

Constellation Brands (STZ)

\$171.66 (As of 06/24/20)

Price Target (6-12 Months): **\$180.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: D

Growth: A

Momentum: A

Summary

Constellation Brands has outpaced the industry in the past three months on a robust top and bottom-line trend, with the ninth consecutive beat recorded in third-quarter fiscal 2020. Results were aided by strength in the beer business, gains in wine & spirits segment and strong margins. Strength in beer business due to higher depletions and shipments are driving the top line. Further, its wine & spirits premiumization strategy is playing out well, as evident from the accelerated power brand depletion growth and operating margin improvement. However, the evolving coronavirus outbreak in the United States makes earnings prediction for fiscal 2021 unlikely at this time. The company is witnessing a decline in on-premise demand as bars and restaurants remain closed. Nonetheless, it outlined some pre-COVID expectations for its business segments.

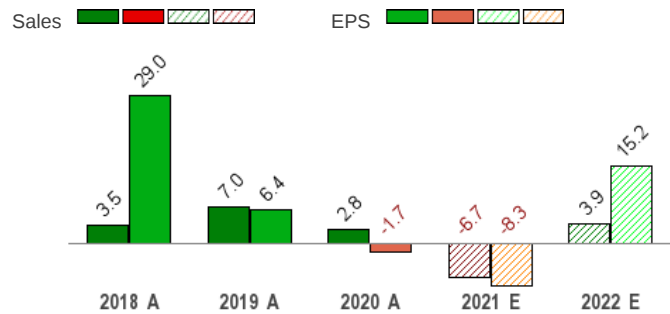
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$212.00 - \$104.28
20 Day Average Volume (sh)	1,312,244
Market Cap	\$33.1 B
YTD Price Change	-9.5%
Beta	0.92
Dividend / Div Yld	\$3.00 / 1.7%
Industry	Beverages - Alcohol
Zacks Industry Rank	Top 27% (68 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	27.2%
Last Sales Surprise	3.5%
EPS F1 Est- 4 week change	6.4%
Expected Report Date	07/01/2020
Earnings ESP	6.0%
P/E TTM	18.8
P/E F1	20.5
PEG F1	2.4
P/S TTM	3.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,948 E	2,260 E	2,017 E	1,843 E	8,083 E
2021	1,973 E	2,187 E	1,859 E	1,735 E	7,782 E
2020	2,097 A	2,344 A	1,999 A	1,903 A	8,344 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.41 E	\$2.95 E	\$2.48 E	\$2.11 E	\$9.63 E
2021	\$1.90 E	\$2.48 E	\$2.12 E	\$1.84 E	\$8.36 E
2020	\$2.21 A	\$2.72 A	\$2.14 A	\$2.06 A	\$9.12 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 06/24/2020. The reports text is as of 06/25/2020.

Overview

Founded in 1945 and headquartered in Victor, NY, Constellation Brands Inc. produces and markets beer, wine and spirits. It is the third-largest beer company and a leading, high-end wine company in the United States. It has a strong portfolio of high-quality brands, including Corona, Modelo Especial, Robert Mondavi, Kim Crawford, Meiomi and SVEDKA Vodka. The company conducts its operations in the United States, Mexico, Canada, Italy and New Zealand.

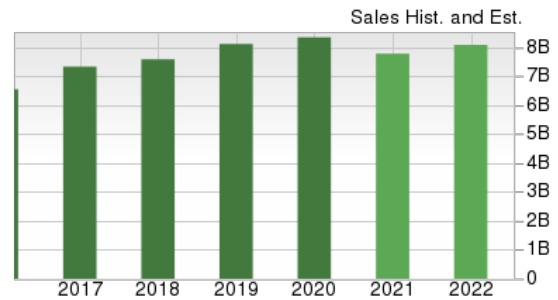
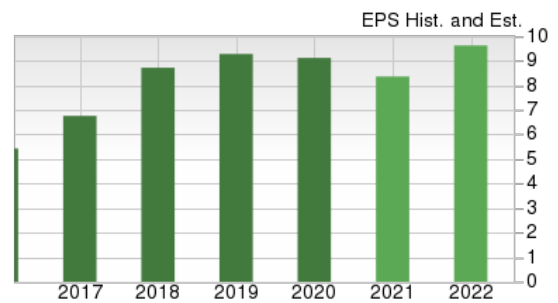
Furthermore, the company supplies its products to various customers, including wholesale distributors, retailers and through on-premise outlets.

