

Stanley Black & Decker (SWK)

\$167.87 (As of 02/05/20)

Price Target (6-12 Months): **\$176.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/03/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: F

Summary

In the past three months, Stanley Black & Decker's shares have outperformed the industry. In fourth-quarter 2019, the company's earnings beat estimates by 0.9%. For 2020, the company anticipates gaining from favorable e-commerce trend, cost-saving measures, solid product portfolio and shareholder-friendly moves. Adjusted earnings in the year are expected to be \$8.80-\$9.00 per share, suggesting year-over-year growth of 5-7%. Organic sales rise will likely be 3%. However, organic sales for the Industrial segment are anticipated to be modestly negative to flat due to weakness in industrial, automotive, attachment tool and oil & gas markets. Also, tariffs and foreign currency hurdles are predicted to hurt earnings by 60-70 cents while financing costs, tax rate and others will like have an adverse impact of 25 cents.

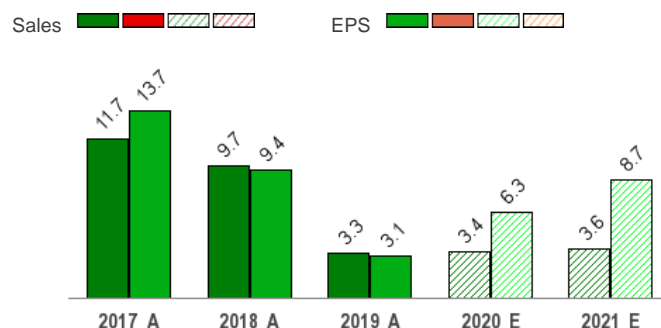
Price, Consensus & Surprise



Data Overview

| | |
|----------------------------|--|
| 52 Week High-Low | \$172.69 - \$125.77 |
| 20 Day Average Volume (sh) | 1,271,713 |
| Market Cap | \$25.5 B |
| YTD Price Change | 1.3% |
| Beta | 1.43 |
| Dividend / Div Yld | \$2.76 / 1.6% |
| Industry | Manufacturing - Tools & Related Products |
| Zacks Industry Rank | Top 44% (112 out of 255) |

Sales and EPS Growth Rates (Y/Y %)



| | |
|---------------------------|------------|
| Last EPS Surprise | 0.9% |
| Last Sales Surprise | -1.7% |
| EPS F1 Est- 4 week change | -0.5% |
| Expected Report Date | 04/22/2020 |
| Earnings ESP | 0.0% |
| P/E TTM | 20.0 |
| P/E F1 | 18.8 |
| PEG F1 | 2.0 |
| P/S TTM | 1.8 |

Sales Estimates (millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|---------|---------|---------|---------|----------|
| 2021 | 3,480 E | 3,984 E | 3,927 E | 4,068 E | 15,471 E |
| 2020 | 3,356 E | 3,853 E | 3,797 E | 3,939 E | 14,936 E |
| 2019 | 3,334 A | 3,761 A | 3,633 A | 3,714 A | 14,442 A |

EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.51 E | \$2.73 E | \$2.58 E | \$2.93 E | \$9.71 E |
| 2020 | \$1.28 E | \$2.48 E | \$2.38 E | \$2.78 E | \$8.93 E |
| 2019 | \$1.42 A | \$2.66 A | \$2.13 A | \$2.18 A | \$8.40 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 02/05/2020. The reports text is as of 02/06/2020.

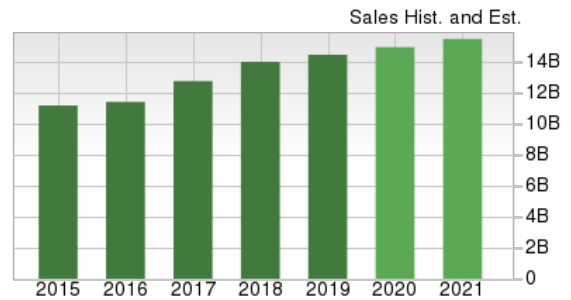
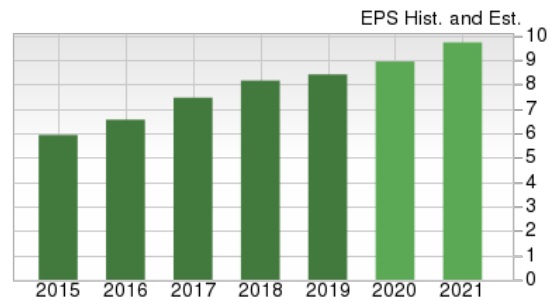
Overview

Headquartered in New Britain, CT, Stanley Black & Decker, Inc. manufactures and provides tools (power and hand tools) and related accessories, healthcare solutions, electronic security solutions, engineered fastening systems, and many more items and services.

