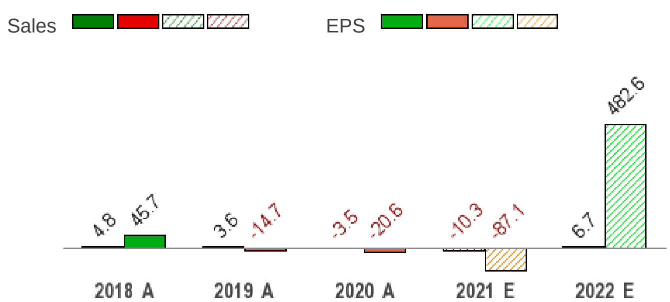
Shares of Children's Place have surged and outpaced the industry in the past three months. Clearly, reopening of business activities and resurgence in demand are favoring the bullish run. It's quite obvious that the company bore the brunt of temporary store closures, as evident from dismal first-quarter fiscal 2020 performance. The company reported a loss and continued to register year-over-year decline in net sales. Nonetheless, loss was narrower-than-expected and also top line beat the Zacks Consensus Estimate for the second quarter in row. Undoubtedly, management remains committed to address the challenges related to the pandemic. In this respect, the company is accelerating fleet optimization initiative, directing resources toward digital platforms, augmenting supply chain and concentrating on improving financial flexibility.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$102.55 - $9.25**
20 Day Average Volume (sh)	**956,770**
Market Cap	**$531.8 M**
YTD Price Change	**-41.7%**
Beta	**2.07**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Retail - Apparel and Shoes**
Zacks Industry Rank	**Bottom 25% (190 out of 252)**
Last EPS Surprise	**16.6%**
Last Sales Surprise	**0.3%**
EPS F1 Est- 4 week change	**-60.6%**
Expected Report Date	**08/19/2020**
Earnings ESP	**-0.1%**
P/E TTM	**11.7**
P/E F1	**52.8**
PEG F1	**6.6**
P/S TTM	**0.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022					1,792 E
2021	255 A	373 E	511 E	509 E	1,679 E
2020	412 A	420 A	525 A	513 A	1,871 A

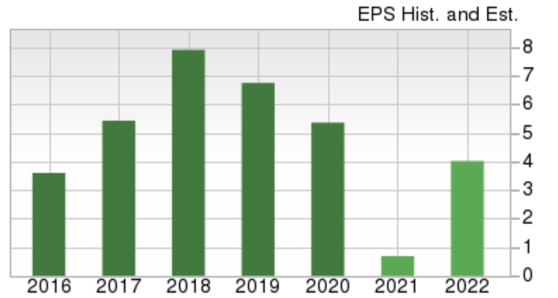
EPS Estimates

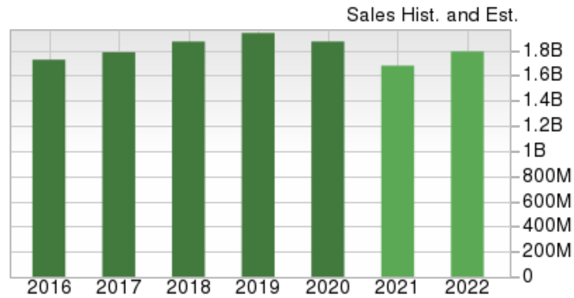
	Q1	Q2	Q3	Q4	Annual*
2022	-$0.39 E	$0.39 E	$3.01 E	$1.74 E	$4.02 E
2021	-$1.96 A	-$1.28 E	$2.70 E	$1.64 E	$0.69 E
2020	$0.36 A	$0.19 A	$3.03 A	$1.85 A	$5.36 A

*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 07/03/2020. The reports text is as of 07/06/2020.

Overview





The Children's Place, Inc. is the largest pure-play children's specialty apparel retailer in North America. Based in Secaucus, NJ, the company sells apparel, footwear, accessories and other items for children; and designs, contracts to manufacture, and sells merchandise under the brand names "The Children's Place", "Place", "Baby Place", and "Gymboree."

Gymboree is an iconic children's apparel brand offering colorful, playful, bow-to-toe children's clothing collections that celebrate childhood and help families look their best for any occasion. On April 4, 2019, the company completed the acquisition of certain intellectual property and related assets (the "Gymboree Assets") of Gymboree Group, Inc. and related entities. The company relaunched the iconic Gymboree brand in February 2020 with a meaningfully improved digital experience on www.gymboree.com, complimented by shop-in-shop locations in over 200 co-branded stores in the U.S. and Canada.

