

DTE Energy Company (DTE)

\$131.75 (As of 06/22/21)

Price Target (6-12 Months): **\$140.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/30/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

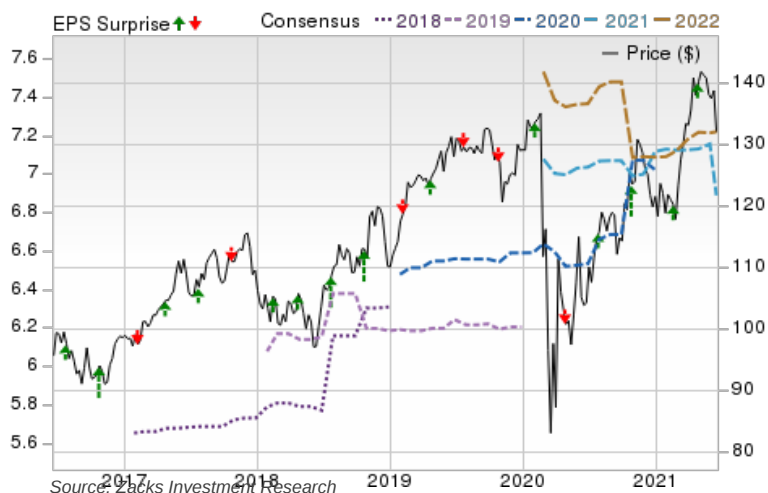
Growth: A

Momentum: F

Summary

DTE Energy is investing steadily to enhance its renewable generation assets, to reap the benefits of the growing clean energy market. Notably, DTE Electric currently expects to make capital investments of \$14 billion over the 2021-2025 period. On the other hand, DTE Gas' total capital investments are estimated at \$3 billion. The stock has outperformed the industry in the past year. However, so far, in 2021, the COVID-19 pandemic has caused reduction in sales volumes from DTE Energy's commercial and industrial customers and has affected the Power and Industrial Projects segment. Over the near term, the stock might continue to witness such reduction in sales and an increase in costs due to the impacts caused by the prolonged impacts of the pandemic. A comparative analysis of its historical P/E TTM ratio reflects a gloomy picture.

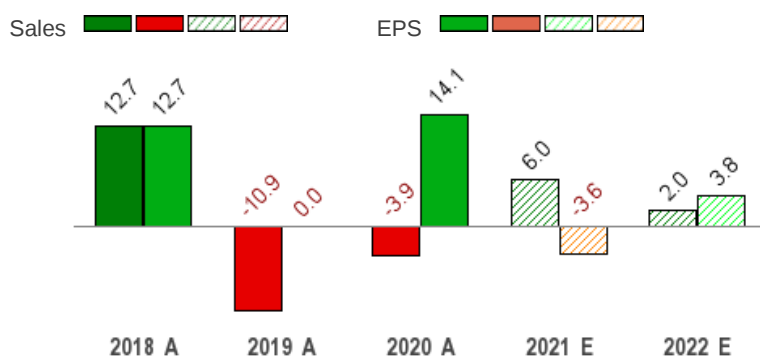
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$145.43 - \$102.84
20-Day Average Volume (Shares)	974,519
Market Cap	\$25.5 B
Year-To-Date Price Change	8.5%
Beta	0.62
Dividend / Dividend Yield	\$4.34 / 3.3%
Industry	Utility - Electric Power
Zacks Industry Rank	Bottom 22% (197 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	13.0%
Last Sales Surprise	20.9%
EPS F1 Estimate 4-Week Change	-3.3%
Expected Report Date	07/27/2021
Earnings ESP	-4.2%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					13,164 E
2021	3,778 A	2,669 E	3,395 E	3,436 E	12,912 E
2020	3,022 A	2,583 A	3,284 A	3,288 A	12,177 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.20 E	\$1.16 E	\$2.27 E	\$1.76 E	\$7.19 E
2021	\$2.44 A	\$1.27 E	\$2.05 E	\$1.39 E	\$6.93 E
2020	\$1.66 A	\$1.53 A	\$2.61 A	\$1.39 A	\$7.19 A

*Quarterly figures may not add up to annual.

