

Amedisys, Inc.(AMED)

\$261.33 (As of 07/01/21)

Price Target (6-12 Months): **\$274.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/05/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

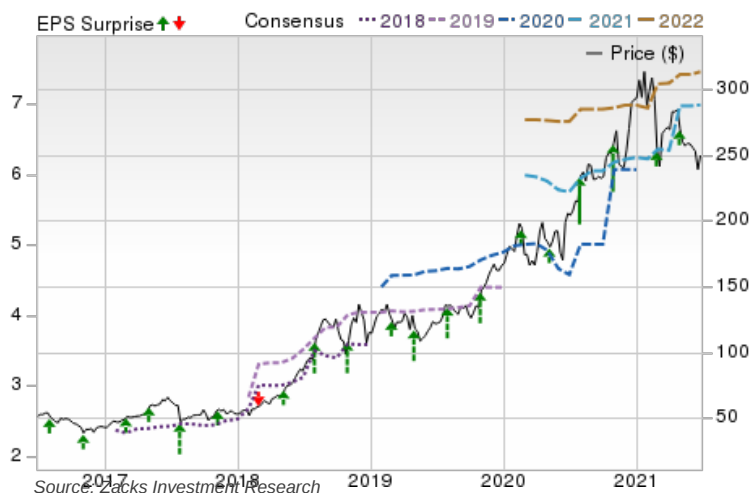
Growth: C

Momentum: B

Summary

Over the past year, Amedisys has outperformed the industry it belongs to. Amedisys' first-quarter 2021 revenues improved year over year led by an impressive performance by the company's Hospice and Home Health division. The top line growth demonstrated strong contribution from acquisitions like Asana and AseraCare. Expansion of both margins looks encouraging as well. The raised financial guidance for 2021 is indicative of the continuation of this bullish trend. Notably, the company ended the first quarter of 2021 on a mixed note with better-than-expected earnings and a revenue miss amid the post-pandemic recovery across the United States. However, the year-over-year decline in Personal Care revenues as well as escalating costs and expenses are worrying. Reimbursement headwinds and stiff competition are other concerns.

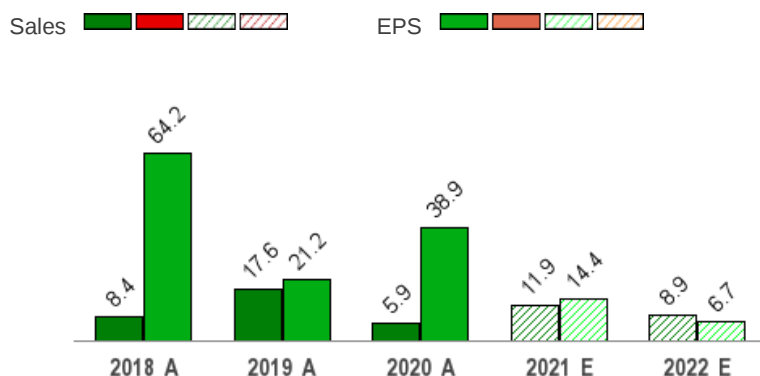
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$325.12 - \$197.23
20-Day Average Volume (Shares)	261,843
Market Cap	\$8.5 B
Year-To-Date Price Change	-10.9%
Beta	0.57
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Outpatient and Home Healthcare
Zacks Industry Rank	Bottom 33% (169 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	7.7%
Last Sales Surprise	-1.8%
EPS F1 Estimate 4-Week Change	0.2%
Expected Report Date	07/27/2021
Earnings ESP	-1.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	610 E	626 E	638 E	655 E	2,525 E
2021	537 A	565 E	594 E	619 E	2,318 E
2020	492 A	485 A	544 A	551 A	2,072 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.80 E	\$1.92 E	\$1.92 E	\$1.92 E	\$7.46 E
2021	\$1.54 A	\$1.64 E	\$1.84 E	\$1.97 E	\$6.99 E
2020	\$1.05 A	\$1.34 A	\$2.24 A	\$1.49 A	\$6.11 A

*Quarterly figures may not add up to annual.

