![ZACKS Our Research. Your Success.]

Sep 22, 2020

Dover Corporation (DOV)

$107.48 (As of 09/21/20)

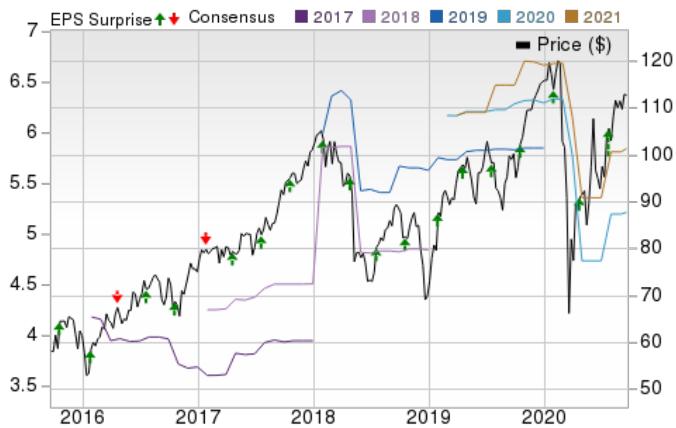
Price Target (6-12 Months): **$113.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/01/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: C | Momentum: A	

Summary

Dover's earnings estimates for the current quarter and current year have undergone upward revisions lately. It has re-initiated the current-year guidance on solid year-to-date margin performance and expectations of a possible demand improvement in the third quarter. Dover now expects adjusted EPS between $5.00 and $5.25 for 2020. However, Dover expects demand uncertainties and challenges related to COVID-19 to continue in the current year. The company is poised to gain from solid order backlog across its segments, strong growth in biopharma, aerospace & defense, heat exchangers and marking & coding business for the current year. Dover's cost reduction initiatives, M&A and execution of margin targets are likely to aid third quarter earnings. Dover's strong financial position and prudent capital structure also bode well.

Price, Consensus & Surprise

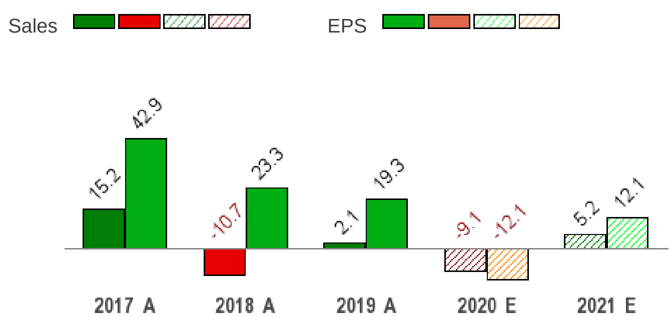


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$120.26 - $62.95**
20-Day Average Volume (Shares)	**623,022**
Market Cap	**$15.5 B**
Year-To-Date Price Change	**-6.8%**
Beta	**1.42**
Dividend / Dividend Yield	**$1.98 / 1.8%**
Industry	**Manufacturing - General Industrial**
Zacks Industry Rank	**Bottom 49% (129 out of 251)**
Last EPS Surprise	**27.0%**
Last Sales Surprise	**2.8%**
EPS F1 Estimate 4-Week Change	**0.3%**
Expected Report Date	**10/15/2020**
Earnings ESP	**2.2%**
P/E TTM	**19.0**
P/E F1	**20.6**
PEG F1	**1.8**
P/S TTM	**2.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	1,663 E	1,697 E	1,774 E	1,806 E	6,825 E
2020	1,656 A	1,499 A	1,634 E	1,695 E	6,486 E
2019	1,725 A	1,811 A	1,825 A	1,776 A	7,136 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$1.40 E	$1.41 E	$1.54 E	$1.53 E	$5.84 E
2020	$1.39 A	$1.13 A	$1.31 E	$1.36 E	$5.21 E
2019	$1.24 A	$1.56 A	$1.60 A	$1.54 A	$5.93 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 09/21/2020. The reports text is as of 09/22/2020.

