

Toll Brothers Inc. (TOL)

\$140.46 (Stock Price as of 12/15/2025)

Price Target (6-12 Months): **\$119.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 12/11/25)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM: C

Value: B

Growth: F

Momentum: A

Summary

Toll Brothers reported mixed fourth-quarter fiscal 2025 results, with adjusted earnings missing the Zacks Consensus Estimate and decreasing on a year-over-year basis. However, total revenues surpassed the estimate and increased from the prior year's reported figure. The company's prospects are hurting from the ongoing housing market weakness, as homebuyers navigate through affordability challenges due to elevated mortgage rates. During the fiscal third quarter, net signed contracts declined 2.3% year over year, with backlog down 22.5%. Also, higher land and labor costs further weigh on performance. Adjusted home sales gross margin contracted 50 basis points year over year in the quarter. Although Toll Brothers' shares have outperformed the industry in the three months, it has trended downward.

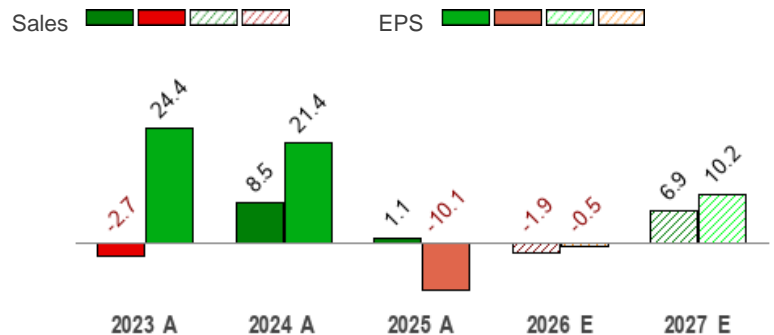
Price, Consensus & Surprise⁽¹⁾



Data Overview

52 Week High-Low	\$149.79 - \$86.67
20 Day Average Volume (sh)	1,284,130
Market Cap	\$13.4 B
YTD Price Change	10.5%
Beta	1.39
Dividend / Div Yld	\$1.00 / 0.7%
Industry	Building Products - Home Builders
Zacks Industry Rank	Bottom 11% (214 out of 243)

Sales and EPS Growth Rates (Y/Y %)⁽²⁾



Last EPS Surprise	-6.0%
Last Sales Surprise	3.0%
EPS F1 Est- 4 week change	-4.5%
Expected Report Date	02/17/2026
Earnings ESP	10.1%

Sales Estimates (millions of \$)⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2027	1,890 E	2,821 E	3,109 E	3,565 E	11,507 E
2026	1,829 E	2,585 E	2,889 E	3,410 E	10,762 E
2025	1,859 A	2,739 A	2,945 A	3,423 A	10,967 A

EPS Estimates⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2027	2.00 E	3.54 E	3.90 E	4.77 E	14.79 E
2026	1.90 E	3.18 E	3.63 E	4.79 E	13.42 E
2025	1.75 A	3.50 A	3.73 A	4.58 A	13.49 A

*Quarterly figures may not add up to annual.

P/E TTM	10.3
P/E F1	10.5
PEG F1	2.2
P/S TTM	1.2

(1) The data in the charts and tables, except the estimates, is as of 12/15/2025.

(2) The report's text, the analyst-provided estimates, and the price target are as of 12/12/2025.

Overview

Based in Horsham, PA, Toll Brothers Inc. builds single-family detached and attached home communities; master planned luxury residential resort-style golf communities; and urban low, mid, and high-rise communities, principally on the land it develops and improves.

