

## Team (TISI)

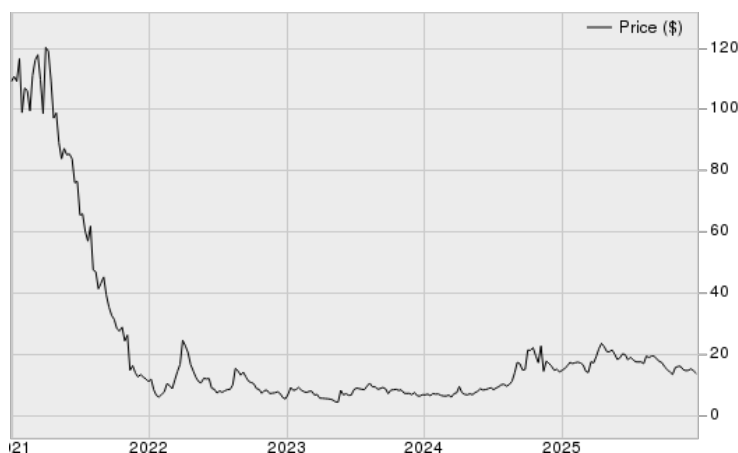
**Stock Price: \$13.91** (As of 12/30/2025)

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

### Summary

Team benefits from a large, durable opportunity in critical infrastructure services, supported by aging assets, regulatory requirements, and sustained energy, midstream and industrial demand. The third-quarter 2025 results showed solid execution, with 6.7% year-over-year revenue growth, strong momentum in the IHT and MS segments, and meaningful margin expansion, driven by pricing, mix and cost discipline. Canadian operations are recovering, validating localized commercial strategies, while an integrated service model supports lifecycle-driven growth and operating leverage. However, the investment case is tempered by structural leverage, high interest burden, persistent GAAP losses, working capital drag, MS segment margin volatility and contingent legal liabilities. Upside hinges on sustained margin expansion, cash flow conversion and progress toward double-digit adjusted EBITDA margins.

### Stock Price History

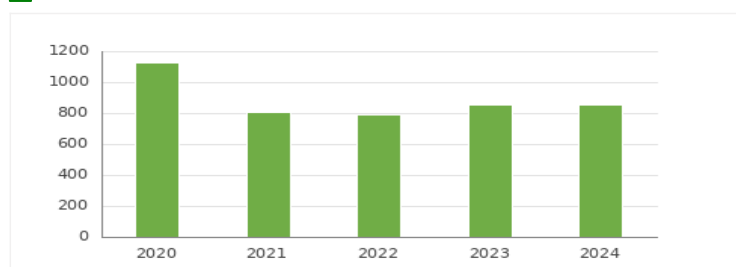


Source: Zacks Investment Research

### Data Overview

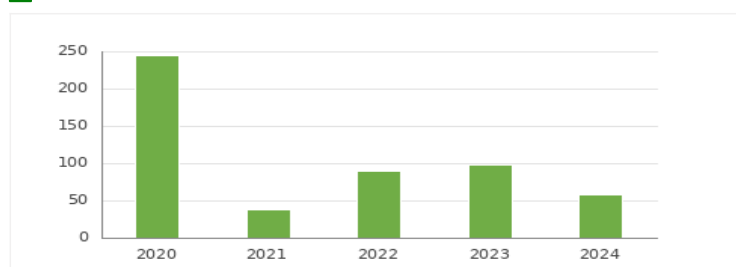
52 Wk High-Low	\$24.25 - \$12.12
20-Day Average Volume (Shares)	36,610
20-Day Average Trading Value	\$509.24K
Market Cap	\$62.97M
Year-To-Date Price Change	9.70%
Beta	1.19
Cash	\$14.81M
Debt	\$298.82M
FCF TTM	\$-15.56M
<b>Valuation</b>	
P/E TTM	NA
EV/EBITDA	6.27
EV/SALES	0.39
P/BV	NA
Industry	Building Products - Mainten...
Zacks Industry Rank	Top 44% (108 out of 243)
Expected Report Date	03/18/2026
<b>Last Reported Quarter</b>	
Sales Growth YOY	6.75%
EPS Growth	47.89%
EBITDA Growth	41.87%
FCF Growth	NA

