

Team (TISI)

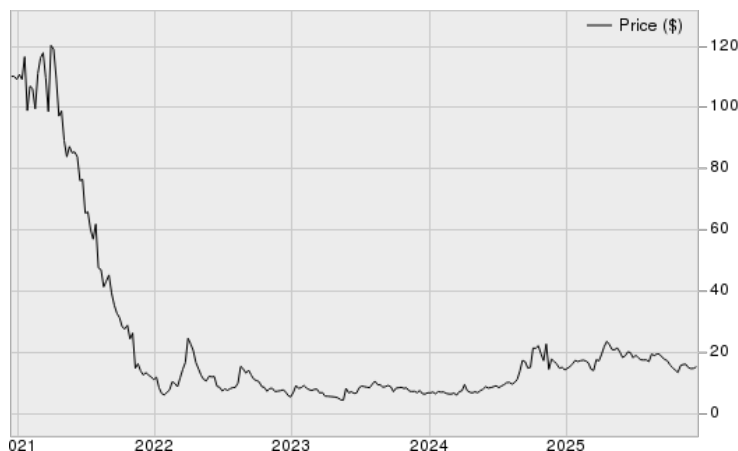
Stock Price: \$15.16 (As of 12/16/2025)

Zacks Recommendation: **Neutral**
(Since: 07/24/2024)
Prior Recommendation: **NA**

Summary

Team benefits from strong demand in critical infrastructure services, supported by aging assets, regulatory scrutiny, and safety requirements. Its integrated service model, combining diagnostics, engineering and mechanical capabilities, enhances customer value and provides revenue visibility. Management's focus on cost optimization and efficiency supports margin expansion, while turnaround initiatives in underperforming regions are gaining traction. The company maintains a clear path toward achieving its long-term margin goals, reinforcing cash flow potential and shareholder value creation. However, the company is highly leveraged, continues to post net losses, and faces structural weakness in parts of its operations. Working capital inefficiencies and elevated legal exposures further strain financial flexibility and create uncertainty around earnings scalability.

Stock Price History

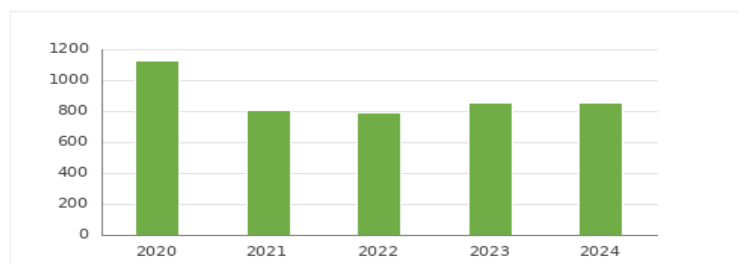


Source: Zacks Investment Research

Data Overview

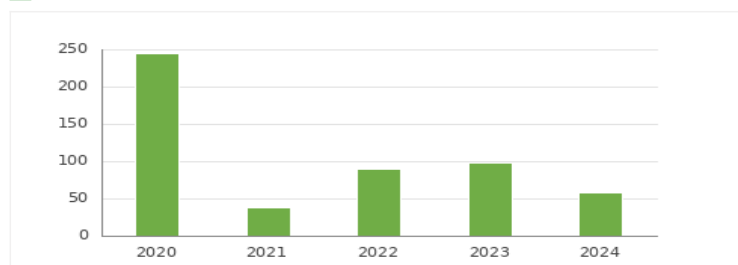
52 Wk High-Low	\$24.25 - \$11.12
20-Day Average Volume (Shares)	15,682
20-Day Average Trading Value	\$237.74K
Market Cap	\$68.63M
Year-To-Date Price Change	19.56%
Beta	1.19
Cash	\$14.81M
Debt	\$298.82M
FCF TTM	\$-15.56M
Valuation	
P/E TTM	NA
EV/EBITDA	6.37
EV/SALES	0.40
P/BV	NA
Industry	Building Products - Mainten...
Zacks Industry Rank	Top 40% (97 out of 243)
Expected Report Date	03/18/2026
Last Reported Quarter	
Sales Growth YOY	6.75%
EPS Growth	47.89%
EBITDA Growth	41.87%
FCF Growth	NA

