

## California Water (CWT)

**\$44.17** (Stock Price as of 12/12/2025)

Price Target (6-12 Months): **\$45.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/11/24)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank: (1-5)**

**4-Sell**

Zacks Style Scores:

VGM: B

Value: C

Growth: C

Momentum: A

### Summary

California Water Service's third-quarter sales were better than expected, while earnings lagged. The company's investments in infrastructure assist it to provide reliable water and wastewater services. California Water Service gains from the expansion of its operations through acquisitions and organic activities. The company is also enjoying the benefits of rising demand from its expanding customer base. Our model predicts an increase in operating revenues for California Water in the 2026-2027 period. Yet, shares of the company have underperformed the industry in the past three months. Changes in any of the existing environment-related laws and compliance with the same could increase its costs and lower profitability. The company's operations are California-based, so any lack of diversification might negatively impact its results.

### Data Overview

52 Week High-Low	\$51.63 - \$41.29
20 Day Average Volume (sh)	380,770
Market Cap	\$2.6 B
YTD Price Change	-2.6%
Beta	0.65
Dividend / Div Yld	\$1.20 / 2.7%
Industry	<a href="#">Utility - Water Supply</a>
Zacks Industry Rank	Bottom 32% (165 out of 243)

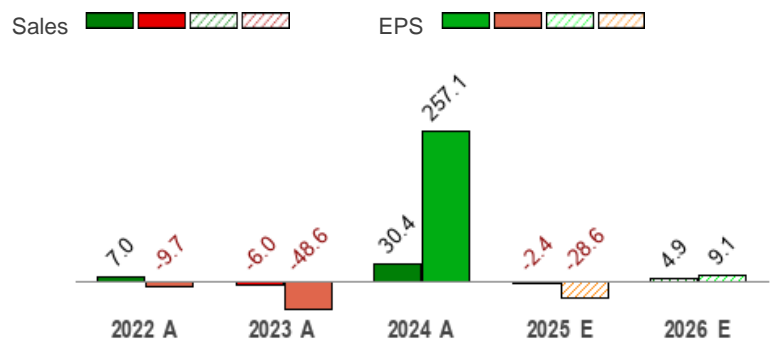
Last EPS Surprise	-14.2%
Last Sales Surprise	1.4%
EPS F1 Est- 4 week change	-1.7%
Expected Report Date	02/26/2026
Earnings ESP	2.9%

P/E TTM	19.3
P/E F1	19.0
PEG F1	-1.6
P/S TTM	2.6

### Price, Consensus & Surprise<sup>(1)</sup>



### Sales and EPS Growth Rates (Y/Y %)<sup>(2)</sup>



### Sales Estimates (millions of \$)<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026	208 E	271 E	325 E	259 E	1,062 E
2025	204 A	265 A	311 A	232 E	1,012 E
2024	271 A	244 A	300 A	222 A	1,037 A

### EPS Estimates<sup>(2)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026	0.23 E	0.66 E	1.22 E	0.43 E	2.53 E
2025	0.22 A	0.71 A	1.03 A	0.36 E	2.32 E
2024	1.21 A	0.70 A	1.03 A	0.33 A	3.25 A

\*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, except the estimates, is as of 12/12/2025.

(2) The report's text, the analyst-provided estimates, and the price target are as of 12/11/2025.

