

Donaldson Company (DCI)

\$44.49 (As of 05/19/20)

Price Target (6-12 Months): **\$48.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: B

Summary

Growth expansion, focus on innovation and supply-chain optimization are likely to benefit Donaldson in the quarters ahead. Also, its cost-reduction efforts will help it deal with the financial stress caused by the pandemic. Dividend payment and share buybacks (to the extent to offset stock-based compensation related dilution) remain its priorities. However, the pandemic woes are expected to adversely impact sales in third-quarter fiscal 2020, lowering it by 14-16% year over year. Projections for both fiscal 2020 and fiscal 2021 have been suspended. Also, forex woes and high debt levels are a concern. In the past three months, Donaldson's shares have declined, narrower than the industry. Its consensus estimates have been lowered for fiscal 2020 and 2021 in the past 30 days.

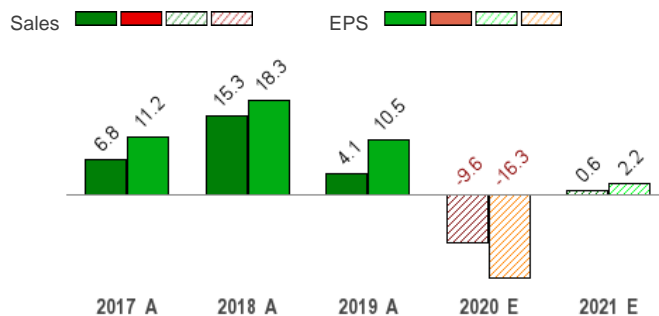
Price, Consensus & Surprise



Data Overview

| | |
|----------------------------|-----------------------------------|
| 52 Week High-Low | \$58.32 - \$31.08 |
| 20 Day Average Volume (sh) | 488,304 |
| Market Cap | \$5.6 B |
| YTD Price Change | -22.8% |
| Beta | 1.39 |
| Dividend / Div Yld | \$0.84 / 1.9% |
| Industry | Pollution Control |
| Zacks Industry Rank | Bottom 47% (135 out of 254) |

Sales and EPS Growth Rates (Y/Y %)



| | |
|---------------------------|------------|
| Last EPS Surprise | 6.4% |
| Last Sales Surprise | -4.3% |
| EPS F1 Est- 4 week change | -6.9% |
| Expected Report Date | 06/02/2020 |
| Earnings ESP | -10.6% |

Sales Estimates (millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | | | | | 2,589 E |
| 2020 | 673 A | 662 A | 606 E | 607 E | 2,573 E |
| 2019 | 701 A | 704 A | 713 A | 727 A | 2,845 A |

EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|----------|----------|----------|----------|----------|
| 2021 | | | | | \$1.89 E |
| 2020 | \$0.51 A | \$0.50 A | \$0.44 E | \$0.39 E | \$1.85 E |
| 2019 | \$0.56 A | \$0.47 A | \$0.58 A | \$0.61 A | \$2.21 A |

*Quarterly figures may not add up to annual.

| | |
|---------|------|
| P/E TTM | 20.2 |
| P/E F1 | 24.1 |
| PEG F1 | 2.2 |
| P/S TTM | 2.0 |

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/19/2020. The reports text is as of 05/20/2020.

Overview

Headquartered in Bloomington, MN, Donaldson Company, Inc is engaged in manufacturing and selling of filtration systems and replacement parts across the world. It was founded in 1915. Exiting fiscal 2019 (ended Jul 31, 2019), the company manufactured products across 50 plants placed globally.

Leading filtration technology, strong customer relationships and solid presence across diverse geographies are the company's three core strengths. Notably, it has operations in the United States; Europe, Middle East and Africa (EMEA); Asia Pacific and Latin America.