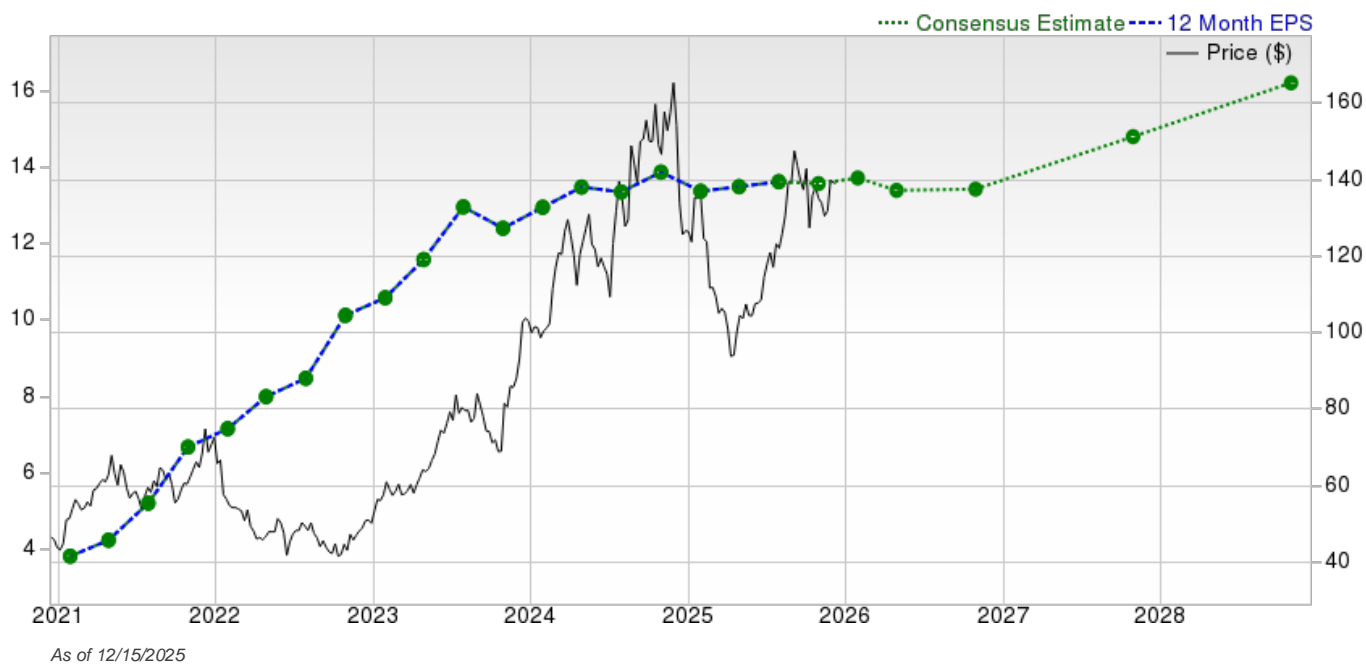
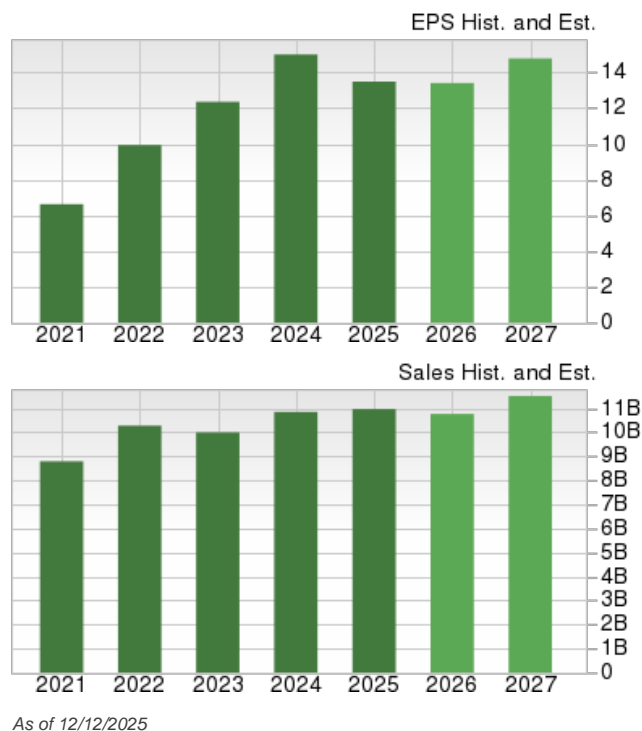
Notably, during the fourth-quarter fiscal 2022 earnings call, the company concluded that City Living operations no longer meet the definition of an operating segment, primarily due to the change in structure and a shift in strategy for its operations.

