

Universal Health Realty Income Trust (UHT)

Zacks Recommendation: Neutral

(Since: 05/20/2025)

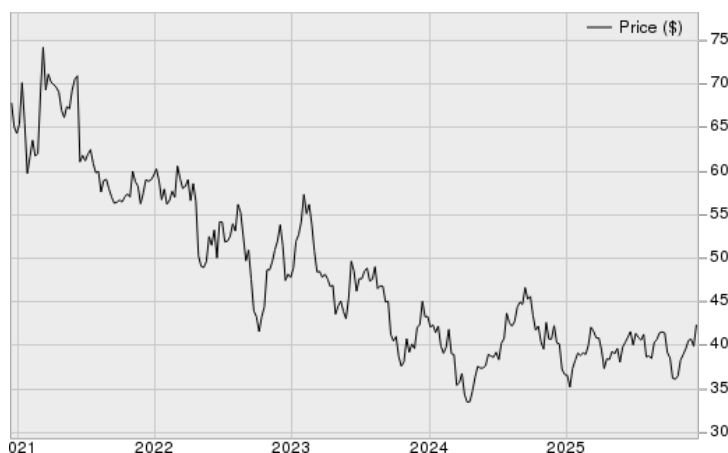
Prior Recommendation: Outperform

Stock Price: \$42.28 (As of 12/19/2025)

Summary

Universal Health Realty offers stable, inflation-linked rental income supported by long-term leases and high occupancy, while its dividend remains well covered by recurring Funds From Operations (FFO). UHS-backed leases with built-in escalators and guarantees enhance cash-flow visibility, while conservative leverage, ample liquidity and active interest-rate hedging reinforce financial resilience. Strategic healthcare assets and new MOBs development support long-term demand. Key risks include heavy UHS tenant concentration, reduced swap effectiveness, elevated leverage limiting flexibility and constrained capital-markets access. The valuation suggests investors are paying a moderate premium for stability and income durability, while still receiving a discount to higher-growth healthcare real estate investment trust (REIT) peers.

Stock Price History



Source: Zacks Investment Research

Data Overview

52 Wk High-Low	\$43.00 - \$34.56
20-Day Average Volume (Shares)	103,420
20-Day Average Trading Value	\$4.37M
Market Cap	\$574.52M
Year-To-Date Price Change	13.62%
Beta	0.93
Cash	\$6.92M
Debt	\$375.63M
FCF TTM	\$48.65M

Valuation

P/E TTM	12.04
EV/EBITDA	14.74
EV/SALES	9.49
P/BV	3.70

Industry [REIT and Equity Trust - Oth...](#)

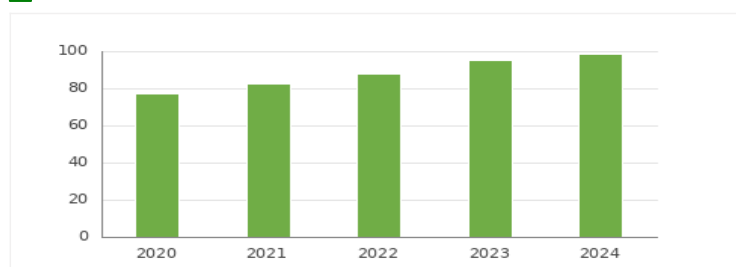
Zacks Industry Rank **Top 41% (146 out of 243)**

Expected Report Date **02/25/2026**

Last Reported Quarter

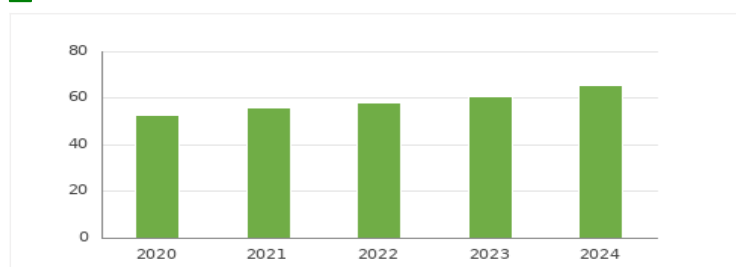
Sales Growth YOY	3.30%
EPS Growth	7.32%
EBITDA Growth	5.88%
FCF Growth	3.09%