P/E TTM	16.5
P/E F1	19.0
PEG F1	3.2
P/S TTM	2.0

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/22/2021. The report's text and the

analyst-provided price target are as of 06/23/2021.

Overview

Detroit, MI-based DTE Energy Company (DTE), incorporated in 1995, is a holding company with subsidiaries engaged in regulated and unregulated energy businesses. The company's two largest regulated subsidiaries comprise DTE Electric Company and DTE Gas Company. DTE Energy also has three non-utility segments engaged in a variety of energy-related businesses. The company's unregulated businesses include gas storage and pipelines; power and industrial projects, and energy trading operations.

Regulated Business

The Electric Utility segment consists mainly of DTE Electric Company. DTE Electric Company is a regulated electric utility operating in southeastern Michigan, including Detroit, primarily through fossil fuel-powered plants. Operating revenues for the Electric Utility segment in 2020 were \$5,506 million.

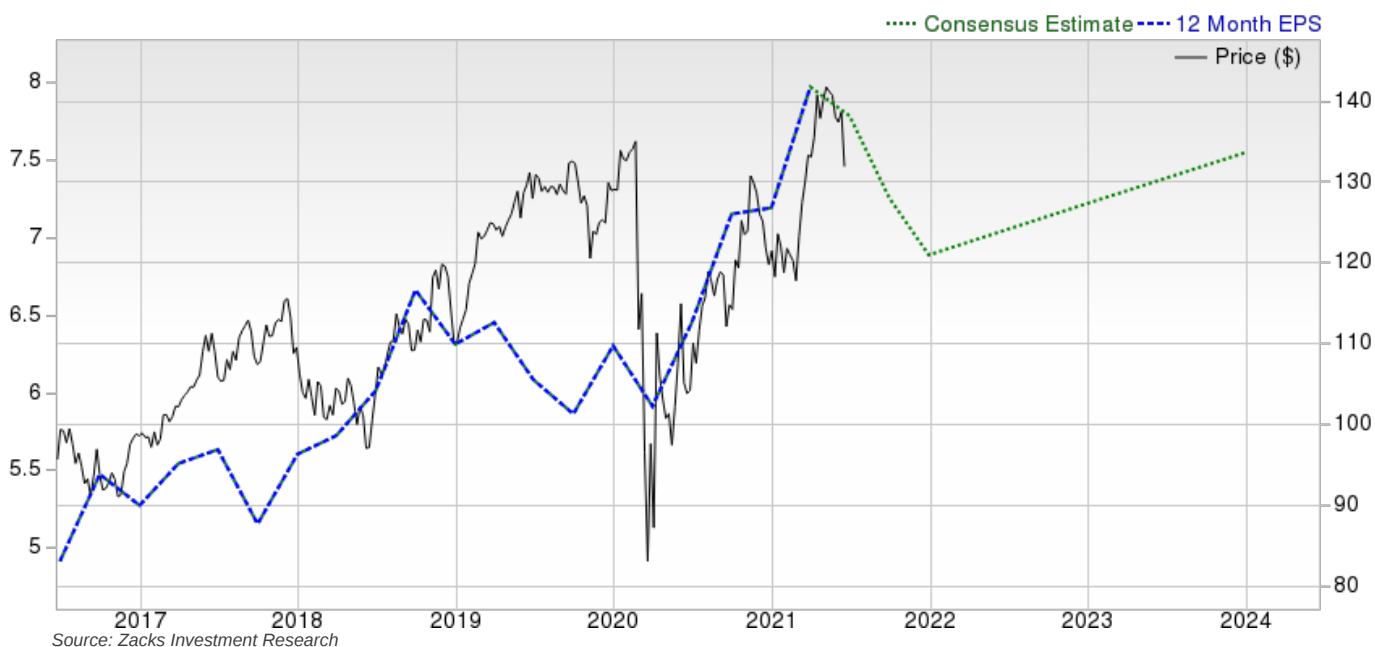
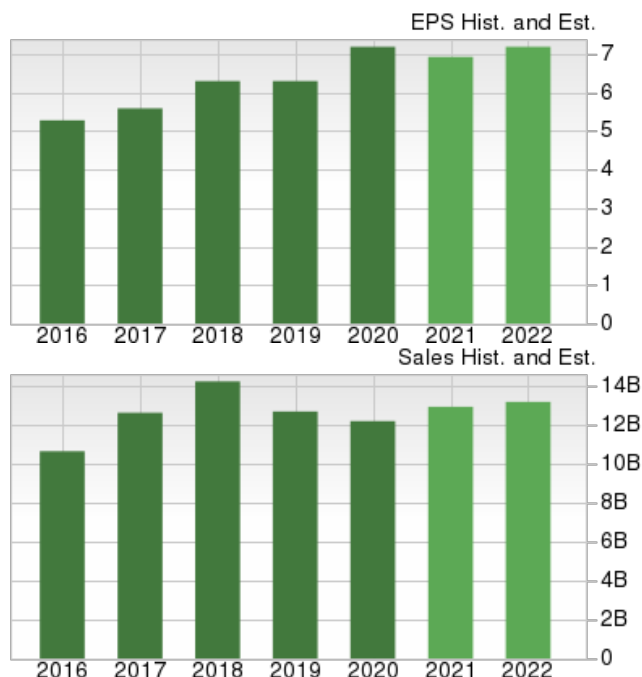
DTE Energy Company's Gas Utility segment consists of DTE Gas and Citizens. DTE Gas is a gas utility that specializes in purchasing, storing, transporting and distributing natural gas to residential, commercial and industrial customers in the state of Michigan. Operating revenues for the Gas Utility segment in 2020 were \$1,414 million.