### Sales TTM (millions of \$)



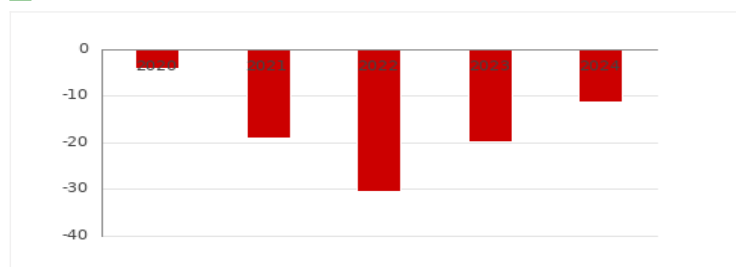
Source: Zacks Investment Research

### EBITDA TTM (millions of \$)



Source: Zacks Investment Research

### EPS TTM (\$/share)



Source: Zacks Investment Research

The charts and tables reflect data as of 12/30/2025, while the textual content of the report is as of 12/18/2025

## 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.

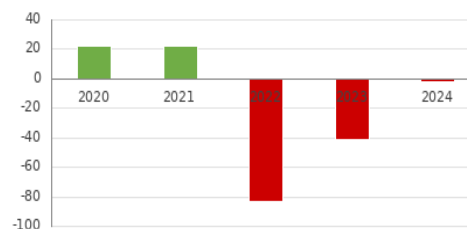
Team operates in a competitive landscape with more than 100 active competitors in the industrial services market. The company differentiates itself through the quality and training of its technicians, rigorous safety protocols, and the breadth of its service offerings. Team's services are marketed primarily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

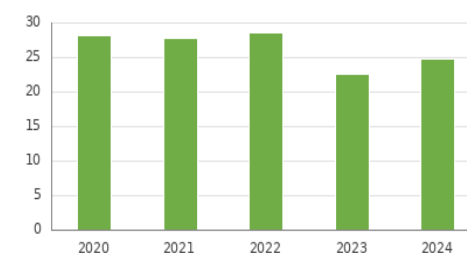
*Note: The data and facts mentioned in this section are as of 12/31/2024.*

### 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 across the energy, midstream and industrial verticals, driven by aging infrastructure and regulatory compliance requirements. In the third quarter of 2025, the IHT segment achieved 5.7% year-over-year revenue growth, with gains in both U.S. and international markets. This follows strong Q2 growth, reinforcing the trend of consistent expansion. IHT's operating income increased 16.9% year over year, demonstrating leverage in the business model. Nested and call-out activity remains strong in the United States, while Canada posted continued improvements in commercial traction. The MS segment also contributed with 7.8% revenue growth, driven by increased U.S. turnaround demand and Canadian recovery. The company's integrated services and lifecycle capabilities position it well to capitalize on ongoing capital and maintenance spend across asset-intensive industries.

Demand for aging infrastructure services and regulatory compliance, coupled with strategic execution of cost optimization and margin expansion, supports stable revenue growth and improved profitability.

▲ **Integrated Service Model Supporting Profitable Growth:** Team's dual-segment structure enables differentiated value capture by integrating inspection, diagnostics, engineering and mechanical execution. The third-quarter 2025 performance showcased revenue growth in both IHT and MS segments, contributing to a 6.7% overall year-over-year revenue increase and a 28.6% uplift in consolidated adjusted EBITDA. The gross margin expanded 8.4% year over year, aided by a favorable service mix and pricing. Adjusted SG&A as a percentage of revenues improved to 20.8% from 21.7% in the prior-year quarter. The company continues to target efficiencies through disciplined cost control and is executing on multi-year margin expansion strategies. This integrated model supports margin stability and growth even amid varied regional and segment demand.

