

Boston Beer Company (SAM)

\$535.85 (As of 06/23/20)

Price Target (6-12 Months): **\$616.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 06/22/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:C

Value: F

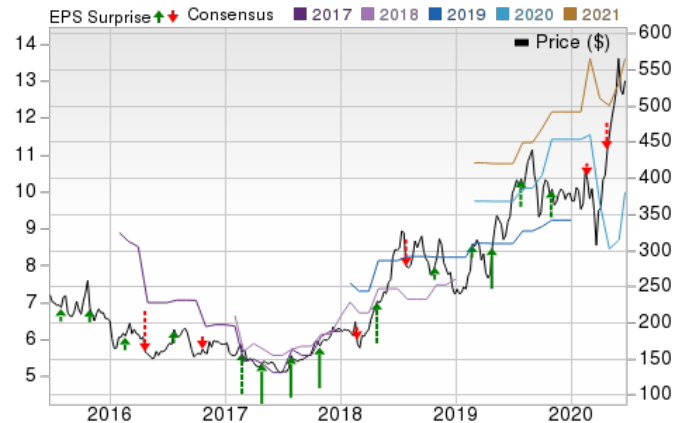
Growth: B

Momentum: B

Summary

Boston Beer outpaced the industry in the past three months, courtesy of continued top-line growth in first-quarter 2020 on strong shipments and depletions growth. Depletions benefited from major innovations, quality of products and strong brands alongside solid sales execution and support from distributors. Gains in Truly Hard Seltzer, Twisted Tea and Dogfish Head brands also aided growth. Going forward, the Truly, Twisted Tea and Dogfish Head brands remain its key priorities. However, the company delivered top and bottom line miss and soft margins in the first quarter, owing to the impacts of coronavirus. It witnessed significant reduction in keg demand from the on-premise channel, and higher labor and safety-related costs at its breweries. Citing the evolving situation due to the pandemic, it has withdrawn its guidance for 2020.

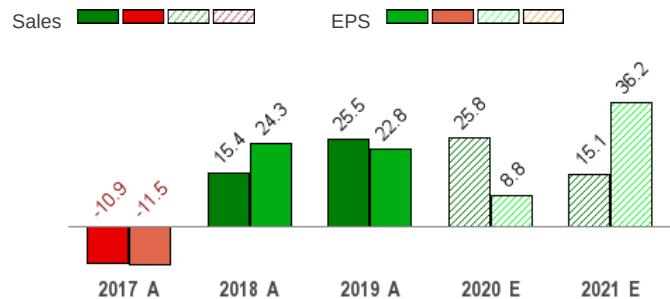
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$587.85 - \$290.02
20 Day Average Volume (sh)	153,596
Market Cap	\$6.5 B
YTD Price Change	41.8%
Beta	0.85
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Beverages - Alcohol
Zacks Industry Rank	Top 37% (93 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-24.6%
Last Sales Surprise	1.6%
EPS F1 Est- 4 week change	14.8%
Expected Report Date	07/23/2020
Earnings ESP	0.0%
P/E TTM	63.2
P/E F1	53.7
PEG F1	5.4
P/S TTM	4.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	400 E	553 E	649 E	426 E	1,811 E
2020	352 A	419 E	479 E	345 E	1,573 E
2019	252 A	318 A	378 A	301 A	1,250 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.56 E	\$4.35 E	\$5.94 E	\$2.60 E	\$13.59 E
2020	\$1.32 A	\$2.26 E	\$4.10 E	\$2.00 E	\$9.98 E
2019	\$1.87 A	\$2.34 A	\$3.58 A	\$1.24 A	\$9.17 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 06/23/2020. The reports text is as of 06/24/2020.

