

TreeHouse Foods, Inc. (THS)

\$49.49 (As of 04/16/20)

Price Target (6-12 Months): **\$52.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/13/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

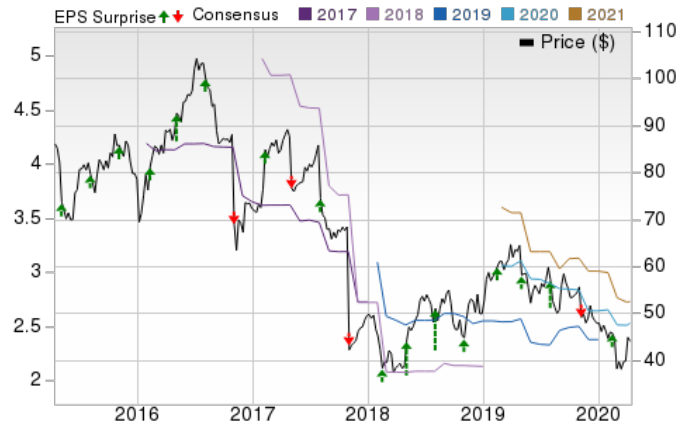
Growth: B

Momentum: A

Summary

TreeHouse Foods has lagged the industry in the past year. The company has been seeing drab sales for a while, which continued in fourth-quarter 2019. During the quarter, sales declined year over year for the 11th straight time and lagged the Zacks Consensus Estimate. Notably, TreeHouse Foods is grappling with sluggish Baked Goods and Meal Solutions units, which were hurt by adverse volume/mix, among other factors, in the fourth quarter. Further, management expects sales to decline 3-5% in the first half of 2020. Nonetheless, the company's Structure to Win and TreeHouse 2020 programs, aimed at cutting costs, are yielding favorably. Evidently, savings from these programs aided adjusted EBITDA in the fourth quarter, wherein earnings also increased year over year. However, gross margin remained under pressure.

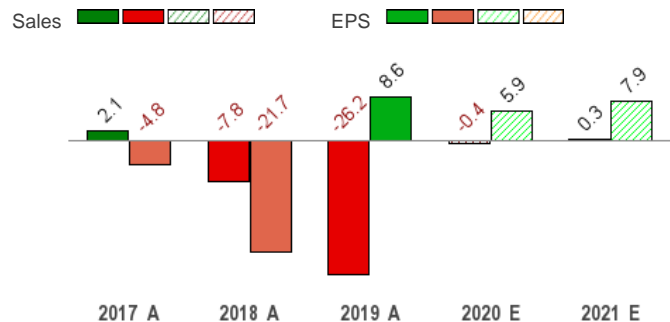
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$67.55 - \$33.84
20 Day Average Volume (sh)	713,944
Market Cap	\$2.8 B
YTD Price Change	2.0%
Beta	0.53
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Food - Miscellaneous
Zacks Industry Rank	Top 33% (83 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.9%
Last Sales Surprise	-1.9%
EPS F1 Est- 4 week change	0.9%
Expected Report Date	05/07/2020
Earnings ESP	6.9%
P/E TTM	23.1
P/E F1	19.6
PEG F1	3.7
P/S TTM	0.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,016 E	1,004 E	1,086 E	1,183 E	4,283 E
2020	1,023 E	1,010 E	1,076 E	1,164 E	4,271 E
2019	1,301 A	1,251 A	1,057 A	1,140 A	4,289 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.35 E	\$0.46 E	\$0.71 E	\$1.23 E	\$2.73 E
2020	\$0.28 E	\$0.45 E	\$0.66 E	\$1.16 E	\$2.53 E
2019	\$0.13 A	\$0.36 A	\$0.55 A	\$1.10 A	\$2.39 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 04/16/2020. The reports text is as of 04/17/2020.

Overview

Oak Brook, Ill.-based Treehouse Foods, Inc. is a manufacturer of packaged foods and beverages with more than 50 manufacturing facilities across the United States, Canada and Italy servicing retail grocery, food away from home, and industrial and export customers.

The company manufactures a variety of shelf-stable, refrigerated, and fresh products. The product categories include beverages; salad dressings; snacks; beverage enhancers; pickles; Mexican and other sauces; soup and infant feeding; cereals; dry dinners; aseptic products; jams; and other products. The company also offers natural, organic, and preservative-free ingredients in many categories.

