

The Kroger Co. (KR)

\$62.41 (Stock Price as of 12/19/2025)

Price Target (6-12 Months): **\$70.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/02/23)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: A

Value: A

Growth: B

Momentum: D

Summary

Kroger continues to leverage its customer-first strategy, robust private label portfolio, and expanding digital ecosystem to drive shopper engagement and loyalty. Strength in pharmacy, personalized promotions, and investments in fresh food offerings underpin its core growth. Digital initiatives, including fulfillment expansion and Boost membership, are gaining traction, while retail media and health & wellness offer incremental profitability. However, the company faces macro-driven headwinds as consumers pull back on discretionary categories. Rising operating costs, particularly OG&A, and weak fuel performance pose challenges to margin expansion. Moreover, elevated interest expenses weigh on the bottom line. With strategic initiatives in place, Kroger's outlook appears balanced between potential gains and persistent pressures.

Data Overview

52 Week High-Low	\$74.90 - \$58.12
20 Day Average Volume (sh)	7,083,842
Market Cap	\$39.7 B
YTD Price Change	2.7%
Beta	0.58
Dividend / Div Yld	\$1.40 / 2.2%
Industry	Retail - Supermarkets
Zacks Industry Rank	Top 42% (103 out of 243)

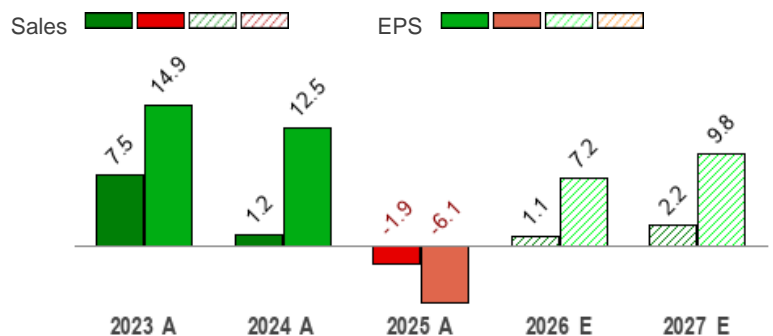
Last EPS Surprise	1.0%
Last Sales Surprise	-1.3%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	03/05/2026
Earnings ESP	0.0%

P/E TTM	13.3
P/E F1	13.0
PEG F1	1.5
P/S TTM	0.3

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027	45,978 E	34,582 E	34,469 E	35,898 E	150,927 E
2026	45,118 A	33,940 A	33,859 A	35,191 E	148,108 E
2025	45,269 A	33,912 A	33,634 A	34,308 A	147,123 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027	1.68 E	1.12 E	1.15 E	1.35 E	5.29 E
2026	1.49 A	1.04 A	1.05 A	1.20 E	4.79 E
2025	1.43 A	0.93 A	0.98 A	1.14 A	4.47 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/19/2025.

(2) The report's text and the price target are as of 11/26/2025.

Overview

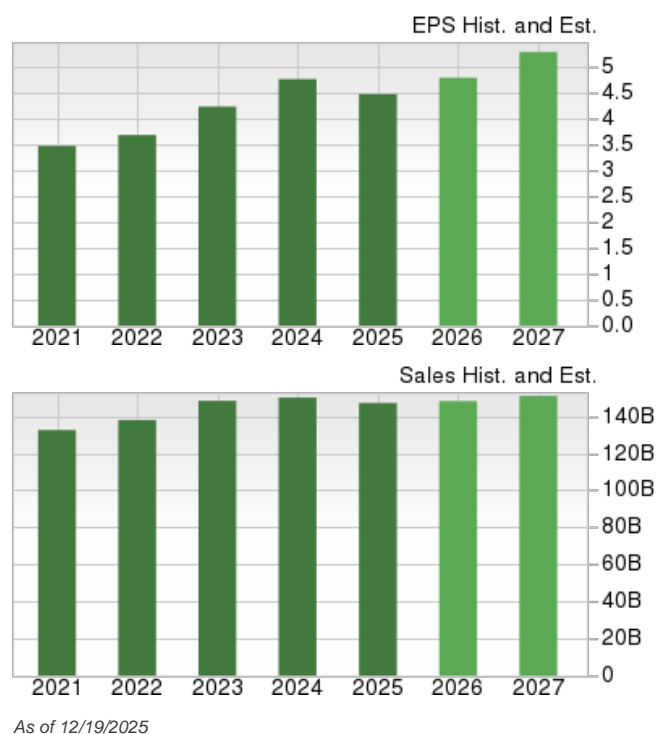
The Kroger Co., which operates in the thin-margin grocery industry, has been undergoing a complete makeover, not only with respect to products but also in terms of the way consumers prefer shopping grocery. The company is focusing on plant-based products as well as eyeing technological expansion. It acquired meal kit company Home Chef and partnered with British online grocery delivery firm Ocado that reinforces its position in the online ordering, automated fulfillment and home delivery space. It has also introduced grocery delivery service Kroger Ship and inked a deal with driverless car company Nuro.

