

Zacks Small-Cap Research

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MarketWise Inc

(NASDAQ: MKTW)

MKTW: The turnaround continues. Raising our target valuation to \$28.

The company's strong dividend payout, billings growth, and an anticipated return to revenue growth in 2027 support our valuation target. We assume the company will achieve a P/E of 8x 2027 earnings, which produces our new valuation of \$28/share.

Current Price (08/05/26) **\$21.13**
Valuation **\$28.00**

OUTLOOK

MarketWise released its second-quarter results, which again saw investments in customer acquisition cause reported EPS to miss our forecast. Marketing costs should fall in the second half of 2026, and we expect margins and EPS to rebound in the second half.

Investors in Marketwise are aware that given the company's subscription model, the trends in billings are far more important than reported EPS. Billings were up 56% from a year ago and, at more than \$90 million for the quarter, were at the highest level since 2023.

The company raised its billings guidance by 10% to \$330 million for 2026 and reiterated its intention to pay a common dividend of \$1.80/share to Class A shareholders.

SUMMARY DATA

52-Week High **\$22.11**
52-Week Low **\$13.49**
One-Year Return (%) **7%**
Beta **0.20**
Average Daily Volume (sh) **19,461**

Shares Outstanding (mil) **15.65**
Market Capitalization (\$mil) **\$330**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **4**
Insider Ownership (%) **85**

Annual Cash Dividend **\$1.80**
Dividend Yield (%) **8.5%**

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

P/E using TTM EPS **24.0**
P/E using 2026 Estimate **30.2**
P/E using 2027 Estimate **5.9**

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	76 A	78 E	82 E	313 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	-\$0.24 A	\$0.45 E	\$0.69 E	\$0.70 E
2027	\$0.82 E	\$0.81 E	\$0.96 E	\$0.99 E	\$3.58 E

WHAT'S NEW

MarketWise Reports Second Quarter 2026 Results

MarketWise reported second-quarter results that again reflected the company's significant investment in customer acquisition via marketing efforts. The company reported a loss per share of (\$0.24), which was well below our estimate of earnings of \$0.51/share. We believe management elected to pull marketing levers at its disposal when the strong market performance during the quarter (the S&P 500 was up 15% in the quarter and had its best quarterly performance since 2020) drove significant retail investor interest in the MarketWise suite of services. While we anticipated some additional investment in customer acquisition, it appears that the company saw strong customer response to its marketing efforts, which encouraged significantly higher spending to drive additional customer subscriptions. Historically, the company's newsletters have seen periods of strong demand and paid-subscription additions during volatile markets and during periods 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 second quarter of 2026 saw markets broaden beyond the AI/Datacenter trade and included powerful rallies in technology shares, industrials, and small-cap stocks. The strength of the market, however, was tempered by seemingly daily shifts in the geopolitical landscape as conflicts in the Middle East continue to flare up. Additionally, US consumer sentiment continued to weaken under the strain of persistent, sticky inflation, gas price shocks as a result of the closure of the Strait of Hormuz, and mortgage rates that remain near 15-year highs and continue to weigh on the housing market. This contrast between what investors are seeing in their everyday lives - higher prices, struggling small businesses, etc.- and soaring stock prices creates the perfect storm for the investment newsletters and software sold by Marketwise. When individual investors who typically make self-directed investment decisions feel like they are missing an opportunity in the market or fear the market could turn at any moment, they look for professional opinions that can help guide them through periods of uncertainty. We believe the company's management team recognized that the market presented a unique opportunity to grow the subscriber base similar to the immediate aftermath of the COVID lockdowns in 2020 when the markets rallied strongly in the face of consistently negative news for almost 2 years.

While we expect the plethora of AI written articles will focus on the EPS miss in Q2, rational investors should be able to digest the very strong underlying performance of MarketWise and appreciate what it means for the business over the next 3-5 years. Long-term investors will be well served to note that management has selectively invested in marketing at key moments that will drive revenues for years to come as the company balances long-term growth versus near-term margins. The company's total number of paid subscribers increased for the second straight quarter after falling steadily for years following the COVID boom. Paid subscribers were up 5% sequentially in the second quarter to 400k and are now up 7% for the year after bottoming out at 374k in the fourth quarter of 2025. Additionally, total billings, which we consider a more accurate view of real-time demand for the company's services than quarterly reported revenue as it reflects actual customer signings in the quarter, grew to more than \$91 million in the quarter up 12% sequentially and 56% year over year to reach the highest level for the company since 2023. As a result of the strong first-half billings (\$172.5 million of total billings), the company increased its guidance for 2026 total billings to \$330 million, a 10% increase from previous guidance and 21.7% above 2025 billings.

