

Boston Scientific (BSX)

\$31.42 (As of 03/26/20)

Price Target (6-12 Months): **\$33.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/10/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: C

Summary

Boston Scientific's operational growth outside of the United States were strong in both CRM, EP. Further, Interventional Cardiology, Urology, Pelvic Health and Endoscopy all grew at or above market rate. Within structural heart, the combined strength of WATCHMAN, ACURATE, LOTUS Edge, SENTINEL and Millipede has positioned the company well, to reach its structural heart revenue guidance for 2020. Organic growth across all major business lines and geographies was encouraging. However, it is suffering from cost escalation and declining worldwide pacemaker sales which is also hurting the CRM business. Further, its revenues were not as per expectations. A stiff competitive landscape and the ongoing economic doldrums in the wake of global coronavirus outbreak are other concerns. Over the past six months, it underperformed its industry as well.

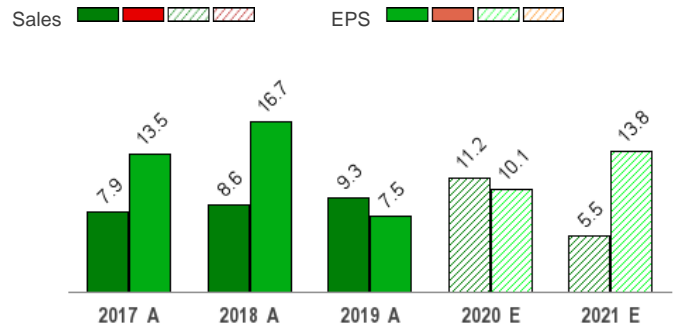
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$46.62 - \$24.10
20 Day Average Volume (sh)	16,498,938
Market Cap	\$43.9 B
YTD Price Change	-30.5%
Beta	0.87
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Products
Zacks Industry Rank	Top 18% (46 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.6%
Last Sales Surprise	-0.6%
EPS F1 Est- 4 week change	-1.4%
Expected Report Date	04/22/2020
Earnings ESP	-11.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,032 E	3,245 E	3,263 E	3,491 E	12,593 E
2020	2,773 E	2,976 E	2,991 E	3,183 E	11,936 E
2019	2,493 A	2,631 A	2,707 A	2,905 A	10,735 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.44 E	\$0.50 E	\$0.52 E	\$0.57 E	\$1.98 E
2020	\$0.38 E	\$0.44 E	\$0.45 E	\$0.50 E	\$1.74 E
2019	\$0.35 A	\$0.39 A	\$0.39 A	\$0.46 A	\$1.58 A

*Quarterly figures may not add up to annual.

P/E TTM	19.8
P/E F1	18.1
PEG F1	1.7
P/S TTM	4.1

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/26/2020. The reports text is as of 03/27/2020.

Overview

Headquartered in Natick, MA and founded in 1979, Boston Scientific Corporation manufactures medical devices and products used in various interventional medical specialties worldwide. The company has adopted the organic as well as inorganic routes for success.

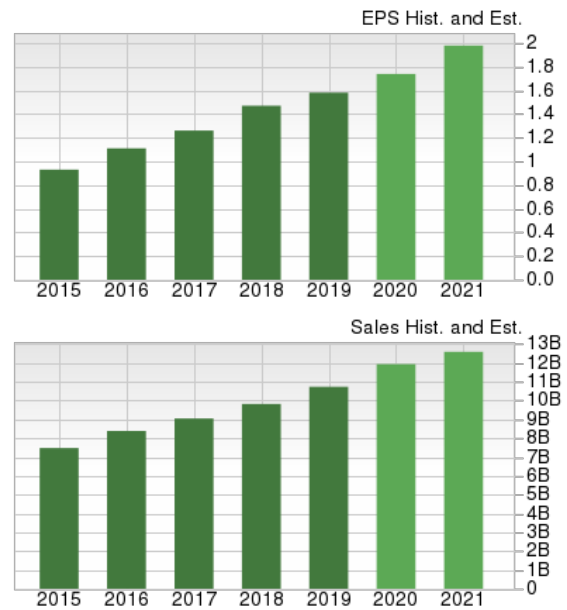
Boston Scientific currently has 3 global reportable segments viz. Cardiovascular (39.6% of total revenue in 2019; up 10% organically from 2018), Rhythm and Neuro (28.1%; up 1%) and MedSurg (30.2%; up 10.6%).

