

# Zacks Small-Cap Research

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## MarketWise Inc

(NASDAQ: MKTW)

**MKTW: Capitalizing on the current market environment and investing in future growth.**

The company's strong dividend payout, growing billings, and a return to revenue growth in 2027 support our valuation target. We remain conservative and assume the company will achieve a P/E of 7x 2027 earnings, which produces our valuation of \$24/share.

Current Price (05/8/26) \$20.68  
Valuation **\$24.00**

## OUTLOOK

MarketWise released its first-quarter results, which were largely in line with our forecast, though greater investments in customer acquisition led reported EPS to meaningfully miss our forecast.

Given the company's deferred revenue recognition, we remind investors to focus on billing trends, and billings grew again in Q1. Average revenue per user increased as cross-selling efforts paid dividends.

The company reiterated its previous guidance that cash flow from operations is expected to reach \$50 million in 2026, and it intends to pay dividends totaling \$1.80/share to Class A holders this year.

## SUMMARY DATA

52-Week High **\$21.74**  
52-Week Low **\$13.49**  
One-Year Return (%) **49%**  
Beta **0.34**  
Average Daily Volume (sh) **25,078**

Shares Outstanding (mil) **15.6**  
Market Capitalization (\$mil) **\$323**  
Short Interest Ratio (days) **N/A**  
Institutional Ownership (%) **23**  
Insider Ownership (%) **33**

Annual Cash Dividend **\$1.80**  
Dividend Yield (%) **8.7%**

5-Yr. Historical Growth Rates  
Sales (%) **-13%**  
Earnings Per Share (%) **-24%**  
Dividend (%) **NM**

P/E using TTM EPS **12.5**  
P/E using 2026 Estimate **12.7**  
P/E using 2027 Estimate **6.2**

Zacks Rank **N/A**

Risk Level  
Type of Stock  
Industry  
Average Value  
Publishing / SaaS

## ZACKS ESTIMATES

### Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2024	109 A	105 A	97 A	97 A	409 A
2025	84 A	80 A	81 A	83 A	328 A
2026	77 A	79 E	78 E	82 E	317 E
2027	87 E	83 E	85 E	87 E	341 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2024	\$0.80 A	\$0.80 A	\$0.80 A	\$1.00 A	\$3.60 A
2025	\$0.41 A	\$0.53 A	\$0.58 A	\$0.77 A	\$2.31 A
2026	-\$0.23 A	\$0.51 E	\$0.65 E	\$0.67 E	\$1.63 E
2027	\$0.75 E	\$0.76 E	\$0.90 E	\$0.92 E	\$3.33 E

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## WHAT'S NEW

### **MarketWise Reports First Quarter 2026 Results**

MarketWise reported first-quarter results that, on the surface, appeared to be well below our forecast - (\$0.23/share) loss vs. our estimate of \$0.59/share income. We believe the factors that led to the underperformance are likely laying the foundation for what really matters to MarketWise's investors: improved cash flow and strong dividend payouts. While we anticipated that the heightened volatility of the US markets in the first quarter would lead to an increase in marketing spending, we did not predict the degree to which the company would increase its marketing and advertising efforts. Historically, the company's newsletters have seen periods of strong demand and paid-subscription additions during volatile markets and during period of very strong market performance, when individual investors are either fearful of a market decline or fear missing out on the next major market move.

The first quarter of 2026 kicked off with the US capture of Venezuelan leader Nicholas Maduro and ended with the US/Israeli attacks on Iran and the closure of the Strait of Hormuz. In the interim, while US consumer sentiment continued to weaken, stocks showed remarkable resilience amid rising inflation and a challenging operating environment for nearly every company not involved in data center construction. We believe the company's management team recognized that this heightened volatility created an opportunity to grow its paid subscriber base, and the company aggressively marketed its products to capitalize on it.

While it is easy to focus on the EPS shortfall relative to our model, we think that longer-term investors will be well served to note that these investments appear to pay dividends as the total number of paid subscribers increased for the first time in years, growing from 374k in Q4 2025 to 381k in Q1 2026. Additionally, total billings, which is considered a more accurate view of real-time demand than quarterly reported revenue, grew to more than \$81 million in the quarter, the highest level since 2023, and this bodes well for future revenue and earnings prospects of MarketWise.

