

NetApp, Inc. (NTAP)

\$115.66 (Stock Price as of 12/12/2025)

Price Target (6-12 Months): **\$123.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/26/24)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: C

Value: C

Growth: C

Momentum: B

Summary

NetApp reported better-than-expected fiscal second-quarter results. The top-line performance gained from momentum across the all-flash portfolio, with especially strong Keystone adoption and growth in first-party and marketplace cloud storage services. Nearly 46% of systems in the installed base under active support contracts are now all-flash. Demand for AI solutions remains strong. Customer adoption also grew sharply, with roughly 200 AI infrastructure and data-modernization deals closed in the second quarter. Deepening ties with hyperscalers act as a tailwind. However, management highlighted weakness in spending in the U.S. public sector and EMEA. It anticipates headwinds in the U.S. public sector during the second half of the year. Fiscal 2026 revenues are reaffirmed to be in the range of \$6.625-\$6.875 billion. Stiff competition is another concern.

Data Overview

52 Week High-Low	\$127.78 - \$71.84
20 Day Average Volume (sh)	2,222,698
Market Cap	\$22.9 B
YTD Price Change	-0.4%
Beta	1.42
Dividend / Div Yld	\$2.08 / 1.8%
Industry	Computer- Storage Devices
Zacks Industry Rank	Top 5% (13 out of 243)

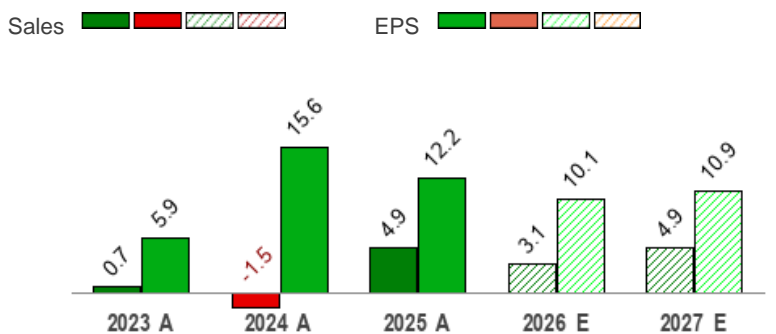
Last EPS Surprise	8.5%
Last Sales Surprise	1.1%
EPS F1 Est- 4 week change	1.1%
Expected Report Date	02/26/2026
Earnings ESP	0.0%

P/E TTM	15.6
P/E F1	14.5
PEG F1	1.4
P/S TTM	3.5

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽²⁾



Sales Estimates (millions of \$)⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2027	1,618 E	1,782 E	1,796 E	1,911 E	7,108 E
2026	1,559 A	1,705 A	1,711 E	1,805 E	6,779 E
2025	1,541 A	1,658 A	1,641 A	1,732 A	6,572 A

EPS Estimates⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2027	1.90 E	2.24 E	2.29 E	2.44 E	8.85 E
2026	1.55 A	2.05 A	2.10 E	2.29 E	7.98 E
2025	1.56 A	1.87 A	1.91 A	1.93 A	7.25 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 12/08/2025.

Overview

NetApp provides enterprise storage as well as data management software and hardware products and services. The San Jose, CA-based company assists enterprises in managing multiple clouds environments, adopting next-generation technologies like artificial intelligence (AI), Kubernetes, and contemporary databases, and navigating the complexity brought about by the quick development of data and cloud usage.

NetApp reported revenues of \$6.57 billion, up 5% in fiscal 2025. The company derived 90% of revenues from the Hybrid Cloud segment and the remaining from the Public Cloud Segment.

Hybrid Cloud offers a portfolio of storage management and infrastructure solutions that assist customers to transforming their traditional data centers into modern data centers with the help of cloud. Under this segment, the company offers intelligent data management software which includes NetApp ONTAP, NetApp Snapshot, NetApp SnapCenter Backup Management, and NetApp Astra, etc.

