

## Seneca Foods (SENEA)

**Stock Price: \$111.59** (As of 12/16/2025)

**Zacks Recommendation:** Outperform

(Since: 09/03/2025)

**Prior Recommendation:** Neutral

### Summary

Seneca is positioned to benefit from resilient global demand for shelf-stable foods, with a broad geographic reach across 55 countries. Improved cost controls and inventory discipline have boosted margins, releasing \$14.5 million from LIFO layers and enhancing free cash flow. Debt reduction has strengthened balance sheet flexibility. The Green Giant acquisition expands branded presence and synergies, while moderating inflation should ease LIFO distortions, supporting margin recovery. Real estate monetization adds capital optionality. Risks include persistent input cost inflation, structural LIFO earnings volatility, working capital swings, concentrated customer exposure, seasonal labor pressures and limited free cash flow absent inventory release. Seneca's valuation reflects both structural risks and embedded margin recovery potential.

### Stock Price History



Source: Zacks Investment Research

### Data Overview

52 Wk High-Low	\$129.03 - \$70.58
20-Day Average Volume (Shares)	73,768
20-Day Average Trading Value	\$8.23M
Market Cap	\$763.81M
Year-To-Date Price Change	40.79%
Beta	0.10
Cash	\$18.13M
Debt	\$246.44M
FCF TTM	\$259.18M

#### Valuation

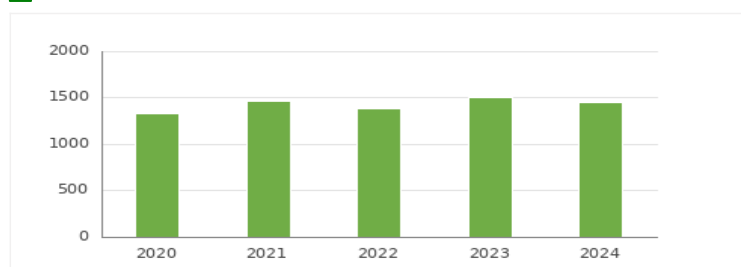
P/E TTM	12.43
EV/EBITDA	7.66
EV/SALES	0.62
P/BV	1.14

Industry	Food - Miscellaneous
Zacks Industry Rank	Bottom 17% (199 out of 243)
Expected Report Date	02/05/2026

#### Last Reported Quarter

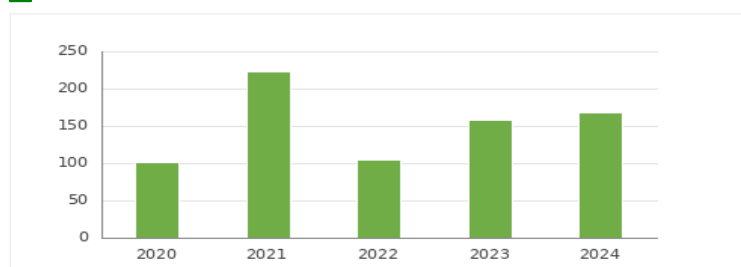
Sales Growth YOY	8.12%
EPS Growth	-1.70%
EBITDA Growth	NA
FCF Growth	NA

### Sales TTM (millions of \$)



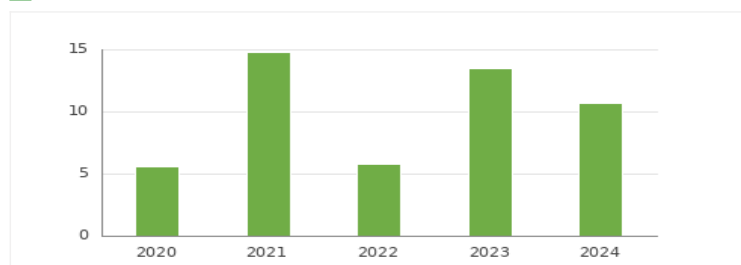
Source: Zacks Investment Research

### EBITDA TTM (millions of \$)



Source: Zacks Investment Research

### EPS TTM (\$/share)



Source: Zacks Investment Research

The charts and tables reflect data as of 12/16/2025, while the textual content of the report is as of 09/03/2025