While the paid subscriber base was still down 19% year-over-year in Q1, this was principally due to the wind-down of the company's Legacy Research division. Nearly 60% of the decline in paid subscribers was due to the conversion of accounts from paid to replacement subscriptions offered to former Legacy Research customers.

As we noted in our initiation report last month, a key metric for MarketWise is its "Average Revenue Per User" (ARPU), which increased again in Q1 2026 to \$738, up just over 10% from \$670 per user at the end of 2025. The company continues to focus its efforts on offering higher-value content, software subscriptions, and bundled content to drive additional revenue per user.

As evidence of the success of the company's efforts to sell additional services to its highest-value customers, the company indicated that as of 3/31/26, 29% of its paid subscribers had purchased more than \$5,000 in services from MarketWise. The company's ability to continue to convert a high percentage of its customers to this level of revenue generation will be a key to its future success.

We remain encouraged by the company's commitment to rebuilding long-term subscriber engagement and improving customer lifetime value rather than fixating on near-term profitability. Management is willing to tolerate near-term margin compression while investing in future growth initiatives and platform development, which will likely benefit long-term investors.

As we noted, the company elected to strategically invest more in Q1 than previously expected, driven by market conditions management deemed favorable. The company also incurred sharply higher administrative costs in the first quarter, driven by higher professional services fees, incentives, and salaries. It is not clear how recurring these costs will be for the balance of 2026 and 2027, but we will discuss our assumptions in our model update below.

Given the remarkably low share count used to calculate EPS – less than 2.5 million class A shares – relatively small swings in the final net income attributable to MarketWise, Inc., can have a material impact on the final reported EPS. While the company reported a net loss attributable to MarketWise, Inc., of \$573k in the quarter, this was just about \$2.1 million below our forecast of a \$1.5 million profit. However, given the low share count of MarketWise's Class A shares, the company's earnings per share missed our forecast of \$0.59/share by \$0.82/share as the company reported a (\$0.23/share) loss in the quarter.

Importantly, the company reaffirmed its previous cash flow guidance of \$50 million from operations and total billings of more than \$300 million. While the headline EPS miss likely caused initial investor concern, the confirmation that CFFO would remain \$50 million in 2026 appeared to calm market participants' nerves. The company also announced that its Board of Directors has authorized a new \$50 million share buyback. This buyback could theoretically represent roughly 15% of MarketWise's total outstanding stock (and units) at current prices if fully exercised.

We continue to anticipate that the company's results, compared to previous periods, should show marked improvement in late 2026 and 2027. Patient investors could benefit from the company's current increased marketing efforts if retail investors remain engaged in the current market frenzy.

We believe that the company will continue to invest in enhanced marketing efforts in the second quarter of 2026 to drive greater cross-selling and increase conversions from free subscribers to paid subscribers. We have elected to be very conservative with our revenue and EPS forecasts for the balance of 2026.

We are adjusting our 2026 revenue projection to \$317 million and our EPS forecast to \$1.63/share, largely as a result of the first-quarter loss. We believe investors will remain focused on the company's dividend payout, cash flow from operations, and billings for 2026, all of which are demonstrating positive trends.

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## **LAWSUIT SETTLEMENT**

As we noted in our initiation report, the company's former CEO claimed breach of an employment agreement. In April 2026, the company and the former CEO reached an agreement under which the company would make a one-time payment of \$12.16 million to the former CEO and affiliated entities, and the former CEO would redeem and cancel 520k units of MarketWise, LLC. We estimate that the redemption and cancellation of these units effectively lowered the company's total outstanding share count by 3.2%.

While this settlement lowers the company's cash balances below our previous forecast, we are encouraged that the company has settled this matter. We believe that lower tax distributions to holders anticipated in 2026 will ensure that this settlement does not impact the company's overall liquidity.

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## INDUSTRY UPDATE

Trends that we noted in our initiation report continue to dominate the market for financial information and financial analytical software. Traditional newsletter publishers like MarketWise continue to evolve their offerings to include more bundled services and software solutions priced at higher average prices.

While the efficacy of AI-assisted research tools and AI-generated financial content is yet to be determined, the low cost of content creation with software tools has led to dramatic increases in the use of AI by content providers.

Use of AI in the industry is no longer seen as a liability but is now highlighted in marketing for premium subscriptions among several leading providers as they attempt to increase retention and average spending per customer.

