BEHIND THE NUMBERS
EARNINGS QUALITY & DIVIDEND SUSTAINABILITY RESEARCH

BTN Research

Jeff Middleswart
jmiddleswart@btnresearch.com

Bill Whiteside, CFA
bwhiteside@btnresearch.com

March 27, 2020 | www.btnresearch.com

EPR Properties (EPR)
Initiate at BUY
EQ Rating of 4- (Acceptable)

We initiate coverage of EPR with a BUY rating and earnings quality coverage with a 4- (Acceptable) rating.

EPR is definitely a unique REIT in that it operates primarily in the entertainment areas where demand by consumers has been increasing. It has no exposure to retail shopping or office space. Instead, it focuses on movie theaters, Top Golf, water parks, ski resorts, and other eat-and-play destinations.

The overriding risk is the total amount of debt on these assets. Not only is EPR leveraged 4.7x adjusted EBITDA, but many of its customers operating the assets are leveraged 3-6x adjusted EBITDA also. EPR is also paying a dividend in excess of earnings and FFO at this point and adding back items like transaction costs and debt issuance/refinancing as one-time in nature that ignores EPR's business model includes paying those costs every year because that is how it grows.

Missing some rent payments from tenants for a month or two is unlikely to derail EPR in the long-term in our view. It has two years of revenue in cash on its balance sheet now. In fact, after being shut-in their homes, many consumers may flock to an entertainment venue like a water park, Top Golf, or movie when this is disruption is over. EPR's own cash obligations look manageable given its own liquidity.

It has the ability to pay the dividend now. Reducing the dividend may help EPR further retire debt (it drew down $750 million on its revolver recently). With its customers having their own financing obligations to pay without revenue coming in, they may ask for relief from EPR. Also, EPR is slowing its growth plans substantially

in 2020. We doubt its cash flow will support the dividend in 2020. This is still a REIT and has to pay out the bulk of earnings as a dividend and is very unlikely to cut it to zero. A 20% cut would still leave this stock yielding 12%.

- EPR drew down $750 million on its credit line and along with cash already on hand has $1.25 billion in cash as of early this week. That is two years of revenues and it should be able to withstand tenants that need relief or slow-pay them.

- EPR also does not appear in danger of violating debt covenants even if rent income falls to zero for a couple of months. We still wonder if some customers will ask for relief that will reduce cash flow going forward too.

- AMC is over 17% of EPR's revenues. AMC is heavily leveraged with debt at over 6x EBITDA. Its EBITDA declined last year by $158 million largely due to a one-time rent relief of $35 million that did not recur and $44 million due to changes for lease accounting that now consider principal payments on capital leases part of rent.

- AMC's cash flow also looks overstated by adding capital spending contributions from landlords to operating cash flow. The heavy upgrades to theaters may be complete, which can improve AMC's free cash flow. Total rent from AMC to EPR is about $10 million per month. We believe EPR can work with AMC if necessary and withstand a hit.

- Cineworld is another 11% of AMC's revenue – and while it's not as leveraged as AMC, it has heavier near-term debt maturities and lower cash levels.

- The Resorts World casino in NY is also closed and its parent company has sizeable liquidity. Given that its other casinos rely more heavily on international tourists, it's possible the NY site opens and recovers more quickly.

- It is difficult to break out from the cash flow statement what are new investments and what are improvements to existing properties. We believe between tenant improvements and upgrades to movie theaters from landlords – EPR's capital spending is higher than is readily evident. Also, that runs

counter to operating as a triple-net lease company where tenants are supposed to cover all property costs.

- We believe the adjusted REIT stats are overstating actual cash flow too. The company's maintenance capital spending looks too low. It is adding back stock compensation – yet it is spending cash to buy back stock for it. Making acquisitions are part of the operating model and growth plans – so transaction costs are not one-time in nature in our opinion.

