

## Sempra Energy (SRE)

**\$122.02** (As of 05/06/20)

Price Target (6-12 Months): **\$132.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 02/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank: (1-5)**

**2-Buy**

Zacks Style Scores:

VGM:C

Value: B

Growth: C

Momentum: C

### Summary

Sempra Energy ended first quarter of 2020 on a mixed note, with earnings surpassing the Zacks Consensus Estimate but revenues missing the same. The company appears to be well-positioned for growth, given stable earnings from its utility subsidiaries. It continues with systematic investments in its infrastructure development projects and expects to make long-term investments of \$22.8 billion. In the past year, shares of Sempra Energy also outperformed the industry. However, its operations are subject to risks associated with the breakdown or failure of equipment. Moreover, its interest coverage stands at 2.6%, lower than the prior-quarter level of 3.1% and also lowest in the past four quarters. This indicates that the company might face difficulties and may struggle to meet debt obligations in the near future.

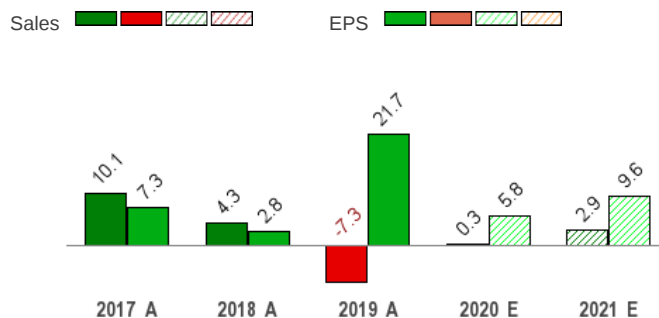
### Price, Consensus & Surprise



### Data Overview

|                            |                                            |
|----------------------------|--------------------------------------------|
| 52 Week High-Low           | <b>\$161.87 - \$88.00</b>                  |
| 20 Day Average Volume (sh) | <b>1,523,917</b>                           |
| Market Cap                 | <b>\$35.7 B</b>                            |
| YTD Price Change           | <b>-19.5%</b>                              |
| Beta                       | <b>0.74</b>                                |
| Dividend / Div Yld         | <b>\$4.18 / 3.4%</b>                       |
| Industry                   | <a href="#">Utility - Gas Distribution</a> |
| Zacks Industry Rank        | <b>Top 11% (27 out of 253)</b>             |

### Sales and EPS Growth Rates (Y/Y %)



|                           |                   |
|---------------------------|-------------------|
| Last EPS Surprise         | <b>32.8%</b>      |
| Last Sales Surprise       | <b>-4.7%</b>      |
| EPS F1 Est- 4 week change | <b>1.0%</b>       |
| Expected Report Date      | <b>08/07/2020</b> |
| Earnings ESP              | <b>0.0%</b>       |
| P/E TTM                   | <b>16.9</b>       |
| P/E F1                    | <b>17.0</b>       |
| PEG F1                    | <b>2.2</b>        |
| P/S TTM                   | <b>3.3</b>        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 |         |         |         |         | 11,180 E |
| 2020 | 3,029 A | 2,417 E | 2,629 E | 3,046 E | 10,864 E |
| 2019 | 2,898 A | 2,230 A | 2,758 A | 2,943 A | 10,829 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$2.13 E | \$1.53 E | \$2.32 E | \$1.87 E | \$7.86 E |
| 2020 | \$3.08 A | \$1.23 E | \$1.68 E | \$1.87 E | \$7.17 E |
| 2019 | \$1.92 A | \$1.10 A | \$1.50 A | \$1.55 A | \$6.78 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 05/06/2020. The reports text is as of 05/07/2020.

