

Ulta Beauty Inc. (ULTA)

\$226.16 (As of 04/29/20)

Price Target (6-12 Months): **\$192.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 04/21/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:B

Value: D

Growth: A

Momentum: C

Summary

Ulta Beauty's shares have lagged the industry in past year. The company has temporarily shut all stores amid the growing spread of the coronavirus. Also, it has decided to temporarily furlough many of its store and salon associates during this period. Moreover, management withdrew its guidance for fiscal 2020 due to the pandemic. Apart from these, the company has been reeling under soft makeup sales trend in the U.S. beauty market. Also, soft operating margin is a concern for investors. Nevertheless, the company's skincare category has been seeing robust growth. Also, Ulta Beauty is benefiting from its Ultimate Rewards program. Further, the company's omnichannel measures have been yielding well. Buoyed by these upsides, the top and bottom lines rose year over year and beat the consensus mark in fourth-quarter fiscal 2019.

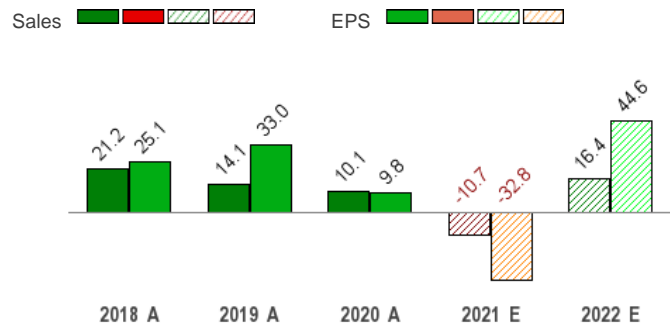
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$368.83 - \$124.05
20 Day Average Volume (sh)	1,123,530
Market Cap	\$12.7 B
YTD Price Change	-10.7%
Beta	1.38
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Miscellaneous
Zacks Industry Rank	Bottom 19% (206 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.0%
Last Sales Surprise	0.6%
EPS F1 Est- 4 week change	-32.4%
Expected Report Date	06/04/2020
Earnings ESP	0.0%
P/E TTM	19.0
P/E F1	28.3
PEG F1	1.5
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,607 E	1,631 E	1,866 E	2,550 E	7,695 E
2021	1,250 E	1,291 E	1,726 E	2,389 E	6,609 E
2020	1,743 A	1,667 A	1,683 A	2,306 A	7,398 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$3.83 E	\$2.10 E	\$2.46 E	\$2.67 E	\$11.57 E
2021	\$3.71 E	\$0.66 E	\$1.10 E	\$2.17 E	\$8.00 E
2020	\$3.08 A	\$2.76 A	\$2.25 A	\$3.83 A	\$11.91 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 04/29/2020. The reports text is as of 04/30/2020.

Overview

Bolingbrook, IL-based, Ulta Beauty Inc., previously known as Ulta Salon, Cosmetics & Fragrance, Inc., is a leading beauty retailer in the United States. Founded in 1990, the company changed its name to Ulta Beauty in January 2017.

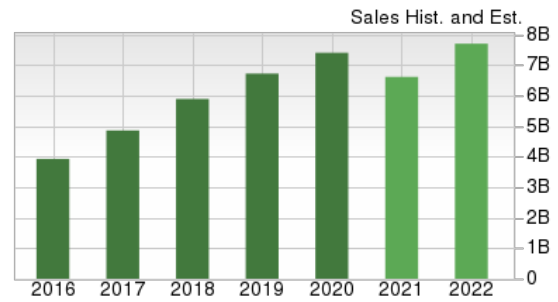
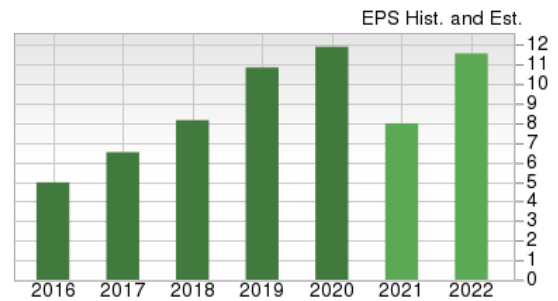
The company offers a wide range of products including cosmetics, fragrance, skincare, hair care, bath and body products, and salon styling tools in stores. It sells more than 25,000 products from about 500 well-established and emerging beauty brands across all categories and price points.

The retailer also provides private label products comprising Ulta Beauty Collection branded cosmetics, skincare, and bath products. Additionally, the company operates a full-service salon in every store offering hair, skin and brow services. Additionally, it offers products through its Website, [ulta.com](https://www.ulta.com), as well as mobile applications. The products offered by the company include the prestige and mass beauty brands.

