

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Mastech Digital

(NYSE Amer: MHH)

Mastech Digital Adds 9% More Staffing Consultants Proving the Economic Recovery is Underway

Based on an industry average EV to sales of 2.1xs 2021 revenues, we believe MHH stock could be worth \$36.24 per share.

OUTLOOK

Mastech Digital, based outside Pittsburgh, PA is an IT staffing business with a growing data and analytics consulting and project management service serving blue chip customers in the US. The data and analytics business, Mastech InfoTrellis, was 18% of sales this quarter and its run rate grew to \$35.2 million, despite the pandemic lengthening the sales cycle. We believe that business has begun to return to normal shown by its addition of 99 new staffing consultants this quarter and the second highest bookings quarter at InfoTrellis.

Current Price (04/27/21) \$16.72
Valuation \$36.24

SUMMARY DATA

52-Week High \$28.67
52-Week Low \$13.11
One-Year Return (%) 23.4
Beta 0.63
Average Daily Volume (sh) 20,913

Shares Outstanding (mil) 11.4
Market Capitalization (\$mil) \$191
Short Interest Ratio (days) 3.5
Institutional Ownership (%) 16
Insider Ownership (%) 63

Annual Cash Dividend \$0.00
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates
Sales (%) 11.5
Earnings Per Share (%) 23.2
Dividend (%) N/A

P/E using TTM EPS 14.9
P/E using 2021 Estimate 17.1
P/E using 2022 Estimate 11.5

Risk Level
Type of Stock
Industry
Average Small-Blend IT Services

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	45 A	48 A	50 A	50 A	194 A
2020	50 A	48 A	47 A	49 A	194 A
2021	50 A	52 E	54 E	57 E	214 E
2022					246 E

Non-GAAP Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	\$0.15 A	\$0.20 A	\$0.23 A	\$0.26 A	\$0.82 A
2020	\$0.23 A	\$0.33 A	\$0.32 A	\$0.29 A	\$1.16 A
2021	\$0.19 A	\$0.22 E	\$0.25 E	\$0.32 E	\$0.98 E
2022					\$1.50 E

Zacks Projected EPS Growth Rate - Next 5 Years % 15

Mastech Digital Reports Q1 2021 With Record Hires and Nearly \$16 Million in Bookings

Despite a tepid Q1, green shoots are appearing predicting growth going forward. Both of Mastech's business segments pointed to signs of improving business. In IT staffing the company hired 99 new billable consultants, resulting in 9% sequential growth—a new company record. This may not result in 9% sequential revenue growth for this segment in Q2, but it should definitely result in a meaningful sequential improvement. After suffering contract delays and an elongated sales cycle, business at Data & Analytics is also picking up. It was able to book near \$16 million in new contracts in the quarter, the second largest amount on record. Customers are aggressively moving to the cloud to become more nimble and D&A is booking business helping companies prepare their systems to move, to move and helping them once they have moved and also with cloud data governance. In Q1 the company added one multi-year contract Center of Excellence client with another expected to be signed imminently.

Q1 resulted in revenues of \$49.8 million down 1% from \$50.4 million in Q1 2020. While gross margins improved, spending increased resulting in non-GAAP earnings decrease of 17%. As expected revenues picked up sequentially and IT staffing revenues were shown to have hit bottom in Q4 2020.

Gross margin was 25.7% versus 25.2% a year ago and 26.8% in Q4 2020; gross margin dollars increased 0.7%. Margins are expected to continue to improve going forward as revenues increase and as synergies and cost cutting measures at AmberLeaf continue to take full effect.

Looking at the two segments reveals, IT staffing decreased 4.8% to \$41.0 million and was 82% of revenues. It had 1,167 billable consultants compared to 1,100 the year before and 1,068 in the fourth quarter of 2020. Gross margin for this segment declined to 21.4% from 21.5% last year and 22.2% in Q4 2020. Data and analytics increased with the addition of AmberLeaf. It reported growth of 19% to \$8.8 million versus \$7.4 million. Gross margins also declined in this segment to 45.7% from 47.1% a year ago mostly due to AmberLeaf's lower margins. Gross margin dollars for this segment increased 15.4%.