Unregulated Business

DTE Energy Company's Gas Storage and Pipelines (GS&P) division is engaged in natural gas pipelines, gathering and storage businesses, through DTE Pipeline and DTE Gas Storage. Operating revenues for this segment in 2020 were \$754 million.

The company's Power and Industrial Projects (P&I) segment comprise projects that deliver energy and utility services to industrial, commercial and institutional customers. Operating revenues for this segment in 2020 were \$1,224 million.

DTE Energy Company's Energy Trading division engages in marketing and trading of power and gas. Operating revenues for this segment in 2020 were \$3,863 million.



Reasons To Buy:

- ▲ DTE Energy follows a disciplined capital spending program to maintain and upgrade the reliability of its electric utility systems. DTE Electric currently expects to make capital investments of \$14 billion over the 2021-2025 period. This includes \$5 billion for capital replacements and other projects, \$7 billion for distribution infrastructure, and \$2 billion for new generation. DTE Gas' total capital investments over the 2021-2025 period are estimated at \$3 billion, which comprises \$1.4 billion for base infrastructure and \$1.6 billion for gas main renewal, meter move out and pipeline integrity programs.

Investments in infrastructure projects, focus on expanding renewable portfolio and gradual recovery of Michigan's economy will likely drive DTE Energy's future performance.

Apart from its utility operations, DTE Energy continues to make progress in its non-utility business, which provides diversity to its earnings stream. DTE Energy's Gas Storage and Pipelines' capital investments over the 2021-2025 period are estimated to be \$1.2-\$1.7 billion for gathering and pipeline investments, and expansions. Power and Industrial Projects' capital investments over the period are now expected to be \$1-\$1.4 billion for investments in cogeneration and industrial energy services, and renewable natural gas (RNG) projects. Further, decarbonization across the Energy sector continues to support RNG development and other associated opportunities for DTE Energy's Power and Industrial (P&I) business.

- ▲ DTE Energy is investing steadily to enhance its renewable generation assets. Over the next 15 years, DTE Electric plans to withdraw a portion of its coal-fired generation and boost the natural gas-fired generation and renewables mix. DTE Energy remains committed to reduce carbon emissions of its electric utility operations by 32% by 2023, 50% by 2030, and 80% by 2040 from 2005 carbon emissions levels. In September 2019, DTE Energy expanded this commitment by announcing a net zero carbon emission goal by 2050 for DTE Electric.

In June 2020, DTE Energy took another major step in building a cleaner energy future for Michigan. The company expanded its net zero carbon emission goal to include DTE Gas as well. DTE Gas will look to reduce its greenhouse gas emissions to net zero by 2050. Interestingly, by 2022, DTE Energy's wind and solar energy portfolio would generate enough clean energy to power 900,000 homes. Its clean energy generation will further offset approximately 4.7 million tons of CO₂e as the company is delivering on its commitment to reduce carbon emissions and meet customer demand for more renewable energy. Such notable initiatives adopted by the company to reduce carbon emission and promote clean energy must have been boosting investors' confidence in this stock. Evidently, shares of the company have gained 26.2% in the past year, outperforming the industry's 9.7% growth.

