

Quanta Services Inc. (PWR)

\$36.16 (As of 07/09/20)

Price Target (6-12 Months): **\$38.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/02/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

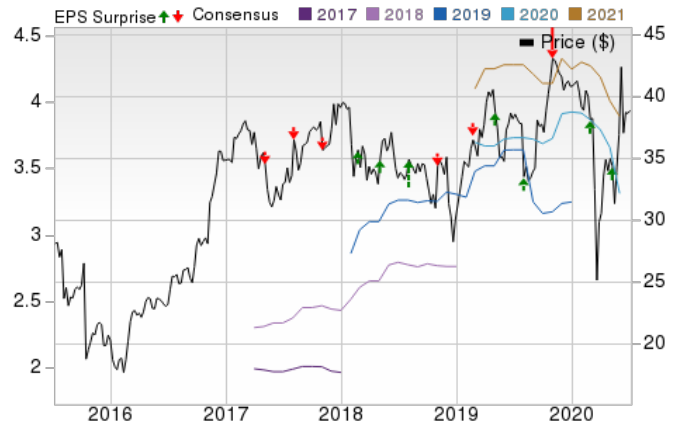
Growth: C

Momentum: A

Summary

Quanta Services' shares have outperformed the industry year to date. The trend is likely to continue in the near term, as it is set to deliver a resilient performance in 2020 despite a challenging environment. Also, it expects to achieve record backlog during the year. Its 80-90% of revenues are derived from utility, communications, and certain pipeline and industrial infrastructure services, which continue to be strong. However, lower contribution from the Pipeline and Industrial Infrastructure Services segment has been denting the company's performance. COVID-19 impacts, inadequate resource utilization, regulatory challenges and risks like project delays, stiff competition, and oil & gas volatility also remain concerns. Moreover, it expects the second quarter to be the most challenging due to short-term disruptions owing to COVID-19.

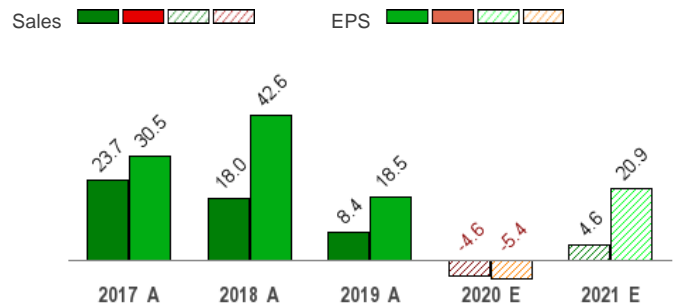
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$44.09 - \$23.77
20 Day Average Volume (sh)	1,249,715
Market Cap	\$5.0 B
YTD Price Change	-11.2%
Beta	1.15
Dividend / Div Yld	\$0.20 / 0.6%
Industry	Engineering - R and D Services
Zacks Industry Rank	Top 30% (75 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	-0.0%
EPS F1 Est- 4 week change	0.8%
Expected Report Date	08/06/2020
Earnings ESP	12.2%
P/E TTM	12.7
P/E F1	11.5
PEG F1	0.8
P/S TTM	0.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,692 E	2,943 E	3,195 E	3,093 E	12,085 E
2020	2,764 A	2,537 E	3,144 E	3,113 E	11,557 E
2019	2,807 A	2,839 A	3,353 A	3,113 A	12,112 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.60 E	\$0.77 E	\$1.01 E	\$1.28 E	\$3.81 E
2020	\$0.47 A	\$0.49 E	\$1.11 E	\$1.07 E	\$3.15 E
2019	\$0.96 A	\$0.31 A	\$1.14 A	\$0.93 A	\$3.33 A

*Quarterly figures may not add up to annual.

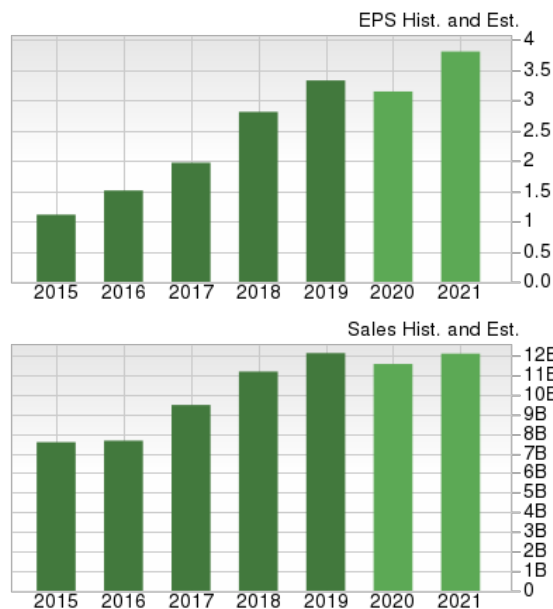
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/09/2020. The reports text is as of 07/10/2020.

