

Prologis Inc. (PLD)

\$84.08 (As of 05/14/20)

Price Target (6-12 Months): **\$89.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/29/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: F

Growth: B

Momentum: A

Summary

Shares of Prologis have outperformed the industry it belongs to in the past year. The company's better-than-expected performance in first-quarter 2020 was driven by decent growth in rental income. However, it has revised its full-year outlook in light of the coronavirus pandemic and assumed reduced demand into the third quarter. In the long term, apart from the fast adoption of e-commerce, logistics real estate is anticipated to benefit from a likely increase in inventory levels post crisis. Given Prologis capacity, the company remains well poised to capitalize on this. Yet, the pandemic's adverse impact on the economy will likely affect demand for space in the near term. Though the pandemic had an insignificant impact on the first-quarter rent collections, the company will likely see an uptick in bad debt in the rest of the year.

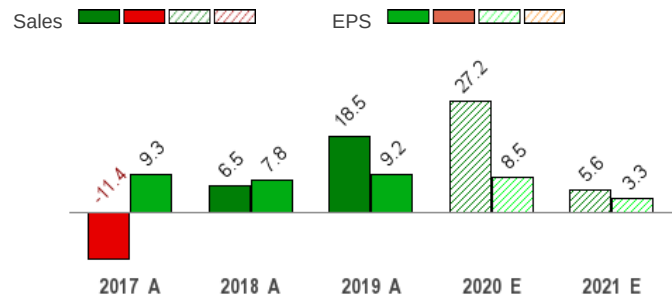
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$99.79 - \$59.82
20 Day Average Volume (sh)	3,143,222
Market Cap	\$62.1 B
YTD Price Change	-5.7%
Beta	0.97
Dividend / Div Yld	\$2.32 / 2.8%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Top 28% (72 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.5%
Last Sales Surprise	3.4%
EPS F1 Est- 4 week change	-1.2%
Expected Report Date	07/20/2020
Earnings ESP	0.0%
P/E TTM	24.7
P/E F1	23.4
PEG F1	4.2
P/S TTM	17.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	882 E	895 E	907 E	920 E	3,804 E
2020	879 A	927 E	934 E	945 E	3,601 E
2019	697 A	701 A	710 A	724 A	2,832 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.90 E	\$0.92 E	\$0.93 E	\$0.96 E	\$3.71 E
2020	\$0.83 A	\$0.99 E	\$0.86 E	\$0.91 E	\$3.59 E
2019	\$0.73 A	\$0.77 A	\$0.97 A	\$0.84 A	\$3.31 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 05/14/2020. The reports text is as of 05/15/2020.

Overview

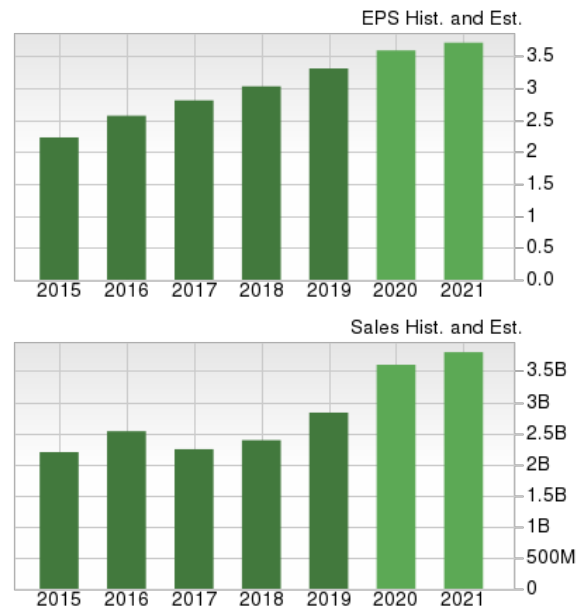
Prologis Inc. is a leading industrial real estate investment trust (REIT) that acquires, develops, operates and manages industrial real estate space in the Americas, Asia and Europe. The company principally targets investments in distribution facilities for customers who are engaged in global trade and depend on efficient movement of goods through the global supply chain.