## Overview

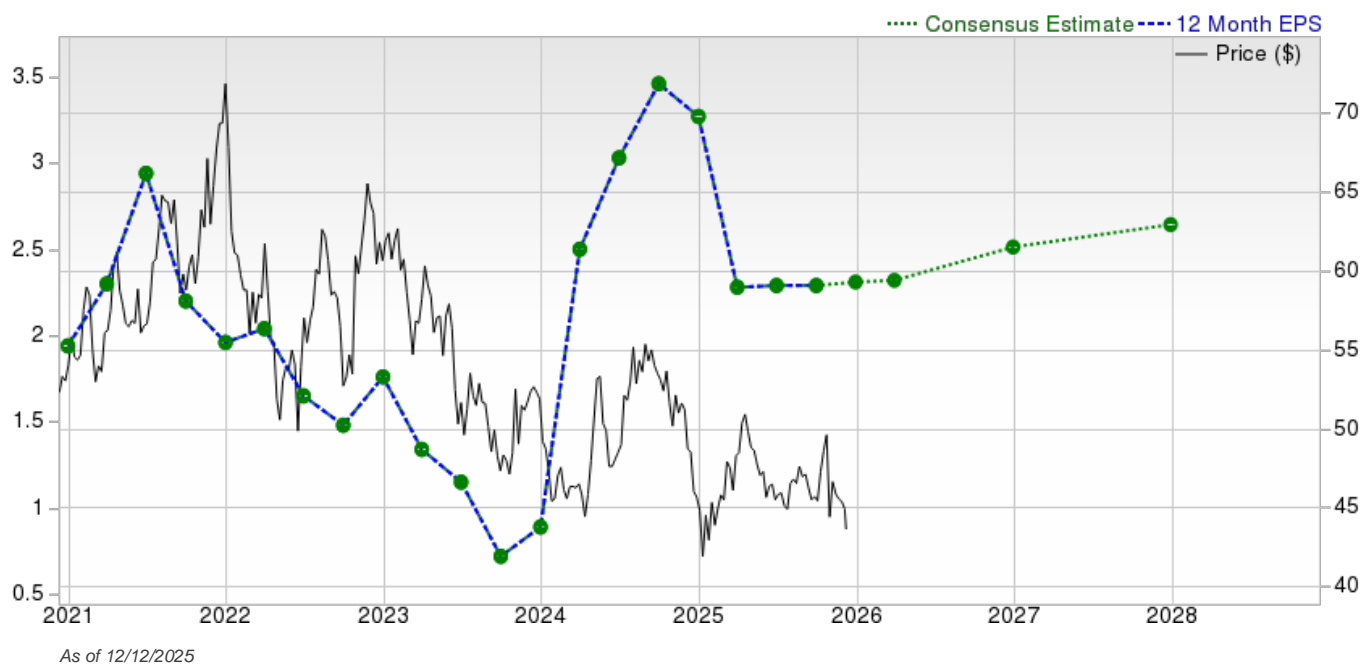
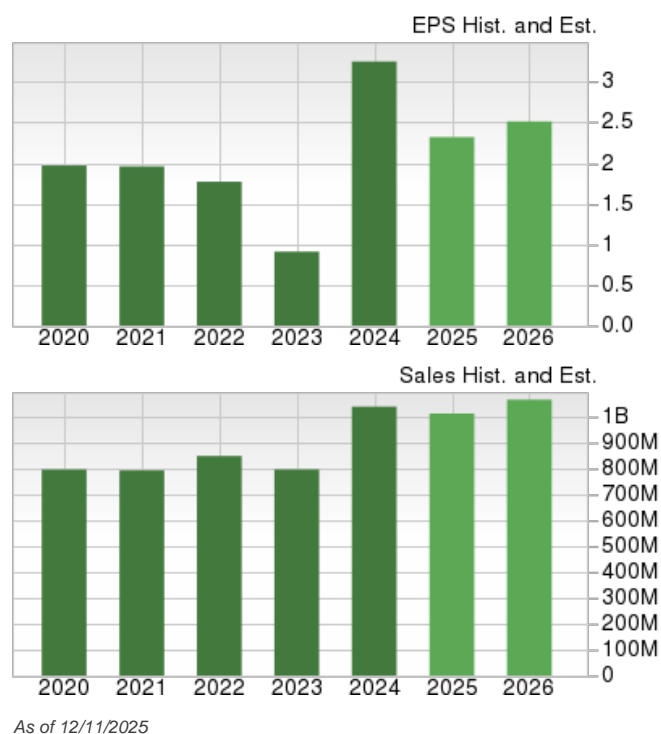
California Water Service Group, incorporated in 1999, is one of the largest investor-owned water utilities in the United States. The utility has seven subsidiaries—, California Water Service (Cal Water), Washington Water Service Company (Washington Water), New Mexico Water Service Company (New Mexico Water), Hawaii Water Service Company (Hawaii Water), CWS Utility Services, HWS Utility Services and Texas Water Service (Texas Water). Along with its units, it provides regulated and non-regulated high-quality water and wastewater services to nearly 2 million people in 100 communities.