Sales TTM (millions of \$)



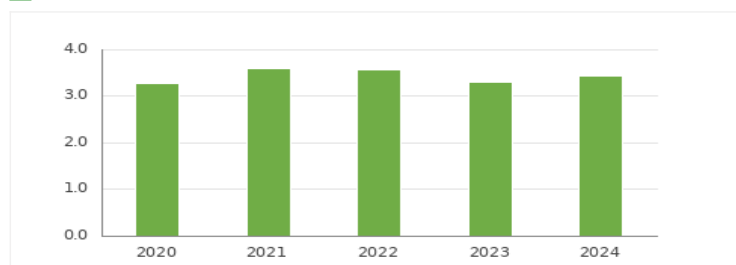
Source: Zacks Investment Research

EBITDA TTM (millions of \$)



Source: Zacks Investment Research

EPS TTM (\$/share)



Source: Zacks Investment Research

The charts and tables reflect data as of 12/19/2025, while the textual content of the report is as of 11/17/2025

Overview

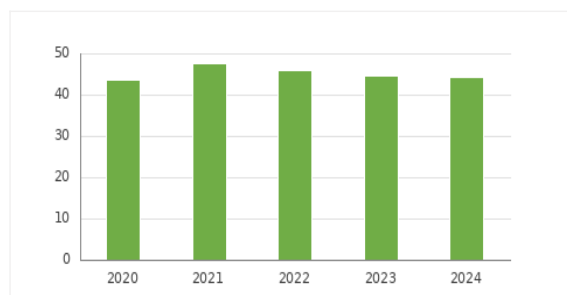
King of Prussia, PA-based Universal Health Realty Income Trust (UHT), founded in 1986, is a real estate investment trust (REIT) focused on healthcare and human-service-related facilities. Its portfolio includes acute care hospitals, behavioral healthcare hospitals, medical office buildings (MOBs), free-standing emergency departments (FEDs), childcare centers, a specialty facility and vacant land. As of Feb. 26, 2025, UHT owned or had commitments for 76 real estate investments across 21 U.S. states. UHT operates via a single reportable segment. In 2024, total revenues were \$99 million, up 3.6% from 2023. Of this, \$93.3 million came from facility revenues, \$5.4 million from interest income on financing leases with subsidiaries of Universal Health Services, Inc. (UHS) and \$0.3 million from other revenues. Hospital leases with UHS subsidiaries, involving three acute care and three behavioral hospitals, accounted for approximately 24% of revenues in 2024. Including additional properties leased to UHS subsidiaries, total revenues from UHS-related tenants comprised 40% in 2024.

UHT's competitors include other REITs, healthcare systems, banks, non-profit organizations and private investors. Its properties also face local market competition from better-equipped or larger facilities and increasing outpatient alternatives like ambulatory surgery centers and FEDs. Key buyouts include the 2023 purchase of McAllen Doctor's Center in Texas. The MOB is 100% master-leased to McAllen Hospitals, L.P., a UHS subsidiary, under a 12-year triple-net lease through August 2035. Another notable project is Sierra Medical Plaza I in Reno, NV, a newly constructed MOB completed in early 2023, which is currently 68% leased.

UHT maintains a robust capital structure, with a \$425 million credit facility amended in September 2024. This includes a \$125 million non-amortizing term loan and a \$300 million revolving loan commitment. As of Dec. 31, 2024, \$348.9 million was drawn, with \$76.1 million in available capacity. The credit facility bears interest based on the Adjusted Term SOFR or Base Rate, with margins tied to leverage ratios. The agreement includes covenants related to debt ratios, coverage metrics and tangible net worth, with UHT remaining in compliance at year-end 2024.