P/E TTM	39.5
P/E F1	37.4
PEG F1	2.5
P/S TTM	4.0

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 07/01/2021. The report's text and the

analyst-provided price target are as of 07/02/2021.

Overview

Amedisys Inc. provides home health and hospice services throughout the U.S. to the growing chronic, co-morbid, and aging American population. The company also offers clinically focused programs for chronic conditions and various diseases such as diabetes, coronary artery disease, congestive heart failure, orthopedics, complex wound care, geriatric surgical recovery, balance retraining, behavioral health and stroke recovery, as well as various rehabilitative programs. It provides hospice services to patients using an interdisciplinary care team comprising a physician, nurses, home health aides, social workers, therapists, dietitians, volunteers, counselors, chaplains and bereavement coordinators, when required. Amedisys was founded in 1982 and is headquartered in Baton Rouge, LA.

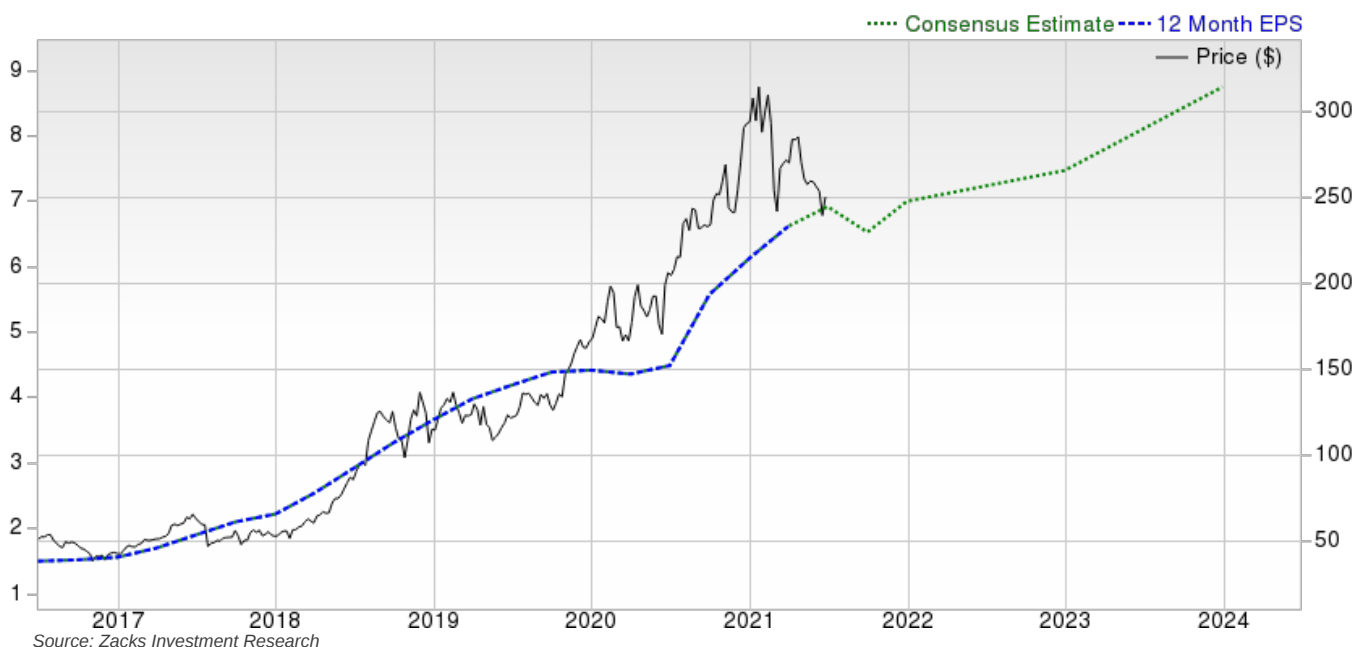
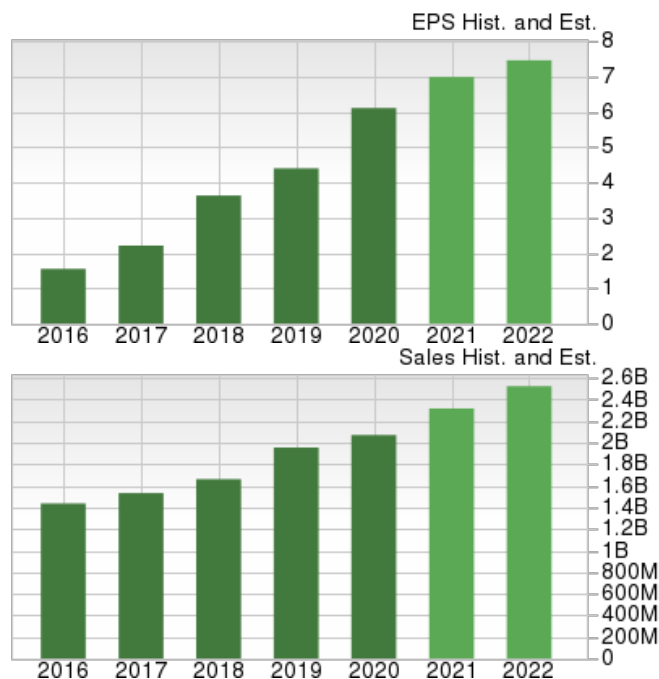
The company depends on reimbursement from Medicare (for chronic care) for a significant portion of its revenues on account of the age demographics of its patient base (average age of 81). Medicare represented approximately 82% to 84% of Amedisys' net service revenue in the last three years.