## Overview

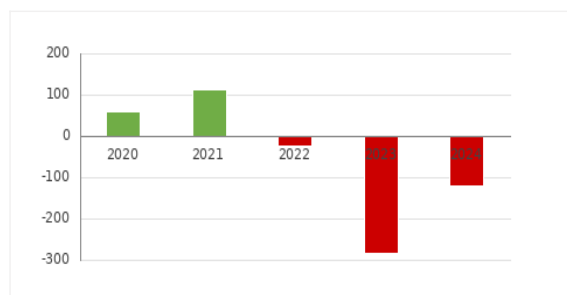
Fairport, NY-based Seneca Foods Corporation (SENEA), founded in 1949, is a provider of packaged fruits and vegetables. It operates 26 primary facilities across the United States, including packaging plants, a can manufacturing facility, seed production operations, farming ventures and a logistics support network. SENEA's core business involves producing and marketing canned, frozen and jarred fruits and vegetables, as well as snack chips, under private labels and owned or licensed brands such as Seneca and Libby's, among others. Its products are sold nationwide via major grocery outlets and supplied to foodservice distributors, industrial markets, restaurant chains, government programs and export markets in 55 countries.

SENEA operates under two main reportable food packaging segments: Vegetable and Fruit/Snack. Total revenues in fiscal 2025 were \$1.58 billion, up 8.2% from fiscal 2024. Canned vegetables revenues were 83.2% of total net sales, frozen vegetables were 7.9%, fruit products were 5.9%, snack products were 0.9% and the "Other" category (including can and seed sales and aircraft operations) was 2.1%. SENEA has at least 13 known competitors in the U.S. packaged fruit and vegetable industry, many of which are privately held. It maintains long-term, royalty-based licenses for the Green Giant and Libby's brands.

As of March 31, 2025, SENEA had access to a \$450 million senior revolving credit facility with Wells Fargo Bank, seasonally adjusted to \$400 million from April through July. The revolving line of credit matures on Dec. 24, 2029. At fiscal 2025-end, the unused portion of the Revolver stood at \$442 million. It also had \$7 million in outstanding standby letters of credit, which reduced availability under the credit facility. On Jan. 20, 2023, SENEA entered into a Second Amended and Restated Loan and Guaranty Agreement with Farm Credit East, ACA, covering two term loans. Term Loan A-1 was a \$100 million unsecured loan with a 3.3012% fixed rate, maturing June 1, 2025, and fully repaid at maturity using cash on hand. Term Loan A-2 added \$175 million secured debt maturing Jan. 20, 2028, at a SOFR-based variable rate. On May 23, 2023, an amendment consolidated Term Loan A-2 into a \$298.5 million single facility (Amended Term Loan A-2) with a 6.57% interest rate as of March 31, 2025.

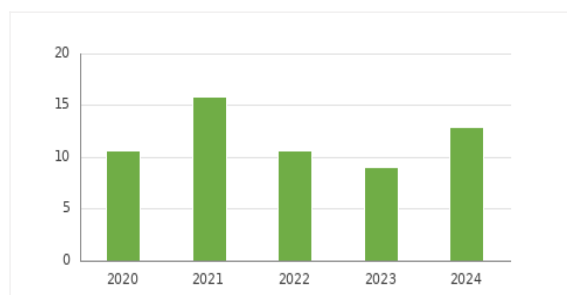
*The data and facts mentioned in this section are as of 03/31/2025.*