Overview

Founded by Jim Koch, Harry M. Rubin, and Lorenzo Lamadrid in Boston, MA in 1984, Boston Beer Co. Inc. is one of the largest craft brewers in the United States. Boston Beer produces beer, malt beverages, and cider products at company-owned breweries and under contract. The company sells alcoholic beverages in the United States, Canada, Europe, Israel, Australia, New Zealand, the Caribbean, the Pacific Rim, Mexico, and Central and South America through a formidable network of wholesale distributors.

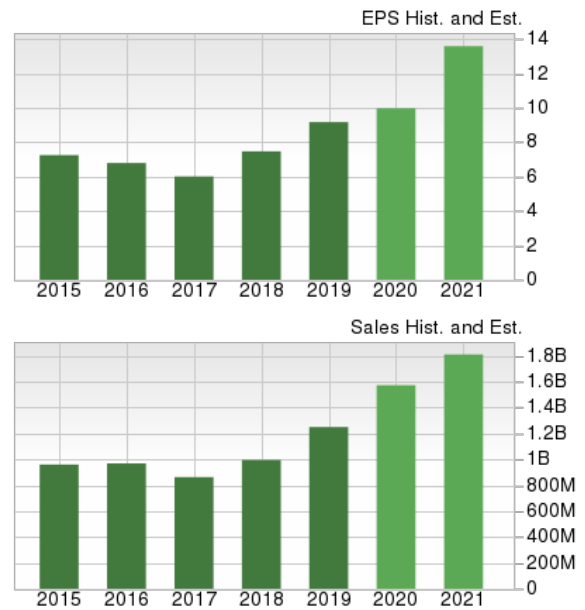
Boston Beer has four company-owned breweries, namely **Boston Brewery** located at Boston, MA; **Cincinnati Brewery** at Cincinnati, OH; **Pennsylvania Brewery** at Breinigsville, PA; and **Angel City Brewery** at Los Angeles, CA.

The company produces and sells three types of alcoholic beverages:

Beer: The company's beer products are primarily positioned in the "Better Beer" category of the beer industry, which includes craft beers, domestic specialty beers and imported beers. The category is decided on the basis of premium price, quality, image and taste. The company is known for its Samuel Adams Boston Lager or Sam Adams Boston Lager beer brands under which it sells about 60 different types of beers. Alongside, the company sells 20 beers of various other brands.

Malt Beverages: Apart from producing beer, the company also produces a malt beverage known as Twisted Tea which contains Iced Tea and alcohol.

Cider: The company sells alcoholic ciders under the Angry Orchard brand.



Reasons To Buy:

▲ **Strong Shipments & Depletions Aid Revenue Growth:** Shares of Boston Beer have gained 55.8% in the past three months, compared with the industry's growth of 18.7%. Although Boston Beer's top line missed the Zacks Consensus Estimate in first-quarter 2020, it advanced 31.4% year over year driven by 32.2% improvement in shipments and a 36% increase in depletions despite coronavirus-related impacts. Excluding the addition of the Dogfish Head brands, beginning Jul 3, 2019, shipments increased 27.5%. Depletions growth included a 30% rise from Boston Beer legacy brands and 6% from the addition of Dogfish Head brand. Depletion growth can be attributed to major innovations, quality of products and strong brands alongside solid sales execution and support from distributors. Further, increases in Truly Hard Seltzer and Twisted Tea brands as well as the inclusion of Dogfish Head brand aided growth. Depletion growth was partly offset by the fall in Samuel Adams and Angry Orchard brands.

Boston Beer witnessed accelerated growth for the Truly brand as well as the newly launched Truly Hard Lemonade, which are growing beyond expectations. This aided its depletion growth in Q1.

Prior to the impacts of the COVID-19 outbreak, the company was on track to maintain its guidance for 2020. Depletions for the 9 weeks ended Feb 29, 2020, increased 32% from the prior-year period. Excluding the Dogfish Head brand, depletions rose 26%. Notably, shipment volume was significantly higher than depletion volume, which resulted in higher distributor inventory levels as of Mar 28, 2020.

