

## General Dynamics Corp. (GD)

**\$138.02** (As of 07/09/20)

Price Target (6-12 Months): **\$146.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**4-Sell**

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: B

### Summary

General Dynamics boasts a strong position in the U.S. defense space and overseas, and continues to witness strong order growth from both Pentagon and overseas clients. Product innovation can be expected to expand its footprint in the business jet market. Its improved financial ratios on a sequential basis indicates that the stock has sufficient capital to pay off its debt obligations. In a year's time, its shares have outperformed the industry. However, the slashing of shipbuilding investments by \$4 billion, per the recently proposed fiscal 2021 defense budget, could deal a heavy blow for the shipbuilding giant, going ahead. Moreover, it anticipates the COVID-19 pandemic to continue affecting its businesses during the entire of 2020. It also faces intense competition for its broad portfolio of products and services.

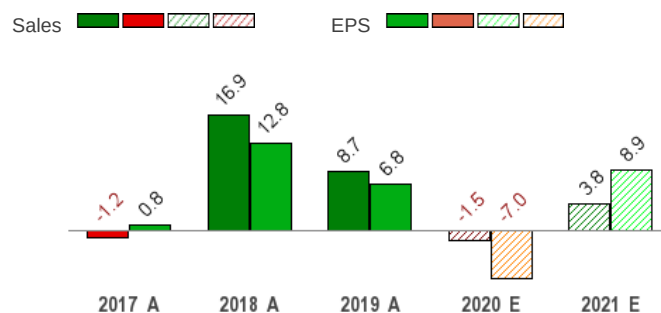
### Price, Consensus & Surprise



### Data Overview

|                            |                                     |
|----------------------------|-------------------------------------|
| 52 Week High-Low           | \$193.76 - \$100.55                 |
| 20 Day Average Volume (sh) | 1,400,959                           |
| Market Cap                 | \$39.6 B                            |
| YTD Price Change           | -21.7%                              |
| Beta                       | 1.05                                |
| Dividend / Div Yld         | \$4.40 / 3.2%                       |
| Industry                   | <a href="#">Aerospace - Defense</a> |
| Zacks Industry Rank        | Bottom 14% (217 out of 252)         |

### Sales and EPS Growth Rates (Y/Y %)



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | -1.2%      |
| Last Sales Surprise       | -5.8%      |
| EPS F1 Est- 4 week change | -0.3%      |
| Expected Report Date      | 07/29/2020 |
| Earnings ESP              | -6.5%      |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4       | Annual*  |
|------|---------|---------|---------|----------|----------|
| 2021 | 9,151 E | 9,296 E | 9,992 E | 11,355 E | 40,233 E |
| 2020 | 8,749 A | 9,090 E | 9,862 E | 11,067 E | 38,769 E |
| 2019 | 9,261 A | 9,555 A | 9,761 A | 10,773 A | 39,350 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*   |
|------|----------|----------|----------|----------|-----------|
| 2021 | \$2.50 E | \$2.65 E | \$3.14 E | \$3.69 E | \$12.13 E |
| 2020 | \$2.43 A | \$2.14 E | \$2.95 E | \$3.62 E | \$11.14 E |
| 2019 | \$2.56 A | \$2.77 A | \$3.14 A | \$3.51 A | \$11.98 A |

\*Quarterly figures may not add up to annual.

|         |      |
|---------|------|
| P/E TTM | 11.7 |
| P/E F1  | 12.4 |
| PEG F1  | 1.4  |
| P/S TTM | 1.0  |

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/09/2020. The reports text is as of 07/10/2020.

## Overview

Headquartered in Falls Church, VA, **General Dynamics Corporation** engages in mission-critical information systems and technologies; land and expeditionary combat vehicles, armaments and munitions; shipbuilding and marine systems; and business aviation. The company was incorporated in February 1952.

Following CSRA acquisition, the company's Information Systems & Technology (IS&T) segment has been reorganized into Information Technology and Mission Systems segments. The company currently operates through five segments: **Aerospace, Combat Systems, Marine Systems, Mission Systems and Information Technology.**