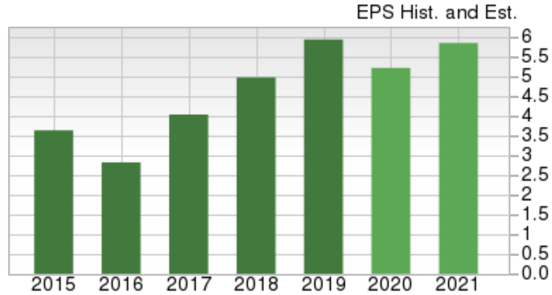
Overview

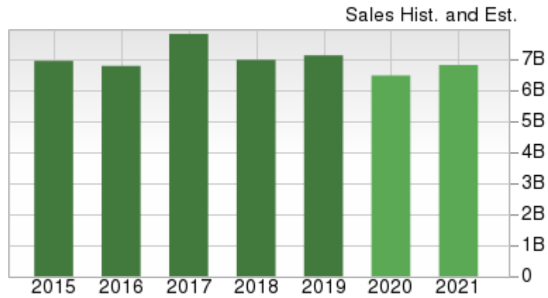
Incorporated in 1955, New York-based Dover Corporation is an industrial conglomerate producing a wide range of specialized industrial products and manufacturing equipment.

Since Oct 1, 2019, the company has transitioned from a three-segment to a five-segment structure as a result of a change to its internal organization. These segments are Engineered Products, Fueling Solutions, Imaging & Identification, Pumps & Process Solutions and Refrigeration & Food Equipment.

Fueling Solutions (41% of total revenues in 2019) segment serves the Fueling & Transport, Pumps and Process Solutions end markets. The division also focuses on the safe handling of critical fluids across the retail fueling, chemical, hygienic, oil and gas and industrial end markets. The unit's brands include Finder, Maag, OPW, and Hydro Systems.

Engineered Products (38%) segment comprises two platforms, Printing & Identification, and Industrials. The segment focuses on the design, manufacture and service of critical equipment and components serving the fast-moving consumer goods, digital textile printing, vehicle service, environmental solutions and industrial end markets. Industrial brands include Warn and Texas Hydraulics. The printing and identification business provide integrated printing, coding and identification solutions. Brands and products include IMAJE & Markem product labeling equipment, Datamax barcode equipment, Everett Charles Tech semi-cap machinery, and DEK circuitboard assembly equipment.





Refrigeration & Food Equipment (21%) segment serves the Refrigeration and Food Equipment end markets, and provides a variety of commercial refrigeration units, appliances, and heat exchangers for the foodservice, food processing, beverage and retail industries. Brands include Anthony and Hillphonenix refrigeration cases, and Belvac Production Machinery.

On Jan 22, 2019, Dover has entered an agreement to acquire Belanger, a leading full-line car-wash equipment maker. The buyout have boosted Dover's OPW business unit's performance, using Belanger's strong engineering and innovative solutions.

Source: Zacks Investment Research

Reasons To Buy:

Dover is poised to gain from solid order backlog, cost-reduction initiatives and execution of margin targets. Further, product digitization, e-commerce, new product development will boost growth.

- Dover's backlog remains healthy across its segments. Its backlog increased 7.8% year over year to $1.52 billion at the end of the second quarter of 2020. Robust order backlog by its long business cycle as well as sequential intra-quarter improvement in many shorter cycle businesses are likely to aid third-quarter 2020 results. The company is poised to gain from growth in biopharma, aerospace & defense, heat exchangers and marking & coding business for remaining period of the current year.