The Company only operates in one reportable segment, providing water and related utility services. The business operations consist of the production, purchase, storage, treatment, testing, distribution and sale of water for domestic, industrial, public and irrigation uses, and for fire protection. In some areas, it also provides wastewater collections and treatment services, including treatment which allows water recycling.

**Regulated Business:** California Water Service's operations are conducted by Cal Water provides services to nearly 499,400 customer connections through 20 separate districts.

**Non-Regulated Activities:** Under the non-regulated contract arrangements, the utility operates municipally owned water systems, privately owned water and recycled water distribution systems, but are not responsible for all operating costs. Non-regulated revenue received from water system operations is generally determined on a fee-per-customer basis.

The company intends to explore opportunities to expand its regulated and non-regulated water, and wastewater activities, particularly in the western United States.



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## Reasons To Buy:

- ▲ California Water Service's primary focus is to expand operations in the western United States through acquisitions and continues to explore new opportunities to expand regulated and non-regulated water and wastewater activities. On the back of improving economic conditions, completed acquisitions and other organic efforts, the company's customer base is likely to continue witnessing this uptrend in the coming years. The company's regulated rate base growth is expected to help achieve more than \$3.35 billion by 2027. Our model predicts the company's operating revenues to increase 5% and 3.3% in 2026 and 2027, respectively.

Planned organic and inorganic initiatives, regular dividend hikes and ample liquidity will drive the company's long-term growth.

The company makes strategic acquisitions to expand its operations and make necessary investments to upgrade the acquired assets to provide high-quality services to an expanding customer base and emergency firefighting requirements. California Water's strategic acquisitions target new markets in high-growth regions. In August 2025, California Water completed two water infrastructure upgrades that help support water supply reliability and fire protection in southwest Compton and east Carson. It installed a new well that can draw up to 2,000 gallons per minute to help increase the water supply for thousands of customers. This new groundwater well will be the 9th active well in Cal Water's Dominguez water system.

- ▲ California Water invested \$471 million in capital improvements during 2024, up 22.7% year over year. The company plans to invest \$610 million and \$760 million in 2025 and 2026, respectively, to further strengthen its operations. The estimated capital expenditure for the 2025-2027 period is \$2.06 billion. The company remains committed to providing safe, high-quality water by consistently investing in treatment system upgrades and well replacements throughout California, Washington and New Mexico. The company filed with the commission to recover the investment made in upgrading its infrastructure. A few of its rate appeals have been approved by the commission, and the company will get the benefit of rate increases in the coming years.

Since the water and wastewater infrastructure is aging, it requires substantial investment in upgrades, maintenance and replacement of old pipelines and infrastructure. The company is making regular investments in upgrades and proper maintenance. The decline in interest rates will be beneficial for the company as it will lower the cost of long-term capital projects, which are funded by proceeds from debts.

- ▲ The consistent performance of the company helps it continue with its shareholder-friendly moves. The utility has been increasing the dividend every year since the inception of the payment. Its quarterly dividend is 30 cents per share. California Water's board of directors approved its 323rd consecutive quarterly dividend. The board of directors also approved a one-time special dividend of 4 cents for 2025, which will result in an annualized dividend of \$1.24 per share. The company anticipates a five-year dividend CAGR of 7.7%. The current dividend yield of the company is 2.84%, better than its industry's yield of 2.69%.
- ▲ Currently, the company's total debt to capital is 47.18% compared with its industry average of 50.46%. This indicates that the company manages the business more efficiently than its peers. Its times interest earned ratio was 2.8 at the end of the third quarter of 2025. The ratio, being greater than one, indicates that the company has enough financial strength to meet its near-term interest obligations.