As of Mar 31, 2020, Prologis owned or had investments in properties and development projects aggregating around 965 million square feet of space in 19 countries, either on a wholly-owned basis or through co-investment ventures. Modern distribution facilities are being leased by the company to around 5,500 customers. These customers belong to two main categories — business-to-business and retail/online fulfillment.

The company has been actively banking on its growth opportunities through acquisitions and developments. In February, Prologis accomplished the \$13-billion acquisition of Liberty Property Trust in an all-stock deal, including the assumption of debt. The acquisition leads to addition of a logistics operating portfolio spanning 108 million square feet of space. Furthermore, through this buyout, Prologis added 4.9 million square feet of logistics development in progress. Also, it brings in 1,748 acres of land for future logistics development with build-out potential of 20.5 million square feet and 3.8-million-square-foot office operating and development portfolio.

Further, in January, Prologis closed the transaction to acquire warehouse owner IPT in an all-cash deal valued at \$4 billion, including debt, from Black Creek Group. The acquired portfolio consists of 37.5 million square feet of highly-leased industrial properties and 236 properties across 24 geographic areas, 96% of which overlaps Prologis' existing footprint.

Note: All EPS numbers presented in this report represent funds from operations (FFO) per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Prologis provides industrial distribution warehouse space in some of the busiest distribution markets across the globe. The properties of the company are typically located in large, supply-constrained infill markets in close proximity to airports, seaports and ground transportation facilities, which facilitates rapid distribution of customers' products.
- ▲ In a rising e-commerce market, the industrial real estate asset category has grabbed headlines and continues to play a pivotal role, transforming the way how consumers shop and receive their goods. Services like same-day delivery are gaining traction and last-mile properties in high-income urban areas are witnessing solid pricing, occupancy and growth in rentals. Companies are making immense efforts to improve supply-chain efficiencies, propelling demand for logistics infrastructure and efficient distribution networks. Given Prologis' solid capacity, the company remains well poised to capitalize on this trend. At the end of first-quarter 2020, occupancy level in the company's owned-and-managed portfolio was 95.5%. During the quarter, 35 million square feet of leases commenced in the company's owned-and-managed portfolio, while retention level was 75.5%. Prologis' share of net effective rent change was 25.1% during the January-March quarter, backed by the United States at 31%. Cash rent change was 13.4%, while cash same-store net operating income (NOI) registered 4.6% growth. In light of the coronavirus pandemic, warehouse operations have become more essential with more e-commerce customers. Over the long term, apart from the fast adoption of e-commerce, logistics real estate is expected to benefit from a likely increase in inventory levels post crisis.
- ▲ With healthy operating fundamentals in the industrial real estate markets, Prologis has capitalized on growth opportunities through acquisitions and developments. In February, the company accomplished the \$13-billion acquisition of Liberty Property Trust. The acquisition strengthens Prologis' presence in target regions such as Chicago, Lehigh Valley, New Jersey, Houston, Central PA, and Southern California. Moreover, in January, the company completed its acquisition of warehouse owner IPT in an all-cash deal valued at about \$4 billion, including debt, from Black Creek Group. The portfolio consists of 37.5 million square feet and 24 U.S. markets. Particularly, the acquisition expands the company's position in Southern California, the San Francisco Bay Area, Chicago, Atlanta, Dallas, Seattle and New Jersey. Also, in 2018, Prologis gained significant scale by acquiring DCT Industrial Trust Inc. for \$8.5 billion in a stock-for-stock deal.
- ▲ Prologis' high number of build-to-suit development projects highlights the advantageous location of the company's land bank, as well as demand from its multi-site customers, many of whom are focused on e-commerce. The sites are positioned near large population centers that are suited for serving as the last warehouse before goods are delivered to consumers.
- ▲ Prologis is focused on bolstering its liquidity. The company exited first-quarter 2020 with \$4.6 billion in liquidity, comprising \$3.8 billion in total line availability and \$0.8 billion in cash. Debt as a percentage of total market capitalization was 22% at quarter end. Per management, consolidated maturities until 2022 have been effectively addressed, while earnings have been insulated from FX movements through the next three years. Further, it was pointed out that more than 95% of Prologis equity is in USD. The company's unconsolidated co-investment ventures have low debt leverage and continue to raise capital. Moreover, the combined investment capacity of Prologis and its open-ended vehicles, at levels in line with their current credit ratings, is well above \$10 billion. The company's credit ratings at Mar 31, 2020, were A3 from Moody's and A- from Standard & Poor's, both with stable outlook, allowing the company to borrow at an advantageous rate. Given its balance-sheet strength and prudent financial management, the company remains well poised to capitalize on growth opportunities.
- ▲ Finally, solid dividend payouts are arguably the biggest enticement for REIT shareholders and Prologis remains committed to that. This February, the company's board increased its annualized dividend rate by 9.4% to \$2.32 from the \$2.12 paid earlier. Further, management noted that it continues to maintain significant dividend coverage at 1.5 times and its 2020 guidance implies a payout ratio in the mid 60% range. Given the company's solid operating platform, scope for growth and decent financial position compared to that of the industry, this dividend rate is expected to be sustainable.