SG&A increased sequentially by \$957,000 as the company brought forward some spending to support future growth. It added in sales and recruiting. SG&A was \$10.9 million compared to \$10.2 million a year ago. AmberLeaf also added expenses versus last year's quarter.

Operating income decreased 24.5% to \$1.9 million versus \$2.5 million and margin declined to 3.8% from 4.9% a year ago.

Other expense increased to \$232,000 compared to \$226,000 a year ago despite lower debt levels.

For the quarter the tax rate was 27%, higher than the 25% we expected. Stock option exercises affect the rate.

GAAP net income was \$1.2 million, down 36% from a year ago. On a non-GAAP basis it was \$2.2 million down only 17%. GAAP EPS was \$0.10 diluted compared to \$0.17 a year ago and \$0.29 in Q4 2020. On a non-GAAP basis it was \$0.19 versus \$0.23. The fully diluted share count stayed at 12.0 million sequentially but up 2.8% year over year.

Balance Sheet

The company ended the quarter with \$7.2 million in cash, a quick ratio of 1.9xs, working capital of \$20.9 million, and debt of \$16.2 million. It increased debt \$10 million to buy AmberLeaf, and paid down \$1 million of it this quarter. It paid \$9.5 million in cash to buy AmberLeaf on October 1st.

Estimates

For 2021 we are tweaking revenues to \$214 million, but reducing EPS estimates down to a non-GAAP \$0.98 per share based on higher than expected spending on operating expenses to support growth.

KEY POINTS

- Mastech Digital had historically been an IT staffing company, but it entered the data and analytics business in 2017 with its purchase of InfoTrellis. It added to this business in Q4 with the purchase of AmberLeaf. This business is higher margin and faster growing than IT staffing and is becoming an increasingly bigger part of total sales. This math should lead to accelerating earnings growth as well as a higher valuation for the stock.
- Mastech plans to augment its internal growth with acquisitions in the data and analytics space to expand its capabilities. It had been paying off debt through internally generated cash flow, which left it with increased debt capacity for asset purchases as well as cash to expand internationally as shown by its purchase of AmberLeaf.
- The economy continues to rebound from the pandemic and the demand for IT workers continues to increase. The data and analytics business in particular has continued to show healthy demand.
- MHH is trading at an enterprise value of \$210 million. That is 1.0 times its enterprise value to 2021 estimated sales versus its peers who trade at 2.1 times.

OVERVIEW

Mastech Digital is a minority-owned IT services company headquartered in Moon Township, PA with offices in the US, Canada and India. It has domestic sales offices in: Chicago; Boston; Orlando; Tampa; Dallas; Atlanta; Houston; Fremont, CA; and Toronto, in addition to its headquarters near Pittsburgh. Internationally, the company has a sales presence in Singapore; Ireland and in the UK; and it recruits and provides IT outsourcing through its locations in Noida and Chennai, India. On December 31, 2020 Mastech had 1,068 North American employees and 442 employees offshore, in addition to over 161 subcontracted professionals. 42% of the workforce was working under Mastech sponsored H1-B temporary work permits. Originally, it was the IT staffing business of iGATE Capital Corp., a public company that was sold to Capgemini in 2015 for \$4+ billion in cash. Mastech Digital had been previously spun off as a separate public company from iGATE in 2008. Since then it has also become a consultant, project manager and VAR in the data analytics, data management and big data through its acquisition of InfoTrellis on July 13, 2017 and of AmberLeaf on October 1, 2020. It reports earnings of these two segments. IT staffing is still the largest part of the company but the smaller, faster growing, and higher margin, data and analytics business is an increasing percent of total revenues. This dynamic should result in continued accelerating margin expansion in 2021, and this growth could result in an expansion of the stock's PE ratio.

VALUATION

The pandemic has caused quite a divergence in prospects and valuations for staffing companies based on their vertical markets. Those that depend on a physical presence, health care, manufacturing, warehousing, and general office staff have been severely hurt, while those that focus on IT have thrived as they easily can have staff work remotely. If we take those focused on the tech vertical we see an average of 2.1 times EV to 2021 sales. These companies also enjoy higher EBITDA margins. Using that average multiple and applying it to Mastech's forecasted revenues the stock is worth an average of \$36.24.