- EPR remakes its portfolio often and that poses more risks in our opinion. It has owned and sold wineries, charter schools, retail centers over the years and moved into new areas like ski resorts and museums. It recently was about to invest $1 billion in a new casino investment and provided very minimal details about it. That would have been a sizeable amount of capital for one project. Weeks after announcing it would close in 2Q, EPR has now put the deal on hold.

EPR's Liquidity Is in Good Shape

The company has no maturity payments on its debt this year. It has total interest expense of $142 million and it has lease payments of $25.6 million per year. It also only has 62 full-time employees, so the wages are not an issue either. Preferred stock dividends would total another $24.1 million for the year.

On March 24, 2020, EPR disclosed that it has borrowed $750 million on its $1.0 billion revolver and has $1.25 billion in cash. On covenants, they are fine on the asset and debt ratios. The property operating income to unsecured interest expense needs to exceed 1.75x – we calculate it as almost 4x. The Adjusted EBITDA must exceed fixed costs by more than 1.5x. Fixed costs are scheduled maturities of debt, interest expense, and preferred dividends. EPR is at 3.4x. Total debt was 4.7x EBITDA at the end of 2019 against the company's planned range of 4.6-5.6x.

In our view, EPR has the liquidity to survive 1-2 months of its tenants being closed and perhaps reopening in a partial manner (not selling all the seats in a movie theater to increase space between customers, opening the central part of the country in April but not in New York until May, etc.) Total revenue from tenants is about $54 million

per month, so $1.25 billion in cash is two years of revenue on the balance sheet. If we cut $108 million off EBITDA as two months of lost revenue, EPR still passes its covenant tests. The interest test ratio would by 3.2x against the minimum of 1.75x and the fixed charge ratio would be 2.7x against a minimum of 1.5x.

The issue is, "does the dividend remain at $4.58 per share which consumes $352 million per year?" It said it will look to repurchase as much as $150 million in shares. As we will explore later, EPR is delaying plans for significant new investments that would be helping boost cash flow. Based on our adjusted cash flow estimates, EPR is unlikely to cover the current dividend from cash flow even before the virus impacts. It seems likely that EPR will focus on paying down its revolver too as the world returns to normal.

We doubt the entire customer base will find itself unable to pay EPR. Some would be getting government loans, others have some liquidity too. From the publicly traded companies EPR works with – many are carrying sizeable debt loads. That does create a risk for rent reduction on a temporary basis or in some cases the need for permanent rent concessions from EPR. Also, several of these are operated with a master lease agreement. That prevents an operator from culling off one or two underperforming locations. It also means that if EPR adjusts the rent – it should impact all the locations on the master lease.

AMC's Theater Rent Is 17.6% of EPR Revenue

AMC is a very leveraged operator with $4.9 billion in debt against an adjusted EBITDA of $771 million or a 6.3 multiple. Adjusted EBITDA declined from $929 million in 2018. Of that $158 million drop: $35 million came from a lease modification in 2018 that reduced rent by $35 million in 2018. Also, prior to 2019, AMC had a sizeable amount of capital leases. That allowed it to only record the interest expense in operating costs and operating cash flow while the principal payments occurred in the financing section of the cash flow statement. Under ASC-842 rules, the full lease payment is now counted as rent. The result was rent expense rose by $44 million in 2019. Another change is a deferred gain was being amortized and reducing rent by $7.2 million is now eliminated. Finally, $18.3 million of intangible asset amortization was added to rent expense instead of depreciation &

amortization. This last one is non-cash and the company's total non-cash rent was $25.7 million and was added back to adjusted EBITDA.

These key changes of 2018's rent being understated by $35 million and 2019 saw a $44 million addition by counting the full lease payments as rent makes us believe that the $771 million adjusted EBITDA for 2019 is much more realistic than the 2018 figure. Rent is now 17.7% of revenues up from 14.6% in 2018.

