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Elite Education

(EEIQ-NASDAQ)

EEIQ: Positive Takeaways of O&O Davis College Expanding Offerings

Elite continues to advance the many growth initiatives it has launched over the past few quarters to diversify and boost revenue and expand its presence in key markets. The company provides a broad – and growing – range of educational solutions for domestic and international students in the company's key target markets, the U.S., U.K. and Canada who are interested in pursuing college, university and career training programs.

Current Price (6/6/22) **\$1.83**
Valuation **\$10.00**

OUTLOOK

O&O Davis College has signed two recent MOUs to pursue collaborative programs with international academic institutions. One was with Holy Cross of Davao College in the Philippines and one was with China's Anhui Business College. Moreover, Davis recently added four new academic programs in sectors expected to experience rising demand for skilled workers, while the institution is awaiting approval to offer a Bachelor of Science degree in business, which Elite believes would represent an important milestone, as it would enable Davis College to offer a four-year baccalaureate degree in addition to its two-year associate degree programs.

SUMMARY DATA

52-Week High **\$10.33**
52-Week Low **\$1.48**
One-Year Return (%) **-63.31**
Beta **N/A**
Average Daily Volume (sh) **26,757**

Shares Outstanding (mil) **10**
Market Capitalization (\$mil) **\$20**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **N/A**
Insider Ownership (%) * **69**

Annual Cash Dividend **N/A**
Dividend Yield (%) **N/A**

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

P/E using TTM EPS **N/A**
P/E using 2022 Estimate **N/A**
P/E using 2023 Estimate **N/A**

Risk Level **Above Avg.**
Type of Stock **Small-Growth**
Industry **Edu & Training Svcs**

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2019					\$8.7 A
2020					\$9.1 A
2021		\$3.1 A			\$5.3 A
2022					\$7.3 E

Per Share Data

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019					\$0.26 A
2020					\$0.13 A
2021		-\$0.04 A			-\$0.12 A
2022					-\$0.02 E

Quarters might not sum due to rounding & share counts

Disclosures on page 12

*Includes CEO's corp. holdings

KEY POINTS – ADVANCING DIVERSIFICATION & EXPANSION GOALS

- Elite continues to advance its many growth initiatives designed to diversify and boost revenue, expand its presence in key markets and own and operate (O&O) the academic institutions at which its services are provided. The company provides a broad – and growing – range of educational solutions for domestic and international students in the company’s key target markets, the U.S., U.K. and Canada who are interested in pursuing college, university and career training programs and is becoming more diversified and global.
- Elite acquired a stake in Davis College, a Toledo, Ohio career training college that offers programs teaching skills for career placement and advancement. Davis recently added four new academic programs – in digital marketing, healthcare administration, logistics and supply chain management and project management – to expand its programs designed to teach students marketable skills that enhance their ability to gain employment. Moreover, given rapid changes in global logistics, healthcare and other trends, these sectors are likely to experience rising demand for skilled workers, we believe.
- In addition, Davis College has signed two recent MOUs with international academic institutions to pursue collaborative programs, including potentially joint degree academic offerings. One MOU was with Holy Cross of Davao College (HCDC) in Davao City, Davao del Sur, Philippines and one was with China’s Anhui Business College.
- In pursuing expansion opportunities within the Canadian education market, Elite recently acquired an 80% stake in Vancouver, Canada-based EduGlobal College, which has partnered with Algoma University to facilitate transfer pathways for international students who want to improve their English language proficiency in order to complete post-secondary studies in Canada. The EduGlobal-Algoma program for international students launched recently with a well-attended kick-off event. Elite believes it could form the basis for a model that it can replicate at other schools.

WHAT’S NEW? COLLABORATIONS ADVANCE GROWTH INITIATIVES

New initiatives expected to contribute 50+% of revenue over next few years

Elite Education Group International Limited (Nasdaq: EEIQ) has launched several new growth initiatives over the past few quarters to diversify and boost revenue and expand its presence in key markets, particularly the U.S., U.K. and Canada. The company provides a broad range of educational solutions for students, both domestic and international, who are interested in pursuing college, university and career training programs in the company’s key target markets.