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## Reasons To Sell:

- ▼ The aging water infrastructure remains a concern for the company. Additions and improvement in the existing water infrastructure require huge capital investments. If the company fails to procure the required capital or at a desirable rate, it could hamper its operations.
- ▼ The utility operates in a highly regulated environment and any changes in existing laws and conditions could increase the operating costs and there can be no assurance that the commission would approve rate increases to enable the recovery of these additional compliance costs, thereby having an adverse impact on the business of the company.

The risk of contamination of water supplied by the company is a concern and could lead to interruption of services provided to customers, resulting in losses and damages. This might lead to litigation issues, damaging the utility's financial condition and reputation. In the past three months, shares of California Water have lost 7.4% compared with the industry's 2.6% decline..

- ▼ Weather plays a significant role in the increase/decrease in demand of fresh water and wastewater services. Demand for water during the warmer and dry months is generally higher than during cooler or rainy months due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications.
- ▼ While the company has operations in various states, more than 93.8% of it is concentrated in California. This lack of diversification causes its operations to be subjected to weather, political, water supply, labor, energy cost, regulatory and economic risks of a single state. It might also need to purchase land for infrastructure and expansion, but property market in California is more volatile and costly compared with other states. This can adversely impact growth and financials.

Depending on a single state for the majority of its earnings, changes in regulations, an aging water infrastructure and the risk of water contamination could adversely impact its operations.

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## Last Earnings Report

### California Water Q3 Earnings Miss Estimates, Revenues Rise Y/Y

California Water Service Group recorded third-quarter 2025 adjusted earnings of \$1.03 per share, which missed the Zacks Consensus Estimate of \$1.20 by 14.2%. However, the bottom line was on par with the year-ago quarter's figure.

### California Water's Total Revenues in Q3

Operating revenues totaled \$311.2 million, which topped the Zacks Consensus Estimate of \$307 million by 1.4%. The top line also climbed 3.9% from \$299.6 million recorded in the prior-year quarter.

### California Water's Operational Update

Total operating expenses were \$240.6 million, up 3.4% from the year-ago quarter's level of \$232.8 million. Water production costs increased \$7.6 million due to a rise in wholesale water rates.

California Water reported maintenance expenses of \$9.8 million, up 5.9% year over year.

Net operating income was \$70.6 million, up 5.8% from the year-ago quarter's reported figure of \$66.7 million.

Net interest expenses were \$17.1 million, up 26% from the prior-year quarter's figure of \$13.6 million.

### California Water's Financial Update

As of Sept. 30, 2025, California Water had cash and cash equivalents of \$76 million compared with \$50.1 million as of Dec. 31, 2024.

As of Sept. 30, 2025, its net long-term debt totaled \$1,103.8 million compared with \$1,104.6 million as of Dec. 31, 2024.

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**FY Quarter Ending** **12/31/2024**

Earnings Reporting Date	Oct 30, 2025
Sales Surprise	1.36%
EPS Surprise	-14.17%
Quarterly EPS	1.03
Annual EPS (TTM)	2.29

## Valuation

California Water shares are down 6% in the six months period, and down 11.2% over the trailing 12-month period. Stocks in the Zacks sub-industry is down 1% and the Zacks Utilities sector is up 9.6% in the past six months period. Over the past year, the Zacks sub-industry is up 6.6%, whereas the sector is up by 10%.

The S&P 500 index is up 22.8% in the past six months period and up 13.9% in the past year.

The stock is currently trading at 17.11X forward 12-months earnings, which compares with 18.66X for the Zacks sub-industry, 15.43X for the Zacks sector and 23.61X for the S&P 500 index.

Over the past five years, the stock has traded as high as 39.18X and as low as 14.2X, with a 5-year median of 26.48X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$45 price target reflects 17.99X forward 12-months earnings.

The table below shows summary valuation data for CWT.