Sales TTM (millions of \$)



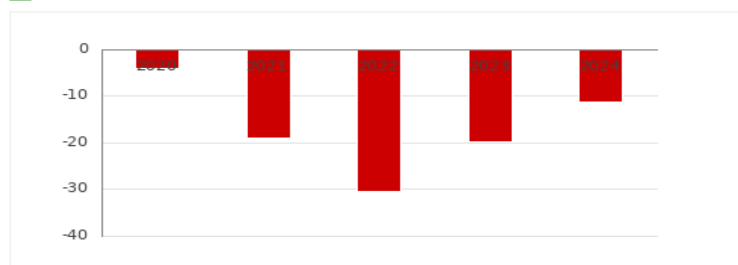
Source: Zacks Investment Research

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 09/22/2025

Overview

Team, Inc. (TEAM), headquartered in Sugar Land, TX, is a global provider of specialty industrial services, incorporated in 1971. The company offers a comprehensive suite of mechanical, heat-treating, and inspection services aimed at enhancing safety, reliability, and operational efficiency for critical assets across various industries.

Team operates through two reportable segments — Inspection and Heat Treating (IHT) and Mechanical Services (MS). For 2024, total revenues were \$852.3 million, reflecting a decline of 1.2% from the previous year. The IHT segment contributed approximately 50% to the total revenues, while the MS segment accounted for the other 50% of total revenues. The IHT segment experienced a slight decrease of 0.7%, whereas the MS segment saw a decline of 1.7%.

The IHT segment provides conventional and advanced non-destructive testing services primarily for the process, pipeline and power sectors, along with pipeline integrity management and field heat treating services. The MS segment focuses on solutions that minimize customer downtime through onstream and off-line services, including leak repair, emissions control and field machining.

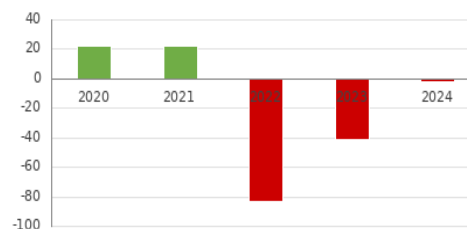
Team operates in a competitive landscape with more than 100 active competitors in the industrial services market. The company differentiates itself through the quality and training of its technicians, rigorous safety protocols, and the breadth of its service offerings. Team's services are marketed primarily through personnel located at service sites, enabling timely responses to customer needs.

The company has engaged in various financing activities, including amendments to its debt agreements to improve liquidity. As of Dec. 31, 2024, Team had \$45.9 million in available borrowing capacity under its credit facilities. The company is also in compliance with its debt covenants, crucial for maintaining its financial stability.

Team has also been proactive in addressing its compliance with NYSE listing standards, submitting a plan to restore compliance following a notification of non-compliance in March 2024. The company continues to focus on operational efficiency and strategic initiatives to navigate the competitive landscape and enhance its service capabilities.

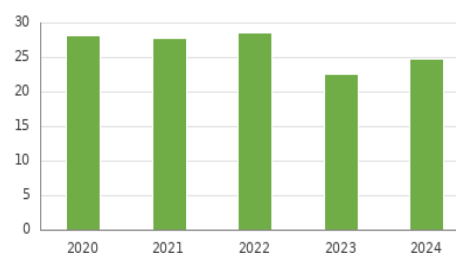
Note: The data and facts mentioned in this section are as of 12/31/2024.