This Cincinnati, Ohio-based company operates supermarkets under banners including Kroger, Baker's, City Market, Dillons, Food 4 Less, Foods Co, Fred Meyer, Fry's, Gerbes, Harris Teeter, Home Chef, Jay C, King Soopers, Mariano's, Metro Market, Payless, Pick 'n Save, QFC, Roundy's, The Little Clinic, Vitacost, Ralphs and Smith's. Further, it also manufactures and processes certain food products that are sold in its supermarkets.

Kroger's supermarket and multi-department stores operate under four formats combo stores (combination of food and drug stores), multi-department stores, marketplace stores, and price impact warehouses. The combo stores include natural food and organic sections, pharmacies, general merchandise, and pet centers, as well as offer perishables items such as fresh seafood and organic produce.

The multi-department stores offer a collection of general merchandise products such as apparel, home fashion and furnishings, electronics, automotive products, toys, and fine jewelry. The marketplace stores include full-service grocery and pharmacy departments and a general merchandise area that includes outdoor living products, electronics, home goods, and toys.

The combo stores, multi department stores, and marketplace stores also have fuel centers. The price impact warehouse offers grocery, health, and beauty care items.



Reasons To Buy:

▲ **Growth Drivers in Place:** Kroger's well-defined customer segmentation strategy, the emphasis on value and focus on its 'Our Brands' portfolio have enabled it to maintain a competitive position effectively. The company remains committed to its core strengths, which include offering an array of fresh products, providing personalized shopping experiences and fostering a seamless digital ecosystem. Strength in its pharmacy business has also been a key growth driver. These helped Kroger deliver identical sales (without fuel) growth of 3.4% in second-quarter fiscal 2025. The company now expects identical sales without fuel growth of 2.7-3.4% in fiscal 2025, up from the prior estimate of 2.25-3.25%, signaling confidence in continued customer engagement. For Q3, it projects identical sales without fuel to be slightly below the midpoint of its full-year range.

Kroger drives growth with digital expansion, private label success, fresh offerings and strategic partnerships, while investments in AI and value creation fuel long-term scalability.

▲ **Strong Digital Business:** Kroger's digital business has become a key driver, powered by strategic initiatives like the Delivery Now program, the Boost membership program and the expansion of customer fulfillment centers (CFCs). The growing consumer inclination towards e-commerce solutions for grocery and household essentials has underscored the importance of these endeavors. Kroger's digital sales grew 16% in the second quarter of fiscal 2025, backed by good performance and delivery. This followed a 15% gain in the first quarter, underscoring the success of Kroger's digital investments and omnichannel strategy. The company saw improvements in the pickup and delivery profitability quarter over quarter. The company's focus on automation, new technology and operational efficiencies led to its strongest-ever digital profit improvement. Digitally engaged households remain a key revenue driver, spending more in digital and in-store channels. Kroger's alternative profit businesses, including retail media and health & wellness, continue to contribute to profitability. As digital engagement grows, Kroger remains focused on leveraging data-driven insights to enhance advertising effectiveness and drive sustained profitability in this segment.