### FCF TTM (millions of \$)



Source: Zacks Investment Research

### Gross Margin % TTM



Source: Zacks Investment Research

## Reasons To Buy

- ▲ **Large, Unmet Market Opportunity:** Seneca continues to benefit from resilient global demand for shelf-stable food products, supported by its wide geographic reach and brand portfolio. In fiscal 2025, canned vegetables — comprising 83.2% of food packaging sales — grew to \$1.31 billion from \$1.20 billion despite pack season challenges and elevated costs. As of first-quarter fiscal 2026, net sales totaled \$297.5 million, reflecting a 2.4% year-over-year decline due to lower volumes, partially offset by pricing and favorable mix. With product sales across 55 countries and consistent demand across retail, foodservice and export channels, Seneca is positioned to capture sustained volume stability as consumers prioritize affordable, long-shelf-life foods amid macroeconomic volatility.
- ▲ **Margin Expansion via Structural Cost Control and Inventory Discipline:** Seneca's inventory and cost structure management has materially improved margin visibility and free cash flow. An inventory reduction from \$872.7 million to \$603.9 million in fiscal 2025 released lower-cost LIFO layers, lowering COGS by \$14.5 million and increasing net earnings by \$10.9 million. In first-quarter fiscal 2026, Seneca recorded an additional \$11.8 million LIFO credit, which supported a 14.1% gross margin despite high-cost 2024 inventory being sold through. These improvements in working capital efficiency and operational discipline support structurally higher cash generation, with inventory discipline continuing into fiscal 2026 amid a more normalized pack season and improved growing conditions.
- ▲ **Enhanced Balance Sheet Flexibility and Deleveraging Capacity:** Seneca has significantly reduced its leverage profile, supported by strong free cash flow. In fiscal 2025, operating cash flow reached \$335.5 million, reversing a \$82.9 million outflow in the prior year. This enabled a reduction in revolver borrowings from \$237.2 million to \$1 million and long-term debt from \$585.8 million to \$253.8 million. In first-quarter fiscal 2026, the company fully repaid Term Loan A-1, reduced total debt further to \$259.5 million, and maintained liquidity to fund its seasonal pack cycle. The revolver has been refinanced through 2029, minimizing refinancing risk and positioning the company for opportunistic reinvestment and financial resilience.
- ▲ **Branded Portfolio Scale from Green Giant Acquisition:** Seneca's acquisition of the Green Giant shelf-stable vegetable line for \$55.2 million in November 2023 added a nationally recognized, royalty-free brand to its portfolio. This perpetual U.S. license strengthens its presence in the branded and premium private-label shelf-stable segment. With aligned manufacturing and distribution scale, the deal is expected to yield cost synergies and purchasing leverage while expanding Seneca's branded reach across existing retail and foodservice networks. The transaction reflects strategic alignment with Seneca's core competencies and reinforces its leadership position in value-added vegetable products.
- ▲ **Reversal of LIFO Accounting Headwinds Unlocking Latent Earnings Power:** Seneca's gross margin declined to 9.5% in fiscal 2025 from 12.9% the prior year due to a \$34.5 million LIFO charge. However, underlying earnings remained stable, with FIFO EBITDA reaching \$171.4 million, highlighting suppressed margin potential under GAAP reporting. In first-quarter fiscal 2026, a \$11.8 million LIFO credit contributed to a 14.1% gross margin despite sales of high-cost prior-year inventory. As inflation moderates, LIFO headwinds are expected to unwind, enabling reported margins to converge with underlying profitability. This provides a structural tailwind, supporting long-term earnings expansion.
- ▲ **Real Estate Monetization Enhancing Optionality:** Seneca is unlocking value from non-core assets to strengthen liquidity and support capital efficiency. A \$5 million land sale approved for fourth-quarter fiscal 2025, with a \$0.6 million book value, is expected to generate a \$4.4 million gain. The proceeds may be deployed toward debt reduction, capital investments, or potential shareholder returns, demonstrating disciplined asset management. This reflects management's ongoing focus on capital allocation flexibility while enhancing the financial capacity to invest in core operations and strategic initiatives.

Seneca gains from global demand for shelf-stable foods, improves margins through cost control, reduces debt and strengthens portfolio with Green Giant acquisition.