- ▲ In February 2021, DTE Energy revealed that it has made significant progress on its plan to spin off its non-utility natural gas pipeline, storage and gathering business into a new stand-alone independent, publicly-traded company, to be named DT Midstream. The separation is expected to benefit both DTE Energy and DT Midstream. Following the spin-off, DTE Energy will be a predominantly pure-play regulated electric and natural gas utility with superior earnings growth and a strong capital investment plan.
- ▲ DTE Energy's cash and cash equivalents at the end of first quarter 2021 were \$1,568 million, significantly up sequentially from \$514 million. Meanwhile, the company's current portion of long-term debt was \$469 million as of Mar 31, 2021, while its long-term debt came in at \$19,993 million as of Mar 31. So its cash reserve remain lower than the long-term debt level but much higher than the current debt value. So, we may conclude that the company holds a solid solvency position at least in the near term.

Moreover, the company's current ratio of 1.69 as of Mar 31, 2021, being more than 1 indicates its capability to pay off its short-term obligations. The ratio also increased sequentially from 1.30. Further, its interest coverage ratio, came in at 3.2 as of Mar 31, 2021, which also improved sequentially and was also the highest among the trailing four quarter. Such improving financial ratios also indicate a solid financial position for the company.

Reasons To Sell:

- ▼ So far, in 2021, the COVID-19 pandemic has continued to impact DTE Electric sales volumes for DTE Energy, from commercial and industrial customers, and has also affected the Power and Industrial Projects segment. Operation and maintenance expenses have also increased primarily at DTE Electric due to higher costs for personal protective equipment and other health and safety-related costs, including shift premiums and related expenses associated with the sequestration of certain employees critical to continued operations.

The company is expected to witness a further reduction in sales and an increase in costs due to the COVID-19 impact, in the days ahead. Notably, the prolonged and ongoing turmoil caused by the COVID-19 pandemic may be a serious concern for the stock, going forward. Since the pandemic is unlikely to die out anytime soon, it might turn out to be a major growth inhibitor for this stock, going ahead.

- ▼ A comparative analysis of the company's historical P/E TTM ratio reflects a relatively gloomy picture, which might be a cause for investors' concern. Evidently, the stock has a current trailing 12-month P/E ratio of 19.00. This level lies near the high end of its past year's range. Moreover, the company's P/E TTM ratio remained much above the industry's P/E TTM ratio of 17.81 in a year.
- ▼ DTE Energy's intent to spin-off DTE Midstream and DTE Energy's preliminary strategic, operational and financial considerations involves various uncertainties and risks that could disrupt or adversely affect the consolidated or separate businesses, results of operations and cash flows. On top of that the proposed spin-off, if completed, may also present additional risk to DTE Energy. These risks include the company having fewer assets, reduced financial resources and less diversification of revenue sources, which may adversely impact DTE Energy's financial condition.

DTE Energy still generates a significant portion of electricity from coal. Stringent regulations to curb emissions will require more investments in the installation of low-emission systems impacting margins

Last Earnings Report

DTE Energy Earnings Beats Estimates in Q1, Up Y/Y

DTE Energy Company reported first-quarter 2021 operating earnings per share (EPS) of \$2.44, which surpassed the Zacks Consensus Estimate of \$2.16 by 13%. The bottom line improved 47% from \$1.66 in the year-ago quarter.

Highlights of the Release

Operating net income in the reported quarter totaled \$473 million compared with \$320 million in the year-ago quarter.

During the quarter, the company received regulatory approval for Phase 2 of its Electric Vehicle Charging Forward program. The utility also announced voluntary greenhouse gas reduction program for DTE Gas customers.

Segmental Details

Utility Operations

DTE Electric: The segment's operating earnings amounted to \$1.07 per share, down from 49 cents in the prior-year quarter.

DTE Gas: The segment recorded operating earnings of 87 cents per share compared with 63 cents in the prior-year quarter.