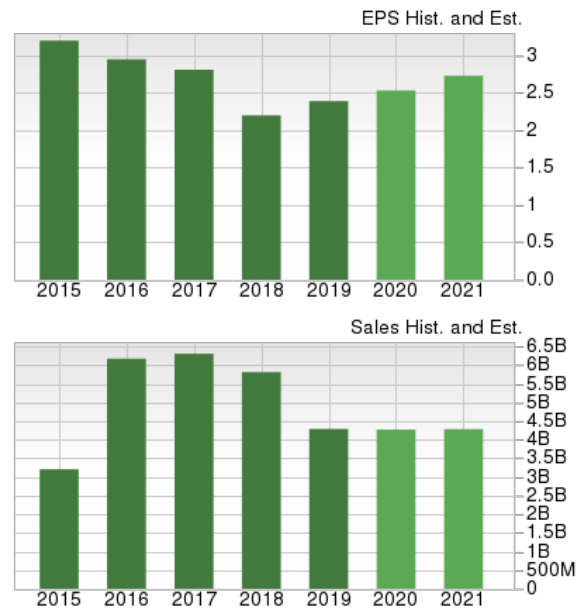
On Aug 1, 2019, the company completed the divestiture of the Snack business to Atlas Holdings.

The company reports under the following units:

Baked Goods (36% of Q4 Sales): This includes candy, in-store bakery products, crackers, cookies, pretzels, pita chips, refrigerated dough, pancakes, and French toast.

Beverages (23%): This includes non-dairy powdered creamers, broths, liquid non-dairy creamer, single serve hot beverages, powdered drinks, specialty teas and sweeteners.

Meals Solutions (41%): This includes baking and mix powders; condensed, ready to serve, and powdered soups and gravies; infant feeding products; macaroni and cheese; pasta; ready-to-eat and hot cereals; as well as skillet dinners. The segment also includes condiments now, which in turn comprises aseptic cheese and pudding products; jams, preserves, and jellies; mayonnaise; Mexican, barbeque, and other sauces; pickles and related products. It also offers refrigerated, shelf stable dressings and sauces, along with table and flavored syrups.



Reasons To Buy:

▲ **Structure to Win Plan on Track:** TreeHouse Foods is benefitting from its restructuring initiatives. To this end, the company's Structure to Win program focuses on aligning the company's SG&A expenses with its division structures. This, in turn, is likely to enrich customers' experience. Markedly, the company generated Structure to Win savings of \$75 million in 2018, which exceeded its original full-year target of \$30 million and its run-rate target of \$55 million. Also, savings from the Structure to Win and TreeHouse 2020 programs drove the company's adjusted EBITDA by 4.9% in the fourth quarter.

▲ **TreeHouse 2020 Program Bodes Well:** The company is now in the last year of its TreeHouse 2020 strategic plan that was announced in second-quarter 2017. The plan has been designed to restructure and realign the business as a whole. Alongside cost savings, the initiative is expected to manage the company's portfolio and optimize production and supply chain. The plan aims to improve the company's operating margin by 300 bps by the end of 2020, by undertaking complete business integration and expense reduction. The company expects to invest these savings in market-differentiated capacities to cater to consumers' ever-changing demands. In this regard, the company made certain achievements in the first phase of the program. TreeHouse Foods is also progressing well with its TreeHouse Management Operating Structure or TMOS.

▲ **Healthy and Organic Products Offerings:** The company focuses on organic foods, as consumers appear to be more interested in foods described as being "better for you," which include fresh or freshly prepared foods, and natural, organic, or specialty foods. Moreover, Treehouse Foods has witnessed positive comparable store sales growth trends in food away from home outlets, which mainly focuses on clean ingredients and labels, resulting in higher demand for "natural" or organic type products. Notably, premium, better for you, natural and organic offerings now form more than 21% of the company's sales. In fact, we note that the restaurants and retailers are increasing the use of cage-free eggs, as they are healthy. The company expects sustained growth in these areas and continues to focus on consumer's needs by developing new formulations, packaging, and sizes.