Amedisys plans to diversify its payment sources and becomes less reliant upon Medicare, based on the needs of the aging population, uncertainty surrounding health care reform, and new health care models currently in development, such as Accountable Care Organizations (ACOs).

The company's operations involve servicing patients through four reportable business segments: Home Health (59.8% of total revenues in the 2020; underlying growth being 4.2% from 2019), Hospice (37%; up 23.9%), Personal Care (3.2%; down 12.6%) and Corporate.

Home health segment delivers a wide range of services in the homes of individuals who may be recovering from an illness, injury or surgery.

Hospice segment on the other hand, provides care that is designed to provide comfort and support for those who are facing a terminal illness.



Reasons To Buy:

▲ **Share Price Movement:** Over the past year, Amedisys outperformed the industry it belongs to. As per the last trading price, the stock has gained 28% compared with the 7.3% rise of the industry. Amedisys' first-quarter revenues improved year over year led by an impressive performance by the company's Hospice and Home Health division. The first quarter demonstrated strong contribution from acquisitions like Asana and AseraCare. Expansion of both margins looks encouraging as well. The raised financial guidance for 2021 is indicative of the continuation of this bullish trend.

Amedisys is currently exploring new opportunities in Home Health and Hospice segments. The company's favorable demographic trend and strategic acquisitions undertaken also encourages us.

Revenues increased 9.2% driven by strong contribution from acquisitions like Asana and AseraCare in the first quarter of 2021. Further, the continued successful implementation of PDGM, the company's ability to complete its hospice acquisition and strong cash flow generation during these challenging times are encouraging. In hospice, Amedisys grew same-store admissions by 6% in the first quarter. Revenue per episode grew 7% driven by the suspension of sequestration and the 2021 rate. In home health, the company's total admission grew 6% and total volume 5%, indicating bold and fast business recovery from the initial impact of COVID-19.

▲ **Improving Clinical Quality:** Amedisys is currently focusing on improving clinical quality. In this regard, we take note that Amedisys' Quality of Patient Care Star QPC score was 4.33 in 2020. The company had 99% of care centers at four stars or above and 65% of care centers at 4.5 stars or above. The SHP score is 4.5 stars. According to the company, this is important as there will be no more QPC updates until January 2022.