As further evidence of the company's subscriber turnaround, its paid subscriber base was up 1% versus the second quarter of 2025 as the impact of the wind-down of the company's Legacy Research division begins to dissipate.

As we've discussed previously, a key metric for MarketWise is its "Average Revenue Per User" (ARPU), which increased again in Q2 2026 to \$822, up 11% from \$738 in the first quarter and up 73% or \$347 from the second quarter of 2025. The combination of growing billings and a lower average number of paid subscribers has boosted this metric sharply. The company continues to focus on offering higher-

value content, software subscriptions, and bundled content to drive additional revenue per user, and the strategy appears to be paying off.

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 6/30/26, 61% of its paid subscribers had a lifetime spend of more than \$500 with MarketWise. The company's ability to continue converting a high percentage of its customers to this level of revenue generation will be 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 as we've seen in the first half of 2026 while investing in marketing efforts to drive future growth and platform development, which will likely benefit long-term investors.

As we discussed, the company elected to strategically invest more in the first half than previously expected, driven by market conditions management deemed favorable to drive long-term growth. The company also incurred higher administrative costs in the second quarter than we anticipated as personnel costs continue to escalate.

Given the remarkably low share count used to calculate EPS – less than 2.67 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 \$629k in the quarter, this was only about \$2.0 million below our forecast of a \$1.3 million profit. However, given the low share count of MarketWise's Class A shares, the company's earnings per share missed our forecast of \$0.51/share by \$0.75/share as the company reported a (\$0.24)/share loss in the quarter.

Importantly, the company reaffirmed its previous cash flow guidance of \$50 million from operations after reporting cash flow from operations of \$22.4 million in the second quarter and raised its guidance for total billings from \$300 million to \$330 million. While the headline EPS miss may spark some concern among traders, the company's strong cash flow and growth in ARPU and billings should encourage long-term investors.

We continue to anticipate that the company's results, compared to previous periods, should show marked improvement in late 2026 and 2027, particularly as margins rebound and more moderate marketing spending in the second half of the year enables it to replenish cash balances. We would encourage investors to take advantage of any dips in the share price around the release of earnings to build long-term positions in the company.

We are adjusting our 2026 revenue projection to \$313 million and our EPS forecast to \$0.70/share, largely as a result of the second-quarter loss. We believe investors will remain focused on the company's dividend payout (anticipated to be \$1.80 per Class A share), cash flow from operations, and billings for 2026, all of which are demonstrating positive trends.

INDUSTRY UPDATE

The key trends that we've been highlighting in the market for financial information, investment newsletters, and financial analytical software have continued to shape the industry over the last three months. Traditional newsletter publishers such as MarketWise continue to evolve beyond standalone newsletters or software products and are increasingly shifting the focus of their offerings to bundled subscription packages, screening tools, investor education, and AI-bolstered research platforms designed to increase average revenue per user and improve customer retention by increasing touchpoints with customers. Premium publishers continue to emphasize exclusive research from analysts, portfolio management, and even direct interaction with analysts as key differentiators in a competitive market.

Artificial intelligence continues to play a larger and larger role in the production of written content, although the initial enthusiasm around what AI tools could generate has been replaced with a focus on productivity gains. Given that AI is embedded in the product and its use is no longer considered a differentiating factor, the use of AI is not marketed by most of the premier providers in the market. Instead, the use of AI largely sits behind the curtain as providers look to boost the efficiency of their operations or as a customer service agent. The marketing of "AI"-powered screening tools continues without any signs of relenting but based on our experience with the tools the majority of them are merely software disguised as AI, though premium research platforms have begun to move toward products that can be more accurately labeled as AI.