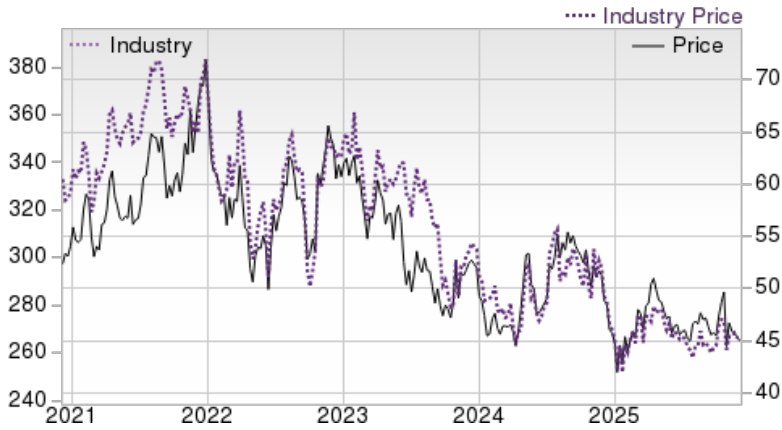
Valuation Multiples - CWT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.11	18.66	15.43	23.61
	5-Year High	39.18	22	17.86	23.78
	5-Year Low	14.2	13.16	13.13	15.73
	5-Year Median	26.48	17.62	15.85	21.21
P/S F12M	Current	2.41	7.29	2.97	5.34
	5-Year High	4.64	9.57	3.24	5.5
	5-Year Low	2.38	5.92	2.28	3.83
	5-Year Median	3.43	7.75	2.72	5.05
P/B TTM	Current	1.5	2.63	3.07	8.57
	5-Year High	3.35	4.74	3.28	9.16
	5-Year Low	1.48	2.46	2.38	6.6
	5-Year Median	2.26	3.32	2.87	8.05

As of 12/10/2025

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Bottom 32% (165 out of 243)

## Top Peers<sup>(1)</sup>



Company (Ticker)	Rec	Rank
Artesian Resources C... (ARTNA)	Neutral	3
American Water Works... (AWK)	Neutral	3
American States Wate... (AWR)	Neutral	2
Consolidated Water C... (CWCO)	Neutral	3
Global Water Resourc... (GWRS)	Neutral	4
Middlesex Water Comp... (MSEX)	Neutral	4
Essential Utilities ... (WTRG)	Neutral	3
The York Water Compa... (YORW)	Neutral	3

## Industry Comparison<sup>(1)</sup> Industry: Utility - Water Supply

### Industry Peers

	CWT	X Industry	S&P 500	AWR	CWCO	MSEX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	2	3	4
VGM Score	B	-	-	C	B	F
Market Cap	2.63 B	771.26 M	39.36 B	2.86 B	569.69 M	972.83 M
# of Analysts	3	2	22	3	3	2
Dividend Yield	2.72%	2.62%	1.39%	2.73%	1.57%	2.71%
Value Score	B	-	-	C	D	D
Cash/Price	0.05	0.01	0.04	0.01	0.23	0.00
EV/EBITDA	9.23	13.82	14.58	15.35	16.24	14.16
PEG Ratio	-1.62	3.78	2.22	3.94	NA	3.79
Price/Book (P/B)	1.55	2.11	3.34	2.82	2.52	2.02
Price/Cash Flow (P/CF)	8.08	13.09	15.19	16.94	23.04	13.09
P/E (F1)	19.04	22.27	19.74	22.27	28.76	22.20
Price/Sales (P/S)	2.63	4.51	3.02	4.50	4.35	4.99
Earnings Yield	5.25%	4.49%	5.01%	4.49%	3.47%	4.51%
Debt/Equity	0.65	0.81	0.57	0.90	0.00	0.73
Cash Flow (\$/share)	5.47	2.78	8.99	4.36	1.55	4.05
Growth Score	C	-	-	B	A	F
Hist. EPS Growth (3-5 yrs)	3.60%	5.16%	8.13%	7.28%	NA	1.25%
Proj. EPS Growth (F1/F0)	-28.62%	2.14%	8.50%	4.73%	10.71%	-3.24%
Curr. Cash Flow Growth	85.51%	10.56%	6.86%	9.53%	-34.03%	18.74%
Hist. Cash Flow Growth (3-5 yrs)	15.95%	8.42%	7.31%	7.38%	9.29%	7.21%
Current Ratio	0.55	1.16	1.18	1.27	6.03	0.42
Debt/Capital	39.33%	44.69%	38.15%	47.39%	0.02%	41.98%
Net Margin	13.61%	21.33%	12.78%	20.43%	12.90%	22.08%
Return on Equity	8.23%	9.45%	17.00%	13.26%	7.95%	9.38%
Sales/Assets	0.19	0.15	0.53	0.25	0.52	0.15
Proj. Sales Growth (F1/F0)	-2.40%	4.37%	5.75%	5.70%	2.20%	2.60%
Momentum Score	A	-	-	D	C	B
Daily Price Chg	2.13%	1.15%	-1.07%	1.43%	1.45%	1.73%
1 Week Price Chg	-1.08%	-0.12%	-0.43%	-0.81%	-0.32%	1.17%
4 Week Price Chg	-3.54%	-0.94%	1.33%	-1.49%	-0.47%	0.93%
12 Week Price Chg	-3.16%	2.41%	2.95%	2.82%	3.62%	-0.09%
52 Week Price Chg	-8.81%	-3.76%	12.83%	-11.14%	39.85%	-10.92%
20 Day Average Volume	380,770	205,575	2,755,288	271,788	65,628	139,363
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-1.69%	0.00%	0.00%	0.00%	6.88%	0.00%
(F1) EPS Est 12 week change	-3.60%	0.47%	0.68%	1.22%	12.35%	-3.24%
(Q1) EPS Est Mthly Chg	-2.78%	0.00%	0.00%	0.00%	3.80%	0.00%