▲ **Growth Through "Our Brands":** Kroger is expanding its "Our Brands" line, offering high-quality products at lower prices. This helps build customer loyalty and increase market share. The company's "Our Brands" saw strong performance, led by growth in the most premium brands, Private Selection and Simple Truth, in the second quarter of fiscal 2025. Kroger is responding to consumer demand for health and wellness with the launch of 80 new protein-based products under Simple Truth. These include bars, powders and shakes, targeting the surge in demand tied to GLP-1 medication usage and dietary shifts. By delivering exclusive, high-quality products that support healthier eating and affordability, "Our Brands" not only differentiate Kroger from competitors but also enhance customer loyalty and margin performance.

▲ **Margin Expansion Demonstrates Operational Control:** Kroger's margin expansion in the second quarter of fiscal 2025 is a clear indication of its strong operational control and disciplined execution. Despite pricing investments and ongoing inflationary pressures, the company achieved a 39-basis point (bps) increase in FIFO gross margin rate (excluding rent, depreciation and amortization, fuel and adjustment items), primarily driven by lower shrinkage, improved supply chain efficiency and the sale of its Specialty Pharmacy business. In addition, productivity gains and AI-driven tools for inventory management helped optimize in-store operations and reduce waste, further supporting margin growth.

▲ **Store Optimization Enhances ROI:** Kroger is making strategic moves to rationalize its physical footprint. Management announced the closure of 60 underperforming stores over 18 months, while reinvesting those savings into core growth drivers such as lower pricing and extended store hours. Simultaneously, the company is on track to complete 30 major store projects in 2025 and accelerate store openings in 2026 and beyond, particularly in high-growth markets. In the next year, it anticipates increasing store openings by 30%, with growth across in-store and online sales faster.

▲ **Financial Strength:** Kroger's solid financial position provides a strong foundation for executing its long-term growth strategy while navigating an evolving retail landscape. Year to date through the second quarter, the company generated \$3.69 billion in operating cash flow. Management reaffirmed its fiscal 2025 capital expenditure outlook of \$3.6-\$3.8 billion and maintained its adjusted free cash flow guidance of \$2.8-\$3 billion. The company remains on track to complete its \$5 billion accelerated share repurchase program in the third quarter and plans to resume open-market buybacks under the remaining \$2.5 billion authorization. With a net total debt to adjusted EBITDA ratio of 1.63x, significantly below its target range of 2.3x-2.5x, Kroger maintains ample financial flexibility to invest in high-return initiatives such as store expansion, digital innovation and associate development. This disciplined approach supports its investment-grade credit rating and enables continued capital returns through an aggressive \$5 billion accelerated share repurchase program (ASR), and resumption of open market buybacks under the remaining \$2.5 billion authorization.

Reasons To Sell:

- ▼ **Macroeconomic Challenges Hurt:** Kroger is navigating a challenging operating environment, shaped by tightening consumer spending. Budget-conscious consumers, still grappling with the effects of prolonged inflation and elevated interest rates, are increasingly cautious with discretionary spending, particularly in non-essential categories like snacks, beverages and general merchandise. In this context, total sales for the second quarter of fiscal 2025 stood at \$33,940 million, falling short of the Zacks Consensus Estimate of \$34,123 million. While the divestiture of the Specialty Pharmacy business weighed on results, ongoing volume headwinds further pressured the top line. Kroger's fuel business underperformed, with lower average retail prices and gallon volumes sold. Management warned that fuel will remain a drag on profitability ahead.
- ▼ **Rising Costs May Strain Margins:** Kroger is grappling with higher operating, general and administrative (OG&A) expenses. In the second quarter of fiscal 2025, the OG&A expenses rose 1.7% to \$6 million. This increase was driven by the sale of Kroger Specialty Pharmacy, partly offset by improved productivity.
- ▼ **Higher Interest Expense a Concern:** Net interest expense rose sharply to \$144 million in the second quarter of fiscal 2025, up from \$84 million a year ago, indicating a 71.4% increase. The spike reflects a higher debt load following the ASR program and possibly higher interest rates. While leverage is still conservative, persistent high borrowing costs could dampen future earnings growth.
- ▼ **Stiff Competition & Promotional Activities:** Kroger faces relentless competition from retail powerhouses like Target and Walmart. The need to stay afloat in this cutthroat competitive environment may force Kroger into aggressive strategies. Pricing wars or significant investments, seen as desperate attempts to outshine rivals, could result in compromising profit margins, an alarming prospect for any investor seeking a stable return. The perpetual battle for consumer attention may push Kroger into substantial investments, such as extensive marketing campaigns or store enhancements. While aimed at gaining a competitive edge, these initiatives could strain financial resources and impact profitability.
- ▼ **Volatile Consumer Landscape:** Kroger remains vulnerable to the uncertainties of the macroeconomic landscape. As a business intricately tied to consumer demand, its performance is inevitably shaped by factors influencing spending and confidence among consumers. Adverse changes in employment rates, access to credit, housing market stability, as well as fluctuations in interest rates, tax policies, and the general business climate, among other variables, have the potential to disrupt consumer spending patterns adversely, thereby impacting Kroger's financial stability.

