

The Wendys Company (WEN)

\$21.23 (As of 05/28/20)

Price Target (6-12 Months): **\$22.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/07/18)

Prior Recommendation: NA

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: B

Summary

Shares of Wendy's Company have outperformed the industry in the past year. The company reported first-quarter fiscal 2020 results, wherein earnings and revenues missed the Zacks Consensus Estimate. The top and bottom line also declined 1% and 35.7%, respectively, on a year-over-year basis. Notably, higher commodity costs, breakfast training expenses and higher maintenance costs dented margins in the fiscal first quarter. Moreover, due to the pandemic, the company has withdrawn its 2020 guidance and suspended its share repurchase activity. However, initiatives like menu innovation, technological upgrades, international expansion and re-imaging of units are likely to benefit the company. Also, the company's transition to a franchised business model bodes well. Notably, earning estimates for 2020 have moved up over the past 30 days.

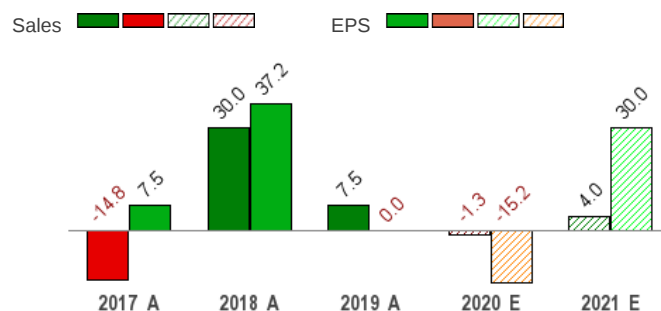
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$24.04 - \$6.82
20 Day Average Volume (sh)	4,229,313
Market Cap	\$4.7 B
YTD Price Change	-4.4%
Beta	1.23
Dividend / Div Yld	\$0.20 / 2.3%
Industry	Retail - Restaurants
Zacks Industry Rank	Top 47% (119 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-10.0%
Last Sales Surprise	-1.7%
EPS F1 Est- 4 week change	28.8%
Expected Report Date	08/05/2020
Earnings ESP	22.6%
P/E TTM	39.3
P/E F1	42.5
PEG F1	3.0
P/S TTM	2.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	416 E	437 E	450 E	450 E	1,753 E
2020	405 A	385 E	433 E	461 E	1,686 E
2019	409 A	435 A	438 A	427 A	1,709 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.12 E	\$0.17 E	\$0.19 E	\$0.17 E	\$0.65 E
2020	\$0.09 A	\$0.08 E	\$0.16 E	\$0.16 E	\$0.50 E
2019	\$0.14 A	\$0.18 A	\$0.19 A	\$0.08 A	\$0.59 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 05/28/2020. The reports text is as of 05/29/2020.

Overview

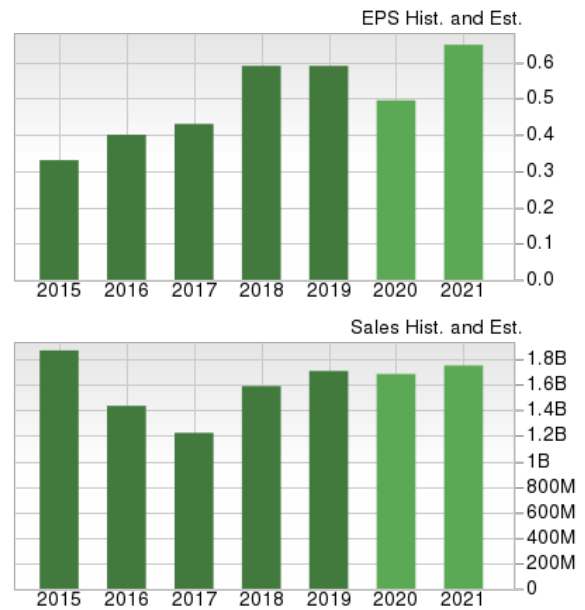
The Wendy's Company, the world's third-largest quick-service restaurant company, operates through its subsidiary holding company — Wendy's Restaurants, LLC. The fast-food chain through its subsidiary operates as a franchisor of the Wendy's restaurant system. As of May 6, 2020, The Wendy's system included more than 6,800 franchisees and company-operated restaurants in the United States and 30 other countries.

In 2019, the company realigned its management and operating structure to increase efficiencies and accelerate long-term growth. This eventually led to the combination of its Canadian business with its International segment and separating its real estate and development operations into its own segment. As a result, the company now operates under the following three segments, namely Wendy's U.S., Wendy's International and Global Real Estate & Development.