▲ **Truly & Twisted Tea Brands Hold Potential:** Boston Beer has been lately witnessing robust trends for the Truly and Twisted Tea brands, which is driving depletions. In the first quarter, the company witnessed accelerated growth for the Truly brand as well as the newly launched Truly Hard Lemonade, which are growing beyond expectations. Since January, Boston Beer has seen momentum and expanded market share for the Truly brand, while other hard seltzer brands have lost share. The company is ready with a new advertising campaign for Truly, but has postponed it due to the coronavirus outbreak. Meanwhile, the Twisted Tea brand generated consistent double-digit volume growth in the first quarter. Going forward, the company envisions significant opportunities for distribution and volume growth for the Truly and Twisted Tea brands.

▲ **Strategic Initiatives:** Boston Beer remains committed to the three-point growth plan focused on the revival of its Samuel Adams and Angry Orchard brands, cost-saving initiatives and long-term innovation. Firstly, it plans to revive the Samuel Adams brand through packaging, innovation, promotion and brand communication initiatives. Further, it remains keen on retaining Angry Orchard and Twisted Tea's momentum while ensuring Truly Spiked & Sparkling's leadership position in the hard sparkling-water category. Secondly, the company is focused on accelerated cost savings and efficiency projects with savings directed for further brand development. Its third priority is long-term innovation and maximizing the shareholder value. Boston Beer remains optimistic about the future of craft beer and cider categories.

▲ **Financial Stability & Shareholder Returns:** Boston Beer's balance sheet is reasonably healthy, indicating that its cash position should be able to fund strategic investments. As of Mar 28, 2020, the company's cash and cash equivalents increased more than three folds sequentially to \$129.5 million. Notably, the company had no short term obligations. Moreover, the company drew down \$100 million from its line of credit in March 2020 to enhance the cash position and liquidity amid the coronavirus pandemic. Currently, it has \$50 million available under its line of credit.

During the first quarter, and the period between Mar 30 and Apr 21, Boston Beer did not repurchase shares in order to preserve liquidity. As a result, the company has \$90.3 million remaining under the \$931-million share buyback authorization.

Risks

- **Soft Q1 Performance:** Boston Beer reported lower-than-expected first-quarter 2020 revenues and earnings primary owing to the impacts of the coronavirus outbreak, which began to be felt on its business in early March. Further, the bottom line declined 29.4% from the year-ago period mainly due to lower gross margin and higher operating expenses, partly offset by an increase in revenues. Notably, gross margin contracted 470 basis points to 44.8% due to elevated processing costs, stemming from higher production at third-party breweries. Further, higher processing costs and finished goods keg inventory write-offs at company-owned breweries, of which \$3.6 million was direct costs related to COVID-19, hurt gross margin. These factors were partly negated by higher prices and cost savings at company-owned breweries. Excluding the impacts of COVID-19-related returns and other direct costs, gross margin was 46.8%.
- **Impacts of Coronavirus Pandemic:** As a result of the pandemic, Boston Beer has been witnessing a significant reduction in keg demand from the on-premise channel, and higher labor and safety-related costs at its breweries. In first-quarter 2020, it recorded nearly \$10 million of coronavirus-related pre-tax reductions in net revenues and increases in other costs. This included \$5.8 million related to reduced revenues due to keg returns from distributors and retailers, and \$4.2 million of other COVID-19-related costs of which \$3.6 million was recorded in cost of goods sold and \$0.6 million in operating expenses. Further, COVID-19 related safety measures led to the reduction in internal capacity, shifting more volume to third-party breweries. This caused higher production costs and negatively impacted gross margin.

The company informed that it was on track to deliver on its 2020 financial targets prior to the impacts of the coronavirus outbreak were felt. However, citing the evolving situation due to the pandemic, it has withdrawn its guidance for 2020.