As part of its value proposition, Ulta Beauty provides a range of loyalty programs through its Customer Relationship Management platform. It also offers frequent promotions, coupons, in-store events and gifts. The company also makes use of a range of media platforms to advertise products as well as generate awareness. The company strives to boost distribution center capabilities to better support store footfall and online demand.

The company has a strong vendor base and holds partnerships with companies such as Estee Lauder, L'Oréal and Shiseido. Ulta Beauty works closely with vendors to provide improved growth platforms for new and existing brands.

The company ended the fiscal with 1,254 stores. In fiscal 2020, the company intends to open about 75 stores, remodel or relocate roughly 15 and refresh nearly 42.



Reasons To Sell:

- ▼ **Coronavirus-Led Woes, Guidance Withdrawn:** The novel coronavirus has been wreaking havoc worldwide by killing thousands of people and disrupting the global economy. Given the unprecedented impacts of this ongoing pandemic, Ulta Beauty has decided to temporarily shut all stores until it is safe to reopen them again. Also, the company has decided to temporarily furlough many of its store and salon associates, effective April 19.

Ulta Beauty has decided to temporarily shut all stores until it is safe to reopen them again amid growing coronavirus scares.

Moreover, management withdrew its recently provided guidance for fiscal 2020, given the current situation and its unpredictable impact on revenues and costs. Apart from these, Ulta Beauty has drawn down of \$800 million under its revolving credit facility to enhance its financial flexibility amid the crisis. Also, it has been undertaking expense-control measures, suspending new recruits along with postponing merit increments for all corporate and store associates. Moreover, Ulta Beauty is reducing various investments and capital expenditures during the coronavirus crisis. Shares of the company have lost 32.4% in the past year compared with the industry decline of 24.7%.

- ▼ **Soft Makeup Trends:** The U.S. beauty market is struggling with soft makeup sales trend, which remains a concern for Ulta Beauty. Makeup has witnessed a number of up and down cycles in the United States. The most recent downside started in 2017 and accelerated in the late 2018 as a result of absence of innovations and newer products in the makeup category. This trend continued through fiscal 2019. In fourth-quarter fiscal 2019, the U.S. makeup category remained troubled across the prestige and mass beauty channels.

- ▼ **High SG&A Costs a Concern:** Ulta Beauty has been struggling against rising selling, general and administrative expenses (SG&A) expenses for a while. This is a limiting factor for the company's operating margin. Notably, operating margin contracted 70 bps to 12.5% in the fourth quarter, impacted by a 90-bp rise in SG&A expenses (as a percentage of sales). Also, pre-opening expenses grew 50% to \$3.6 million.

The company's expenses are usually allocated toward increasing store labor and greater spending on growth initiatives and innovation. Further, higher costs of investments toward digital channels, salon services, infrastructure, personalization efforts, brands and initiatives to enhance customer experience may result in higher corporate overheads. This might weigh on the operating margin and affect the company's overall profitability.

- ▼ **Change in Customer Preferences:** One major concern with consumer-driven industries like the cosmetics and apparel is that the trend changes rapidly. Hence, failure to stay up to date on product mix by continually searching for new products and anchoring new supplier agreements may result in becoming obsolete. Further, new trends like "all-natural" among women (who are the primary customers for the cosmetics industry) may reduce the demand for makeup products, resulting in lower sales for these companies.

- ▼ **Stiff Competition in the Beauty Realm:** Ulta Beauty competes with a diverse group of retailers like department stores, mass merchandisers, specialty retailers, drug stores, high-end and discount salon chains, locally-owned beauty retailers and salons, online retailers as well as pure-play e-commerce companies amongst others. Many competitors have greater financial resources and business strength to capture opportunities in the beauty space. This is likely to pose threats to Ulta Beauty's footing in the industry. Also, the availability of a number of cheaper beauty alternatives is a limiting factor.
-

Risks

- **Strength in Loyalty Program:** Ulta Beauty's loyalty program has been a key business driver. Notably, the company saw an increase of 8% in its membership and Ultimate Rewards, which reached 34.3 million active members at the end of fiscal 2019. This growth was fueled by the company's excellent marketing and merchandising endeavors. Moreover, the credit card program has been yielding well, backed by robust store associate engagement, acquisition campaigns, effective integration into the loyalty calendar and solid support from partners. The company is focused on personalization efforts through relevant product recommendations and replenishment to boost the loyalty program. Markedly, growth in the company's credit card program contributed to the top line in fiscal fourth quarter. In fiscal 2019, Ulta Beauty's number of card holders in its ultimate rewards credit card program jumped 40%, backed by both store and digital teams.
- **Omni-channel Growth:** Ulta Beauty is known for its strategy of striking the right balance between online and physical stores. This is probably one of the reasons behind garnering goodwill in a short span. Amid the rising online competition, Ulta Beauty has managed to grow both e-commerce and in-store sales. In fiscal 2019, the company opened nearly 86 stores, remodeled 12 and relocated eight.