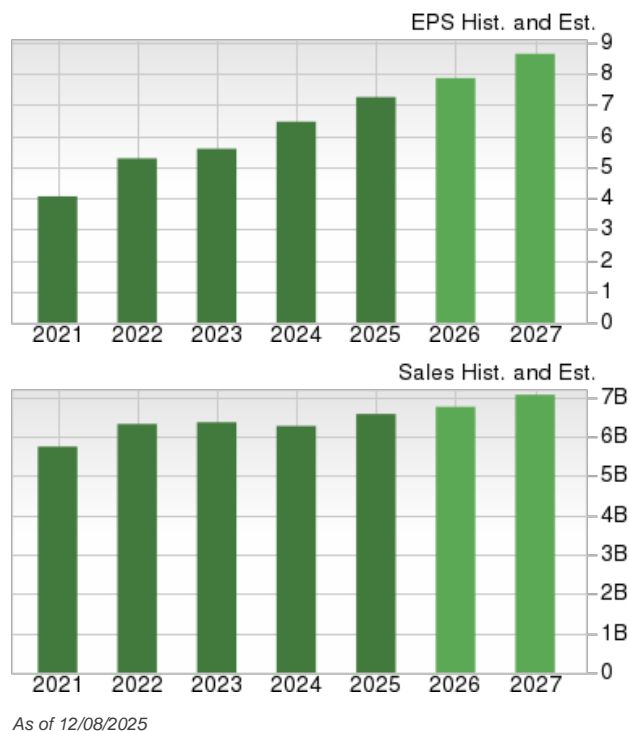
Customers using NetApp Fabric Attached Storage (FAS) Arrays benefit from a combination of capacity and performance when using either hybrid-flash or disc drive configurations. FAS systems are ideal for secondary storage targets for disaster recovery, backup, and tiering. The Hybrid Cloud also offers storage solution which includes NetApp All-Flash FAS (AFF A-Series), NetApp QLC-Flash FAS (AFF C-Series) and NetApp StorageGRID etc.

Public Cloud offers a portfolio of products delivered primarily as-a-service, along with associated support. This portfolio includes cloud storage and data services and cloud operations services.

The company's cloud operations services included NetApp Cloud Insights, Spot by NetApp and Instaclustr platform. Its divested Spot by NetApp business in January 2025. Apart from these, NetApp also offers support, consulting and training services. The company markets and distributes products worldwide through a direct sales force, and an ecosystem of partners, including the leading cloud providers.

On a geographical basis, NetApp generated 51% of revenues in fiscal 2025 from the Americas (the United States, Canada and Latin America), 34% from Europe, the Middle East and Africa (EMEA), and the remaining 15% from Asia Pacific (APAC).

NetApp faces stiff competition from companies like HP, Dell, and IBM.



Reasons To Buy:

- ▲ NetApp is witnessing higher demand from customers for its portfolio of modern all-flash arrays, especially the C-series capacity flash and ASA block-optimized flash. The new all-flash A-series is also picking up momentum. These enterprise storage products will allow users to boost workloads, including traditional enterprise applications and Gen AI. The company expects the new AFF A-series, along with its C-series and ASA products, to capture further share in the all-flash market. Management highlighted that at the end of the second quarter of fiscal 2026, 46% of systems in its installed base under active support contracts are all-flash. The company's All-Flash Array revenues increased 9% year over year to \$1 billion, representing an annualized run rate of \$4.1 billion. Total billings rose 4% year over year to \$1.65 billion.
- ▲ NetApp's Keystone storage-as-a-service offering has been gaining significant traction. Keystone revenues grew 76% year over year in the fiscal second quarter. This led to a 13.8% jump in Professional Services revenues to \$99 million. With \$456 million in unbilled RPO (indicator for Keystone performance), up 39% year over year, the pipeline for Keystone remains robust.
- ▲ Solid momentum in hyperscaler first-party and marketplace storage services has been driving revenues from the Public Cloud. The Public Cloud segment comprises revenues from products delivered as a service and related supports. The portfolio contains cloud automation and optimization services, storage and cloud infrastructure monitoring services. The Public Cloud segment's revenues improved 2% to \$171 million. Excluding Spot, Public Cloud revenues grew 18% year over year, supported by strong demand for first-party and marketplace storage services. First-party and marketplace cloud storage services grew 32%. NetApp's partnerships with major hyperscalers such as Amazon and Microsoft, through offerings like Amazon FSx for NetApp ONTAP and Microsoft Azure NetApp Files, solidify its position as a critical player in the cloud infrastructure space, which is poised for continued growth as enterprises migrate more workloads to the cloud.
- ▲ Apart from the demand for flash and block, the increasing demand for NetApp's cloud storage and AI solutions bodes well. The company's revenue growth in the second quarter was propelled by accelerating demand for its AI offerings, cloud storage services across first-party and marketplace channels, and its all-flash solutions. The company continued expanding its leadership in enterprise AI with the introduction of AFX, a high-performance, NVIDIA-certified storage platform for demanding AI workloads and AIDE, an integrated AI data engine within ONTAP that streamlines data discovery, curation, governance and real-time vectorization. These innovations simplify and accelerate AI data pipelines across hybrid and multicloud environments. Customer adoption also grew sharply, with roughly 200 AI infrastructure and data-modernization deals closed in the second quarter. The launch of AI reference architectures with NVIDIA (AIDP), Intel (AIPod Mini), Cisco (FlexPod) and Lenovo (AIPod), and certification for NVIDIA DGX SuperPOD, indicates NetApp is deeply embedded in the evolving AI stack. NetApp expects fiscal 2026 to be a pivotal year for enterprise AI storage.
- ▲ Management's execution has been favorable in recent times. NetApp's cash, cash equivalents and investments were \$3 billion as of Oct. 24, 2025. Its long-term debt was \$2.486 billion as of Oct. 24, 2025. Net cash from operations was \$127 million compared with \$105 million in the previous-year quarter. Free cash flow was \$78 million (free cash flow margin of 4.6%) compared with \$60 million in the prior-year quarter (3.6%). Net cash balance provides the required flexibility to pursue any growth strategy, whether through acquisitions or otherwise. A strong balance sheet helps NetApp continue its shareholder-friendly initiatives of dividend payouts. The company returned \$353 million to its shareholders as dividend payouts and share repurchases in the fiscal second quarter. NetApp returned \$250 million to its shareholders through share repurchases and distributed \$103 million in dividends. The company returned \$1.57 billion to its shareholders as dividend payouts and share repurchases in the fiscal 2025. NetApp's ability to generate solid free cash flow is expected to help it sustain the current dividend payout (0.35) level, at least in the near term.

Strength in flash business, Public Cloud segment and emerging opportunities in cloud/AI bode well for NetApp

Reasons To Sell:

- ▼ Management continues to expect spending caution amid an uncertain global macroeconomic outlook. Softness in the U.S. Public Sector and the EMEA weighed on the fiscal second-quarter results, with revenues flat year over year. The company anticipates headwinds in the U.S. public sector during the second half of the year. Fiscal 2026 revenues are still forecasted to be in the range of \$6.625-\$6.875 billion. Storage cycles and infrastructure refreshes can be deferred if macro worsens, leading to top-line erosion.
- ▼ NetApp continues to acquire a large number of companies. While this improves revenue opportunities, the move increases integration risks. Large acquisitions have negatively impacted the balance sheet in the form of high levels of goodwill and net intangible assets, which totaled \$2.76 billion or 28.6% of total assets as of Oct 24, 2025.
- ▼ NetApp faces stiff competition from bellwethers such as HP Inc., Dell, IBM and Oracle. NetApp's competitors are revamping their product lines with faster and more efficient products. Pure Storage is a major competitor in all-flash business and cloud-based storage offerings. Moreover, an uncertain macroeconomic backdrop and cautious consumer spending continue to be major concerns.
- ▼ The company is trading at a premium in terms of Price/Book (P/B). NetApp currently has a trailing 12-month P/B ratio of 23.56X, way higher than the industry's 7.58X. The valuation looks highly stretched from a P/B perspective.

Higher macro uncertainty, inflation concerns, spending caution and stiff competition remain concerning for NetApp.