On a geographical basis, the company has operations in the United States, Canada, Europe, Japan and emerging markets.

The company's operations are classified into three reportable business segments: Security, Industrial, and Tools & Storage.

- **Security** (13.6% of fourth-quarter 2019 net revenues): The segment provides access and security solutions, primarily to retailers, educational, financial and healthcare institutions as well as to commercial, governmental and industrial customers. Security products are sold primarily on a direct sales basis and, in certain instances, through third-party distributors. Businesses included are Convergent Security Solutions and Mechanical Access Solutions.
- **Industrial** (16.1%): The segment manufactures and markets engineered fastening products as well as hydraulic tools, accessories and attachments. Also, the segment engages in renting and selling coating, custom pipe handling and joint welding equipment. The products are sold to industrial customers and distributed primarily through third-party distributors as well as the company's direct sales force. Businesses included are Engineered Fastening and Infrastructure.
- **Tools & Storage** (70.3%): The segment manufactures and markets power tools for professional, consumer tools, hand tools, storage systems, pneumatic tools and fasteners. These products are sold to professionals, as well as consumers, and are distributed through retailers (including home centers, mass merchants, hardware stores and retail lumber yards). Businesses included are Power Tools & Equipment and Hand Tools, Accessories & Storage businesses.



Reasons To Buy:

- ▲ In the past three months, Stanley Black & Decker's shares have gained 5.3% versus the industry's growth of 1.6%. In fourth-quarter 2019, it recorded a positive earnings surprise of 0.9%. On a year-over-year basis, the bottom line improved 3.3%, driven by a healthy sales performance and lower taxes. Revenues improved on growth in Tools & Storage, Industrial and Security segments. For 2020, the company anticipates gaining from favorable e-commerce trend, revenue synergies, efforts to innovate products and the growing recognition of brands like Craftsman, Irwin, DEWALT and others. Also, multi-year initiatives (aimed at margin expansion) and a cost-reduction program (which will likely contribute 95 cents to earnings) will be beneficial. Adjusted earnings in the year are predicted to be \$8.80-\$9.00 per share, indicating growth of 5-7% from the year-ago reported figure. Organic sales growth will likely be 3% (adding 40-50 cents to earnings per share). The company believes that the Security segment is poised for growth in organic sales and margins during the full year and going forward.
- ▲ In the quarters ahead, Stanley Black & Decker's growth is likely to be driven by organic and inorganic means. Here we focused on the company's inorganic initiatives. Among acquisitions, Newell Tools (with products like Irwin and Lenox) and Craftsman buyouts in March 2017 are worth mentioning. Further, the acquisition of the industrial business of Nelson Fastener Systems (April 2018), 20% stake in MTD Products (January 2019) and the IES Attachments buyout (March 2019) have been strengthening Stanley Black & Decker's financials. Also, the Sargent & Greenleaf business of the Security segment was divested (May 2019). Notably, acquired assets contributed roughly 1% to sales growth in the quarter. Recently, Stanley Black & Decker inked a deal to acquire Consolidated Aerospace Manufacturing.
- ▲ Stanley Black & Decker is committed to rewarding its shareholders through dividend payments and share buybacks. In the fourth quarter, the company paid out cash dividends of approximately \$104.4 million and repurchased shares worth \$15.6 million. It is worth noting here that in 2018, the company executed a capped-call transaction and secured the option to purchase 3.2 million shares by March 2021 while it hiked the quarterly dividend rate by 4.5% on Jul 17, 2019. In the years ahead, it wishes to follow the 50/50 capital-allocation strategy of acquisitions and rewarding its shareholders with dividends and share buybacks. The dividend payout is projected to be 30-35% in the long run.
- ▲ Stanley Black & Decker anticipates witnessing 10-12% (CAGR) growth in total revenues by 2022. This forecast includes organic sales growth of 4-6%. Earnings per share are envisioned to grow 10-12% or nearly 7-9% (excluding acquisitions). Cash flow return on investments will be 12-15% while free cash flow will be greater than or equal to net income. The company believes that its multi-year efforts aimed at margin growth will yield \$300-\$500 million savings in the next three years.

