

Snap Inc. (SNAP)

\$23.22 (As of 07/02/20)

Price Target (6-12 Months): **\$24.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/22/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: F

Growth: A

Momentum: B

Summary

Snap is benefiting from a spike in usage of Snapchat. Strong adoption of Augmented Reality (AR) Lenses, Discover content and Shows is driving user growth. Expanding Snap original show content as well as new features like Camera Kit, Snap Minis and Bitmoji for Games are expected to boost user engagement. Snapchat's growing popularity, particularly among the 13-34-year-old demography, is expanding its advertiser base. This provides the company with a competitive edge over Facebook. However, increasing investments in areas of content, AR-lenses and marketing may hurt profitability in the near term. Further, coronavirus-induced economic downturn coupled with a bleak ad-spending environment is a major headwind in the near term. Notably, advertising forms the mainstay of Snap's revenues. Shares have underperformed the industry year to date.

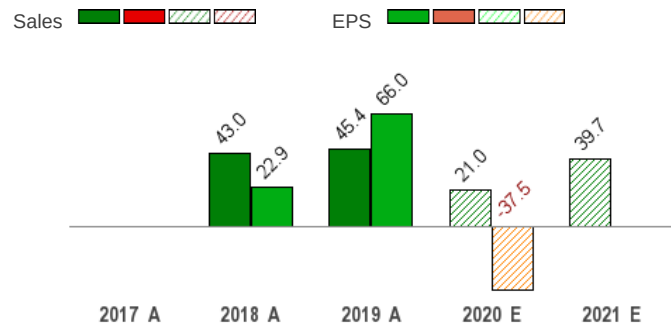
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$24.90 - \$7.89
20 Day Average Volume (sh)	26,298,046
Market Cap	\$33.8 B
YTD Price Change	42.2%
Beta	1.79
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Software
Zacks Industry Rank	Top 23% (59 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-14.3%
Last Sales Surprise	9.2%
EPS F1 Est- 4 week change	0.7%
Expected Report Date	07/28/2020
Earnings ESP	2.2%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	18.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	570 E	619 E	703 E	867 E	2,900 E
2020	462 A	432 E	510 E	676 E	2,076 E
2019	320 A	388 A	446 A	561 A	1,716 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.01 E	\$0.01 E	\$0.05 E	\$0.10 E	\$0.11 E
2020	-\$0.08 A	-\$0.10 E	-\$0.06 E	\$0.03 E	-\$0.22 E
2019	-\$0.10 A	-\$0.06 A	-\$0.04 A	\$0.03 A	-\$0.16 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 07/02/2020. The reports text is as of 07/03/2020.

Overview

Snap's flagship product, Snapchat, is a mobile camera application that helps people to communicate through short videos and images called Snaps. The application is one of the most popular and trendy messaging and social media applications in the United States. It is also growing rapidly in other international markets, such as India.

Snapchat's popularity, especially with teens and millennials, can primarily be attributed to its ephemerality i.e. photos/videos and text sent to friends via Snapchat disappear after sometime. Moreover, an interactive style of chat developed by the addition of stickers, doodling etc. has really caught the fancy of teens.

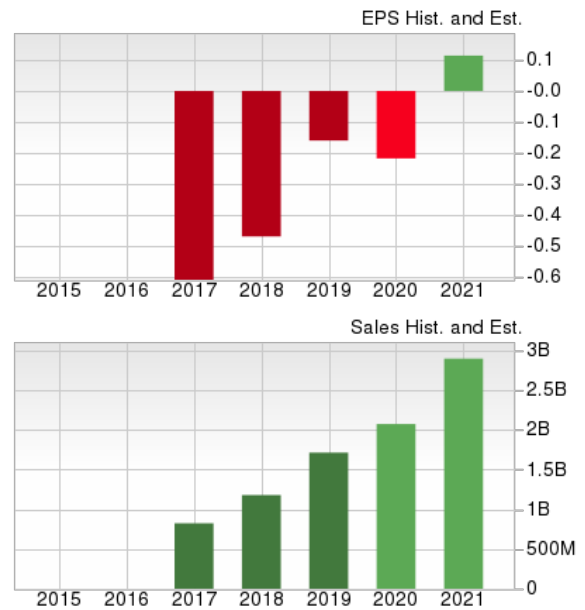
Advertising forms the mainstay of Snap's revenues. The company is helping advertisers reach millennials and Gen Z audience, who are more active on immersive mobile platforms like Snapchat. This popularity provides the company with a competitive edge over the likes of Facebook, Google and Twitter in attracting ad dollars.