▲ **Focus on Refining Portfolio:** TreeHouse Foods has always been focused on expanding its product offerings through acquisitions. In February 2016, the company acquired Private Brands business for \$2.7 billion. The Private Brands Business is a leading manufacturer of private label refrigerated and shelf stable products in the bars, bakery, cereal, condiments, pasta, and snacks categories. The addition of Private Brands has added to the revenues and has helped the company to lower debt. The company's other acquisitions include Flagstone Foods, PFF Capital Group, Inc. ("Protenergy"), Cains Foods, L.P., Associated Brands, and Naturally Fresh, Inc.

On the flip side, the company remains committed toward exiting underperforming businesses and shifting focus toward areas with high growth potential. To this end, the company completed the divestiture of the Snack business to Atlas Holdings on Aug 1. Further, TreeHouse Foods inked a deal to offload two of its in-store bakery facilities to Rich Products Corporation, which is likely to help the former focus on core growth areas. Notably, the transaction with Rich Products is expected to conclude by Apr 10.

▲ **Diverse Customer Base:** Treehouse Foods sells to a wide and diverse customer base, including the leading grocery retailers and foodservice operators in the United States and Canada, and also a variety of customers that purchase bulk products for industrial food applications. The company supplies to more than 200 food retail customers in North America, including each of the 50 largest food retailers, and more than 500 foodservice customers, including 50 of the 100 largest restaurant chains.

TreeHouse Foods is benefitting from its restructuring initiatives. To this end, the company's Structure to Win program focuses on aligning the company's SG&A expenses with its division structures.

Reasons To Sell:

▼ **Drab Sales Trend Lingers, Stock Underperforms:** Shares of TreeHouse Foods have declined 21.7% in the past year, compared with the industry's decline of 7.4%. This can be attributed to a weak top-line trend. We note that the company's fourth-quarter 2019 results marked its 11th consecutive quarter of year-over-year sales decline. During the quarter, net sales of \$1,139.5 million missed the consensus mark of \$1,161 million and fell 4.5% year over year. The downside was caused by adverse impacts from SKU rationalization of 0.7%. Organic sales fell 3.8% primarily due to adverse volume/mix of almost 4%.

TreeHouse Foods grapples with sluggish Baked and Meal Solutions units. Management expects net sales to decline 3-5% in the first half of 2020.

Volumes decline was led by soft private-label performance stemming from unfavorable pricing and merchandising actions in the retail space. Additionally, the beverage segment delivered a lower-than-expected performance. Sales for 2020 are expected in the range of \$4.10-\$4.40 billion. The company delivered net sales of \$4288.9 million (nearly \$4.29 billion) in 2019. Management expects net sales to decline 3-5% in the first half of 2020. For the first quarter, net sales are expected in a band of \$0.98-\$1.02 billion compared with \$1,301.1 million (nearly \$1.30 billion) delivered in the first quarter of 2019.

▼ **Weak Baked Goods & Meal Solutions Units:** The company has been struggling with sluggish Baked Goods and Meal Solutions units. Sales at the Baked Goods segment fell 4.4% year over year in the fourth quarter, whereas net sales at the Meals Solutions unit declined 3.5%. Sales at both segments were hurt by adverse volume/mix. Apart from this, the Baked Goods segment sales were hurt by SKU rationalization efforts and Meals Solutions unit bore the brunt of currency headwinds. Notably, sales at these segments have been declining for the last few quarters.

▼ **Gross Margin Pressurized:** TreeHouse Foods' gross margin has been contracting year over year for the last few quarters. In fourth-quarter 2019, gross margin contracted 130 basis points to 19.8% due to lower volumes and increased expenses related to change in regulatory requirements. Prior to this, the metric contracted 150 bps, 30 bps and 70 bps in the third, second and first quarters of 2019, respectively, mainly due to fixed cost impact of soft volumes.

▼ **Unfavorable Currency Translations:** TreeHouse foods has manufacturing facilities in the United States, Canada and Italy. Thus, the company's overseas subsidiaries buy several raw materials abroad, keeping it exposed to the risk of adverse currency movements. This can hamper overall profitability. Evidently, foreign currency headwinds hurt net sales in the Meals Solutions segment during the fourth quarter of 2019.