FCF TTM (millions of \$)



Source: Zacks Investment Research

Gross Margin % TTM



Source: Zacks Investment Research

Reasons To Buy

▲ **Large, Unmet Market Opportunity in Critical Infrastructure Services:** Team continues to benefit from sustained demand tailwinds, driven by aging infrastructure, regulatory scrutiny, and safety and compliance requirements across energy, midstream and industrial verticals. In the second quarter of 2025, the IHT segment achieved 15.2% year-over-year revenue growth, supported by strong U.S. demand (more than 13%) and a 31% jump in Canada revenues. This translated into 25% adjusted EBITDA growth for IHT and an improvement of 118 basis points in the segment margin. Notably, heat treating revenues grew nearly 26% year over year, underscoring elevated demand for advanced non-destructive testing and metallurgy services. Team's end-to-end capabilities and recurring service mix provide revenue visibility across turnaround, callout and nested services, reinforcing its ability to capitalize on life-cycle infrastructure spending.

Team's integrated services, cost optimization, and focus on critical infrastructure, energy, and industrial markets drive profitable growth and margin expansion.

▲ **Integrated Service Model Supporting Profitable Growth:** Team's dual-segment structure enables differentiated value capture through integrated diagnostics, engineering and mechanical services. In the second quarter of 2025, the IHT segment's adjusted EBITDA margin expanded by 118 basis points year over year, while MS benefited from a 7% revenue increase in U.S. operations, offsetting international softness. The adjusted EBITDA margin at the consolidated level expanded 40 basis points to 9.9%, supported by 12.4% growth in adjusted EBITDA. Management also executed targeted actions during the quarter to remove costs from SG&A, targeting \$10 million in annualized savings, of which \$6 million is expected to materialize in the second half of 2025. These efficiency gains support profitable growth and build on prior years of sustained cost discipline.

▲ **Sustained Execution on Cost Optimization & Margin Expansion:** Team has demonstrated consistent progress on its cost efficiency roadmap. In the second quarter of 2025, adjusted SG&A as a percentage of revenues improved by 90 basis points year over year to 18.9%, reflecting benefits from recent restructuring efforts. The company also reduced its adjusted net loss to \$0.9 million, an improvement of \$1.1 million from the prior year. This marks the continuation of a multi-year trend of expanding adjusted EBITDA, with nearly \$30 million generated through the first half of 2025 and a full-year target of at least 15% growth. The company expects continued benefits from lower interest expenses, SG&A rationalization and higher-margin service mix in the second half.

▲ **Canadian Turnaround Strategy Gaining Traction:** Team's renewed focus on its underperforming Canadian operations is beginning to show results. In the second quarter of 2025, Canada posted 31% year-over-year revenue growth in IHT, driven by improved commercial traction. Management expects these gains to accelerate in the second half of 2025 as turnaround and callout demand improve, supporting broader segment margin recovery. The Canadian recovery plan includes commercial initiatives and targeted cost actions, and its success will be critical to unlocking further geographic earnings leverage across the portfolio.

▲ **Clear Path Toward Above 10% Adjusted EBITDA Margin Target:** Management reaffirmed its long-term target of achieving a double-digit adjusted EBITDA margin. The company delivered a 9.9% adjusted EBITDA margin in the second quarter of 2025 and remains on track to meet or exceed its 15% full-year growth target. The cost initiatives implemented in the second quarter of 2025 and the expected revenue expansion in Canada and across core U.S. operations in the second half position Team to structurally improve its margin profile. Execution against this margin target supports enhanced free cash flow and long-term shareholder value creation.