AI-driven chat features and AI-prompted screening tools are among the features that companies in the industry have begun highlighting to justify higher subscription pricing. However, we have recently seen an uptick in investor skepticism toward AI products across various investor forums, and we think it would be prudent for companies that rely heavily on AI products to monitor this shift in investor sentiment.

MarketWise is focusing on retaining and growing its base of high-value customers over the customers at lower pricing tiers, and that trend appears to be spreading across the market. This strategy stands in contrast to the “growth at all costs” model that dominated the industry in 2020-2022, when paid subscriber growth was the industry-wide priority.

The industry continues to face pressure from unregulated content platforms like Reddit, YouTube, Discord, and Substack, where independent content creators can flood the market with content for free. For the most part, this content is competing for low-value subscribers but given that many high-value subscribers begin with free or low-cost subscriptions, it bears monitoring whether these free alternatives disrupt the pipeline of low-cost subscribers.

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## VALUATION AND TRADING

The valuation of MarketWise continues to be impacted by the decline in recognized revenue, but it appears investors have begun to realize the trend in billings has reversed, which bodes well for future revenues and earnings.

Given the very small number of total outstanding class A shares (used to calculate published EPS numbers), relatively small swings in net income attributable to Class A holders can have a meaningful impact on EPS calculations. As we noted earlier, the company missed our net income forecast in Q1 by just over \$2 million, but the EPS miss was \$0.82/share.

We are adjusting our forecast for the balance of 2026 to reflect higher marketing investments in Q2, but we believe the company will monitor the ROI on this spending near real-time and the marketing spending could be pulled back at any time if it proves to be less effective. Our 2026 EPS forecast is now \$1.63/share, growing to \$3.33/share in 2027. We believe investors should focus less on quarterly GAAP revenues and EPS for MarketWise and more on the consistency of the company's cash flow from operations, billings growth, and dividend payout.

The strong performance of the US equity markets in Q2 2026 should continue to provide a strong backdrop for MarketWise. Assuming that the market continues to attract investor interest and that the company delivers on its cash flow projections and dividend payout, we believe the company's P/E ratio based on our 2027 earnings estimate of \$3.33/share could rise from the current 6.2 times to 7 times, which produces our 12-month target of roughly \$24/share. The company's shares remain subject to a great deal of volatility and with an average daily volume of just 25,000 shares; any sizable buying or selling can materially impact the share price. On Friday, May 8th, 28,000 shares traded in less than an hour, and that relatively small trade led to a 10% jump in the selling price of the common stock. Investors may need to exercise patience when building positions in MarketWise and wait for attractive entry points.

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## OVERVIEW

MarketWise (NASDAQ: MKTW) is a digital platform that provides financial research, news, quantitative analytical tools, and investment education to investors. The company was founded in 1999 at the advent of the self-directed investor boom, and after E-trade went public in 1996 and Ameritrade began conducting online trades in 1995. By the time the company was founded in 1999, 25% of all stock trades had moved online, and there was significant demand for independent views on equities and markets that self-directed investors could use to develop their own customized investing and trading strategies. The company began as a single, monthly newsletter in 1999 when Porter Stansberry launched Stansberry's Investment Advisory, a monthly newsletter focused on emerging trends and economic conditions.

Today, the company has grown to more than 450 employees and, through multiple customer-facing brands, a team of analysts and editors provides institutional-quality research, financial analysis software tools, and market updates. Through 9 unique brand offerings, MarketWise offers 20+ free products and more than 100 paid products covering topics such as value investing, growth, commodities, biotech, mutual funds, options, and trading. The company believes its most successful products are built around experts with a specific investment philosophy that resonates with its subscriber base.

The majority of the company's published research is distributed monthly, although we've noted that some of the more trading-oriented publications are sent out more frequently. The company's subscriptions range from around \$100 per year to over \$5,000 per year for premium research services. Marketwise has significantly increased investments in analytical software and tools over the past few years, and roughly half of the company's revenue today comes from these offerings.