Snap slowly diversified its service offerings by introducing features like Stories and augmented reality (AR). Offerings like Scan, Landmarkers and AR Bar give users a whole new experience within the application.

Snap has also ventured into original content through Snap Originals and gaming. In the both the cases, the company provides its own content along with a few other third-party providers content. Moreover, user engagement has improved significantly with the availability of Discover content and Shows, which includes scripted and unscripted series as well as daily news shows.

Snap went for an Initial Public Offering (IPO) on Mar 2, 2017. The Venice, CA-based company reported revenues of \$1.71 billion in 2019. Notably, Snap had 229 million daily active users (DAUs) at the end of first-quarter 2020.

In order to diversify revenues, in late 2016, Snap launched \$130-priced sunglasses called Spectacles, with a built-in camera that connects to smartphones to take and send Snaps.



Reasons To Buy:

- ▲ Snap has added a number of features, including the Tab feature on Friends and Discover to make its Snapchat platform more attractive to users and advertisers. Moreover, adoption of the company's AR lenses have been strong, particularly post the launch of Lens Studio 2, which introduced Landmarkers, a new tool for overlaying AR on the world. At the end of the first quarter 2020, more than 900,000 lenses had been created by Snapchat members through Lens Studio, with Community lenses achieving significant popularity. Per the company, almost 75% of its DAU engages with AR on average. Snap is investing heavily in Lens Studio to help creators build AR experiences. Solid adoption of products like Scan and AR Bar is driving the usage of AR-based lenses, providing significant growth opportunities to the company.
- ▲ Snapchat has become the most preferred social networking medium among Millennials and Gen Z, owing to the immersive experience of Snapchat platform. The company has stated that more than 75% of 13-34-year olds in the United States are active on Snapchat, making it a larger platform than Facebook, Instagram and Twitter among this demography. This bodes well for the company as user engagement holds the key to attract advertisements, which is the primary source of revenues for Snap.
- ▲ Moreover, Snap's transition to automated or programmatic auction of Snap Ads is driving its advertising revenues. The company's advertising products include Snap Ads and Sponsored Creative Tools like Sponsored Lenses and Sponsored Geofilters. Moreover, Snapchat's new conversion tracking tool, Snap Pixel is also gaining traction. The tool helps advertisers' measure traffic growth on their websites. Snap's new ad format Promoted Stories offers good opportunity to the company by helping advertising partners spend more time with audiences. The company's decision to shift creative tools business to the programmatic platform is also expected to drive ad impressions.
- ▲ Snapchat's partnership with e-commerce giant Amazon to introduce visual Search, a camera-powered search engine in its app is a tailwind. The company is also aggressively ramping up its original content efforts through collaborations with Viacom, Comcast division NBCUniversal and Disney's ESPN. We believe that with binge viewing catching up fast, expansion of its original content portfolio will attract subscribers and drive Snap's top line growth.
- ▲ Snap's strong liquidity position makes the stock attractive to investors. As of Mar 31, 2020, cash and cash equivalents, and marketable securities were \$2.1 billion, ditto as of Dec 31, 2019. In comparison, Snap had \$903.3 million senior notes as of Mar 31, 2020 on its balance sheet with maturity date mentioned as Aug 1, 2026. The company recently issued \$1 billion worth Convertible Senior Notes due 2025.

Snap is benefiting from its growing popularity among teenagers driven by the number of exciting features that the platform provides.

Reasons To Sell:

- ▼ Snap's closest rival Facebook's strategy of mimicking Snapchat features on its platforms to boost user growth and engagement levels has paid off. The company even succeeded in making them more popular than Snapchat. Additionally, competition from Facebook and Apple poses serious threat to Snap as they are preparing to enter the AR advertising business where Snap is a dominant name.
- ▼ Lackluster user growth remains the primary concern for investors. The company's problem has been its sole focus on the younger demographic. Snap undoubtedly is quite popular among that demography but the failure to attract the older generation (above 35 year olds) has been a major headwind. The company's lack of popularity in the international quarters is also a big concern. Snapchat needs to focus more on the global market and target other age groups in order to stay ahead in the competition.
- ▼ Moreover, lack of revenue diversification is a major concern for Snap. Advertising is its only source of revenues, which is suffering from continuous decline in price per ad impression. Moreover, decelerating growth in advertising revenues following the backlash on redesign remains an overhang on the stock. Notably, the company's hardware product Spectacles has not yet been able to generate significant revenues. There is also uncertainty regarding whether the company views the Snap Store, to sell Snap merchandise, as an alternative revenue channel.
- ▼ In the video streaming market, the company faces stiff competition from established players like Amazon Prime, Netflix, Hulu and HBO. Given the high growth opportunity in the video streaming market, the players are ramping up their efforts to boost subscriber base. The companies are undertaking a number of initiatives such as investing more in regional programming and making more kids and family-oriented content in a bid to gain an edge. Further, giants like Apple, Facebook and Disney are gearing up to cash in on the high growth opportunity in the video streaming market. This doesn't bode well for Snap.

