

Science Applications (SAIC)

\$85.31 (As of 08/11/20)

Price Target (6-12 Months): **\$90.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 09/04/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: D

Summary

Science Applications reported year-over-year revenue and earnings growth in the first quarter of fiscal 2020. The company's business was resilient to the coronavirus pandemic-induced crisis and had a limited impact on its first-quarter financials. The company is benefiting from the Unisys Federal acquisition. Strong performance of its contract portfolio is also a tailwind. Further, solid program performance and a positive impact of cost synergies are boosting EBITDA margin. Also, SAIC hopes to provide increased customer access, higher investments in competitive solutions and an improved cash flow. Shares of the company have outperformed the industry over the last year. However, acquisition-related dis-synergies were an overhang on the top line. Competition in the emerging growth segment and an intense rivalry with CACI are concerns as well.

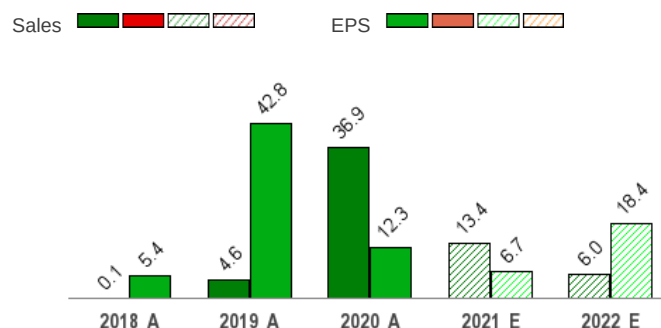
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$96.80 - \$45.45
20 Day Average Volume (sh)	486,488
Market Cap	\$5.0 B
YTD Price Change	-2.0%
Beta	1.05
Dividend / Div Yld	\$1.48 / 1.7%
Industry	Computers - IT Services
Zacks Industry Rank	Bottom 32% (171 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.1%
Last Sales Surprise	1.8%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	09/02/2020
Earnings ESP	0.0%
P/E TTM	15.0
P/E F1	14.1
PEG F1	2.6
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,952 E	1,947 E	1,980 E	1,912 E	7,670 E
2021	1,757 A	1,804 E	1,869 E	1,808 E	7,234 E
2020	1,615 A	1,594 A	1,630 A	1,540 A	6,379 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.69 E	\$1.77 E	\$1.84 E	\$1.85 E	\$7.15 E
2021	\$1.38 A	\$1.44 E	\$1.58 E	\$1.60 E	\$6.04 E
2020	\$1.36 A	\$1.35 A	\$1.39 A	\$1.58 A	\$5.66 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 08/11/2020. The reports text is as of 08/12/2020.

Overview

Science Applications International Corporation (SAIC) is one of the leading IT and professional services provider, primarily to the U.S. government. Founded in 1969, the company's headquarter is located at Reston, VA.

Science Applications offers transaction, technical, engineering and enterprise IT services primarily to the U.S. government. Its offerings include technology and equipment platform integration; engineering; logistics; operation and program support services; maintenance of ground and maritime systems; and training and simulation. Apart from this, Science Applications provides end-to-end services like design, development, integration, deployment, management and operations, sustainment, and security of its customers' IT infrastructure.

The company's customers lists primarily includes different government agencies, including the U.S. military, comprising Army, Air Force, Navy, Marines, and Coast Guard; the U.S. Defense Logistics Agency; the National Aeronautics and Space Administration; the U.S. Department of State; and the U.S. Department of Homeland Security. The company serves its customers with more than 15,000 employees.

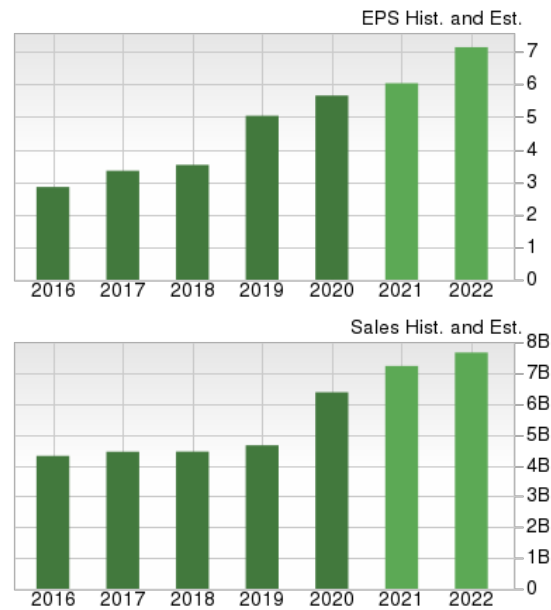
The company generated \$6.38 billion of revenues in fiscal 2020, of which more than 97% came in from the U.S. government. The company segregates its contracts in three different types:

Cost-reimbursement contracts: Under this type of contract, the company gets reimbursement for its direct and indirect allocable costs associated with the contract plus a fee (contract profit).