Overview

Quanta Services is a leading national provider of specialty contracting services, and one of the largest contractors serving the transmission and distribution sector of the North American electric utility industry. Quanta Services has operations in United States, Canada, Australia and other selected international markets. The company has two reportable segments that are as follows:

The Electric Power Infrastructure Services segment (which contributed 59% to 2019 revenues) provides comprehensive network solutions to customers in the electric power industry. Services performed include the design, installation, upgrade, repair and maintenance of electric power transmission and distribution networks, and sub-station facilities; emergency restoration services; installation of "smart grid" technology on electric power networks; supports the development of renewable energy generation, including solar, wind, hydro power and backup natural gas generation facilities, and related switchyards and transmission infrastructure; and communications infrastructure services.

The Pipeline and Industrial Infrastructure Services segment (41%) provides comprehensive network solutions to customers involved in the transportation of natural gas, oil and other pipeline products. Services include the design, installation, repair and maintenance of oil and gas transmission and distribution systems and related trenching and directional boring services. Also, this segment provides pipeline protection services, integrity testing, rehabilitation and replacement, and the fabrication of pipeline support systems and related structures and facilities for natural gas utilities and midstream companies. It also provides high-pressure and critical-path turnaround services to the downstream and midstream energy markets and instrumentation and electrical services, piping, fabrication and storage tank services.



Reasons To Buy:

▲ **Robust Growth Strategy:** Quanta Services is pursuing a three-pronged growth strategy focusing on timely delivery of projects to exceed customer expectation; leverage on core business to expand in complementary adjacent service lines and continuation of exploring new service lines. Overall, the company's engineering and project management capabilities allow it to capitalize on market trends that are currently skewed toward an engineering, procurement and construction or EPC model. The company ended the first quarter with total backlog of \$14.7 billion and 12-month backlog of \$7.6 billion. This compares favorably with \$12.6 billion of total backlog and \$6.9 billion of 12-month backlog a year ago. This demonstrates the strength of its core operations. It expects utility, communications, and certain pipeline and industrial infrastructure services — which currently account for approximately 80-90% of revenues — to remain robust in 2020. Quanta Services' optimism stems from healthy backlog levels which are expected to grow further.

Solid end-market prospects of both of its segments, namely Electric Power and Pipeline and Industrial Infrastructure, are likely to boost profit.

▲ **Strong Electric Power Operations:** Electric Power operations continued to execute well from a top line perspective. Segment revenues, which comprise revenues from base business activities including communications operations, grew 6.2% in the first quarter from the year-ago level. In fact, excluding the Latin America unit, the segment's revenues grew 8% year over year. Solid performance was backed by base business activities, courtesy of robust spending by electric utilities on grid modernization and infrastructure hardening, particularly in the western United States, as well as by gas utilities on distribution system modernization and safety programs. It is important to note that approximately 65% of Quanta's revenues is directly tied to regulated electric and gas utility customers, which is core to its business.

As of Mar 31, 2020, the segment's 12-month backlog was \$5.25 billion and total backlog was \$9.65 billion, up 16.9% and 15.4% year over year, respectively. Prospects of the Electric Power segment remain robust, given customers' investment in grid modernization programs to accommodate a changing fuel generation mix toward natural gas and renewables, intended to address the aging infrastructure, strengthen systems for resiliency against extreme weather conditions, and support long-term economic growth. In 2020, it expects revenues in the segment between \$7.5 billion and \$7.7 billion and operating margins in the 9-9.3% range, with Latin America contributing operating losses within \$25-\$30 million. Excluding Latin America, margins are expected between 9.4% and 9.7%.

The company has been witnessing solid Telecom revenues, which are included within the Electric Power segment, mainly from U.S. operations. U.S. telecom revenues have been strong since 2017, when the company officially reentered into the U.S. telecommunications market. With the larger diameter pipeline market expanding, and a multi-year cycle ahead of it, the company remains optimistic about its communications infrastructure services operations. Quanta Services continues to make inroads with customers as they deploy capital for fiber-to-the-home and business, long-haul fiber, and the early stages of 5G. Meanwhile, the North America electric transmission and distribution markets are expected to act as one of the key growth drivers for the company going forward, as the region continues to deploy more capital for transmission and distribution upgrades to improve system reliability, and deliver renewable electricity from new generation sources to the demand centers. Its Communication Services revenues increased almost 40% and operating margins grew in mid-single digits in the first quarter.