Lack of revenue diversification and stiff competition from established players like Facebook are major headwinds.

Last Earnings Report

Snap Incurs Loss in Q1, User Growth Aids Top Line

Snap reported first-quarter 2020 loss of 8 cents per share, wider than the Zacks Consensus Estimate by 14.3% but narrower than the year-ago quarter's loss of 10 cents.

Revenues surged 44% from the year-ago quarter to \$462.5 million, beating the consensus mark by 9.1%. The revenue figure was within the guided range of \$450-\$470 million.

Daily active users (DAU) at the end of the reported quarter were 229 million. Snap added 39 million DAU on a year-over-year basis and 11 million, sequentially. This growth was broad based with year-over-year and sequential growth in both iOS and Android platforms.

Geographically, revenues from North America (68.3% of revenues) soared 39.9% year over year to \$315.7 million. Revenues from Europe (16.5%) jumped 61.2% to \$76.5 million. Rest of the World (ROW) revenues were \$70.3 million, up 48.8% year over year.

Average revenue per user (ARPU) increased 20.2% year over year to \$2.02. On a year-over-year basis, North America, Europe and ROW ARPUs increased 27%, 41.6% and 3.1%, respectively.

Snap's first-quarter 2020 top-line growth benefited from solid ARPU and user base growth. Increased usage of Snapchat amid global lockdowns to curb the spread of coronavirus was witnessed late in the quarter.

Snap witnessed more than 30% increase in communication among friends in the last week of March from the level seen in the last week of January with more than 50% jump in some of the geographies that were hit hard by the deadly virus.

Further, the company witnessed 30-times increase in the daily downloads of Snap Camera as people increasingly turned to videoconferencing and livestreaming to connect with friends and family during the shutdowns.

Nevertheless, given the uncertainties related to the coronavirus pandemic, Snap didn't provide its second-quarter guidance for revenues and adjusted EBITDA.

User Engagement Improved in Q1

North America DAU was 88 million, up 8 million year over year and 2 million sequentially. Europe DAU was 70 million, which increased 9 million on a year-over-year basis and 3 million on a sequential basis. ROW DAU was 71 million at the end of the reported quarter, up 22 million year over year and 7 million, sequentially.

Snap is benefiting from improved user engagement. Management stated that on average, more than 4 billion Snaps were created in the first quarter on a daily basis.

Moreover, total daily time spent by Snapchatters watching Discover content, surged more than 35% year over year. Additionally, total daily time spent by Snapchatters watching Shows (includes scripted and unscripted series as well as daily news shows) more than doubled on a year-over-year basis.

Management stated that in excess of 60 Shows (up from 50 shows in fourth-quarter 2019) reached more than 10 million monthly viewers in the reported quarter.

Notably, the company launched Lens Studio 2.0 that introduced Landmarkers, a new tool for overlaying AR on the world, and a variety of other features. By the end of the reported quarter, more than 900,000 Lenses were created by Snapchat members through Lens Studio. Moreover, top-performing Community Lenses got billions of views on Snapchat.

Per the company, almost 75% of its DAU engages with AR on average.

Additionally, Snap launched Ground Transformation Lenses, which use machine learning to understand the geometry of land and transform the ground into lava or water during the reported quarter.

Further, Snap unveiled App Stories, which brings its popular Stories feature to apps created by third-party software developers. The company also introduced five games globally.

Snap also added more than 120 partner app integrations to Snap Kit in the first quarter. Notably, the number of Snapchatters using Snap Kit on a monthly basis grew 75% sequentially.

Snap's Gen-Z Reach Drives Ad Growth

Snap is helping advertisers reach millennials and Gen Z audience, who are more active on immersive mobile platforms like Snapchat. This popularity provides the company with a competitive edge over the likes of Facebook, Google and Twitter in attracting ad dollars.

In the United States, Snap continues to reach more than 90% of the age bracket comprising 13 to 24 year-olds and more than 75% of 13 to 34 year-olds. In the UK, France, Canada and Australia, Snap reaches more than 80% of 13 to 24 year-olds and more than 60% of 13 to 34 year-old age group. Snap is also growing rapidly in other international markets, such as India.

