

Comcast Corporation (CMCSA)

\$47.50 (As of 01/17/20)

Price Target (6-12 Months): **\$50.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/26/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: B

Growth: B

Momentum: F

Summary

Comcast is benefiting from solid growth in a number of residential and business services high-speed Internet customers. The company's strategy of providing high-speed Internet at an affordable cost plays a key role in improving customer experience. Growing popularity of Xfinity products is also a key catalyst. Moreover, expansion in the wireless user base and the security and automation services customer base is a growth driver. Additionally, Sky's content strength is expected to drive the subscriber base in Europe. Further, increasing digital video sales hold promise. However, Comcast continues to lose video subscribers due to cord cutting. Moreover, a high debt level is a headwind. Notably, its shares have underperformed the industry in the past year.

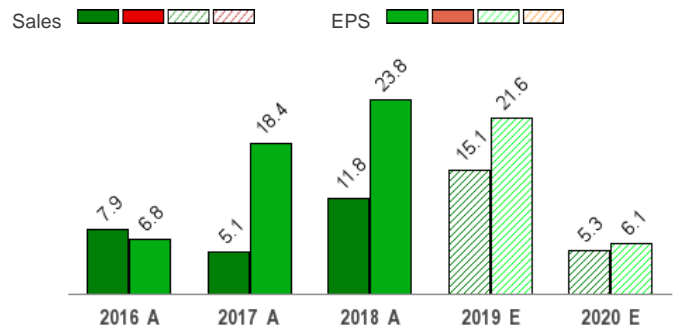
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$47.74 - \$34.67
20 Day Average Volume (sh)	16,549,963
Market Cap	\$216.1 B
YTD Price Change	5.6%
Beta	1.05
Dividend / Div Yld	\$0.84 / 1.8%
Industry	Cable Television
Zacks Industry Rank	Top 17% (42 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.3%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	-0.1%
Expected Report Date	01/23/2020
Earnings ESP	1.0%
P/E TTM	16.0
P/E F1	14.4
PEG F1	1.2
P/S TTM	2.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	27,683 E	27,943 E	29,360 E	29,601 E	114,552 E
2019	26,859 A	26,858 A	26,827 A	28,215 E	108,760 E
2018	22,791 A	21,735 A	22,135 A	27,846 A	94,507 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.79 E	\$0.82 E	\$0.87 E	\$0.82 E	\$3.29 E
2019	\$0.76 A	\$0.78 A	\$0.79 A	\$0.76 E	\$3.10 E
2018	\$0.62 A	\$0.65 A	\$0.65 A	\$0.64 A	\$2.55 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/17/2020. The reports text is as of 01/20/2020.

Overview

Based in Philadelphia, PA, Comcast Corporation is a global media and technology company with three primary businesses: Comcast Cable, NBCUniversal and Sky.

Comcast reported revenues of \$94.51 billion in 2018. The company reports in three revenue generating segments:

Cable Communications (58.3% of total revenues): Consists of the operations of Comcast Cable this segment offers high-speed internet, video, voice, and security and automation services in the United States individually and as bundled services at a discounted rate over its cable distribution system to residential and business customers.

Cable Communications generates revenue primarily from residential and business customers that subscribe to Comcast's cable services and from the sale of advertising. The company also offer a wireless phone service (Xfinity Mobile brand) as a component of its bundled services, which is reported in Corporate and Other.

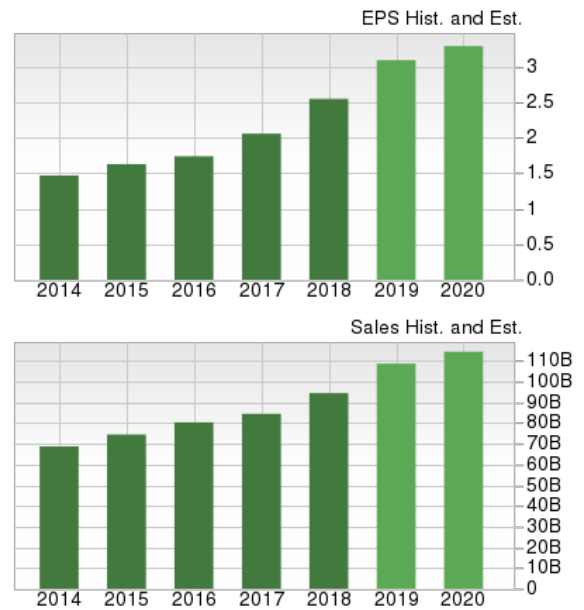
NBC Universal Segment (37.9% of total revenues): This segment comprises four reportable segments – Cable Networks, Broadcast Television, Filmed Entertainment and Theme Parks.