▲ **Sustained Execution on Cost Optimization & Margin Expansion:** Team continues to execute against a defined cost efficiency and margin expansion roadmap. In the third quarter of 2025, the adjusted EBITDA margin reached 6.5%, up 110 basis points from the prior year, marking the company's best third-quarter performance since 2016. This margin improvement was supported by both top-line growth and operating discipline. The company reduced its adjusted SG&A ratio, reflecting sustainable cost reductions. For the first nine months of 2025, Team generated \$44.3 million in adjusted EBITDA, representing a 12% year-over-year increase. The 2025 adjusted EBITDA is expected to grow 13%, underpinned by improved cost structure, higher-margin service delivery and enhanced operational focus.

▲ **Canadian Turnaround Strategy Gaining Traction:** The company's Canadian operations continued their recovery in the third quarter of 2025, with 8.9% international IHT growth and a 66.4% surge in MS revenues in Canada, reflecting strong commercial traction and increased project execution. These gains build on the 31% IHT revenue growth seen in Canada in Q2 2025. Management expects continued improvement through H2 2025 and into 2026 as turnaround and call-out activity ramps further. This recovery validates Team's strategy of localized commercial initiatives and cost optimization, positioning Canada as a contributor to broader earnings leverage.

▲ **Strengthened Balance Sheet Enhancing Strategic Flexibility:** Team completed a \$75-million preferred equity raise in September 2025 and used the proceeds to pay down debt and improve liquidity. As of the third quarter of 2025, total liquidity stood at \$57.1 million, including \$10.6 million in cash and \$46.5 million of undrawn credit availability. Additionally, the company secured a \$30-million delayed draw option tied to performance milestones. Amendments to existing credit facilities reduced interest rate margins and improved covenant flexibility. The capital structure optimization provides a multi-year runway to support operational execution, growth investments and working capital needs, reinforcing Team's long-term strategic positioning.

▲ **Clear Path Toward Double-Digit Adjusted EBITDA Margin:** Management reaffirmed its long-term target of delivering a double-digit adjusted EBITDA margin. The company reached a 9.9% margin in Q2 2025 and reported 6.5% in the third quarter of 2025, demonstrating consistent sequential performance. Team expects margin gains to continue in Q4 2025 and into 2026, driven by expanding revenues in U.S. and Canadian operations, SG&A rationalization, and stronger service mix. The company's focus on operational execution, cost discipline and high-margin end markets such as power, aerospace and LNG supports its margin trajectory. Achieving this target would enhance the free cash flow and long-term shareholder returns.