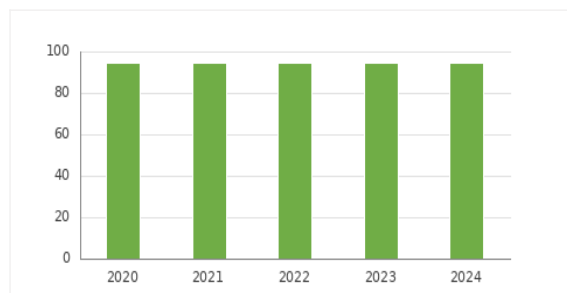
The data and facts mentioned in this section are as of 12/31/2024.

FCF TTM (millions of \$)



Source: Zacks Investment Research

Gross Margin % TTM



Source: Zacks Investment Research

Reasons To Buy

▲ **Stable and Predictable Rental Revenue from Long-Term Contracts:** Universal Health Realty continues to generate stable income through its long-term, inflation-linked lease structures across a diversified tenant base. Total revenues for the nine months ended Sept. 30, 2025, totaled \$74.7 million, up 0.5% from \$74.4 million, supported by base rents of \$53.8 million and additional bonus rent of \$2.6 million from McAllen Medical Center. These bonus rents reflect improved performance at tenant facilities and enhance recurring cash flows. Approximately 63.5% of lease revenues are derived from non-related parties, providing strong revenue diversification, while the remaining 36.5% is underpinned by UHS through long-term leases with embedded contractual escalators. With no reliance on variable rents for core income and minimal tenant turnover risk, UHT benefits from high occupancy and contractual stability. The trust's forward revenue visibility is further supported by recently renewed UHS FED leases through 2030 with annual escalators.

Universal Health Realty's stable, inflation-linked leases and conservative financial management yield strong dividends, with minimal refinancing risk and inflation protection.

▲ **High Dividend Yield With Solid FFO Coverage:** Universal Health Realty maintains an attractive dividend profile supported by durable internal cash flows. The annualized dividend of \$2.96 per share reflects a current yield of 7.48%, comfortably covered by FFO of \$35.9 million for the nine-month period ended Sept. 30, 2025, against \$30.7 million in dividend payments, yielding a payout ratio of 86%. Despite a modest decline in year-to-date FFO, primarily due to one-time depreciation adjustments, UHT's dividend remains fully funded by internally generated cash flow. The trust did not issue equity during the period and has no near-term need for external capital to support dividends. With a five-year dividend CAGR of 1.39% and stable FFO generation, UHT offers reliable income underpinned by conservative financial management and minimal exposure to refinancing risk.

▲ **Resilient and Inflation-Protected UHS Lease Structures:** Approximately 36.5% of Universal Health Realty's revenue is derived from UHS-affiliated leases, governed by long-term agreements with inflation-linked escalators and cross-default protections. The recent renewal of two UHS FED leases through 2030 includes annual 2% rent escalators, while the Aiken and Canyon Creek hospital leases continue to provide 2.25% compounded annual escalations through 2033. These agreements are backed by UHS guarantees, significantly mitigating tenant credit risk. Interest income from UHS financing leases for Aiken and Canyon Creek totaled \$4.1 million year to date. The long duration of UHS-related leases, combined with their contractual escalation features and built-in renewal options, provides a robust hedge against inflation and anchors long-term cash flow visibility for UHT.

▲ **Conservative Leverage and Ample Liquidity:** Universal Health Realty maintains disciplined financial management with conservative leverage and significant liquidity reserves. As of Sept. 30, 2025, UHT had \$357.1 million in credit facility borrowings and \$67.9 million in undrawn capacity under its \$425 million facility, which matures in 2028 with two six-month extension options. The trust's total leverage stands at 44%, well below its 60% covenant cap, while fixed charge coverage remains healthy at 3.2x. UHT repaid \$794,000 in mortgage debt and incurred \$5.6 million in capital expenditures during the nine-month period ended Sept. 30, 2025, enabling it to self-fund growth and dividends without dilutive equity issuance. The trust's ability to sustain internal funding through stable operating cash flows, while preserving access to cost-efficient capital, reinforces financial resilience.