Reflecting its recent initiatives aimed at broadening its markets and businesses and adding to the original Miami University (MU) operation, the company’s operating footprint has expanded is significantly more diversified than it was pre-pandemic. Over time, Elite expects that roughly half of revenue will be generated from recently initiated operations such as Davis College and EduGlobal.

Moreover, the company’s diversification goals also include moving towards owning the businesses it operates. Through a recent initiative, the company acquired the underlying equity of Davis College, a career training college in Toledo, Ohio. Davis College, founded in 1858, offers programs teaching skills for career placement and advancement in a variety of industries. Elite also acquired 80% of Vancouver, Canada-based EduGlobal College, which focuses on English educational programming.

Thus, Davis and EduGlobal are both owned and operated (O&O) by Elite, as well as becoming more global in terms of both the students it serves and the academic institutions with which it works. The company is seeking more opportunities for its expansion strategy, including additional acquisitions. As Elite continues to add to its O&O footprint with additional M&A transactions, the company expects newer businesses are likely to comprise more than half of total revenue.

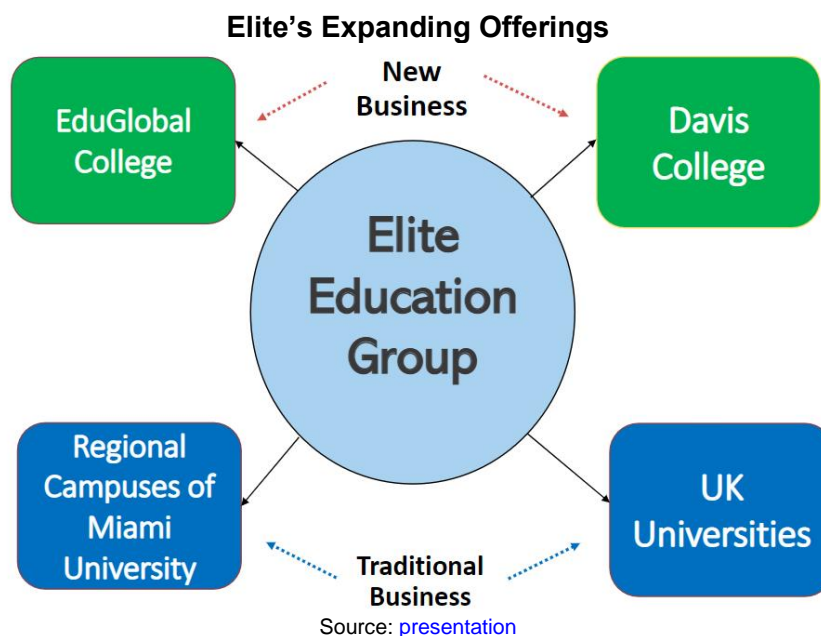
International Collaboration Programs

Elite seeks to have its O&O colleges, Davis College and EduGlobal College, become more globally connected with students and other institutions in various international markets. Towards the goal of becoming a global provider of educational services, Davis College recently signed two non-binding MOUs (memoranda of understanding), one with Holy Cross of Davao College (HCDC) in Davao City, Davao del Sur, Philippines and one with China's Anhui Business College.

HCDC is a Catholic private college administered by the Archdiocese of Davao that offers undergraduate and graduate degrees. The two academic institutions plan to cooperate in academics, as well as to explore ways to set up exchange programs and collaborative research / study opportunities.

Anhui Business College is a state-run full-time three-year vocational college located in Wuhu, Anhui Province, China. The MOU is for the two companies to develop a framework to cooperate on higher education projects, student exchange programs, and enrollment in dual degree programs to obtain diplomas from both Davis College and Anhui Business College. The MOU is effective for five years and cancelable by either party with six-month notice.

Davis also signed an agreement for bilateral exchange operations and the development of a program in Interior Design with Chongqing Technology and Business Institute, which is located in Chongqing, China. The agreement will be in place for five years. Chongqing Technology and Business Institute is a full-time college approved by the Ministry of Education of China.



Elite's goal is to expand its product and course offerings to include a broad and growing base of career training options, as well as pathway programs to university degrees. Earlier this year, Davis College added four new academic programs (see below) to expand the range of academic options it offers that conform to its goal to offer a broad and expanding range of academic paths to facilitate students' career choices and options after graduating. These new programs, as well as existing programs offered by

Davis, are designed to teach students marketable skills that enhance their ability to gain employment following graduation.