  In the Engineered Products, vehicle service and industrial automation are showing signs of improvements, while structural cost actions will support the segment's margin in the current year. In Fueling Solutions, order trends have been robust on US EMV conversion. The Imaging & Identification segment will continue to gain from strong demand for consumables and fast-moving consumer goods solutions. Dover expects the segment performance to improve in the second half driven by the pick-up in textiles consumable volumes and demand rebound in digital printing business. In the Pumps & Process Solutions segment, strong demand for food and beverage, recovery in industrial pumps and strong growth in biopharma and hygiene market on account of the pandemic are likely to be conducive to the segment's performance in the current year. In Refrigeration & Food Equipment segment, recovery in volumes, along with cost-control actions, will drive the segment's margin and profitability in 2020.

- Dover will gain from product digitization, e-commerce, new product development, and inorganic investment in core business platforms. Despite travel restrictions, global lockdowns, production curtailments and reduced volumes, Dover's productivity and cost-control initiatives boosted margin performance in the second quarter of 2020, positioning it well to exceed the margin conversion target of 25-30% for 2020. Dover also aims to lower capital expenditure forecast for the current year. It executed restructuring programs to better align the costs and operations with current market conditions through targeted facility consolidations, headcount reductions and other measures, which will support the company's margins in second half of the current year.The company has initiated several growth and productivity capital projects and has started investments in can forming and heat exchanger businesses to capture growing volumes and upgrade competitive capabilities.

- Dover continues to lower its debt levels and strengthen the balance sheet. Its long-term debt was around $3 billion at the end of second-quarter 2020, flat with the prior quarter. Its total debt to total capital stands at 49.3%, lower than its industry's 53%. Moreover, the company's times interest earned ratio has been improving for the past six quarters and came in at 8.0x at the end of the second quarter. This indicates that the company will be able to meet debt obligations in the near future. Dover has current liquidity of $1.6 billion consisting $650 million of cash and revolving credit capacity of $1 billion. In the June-end quarter, the company secured new incremental $450 million revolving credit facility to bolster liquidity position. Moreover, Dover has lifted its recent suspension on share repurchase and will continue to buy back stocks. Dover's strong financial position, prudent capital structure, refinancing efforts and momentum in operational execution poise it well to navigate through the current turbulent situation.

- Dover has a long tradition of making successful acquisitions in diverse end markets. In 2019, the company acquired three businesses for a total consideration of $216.4 million. The company made these acquisitions to complement and expand upon the existing operations within the Fueling Solutions and Pumps & Process Solutions segments. Dover has deployed nearly a $250 million on accretive acquisitions so far this year and continue to pursue attractive acquisitions. In January, Dover completed the acquisition of Systech International. The buyout supports Dover's marking and coding portfolio, and expand software and service revenues within Markem-Imaje segment. Dover is on track to integrate Systech which poise it well to increase backlog in the segment.

Reasons To Sell:

Dover's results in 2020 is likely be hurt by the pandemic as well as weak demand across end-markets. Also, challenging market conditions in retail refrigeration remain a headwind.

- Demand environment across the company's business remains uncertain. Even though activity across most markets improving, it remains below the pre-pandemic levels. In the first quarter 2020, Dover has withdrawn current year guidance on account of the uncertainty related to the coronavirus pandemic and its negative impact on the demand environment. However, backed by solid year-to-date margin performance and expectations of a possible improvement in demand during the September-end quarter, Dover has re-initiated the current-year guidance. The company now expects adjusted earnings per share (EPS) between $5.00 and $5.25 reflecting a year-over-year decline of 11.7% at the mid-point.

- Demand conditions in textile printing and food service remain at dismal levels, while food retail and automotive aftermarket were challenged during the June-end quarter. In the Engineered Products segment, waste handling business might face headwinds due to tightening of industry capital expenditure and municipal finances after several years of solid growth. In Imaging & ID, digital textile printing will be affected in 2020 as apparel markets have been hit hard by the shutdown of Apparel Retail globally. In Pumps & Process Solutions, the oil and gas mid- and downstream markets served primarily by precision components business continues to be impacted by deferral of capital expenditure and refurbishment spending in refining and pipelined operators.