## Overview

Sempra Energy is a southern California-based energy services holding company involved in the sale, distribution, storage and transportation of electricity and natural gas. The company has recently reorganized its subsidiaries under two operating groups: Sempra Utilities and Sempra Infrastructure. The Sempra Utilities group includes the company's utility operations: Southern California Gas Co. (SoCalGas), San Diego Gas & Electric (SDG&E) and Sempra South American Utilities. The Sempra Infrastructure group includes the company's energy infrastructure development activities, investments and operations: Sempra Mexico, Sempra LNG & Midstream and Sempra Renewable.

**San Diego Gas & Electric (SDG&E):** Segment earnings amounted to \$767 million in 2019, compared with \$669 million in 2018.

**Southern California Gas Company (SoCalGas):** Segment earnings amounted to \$641 million in 2019, compared with \$400 million in 2018.

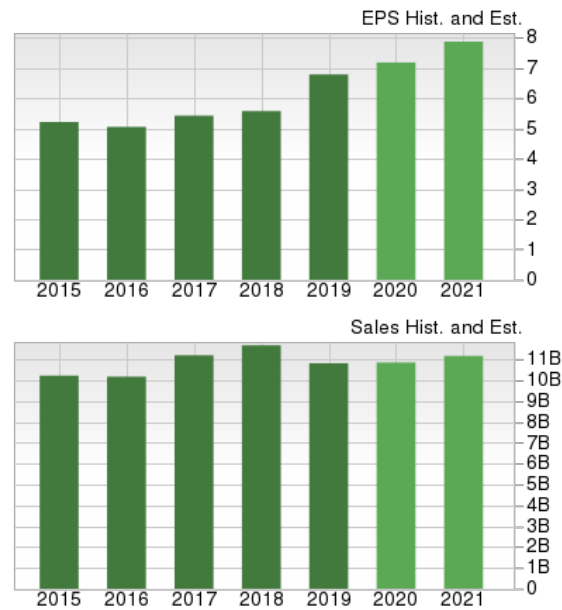
**Sempra Texas Utility:** Segment earnings amounted to \$528 million in 2019, compared with \$400 million in 2018..

**Sempra Mexico:** Segment earnings amounted to \$253 million in 2019, compared with \$237 million in 2018.

**Sempra Renewables:** Segment earnings amounted to \$59 million in 2019, compared with \$328 million in 2018.

**Sempra LNG:** The segment reported losses of \$6 million in 2019, compared with \$617 million in 2018.

**Parent and Other:** The segment reported losses of \$515 million in 2019 against earnings of \$620 million in 2018.



---

## Reasons To Buy:

▲ Sempra Energy appears to be well positioned, given its stable earnings from utility subsidiaries. Moreover, the company continues with systematic investments in its infrastructure development projects. For the 2020-2024 period, the company expects to make investments of approximately \$22.8 billion including \$8.9 billion for SDG&E, \$9 billion for SoCalGas, \$0.7 billion for Sempra Texas Utility, \$1.9 billion for Sempra Mexico and \$2.3 billion for Sempra LNG. Through these investments, the company aims at vigorously modernizing its electric transmission lines and substation infrastructure.

Systematic investments in infrastructure development should bode well for Sempra Energy's growth. Also the company's progress in LNG terminal projects are appreciating

▲ As significant worldwide demand growth for LNG continues to rise, Sempra Energy is well positioned with strategically-located opportunities in North America. In LNG business, during 2019, the company made notable progress by putting Train 1 of Cameron LNG into service and starting production at Train 2. Sempra Energy is also engaged in advance commercial discussions with potential partners for its LNG development projects. In March 2020, the company finalized an engineering, procurement and construction (EPC) contract with Bechtel Corporation for its proposed Port Arthur LNG liquification project. The recent agreement will facilitate Sempra in making a final investment decision by the third quarter of 2020.