Time-and-materials (T&M) contracts: These contracts are based on fixed hourly rates for particular categories of direct labor, plus reimbursement for any other direct costs.

Firm-fixed price (FFP) contracts: These contracts provide for a predetermined price for specific solutions.

Its competitors include companies such as General Dynamics, Northrop Grumman, Raytheon Company, Booz Allen Hamilton, CACI International, Leidos Holdings, ManTech International, Serco Group, Perspecta, Accenture, IBM, Unisys and Agility Logistics.



Reasons To Buy:

- ▲ Science Applications remains focused on the federal government marketplace and capturing more market share. The company intends to drive operational excellence by intensively focusing on its organic and inorganic growth strategy, and strengthening existing customer relationships while building newer ones. Higher spending as proposed in the latest federal government budget is anticipated to accelerate the pace of contract awards which in turn will be beneficial for Science Applications' top-line growth.
- ▲ A leader in IT outsourcing for the U.S. government agencies, Science Applications has exposure to the rapidly growing DoD and Department of Homeland Security budgets. Its system-integration skills and intelligence expertise consume a significant portion of the funds earmarked for the Department of Homeland Security while creating systems that foster the sharing of critical information among all intelligence agencies. We believe the company is comfortably positioned, given its favored relationship with the DoD. Moreover, cyber-attacks are creating increased awareness, leading to more demand for cyber solutions.
- ▲ Having the government as a big client lends stability to the business and moderates fluctuation in revenues. Although the government generally has a lengthy approval process, the project earns money for a number of years after it is approved. Moreover, government contracts improve the visibility of future revenue streams. The company has been doing very well with a record level of awards, which reflects its disciplined business development actions, consistent operational excellence and high customer satisfaction. The company continues to execute its strategy of winning high-value contracts, delivering excellence to customers and deploying capital for growth. Its robust business model is expected to help it grow further.
- ▲ Science Applications has been aggressive in the acquisition front to boost competitive position. Notably, the spin-off from Leidos had resulted in a very little intelligence business left with the company, due to which it had been lagging to keep pace with competitors. However, the buyout of Scitor Holdings has now put it as a market leader within the intelligence community, immediately boosting its top line, bringing in approximately \$600-million additional revenues annually. The recently-completed acquisition of Engility is expected to boost the company's top-line, profitability and cash flow, consequently enhancing long-term shareholder-value creation. All this makes us optimistic about the company's growth prospects.
- ▲ Science Applications' strong operating cash flow has helped it return cash through regular quarterly dividend payment and share repurchases. Share repurchases is a good way of returning cash to investors while boosting the company's bottom-line. Moreover, consistent returns to shareholders reflect balance sheet strength and company's cash flow generating ability. In the trailing 12 months, Science Applications has generated operating and free cash flows of \$647 million and \$626 million, respectively. During first-quarter fiscal 2020, the company generated operating and free cash flows of \$367 million and \$358 million, respectively. During fiscal 2020, the company paid a total cash dividend of \$87 million and repurchased \$197 million worth of its common stock. Last quarter, it paid \$23 million in dividend. Since the inception of the share-repurchase program in 2013, it has repurchased \$736 million worth of stocks.

Higher spending as proposed in the latest federal government budget is anticipated to accelerate the pace of contract awards which in turn will be beneficial for Science Applications' top-line growth.

Reasons To Sell:

- ▼ Though Science Applications has been steadily winning contracts from the federal government, but these low-margin deals have been affecting the company's profitability, which remain a major concern.
- ▼ Unfavorable contract mix is also hurting the company's profitability. The company continues to witness increase in cost reimbursement type contracts compared with fixed price contract, which is expected to be a drag on margins.
- ▼ Science Applications has a highly leveraged balance sheet. The company's long-term debt has increased significantly in the last five years to \$2.4 billion at the end of fiscal 2020 from \$486 million at the end of fiscal 2015. As a result, its annualized interest expenses have increased over five-folds during the same time frame. Additionally, the long-term debt level of \$2.9 billion as of Apr 30, 2020, is significantly higher than the cash and cash equivalents of \$276 million. Also, Science Applications' current debt-to-capital ratio of 0.67 is significantly higher than the industry average of 0.48. Moreover, the company's times interest earned ratio of 3.7 in first-quarter fiscal 2020 is significantly lower than the industry average of 6.5.
- ▼ Revenue concentration is a major risk for Science Applications. In fiscal 2020, over 97% of revenues came from sales to the U.S. federal government either as a prime contractor or subcontractor. Due to this massive dependency, changes in the government's IT spending budget is a huge deciding factor for the company's top-line growth. Moreover, these contracts are subject to extensive legal and regulatory hurdles, which are stringent, and subject to change from time to time. The government also investigates operations periodically to ensure that the terms and conditions have been properly adhered to. Deviations from the terms laid out by the government might result in huge penalties or termination.
- ▼ Science Applications competes primarily in the government IT services arena, which, like other government sectors, consists of many competitors of various sizes. Its main competitors include ManTech International Corporation, CACI, Unisys, Accenture, IBM, all of which are established players in the industry, with their respective strengths. Consequently, the company has to continuously invest in value drivers which act as a hedge against competition. These increase its operating costs and reduce its profitability.
- ▼ Seasonality is an influential factor for the top line. The fourth quarter is usually low-revenue quarter due to holidays and employee vacations. This brings down average top-line growth of the full fiscal.

Revenue concentration and increasing competition remain key concerns for SAIC.

Last Earnings Report

Science Applications Q1 Earnings Miss Estimates, Up Y/Y

Science Applications reported mixed results for first-quarter fiscal 2021, wherein its revenues topped the Zacks Consensus Estimate but earnings missed the same. Nonetheless, the company recorded year-over-year growth in both the metrics.

The company reported fiscal first-quarter adjusted earnings of \$1.38 per share, which comes in a couple of cents higher than the year-ago quarter's \$1.36. The year-over-year upside was mainly driven by higher revenues and reduced outstanding share counts. However, quarterly earnings missed the Zacks Consensus Estimate of \$1.41 per share.

Quarterly revenues jumped 9% from the year-ago period to \$1.76 billion, surpassing the Zacks Consensus Estimate of \$1.73 billion. Revenues realized from the acquisition of Unisys Federal mainly drove the top line. Solid performance of the company's contract portfolio was a tailwind. Adjusting for the impact of acquired revenues, the metric was up 3%.

Quarter Ending **04/2020**

Report Date	Jun 04, 2020
Sales Surprise	1.75%
EPS Surprise	-2.13%
Quarterly EPS	1.38
Annual EPS (TTM)	5.70

Quarter in Detail

Science Applications stated that its business was resilient to the coronavirus pandemic-induced crisis. The crisis had limited impact on its fiscal first-quarter performance. It affected quarterly revenues and adjusted EBITDA by \$33 million and \$8 million, respectively. The company also stated that the coronavirus crisis had an immaterial impact on its net free cash flow.

Net bookings for the fiscal first quarter were \$1.6 billion, reflecting a book-to-bill ratio of 0.9. The company's fiscal first-quarter net booking amount excludes the single-award IDIQ contract worth \$4.6 billion. Science Applications stated that these types of contracts do not immediately contribute to backlog per the company's bookings policy and rather add to bookings for the next several years.

Science Applications' estimated backlog of signed business deals was \$16.6 billion, of which \$1.5 billion represents contracts gained through acquiring Unisys Federal.

Non-GAAP operating income grew 5% year over year to \$106 million. However, non-GAAP operating margin contracted 30 basis points to 6% mainly due to higher acquisition and integration costs, and impact of the coronavirus crisis.

Adjusted EBITDA marginally increased year over year to \$137 million from \$135 million in the year-ago quarter. However, adjusted EBITDA margin shrunk 60 bps to 7.8% chiefly due to the pandemic's impact and lower current-quarter net profit write-ups.

Balance Sheet & Cash Flow

Science Applications ended the fiscal first quarter with cash and cash equivalents of \$276 million, up from the prior quarter's \$188 million.

Operating cash flow was \$367 million, significantly higher from the previous quarter's \$69 million. The robust improvement reflects cash provided from operating activities of Unisys Federal and \$200 million of sales of receivables under the Master Accounts Receivable Purchase Agreement (MARPA). Free cash flow was \$158 million compared with the \$62 million witnessed in fourth-quarter fiscal 2020.