## Risks

- **Profitability Pressure from Persistent Input Cost Inflation:** Seneca continues to experience margin compression despite top-line stability. Fiscal 2025 gross margin declined to 9.5% from 12.9% in fiscal 2024, with fourth-quarter fiscal 2025 margins falling to 4.5% from 6.7% year over year. Operating income dropped 27.5% to \$77.8 million from \$107.2 million, as cost inflation across raw materials, packaging, labor and steel outpaced pricing adjustments. Although management has worked through high-cost 2024 inventory, first-quarter fiscal 2026 data show only modest gross margin improvement to 14.1%, supported by a significant \$11.8 million LIFO credit, up from \$2.9 million last year. This accounting-driven margin lift obscures operational cost trends, suggesting underlying margin rigidity remains. Until Seneca regains sustained pricing power or input volatility abates, profitability may remain structurally constrained.
- **Structural Earnings Volatility Due to LIFO Accounting:** Seneca's LIFO accounting continues to introduce material distortions to reported earnings. In fiscal 2025, the LIFO charge rose 54.3% to \$34.5 million from \$22.3 million in the prior fiscal year, and reduced fourth-quarter fiscal 2025 pre-tax income by \$11.5 million, versus \$2.7 million a year ago. In the first quarter of fiscal 2026, the LIFO credit was \$11.8 million, nearly quadrupling from the prior-year period and materially inflating reported results. FIFO-adjusted EBITDA declined 30.5% year over year to \$25.2 million from \$36.3 million, indicating deterioration in core operations once inflation-driven inventory revaluations are removed. As commodity prices and pack costs fluctuate seasonally, LIFO will likely remain a structural drag on earnings visibility and limit investor confidence in long-term trend assessment.
- **Working Capital Volatility and Replenishment Risk:** Although working capital improved to \$553.9 million in first-quarter fiscal 2026 from \$541.1 million as of March 2025, this gain was largely driven by inventory drawdowns. Inventory as of June 2025 was \$614.4 million, down from \$841.8 million, reflecting the company's reduced pack strategy following the short 2024 season. While this has improved near-term cash flow and reduced reliance on revolving credit (first-quarter fiscal 2026 draw at \$10.4 million, down from \$209.2 million year over year), it increases exposure to supply disruptions and crop shortfalls. With the 2025 pack still underway and subject to weather-dependent yields, Seneca's responsiveness to future demand volatility could be constrained, particularly if replenishment costs remain elevated.
- **Elevated Debt Service and Refinancing Exposure:** Despite reduced revolver usage, Seneca's capital structure remains debt-heavy, with \$259.5 million in long-term debt and \$24.4 million due within 12 months as of June 2025. The repayment of \$81 million under Term Loan A-1 in first-quarter fiscal 2026 reduced total debt but also constrained liquidity, as reflected in the \$80.8 million cash outflow from financing activities. Interest expense, although down 47.7% to \$5.4 million from \$10.3 million year over year, remains a meaningful earnings drag. Seneca's term loans and revolver are subject to variable SOFR-based rates, and the future cost of capital could rise if credit conditions tighten. This debt structure limits financial agility and increases refinancing sensitivity, especially as capital expenditures and seasonal pack investments escalate.
- **Customer Concentration Risk Intensifies:** Seneca's revenue exposure to a single customer remains material. As of fiscal 2025, Customer A accounted for 16% of net sales and 24% of trade receivables, representing a marginal increase from the prior year. The loss or volume reduction from this partner could result in abrupt revenue disruption. Notably, first-quarter fiscal 2026 results were adversely impacted by shipment disruptions from a major co-pack customer, which the company anticipates recovering later in the year. However, such disruptions underscore the lack of diversification and the absence of robust contractual protections. Ongoing reliance on a single customer limits pricing leverage, heightens counterparty risk and increases vulnerability to shifting procurement strategies or channel shifts toward private label alternatives.
- **Margin Risk from Seasonal Labor and Tight Rural Workforce:** Seneca remains structurally reliant on seasonal labor, employing over 4,000 seasonal workers during the 2024 harvest, in addition to 2,800 full-time employees. Tight rural labor markets, rising minimum wages and increased healthcare costs are pressuring labor efficiency. While the company benefited from lower pack costs in fiscal 2025, labor inflation remains a latent risk — particularly during peak periods requiring rapid throughput and quality control. Labor-related scheduling inflexibility or wage spikes could compress margins further, particularly as pack volume ramps in the 2025 cycle. This risk is compounded by geographic labor concentration and limited automation scalability across packing facilities.
- **Limited Cash Generation Capacity Absent Working Capital Release:** Seneca generated \$53.7 million in first-quarter fiscal 2026 operating cash flow, supported largely by a \$38.9 million contribution from favorable working capital movements. However, underlying free cash flow generation remains sensitive to inventory and receivables timing. Capital expenditures of \$11.3 million and treasury stock repurchases of \$3.8 million in first-quarter fiscal 2026 already outpaced cash inflow from net earnings. The absence of a normalized pack and potential need for higher replenishment costs in the second half of fiscal 2026 could reverse this dynamic. Liquidity cushions, including \$12.1 million in cash and \$389.1 million of revolver availability, provide a buffer, but forward-looking cash generation may depend heavily on stable pack economics and consistent working capital rotation.

## ■ Last Earnings Report

### SENEA's Earnings Snapshot

For the first quarter of fiscal 2026, Seneca reported net sales of \$297.5 million, down 2.4% from \$304.7 million in the prior-year period, reflecting lower sales volumes partially offset by higher selling prices and a favorable product mix. Net earnings rose 17.6% year over year to \$14.9 million, or \$2.14 per diluted share, from \$12.7 million, or \$1.80 per share, a year earlier. Operating income came in at \$23.2 million, down 8.8% from \$25.4 million in the same quarter last year, while gross margin edged up to 14.1% from 14%.