Amid healthy industrial real estate market, Prologis is well poised to benefit from its capacity to offer modern distribution facilities in strategic locations. The company also has decent balance sheet strength.

Reasons To Sell:

- ▼ Recovery in the industrial market has continued for long and market rents are expected to remain flat for the rest of 2020. Moreover, industrial real estate fundamentals though seems more resilient than other asset categories, but not immune. As such, the pandemic's adverse impact on the economy will likely affect demand for space in the near term. Currently, the company forecasts year-end occupancy of 94.5-96.0% compared with the 96-97% guided earlier. Cash same-store NOI (Prologis share) is projected in the range of 1.75-3.25% compared with the 4.25-5.25% expected earlier.
- ▼ Moreover, though COVID-19 had a minimal impact on first quarter rent collections, the company is expected to see an increase in bad debt during the rest of the year. In fact, the company estimated bad debt expense in the range of 100-150 basis points of gross revenues for the current year. Rent relief and deferrals will likely be a concern, specifically, for the company's smaller tenants that are severely impacted by the virus outbreak.
- ▼ Prologis generates a significant portion of its revenues from operations outside the United States. Therefore, state of affairs and developments, associated with international operations, have an impact on performance. Moreover, given its international presence, Prologis often faces unfavorable foreign currency movements and other economic fluctuations that impair top-line growth.
- ▼ Prologis faces significant competition from other REITs and private institutional funds. A competitive market lowers the company's ability to lease its properties, raise rents and acquire or dispose assets at favorable terms.
- ▼ Over the past year, shares of Prologis have rallied 10.7% compared with the industry's decline of 17.6%. However, the trend in estimate revisions of 2020 FFO per share does not indicate a favorable outlook for the company. In fact, the Zacks Consensus Estimate for the current-year FFO per share has been revised 1.1% southward over the past month. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential.

Slowdown in economy amid the coronavirus pandemic will likely affect the demand for space in the near term. The company is also expected to see a rise in bad debt during the rest of current year.

Last Earnings Report

Prologis Tops Q1 FFO and Revenue Estimates, Trims View

Prologis reported first-quarter 2020 core FFO per share of 83 cents, beating the Zacks Consensus Estimate of 81 cents. Results also compare favorably with the year-ago figure of 73 cents.

The better-than-expected performance was driven by decent growth in rental income. Occupancy level has been healthy. However, the company has revised its full-year outlook in light of the coronavirus pandemic. The company assumed reduced demand into the third quarter and expects operating environment to start recovering toward the end of the year. Also, the company noted that new deployment will be assessed on a per-transaction basis.