The company derives revenues from two principal sources: sales at company-operated restaurants and franchise-related revenues — including royalties, national advertising funds contributions, rents and franchise fees received from Wendy's franchised restaurants.

The Wendy's menu features hamburgers; chicken breast sandwiches and wraps; chicken nuggets; chili, baked and French-fried potatoes; freshly prepared salads; soft drinks and Frosty desserts.

On Sep 29, 2019, the company completed its merger with Triarc in an all-stock transaction in which Wendy's shareholders received 4.25 shares of Wendy's/Arby's Class A common stock for each Wendy's common share owned.



Reasons To Buy:

- ▲ **Strong International Presence & Expansion Efforts:** Wendy's is steadfast in expanding its presence globally. The company's international business is thus poised to be a driver of growth in the future. The company has growth plans and partnerships in Argentina, the Philippines and Japan. Further, Wendy's has long-term development agreements with franchisees in Singapore, the Middle East, North Africa, the Russian Federation, the Eastern Caribbean, Argentina, Japan, Georgia, the Republic of Azerbaijan, Ecuador and Chile.

Additionally, the company is exploring growth opportunities in China and other key international markets. Wendy's also announced that it will enter Europe by opening restaurants in the UK. Notably, the company anticipates the count to increase to 1500 restaurants internationally and double its sales to approximately \$2 billion by 2024. These less saturated emerging markets offer the company enormous growth opportunities. They have significant growth potential due to their relatively low per-capita consumption. During first-quarter 2020, the company's system-wide sales increased 1% year over year. It also continued with restaurant expansion opening 41 new restaurants across the globe in the quarter.

The company's initiatives like menu innovation, technological upgrades, international expansion and re-imaging of units should help boost the top line

- ▲ **Transition to a Franchised Business Model:** Wendy's is benefiting from its transition to a franchised business model. In 2017, the company had several first-time builders and doubled the number of franchises from 2015 by building new restaurants. Though the reduction in ownership has been weighing on revenues over the past few quarters, we believe franchising a large chunk of its system will lower Wendy's general and administrative expenses and thereby boost earnings. Moreover, over the long term, it would generate a higher return on equity by lowering capital requirements. This would also boost free cash flow, thereby enhancing shareholder return. In 2018, the company's top line benefited from the Franchise flip that occurred in 2017.

Moving forward, the company plans to continue facilitating franchisee-to-franchisee restaurant transfers through its buy-and-flip strategy. This strategy ensures that restaurants are put in the hands of well-capitalized franchisees, committed to long-term growth. In 2018, Wendy's facilitated 96 Franchise Flips. In 2020, the company expects to complete approximately 100 Franchise Flips, which will further strengthen its franchise base. It also plans to re-franchise its company-operated New York market in 2020. The company expects these restaurants under the franchisees to unlock significant growth in this market.

- ▲ **Re-imaging Restaurants to Improve Guest Experience:** Wendy's remains on track to achieve at least 70% of its Image Activation goal as part of the brand transformation initiative. This program has gained traction in the recent past, leading to increased traffic and higher sales at its restaurants. At the end of 2018, 50% of the global system featured the brand's new image. Interestingly, as a result of this re-imaging, customers have seen some bold designs and friendlier restaurant teams. At the end of the first quarter of 2020, 60% of the global system was image activated.

- ▲ **Focus on Product Innovation:** The company's brand transformation initiative also includes menu innovation, promotional offers and bold new packaging, intended for boosting sales. Meanwhile, the practice of offering customized sandwiches made on order and serving hamburgers made of never-frozen beef would continue to drive sales for the company. We expect the company's solid menu pipeline, limited time offers (LTO), marketing initiatives and increased emphasis on core and price value offerings, to maintain the trend. During the fourth quarter of 2019, Wendy's created a differentiated menu featuring Baconator, Frosty-cchino and Honey Butter Chicken Biscuit to its breakfast line-up, which is expected to drive sales. Moreover, the company will transition to 100% cage-free eggs for its breakfast items served at U.S and Canadian locations by 2020. The company also intends to eliminate the use of gestation stalls from its pork supply chain by 2022. These efforts will make the company popular among health-conscious diners. All in all, Wendy's expects that its balanced marketing approach, new restaurant development and reimagining of restaurants are all key catalysts.

- ▲ **Focus on Technology Utilization:** Wendy's is capitalizing on the benefits of technology. It is investing in areas like mobile payment, mobile ordering and customer self-order kiosks that provide benefits such as consumer convenience, increased customer count, higher check and faster speed of service. We expect these measures to help the company to maintain the trend of positive comps going forward. In addition to improving overall customer convenience, these are likely to drive additional output during peak hours as well as provide labor leverage. In the first quarter 2020, it had 5.5% of its U.S. sales coming through digital channels, which more than doubled from the prior-year levels.