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## KEY POINTS

- **MarketWise operates a high-margin model that continues to generate significant cash flow.** MarketWise's costs are primarily limited to customer acquisition and content creation, as digital distribution of content is virtually free. Over the company's long operating history, it has continuously generated strong margins, operating income, and significant free cash flow.
- **The pivot toward higher-value subscribers remains on track.** MarketWise is in the midst of a strategic shift away from lower-priced, entry-level newsletters toward higher-priced targeted research and software tools.
- **MarketWise is targeting a large total addressable market opportunity (TAM).** Despite some cool off in the markets after the COVID-related investing frenzy of 2020-2021, the US still has more than 59 million accounts that are held by self-directed investors and many of these investors are searching for greater edge in the markets that can be gain by research subscriptions and investment management tools that are part of the suite of more than 100 products offered by MarketWise.
- **MarketWise continues to invest in content quality and marketing tools.** The company's strong product portfolio and investments should drive sustainable billings growth. We believe that the company has the financial capacity to pursue attractive M&A opportunities when they emerge.
- **We are maintaining a target of \$24/share** (16% above the current price) for MarketWise, based on our assumption that the company's valuation gap relative to its peers will shrink as subscriber numbers stabilize and average revenue per user continues to grow.

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## RISKS

**Reputation risk:** The company's ability to retain existing subscribers and attract new ones is tied to its reputation for operating with integrity and providing accurate information. If the company were to have another incident similar to the one that led to the shutdown of Legacy Research, it could severely impact its ability to compete. Financial newsletters like those published by MarketWise rely heavily on the credibility of the editors and researchers.

**Regulatory risk:** MarketWise relies on marketing tools to reach consumers that the Federal Trade Commission regulates. While the company has not had any issues recently, various industry watchdog groups have noted aggressive or deceptive marketing practices in the past (most recently in 2014), and if the FTC were to pursue a new case, it could result in fines or litigation.

**Technology and AI risks:** MarketWise, like many of its peers, is beginning to incorporate generative AI into its written products, but this comes with the added risks of hallucinations or false data. There is also a big-picture question about the value of written research in the era of AI.

**Customer Acquisition risk:** MarketWise relies on digital marketing channels to acquire customers and its own cross-selling success to increase its ARPU. If marketing costs rise or targeting becomes less effective, the company's ability to generate new subscriptions and grow organically can decline quickly.

**Business Cycle risk:** While management has noted that periods of volatility have generally been positive for the company's new billings growth, the business is sensitive to broad market performance, particularly retail investor participation in the market.

## PROJECTED INCOME STATEMENT

MarketWise, Inc.