Reasons To Sell

- ▼ **Structural Overleveraged & Fixed Charge Pressure:** Despite a successful refinancing in March 2025 that extended maturities to 2030 and lowered the blended interest rate by more than 100 basis points, Team remains structurally overleveraged. Total debt rose to \$370.2 million by the second quarter of 2025 from \$325.1 million in 2024, and net debt stands at \$349.5 million, consuming a substantial portion of cash flow. Interest expenses of \$11.9 million represented nearly 50% of the quarterly gross margin. While the refinancing alleviated short-term liquidity risk, high fixed charges continue to constrain reinvestment capacity. This sensitivity to operating performance raises the risk of renewed covenant pressure should execution falter. With equity still in deficit at \$22.9 million and cash declining to \$16.6 million, Team's capital structure remains a critical long-term overhang despite improved liquidity of \$49 million.
- ▼ **MS Segment's Revenue Concentration and Geographic Weakness:** The MS segment remains a source of structural underperformance. Though U.S. MS revenues grew 7% year over year in the second quarter of 2025, this was offset by double-digit declines in international operations, leading to flat segment growth and a 4.7% drop in segment operating income. International markets continue to face delayed project activity, especially in turnaround services, limiting segment margin scalability. This dynamic exposes the company to geographic revenue concentration risks, particularly as MS remains approximately 47% of consolidated revenues. The inability to translate U.S. performance into consolidated MS strength raises questions about the segment's resilience and its contribution to long-term profitability.
- ▼ **Persistent Net Losses & Limited Earnings Visibility:** Team continues to report material GAAP losses, with a net loss of \$34 million in the first half of 2025 versus \$20 million in the first half of 2024. While Q2 adjusted net loss narrowed to \$0.9 million, the company remains structurally unprofitable. Accumulated deficit widened to \$449.7 million, and the loss per share was \$7.56 in the first six months of 2025. These results include non-recurring charges, such as the \$11.9-million debt extinguishment cost in Q1, yet even normalized profitability remains elusive. With no consistent trajectory to net income and a dependency on adjusted metrics for progress signals, the risk remains that cost initiatives may be insufficient to achieve valuation re-rating without sustained earnings scalability.
- ▼ **Working Capital Strain & Receivables Build-Up:** Team's accounts receivable balance rose sharply to \$207.5 million in the second quarter of 2025 from \$172.6 million in December 2024, driven by increased unbilled revenues. This \$34.9-million build contributed significantly to the \$32-million cash burn from operations in the first half of 2025. While revenue growth partially explains the increase, the magnitude suggests persistent billing delays or extended payment cycles. This working capital inefficiency amplifies liquidity strain despite headline improvements in EBITDA and the gross margin. Without improvements in receivables conversion, the Team's capacity to self-fund growth remains constrained, particularly under its highly leveraged capital structure.
- ▼ **Legal & Contingent Liability Exposure:** Team continues to face material litigation risks, with \$39 million accrued for the refiled Kelli Most lawsuit as of the second quarter of 2025. Although management expects insurance coverage to offset these liabilities, reliance on third-party insurers introduces uncertainty regarding timing and adequacy of reimbursement. Around \$1.7 million in government subsidy repayments remain under dispute, adding to contingent liabilities. These unresolved exposures not only weigh on reported accruals but also introduce potential volatility in future financial results, challenging the long-term predictability of earnings and cash flow.

Team remains overleveraged with escalating debt and interest expenses, facing revenue concentration risks, persistent losses, working capital inefficiency, and legal liabilities.

■ Last Earnings Report

Team posted revenues of \$248 million in the second quarter, an 8.5% increase from the \$228.6 million reported in the year-ago quarter. The gross margin expanded to \$68.1 million, up 7.1% year over year. The company recorded a net loss of \$4.3 million, wider than a loss of \$2.8 million in the prior-year quarter, though its adjusted EBITDA improved 12.4% to \$24.5 million from \$21.8 million. On a per-share basis, the loss widened to 95 cents from 63 cents a year ago. Importantly, the adjusted net loss narrowed to \$0.9 million from \$2 million last year.

Other Key Business Metrics

Performance across segments was mixed but overall favorable. Inspection and Heat Treating (IHT) revenues grew 15.2% year over year to \$130.4 million, driven by a 13.4% rise in U.S. operations and a 31.4% increase in Canadian operations. Segment operating income jumped 26.7% to \$15.8 million. Adjusted EBITDA for IHT rose 25% to \$19.5 million, with a margin improvement of 118 basis points.