The company is undertaking measures to strengthen its omni-channel presence. In fiscal 2019, omnichannel penetration increased and e-commerce sales grew in strong double digits. Management stated that the percentage of shoppers buying online and in stores increased to more than 12% in the fiscal. Further, the company concluded the rollout of the buy online, pickup in store initiative across all stores, refreshed its mobile app and introduced "Afterpay" to ease online purchases. Further, its store-to-door strategy has been yielding results. Apart from this, the company converted its Romeoville distribution center into a Fast Fulfillment Center. These efforts along with improved productivity in full-service facilities have helped the company speed up e-commerce order processing and ensure seamless and faster deliveries to stores.

- **Efforts to Boost offerings:** Ulta Beauty has created a niche market on the back of solid mix of beauty products it offers. The company's stores are a one-stop shop for beauty enthusiasts, featuring prestige and discount beauty brands, as well as offering salon products and services, all under one roof. This business model, focused on "All Things Beauty, All in One Place", makes Ulta Beauty a go-to destination for cosmetics and beauty product lovers.

Further, the company remains keen on enhancing beauty products offerings, while also improving store traffic with superior services. In sync with this, the company frequently innovates products to cater to consumers' evolving beauty needs. Exclusivity, relevance and speed are some of the key elements that the company pays attention to while undertaking efforts to boost merchandise. The company's initiative to be the partner for digitally-native brands like Morphe and Kylie cosmetics are delivering impressive results and driving store traffic. In fiscal 2019, the company widened the distribution of its iconic brands like Mac, Lancome, Clinique and Estee Lauder. Brand launches and rollouts are likely to continue driving the company's top line.

- **Strong Skincare Category:** Ulta Beauty has been seeing market share gains in all major beauty categories for a while now, with skincare standing out. Skincare recorded the highest growth in fiscal 2019, among all other categories. Comps grew double digits for skincare, which remained Ulta Beauty's fastest-growing category in fiscal 2019. During the fiscal, the skincare portfolio was bolstered by 47 new brands like The Ordinary, Sunday Riley and Urban Skin RX. Moreover, management increased selling space and stores alongside improving its marketing efforts to support skincare growth.
 - **Debt Analysis:** Ulta Beauty's long-term debt of \$1,699 million as of Feb 1, 2020, shows a decline of 0.5% sequentially. Moreover, its debt-to-capitalization ratio for fourth-quarter fiscal 2019 was 0.51 which stands lower than the industry's ratio of 0.66.
-

Last Earnings Report

Ulta Beauty Q4 Earnings & Sales Beat Estimates

Ulta Beauty posted fourth-quarter fiscal 2019 results, wherein adjusted earnings came in at \$3.83 per share and increased 6.1% from \$3.61 reported in the year-ago period. Also, adjusted earnings surpassed the Zacks Consensus Estimate of \$3.72. This excluded gains from federal income tax credits of 6 cents. The year-over-year rise in the bottom line can be attributable to improved sales and gross margin.

Net sales of this cosmetics retailer grew 8.5% year over year to \$2,305.9 million and beat the Zacks Consensus Estimate of \$2,293 million. Comparable sales or comps (including stores and e-commerce) climbed 4% compared with 9.4% growth recorded in the prior-year quarter and 3.2% in the preceding quarter. Increased transactions and average ticket led to the upside. During the third quarter, the company registered a transaction increase of 1.8%, while the average ticket grew 2.2%.

Gross margin expanded 10 basis points (bps) to 35%, backed by higher merchandise margins stemming from impressive marketing and merchandising strategies. This was somewhat offset by impacts from investments in salon services.

However, operating margin contracted 70 bps to 12.5% as higher gross margin was offset by a 90-bp rise in SG&A expenses (as a percentage of sales). Pre-opening expenses grew 50% to \$3.6 million.

Other Financials

Ulta Beauty ended the quarter with cash and cash equivalents of \$392.3 million and total stockholders' equity of \$1,902.1 million. Net merchandise inventories summed \$1,293.7 million at the end of fiscal 2019, increasing 6.5% from the year-ago period. Average inventory per store remained flat year over year.