Total impressions doubled nearly doubled year over year in the first quarter. Cost per ad impression declined 23% year over year. However, Snap benefited from growth in user engagement as well as optimizations to its self-serve platform for utilizing inventory more efficiently.

Quarter Ending 03/2020

Report Date	Apr 21, 2020
Sales Surprise	9.15%
EPS Surprise	-14.29%
Quarterly EPS	-0.08
Annual EPS (TTM)	-0.15

Snap continues to see strong adoption of its ad products including goal-based bidding products, which are perking up demand from direct response advertisers.

During the quarter, Snap launched ROAS bidding. This allows advertisers to bid at Snap's auction based on their specified return on ad spending. The company also introduced Lens Web Builder, a web-based, AR Lens production tool, which enables advertisers to create AR Lenses easily and instantly.

Operating Details

In the quarter under review, the cost of revenues on a non-GAAP basis increased 25.5% year over year to \$246 million. Infrastructure costs, revenue sharing costs and other expenses increased 19.9%, 42.9% and 28%, respectively, on a year-over-year basis.

Infrastructure costs per DAU in the reported quarter were 71 cents, down a penny year over year.

Gross margin on a non-GAAP basis expanded to 47% from 39% in the year-ago quarter.

Operating expenses were \$298 million, up 20.2% year over year. Sales and marketing expenses increased 24% year over year to \$93 million while general and administrative expenses grew 24.4% year over year to \$102 million. Research and development expenses rose 13.2% year over year to \$103 million

Adjusted EBITDA loss was \$81.3 million compared a loss of \$123.4 million in the year-ago quarter.

Balance Sheet and Cash Flow

As of Mar 31, 2020, cash and cash equivalents and marketable securities were \$2.1 billion, unchanged from the figure reported on Dec 31, 2019.

Net cash from operating activities was \$6.3 million compared with \$66.2 million used in the year-ago quarter and \$66.8 million used in the previous quarter.

Free cash outflow was \$4.6 million against an outflow of \$78 million reported in the year-ago quarter and \$75.9 million in the previous quarter.

Guidance

Snap expects DAU of 239 million in the second quarter of 2020, implying year-over-year growth of 18%.

Moreover, total costs (including cost of revenues and operating expense) are expected to grow at the same rate witnessed in the first quarter.

Recent News

On Jun 11, Snap introduced some new products including Camera Kit, Snap Minis, Dynamic Lenses, Bitmoji for Games and Bitmoji Paint. The company also announced SnapML, which lets any developer bring their own machine-learning models directly to Lens Studio to power Lenses.

Snap also announced a partnership with Headspace, a global leader in meditation and mindfulness, to offer its content and resources directly on Snapchat.

Snap also announced *Coach Kev* from Laugh Out Loud, Kevin Hart, a new Snap Original debuting later this year. Moreover, the company announced unscripted shows, *Fake Up* and *Move It*; docuseries, *Road Trippin'*, *First Person*, *Queen of Stylez*, and *Life By The Horns*; scripted series, *Frogtown*, *Action Royale* and *Total Badass Wrestling*.

Moreover, the company is renewing Snap Originals including *Dead of Night*, *Face Forward*, and *Nikita Unfiltered*. Further, Complex will again produce the next installment of Snap's documentary franchise *Vs The World*, which will tell the story of MMA fighter Conor McGregor.

On Mar 24, Snap launched creative tools to help Snapchatters share expert-approved best practices with their friends and family members, including information sourced from the World Health Organization and links to its website for more information.

On Feb 11, 2020, Snap announced Here for you, a feature that will provide proactive in-app support to users who are experiencing a mental health or emotional crisis, or who may be curious to learn more about these issues.

Valuation

Snap shares are up 42.2% in the year-to-date period and 57.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 54.3% and 11.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 38.8% and 23%, respectively.

The S&P 500 Index is down 3.1% in the year-to-date period but up 4.6% in the past year.

The stock is currently trading at trailing 12-month EV/Sales of 16.79X, which compares to 10.30X for the Zacks sub-industry, 4.45X for the Zacks sector and 3.06X for the S&P 500 index.

Over the past three years, the stock has traded as high as 28.72X and as low as 4.67X, with a 3-year median of 13.55X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$24 price target reflects 14.27X forward 12-month sales.

