

Snap Inc. (SNAP)

\$23.20 (As of 07/22/20)

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:B

Value: F

Growth: A

Momentum: A

Summary

Snap reported decent second-quarter 2020 results. While loss widened on a year-over-year basis, increased usage of Snapchat amid global lockdowns to curb the spread of coronavirus drove top-line growth. Moreover, strong adoption of Augmented Reality (AR) Lenses, Discover content and Shows drove user engagement. Snap is benefiting from improving user engagement particularly in the 13-34-year-old demography, which is expanding its advertiser base. However, increasing investments in areas such as content, AR-lenses and marketing may hurt profitability in the near term. Moreover, uncertainties related to the coronavirus pandemic, lack of revenue diversification and stiff competition from Facebook are major headwinds. Notably, shares have underperformed the industry on a year-to-date basis.

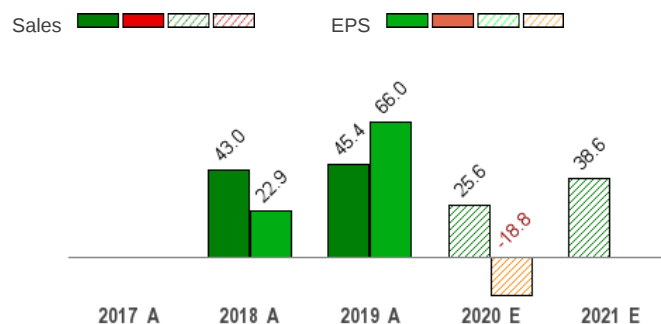
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$26.76 - \$7.89
20 Day Average Volume (sh)	28,366,528
Market Cap	\$33.8 B
YTD Price Change	42.1%
Beta	1.79
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Software
Zacks Industry Rank	Top 35% (87 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	1.5%
EPS F1 Est- 4 week change	5.3%
Expected Report Date	10/27/2020
Earnings ESP	15.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	570 E	619 E	703 E	867 E	2,986 E
2020	462 A	454 A	528 E	692 E	2,155 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	\$0.04 E	\$0.10 E	\$0.13 E
2020	-\$0.08 A	-\$0.09 A	-\$0.05 E	\$0.03 E	-\$0.19 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.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	17.6

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/22/2020. The reports text is as of 07/23/2020.

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. On average, over 180 million Snapchatters engaged with AR daily in second-quarter 2020. Solid adoption of products like Scan and AR Bar is driving the usage of AR-based lenses, providing significant growth opportunities to the company. Moreover, launch of Local Lenses, which enable shared and persistent AR experiences in much larger areas around the world, is expected to aid user engagement. Moreover, launch of music Lenses in Lens Explorer and Dynamic Lenses, which allow developers to bring real-time information from their app into Snapchat Lenses, is a key catalyst.
- ▲ Snapchat has become the most preferred social networking medium among Millennials and Gen Z, owing to the immersive experience of Snapchat platform. The company stated that Snapchat reaches 90% of 13-34-year olds in the United States, 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 makes the stock attractive to investors. As of Jun 30, 2020, cash and cash equivalents, and marketable securities were \$2.8 billion, up from \$2.1 billion reported on Mar 31, 2020. In comparison, Snap had \$1.2 billion senior notes as of Jun 30, 2020 in its balance sheet with maturity date of Aug 1, 2026. The company recently issued convertible senior notes worth \$1 billion that will mature in 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 Q2, User Growth Aids Top Line

Snap reported second-quarter 2020 loss of 9 cents per share, which matched the Zacks Consensus Estimate but was wider than the year-ago quarter's loss of 6 cents.

Revenues increased 17% from the year-ago quarter to \$454.2 million, beating the consensus mark by 1.8%.

Daily active users (DAU) at the end of the reported quarter were 238 million. Snap added 35 million DAU on a year-over-year basis and 9 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 (67.5% of revenues) increased 18% year over year to \$306.7 million. Revenues from Europe (17.3%) jumped 29.7% to \$78.6 million. Rest of the World (ROW) revenues were \$68.8 million, up 2.1% year over year.

Average revenue per user (ARPU) remained flat year over year. On a year-over-year basis, North America and Europe ARPUs increased 8.3% and 15.8%, respectively while ROW declined 25.8%.

Snap's second-quarter 2020 top-line growth benefited from steady ARPU and user base growth. Increased usage of Snapchat amid global lockdowns was witnessed late in the quarter.

On average, Snapchatters opened Snapchat over 30 times every day in second-quarter 2020.

Nevertheless, given the uncertainties related to the coronavirus pandemic, Snap did not provide its third-quarter guidance for revenues and adjusted EBITDA.

User Engagement Improves in Q2

North America DAU was 90 million, up 7 million year over year and 2 million sequentially. Europe DAU was 71 million, which increased 7 million on a year-over-year basis and 1 million on a sequential basis. ROW DAU was 77 million at the end of the reported quarter, up 21 million year over year and 6 million sequentially.