Prologis generated rental revenues of \$878.8 million, which registered 26.1% growth from the prior-year quarter. The figure also surpassed the Zacks Consensus Estimate of \$850.2 million.

Quarter in Detail

At the end of the reported quarter, occupancy level in the company's owned-and-managed portfolio was 95.5%. During the first quarter, 35 million square feet of leases commenced in the company's owned-and-managed portfolio, while retention level was 75.5%.

Prologis' share of net effective rent change was 25.1% during the January-March quarter, driven by the United States at 31%. Cash rent change was 13.4%, while cash same-store net operating income (NOI) registered 4.6% growth.

In first-quarter 2020, Prologis' share of building acquisitions amounted to \$312 million, with a weighted average stabilized cap rate of 4.2%. Development stabilization aggregated \$687 million, while development starts totaled \$301 million, with 17.3% being build-to-suit.

Furthermore, the company's total dispositions and contributions came in at \$708 million, with weighted average stabilized cap rate (excluding land and other real estate) of 4.8%. Portfolio acquisitions, inclusive of the acquisitions of Industrial Property Trust Inc. on Jan 8, 2020, and Liberty Property Trust on Feb 4, 2020, amounted to \$14.6 billion.

Liquidity

The company exited the March-end quarter with cash and cash equivalents of \$807.9 million, down from the \$1.09 billion recorded at the end of 2019. Coupled with \$3.8 billion in total line availability, Prologis ended the quarter with \$4.6 billion in liquidity.

Per management, consolidated maturities until 2022 have been effectively addressed, while earnings have been insulated from FX movements through the next three years. Further, it was pointed out that more than 95% of Prologis equity is in USD. Moreover, at quarter end, the company's weighted average rate on its total debt was 2.3%, with a weighted average remaining term of 9.1 years.

Outlook

Prologis' revised guidance assumes no further activity other than the transactions currently under contract.

The company projects core FFO per share at \$3.55-\$3.65 compared with the prior guidance of \$3.67-\$3.75. The company forecasts year-end occupancy of 94.5-96.0% compared with the 96-97% guided earlier. Cash same-store NOI (Prologis share) is projected in the range of 1.75-3.25% compared with the 4.25-5.25% expected earlier.

Moreover, the company projects \$450 million of building acquisitions compared with \$500-\$700 million, while development starts are expected to be \$500-\$800 million as against the prior estimate of \$2.0-\$2.4 billion.

The company expects retention to increase about 500 basis points and be in the mid 70% range and estimated bad debt expense in the range of 100-150 basis points of gross revenues.

Quarter Ending **03/2020**

Report Date	Apr 21, 2020
Sales Surprise	3.37%
EPS Surprise	2.47%
Quarterly EPS	0.83
Annual EPS (TTM)	3.41

Recent News

Prologis Issues Business Update and Logistics Market View – Apr 6, 2020

Prologis issued a business update and discussed its views of the logistics market in light of the coronavirus pandemic. Per management, logistic real estate is likely to benefit because following the coronavirus crisis, businesses will likely operate with increased level of inventories.

Chris Caton, SVP, Global Strategy and Analytics, said, "We anticipate that all customers will tune their supply chains for resilience versus efficiency — five to 10 percent more inventories will translate to real demand for logistics real estate."

Apart from the projected increase in inventory levels, demand is also likely to grow on fast adoption of e-commerce. In fact, the company noted that lease signings increased 16% year on year in March and two-thirds of this activity occurred in the second half of the month. E-commerce has been the driving force behind leasing activity, with its share being roughly 40%.

Also, Caton noted, "We are seeing the majority of our customer industries resilient or growing during the coronavirus outbreak." He further noted that "The consequences of the recession will lead to lower demand for our industry, but it will be temporary and last perhaps six months."