Segment-wise, Vegetable sales fell 3.2% to \$270.3 million from \$279.1 million, Fruit/Snack was down 0.5% at \$21.6 million versus \$21.7 million, and the "Other" category rose 41.3% to \$5.6 million from \$3.9 million, driven by seed, can and aircraft-related revenues.

### Seneca's Other Key Business Metrics

Interest expense dropped 47.7% to \$5.4 million from \$10.3 million, benefiting from lower average borrowings and a reduced weighted-average interest rate. Adjusted net earnings, which exclude LIFO inventory valuation credits, were \$6 million, down 42.5% from \$10.5 million in the prior-year quarter. EBITDA was \$36.9 million, down 5.6% from \$39.2 million, while FIFO EBITDA—a measure removing LIFO impacts—fell 30.5% to \$25.2 million from \$36.3 million.

Seneca continued to maintain a strong liquidity position, with \$12.1 million in cash and access to \$389.1 million in unused credit under its revolving facility.

### SENEA's Management Commentary

President and CEO Paul Palmby acknowledged lingering cost pressures from high-cost 2024 inventory, stemming from unfavorable weather last summer, but expressed satisfaction with the quarter's progress in selling through that inventory. Palmby also cited sales disruptions from a key co-pack customer that lowered volumes in the quarter, but indicated those volumes are expected to recover under the existing contract. Looking ahead, Palmby noted that the 2025 seasonal pack is underway, with expectations for a better growing season to normalize inventory levels and costs.

### Factors Influencing Seneca's Headline Numbers

The decline in sales was primarily volume-driven, with a \$13.6 million decrease in volume partially offset by \$6.4 million from pricing and product mix. Lower vegetable category sales—particularly canned and frozen—were due to volume losses that outweighed pricing gains. Fruit products suffered from weaker pricing and mix, while snacks benefited from higher volumes. The increase in "Other" revenues was linked to ancillary businesses such as seed, can manufacturing, and aircraft operations. Gross margin stability was aided by a larger LIFO credit (\$11.8 million versus \$2.9 million last year) that reduced cost of goods sold.

### SENEA's Guidance

While no formal quantitative guidance was issued, management signaled expectations for volume recovery from the co-pack customer and cost normalization from improved crop yields in the 2025 pack.

### Seneca's Other Developments

During the quarter, Seneca repurchased 41,937 shares of Class A Common Stock at a cost of \$3.8 million. No Class B shares were repurchased.

## ■ Valuation Discussion

Seneca's shares are up 41.5% and up 85.4% in the year-to-date and the trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Consumer Staples sector are down 6.7% and up 4.3% in the year-to-date period, respectively. Over the past year, the stocks in the Zacks sub-industry are down 16.4%, while those in the sector are down 5.9%.

The S&P 500 Index is up 9.9% in the year-to-date period and up 18.3% in the past year.

The stock is currently trading at 0.7X trailing 12-month EV/Sales TTM, which compares to 1.6X for the Zacks sub-industry, 9.8X for the Zacks sector and 5.5X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 0.7X and as low as 0.3X, with a five-year median of 0.5X.

The stock is currently trading at 7.5X trailing 12-month EV/EBITDA TTM, which compares to 12.2X for the Zacks sub-industry, 37.6X for the Zacks sector and 17.6X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 7.5X and as low as 1.9X, with a five-year median of 5.3X.

The stock is currently trading at 12.4X trailing 12-month P/E TTM, which compares to 15.8X for the Zacks sub-industry, 19.6X for the Zacks sector and 25.4X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 12.5X and as low as 2.4X, with a five-year median of 4.9X.