▲ **Robust Prospect for Pipeline and Industrial Infrastructure Services Unit:** Quanta Services' Pipeline and Industrial Infrastructure segment outlook looks equally promising, primarily due to the improving mainline and natural gas distribution, and integrity markets. The release of customer budgets, improved weather, and commencement of scheduled projects should boost the segment's results in the coming quarters. Going forward, the company continues to expect healthy levels of base load work including supporting midstream infrastructure, downstream support services and natural gas distribution. The company expects strong performance from pipeline projects going forward, driven by a considerable increase in large pipeline revenue contributions amid an active bidding and negotiating environment.

Meanwhile, the company's Pipeline and Industrial Infrastructure segment remains strong on the back of base business activity in natural gas distribution, pipeline integrity and industrial services operations, as well as significantly larger pipeline project activity. Moreover, a gradual shift from coal to gas for power generation from commercial and residential customers is expected to boost natural gas pipeline projects in the long run. In addition, the company's infrastructure services business continues to thrive, supported by robust demand from communications industry. Quanta Services plans to grow its infrastructure solutions capabilities with strategic partnerships with customers and capital partners.

▲ **Acquisitions/Partnerships to Boost Market Share & Backlog:** Quanta Services sees acquisitions as a fundamental component of its strategy to boost market share and develop incremental backlog. In the first quarter, the company acquired a Canada-based industrial services business that performs catalyst handling services — including changeover and shutdown maintenance — for customers in refining and chemical industries. Also, it acquired an electric power infrastructure business located in the United States, which primarily provides underground conduit services. Quanta Services invested \$400 million in the strategic acquisition of seven companies in 2019 (compared to four buyouts in 2018). 2019 and 2018 buyouts strategically expanded its domestic electric power and communications service offerings.

▲ **Strong Liquidity Position:** Quanta Services has been maintaining a strong liquidity position to navigate through the current environment. The company ended the first quarter with \$1.7 billion liquidity, including \$377.2 million cash and cash equivalents, along with \$1.35 billion of available capacity on a five-year, \$2.14-billion revolving credit facility. Its current cash level is sufficient to meet the short-term obligation of \$164.8 million.

Long-term debt obligations (including operating lease liabilities, net of current portion) totaled 1.8 billion, up from \$1.5 billion at first quarter-end. Although debt to total capital at March-end increased to 34% from 29% at 2019-end, the company has no significant debt maturity until Oct 31, 2022. The debt to EBITDA at March-end was 1.7X compared with 1.6X at 2019-end.

Reasons To Sell:

- ▼ **Coronavirus Woes to Ail Near-Term Results:** Overall energy markets have been facing challenges due to COVID-19. Customers have started restricting onsite activity for other services. Also, they have been deferring maintenance and certain turnaround projects to the latter part of this year or 2021. The company expects significant disruptions in industrial services operations in the second quarter due to these headwinds.

Certain portions of its midstream ancillary services operations in the United States and Canada remained soft in the first quarter, and the same will continue in the second quarter.

Quanta Services remains vulnerable to COVID-19 impacts, inadequate resource utilization, regulatory challenges and risks like project delays, stiff competition, and oil & gas volatility.

- ▼ **Absence of Larger Pipeline Projects:** Volatility in Pipeline and Industrial operations, and consumer spending have been affecting the company's projects, as well as orders. The segment's first-quarter 2020 revenues were down 1.5% year over year, primarily due to the absence of larger pipeline projects. Also, operating margin during the quarter contracted 140 basis points (bps) from a year ago.

Although Quanta Services' shares have outperformed its industry in the past year, estimates for 2020 have moved 6.8% downward over the past 30 days, depicting analysts' concern over the company's earnings growth potential.

- ▼ **Regulatory Hurdles/Intense Competition:** Quanta Services operates in a highly uncertain environment. Both the company and its customers face stringent regulatory and permit hurdles for projects, especially regarding product quality, safety measures and environmental protection. For instance, on Jul 28, American Electric Power announced that due to regulatory challenges, it was terminating its effort to build Wind Catcher Generation Tie Line, for which Quanta had been awarded the EPC contract. Moreover, the company operates in a highly competitive industry, which already contains numerous small owner-operated private companies, few public companies and several large regional companies. Low barriers-to-entry in the industry and adequate financial resources as well as access to technical expertise may further intensify the competition.

Additionally, as a large chunk of Quanta Services' business involves outdoor activities, it is vulnerable to unfavorable weather conditions. Traditionally, it experiences lower gas distribution business activity in the first quarter due to seasonal weather, which impacts revenues and pressurizes margins. Although the company expects margins to improve in third-quarter 2019, decline in revenues and normal seasonality will likely cause a sequential decline in margins in the fourth quarter.