Cable Networks consists primarily of Comcast's national cable networks. Broadcast Television comprises NBC and Telemundo broadcast networks.

Filmed Entertainment consists primarily of the operations of Universal Pictures. Films are also produced under the Illumination, DreamWorks Animation and Focus Features brands.

Comcast has theme parks in Orlando, Florida; Hollywood, California; and Osaka, Japan.

Sky (3.8% of total revenues): Acquired in 2018, Sky includes a direct-to-consumer business that provides video, high-speed internet, voice and wireless phone services, and a content business. The business one of Europe's leading entertainment companies also operate the Sky News broadcast network and Sky Sports networks. Sky has 23.6 million retail customers.



Reasons To Buy:

- ▲ Comcast offers 1 Gbps high-speed Internet services across its network, which supports high-bandwidth applications, be it gaming and/or Internet TV. Upgrading to DOCSIS 3.1 has enabled the company to compete against AT&T's Fiber-to-the-Home (FTTH) program. Moreover, strong adoption of xFi is a key catalyst. For 2019, Comcast expects to add more than 1 million net broadband customers with increasing ARPU and solid margins. Further, the Flex is allowing broadband customers to enjoy the most popular streaming apps on X1 platform, without requiring a linear content subscription. These factors are expected to boost growth prospects for the Cable Communications segment.
- ▲ In an attempt to stay competitive, Comcast has ventured into the U.S. wireless industry with the nationwide rollout of its wireless services under the Xfinity Mobile brand. Based on a Mobile Virtual Network Operator (MVNO) agreement with Verizon, Xfinity Mobile uses Verizon's 4G LTE wireless network. Xfinity Mobile is expected to be the nation's first wireless service combining the nation's largest and most reliable 4G LTE network with 19 million Xfinity Wi-Fi hotspots to deliver a great wireless experience, which is cost effective. Comcast claims that customers can save up to 30% on their monthly wireless bills with Xfinity Mobile service.
- ▲ Sky's acquisition helps Comcast to expand in Europe and diversifies its top-line source as the North-American pay-TV market saturates. Sky reaches almost 24 million customers and its streaming service Now TV has almost 2 million users. Notably, Sky has added 317K customer relationships on a year-to-date basis, driven by popular sports and entertainment offerings. Notably, Sky has the rights to show 128 English Premier League soccer matches for three seasons, from 2019 to 2020. Its original content Chernobyl has been a major hit and received 10 Emmy awards. The launch of Sky Studio and Comcast's plans to double investment in local regional content in Europe are expected to drive Sky's top line and expand user base in the long haul.
- ▲ Comcast has gained the rights to offer online TV services nationwide from several unnamed cable networks. The cable MSO reportedly got the rights using the 'most favored nation' clauses in its contracts. This allows Comcast to sell its video services for the first time outside its regional territories to new cities like New York and Los Angeles. Moreover, the company is set to launch NBC, its streaming platform, in April 2020. It is focused on expanding its streaming content portfolio and is pulling in shows like The Office from Netflix. Comcast is leveraging Sky's Now TV model to launch the NBC service. Despite stiff competition in the streaming space, Comcast is well poised to grow, owing to its vast library of IP and new productions.
- ▲ Theme Parks also present significant growth opportunities for Comcast. The company has theme parks in Orlando, Hollywood, and Osaka, Japan. It is also set to open new parks — Nintendo World in Japan in 2020 and Universal Beijing in 2021.

Roll-out of the DOCSIS 3.1 technology and Xfinity Mobile, the Sky acquisition, launch of Xfinity Flex and NBCUniversal's upcoming streaming service are key catalysts.

Reasons To Sell:

- ▼ The internal dynamics of the U.S. pay-TV industry has been gradually shifting from cable TV operators to large telecom operators and low-cost over-the-top service providers. Online video streaming service providers such as Netflix, Hulu.com, YouTube etc., have become a severe threat to cable TV operators because of their extremely cheap source of TV programming and solid content. Moreover, the U.S. pay-TV industry is affected by the ongoing massive consolidation between telecom and cable-TV operators. The multi-channel video market in the U.S. is almost saturated. This doesn't bode well for Comcast, as cord cutting and intensifying competition has severely hurt its business.
- ▼ The industry-wide trend of declining profitability of residential video services due to increasing programming costs and retransmission fees has made it difficult for traditional companies like Comcast to survive. Moreover, residential voice services have witnessed significant decline in revenues due to increasing usage of wireless voice services. This also doesn't bode well for the company.
- ▼ We view Comcast's high debt level as a potential hazard. The Sky acquisition further increases indebtedness, which adds to the risk of investing in the company. As of Sep 30, 2019, the company had a total debt was \$100.89 billion.