We also think cash flow from operations and free cash flow is overstated because landlord contributions for capital spending are being added to cash from operations:

AMC	2019	2018	2017
Cash from Landlords	106.5	127.6	133.3
Cash from Operations	579.0	523.2	537.4
Capital Spending	518.1	576.3	626.8
Free Cash Flow	60.9	-53.1	-89.4

Landlords are making one-time payments to help AMC upgrade theaters for better sound and reclining chairs. This source of cash is 18% of cash from operations – we would have put this in the investing section of cash flow. The company reports that these contributions do have an influence on reducing rent expense and thus it impacts an operating item. From the 10-K:

> *"The Company often receives contributions from landlords for renovations at existing locations.* ***The Company records the amounts received from landlords as an adjustment to the right-of-use asset and amortizes the balance as a reduction to rent expense over the base term of the lease agreement.****"*

The company has really not had many years of positive free cash flow. On the positive side, much of these upgrades are now complete. AMC is forecasting that capital spending net of landlord contributions of only $275-$300 million in 2020. It likely can delay some of that too, which would help free cash flow. Arguably cash from operations before landlord contributions would be about $400-$450 million under normal circumstances and AMC would likely have posted positive free cash flow until Coronavirus.

AMC's rent expense is about $80 million per month, which it needs to pay whether theaters are open or not. Interest on its debt is $262 million per year. Depending on the due-dates for interest, the maximum to pay paid would be $130 million in the first half of the year. Maturities for 2020 are only $30 million. For two months of rent – total cash needs should be a max of $320 million during the closure.

Coming out of December, AMC had $332 million in availability on its credit lines and $265 million in cash. The secured leverage ratio is 2.6x (bank debt divided by EBITDA). The company faces mandatory prepayments with a percentage of free cash flow if the ratio exceeds 2.5x. The ratio cannot exceed 3.25x.

If we consider EBITDA to include zero revenue and zero cost for movies and refreshments as the theater is closed, there would be some wages but not bonuses. EBITDA would be -$80 million per month just from rent. If that becomes -$100 million per month, the secured leverage ratio becomes 2.8x after one month and 3.3x after two months. If AMC borrows $100 million on the credit line as EBITDA is a -$100 million per month – the ratio goes to 3.0x after one month and 3.5x after two months.

We think this does pose a risk for AMC to lose a month's business. We have our doubts that the entire chain stays closed longer than that, but a case could be made that hot-spots like New York may keep businesses closed for more than a month. Also, theaters may reopen but require more space between guests making it impossible to fill all seats. Assuming, it didn't pay EPR at all for a month, EPR would lose $10 million in cash flow. A bigger risk in our view would be that AMC would need to do a full restructuring to reduce its debt levels. That wouldn't mean that the court system shoots the employees and implodes the buildings. However, it could permanently lower AMC's rent payments to EPR and it may result in a delay of EPR being paid.

Other Major Theater Operators Are Not as Leveraged as AMC – but CineWorld Liquidity Is Not the Strongest Situation

In all, EPR works with 20 different theater operators. The next largest is Regal which is 10.8% of revenue at $75.8 million in 2019. Regal was acquired by CineWorld.

Cinemark is another publicly traded chain where EPR may have some minor exposure.

EPR has the same issue with these chains in that they are currently closed due to the Coronavirus and yet they still owe rent to EPR. We think in both cases, the situation is not nearly as leveraged as AMC and these companies may have more access to capital to support their rent payments as structured.

Cineworld does not have the leverage of AMC, but it is not very liquid either. Debt of $3.5 billion against adjusted EBITDA of just over $1.0 billion gives it a debt ratio of 3.4x. The max is can be is 5.5x. The company has $134 million in scheduled maturities this year and interest expense is about $167 million. Total cash outflow for rent in 2019 was $613 million or $51 million per month. Maximum cash needed would be $268 million if they had to pay all their debt maturities, half their interest expense, and one month's rent during the closed period. Cineworld only had $140 million in cash and a revolver of $462.5 million. It also has more exposure to the UK and eastern Europe where the virus may be worse. The US rent may not be the biggest problem for Cineworld – and EPR has $6.3 million in monthly exposure here.