As with many other industries, the return on the investment in AI is coming into question from both investors and customers as it becomes less clear if the costs will yield lasting revenue increases or efficiency gains. We believe that the most valuable products for self-directed investors will offer some combination of traditional fundamental research conducted by experienced analysts, technical analysis derived from software and AI-enhanced tools, and advanced screening technologies that utilize natural language interfaces.

Much of the market for investment newsletters and investing tools has migrated to a model similar to MarketWise, prioritizing long-term relationships with high-value customers. Cross-selling of products has accelerated, and offering higher-priced, premium subscription levels has become more common.

The competitive landscape continues to evolve with independent content creators utilizing sites like Reddit, YouTube, and Discord to grow their followings with little upfront costs. While many of these services exist in an unregulated, wild west of investment advice that includes many unqualified advisors, the price points (ranging from free to \$50/month or so) attracts many small investors that might previously sought out a free or low-cost newsletter subscription. Substack, in particular, has greatly increased the ease of publication and distribution for content creators. While the quality of AI-generated content is questionable at times, we recognize that AI tools can generate vast quantities of research at little or no cost, which is encouraging new entrants into the market. Much of this content remains at the lower end of the market and is not targeting the same customer base that MarketWise is concentrating on, but with over 2 million free subscribers, some of those users may migrate to other platforms.

We believe that the most successful financial publishing firms offer a suite of services, exclusive access to unique data sets and simplified screening tools, and well-respected, experienced analysts. This

portfolio approach (as embraced by MarketWise) should bolster overall revenue per customer and increase customer touchpoints, which we expect will strengthen the customer relationship over time.

VALUATION AND TRADING

Shares of MarketWise have performed well since our initiation in April, rising roughly 25% during that period, and are trading well above the lows of the year when investor concerns about subscriber losses were more pronounced. We believe that the company's consistent messaging on the reversal in billing trends (with billing growing sharply now in 2026) is resonating with investors who realize the impact this may have in coming years as revenue is recognized.

As we've discussed previously, the very small number of total outstanding Class A shares – 2.67 million - (used to calculate published EPS numbers) means that relatively small swings in net income attributable to Class A holders can have a meaningful impact on EPS calculations. In the second quarter, the company missed our net income forecast in Q2 by just under \$2 million, but the EPS miss was \$0.75/share.

In the first half of 2026, the company adjusted its marketing strategy significantly based on market conditions, which has significantly increased billings but also impacted margins as the company invested in new customer acquisition. We expect that the company will moderate this spending in the second half of 2026, which should materially improve profitability in the second half of 2026. As a result of the higher expenses in Q2 and increased margins we are forecasting in Q3 and Q4, we are adjusting our 2026 EPS forecast to \$0.70/share, and increasing our 2027 EPS forecast modestly to \$3.58/share. Given the long-term nature of the company's revenue streams, we encourage investors to focus less on quarterly GAAP revenues and EPS and more on the consistency of the company's cash flow from operations, billings growth, and dividend payout.

Based on our assumption that the company delivers on its cash flow projections (\$50 million in 2026) and dividend payout (\$1.80/class A share), we believe the company's P/E ratio based on our 2027 earnings estimate of \$3.58 /share could rise 8 times, which produces our new 12-month target valuation of \$28/share. The company's shares remain subject to a great deal of volatility, and with an average daily volume of under 20,000 shares, any sizable buying or selling can materially impact the share price. We would encourage investors to build positions when market conditions allow for attractive entry points.

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.

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 raising our target valuation to \$28/share** (32% 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 have stabilized and average revenue per user continues to grow.

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.

8/6/26

(\$ in Thousands; December Year-End)

Revenues:

	2023A	2024A	2025A	Q1 2026A	Q2 2026A	Q3 2026E	Q4 2026E	2026E	Q1 2027E	Q2 2027E	Q3 2027E	Q4 2027E	2027E
Net Revenue	443,245.0	405,357.0	325,708.0	76,377.0	75,290.0	77,798.9	81,688.8	311,154.7	86,382.3	82,761.5	84,106.4	86,278.9	339,529.1
% change (yoy)	-	-9%	-20%					-4%					9%
Related party revenue	4,937.0	3,344.0	2,414.0	652.0	518.0	460.8	483.8	2,114.6	406.9	389.8	396.2	406.4	1,599.3
% change (yoy)	NM	-32%	-28%					-12%					-24%
Total net revenue	448,182	408,701	328,122	77,029	75,808	78,260	82,173	313,269	86,789	83,151	84,503	86,685	341,128
% change (yoy)		-9%	-20%					-5%					9%
Cost of revenue	56,802	50,663	44,335	11,147	11,112	11,348	11,915	45,522	12,584	12,057	12,253	12,569	49,464
Sales and marketing	198,592	160,707	130,954	39,695	42,815	33,652	31,226	147,387	36,451	33,676	32,384	32,940	135,453
General and administrative	125,176	90,712	78,293	24,167	22,693	21,521	22,639	91,020	20,709	19,841	18,998	19,488	79,035
Research and development	8,831	9,908	8,814	2,325	2,721	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	565	406	417	1,640	375	360	366	375	1,476
Impairment losses	2,583	4,445	380	0	0	-	-	-	-	-	-	-	-
Related party expense	572	525	564	273	158	137	141	554	144	138	141	144	568
Total Operating Expenses	396,377	319,713	265,526	78,125	80,064	69,357	68,688	295,377	72,737	68,441	66,548	67,986	275,712
Income from operations	51,805	88,988	62,596	(1,096)	(4,256)	8,903	13,484	17,893	14,052	14,711	17,954	18,699	65,417
Other income (expense), net	(611)	2,085	1,040	94	1,182	200	240	1,716	190	165	178	150	683
Interest income, net	4,904	5,288	2,963	510	290	550	565	2,222.3	622	596	606	621	2,444.5
Income before income taxes	56,098	96,361	66,599	(492)	(2,784)	9,654	14,289	21,831	14,864	15,472	18,738	19,470	68,544
Income tax expense	1,803	3,253	2,558	62	(156)	1,437	2,127	3,250	793	825	999	1,038	3,655
Net income	54,295	93,108	64,041	(554)	(2,628)	8,216	12,162	17,196	14,072	14,647	17,739	18,432	64,889
Net income attributable to noncontrolling interests	52,513	86,049	58,421	19	(1,999)	7,017	10,338	15,374	11,961	12,523	15,167	15,759	55,410
Net income attributable to MarketWise, Inc.	1,782	7,059	5,620	(573)	(629)	1,200	1,824	1,822	2,111	2,124	2,572	2,673	9,479
EPS reported	1.07	3.58	2.31	(0.23)	(0.24)	0.45	0.69	0.70	0.82	0.81	0.96	0.99	3.58
Diluted Shares (weighted average)	1665.0	1971.0	2436.0	2491.0	2643.0	2666.9	2640.2	2610.3	2587.4	2626.2	2665.6	2705.6	2646.2