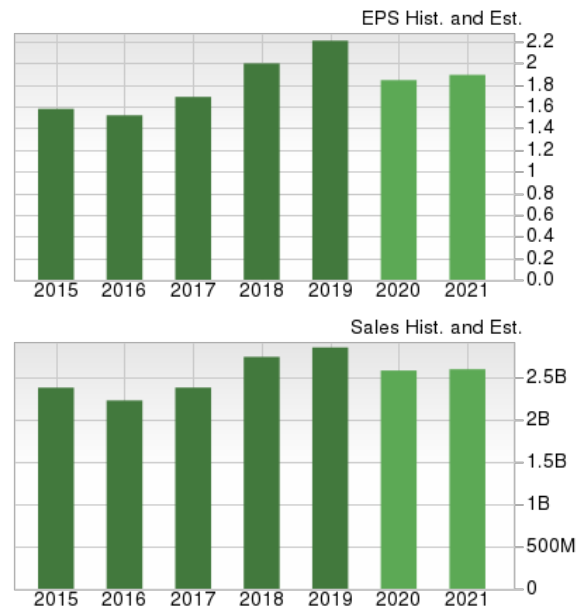
The company has two reportable business segments — Engine Products and Industrial Products. A brief discussion on the segments is provided below:

- **Engine Products** (accounted for 65.8% of net sales in second-quarter fiscal 2020): The segment engages in the manufacturing and selling of air filtration systems, liquid filtration systems (for hydraulics, fuel and lube applications), exhaust and emissions systems, and replacement filters.

The segment's products are mainly used by original equipment manufacturers (OEMs) in the agriculture, construction, aerospace, defense, mining and truck markets. Products are also sold to independent distributors, private label accounts, OEM dealer networks and large equipment fleets.

- **Industrial Products** (34.2%): The segment manufactures and sells dust, mist and fume collectors; air filtration systems (for gas turbines); compressed air purification systems; PTFE membrane-based products; and specialized air and gas filtration systems.

The products are sold to various OEMs (for replacement filters and specific markets), dealers and distributors.



Reasons To Buy:

- ▲ In second-quarter fiscal 2020, the company's earnings beat estimates by 6.4%. Also, its earnings increased 6.4% year over year on the back of improved operating results and lower taxes. In the quarter ahead, the company might benefit from focus on innovation and supply-chain optimization, growing e-commerce business and growth investments. In April, the company noted that safety of its workers, satisfaction of customers and measures to fight the pandemic are its priorities. Also, cost-reduction measures have been undertaken to deal with financial stress.
- ▲ In the second quarter of fiscal 2020, Donaldson's gross margin came in at 33.7%, up from 32% in the prior-year quarter on the back of price optimization and seamless supply-chain operations. Lower cost of raw materials and favorable mix of sales further added to the positive. In April, the company noted that its gross margin (combined for February and March) was flat year over year driven by favorable mix of sales and lower cost of raw materials as well as gains from procurement initiatives. It also mentioned that improvement in gross margin is a priority.
- ▲ Dividend payouts and share buybacks are Donaldson's preferred modes of rewarding shareholders. In the first six months of fiscal 2020, the company used \$65 million for purchasing treasury stocks and \$53.2 million for paying out dividends. It is worth mentioning that in late May 2019, Donaldson announced a 10.5% hike in its quarterly dividend rate. Further, in April, the company mentioned that it is committed toward buying back shares (to the extent that offset the dilution caused by stock based compensation) and rewarding shareholders with dividend payouts.

Solid product offerings and focus on innovation as well as effective use of resources in growth investments, share buybacks and dividend payments bode well for Donaldson.

Reasons To Sell:

- ▼ In the past three months, shares of Donaldson have fallen 13.8% compared with the industry's decline of 18.6%. In second-quarter fiscal 2020, the company's sales lagged estimates by 4.3%. The company is wary about the impact of uncertainties related to the pandemic on its results. It has suspended projections for both fiscal 2020 and fiscal 2021. For third-quarter fiscal 2020 (ended April 2020), the company expects its sales to fall 14-16% year over year due to uncertainties caused by the pandemic. In particular, combined sales of February and March decreased 8.7%. In the past 30 days, the consensus estimate for fiscal 2020 and fiscal 2021 have fallen 6.6% and 12.5%, respectively, thereby reflecting bearish investor sentiments.
- ▼ Donaldson intends to become more competent on the back of overseas business expansion. However, this exposes the company to several economic, political and environmental headwinds. Notably, the impact of unfavorable foreign currency translation affected its second-quarter fiscal 2020 revenues by 0.6%. Forex woes adversely impacted the company's combined sales for February and March by 1.8%
- ▼ Rise in debts can be detrimental for Donaldson, as it inflates financial obligations and in turn, can adversely influence profitability. In the last five fiscal years (2015-2019), the company's long-term debt jumped 10.7% (CAGR), while the balance of \$595.8 million at the end of second-quarter fiscal 2020 reflected 2% growth from the fourth quarter of fiscal 2019. At the end of second-quarter fiscal 2020, its total-debt to total-capital increased to 43.4% from 41.6% recorded at the end of fiscal 2019, while times interest earned decreased from 19.9x to 19.8x. Notably, times interest earned reflect the company's ability to meet its debt obligations.

The coronavirus outbreak is expected to hurt Donaldson's sales in the third quarter of fiscal 2020. Besides, forex woes and high debt levels might play spoilsport.

Last Earnings Report

Donaldson Beats Q2 Earnings Estimates, Lowers View

Donaldson reported impressive bottom-line results for second-quarter fiscal 2020 (ended Jan 31, 2020), with earnings beating estimates by 6.4%. However, sales lagged estimates by 4.3%.

The company's adjusted earnings in the reported quarter were 50 cents per share, surpassing the Zacks Consensus Estimate of 47 cents. Also, the bottom line increased 6.4% from the year-ago quarter's figure of 47 cents on improved operating results and lower taxes.

Quarter Ending **01/2020**

| Report Date | Mar 05, 2020 |
|------------------|--------------|
| Sales Surprise | -4.34% |
| EPS Surprise | 6.38% |
| Quarterly EPS | 0.50 |
| Annual EPS (TTM) | 2.20 |

Top-Line Results

In the fiscal second quarter, Donaldson's net sales were \$662 million, reflecting a year-over-year decline of 5.9%. The results suffered from lower volumes and the negative impact of 0.6% from forex woes, offset by a positive impact of 0.7% from pricing.

However, the top line lagged the Zacks Consensus Estimate of \$692 million.

On a geographical basis, the company's net sales in the United States decreased 7.6% year over year. Results also suffered from a 6.4% decline in Europe, Middle East and Africa's sales, and a 3.2% dip in the Asia Pacific's sales. Sales in Latin America declined 2.8% year over year.

The company reports revenues under the following segments — Engine Products and Industrial Products. A brief snapshot of the segmental sales is provided below:

Engine Products' (accounting for 65.8% of net sales in second-quarter fiscal 2020) sales were \$435.6 million, reflecting a year-over-year decline of 7.1%.

The results were adversely impacted by a 14.5% fall in Off-Road, 21.1% in On-Road and 4% in Aftermarket sales. This was partially offset by a 0.6% increase in Aerospace and Defense sales.

Revenues generated from Industrial Products (accounting for 34.2% of net sales in second-quarter fiscal 2020) were \$226.4 million, decreasing 3.5% from the year-ago quarter.

Results suffered from a decline of 11.6% in Gas Turbine Systems and 5.9% in Industrial Filtration Solutions, partially offset by a 10.7% increase in Special Applications' sales.

Margin Profile

In the reported quarter, Donaldson's cost of sales decreased 8.2% year over year to \$438.8 million. It represented 66.3% of net sales versus 68% in the year-ago quarter. Adjusted gross margin in the quarter was 33.7%, up 170 basis points (bps) year over year. Results gained from pricing, procurement, production and supply-chain measures as well as reduced raw material costs and favorable sales mix. However, lower sales in the quarter were a setback.

Operating expenses grew 2.1% year over year to \$142.6 million. It represented 21% of net sales versus 19.9% in the year-ago quarter. Adjusted operating margin in the quarter under review was 12.8%, up 70 bps year over year. Adjusted effective tax rate in the quarter was 22.2%, down from 24.8% in the year-ago quarter.