Cinemark ended the year with $2 billion in debt and capital leases against $745 million in adjusted EBITDA for a 2.7 leverage ratio. It had $426 million in cash and a $100 million credit line. They appear well under the maximum 5.0x senior secured debt leverage ratio and could likely tap the revolver if needed. Total debt maturities are $6.6 million and capital leases $22.4 million for $29 million due in 2020. Interest expense is $106 million or $53 million as a maximum payment over 6-months. Lease expense is $328 million or $27 million per month. So a month without being open, Cinemark would have a max $109 million in financing payments, for two months it becomes $136 million. They appear to have that well covered.

Resorts World Casino Is Leveraged Also

EPR has a ground lease for a NY Casino in the Catskills. The owner was acquired by Genting Malaysia. It operates other casinos and hotels in Malaysia, Bahamas, UK, and Singapore. Many of these locations are also currently closed due to Coronavirus and/or lack of air travel. In the case of this company – it is carrying significant debt at both the parent level and operating subsidiary level.

From the company's recent press release, total debt is about $3.5 billion and EBITDA is $600 million. The leverage ratio is 5.7x. However, the company had $1.25 billion in cash, so adjusting for that the ratio would be 3.3x and that seems to be some sizeable liquidity to deal with the current closings. It is also worth noting that while many of the other casinos would rely on international tourism, the NY casino would draw heavily from the population in New York. It may recover its business more rapidly than other properties.

The Accounting at EPR Has Few Concerns – But Capital Spending Needs Better Disclosure

The company operates largely as a triple-net lease REIT. It essentially collects rent and payments on mortgage loans and passes that through to investors in the form of dividends. As a triple-net operation – the tenant is responsible for operating the property, paying all taxes, insurance, and maintenance in addition to rent.

We have two issues with the presentation that are difficult to break out. The company does disclose the size of all its segments. It lumps theaters, eat & play, water parks, casinos into one division called Experiential and then its remaining schools into Education. **Also, despite a triple-net structure – we believe EPR is paying for some sizeable capital improvements at the properties.**

We know the movie theater operators have been renovating their PP&E. They have been adding bars, more food options, sound systems, and removing seats to install larger reclining chairs. **We have seen these operators say many times that it is getting capital spending dollars from their landlords for these changes.** AMC breaks their landlord contributions out at over $100 million per year as we noted above. Cineworld which acquired Regal noted in its presentation that has deals with 87 landlords to help pay for upgrades.

In addition, EPR reports every year on how much of its portfolio has seen lease terms get renewed. Here are the last three years of disclosure:

> *"During the year ended December 31, 2019, we renewed 10 lease agreements on approximately 783 thousand square feet and funded or agreed to fund an*

average of $17.25 per square foot in tenant improvements. We experienced a decrease of approximately 6.3% in rental rates and paid no leasing commissions with respect to these lease renewals."

"During the year ended December 31, 2018, we renewed four lease agreements on approximately 241 thousand square feet and funded or agreed to fund an average of $29.07 per square foot in tenant improvements. We experienced a decrease of approximately 1.7% in rental rates and paid no leasing commissions with respect to these lease renewals."

"During the year ended December 31, 2017, we renewed 27 lease agreements on approximately 2.2 million square feet and funded or agreed to fund an average of $28.44 per square foot in tenant improvements. We experienced an increase of approximately 15% in rental rates and paid no leasing commissions with respect to these lease renewals."