▲ **Positive Demographic Trend:** The home health industry is poised for tremendous growth in the long term, driven by the aging U.S. population, patients' desire for independence, and home health as a cheaper care modality. The company should continue to benefit from the aging demographics of the U.S. population and the need for higher acuity patients to be taken care of in a home nursing environment. In addition, with continued pressure on the U.S. healthcare system, we believe operators such as Amedisys will continue to benefit from increased volume shift from higher-cost institutional settings to a lower-cost environment such as home health.

Per a report by Grand view Research, the global home healthcare market size was valued at \$281.8 billion in 2019 and is expected to see a CAGR of 7.9% by 2027. Per research, North America dominated the home healthcare market with a share of around 42% in 2019. In North America, the United States held the largest market share in 2019 attributed to shifting trends toward in-home healthcare from nursing homes.

▲ **Strategic Acquisitions and Partnerships to Add Values:** Amedisys is developing and acquiring new business lines that will complement its existing home care and hospice business and help seniors manage their health more effectively and stay in their homes longer. In this regard, in May 2021, Amedisys entered into an acquisition deal to purchase the home health and hospice care operations of non-profit Visiting Nurse Association. This will help Amedisys expand its presence in Omaha and Council Bluffs' healthcare communities.

In April 2021, Amedisys entered into a definitive agreement to acquire regulatory assets that enable the company to carry out home health care operations in Randolph County, North Carolina. Upon closure of the deal, Amedisys will open a start-up care center to serve patients in the newly-acquired service area.

In January 2021, Amedisys collaborated with alternate site infusion services provider to offer COVID-19 antibody infusion therapy within skilled nursing and assisted living facilities, collectively referred to as "long term care facilities".

In October 2020, Amedisys entered into a care coordination agreement with BrightStar Care to add its agencies to the Amedisys Personal Care Network.

Earlier in 2020, the company acquired AseraCare Hospice, a national hospice care provider with an executive office in Plano, TX and administrative support center in Fort Smith, AK. In January, it acquired Asana hospice.

Management expects the company to have enough cash balance to make a number of such acquisitions and alliances in the future.

▲ **Personal Care Prospects Bright:** Recently, the company integrated a new operating segment within its business – Personal Care. Per management, this segment is stabilizing and performing as per expectation. Moreover, the company is working on expanding the geographical presence of the Personal Care business through inorganic expansion. Amedisys is integrating tuck-in acquisitions like Bring Care Home, East Tennessee Personal Care Services and Intercity. According to the company, these buyouts will enlarge its personal care footprint outside of Massachusetts and Florida. This apart, the company's deal with ClearCare (a popular web-based operating platform representing 4,000 Personal Care agencies) creates an opportunity to establish a partnership between Amedisys and Personal Care agencies using the ClearCare platform.

In this regard, during the first-quarter earnings call, the company noted that it has expanded its dialysis partnership in Massachusetts to include several Aging Services Access Point (ASAP) organizations. This is a three-way partnership between the ASAPs, Fresenius Medical Care and Amedisys to coordinate and execute dialysis-focused personal care services in the home for dialysis patients. Through this partnership, Amedisys will further improve its dialysis programming and services requirements.

▲ **Strong Solvency but Leveraged:** Amedisys exited the first quarter of 2021 with cash and cash equivalents of \$77.3 million compared with \$81.8 million at the end of fourth-quarter 2020. The company's long-term obligations (excluding the current portion) were \$231.4 million at the end of the first quarter compared with \$204.5 million at the end of the last-reported quarter. This figure is much higher than the year-end cash and cash equivalent level apparently indicating weak solvency. However, if we go by the company's current-year debt level of \$10 million, this comes pretty low compared to the cash in hand, good news in terms of solvency position of the company. At least during the year of economic downturn, the company is holding sufficient cash for debt repayment.

Debt comparison with the industry is, however, favorable as industry's total debt of \$3.48 billion is much higher than the company's debt level.

The quarter's total debt-to-capital of 23.4% stands at a moderately high level indicating a leveraged balance sheet. However, it represents an increase of 21% on a sequential basis. This compares favorably with the total debt-to-capital of the industry, which stands at a higher level of 49.3%.