Balance Sheet & Cash Flow

Exiting second-quarter fiscal 2020, Donaldson's cash and cash equivalents were \$211.1 million, up 0.5% from \$210 million recorded in the last reported quarter. Long-term debt was down 0.2% sequentially to \$595.8 million.

In the first two quarters of fiscal 2020, the company repaid long-term debt of \$111.1 million, while raised \$122.7 million from long-term debts.

In the first half of fiscal 2020, Donaldson generated net cash of \$176.8 million from operating activities, reflecting an increase of 23.8% from the year-ago figure. Capital expenditure totaled \$79.7 million versus \$67.1 million in the year-ago quarter. Free cash flow in the reported quarter was \$97.1 million, suggesting a year-over-year increase of 28.3%.

In the first half, the company used \$65 million for purchasing 1.4 million shares and \$53.2 million for paying out dividends.

Outlook

Donaldson revised down its projection for fiscal 2020 (ending July 2020), expecting soft market conditions. Sales in the year are now predicted to dip 3-7% as compared with a decline of 2% to increase of 4% mentioned previously.

It projects forex woes to have an adverse impact of 1-2% on sales, while pricing is likely to be positively impacted the same by 1%.

The company anticipates fiscal 2020 Engine Products' sales to be down 5-9% year over year. Earlier, it had predicted a 4% decline to 2% increase for the segment. The results will likely suffer from declines in Aftermarket, Off-Road and On-Road sales. However, Aerospace and Defense sales are predicted to grow from the previous year.

Donaldson anticipates Industrial Products' sales to be down 3% to grow 1% on a year-over-year basis. The change compares unfavorably with growth of 2-8% expected earlier. It expects sales from Industrial Filtration Solutions and Special Applications businesses to decline year over

year. Flat results are expected from the Gas Turbine Systems business.

It predicts operating margin of 13.5-13.9%, down from 13.9-14.5% expected earlier. Notably, operating margin was 13.6% in fiscal 2019 (ended July 2019). On a year-over-year basis, the operating margin will likely benefit from gross margin improvement, reduced incentive compensation and expense management.

The company anticipates interest expenses of \$18 million, down from \$18-\$20 million mentioned previously. Capital expenditure projection is maintained at \$110-\$130 million. It now expects effective income tax rate of 24.3-25.3%, lower than 25-27% stated earlier.

It projects earnings of \$2.05-\$2.19 per share for the year, down from previously stated \$2.21-\$2.37. Share buybacks in the fiscal year are likely to be 2% of the company's outstanding shares.

Recent News

On **Apr 29, 2020**, Donaldson communicated that safety of its workers, satisfaction of customers and measures to fight the pandemic are its priorities. Further, it mentioned that it remains committed toward making growth investments, buying back shares and rewarding shareholders with dividends. At March end, the company had \$438 million liquidity — including revolving credit facilities and cash on hand — at its disposal.

The company expects capital expenditure to decline year over year in fiscal 2021. For third-quarter fiscal 2020 (ended April 2020), the company expects its sales to fall 14-16% year over year due to uncertainties caused by the pandemic. In particular, combined sales of February and March decreased 8.7%, including 1.8% impact of forex woes. On the other hand, 25-30% year over year decline is predicted for sales in April.

The company has withdrawn its projections for both fiscal 2020 and fiscal 2021.

On **Mar 12, 2020**, Donaldson announced the launch of PowerCore Edge, an innovative and high-performance air cleaner. Equipped with easier servicing facility, the avant-garde filtration device has been specifically designed to provide improved pre-cleaner performance in non-scavenged applications.

On **Mar 12, 2020**, Donaldson announced the launch of Filter Minder, a top-notch wireless monitoring system for air filters. Equipped with a connected technology, the trailblazing device has been tested in real-world conditions and aids in taking up-to-date air filtration maintenance decisions. It boosts fleet maintenance practices in off-road equipment and on-road truck fleets.

On **Mar 10, 2020**, Donaldson announced the extension of its iCue connected filtration service to Europe. Unveiled in September 2019, the service enables facilities to reduce production downtime by monitoring major parameters on dust collection equipment. Touted as an efficient dust collection management system, the connected filtration service leverages real-time information to solve troubleshoot problems, allowing its users to drive production efficiency and reduce maintenance costs.