- Dover is facing near-term demand headwind due to weak food and retail construction markets in the Refrigeration & Food Equipment segment. Commercial food service market is adversely impacted by restaurant and school closures in the United States. Decline in order trends and postponing construction projects due to peak traffic volumes are contributing to lower demand in the segment. Also, the SWEP heat-exchanger business has faced operational disruptions in Asia and demand reduction in the HVAC industry globally. These factors are likely to impact the segment's results in the near term.

- Overall slowdown in the manufacturing sector pose a threat for the company. Per the Institute for Supply Management's report, the U.S Purchasing Managers' Index (PMI) came in at 41.5% for April — the lowest since April 2009 when it registered 39.9%. In May, the PMI came in at 43.1%. A reading below 50 denotes contraction. Even though the index climbed to 56% in August, indicating consecutive three months of expansion, it remains to be seen whether the recovery will sustain considering the surge in coronavirus cases.

Last Earnings Report

Dover's Q2 Earnings & Sales Beat Estimates, Down Y/Y

Quarter Ending	06/2020
Report Date	**Jul 22, 2020**
Sales Surprise	**2.82%**
EPS Surprise	**26.97%**
Quarterly EPS	**1.13**
Annual EPS (TTM)	**5.66**

Dover recorded second-quarter 2020 adjusted earnings per share from continuing operations of $1.13, beating the Zacks Consensus Estimate of 89 cents per share. The figure, however, declined 28% from the prior-year quarter's $1.56 per share as the COVID-19 pandemic impacted its end markets.

On a reported basis, Dover delivered earnings per share of 86 cents in the June-end quarter, reflecting a year-over-year plunge of 36%.

Total revenues in the second quarter came in at $1,499 million, marking a decline of 17% from the year-ago quarter. The revenue figure, however, surpassed the Zacks Consensus Estimate of $1,458 million.

Costs and Margins

Cost of sales fell 17% year over year to $948 million during the April-June quarter. Gross profit declined 18% year over year to $552 million. Gross margin came in at 36.8% compared with the year-ago quarter's 37.2%.

Selling, general and administrative expenses slipped 7.5% to $367 million from the prior-year quarter. Operating profit decreased to $185 million from the year-ago quarter's $276 million. Operating margin came in at 12.3% compared with the year-ago quarter's 15.2%.

Segmental Performance

The Engineered Products segment revenues went down to $342.3 million from the $429.9 million recorded in the year-ago quarter. The segment's income decreased 37.6% year over year to $48 million.

Fueling Solutions segment revenues declined to $326.5 million from the $390.6 million recorded in the prior-year quarter. The segment's income declined 11.3% year over year to $47 million.

The Imaging & Identification segment revenues fell to $228 million from the $267 million recorded in the comparable period last year. The segment's income plunged 31% year over year to $38 million.

The Pumps & Process Solutions revenues dropped 8.8% year over year to $309 million in the quarter. The segment income came in at $68 million compared with the year-ago quarter's $76 million.

The Refrigeration & Food Equipment segment's revenues declined 23.6% to $294 million from the year-earlier quarter's $385 million. The segment's operating income slumped 75% year over year to $11.5 million.

Bookings and Backlog

Dover's bookings at the end of the second quarter were worth $1.41 billion, down 22.5% year over year. Backlog increased 7.8% year over year to $1.52 billion at the end of the reported quarter.

Financial Position

Dover generated free cash flow of $232.8 million in the reported quarter compared with the prior-year quarter's $154.7 million. Cash flow from operations came in at $271.8 million in the June-end quarter compared with the year-ago quarter's $208.7 million.

Outlook

Dover has re-initiated the current-year guidance on the solid year-to-date margin performance and expectations of a possible improvement in demand during the September-end quarter. The company now expects adjusted earnings per share (EPS) between $5.00 and $5.25.

Dover is poised to benefit from year-over-year higher backlog driven by its long business cycle and sequential intra-quarter improvement in many shorter cycle businesses.