Net cash provided by operating activities was \$1,101.3 million in fiscal 2019.

Ulta Beauty bought back 681,458 shares for \$174.1 million in the reported quarter. In fiscal 2019, the company repurchased 2,320,896 shares for \$681 million. After this, the company had shares worth \$214.6 million outstanding, as of Feb 1, 2020, under its \$875-million share repurchase plan announced in March 2019. On Mar 10, 2020, management authorized a new buyback plan of \$1.6 billion, which will replace the March 2019 program. Notably, the company has made buybacks worth \$2.2 billion since 2014.

Store Updates

During the fourth quarter, Ulta Beauty opened 13 stores and relocated two. In fiscal 2019, the company opened nearly 86 stores, remodeled 12 and relocated eight. The company ended the fiscal with 1,254 stores. In fiscal 2020, the company intends to open about 75 stores, remodel or relocate roughly 15 and refresh nearly 42.

Guidance

The company's omnichannel moves are on track. E-commerce sales rose in strong double digits in fiscal 2019. During the fiscal, the company concluded the rollout of the buy online, pickup in store initiative across all stores; refreshed its mobile app and introduced "Afterpay" to ease online purchases.

For fiscal 2020, management projects total sales to increase 7-8%. Comps are expected to rise 3-4%. The company expects an operating margin deleverage of 70-80 bps for fiscal 2020.

Markedly, Ulta Beauty's earnings guidance includes the impact of share repurchases worth roughly \$1.3 billion and an effective tax rate of 24-24.5%.

The company plans capital expenditures of \$280-\$300 million for fiscal 2020, wherein net interest expenses are expected to be about \$9 million.

Quarter Ending **01/2020**

Report Date	Mar 12, 2020
Sales Surprise	0.58%
EPS Surprise	2.96%
Quarterly EPS	3.83
Annual EPS (TTM)	11.92

Recent News

Ulta Beauty to Furlough Staff in its Fight Against Coronavirus – Apr 8, 2020

Ulta Beauty has tightened its control measures with increasing cases of coronavirus being reported each day. The company has decided to temporarily furlough many of its store and salon associates, effective April 19. During this period, all furloughed associates who are a part of the company's benefit plans will continue to be enrolled in various coverages. Also, these furloughed associates will be eligible to apply for unemployment benefits under the federal CARES Act.

Keeping along these lines, Ulta Beauty's chief executive officer has stepped forward to forgo her base salary for an indefinite period. Further, the company's CEO, board of directors and the executive team members are making personal donations in an attempt to fight coronavirus.

Ulta Beauty had earlier stated that all stores will remain temporarily shut until it is safe to reopen them again. Nonetheless, shoppers can keep purchasing online via Ulta Beauty app or ulta.com. Also, it has been offering a \$2-per-hour wage premium to associates who continue to work in distribution centers to support the e-commerce business amid coronavirus.

In the past, Ulta Beauty which withdrew its recently-provided guidance for fiscal 2020, also stated that it has been undertaking expense-control measures, suspending new recruits along with postponing merit increments for all corporate and store associates. Moreover, Ulta Beauty is reducing various investments and capital expenditures during the coronavirus crisis. Apart from these factors, Ulta Beauty previously drew down \$800 million under its revolving credit facility to increase its financial flexibility amid the coronavirus crisis. Among other moves, Ulta Beauty also suspended its share buyback plans.

Valuation

Ulta Beauty shares are down 10.6% in the year-to-date period and 32.4% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 19.4% and the Zacks Retail-Wholesale sector are up 0.6% in the year-to-date period. Over the past year, the Zacks sub-industry is down 24.7%, whereas the sector gained 7.2%.

The S&P 500 index is down 10.8% in the year-to-date period and 0.5% in the past year.

The stock is currently trading at 24.21X forward 12-month earnings, which compares to 19.62X for the Zacks sub-industry, 28.26X for the Zacks sector and 20.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 42.32X and as low as 9.93X, with a 5-year median of 25.7X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$192 price target reflects 13.51X forward 12-month earnings.