Stanley Black & Decker has significant upside potential, backed by a favorable e-commerce business, cost-saving actions, solid product line and sound capital-allocation strategies.

Reasons To Sell:

- ▼ On a P/E (TTM) basis, Stanley Black & Decker's shares look a bit overvalued compared with the industry. The stock's current P/E is 20.01x, higher than the industry's current multiple of 19.5x. Also, the company's current multiple is above the industry's highest multiple of 19.5x in the past three months. The company expects first-quarter earnings to be 14% of full-year earnings. This assumption is three percentage points below the year-ago quarter due to adverse impacts of external headwinds and flat organic sales. Earnings estimates have been lowered, reflecting bearish investors' sentiments. In the past 30 days, Stanley Black & Decker's earnings estimates have moved 17.1% south to \$1.31 for the first quarter and 0.6% to \$8.93 for 2020. This makes us cautious about the stock.
- ▼ Stanley Black & Decker's geographically diversified business exposed it to risks emanating from hostile movements in foreign currencies and geopolitical issues. In the fourth quarter of 2019, forex woes affected sales growth by 1%. Also, the company endured 4.7% year-over-year increase in its cost of sales. Gross margin in the quarter slipped 160 basis points year over year due to adverse impacts of tariffs, unfavourable foreign-currency movements and woes related to plant absorption and product mix in Tools & Storage. We believe, if unchecked, the rising costs and expenses can hurt the company's margins in the quarters ahead. For 2020, the company predicts the adverse impacts of tariffs and foreign currency woes (of \$115 million) to affect earnings by 60-70 cents per share. Notably, the company anticipates the external headwinds in excess of half of full-year projection to dent first-quarter results.
- ▼ In order to finance buyout activities and working capital needs, sometimes Stanley Black & Decker raises funds through the issuance of long-term debt instruments and equities. This, in turn, could hurt the company's cost of funds, liquidity and access to capital markets in case of a downgrade in investment grade ratings. Exiting 2019, it had a long-term debt balance of \$3,176.4 million. Its interest expenses (net) rose 10.1% year over year in 2019. Recently, the company issued \$750-million notes due 2030 and \$750 million of debentures maturing in 2060. For 2020, the company predicts financing costs, tax rate and others to hit earnings by 25 cents.
- ▼ Stanley Black & Decker's segmental performances and overall profitability are highly correlated to industrial activities, housing markets and overall economic growth of foreign nations served as well as that of the United States. For 2020, organic sales for the Industrial segment might be modestly negative to flat on a year-over-year basis due to softness in industrial, automotive, attachment tool and oil & gas markets.

Risks arising from unfavorable movements in foreign currencies, tariffs, huge debt level and softness in the Industrial segment are likely to hurt Stanley Black & Decker's results.

Last Earnings Report

Stanley Black Q4 Earnings Beat Estimates, Sales Miss Mark

Stanley Black & Decker reported better-than-expected earnings results for the fourth quarter of 2019, with a beat of 0.9%. However, the quarter's sales lagged estimates by 1.66%.

Earnings, excluding acquisition-related charges and other one-time impacts, were \$2.18 per share in the quarter, surpassing the Zacks Consensus Estimate of \$2.16. Also, earnings grew 3.3% from the year-ago quarter's \$2.11 per share, driven by sales growth and lower taxes.

For 2019, the company's earnings (excluding acquisition-related charges and other one-time impacts) were \$8.40 per share, increasing 3.1% from the previous year. Also, the bottom line surpassed the Zacks Consensus Estimate of \$8.39. External headwinds in the year totaled \$445 million.