The table below shows summary valuation data for SNAP

Valuation Multiples - SNAP					
		Stock	Sub-Industry	Sector	S&P 500
EV/Sales TTM	Current	16.79	10.30	4.45	3.06
	3-Year High	28.72	10.30	4.46	3.47
	3-Year Low	4.67	4.54	3.05	2.24
	3-Year Median	13.55	6.36	3.82	3.02
P/S F12M	Current	13.59	8.86	3.86	3.47
	3-Year High	23.22	8.86	3.86	3.47
	3-Year Low	4.28	4.87	2.62	2.76
	3-Year Median	10.39	5.80	3.22	3.16
P/B TTM	Current	15.52	10.41	5.8	4.27
	3-Year High	16.36	10.41	5.81	4.56
	3-Year Low	2.70	4.27	3.59	3.03
	3-Year Median	6.64	6.41	4.61	3.94

As of 07/02/2020

Industry Analysis Zacks Industry Rank: Top 23% (59 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Pinterest, Inc. (PINS)	Outperform	2
Sohu.com Inc. (SOHU)	Outperform	2
Tencent Holding Ltd. (TCEHY)	Outperform	1
Facebook, Inc. (FB)	Neutral	3
Momo Inc. (MOMO)	Neutral	4
Sina Corporation (SINA)	Neutral	3
Twitter, Inc. (TWTR)	Neutral	4
Weibo Corporation (WB)	Neutral	4

Industry Comparison Industry: Internet - Software				Industry Peers		
	SNAP	X Industry	S&P 500	FB	PINS	TWTR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	4
VGM Score	C	-	-	B	C	F
Market Cap	33.85 B	839.85 M	21.98 B	665.04 B	14.14 B	24.22 B
# of Analysts	9	5.5	14	12	4	9
Dividend Yield	0.00%	0.00%	1.91%	0.00%	0.00%	0.00%
Value Score	F	-	-	C	F	D
Cash/Price	0.06	0.09	0.07	0.10	0.14	0.34
EV/EBITDA	-36.49	-0.69	12.74	20.10	-9.44	18.54
PEG Ratio	NA	3.81	2.89	1.71	NA	2.31
Price/Book (P/B)	15.52	7.24	2.98	6.32	7.24	2.75
Price/Cash Flow (P/CF)	NA	24.08	11.75	27.48	NA	11.20
P/E (F1)	NA	67.49	21.41	32.45	NA	89.05
Price/Sales (P/S)	18.22	4.82	2.30	9.07	11.66	6.96
Earnings Yield	-0.95%	0.35%	4.42%	3.08%	-0.95%	1.13%
Debt/Equity	0.56	0.15	0.76	0.09	0.08	0.45
Cash Flow (\$/share)	-0.66	-0.00	6.94	8.49	-2.34	2.76
Growth Score	A	-	-	A	A	F
Hist. EPS Growth (3-5 yrs)	NA%	16.26%	10.93%	48.20%	NA	NA
Proj. EPS Growth (F1/F0)	-36.11%	-4.19%	-9.56%	11.87%	NA	-85.37%
Curr. Cash Flow Growth	-20.24%	3.62%	5.51%	-8.33%	3,062.97%	123.58%
Hist. Cash Flow Growth (3-5 yrs)	NA%	16.79%	8.62%	38.21%	NA	55.36%
Current Ratio	4.83	1.49	1.30	4.60	11.60	11.93
Debt/Capital	35.96%	23.41%	44.46%	8.28%	7.55%	31.16%
Net Margin	-55.41%	-16.33%	10.62%	28.57%	-120.48%	36.39%
Return on Equity	-46.64%	-14.70%	15.75%	21.54%	-73.06%	3.22%
Sales/Assets	0.51	0.61	0.55	0.57	0.52	0.28
Proj. Sales Growth (F1/F0)	20.99%	5.47%	-2.54%	8.56%	9.96%	-6.66%
Momentum Score	B	-	-	B	C	B
Daily Price Chg	-2.11%	0.00%	0.47%	-1.74%	3.57%	0.19%
1 Week Price Chg	1.81%	0.00%	-3.90%	-9.51%	-6.89%	-13.05%
4 Week Price Chg	20.56%	7.50%	-3.77%	3.15%	13.73%	-8.45%
12 Week Price Chg	70.61%	34.55%	8.02%	33.24%	43.94%	11.16%
52 Week Price Chg	57.32%	0.00%	-7.59%	18.37%	-12.23%	-14.30%
20 Day Average Volume	26,298,046	747,338	2,649,865	27,522,880	15,268,262	20,350,060
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.68%	0.00%	0.00%	-1.00%	0.00%	0.00%
(F1) EPS Est 12 week change	-16.24%	0.00%	-9.53%	-6.37%	16.48%	-136.51%
(Q1) EPS Est Mthly Chg	0.68%	0.00%	0.00%	-1.78%	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	F
Growth Score	A
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.