5/10/26

	2023A	2024A	2025A	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E	Q1 2027E	Q2 2027E	Q3 2027E	Q4 2027E	2027E
(\$ In Thousands; December Year-End)													
<b>Revenues:</b>													
Net Revenue	443,245.0	405,357.0	325,708.0	76,377.0	78,584.7	77,798.9	81,688.8	314,449.5	86,382.3	82,761.5	84,106.4	86,278.9	339,529.1
% change (yoy)	-	-9%	-20%					-3%					8%
Related party revenue	4,937.0	3,344.0	2,414.0	652.0	465.5	460.8	483.8	2,062.1	406.9	389.8	396.2	406.4	1,599.3
% change (yoy)	NM	-32%	-28%					-15%					-22%
<b>Total net revenue</b>	<b>448,182</b>	<b>408,701</b>	<b>328,122</b>	<b>77,029</b>	<b>79,050</b>	<b>78,260</b>	<b>82,173</b>	<b>316,512</b>	<b>86,789</b>	<b>83,151</b>	<b>84,503</b>	<b>86,685</b>	<b>341,128</b>
% change (yoy)		-9%	-20%					-4%					8%
Cost of revenue	56,802	50,663	44,335	11,147	10,474	10,369	10,888	42,878	11,500	11,018	11,197	11,486	45,200
Sales and marketing	198,592	160,707	130,954	39,695	32,411	29,739	31,226	133,070	36,451	33,676	32,384	32,940	135,453
General and administrative	125,176	90,712	78,293	24,167	19,763	18,000	19,352	81,281	20,709	19,841	18,998	19,488	79,035
Research and development	8,831	9,908	8,814	2,325	2,256	2,293	2,352	9,255	2,472	2,369	2,407	2,469	9,717
Depreciation and amortization	3,821	2,753	2,186	518	400	406	417	1,640	375	360	366	375	1,476
Impairment losses	2,583	4,445	380	0	-	-	-	-	-	-	-	-	-
Related party expense	572	525	564	273	135	137	141	554	144	138	141	144	568
<b>Total Operating Expenses</b>	<b>396,377</b>	<b>319,713</b>	<b>265,526</b>	<b>78,125</b>	<b>65,438</b>	<b>60,944</b>	<b>64,374</b>	<b>268,677</b>	<b>71,652</b>	<b>67,401</b>	<b>65,492</b>	<b>66,903</b>	<b>271,448</b>
<b>Income from operations</b>	<b>51,805</b>	<b>88,988</b>	<b>62,596</b>	<b>(1,096)</b>	<b>13,612</b>	<b>17,316</b>	<b>17,798</b>	<b>47,834</b>	<b>15,137</b>	<b>15,750</b>	<b>19,011</b>	<b>19,782</b>	<b>69,681</b>
Other income (expense), net	(611)	2,085	1,040	94	220	200	240	754	190	165	178	150	683
Interest income, net	4,904	5,288	2,963	510	542	550	565	2,222.3	622	596	606	621	2,444.5
<b>Income before income taxes</b>	<b>56,098</b>	<b>96,361</b>	<b>66,599</b>	<b>(492)</b>	<b>14,374</b>	<b>18,067</b>	<b>18,603</b>	<b>50,811</b>	<b>15,949</b>	<b>16,511</b>	<b>19,794</b>	<b>20,554</b>	<b>72,808</b>
Income tax expense	1,803	3,253	2,558	62	919	1,156	1,190	3,250	801	829	994	1,032	3,655
<b>Net income</b>	<b>54,295</b>	<b>93,108</b>	<b>64,041</b>	<b>(554)</b>	<b>13,455</b>	<b>16,911</b>	<b>17,413</b>	<b>47,225</b>	<b>15,149</b>	<b>15,682</b>	<b>18,801</b>	<b>19,522</b>	<b>69,153</b>
<b>Net income attributable to noncontrolling interests</b>	<b>52,513</b>	<b>86,049</b>	<b>58,421</b>	<b>19</b>	<b>12,109</b>	<b>15,220</b>	<b>15,672</b>	<b>43,020</b>	<b>13,255</b>	<b>13,722</b>	<b>16,451</b>	<b>17,082</b>	<b>60,509</b>
<b>Net income attributable to MarketWise, Inc.</b>	<b>1,782</b>	<b>7,059</b>	<b>5,620</b>	<b>(573)</b>	<b>1,345</b>	<b>1,691</b>	<b>1,741</b>	<b>4,205</b>	<b>1,894</b>	<b>1,960</b>	<b>2,350</b>	<b>2,440</b>	<b>8,644</b>
<b>EPS reported</b>	<b>1.07</b>	<b>3.58</b>	<b>2.31</b>	<b>(0.23)</b>	<b>0.51</b>	<b>0.65</b>	<b>0.67</b>	<b>1.63</b>	<b>0.75</b>	<b>0.76</b>	<b>0.90</b>	<b>0.92</b>	<b>3.33</b>
Diluted Shares (weighted average)	1665.0	1971.0	2436.0	2491.0	2638.8	2612.4	2586.3	2582.1	2534.6	2572.6	2611.2	2650.3	2592.2