Notably, international and wholesale expansion continue to represent meaningful long-term revenue opportunities for the company. Also, the company has been making investments to upgrade its omni-channel capabilities as part of its digital transformation strategy. We note that the company has one of the highest digital penetrations in the industry — accounting for 31% of revenues for fiscal 2019.

As of May 2, 2020, the company had 920 stores across the United States, Canada and Puerto Rico as well as the e-commerce business at www.childrensplace.com and www.gymboree.com. The company also had 266 international points of distribution in 19 countries, open and operated by eight franchise partners.

Reasons To Buy:

> Children's Place is accelerating fleet optimization initiative, directing resources toward digital platforms to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility.

- **Impressive Stock Performance:** Shares of Children's Place have risen and outpaced the industry in the past three months. The stock has rallied 82.7% in the aforementioned period compared with the industry's gain of 28.6%. Once down to a low of $9.25 on March 18, the stock has recouped most of those losses. Clearly, reopening of business activities and resurgence in demand are favoring the bullish run. As of Jun 8, the company had 61 stores open to the public in the United States and Canada. Management expects majority of stores to be operational by Jul 1. It's quite obvious that Children's Place bore the brunt of temporary store closures that were undertaken to check the spread of COVID-19. Nonetheless, the company reported narrower-than-expected loss during the first quarter of fiscal 2020. Top line also came marginally ahead of the Zacks Consensus Estimate, marking the second straight quarter of positive surprise. Also, management's remark that during second-quarter through June 11 consolidated sales have increased in low double-digits owing to the upsurge in demand for essential children's clothing is also the reason behind the stock's rally.

- **Strategic Initiatives:** Children's Place is leaving no stone unturned to improve its top-line performance and expand customer base. Management remains committed to address the challenges related to the pandemic. In this respect, the company is accelerating fleet optimization initiative, directing resources toward digital platforms in order to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility. It is also focusing on "Superior Product" strategy to resonate well with millennial customers and advancing omni-channel capabilities. The company has been taking steps not only to gain traction in the U.S. market but also expand globally. This is evident from its license agreement with Zhejiang Semir Garment Co. Ltd ("Semir") for the Greater China market, which covers Mainland China, Taiwan, Hong Kong and Macau. Semir is the parent company of Balabala, one of the prominent names in China's specialty children's apparel retail industry.

  In order to consolidate its position in the children's apparel market, the company took the right decision to acquire Gymboree, following the latter's bankruptcy. It entered into an Asset Purchase Agreement with Gymboree Group, Inc. and related entities to buy intellectual property assets of Gymboree and Crazy 8 (the "Gymboree Assets") for $76 million. Closure of Gymboree stores, created an opportunity for Children's Place, who identified new store locations to grab the market. Also, the company relaunched Gymboree products its stores and online.

- **Efforts to Mitigate COVID-19 Impact:** Children's Place has been undertaken several measures to mitigate the impact of COVID-19 and preserve its financial liquidity. The company has been focusing on curtailing non-essential expenses, managing inventory, extending vendor payment terms, and analyzing all capital expenditures. The company incurred capital expenditures of approximately $6 million during the first quarter of fiscal 2020, and now plans to spend approximately $20 million in the current fiscal year, down from $58 million in fiscal 2019. The company has also temporarily suspended its capital return program that includes share repurchases and dividends. The company instituted temporary furloughs or pay reductions. Again, it increased borrowing capacity under revolving credit facility to $360 million from $325 million as a result of finalizing an amendment with its lenders on April 24, 2020.

- **Digital Endeavors:** Children's Place has been making investments to upgrade its omni-channel capabilities as a part of its Digital Transformation strategy. Management notified that the company has one of the highest digital penetrations in the industry — accounting for 31% of revenues for fiscal 2019. The company informed that to help fulfill its surging online demand amid the pandemic, it enabled ship-from-store capabilities in roughly 85% of its U.S. stores, which more than doubled its daily shipping capacity. We note that e-commerce sales rose 12.2% during the first quarter of fiscal 2020, and represented approximately 53% of total net sales, as online sales accelerated following the closure of store effective March 18. The company stated that during second-quarter through June 11, on-line demand soared 300%. Quite apparent, the lingering impact of COVID-19 will continue to accelerate the shift to digital. Notably, the company has rolled out Wi-Fi, "BOPIS" (Buy Online, Pick Up in Store), Ship from Store, mobile POS in its stores. Further, it launched SMS texting capabilities and implemented everyday free shipping with no minimum purchase. It has also rolled out "BOSS" (Buy Online, Ship to Store), the response of which appears to be encouraging.