Kroger faces challenges with increased operating costs, weakening consumer demand, and higher interest expenses, all of which are putting pressure on profitability and future growth prospects.

Last Earnings Report

Kroger Q2 Earnings Beat, E-commerce Sales Jump

The Kroger reported second-quarter fiscal 2025 results that outpaced earnings expectations, while sales came below the Zacks Consensus Estimate. The performance was driven by strength in e-commerce, pharmacy and fresh offerings, supported by operational efficiencies and a focus on customer experience. The upbeat quarter prompted management to raise its identical sales and earnings outlook for the fiscal year.

FY Quarter Ending **1/31/2025**

Earnings Reporting Date	Dec 04, 2025
Sales Surprise	-1.25%
EPS Surprise	0.96%
Quarterly EPS	1.05
Annual EPS (TTM)	4.72

Kroger's Quarterly Performance: Key Insights

Kroger posted adjusted earnings of \$1.04 per share, surpassing the Zacks Consensus Estimate of \$1.00 and improving from 93 cents in the prior-year quarter. On a reported basis, earnings came in at 91 cents a share, up from 64 cents in the year-ago period.

Total sales for the quarter stood at \$33,940 million, nearly flat year over year but fell short of the Zacks Consensus Estimate of \$34,123 million. However, excluding fuel and the divested Kroger Specialty Pharmacy business, sales advanced 3.8% year over year. Identical sales without fuel rose 3.4%, reflecting strong momentum in key growth categories.

E-commerce sales jumped 16% year over year, following a 15% gain in the first quarter, underscoring the success of Kroger's digital investments and omnichannel strategy.

Gross margin expanded to 22.5%, up from 22.1% in the year-ago quarter, aided by reduced supply-chain costs, the sale of Kroger Specialty Pharmacy and lower shrink, though partially offset by lower-margin pharmacy sales growth. The FIFO gross margin rate, excluding rent, depreciation and amortization, fuel and adjustment items, jumped 39 basis points year over year.

Adjusted FIFO operating profit reached \$1,091 million, up from \$984 million recorded in the year-ago period. Reported operating profit came in at \$863 million compared with \$815 million last year. Operating, General & Administrative (OG&A) expenses as a percentage of sales fell 5 basis points, reflecting productivity gains and cost discipline.

KR's Financial Snapshot

Kroger ended the second quarter with cash and temporary cash investments of \$4,883 million (cash \$215 million; temporary cash investments \$4,668 million), total debt of \$17,959 million and shareowners' equity of \$9,277 million. Net total debt was \$13,291 million, an increase of \$3,614 million over the last four quarters.

Kroger's net total debt-to-adjusted EBITDA ratio stood at 1.63 (versus 1.24 a year ago), comfortably below the firm's 2.30-2.50 target range, signaling financial flexibility to support investments and shareholder returns. The company remains on track to complete its \$5 billion accelerated share repurchase program in the third quarter and plans to resume open-market buybacks under the remaining \$2.5 billion authorization.

The company reaffirmed its fiscal 2025 capital expenditure outlook of \$3.6-\$3.8 billion and maintained its adjusted free cash flow guidance of \$2.8-\$3 billion.

Sneak Peek Into Kroger's Guidance

Encouraged by its second-quarter performance, Kroger raised the lower end of its full-year guidance. The company now expects identical sales without fuel growth of 2.7-3.4%, up from the prior estimate of 2.25-3.25%.

