

Uber Technologies (UBER)

\$32.90 (As of 08/07/20)

Price Target (6-12 Months): **\$35.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 11/21/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

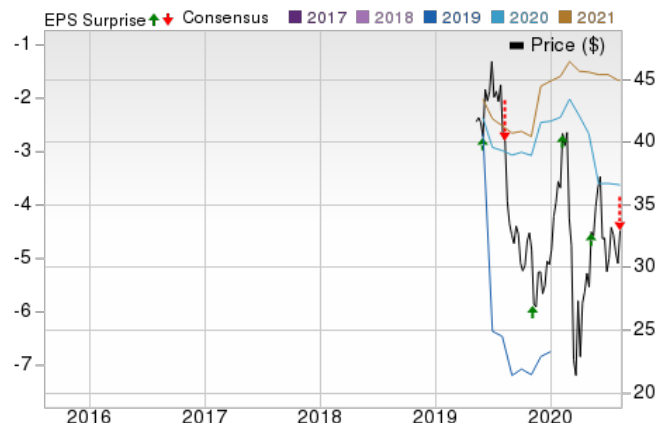
Growth: B

Momentum: D

Summary

Uber's delivery business is witnessing continued surge at a time when coronavirus is restricting people to their homes. Gross bookings and revenues at the segment increased significantly in the first half of 2020. The company's efforts to expand its Eats business are laudable. In this regard, the company's deal to buy Postmates is a major positive. Moreover, Uber recently entered into an agreement to acquire Autocab, a U.K.-based taxi-software company. However, significant downturn in the Mobility business is concerning. Although ride volumes have improved from April lows, it is way below year-ago levels. Notably, Uber now expects to reap profits in 2021, instead of 2020. Frequent management changes are other concerns. Shares of Uber have underperformed its industry in a year's time mainly due to the huge losses it incurred.

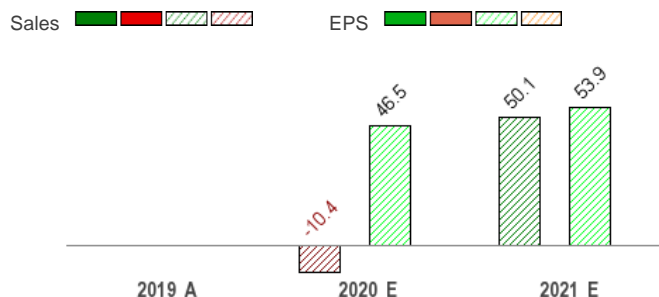
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$43.00 - \$13.71
20 Day Average Volume (sh)	16,544,498
Market Cap	\$57.0 B
YTD Price Change	10.6%
Beta	1.13
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Bottom 31% (173 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-30.8%
Last Sales Surprise	3.0%
EPS F1 Est- 4 week change	-0.6%
Expected Report Date	NA
Earnings ESP	0.1%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	4.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,284 E	4,565 E	5,161 E	5,412 E	19,037 E
2020	3,543 A	2,241 A	3,076 E	3,846 E	12,680 E
2019	3,099 A	3,166 A	3,813 A	4,069 A	14,147 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.52 E	-\$0.47 E	-\$0.40 E	-\$0.35 E	-\$1.68 E
2020	-\$0.64 A	-\$1.02 A	-\$0.63 E	-\$0.51 E	-\$3.64 E
2019	-\$2.26 A	-\$4.72 A	-\$0.68 A	-\$0.64 A	-\$6.81 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 08/07/2020. The reports text is as of 08/10/2020.

Overview

Uber Technologies, based in San Francisco, CA, was incorporated in Delaware in July 2010. The company went public in May 2019. Its IPO price was \$45. Uber closed its IPO on May 14. During the process, the company issued and sold 180 million shares of its common stock, generating net proceeds of approximately \$8 billion after deducting underwriting discounts, commissions and offering expenses.