On **Feb 28, 2020**, Donaldson paid out a quarterly cash dividend of 21 cents per share to shareholders of record as of Feb 14, 2020.

On **Feb 24, 2020**, Donaldson announced that it has acknowledged a binding offer from a global supplier of exhaust systems — Nelson Global Products — to purchase the former's Exhaust and Emissions (E&E) business unit. The strategic divestiture underscores Donaldson's efforts to manage its infiltration business portfolio efficiently. Financial terms of the deal have not yet been disclosed.

Valuation

Donaldson's shares have decreased 22.8% and 10.7% in the year to date and over the trailing 12-month period, respectively. Stocks in the Zacks sub-industry and the Zacks Industrial Products sector have moved down 22.4% and 19.6%, respectively, on a year-to-date basis. Over the past year, the Zacks sub-industry decreased 5.3% and the sector moved down 13.1%.

The S&P 500 Index has moved down 8.2% in the year-to-date period and increased 3% in the past year.

The stock is currently trading at 23.61x forward 12-month earnings per share, which compares to 23.07x for the Zacks sub-industry, 19.6x for the Zacks sector and 21.52x for the S&P 500 Index.

Over the past five years, the stock has traded as high as 27.73x and as low as 15.44x, with a 5-year median of 21.56x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our price target of \$48 reflects 25.47x forward 12-month earnings.

The table below shows summary valuation data for DCI.

| Valuation Multiples - DCI | | | | | |
|---------------------------|---------------|-------|--------------|--------|---------|
| | | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M | Current | 23.61 | 23.07 | 19.6 | 21.52 |
| | 5-Year High | 27.73 | 23.07 | 19.93 | 21.52 |
| | 5-Year Low | 15.44 | 14.23 | 12.55 | 15.23 |
| | 5-Year Median | 21.56 | 18.31 | 16.65 | 17.49 |
| EV/EBITDA F12M | Current | 12.49 | 10.72 | 16.39 | 12.3 |
| | 5-Year High | 16.87 | 10.72 | 18.05 | 12.65 |
| | 5-Year Low | 9.9 | 5.16 | 10.56 | 9.05 |
| | 5-Year Median | 13.17 | 7.84 | 14.08 | 10.81 |
| EV/Sales F12M | Current | 2.26 | 1.64 | 2.8 | 3.02 |
| | 5-Year High | 2.73 | 1.94 | 3.12 | 3.51 |
| | 5-Year Low | 1.63 | 0.86 | 1.76 | 2.28 |
| | 5-Year Median | 2.27 | 1.38 | 2.31 | 2.82 |

As of 05/19/2020

Industry Analysis Zacks Industry Rank: Bottom 47% (135 out of 254)



Top Peers

| Company (Ticker) | Rec | Rank |
|---------------------------------|---------|------|
| Cummins Inc. (CMI) | Neutral | 3 |
| Danaher Corporation (DHR) | Neutral | 3 |
| Eaton Corporation, PLC (ETN) | Neutral | 4 |
| Fuel Tech, Inc. (FTEK) | Neutral | 2 |
| Genuine Parts Company (GPC) | Neutral | 4 |
| ParkerHannifin Corporation (PH) | Neutral | 3 |
| Tetra Tech, Inc. (TTEK) | Neutral | 4 |
| Vertex Energy, Inc (VTNR) | Neutral | 3 |