It now foresees adjusted FIFO operating profit of \$4.8-\$4.9 billion compared with the earlier projected range of \$4.7-\$4.9 billion. Management now envisions adjusted EPS between \$4.70 and \$4.80, up from the \$4.60-\$4.80 band earlier guided.

Recent News

Kroger & Instacart Expand AI Partnership for Faster Delivery- Nov. 4, 2025

Kroger and Instacart have expanded their long-standing partnership to enhance the digital grocery shopping experience through artificial intelligence and faster delivery. Instacart will continue as Kroger's main fulfillment partner, supporting nearly 2,700 stores across the U.S. The collaboration introduces Instacart's new AI-powered Cart Assistant in the Kroger app, allowing customers to receive personalized meal suggestions, build carts quickly, and shop more intuitively.

Alongside this, the companies are broadening access to Express Delivery, enabling grocery orders to arrive in as little as 30 minutes. The partnership aims to make shopping more efficient, personalized, and convenient while driving new engagement opportunities for brands.

Kroger to Hire More Than 18,000 Associates - Oct 20, 2025

Kroger unveiled that its Family of Companies are looking to hire over 18,000 associates for the holiday season and beyond. It seeks for customer-facing roles including cashiers, deli bakery clerks, baggers, pharmacy technicians and more.

Kroger, DoorDash to Boost Delivery Service - Sep 29, 2025

Kroger and DoorDash have expanded their alliance to offer the former's complete grocery assortment like fresh food, Our Brands products and everyday essentials to consumers. This will facilitate shopping, leveraging the company's store network in new ways as well as grab new households and shopping occasions.

Valuation

Kroger shares are up 10.4% in the year-to-date period and nearly 11.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 15.8%, while the Zacks Retail-Wholesale sector is up 4.4% in the year-to-date period. Over the past year, the Zacks sub-industry is up 14.2%, while the Zacks Retail-Wholesale sector has risen 3.9%.

The S&P 500 index is up 17.8% in the year-to-date period and 16.3% in the past year.

The stock is currently trading at 12.78X forward 12-month earnings, which compares to 33.04X for the Zacks sub-industry, 24.08X for the Zacks sector and 23.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.33X and as low as 9.49X, with a 5-year median of 12.32X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$70 price target reflects 13.55X forward 12-month earnings.

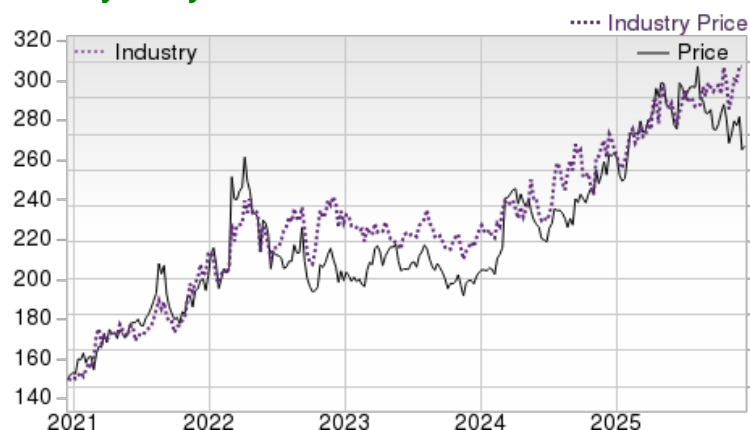
The table below shows summary valuation data for KR

Valuation Multiples - KR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.78	33.04	24.08	23.15
	5-Year High	16.33	34.04	34.74	23.81
	5-Year Low	9.49	17.55	21.48	15.73
	5-Year Median	12.32	22.15	24.78	21.21
P/S F12M	Current	0.29	1.08	1.6	5.23
	5-Year High	0.33	1.08	2.05	5.5
	5-Year Low	0.18	0.56	1.2	3.83
	5-Year Median	0.23	0.69	1.54	5.04
EV/EBITDA TTM	Current	6.68	20.33	12.75	18.25
	5-Year High	7.35	20.89	27.12	22.4
	5-Year Low	4.83	8.56	11.27	13.87
	5-Year Median	5.66	11.98	14.56	17.95