Prologis Completes Liberty Property Trust Acquisition – Feb 4, 2020

Prologis has accomplished the \$13 billion acquisition of Liberty Property Trust in an all-stock deal, including the assumption of debt. The acquisition strengthens Prologis' presence in target regions such as Chicago, Lehigh Valley, New Jersey, Houston, Central PA, and Southern California.

Per the transaction terms, each share of Liberty common stock was converted into the right to receive 0.675 shares of Prologis common stock.

This transaction is expected to create immediate cost and long-term revenue synergies, including around \$120 million emanating from corporate and general administrative cost savings, operating leverage, lower interest expense as well as lease adjustments.

The acquisition leads to addition of a logistics operating portfolio spanning 108 million square feet of space. Furthermore, through this buyout, Prologis added 4.9 million square feet of logistics development in progress. Also, it brings in 1,748 acres of land for future logistics development with build-out potential of 20.5 million square feet and 3.8-million-square-foot office operating and development portfolio.

Prologis' Acquisition of IPT for \$4B Reaches Pinnacle – Jan 8, 2020

Prologis' acquisition of the wholly-owned real estate assets of IPT reached its finale, when the former shelled out \$4 billion in cash, including the assumption and repayment of debt, for the transaction.

Specifically, IPT is a sponsored investment fund of Black Creek Group, a real estate investment manager and development company. Prologis has acquired IPT's properties through its two U.S. co-investment ventures, split evenly between USLV and USLF.

The acquired portfolio consists of 37.5 million square feet of highly-leased industrial properties and 236 properties across 24 geographic areas, 96% of which overlaps Prologis' existing footprint.

The transaction will expand Prologis' presence in strategic markets across the United States, including Southern California, Chicago, the San Francisco Bay Area, Atlanta, Seattle, Dallas and New Jersey.

Per management, through this acquisition, the company has added high-quality assets that are positioned in markets providing excellent long-term investment potential. Moreover, it has added 450 customers through this deal, 172 of which are existing relationships with Prologis. Further, the company anticipates leveraging on the benefit of its large-scale and operating expertise, in order to deliver better services to customers and maximize shareholder value.

Dividend Update

On Apr 29, Prologis' board announced a regular cash dividend of 58 cents per share for second-quarter 2020. The dividend will be paid on Jun 30, to shareholders of record on Jun 16, 2020.

Valuation

Prologis' shares have rallied 10.7% over the trailing 12-month period. Stocks in the Zacks sub-industry declined 17.6%, while the Zacks Finance sector plunged 23.4%, over the past year.

The S&P 500 Index has been down 1.4% over the trailing 12-month period.

The stock is currently trading at 23.12X forward 12-month FFO, which compares to 15.94X for the Zacks sub-industry, 14.40X for the Zacks sector and 20.42X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 26.96X and as low as 13.88X, with a 5-year median of 20.81X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$89 price target reflects 24.47X FFO.

The table below shows summary valuation data for PLD.

Valuation Multiples - PLD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	23.12	15.94	14.4	20.42
	5-Year High	26.96	18.1	16.18	20.79
	5-Year Low	13.88	14.32	11.58	15.19
	5-Year Median	20.81	16.01	13.94	17.45
P/S F12M	Current	16.79	6.97	5.81	3.18
	5-Year High	20.39	8.14	6.7	3.44
	5-Year Low	7.88	5.91	4.99	2.54
	5-Year Median	13.41	6.88	6.05	3.02
P/B TTM	Current	1.69	2.26	1.98	3.7
	5-Year High	2.41	3.01	2.9	4.55
	5-Year Low	1.02	1.8	1.71	2.84
	5-Year Median	1.71	2.51	2.53	3.65

As of 05/14/2020

Industry Analysis Zacks Industry Rank: Top 28% (72 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Americold Realty Trust (COLD)	Neutral	2
Duke Realty Corporation (DRE)	Neutral	3
EastGroup Properties, Inc. (EGP)	Neutral	3
First Industrial Realty Trust, Inc. (FR)	Neutral	3
PS Business Parks, Inc. (PSB)	Neutral	3
Rexford Industrial Realty, Inc. (REXR)	Neutral	3
Stag Industrial, Inc. (STAG)	Neutral	3
Terreno Realty Corporation (TRNO)	Neutral	3