The times interest earned for the company stands at 25.1%, representing a rise from 20.1% at the end of fourth-quarter 2020. This also compares favorably with the times interest earned for the industry which stands at a lower level (1.9%).

Reasons To Sell:

▼ **Expensive Valuation:** Amedisys' P/E (F12M) ratio is expensive in comparison to the broader industry. The company is currently trading at a forward P/E (F12M basis) ratio of 35.3 for the past year, whereas the current P/E ratio (F12 basis) for the industry it belongs to is 22.4.

▼ **Cost and Expenses Pressure Remains:** Amedisys' first-quarter cost of service increased 4% year over year. Expenses on salaries and benefits rose 14%.

▼ **Competitive Landscape:** The market for home health and hospice is fragmented with a number of small local providers. With few barriers to entry in this market, Amedisys primarily faces tough competition from local privately and publicly-owned and hospital-owned health care providers. It competes based on the availability of personnel, the quality of services, expertise of visiting staff and the price of services. In addition, it competes with a number of non-profit organizations that finance acquisitions and capital expenditures on a tax-exempt basis or receive charitable contributions that are unavailable to the company.

Reimbursement headwinds and competitive challenges that the company faces remain our concerns.

Last Earnings Report

Amedisys Q1 Earnings Beat Estimates, 2021 View Up

Amedisys reported adjusted earnings per share of \$1.54 for first-quarter 2021, up 46.7% from the year-ago figure. The bottom line beat the Zacks Consensus Estimate by 7.7%.

The quarter's adjustments include certain COVID-related costs as well as benefits from CARES Act & State COVID-19 grants.

GAAP earnings per share for the first quarter was \$1.50, up 56.3% compared with the year-ago 96 cents.

Net service revenues grossed \$537.1 million, up 9.2% year over year. The top line missed the Zacks Consensus Estimate by 1.8%.

Segment in Detail

Within the **Home Health** division, net service revenues totaled \$328.6 million in the quarter, reflecting an 8.2% rise year over year. Within this segment, Medicare revenues of \$221.4 million improved 8.6% year over year. Non-Medicare revenues increased 7.5% to \$107.2 million.

Within the **Hospice** division, net service revenues were \$191.5 million (up 13% year over year), including Medicare revenues of \$181.5 million (up 13.1%) and non-Medicare revenues of \$10 million (up 12.4%).

At **Personal Care**, net service revenues totaled \$17 million, reflecting a decline of 9.1% from the year-ago number. The **Corporate** segment did not register any revenues in the first quarter.

Margins

Gross profit for the company improved 16.5% to \$239.9 million in the quarter under review. Gross margin expanded 278 basis points (bps) to 44.7%.

Expenses on salaries and benefits rose 14% to \$115.8 million. Other expenses fell 0.3% to \$49.1 million. Adjusted operating profit of \$75 million reflected a 36% improvement from the year-ago quarter. Adjusted operating margin expanded 275 bps to 13.9% from the prior-year level.

Liquidity and Cash Position

Amedisys exited the first quarter of 2021 with cash and cash equivalents of \$77.3 million compared with \$81.8 million at the end of fourth-quarter 2020. The company's long-term obligations (excluding the current portion) were \$231.4 million at the end of the first quarter compared with \$204.5 million at the end of last reported quarter.

Cumulative net cash provided by operating activities at the end of the first quarter was \$54 million compared with \$288.9 million at the end of fourth-quarter 2020.

2021 Guidance

Amedisys raised its outlook for 2021.

For 2021, the company anticipates net service revenues in the range of \$2.30-\$2.34 billion compared with the previous guidance of \$2.27-\$2.31 billion. The Zacks Consensus Estimate for the same is pegged at \$2.31 billion.

Adjusted earnings per share are projected in the range of \$6.85-\$7.07 compared with the prior guidance of \$6.25-\$6.47. The Zacks Consensus Estimate for the metric is pegged at \$6.38.

