

## Shopify Inc. (SHOP)

**\$167.93** (Stock Price as of 01/12/2026)

Price Target (6-12 Months): **\$177.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

Neutral

(Since: 11/12/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**4-Sell**

Zacks Style Scores:

VGM: F

Value: F

Growth: C

Momentum: D

## Summary

Shopify's prospects are benefiting from an expanding merchant base. New merchant-friendly tools like Shop Minis, Shop Cash, and Sign in with Shop along with Shop Pay solutions is helping SHOP win merchants regularly. The company's investment in AI-driven tools, such as Catalog, Universal Cart, and Sidekick, is helping merchants improve customer engagement and streamline operations. Shopify's expanding international footprint with strong growth in Europe is a key catalyst. A rich partner base is helping SHOP expand merchant base. Strong free cash flow margin reflects solid liquidity. However, Shopify faces gross margin pressure due to higher hosting costs, the three-month paid trial program, and the expanded PayPal partnership, which carries lower margin. Higher operating expenses are expected to hurt margins in the near term.

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

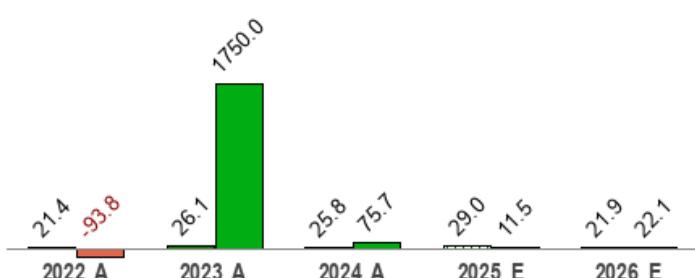


## Data Overview

52 Week High-Low	<b>\$182.19 - \$69.84</b>
20 Day Average Volume (sh)	<b>5,009,050</b>
Market Cap	<b>\$214.1 B</b>
YTD Price Change	<b>2.2%</b>
Beta	<b>2.83</b>
Dividend / Div Yld	<b>\$0.00 / 0.0%</b>
Industry	<b>Internet - Services</b>
Zacks Industry Rank	<b>Top 21% (51 out of 244)</b>

## Sales and EPS Growth Rates (Y/Y %)<sup>(1)</sup>

Sales          EPS     



## Sales Estimates (millions of \$)<sup>(1)</sup>

		Q1	Q2	Q3	Q4	Annual*
Last EPS Surprise	0.0%					
Last Sales Surprise	3.3%					
EPS F1 Est- 4 week change	-0.4%	2026	2,927 E	3,269 E	3,444 E	4,320 E
Expected Report Date	02/10/2026	2025	2,360 A	2,680 A	2,844 A	3,581 E
Earnings ESP	5.8%	2024	1,861 A	2,045 A	2,162 A	2,812 A

## EPS Estimates<sup>(1)</sup>

		Q1	Q2	Q3	Q4	Annual*
P/E TTM	119.2					
P/E F1	115.8	2026	0.32 E	0.40 E	0.44 E	0.61 E
PEG F1	6.9	2025	0.25 A	0.35 A	0.34 A	0.50 E
P/S TTM	20.0	2024	0.20 A	0.26 A	0.36 A	0.44 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 01/12/2026.

(2) The report's text and the price target are as of 01/09/2026.

## Overview

Ottawa, Canada-based Shopify Inc. is a leading global commerce platform that helps in starting, scaling, marketing, and running a business of any size. Its platform and services are engineered for simplicity and reliability, while delivering a better shopping experience for customers everywhere.

Merchants use the company's comprehensive, multi-channel commerce platform to run business across various sales channels, including web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces. Shopify offers an integrated back-end system that enables merchants manage products and inventory, process orders and payments, ship orders, build customer relationships and leverage analytics.