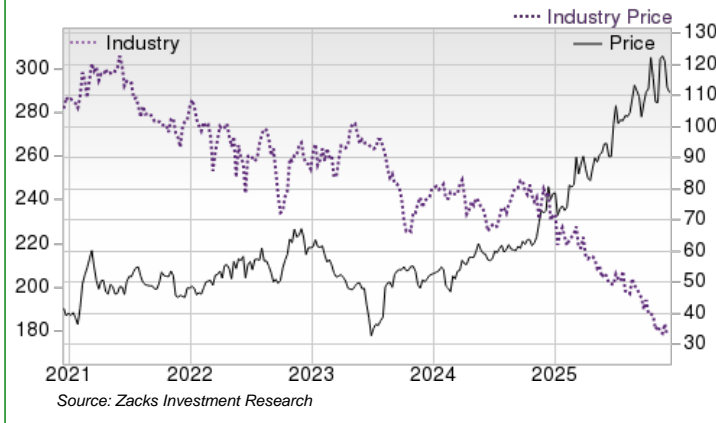
The stock is currently trading at 1.2X trailing 12-month P/B TTM, which compares to 1.9X for the Zacks sub-industry, 13.1X for the Zacks sector and 8.4X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 1.2X and as low as 0.4X, with a five-year median of 0.8X.

Our Outperform recommendation indicates that the stock will perform above the market.

## Industry Analysis

Zacks Industry Rank: Bottom 17% (199 out of 243)



## Top Peers

Company (Ticker)	Recommendation
Danone ( <b>DANOY</b> )	Neutral
Nestle SA ( <b>NSRGY</b> )	Neutral
Sysco Corporation ( <b>SY</b> )	Neutral
United Natural Foods...( <b>UNFI</b> )	Neutral
US Foods Holding Cor...( <b>USFD</b> )	Neutral
Associated British F...( <b>ASBFY</b> )	Underperform
Kraft Heinz Company ( <b>KHC</b> )	Underperform
Mondelez Internation...( <b>MDLZ</b> )	Underperform

## Industry Comparison

Industry: Food - Miscellaneous

Industry Peers

	SENEA	X Industry	S&P 500	MDLZ	NSRGY	SY
<b>Zacks Recommendation (Long Term)</b>	<b>Outperform</b>	-	-	<b>Underperform</b>	<b>Neutral</b>	<b>Neutral</b>
Market Cap	\$763.81M	\$1.69B	\$39.20B	\$70.01B	\$255.33B	\$36.12B
Dividend Yield	0.00%	0.00%	1.4%	3.69%	2.39%	2.86%
<b>Value Metrics</b>						
Cash/Price	0.02	0.07	0.04	0.02	0.03	0.02
EV/EBITDA	7.66	9.54	14.73	11.08	NA	11.01
Price/Book	1.14	1.91	3.35	2.67	7.25	17.48
Price/Cash Flow	6.86	9.47	15.24	12.28	13.81	10.83
Price/Sales	0.48	0.87	3.09	1.86	NA	0.44
Earnings Yield	NA	6.11%	5.01%	5.36%	5.50%	6.05%
Debt/Equity	0.40	0.42	0.57	0.65	1.62	5.54
Cash Flow (\$/share)	16.26	1.82	8.99	4.42	7.18	6.97
<b>Growth Metrics</b>						
Hist. EPS Growth (3-5 yrs)	-5.77%	7.15%	8.16%	4.70%	NA	42.13%
Curr. Cash Flow Growth	-9.51%	2.43%	6.75%	4.24%	0.47%	6.09%
Hist. Cash Flow Growth (3-5 yrs)	4.99%	4.64%	7.43%	4.62%	-1.01%	9.23%
Current Ratio	2.59	1.53	1.18	0.61	0.71	1.15
Debt/Capital	28.58%	34.55%	38.01%	39.51%	61.80%	84.77%
Net Margin	3.73%	2.70%	12.78%	9.38%	NA	2.21%
Return on Equity	9.68%	9.71%	17.00%	14.16%	NA	112.04%
Sales/Assets	1.30	0.91	0.53	0.54	NA	3.11
<b>Momentum Metrics</b>						
Daily Price Chg	0.63%	0.20%	-0.16%	0.41%	1.32%	1.47%
1 Week Price Chg	-1.49%	0.28%	-0.44%	-1.58%	0.13%	1.70%
4 Week Price Chg	-9.28%	0.19%	2.16%	-2.36%	-0.59%	0.40%
12 Week Price Chg	6.96%	-4.84%	1.83%	-14.55%	9.29%	-7.30%
52 Week Price Chg	41.79%	-14.70%	12.22%	-11.76%	19.76%	-4.82%
20 Day Average Volume	73,768	142,895	2,744,252	10,192,334	296,123	3,056,593
20-Day Average Trading Value	\$8.23M	NA	NA	\$550.08M	\$29.08M	\$229.61M

Source: Zacks Investment Research

## **Zacks Microcap Rating System and Research Methodology**

The Zacks Microcap Research effort is focused on small companies that have no coverage from sell-side research analysts.