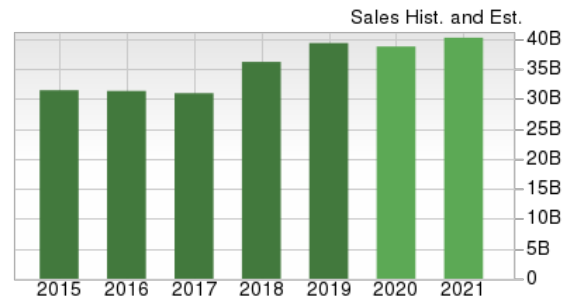
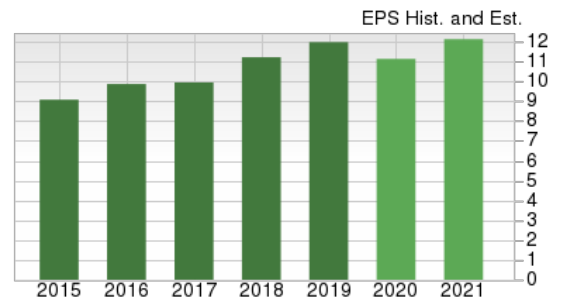
The **Aerospace** segment consists of Gulfstream Aerospace, which manufactures business jets, and Jet Aviation, which provides aircraft maintenance and spare parts. Segment revenues in 2019 summed \$9,801 million, representing 24.9% of the company's total revenues.

**Combat** Systems manufactures combat vehicles, medium-caliber guns, ammunition and ammunition handling systems. Revenues during 2019 came in at \$7,007 million, contributing 17.8% to the company's total revenues.

**Mission** Systems segment provides command, control and intelligence systems solutions. Revenues during 2019 came in at \$4,737 million, contributing 12.6% to the company's total revenues.

**Marine** Systems makes nuclear submarines, surface combatants and auxiliary ships. In 2019, revenues amounted to \$9,183 million, comprising 23.3% of the company's total revenues.

The **Information Technology** segment integrates secure communication systems and networks. Segment revenues in 2019 summed \$8,422 million, representing 21.4% of the company's total revenues.



---

## Reasons To Buy:

- ▲ The company's short-term debt and current portion of long-term debt stands at \$5.05 billion, as of Mar 31, 2020, compared to \$2.92 billion, as of Dec 31, 2019. Meanwhile, the company's cash and cash equivalents were \$5.33 billion at the end of the first quarter, which is higher than its current debt level, indicating strong solvency. Additionally, General Dynamics has a current ratio of 1.34, as of Mar 31, 2020, compared to 1.18, as of Dec 31, 2019. This improved current ratio, which being more than 1, indicates this shipbuilder's ability to pay off its short-term obligations.

Further, the company's times interest earned ratio has improved sequentially. It came in at 10.2 at end of first-quarter 2020, up from the previous quarter's 10.1. The improvement in this ratio indicates that the firm will be able to meet debt obligations in the near future without any difficulties. At a time when every entity is looking forward to preserve liquidity amid uncertainties concerning the COVID-19 outbreak, improving times interest earned and current ratio are reassuring for General Dynamics' investors. Consequently, the company outperformed its industry in terms of share price performance. Notably, General Dynamics' share price dropped 24.8% in the past year compared with the industry's decline of 33.1%.

General Dynamics' focus on product innovations should help maintain a steady growth momentum and drive results in the quarters ahead. Positive budgetary amendments also boost growth

- ▲ During the first quarter of 2020, General Dynamics witnessed strong order growth, which was in line with its usual trend. This, in turn, boosted its backlog, which grew 23.9% year over year to \$85.7 billion. The estimated contract value, which combines total backlog with estimated potential contract value, was \$123.9 billion at the end of the first quarter. As a result of these order flows, the company's Aerospace unit reflected a book-to-bill ratio of 1.1 to 1, while the Information Technology Unit enhanced its backlog in the quarter with a book-to-bill ratio of 1.2 to 1. Notably, significant order intakes, particularly in the Aerospace and Information Technology segments, position the company well for 2020 and beyond. Such impressive book-to-bill ratio indicates solid demand for the company's products, thereby bolstering its revenue generation prospects significantly.
  - ▲ In the fourth quarter of 2019, General Dynamics' Gulfstream G500 received certification approval from the European Aviation Safety Agency, clearing the way for European Union registrations and customer deliveries. As a result, the company successfully delivered its Gulfstream G500 to its first European customer in Georgia. In October 2019, General Dynamics introduced its flagship aircraft in the business jet industry, the Gulfstream G700, which completed its first flight in February 2020, demonstrating the program's maturity and officially launching its official flight-test program. This ultra-long-range jet is expected to commence service in 2022. Notably, such product innovation along with major certification approvals is projected to enhance this shipbuilder's footprint in the business jet market, going ahead.
-