While Cardiovascular includes Interventional Cardiology (IC) and Peripheral Interventions (PI), Rhythm and Neuro comprises Cardiac Rhythm Management (CRM), Electrophysiology and Neuromodulation. The MedSurg group comprises 2 sub segments, viz. Endoscopy, Urology and Pelvic Health.

The company is one of the leading players in the interventional cardiology market with its coronary stent product offerings. Boston Scientific markets a broad portfolio of internally-developed and self-manufactured drug eluting stents including the Promus PREMIER, Promus Element and Promus Element Plus everolimus-eluting stents. In addition, in Europe, it markets the SYNERGY Everolimus-Eluting Platinum Chromium Coronary Stent System featuring an ultra-thin abluminal (outer) bioabsorbable polymer coating.

The company also markets balloon catheters, rotational atherectomy systems, guide wires, guide catheters, embolic protection devices, and diagnostic catheters used in percutaneous transluminal coronary angioplasty (PTCA) procedures, as well as intravascular ultrasound (IVUS) imaging systems.

Within the CRM segment, the company deals with implantable devices that monitor the heart and deliver electricity to treat cardiac abnormalities. The portfolio includes implantable cardioverter defibrillator (ICD) systems, cardiac resynchronization therapy defibrillator (CRT-D) systems and cardiac resynchronization therapy pacemaker (CRT-P) systems.



Reasons To Buy:

▲ **Long-term Growth Goals Look Impressive:** In 2019, Boston Scientific provided a review of its long-term growth strategy and offered plans for product pipeline and strategic investments. According to the company, this is aimed at improving its clinical and economic outcomes, sustaining category leadership in served markets and expanding into high-growth, adjacent markets. The plan focuses on spaces like category leadership strategy, product diversification into faster-growth markets and expansion of portfolio and capabilities across geographies. In this regard, Boston Scientific noted that in 2018, it invested approximately \$1 billion in R&D and also announced 10 strategic acquisitions in support of its category leadership scheme. Based on these investments, the company expects to introduce approximately 75 products by 2022. According to the company, by 2022, these product launches will help 80% of its sales to reach high and moderate -growth markets. In terms of geographic growth, Boston Scientific is working on widening its footprint in the emerging markets along with increasing patient access to care and supporting steady broad-based progress through physician training capabilities, channel explosion and local partnerships.

Boston Scientific is gaining traction in the emerging markets, particularly in the BRIC zone. Also, accretive acquisitions and significant progress in the company's restructuring initiatives buoys optimism.

▲ **BTG Acquisition, a Major Boost for PI:** Boston Scientific's recently-completed \$4.2-billion colossal acquisition of BTG is expected to considerably boost Boston Scientific's PI portfolio. BTG has three primary businesses, of which its Interventional Medicine portfolio, including various PI product lines, is the largest. Furthermore, BTG's Interventional Medicine business also boasts a vascular portfolio. In addition to BTG's Interventional Medicine product lines, it also has a specialty pharmaceutical business. With the completion of BTG acquisition, the consolidated company now expects to gain an enhanced category leadership position in interventional oncology, arterial and venous therapies. While the integration process has just begun, Boston Scientific expect this business to deliver double-digit growth in 2020. Meanwhile, Peripheral Interventions grew 4% in the fourth quarter on an organic basis and surged 34% operationally, considering the inclusion of the BTG Interventional Medicine business.

▲ **LOTUS Edge Relaunches:** Following the controlled launch in Europe, recently, Boston Scientific began a controlled commercial launch of LOTUS Edge Aortic Valve System in United States. As per the latest update, The LOTUS Edge controlled launches are going extremely well. The company is right now, on track to open 150 accounts in the first 12 months of the launch. Meanwhile, it has recently received LOTUS Edge reimbursement approval in Japan. It will be in a limited market release over the coming months.