- **Fleet Optimization:** Children's Place Fleet Optimization strategy focuses on striking the right balance between digital and physical stores. With regards to the strategy, the company plans to close an additional 300 stores by the end of fiscal 2021. Of these, 200 closures are planned for this year and remaining for fiscal 2021. Since the announcement of fleet optimization initiative in 2013, the company has closed 275 stores. These store closures are seen as part of the company's effort to lower dependency on brick-and-mortar platform and shift toward digitization due to the changing consumer shopping pattern. The company is aiming mall-based, brick-and-mortar portfolio to represent less than 25% of revenues entering fiscal 2022. During the first quarter of fiscal 2020, the company closed four outlets. Notably, the company ended the quarter with 920 stores with 62% in malls and 38% in non-malls. The company had 266 international points of distribution operated by eight international franchise partners in 19 countries.

- **Financial Flexibility:** Children's Place ended the quarter with cash and cash equivalents of $71.8 million, which reflects a sequential increase of 4.8%. Notably, the company has no long-term debt. However, the company had $235 million outstanding on its $360 million revolving credit facility compared with $171 million outstanding on its $325 million revolving credit facility at the end of fiscal 2019. The increase reflects funding to support operations and seasonal working capital needs. As of June 9, the company's liquidity position has improved $24 million from the end of the first quarter to $184 million owing to the positive cash generation and an increase in borrowing collateral. Management believes that the strategic measures undertaken and robust digital business will help generate ample liquidity to navigate through this turbulent time.

Reasons To Sell:

Children's Place bore the brunt of temporary store closures that were undertaken to check the spread of COVID-19. Again, any deleverage in SG&A expenses and higher fulfillment costs may hurt margins.

- **Dismal Q1 Performance:** Children's Place witnessed dismal first-quarter fiscal 2020 performance owing to the coronavirus outbreak that led to the temporary closure of stores. The pure-play children's specialty apparel retailer reported a loss and continued to register year-over-year decline in net sales. The company suspended all store operations in the United States and Canada owing to the coronavirus effective Mar 18 and only started reopening stores on May 19 in 10 states. We note that the company posted adjusted loss of $1.96 per share during the quarter under review. The reported figure compared unfavorably with earnings of 36 cents reported in the year-ago period. Lower net sales hurt the company's bottom line. Net sales of $255.2 million declined 38.1% year over year thanks to the temporary store closures on account of the pandemic.

- **Margin Contracts:** Gross margin is one of the important financial metrics that helps in determining the health of the company. Adjusted gross profit came in at $68.4 million during the first quarter of fiscal 2020, significantly down from $151.4 million in the year-ago period. Again, gross margin contracted 990 basis points to 26.8% owing to the higher penetration of e-commerce business and its increased fulfillment costs. Deleverage of fixed expenses on account sales decline also hurt the metric. Also, deleverage in SG&A expenses is a concern. Although, adjusted SG&A expenses declined 30.7% to $88.2 million in the reported quarter, as a percentage of net sales, the metric deleveraged 380 basis points to 34.6% primarily due to deleverage of fixed expenses resulting from the decline in sales. The company reported adjusted operating loss of $37.5 million against adjusted operating income of $6.6 million.

- **Stiff Competition May Hurt Results:** The children's apparel, footwear, and accessories retail landscape has been witnessing a sea of change with the focus gradually shifting to online shopping. The company faces stiff competition from bigwigs like Target, J.C. Penney and Kohl's in specialty stores and mass merchandising industry. Further, it faces competition from department stores as well as other discount stores such as Walmart. We believe that unhealthy price competition to gain market share and drive footfall might weigh on the company's results.

- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. For now, the novel coronavirus has wreaked havoc. The retail sector, in particular, remains under pressure. Again, job losses as well as lower disposable income due to this catastrophe are making things worse. Consumers are avoiding discretionary spending and focusing on necessities for the time being.

Last Earnings Report

Children’s Place Reports Q1 Loss, Sales Decline

Quarter Ending	04/2020
Report Date	Jun 11, 2020
Sales Surprise	0.29%
EPS Surprise	16.60%
Quarterly EPS	-1.96
Annual EPS (TTM)	3.11

Children’s Place witnessed dismal first-quarter fiscal 2020 performance owing to the coronavirus outbreak that led to the temporary closure of stores. The company suspended all store operations in the United States and Canada owing to the coronavirus effective Mar 18 and only started reopening stores on May 19 in 10 states. The company announced that it will continue to reopen stores in a phased manner as per state and local guidelines.

Undoubtedly, management remains committed to address the challenges related to the pandemic. In this respect, the company is accelerating fleet optimization initiative, directing resources toward digital platforms in order to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility. It is also focusing on “Superior Product” strategy to resonate well with millennial customers and advancing omni-channel capabilities. Management notified that the company has one of the highest digital penetrations in the industry — accounting for 31% of revenues for fiscal 2019.