Company	Ticker	Calendar	Calendar	LTM	EBITDA Margin	EV/Sales		LTM	Included in Average?	Enterprise Value
		Revenue 2022E	Revenue 2021E			2022E	2021E			
Accenture	ACN	NA	50,300	45,680	17%	NA	3.6	3.9	y	179,100
Cognizant	CTSH	18,870	17,810	16,650	17%	2.2	2.3	2.5	y	41,520
Computer Task Group	CTG	402	380	366	3%	0.4	0.4	0.4	y	142
Infosys	INFY	NA	15,100	13,560	27%	NA	4.9	5.5	y	74,400
Kforce Inc.	KFRC	1,470	1,410	1,400	6%	0.8	0.9	0.9	y	1,230
Wipro	WIT	10,400	9,550	8,320	28%	0.3	0.3	0.4	y	3,220
Average					16.4%	0.9	2.1	2.3		7,185

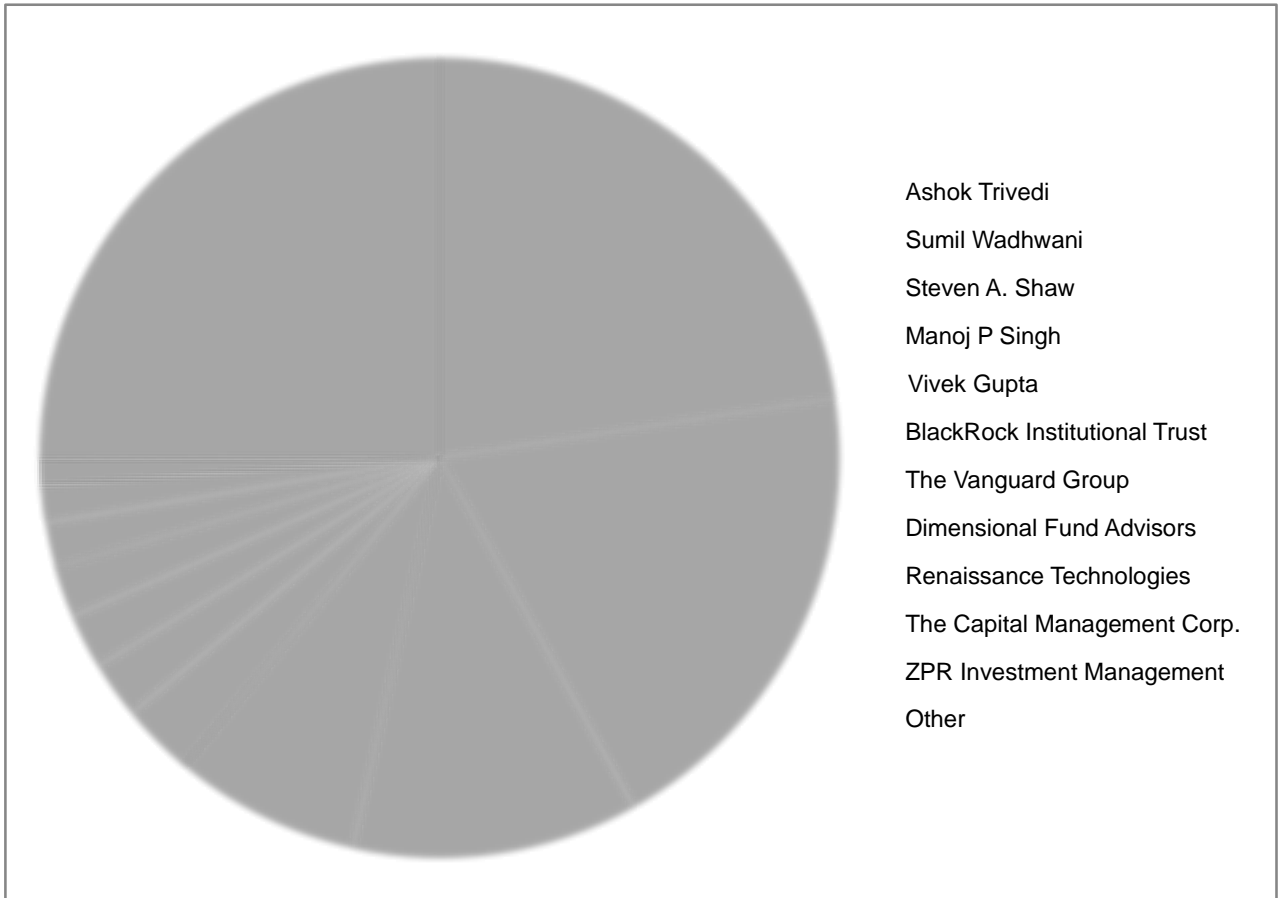
Projected	Projected Revenue	EV/Sales		Valuation Range	
2022E	2021E	2022E	2021E	TTM	Low High
246	214	0.9	2.1	2.3	437 441