Last Earnings Report

NetApp's Q2 Earnings Surpass Estimates

NetApp reported second-quarter fiscal 2026 non-GAAP earnings of \$2.05 per share, which beat the Zacks Consensus Estimate by 8.5%. The figure increased 9.6% year over year. The bottom line exceeded the company's guided range of \$1.84-\$1.94.

Revenues of \$1.71 billion increased 3% year over year. The figure was within the guidance of \$1.615-\$1.765 billion. The top line beat the consensus mark by 1.1%. Management highlighted that the company's revenue growth was propelled by accelerating demand for its AI offerings, cloud storage services across first-party and marketplace channels, and its all-flash solutions.

Management updated its outlook for fiscal 2026. It continues to expect revenues in the range of \$6.625-\$6.875 billion, up 3% year over year at the midpoint. Non-GAAP earnings per share are forecasted to be between \$7.75 and \$8.05 compared with the prior view of \$7.60-\$7.90. Non-GAAP gross margin is anticipated to be 71.7-72.7% and non-GAAP operating margin to be in the band of 29.5-30.5%. Earlier, the company projected Non-GAAP gross margin to be 71-72% and non-GAAP operating margin to be in the band of 28.8-29.8%.

Top-Line Details

NTAP reports revenues under two segments, Hybrid Cloud and Public Cloud.

The Hybrid Cloud segment includes revenues from the enterprise data center business, including product, support and professional services.

The Public Cloud segment comprises revenues from products delivered as a service and related support. The portfolio contains cloud automation and optimization services, storage and cloud infrastructure monitoring services.

Revenues from the Hybrid Cloud segment increased 3% year over year to \$1.5 billion. The Public Cloud segment's revenues improved 2% to \$171 million.

We expected fiscal second-quarter revenues from the Hybrid Cloud and Public Cloud segments to be \$1.51 billion and \$178.7 million, respectively.

Within the Hybrid Cloud segment, Product revenues (51.4% of segmental revenues) increased 2.6% year over year to \$788 million.

Revenues from Support Contracts (42.1%) totaled \$647 million, up 1.9% year over year. Professional and Other Services revenues (6.5%) amounted to \$99 million, up 13.8%.

Region-wise, the Americas, Europe, the Middle East and Africa, and Asia Pacific contributed 51%, 33% and 16% to total revenues, respectively.

Direct and indirect revenues added 23% and 77%, respectively, to total revenues.

Key Metrics

In the second quarter, the company's All-Flash Array revenues increased 9% year over year to \$1 billion, representing an annualized run rate of \$4.1 billion.

Total billings rose 4% year over year to \$1.65 billion. Deferred revenues and financed unearned services revenues totaled \$4.5 billion, up 8.4%. Remaining performance obligations (RPO) were \$4.9 billion.

Operating Details

Non-GAAP gross margin of 72.6% was up 60 basis points (bps) from the prior-year quarter's levels.

The Hybrid segment's gross margin was 71.4% compared with 71.8% in the prior year. The Public Cloud segment witnessed a gross margin of 83%, up from 73.8%.

Non-GAAP operating expenses were \$707 million, down 1.7% from the year-ago quarter.

Non-GAAP operating income increased 11.6% year over year to \$530 million.

Non-GAAP operating margin was 31.1%, up from 28.6%.

Balance Sheet & Cash Flow

NetApp exited the quarter ended Oct. 24, 2025, with \$3 billion in cash, cash equivalents and investments compared with \$3.32 billion as of July 25, 2025. Long-term debt was \$2.486 billion, flat sequentially.

Net cash from operations was \$127 million compared with \$105 million in the previous-year quarter.

Free cash flow was \$78 million (free cash flow margin of 4.6%) compared with \$60 million in the prior-year quarter (3.6%).

The company returned \$353 million to its shareholders as dividend payouts and share repurchases in the fiscal second quarter.

FY Quarter Ending 4/30/2025

Earnings Reporting Date	Nov 25, 2025
Sales Surprise	1.09%
EPS Surprise	8.47%
Quarterly EPS	2.05
Annual EPS (TTM)	7.44

NTAP also announced a dividend of 52 cents per share payable on Jan. 21, 2026, to its shareholders of record as of the close of business on Jan. 2.