Source: Zacks SCR, Brian Lantier and Company SEC filings

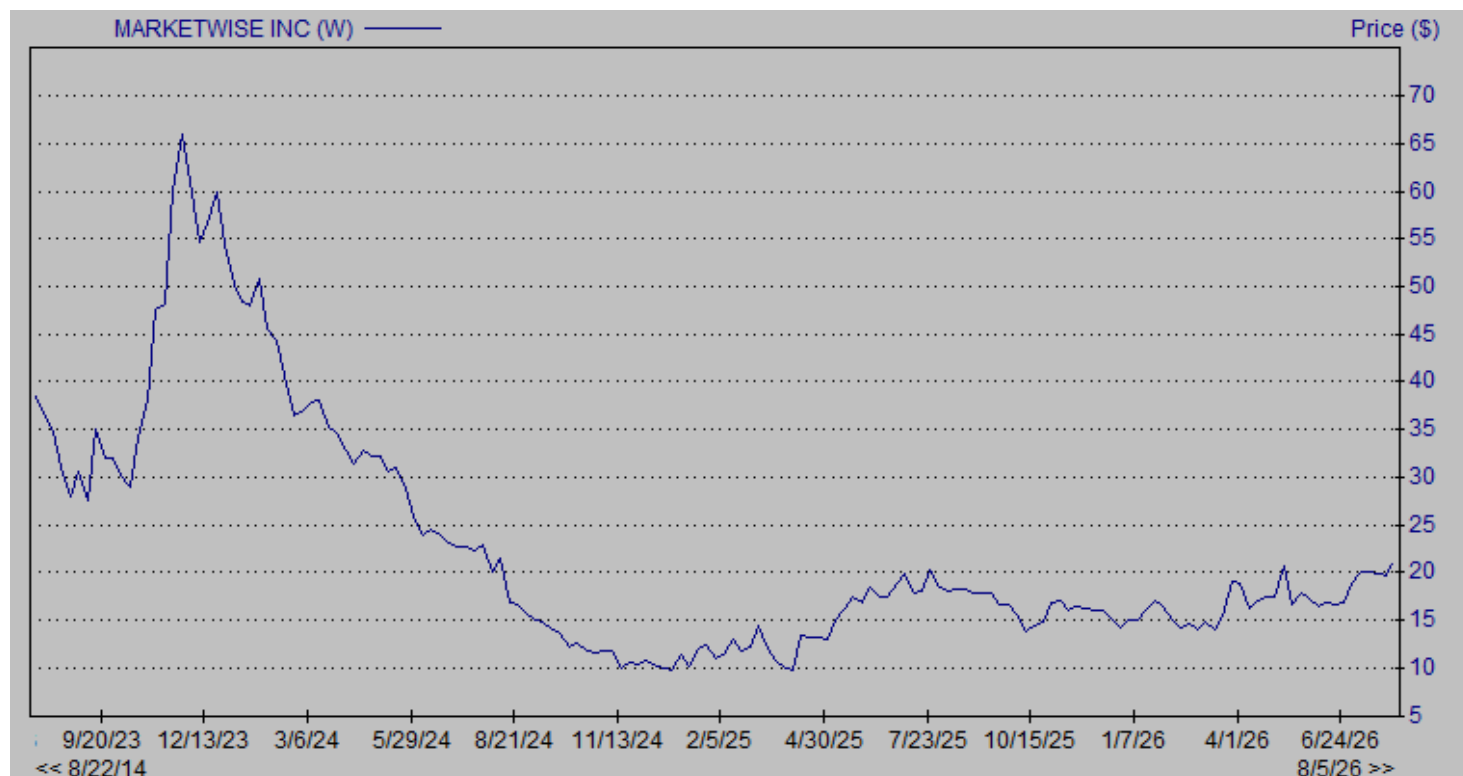
BALANCE SHEET

MarketWise, Inc.
(in 000's)

<u>Assets</u>	<u>6/30/26</u>
Current Assets:	
Cash and cash equivalents	32,914
Accounts receivable	3,128
Prepaid expenses	7,679
Related party receivables	635
Deferred contract acquisition costs	41,950
Other current assets	899
Total Current Assets	87,205
Non-Current Assets:	
Property and equipment, net	416
Operating lease right-of-use assets	6,100
Intangible assets, net	3,799
Goodwill	30,043
Deferred contract acquisition costs, noncurrent	47,012
Deferred tax assets	11,300
Total Non-Current Assets	98,670
Total Assets	185,875
<u>Liabilities</u>	
Current Liabilities:	
Trade and other payables	7,023
Related party payables	1,877
Accrued expenses	31,535
Deferred revenue and other contract liabilities	191,758
Operating lease liabilities	743
Related party TRA liability, current	577
Other current liabilities	14,152
Total Current Liabilities	247,665
Non-Current Liabilities:	
Deferred revenue and other contract liabilities, noncurrent	195,043
Other liabilities, noncurrent	2,511
Related party tax receivables agreement liability, noncurrent	3,133
Operating lease liabilities, noncurrent	4,793
Total Non-Current Liabilities	205,480
Total Liabilities	453,145
Class A and B common stock	1
Additional paid-in capital	81,395
Accumulated other comprehensive income	20
Accumulated deficit	(114,866)
Total Shareholders' Equity (deficit) attributable to MarketWise, Inc.	(33,450)
Noncontrolling interest	(233,820)
Total stockholders' deficit	(267,270)
Total Liabilities & Shareholders' Equity	185,875

Source: Company Press Release

HISTORICAL STOCK PRICE



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