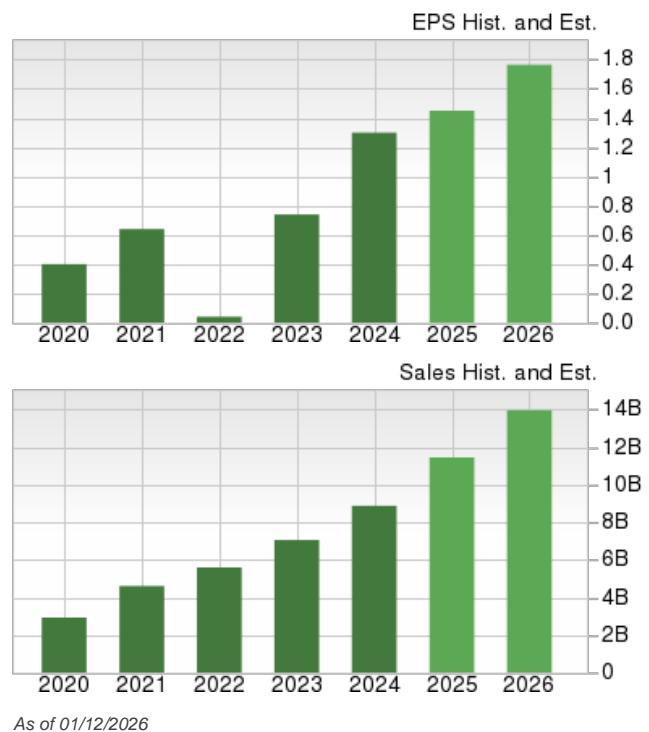
As of Dec. 31, 2024, SHOP had millions of merchants from more than 175 countries with 45% in the United States, 30% in Europe, the Middle East and Africa, 15% in Asia Pacific, Australia and China, 5% in Canada and 5% in Latin America (Mexico and South America).

Shopify's rich ecosystem of partners helps in extending the functionality of its platform through the development of apps. As of Dec. 31, 2024 more 16,000 apps were available in the Shopify App Store.

In 2024, revenues came in at \$8.88 billion. Shopify generates revenues from two sources: Subscriptions Solutions (26.5% of 2024 revenues) and Merchant Solutions (73.5%).

Shopify generates subscription revenues through the sale of subscriptions to its platform and from variable platform fees, as well as through the sale of subscriptions to Point of Sale Pro offering, the sale of apps, the registration of domain names and the sale of themes. The majority of its gross merchandise volume (GMV) has been generated from merchants subscribing to Shopify Plus plan and enterprise offerings.

Shopify generates the majority of merchant solutions revenue from fees that it charges merchants on their customer orders processed through Shopify Payments. The company also derives merchant solutions revenue from other product offerings including lending and financial products, referral fees from partners and the sale of shipping labels.



As of 01/12/2026



As of 01/12/2026

## Reasons To Buy:

▲ Shopify is well poised to benefit from growth in the number of merchants driven by new merchant-friendly tools, such as Shop Minis, Shop Cash, and Sign in with Shop, as well as Shop Pay solution. Merchant solutions revenues in the third quarter of 2025 were \$2.15 billion, up 38.2% year over year, driven by strong GMV and increased penetration of Shopify payments. GMV jumped 32% year over year (better from 30.6% growth in the second quarter of 2025) to \$92.01 billion, with offline GMV up 31% year over year (better than 29% reported in the second quarter of 2025), and B2B GMV jumped 98%. The expansion of payment products into more countries, 16 launched till the end of the second quarter (total 39 countries), is driving GMV. In the third quarter of 2025, Shopify's revenues jumped 31.5% year over year, driven by these factors. GMV increased 32% year over year to \$92.01 billion in the third quarter of 2025. For the fourth quarter of 2025, Shopify expects revenues to grow in the mid-to-high twenties percentage rate on a year-over-year basis.

▲ Shopify hosts a huge database of merchant and customer interactions. Merchants leverage this transactional dataset to get meaningful insight into the sales channel growth prospects and consumer behavioral aspects. This improves their ability to target prospective customers more easily, which drives sales growth. Apps like Shopify Payments, Shipping and Capital have made it easier for merchants to process payments, ship products and secure financing for their working capital needs, respectively. Shopify is leveraging AI to transform how consumers discover and shop for products. The company's investment in AI-driven tools, such as AI store builder, Catalog, Universal Cart, and Sidekick, is helping merchants improve customer engagement and streamline operations. Infusion of AI into Shop search and the home feed is helping buyers see the right products at the right time, driving higher engagement and conversion.