- ▼ **Project Delays:** At present, one of the biggest challenges for Quanta Services is obtaining the sighting and permission of energy infrastructure projects, including major electric transmission programs, and this is seriously weighing on its profitability. Also, Quanta Services deals with many large projects that are inherently prone to weaknesses such as irregular start-ups, delays and sudden stoppage during work. Intensive regional competition and delay in the bidding activity of transmission projects are headwinds that might hurt the performance of this segment going forward.

For instance, the Atlantic Coast Pipeline Project or ACP has been halted for the past several months due to permitting issues.

Last Earnings Report

Quanta Services Q1 Earnings In Line, Revenues Miss

Quanta Services Inc. reported first-quarter 2020 results, wherein earnings met the Zacks Consensus Estimate but revenues missed the same.

According to the company, 80-90% of its revenues are derived from utility, communications, and certain pipeline and industrial infrastructure services that will likely continue to be resilient, even in the present challenging environment. It expects to achieve record backlog during the year. Yet, it expects the second quarter to be the most challenging due to short-term disruptions.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	-0.04%
EPS Surprise	0.00%
Quarterly EPS	0.47
Annual EPS (TTM)	2.85

Numbers in Detail

In the quarter under review, the company reported adjusted earnings of 47 cents per share that matched the consensus estimate but decreased 51% from the year-ago profit level.

Total revenues of \$2.76 billion missed the consensus mark by 0.04% and decreased 1.5% year over year due to lower contribution from its Pipeline and Industrial Infrastructure Services segment.

Segment Details

The company reports results under two reportable segments: Electric Power Infrastructure Services segment (accounting for 63.9% of revenues), and Pipeline and Industrial Infrastructure Services (36.1%).

Revenues from Electric Power Infrastructure Services totaled \$1,767 million, increasing 6.2% year over year. However, operating margins contracted 240 bps to 7.3%.

Within the Pipeline and Industrial Infrastructure Services segment, revenues declined 12.8% from the prior-year quarter to \$997.1 million. Moreover, operating margins of 3.1% declined 50 bps year over year.

Operating Highlights

Operating margin during the quarter contracted 140 bps from a year ago to 2.9%. Adjusted EBITDA of \$162.6 million declined 19.4% from \$201.8 million a year ago.

As of Mar 31, 2020, the company reported total backlog of \$14.7 billion and 12-month backlog of \$7.6 billion. This compares favorably with \$12.6 billion of total backlog and \$6.9 billion of 12-month backlog a year ago. However, the reported metrics were down from fourth quarter-end respective figures of \$15 billion and \$7.9 billion.

Liquidity

As of Mar 31, 2020, Quanta Services had cash and cash equivalents of \$377.2 million compared with \$164.8 million at 2019-end. The company's long-term debt (net of current maturities) amounted to \$1,589.3 million, up from \$1,292.2 million as of Dec 31, 2019.

Net cash provided by operating activities was \$227.5 million in the quarter versus \$82.8 million cash used in operating activities in the prior-year period. Free cash flow was \$164.4 million in the quarter versus negative free cash flow of \$140.5 million a year ago. On Mar 31, 2020, Quanta Services had total liquidity of \$1.7 billion.

Updates 2020 Guidance

The company expects revenues in the range of \$11.4-\$11.8 billion versus prior expectation of 12.2-\$12.6 billion.

It expects adjusted earnings between \$3.04 and \$3.36 per share compared with \$3.62-\$4.02 expected earlier. Adjusted EBITDA is projected within \$860-\$925 million versus \$1.03-\$1.12 billion of prior projection. This indicates a decrease from \$941.8 million reported in 2019.

Valuation

Quanta Services' shares are down 11.1% in the year-to-date period and 3.4% in trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Construction sector is down 29% and 8.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 24.7% but sector is up 3.7%.

The S&P 500 index is down 1.8% in the year-to-date period but up 5.7% in the past year.

The stock is currently trading at 10.35X forward 12-month earnings, which compares to 16.04X for the Zacks sub-industry, 18.49X for the Zacks sector and 22.52X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.43X and as low as 6.64X, with a 5-year median of 13.32X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$38 price target reflects 10.9X forward 12-month earnings.