The company reports in three operating segments: (1) Beer, (2) Wine and Spirits, and (3) Corporate Operations and Other. While the company's beer segment contributed about 64.1% to total sales in fiscal 2019, its Wine and Spirits segment contributed roughly 35.9%.

Beer: The company sells beer primarily under the Corona Extra, Corona Light, Corona Premier, Corona Familiar Modelo Especial, Modelo Negra, Modelo Chelada, Pacifico, and Victoria brands, as well as Funky Buddha, Four Corners, and Ballast Point brands.

Wine and Spirits: Constellation Brands' wine offerings include the 7 Moons, Black Box, Clos du Bois, Franciscan Estate, Kim Crawford, Mark West, Meiomi, Mount Veeder, Nobilo, Ravage, Robert Mondavi, Ruffino, Schrader, Simi, The Dreaming Tree, Charles Smith, Prisoner. Spirits are sold under the Casa Noble, High West, SVEDKA Vodka, Casa Noble tequila, and High West craft whiskey brands.

In April 2019, Constellation Brands agreed to divest a portion of its wine and spirits business, including roughly 30 low-end brands, to E. & J. Gallo Winery for \$1.7 billion. The transaction is expected to conclude in third-quarter fiscal 2020. Recently, it has also agreed to sell Black Velvet Canadian Whiskey to Heaven Hill in a deal worth \$266 million.



Reasons To Buy:

- ▲ **Robust Earnings & Sales Trend:** Constellation Brands boasts a solid surprise trend, with the ninth consecutive earnings and sales beat recorded in fourth-quarter fiscal 2020. Results have been primarily aided by strength in the beer business and gains in the wine & spirits segment. The beer segment continued to witness robust trends, owing to rise in shipment volume and depletions. Moreover, the company's adjusted gross and operating margin expanded 110 basis points (bps) each. We note that shares of Constellation Brands gained 22% in the past three months outperformed the industry's 6% growth.
- ▲ **Beer Business Gains From Brand Strength:** Constellation Brands has been significantly gaining from strength in the beer business over the years. In fourth-quarter fiscal 2020, sales at the beer business improved 8.9%, marking the 40th straight quarter of growth. This was mainly driven by 7.2% rise in shipment volume and 10.8% overall depletion growth. Import beer depletion growth was 11.4%. Solid portfolio depletions and market share gains mainly stemmed from continued strength in the Modelo and Corona Brand Families. Notably, depletions for the Modelo Brand Family increased more than 18% along with 5% growth for the Corona Brand Family. For fiscal 2021, management estimates 7-8% net sales growth for the beer segment, including the effects of the Ballast Point divestiture. Organic net sales are anticipated to increase 8-10%, with operating margin of 39.5-40%. These expectations do not include any impacts from the COVID-19 virus spread.
- ▲ **Wine & Spirits Business Transformation on Track:** Constellation Brands remains keen on reviving the performance of the wine & spirits business. The company's wine & spirits premiumization strategy is playing out well, as evident from the accelerated power brand depletion growth and operating margin improvement in fourth-quarter fiscal 2020. Notably, the power brand's family depletion growth rose to more than 4%, led by double-digit growth for Kim Crawford, Meiomi and The Prisoner Brand Family, which continued to outpace the total U.S. wine market. Driven by strength in power brands, sales for the wine and spirits segment improved 1.2% in the fiscal fourth quarter, with organic net sales growth of 3.7%. While the segment witnessed a 1.4% decline in shipment volume and a 0.6% fall in depletions, organic shipment volume rose 1.4%. Operating margin for the segment expanded 120 bps on mix benefits and lower marketing and SG&A expenses. Further, focus on more efficient price promotions for the mainstream power brands, as well as market share gains in the higher-end portfolio aided margins. Based on assumption prior to COVID-19 crisis, net sales and operating income for the wine and spirits business are estimated to decline 30-35% fiscal 2021. However, depletions for the retained Power Brand portfolio, after the divestiture transactions, are expected to increase 2-4%.
- ▲ **Hard Seltzer A Big Opportunity:** The beverage industry has undergone transformation with the arrival of hard seltzers, which has taken the alcohol-drinking American population by storm. The exponential rise of these products is a result of growing health-consciousness among drinkers and demand for better, refreshing beverages that offer more variety in terms of taste. The company notes that seltzers are stealing a large share from the beer, and wine & spirits categories, with a significant share sourced from the beer category. Constellation Brands is one of the beer companies looking for opportunities in the hard seltzer category, with the launch of Corona hard seltzer. The company is spending more than \$40 million for the launch, marking its biggest investment ever for a single brand. It plans to launch four flavors of the hard seltzer, namely tropical lime, mango, cherry and blackberry lime. The company decided to name its hard seltzer brand after Corona due to the brand's huge popularity with Hispanic and drinkers aged 21 to 54. Additionally, the refreshment characteristics of seltzers are a perfect match for Corona's refreshment quotient.
- ▲ **Strong Cash Flows to Drive Shareholder Returns:** Constellation Brands has been consistently generating strong cash flows. In fiscal 2020, Constellation Brands generated operating cash flow of \$2.6 billion and adjusted free cash flow of \$1.8 billion. Further, the company has ample liquidity and financial flexibility to navigate through the uncertainties arising from the evolving COVID-19 situation. In the short-term, given the impacts of COVID-19 on its business, the company expects to maximize free cash flow and utilize it for reducing debt and leverage. However, it remains committed to providing enhanced shareholder returns over the long term, by returning \$4.5 billion in cash to shareholders through share repurchases and dividends by fiscal 2022. On Apr 2, 2020, the company announced a quarterly dividend of 75 cents per share for Class A and 68 cents for Class B stock. The dividend is payable May 19 to its shareholders of record as of May 5. However, it expects no share repurchases in fiscal 2021. Further, it expects generating operating cash flow of \$2.3-\$2.5 billion for fiscal 2021, based on pre-COVID assumptions.

Strength in Constellation Brands' beer business is driving performance. In fourth-quarter fiscal 2020, the beer segment witnessed robust trends owing to rise in shipment volume and depletions.

Reasons To Sell:

- ▼ **Impacts of COVID-19:** The evolving coronavirus outbreak in the United States has led to the closure of northern and southern borders of the country and hurt market trends dramatically impacting consumers and the marketplace. The company is witnessing a decline in on-premise demand as bars and restaurants remain closed. Meanwhile, off-premise businesses such as grocery and convenience stores are witnessing improved demand trends. Driven by the potential impacts of the coronavirus outbreak in the United States, Constellation Brands stated that it is not able to provide earnings per share guidance for fiscal 2021. However, it outlined some business expectations for fiscal 2021, before accounting the impacts of the COVID-19 outbreak.
- ▼ **Competitive Threats:** Constellation Brands faces intense competition from other well-established players in the industry, including Beam Inc., Brown-Forman Corporation – B, Diageo plc, and Pernod Ricard SA. Moreover, Constellation Brands encounters competition from local and regional players in the respective countries. This may affect the company's future operating performance.
- ▼ **Seasonal Risks:** Constellation Brands' business is exposed to seasonal risks due to factors affecting demand for each major category of the beverage alcohol industry. In response to wholesaler and retailer demand, the imported beer category usually generates the highest sales during the first and second quarters of the fiscal year that are characterized by the spring and summer seasons in the U.S. Meanwhile, at the wine and spirits category, sales are robust during the third quarter of the fiscal year, primarily due to seasonal holiday buying.
- ▼ **Macroeconomic Headwinds:** Sluggishness in the global economy, along with macroeconomic headwinds such as a rise in fuel and energy costs, unemployment levels and high household debts may negatively affect the discretionary spending of consumers, and consequently hamper the company's growth and profitability.