Toll Brothers now operates in five geographical segments — North (accounted for 15.1% of fiscal 2025 sales), Mid-Atlantic (13.1%), South (24.7%), Mountain (26.7%) and Pacific (19.3%).

Since November 2018, the company has started reporting land sale activities under the Land sales and other category (1.1%).

Toll Brothers is also building homes for rental apartment projects. Toll Brothers Apartment Living, Toll Brothers Realty Trust and Toll Brothers Campus Living are brands offered under this rental apartment project. These rental projects operate in lucrative markets like the metro-Boston to metro-Washington, D.C. corridor and Atlanta.

At the end of the fourth quarter of fiscal 2025, Toll Brothers had \$1.26 billion in cash and cash equivalents and \$2.19 billion available under the revolver capacity. The revolving bank credit facility will not mature until February 2030. Also, total debt as of Oct. 31, 2025, was \$2.9 billion. Debt to capital was 26% at the fiscal fourth-quarter end, down from 27% at the fiscal 2024 end.



Reasons To Sell:

▼ **Cyclical Nature of Business:** The housing industry is cyclical and affected by consumer confidence levels, prevailing economic conditions and interest rates. The federal government's actions related to economic stimulus, taxation and borrowing limits could affect consumer confidence and spending levels, which could hurt both the economy and the housing market.

Higher land and labor costs, tariff-related risks, as well as supply-related limitations are raising concerns.

The U.S. housing industry continues to be pulled back due to the ongoing market challenges, including uncertainties about interest rates, inflationary pressures, and weakening consumer sentiment. On Dec. 10, 2025, the Federal Reserve lowered interest rates by 0.25 percentage points for the third time this year, setting the benchmark range at 3.5% to 3.75%. Policymakers signaled one more cut for 2026, though the vote showed a divided view on the path ahead. For the U.S. housing market, the update offers limited support, as Chair Jerome Powell noted that a small rate move is unlikely to ease conditions. Low supply, pandemic-era mortgage rates and affordability pressures continue to hold back demand, with the average 30-year mortgage rate still above 6%.

▼ **Margin-Related Woes Persist:** A still-high mortgage rate scenario is taking a toll on signing activity in the housing market. Additionally, rising building materials and labor costs are growing concerns for the company's margin. Labor shortages are leading to higher wages due to limited availability, somewhat denting homebuilders' margins. Also, volatile lumber prices are likely to weigh on the bottom line. Land prices are inflating due to limited availability, which could eat into homebuilders' margins in the forthcoming quarters. In fiscal 2025, the company's adjusted home sales gross margin of 27.3% contracted 110 basis points (bps) year over year. Rising labor and material expenses reduced profitability despite strong demand.

▼ **Supply Constraints:** Several years of production deficits during the housing downturn limited the supply of both rental and new homes in the country. At present, a shortage of buildable lots, skilled labor and available capital for smaller builders is limiting home production, thereby lowering the inventory of homes, both new and existing. The labor market has also tightened with limited availability of labor, arresting the rapid growth in housing production.

Toll Brothers faces ongoing challenges in managing margin pressures. The company acknowledged that it has yet to see any meaningful relief in build costs from tariffs and noted that any potential moderation is expected to be modest at best in the foreseeable future.

Risks⁽²⁾ (to the Underperform recommendation)

- **Limited Competition in the Luxury Housing Market & Focus on Affordability:** Toll Brothers primarily offers luxury homes, and its communities are situated in high-growth and high-barrier-to-entry markets, offering it a competitive advantage as luxury homes generally face limited competition. Besides, the company's strategy of widening price points to include more affordable luxury homes and increasing the supply of spec homes has helped grow market share. About 70% of the company's business serves the move-up and empty-nester segments, who tend to be wealthier, have greater financial flexibility, and a majority have equity in their existing homes. The remaining 25-30% of the business serves the more affluent, older, first-time buyer.