Quarter Ending **12/2019**

| Report Date | Jan 29, 2020 |
|------------------|--------------|
| Sales Surprise | -1.66% |
| EPS Surprise | 0.93% |
| Quarterly EPS | 2.18 |
| Annual EPS (TTM) | 8.39 |

Segmental Revenues

In the quarter under review, the company's net sales were \$3,714.2 million, reflecting 2.2% year-over-year growth. The improvement was primarily driven by 1% rise in volume, 1% impact of positive price and 1% gain from acquired assets/divestitures. These were partially offset by 1% adverse impact of unfavorable movements in foreign currencies.

However, the company's top line lagged the Zacks Consensus Estimate of \$3,777 million.

Stanley Black reports revenues under three segments. A brief discussion on the quarterly results is provided below:

Tools & Storage's revenues totaled \$2,609.8 million, representing 70.3% of net revenues in the quarter under review. On a year-over-year basis, the segment's revenues grew 1.1% on 2% gain from volume growth, partially offset by 1% adverse impact of currency movements.

The **Industrial** segment generated revenues of \$597.1 million, accounting for 16.1% of net revenues in the reported quarter. Sales grew 8.9% year over year, primarily driven by 13% gain from acquired assets, partially offset by 4% negative impact of volume decline.

The **Security** segment's revenues, representing 13.6% of net revenues, grew 0.7% year over year to \$507.3 million. Gains of 2% from volume growth and 2% from favorable pricing actions were offset by 1% adverse impact of foreign-currency woes and 2% from divestitures.

For 2019, the company's net sales were \$14,442.2 million, increasing 3.3% year over year. However, the top line lagged the Zacks Consensus Estimate of \$14.5 billion.

Margin Profile

In the reported quarter, Stanley Black's cost of sales rose 4.7% year over year to \$2,536.3 million. It represented 68.3% of the quarter's net sales versus 66.7% in the year-ago quarter. Gross margin slipped 160 basis points (bps) to 31.7% due to adverse impacts of external headwinds as well as woes related to plant absorption and product mix in Tools & Storage. This was partially offset by the positive impact of volume growth, favorable pricing and improved productivity.

Selling, general and administrative expenses declined 8% year over year to \$671.1 million. It represented 18.1% of net sales in the reported quarter versus 20.1% in the year-ago quarter. Operating profits grew 5% year over year to \$506.8 million, while margin expanded 30 bps to 13.6%.

Adjusted tax rate in the reported quarter was 15.8% compared with the year-ago quarter figure of 17.3%.

Balance Sheet & Cash Flow

Exiting the fourth quarter of 2019, Stanley Black had cash and cash equivalents of \$297.7 million, down 4.5% from \$311.7 million recorded in the last reported quarter. Long-term debt (net of current portions) was down 18.7% sequentially to \$3,176.4 million.

During the quarter, the company repaid long-term debt of \$750 million.

In the fourth quarter, it generated net cash of \$1,243.3 million from operating activities, 1.8% higher than \$1,220.8 million generated in the year-ago quarter. Capital spending totaled \$141.2 million versus \$164.7 million in the year-ago quarter. Free cash flow in the quarter was \$1,102.1 million, up 4.4% year over year.

During the reported quarter, Stanley Black paid out cash dividends of \$104.4 million, while spent \$15.6 million for purchasing treasury stocks.

Outlook

In the quarters ahead, Stanley Black anticipates gaining from a growing recognition of its brands, especially Craftsman. Further, revenue synergies, innovation and favorable e-commerce trends will likely be beneficial. Also, margin expansion through benefits from cost-reduction initiatives will likely help.

The company anticipates gaining from the cost-reduction initiatives that it took in 2019. Also, it is progressing well with its multi-year initiatives, which is aimed at margin expansion. The company believes that the Security segment is poised for growth in organic sales and margins in 2020 and going forward.

For 2020, the company anticipates adjusted earnings of \$8.80-\$9.00 per share, suggesting an increase of 5-7% from the year-ago reported

figure. The cost-saving program of 2019 will likely contribute 95 cents per share to earnings, while organic growth will probably add 40-50 cents. Currency and tariff headwinds are likely to adversely impact earnings by 60-70 cents, while financing costs, tax rate and others will likely affect the same by 25 cents.

Organic growth will likely be 3%. Free cash flow conversion is predicted to be 90-100%.

Recent News

Notes Pricing

On **Feb 3, 2020**, Stanley Black & Decker announced the pricing of \$750-million notes offering due to expire on Mar 15, 2030.