Non-Utility Operations: Operating earnings in the segment totaled 67 cents per share compared with 60 cents in the year-ago quarter.

2021 Guidance

DTE Energy reaffirmed its 2021 operating earnings per share guidance in the range of \$6.88-\$7.26. The Zacks Consensus Estimate of \$7.14 for the company's full-year earnings lies above the midpoint of its guidance.

Quarter Ending

03/2021

Report Date	Apr 27, 2021
Sales Surprise	20.89%
EPS Surprise	12.96%
Quarterly EPS	2.44
Annual EPS (TTM)	7.97

Recent News

On **Jun 15, 2021**, DTE Energy announced Detroit Diesel' enrollment in its MIGreenPower program. MIGreenPower is a voluntary renewable energy program that allows DTE Electric customers to attribute a percentage of their electricity use to DTE's wind and solar projects. Detroit Diesel has committed to an escalating enrollment that will ultimately support 100,000 megawatt hours of renewable energy annually in 2028, offsetting greenhouse gas emissions equivalent to 15,412 passenger vehicles driven for one year.

On **Jun 13, 2021**, DTE Energy announced that its residential and business customers will save nearly \$400 million on their cumulative lifetime energy bills thanks to the company's efficiency programs, according to a newly released report. Along with dollar savings, the 2020 combined electric and natural gas verified net savings from energy efficiency programs equate to lifetime greenhouse gas reductions of 6.1 million metric tons of carbon dioxide, 2,869 metric tons of nitrogen oxides, and 3,785 metric tons of sulfur dioxide.

On **Jun 8, 2021**, DTE Energy announced that the Michigan Public Service Commission (MPSC) has approved its plans to bring additional renewable energy to more of its customers.

The company, in an effort to continue to provide more accessibility to renewable energy, will work with local organizations in Detroit, Highland Park and River Rouge to build new community solar projects in these cities. The projects will provide a number of qualifying low-income residents with 100% renewable energy as well as credits that will result in lowering their monthly bill. DTE has agreed to fund a portion of these projects and will be seeking to partner with third party organizations to assist in funding these new beneficial community pilot projects.

On **Jun 6, 2021**, DTE Energy announced Lecom's enrollment in DTE Energy's MIGreenPower program. MIGreenPower allows DTE Electric customers to participate in renewable energy projects by attributing a percentage of their energy use to the company's wind and solar projects. Lecom's clean energy commitment will offset greenhouse gas emissions equivalent to driving a passenger car 698,175 miles.

On **Jun 3, 2021**, DTE Energy formally retired its River Rouge coal-fired power plant. The facility was constructed on 100 acres on the banks of the Detroit River in the city of River Rouge and began operations in 1956. The coal plant went into commercial operation in 1958 with two generating units of 260 megawatts each and a third at 320 megawatts. At the time, these generating units were the largest in the world. On May 31, 2021, River Rouge supplied its final megawatt of power.

On **Jun 1, 2021**, DTE Energy announced Brose's enrollment in DTE's MIGreenPower voluntary renewable energy program. Brose's clean energy purchase of 11,445 megawatt hours annually will avoid 81,110 metric tons of CO2 over the company's 10-year contract. This has the environmental benefit equal to the carbon sequestered by 99,000 acres of U.S. forests in a year. Brose's MIGreenPower commitment will be sourced from new clean energy projects that are currently under development and scheduled to come online in early 2023.

Brose is a leading manufacturer of mechatronics systems and the world's fourth largest family-owned automotive supplier. Brose has two manufacturing facilities in Michigan, in addition to Brose Detroit, USA, the company's North American headquarters. Focused on achieving sustainability throughout its supply chain, Brose has a multi-tiered approach to eco-efficient product design and production.

On **May 18, 2021**, DTE Energy announced that Indigo Lavender Farms, a family-owned lavender farm and popular agritourism destination, has enrolled itself in DTE Energy's MIGreenPower program. Located in Imlay City, Indigo Lavender Farms is the first farm to enroll in the program. MIGreenPower allows DTE Electric customers to reduce their carbon footprint by attributing their energy use to Michigan wind and solar projects.