## Reasons To Sell

- ▼ **Structural Overleveraging & Fixed Charge Pressure:** Despite notable balance sheet improvements in 2025, Team remains structurally overleveraged, posing a persistent constraint on reinvestment capacity. Total debt, while reduced to \$302.8 million as of Q3 from \$325.1 million at the end of 2024, still represents a material burden. Interest expenses totaled \$11.9 million in Q3 alone, accounting for more than 20% of the gross margin and exceeding quarterly operating income by 8.8X. Preferred dividend accretion of \$0.6 million further limits earnings availability to common shareholders. Although liquidity improved to \$57.1 million, this was supported by a \$75-million preferred equity raise and amendments to existing credit facilities. Absent sustained free cash flow generation, covenant headroom remains sensitive to execution. With equity still in deficit at -\$17.7 million and net loss year-to-date widening to \$45.4 million, capital structure remains a long-term overhang despite recent refinancing efforts.
- ▼ **MS Segment Margin Volatility & Geographic Weakness:** While U.S. MS revenues rose 12.6% year over year in the third quarter of 2025, overall segment margin expansion was constrained by the persistent underperformance in the international markets. Canada posted a sharp 66.4% year-over-year surge, yet this was offset by a \$3.3-million revenue decline in other international regions due to reduced customer activity in valve and leak repair services. As a result, MS segment operating income increased only \$1.4 million or 17.3%, lagging the 7.8% top-line increase. Through nine months, MS segment operating income declined 22.5% to \$14.9 million despite modest revenue growth of 0.8%. This disparity highlights limited scalability and elevated sensitivity to project mix and geography. At 47.8% of consolidated revenues, the segment's uneven contribution introduces ongoing risks to profitability and margin predictability.
- ▼ **Persistent Net Losses & Reliance on Adjusted Metrics:** Team continues to report significant GAAP losses, raising concerns about long-term earnings visibility and valuation support. The net loss in the third quarter of 2025 totaled \$11.4 million, consistent with the \$11.1-million loss in Q3 2024, while the year-to-date net loss widened to \$45.4 million. The loss before income taxes was \$43.3 million YTD compared with \$29 million in the prior year. Accumulated deficit reached \$461.1 million, and equity remains negative. While adjusted EBITDA improved 12% year over year to \$44.3 million through nine months, reliance on non-GAAP measures such as adjusted EBIT and EBITDA highlights the gap between reported and normalized earnings. Without a clear path to sustained net income, the valuation case remains dependent on ongoing execution of cost containment and margin initiatives.
- ▼ **Working Capital Inefficiencies & Receivables Pressure:** Although revenue increased, working capital dynamics deteriorated through the third quarter of 2025, pressuring cash flow conversion. Accounts receivable grew to \$194.7 million from \$172.6 million at the end of 2024, driven by a \$13.1-million sequential increase in unbilled revenues. This contributed to the negative operating cash flow of \$28.1 million year-to-date. Inventory also rose to \$41.5 million (+9.6% YTD), and accounts payable declined by \$3.2 million, further exacerbating working capital outflows. While liquidity was bolstered by preferred equity issuance, the underlying cash flow remains structurally challenged. Persistent delays in billing conversion or customer collections may constrain Team's ability to self-fund growth or meet fixed obligations without relying on external financing.
- ▼ **Contingent Liability Overhang & Legal Risk:** Team maintains \$40.7 million in accrued contingent liabilities, including \$39 million related to the Kelli Most litigation and \$1.7 million for government subsidy repayment disputes. While insurance is expected to cover the former, the timing and adequacy of reimbursement remain uncertain. Notably, the \$39-million receivable from third-party insurers is treated as non-cash, leaving gross liability on the balance sheet. Legal and professional accruals totaled \$44.9 million as of the third quarter of 2025, up slightly from \$44.3 million at the end of 2024. These exposures, though disclosed, introduce volatility to future financial results and could impact liquidity in downside scenarios. The persistent presence of high-severity claims presents an unpredictable element in Team's financial profile.

Team's deleveraging efforts are challenged by high debt, interest expenses, and fixed charges, limiting reinvestment and posing long-term profitability and liquidity risks amidst working capital inefficiencies and legal liabilities.

## Last Earnings Report

Team delivered solid top-line and profitability improvements in the quarter. Revenues increased 6.7% year over year to \$225 million, driven by broad-based gains across both reportable segments. The gross margin expanded 8.4% to \$58 million, outpacing revenue growth. Adjusted EBITDA climbed 28.6% from the prior-year period to \$14.5 million, widening the adjusted EBITDA margin by 110 basis points. Net loss was \$11.4 million, modestly higher than the \$11.1 million loss recorded a year earlier. Earnings per share came in at a loss of \$2.68 compared with a loss of \$2.52 last year.