During the fourth quarter of fiscal 2025, the company highlighted that despite a challenging housing climate, through a well-balanced operating model, diversified luxury business and a focus on prioritizing pricing and margin over sales pace, it continued to drive performance. Furthermore, a high percentage of all cash buyers and a low loan-to-value ("LTV") for those who take a mortgage across this wealthier customer base adds to Toll Brothers' growth prospects. In the fiscal fourth quarter, the average spend on design studio selections, structural options and lot premiums was approximately \$206,000 per home and these upgrades remained highly accretive to margins. Moreover, about 26% of its buyers paid in all cash and the LTV for financed buyers remained around 69%, which continued to support profitability in an uncertain macro environment.

Additionally, Toll Brothers believes that community count growth will prove incremental for its results in fiscal 2026 and beyond. It expects the community count to grow between 8% and 10% year over year in fiscal 2025 to approximately 480-490 communities. The company continues to look for opportunities to expand its luxury segment and continue offering capital-efficient contract structures to promote long-term growth.

- **Strategies and Demand Factors Supporting 2026 Deliveries:** Toll Brothers believes that its strategies of increasing spec production, widening geographic footprint, price points and product lines, along with focusing on operational and capital efficiency, are boding well for its prospects. The company is maintaining a balanced inventory and construction pace in line with market conditions. It also manages pricing, incentives and spec starts at each community to support a steady selling environment.

For fiscal 2026, home deliveries are anticipated to be between 10,300 units and 10,700 units. The outlook is supported by 4,500 homes in backlog, 3,000 spec homes under construction, 1,500 build-to-order homes expected to sell and settle and 1,500 selected spec starts. These components provide visibility for the year. Buyer trends also remain favorable, as the median age of first-time buyers is now 40 and the median age of all buyers is close to 60, which supports demand at the company's price points.

- **Balanced Operating Model:** Toll Brothers is balancing spec (speculative) and build-to-order methods to fuel growth. The company adjusts its approach based on current market conditions. This strategy allows Toll Brothers to respond effectively to changes in demand, especially in a fluctuating economic environment. It maintains a balance between build-to-order and spec sales. Spec homes made up about 54% of recent deliveries, with a similar mix expected ahead. This approach helps the company meet diverse market needs. It addresses immediate demand with spec sales while offering customization through build-to-order options.

With this strategic operating model, Toll Brothers is primarily focusing on its return on equity ("ROE"), turning inventory and accurately balancing pace and price. More than 35% of communities can now deliver homes in less than eight months, which improves cycle times and strengthens inventory turns. The company is also timing spec starts to match seasonal delivery patterns. The land strategy continues to shift toward more optioned lots to support ROE. The delivery plan for the upcoming year is structured around a balanced mix of spec homes under construction, planned spec starts and build-to-order activity. This positions the company well for the year ahead.

- **Strategic Exit from Apartment Living to Refocus on Core Homebuilding:** The company reported continued progress on the sale of the Apartment Living business, with an updated purchase price of \$380 million and full closing expected by the end of January. Kennedy Wilson will acquire about half of the portfolio along with the operating platform, while the company plans to sell its remaining interests over the next few years and will not commit new capital to multifamily as it exits the segment. Management noted that the business had performed well but was not fully valued within a public homebuilding structure, and the shift allows clearer focus on core homebuilding. Cash proceeds from the transaction and future asset sales are expected to support expansion of the homebuilding business and provide additional capital returns to shareholders, with gains included in first-quarter guidance.
- **Significant Land Positions, Boosting Presence:** Toll Brothers has secured some of the most sought-after urban locations in the country, where land is scarce and approvals are not easy to obtain. Toll Brothers is using its strong liquidity position to secure the most sought-after urban locations, like New York City Market, Northern New Jersey, Washington D.C. and Philadelphia.