Recent News

Dover Acquires XanTec, Expands Automation Solutions Offering

On Sep 2, 2020, Dover has completed the acquisition of XanTec Steuerungs- und EDV-Technik GmbH ("XanTec") in an effort to expand automation solutions offering for the polymer processing machines. XanTec is a German manufacturer and provider of automation and control solutions for all kinds of industrial machinery, particularly focused on plastic and polymer processing machinery across the globe.

Following the buyout, XanTec has now become part of the Maag Group within Dover's Pumps & Process Solutions segment. Maag provides integrated and customizable process technology solutions for the chemical, polymer, pharmaceutical, petrochemical and food industries globally.

XanTec has historically cooperated with Maag to deliver best-in-class integrated solutions to end customers with its state-of-the-art planning and design, programming and manufacturing processes. XanTec also offers technical monitoring of installations, start-up assistance, precautionary maintenance and remote access as well as diagnostics of systems.

Notably, the acquisition boosts Maag's offering for automation solutions with an Internet of Things (IoT) enabled technology, while positioning it to expand presence in monitoring solutions and aftermarket remote service for the polymer processing and related markets.

Dover Acquires Solaris, Boosts Laser Technology Offerings

On Aug 20, 2020 Dover acquired Solaris Laser S.A. ("Solaris") in an effort to expand its laser technology offerings for marking and coding solutions business. Based in Europe, Solaris offers advanced fiber, ultraviolet and CO2 laser systems for product marking and coding in various industrial and packaging applications.

Following the buyout, Solaris is now part of Dover's Markem-Imaje business unit, which is a global producer of product identification and traceability solutions. Solaris has served the marking and coding industry for more than 25 years.

The buyout boosts Markem-Imaje's laser technology product offerings, and reinforces its position in the identification and traceability equipment and solutions market. Moreover, the expansion of product lines will enable Markem-Imaje to fulfill customers' growing demand for the laser coding technologies. The transaction supports Dover's commitment to enhance its portfolio with bolt-on acquisitions by boosting shareholders' value and growth.

Valuation

Dover shares are down 6.8% in the year-to-date period and up 8.9% over the trailing 12-month period. Stocks in the Zacks Manufacturing – General Industrial industry and the Zacks Industrial Products sector are down 7.6% and 4.4% in the year-to-date period, respectively. Over the past year, the Zacks sub industry and sector are up 0.8% and 5.3% respectively.

The S&P 500 index is up 1.8% in the year-to-date period and 10% in the past year.

The stock is currently trading at 18.96X forward 12-month earnings, which compares to 26.16X for the Zacks sub-industry, 20.99X for the Zacks sector and 21.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.75X and as low as 10.47X, with a 5-year median of 17.48X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $113 price target reflects 19.93X forward 12-month earnings per share.

The table below shows summary valuation data for DOV:

Valuation Multiples - DOV

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.96	26.16	20.99	21.58
	5-Year High	26.75	27.53	21.85	23.44
	5-Year Low	10.47	15.6	12.55	15.26
	5-Year Median	17.48	19.88	17.51	17.63
P/S F12M	Current	2.3	3.34	2.87	4
	5-Year High	2.47	3.49	2.97	4.29
	5-Year Low	1.15	1.58	1.52	3.11
	5-Year Median	1.71	2.27	2.05	3.66
EV/EBITDA TTM	Current	13.04	19.08	19.23	14.15
	5-Year High	17.35	20.29	20.37	15.61
	5-Year Low	7.66	8.85	10.74	9.51
	5-Year Median	12.53	12.35	14.97	13.01

As of 09/21/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 49% (129 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Danaher Corporation **(DHR)**	Outperform	2
Colfax Corporation **(CFX)**	Neutral	3
Carlisle Companies Incorporated **(CSL)**	Neutral	4
Emerson Electric Co. **(EMR)**	Neutral	3
Eaton Corporation, PLC **(ETN)**	Neutral	3
Honeywell International Inc. **(HON)**	Neutral	3
John Bean Technologies Corporation **(JBT)**	Neutral	3
3M Company **(MMM)**	Neutral	3