## Analyst Earnings Model<sup>(2)</sup>

### California Water Service Group (CWT)

In \$MM, except per share data

	2022A	2023A	2024A	2025E				2026E					2027E
	FY	FY	FY	1QA	2QA	3QA	4QE	FY	1QE	2QE	3QE	4QE	FY
FY Ends December 31st	Dec-22	Dec-23	Dec-24	31-Mar-25	30-Jun-25	30-Sep-25	31-Dec-25	Dec-25	31-Mar-26	30-Jun-26	30-Sep-26	31-Dec-26	Dec-26
Income Statement													
Operating Revenue	\$846.4	\$794.6	\$1,036.8	\$204.0	\$265.0	\$311.2	\$232.0	\$1,012.2	\$207.5	\$270.8	\$325.0	\$259.0	\$1,062.3
Water Production Costs	\$285.3	\$288.5	\$310.6	\$63.0	\$85.5	\$102.7	\$83.3	\$334.5	\$68.4	\$86.3	\$103.4	\$94.4	\$352.5
Administrative & General	\$132.7	\$142.2	\$139.5	\$34.2	\$33.3	\$36.2	\$37.9	\$141.7	\$35.1	\$35.0	\$35.7	\$40.0	\$145.8
Other Operations	\$116.2	\$112.5	\$118.5	\$28.8	\$31.7	\$33.5	\$32.8	\$126.8	\$24.6	\$31.8	\$33.9	\$36.8	\$127.1
Maintenance	\$31.7	\$32.0	\$34.8	\$7.7	\$9.0	\$9.8	\$9.1	\$35.6	\$7.4	\$9.5	\$10.0	\$9.1	\$36.0
Depreciation & Amortization	\$114.6	\$121.2	\$131.9	\$36.0	\$36.0	\$36.1	\$24.9	\$133.0	\$36.4	\$36.2	\$36.8	\$27.4	\$136.8
Income Tax	\$3.3	(\$15.2)	\$35.9	\$1.0	\$6.9	\$10.6	\$0.3	\$18.9	\$5.2	\$8.3	\$7.7	\$0.5	\$21.7
Property & Other Taxes	\$35.1	\$36.3	\$40.5	\$11.0	\$10.6	\$11.7	\$9.6	\$42.9	\$9.0	\$11.0	\$12.7	\$10.6	\$43.3
Total Operating Expenses	\$718.8	\$717.5	\$811.8	\$181.6	\$213.1	\$240.6	\$197.9	\$833.3	\$186.1	\$218.1	\$240.2	\$218.8	\$863.2
EBITDA	\$242.2	\$198.3	\$357.0	\$58.3	\$87.8	\$106.7	\$59.1	\$311.9	\$57.9	\$88.9	\$121.6	\$67.5	\$335.9
Net Operating Income	\$127.7	\$77.1	\$225.1	\$22.3	\$51.8	\$70.6	\$34.2	\$178.9	\$21.5	\$52.7	\$84.8	\$40.1	\$199.2
Non-Regulated Revenue	\$21.3	\$18.5	\$20.6	\$5.1	\$4.9	\$5.3	\$5.3	\$20.6	\$4.8	\$6.1	\$7.5	\$6.5	\$24.8
Non-Regulated Expenses	\$24.8	\$11.8	\$14.2	\$3.5	\$2.9	\$2.5	\$7.5	\$16.3	\$3.5	\$4.1	\$5.9	\$8.0	\$21.6
Other Components of Net Periodic Benefit Credit	\$14.5	\$20.2	\$15.8	\$4.8	\$4.6	\$4.5	\$4.6	\$18.6	\$4.3	\$5.4	\$6.7	\$5.8	\$22.2