Mechanical Services (MS) revenues grew 1.9% to \$117.6 million, with U.S. operations gaining 6.6% but international markets experiencing softness. Operating income fell 4.7% to \$10.1 million. Adjusted EBITDA in the MS unit dipped to \$15 million from \$15.4 million a year earlier.

From a balance sheet perspective, liquidity totaled \$49.3 million at the quarter end, including \$16.6 million in cash and \$32.7 million in undrawn credit availability. Total debt stood at \$370.2 million, up from \$325.1 million at the end of 2024, reflecting refinancing completed in March 2025 and seasonal working capital demands.

Management Commentary

Chief executive officer Keith D. Tucker emphasized that the second quarter showcased tangible progress in the company's transformation program. He highlighted double-digit growth in the IHT segment and continued cost optimization efforts, including initiatives expected to yield approximately \$10 million in annualized SG&A and other cost savings, with \$6 million anticipated in the second half of 2025.

Chief financial officer Nelson M. Haight underscored the benefits of the March refinancing, which lowered the blended interest rate by more than 100 basis points and extended term-loan maturities to 2030. He noted that adjusted net loss had narrowed substantially and reiterated management's goal of achieving at least 15% year-over-year growth in adjusted EBITDA for 2025.

Factors Influencing the Headline Numbers

Revenue growth was primarily fueled by strength in the U.S. and Canadian operations in the IHT segment, wherein higher activity in turnaround and callout services supported double-digit expansion. The MS segment's performance was hampered by weakness in certain international markets, particularly the U.K. and Trinidad, where project activity declined.

Gross margin expansion reflected higher volumes and improved cost management, while SG&A leverage improved as expenses represented 18.9% of revenues, down from 19.8% last year. However, bottom-line losses widened due to elevated interest costs and foreign currency losses, partially offsetting operating gains.

Guidance

Management expects continued revenue and margin improvements in the second half of 2025. The company reaffirmed its target of at least 15% growth in adjusted EBITDA for the year and highlighted anticipated gains from Canadian and other international operations. Leadership also stressed its commitment to driving margin expansion, cost discipline, and operational resilience to sustain shareholder value creation.

Other Developments

In the quarter, Team announced the appointment of Dan Dolson as executive vice president, chief strategy and transformation officer. His role is to accelerate ongoing transformation initiatives, with a focus on both revenue growth and margin improvement. The company did not disclose any acquisitions or divestitures during the period.

In summary, Team delivered a solid second quarter, with revenue and adjusted EBITDA growth underscoring progress in its transformation program. While net losses are concerning, narrowing adjusted net loss, stronger performance in the IHT segment, and effective cost controls highlight improving fundamentals. Management's guidance of at least 15% adjusted EBITDA growth for 2025 suggests operational improvements.

■ Valuation Discussion

Shares of Team are up 6.7% in the past six months and 21.4% over the trailing 12-month period. Stocks in the Zacks building products-maintenance service subindustry are up 6.8%, while the Zacks construction sector is down 0.4% in the six-month period. Over the past year, the Zacks subindustry is up 11%, while the sector is up 3.7%.

The S&P 500 index is up 17.3% in the six-month period and 18.7% in the past year.

The stock is currently trading at 0.49X trailing 12-month EV Sales/TTM, which compares to 7.71X for the Zacks sub-industry, 4.77X for the Zacks sector and 5.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.84X and as low as -0.04X, with a 5-year median of 0.47X.