- **Higher Operating Costs:** Higher advertising, promotional and selling expenses along with increased general and administrative costs remain a threat to the company's overall profitability. In first-quarter 2020, advertising, promotional and selling expenses rose 36.5% driven by higher investments in media, production and local marketing; expenses related to the inclusion of Dogfish Head brand beginning Jul 3; higher salaries and benefits costs; and increased freight to distributors due to higher volumes. Moreover, general and administrative expenses increased 15.4% on increase in salaries and benefits costs as well as the addition of Dogfish Head's general and administrative expenses beginning Jul 3, 2019.
 - **Softness in Samuel Adams & Angry Orchard Brands:** Soft volume for Boston Beer's Samuel Adams (craft beer) and Angry Orchard brands have been key headwind, which is weighing on the overall volumes, depletions growth as well as the top line. The brands are struggling due to softening of the craft beer growth rates and increased choices for drinkers on retail shelves. Notably, volumes for Samuel Adams and Angry Orchard brands continued to decline more deeply in first-quarter 2020 due to shutdown of on-premise channel, which includes bars and restaurants, due to the coronavirus outbreak. While the company is working to revive these brands, it does not expect them to grow in 2020.
-

Last Earnings Report

Boston Beer Q1 Earnings & Sales Miss Estimates

Boston Beer reported first-quarter 2020 results, wherein revenues and earnings missed the Zacks Consensus Estimate. The primary reason for the company's soft performance in the quarter may be the coronavirus outbreak, impacts of which began to be felt on its business in early March.

As a result of the pandemic, the company has been witnessing a significant reduction in keg demand from the on-premise channel, and higher labor and safety-related costs at its breweries. In first-quarter 2020, it recorded nearly \$10 million of coronavirus-related pre-tax reductions in net revenues and increases in other costs. This included \$5.8 million related to reduced revenues due to keg returns from distributors and retailers, and \$4.2 million of other COVID-19-related costs of which \$3.6 million was recorded in cost of goods sold and \$0.6 million in operating expenses. Further, COVID-19-related safety measures led to the reduction in internal capacity, shifting more volume to third-party breweries. This caused higher production costs and negatively impacted gross margin. The company informed that it was on track to deliver on its 2020 financial targets prior to the impacts of the coronavirus outbreak were felt. However, citing the evolving situation due to the pandemic, it has withdrawn its guidance for 2020.

Boston Beer's first-quarter adjusted earnings of \$1.32 per share missed the Zacks Consensus Estimate of \$1.75. Further, the bottom line declined 29.4% from \$1.87 earned in the year-ago period mainly due to lower gross margin and higher operating expenses. This was partly offset by an increase in revenues. On a GAAP basis, earnings were \$1.49 per share in the reported quarter.

Net revenues advanced 31.4% year over year to \$330.6 million but missed the Zacks Consensus Estimate of \$346.8 million. Excluding excise taxes, the top line rose 31.6% year over year to \$352.2 million. The increase in the top line can primarily be attributed to a 32.2% improvement in shipments to 1.4 million barrels. Excluding the addition of the Dogfish Head brands, beginning Jul 3, 2019, shipments increased 27.5%. Depletions grew 36%, including a 30% rise from Boston Beer legacy brands and 6% from the addition of Dogfish Head brand.

Prior to the impacts of the COVID-19 outbreak, the company was on track to maintain its guidance for 2020. Depletions for the 9 weeks ended Feb 29, 2020, increased 32% from the prior-year period. Excluding the Dogfish Head brand, depletions rose 26%. Notably, shipment volume was significantly higher than depletion volume, which resulted in higher distributor inventory levels as of Mar 28, 2020.

Depletion growth can be attributed to major innovations, quality of products and strong brands alongside solid sales execution and support from distributors. Further, increases in Truly Hard Seltzer and Twisted Tea brands as well as the inclusion of Dogfish Head brand aided growth. Depletion growth was partly offset by the fall in Samuel Adams and Angry Orchard brands.