Notice that they are agreeing to pay for tenant improvements each year also. This is running from $7-$60 million dollars every year. Yet, the company makes no mention of this type of spending in its discussion. This type of capital spending is simply lumped into "acquisitions and investments in real estate." Acquisitions are the largest part of this, and it is difficult to fully assess EPR's free cash flow:

EPR Cash Flow	2019	2018	2017
Cash from Oper.	$439.5	$484.3	$398.3
Acq/Inv in R/E	-$500.6	-$187.4	-$397.6
Property under Dev.	-$134.6	-$275.0	-$384.4
New Mortgage Note	-$142.5	-$36.1	-$133.7
Old Mortgages Paid	$217.5	$335.2	$21.8
R/E sold	$216.0	$22.1	$191.5
Schools Sold	$449.5	$0.0	$0.0
	$544.8	$343.1	-$304.1

We agree that acquisitions should be viewed separately from other spending on existing assets as the acquisitions should create cash flow growth. It is obvious that combining all that into one line item, EPR would almost never show positive free cash flow defined as cash from operations less capital spending as the property under development also consumes considerable cash. Moreover, other key sources and uses

of cash such as increasing mortgages and receiving mortgage payments are much lumpier as are asset sales that also occur regularly.

REIT Metrics May Be Overstating the Cash Generation Too

As a REIT, EPR has a sizeable depreciation expense that lowers net earnings. As a result, it uses FFO (Funds From Operations) and FFOAA (Funds from Operations As Adjusted) and AFFO (Adjusted Funds From Operations) to report base-cash earnings compared to the dividend.

Keep in mind, EPR has $24 million in preferred dividends and the $4.58 common dividend consumes $352 million in cash annually – so $376 million in outflows. We will compare the REIT metrics to that figure.

FFO – essentially removes gains/losses and impairments from Net Income and adds back depreciation/amortization.

FFOAA – starts with FFO and adds back transaction costs for deals, financing payments to refinance loans, cash fees paid with any gains.

AFFO – starts with FFOAA and adds back stock compensation, amortization of deferred financing fees then subtracts a small maintenance capital spending figure, non-cash mortgage income, and straight-line rental revenue.

EPR Cash Flow	2019	2018	2017
FFO	$338.6	$414.3	$327.4
FFOAA	$423.2	$460.4	$360.5
AFFO	$421.8	$466.3	$368.7

The metrics were expected to decline in 2020 as the company sold much of its school portfolio in 2019. Guidance was for FFOAA per share to fall from $5.44 to $5.19-$5.39 even with spending $1.6-$1.8 billion in 2020. On the surface – EPR's FFO was not enough to fund the dividend in 2019. Here are the problems we have with these metrics:

- The company has reported that lease renewals have reduced rent in 3 of the last 4 years. So, growth seems tied more to adding more properties.

- Because the company is consistently doing numerous transactions with the portfolio every year – are transaction costs and financing costs truly one-time in nature?

- The company is buying shares to cover stock options – so there is a cash impact to the stock compensation in our view that should not be ignored.

- The maintenance capital spending figure looks too low at $2-$5 million against what the movie theaters are getting from landlords and EPR's own agreements for tenet improvements on lease renewals. Here are the spending figures given from their lease renewal notes of dollars per sq. foot and amount of space:

	2019	2018	2017	2016	2015
Tenant Improv.	$13.5	$7.0	$62.6	40.8	$7.1
Reported Maint.	$5.4	$2.1	$5.5	6.2	3.9

We are going to leave FFO alone – Net Income plus Depreciation less gain/losses and impairments. However, we are going to subtract $30 million of capital spending for agreed-upon tenant improvements and contributions to the movie theater upgrades.

FFOAA – we are not going to add back the transaction costs that occur every year nor are we going to add back the costs of opening new financing arrangements and prepaying others as that happens annually too. We will subtract $30 million in capital spending too.

For AFFO – We start with our FFOAA and subtract the cash spent on shares for stock option programs and move the capital spending up to $30 million.