As noted, the company priced the notes offering at 99.667% of the principal amount (plus accrued interest). The notes carry a coupon rate of 2.3%, which will be paid semi-annually on Mar 15 and Sep 15. The first interest payment will be made on Sep 15, 2020. This offering is anticipated to close on Feb 10, 2020.

Stanley Black anticipates net proceeds worth \$745.6 million from the offering. This amount is after deducting offering expenses and discounts to underwriters. The company intends to use the proceeds for repaying debt and funding acquisitions.

In addition to this, the company offered \$750 million of 4% Fixed-to-Fixed Reset Rate Junior Subordinated Debentures (maturing in 2060).

Acquisition

On **Jan 29, 2020**, Stanley Black & Decker announced that it signed an agreement to acquire Consolidated Aerospace Manufacturing, LLC. The transaction is valued at \$1.5 billion.

The buyout is anticipated to strengthen Stanley Black's engineered fastening business within the Industrial segment. Further, this will likely enhance growth opportunities in the aerospace and defense market.

The completion of the buyout is subject to fulfillment of customary closing conditions. The transaction will be funded through borrowings and cash. Upon completion, the takeover is anticipated to boost Stanley Black's earnings by 30-40 cents per share by the third year.

Additionally, the company announced a leadership transition for Tools & Storage.

Dividend

On **Dec 17, 2019**, Stanley Black & Decker paid out a quarterly cash dividend of 69 cents per share to shareholders of record as of Nov 29.

Valuation

Stanley Black & Decker's shares have moved up 1.3% in the year-to-date period and 31.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Industrial Products sector have declined 2.7% and 1.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector moved up 18.9% and 10.5%, respectively.

The S&P 500 index has moved up 2.3% year to date and 20.9% in the past year.

The stock is currently trading at 18.66x forward 12-month earnings, which compares to 17.9x for the Zacks sub-industry, 18.05x for the Zacks sector and 18.88x for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.94x and as low as 12.24x, with a 5-year median of 16.59x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$176 price target reflects 19.59x forward 12-month earnings.

The table below shows summary valuation data for SWK.

| Valuation Multiples - SWK | | | | | |
|---------------------------|---------------|-------|--------------|--------|---------|
| | | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M | Current | 18.66 | 17.9 | 18.05 | 18.88 |
| | 5-Year High | 22.94 | 20.19 | 19.91 | 19.34 |
| | 5-Year Low | 12.24 | 13.13 | 12.6 | 15.18 |
| | 5-Year Median | 16.59 | 16.32 | 16.58 | 17.46 |
| EV/EBITDA F12M | Current | 11.66 | 9.46 | 17.82 | 12.66 |
| | 5-Year High | 13.23 | 11.02 | 18.22 | 12.66 |
| | 5-Year Low | 8.29 | 7.15 | 10.69 | 9.08 |
| | 5-Year Median | 10.81 | 8.86 | 14.04 | 10.78 |
| EV/Sales F12M | Current | 1.86 | 1.6 | 3.14 | 3.26 |
| | 5-Year High | 2.3 | 1.96 | 3.14 | 3.37 |
| | 5-Year Low | 1.4 | 1.18 | 1.76 | 2.3 |
| | 5-Year Median | 1.76 | 1.44 | 2.28 | 2.78 |

As of 02/05/2020

Industry Analysis Zacks Industry Rank: Top 44% (112 out of 255)



Top Peers

| | |
|--|------------|
| Actuant Corporation (EPAC) | Outperform |
| Allegion PLC (ALLE) | Neutral |
| Acuity Brands Inc (AYI) | Neutral |
| Hubbell Inc (HUBB) | Neutral |
| Johnson Controls International plc (JCI) | Neutral |
| Kennametal Inc. (KMT) | Neutral |
| Lincoln Electric Holdings, Inc. (LECO) | Neutral |
| Sandvik AB (SDVKY) | Neutral |