Uber has expanded its presence in multiple countries across the globe including the United States and Canada, Latin America, Europe, the Middle East and Asia (excluding China). Currently, it is trying to expand further.

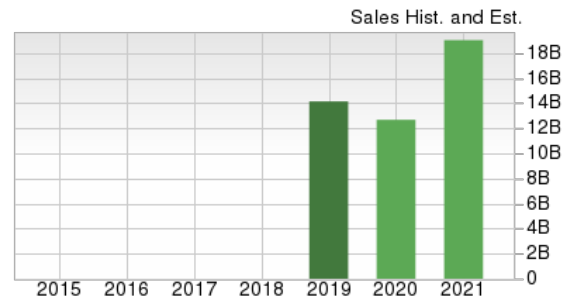
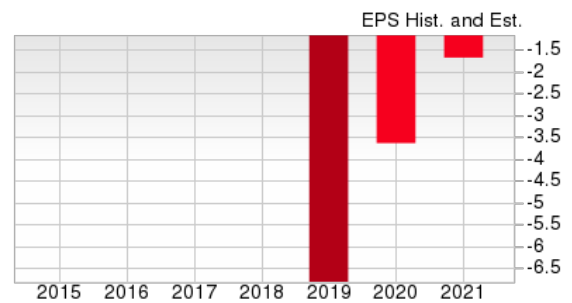
Uber focuses on developing and supporting proprietary technology applications or platforms. These platforms should enable independent providers of ridesharing services, Eats meal preparation and delivery services to transact with riders (for ridesharing services) and eaters (for meal preparation and delivery services).

Driver partners offer ridesharing services to riders through a plethora of offerings based on vehicle type and/or the number of riders. Meanwhile, the restaurant and the delivery partners are responsible for offering meal preparation and delivery services, respectively.

These apart, Uber offers freight transportation services to shippers within the freight industry. The company is also responsible for leasing vehicles to third-parties who often utilize them for providing ridesharing or eats services through its platforms.

Following an organizational change in the third quarter of 2019, Uber started reporting through five segments, namely, Mobility (formerly Rides), Delivery (formerly Eats), Freight, Other Bets, and Advanced Technologies Group (ATG) and Other Technology Programs.

In the second quarter of 2020, 54% of Uber's revenues came from delivery. Meanwhile, Mobility and Freight contributed 35.2% and 9.4% to the top line respectively. Revenues from mobility (Uber's core business) are derived mainly from fees paid by its driver partners for using Uber's platforms and other services. Meanwhile, delivery revenues are derived from restaurant and delivery partners. Other Bets, which includes revenues from Uber Freight and other immaterial revenue streams, and ATG and Other Technology Programs accounted for the remaining source of revenues. Uber's fiscal year coincides with the calendar year.



Reasons To Buy:

- ▲ We are impressed by Uber's efforts to expand its presence across the globe. In line with its expansion initiatives, in August, the company entered into an agreement to acquire Autocab, a U.K.-based taxi-software company. In July, it acquired Routematch, a transit software company providing services to more than 500 transit agencies. The acquisition allows Uber to expand its transit-agency customer base. Previously, in October 2019, the company increased its market share in West Africa by virtue of a boat service in the Nigerian city of Lagos. Also, it started operating in Cordoba, Argentina in September 2019. Cordoba is the third Argentine city with Uber operations. This apart, the company's efforts to reward its drivers through the Uber Pro system are commendable. Additionally, the decision to buy a majority interest in South American online grocery-provider Cornershop is aligned with the company's attempts to expand. The transaction has been closed in all jurisdictions, except for Mexico. Additionally, Uber's acquisition of Dubai-based Careem for \$3.1 billion has expanded its presence across the Middle East, North Africa and Pakistan. The buyout is anticipated to positively impact its 2020 gross bookings.
- ▲ With every passing day, the market for driverless or self-driving cars is gaining prominence and Uber aims to become a key player in this space. To this end, on Jun 12, 2019, Uber announced that it will partner with Volvo to build autonomous vehicles for delivering food from restaurants. Notably, this third-generation version of Uber's self-driving car will have significant improvements in its safety features, which includes backup steering, braking, and battery power systems. Per Modor Intelligence, the autonomous delivery robot market is expected to witness a CAGR of more than 49.5% between 2019 and 2024. Moreover, self-driving cars are expected to reduce the number of accidents caused by automotive vehicles in the United States. These cars will also bring down the costs for paying drivers borne by companies like Uber. In an effort to further solidify its position in the autonomous vehicle market, in January 2020, the company entered into a partnership with South Korean carmaker Hyundai Motor Co. to develop flying taxis for Uber Elevate, the aerial division of the former. The air taxis (with a capacity to carry up to four passengers) will ply at a height of around 1,000-2,000 feet to avoid traffic congestion. The company is expected to launch commercial operations in 2023.
- ▲ In a bid to trim losses, Uber sold its online food-ordering business in India to Zomato in January. The unit had performed dismally ever since its launch in India in 2017. Additionally, in May 2020, the company terminated its unprofitable Uber Eats services in the Czech Republic, Egypt, Honduras, Romania, Saudi Arabia, Uruguay and Ukraine. This should help the company focus on areas that have a high growth potential. Moreover, as part of its efforts to reduce operating expenses amid challenges posed by the ongoing pandemic, Uber has reduced its workforce by more than 25% so far this year. Last year too, the company reduced its total strength by laying off thousands of employees. Apart from improving efficiencies, the company aims to drive its bottom line in the face of mounting losses through the aforesaid measure. To combat the coronavirus-induced challenges on its rides business, the company reduced its annual fixed cost by more than \$1 billion. Total expenses declined 32.3% year over year in the first six months of 2020. Additionally, with focus on financial discipline, the company has been able to reduce its adjusted EBITDA losses over the past few quarters. Despite coronavirus-related challenges, adjusted EBITDA loss narrowed by \$76 million year over year in the first six months of 2020. Losses are expected to keep declining in the subsequent quarters.
- ▲ Although the coronavirus pandemic is hurting Uber's ride-hailing business, the same is causing a surge in its Delivery business with orders from homebound customers surging. In the second quarter, the company's Delivery business contributed the majority (54%) to the top line. Revenues and gross bookings from this segment surged more than 100% year over year in the quarter. This robust growth in the Delivery business is helping to partly offset the downturn in Mobility (rides) operations. Uber's efforts to expand its Eats business are laudable, given the boom it is witnessing. In this regard, the company's acquisition deal with Postmates, the fourth-largest food delivery company in the United States, is a major positive. The transaction is expected to close in the first quarter of 2021. The acquisition would help Uber strengthen its foothold in Los Angeles and the American Southwest, where Postmates has a strong base. Additionally, the company is seeing a surge in demand for grocery deliveries amid the pandemic. To cater to this increase in demand, the company has launched grocery-delivery services in Latin America, Canada and the United States in partnership with Cornershop. The company is also offering essential goods-delivery services in partnership with Indian companies like Flipkart and BigBasket across the cities of Delhi, Mumbai and Bangalore. It has also tied up with grocery firms and stores in Spain, France and Brazil for delivery services. Moreover, with social-distancing norms having been relaxed, signs of recovery in the Mobility business are encouraging. The company has seen significant improvement in ride volumes in Hong Kong and New Zealand. In Europe too, ride volumes have been up trending.

Uber's efforts to expand its Eats operations in response to the surge in business are encouraging.