Driven by the potential impacts of the coronavirus outbreak in the United States, Constellation Brands stated that it is not able to provide earnings per share guidance for fiscal 2021.

Last Earnings Report

Constellation Brands Tops Q4 Earnings & Sales Estimates

Constellation Brands delivered stellar fourth-quarter fiscal 2020 results, wherein the top and bottom lines surpassed the Zacks Consensus Estimate. With this, the company has reported earnings and sales beat for nine consecutive quarters. Results have been primarily aided by strength in the beer business and gains in the wine & spirits segment.

Q4 Highlights

Constellation Brands posted fiscal fourth-quarter comparable earnings of \$2.06 per share, which increased 12% year over year and beat the Zacks Consensus Estimate of \$1.62. The reported figure included Canopy Growth equity loss of 12 cents. Excluding impacts of Canopy Growth, the company posted earnings of \$2.18 per share, which grew 15% from the year-ago quarter.

Net sales improved about 6% to \$1,902.9 million and surpassed the Zacks Consensus Estimate of \$1,839 million.

At the company's beer business, sales improved 8.9% to \$1,187.5 million, driven by a 7.2% rise in shipment volume and 10.8% overall depletion growth. Import beer depletion growth was 11.4%. Solid portfolio depletions and market share gains mainly stemmed from continued strength in the Modelo and Corona Brand Families. Notably, depletions for the Modelo Brand Family increased more than 18% along with 5% growth for the Corona Brand Family.

Sales at the wine and spirits segment rose 1.2% to \$715.4 million in the fiscal fourth quarter. Further, organic net sales for the segment improved 3.7%. While the segment witnessed a 1.4% decline in shipment volume and a 0.6% fall in depletions, organic shipment volume rose 1.4%.

Margins

Adjusted gross profit grew 8% year over year to \$971.7 million. Also, the adjusted gross profit margin expanded 110 basis points (bps) to 51.1%.

Constellation Brands' comparable operating income rose 2% to \$598.7 million, while comparable operating margin improved nearly 110 bps to 31.5%.

Further, the operating margin at the beer segment contracted 120 bps to 39.3%, owing to increased marketing and SG&A expenses, offset by gains from favorable pricing and cost of goods sold. However, the wine and spirits segment's operating margin expanded 120 bps to 28.9% on mix benefits and lower marketing and SG&A expenses.

Financial Position

Constellation Brands ended fiscal 2020 with cash and cash equivalents of \$81.4 million. As of Feb 29, 2020, it had \$11,210.8 million in long-term debt (excluding current maturities) along with total shareholders' equity (excluding non-controlling interest) of \$12,131.8 million.

In fiscal 2020, Constellation Brands generated operating cash flow of \$2.6 billion and adjusted free cash flow of \$1.8 billion.

On Apr 2, 2020, the company announced a quarterly dividend of 75 cents per share for Class A and 68 cents for Class B stock. The dividend is payable May 19 to its shareholders of record as of May 5.

Fiscal 2021 Outlook

Driven by the potential impacts of the coronavirus outbreak in the United States, the company states that it is not able to provide earnings per share guidance for fiscal 2021. However, it outlined some business expectations for fiscal 2021, before accounting the impacts of the COVID-19 outbreak.

For fiscal 2021, Constellation Brands estimates 7-8% net sales growth for the beer segment, including the effects of the Ballast Point divestiture. Organic net sales are anticipated to increase 8-10%, with operating margin of 39.5-40%.

Net sales and operating income for the wine and spirits business are estimated to decline 30-35%. Depletions for the retained Power Brand portfolio, after the divestiture transactions, are expected to increase 2-4%.