Davis added the following programs highlighted below. Given rapid changes in global logistics, healthcare and other trends, these sectors are likely to experience rising demand for skilled workers, we believe.

- Digital Marketing, AAB (Associate of Applied Business) The program is designed to prepare students for a range of positions in the digital marketing, marketing and advertising fields, with a focus on building a foundation in digital and social media marketing; marketing strategies, data analytics, social media platforms, content marketing and e-Commerce.
- Healthcare Administration AAB Students learn about health systems planning, public health organization and management, formulating and analyzing public health policy, finance, business and operations management, and other related topics in preparation for entry-level positions as Health Services Administrators and/or Health Services Managers.
- Logistics and Supply Chain Management AAB Particularly relevant, it would seem, given today's global challenges with logistics and supply chain management, the program is intended to teach students to manage and coordinate all enterprise logistical functions, ranging from acquisitions to receiving and handling. Among other skills, students learn purchasing, inventory control, logistics planning, shipping and delivery management and budgeting.
- Project Management AAB The program prepares students to apply quantitative and qualitative knowledge and tools in order to manage projects in a wide range of fields.

In addition, Davis College has also been approved by the Ohio Department of Higher Education to participate in SARA (the State Authorization Reciprocity Agreement), which will enable Davis to provide online education to students in 49 member states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. This includes online delivery of a SARA approved AAB in Business Management delivered digitally.

Elite's stake in Davis is consistent with its strategy to acquire academic institutions in order to have direct control over venues included in its program offerings to international students. This strategy has also enabled the company to expand into institutions that offer career-focused programs and services. In turn, this is expected to broaden the company's target customer base and enhance revenue and accelerate its ability to attain operating scale.

The company also believes that many students enrolled in two-year career training and education venues might want to transfer into traditional universities through 'transfer pathway' programs following the completion of the two year programs. In addition, the Ohio Department of Higher Education recently approved Davis College to offer a Bachelor of Science degree in business. If the program also obtains approval from the Higher Learning Commission and the Ohio Department of Education, Elite believes it would represent an important milestone, as it would enable Davis College to offer a four-year baccalaureate degree in addition to its two-year associate degree programs.

EduGlobal College - Recent Kick-Off Event Launches Pathways Program

EduGlobal College has a partnership with Algoma University to facilitate transfer pathways for international students who want to complete post-secondary studies in Canada through its International Undergraduate Pathways Program (iUPP). The eight-month iUPP offers content-based English language courses and other courses to prepare international students for academic studies at Canadian universities.

In April 2022, EduGlobal launched the pathway program with Algoma University, hosting a kick-off event on its campus at New Westminster, British Columbia that was attended by more than 50 recruitment agents. At the event, industry participants in the education sector discussed recent trends in the international student recruitment space and were able to network.

International students who have completed iUPP and its English for Academic Purposes (EAP) program, a 36-week intensive English program to enable students to achieve proficiency levels required for admission to Algoma University, are eligible to pursue baccalaureate degrees and graduate certificates at Algoma's campuses in Brampton and Sault Ste. Marie. The EduGlobal -Algoma program for international students launched this month.

Elite's goal is to pursue additional expansion opportunities within the Canadian education market. The company believes that Algoma could form the basis for a model that the company can replicate at additional venues to broaden the options it offers international students. Elite will assist with key necessary preparation for academic studies, as it does in its traditional business, including language proficiency.

Career-training education represents opportunity to broaden product & service offering

The Ameri-Can transaction also reflects Elite's expansion of its marketing and service offerings to include students pursuing career training programs. Elite expects the prospective addition of Ameri-Can to help it expand its offerings with complementary educational services. Elite believes it can provide value added services to help students apply for and succeed in career training programs. Elite would be able to offer students from China and other Asian countries a broader set of academic and career-training options. The two college acquisitions advance Elite's goal to provide practical academic programming to a diversified and growing student body to enable them to pursue higher education and fulfill career goals. The expanded services offerings are also expected to expand Elite's education services target market.