Q3 Guidance

The company anticipates revenues to be in the range of \$1.615 -\$1.765 billion.

For the third quarter, the company expects Non-GAAP gross margin to be in the range of 72.3-73.3%, and Non-GAAP operating margin in the band of 30.5% to 31.5%.

Non-GAAP EPS is projected to be between \$2.01 and \$2.11.

Recent News

On Dec. 2, 2025, NetApp announced a new capability that streamlines enterprise workflows by connecting AWS AI and Analytics services directly to NetApp data across cloud and on-premises environments.

On Oct. 16, 2025, OPSWAT integrated its MetaDefender Storage Security with NetApp ONTAP to enhance file security across on-premises, cloud, and hybrid environments. The solution helps detect and block malware, macro threats, data leaks, and file vulnerabilities without disrupting existing workflows.

On Oct. 14, 2025, NetApp and Red Hat expanded their partnership to accelerate adoption of Red Hat OpenShift Virtualization across on-premises and cloud environments. The collaboration helps customers modernize IT and simplify cloud-native workload migration.

NetApp and Cisco expanded their long-standing partnership with the new NetApp AFX architecture, integrating Cisco Nexus switches for intra-cluster connectivity and soon extending to FlexPod AI. The collaboration aims to deliver a strong, enterprise-grade foundation for AI.

NetApp expanded its partnership with Google Cloud to help customers speed up cloud transformation. New block storage features in Google Cloud NetApp Volumes enhance support for key workloads like virtualization, databases, and AI.

NetApp introduced a new suite of products to strengthen its data platform and support the next wave of AI innovation. The centerpiece, NetApp AFX, is a next-generation all-flash storage system built for AI workloads. Based on ONTAP, it scales up to 128 nodes, delivers high performance and capacity, supports NVIDIA DGX SuperPOD, and offers strong data management, security, and cloud integration.

On Sept. 9, 2025, NetApp launched StorageGRID 12.0, a scalable software-defined object storage solution for unstructured data. The new version adds features to boost AI performance, strengthen data security, and modernize data infrastructure.

On Aug. 27, 2025, NetApp announced a dividend of 52 cents per share payable on Oct. 22 to its shareholders of record as of the close of business on Oct. 3.

On Aug 6, 2025, NetApp announced that Amazon FSx for NetApp ONTAP is supported as an external storage option for Amazon Elastic VMware Service (Amazon EVS) on AWS. Amazon EVS enables users to run VMware Cloud Foundation (VCF) directly within their Amazon VPC alongside other applications.

On May 29, 2025, NetApp announced a dividend of 52 cents per share payable on July 23, 2025, to its shareholders of record as of the close of business on July 3.

Valuation

NetApp's shares are up 3.1% year-to-date but down 6.2% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 83.2% while the Zacks Computer & Technology sector gained 29.8% year-to-date. In the past year, the shares in the Zacks sub-industry are up 56% while the sector is up 27.8%.

The S&P 500 Index is up 20.7% year-to-date and 17.7% in the past year.

The stock is currently trading at 16.44X forward 12-month earnings compared with 19.06X for the Zacks sub-industry, 29.03X for the Zacks sector and 23.59X for the S&P 500 index.

In the past five years, the stock has traded as high as 24.20X and as low as 12.17X, with a median of 17.68X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$123 price target reflects 17.26X forward 12-month earnings.

The table below shows summary valuation data for NTAP:

Valuation Multiples - NTAP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.44	19.06	29.03	23.59
	5-Year High	24.20	102.02	29.92	23.78
	5-Year Low	12.17	9.84	18.7	15.73
	5-Year Median	17.68	18.3	26.62	21.21
P/S F12M	Current	3.35	1.82	6.8	5.33
	5-Year High	4.20	2.43	7.4	5.5
	5-Year Low	1.89	0.91	4.24	3.83
	5-Year Median	2.85	1.56	6.29	5.05
EV/Sales TTM	Current	3.42	2.85	8.25	5.77
	5-Year High	4.22	5.11	8.36	5.81
	5-Year Low	1.82	1.12	4.17	3.78
	5-Year Median	2.77	2.02	6.92	5.12