The table below shows summary valuation data for ULTA

Valuation Multiples - ULTA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.21	19.62	28.26	20.16
	5-Year High	42.32	19.62	28.26	20.16
	5-Year Low	9.93	11.57	19.06	15.19
	5-Year Median	25.7	16.07	23.17	17.44
P/S F12M	Current	1.81	0.94	1.01	3.21
	5-Year High	3.5	1.36	1.11	3.44
	5-Year Low	0.91	0.74	0.8	2.54
	5-Year Median	2.47	1.14	0.93	3.01
EV/EBITDA TTM	Current	12.15	14	15.41	10.45
	5-Year High	22.33	18.82	16.35	12.87
	5-Year Low	7.43	10.29	10.9	8.27
	5-Year Median	16.29	15.23	12.55	10.78

As of 04/29/2020

Industry Analysis Zacks Industry Rank: Bottom 19% (206 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Coty Inc. (COTY)	Neutral	3
The Estee Lauder Companies Inc. (EL)	Neutral	4
Nu Skin Enterprises, Inc. (NUS)	Neutral	3
Regis Corporation (RGS)	Neutral	3
Sally Beauty Holdings, Inc. (SBH)	Neutral	3
Helen of Troy Limited (HELE)	Underperform	4
Inter Parfums, Inc. (IPAR)	Underperform	5
The Michaels Companies, Inc. (MIK)	Underperform	5

Industry Comparison Industry: Retail - Miscellaneous				Industry Peers		
	ULTA	X Industry	S&P 500	MIK	RGS	SBH
Zacks Recommendation (Long Term)	Underperform	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	5	3	3
VGM Score	B	-	-	A	C	C
Market Cap	12.73 B	997.69 M	20.82 B	521.31 M	454.18 M	1.17 B
# of Analysts	13	3.5	14	4	1	8
Dividend Yield	0.00%	0.00%	2.07%	0.00%	0.00%	0.00%
Value Score	D	-	-	A	C	B
Cash/Price	0.04	0.21	0.06	1.18	0.15	0.06
EV/EBITDA	11.59	8.59	12.12	6.45	78.47	4.71
PEG Ratio	1.49	1.92	2.51	0.57	NA	2.84
Price/Book (P/B)	6.80	1.04	2.74	NA	1.65	532.93
Price/Cash Flow (P/CF)	13.10	4.86	11.23	1.16	5.41	3.16
P/E (F1)	27.34	13.70	19.26	2.64	8.87	11.67
Price/Sales (P/S)	1.72	0.30	2.16	0.10	0.47	0.30
Earnings Yield	3.54%	7.10%	5.03%	37.75%	11.28%	8.57%
Debt/Equity	0.89	1.00	0.72	-2.77	3.11	717.80
Cash Flow (\$/share)	17.27	3.12	7.01	3.06	2.36	3.18
Growth Score	A	-	-	B	D	C
Hist. EPS Growth (3-5 yrs)	26.69%	9.66%	10.88%	10.09%	161.22%	9.23%
Proj. EPS Growth (F1/F0)	-32.85%	-29.64%	-6.94%	-36.37%	4.35%	-61.95%
Curr. Cash Flow Growth	5.84%	6.68%	5.92%	-14.92%	23.56%	0.84%
Hist. Cash Flow Growth (3-5 yrs)	20.48%	2.72%	8.55%	1.68%	-2.98%	2.83%
Current Ratio	1.81	1.47	1.23	1.34	0.66	2.00
Debt/Capital	47.18%	57.36%	43.90%	NA	75.68%	99.86%
Net Margin	9.54%	3.40%	11.15%	5.37%	-4.49%	6.70%
Return on Equity	36.75%	11.71%	16.47%	-20.71%	18.48%	-376.67%
Sales/Assets	1.54	1.41	0.54	1.35	0.86	1.73
Proj. Sales Growth (F1/F0)	-10.66%	-2.00%	-1.52%	-3.12%	-25.93%	-15.28%
Momentum Score	C	-	-	B	B	F
Daily Price Chg	3.42%	2.24%	2.91%	17.16%	14.02%	2.24%
1 Week Price Chg	-2.32%	3.58%	-1.74%	-2.48%	7.51%	18.18%
4 Week Price Chg	40.04%	40.04%	21.33%	124.68%	156.94%	38.48%
12 Week Price Chg	-18.70%	-22.56%	-16.28%	-33.52%	-13.83%	-37.17%
52 Week Price Chg	-32.48%	-32.48%	-7.57%	-67.16%	-27.85%	-36.97%
20 Day Average Volume	1,123,530	624,243	2,658,107	4,545,464	708,963	2,136,017
(F1) EPS Est 1 week change	-6.60%	0.00%	0.00%	0.00%	0.00%	-31.34%
(F1) EPS Est 4 week change	-32.43%	-8.24%	-6.32%	-17.84%	0.00%	-52.37%
(F1) EPS Est 12 week change	-39.10%	-39.58%	-12.93%	-39.69%	227.27%	-63.15%
(Q1) EPS Est Mthly Chg	-76.21%	-64.62%	-11.84%	-71.67%	0.00%	-296.43%

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	C
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.