On **May 5, 2021**, DTE Energy announced that it has commissioned a new solar array at the Ford Research & Engineering Center in Dearborn, Michigan. The 2,159-panel array is located on the rooftop level of the Deck 400 parking structure. The array includes an integrated battery storage system and will be used to power newly installed electric vehicle (EV) chargers. The solar array can generate 1,127 megawatt hours of clean energy, which has the environmental benefit equal to the carbon sequestered by nearly 980 acres of U.S. forests in one year.

On **Apr 28, 2021**, DTE Energy declared that it is collaborating with Electric Vehicle (EV) manufacturers to optimize EV charging through the new DTE Smart Charge program. This program aims to help the company balance energy demand on the grid while moving closer to its environmental goal of achieving net zero carbon emissions by 2050.

DTE is among one of a few energy companies in the U.S. running this type of program. Participating automakers include General Motors and Ford Motor Company.

On **Apr 20, 2021**, DTE Energy announced that it has begun operation of three new wind parks, two of which are now Michigan's largest. Located in mid-Michigan's Isabella County, Isabella I and Isabella II have a total of 136 turbines with a capacity of 383 megawatts. The third park, Fairbanks Wind, is located in the Upper Peninsula's Delta County and has 21 turbines with a capacity of 72 megawatts. With the addition of the new wind parks, the company will generate approximately 1,760 megawatts from clean energy sources, which is enough clean energy to power 670,000 Michigan homes.

On **Mar 30, 2021**, DTE Energy announced that its subsidiary, DTE Electric company, completed its third offering of green bonds on March 29. The \$1 billion bond offering will finance green, or clean, energy investments, including renewables and energy efficiency programs. In its initial green bond offering in May 2018, DTE became the fifth investment-grade energy company in the nation – and the first company in Michigan – to sell green bonds. With this latest offering, DTE Electric has now issued approximately \$2 billion of green bonds.

Valuation

DTE Energy's shares are up 8.5% in the year-to-date period and 26.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utilities sector are up 2.3% and 2.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 9.7%, whereas the sector is up by 12.4%.

The S&P 500 index is up 13.2% in the year-to-date period and 40.5% in the past year.

The stock is currently trading at 18.7X of forward 12-month earnings, which compares to 15.1X for the Zacks sub-industry, 13.8X for the Zacks sector and 21.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.9X and as low as 11.5X, with a 5-year median of 18.5X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$140 price target reflects 19.9X earnings value.

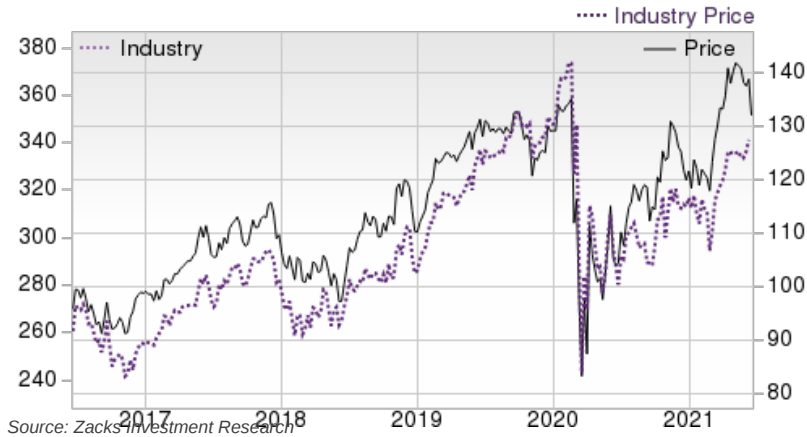
The table below shows summary valuation data for DTE

Valuation Multiples - DTE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.71	15.13	13.77	21.61
	5-Year High	20.94	16.07	15.34	23.83
	5-Year Low	11.46	11.61	11.37	15.31
	5-Year Median	18.54	13.43	13.82	18.05
P/S F12M	Current	2.03	2.52	2.86	4.69
	5-Year High	2.28	2.56	3.17	4.74
	5-Year Low	1.11	1.79	1.78	3.21
	5-Year Median	1.64	2.13	2.2	3.72
EV/SALES TTM	Current	1.94	4.38	5.16	4.85
	5-Year High	2.18	4.7	5.43	4.88
	5-Year Low	1.25	2.82	2.91	2.65
	5-Year Median	1.74	3.33	3.21	3.64