### Segment Trends and Other Key Business Metrics of TISI

Team's Inspection & Heat-Treating ("IHT") segment generated \$113.8 million in revenues, up 5.7% from the year-ago period. The increase reflected higher nested and call-out service activity in the United States, as well as an 8.9% lift in international markets, including Canada. Operating income for the segment rose 16.9% to \$11.5 million. The Mechanical Services ("MS") segment also delivered growth, with revenues improving 7.8% to \$111.2 million, supported by stronger U.S. turnaround activity and improved results in Canada. The segment's operating income advanced 31.2% to \$5.9 million.

Adjusted selling, general and administrative expenses fell to 20.8% of revenues from 21.7% in the prior-year quarter, marking continued progress on cost control. However, corporate and shared support services expenses increased due to non-recurring legal and professional fees, compressing consolidated operating income to \$1.3 million from \$3.2 million in the year-ago period.

### TISI: Management Commentary

Management highlighted that adjusted EBITDA reached its highest third-quarter level since at least 2016. The CEO emphasized that growth in adjusted EBITDA outpaced revenue gains, signaling traction in ongoing cost-reduction and margin-expansion initiatives. Both leaders expressed confidence that the company's strengthened balance sheet, improved operational discipline and growing international performance, particularly in Canada, position the business for continued improvement.

Management also reiterated a focus on maintaining cost discipline, enhancing commercial execution in higher-margin end markets and expanding wallet share among existing customers. Leadership pointed to continued multi-year progress in margin improvement and cost structure simplification as evidence that its transformation efforts are gaining momentum.

### Factors Influencing TISI's Quarterly Performance

The revenue increase was driven primarily by volume gains in both core segments. In IHT, higher nested and call-out activity contributed to U.S. growth, while expanded non-destructive examination and heat-treating work supported international results. Mechanical Services benefited from elevated U.S. turnaround demand and improved Canadian activity.

On the cost side, margin improvements reflected field cost rationalization, a better project mix and continuing benefits from earlier restructuring actions in Canada. Adjusted EBITDA expanded meaningfully, but consolidated operating income contracted due to higher non-recurring corporate expenses. Lower international MS revenues weighed on that segment's operating contribution, though gains in U.S. and Canadian operations offset a portion of this drag. Interest expenses remained sizable, and the quarter included a loss on debt extinguishment related to refinancing activities.

### Guidance by TISI

Management reiterated expectations for full-year 2025 revenue growth of approximately 5% and adjusted EBITDA growth of roughly 13%. The company anticipates year-over-year top-line gains in the fourth quarter, alongside continued adjusted EBITDA improvement. Leadership also expects the financial performance of Canadian and other international operations to strengthen further. During the call, executives noted that ongoing initiatives should contribute to additional cost efficiencies and margin expansion into 2026.

### Other Developments at TISI

Team completed a \$75 million private placement of preferred stock with Stellex Capital Management in September 2025. Proceeds were used to pay down roughly \$67 million of debt, helping reduce total debt from \$325.1 million at year-end 2024 to \$302.8 million on Sept. 30, 2025. The transaction enhanced liquidity and provided access to an additional \$30 million in potential future preferred stock proceeds. Management indicated that the strengthened balance sheet improves financial flexibility and supports the company's long-term transformation plan.

## ■ Valuation Discussion

Shares of Team are down 26.2% in the past six months, but up 1.8% over the trailing 12-month period. Stocks in the Zacks building products-maintenance service subindustry are up 7.3%, while the Zacks construction sector is down 8.8% in the six-month period. Over the past year, the Zacks subindustry is up 28.1%, while the sector is down 9.9%.

The S&P 500 index is up 14.8% in the six-month period and 16.4% in the past year.

The stock is currently trading at 0.40X trailing 12-month EV Sales/TTM, which compares to 7.93X for the Zacks sub-industry, 4.25X for the Zacks sector and 5.72X 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 0.46X.