On the mobile ordering front, Wendy's is progressing rapidly to ensure that the facility is can unravel additional prospects around convenience – through delivery and curbside delivery, plus loyalty. In fact, delivery continues to be a major initiative by the company. During the first quarter of 2020, the company boosted its delivery channel by collaborating with Grubhub in the month of February and Postmates in the month of March. The company is also in the process of rolling out Uber Eats to boost customer convenience. Also, to boost customer frequency, the company plans to launch its loyalty program in the near future.

Reasons To Sell:

▼ **Coronavirus Impact:** The outbreak of coronavirus in China is expected to materially affect the company's operating and financial results for full-year 2020. The company has been undertaking numerous measures to protect employees, customers and business partners. Although, most of the stores in China have re-opened after coronavirus-led shutdown traffic are still well below pre-outbreak level. The company's systemwide same-restaurant sales were substantially affected by the pandemic during the first quarter.

Higher costs, incremental capital spending, along with fickle consumer demand remain potent headwinds

The company further added that it is very difficult to anticipate the impact of coronavirus on its future results. Notably, the company has suspended its share repurchase activity and have withdrawn its 2020 guidance.

▼ **High Debt a Concern:** A strong balance sheet will help the company tide over the ongoing crisis. At the end of Mar 29, 2020, the company's long-term debt stood at \$2.2 billion, almost flat with the December-end level. As a result, the company's debt-to-capitalization was 89.4% compared with 87.8% at December-end. Moreover, the company ended first-quarter fiscal 2020 with cash and cash equivalent of \$385.5 million, which may not be enough to manage the high debt level.

▼ **Rising Costs:** The Affordable Care Act, commonly known as Obamacare, would continue to have an adverse impact on restaurant operators. That is, the restaurant operators will have to continue shouldering increased labor costs, which in turn will hurt margins. This along with higher commodity cost, breakfast training expenses and higher maintenance costs have been denting margins in the fiscal first quarter.

Meanwhile, in order to compensate for these costs, the company is taking steps to re-align and re-invest resources. Though these initiatives might benefit Wendy's over the long term, these are expected to increase costs in the near term, thereby hurting margins. During the first quarter of 2020, labor inflation was around 5.5%, while commodity inflation was at 3.9%. The company would also have to improve its focus on cost savings and increasing same-restaurant sales in order to cope up with inflations.

▼ **Incremental Capital Spending Owing to Re-imaging:** Wendy's would incur additional capital expenditure in the coming years in a bid to boost the re-imaging program. This might lower free cash flow in the near term. Though the company has transitioned toward a franchise-based model that downscales capital expenditure, it will take time to reap benefits.

Moreover, on the flip side, the company exited the Malaysian market in the first quarter of 2019. It also exited Brazil in the fourth quarter of 2019. As a result of the closure, the company generated a profit headwind of approximately \$2 million in 2019.

▼ **Industry Susceptible to Consumer Discretionary Spending:** Wendy's operates in the retail restaurant space that is highly dependent on consumer discretionary spending. Consumers' propensity to spend largely depends on the overall macroeconomic scenario. Although higher disposable income and increased wages are favoring the industry right now, it can change with the slightest disruption in the economy. The company, therefore, is highly vulnerable to the inconsistent nature of consumer discretionary spending. If it does not make pragmatic use of advanced technologies to innovate across value chains, it has high chances of fading out like many other restaurant retailers.

Last Earnings Report

Wendy's Q1 Earnings & Revenues Miss Estimates

The Wendy's Company reported first-quarter fiscal 2020 results, wherein earnings and revenues not only missed the Zacks Consensus Estimate but also declined on a year-over-year basis.

Delving Deeper

Adjusted earnings of 9 cents per share lagged the Zacks Consensus Estimate of 10 cents by 10%. The bottom line also plunged 35.7% year over year, primarily due to a decline in adjusted EBITDA.

Quarterly revenues of \$405 million missed the consensus mark of \$412 million by 1.7%. The top line also declined 1% from the year-ago quarter. The decline was primarily due to lower advertising fund revenues and sales at company-operated restaurants owing to the COVID-19 pandemic.

Meanwhile, comps at International restaurants (excluding Venezuela and Argentina) declined 1.6% against 2.7% growth in the year-ago quarter. Comps at Global restaurants fell 0.2% against 1.4% growth in the prior-year quarter. However, comps in the United States recorded break-even sales compared to 1.2% growth in the prior-year quarter.