The company intends to develop a diversified student body, as it expands its recruitment and marketing efforts in new geographic markets (see below) and to maintain a hybrid model at both colleges that includes both in-person and online instruction. Moreover, Elite also expects to continue growing this offering and intends to seek additional educational institutions in the US, Canada and the UK to evaluate for potential acquisition.

U.K. EXPANSION

Expanding academic partnerships in additional markets....

Separately, in November, the company entered into an agreement with a non-affiliated entity, The Education Group, agreeing to recruit students from China for admission to the University of the West of Scotland at the university's London campus. This is consistent with Elite's goals to expand its presence in the U.K. Elite has also operated as a recruiting agent for admission to Coventry University for the 2021-2022 academic year since April 2021. Coventry University has more than 29,000 undergraduate and 6,000 postgraduate students at its various campuses.

For the University of West of Scotland, Elite will develop and manage activities related to marketing and student admissions and delivering courses to prepare students, including facilitating English language proficiency. The University of West of Scotland has four campuses in Scotland and one in central London. It offers a range of career-focused undergraduate, postgraduate and research degree opportunities to roughly 17,000 students from 70+ countries.

... & student recruiting efforts in key markets, including Southeast Asia, South America & others

Elite's initial focus was on recruiting prospective students throughout China for study abroad at universities. Elite is also implementing plans to launch new projects in markets in Southeast Asia, including Vietnam, Thailand, Hong Kong, and Myanmar, among other markets, and make it easier for students in these countries interested in studying abroad to navigate the application process and then to facilitate their living situations when they arrive at their international destination.

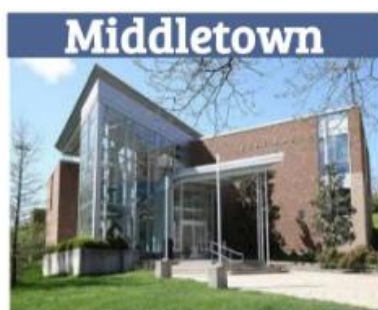
Elite also believes that having a broader product and services offering such as the Davis College suite of offerings can facilitate its ability to enter Southeast Asian markets and attract students from new countries, as well as from China.

In addition to marketing in new Asian markets, the company expects its expanding suite of product offerings from its acquisitions of colleges will make its services attractive for students in South America, Europe and Africa, as well as from China. Expanding its reach and marketing efforts is a core goal for Elite.

IMPROVING ENROLLMENT TRENDS AT MIAMI UNIVERSITY PROGRAM

Elite's initial services were offered in its relationship with Miami University of Ohio, one of the oldest national public universities in the U.S., operating since 1809. Elite has worked with Miami University (Regional Campuses) since 2015, especially with the English Language Center at the university's Middletown campus. Miami University operates seven colleges at five different campuses. MU offers more than 120 academic programs to undergraduates, 60 to graduate students and 13 different Ph.D. degrees. Miami University's freshman retention rate is 91%, according to US News and World Report rankings, which is ascribed to the university's high student/teacher ratio. The Miami University of Ohio is among the top 100 U.S. universities for Chinese students seeking to study in the U.S. Elite operates on Miami University's Middletown and Hamilton campuses. Consistent with its goal to offer 'one-stop' services to students, Elite owns and maintains residential facilities, a full-service cafeteria, recreational facilities, shuttle bus services and other services for its students at the MU regional campuses.