As of 11/25/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 42% (103 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Companhia Brasileira...(CBDBY)	Neutral	2
Carrefour SA (CRRFY)	Neutral	3
Jeronimo Martins SGP...(JRONY)	Neutral	4
Marks and Spencer Gr...(MAKSY)	Neutral	4
Tesco PLC (TSCDY)	Neutral	4
Wal-Mart de Mexico S...(WMMVY)	Neutral	3
Walmart Inc. (WMT)	Neutral	3
J. Sainsbury PLC (JSAIY)	Underperform	4

Industry Comparison⁽¹⁾ Industry: Retail - Supermarkets

	KR	X Industry	S&P 500	CRRFY	TSCDY	WMMVY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	2
VGM Score	A	-	-	A	A	C
Market Cap	39.74 B	10.10 B	38.81 B	12.37 B	38.24 B	54.89 B
# of Analysts	6	1	22	2	2	2
Dividend Yield	2.23%	1.65%	1.41%	5.25%	2.10%	2.52%
Value Score	A	-	-	A	A	B
Cash/Price	0.12	0.13	0.04	0.51	NA	0.03
EV/EBITDA	6.64	6.03	14.58	NA	NA	10.08
PEG Ratio	1.55	2.18	2.21	1.79	1.30	5.63
Price/Book (P/B)	5.91	1.25	3.30	0.99	2.70	4.57
Price/Cash Flow (P/CF)	5.84	6.81	15.05	3.00	8.36	13.08
P/E (F1)	13.11	15.12	19.66	10.34	15.79	19.36
Price/Sales (P/S)	0.27	0.27	3.08	NA	NA	1.08
Earnings Yield	7.63%	6.33%	5.02%	9.52%	6.33%	5.18%
Debt/Equity	2.28	0.38	0.57	1.02	NA	0.37
Cash Flow (\$/share)	10.75	4.13	8.99	1.12	2.13	2.41
Growth Score	B	-	-	B	A	D
Hist. EPS Growth (3-5 yrs)	7.41%	6.85%	8.16%	NA	NA	11.77%
Proj. EPS Growth (F1/F0)	7.16%	7.11%	8.60%	-5.71%	2.73%	-3.55%
Curr. Cash Flow Growth	-1.85%	2.96%	6.75%	-2.62%	12.80%	2.96%
Hist. Cash Flow Growth (3-5 yrs)	6.93%	5.21%	7.43%	0.93%	1.46%	8.01%
Current Ratio	0.88	0.89	1.18	0.90	NA	0.95
Debt/Capital	69.55%	27.62%	38.01%	50.45%	NA	26.78%
Net Margin	0.54%	1.83%	12.78%	NA	NA	5.03%
Return on Equity	38.06%	11.64%	17.00%	NA	NA	21.45%
Sales/Assets	2.79	2.34	0.53	NA	NA	2.00
Proj. Sales Growth (F1/F0)	0.70%	4.50%	5.79%	4.10%	9.30%	6.40%
Momentum Score	D	-	-	F	C	C
Daily Price Chg	-1.60%	0.00%	0.79%	0.00%	0.39%	1.13%
1 Week Price Chg	0.77%	0.71%	-1.83%	5.41%	-2.19%	0.71%
4 Week Price Chg	-4.72%	0.91%	3.61%	13.90%	1.83%	-6.40%
12 Week Price Chg	-4.12%	-0.04%	2.57%	13.13%	0.79%	3.97%
52 Week Price Chg	3.00%	15.00%	15.47%	21.74%	26.80%	10.39%
20 Day Average Volume	7,083,842	55,996	2,770,348	195,650	152,046	55,647
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.03%	0.00%	0.00%	-2.99%	-1.74%	0.00%
(F1) EPS Est 12 week change	-0.01%	-0.01%	0.69%	-5.34%	0.89%	2.20%
(Q1) EPS Est Mthly Chg	-1.18%	0.00%	0.00%	NA	NA	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	A
Growth Score	B
Momentum Score	D
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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