System-Wide Sales Discussion

Global system-wide sales — including company-operated and franchise restaurants — were \$2.6 million in the reported quarter, up 0.9% from the prior-year quarter's levels. U.S. system-wide sales were \$2.3 million in the quarter, up 1% year over year. However, system-wide sales in the International segment amounted to \$0.3 million in the quarter, reflecting no movement from the prior-year quarter level.

Operating Highlights

Company-operated restaurant margin was 10.1% in the reported quarter compared with 15% in the year-ago quarter. The deterioration was mainly due to labor rate inflation, higher maintenance costs, increased commodity costs and breakfast training expenses.

General and administrative expenses in the quarter totaled \$51.6 million, up 4.7% from \$49.3 million recorded in the prior-year quarter. The increase was primarily due to higher salaries and benefits, increase in severance costs, and meeting cancellation expenses due to the COVID-19 outbreak. However, the costs were partially offset by a lower incentive compensation accrual.

Quarterly operating profit amounted to \$48.7 million, down 26.5% from the year-ago quarter's reported figure. Also, net income of \$14.4 million plummeted 54.9% from \$31.9 million in the year-ago quarter. The decline was primarily because of higher effective tax rate, unfavorable adjustment related to foreign tax credits and a reduction in the net excess tax benefits related to share-based compensation.

Adjusted EBITDA declined 12.2% from the prior-year quarter's figure, given a decrease in company-operated restaurant margin and rise in general and administrative expenses. Notably, adjusted EBITDA margin declined 280 basis points to 22.1%.

Balance Sheet

Cash and cash equivalents as of Mar 29, 2020, were \$294.9 million compared with \$300.2 million as on Dec 29, 2019.

However, to ensure financial stability during the global pandemic, the company suspended all share repurchase activity. The company will reduce capital expenditure and non-people related general & administrative expenses in 2020, which will result in savings of \$30 million. As of May 3, 2020, the company's cash balance stands at nearly \$365 million.

Inventories at the end of the first quarter amounted to \$4.6 million, up from \$3.9 million at 2019-end. Long-term debt was \$2,244.9 million as of Mar 29, 2020, compared with \$2,257.6 million as on Dec 29, 2019.

Owing to the business disruption and impact of the COVID-19 pandemic, the company has lowered its dividend for second-quarter 2020 to 5 cents per share, payable on Jun 15, 2020, to shareholders of record as of Jun 1, 2020. The number of common shares outstanding as of Apr 29, 2020, was 222.7 million.

Other Developments

In the quarter under review, Wendy's had 41 global restaurant openings with an increase of 17 net new units. Image Activation, which is an integral part of the company's global growth strategy, includes reimaging of existing restaurants and building new ones. At the end of the fiscal first quarter, 60% of the global system was image-activated.

Quarter Ending **03/2020**

Report Date	May 06, 2020
Sales Surprise	-1.71%
EPS Surprise	-10.00%
Quarterly EPS	0.09
Annual EPS (TTM)	0.54

Recent News

Wendy's Revokes 2020 Outlook Due to Coronavirus Fear – Mar 26, 2020

The devastating impact of the COVID-19 outbreak on the global economy has compelled the Wendy's Company to withdraw its previously announced 2020 guidance. The company also suspended its stock buyback program in an effort to preserve cash and maintain ample liquidity amid a possible recession due to the coronavirus outbreak.

Valuation

Wendy's shares are down by 4.4% in the year-to-date period, but up 15.2% over the trailing 12 months. Stocks in the Zacks sub-industry are down 7.6%, while stocks in the Zacks Retail-Wholesale sector are up by 5.8% in the year-to-date period. Over the past year, the Zacks sub-industry is down by 3.2%, but sector is up by 19.8%.

The S&P 500 index is down 5.7% in the year-to-date period but up 8.6% in the past year.

The stock is currently trading at 38.07X forward 12-month earnings, which compares to 33.85X for the Zacks sub-industry, 31.26X for the Zacks sector and 22.06X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.54x and as low as 11.46x, with a 5-year median of 28.15x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$22 price target reflects 40x forward 12-month earnings.

The table below shows summary valuation data for WEN.