Reasons To Sell:

- ▼ The California Public Utilities Commission's recent ruling that drivers of ride-sharing companies need to be considered as employees is a setback to companies like Uber that hire drivers as temporary workers. Classifying drivers as full-time employees would inevitably raise labor costs for Uber, besides reducing the number of drivers and deterring the company's flexibility to set their hours. Uber is battling a similar case over employee status in the United Kingdom. The legal battle's failure (judgment expected over the next few months) would lead the company to offer its drivers with a host of worker benefits, which Uber is currently exempted from.
- ▼ Management uncertainty often shakes the confidence of investors in a stock and Uber is no exception. Close on the heels of the IPO lock-up expiration (wherein the stock hit a record low), the company's chief product officer Manik Gupta resigned and left the organization on Dec 13, 2019. Sadly enough, the company has a history of frequent management changes. In June 2019, post the company's announcement regarding its leadership overhaul, its erstwhile chief operating officer (COO) Barney Harford and chief marketing officer Rebecca Messina quit the company. Jill Hazelbaker is now looking after the ride-hailing giant's marketing operations in addition to the company's functions in relation to policy and communications. Moreover, the COO position has been eliminated, with Andrew Macdonald being promoted to the position of senior vice president of Global Rides and Platform. However, if these changes in management fail to yield the desired results, the Uber stock might be hit severely.
- ▼ With Uber losing money massively (loss of more than \$8 billion in 2019 With Uber losing money massively (loss of more than \$8 billion in 2019 and an approximate loss of \$4.7 billion in the first six months of 2020), the divestiture by the company's co-founder and former CEO Travis Kalanick is a further dampener for the stock. Kalanick sold his entire stake in Uber worth nearly \$3 billion. He also quit the board on Dec 31, 2019. Additionally, last November, the London transportation regulator revoked Uber's license to operate in the U.K. capital following its failure to meet regulatory demands to operate in the city. Upon rejection of its appeal to regain license to operate in the city, the company will lose one of its most important markets with roughly 45,000 drivers.
- ▼ The coronavirus crisis has affected the company's goal of becoming profitable (on an adjusted basis) this year. With coronavirus restricting people to their homes, the company's Mobility business has taken a significant hit. Although ride volumes have improved from the April lows (down 80% year over year), it is way below year-ago levels. Given this downturn in the core rides business, Uber now expects to reap profits on an adjusted EBITDA basis in 2021 against its previous expectation of becoming profitable by the fourth quarter of 2020. The significant impact of coronavirus on Uber's rides business is evident from the 75% year-over-year decline in gross bookings from Mobility in the second quarter. The same declined 5% in the first quarter. Mobility revenues dropped 67% year over year causing a 29.2% decline in the top line in the second quarter. The mobility business is expected to remain under pressure unless coronavirus concerns fade.

The mobility business is expected to remain under pressure unless coronavirus concerns fade.

Last Earnings Report

Uber's Q2 Loss Wider Than Expected

Uber incurred a loss of \$1.02 per share, wider than the Zacks Consensus Estimate of a loss of 78 cents. However, the amount of loss narrowed by 78.4% year over year.

Meanwhile, total revenues of \$2,241 million surpassed the Zacks Consensus Estimate of \$2,175.6 million. The top line plunged 29.2% year over year due to weakness in the ride-hailing segment, thanks to coronavirus confining people to their homes.

Following an organizational change in the third quarter of 2019, Uber started reporting through five segments, namely, Mobility (formerly Rides), Delivery (formerly Eats), Freight, Other Bets, and Advanced Technologies Group ("ATG") and Other Technology Programs.

In the second quarter, majority (54%) of the company's revenues came from Delivery. Revenues from this segment surged more than 100% year over year to \$1,211 million. The company's delivery business is experiencing a boom with orders from homebound customers surging. Mobility revenues dropped 67% year over year to \$790 million and Freight revenues climbed 27% to \$211 million. Revenues from Other Bets came in at \$4 million, down 86%. Meanwhile, ATG and Other Technology Programs generated revenues of \$25 million in the reported quarter.