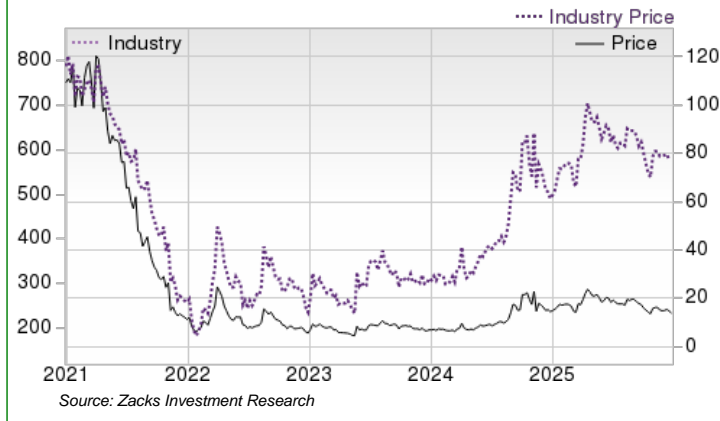
The stock is currently trading at 4.67X trailing 12-month EV/EBITDA TTM, which compares to 34.13X for the Zacks sub-industry, 10.91X for the Zacks sector and 18.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.52X and as low as 2.63X, with a 5-year median of 5.39X.

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

## Industry Analysis

Zacks Industry Rank: Top 44% (108 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
<b>Zacks Recommendation (Long Term)</b>	Neutral	-	-	Neutral	Underperform	Neutral
Market Cap	\$62.97M	\$14.67B	\$39.67B	\$2.57B	\$908.40M	\$29.29B
Dividend Yield	0.00%	0.60%	1.4%	2.48%	0.00%	1.21%
<b>Value Metrics</b>						
Cash/Price	0.24	0.12	0.04	0.04	0.01	0.00
EV/EBITDA	6.27	22.36	14.72	9.49	17.76	38.44
Price/Book	NA	19.12	3.34	1.46	5.00	19.12
Price/Cash Flow	6.50	27.95	15.38	8.14	15.97	49.40
Price/Sales	0.07	4.02	3.14	0.29	1.51	7.96
Earnings Yield	NA	1.89%	4.94%	9.58%	5.59%	1.89%
Debt/Equity	-16.93	-8.31	0.57	0.86	0.31	0.32
Cash Flow (\$/share)	2.14	1.68	8.98	5.25	4.89	1.22
<b>Growth Metrics</b>						
Hist. EPS Growth (3-5 yrs)	NA	14.78%	8.21%	1.16%	57.97%	14.78%
Curr. Cash Flow Growth	-11,532.14%	-5,761.10%	7.00%	-3.74%	89.66%	9.94%
Hist. Cash Flow Growth (3-5 yrs)	-25.81%	-6.34%	7.48%	-5.48%	41.44%	13.14%
Current Ratio	1.95	1.36	1.18	1.48	1.43	0.77
Debt/Capital	NA%	24.07%	38.15%	46.26%	23.66%	24.07%
Net Margin	-5.95%	4.04%	12.77%	1.86%	6.06%	14.02%
Return on Equity	-753.94%	-358.17%	17.03%	11.96%	30.80%	37.60%
Sales/Assets	1.67	1.44	0.53	1.66	1.68	1.21
<b>Momentum Metrics</b>						
Daily Price Chg	0.80%	0.12%	-0.14%	-0.47%	-0.71%	-0.56%
1 Week Price Chg	-5.91%	-2.51%	-0.20%	1.19%	1.11%	0.90%
4 Week Price Chg	-10.32%	-5.54%	0.98%	-1.20%	13.64%	-0.77%
12 Week Price Chg	-8.18%	-1.98%	2.71%	-6.38%	-13.30%	4.23%
52 Week Price Chg	9.70%	20.04%	17.25%	-16.57%	-8.66%	30.38%
20 Day Average Volume	36,610	1,197,273	2,628,137	848,503	144,911	2,357,937
20-Day Average Trading Value	\$509.25K	NA	NA	\$36.16M	\$11.20M	\$142.14M

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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