▼ **Stiff Competition:** TreeHouse foods operates in a highly competitive food industry, wherein it faces competition from other players on grounds of lower cost advantage, pricing, product assortment, geographic reach and responsiveness to changing consumer needs among others. Further, significant consolidation in the grocery and foodservice industry and consumers evolving preferences has intensified competition of late. Apart from this, volatile and price-sensitive demand for food-away-from-home products also creates pricing pressure for the company.

Last Earnings Report

TreeHouse Foods Q4 Earnings Beat Estimates, Sales Miss

TreeHouse Foods released fourth-quarter 2019 results. Adjusted earnings from continuing operations amounted to \$1.10 per share that surpassed the Zacks Consensus Estimate by a penny. The bottom line grew 10% from the year-ago quarter's level of \$1.00.

Net sales of \$1,139.5 million missed the consensus mark of \$1,161 million and fell 4.5% year over year. The downside was caused by adverse impacts from SKU rationalization of 0.7%. Organic sales fell 3.8% primarily due to adverse volume/mix of almost 4%. Pricing favorably impacted organic sales by almost 0.2%.

Gross margin came in at 19.8%, down 130 basis points (bps) from the year-ago quarter's figure. The downside was caused by lower volumes and increased expenses related to change in regulatory requirements, partly offset by lower cost of restructuring program. Total operating expenses, as a percentage of sales, increased 0.4 percentage points to 17%. Further, adjusted EBITDA from continuing operations increased 4.9% to \$161.1 million driven by lower freight costs, savings from the Structure to Win and TreeHouse 2020 initiatives, partly offset by lower volume.

Segment Details

Baked Goods: During the fourth quarter, sales in the segment fell 4.4% year over year to \$406.5 million. The downside was caused by SKU rationalization and adverse volume/mix. This was partially mitigated by favorable impacts from pricing. Direct operating income (DOI) margin in the segment advanced 80 bps to 13.3%, driven by lower freight costs, savings from the Structure to Win and TreeHouse 2020 initiatives. These were partially negated by lower volumes and higher period expense.

Beverages: Sales fell 6.5% to \$268 million due to unfavorable pricing and trade as well as negative impact of volume/mix. DOI margin declined 130 bps to 16.5% due to unfavorable pricing, partially countered by lower freight costs.

Meals Solutions: Net sales declined almost 3.5% to \$465 million due to adverse volume/mix and adverse currency fluctuation. However, the decline was partly compensated by improved pricing and lower spending on trade. DOI margin declined 30 bps to 13.7% due to unfavorable volume/mix. These were partially mitigated by pricing actions and reduced trade spend.

Other Financial Updates

The company concluded the quarter with cash and cash equivalents of \$202.3 million, long-term debt of \$2,091.7 million and total shareholders' equity of \$1,830.9 million. In 2019, cash provided by operating activities amounted to \$263.9 million. For 2020, the company expects free cash flow between \$250 million and \$300 million.

Other Developments & Guidance

On Jan 13, 2020, TreeHouse Foods and Post Holdings mutually decided to pull the plug on their deal, as part of which the former would sell its ready-to-eat (RTE) cereal business to the latter. Also, TreeHouse Foods inked a deal to offload two of its in-store bakery facilities to Rich Products Corporation, which is likely to help the former focus on core growth areas. Notably, the transaction with Rich Products is expected to conclude by Apr 10, 2020.

Sales for 2020 are expected in the range of \$4.10-\$4.40 billion. The company delivered net sales of \$4288.9 million (nearly \$4.29 billion) in 2019. For 2020, the company anticipates adjusted EBITDA in the range of \$480-\$510 million. Net interest expense is projected to be in the range of \$93-\$97 million. In the same time frame, management expects adjusted earnings from continuing operations in the band of \$2.40-\$2.65, suggesting a rise of 6% year over year at midpoint.

Net sales for the first quarter of 2020 are expected in the band of \$0.98-\$1.02 billion. The company delivered net sales of \$1,301.1 million (nearly \$1.30 billion) in the first quarter of 2019. Further, management expects first-quarter 2020 adjusted earnings from continuing operations in the range of 20 cents to 30 cents. The company posted adjusted earnings of 13 cents in the first quarter of 2019.