Elite's Miami University Campus Relationships With Regional Campuses



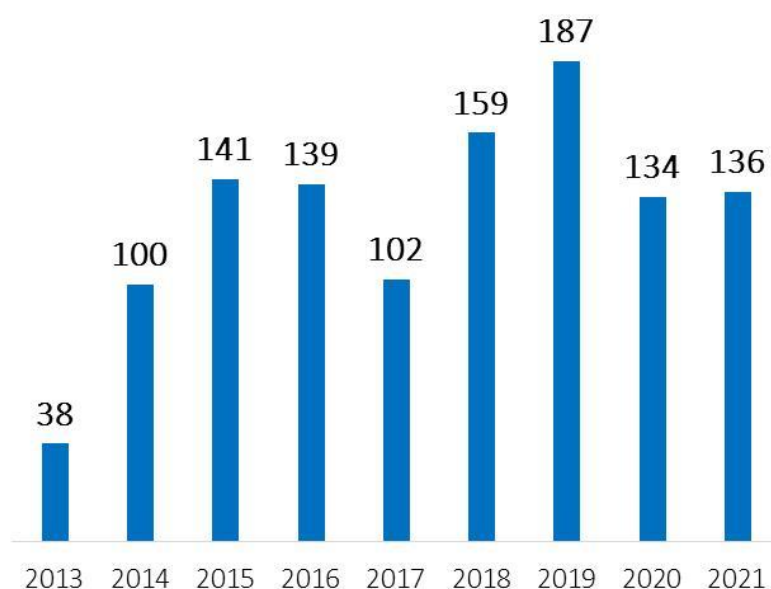
Source: Company reports

Number of enrolled students climbing

In 2020 and 1H21, enrollments were hurt by the pandemic, as Miami University (MU) of Ohio delayed many, if not most, of its classes and programs. As a result, there were significantly fewer students using the company's service in 2020. For example, Elite had 132 confirmed enrolled students at the end of May 2020 compared to 159 as of May 2019, which was a 17% year-over-year decline. Similarly, the number of applications Elite received also dropped off substantially in 2020 as a result of the COVID-19 pandemic, as well as rising political tension between the U.S. and China.

However, applications and enrollments are on the rise as the overhang of the pandemic appears to have abated. At the end of September 2021, 136 students had been admitted to the English Language Program at the MU Regional Campuses compared to 134 students for the same period of 2020. The conversion rate from application to enrollment was also higher, at 36.4% versus 25.7% in 2020. The company believes its strong and expanding marketing efforts contributed to this increased conversion rate, which management notes was the highest since 2015.

EEIQ Overseas Student Enrollment at MU Regional Campuses



Source: Company [presentation](#)

Moreover, at the end of September of 2021, 52 students were attending classes in-person at the MU Regional Campuses and an additional 40 students were beginning in-person studies in January 2022. In turn, the company expects this to have a positive impact on residential and other fees.

Given its expectation for improved enrollment at MU, Elite recently announced plans to expand and upgrade its residential facilities at the MU regional campuses. The upgrades are expected to be completed by the Fall 2022 semester. Elite sold its existing residential properties there at a substantial premium (about 150%) and plans to use the proceeds to modernize and improve its student facilities.

... as Elite also focuses on geographic diversification efforts & expanded marketing options

During the pandemic, Elite shifted much of its recruitment marketing efforts to a virtual or online format in China, including online guidance classes and training sessions, to maintain brand awareness and student enrollments. In addition, because universities in other countries such as the UK, Australia and Canada pre-pandemic had experienced a rise in international students from China, the company's growth plan includes expanding to additional U.S. and UK universities, as well as further penetrating the Chinese student market and also expanding into additional markets in Southeast Asia. Elite also initiated a strategy to work with a greater number of academic institutions. Elite has Highrim Holding International Limited in Canada to focus primarily on expanding the company's operations in Canada and the U.K.

VALUATION

Elite is optimistic about its plans to replicate its successful relationship with MU at other academic institutions and the new pathways model, to expand operations in Canada and the U.K. and to also expand its recruiting efforts into other markets. In turn, this could imply higher growth prospects, particularly when combined with improving enrollment, application and conversion metrics.

If Elite can deliver growth on the initiatives discussed above, in success we would anticipate share price appreciation over time. With these growth initiatives, we believe the company could enjoy double digit annual revenue growth and obtain operating leverage. As the company continues to boost awareness of the business strategy and if EEIQ can execute its strategy successfully, we would anticipate multiple expansion. In success, we therefore think we could see the shares attain a valuation based on normalized pre-pandemic trends and growth prospects. In FY 2019, EEIQ generated revenue of nearly \$9 million and EPS of \$0.26. Using this as a baseline and anticipating 50% growth over the next few years, we believe it is reasonable that the company can attain EPS of about \$0.40 - \$0.50. At a market multiple, that implies a valuation of about \$10 per share. We do not expect the shares to get to that level in the short-term. However, as EEIQ delivers additional milestones, we would anticipate share price appreciation.