The company informed that to help fulfill its surging online demand amid the pandemic, it enabled ship-from-store capabilities in roughly 85% of its U.S. stores, which more than doubled its daily shipping capacity.

Children’s Place also stated that due to the upsurge in demand for essential children’s clothing, quarter-to-date consolidated sales have increased in low double-digits. It further pointed that on-line demand has soared 300%, as quite a number of stores remain closed. Management expects majority of stores to be operational by Jul 1. As of Jun 8, the company had 61 stores open to the public in the United States and Canada.

With regards to its fleet optimization strategy, the company plans to close an additional 300 stores by the end of fiscal 2021. Of these, 200 closures are planned for this year and remaining for fiscal 2021. These store closures are seen as part of the company’s effort to lower dependency on brick-and-mortar platform and shift toward digitization due to the changing consumer shopping pattern. The company is aiming mall-based, brick-and-mortar portfolio to represent less than 25% of revenues entering fiscal 2022.

Results in Detail

Children’s Place posted adjusted loss of $1.96 per share, narrower than the Zacks Consensus Estimate of a loss of $2.35. Notably, the company had reported an earnings of 36 cents in the year-ago period. Lower net sales hurt the company’s bottom line.

Net sales of $255.2 million declined 38.1% year over year thanks to the temporary store closures on account of the pandemic. However, the top line came ahead of the Zacks Consensus Estimate of $254 million.

Moving on, adjusted gross profit came in at $68.4 million, significantly down from $151.4 million in the year-ago period. Again, gross margin contracted 990 basis points to 26.8% owing to the higher penetration of e-commerce business and its increased fulfillment costs. Deleverage of fixed expenses on account sales decline also hurt the metric.

Adjusted SG&A expenses declined 30.7% to $88.2 million in the reported quarter. However, as a percentage of net sales, the metric deleveraged 380 basis points to 34.6% primarily due to deleverage of fixed expenses resulting from the decline in sales. This was partially offset by lower operating expenses on account of measures undertaken to mitigate the impact of the COVID-19. The company reported adjusted operating loss of $37.5 million against adjusted operating income of $6.6 million.

Store Update & Other Financials

With respect to fleet optimization strategy, the company closed four outlets during the quarter under review. Notably, the company ended the quarter with 920 stores with 62% in malls and 38% in non-malls. The company had 266 international points of distribution operated by eight international franchise partners in 19 countries. Since the announcement of fleet optimization initiative in 2013, the company has closed 275 stores. Moreover, it plans to close additional 300 stores by the end of fiscal 2021.

Children’s Place ended the quarter with cash and cash equivalents of $71.8 million, which reflects a sequential increase of 4.8%. Notably, the company has no long-term debt. However, the company had $235 million outstanding on its $360 million revolving credit facility compared with $171 million outstanding on its $325 million revolving credit facility at the end of fiscal 2019. The increase reflects funding to support operations and seasonal working capital needs. Stockholders' equity at the end of the quarter was $105 million.

The company used roughly $40.5 million in operating cash flow and repurchased 262 thousand shares for approximately $15 million. At the end of the quarter, the company had approximately $94 million available under its existing share repurchase program. However, effective Mar 18, the company suspended its capital return program — share repurchases and dividends — in response to the coronavirus crisis. The company incurred capital expenditures of approximately $6 million during the quarter. Management anticipates capital expenditures of approximately $20 million in fiscal 2020.

Valuation

Children's Place shares are down 41.7% in the year-to-date period and 62.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 32% but the Zacks Retail-Wholesale sector is up 15.8%, in the year-to-date period. Over the past year, the sub-industry is down 38.4% but the sector is up 22%.

The S&P 500 index is down 2.7% in the year-to-date period but up 5.7% in the past year.

The stock is currently trading at 17.19X forward 12-month earnings, which compares to 59.85X for the Zacks sub-industry, 33.48X for the Zacks sector and 22.38X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.18X and as low as 2.22X, with a 5-year median of 15.11X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $39 price target reflects 18.22X forward 12-month earnings.