---

## Reasons To Sell:

- ▼ It is already a known fact that General Dynamics boasts a strong position in the U.S. defense space and overseas. However, the fiscal 2021 defense budget proposes to slash its shipbuilding investments by \$4 billion, as the U.S. Navy plans on securing fewer ships and submarines and direct more funding toward operations and research. The proposed spending provision includes eight ships, including three submarines, compared to the procurement for purchasing 11 new ships, including four submarines, in the previous year's budget. If approved, this might hamper growth of the company's shipbuilding business in the near term.
- ▼ Although the COVID-19 pandemic did not have a material impact on General Dynamic's operating results or business in the first quarter of 2020, its ongoing and prolonged impacts may be a cause of concern and might dent its second-quarter performance. This could be because the pandemic might have an adverse impact on the company's existing and planned operations, distribution systems and thus, increase overall expenses. Within the company's Aerospace segment, quarantine and travel restrictions in connection with the outbreak have already delayed aircraft deliveries and impacted some supply chain providers. 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.
- ▼ General Dynamics faces intense competition for its broad portfolio of products and services, both in the domestic front as well as the global market. Particularly, it faces competitive threat from various smaller competitors, particularly in some of its services businesses. Moreover, information technology procurements are increasingly focusing on price over other competitive factors.

Delayed aircraft deliveries due to the COVID-19 pandemic may hurt General Dynamics' top line. Intensified competition are likely to hurt the stock

## Last Earnings Report

### General Dynamics Q1 Earnings & Revenues Miss Estimates

General Dynamics Corporation reported first-quarter 2020 earnings from continuing operations of \$2.43 per share, which missed the Zacks Consensus Estimate of \$2.46 by 1.2%. Moreover, earnings declined 5.1% from \$2.56 in the year-ago quarter.

#### Total Revenues

General Dynamics' first-quarter revenues of \$8,749 million missed the Zacks Consensus Estimate of \$9,284 million by 5.8%. Further, revenues declined 5.5% from \$9,261 million in the year-ago quarter. The decline was primarily attributable to lower sales from the Aerospace segment on a year-over-year basis.

#### Backlog

The company recorded a total backlog of \$85.7 billion, up 23.9% year over year. Funded backlog at the quarter-end was \$47.6 billion.

#### Segment Performance

**Aerospace:** The segment reported revenues of \$1,691 million, down 24.5% year over year. Operating earnings of \$240 million also declined 26.8% from the prior-year quarter's \$328 million.

**Combat Systems:** Segment revenues rose 4.4% to \$1,708 million. Moreover, operating earnings were up 8.3% to \$223 million in the quarter.

**Information Systems and Technology:** The segment reported revenues of \$1,988 million, which decreased 8.3% year over year. Operating earnings also declined 3.8% to \$150 million.

**Marine Systems:** The segment's revenues of \$2,246 million grew 9.1% from the year-ago quarter's \$2,058 million. Moreover, operating earnings rose 2.2% to \$184 million.

**Mission Systems:** The segment's revenues of \$1,116 million declined 3.6% from the year-ago quarter's \$1,158 million. Operating earnings remained flat at \$148 million on a year-over-year basis.

#### Operational Highlights

The operating margin contracted 10 basis points (bps) to 10.8% from the year-ago quarter's 10.9%.

In the quarter under review, General Dynamics' operating costs and expenses declined 5.3% to \$7,808 million.

The company repurchased 3.4 million of its outstanding shares in the first quarter of 2020. In March, the board of directors increased the quarterly dividend to \$1.10 per share. This 7.8% increase marked the company's 23rd consecutive annual dividend increase.

#### Financial Condition

As of Mar 31, 2020, General Dynamics' cash and cash equivalents were \$5,330 million compared with \$902 million as of Dec 31, 2019.

Long-term debt as of Mar 31, 2020, was \$12,951 million, which witnessed a rise from the 2019-end level of \$9,010 million.

As of Mar 31, 2020, the company's cash used by operating activities was \$666 million compared with \$795 million used in the year-ago period.

Free cash outflow from operations at the end of the first quarter of 2020 was \$851 million compared with \$976 million at the end of the first quarter of 2019.

Quarter Ending 03/2020

| Report Date      | Apr 29, 2020 |
|------------------|--------------|
| Sales Surprise   | -5.76%       |
| EPS Surprise     | -1.22%       |
| Quarterly EPS    | 2.43         |
| Annual EPS (TTM) | 11.85        |

## Recent News

On **June 11, 2020**, General Dynamics' business unit, Land Systems, recently secured a \$2.48-billion contract for the production of Stryker Double V-Hull A1 engineering vehicles along with an engineering change proposal configuration. The contract was awarded by the U.S. Army Contracting Command, Detroit Arsenal, MI. Work related to the deal is expected to get completed by Apr 30, 2027.