Snap is benefiting from improved user engagement. Notably, total daily time spent by Snapchatters over the age of 35 watching Discover content surged more than 40% year over year. Daily average number of Snapchatters watching Shows grew more than 45% year over year.

The company added more than 180 new Discover channels during the quarter and launched Happening Now, a dedicated feed on Discover providing real-time, curated news from media partners such as The Washington Post, ESPN, and BuzzFeed.

Additionally, Snap expanded multi-year content partnerships with Disney, ESPN, NBC, ViacomCBS, the NBA, and the NFL in second-quarter 2020.

Notably, digital native companies Wave and Barcroft Studios, top creators of sports and lifestyle content, now reach average monthly audiences of more than 50 million Snapchatters.

Moreover, the company expanded international programming with Channel 4 in the United Kingdom, Le Figaro in France, and Rotana, which now reaches an average of nearly 10 million Snapchatters in the Middle East each month.

Snap added new camera partners, such as PlantSnap, Dog Scanner, and Nutrition Scanner to provide more experiences for to its community.

The company launched Camera Kit for developers and brands to leverage the best of Snapchat's AR features. Snap also unveiled Voice Scan, which allows Snapchatters to activate AR Lenses with their voice.

Additionally, Snap launched Local Lenses, which enable shared and persistent AR experiences in much larger areas around the world. Moreover, Snap launched music Lenses in Lens Explorer and Dynamic Lenses, which allow developers to bring real-time information from their app into Snapchat Lenses.

On average, over 180 million Snapchatters engaged with augmented reality daily in the second quarter of 2020.

Further, Snap improved Snap Map, which already reaches over 200 million Snapchatters every month, by launching Places, which features Stories, hours, reviews and delivery options for local businesses.

More than 800 apps have been integrated with Snap Kit, and nearly 150 million Snapchatters are engaging with these integrations every month. 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, Snapchat platform reaches 90% of 13-24 year olds and 75% of 13-34 year olds. Snap is also growing rapidly in other international markets, such as India.

During the quarter, Snap introduced Brand Profiles, which offers a permanent home for brands on Snapchat. Snapchatters can subscribe to some of the world's largest brands, including Dior, Target, and Universal Pictures.

Additionally, to ensure advertisers can easily reach different audiences through Discover, the company launched content bundles in Snap Select

Quarter Ending 06/2020

Report Date	Jul 21, 2020
Sales Surprise	1.46%
EPS Surprise	0.00%
Quarterly EPS	-0.09
Annual EPS (TTM)	-0.18

that allow brands to align their message with popular verticals like Sports, Entertainment, and News.

Moreover, the company launched Snap Focus, an online learning portal where advertisers can learn more about Snapchat's advertising solutions.

Operating Details

In the quarter under review, the cost of revenues on a non-GAAP basis increased 16.8% year over year to \$243 million. Infrastructure costs, revenue sharing costs and other expenses increased 11.6%, 40.5% and 12.5%, respectively, on a year-over-year basis.

Infrastructure costs per DAU in the reported quarter were 69 cents, which is the lowest cost per DAU since first-quarter 2017.

Gross margin on a non-GAAP basis expanded to 47% from 46% in the year-ago quarter.

Operating expenses were \$307 million, up 19% year over year. Sales and marketing expenses increased 23.5% year over year to \$100 million while general and administrative expenses remained flat year over year at \$87 million. Research and development expenses rose 31.9% year over year to \$120 million

Adjusted EBITDA loss was \$95.6 million compared with a loss of \$78.7 million in the year-ago quarter.

Balance Sheet and Cash Flow

As of Jun 30, 2020, cash and cash equivalents and marketable securities were \$2.8 billion, compared with 2.1 billion as on Mar 31, 2020.

Net cash used in operating activities was \$66 million compared with \$95.7 million used in the year-ago quarter and \$6.3 million cash provided in the previous quarter.

Free cash outflow was \$82 million compared with \$103 million reported in the year-ago quarter and \$4.6 million in the previous quarter.

Guidance

Snap expects DAU between 242 million and 244 million in the third quarter of 2020, implying year-over-year growth of 15% to 16% or 32 to 34 million daily active users.

Moreover, total costs (including cost of revenues and operating expense) are expected to grow at percentage rates in the low to mid 20s year over year.

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 42.1% in the year-to-date period and 31.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 54.8% and 16.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 34.7% and 26.1%, respectively.

The S&P 500 Index is up 1.4% in the year-to-date period and 8.7% in the past year.

The stock is currently trading at trailing 12-month EV/Sales of 17.24X, which compares to 10.33X for the Zacks sub-industry, 4.67X for the Zacks sector and 3.22X for the S&P 500 index.