The table below shows summary valuation data for PLCE

Valuation Multiples - PLCE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.19	59.85	33.48	22.38
	5-Year High	20.18	59.85	33.48	22.38
	5-Year Low	2.22	9.71	18.99	15.15
	5-Year Median	15.11	14.25	23.08	17.42
P/S F12M	Current	0.31	0.5	1.16	3.48
	5-Year High	1.48	1.06	1.16	3.48
	5-Year Low	0.11	0.5	0.79	2.54
	5-Year Median	0.85	0.77	0.91	3.01
EV/EBITDA TTM	Current	4.23	6.55	18.04	11.51
	5-Year High	13.74	8.53	18.04	12.81
	5-Year Low	2.26	4.82	10.77	8.24
	5-Year Median	7.48	6.92	12.97	10.75

As of 07/02/2020

Industry Analysis **Zacks Industry Rank:** Bottom 25% (190 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
American Eagle Outfitters, Inc. **(AEO)**	Neutral	3
AbercrombieFitch Company **(ANF)**	Neutral	3
Buckle, Inc. The **(BKE)**	Neutral	2
Boot Barn Holdings, Inc. **(BOOT)**	Neutral	3
Guess, Inc. **(GES)**	Neutral	3
The Gap, Inc. **(GPS)**	Neutral	3
Urban Outfitters, Inc. **(URBN)**	Neutral	3
Chicos FAS, Inc. **(CHS)**	Underperform	5

Industry Comparison Industry: Retail - Apparel And Shoes

	PLCE	X Industry	S&P 500	ANF	BOOT	CHS
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	3	5
VGM Score	D	-	-	F	D	F
Market Cap	531.79 M	569.58 M	21.98 B	667.10 M	607.37 M	159.02 M
# of Analysts	6	4	14	11	8	2
Dividend Yield	0.00%	0.00%	1.91%	7.39%	0.00%	27.07%
Value Score	B	-	-	D	B	F
Cash/Price	0.14	0.30	0.07	1.17	0.12	0.77
EV/EBITDA	2.32	6.56	12.74	5.66	6.36	9.30
PEG Ratio	6.72	2.05	2.89	NA	1.13	NA
Price/Book (P/B)	5.04	1.41	2.98	0.84	1.89	0.47
Price/Cash Flow (P/CF)	1.79	3.88	11.75	3.06	6.13	1.84
P/E (F1)	53.74	33.16	21.41	NA	22.55	NA
Price/Sales (P/S)	0.31	0.31	2.30	0.20	0.72	0.09
Earnings Yield	1.89%	1.89%	4.42%	-25.95%	4.45%	-140.60%
Debt/Equity	2.68	1.01	0.76	1.78	0.84	1.96
Cash Flow ($/share)	20.42	1.75	6.94	3.53	3.44	0.72
Growth Score	F	-	-	F	F	F
Hist. EPS Growth (3-5 yrs)	6.88%	-1.21%	10.93%	2.25%	22.70%	-34.65%
Proj. EPS Growth (F1/F0)	-87.16%	-76.36%	-9.56%	-485.05%	-39.98%	-9,250.00%
Curr. Cash Flow Growth	68.79%	-0.13%	5.51%	-6.25%	76.87%	-34.05%
Hist. Cash Flow Growth (3-5 yrs)	19.29%	1.72%	8.62%	-5.89%	24.73%	-19.65%
Current Ratio	0.62	1.56	1.30	1.32	1.23	1.12
Debt/Capital	72.85%	53.01%	44.46%	63.97%	45.63%	66.26%
Net Margin	-2.68%	-2.68%	10.62%	-5.50%	5.67%	-10.72%
Return on Equity	23.44%	2.61%	15.75%	-14.29%	15.15%	-10.53%
Sales/Assets	1.38	1.11	0.55	0.98	0.97	1.16
Proj. Sales Growth (F1/F0)	-10.26%	-7.76%	-2.54%	-13.87%	-5.97%	-22.17%
Momentum Score	D	-	-	F	C	F
Daily Price Chg	-2.36%	0.03%	0.47%	2.27%	0.43%	0.00%
1 Week Price Chg	-6.37%	-5.26%	-3.90%	-7.89%	-9.82%	-7.91%
4 Week Price Chg	-25.27%	-8.17%	-3.77%	-19.96%	-22.36%	-27.32%
12 Week Price Chg	46.78%	13.83%	8.02%	-4.75%	32.10%	-19.39%
52 Week Price Chg	-62.31%	-38.56%	-7.59%	-33.84%	-38.85%	-59.94%
20 Day Average Volume	956,770	516,664	2,649,865	2,386,312	1,054,821	3,883,529
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-60.63%	-2.97%	0.00%	-1.34%	0.00%	-41.39%
(F1) EPS Est 12 week change	-82.52%	-81.82%	-9.53%	-1,474.22%	-45.33%	-147.44%
(Q1) EPS Est Mthly Chg	-7.74%	-2.21%	0.00%	-4.12%	0.00%	-140.74%

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	F
Momentum Score	D
VGM Score	D

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.