| Industry Comparison Industry: Pollution Control | | | | Industry Peers | | |
|---|---------|------------|-----------|----------------|-----------|-----------|
| | DCI | X Industry | S&P 500 | CMI | DHR | PH |
| Zacks Recommendation (Long Term) | Neutral | - | - | Neutral | Neutral | Neutral |
| Zacks Rank (Short Term) | 4 | - | - | 3 | 3 | 3 |
| VGM Score | A | - | - | B | D | B |
| Market Cap | 5.64 B | 35.44 M | 19.91 B | 23.28 B | 110.99 B | 21.04 B |
| # of Analysts | 6 | 3 | 14 | 6 | 9 | 9 |
| Dividend Yield | 1.89% | 0.00% | 2.14% | 3.32% | 0.45% | 2.14% |
| Value Score | B | - | - | B | D | B |
| Cash/Price | 0.04 | 0.14 | 0.07 | 0.09 | 0.04 | 0.04 |
| EV/EBITDA | 12.76 | 12.42 | 12.09 | 6.31 | 28.45 | 11.08 |
| PEG Ratio | 2.29 | 3.08 | 2.68 | 3.26 | 3.58 | 1.46 |
| Price/Book (P/B) | 5.99 | 0.93 | 2.75 | 2.90 | 3.76 | 3.34 |
| Price/Cash Flow (P/CF) | 15.38 | 14.18 | 10.68 | 8.00 | 25.61 | 10.54 |
| P/E (F1) | 24.77 | 33.03 | 19.96 | 21.19 | 32.57 | 17.20 |
| Price/Sales (P/S) | 2.03 | 0.89 | 2.01 | 1.03 | 5.72 | 1.48 |
| Earnings Yield | 4.16% | 1.10% | 4.83% | 4.72% | 3.07% | 5.81% |
| Debt/Equity | 0.69 | 0.31 | 0.76 | 0.20 | 0.77 | 1.28 |
| Cash Flow (\$/share) | 2.89 | 0.09 | 7.01 | 19.73 | 6.21 | 15.57 |
| Growth Score | A | - | - | A | C | B |
| Hist. EPS Growth (3-5 yrs) | 10.06% | 29.67% | 10.87% | 16.19% | 2.50% | 17.20% |
| Proj. EPS Growth (F1/F0) | -16.52% | -16.33% | -10.48% | -50.53% | 10.53% | -19.47% |
| Curr. Cash Flow Growth | 8.18% | 11.46% | 5.51% | 9.29% | 1.84% | 6.37% |
| Hist. Cash Flow Growth (3-5 yrs) | 2.27% | 13.48% | 8.55% | 7.28% | 5.87% | 7.55% |
| Current Ratio | 2.25 | 1.77 | 1.28 | 1.40 | 1.32 | 1.49 |
| Debt/Capital | 41.12% | 25.44% | 44.46% | 16.46% | 42.26% | 56.22% |
| Net Margin | 9.47% | 0.87% | 10.59% | 9.34% | 16.85% | 9.32% |
| Return on Equity | 30.72% | 7.05% | 16.27% | 24.86% | 11.52% | 24.30% |
| Sales/Assets | 1.25 | 1.00 | 0.55 | 1.12 | 0.32 | 0.72 |
| Proj. Sales Growth (F1/F0) | -9.55% | 0.00% | -2.49% | -26.69% | 2.81% | -6.53% |
| Momentum Score | B | - | - | F | C | D |
| Daily Price Chg | -2.00% | 0.00% | -1.38% | -2.62% | -1.92% | -0.61% |
| 1 Week Price Chg | -5.64% | 0.00% | -4.56% | -3.50% | 1.50% | -4.79% |
| 4 Week Price Chg | 10.95% | 4.20% | 6.08% | 10.82% | 3.49% | 25.85% |
| 12 Week Price Chg | -7.66% | -12.83% | -13.96% | -2.00% | 4.93% | -15.61% |
| 52 Week Price Chg | -10.73% | -22.50% | -7.85% | -3.93% | 22.20% | -1.13% |
| 20 Day Average Volume | 488,304 | 21,797 | 2,586,392 | 1,245,210 | 3,871,402 | 1,510,849 |
| (F1) EPS Est 1 week change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | -0.16% |
| (F1) EPS Est 4 week change | -6.90% | -6.90% | -4.62% | -7.11% | -1.19% | 7.28% |
| (F1) EPS Est 12 week change | -18.24% | -46.29% | -16.58% | -38.45% | -10.32% | -9.34% |
| (Q1) EPS Est Mthly Chg | -22.84% | -18.52% | -10.10% | -34.84% | -17.57% | 18.78% |

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.

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 | B |
| Growth Score | A |
| Momentum Score | B |
| VGM Score | A |

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

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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.

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