In the fourth quarter of fiscal 2025, Toll Brothers spent \$580 million on new land purchases of 3,214 lots. At the end of the same quarter, the company owned or controlled approximately 76,100 lots, with 43% owned and 57% optioned. The company continues to adjust its land strategy, aiming for a 60% optioned and 40% owned mix to maintain flexibility in future acquisitions. This land position supports growth in fiscal 2026 and beyond, allowing Toll Brothers to remain selective and efficient when evaluating new land opportunities.

- **Balance Sheet Position & Shareholder Value:** At the end of the fourth quarter of fiscal 2025, Toll Brothers had \$1.26 billion in cash and cash equivalents and \$2.19 billion available under the revolver capacity. The revolving bank credit facility will not mature until February 2030. Also, total debt as of Oct. 31, 2025, was \$2.9 billion. Debt to capital was 26% at the fiscal fourth-quarter end, down from 27% at the fiscal 2024 end.

Besides, the company drives shareholder value by returning cash to shareholders through regular share repurchases and dividend payments. On March 11, 2025, the company announced an 8.6% hike in its quarterly dividend payment to 25 cents per share (or \$1

annually) from 23 cents per share. In fiscal 2025, the company bought back 5.4 million shares at an average price of \$120.44 per share, totaling about \$651.6 million. These moves highlight the company's stable financial position and commitment to reward shareholders.

Last Earnings Report

Toll Brothers Q4 Earnings Miss Estimates, Revenues Top

Toll Brothers reported mixed fourth-quarter fiscal 2025 (ended Oct. 31) results, with adjusted earnings missing the Zacks Consensus Estimate and decreasing on a year-over-year basis. However, total revenues surpassed the estimate and increased from the prior year's reported figure.

Toll Brothers continues to face soft demand across several markets with its resilient business model that includes a healthy balance of build-to-order and spec homes, and a broad geographic footprint. The company remains disciplined in managing both pricing and sales velocity to optimize margins and overall returns. Also highlighted the resilience of its luxury-focused model, supported by a more affluent buyer base that is less affected by affordability pressures. However, elevated mortgage rates and a weak housing market remain notable headwinds.

Additionally, the company has agreed to sell roughly half of its Apartment Living portfolio and its operating platform to Kennedy Wilson for \$380 million, with plans to exit the multifamily development business entirely once the remaining interests are sold.

Quarterly Earnings & Revenue Discussion

The company reported adjusted earnings per share (EPS) of \$4.58, which missed the Zacks Consensus Estimate of \$4.87 by 5.9% and decreased 1.1% from the year-ago period.

In the fiscal fourth quarter, total revenues of \$3.42 billion beat the consensus mark of \$3.32 billion. The top line increased 2.7% on a year-over-year basis.

Inside Toll Brothers' Q4 Results

The company's total home sales revenues were up 4.6% (above our projection of 0.2% year-over-year growth) from the prior-year quarter to \$3.41 billion. Home deliveries were up 0.3% (above our expectation of a 2.3% decline year over year) from the year-ago quarter to 3,443 units. The average selling price (ASP) of homes delivered was \$991,600 for the quarter, up 4.4% from the year-ago level of \$950,200. Our model had expected ASP to be up 2.5% year over year to \$972,700.

Net-signed contracts during the quarter were 2,598 units, down year over year from 2,658 units. The value of net signed contracts was \$2.5 billion, down year over year from \$2.7 billion.

At the fiscal fourth-quarter end, Toll Brothers had a backlog of 4,647 homes, representing a year-over-year decrease of 22.5%. Potential revenues from backlog declined 15.4% year over year to \$5.5 billion. The average price of homes in the backlog was \$1,182,300, up from \$1,078,700 a year ago.

The cancellation rate (as a percentage of signed contracts) for the reported quarter was 8.3%, up from 5.9% in the prior-year period.

Toll Brothers' adjusted home sales gross margin was 25.5%, which contracted 50 basis points (bps) for the quarter. Selling, general and administrative (SG&A) expenses, as a percentage of home sales revenues, were 8.3%, which remained flat from the year-ago quarter.