Allowance For Equity Funds Used During Construction	\$4.1	\$5.6	\$6.9	\$1.8	\$1.9	\$2.1	\$1.9	\$7.8	\$1.6	\$2.0	\$2.5	\$2.2	\$8.4
Gain on Sale of Non-Utility Property	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Income Tax Expense on Other Income & Expenses	(\$3.1)	(\$8.4)	(\$6.6)	(\$1.7)	(\$1.8)	(\$2.0)	(\$1.8)	(\$7.2)	(\$1.5)	(\$1.9)	(\$2.3)	(\$1.9)	(\$7.5)
Net Other Income	\$11.9	\$24.1	\$22.6	\$6.5	\$6.8	\$7.6	\$2.6	\$23.5	\$5.7	\$7.5	\$8.5	\$4.6	\$26.3
Interest Expense	\$46.7	\$52.8	\$60.7	\$16.5	\$17.5	\$18.1	\$16.1	\$68.2	\$14.4	\$22.3	\$21.8	\$20.5	\$79.0
Allowance For Borrowed Funds Used During Construction	(\$2.3)	(\$3.0)	(\$3.1)	(\$0.9)	(\$0.9)	(\$1.0)	(\$0.8)	(\$3.6)	(\$0.8)	(\$0.9)	(\$1.1)	(\$0.9)	(\$3.7)
Net Interest Expense	\$44.3	\$49.8	\$57.6	\$15.7	\$16.5	\$17.1	\$15.3	\$64.6	\$13.6	\$21.3	\$20.7	\$19.6	\$75.2
Net Income	\$95.3	\$51.4	\$190.1	\$13.2	\$42.1	\$61.1	\$21.4	\$137.8	\$13.5	\$38.9	\$72.7	\$25.1	\$150.3
Non-Controlling Interests	(\$0.7)	(\$0.5)	(\$0.7)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.2)	(\$0.6)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.9)
Net Income Attributable to CWT	\$96.0	\$51.9	\$190.8	\$13.3	\$42.2	\$61.2	\$21.7	\$138.4	\$13.7	\$39.1	\$72.9	\$25.4	\$151.2
Diluted Shares Outstanding	54.4	56.9	58.6	59.6	59.6	59.7	59.7	59.6	59.7	59.7	59.7	59.7	59.7
Diluted EPS	\$1.77	\$0.91	\$3.25	\$0.22	\$0.71	\$1.03	\$0.36	\$2.32	\$0.23	\$0.66	\$1.22	\$0.43	\$2.53
Dividend Per Share	\$1.00	\$1.04	\$1.12	\$0.34	\$0.30	\$0.30	\$0.30	\$1.24	\$0.30	\$0.30	\$0.30	\$0.30	\$1.20



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## 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.

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### 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	C
Growth Score	C
Momentum Score	A
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.

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## Disclosures

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