To this end, it is imperative to mention that the U.S. Energy Information Administration (EIA) expects U.S. LNG exports to continue to grow and average 7.3 Bcf/d in 2020 and 8.9 Bcf/d in 2021, as facilities gradually ramp up to full production. Sempra will certainly play an important role in the nation achieving this target, with the second and third trains of its Cameron LNG facility set to come into service this year. Moreover, in this regard, from 2020 through 2024, Sempra LNG and its joint venture with IEnova expect to make capital expenditures and investments of approximately \$2.4 billion.

▲ In an attempt to transform itself into North America's premier energy infrastructure company, in April 2020, Sempra Energy completed the sale of its Peruvian businesses, generating approximately \$3.59 billion in total cash proceeds. In October 2019, Sempra Energy signed an agreement to divest equity stake in its Chilean businesses to State Grid International Development Limited (SGID). It continues to move forward with the sale of its Chilean assets, including its 100% interest in Chilquinta Energía S.A., to State Grid International Development Limited for approximately \$2.23 billion in total cash proceeds.

By divesting its non-core assets, the company aims to reinvest the proceeds into higher growth markets, namely California, Texas and Mexico, in the liquefied natural gas export markets. This, in turn, will enable Sempra Energy to focus on the delivery of cleaner and more secure forms of energy to its U.S. as well as overseas consumers. Notably, these decisions come as part of the company's Vision 2022 plan that includes a disciplined, three-phase execution of portfolio optimization and divestitures, for strengthening its focus on North American business model.

▲ Sempra Energy has consistently been paying dividends at increasing rates, courtesy of its solid cash flow from operations. Notably, its cash flow from operating activities came in at \$3,088 million at the end of 2019. Furthermore, the company hiked its dividend by 8% in February 2020. On average, Sempra has grown its dividend by more than 10% annually for the last decade, which is one of the highest dividend growth rates in the utility industry, per its management. Currently, the company sustains its annual dividend increase target at 8-9% over the next several years. Its efforts to maximize shareholder value through the payment of regular dividends will likely retain investors' interest in the stock. Further, in the past year, shares of Sempra Energy have outperformed the industry. Its shares have lost 3% compared with the industry's decline of 23.7%.

---

---

## Reasons To Sell:

- ▼ The Aliso Canyon gas leak is a massive leak from a natural gas well connected to the Aliso Canyon underground storage facility near Porter Ranch, Los Angeles, CA since Oct 23, 2015. Aliso Canyon is the second largest gas storage facility of its kind in the U.S. and belongs to the Southern California Gas Company, a unit of Sempra Energy. The facility represents 63% of the SoCalGas-owned natural gas storage capacity. On Jan 6, 2016, Governor Jerry Brown issued a state of emergency. SS25, the leaking well, was permanently sealed on Feb 18, 2016. As of Mar 31, 2020, the Aliso Canyon natural gas storage facility had a net book value of \$771 million. Any significant impairment of this asset or higher operating costs and additional capital expenditures incurred by SoCalGas that may not be recoverable in customer rates could have a material adverse effect on SoCalGas and Sempra Energy's results, especially operations, financial condition and cash flows.
- ▼ The current U.S. Administration indicated its intention to revise or replace international trade agreements, such as North American Free Trade Agreement (NAFTA). In November 2018, President Trump signed the United States, Mexico-Canada Agreement (USMCA), which, if approved by the legislatures of the U.S., Mexico and Canada, would replace NAFTA. U.S. and Mexico approved the USMCA in January 2020 and June 2019, respectively, but Canada is yet to give its approval. A shift in U.S. trade policies could materially affect Sempra's LNG development opportunities, as well as trade opportunities between Mexico and the United States.
- ▼ Sempra Energy has a long-term debt of \$20,198 million as of Mar 31, 2020, lower than \$20,785 million as of Dec 31, 2019. The company's cash equivalents for the period remained much lower compared to its current debt levels. As of Mar 31, 2020, its cash equivalents were \$2,247 million. While the long-term debt level lies much above the company's cash reserve, its current debt worth \$5,742 as of Mar 31 also remains much higher than the cash reserve. This makes us skeptical about the company's ability to duly meet its obligations.