Quarter Ending	03/2021
Report Date	Apr 28, 2021
Sales Surprise	-1.75%
EPS Surprise	7.69%
Quarterly EPS	1.54
Annual EPS (TTM)	6.61

Recent News

Amedisys to Acquire Contessa Health: June 30, 2021

Amedisys entered into a definitive agreement to acquire Contessa Health which will position Amedisys as the first national Home Health provider to move into the Hospital at Home and SNF at Home space in a significant way with the ability to extent across a large geographic footprint.

Amedisys Recognized in Modern Healthcare Magazine's Annual Program: May 18, 2021

Amedisys was named in the prestigious "Best Places to Work in Healthcare" list by Modern Healthcare, amongst 150 companies and organizations that "empower employees to provide patients and customers with the best possible care, products and services."

Amedisys Signs Agreement With VNA: May 11, 2021

Amedisys entered into an acquisition deal to purchase the home health and hospice care operations of non-profit Visiting Nurse Association.

Amedisys to Expand Operations via Latest Buyout: Apr 14, 2021

Amedisys signed a definitive agreement to acquire regulatory assets that allows it to conduct home health care operations in Randolph County, N.C. and surrounding areas within a 50-mile radius, including Montgomery County.

Valuation

Amedisys shares are down 10.9% in the year-to-date period and up 28% in the trailing 12-month periods. Stocks in the Zacks sub-industry are down 9.2% while the Zacks Medical sector shows 2.8% growth in the year-to-date period. Over the past year, the Zacks sub-industry is up 7.3% and sector is up 6.4%.

The S&P 500 index is up 15.1% in the year-to-date period and rose 39.1% in the past year.

The stock is currently trading at 36.2X Forward 12-months earnings, which compares to 25.4X for the Zacks sub-industry, 23.9X for the Zacks sector and 21.9X for the S&P 500 index.

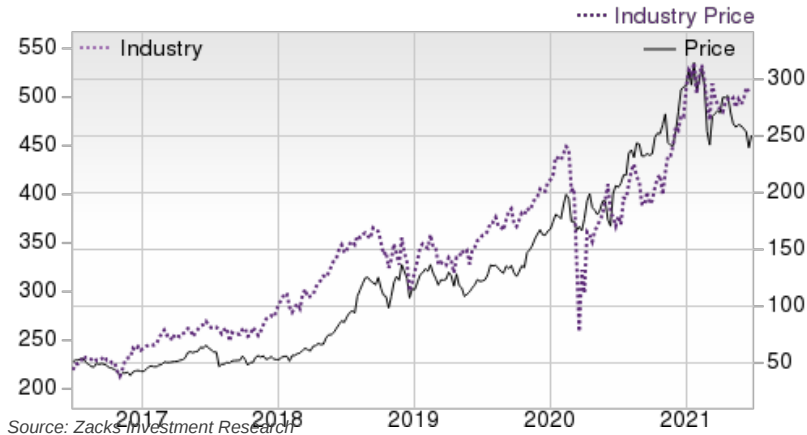
Over the past five years, the stock has traded as high as 50.1X as low as 18.4X, with a 5-year median 28.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$274 price target reflects 37.9X forward 12-months earnings.

The table below shows summary valuation data for AMED.

Valuation Multiples - AMED					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	36.15	25.39	23.86	21.86
	5-Year High	50.06	25.39	23.86	23.83
	5-Year Low	18.38	14.41	15.82	15.31
	5-Year Median	28.98	18.72	19.38	18.20
P/S F12M	Current	3.51	3.19	2.74	4.76
	5-Year High	4.45	3.23	3.17	4.76
	5-Year Low	0.85	0.73	2.27	3.21
	5-Year Median	2.01	2.05	2.76	3.73
P/B TTM	Current	10.78	4.12	4.59	7.14
	5-Year High	12.71	4.43	5.05	7.14
	5-Year Low	2.87	1.94	3.03	3.84
	5-Year Median	7.52	2.96	4.35	5.03