Balance Sheet & Cash Flow

The company had cash and cash equivalents of \$1.26 billion at the fourth-quarter fiscal 2025 end compared with \$1.3 billion at the fiscal 2024 end. The debt-to-capital decreased to 26% from 26.7% at the end of fiscal 2024. The net debt-to-capital was 15.3% compared with 15.2% at the fiscal 2024-end. At the end of the fiscal fourth quarter, the company had \$2.19 billion available under its \$2.35 billion revolving credit facility, set to mature in February 2030.

During fiscal 2025, Toll Brothers bought back approximately 5.4 million shares for a total of \$651.6 million.

At the end of the fiscal fourth quarter, the company controlled about 76,102 lots, 56.6% of which were under control rather than owned outright, ensuring sufficient land for future expansion.

Unveils Q1 FY26 Guidance

For first-quarter fiscal 2026, Toll Brothers expects home deliveries in the range of 1,800-1,900 units (compared with 1,991 units delivered in the prior-year quarter) at an average price of \$985,000-\$995,000 (compared with \$924,600 in the year-ago quarter).

Adjusted home sales gross margin is expected to be 26.25%, implying a decline from 26.9% in the year-ago period. SG&A expenses are estimated to be 14.2% of home sales revenues, indicating a rise from 13.1% in the year-ago period. The company expects the effective tax rate to be 23.2%.

FY26 Guidance by Toll Brothers

For fiscal 2026, home deliveries are anticipated to be in the range of 10,300-10,700 units. The estimated range reflects a decline from the fiscal 2025 level of 11,292. It expects the period-end community count to be 480-490.

FY Quarter Ending 10/31/2025

Earnings Reporting Date	Dec 08, 2025
Sales Surprise	2.97%
EPS Surprise	-5.95%
Quarterly EPS	4.58
Annual EPS (TTM)	13.56

The average price of delivered homes is expected to be \$970,000-\$990,000, indicating growth from \$960,200 in fiscal 2025.

Toll Brothers expects an adjusted home sales gross margin of 26%. This reflects a decline from the 27.3% reported in fiscal 2025.

SG&A expenses, as a percentage of home sales revenues, are now projected to be 10.25%, still an increase from the 9.5% reported in fiscal 2025. The company expects the effective tax rate to be 25.5%.

Valuation

Toll Brothers' shares are up 30% in the past six months and 4.4% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 14.7% and 12% in the Zacks Construction sector, in the past six months. Over the past year, the Zacks sub-industry has been down 11.6%, and the sector is down 2.3%.

The S&P 500 index is up 18.1% in the past six months and 16.2% in the past year.

The stock is currently trading at 9.95X forward 12-month earnings, which compares to 12.25X for the Zacks sub-industry, 19.81X for the Zacks sector and 23.62X for the S&P 500 index.

Over the past five years, the stock has traded as high as 11.66X and as low as 3.8X, with a 5-year median of 7.7X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$119 price target reflects 8.47X forward 12-month earnings.

The table below shows the summary valuation data for TOL.

Valuation Multiples - TOL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.95	12.25	19.81	23.62
	5-Year High	11.66	12.64	19.81	23.78
	5-Year Low	3.8	4.2	8.92	15.73
	5-Year Median	7.7	9.16	15.28	21.21
P/B TTM	Current	1.66	1.4	4.9	8.58
	5-Year High	2.2	1.95	5.41	9.16
	5-Year Low	0.78	0.86	2.95	6.6
	5-Year Median	1.4	1.42	4.4	8.05
P/S F12M	Current	1.23	1.23	2.84	5.33
	5-Year High	1.53	1.45	3.1	5.5
	5-Year Low	0.44	0.59	1.55	3.83
	5-Year Median	0.85	1.05	2.26	5.05