▲ **Proactive Interest Rate Hedging Shields Net Income:** Universal Health Realty's active interest rate hedging program has mitigated the impact of elevated interest rates by partially offsetting higher debt service costs. During the nine-month period ended Sept. 30, 2025, UHT received \$2.4 million in cash from swap settlements, which helped limit the increase in net interest expense to \$14.2 million from \$13.9 million in the prior-year period. The effective borrowing rate declined to 5.93% from 6.94% a year earlier, reflecting the impact of fixed-rate swaps on \$165 million of notional debt, with rates ranging from 0.505% to 3.9495%. Despite a higher average borrowing base, these hedges helped stabilize funding costs. This financial strategy supports predictable cash flows, ensuring continued dividend coverage and reinvestment capacity in a high-rate environment.

▲ **Defensive Healthcare-Driven Portfolio With Structural Demand Tailwinds:** Universal Health Realty's portfolio comprises 76 income-generating properties across 21 states, including acute care hospitals, behavioral health facilities, MOBs and FEDs. This diversification across asset classes and geographies reduces reliance on any single tenant or property type. The trust is strategically positioned to benefit from secular growth in outpatient care, aging demographics and increasing behavioral health demand. Recent investments include the 2025 initiation of Palm Beach Gardens Medical Plaza I, a \$34 million, 80,000 sq. ft. MOB located on the Alan B. Miller Medical Center campus. The building is 75% pre-leased under a 10-year master lease, adding forward income visibility. Such development initiatives reflect UHT's measured approach to growth, anchored in mission-critical healthcare infrastructure with long-term demand durability.

Reasons To Sell

- ▼ **Concentration Risk from UHS Remains Structurally Unchanged:** UHS-affiliated tenants accounted for approximately 39% of consolidated revenues in the three-month period and 40% in the nine-month period ending Sept. 30, 2025. This concentration remains high and persistent, presenting long-term tenant dependency risk. UHS retains unilateral renewal and purchase options on key hospital assets, including McAllen Medical Center and Wellington Regional Medical Center, with lease expirations in 2026. UHT holds no control over renewal outcomes or substitution decisions, creating embedded uncertainty around future rental income. Given the continued macro stress on healthcare operators — especially from legislative changes to Medicaid funding and payer mix shifts — UHS's financial health remains a material long-term risk factor to UHT's earnings visibility.
- ▼ **Interest Rate Hedging Drag Persists Despite Stable Borrowing Costs:** Universal Health Realty's interest expense held flat year over year at \$4.8 million in third-quarter 2025, reflecting no further deterioration in borrowing costs. However, income from interest rate swaps declined sharply to \$0.8 million, down 47.6% year over year from \$1.5 million in third-quarter 2024. This drop is due to lower net receipts from recently reset swaps, including an \$85 million notional contract at a 3.2725% fixed rate. While these swaps are intended to hedge SOFR exposure, their current structure delivers limited offset to floating-rate debt. With \$357.1 million still drawn under the credit facility, UHT remains materially exposed to rate volatility. As a result, while total interest expense is stable for now, the diminishing hedge effectiveness continues to weigh on margin resilience and limits interest coverage flexibility.
- ▼ **High Leverage Limits Strategic Optionality:** As of Sept. 30, 2025, Universal Health Realty's total debt stood at \$375.6 million, with \$357.1 million drawn on its \$425 million credit facility — leaving only \$67.9 million in available capacity. This capital structure represents a gross debt-to-asset ratio of 66.1%, consistent with prior levels and among the highest in its peer set. Limited unused capacity, combined with rising interest expense and declining swap income, restricts UHT's ability to opportunistically reinvest, refinance or pursue acquisitions. The absence of equity issuance or joint venture monetization exacerbates the issue, keeping the company reliant on internal cash flows, which are under pressure from occupancy softness and dividend obligations.
- ▼ **Limited Capital Markets Access Reduces Strategic Flexibility:** Universal Health Realty has not issued any equity under its \$100 million shelf registration filed in second-quarter 2024, despite declining equity levels and elevated leverage. As of Sept. 30, 2025, total equity stood at \$158.6 million, down from \$179.5 million at year-end 2024, primarily due to dividend distributions and unrealized losses on cash flow hedges. Simultaneously, credit facility utilization reached \$357.1 million, leaving only \$67.9 million in remaining borrowing capacity. The absence of recent equity issuance, despite having a registered program in place, suggests constrained access to public capital — potentially due to unfavorable market pricing, valuation sensitivity, or insufficient investor demand. With no near-term asset sales or joint ventures disclosed, this limited financial optionality may restrict UHT's ability to capitalize on development opportunities (e.g., Palm Beach Gardens MOB) or refinance maturing debt without elevating risk to payout stability or debt ratios.