As of 07/01/2021 Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 33% (169 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Elanco Animal Health Incorporated (ELAN)	Outperform	3
Addus HomeCare Corporation (ADUS)	Neutral	4
Chemed Corporation (CHE)	Neutral	3
Hanger Inc. (HNGR)	Neutral	2
LHC Group, Inc. (LHCG)	Neutral	3
Option Care Health, Inc. (OPCH)	Neutral	3
Oak Street Health, Inc. (OSH)	Neutral	4
RadNet, Inc. (RDNT)	Neutral	3

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Medical - Outpatient And Home Healthcare				Industry Peers		
	AMED	X Industry	S&P 500	CHE	LHCG	OPCH
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	B	C	A
Market Cap	8.51 B	1.54 B	30.67 B	7.70 B	6.48 B	3.94 B
# of Analysts	8	3.5	12	2	10	4
Dividend Yield	0.00%	0.00%	1.32%	0.28%	0.00%	0.00%
Value Score	C	-	-	B	C	B
Cash/Price	0.01	0.03	0.06	0.03	0.05	0.03
EV/EBITDA	29.81	9.51	17.30	16.44	26.43	26.62
PEG F1	2.54	1.12	2.10	3.63	2.35	NA
P/B	10.78	5.98	4.16	8.28	3.94	3.87
P/CF	31.51	20.86	17.60	21.78	30.31	52.26
P/E F1	37.71	27.94	21.12	26.77	32.14	60.83
P/S TTM	4.02	1.90	3.46	3.68	3.12	1.28
Earnings Yield	2.67%	2.79%	4.65%	3.73%	3.11%	1.64%
Debt/Equity	0.29	0.56	0.66	0.00	0.00	1.10
Cash Flow (\$/share)	8.29	1.53	6.86	22.15	6.75	0.42
Growth Score	C	-	-	B	D	A
Historical EPS Growth (3-5 Years)	38.45%	6.37%	9.59%	25.60%	26.31%	NA
Projected EPS Growth (F1/F0)	14.42%	13.76%	21.04%	-0.30%	26.99%	1,000.00%
Current Cash Flow Growth	35.77%	6.22%	1.02%	28.02%	11.60%	126.62%
Historical Cash Flow Growth (3-5 Years)	31.25%	15.37%	7.34%	18.01%	35.87%	31.76%
Current Ratio	0.83	1.32	1.38	1.20	0.97	1.58
Debt/Capital	22.66%	39.27%	41.48%	0.00%	1.08%	52.41%
Net Margin	9.53%	4.47%	12.06%	15.73%	5.99%	0.29%
Return on Equity	28.53%	11.35%	16.63%	36.43%	11.12%	0.92%
Sales/Assets	1.33	0.81	0.51	1.51	0.85	1.17
Projected Sales Growth (F1/F0)	11.89%	10.01%	9.72%	2.58%	9.05%	6.83%
Momentum Score	B	-	-	C	A	B
Daily Price Change	6.70%	0.95%	0.52%	1.68%	2.11%	0.14%
1-Week Price Change	4.50%	0.25%	1.25%	3.97%	3.63%	9.19%
4-Week Price Change	4.92%	3.73%	3.03%	-3.65%	5.16%	18.31%
12-Week Price Change	-4.47%	-4.18%	5.44%	4.53%	1.97%	17.74%
52-Week Price Change	28.01%	37.96%	38.02%	3.23%	15.41%	67.56%
20-Day Average Volume (Shares)	261,843	199,511	1,969,078	91,743	166,989	2,082,736
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.16%	0.00%	0.00%	0.00%	0.07%	0.00%
EPS F1 Estimate 12-Week Change	10.06%	0.00%	3.81%	1.07%	8.97%	-8.16%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS Q1 Estimate Monthly Change	-0.63%	0.00%	0.00%	0.00%	0.15%	0.00%
--------------------------------	--------	-------	-------	-------	-------	-------

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Value Score	C
Growth Score	C
Momentum Score	B
VGM Score	C

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is

proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-

term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital

intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.