▲ **Impressive Value-adding Acquisitions:** We are impressed with Boston Scientific's several recent acquisitions that have added numerous products (though many are under development) with immense potential. This, in turn, should help boost the top line in the long term. Apart from the recently-completed acquisition of BTG, the company made a number of strategic acquisitions of late including Millipede (within Structural Heart) Claret Medical, VENITI and Augmenix. These acquisitions all target high-growth markets, enhance the company's category leadership strategy, leverage existing local capabilities and further enhance its short-term and long-term growth profile. Augmenix acquisition has enhanced the company's category leadership strategy in Urology. On the other hand, integration of Claret Medical has broadened the company's structural heart portfolio. Earlier to that, the company announced acquisitions of NxThera and nVision in Urology and Pelvic Health, EmCision in Endoscopy and Securus in EP.

▲ **Structural Heart Progresses Well:** Boston Scientific's structural heart programs are fast building momentum banking on strong performance of the WATCHMAN left atrial appendage closure device and ACURATE TAVR valve. In this regard, WATCHMAN had another excellent quarter with increased utilization. This has recently received reimbursement in Japan. This apart, the next generation WATCHMAN FLX is strongly capturing the European market. Meanwhile Boston Scientific is currently targeting the U.S.-launch of FLX in mid-2020s.

ACURATE TAVR is the fastest growing valve in Europe and delivered strong revenue growth in the fourth quarter. The super annular valve, offering ACURATE neo grew mid-teens in the quarter and Boston Scientific is looking forward to the launch of the next-generation ACURATE neo2 in Europe in mid-2020. Meanwhile, Sentinel, the only cerebral embolic protection device is now used in over 600 U.S. hospitals. Per Boston Scientific's estimate, Sentinel is approaching 20% of the overall U.S. TAVR procedural penetration.

According to Boston Scientific, the combined strength of WATCHMAN, ACURATE, LOTUS Edge, SENTINEL and Millipede has positioned the company well, to reach its structural heart revenue guidance for 2020 of \$900 million to \$1 billion. Per a data by Technavio, the global transcatheter mitral valve replacement market is growing stupendously at a CAGR of approximately 22% over 2016-2020. Management is optimistic about this large patient population in this space, which is unfortunately underserved at the moment. Hence, this area represents a lucrative market to be tapped into.

▲ **Urology Growth Impressive:** Since the acquisition of the AMS urology portfolio, the urology and pelvic health portfolio of Boston Scientific has expanded manifold. We note that, urology represents attractive global market potential of \$4 billion with large unmet patient needs and considerable international expansion opportunities. Accordingly, the company's focus to increase its urology business value enhancement can be treated as perfectly strategic.

In this regard, we note that, this business has once again demonstrated strong global performance trend growing 10% organically in the fourth quarter despite an ongoing negative impact from the market withdrawal of transvaginal mesh for the treatment of pelvic organ prolapse. This performance was led by double-digit growth in single-use LithoVue scope, core stone, Rezum minimally invasive therapy for BPH and almost doubling of SpaceOAR revenue.

▲ **Apama, Securus Buyouts to Boost Electrophysiology:** We are also looking forward to Boston Scientific's acquisition of Apama Medical which has allowed the company to expand into the single-shot pulmonary vein isolation ablation market, which is a potential \$1 billion market by 2022. Through this deal, Boston Scientific aims to expand its suite of arrhythmia solutions which fall under the Electrophysiology sub-segment of the company.

In the last-reported quarter, Electrophysiology sales grew 3.7% organically. In this regard, the global Electrophysiology (EP) market is poised to reach a value of around \$8.27 billion by 2022 (per data by Allied Market Research).



▲ **Focus on Emerging Markets:** An important part of Boston Scientific's growth strategy is to continue pursuing development opportunities outside the U.S. by expanding global presence, inclusive of the emerging markets. Against the backdrop of flattening or declining sales growth in developed markets like the U.S. and Europe, Boston Scientific is gradually strengthening its presence in the emerging markets, in countries like Brazil, Russia, India and China (BRIC). In third-quarter 2019, business from the emerging markets registered a 16% growth led by strong growth in China, Other Asian countries and Latin America.

The company is currently targeting about 10 emerging markets for additional emphasis. Boston Scientific hopes to sustain its strong overall international performance taking into consideration several key new product launches that are in the early stages of their rollout. The company is also optimistic about its core cardiology segment which is gradually stabilizing with growth in the BRIC nations.