UHS dependency poses tenant risk for UHT, with interest hedging issues and high leverage limiting financial flexibility and strategic options.

Last Earnings Report

UHT's Earnings Snapshot

Universal Health Realty's third-quarter 2025 results were largely stable compared with the year-ago quarter. Net income came in at \$4 million (or \$0.29 per diluted share) compared with \$3.9 million (or \$0.29 per diluted share), up 0.5% year over year. The quarter's performance included a \$275,000 gain (or \$0.02 per share) from a one-time settlement related to one of its medical office buildings, which offset a \$256,000 aggregate decline (or \$0.02 per share) primarily from reduced property-level income and non-recurring depreciation charges of approximately \$900,000.

FFO, a key performance metric for REITs, rose 8% year over year to \$12.2 million, or \$0.88 per diluted share, compared with \$11.3 million, or \$0.82 per share, in the prior-year quarter.

For the nine months ended Sept. 30, 2025, net income totaled \$13.3 million, or \$0.96 per diluted share, down 8.8% from \$14.6 million, or \$1.05 per diluted share, a year earlier. The year-to-date decline reflected lower property-level income, the absence of a property tax reduction recorded in 2024, and higher interest expense due to increased borrowings. FFO for the nine-month period decreased 0.5% to \$35.9 million, or \$2.59 per share, from \$36.1 million, or \$2.61 per share, last year.

Universal Health Realty's Other Key Business Metrics

Total revenues for the third quarter reached \$25.3 million, up 3.3% from \$24.5 million in the prior year. Growth was mainly driven by higher lease revenues from non-related parties, which rose 3% to \$14.8 million from \$14.3 million. Lease revenues from facilities leased to UHS, UHT's largest tenant, increased 1.4% to \$8.4 million from \$8.2 million. Bonus rental income from the McAllen Medical Center facility rose 16.9% to \$895,000 from \$765,000 a year ago. Other revenues, including those from both UHS and non-UHS sources, totaled \$810,000, up 48.1% from \$547,000 in the same quarter last year. Interest income from UHS-related financing leases decreased 0.7% year over year to \$1.3 million from \$1.4 million.

However, total expenses also increased 5.6%, primarily due to higher depreciation and amortization expenses, which climbed 12.8% year over year to \$7.9 million from \$7 million.

Income before interest and equity in unconsolidated entities was \$8.4 million, 1.1% lower than \$8.5 million in the previous year, while equity in income from unconsolidated LLCs improved 46% to \$438,000 from \$300,000.

On the balance sheet, as of Sept. 30, 2025, total assets stood at \$568 million, down from \$580.9 million as of Dec. 31, 2024, reflecting a slight reduction in net real estate investments to \$493.9 million from \$508.7 million. Total liabilities rose to \$409.5 million as of Sept. 30, 2025, from \$401.3 million as of Dec. 31, 2024, mainly on account of higher borrowings under the credit facility. Equity declined to \$158.6 million from \$179.5 million due to cumulative dividends exceeding retained income.