▲ Shopify's growing international footprint is a key catalyst. International GMV grew 42% year over year (much better than 31% growth rate reported in the first-quarter of 2025) in the second quarter of 2025, with Europe leading the charge. In the first quarter of 2025, Shopify launched multicurrency payouts in 20 countries across Europe, allowing merchants to receive payments in their preferred currencies. Shopify Capital is now available in Germany and the Netherlands, providing more merchants with access to growth funding. The company also launched Shop Pay Installments in Canada. Shopify Payments features like multi-entity support and multicurrency payout is now available to Plus and Enterprise merchants in most countries is expected to drive top-line growth.

▲ An expanding partner base, which includes Coinbase, Intuit, Microsoft, TikTok, Roblox, PayPal, Snap, Pinterest, Criteo, IBM, Cognizant, Google Cloud and Adayen, has expanded Shopify's merchant base. It is the first commerce integration partner for Roblox, opening new avenues for merchants to reach a younger and more engaged audience. Checkout using Shopify Payments is directly integrated with Google, Facebook and Instagram, enabling merchants to seamlessly sell across these channels. SHOP has diversified its payments product offerings through an expanded partnership with PayPal. Shopify's partnership with Microsoft involves the integration of Shopify's Checkout Kit into Microsoft's Copilot, a major player in the AI space. This integration allows merchants to embed their checkout process directly within Microsoft's AI-driven platform, enabling seamless shopping experiences for users. In partnership with Coinbase, Shopify is allowing consumers to pay with USDC on Base (Coinbase's Ethereum layer-2 network) through Shopify Payments, bringing onchain payments to millions of storefronts. Shopify's strong partner referral system will continue to boost merchant base that will eventually drive top-line growth in 2025 and beyond.

▲ Shopify has a strong balance sheet with ample liquidity. As of June 30, 2025, Shopify's cash, cash equivalents and marketable securities balance was \$5.82 billion. The company continues to generate strong cash flow from operations, which makes it attractive for investors. Free cash flow margin hit 16% in the second quarter of 2025 up 100 basis points (bps) sequentially. Shopify expects free cash flow margin to be in the mid- to high teens for the third quarter of 2025.

Shopify's focus on developing merchant base, international expansion, and rich partner ecosystem are key catalysts.

## Reasons To Sell:

- ▼ The e-commerce growth rate is now expected to be normal (higher than the pre-Covid level but not supernormal as witnessed during the pandemic) with consumer footfall increasing in offline stores. Shopify is suffering from this trend. The company focuses on the small and medium business segment, which is more susceptible to macroeconomic headwinds like higher inflation. These factors present significant risks for Shopify's prospects.
- ▼ Shopify is relatively a new player in the e-commerce marketplace compared with the behemoths like Alibaba and Amazon. Shopify's acquisition of Deliverr, a startup fulfillment service, makes it a direct competitor of Amazon. Additionally, Amazon's "Buy with Prime", which combines its payments and fulfillment services and makes them available at checkout on other websites and promises faster delivery for Prime members, intensifies competition for Shopify.
- ▼ The shift back to 3-month trials for standard plans and higher hosting costs is expected to hurt Subscription Solutions gross profit in the near term. Merchant Solutions gross margin is expected to suffer from the negative impact of the PayPal partnership and lower noncash revenues from certain partnerships. This trend is expected to continue in the near term. Shopify expects gross profit in dollar term to grow in the low20s, trailing revenue growth due to the continued strength in payments, the accounting impact from PayPal and the changes to paid trial links.
- ▼ Fourth quarter 2025 operating expenses are expected between 30% and 31% higher than third-quarter 2025 reported figure of 25.5%. In dollar terms, operating expenses are expected to increase year over year due to higher planned marketing spending, higher compensation as a result of both mix shift to higher-paying roles like research & development and and higher losses from the expected volume growth of payments and capital. Increase in marketing expenses due to higher performance marketing is expected to hurt profitability.

Shopify's contracting gross margin and increasing operation expenses are expected to hurt profitability.

## Last Earnings Report

### Shopify Q3 Earnings Meet Estimates, Revenues Increase Y/Y

Shopify reported third-quarter 2025 non-GAAP earnings of 34 cents per share, in line with the Zacks Consensus Estimate. The bottom-line figure declined 5.6% year over year.