Comcast continues to suffer from video and voice customer loss due to cord-cutting and stiff competition from Netflix, Hulu and YouTube. The company's high debt level is also a concern.

Last Earnings Report

Comcast Q3 Earnings Beat Estimates, Revenues Miss

Comcast reported third-quarter 2019 adjusted earnings of 79 cents per share that beat the Zacks Consensus Estimate by a penny. The figure increased 16.2% year over year.

Consolidated revenues increased 21.2% year over year to \$26.83 billion but lagged the Zacks Consensus Estimate of \$26.86 billion.

However, revenues on a pro-forma basis (considering the Sky transaction on Jan 1, 2017) were flat year over year.

Quarter Ending **09/2019**

Report Date	Oct 24, 2019
Sales Surprise	-0.14%
EPS Surprise	5.33%
Quarterly EPS	0.79
Annual EPS (TTM)	2.97

Cable Communication Revenue Details

Revenues climbed 4% from the year-ago quarter to \$14.58 billion. Total Customer Relationships increased 309K to 31.2 million.

High-speed Internet revenues grew 9.3% year over year to \$4.72 billion, primarily driven by increased residential high-speed Internet customers and rate adjustments. Total high-speed Internet customer net additions were 379K.

Business Services revenues were up 9.3% to \$1.97 billion, driven by customer base expansion.

Wireless revenues jumped 38.1% to \$326 million, supported by an increase in the number of customer lines. Comcast added 204K wireless lines in the reported quarter.

Other revenues rose 13.4% from the year-ago quarter to \$459 million, primarily owing to higher sales from security and automation services. Total security and automation customer net additions were 8K in the reported quarter.

Advertising revenues declined 11.9% to \$603 million, primarily due to lower political advertising revenues. Excluding political revenues, advertising revenues increased 1.2%.

Voice revenues were \$963 million, down 1.9% year over year, due to a declining number of residential voice customers.

Video revenues dropped 0.9% to \$5.54 billion, reflecting a decline in the residential video customer count.

Total video customer net losses were 224K, while total voice customer net losses were 65K.

At the end of the third quarter, 65.6% of Comcast's residential customers received at least two Xfinity products.

NBCUniversal Revenues Down Y/Y

Revenues declined 3.5% year over year to almost \$8.30 billion.

Cable Networks' revenues decreased 2.8% from the year-ago quarter to \$2.77 billion, primarily due to lower content licensing & other revenues (down 27.2%), partially negated by higher distribution revenues (up 1.6%). Advertising revenues were flat year over year.

Broadcast Television revenues declined 9.1% from the year-ago quarter to \$2.23 billion, thanks to lower advertising (down 12.1%) and content licensing revenues (down 17%), partially offset by increased distribution & other revenues (up 5.8%).

Filmed Entertainment revenues decreased 6.2% from the year-ago quarter to \$1.71 billion. Theatrical revenues declined 8.8% due to a lower number of major releases than the year-ago quarter. Home entertainment revenues were down 28.5% year over year.

Theme Parks revenues were \$1.63 billion, up 6.8% year over year on higher attendance.

Sky Revenue Details

Pro-forma revenues decreased 4.2% year over year to \$4.55 billion. At constant currency (cc), revenues increased 0.9%.

Direct-to-consumer revenues declined 3.2% (up 1.9% at cc) from the year-ago quarter to \$3.79 billion.

Content revenues rose 9.4% (up 15.4% at cc) to \$376 million, benefiting from higher monetization of its slate of original programming and the wholesaling of sports programming.

Advertising revenues deteriorated 18.2% (down 13.8% at cc) from the year-ago quarter to \$446 million, primarily due to the impact of a change in legislation related to gambling advertisements in the U.K. and Italy along with overall market weakness.

Pro-forma Total Customer Relationships decreased 99K to 23.9 million in the reported quarter.

Operating Details

Consolidated programming & production costs increased 23.9% from the year-ago quarter to \$8.32 billion. As a percentage of revenues, programming & production costs expanded 70 basis points (bps) on a year-over-year basis to 31%.

Consolidated adjusted EBITDA grew 17% from the year-ago quarter to \$8.55 billion. Pro-forma (including Sky operations) adjusted EBITDA increased 7.4%.