Valuation Multiples - WEN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	38.07	33.85	31.26	22.06
	5-Year High	44.54	33.85	31.26	22.06
	5-Year Low	11.46	20.49	19.07	15.23
	5-Year Median	28.15	23.09	23.24	17.49
P/S F12M	Current	2.76	3.64	1.06	3.42
	5-Year High	3.34	3.93	1.12	3.44
	5-Year Low	0.91	2.81	0.81	2.53
	5-Year Median	2.55	3.31	0.94	3.01
P/CF	Current	23.32	20.16	15.32	15.5
	5-Year High	24.38	20.59	15.46	22.72
	5-Year Low	6.01	8.61	10.84	11.69
	5-Year Median	16.51	16.84	12.97	16.36

As of 05/28/2020

Industry Analysis Zacks Industry Rank: Top 47% (119 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
BJs Restaurants, Inc. (BJRI)	Neutral	3
Dunkin Brands Group, Inc. (DNKN)	Neutral	3
J d Wetherspoon Plc (JDWPY)	Neutral	3
DaveBusters Entertainment, Inc. (PLAY)	Neutral	3
Papa Johns International, Inc. (PZZA)	Neutral	2
Red Robin Gourmet Burgers, Inc. (RRGB)	Neutral	3
RESTAURANT GRP (RSTGF)	Neutral	3
Carrols Restaurant Group, Inc. (TAST)	Neutral	3

Industry Comparison Industry: Retail - Restaurants				Industry Peers		
	WEN	X Industry	S&P 500	DNKN	PZZA	RRGB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	F	-	-	D	B	B
Market Cap	4.73 B	485.48 M	21.49 B	5.38 B	2.47 B	187.66 M
# of Analysts	14	6	14	11	6	4
Dividend Yield	2.26%	0.00%	1.98%	2.45%	1.19%	0.00%
Value Score	D	-	-	D	C	B
Cash/Price	0.07	0.11	0.06	0.13	0.01	0.16
EV/EBITDA	19.07	10.62	12.50	16.35	39.77	10.41
PEG Ratio	2.97	4.56	2.87	2.63	6.58	NA
Price/Book (P/B)	10.48	1.95	2.95	NA	NA	0.52
Price/Cash Flow (P/CF)	18.06	8.35	11.81	17.39	25.01	1.88
P/E (F1)	42.80	40.11	21.33	25.92	52.67	NA
Price/Sales (P/S)	2.77	0.67	2.28	3.92	1.51	0.14
Earnings Yield	2.36%	0.66%	4.50%	3.86%	1.90%	-41.84%
Debt/Equity	8.01	1.09	0.76	-5.31	-1.45	1.86
Cash Flow (\$/share)	1.18	1.81	6.96	3.77	3.04	7.72
Growth Score	F	-	-	F	B	C
Hist. EPS Growth (3-5 yrs)	14.68%	6.19%	10.87%	13.06%	-16.86%	-21.29%
Proj. EPS Growth (F1/F0)	-16.10%	-91.16%	-10.48%	-20.19%	23.22%	-1,080.65%
Curr. Cash Flow Growth	-0.70%	4.82%	5.39%	5.44%	8.17%	-15.30%
Hist. Cash Flow Growth (3-5 yrs)	-1.18%	6.26%	8.55%	5.81%	-2.98%	-0.74%
Current Ratio	1.37	0.78	1.29	1.48	0.86	0.54
Debt/Capital	88.90%	68.47%	44.54%	NA	NA	65.09%
Net Margin	7.01%	3.60%	10.59%	17.59%	0.92%	-0.60%
Return on Equity	22.37%	2.29%	16.26%	-42.33%	-14.40%	2.21%
Sales/Assets	0.34	1.04	0.55	0.36	2.24	1.05
Proj. Sales Growth (F1/F0)	-1.36%	-9.92%	-2.53%	-9.92%	6.64%	-35.64%
Momentum Score	B	-	-	A	A	B
Daily Price Chg	-2.53%	-2.25%	-0.65%	0.49%	-3.59%	-7.04%
1 Week Price Chg	0.00%	6.10%	4.99%	2.17%	-5.13%	9.71%
4 Week Price Chg	6.90%	1.27%	4.28%	4.36%	5.58%	-0.68%
12 Week Price Chg	10.17%	-21.25%	-3.05%	-3.88%	34.25%	-24.60%
52 Week Price Chg	15.19%	-35.95%	0.01%	-11.59%	59.22%	-52.95%
20 Day Average Volume	4,229,313	404,212	2,425,602	1,075,840	887,792	544,508
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	28.81%	1.79%	-1.70%	1.79%	8.07%	0.00%
(F1) EPS Est 12 week change	-21.22%	-94.41%	-16.00%	-21.81%	-5.65%	-1,626.36%
(Q1) EPS Est Mthly Chg	215.74%	5.96%	-3.25%	2.22%	35.00%	0.00%

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	F
Momentum Score	B
VGM Score	F

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.