Management Commentary and Factors Influencing UHT's Results

Management attributed the steady quarterly performance to stable rental income from its healthcare facilities portfolio and effective management of operating expenses. The quarter's net income benefited from a one-time settlement gain but was weighed down by non-recurring depreciation expenses. Rising interest rates have also impacted borrowing costs, leading to a slight uptick in interest expense compared to the prior year.

Universal Health Realty continues to face challenges from macroeconomic factors affecting its tenants, including rising wage expenses due to staffing shortages in healthcare, potential reductions in federal Medicaid funding and increased costs for construction materials. Management noted that sustained high interest rates have materially increased borrowing costs and may limit favorable capital market access going forward.

Universal Health Realty's Capital Resources and Liquidity

As of the quarter's end, UHT had \$67.9 million of available borrowing capacity under its \$425 million credit facility, which matures in September 2028. The company can extend the facility for up to two additional six-month periods. Line-of-credit borrowings stood at \$357.1 million at the end of the quarter. UHT maintained its dividend payout, declaring a third-quarter dividend of \$0.74 per share, up from \$0.73 per share last year, which was paid on Sept. 30, 2025.

UHT's Guidance

Universal Health Realty did not provide specific forward earnings or FFO guidance for upcoming quarters. However, it reaffirmed its commitment to maintaining a stable dividend and prudent balance-sheet management amid a challenging interest rate environment.

Universal Health Realty's Other Developments

In October 2025, Universal Health Realty entered into a ground lease agreement with a wholly-owned subsidiary of UHS to develop and own Palm Beach Gardens Medical Plaza I, an 80,000-square-foot medical office building in Palm Beach Gardens, FL. Construction, expected to begin in November 2025, will be managed by a UHS subsidiary, with total costs estimated at approximately \$34 million. A 10-year master lease covering about 75% of the building's rentable area has already been executed, providing a visible source of future rental income. The facility will be located on the campus of the Alan B. Miller Medical Center, an acute care hospital scheduled for completion in the third quarter of 2026.

■ Valuation Discussion

Universal Health Realty's shares are up 6.3% and down 2% in the year-to-date and the trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Finance sector are up 4.3% and up 13.2% in the year-to-date period, respectively. Over the past year, the stocks in the Zacks sub-industry are down 2.8%, while those in the sector are up 10.2%.

The S&P 500 Index is up 16.1% in the year-to-date period and up 16.4% in the past year.

The stock is currently trading at 9.2X trailing 12-month EV/Sales TTM, which compares to 7.9X for the Zacks sub-industry, 2.8X for the Zacks sector and 5.6X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.9X and as low as 8.3X, with a five-year median of 10.7X.

The stock is currently trading at 13.9X trailing 12-month EV/EBITDA TTM, which compares to 16.9X for the Zacks sub-industry, 6.8X for the Zacks sector and 18.3X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 24.5X and as low as 12.8X, with a five-year median of 16.6X.

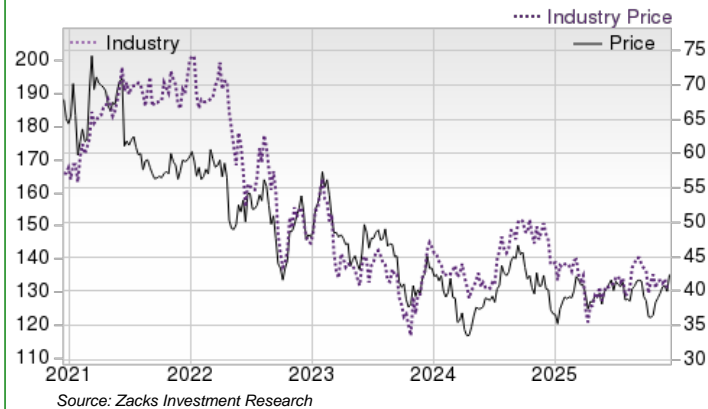
The stock is currently trading at 3.5X trailing 12-month P/B TTM, which compares to 1.8X for the Zacks sub-industry, 4.3X for the Zacks sector and 8.3X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 6.5X and as low as 2.3X, with a five-year median of 3.1X.