Segment-wise, Cable Communications' adjusted EBITDA rose 6.7% from the year-ago quarter to \$5.80 billion. Cable Communications operating expenses increased 2.3% year over year on higher non-programming costs.

Cable Communications results include a loss of \$94 million from the wireless business compared with a loss of \$178 million in the year-ago quarter.

NBCUniversal's adjusted EBITDA increased 1.6% from the year-ago quarter to \$2.09 billion, reflecting growth in Broadcast Television and Theme Parks adjusted EBITDA.

Sky's adjusted EBITDA on a pro-forma basis rose 38.3% (up 46% at cc) to \$899 million. Notably, Sky's operating costs and expenses fell 10.9% (down 6.2% at cc) to \$4.06 billion.

Consolidated operating income grew 10.4% year over year to \$5.34 billion. However, operating margin contracted 190 bps from the year-ago quarter to 19.9%.

Cash Flow & Liquidity

As of Sep 30, 2019, cash and cash equivalents were \$3.51 billion, down from \$3.92 billion as of Jun 30, 2019.

Moreover, as of Sep 30, 2019, consolidated total debt was \$100.89 billion, down from \$109.09 billion as of Jun 30, 2019.

In third-quarter 2019, Comcast generated \$5.19 billion of cash from operations compared with \$7 billion in the previous quarter.

Capital expenditures were up 5.3% to \$2.5 billion. NBCUniversal's capital expenditures rose 24.7% to \$505 million. Sky reported capital expenditures of \$104 million.

Free cash flow was \$2.1 billion in the reported quarter, down from \$4.20 billion generated in the previous quarter.

During the quarter, Comcast paid out dividends worth \$955 million.

Recent News

On Jan 16, Comcast division NBCUniversal unveiled Peacock, a free premium ad-supported streaming service with subscription tiers offering more than 600 movies and 400 series, as well as live and on-demand content across news, sports, late night and reality.

On Jan 14, Comcast division NBCUniversal announced the launch of SportsTech, a global accelerator for sports technology startups. SportsTech will feature partnership of three sports brands — NBC Sports, Sky Sports and Golf Channel — alongside NASCAR and two U.S. Olympic sports organizations, U.S. Ski & Snowboard and USA Swimming.

On Jan 8, Comcast and ViacomCBS renewed their content carriage agreement that includes continued retransmission consent of 23 CBS-owned television stations in 15 major markets across the country.

On Jan 6, Comcast announced that xFi Advanced Security, a feature that automatically protects devices from online threats, will be included free for customers who lease an xFi gateway. The company also announced its next-generation xFi Advanced Gateway, the first device capable of delivering true multi-gigabit speeds. The device will be rolled out to customers in the coming months.

On Dec 23, Comcast's division NBCUniversal and Lionsgate's Starz announced a long-term agreement for the continued carriage of the Starz networks on Xfinity TV. The companies also inked a new content deal.

On Dec 16, Comcast announced that NBCUniversal CEO Steve Burke will retire on Aug 14, 2020, following the Summer Olympics in Tokyo. Effective Jan 1, 2020, Jeff Shell will become CEO of NBCUniversal, reporting to Burke, who will become the chairman.

On Dec 11, Comcast announced a partnership with wearable technology startup NuEyes to bring the Xfinity Stream entertainment viewing experience to visually impaired customers through NuEyes virtual reality technology.

On Oct 24, Comcast announced a quarterly dividend of 21 cents per share payable on Jan 29, 2020, to shareholders of record on Jan 8, 2020.

Valuation

Comcast shares are up 8.4% in the six-months period and 31.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are up 9.4% and 9.8% in the six-months period, respectively. Over the past year, the Zacks sub-industry and the sector are up 35.6% and 21%, respectively.

The S&P 500 index is up 12.3% in the six-months period and 23.8% in the past year.

The stock is currently trading at 14.38X forward 12-month earnings, which compares to 19.17X for the Zacks sub-industry, 20.88X for the Zacks sector and 19.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.32X and as low as 11.94X, with a 5-year median of 16.5X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$50 price target reflects 15.15X forward 12-month earnings.