| Industry Comparison Industry: Manufacturing - Tools & Related Products | | | | Industry Peers | | |
|--|-------------|------------|-----------|----------------|-------------|--------------|
| | SWK Neutral | X Industry | S&P 500 | ALLE Neutral | KMT Neutral | LECO Neutral |
| VGM Score | B | - | - | C | F | B |
| Market Cap | 25.52 B | 3.82 B | 24.26 B | 12.38 B | 2.57 B | 5.79 B |
| # of Analysts | 10 | 6.5 | 13 | 3 | 6 | 7 |
| Dividend Yield | 1.64% | 1.64% | 1.75% | 0.81% | 2.58% | 2.07% |
| Value Score | B | - | - | D | D | B |
| Cash/Price | 0.01 | 0.10 | 0.04 | 0.02 | 0.04 | 0.03 |
| EV/EBITDA | 15.18 | 8.18 | 14.19 | 22.06 | 6.76 | 13.84 |
| PEG Ratio | 2.00 | 2.14 | 2.04 | 2.12 | 2.20 | 1.66 |
| Price/Book (P/B) | 2.79 | 2.79 | 3.31 | 18.02 | 1.91 | 7.11 |
| Price/Cash Flow (P/CF) | 13.98 | 13.98 | 13.70 | 24.53 | 7.01 | 15.68 |
| P/E (F1) | 18.80 | 18.69 | 19.17 | 24.96 | 18.30 | 18.69 |
| Price/Sales (P/S) | 1.77 | 1.46 | 2.67 | 4.37 | 1.15 | 1.92 |
| Earnings Yield | 5.32% | 5.35% | 5.22% | 4.01% | 5.46% | 5.35% |
| Debt/Equity | 0.35 | 0.38 | 0.71 | 2.08 | 0.47 | 0.88 |
| Cash Flow (\$/share) | 12.01 | 3.14 | 6.92 | 5.43 | 4.42 | 6.04 |
| Growth Score | B | - | - | A | D | B |
| Hist. EPS Growth (3-5 yrs) | 9.31% | 9.45% | 10.80% | 14.60% | 14.99% | 7.53% |
| Proj. EPS Growth (F1/F0) | 6.31% | 6.53% | 7.35% | 9.73% | -43.93% | 8.25% |
| Curr. Cash Flow Growth | 4.76% | 10.92% | 10.12% | 15.57% | 10.92% | 21.25% |
| Hist. Cash Flow Growth (3-5 yrs) | 6.13% | 6.13% | 8.55% | 5.85% | 2.02% | 0.36% |
| Current Ratio | 1.01 | 2.71 | 1.20 | 1.90 | 2.53 | 1.89 |
| Debt/Capital | 25.78% | 27.44% | 42.91% | 67.50% | 31.85% | 46.73% |
| Net Margin | 6.62% | 7.49% | 11.79% | 16.00% | 5.89% | 10.50% |
| Return on Equity | 16.15% | 12.42% | 17.21% | 69.28% | 11.97% | 36.00% |
| Sales/Assets | 0.68 | 0.84 | 0.54 | 1.00 | 0.85 | 1.27 |
| Proj. Sales Growth (F1/F0) | 3.42% | 0.00% | 4.15% | 3.85% | -7.71% | 0.93% |
| Momentum Score | F | - | - | D | C | C |
| Daily Price Chg | 1.25% | 1.25% | 1.40% | -1.46% | 4.63% | 1.17% |
| 1 Week Price Chg | -4.29% | -5.82% | -2.60% | 1.03% | -9.04% | -4.15% |
| 4 Week Price Chg | 1.14% | -2.76% | 1.96% | 8.67% | -11.28% | -2.76% |
| 12 Week Price Chg | 8.04% | -1.73% | 6.04% | 14.19% | -7.52% | 4.23% |
| 52 Week Price Chg | 28.90% | 7.47% | 16.68% | 48.68% | -17.06% | 7.47% |
| 20 Day Average Volume | 1,271,713 | 26,184 | 1,966,046 | 650,743 | 884,518 | 259,973 |
| (F1) EPS Est 1 week change | 0.11% | 0.00% | 0.00% | 0.00% | -26.83% | 0.00% |
| (F1) EPS Est 4 week change | -0.55% | -0.45% | 0.00% | -0.09% | -26.97% | -0.45% |
| (F1) EPS Est 12 week change | -1.16% | -1.16% | -0.08% | -0.09% | -26.97% | -0.98% |
| (Q1) EPS Est Mthly Chg | -19.23% | -6.43% | 0.00% | -0.33% | -12.53% | -0.34% |

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 |
| Growth Score | B |
| Momentum Score | F |
| 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.