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

Industry Analysis

Zacks Industry Rank: Top 41% (146 out of 243)



Top Peers

Company (Ticker)	Recommendation
American Tower Corpo... (AMT)	Neutral
Brookfield Infrastru... (BIP)	Neutral
Crown Castle Inc. (CCI)	Neutral
Digital Realty Trust... (DLR)	Neutral
Iron Mountain Incorp... (IRM)	Neutral
Lineage, Inc. (LINE)	Neutral
Prologis, Inc. (PLD)	Neutral
Welltower Inc. (WELL)	Neutral

Industry Comparison

Industry: Reit And Equity Trust - Other

	UHT	X Industry	S&P 500	Industry Peers		
	AMT	BIP	PLD			
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Market Cap	\$574.52M	\$1.74B	\$38.81B	\$80.71B	\$16.08B	\$118.18B
Dividend Yield	7.15%	4.36%	1.41%	3.94%	4.93%	3.18%
Value Metrics						
Cash/Price	0.01	0.04	0.04	0.02	0.21	0.01
EV/EBITDA	14.74	12.79	14.58	15.86	7.79	21.84
Price/Book	3.62	1.10	3.30	7.50	0.48	2.07
Price/Cash Flow	12.39	10.96	15.05	15.05	3.98	20.58
Price/Sales	5.78	3.70	3.08	7.72	0.72	13.52
Earnings Yield	NA	8.75%	5.02%	6.19%	9.58%	4.56%
Debt/Equity	2.37	0.88	0.57	3.24	1.68	0.62
Cash Flow (\$/share)	3.41	1.86	8.99	11.58	8.69	6.20
Growth Metrics						
Hist. EPS Growth (3-5 yrs)	-1.13%	3.99%	8.16%	3.72%	9.35%	10.26%
Curr. Cash Flow Growth	8.16%	2.82%	6.75%	17.16%	27.25%	14.80%
Hist. Cash Flow Growth (3-5 yrs)	0.88%	3.14%	7.43%	7.95%	23.14%	16.91%
Current Ratio	7.37	1.63	1.18	0.89	0.85	0.64
Debt/Capital	70.32%	47.82%	38.01%	76.40%	62.13%	38.16%
Net Margin	18.06%	5.10%	12.78%	28.11%	3.70%	36.71%
Return on Equity	10.63%	2.71%	17.00%	28.79%	2.74%	5.55%
Sales/Assets	0.17	0.13	0.53	0.17	0.20	0.09
Momentum Metrics						
Daily Price Chg	-0.70%	-0.38%	0.79%	-2.35%	1.32%	-0.32%
1 Week Price Chg	6.15%	1.03%	-1.83%	1.03%	-2.39%	1.72%
4 Week Price Chg	6.58%	1.21%	3.61%	-2.70%	-1.40%	3.69%
12 Week Price Chg	8.41%	-1.77%	2.57%	-10.03%	9.58%	12.76%
52 Week Price Chg	14.46%	-5.81%	15.47%	-2.85%	11.45%	25.90%
20 Day Average Volume	103,420	779,126	2,770,348	3,269,577	724,177	3,434,863
20-Day Average Trading Value	\$4.37M	NA	NA	\$563.71M	\$25.25M	\$437.02M

Source: Zacks Investment Research

Zacks Microcap Rating System and Research Methodology

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

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

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

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

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

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

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

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

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

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

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

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

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts' personal views as to the subject securities and issuers. Zacks Investment Research, Inc. ("ZIR") certifies that no part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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