Conclusion of Enterprise Value	\$439,217,932
Market Value	434,791,932
Fully diluted shares	11,997,000
Price per Share	\$36.24

RISKS

- The company is subject to the business cycle and tends to do better when the economy is robust or at the end of a recession when companies are reluctant to bring on full time hires. The current pandemic, which has resulted in business interruptions, and a long sales cycle which makes forecasting even more difficult.
- The company is almost entirely dependent on the US market in the IT staffing segment.
- The top ten clients represented 47% of sales in 2020 with CGI being 14.8%.
- Any regulatory changes regarding H-1B visas could eventually trickle down to Mastech's pool of potential consultants; approximately 42% of its employee base is sourced from those currently holding these visas. Although there is talk about changes to visa grants for new entries into the US, Mastech sources its workforce base from those that already have the appropriate visas. A greater acceptance of remote working could decrease this risk.

OWNERSHIP



Source: Zacks Investment Research

INCOME STATEMENT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021E	Q3 2021E	Q4 2021E	2019	2020	2021E	2022E
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec				
Billable consultants	1,100	1,035	1,037	1,068	1,167	1,080	1,090	1,150	1,165	1,068	1,150	1,300
IT Staffing Services	43,065	40,811	40,207	39,792	40,981	43,030	44,321	45,207	166,911	163,875	173,539	196,175
Yr-to-yr Growth	9%	-2%	-5%	-7.9%	-4.8%	5%	10%	14%	9%	-2%	6%	13%
IT Staffing Gross Margin	9,259	9,142	9,087	8,850	8,770	9,467	9,795	10,262	35,524	36,337	38,294	44,924
Gross Margin %	21.5%	22.4%	22.6%	22.2%	21.4%	22.0%	22.1%	22.7%	21.3%	22.2%	22.1%	22.9%
Data & Analytics Services	7,360	6,772	7,176	8,918	8,794	9,000	10,000	12,200	26,663	30,226	39,994	49,993
Yr-to-yr Growth	28%	2%	1%	25%	19%	33%	39%	37%	12%	13%	32%	25%
Data & Analytics Gross Margin	3,467	3,535	4,011	4,245	4,019	4,239	4,900	6,100	12,444	15,258	19,258	25,746
Gross Margin %	47.1%	52%	56%	47.6%	45.7%	47%	49%	50%	46.7%	50.5%	48.2%	52%
Revenue	\$50,425	\$47,583	\$47,383	\$48,710	\$49,775	\$52,030	\$54,321	\$57,407	\$193,574	\$194,101	\$213,533	\$246,167
Yr-to-yr Growth	12%	-2%	-4%	-3%	-1%	9%	15%	18%	9.3%	0.3%	10.0%	15%
Cost of revenue	37,706	34,927	34,293	35,636	36,971	38,324	39,626	41,045	145,593	142,562	155,967	175,497