EPR Cash Flow	2019	2018	2017
FFO	$308.6	$384.3	$297.4
FFOAA	$331.0	$394.8	$328.5
AFFO	$325.4	$395.6	$335.5

Adding in some modest capital spending that is likely occurring and treating transaction related expense as recurring activities is enough to push all these metrics below the $376 million EPR is paying in dividends. This is the situation before the virus. Remember that losing AMC for a month would lower these figures by $10 million. Total rent is $54 million.

Also, EPR has put new investments on hold. It is not proceeding with a $1 billion casino deal that it announced only a few weeks ago. If it was going to spend $1.6-$1.8 billion in 2020 and still post lower FFOAA, then a lack of new portfolio growth could impact AFFO as well. As this situation ends, EPR may want to repay the borrowings on the revolver, which will consume cash. Most REITs by the rules for avoiding taxes have a high payout ratio for the dividend and a large debt load. EPR has the cash on hand to support its dividend too. We just think there is a risk that actual cash flows do not fully support the dividend in 2019, and forecasts before Coronavirus called for 2020 to come in lower. EPR touts its history of 6% dividend growth and that track record appears in jeopardy.

Let's not go overboard – as a REIT, EPR will likely not eliminate the dividend. It just may not keep the current 15% yield. A 20% reduction would still mean the dividend yield is 12% and the total payment of $305 million which AFFO could support more easily.

Properties and Continual Changing Creates More Risks

One of the issues EPR investors should be aware of is many of these properties are very specialized. This isn't office space. If a tenant wants to close or not renew the lease on a theater – what other tenant is going to lease it? If a water park isn't profitable enough or a restaurant/arcade isn't attracting enough business – how do those properties get repurposed?

We think this actually gives the tenants more negotiating power when it comes to leases or asking for capital spending from EPR. The fact that many of the tenants have significant debt loads also means EPR has an incentive to work with them to get past the current shut-downs on the theory of partial rent is better than none.

When we say EPR changes its portfolio often – it's almost an annual event. EPR used to own wineries, it sold them all. EPR used to own charter schools, it sold all of those. It used to be involved in shopping, restaurant centers in places like Toronto and White Plains which had problems and have been sold. This is a company with basically a $6 billion portfolio. Look at the level of asset sales, new acquisitions, and development going on:

	2019	2018	2017	2016	2015
Asset Sales	$665.6	$65.6	$191.6	$88.3	$51.5
New Investments	$500.6	$187.4	$397.5	$219.2	$179.8
Prop Development	$134.6	$275.0	$384.4	$413.8	$408.4

We think it is a risk for investors that EPR has made some sizeable changes to the business. Also, an incremental movie theater is one thing – but some of the newer investments have been much larger like buying ski resorts. We think investors should have been more alarmed that the company announced a few weeks ago it was planning to invest $1 billion in a new gaming venture. That would have been a 15% increase in real estate assets for one project.

Two weeks later EPR announced it was deferring that investment and several other projects in light of the changing environment. We think investors should be concerned over this type of potential concentration into one project. Moreover, the discussion on the conference call was incredibly lacking in details.

It did not mention a name or area where it is located. When asked if EPR already has a license for the casino – they deflected that. Asked why they originally intended to put money to work in smaller amounts per property and then committed $1 billion to one deal – EPR said the deal is just too good to pass. They said the cap-rate will be in the 8s and analysts in the gaming world will think the deal is very promising. It expected to complete the agreement within weeks and close in 2Q and two weeks later it was all deferred. That's quite a bit of activity in two weeks regarding $1 billion.