Reasons To Sell:

- ▼ **Share Price Movement:** Over the past six months, Boston Scientific underperformed the industry it belongs to. The stock lost 22.8% in this period compared with 22.2% fall of the industry. The declining worldwide pacemaker sales are putting a pressure on the company's top-line. Boston Scientific continues to incur escalating operating cost on its constant involvement in handling serious legal problems. Other headwinds trailing the company are the company's exposure to the currency fluctuations and a stiff competitive landscape. Further, the ongoing economic doldrums in the wake of global coronavirus outbreak is slashing down the stock price largely. The global supply chain disruption due to this pandemic is causing a significant slash in the company's revenue as well.
- ▼ **Legal Hassle Puts Pressure on Bottom Line:** Boston Scientific continues to incur escalating operating cost on its constant involvement in handling serious legal problems. For instance, in April 2019, the FDA ordered manufacturers of surgical mesh intended for transvaginal repair of pelvic organ prolapse (POP) to stop selling and distributing these products. The company is currently working to resolve the mesh litigation, with over 95% of all known claims now settled or in the final stages of settlement. On this, the total legal reserve, of which mesh is included, was \$568 million as of Sep 30, 2019, a decline of roughly \$35 million versus June 30 and includes an additional \$25 million reserve for international settlements. Undoubtedly, these legal expenses are putting huge pressure on Boston Scientific's bottom line.
- ▼ **Pacemaker Sales Still Declining:** Declining worldwide pacemaker sales over the recent past continued to weigh on Boston Scientific's CRM results. In the third quarter, the company witnessed a low-single-digit decline in pacemaker performance due to certain product gaps between CRT-D pacing and MRI line. The company currently anticipates a modest pacer headwind for full-year 2019. However, pacemaker sales should gradually improve in with new product launches (including the launch of RESONATE platform) and easier comps.
- ▼ **Exposure to Currency Movement:** With Boston Scientific recording 47% of its sales from the international market, it remains highly exposed to currency fluctuations. Unfavorable currency movements have been a major dampener over the last few quarters, as in the case of other important MedTech players too. In the reported quarter, adverse currency translation had 0.7% negative impact on the company's top line.
- ▼ **Competitive Landscape:** The presence of a large number of players has made the medical devices market highly competitive. The company participates in several markets, including Cardiovascular, CRM, Endosurgery and Neuromodulation, where it faces competition from large, well-capitalized companies such as Johnson & Johnson, Abbott, Medtronic, Stryker, Smith & Nephew and Edwards Lifesciences, apart from several other smaller companies.

Unfavorable currency movement and product recall were major dampeners during the quarter. Strong competitors in the large medical device market also pose a tough challenge for Boston Scientific.

Last Earnings Report

Boston Scientific Sees Growth In All Lines in Q4

Boston Scientific posted adjusted earnings per share of 46 cents in the fourth quarter of 2019, up 17.9% from the year-ago quarter. The same also exceeded the Zacks Consensus Estimate by 4.5% as well. Moreover, the figure surpassed the company's guided range of 42-45 cents. The adjustments take into consideration certain litigation charges related to the company's Channel Medsystems, Inc. purchase issue among others.

Reported earnings per share in the fourth quarter was \$2.83, substantially above the year-ago earnings of 27 cents per share.

For the full year, adjusted earnings per share was \$1.58, reflecting a 7.5% improvement from the year-earlier period. The figure also came a penny ahead of the Zacks Consensus Estimate, reaching the upper end of the company's guided range of \$1.55-\$1.58.

Revenues in the fourth quarter rose 13.4% year over year reportedly, up 14.1% on an operational basis (at constant exchange rate or CER) and up 7.3% on an organic basis (adjusted for foreign currency fluctuations and certain recent acquisitions) to \$2.91 billion. However, the number missed the Zacks Consensus Estimate of \$2.92 billion by a close margin.

Full-year revenues of \$10.74 billion were up 9.3% year over year on a reported basis (up 11.1% on an operational basis and up 7.3% on an organic basis). Here too, revenues marginally lagged the Zacks Consensus Estimate of \$10.75 billion.