Revenues of \$2.84 billion surpassed the Zacks Consensus Estimate by 3.34%. The top line soared 31.5% year over year.

FY Quarter Ending	12/31/2025
Earnings Reporting Date	Nov 04, 2025
Sales Surprise	3.34%
EPS Surprise	0.00%
Quarterly EPS	0.34
Annual EPS (TTM)	1.38

### SHOP's Top Line Rides on Growing Merchant Base

Gross Merchandise Volume (GMV) in the third quarter was \$92.01 billion, which increased 32% year over year. Offline GMV increased 31% year over year while B2B GMV jumped 98%. International GMV grew 41% year over year, with Europe's GMV increasing 49% year over year (42% on a constant currency basis).

Shopify is benefiting from strong growth in its merchant base. Merchant solutions revenues in the third quarter were \$2.15 billion and accounted for 75.4% of Shopify's total revenues. On a year-over-year basis, merchant revenues increased 38.2%, driven by strong GMV and increased penetration of Shopify payments.

Shopify Payments' GMV penetration hit 65% in the third quarter of 2025. Shop Pay GMV increased 65% year over year to \$29 billion in GMV. Shop App native GMV jumped 140% year over year.

Subscription solutions revenues in the third quarter were \$699 million and accounted for 24.6% of Shopify's total revenues. On a year-over-year basis, subscription solutions revenues increased 14.6%.

Monthly Recurring Revenue (MRR) in the third quarter was \$193 million, which increased 10.3% on a year-over-year basis. Plus category accounted for 35% of MRR in the reported quarter.

### SHOP's Q3 Operating Details

In the third quarter of 2025, gross profit was \$1.39 billion, up 24.4% year over year. Gross margin contracted 280 basis points (bps) year over year to 48.9% due to unfavorable mix shift from Subscription Solutions to Merchant Solutions and strong results from the low-margin payments business.

Subscription Solutions' gross profit grew 14% year over year, while Merchant Solutions' gross profit grew 33%. Subscription Solutions' gross margin was 81.7% down slightly on a year-over-year basis due to higher hosting costs needed to support growing merchant transaction volumes and SHOP's continued geographic expansion, as well as higher AI usage. Merchant Solutions' gross margin contracted 150 bps to 38.2%.

Total operating expenses were \$1.05 billion, up 25.5% year over year. Sales & Marketing (S&M) expenses increased 24% year over year to \$410 million. Research & Development (R&D) expenses increased 13% year over year to \$375 million. General & Administrative (G&A) expenses inched up 0.9% year over year to \$115 million.

However, as a percentage of revenues, total operating expenses declined 180 bps to 36.8%. S&M expenses as a percentage of revenues decreased 90 bps year over year to 14.4%. As a percentage of revenues, R&D expenses decreased 220 bps year over year to 13.2%. As a percentage of revenues, G&A expenses decreased 120 bps to 4%.

Consequently, SHOP reported an adjusted operating income of \$465 million, up 15.7% year over year. Operating margin contracted 220 bps year over year to 16.4%.

### SHOP's Balance Sheet Details

As of Sept. 30, 2025, cash and cash equivalents (including marketable securities) totaled \$6.35 billion, which increased from \$5.82 billion as of June 30.

Free cash flow increased 20.4% year over year to \$507 million. The free cash flow margin contracted 100 bps year over year to 18% in the reported quarter.

### SHOP's Q4 Guidance Details

For the fourth quarter of 2025, Shopify expects revenues to grow in the mid-to-high twenties percentage rate on a year-over-year basis.

Gross profit is anticipated to grow at a low-to-mid-twenties percentage rate on a year-over-year basis.

Shopify expects GAAP operating expense as a percentage of revenues to be in the 30-31% range.

Free cash flow margin is expected to be slightly above the third quarter of 2025's reported figure.

## Recent News

On Aug. 25, Shopify announced upgrades to fulfillment tools. The company has inked partnerships with global carriers like DHL, USPS, UPS, FedEx, Canada Post, Purolator, Royal Mail, Australia Post, and Flexport. The company's fulfillment network now connects merchants to more trusted partners including Amazon Multi-Channel Fulfillment, Bigblue, DHL Fulfillment Network, GoBolt, and Mayple.