Quarter Ending **12/2019**

Report Date	Feb 13, 2020
Sales Surprise	-1.88%
EPS Surprise	0.92%
Quarterly EPS	1.10
Annual EPS (TTM)	2.14

Recent News

TreeHouse Foods to Optimize Business With Restructuring Plans - Feb 27, 2020

TreeHouse Foods unveiled a host of organizational changes to optimize the business and better serve customers. The company, which currently operates under Baked Goods, Beverages and Meal Solutions segments, will reorganize itself into two segments namely, Snacking & Beverages, and Meal Preparation. It is currently organized on the basis of product category, while its planned restructuring is on the basis of market dynamics. The reorganization will be effective from the first quarter of 2020. The move seems appropriate amid the competitive retail grocery scenario, as it will help TreeHouse Foods' customers to encourage more innovations in line with consumer needs and in turn be more relevant.

The Snacking & Beverages segment will include categories with increased market growth potential. These particularly include Bars, Broth, Powdered & Liquid Beverages, Griddle, Candy, Cookies & Crackers, Tea, Pita, Pretzels, and Other Blends. The segment will be focused on driving revenues, and undertaking research, development and commercialization per the changing consumer trends. Notably, the Snacking & Beverages division generated revenues of \$1.7 billion in 2019.

The Meal Preparation unit will consist of categories — including Bouillion, Cheese & Pudding, Pickles, Pourable & Spoonable Dressings, Hot Cereal, Preserves, Red Sauces, Refrigerated Dough, Non-Dairy Creamer, Pasta & Dry Dinners, Sauces, Single Serve Coffee, and Syrup. The segment will be concentrated on enhancing productivity, efficiency and cash flow. In 2019, the unit produced revenues of \$2.6 billion.

TreeHouse Foods Calls Off Contract With Post Holdings - Jan 13, 2020

TreeHouse Foods and Post Holdings mutually decided to pull the plug on their deal, as part of which the former would sell its ready-to-eat (RTE) cereal business to the latter. Also, in a separate press release, TreeHouse Foods inked a deal to offload two of its in-store bakery facilities to Rich Products Corporation, which is likely to help the former focus on core growth areas. Notably, the transaction with Rich Products is expected to conclude by Apr 10, 2020. TreeHouse Foods and Post Holdings dismissed their deal for the RTE cereal business as a result of the Federal Trade Commission's (FTC) complaint (filed on Dec 19) opposing the transaction. The contract was originally penned in May 2019. The RTE cereal business is a component of TreeHouse Foods' Baked Goods unit.

Nevertheless, alongside announcing the termination of this deal, TreeHouse Foods revealed intentions to restart the marketing process for the sale of the RTE cereal business. Moreover, the company is on track to divest two of its in-store bakery facilities (housed in Minnesota and California) to a family-owned firm – Rich Products. These facilities produce breads, rolls and cakes for in-store retail bakeries as well as foodservice customers.

Valuation

TreeHouse Foods shares are up 2.1% in the year-to-date period and down 21.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 14.7% in the year-to-date period, while the Zacks Consumer Staples sector has dipped 15.4%. Over the past year, the Zacks sub-industry is down 7.4%, while the sector dipped 10.6%.

The S&P 500 index is down 13.6% in the year-to-date period and 4.6% in the past year.

The stock is currently trading at 19.32X forward 12-month earnings, which compares to 16.82X for the Zacks sub-industry, 18.28X for the Zacks sector and 18.65X for the S&P 500 index.

Over the past five years, the stock has traded as high as 28.56X and as low as 11.73X, with a 5-year median of 20.86X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$52 price target reflects 20.3X forward 12-month earnings.

The table below shows summary valuation data for THS

Valuation Multiples - THS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.32	16.82	18.28	18.65
	5-Year High	28.56	22.9	22.37	19.34
	5-Year Low	11.73	14.82	16.49	15.19
	5-Year Median	20.86	18.9	19.66	17.45
P/S F12M	Current	0.66	1.53	8.84	3.09
	5-Year High	1.16	2.05	11.16	3.44
	5-Year Low	0.34	1.41	8.1	2.54
	5-Year Median	0.64	1.81	9.89	3.01
EV/EBITDA F12M	Current	8.37	13.82	34.16	12.29
	5-Year High	13.61	16.59	37.75	12.65
	5-Year Low	6.29	11.67	29.77	9.09
	5-Year Median	9.34	13.24	34.08	10.82