Q4 Revenues in Detail

In the fourth quarter, the company achieved 13.4% growth in the United States on a reported basis (same operationally); 7.2% improvement in the Europe, Middle East and Africa region (up 9.7%); 11.3% growth in the Asia Pacific zone (up 11.5%); 0.6% rise in Latin America and Canada (up 2.9%) and 14.1% increase in the emerging markets (up 16.2%).

Segmental Analysis

Boston Scientific currently has three global reportable segments: Cardiovascular, Rhythm and Neuro plus MedSurg.

The company generates maximum revenues from Cardiovascular. Sales from its subsegments, namely Interventional Cardiology and Peripheral Interventions were \$748 million (up 12.8% year over year organically) and \$403 million (up 3.6%), respectively, in the fourth quarter.

Boston Scientific's Rhythm and Neuro business comprises Cardiac Rhythm Management (CRM), Electrophysiology and Neuromodulation. CRM reflected a 2.6% year-over-year fall in organic sales to \$473 million in the reported quarter.

Electrophysiology sales inched up 3.7% year over year, organically, to \$84 million. Neuromodulation sales grew 7.8% year over year on an organic basis to \$261 million.

Other segments like Endoscopy plus Urology and Pelvic Health (under the MedSurg broader group) recorded sales of \$499 million (up 9.6% organically) and \$379 million (up 11.7%), respectively.

Margins

Gross margin in the fourth quarter contracted 83 basis points (bps) year over year to 70.7% due to a 16.7% rise in the cost of products sold.

Adjusted operating margin declined 48 bps to 21.9% in the reported quarter. Selling, general and administrative expenses increased 14.6% to \$1.09 billion while research and development expenses rose 7.3% to \$309 million. Meanwhile, royalty expenses of \$17 million fell 5.6% year over year.

Guidance

Boston Scientific projects full-year 2020 revenue growth in the 10-12% range on a reported basis. Organically (adjusted for foreign currency fluctuations, certain recent acquisitions and divestitures), revenues are projected in the band of 6.5-8.5%. The Zacks Consensus Estimate for 2020 revenues is pegged at \$12.08 billion.

The company expects its 2020 adjusted earnings per share in the \$1.74-\$1.79 bracket. The Zacks Consensus Estimate is pegged at \$1.79.

The company also provided its first-quarter 2020 financial outlook. It envisions revenue growth in the range of 10-12% on a reported basis and at 5-7% on an organic basis. Adjusted earnings per share is anticipated within 37-40 cents. The consensus mark for earnings per share stands at 41 cents while the same for revenues is pegged at \$2.85 billion.

Quarter Ending **12/2019**

Report Date	Feb 05, 2020
Sales Surprise	-0.62%
EPS Surprise	4.55%
Quarterly EPS	0.46
Annual EPS (TTM)	1.59

Valuation

Boston Scientific shares are down 30.5% and down 17.2% in the year to date period and the trailing 12-month period, respectively. Stocks in the Zacks sub-industry are down 22.9% while the Zacks Medical sector is down 19.8% in the year to date period. Over the past year, the Zacks sub-industry is down 20.1% and sector is down 9.8%.

The S&P 500 index is down 23.1% in the year to date period and down 12.8% in the past year.

The stock is currently trading at 17.3X Forward 12-months earnings, which compares to 19X for the Zacks sub-industry, 16.5X for the Zacks sector and 14.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 28.9X and as low as 14.2X, with a 5-year median of 20.2X.

Our Neutral recommendation indicates that the stock will perform in line the market. Our \$33 price target reflects 18.1X forward 12-months earnings.

The table below shows summary valuation data for BSX.

Valuation Multiples - BSX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.27	19.01	16.54	14.92
	5-Year High	28.93	25.36	21.09	19.34
	5-Year Low	14.22	17.01	15.81	14.92
	5-Year Median	20.19	19.53	18.74	17.42
P/S F12M	Current	3.61	3.02	2.24	2.68
	5-Year High	5.89	3.98	3.84	3.43
	5-Year Low	2.67	2.88	2.24	2.54
	5-Year Median	3.93	3.21	2.96	3.00
P/B TTM	Current	3.16	2.49	3.04	3.33
	5-Year High	6.90	4.30	5.05	4.56
	5-Year Low	2.59	2.18	2.80	2.85
	5-Year Median	5.16	2.77	4.30	3.63

As of 03/26/2020

Industry Analysis Zacks Industry Rank: Top 18% (46 out of 253)