On June 12, Shopify inked partnership with Coinbase and Stripe to bring USDC stablecoin on Shopify Payments.

On May 21, Shopify announced more than 150 upgrades as a part of its Summer '25 edition. The new features include Horizon that helps merchants create and customize a stunning storefront with preset designs. AI Store Builder helps in designing from scratch. The new redesigned POS app enables Shopify POS to serve, sell, and connect even faster with a checkout. Shopify added more personalized discovery experience to Shop app that offers greater opportunity for new merchant exposure. As a part of the upgrade, Shopify payments gas been made available in Mexico and 15 new markets in Europe. Knowledge Base app enables merchants optimize answers provided by the AI shopping assistants. Sidekick can now solve more complex problems by connecting more data and doing a deeper analysis that merchants optimize their store.

On March 18, Shopify announced that it will voluntarily transfer its U.S. stock exchange listing to the Nasdaq Global Select Market from the New York Stock Exchange.

On Dec 11, 2024 Shopify announced new updates (more than 150 features) including a faster and better Shopify Checkout, Unified customer accounts, updates for POS, addition of new features to Shopify Flow, and many more.

## Valuation

Shopify shares are up 46.2% in the past six-month period and 62.2% over the trailing 12-month period. The Zacks sub-industry and the Zacks Computer & Technology sector are up 74.4% and 18.2% in the past six-month period, respectively. In the past year, the Zacks sub-industry and the sector are up 65.6% and 27.4%, respectively.

The S&P 500 index is up 13.3% in the past six-month period and 21.2% in the past year.

The stock is currently trading at 15.6X trailing 12-month sales compared with 7.81X for the Zacks sub-industry, 7.4X for the Zacks sector and 5.65X for the S&P 500 index.

In the past five years, the stock has traded as high as 46.19X and as low as 4.99X, with a 5-year median of 11.5X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$177 price target reflects 16.38X forward 12-month sales.

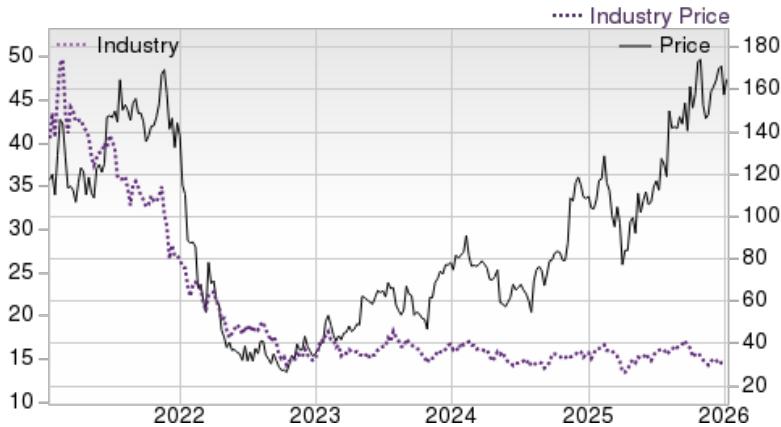
The table below shows summary valuation data for SHOP

Valuation Multiples - SHOP					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	15.6	7.81	7.4	5.65
	5-Year High	46.19	7.81	7.4	5.65
	5-Year Low	4.99	3.69	4.23	3.82
	5-Year Median	11.5	5.11	6.3	5.04
P/B TTM	Current	17.51	8.06	10.73	8.61
	5-Year High	28.22	8.06	11.66	9.13
	5-Year Low	3.73	3.57	6.5	6.57
	5-Year Median	11.01	5.41	9.57	8.05
EV/Sales TTM	Current	19.89	7.85	8.15	5.82
	5-Year High	59.47	7.85	8.39	5.82
	5-Year Low	5.24	2.82	4.15	3.76
	5-Year Median	13.45	4.7	6.9	5.1

As of 01/08/2026

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Top 21% (51 out of 244)



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

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	2
eBay Inc. (EBAY)	Neutral	3
Groupon, Inc. (GRPN)	Neutral	3
Meta Platforms, Inc. (META)	Neutral	3
Match Group Inc. (MTCH)	Neutral	3
The Trade Desk (TTD)	Neutral	3
DoorDash, Inc. (DASH)	Underperform	3
Wix.com Ltd. (WIX)	Underperform	5