As of 12/05/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 5% (13 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Seagate Technology H...(STX)	Outperform	1
Teradata Corporation (TDC)	Outperform	1
Western Digital Corp...(WDC)	Outperform	1
Netlist, Inc. (NLST)	Neutral	4
Pure Storage, Inc. (PSTG)	Neutral	3
Quantum Corporation (QMCO)	Neutral	3
Super Micro Computer...(SMCI)	Neutral	3
Sensata Technologies...(ST)	Neutral	3

Industry Comparison⁽¹⁾ Industry: Computer- Storage Devices

	NTAP	X Industry	S&P 500	PSTG	SMCI	TDC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	1
VGM Score	C	-	-	F	B	F
Market Cap	22.91 B	11.11 B	39.38 B	23.44 B	19.30 B	2.92 B
# of Analysts	9	4.5	22	10	6	5
Dividend Yield	1.80%	0.00%	1.41%	0.00%	0.00%	0.00%
Value Score	C	-	-	F	B	C
Cash/Price	0.13	0.12	0.04	0.07	0.22	0.14
EV/EBITDA	13.76	13.76	14.60	79.81	14.76	10.22
PEG Ratio	1.38	2.06	2.23	2.16	0.53	2.70
Price/Book (P/B)	23.23	10.24	3.35	16.71	2.95	13.32
Price/Cash Flow (P/CF)	15.94	16.43	15.20	81.27	16.92	12.53
P/E (F1)	14.49	15.68	19.78	36.69	14.98	13.06
Price/Sales (P/S)	3.45	3.45	3.06	6.73	0.92	1.77
Earnings Yield	6.80%	5.22%	4.99%	2.72%	6.68%	7.67%
Debt/Equity	2.52	0.14	0.57	0.00	0.72	2.21
Cash Flow (\$/share)	7.26	1.91	8.99	0.88	1.91	2.50
Growth Score	C	-	-	C	C	D
Hist. EPS Growth (3-5 yrs)	12.23%	9.01%	8.16%	44.01%	73.98%	5.79%
Proj. EPS Growth (F1/F0)	10.07%	36.14%	8.57%	14.79%	4.85%	-0.83%
Curr. Cash Flow Growth	9.32%	9.32%	6.75%	9.98%	-8.70%	13.86%
Hist. Cash Flow Growth (3-5 yrs)	7.43%	4.65%	7.43%	53.55%	47.72%	1.86%
Current Ratio	1.34	1.34	1.19	1.65	5.39	0.90
Debt/Capital	71.60%	31.33%	38.01%	0.00%	41.75%	68.85%
Net Margin	17.73%	3.77%	12.78%	3.74%	3.77%	7.15%
Return on Equity	121.28%	21.80%	17.00%	10.60%	12.70%	83.22%
Sales/Assets	0.68	0.91	0.53	0.87	1.72	0.95
Proj. Sales Growth (F1/F0)	3.10%	1.40%	5.77%	14.60%	65.90%	-6.50%
Momentum Score	B	-	-	F	C	F
Daily Price Chg	-2.90%	-5.38%	-1.07%	-6.00%	-4.97%	-1.60%
1 Week Price Chg	-1.37%	2.41%	-0.63%	1.26%	-6.80%	4.82%
4 Week Price Chg	5.68%	8.71%	1.39%	-15.69%	-11.23%	14.90%
12 Week Price Chg	-7.59%	15.45%	2.45%	-18.84%	-29.43%	42.27%
52 Week Price Chg	-5.16%	-3.10%	12.83%	11.96%	-11.30%	-3.10%
20 Day Average Volume	2,222,698	1,875,664	2,728,366	5,342,901	21,675,328	1,528,631
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	1.09%	0.00%	0.00%	-18.17%	0.00%	-0.06%
(F1) EPS Est 12 week change	0.77%	-0.60%	0.69%	-17.05%	-10.83%	17.25%
(Q1) EPS Est Mthly Chg	-0.92%	-0.46%	0.00%	-13.65%	0.00%	-1.47%

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	C
Growth Score	C
Momentum Score	B
VGM Score	C

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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