During the reported quarter, Science Applications deployed \$39 million of capital, which includes \$23 million in dividend payments and \$16 million to mandatory debt repayment. The company stated that it did not make any voluntary debt repayment during the fiscal first quarter in an effort to preserve cash in light of the COVID-19 pandemic.

Guidance

For fiscal 2021, the company expects revenues between \$7.1 billion and \$7.3 billion, suggesting organic revenue growth of 1-4%. The top-line guidance includes 10.5 months of business operation of the recently-acquired Unisys Federal business and a negative impact of \$150 million from the coronavirus pandemic.

For the full fiscal year, the company anticipates adjusted earnings in the \$5.80-\$6.10 per share range. The guided range includes a negative impact of approximately \$25 million due to the COVID-19 crisis.

Free cash flow is expected to meet or exceed \$500 million in fiscal 2021.

Recent News

On Aug 4, SAIC revealed receiving \$950 million worth of indefinite delivery and quantity contract from the Department of Defense to enable Joint All Domain Command and Control (JADC2).

On Jul 30, SAIC announced getting \$63.5 million US Navy contract provide mission engineering and integration services to support advanced Hypersonic technologies.

On Jul 22, SAIC received \$89 million worth of contract from US Army to provide IT support and C4I services.

On Jun 24, SAIC announced winning \$630 Million contract to modernize Air Force critical infrastructure for accurate, timely weather Reports.

On Jun 19, SAIC received a contract worth \$2.9 billion to keep supporting the U.S. Army with its mission engineering capabilities. The award carries a five-year performance period. Per the contract, the company will keep working on advanced technologies, and help the U.S. Army build, integrate, and maintain software platforms.

On Jun 10, SAIC received a \$378-million, single-award, indefinite-delivery, indefinite-quantity (IDIQ) contract to provide its enterprise IT services to the Federal Aviation Administration (FAA). On Jun 9, 2020, SAIC announced receiving a \$378-million, single-award, indefinite-delivery, indefinite-quantity (IDIQ) contract to provide its enterprise IT services to the Federal Aviation Administration.

On Jun 2, 2020, SAIC announced receiving a single-award, cost-plus-fixed-fee and firm-fixed-price contract worth \$60 million to continue supporting the U.S. Navy with its mission engineering capabilities.

On May 26, 2020, SAIC revealed that it win national security contracts worth over \$600 million.

On May 19, 2020, SAIC revealed that it has made to the Fortune 500 list of America's largest corporations by revenues for the first time since it was spun off in 2013.

On May 18, 2020, SAIC appointed Dorothy (Dee Dee) Helfenstein as the company's executive vice president and chief strategic growth officer.

On May 14, 2020, SAIC announced receiving a \$42 million task order by the U.S. Army Space and Missile Defense Command (SMDC).

On Apr 23, 2020, SAIC announced receiving Controller Training Solutions (CTS) contract worth \$653 million by the US Federal Aviation Administration.

On Apr 21, 2020, SAIC announced receiving \$655 million contract for providing systems engineering, planning, integration and sustainment services to the U.S. Air Force Space and Missile Systems Center (SMC).

On Mar 12, SAIC announced that it is partnering with The Goodyear Tire & Rubber Company on a pilot project on securing customer data across supply chain with blockchain technology.

On Mar 11, SAIC received a three-year, single-award, follow-on contract worth \$45.2 million to continue supporting the Navy and Marine Corps in tactical warfare training.

On Feb 6, 2020, SAIC entered into a definitive agreement to acquire Unisys Federal, in an all-cash transaction valued at \$1.2 billion.

On Jan 10, 2020, SAIC won an application modernization contract worth \$727 million for the Department of Defense.

Valuation

Shares of SAIC have declined 1.9% so far this year while have gained 1.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector have increased 17.7% and 20%, respectively, in the year-to-date period. Over the past year, while the Zacks sub-industry has increased 21.1%, the sector gained 34%.

The S&P 500 Index has increased 4.2% year to date while has gained 15% in the past year.

The stock is currently trading at 12.87X forward 12-month earnings, which compares to 30.5X for the Zacks sub-industry, 25.77X for the Zacks sector and 22.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.99X and as low as 8.18X with a 5-year median of 16.41X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$90 price target reflects 13.51X forward 12-month earnings.