Gross profit	12,719	12,656	13,090	13,074	12,804	13,706	14,695	16,362	47,981	51,539	57,567	70,670
Gross Margin %	25.2%	26.6%	27.6%	26.8%	25.7%	26.3%	27.1%	28.5%	24.8%	26.6%	27.0%	28.7%
SG&A	10,243	9,042	8,873	9,978	10,935	11,273	11,731	12,194	37,063	38,136	46,134	48,840
Impairment of goodwill	0	0	0	0	0	0	0	0	0	0	-	0
Revaluation of contingent consideration liability	0	0	0	0	0	0	0	0	(6,069)	0	-	0
Total operating expenses	10,243	9,042	8,873	9,978	10,935	11,273	11,731	12,194	30,994	38,136	46,134	48,840
Operating income:	2,476	3,614	4,217	3,096	1,869	2,432	2,963	4,168	16,987	13,403	11,433	21,831
Operating margin	4.9%	7.6%	8.9%	6.4%	3.8%	4.7%	5.5%	7.3%	8.8%	6.9%	5.4%	8.9%
Other income:												
Interest income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Other income	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total other income	(226)	(157)	(191)	(196)	(232)	(210)	(200)	(190)	(1,768)	(770)	(832)	(760)
Income before income taxes	2,250	3,457	4,026	2,900	1,637	2,222	2,763	3,978	15,219	12,633	10,601	21,071
Pretax Margin	4.5%	7.3%	8.5%	6.0%	3.3%	4.3%	5.1%	6.9%	7.9%	6.5%	5.0%	8.6%
Income taxes	381	488	1,028	875	443	544	677	975	4,074	2,772	2,639	5,689
Tax rate	17%	14%	26%	30%	27%	25%	25%	25%	26.8%	22%	25%	26%
Net income	1,869	2,969	2,998	2,025	1,194	1,678	2,086	3,003	11,145	9,861	7,961	15,382
Yr-over-Yr	94%	-50%	54%	-11%	-36%	-43%	-30%	48%	67%	-12%	-19%	93%
Stk based compensation	456	612	462	491	621	480	480	480	936	2,021	2,061	1,100
One-time expenses	377	328	386	931	428	428	428	428	(5,518)	2,022	1,712	1,700
Non-GAAP Income	2,702	3,909	3,846	3,447	2,243	2,586	2,994	3,911	9,251	13,904	11,734	18,182
Yr-over-Yr	66%	79%	51%	19%	-17%	-34%	-22%	13%	12.1%	50%	-16%	55%
Net income per share:												
Primary EPS	0.17	0.26	0.26	0.18	0.10	0.15	0.18	0.26	1.01	0.87	0.69	1.27
Diluted EPS	0.16	0.25	0.25	0.17	0.10	0.14	0.17	0.25	0.99	0.83	0.66	1.27
Diluted Non-GAAP EPS	0.23	0.33	0.32	0.29	0.19	0.22	0.25	0.33	0.82	1.16	0.98	1.50
	59%	68%	40%	12%	-19%	-34%	-22%	14%	11%	41%	-16%	53%
Shares												
Basic	11,127	11,271	11,381	11,400	11,415	11,515	11,615	11,715	11,029	\$11,292	\$11,565	\$12,115
Yr-over-Yr	1.2%	2.3%	3.1%	3.2%	2.6%	2.2%	2.1%	2.8%	1%	2%	2%	5%
Diluted	11,675	11,948	12,042	12,058	11,997	12,000	12,000	12,000	11,232	11,950	\$11,999	12,115
Yr-over-Yr	4.1%	7.0%	7.5%	6.6%	2.8%	0.4%	-0.3%	-0.5%	1%	6%	0%	1%