As of 04/16/2020

Industry Analysis Zacks Industry Rank: Top 33% (83 out of 253)



Top Peers

Campbell Soup Company (CPB)	Outperform
Flowers Foods, Inc. (FLO)	Outperform
Darling Ingredients Inc. (DAR)	Neutral
McCormick & Company, Incorporated (MKC)	Neutral
Post Holdings, Inc. (POST)	Neutral
Sysco Corporation (SYYY)	Neutral
Tate & Lyle PLC (TATYY)	Neutral
Lamb Weston Holdings Inc. (LW)	Underperform

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	THS Neutral	X Industry	S&P 500	CPB Outperform	FLO Outperform	LW Underperform
VGM Score	A	-	-	B	A	F
Market Cap	2.78 B	3.30 B	19.06 B	15.42 B	4.95 B	8.40 B
# of Analysts	6	3	14	6	3	4
Dividend Yield	0.00%	0.30%	2.26%	2.74%	3.25%	1.60%
Value Score	B	-	-	B	C	F
Cash/Price	0.08	0.05	0.06	0.00	0.00	0.00
EV/EBITDA	30.74	12.71	11.49	14.21	15.55	12.72
PEG Ratio	3.65	2.94	2.09	2.59	NA	6.37
Price/Book (P/B)	1.52	2.04	2.55	6.17	3.92	31.08
Price/Cash Flow (P/CF)	8.07	11.20	10.06	13.48	14.19	13.21
P/E (F1)	19.23	17.89	17.56	18.57	22.00	21.66
Price/Sales (P/S)	0.59	1.07	1.94	1.86	1.20	2.13
Earnings Yield	5.11%	5.47%	5.57%	5.38%	4.53%	4.62%
Debt/Equity	1.23	0.60	0.70	1.97	0.95	8.12
Cash Flow (\$/share)	6.13	2.75	7.01	3.79	1.65	4.36
Growth Score	B	-	-	C	A	D
Hist. EPS Growth (3-5 yrs)	-10.02%	6.16%	10.92%	-1.52%	0.73%	18.82%
Proj. EPS Growth (F1/F0)	6.00%	0.36%	-3.36%	19.64%	10.76%	-17.47%
Curr. Cash Flow Growth	-1.33%	4.76%	5.93%	-12.42%	1.85%	18.57%
Hist. Cash Flow Growth (3-5 yrs)	5.96%	5.35%	8.55%	0.50%	1.66%	12.76%
Current Ratio	1.50	1.59	1.24	0.61	1.05	1.85
Debt/Capital	55.14%	37.52%	42.78%	66.31%	48.84%	89.03%
Net Margin	-7.61%	4.07%	11.64%	17.46%	3.99%	12.12%
Return on Equity	6.26%	11.20%	16.74%	50.69%	16.03%	342.27%
Sales/Assets	0.87	1.17	0.54	0.64	1.28	1.20
Proj. Sales Growth (F1/F0)	-10.06%	0.00%	-0.14%	-10.76%	4.39%	-0.59%
Momentum Score	A	-	-	A	A	C
Daily Price Chg	9.03%	0.28%	-0.20%	1.21%	3.13%	2.93%
1 Week Price Chg	-1.76%	5.37%	16.01%	-3.59%	4.58%	16.33%
4 Week Price Chg	25.20%	11.08%	14.56%	7.60%	2.10%	17.91%
12 Week Price Chg	5.88%	-17.73%	-22.94%	4.39%	7.34%	-36.68%
52 Week Price Chg	-21.64%	-12.55%	-15.02%	29.75%	8.29%	-14.89%
20 Day Average Volume	713,944	282,851	3,220,598	3,273,546	1,726,965	2,078,348
(F1) EPS Est 1 week change	0.13%	0.00%	0.00%	1.85%	0.00%	0.00%
(F1) EPS Est 4 week change	0.93%	0.00%	-7.09%	5.36%	1.92%	-23.47%
(F1) EPS Est 12 week change	-4.16%	-7.02%	-9.32%	8.50%	5.28%	-24.13%
(Q1) EPS Est Mthly Chg	3.69%	0.00%	-10.68%	16.08%	2.60%	-81.01%

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	A
VGM Score	A

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.