Any delay or failure in successful execution of the strategy could cause the share price to decline and represent a potential risk to our valuation but we believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon. In our view, EEIQ shares represent an option on management's ability to continue to execute its growth strategy.

RISKS

We believe risks to EEIQ achieving its goals, and to our valuation, include the following, among others.

- EEIQ shares could be impacted by issues overhanging the Chinese after school sector, despite Elite's different business model. To-date the shares do not appear to trade in tandem with the group.
- Among the biggest risks, in our view, is that the Elite does not gain market share in other markets as quickly as the company expects, which leads to slower than anticipated revenue ramp.
- The company might not gain traction through its new sales channels as quickly as it expects.
- The impact of the pandemic could linger longer than management expects.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- The company might need to raise capital to support its strategy that might be dilutive to current shareholders.
- Regulatory risk.

RECENT NEWS

- On June 1, 2022, Davis announced a new MOU.
- On May 24, 2022, EduGlobal College launched its Unique Pathway Program with Algoma University in Canada
- Davis announced an MOU with HCDC of the Philippines on May 18, 2022.
- On 5-9-2022, Elite filed a shelf registration.
- Davis announced new course offerings on March 10, 2022.
- Elite provided a business update on February 10, 2022.
- On February 1, 2022, Elite's EduGlobal College entered into an agreement with Algoma University to create a transfer pathway for international students.
- Elite announced its purchase of controlling interest in Canada's EduGlobal College on January 24, 2022.
- Elite closed the Ameri-Can transaction on December 1, 2021.
- On November 29, 2021, Elite announced plans to expand and upgrade its MU residential facilities.
- Elite provided an update on its U.K. expansion on November 3, 2021.

PROJECTED FINANCIALS

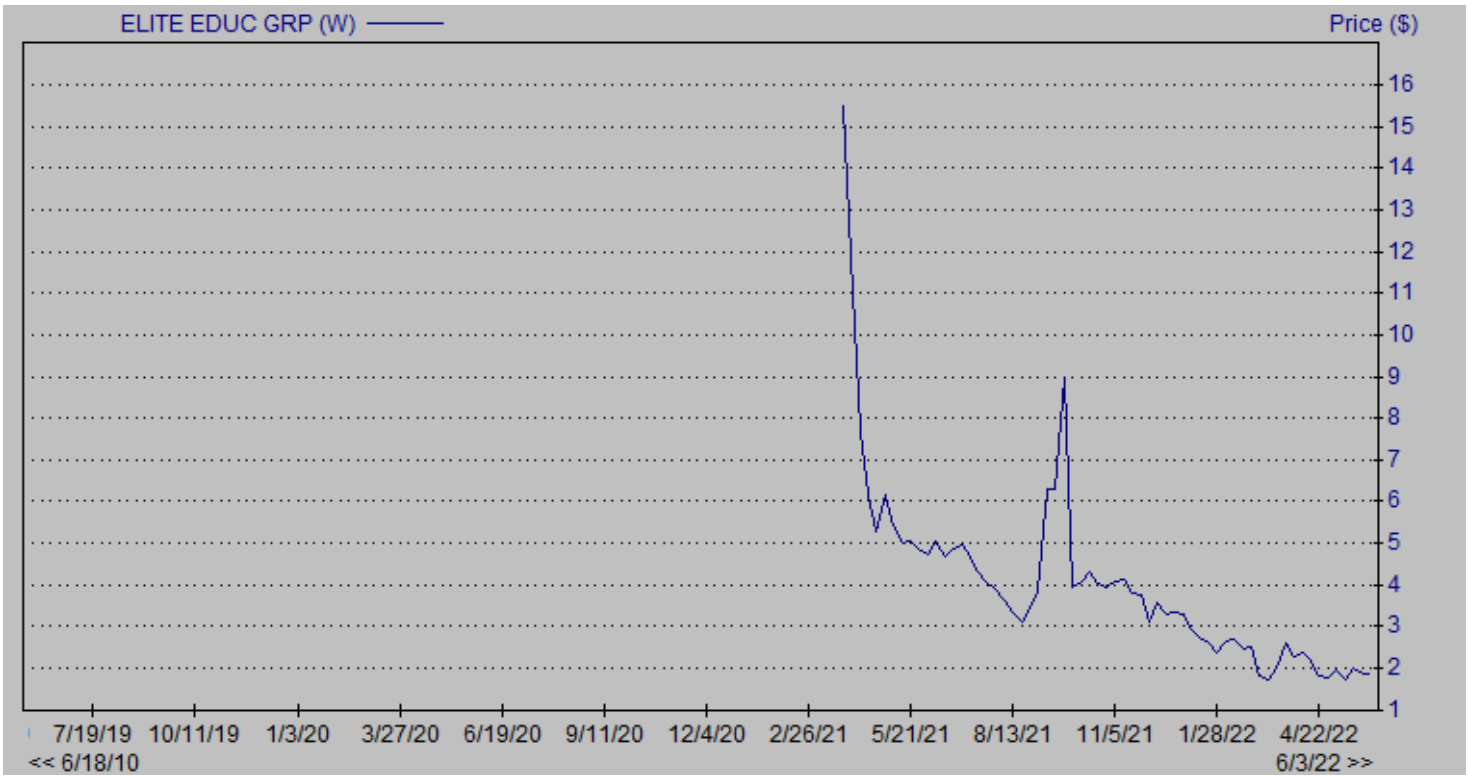
Elite Education Income Statement & Projections (\$) FY ends Sept.