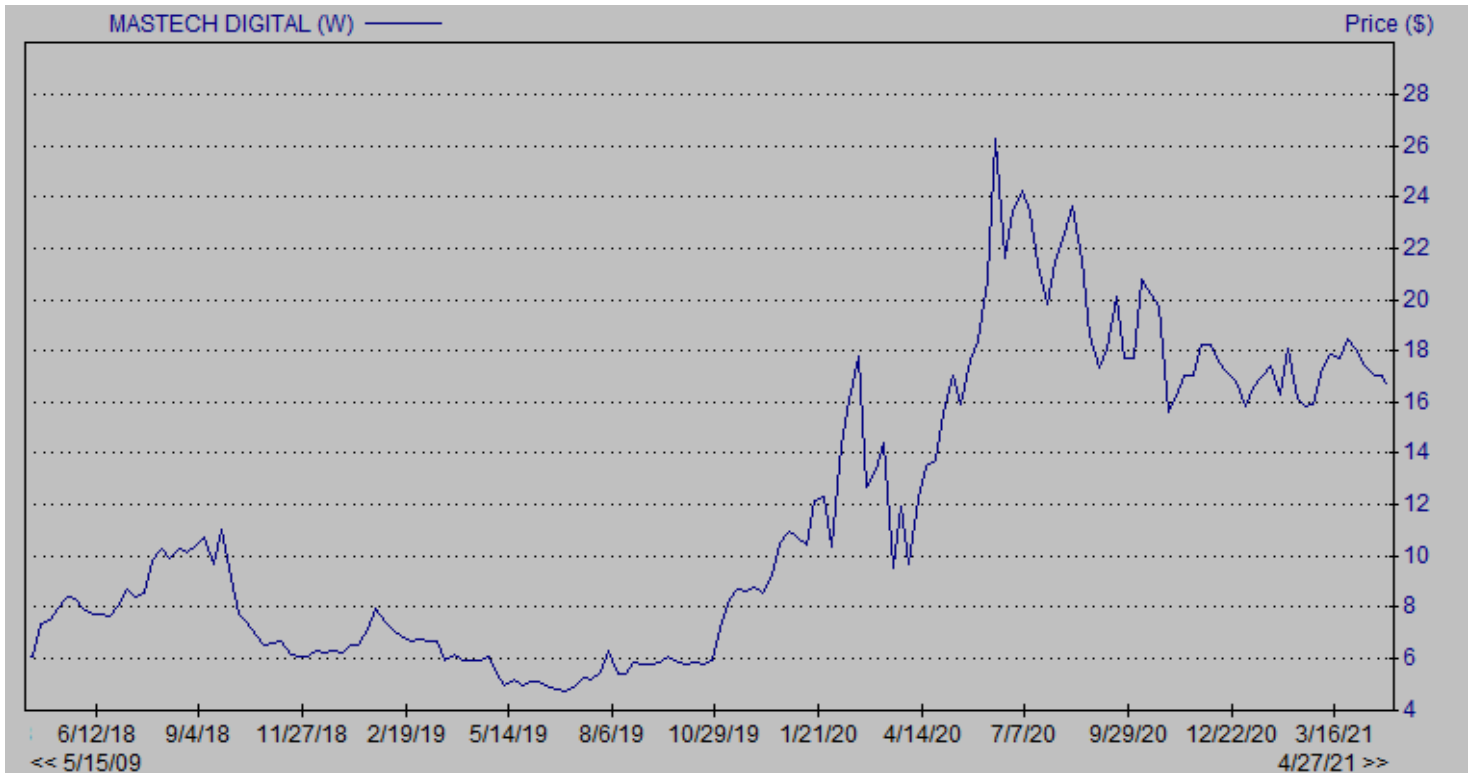
BALANCE SHEET

	Mar. 31, 2021	Dec. 31, 2020	Qtr-Qtr % Growth	Mar. 31, 2020	Yr-Yr % Growth
Current assets:					
Cash and equivalents	\$ 7,242	\$ 7,677	-5.7%	\$ 2,575	181.2%
Accounts receivable, net	36,206	32,134	12.7%	33,596	7.8%
Prepaid expenses & other curr assets	1,238	1,346	-8.0%	1,036	19.5%
Total current assets	44,686	41,157	8.6%	37,207	20.1%
Equipment, software and leasehold net	1,895	1,971	-3.9%	2,393	-20.8%
Deferred income taxes	804	796	1.0%	0	NA
Right-of-use assets	3,199	3,286	-2.6%	4,348	-26.4%
Non-current deposits	459	396	15.9%	388	18.3%
Goodwill, net	32,510	32,510	0.0%	26,106	24.5%
Intangible assets, net	21,137	21,930	-3.6%	19,377	9.1%
Total assets	104,690	102,046	2.6%	89,819	16.6%
Current liabilities:					
Current portion of long-term debt, net	4,400	4,400	0.0%	8,537	-48.5%
Accounts payable	3,915	2,589	51.2%	3,440	13.8%
Accrued payroll and related costs	12,882	12,374	4.1%	9,456	36.2%
Current portion of operating lease liability	1,056	1,079	-2.1%	1,392	-24.1%
Other accrued liabilities	1,571	1,529	2.7%	764	105.6%