As of 12/11/2025 Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Bottom 11% (214 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Century Communities,...(CCS)	Neutral	2
Dream Finders Homes,...(DFH)	Neutral	3
KB Home (KBH)	Neutral	4
M/I Homes, Inc. (MHO)	Neutral	3
NVR, Inc. (NVR)	Neutral	3
Tri Pointe Homes Inc...(TPH)	Neutral	3
Meritage Homes Corpo...(MTH)	Underperform	4
Taylor Morrison Home...(TMHC)	Underperform	5

Industry Comparison⁽¹⁾ Industry: Building Products - Home Builders

	TOL	X Industry	S&P 500	KBH	NVR	TMHC
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	4	-	-	4	3	5
VGM Score	C	-	-	D	D	B
Market Cap	13.41 B	3.23 B	39.38 B	4.25 B	21.35 B	6.12 B
# of Analysts	6	3	22	5	4	4
Dividend Yield	0.72%	0.00%	1.41%	1.53%	0.00%	0.00%
Value Score	B	-	-	C	C	B
Cash/Price	0.09	0.09	0.04	0.08	0.11	0.06
EV/EBITDA	6.90	6.05	14.60	4.36	9.20	6.61
PEG Ratio	2.20	1.86	2.23	5.33	10.13	NA
Price/Book (P/B)	1.62	1.21	3.35	1.09	5.44	0.99
Price/Cash Flow (P/CF)	9.19	7.71	15.20	6.91	13.55	6.56
P/E (F1)	10.37	12.07	19.78	10.13	17.83	8.02
Price/Sales (P/S)	1.22	0.83	3.06	0.65	2.08	0.73
Earnings Yield	9.64%	8.30%	4.99%	9.87%	5.61%	12.48%
Debt/Equity	0.34	0.19	0.57	0.00	0.23	0.35
Cash Flow (\$/share)	15.14	8.68	8.99	9.49	554.95	9.54
Growth Score	F	-	-	F	D	D
Hist. EPS Growth (3-5 yrs)	28.91%	9.65%	8.16%	NA	14.96%	22.22%
Proj. EPS Growth (F1/F0)	-0.52%	-14.59%	8.57%	-24.38%	-16.78%	-5.56%
Curr. Cash Flow Growth	5.50%	8.87%	6.75%	10.45%	5.71%	12.53%
Hist. Cash Flow Growth (3-5 yrs)	18.21%	15.85%	7.43%	18.29%	13.58%	22.38%
Current Ratio	4.38	4.20	1.19	2.13	5.96	7.02
Debt/Capital	25.17%	16.55%	38.01%	0.00%	18.65%	26.12%
Net Margin	12.28%	7.92%	12.78%	7.92%	14.00%	10.16%
Return on Equity	16.74%	12.91%	17.00%	12.91%	35.89%	15.23%
Sales/Assets	0.77	0.91	0.53	0.94	1.67	0.89
Proj. Sales Growth (F1/F0)	-1.90%	-1.55%	5.77%	-10.70%	-4.70%	-2.40%
Momentum Score	A	-	-	C	C	A
Daily Price Chg	-0.48%	0.00%	-1.07%	0.74%	0.09%	-0.68%
1 Week Price Chg	0.15%	0.00%	-0.63%	3.51%	-0.27%	0.26%
4 Week Price Chg	6.76%	5.38%	1.39%	8.96%	3.38%	4.80%
12 Week Price Chg	-0.39%	-6.24%	2.45%	2.52%	-7.13%	-7.62%
52 Week Price Chg	3.96%	-9.42%	12.83%	-8.22%	-12.46%	-3.28%
20 Day Average Volume	1,284,130	233,383	2,728,366	889,878	17,993	825,384
(F1) EPS Est 1 week change	-2.23%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-4.47%	-0.06%	0.00%	-0.13%	0.00%	0.42%
(F1) EPS Est 12 week change	-4.47%	-4.15%	0.69%	-4.15%	3.77%	-3.06%
(Q1) EPS Est Mthly Chg	4.98%	0.00%	0.00%	0.00%	0.00%	1.26%

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	B
Growth Score	F
Momentum Score	A
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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