Notably, the company witnessed accelerated growth for the Truly brand as well as the newly launched Truly Hard Lemonade, which are growing beyond expectations. Since January, Boston Beer has seen momentum and expanded market share for the Truly brand, while other hard seltzer brands have lost share. Meanwhile, the Twisted Tea brand generated consistent double-digit volume growth in the first quarter. Going forward, the company envisions significant opportunities for distribution and volume growth for the Truly and Twisted Tea brands. Further, it expects to continue expanding the distribution for the Dogfish Head brand.

Depletions for the year-to-date period through the 15 weeks ended Apr 11, 2020, have grown nearly 32% from that witnessed in the year-ago period. Excluding the Dogfish Head brewery, depletions grew 27%.

Costs & Margins

Gross profit improved 18.8% year over year to \$148 million. However, gross margin contracted 470 basis points to 44.8% due to elevated processing costs, stemming from higher production at third-party breweries. Further, higher processing costs and finished goods keg inventory write-offs at company-owned breweries, of which \$3.6 million was direct costs related to COVID-19, hurt gross margin. These factors were partly negated by higher prices and cost savings at company-owned breweries. Excluding the impacts of COVID-19-related returns and other direct costs, gross margin was 46.8%.

Furthermore, advertising, promotional and selling expenses rose 36.5% to \$97.9 million. The increase was driven by higher investments in media, production and local marketing; expenses related to the inclusion of Dogfish Head brand beginning Jul 3; higher salaries and benefits costs; and increased freight to distributors due to higher volumes. General and administrative expenses totaled \$27 million, up 15.4% from the year-ago quarter. The increase was mainly driven by increases in salaries and benefits costs as well as the addition of Dogfish Head's general and administrative expenses beginning Jul 3, 2019.

Financials

As of Mar 28, 2020, Boston Beer had cash and cash equivalents of \$129.5 million, and total stockholders' equity of \$758.2 million. The company drew down \$100 million from its line of credit in March 2020 to enhance the cash position and liquidity amid the coronavirus pandemic. Currently, it has \$50 million available under its line of credit.

During the first quarter, and the period between Mar 30 and Apr 21, Boston Beer did not repurchase shares. As a result, the company has \$90.3 million remaining under the \$931-million share buyback authorization.

Quarter Ending 03/2020

Report Date	Apr 22, 2020
Sales Surprise	1.57%
EPS Surprise	-24.57%
Quarterly EPS	1.32
Annual EPS (TTM)	8.48

Valuation

Boston Beer shares are up 41.8% in the year-to-date period and nearly 48.4% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 24.8% and 11.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 21.8% and 9%, respectively.

The S&P 500 index is down 3.1% in the year-to-date period but up 7% in the past year.

The stock is currently trading at 45.77X forward 12-month earnings, which compares to 26.79X for the Zacks sub-industry, 19.69X for the Zacks sector and 22.37X for the S&P 500 index.

Over the past five years, the stock has traded as high as 54.28X and as low as 19.85X, with a 5-year median of 28.7X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$616 price target reflects 52.62X forward 12-month earnings.

The table below shows summary valuation data for SAM

Valuation Multiples - SAM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	45.77	26.79	19.69	22.37
	5-Year High	54.28	27.52	22.37	22.37
	5-Year Low	19.85	18.8	16.65	15.23
	5-Year Median	28.7	23.2	19.66	17.49
P/S F12M	Current	3.87	14.28	9.51	3.49
	5-Year High	4.14	20.67	11.16	3.49
	5-Year Low	1.82	13.04	8.1	2.53
	5-Year Median	2.63	17.34	9.89	3.02
EV/EBITDA TTM	Current	33.1	34.51	33.06	11.56
	5-Year High	35.12	53.27	45.11	12.85
	5-Year Low	8.1	27.03	27.18	8.25
	5-Year Median	14.16	43.34	38.37	10.83