## Industry Comparison<sup>(1)</sup> Industry: Internet - Services

	SHOP	X Industry	S&P 500	AMZN	DASH	GRPN
<b>Zacks Recommendation (Long Term)</b>	Neutral	-	-	Neutral	Underperform	Neutral
<b>Zacks Rank (Short Term)</b>	4	-	-	2	3	3
<b>VGM Score</b>	F	-	-	B	D	C
Market Cap	214.13 B	633.92 M	40.82 B	2,644.55 B	92.91 B	672.05 M
# of Analysts	11	2	22	15	13	3
Dividend Yield	0.00%	0.00%	1.37%	0.00%	0.00%	0.00%
<b>Value Score</b>	F	-	-	D	F	C
Cash/Price	0.03	0.23	0.04	0.04	0.09	0.35
EV/EBITDA	91.77	6.95	15.05	21.01	121.76	1,461.02
PEG Ratio	6.84	1.74	2.07	1.55	NA	NA
Price/Book (P/B)	17.11	2.17	3.46	7.15	9.78	NA
Price/Cash Flow (P/CF)	167.27	13.98	15.57	23.40	132.26	NA
P/E (F1)	114.12	17.85	18.90	31.51	67.67	19.10
Price/Sales (P/S)	20.02	1.48	3.12	3.83	7.35	1.35
Earnings Yield	1.07%	4.23%	5.28%	3.17%	1.48%	5.22%
Debt/Equity	0.00	0.00	0.57	0.14	0.29	-5.22
Cash Flow (\$/share)	0.98	0.62	8.98	10.57	1.63	-0.71
<b>Growth Score</b>	C	-	-	B	A	C
Hist. EPS Growth (3-5 yrs)	33.67%	18.29%	8.24%	26.63%	NA	NA
Proj. EPS Growth (F1/F0)	11.54%	24.82%	9.16%	29.66%	665.52%	-38.41%
Curr. Cash Flow Growth	221.20%	-5.85%	7.00%	42.81%	-1,495.92%	-218.20%
Hist. Cash Flow Growth (3-5 yrs)	82.53%	11.85%	7.49%	27.41%	25.21%	NA
Current Ratio	3.93	1.73	1.19	1.01	2.04	0.93
Debt/Capital	0.00%	1.68%	38.14%	12.07%	22.36%	80.61%
Net Margin	16.65%	3.50%	12.77%	11.06%	6.83%	-28.53%
Return on Equity	11.72%	5.07%	17.03%	23.62%	9.97%	-717.37%
Sales/Assets	0.75	0.75	0.53	1.03	0.82	0.80
Proj. Sales Growth (F1/F0)	29.00%	6.12%	5.34%	12.00%	28.30%	2.20%
<b>Momentum Score</b>	D	-	-	C	F	A
Daily Price Chg	-2.26%	0.00%	0.65%	0.44%	-3.81%	-0.72%
1 Week Price Chg	4.63%	0.00%	1.57%	9.22%	-1.92%	-4.74%
4 Week Price Chg	0.18%	0.00%	2.03%	9.37%	-5.24%	2.42%
12 Week Price Chg	4.26%	-1.61%	4.54%	16.12%	-18.06%	-18.65%
52 Week Price Chg	58.60%	4.70%	19.55%	12.99%	26.71%	35.61%
20 Day Average Volume	5,009,050	75,379	2,391,362	34,634,792	3,373,181	992,404
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.40%	0.00%	0.00%	0.11%	-1.57%	0.00%
(F1) EPS Est 12 week change	-0.42%	3.79%	0.48%	2.48%	-16.73%	5.71%
(Q1) EPS Est Mthly Chg	1.81%	0.00%	0.00%	0.25%	1.48%	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	<span style="border: 1px solid black; padding: 2px;">F</span>
Growth Score	<span style="border: 1px solid black; padding: 2px;">C</span>
Momentum Score	<span style="border: 1px solid black; padding: 2px;">D</span>
VGM Score	<span style="border: 1px solid black; padding: 2px;">F</span>

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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