Moreover, the company's interest coverage stands at 2.6%%, lower than the prior-quarter level of 3.1% and also lowest in the past four quarters. These indicate that the company might face difficulties and struggle to meet debt obligations in the near future.
- ▼ A comparative analysis of the company's forward 12-month Price/Sales ratio indicates a relatively gloomy picture that might be a cause for investors' concern. Consequently, the stock currently has a trailing 12-month Price/Sales ratio of 3.22. The level compares unfavorably when compared to its historical levels. Also, the company's Price/Sales ratio has been above the industry's Price/Sales ratio of 1.91 in the past year.

Possible shift in U.S. trade policies and several operational risks could hurt the company's performance in the future.

## Last Earnings Report

### Sempra Energy Q1 Earnings Top Estimates, Revenues Miss

Sempra Energy's first-quarter 2020 adjusted earnings per share (EPS) came in at \$3.08, surpassing the Zacks Consensus Estimate of \$2.32 by 32.8%. The bottom line also surged 60.4% from \$1.92 in the prior-year quarter.

Barring one-time items, the company generated GAAP earnings of \$2.53 per share compared with \$1.59 in first-quarter 2019. This year-over-year upside was driven by a solid top-line performance.

#### Total Revenues

In the quarter under review, total revenues of \$3,029 million increased 4.5% year over year on higher contributions from the Utilities business (up 6%). The top line, however, missed the consensus mark of \$3,179 million by 4.7%.

#### Segment Update

**San Diego Gas & Electric (SDG&E):** Quarterly earnings amounted to \$262 million compared with the year-ago quarter's \$176 million.

**Southern California Gas Company (SoCalGas):** In this segment, quarterly earnings totaled \$303 million in the first quarter of 2020 compared with \$264 million reported in the prior-year quarter.

**Sempra Texas Utility:** Earnings in this segment came in at \$105 million in the reported quarter compared with \$94 million in the year-ago quarter.

**Sempra Mexico:** The segment recorded net earnings of \$191 million compared with \$57 million in the year-ago quarter.

**Sempra LNG:** The segment reported earnings of \$75 million compared with the year-ago quarter's \$5 million.

**Parent and Other:** Quarterly loss at this division increased to \$248 million from the year-ago quarter's loss of \$117 million.

#### Financial Update

As of Mar 31, 2020, Sempra Energy's cash and cash equivalents totaled \$2,247 million compared with \$108 million, as of Dec 31, 2019.

Long-term debt and finance leases amounted to \$20,198 million, as of Mar 31, 2020, compared with \$20,785 million at 2019-end.

Cash flow from operating activities was \$1,318 million at the end of first-quarter 2020, up from \$951 million at the end of first-quarter 2019.

In the reported quarter, the company's capital expenditures, investments and acquisitions summed \$1,096 million compared with \$877 million in the first quarter of 2019.

#### 2020 Guidance

Sempra Energy reaffirmed its adjusted EPS guidance for 2020. The company expects to generate earnings of \$6.70-\$7.50 per share. The Zacks Consensus Estimate for full-year earnings stands at \$7.17 per share, above the midpoint of the company-projected view.

Quarter Ending 03/2020

| Report Date      | May 04, 2020 |
|------------------|--------------|
| Sales Surprise   | -4.72%       |
| EPS Surprise     | 32.76%       |
| Quarterly EPS    | 3.08         |
| Annual EPS (TTM) | 7.23         |

---

## Valuation

Sempra Energy's shares are down 19.5% in the year-to-date period and 3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utilities sector are down 29.9% and 18.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 23.7%, whereas the sector is down 21.3%.

The S&P 500 index is down 11.5% in the year-to-date period and is down 1.2% in the past year.