Total revenues declined 36% to \$1,250 million in the United States and Canada. While revenues fell 44% to \$232 million in Latin America, it slid 21% to \$401 million in Europe, the Middle East and Africa. The same soared 30% to \$358 million in the Asia-Pacific region. Monthly active platform consumers declined 44% to \$55 million.

Gross bookings from Mobility declined 75% to \$3.05 billion. Meanwhile, gross bookings from Delivery augmented more than 100% to \$6.96 billion. Gross bookings from Freight also climbed 27% to \$212 million. However, gross bookings from Other Bets plummeted 67% to \$5 million. Total gross bookings decreased 35% to \$10.22 billion.

Despite higher driver incentives, cost of revenues (excluding depreciation and amortization) at Uber, decreased year over year. Total expenses declined 55.5% year over year to \$3.85 billion with sales and marketing expenses falling 39.8% and research and development expenses decreasing 80.9%.

Uber exited the second quarter with cash and cash equivalents of \$6.75 billion compared with \$10.87 billion at the end of 2019. Long-term debt, net of current portion at the end of the quarter, was \$6.69 billion compared with \$5.71 billion at 2019-end.

Quarter Ending 06/2020

Report Date	Aug 06, 2020
Sales Surprise	3.01%
EPS Surprise	-30.77%
Quarterly EPS	-1.02
Annual EPS (TTM)	-2.98

Recent News

Agreement With Google Maps — Jul 17, 2020

Uber has entered into a four-year agreement with Google under which the former will get access to the latter's Maps platform for rides and delivery services. The two companies have adopted a new pricing model based on the number of billable trips taken with services rather than the number of requests. The contract also includes tiered volume-based discounts.

Massachusetts Files Lawsuit Against Uber — Jul 15, 2020

Massachusetts has filed a complaint against Uber over alleged misclassification of drivers as independent contractors instead of employees, eligible for worker benefits. The state is also seeking a court order that would require ride-hailing drivers to be categorized as employees.

Grocery Delivery Services in Latin America & Canada — Jul 8, 2020

Uber has partnered with Cornershop, a Chilean grocery-delivery startup, for launching grocery-delivery services in some Latin American and Canadian cities as demand for grocery deliveries surges amid the coronavirus pandemic. The company has witnessed a 176% rise in grocery orders since February. The service is expected to be rolled out in the United States later this month. After initially launching the services in some cities in Brazil, Chile, Colombia, Peru and Canada, Uber plans to extend the same to the rest of the world later this year.

Valuation

Uber's shares are up 10.6% in the year-to-date period but down 11.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 18.8% and 20.4% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are up 30.5% and 37.3% respectively.

The S&P 500 index is up 3.9% and 16.4% in the year-to-date period and in the past year respectively.

The stock is currently trading at 3.45X forward 12-month price to sales, which compares to 6.84X for the Zacks sub-industry, 4.07X for the Zacks sector and 3.66X for the S&P 500 index.

Over the past year, the stock has traded as high as 4X and as low as 1.34X, with a 1-year median of 3.12X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$35 price target reflects 3.67X forward 12-month sales.

The table below shows summary valuation data for UBER

Valuation Multiples - UBER					
		Stock	Sub-Industry	Sector	S&P 500
P/S F 12M	Current	3.45	6.84	4.07	3.66
	1-Year High	4	6.87	4.07	3.66
	1-Year Low	1.34	5.13	2.99	2.81
	1-Year Median	3.12	5.93	3.42	3.31
EV/S TTM	Current	4.03	7.16	4.68	3.25
	1-Year High	4.68	7.16	4.68	3.46
	1-Year Low	1.49	4.46	3.13	2.24
	1-Year Median	3.75	5.87	3.98	3.06