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	PLD	X Industry	S&P 500	DRE	EGP	FR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	F	D	D
Market Cap	62.10 B	1.69 B	18.95 B	11.23 B	3.88 B	4.33 B
# of Analysts	9	4	14	6	8	8
Dividend Yield	2.76%	5.03%	2.2%	3.08%	3.02%	2.94%
Value Score	F	-	-	F	F	F
Cash/Price	0.01	0.06	0.06	0.02	0.00	0.03
EV/EBITDA	25.05	12.68	11.58	16.42	19.53	14.19
PEG Ratio	4.11	3.29	2.60	4.97	5.42	NA
Price/Book (P/B)	1.69	1.05	2.59	2.23	3.25	2.42
Price/Cash Flow (P/CF)	20.19	8.75	10.20	14.70	17.07	11.71
P/E (F1)	22.98	12.34	19.00	21.27	19.24	19.14
Price/Sales (P/S)	17.56	4.05	1.93	12.01	11.36	10.03
Earnings Yield	4.27%	7.89%	5.05%	4.69%	5.20%	5.23%
Debt/Equity	0.43	0.92	0.75	0.63	1.05	0.92
Cash Flow (\$/share)	4.17	2.03	7.01	2.07	5.82	2.91
Growth Score	B	-	-	D	C	C
Hist. EPS Growth (3-5 yrs)	10.27%	2.38%	10.82%	4.84%	7.77%	5.83%
Proj. EPS Growth (F1/F0)	8.56%	-2.05%	-10.48%	-0.47%	3.59%	2.22%
Curr. Cash Flow Growth	3.51%	3.36%	5.68%	9.22%	25.62%	28.05%
Hist. Cash Flow Growth (3-5 yrs)	15.92%	12.74%	8.52%	4.21%	13.87%	19.83%
Current Ratio	0.91	1.74	1.27	1.97	0.01	1.64
Debt/Capital	29.89%	48.38%	44.25%	38.50%	51.19%	47.87%
Net Margin	48.50%	13.57%	10.54%	43.19%	35.88%	59.20%
Return on Equity	6.00%	4.04%	16.29%	8.14%	10.83%	14.63%
Sales/Assets	0.08	0.13	0.54	0.11	0.14	0.13
Proj. Sales Growth (F1/F0)	27.15%	0.00%	-2.55%	3.02%	7.36%	2.34%
Momentum Score	A	-	-	B	B	B
Daily Price Chg	1.50%	0.49%	1.17%	0.26%	0.61%	2.10%
1 Week Price Chg	3.59%	1.44%	3.23%	1.86%	7.48%	1.54%
4 Week Price Chg	-4.67%	-6.42%	1.06%	-10.40%	-6.20%	-1.10%
12 Week Price Chg	-15.03%	-37.90%	-22.80%	-21.15%	-30.28%	-25.77%
52 Week Price Chg	9.38%	-32.34%	-12.40%	-0.81%	-12.41%	-3.81%
20 Day Average Volume	3,143,222	793,583	2,553,422	2,411,791	276,849	1,152,654
(F1) EPS Est 1 week change	0.12%	0.00%	0.00%	-0.10%	0.00%	0.00%
(F1) EPS Est 4 week change	-1.20%	-2.25%	-5.57%	-0.98%	-0.10%	-2.05%
(F1) EPS Est 12 week change	-3.25%	-5.25%	-16.22%	-4.63%	-2.01%	-2.67%
(Q1) EPS Est Mthly Chg	-2.17%	-2.38%	-11.63%	-1.80%	-0.93%	-2.71%

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	F
Growth Score	B
Momentum Score	A
VGM Score	C

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.