Top Peers

DexCom, Inc. (DXCM)	Outperform
Abbott Laboratories (ABT)	Neutral
Baxter International Inc. (BAX)	Neutral
Hologic, Inc. (HOLX)	Neutral
Johnson & Johnson (JNJ)	Neutral
Medtronic PLC (MDT)	Neutral
Smith & Nephew SNATS, Inc. (SNN)	Neutral
Bio-Rad Laboratories, Inc. (BIO)	Underperform

Industry Comparison Industry: Medical - Products				Industry Peers		
	BSX Neutral	X Industry	S&P 500	ABT Neutral	BAX Neutral	MDT Neutral
VGM Score	D	-	-	B	C	C
Market Cap	43.87 B	295.87 M	18.50 B	133.69 B	40.67 B	123.21 B
# of Analysts	11	2	13	10	11	14
Dividend Yield	0.00%	0.00%	2.35%	1.90%	1.10%	2.35%
Value Score	D	-	-	C	D	C
Cash/Price	0.01	0.11	0.07	0.03	0.09	0.11
EV/EBITDA	22.95	0.53	11.16	18.84	22.92	14.66
PEG Ratio	1.63	2.40	1.74	1.99	1.92	2.30
Price/Book (P/B)	3.16	2.99	2.44	4.28	5.17	2.37
Price/Cash Flow (P/CF)	13.07	15.49	9.87	15.19	16.13	12.65
P/E (F1)	17.70	23.58	15.29	21.07	22.51	16.32
Price/Sales (P/S)	4.09	4.42	1.93	4.19	3.58	3.97
Earnings Yield	5.54%	0.00%	6.47%	4.75%	4.44%	6.13%
Debt/Equity	0.62	0.12	0.70	0.53	0.67	0.48
Cash Flow (\$/share)	2.40	-0.00	7.01	4.99	4.97	7.27
Growth Score	C	-	-	B	B	C
Hist. EPS Growth (3-5 yrs)	14.77%	11.68%	10.85%	8.90%	NA	6.24%
Proj. EPS Growth (F1/F0)	10.01%	9.71%	2.89%	11.05%	7.58%	7.95%
Curr. Cash Flow Growth	12.08%	3.15%	5.93%	4.54%	4.10%	6.26%
Hist. Cash Flow Growth (3-5 yrs)	10.33%	7.71%	8.55%	11.80%	-6.10%	15.58%
Current Ratio	0.97	2.59	1.23	1.44	2.32	2.75
Debt/Capital	38.24%	15.15%	42.57%	34.74%	40.20%	32.25%
Net Margin	43.78%	-15.25%	11.64%	11.56%	9.12%	17.11%
Return on Equity	21.15%	-8.22%	16.74%	18.39%	22.41%	14.76%
Sales/Assets	0.41	0.61	0.54	0.47	0.65	0.34
Proj. Sales Growth (F1/F0)	11.18%	5.14%	2.37%	6.89%	3.17%	2.57%
Momentum Score	C	-	-	A	C	B
Daily Price Chg	5.01%	2.73%	6.21%	7.15%	8.97%	5.90%
1 Week Price Chg	-15.74%	-6.21%	-16.96%	-16.72%	-6.47%	-12.79%
4 Week Price Chg	-17.14%	-14.43%	-15.70%	-4.27%	-4.87%	-8.95%
12 Week Price Chg	-30.69%	-20.72%	-23.67%	-12.81%	-6.64%	-19.75%
52 Week Price Chg	-17.14%	-20.57%	-13.99%	-4.57%	0.60%	2.20%
20 Day Average Volume	16,498,938	271,268	4,286,768	12,417,734	4,855,819	10,331,066
(F1) EPS Est 1 week change	-1.39%	0.00%	-0.15%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-1.39%	0.00%	-2.28%	0.00%	-4.39%	0.00%
(F1) EPS Est 12 week change	-2.99%	-2.55%	-3.22%	-0.36%	-4.46%	0.63%
(Q1) EPS Est Mthly Chg	-1.55%	0.00%	-1.60%	0.00%	-9.45%	0.00%

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.

Value Score	D
Growth Score	C
Momentum Score	C
VGM Score	D

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.

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.