Empirical research shows that the “size effect” (i.e. outperformance by smaller companies) can be strengthened if qualitative factors are applied in screening a universe of stocks. Our favored qualitative metric is the Marx ratio, defined as Gross Profit/Total Assets. The legacy Zacks rating system, predicated upon empirical research on the predictive value of EPS estimate revisions, is not applicable to this universe of stocks as they don’t have earnings estimates.

Why Gross Profit? First recall that Gross Profit is defined as Revenue minus Cost of Goods Sold (COGS). Gross Profit is distinct from other profitability metrics (e.g., EPS, Operating income, etc.) for two important reasons. Firstly, revenue contains the “selling price” of the goods and/or services provided. The selling price is market driven; consumers and businesses can accept or reject the given price. Secondly, in the COGS line, these direct expenses e.g., direct labor, raw materials are also predominantly market driven, unlike expense items in SG&A which can be more discretionary, like levels of salary compensation and advertising spend. In our opinion, Gross Profit is the purest profitability metric with the least risk of financial engineering which can distort market valuation.

But the balance sheet also needs to be factored in, hence Total Assets in the denominator. We defer to academic research that prefers the use of Total Assets vs. for instance, Net Assets or Tangible Assets, as the best proxy for the financial state of the business.

The Zacks process starts with a universe of about 2000 companies that have market capitalization of under one billion dollars and have no sell-side research coverage. We eliminate companies headquartered outside of the U.S. or with insufficient trading liquidity. Pre-revenue companies are excluded as well, they have no Gross Profit and an undefined Marx ratio. This results in a “quantitatively” derived list of eligible stocks for rating.

A team of analysts then applies a “qualitative” screening process to assess if specific companies may have a distortedly high ranking because of temporal, anomalous factors like commodity price deflation, market supply shortage induced pricing power, etc.-factors that are unsustainable and not a true reflection of the state of the business. Analysts also perform trend analysis to determine if the business is gaining operational momentum and is on the cusp of more pronounced leverage and scalability. Cash flow, debt usage, valuation, and dilution risk are also considered within a holistic assessment.

A rating of Outperform, Neutral, or Underperform is then assigned. The proportion of the universe assigned Outperform and Underperform ratings is typically comparable, with ratings updated quarterly.

Outperform rankings are based on a number of positive, compelling catalysts. Conversely, Underperforms are based on several negative catalysts. Neutral ratings are generally based on a lack of several convincing catalysts, either to the upside or downside, a kind of indifferent conclusion. A change in rating will be a function of an improvement or deterioration in specific industry conditions, lack of or better than expected business execution, or the macro environment.

A research report is then generated utilizing an AI utility under the guidance of an analyst. The prompt questions have been engineered and standardized in an effort to present information that the analyst believes is highly relevant to the investment thesis and importantly saves the reader time in retrieving. This activity is more along the lines of “vertical thinking”, whereby the AI utility is summarizing and synthesizing information. We have found AI to be quite adept at this function. This frees up the analyst to engage in “deeper” thinking, or contemplation of the factors influencing the rating as well as additional research like industry research.

The “source material” for the AI utility are company filings such as 10K’s, 10Q’s, press releases, earnings call transcripts, and investor presentations. Subsequent updates of the report will also make use of the previously published versions of the Zacks Microcap Research report as a source material. Our research shows that this enclosed ecosystem, which excludes accessing the world wide web, is necessary to prevent possible AI ‘hallucinations’. Thus far we have found little evidence of ‘hallucinations’ because of this contained ecosystem. We have also found only rare instances of hyperbole. All reports are reviewed by a human editor to further safeguard against these conditions and to ensure readability.

The research reports will incorporate key financial data e.g. Sales, EBITDA, FCF, etc. derived from our proprietary database over a five-year period. We believe the presentation of this expansive data will save investors valuable due diligence time and effort. We believe the valuation data for the past five years is especially helpful and valuable.

Lastly, we have deliberately refrained from price targets and financial models. Choosing a valuation method and specific multiple is an inherently subjective practice. We therefore provide multiple valuation metrics including where the stock is currently trading based on historical terms. In time, AI may become adept at financial modeling. Our rating, however, implies some back of the envelope calculations and valuation prognostication.

## Disclosures

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