On **June 10, 2020**, General Dynamics' Mission Systems unit secured a \$104.2-million contract for the development, production and installation of Columbia (US01) and Dreadnought-class ballistic missile submarine. The contract was awarded by the Strategic Systems Programs, Washington, D.C.

Majority of the work related to the deal will be performed in Pittsfield, MA and is scheduled to be completed by November 2024.

On **May 11, 2020**, General Dynamics announced that its award-winning Gulfstream G600 earned type certificate approval from the European Union Aviation Safety Agency (EASA), enabling aircraft registrations and deliveries to begin for EU customers.

## Valuation

General Dynamics' shares are down 21.8% in the year-to-date period and 24.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Aerospace sector are down 26.4% and 32.1% in the year to date period, respectively. Over the past year, the Zacks sub-industry is down 33.1% and the Zacks Aerospace sector witnessed a 34.1% decline.

The S&P 500 index is down 1.3% in the year to date period and up 6.2% in the past year.

The stock is currently trading at 11.8X forward 12-month earnings, which compares to 19.6X for the Zacks sub-industry, 19.9X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.9X and as low as 8.3X, with a 5-year median of 15.1X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$146 price target reflects 12.5X earnings value.

The table below shows summary valuation data for GD

| Valuation Multiples - GD |               |       |              |        |         |
|--------------------------|---------------|-------|--------------|--------|---------|
|                          |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                 | Current       | 11.84 | 19.63        | 19.88  | 22.62   |
|                          | 5-Year High   | 20.91 | 22.51        | 20.91  | 22.62   |
|                          | 5-Year Low    | 8.25  | 14.51        | 14.15  | 15.27   |
|                          | 5-Year Median | 15.12 | 17.68        | 17.17  | 17.59   |
| P/S F12M                 | Current       | 1     | 1.24         | 1.13   | 3.53    |
|                          | 5-Year High   | 2.05  | 1.64         | 1.49   | 3.53    |
|                          | 5-Year Low    | 0.76  | 0.95         | 0.92   | 2.52    |
|                          | 5-Year Median | 1.41  | 1.26         | 1.17   | 3.04    |
| EV/EBITDA TTM            | Current       | 9.66  | 24.4         | 12.39  | 12.1    |
|                          | 5-Year High   | 14.81 | 28.8         | 16.74  | 12.45   |
|                          | 5-Year Low    | 7.65  | 8.01         | 7.41   | 8.04    |
|                          | 5-Year Median | 11.86 | 11.31        | 10.47  | 10.76   |

As of 07/09/2020

## Industry Analysis Zacks Industry Rank: Bottom 14% (217 out of 252)



## Top Peers

| Company (Ticker)                                | Rec          | Rank |
|-------------------------------------------------|--------------|------|
| The Boeing Company (BA)                         | Neutral      | 3    |
| Embraer Empresa Brasileira de Aeronautica (ERJ) | Neutral      | 3    |
| Huntington Ingalls Industries, Inc. (HII)       | Neutral      | 3    |
| Leidos Holdings, Inc. (LDOS)                    | Neutral      | 3    |
| L3Harris Technologies Inc (LHX)                 | Neutral      | 4    |
| Lockheed Martin Corporation (LMT)               | Neutral      | 2    |
| Northrop Grumman Corporation (NOC)              | Neutral      | 4    |
| Textron Inc. (TXT)                              | Underperform | 4    |