	2018	2019	1H20A	2H20	2020	1H21A	2021A	2022E
Revenues	\$6,285,176	\$8,700,332	\$6,128,360	\$2,934,777	\$9,063,137	\$3,101,646	\$5,341,850	\$7,264,916
Costs of services	<u>1,752,049</u>	<u>2,228,307</u>	<u>1,555,819</u>	<u>786,457</u>	<u>2,342,276</u>	<u>1,280,083</u>	<u>1,934,237</u>	<u>2,088,976</u>
Gross profit	4,533,127	6,472,025	4,572,541	2,148,320	6,720,861	1,821,563	3,407,613	5,175,940
Selling expenses	1,288,863	1,965,102	1,142,150	1,168,038	2,310,188	626,017	1,732,758	1,871,379
G&A	<u>1,579,650</u>	<u>1,863,290</u>	<u>1,751,402</u>	<u>1,363,718</u>	<u>3,115,120</u>	<u>1,588,611</u>	<u>3,148,256</u>	<u>3,400,116</u>
Total operating expenses	2,868,513	3,828,392	2,893,552	2,531,756	5,425,308	2,214,628	4,881,014	5,271,495
Income from operations	1,664,614	2,643,633	1,678,989	(383,436)	1,295,553	(393,065)	(1,473,401)	(95,555)
Other income				(55,000)	(55,000)		(71,640)	(73,073)
Interest income	(51,879)	(79,921)	(19,900)	(15,393)	(35,293)	(38,152)	(9,537)	(9,728)
FX	-	-	12,682	(35,944)	(23,262)	-	(743)	(758)
Total other (income) / expenses	(51,879)	(79,921)	(7,218)	(106,337)	(113,555)	(38,152)	(81,920)	(83,558)
Pretax income	1,716,493	2,723,554	1,686,207	(277,099)	1,409,108	(354,913)	(1,391,481)	(11,997)
Taxes	646,879	668,796	374,642	22,911	397,553	(63,025)	(307,168)	(205,200)
Net income	1,069,614	2,054,758	1,311,565	(300,010)	1,011,555	(291,888)	(1,084,313)	193,203
Comprehensive income	1,069,614	2,054,758	1,311,565	(300,010)	1,011,555	(291,888)	(1,084,313)	193,203
EPS	\$0.13	\$0.26	\$0.17	(\$0.04)	\$0.13	(\$0.04)	(\$0.12)	\$0.02
Average shares out	7,938,000	7,938,000	7,938,000	7,938,000	7,938,000	7,946,678	9,160,447	9,190,447
<i>Metrics</i>								
Gross margin	72.1%	74.4%	74.6%	73.2%	74.2%	58.7%	63.8%	71.2%
COGs % revenue	27.9%	25.6%	25.4%	26.8%	25.8%	41.3%	36.2%	28.8%

Source: Company reports & Zacks

FY ends Sept. 30

HISTORICAL STOCK PRICE



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