As of 06/23/2020

Industry Analysis Zacks Industry Rank: Top 37% (93 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Craft Brew Alliance, Inc. (BREW)	Outperform	1
BrownForman Corporation (BF.B)	Neutral	3
AnheuserBusch InBev SANV (BUD)	Neutral	3
Diageo plc (DEO)	Neutral	4
Heineken NV (HEINY)	Neutral	3
Pernod Ricard SA (PDRDY)	Neutral	3
Constellation Brands Inc (STZ)	Neutral	3
Molson Coors Beverage Company (TAP)	Neutral	3

Industry Comparison Industry: Beverages - Alcohol				Industry Peers		
	SAM	X Industry	S&P 500	BUD	HEINY	TAP
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	C	-	-	F	B	D
Market Cap	6.53 B	9.01 B	21.86 B	105.05 B	55.70 B	8.22 B
# of Analysts	2	2	14	2	2	7
Dividend Yield	0.00%	0.00%	1.92%	2.12%	1.89%	6.00%
Value Score	F	-	-	D	B	B
Cash/Price	0.02	0.04	0.07	0.00	0.04	0.08
EV/EBITDA	32.37	9.51	12.65	4.66	10.61	9.54
PEG Ratio	5.37	4.67	2.90	NA	NA	2.15
Price/Book (P/B)	8.54	2.63	2.99	1.24	2.87	0.63
Price/Cash Flow (P/CF)	38.77	16.46	11.61	8.24	11.18	4.42
P/E (F1)	53.69	29.12	21.08	30.38	28.95	12.91
Price/Sales (P/S)	4.83	1.91	2.25	2.04	NA	0.65
Earnings Yield	1.86%	3.37%	4.42%	3.30%	3.45%	7.74%
Debt/Equity	0.13	0.45	0.77	NA	0.77	0.62
Cash Flow (\$/share)	13.82	1.53	7.01	6.32	4.32	8.59
Growth Score	B	-	-	F	A	F
Hist. EPS Growth (3-5 yrs)	5.59%	7.36%	10.84%	-5.30%	NA	7.06%
Proj. EPS Growth (F1/F0)	8.78%	-19.08%	-10.80%	-57.97%	-31.28%	-35.24%
Curr. Cash Flow Growth	18.44%	-3.06%	5.46%	11.61%	2.45%	-5.29%
Hist. Cash Flow Growth (3-5 yrs)	5.61%	0.41%	8.55%	0.84%	5.02%	11.28%
Current Ratio	1.80	1.45	1.29	0.83	0.68	0.59
Debt/Capital	11.65%	31.99%	45.14%	53.57%	43.57%	38.29%
Net Margin	7.74%	0.03%	10.53%	6.51%	NA	-0.21%
Return on Equity	15.05%	8.69%	16.06%	12.29%	NA	7.01%
Sales/Assets	1.32	0.50	0.55	0.43	NA	0.44
Proj. Sales Growth (F1/F0)	25.87%	-1.90%	-2.66%	-19.84%	-18.10%	-9.63%
Momentum Score	B	-	-	D	F	F
Daily Price Chg	-0.01%	0.00%	0.04%	2.40%	1.13%	0.05%
1 Week Price Chg	3.65%	0.26%	0.92%	-2.02%	4.92%	-0.05%
4 Week Price Chg	1.38%	3.56%	2.71%	17.34%	11.39%	3.38%
12 Week Price Chg	45.79%	17.45%	19.78%	18.09%	17.45%	-2.67%
52 Week Price Chg	48.36%	-12.09%	-6.05%	-41.06%	-14.27%	-31.46%
20 Day Average Volume	153,596	43,505	2,819,961	3,519,492	96,169	3,068,612
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.10%
(F1) EPS Est 4 week change	14.79%	0.00%	0.00%	0.00%	0.00%	-1.72%
(F1) EPS Est 12 week change	2.94%	-13.62%	-12.72%	-44.94%	-29.24%	-17.75%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	NA	-6.22%

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	B
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.