As of 06/22/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 22% (197 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Ameren Corporation (AEE)	Neutral	3
CMS Energy Corporation (CMS)	Neutral	3
Edison International (EIX)	Neutral	3
Eversource Energy (ES)	Neutral	4
Entergy Corporation (ETR)	Neutral	3
FirstEnergy Corporation (FE)	Neutral	3
Alliant Energy Corporation (LNT)	Neutral	4
Xcel Energy Inc. (XEL)	Neutral	3

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

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	DTE	X Industry	S&P 500	AEE	CMS	EIX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	C	B	B
Market Cap	25.52 B	11.88 B	30.14 B	21.09 B	16.97 B	21.12 B
# of Analysts	6	3	12	5	5	5
Dividend Yield	3.29%	3.20%	1.35%	2.67%	2.97%	4.76%
Value Score	B	-	-	C	B	B
Cash/Price	0.06	0.06	0.06	0.01	0.03	0.02
EV/EBITDA	11.76	11.00	17.08	12.37	12.04	10.99
PEG F1	3.14	3.57	2.05	2.97	3.03	3.03
P/B	2.01	1.60	4.08	2.27	2.69	1.32
P/CF	8.84	8.16	17.37	10.22	9.35	5.20
P/E F1	18.81	18.45	20.93	21.80	20.64	12.32
P/S TTM	1.97	2.05	3.37	3.56	2.46	1.54
Earnings Yield	5.26%	5.36%	4.67%	4.59%	4.85%	8.12%
Debt/Equity	1.57	1.07	0.66	1.24	2.16	1.26
Cash Flow (\$/share)	14.90	4.53	6.83	8.08	6.27	10.70
Growth Score	A	-	-	C	B	D
Historical EPS Growth (3-5 Years)	7.33%	4.91%	9.59%	7.44%	7.66%	3.14%
Projected EPS Growth (F1/F0)	-3.64%	5.89%	21.62%	8.17%	6.37%	-0.09%
Current Cash Flow Growth	15.31%	5.03%	0.99%	6.12%	6.59%	14.11%
Historical Cash Flow Growth (3-5 Years)	10.26%	5.85%	7.28%	6.14%	7.32%	3.93%
Current Ratio	1.69	0.88	1.39	0.79	0.87	0.56
Debt/Capital	61.13%	51.64%	41.51%	55.41%	68.35%	53.93%
Net Margin	11.02%	9.04%	11.95%	16.18%	12.48%	6.68%
Return on Equity	12.42%	9.41%	16.48%	10.84%	14.74%	11.47%
Sales/Assets	0.29	0.22	0.51	0.19	0.24	0.20
Projected Sales Growth (F1/F0)	6.04%	3.38%	9.48%	5.92%	3.58%	3.38%
Momentum Score	F	-	-	C	F	A
Daily Price Change	-0.87%	-0.43%	0.51%	-1.04%	0.14%	-0.78%
1-Week Price Change	-4.90%	-3.11%	0.00%	-4.29%	-4.20%	-4.12%
4-Week Price Change	-5.06%	-0.62%	1.39%	-1.43%	-7.34%	-0.16%
12-Week Price Change	-1.33%	1.24%	7.27%	1.46%	-3.95%	-6.36%
52-Week Price Change	22.83%	15.96%	35.61%	17.89%	1.37%	-0.20%
20-Day Average Volume (Shares)	974,519	288,809	1,876,146	1,510,264	2,793,745	2,057,137
EPS F1 Estimate 1-Week Change	0.67%	0.00%	0.00%	0.32%	0.00%	0.31%
EPS F1 Estimate 4-Week Change	-3.27%	0.00%	0.03%	0.96%	-1.46%	0.31%
EPS F1 Estimate 12-Week Change	-2.74%	0.52%	3.59%	0.85%	-0.42%	0.94%

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

EPS Q1 Estimate Monthly Change	-6.10%	:	0.00%	0.00%	:	-9.41%	-1.79%	0.25%
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	B
Growth Score	A
Momentum Score	F
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

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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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Additional Disclosure

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

proportionate to its market value.

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.