The table below shows summary valuation data for CMCSA

Valuation Multiples - CMCSA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.38	19.17	20.88	19.2
	5-Year High	20.32	29.11	23.35	19.34
	5-Year Low	11.94	15.93	16.16	15.17
	5-Year Median	16.5	22.52	20.11	17.44
P/S F12M	Current	1.89	2.12	2.4	3.57
	5-Year High	2.28	2.59	3.19	3.57
	5-Year Low	1.44	1.61	1.81	2.54
	5-Year Median	1.88	2.14	2.54	3
EV/EBITDA TTM	Current	9.27	10.82	12.71	12.12
	5-Year High	17.6	19.42	17.76	12.86
	5-Year Low	7.45	8.52	11.07	8.48
	5-Year Median	9.07	10.64	12.42	10.67

As of 1/17/2020

Industry Analysis Zacks Industry Rank: Top 17% (42 out of 254)



Top Peers

Cable One, Inc. (CABO)	Outperform
DISH Network Corporation (DISH)	Outperform
Charter Communications, Inc. (CHTR)	Neutral
The Walt Disney Company (DIS)	Neutral
Discovery, Inc. (DISCA)	Neutral
Liberty Global PLC (LBTYA)	Neutral
Rogers Communication, Inc. (RCI)	Neutral
Shaw Communications Inc. (SJR)	Neutral

Industry Comparison Industry: Cable Television				Industry Peers		
	CMCSA Neutral	X Industry	S&P 500	CABO Outperform	CHTR Neutral	DISH Outperform
VGM Score	C	-	-	D	C	D
Market Cap	216.09 B	11.74 B	24.65 B	9.31 B	107.98 B	18.14 B
# of Analysts	12	4.5	13	4	12	6
Dividend Yield	1.77%	0.00%	1.73%	0.55%	0.00%	0.00%
Value Score	B	-	-	F	C	B
Cash/Price	0.02	0.02	0.04	0.02	0.00	0.09
EV/EBITDA	10.78	10.78	14.11	22.02	11.51	10.15
PEG Ratio	1.22	2.49	2.08	NA	0.98	NA
Price/Book (P/B)	2.73	2.34	3.39	12.01	2.66	1.78
Price/Cash Flow (P/CF)	9.55	7.53	13.81	25.37	9.81	7.53
P/E (F1)	14.44	20.15	19.19	39.35	37.10	17.74
Price/Sales (P/S)	1.99	2.24	2.69	8.32	2.39	1.41
Earnings Yield	6.93%	2.70%	5.21%	2.54%	2.70%	5.63%
Debt/Equity	1.33	1.33	0.72	1.65	1.76	1.28
Cash Flow (\$/share)	4.98	2.72	6.94	64.29	51.24	4.89
Growth Score	B	-	-	B	D	F
Hist. EPS Growth (3-5 yrs)	15.86%	6.43%	10.56%	16.80%	139.60%	2.81%
Proj. EPS Growth (F1/F0)	6.39%	31.25%	7.57%	31.62%	96.80%	-17.03%
Curr. Cash Flow Growth	15.26%	12.04%	14.73%	18.69%	3.53%	8.12%
Hist. Cash Flow Growth (3-5 yrs)	9.26%	7.00%	9.00%	9.76%	47.02%	3.68%
Current Ratio	0.86	1.26	1.24	1.28	0.28	0.60
Debt/Capital	57.33%	59.80%	42.99%	62.26%	63.79%	57.18%
Net Margin	11.45%	13.22%	11.14%	14.92%	2.76%	10.47%
Return on Equity	17.97%	0.38%	17.16%	22.55%	2.91%	14.55%
Sales/Assets	0.42	0.35	0.55	0.44	0.31	0.41
Proj. Sales Growth (F1/F0)	5.33%	3.57%	4.16%	9.54%	5.63%	-3.13%
Momentum Score	F	-	-	C	C	C
Daily Price Chg	1.34%	-0.19%	0.27%	-1.52%	-1.19%	-0.08%
1 Week Price Chg	-0.07%	-0.08%	0.39%	5.33%	2.14%	-1.45%
4 Week Price Chg	8.85%	2.71%	2.95%	10.24%	5.69%	2.77%
12 Week Price Chg	5.93%	8.18%	7.76%	26.13%	15.55%	7.73%
52 Week Price Chg	32.28%	5.93%	22.29%	93.95%	70.76%	25.39%
20 Day Average Volume	16,549,963	300,638	1,536,375	25,993	931,365	1,497,799
(F1) EPS Est 1 week change	-0.16%	0.00%	0.00%	0.00%	-0.12%	0.00%
(F1) EPS Est 4 week change	-0.14%	0.00%	0.00%	0.00%	-0.39%	3.24%
(F1) EPS Est 12 week change	-2.25%	-2.49%	-0.40%	11.70%	10.51%	20.44%
(Q1) EPS Est Mthly Chg	-0.47%	0.00%	0.00%	0.00%	-0.25%	0.00%

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 have an excellent 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.

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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	B
Growth Score	B
Momentum Score	F
VGM Score	C

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.

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