Over the past three years, the stock has traded as high as 28.27X 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 13.64X 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	17.24	10.33	4.67	3.22
	3-Year High	28.27	10.33	4.67	3.46
	3-Year Low	4.67	4.54	3.05	2.24
	3-Year Median	13.55	6.37	3.82	3.02
P/S F12M	Current	12.99	8.8	4.01	3.62
	3-Year High	23.22	8.80	4.01	3.62
	3-Year Low	4.28	4.87	2.62	2.76
	3-Year Median	10.39	5.87	3.23	3.17
P/B TTM	Current	15.92	10.47	6.1	4.49
	3-Year High	18.12	10.77	6.12	4.56
	3-Year Low	2.70	4.27	3.59	3.03
	3-Year Median	6.76	6.45	4.62	3.95

As of 07/22/2020

Industry Analysis Zacks Industry Rank: Top 35% (87 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Sohu.com Inc. (SOHU)	Outperform	2
Facebook, Inc. (FB)	Neutral	3
Pinterest, Inc. (PINS)	Neutral	3
Sina Corporation (SINA)	Neutral	3
Tencent Holding Ltd. (TCEHY)	Neutral	3
Twitter, Inc. (TWTR)	Neutral	2
Momo Inc. (MOMO)	Underperform	5
Weibo Corporation (WB)	Underperform	3

Industry Comparison Industry: Internet - Software				Industry Peers		
	SNAP	X Industry	S&P 500	FB	PINS	TWTR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3	2
VGM Score	B	-	-	A	B	F
Market Cap	33.82 B	773.98 M	22.74 B	683.41 B	14.89 B	28.98 B
# of Analysts	9	5	14	12	4	9
Dividend Yield	0.00%	0.00%	1.81%	0.00%	0.00%	0.00%
Value Score	F	-	-	C	F	D
Cash/Price	0.06	0.10	0.06	0.09	0.12	0.27
EV/EBITDA	-36.46	-0.70	13.19	20.71	-10.00	22.85
PEG Ratio	NA	4.05	3.05	1.71	NA	2.67
Price/Book (P/B)	15.51	7.01	3.14	6.49	7.62	3.30
Price/Cash Flow (P/CF)	NA	26.15	12.31	28.24	NA	13.40
P/E (F1)	NA	79.12	22.34	32.58	NA	102.93
Price/Sales (P/S)	17.58	4.62	2.40	9.32	12.28	8.33
Earnings Yield	-0.82%	0.25%	4.27%	3.07%	-0.79%	0.97%
Debt/Equity	0.56	0.14	0.75	0.09	0.08	0.45
Cash Flow (\$/share)	-0.66	-0.00	6.94	8.49	-2.34	2.76
Growth Score	A	-	-	B	A	F
Hist. EPS Growth (3-5 yrs)	NA%	16.26%	10.82%	48.20%	NA	NA
Proj. EPS Growth (F1/F0)	-19.44%	-4.33%	-9.08%	14.51%	NA	-84.86%
Curr. Cash Flow Growth	-20.24%	4.17%	5.51%	-8.33%	3,062.97%	123.58%
Hist. Cash Flow Growth (3-5 yrs)	NA%	19.20%	8.55%	38.21%	NA	55.36%
Current Ratio	4.83	1.47	1.30	4.60	11.60	11.93
Debt/Capital	35.96%	20.11%	44.41%	8.28%	7.55%	31.16%
Net Margin	-57.18%	-16.66%	10.46%	28.57%	-120.48%	36.39%
Return on Equity	-48.85%	-14.52%	15.29%	21.54%	-73.06%	3.22%
Sales/Assets	0.49	0.61	0.54	0.57	0.52	0.28
Proj. Sales Growth (F1/F0)	25.61%	5.97%	-2.27%	10.04%	10.71%	-5.10%
Momentum Score	A	-	-	A	B	A
Daily Price Chg	-6.22%	0.00%	0.60%	-0.78%	-1.28%	-0.19%
1 Week Price Chg	-3.88%	-1.55%	3.82%	-1.24%	-6.14%	1.16%
4 Week Price Chg	-1.82%	2.69%	7.55%	2.50%	9.58%	16.42%
12 Week Price Chg	30.12%	22.04%	7.51%	23.52%	21.77%	18.82%
52 Week Price Chg	31.74%	0.00%	-3.37%	17.20%	-8.73%	-4.62%
20 Day Average Volume	28,366,528	606,162	2,037,153	27,523,462	13,769,757	26,145,092
(F1) EPS Est 1 week change	1.24%	0.00%	0.00%	0.41%	0.00%	7.25%
(F1) EPS Est 4 week change	5.28%	0.00%	0.14%	1.34%	0.00%	7.25%
(F1) EPS Est 12 week change	5.92%	0.00%	-3.51%	2.57%	7.32%	-225.49%
(Q1) EPS Est Mthly Chg	6.85%	0.00%	0.00%	0.89%	0.00%	12.86%

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	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.