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

Industry Comparison Industry: Manufacturing - General Industrial

	DOV	X Industry	S&P 500	CSL	JBT	MMM
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	4	3	3
VGM Score	B	-	-	A	A	A
Market Cap	15.47 B	1.14 B	22.78 B	6.48 B	3.02 B	92.95 B
# of Analysts	8	3	13	4	5	7
Dividend Yield	1.84%	0.00%	1.7%	1.77%	0.42%	3.64%
Value Score	C	-	-	A	C	B
Cash/Price	0.04	0.11	0.07	0.11	0.02	0.05
EV/EBITDA	14.36	11.10	12.89	9.02	14.35	14.75
PEG F1	1.82	3.00	2.91	1.41	4.41	2.05
P/B	5.01	1.96	3.17	2.58	5.06	8.52
P/CF	13.64	9.97	12.48	9.84	13.40	13.42
P/E F1	20.63	24.94	20.84	21.20	24.35	19.52
P/S TTM	2.29	1.27	2.44	1.45	1.58	2.96
Earnings Yield	4.85%	3.51%	4.53%	4.72%	4.11%	5.13%
Debt/Equity	0.97	0.49	0.70	0.83	1.09	1.77
Cash Flow ($/share)	7.88	2.49	6.93	12.06	7.10	12.02
Growth Score	C	-	-	A	A	B
Historical EPS Growth (3-5 Years)	16.20%	10.00%	10.41%	10.24%	27.36%	4.06%
Projected EPS Growth (F1/F0)	-12.14%	-25.19%	-4.56%	-31.79%	-21.25%	-9.17%
Current Cash Flow Growth	10.20%	-0.29%	5.26%	19.98%	14.88%	-11.15%
Historical Cash Flow Growth (3-5 Years)	1.28%	5.59%	8.49%	13.96%	25.60%	1.67%
Current Ratio	1.32	2.06	1.35	3.51	1.55	1.94
Debt/Capital	49.27%	32.99%	42.95%	45.22%	52.05%	63.85%
Net Margin	9.99%	4.34%	10.25%	8.43%	7.20%	16.38%
Return on Equity	27.33%	9.59%	14.66%	15.60%	27.66%	46.86%
Sales/Assets	0.76	0.74	0.50	0.77	1.01	0.70
Projected Sales Growth (F1/F0)	-9.11%	-7.84%	-1.44%	-11.85%	-11.55%	-1.38%
Momentum Score	A	-	-	C	B	A
Daily Price Change	-4.57%	-3.82%	-2.45%	-3.01%	-3.94%	-4.83%
1-Week Price Change	-0.18%	0.00%	0.79%	1.12%	0.54%	2.03%
4-Week Price Change	-3.22%	-4.90%	-3.66%	-7.66%	-7.81%	-1.33%
12-Week Price Change	13.62%	0.00%	5.24%	-0.49%	14.81%	3.72%
52-Week Price Change	8.92%	-19.71%	-2.08%	-17.58%	-6.64%	-3.24%
20-Day Average Volume (Shares)	623,022	67,244	2,038,285	402,286	139,857	2,681,704
EPS F1 Estimate 1-Week Change	0.22%	0.00%	0.00%	0.00%	0.00%	0.19%
EPS F1 Estimate 4-Week Change	0.34%	0.00%	0.00%	-0.29%	0.00%	0.45%
EPS F1 Estimate 12-Week Change	10.15%	4.13%	4.10%	0.75%	7.96%	4.52%
EPS Q1 Estimate Monthly Change	0.67%	0.00%	0.00%	-0.58%	0.00%	0.54%

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.

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

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.

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 forwardlooking 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 mediumterm 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 mostrecent 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.