Total current liabilities	23,824	21,971	8.4%	23,589	1.0%
Long-term debt, net	11,795	12,875	-8.4%	13,358	-11.7%
Contingent consideration liabilities	2,882	2,882	0.0%	0	NA
Lease liability	2,273	2,325	-2.2%	3,019	-24.7%
Long term accrued income taxes	165	165	0.0%	185	-10.8%
Long term payroll tax liability	2,295	2,295	0.0%	0	NA
Long term deferred income taxes	0	0	0.0%	843	-100.0%
Total liabilities	43,234	42,513	1.7%	40,994	5.5%
Stockholders' equity					
Common stock	130	130	0.0%	128	1.6%
Additional paid-in capital	26,231	25,509	2.8%	22,950	14.3%
Retained earnings	39,814	38,620	3.1%	30,628	30.0%
Accumulated other comp loss	(532)	(539)	-1.3%	(694)	-23.3%
Treasury stock, at cost	(4,187)	(4,187)	0.0%	(4,187)	0.0%
Total stockholders' equity	61,456	59,533	3.2%	48,825	25.9%
Total liabilities and stockholders' equity	104,690	102,046	2.6%	89,819	16.6%
Current and quick ratio	1.9	1.9	0.1%	1.6	18.9%
Working Capital	20,862	19,186	8.7%	13,618	53.2%
Net cash	7,242	7,677	-5.7%	2,575	181.2%
Debt	16,195	17,275	-6.3%	21,895	-26.0%
Debt/TA	15%	17%	-8.6%	24%	-36.5%