The table below shows summary valuation data for PWR

Valuation Multiples - PWR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.35	16.04	18.49	22.52
	5-Year High	25.43	17.58	18.99	22.52
	5-Year Low	6.64	10.26	10.72	15.27
	5-Year Median	13.32	14.13	15.87	17.59
P/B TTM	Current	1.31	1.59	3.75	4.34
	5-Year High	1.67	2.64	4.78	4.65
	5-Year Low	0.84	0.8	1.82	2.81
	5-Year Median	1.4	1.93	3.27	3.69
EV/EBITDA TTM	Current	7.66	6.31	17.2	12.04
	5-Year High	12.02	10.69	21.07	12.45
	5-Year Low	5.54	5.31	12.11	8.04
	5-Year Median	8.55	7.57	17.67	10.76

As of 07/09/2020

Industry Analysis Zacks Industry Rank: Top 30% (75 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
AECOM (ACM)	Outperform	3
Dycom Industries, Inc. (DY)	Neutral	2
Fluor Corporation (FLR)	Neutral	3
Gates Industrial Corporation PLC (GTES)	Neutral	2
Jacobs Engineering Group Inc. (J)	Neutral	4
MasTec, Inc. (MTZ)	Neutral	3
Willdan Group, Inc. (WLDN)	Neutral	3
KBR, Inc. (KBR)	Underperform	3

Industry Comparison Industry: Engineering - R And D Services				Industry Peers		
	PWR	X Industry	S&P 500	ACM	FLR	KBR
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	B	B	A
Market Cap	4.98 B	2.82 B	21.19 B	5.63 B	1.57 B	2.99 B
# of Analysts	7	2	14	3	4	5
Dividend Yield	0.55%	0.00%	1.96%	0.00%	3.56%	1.91%
Value Score	B	-	-	A	A	A
Cash/Price	0.07	0.13	0.07	0.19	NA	0.18
EV/EBITDA	6.94	7.97	12.56	21.68	NA	7.69
PEG Ratio	0.80	1.36	2.85	1.38	NA	1.34
Price/Book (P/B)	1.31	1.66	3.00	1.52	0.93	1.80
Price/Cash Flow (P/CF)	7.02	7.83	11.41	7.91	2.80	8.59
P/E (F1)	11.60	17.72	20.79	17.00	9.07	12.90
Price/Sales (P/S)	0.41	0.46	2.19	0.34	0.09	0.51
Earnings Yield	8.71%	3.99%	4.52%	5.89%	11.04%	7.77%
Debt/Equity	0.47	0.65	0.76	0.57	NA	0.73
Cash Flow (\$/share)	5.15	1.90	6.94	4.44	4.01	2.44
Growth Score	C	-	-	C	C	A
Hist. EPS Growth (3-5 yrs)	27.20%	14.55%	10.90%	-3.33%	NA	18.09%
Proj. EPS Growth (F1/F0)	-5.49%	-23.53%	-9.99%	-24.85%	112.01%	-3.79%
Curr. Cash Flow Growth	14.87%	6.05%	5.51%	-0.31%	14.03%	23.99%
Hist. Cash Flow Growth (3-5 yrs)	4.47%	8.80%	8.55%	15.22%	-9.29%	7.96%
Current Ratio	1.78	1.44	1.30	1.23	NA	1.22
Debt/Capital	32.05%	41.63%	44.46%	36.19%	NA	42.07%
Net Margin	2.65%	0.98%	10.62%	-2.63%	NA	0.99%
Return on Equity	9.72%	8.44%	15.75%	10.15%	NA	13.74%
Sales/Assets	1.44	1.10	0.55	1.15	NA	1.10
Proj. Sales Growth (F1/F0)	-4.58%	-4.72%	-2.52%	-36.26%	-1.87%	0.49%
Momentum Score	A	-	-	C	D	A
Daily Price Chg	-3.19%	-2.20%	-1.52%	-2.28%	-2.85%	-2.60%
1 Week Price Chg	0.60%	0.13%	3.66%	0.83%	4.09%	1.81%
4 Week Price Chg	-1.71%	-1.56%	0.36%	-8.51%	-4.26%	-13.66%
12 Week Price Chg	10.75%	16.51%	10.41%	12.88%	55.76%	11.24%
52 Week Price Chg	-3.39%	-7.03%	-8.70%	-4.20%	-64.82%	-16.25%
20 Day Average Volume	1,249,715	33,632	2,339,510	1,470,854	2,938,202	1,508,561
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	2.39%
(F1) EPS Est 4 week change	0.81%	0.00%	0.00%	0.00%	0.00%	2.39%
(F1) EPS Est 12 week change	-19.46%	-20.90%	-7.77%	-20.51%	-19.64%	-12.68%
(Q1) EPS Est Mthly Chg	0.59%	0.00%	0.00%	0.00%	0.00%	0.00%

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	C
Momentum Score	A
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.