The stock is currently trading at 16.5X of forward 12-month earnings, which compares to 13.8X for the Zacks sub-industry, 11.6X for the Zacks sector and 20.5X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.9X and as low as 12.2X, with a 5-year median of 20.3X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$132 price target reflects 17.5X forward 12-month earnings.

The table below shows summary valuation data for SRE

| Valuation Multiples - SRE |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 16.48 | 13.83        | 11.6   | 20.52   |
|                           | 5-Year High   | 24.92 | 23.03        | 15.32  | 20.52   |
|                           | 5-Year Low    | 12.18 | 12.58        | 11.35  | 15.19   |
|                           | 5-Year Median | 20.21 | 20.4         | 13.79  | 17.44   |
| P/S F12M                  | Current       | 3.25  | 1.62         | 2.49   | 3.21    |
|                           | 5-Year High   | 4.02  | 2.3          | 3.29   | 3.44    |
|                           | 5-Year Low    | 1.72  | 1.02         | 1.75   | 2.54    |
|                           | 5-Year Median | 2.5   | 1.65         | 2.04   | 3.01    |
| P/B TTM                   | Current       | 1.83  | 1.81         | 3.07   | 3.78    |
|                           | 5-Year High   | 2.35  | 2.68         | 4.05   | 4.55    |
|                           | 5-Year Low    | 1.28  | 1.41         | 2.01   | 2.84    |
|                           | 5-Year Median | 1.93  | 2.21         | 2.6    | 3.64    |

As of 05/06/2020

---

## Industry Analysis Zacks Industry Rank: Top 11% (27 out of 253)



## Top Peers

| Company (Ticker)                      | Rec     | Rank |
|---------------------------------------|---------|------|
| Atmos Energy Corporation (ATO)        | Neutral | 2    |
| Consolidated Edison Inc (ED)          | Neutral | 3    |
| NewJersey Resources Corporation (NJR) | Neutral | 3    |
| Northwest Natural Gas Company (NWN)   | Neutral | NA   |
| ONE Gas Inc (OGS)                     | Neutral | 3    |
| ONEOK Inc (OKE)                       | Neutral | 4    |
| Southwest Gas Corporation (SWX)       | Neutral | 2    |
| UGI Corporation (UGI)                 | Neutral | 3    |