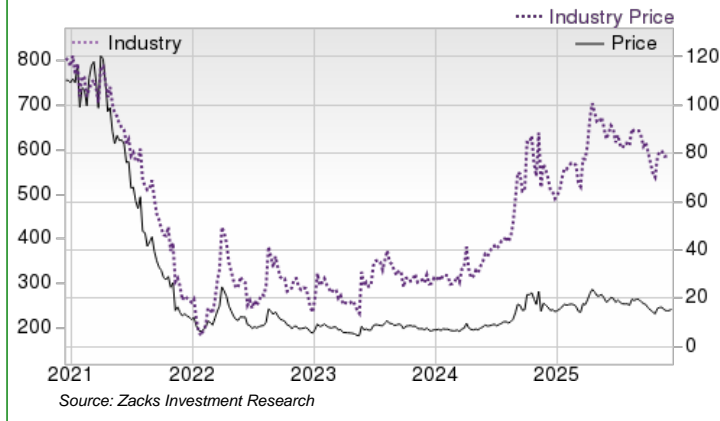
The stock is currently trading at 6.04X trailing 12-month EV/EBITDA TTM, which compares to 33.87X for the Zacks sub-industry, 11.42X for the Zacks sector and 18.50X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.52X and as low as 2.06X, with a 5-year median of 5.35X.

Our Neutral recommendation indicates that the stock will perform in line with the market.

Industry Analysis

Zacks Industry Rank: Top 40% (97 out of 243)



Top Peers

Company (Ticker)	Recommendation
ABM Industries Incor.. (ABM)	Neutral
Brookfield Business ... (BBU)	Neutral
Randstad Holding NV (RANJY)	Neutral
Rollins, Inc. (ROL)	Neutral
Visa Inc. (V)	Neutral
Adecco SA (AHEXY)	Underperform
Limbach Holdings, In.. (LMB)	Underperform
Ntt Data Corporation (NTDTY)	NA

Industry Comparison

Industry: Building Products - Maintenance Service

Industry Peers

	TISI	X Industry	S&P 500	ABM	LMB	ROL
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Market Cap	\$68.63M	\$14.58B	\$39.20B	\$2.89B	\$919.57M	\$29.09B
Dividend Yield	0.00%	0.61%	1.4%	2.25%	0.00%	1.22%
Value Metrics						
Cash/Price	0.22	0.11	0.04	0.02	0.01	0.00
EV/EBITDA	6.37	22.28	14.73	13.28	17.97	38.19
Price/Book	NA	18.99	3.35	1.60	5.06	18.99
Price/Cash Flow	7.08	28.07	15.24	8.87	16.17	49.07
Price/Sales	0.08	3.99	3.09	0.33	1.52	7.90
Earnings Yield	NA	1.90%	5.01%	8.48%	5.50%	1.90%
Debt/Equity	-16.93	-8.31	0.57	0.82	0.31	0.32
Cash Flow (\$/share)	2.14	1.68	8.99	5.32	4.89	1.22
Growth Metrics						
Hist. EPS Growth (3-5 yrs)	NA	14.78%	8.16%	3.41%	57.97%	14.78%
Curr. Cash Flow Growth	-11,532.14%	-5,761.10%	6.75%	-5.30%	89.66%	9.94%
Hist. Cash Flow Growth (3-5 yrs)	-25.81%	-6.34%	7.43%	6.93%	41.44%	13.14%
Current Ratio	1.95	1.36	1.18	1.49	1.43	0.77
Debt/Capital	NA%	24.07%	38.01%	45.04%	23.66%	24.07%
Net Margin	-5.95%	4.04%	12.78%	1.34%	6.06%	14.02%
Return on Equity	-753.94%	-358.17%	17.00%	12.12%	30.80%	37.60%
Sales/Assets	1.67	1.44	0.53	1.65	1.68	1.21
Momentum Metrics						
Daily Price Chg	0.66%	0.31%	-0.16%	1.16%	4.13%	-0.05%
1 Week Price Chg	3.15%	0.48%	-0.44%	4.50%	3.00%	-2.20%
4 Week Price Chg	-0.72%	1.42%	2.16%	17.04%	14.39%	3.55%
12 Week Price Chg	-15.54%	-3.76%	1.83%	2.99%	-24.60%	8.03%
52 Week Price Chg	-1.56%	11.03%	12.22%	-16.88%	-15.11%	23.63%
20 Day Average Volume	15,682	1,150,294	2,744,252	465,460	147,249	2,284,907
20-Day Average Trading Value	\$237.74K	NA	NA	\$21.29M	\$11.98M	\$135.86M

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.

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