Further, the company expects interest expenses of \$385-\$395 million. Further, it anticipates tax rate of 18% and weighted average diluted shares outstanding of 195 million. The company expects no share repurchases in fiscal 2021. It expects to generate operating cash flow of \$2.3-\$2.5 billion for fiscal 2021.

Quarter Ending 02/2020

Report Date	Apr 03, 2020
Sales Surprise	3.50%
EPS Surprise	27.16%
Quarterly EPS	2.06
Annual EPS (TTM)	9.13

Recent News

Constellation Brands Revises Divestiture Deal With E. & J. Gallo – May 28

Constellation Brands has revised its deal with E. & J. Gallo Winery wherein a portion of the former's wine and spirits portfolio will be divested at \$11 retail and below. This includes certain related facilities located in California, New York, and Washington.

Constellation Brands Acquires More Canopy Growth Stake – May 2, 2020

Constellation Brands and Canopy Growth exercised an aggregate of 18,876,901 warrants to purchase shares of Canopy Growth for C\$245 million (C\$12.9783 per share). The warrants, issued on Nov 2, 2017, were exercised through the Greenstar Canada Investment Limited Partnership – an indirect, wholly-owned subsidiary of Constellation Brands. Upon issue, the shares represented 5.1% of issued and outstanding shares of Canopy Growth.

As a result of the new issue of shares, Constellation Brands now indirectly holds, in the aggregate, 142,253,802 shares, 139,745,453 warrants to purchase shares and C\$200,000,000 principal amount of senior notes. The issue increases Constellation Brands' ownership in Canopy Growth to 38.6%. If all the remaining warrants are exercised and all notes converted, Constellation Brands will own about 55.8% of issued and outstanding shares of Canopy Growth.

Constellation Brands Concludes Divestiture of Ballast Point - Mar 2, 2020

Constellation Brands declared that it completed the agreement with Kings & Convicts Brewing Co. to sell the Ballast Point brand and related assets for an undisclosed amount. The sale will include Ballast Point-related production facilities and brewpubs — five in California and one in Chicago. However, Constellation Brands plans to retain the Craft & Specialty facility in Daleville, VA.

Per management, the divestiture of Ballast Point is in sync with the company's consumer-led premiumization strategy. This strategy emphasizes on endearing in growing sectors of the high-end U.S. beer market with strong brands capable of driving growth and strong margin performance. Also, this strategy has aided the Constellation Brands' performance as one of the strongest growth drivers in the U.S. beer market.

Valuation

Constellation Brands shares are down 9.5% in the year-to-date period and nearly 7.2% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 28.2% and 14% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 24.7% and 10.1%, respectively.

The S&P 500 index is down 2.7% in the year-to-date period but up 7.6% in the past year.

The stock is currently trading at 19.58X forward 12-month earnings, which compares to 25.59X for the Zacks sub-industry, 19.23X for the Zacks sector and 22.46X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.96X and as low as 11.49X, with a 5-year median of 22.53X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$180 price target reflects 20.53X forward 12-month earnings.

The table below shows summary valuation data for STZ

Valuation Multiples - STZ					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.58	25.59	19.23	22.46
	5-Year High	26.96	27.52	22.37	22.46
	5-Year Low	11.49	18.8	16.65	15.23
	5-Year Median	22.53	23.2	19.59	17.49
P/S F12M	Current	4.2	14.28	9.29	3.42
	5-Year High	5.5	20.67	11.16	3.44
	5-Year Low	2.56	13.04	8.1	2.53
	5-Year Median	4.4	17.34	9.89	3.02
EV/EBITDA TTM	Current	10.59	32.97	32.91	11.3
	5-Year High	44.53	53.27	45.11	12.85
	5-Year Low	7.6	27.03	27.18	8.25
	5-Year Median	17.92	43.34	38.37	10.83