| Industry Comparison Industry: Utility - Gas Distribution |           |            |           | Industry Peers |         |           |
|----------------------------------------------------------|-----------|------------|-----------|----------------|---------|-----------|
|                                                          | SRE       | X Industry | S&P 500   | ATO            | OGS     | OKE       |
| Zacks Recommendation (Long Term)                         | Neutral   | -          | -         | Neutral        | Neutral | Neutral   |
| Zacks Rank (Short Term)                                  | 2         | -          | -         | 2              | 3       | 4         |
| VGM Score                                                | C         | -          | -         | C              | D       | D         |
| Market Cap                                               | 35.69 B   | 3.72 B     | 19.11 B   | 11.81 B        | 4.04 B  | 11.86 B   |
| # of Analysts                                            | 5         | 2          | 14        | 4              | 4       | 7         |
| Dividend Yield                                           | 3.43%     | 3.43%      | 2.2%      | 2.38%          | 2.82%   | 13.05%    |
| Value Score                                              | B         | -          | -         | C              | C       | C         |
| Cash/Price                                               | 0.00      | 0.01       | 0.06      | 0.02           | 0.00    | 0.05      |
| EV/EBITDA                                                | 13.25     | 11.25      | 11.69     | 13.81          | 11.25   | 9.76      |
| PEG Ratio                                                | 2.25      | 2.59       | 2.48      | 2.88           | 3.90    | 1.64      |
| Price/Book (P/B)                                         | 1.80      | 1.65       | 2.58      | 1.93           | 1.85    | 2.13      |
| Price/Cash Flow (P/CF)                                   | 9.76      | 8.88       | 10.40     | 12.51          | 10.99   | 6.74      |
| P/E (F1)                                                 | 17.26     | 16.98      | 18.81     | 20.58          | 21.46   | 9.85      |
| Price/Sales (P/S)                                        | 3.26      | 1.52       | 1.97      | 4.24           | 2.66    | 1.25      |
| Earnings Yield                                           | 5.88%     | 5.88%      | 4.99%     | 4.86%          | 4.67%   | 10.16%    |
| Debt/Equity                                              | 1.02      | 0.97       | 0.75      | 0.71           | 0.59    | 2.56      |
| Cash Flow (\$/share)                                     | 12.50     | 3.61       | 7.01      | 7.72           | 6.96    | 4.25      |
| Growth Score                                             | C         | -          | -         | C              | D       | C         |
| Hist. EPS Growth (3-5 yrs)                               | 3.89%     | 6.69%      | 10.87%    | 9.11%          | 11.51%  | 19.72%    |
| Proj. EPS Growth (F1/F0)                                 | 5.81%     | 2.07%      | -9.86%    | 7.87%          | 1.57%   | -5.21%    |
| Curr. Cash Flow Growth                                   | 12.92%    | 10.67%     | 5.88%     | 12.19%         | 10.48%  | 11.06%    |
| Hist. Cash Flow Growth (3-5 yrs)                         | 8.55%     | 7.61%      | 8.55%     | 11.14%         | 9.29%   | 22.18%    |
| Current Ratio                                            | 0.45      | 0.81       | 1.25      | 0.96           | 0.53    | 1.36      |
| Debt/Capital                                             | 47.74%    | 48.76%     | 44.23%    | 41.37%         | 37.01%  | 71.92%    |
| Net Margin                                               | 22.32%    | 7.65%      | 10.87%    | 20.02%         | 12.16%  | 8.40%     |
| Return on Equity                                         | 11.30%    | 9.19%      | 16.36%    | 9.54%          | 8.67%   | 21.11%    |
| Sales/Assets                                             | 0.17      | 0.29       | 0.55      | 0.21           | 0.27    | 0.45      |
| Proj. Sales Growth (F1/F0)                               | 0.32%     | 0.00%      | -2.18%    | 9.71%          | 2.14%   | -5.15%    |
| Momentum Score                                           | C         | -          | -         | B              | C       | F         |
| Daily Price Chg                                          | -1.77%    | -3.38%     | -1.27%    | -5.13%         | -4.40%  | -4.28%    |
| 1 Week Price Chg                                         | -5.54%    | -1.73%     | 0.53%     | -4.13%         | -9.65%  | 1.01%     |
| 4 Week Price Chg                                         | -0.02%    | -0.02%     | 0.68%     | -5.94%         | -11.47% | 8.32%     |
| 12 Week Price Chg                                        | -23.21%   | -19.71%    | -22.30%   | -18.14%        | -18.51% | -62.51%   |
| 52 Week Price Chg                                        | -2.97%    | -20.19%    | -11.55%   | -4.16%         | -11.21% | -56.60%   |
| 20 Day Average Volume                                    | 1,523,917 | 503,078    | 2,470,143 | 805,045        | 279,569 | 6,809,439 |
| (F1) EPS Est 1 week change                               | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%   | -7.98%    |
| (F1) EPS Est 4 week change                               | 1.01%     | 0.00%      | -6.52%    | -0.16%         | -1.59%  | -19.86%   |
| (F1) EPS Est 12 week change                              | 1.04%     | -1.72%     | -14.84%   | 0.05%          | -1.59%  | -23.15%   |
| (Q1) EPS Est Mthly Chg                                   | -2.64%    | -4.23%     | -12.48%   | -1.28%         | 1.10%   | -17.84%   |

---

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

---

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

|                |          |
|----------------|----------|
| Value Score    | <b>B</b> |
| Growth Score   | <b>C</b> |
| Momentum Score | <b>C</b> |
| VGM Score      | <b>C</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.