CASH FLOWS

	Year 2018	3 Mo Ended Mar 31, 2019	3 Mo Ended Jun 30, 2019	3 Mo Ended Sep 30, 2019	3 Mo Ended Dec 31, 2019	Year 2019	3 Mo Ended Mar 31, 2020	3 Mo Ended Jun 30, 2020	3 Mo Ended Sep 30, 2020	3 Mo Ended Dec 31, 2020	Year 2020
Cash flows from operating activities:											
Net income	6,691	964	5,958	1,949	2,274	11,145	1,869	2,959	2,998	2,035	9,861
Adjustments to reconcile net income to net cash provided by operating activities:											
Depreciation and amortization	3,182	839	869	869	857	3,434	873	868	858	990	3,589
Bad debt expense	10	-	30	50	-	80	-	-	-	-	-
Interest amortization of deferred financing costs	100	26	26	26	26	104	26	26	26	206	284
Stock-based compensation	470	236	267	263	170	936	456	612	462	491	2,021
Deferred income taxes, net	171	(95)	1,549	(75)	(57)	1,322	(182)	(6)	(111)	(1,522)	(1,821)
Impairment of goodwill	9,738	-	-	-	-	-	-	-	-	-	-
Reevaluation of contingent consideration liability	(11,056)	-	(6,069)	-	-	(6,069)	-	-	-	-	-
Loss on disposition of fixed assets	7	-	-	-	-	-	2	-	-	2	4
Long term accrued income taxes	136	-	-	-	(19)	(19)	-	-	-	(20)	(20)
Operating lease assets and liabilities, net	-	-	95	5	-	100	(37)	14	27	14	18
Change in operating assets and liabilities:											
Accounts receivable & unbilled receivables	(7,428)	(1,051)	3,310	781	2,608	5,648	(1,244)	2,388	(50)	1,039	2,133
Prepaid expenses and other current assets	283	110	(248)	(52)	(196)	(386)	492	(169)	(1,373)	1,301	251
Accounts payable	(901)	(196)	(22)	450	(332)	(100)	(587)	(367)	41	(700)	(1,613)
Accrued payroll	(1,241)	(112)	2,472	(260)	(1,926)	174	1,554	1,655	3,321	(243)	6,287
Other accrued liabilities	(461)	327	(448)	232	(375)	(264)	(276)	668	(732)	431	91
Deferred revenues	(172)	80	(164)	72	(9)	(21)	(151)	122	(104)	279	146
Net cash used by operating activities	(471)	1,128	7,625	4,310	3,021	16,084	2,795	8,770	5,363	4,293	21,231
Cash flows from Investing activities:											
Acquisition of Amberleaf, net							-	-	-	(9,345)	(9,345)
(Payment for) recovery of non-current deposits	(285)	9	84	37	5	135	17	3	(7)	(4)	9
Capital expenditures	(771)	(404)	(190)	(292)	(128)	(1,014)	(119)	(36)	(105)	(38)	(298)
Net cash used in investing activities	(1,056)	(395)	(106)	(255)	(123)	(879)	(102)	(33)	(112)	(9,387)	(9,634)
Cash flows from Financing activities:											
Borrowings on revolving credit facility, net	4,526	656	(4,183)	(4,701)	4,252	(3,976)	(2,244)	(2,307)	(4,950)	(50)	(9,551)
Borrowing on term loan facility							-	-	-	17,500	17,500
(Repayments) on term loan facility	(4,003)	(1,144)	(1,144)	(1,144)	(6,143)	(9,575)	(1,144)	(5,106)	(1,144)	(8,575)	(15,969)
Proceeds from the issuance of common shares	-		106	-	62	168	-	107	(2)	117	222
Payment of deferred financing costs	(71)	-	-	-	-	-	-	-	-	(246)	(246)
Purchase of treasury stock	(20)		(13)	-	-	(13)	-	-	-	-	-
Proceeds from the exercise of stock options	118	-	-	-	7	7	556	765	9	-	1,330
Net cash provided by financing activities	550	(488)	(5,234)	(5,845)	(1,822)	(13,389)	(2,832)	(6,541)	(6,087)	8,746	(6,714)
Effect of exchange rate changes of cash	(207)	9	36	(116)	(58)	(129)	(267)	(38)	107	11	(187)
Net change - cash	(1,184)	254	2,321	(1,906)	1,018	1,687	(406)	2,168	(729)	3,663	4,696
Cash, beginning of quarter	2,478	1,294	1,548	3,869	1,963	1,294	2,981	2,575	4,743	4,014	2,981
Cash, end of period	1,294	1,548	3,869	1,963	2,981	2,981	2,575	4,743	4,014	7,677	7,677
Supplemental information:											
Interest paid	2,060	-	-	-	-	1,780	-	-	-	-	779
Income taxes paid	2,031	-	-	-	-	2,634	-	-	-	-	2,681
Cash Flow	9,449	1,970	2,725	3,087	3,251	11,033	3,007	4,473	4,260	2,196	13,936
Free cash flow	8,678	1,566	2,535	2,795	3,123	10,019	2,888	4,437	4,155	(7,187)	4,293

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (Zacks SCR), a division of Zacks Investment Research (ZIR), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

Zacks SCR Analysts hereby certify that the view expressed in this research report or blog article accurately reflect the personal views of the analyst about the subject securities and issuers. Zacks SCR also certifies that no part of any analysts' compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report or blog article. Zacks SCR believes the information used for the creation of this report or blog article has been obtained from sources considered reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice. The Zacks SCR Twitter is covered herein by this disclosure.

INVESTMENT BANKING AND FEES FOR SERVICE

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer.

The non-investment banking services provided to the issuer include the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR.

Each issuer has entered into an agreement with Zacks to provide continuous independent research for a period of no less than one year in consideration of quarterly payments totaling a maximum fee of \$40,000 annually.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the Valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.

SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or Tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer and, therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.