| Industry Comparison Industry: Aerospace - Defense |           |            |           | Industry Peers |           |         |
|---------------------------------------------------|-----------|------------|-----------|----------------|-----------|---------|
|                                                   | GD        | X Industry | S&P 500   | LDOS           | LMT       | NOC     |
| Zacks Recommendation (Long Term)                  | Neutral   | -          | -         | Neutral        | Neutral   | Neutral |
| Zacks Rank (Short Term)                           | 4         | -          | -         | 3              | 2         | 4       |
| VGM Score                                         | C         | -          | -         | A              | A         | C       |
| Market Cap                                        | 39.59 B   | 8.86 B     | 21.19 B   | 12.27 B        | 95.34 B   | 47.67 B |
| # of Analysts                                     | 8         | 6          | 14        | 9              | 8         | 7       |
| Dividend Yield                                    | 3.19%     | 0.88%      | 1.96%     | 1.57%          | 2.82%     | 2.03%   |
| Value Score                                       | C         | -          | -         | A              | A         | C       |
| Cash/Price                                        | 0.13      | 0.11       | 0.07      | 0.03           | 0.02      | 0.06    |
| EV/EBITDA                                         | 8.60      | 10.43      | 12.56     | 11.88          | 11.54     | 14.65   |
| PEG Ratio                                         | 1.42      | 2.18       | 2.85      | 1.55           | 2.04      | NA      |
| Price/Book (P/B)                                  | 3.00      | 3.11       | 3.00      | 3.65           | 27.34     | 5.26    |
| Price/Cash Flow (P/CF)                            | 9.27      | 9.27       | 11.41     | 12.29          | 12.93     | 10.37   |
| P/E (F1)                                          | 12.63     | 14.14      | 20.79     | 16.62          | 14.14     | 12.93   |
| Price/Sales (P/S)                                 | 1.02      | 1.02       | 2.19      | 1.08           | 1.56      | 1.39    |
| Earnings Yield                                    | 8.07%     | 4.38%      | 4.52%     | 6.02%          | 7.07%     | 7.74%   |
| Debt/Equity                                       | 0.98      | 0.93       | 0.76      | 0.88           | 3.28      | 1.72    |
| Cash Flow (\$/share)                              | 14.89     | 2.73       | 6.94      | 7.03           | 26.30     | 27.58   |
| Growth Score                                      | D         | -          | -         | A              | A         | D       |
| Hist. EPS Growth (3-5 yrs)                        | 6.71%     | 14.53%     | 10.90%    | 14.53%         | 17.30%    | 23.40%  |
| Proj. EPS Growth (F1/F0)                          | -7.05%    | 1.87%      | -9.99%    | 0.58%          | 9.56%     | 4.28%   |
| Curr. Cash Flow Growth                            | 3.16%     | 11.64%     | 5.51%     | 6.19%          | 18.08%    | 2.21%   |
| Hist. Cash Flow Growth (3-5 yrs)                  | 6.36%     | 7.38%      | 8.55%     | 6.45%          | 9.70%     | 14.43%  |
| Current Ratio                                     | 1.34      | 1.26       | 1.30      | 0.67           | 1.23      | 1.29    |
| Debt/Capital                                      | 49.52%    | 49.52%     | 44.46%    | 46.71%         | 76.64%    | 63.22%  |
| Net Margin                                        | 8.87%     | 5.89%      | 10.62%    | 5.20%          | 10.21%    | 6.57%   |
| Return on Equity                                  | 25.92%    | 14.41%     | 15.75%    | 22.56%         | 185.10%   | 39.22%  |
| Sales/Assets                                      | 0.78      | 0.83       | 0.55      | 1.17           | 1.26      | 0.83    |
| Proj. Sales Growth (F1/F0)                        | -1.48%    | 0.00%      | -2.52%    | 14.23%         | 6.19%     | 3.99%   |
| Momentum Score                                    | B         | -          | -         | A              | C         | A       |
| Daily Price Chg                                   | -4.09%    | -2.94%     | -1.52%    | -1.87%         | -2.93%    | -5.03%  |
| 1 Week Price Chg                                  | 0.86%     | 3.37%      | 3.66%     | 4.30%          | 1.47%     | 2.69%   |
| 4 Week Price Chg                                  | -7.09%    | -5.92%     | 0.36%     | -13.91%        | -11.44%   | -10.92% |
| 12 Week Price Chg                                 | 4.21%     | 5.28%      | 10.41%    | -6.94%         | -10.04%   | -17.41% |
| 52 Week Price Chg                                 | -24.83%   | -25.49%    | -8.70%    | 5.46%          | -7.68%    | -12.00% |
| 20 Day Average Volume                             | 1,400,959 | 692,044    | 2,339,510 | 1,238,302      | 1,690,410 | 913,693 |
| (F1) EPS Est 1 week change                        | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 0.00%   |
| (F1) EPS Est 4 week change                        | -0.28%    | 0.00%      | 0.00%     | 0.41%          | 0.00%     | 0.00%   |
| (F1) EPS Est 12 week change                       | -9.53%    | -7.93%     | -7.77%    | -7.54%         | -0.31%    | -3.97%  |
| (Q1) EPS Est Mthly Chg                            | 0.00%     | 0.00%      | 0.00%     | 0.60%          | 0.00%     | 0.00%   |

---

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

---

### 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   | D |
| Momentum Score | B |
| VGM Score      | C |

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

---

### Disclosures

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.