As of 08/07/2020

Industry Analysis Zacks Industry Rank: Bottom 31% (173 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	3
salesforce.com, inc. (CRM)	Neutral	2
Expedia Group, Inc. (EXPE)	Neutral	4
Lyft, Inc. (LYFT)	Neutral	3
Microsoft Corporation (MSFT)	Neutral	3
Oracle Corporation (ORCL)	Neutral	3
Snap Inc. (SNAP)	Neutral	3
Tesla, Inc. (TSLA)	Neutral	3

Industry Comparison Industry: Internet - Services				Industry Peers		
	UBER	X Industry	S&P 500	LYFT	MSFT	TSLA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	F	B	B
Market Cap	57.05 B	805.91 M	23.30 B	9.26 B	1,607.97 B	270.73 B
# of Analysts	12	3	14	11	14	10
Dividend Yield	0.00%	0.00%	1.76%	0.00%	0.96%	0.00%
Value Score	D	-	-	F	C	F
Cash/Price	0.18	0.18	0.07	0.30	0.09	0.03
EV/EBITDA	-7.44	1.79	13.32	-2.76	26.50	115.40
PEG Ratio	NA	2.45	2.94	NA	2.42	4.80
Price/Book (P/B)	4.72	3.57	3.19	3.55	13.59	25.25
Price/Cash Flow (P/CF)	NA	18.93	12.51	NA	28.17	176.92
P/E (F1)	NA	33.49	22.02	NA	33.24	167.85
Price/Sales (P/S)	4.17	2.44	2.53	2.44	11.24	10.53
Earnings Yield	-11.06%	0.73%	4.37%	-16.76%	3.01%	0.60%
Debt/Equity	0.60	0.09	0.77	0.15	0.57	0.98
Cash Flow (\$/share)	-4.71	0.09	6.94	-7.21	7.54	8.21
Growth Score	B	-	-	B	A	A
Hist. EPS Growth (3-5 yrs)	NA%	18.24%	10.46%	NA	19.44%	NA
Proj. EPS Growth (F1/F0)	46.55%	-9.09%	-6.80%	48.91%	-53.51%	665.93%
Curr. Cash Flow Growth	-668.58%	-3.00%	5.39%	138.22%	17.66%	36.54%
Hist. Cash Flow Growth (3-5 yrs)	NA%	19.91%	8.55%	NA	10.19%	54.29%
Current Ratio	1.68	1.68	1.33	1.23	2.52	1.25
Debt/Capital	38.44%	12.41%	44.50%	12.95%	36.24%	50.80%
Net Margin	-51.00%	-8.15%	10.13%	-49.05%	30.96%	1.43%
Return on Equity	-36.11%	-5.69%	14.39%	-45.73%	39.45%	4.19%
Sales/Assets	0.44	0.61	0.51	0.67	0.50	0.72
Proj. Sales Growth (F1/F0)	-10.37%	0.00%	-1.51%	-26.53%	8.57%	18.38%
Momentum Score	D	-	-	F	D	A
Daily Price Chg	-5.21%	0.00%	0.90%	-6.65%	-1.79%	-2.48%
1 Week Price Chg	-2.95%	0.28%	0.14%	-3.91%	1.84%	0.97%
4 Week Price Chg	-0.75%	0.14%	8.95%	1.17%	-0.86%	4.19%
12 Week Price Chg	0.34%	21.91%	18.90%	8.91%	17.70%	80.84%
52 Week Price Chg	-23.44%	1.44%	1.18%	-51.39%	52.98%	509.61%
20 Day Average Volume	16,544,498	158,401	2,057,775	6,261,674	38,330,860	15,309,979
(F1) EPS Est 1 week change	-0.21%	0.00%	0.00%	0.16%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.63%	0.00%	1.36%	-3.25%	2.51%	564.29%
(F1) EPS Est 12 week change	-8.04%	0.00%	1.57%	-0.81%	3.00%	19,599.96%
(Q1) EPS Est Mthly Chg	-0.59%	0.00%	0.54%	-7.13%	3.89%	359.46%

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	B
Momentum Score	D
VGM Score	D

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.

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