The table below shows summary valuation data for SAIC

Valuation Multiples - SAIC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.87	30.50	25.77	22.80
	5-Year High	24.99	32.37	26.31	22.80
	5-Year Low	8.18	15.46	16.72	15.25
	5-Year Median	16.41	22.32	19.61	17.58
P/S F12M	Current	0.66	5.72	3.99	3.67
	5-Year High	0.86	10.11	4.01	3.67
	5-Year Low	0.41	3.91	2.32	2.53
	5-Year Median	0.69	6.98	3.14	3.05
EV/Sales TTM	Current	1.15	5.85	4.59	3.23
	5-Year High	1.39	8.02	4.59	3.46

	5-Year Low	0.62	3.60	2.58	2.14
	5-Year Median	0.94	5.74	3.65	2.86

As of 08/11/2020

Industry Analysis Zacks Industry Rank: Bottom 32% (171 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Electronic Arts Inc. (EA)	Outperform	2
TPG Pace Holdings Corp. (ACEL)	Neutral	3
Cabot Microelectronics Corporation (CCMP)	Neutral	3
Cornerstone Building Brands, Inc. (CNR)	Neutral	3
Jacobs Engineering Group Inc. (J)	Neutral	3
Nice Ltd. (NICE)	Neutral	4
NexGen Energy Ltd. (NXE)	Neutral	3
Kite Realty Group Trust (KRG)	Underperform	3

Industry Comparison Industry: Computers - It Services				Industry Peers		
	SAIC	X Industry	S&P 500	ACEL	J	NXE
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	F	B	D
Market Cap	4.96 B	2.70 B	23.61 B	788.04 M	11.85 B	607.99 M
# of Analysts	7	5	14	2	8	1
Dividend Yield	1.73%	0.00%	1.69%	0.00%	0.84%	0.00%
Value Score	A	-	-	D	C	D
Cash/Price	0.06	0.06	0.07	0.23	0.09	0.05
EV/EBITDA	14.56	10.02	13.32	17.27	21.48	-733.96
PEG Ratio	2.56	2.34	2.95	NA	2.26	NA
Price/Book (P/B)	3.52	5.73	3.22	12.12	2.01	4.21
Price/Cash Flow (P/CF)	10.43	12.81	12.79	20.99	14.12	NA
P/E (F1)	14.07	29.52	22.02	NA	17.54	NA
Price/Sales (P/S)	0.76	2.60	2.57	NA	0.88	NA
Earnings Yield	7.08%	2.38%	4.29%	-0.40%	5.70%	-4.32%
Debt/Equity	1.99	0.24	0.77	5.85	0.37	0.65
Cash Flow (\$/share)	8.18	1.07	6.94	0.48	6.44	-0.03
Growth Score	A	-	-	F	A	C
Hist. EPS Growth (3-5 yrs)	17.71%	17.84%	10.41%	NA	14.45%	NA
Proj. EPS Growth (F1/F0)	6.69%	-3.34%	-6.51%	55.56%	2.70%	-40.00%
Curr. Cash Flow Growth	74.09%	15.98%	5.22%	-8.32%	6.22%	-437.73%
Hist. Cash Flow Growth (3-5 yrs)	23.85%	15.72%	8.55%	NA	9.65%	NA
Current Ratio	1.05	1.47	1.34	3.56	1.69	6.24
Debt/Capital	66.55%	32.71%	44.59%	85.41%	26.81%	39.37%
Net Margin	3.17%	3.26%	10.13%	NA	4.11%	NA
Return on Equity	25.32%	9.12%	14.59%	-40.12%	12.25%	-6.93%
Sales/Assets	1.30	0.76	0.51	NA	1.09	NA
Proj. Sales Growth (F1/F0)	13.40%	0.68%	-1.45%	161.36%	5.21%	NA
Momentum Score	D	-	-	B	D	D
Daily Price Chg	1.68%	-0.47%	-0.17%	1.10%	-0.15%	-3.58%
1 Week Price Chg	4.10%	2.73%	2.30%	27.66%	6.99%	-4.47%
4 Week Price Chg	20.56%	9.01%	6.41%	5.11%	15.11%	19.63%
12 Week Price Chg	3.19%	20.04%	15.42%	12.77%	22.48%	23.28%
52 Week Price Chg	1.48%	14.22%	2.88%	-2.04%	8.45%	25.19%
20 Day Average Volume	486,488	492,531	2,007,486	431,037	720,186	871,320
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	74.19%	-0.39%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	1.84%	74.19%	3.88%	0.00%
(F1) EPS Est 12 week change	-0.96%	1.99%	2.40%	-93.75%	3.49%	0.00%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.72%	128.57%	-6.25%	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	A
Growth Score	A
Momentum Score	D
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.