Source: Zacks SCR, Brian Lantier and Company SEC filings

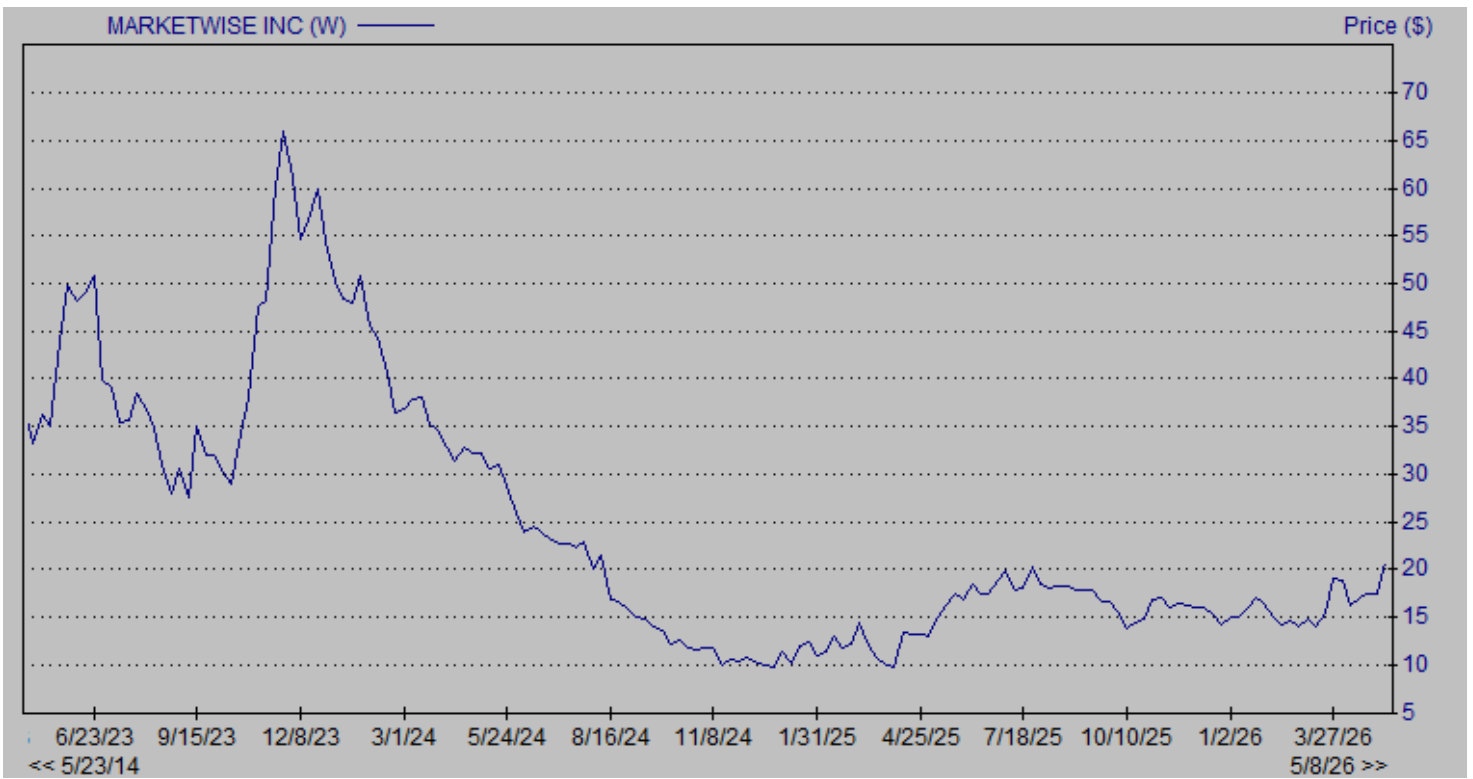
## BALANCE SHEET

MarketWise, Inc.  
(in 000's)

<u>Assets</u>	<u>3/31/26</u>
Current Assets:	
Cash and cash equivalents	52,669
Accounts receivable	4,600
Prepaid expenses	10,720
Related party receivables	271
Deferred contract acquisition costs	42,766
Other current assets	808
<b>Total Current Assets</b>	<b>111,834</b>
Non-Current Assets:	
Property and equipment, net	887
Operating lease right-of-use assets	6,296
Intangible assets, net	3,461
Goodwill	30,043
Deferred contract acquisition costs, noncurrent	38,573
Deferred tax assets	10,822
<b>Total Non-Current Assets</b>	<b>90,082</b>
<b>Total Assets</b>	<b>201,916</b>
<u>Liabilities</u>	
Current Liabilities:	
Trade and other payables	5,901
Related party payables	1,417
Accrued expenses	22,953
Deferred revenue and other contract liabilities	184,775
Operating lease liabilities	728
Related party TRA liability, current	789
Other current liabilities	12,580
<b>Total Current Liabilities</b>	<b>229,143</b>
Non-Current Liabilities:	
Deferred revenue and other contract liabilities, noncurrent	188,956
Other liabilities, noncurrent	2,479
Related party tax receivables agreement liability, noncurrent	3,246
Operating lease liabilities, noncurrent	4,986
<b>Total Non-Current Liabilities</b>	<b>199,667</b>
<b>Total Liabilities</b>	<b>428,810</b>
Class A and B common stock	1
Additional paid-in capital	101,968
Accumulated other comprehensive income	27
Accumulated deficit	(114,237)
<b>Total Shareholders' Equity (deficit) attributable to MarketWise, Inc.</b>	<b>(12,241)</b>
Noncontrolling interest	(214,653)
<b>Total stockholders' deficit</b>	<b>(226,894)</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>201,916</b>

Source: Company SEC Filing

# HISTORICAL STOCK PRICE



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