Explanation of EQ Rating Scale

Rating	Description
6- "Exceptionally Strong"	Indicates uncommonly conservative accounting policies to the point that revenue and earnings are essentially understated relative to the company's peers. Higher possibility of reporting positive earnings surprises
5- "Strong"	Indicates the company has no areas of concern with its reported results and we see very little risk of the company disappointing due to recent results being overstated from aggressive reporting in recent periods.
4- "Acceptable"	Indicates the company may have exhibited a minor "red flag", but the severity of the issue is not yet a concern. Minimal risk of an earnings disappointment resulting from previous earnings or cash flow overstatement
3- "Minor Concern"	Indicates the company has exhibited either a larger number of or more serious warning signs than companies receiving a 4. The likelihood of an immediate earnings or cash flow disappointment is not considered to be high, but the signs mentioned deserve a higher degree of attention in the future.
2- "Weak"	Indicates the company's recently reported results have benefitted materially from aggressive accounting. Follow up work should be performed to determine the nature and extent of the problem. There is a possibility that upcoming results could disappoint as the impact of unsustainable benefits disappears.
1- "Strong Concerns"	Indicates that the company's recent results are significantly overstated and that we view a disappointment in upcoming quarters is highly likely.

In addition to the numerical rating, the EQ Review Rating may also include either a minus or plus sign. A minus sign indicates that our analysis shows the overall earnings quality of the company has worsened since the last review and there is a possibility the numerical rating will fall should the problem continue into the next quarter. Likewise, a positive sign indicates that the overall earnings quality is improving, and the company may see an upgrade in its numerical rating should the trend continue.

Key Points to Understand About the EQ Score

The EQ Review Rating is much more than a blind, quantitative scoring method. While we utilize proprietary adjustments, ratios, and methods developed over decades of earnings quality analysis, the foundation of all of our analysis is reading recent SEC filings, press releases, conference call transcripts and in some cases, conversations with managements.

The EQ Review Rating is not comparable to a traditional buy/sell rating. The Rating is intended to specifically convey the extent to which reported earnings may be over/understated. Fundamental factors such as forecasts for future growth, increasing competition, and valuation are not reflected in the rating. Therefore, a high score does not in itself indicate a company is a buy but rather indicates that recent results are a good indication of the underlying earnings and cash generation capacity of the company. A low score (1-2) will likely result in us performing a more thorough review of fundamental factors to determine if the company warrants a full-blown sell recommendation.

Disclosure

Behind the Numbers, LLC is an independent research firm structured to provide analytical research to the financial community. Behind the Numbers, LLC is not rendering investment advice based on investment portfolios and is not registered as an investment adviser in any jurisdiction. All research is based on fundamental analysis using publicly available information including SEC filed documents, company presentations, annual reports, earnings call transcripts, as well as those of competitors, customers, and suppliers. Other information sources include mass market and industry news resources. These sources are believed to be reliable, but no representation is made that they are accurate or complete, or that errors, if discovered, will be corrected. Behind the Numbers, LLC does not use company sources beyond what they have publicly written or discussed in presentations or media interviews. Behind the Numbers does not use or subscribe to expert networks. All employees are aware of this policy and adhere to it.

The authors of this report have not audited the financial statements of the companies discussed and do not represent that they are serving as independent public accountants with respect to them. They have not audited the statements and therefore do not express an opinion on them. Other CPAs, unaffiliated with Mr. Middleswart, may or may not have audited the financial statements. The authors also have not conducted a thorough "review" of the financial statements as defined by standards established by the AICPA.

This report is not intended, and shall not constitute, and nothing contained herein shall be construed as, an offer to sell or a solicitation of an offer to buy any securities referred to in this report, or a "BUY" or "SELL" recommendation. Rather, this research is intended to identify issues that investors should be aware of for them to assess their own opinion of positive or negative potential.

Behind the Numbers, LLC, its employees, its affiliated entities, and the accounts managed by them may have a position in, and from time-to-time purchase or sell any of the securities mentioned in this report. Initial positions will not be taken by any of the aforementioned parties until after the report is distributed to clients, unless otherwise disclosed. It is possible that a position could be held by Behind the Numbers, LLC, its employees, its affiliated entities, and the accounts managed by them for stocks that are mentioned in an update, or a BTN Thursday Thoughts.