As of 06/24/2020

Industry Analysis Zacks Industry Rank: Top 27% (68 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
The Boston Beer Company, Inc. (SAM)	Outperform	1
BrownForman Corporation (BF.B)	Neutral	3
AnheuserBusch InBev SANV (BUD)	Neutral	3
Carlsberg AS (CABGY)	Neutral	3
Diageo plc (DEO)	Neutral	4
Heineken NV (HEINY)	Neutral	3
Pernod Ricard SA (PDRDY)	Neutral	3
Molson Coors Beverage Company (TAP)	Neutral	3

Industry Comparison Industry: Beverages - Alcohol				Industry Peers		
	STZ	X Industry	S&P 500	BUD	PDRDY	TAP
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	D	D	D
Market Cap	33.10 B	8.71 B	21.05 B	98.64 B	41.72 B	7.91 B
# of Analysts	6	2	14	2	2	7
Dividend Yield	1.75%	0.00%	1.99%	2.25%	1.94%	6.25%
Value Score	D	-	-	C	D	B
Cash/Price	0.00	0.04	0.07	0.00	NA	0.08
EV/EBITDA	-281.37	9.35	12.43	4.38	NA	9.35
PEG Ratio	2.39	4.48	2.85	NA	NA	2.07
Price/Book (P/B)	2.65	2.50	2.87	1.17	2.26	0.61
Price/Cash Flow (P/CF)	15.49	15.87	11.32	7.74	19.71	4.25
P/E (F1)	20.49	28.24	20.46	28.52	28.71	12.41
Price/Sales (P/S)	3.63	1.86	2.19	1.92	NA	0.62
Earnings Yield	4.87%	3.51%	4.57%	3.52%	3.50%	8.05%
Debt/Equity	0.90	0.45	0.77	NA	NA	0.62
Cash Flow (\$/share)	11.08	1.53	7.01	6.32	1.59	8.59
Growth Score	A	-	-	F	C	F
Hist. EPS Growth (3-5 yrs)	16.60%	7.36%	10.84%	-5.30%	NA	7.06%
Proj. EPS Growth (F1/F0)	-8.30%	-19.08%	-10.79%	-57.97%	-21.79%	-35.24%
Curr. Cash Flow Growth	-6.74%	-3.06%	5.46%	11.61%	2.72%	-5.29%
Hist. Cash Flow Growth (3-5 yrs)	14.06%	0.41%	8.55%	0.84%	4.22%	11.28%
Current Ratio	1.51	1.45	1.29	0.83	NA	0.59
Debt/Capital	47.33%	31.99%	45.14%	53.57%	NA	38.29%
Net Margin	-0.13%	0.03%	10.53%	6.51%	NA	-0.21%
Return on Equity	14.61%	8.69%	16.06%	12.29%	NA	7.01%
Sales/Assets	0.33	0.50	0.55	0.43	NA	0.44
Proj. Sales Growth (F1/F0)	-6.72%	-1.90%	-2.70%	-19.84%	-12.36%	-9.63%
Momentum Score	A	-	-	B	D	B
Daily Price Chg	-4.88%	-1.50%	-3.07%	-6.10%	-1.96%	-3.87%
1 Week Price Chg	6.54%	0.26%	0.92%	-2.02%	-2.42%	-0.05%
4 Week Price Chg	-4.30%	0.38%	-3.03%	3.78%	0.38%	-8.15%
12 Week Price Chg	25.41%	15.11%	22.03%	13.64%	12.53%	-3.57%
52 Week Price Chg	-7.22%	-10.00%	-8.53%	-44.01%	-14.77%	-33.59%
20 Day Average Volume	1,312,244	41,504	2,805,937	3,469,190	89,815	2,976,764
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	6.36%	0.00%	0.00%	0.00%	0.00%	-1.72%
(F1) EPS Est 12 week change	-0.34%	-13.62%	-12.33%	-44.94%	-14.12%	-17.75%
(Q1) EPS Est Mthly Chg	1.23%	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	D
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.