

Haemonetics (HAE)

\$85.78 (As of 06/18/20)

Price Target (6-12 Months): **\$90.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/26/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: B

Summary

Benefits from complexity reduction initiatives and operational excellence program boosted Haemonetics' performance. Sustained underlying demand for plasma-based medicines and continued impetus in business generation and geographical expansion boosted results. Hospital arm saw product launches and strong sales execution. Expansion of both margins and, a strong solvency and balance sheet bodes well. Yet, sluggishness in the Blood Center arm is worrying. Price and utilization rates along with formerly withdrawn customer contracts and ongoing fall in blood utilization rates are deterring. Fall in procedures due to COVID-19 dented the Hospital arm. Uncertain economic scenario and tough competition are other concerns. Its fiscal 2020 fourth quarter results were lower-than-expected. Over the past six months, it has underperformed its industry.

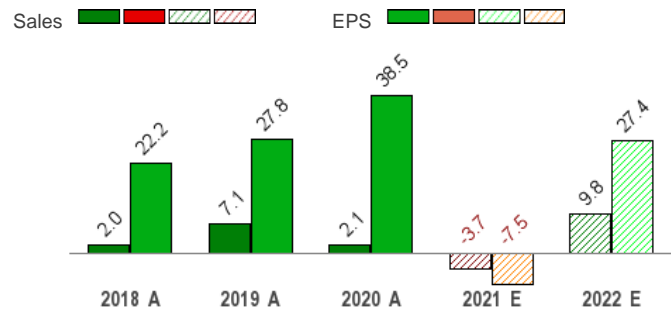
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$140.36 - \$63.41
20 Day Average Volume (sh)	625,669
Market Cap	\$4.3 B
YTD Price Change	-25.3%
Beta	0.71
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Medical - Products
Zacks Industry Rank	Top 38% (95 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-5.5%
Last Sales Surprise	-2.8%
EPS F1 Est- 4 week change	-0.2%
Expected Report Date	08/04/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	256 E	269 E	285 E	282 E	1,044 E
2021	196 E	232 E	261 E	256 E	951 E
2020	238 A	253 A	259 A	238 A	988 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.89 E	\$1.00 E	\$1.10 E	\$1.10 E	\$3.90 E
2021	\$0.42 E	\$0.73 E	\$0.95 E	\$0.96 E	\$3.06 E
2020	\$0.81 A	\$0.87 A	\$0.94 A	\$0.69 A	\$3.31 A

*Quarterly figures may not add up to annual.

P/E TTM	25.9
P/E F1	28.0
PEG F1	2.1
P/S TTM	4.4

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/18/2020. The reports text is as of 06/19/2020.

Overview

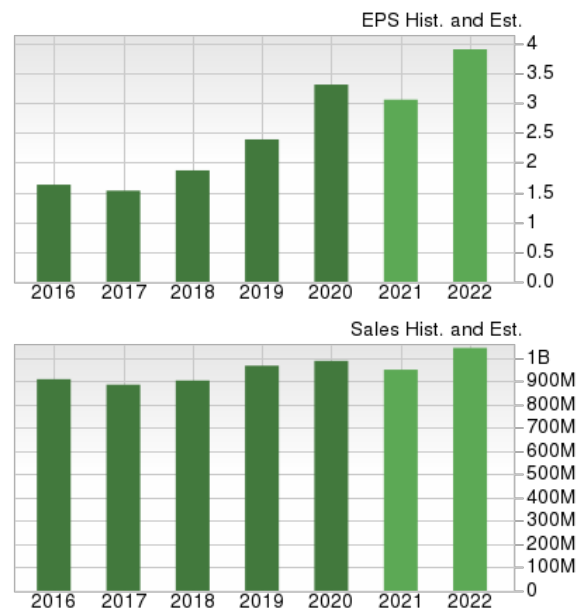
Haemonetics Corporation provides blood management solutions to customers encompassing blood and plasma collectors, hospitals and health care providers globally. The company's portfolio of integrated devices, information management, and consulting services offers blood management solutions for each facet of the blood supply chain, helping better clinical outcomes. Blood and its components (plasma, platelets, and red cells) have several vital and frequently life-saving clinical applications.

On Aug 1, 2012, Haemonetics acquired Pall Corporation's blood collection, filtration and processing product lines. Haemonetics entered into a long-term supply agreement with Pall in May 2018, under which Pall will continue to supply media to Haemonetics for use in leukoreduction filters. As a condition of the supply agreement, Haemonetics agreed to accept the HDC line and make a final payment of \$9 million to Pall for the same.

Further, in May 2013, the company acquired Hemerus Medical, a Minnesota-based company that develops innovative technologies for the collection of whole blood and processing and storage of blood components, including SOLX storage solutions.

Earlier, the company reported its operating results in 4 business franchises: Plasma, Hemostasis Management, Cell Processing and Blood Center. However, as the annual report released in May 2019, the reporting segments for the company's products have been reduced to three, namely, Plasma, Blood Center, and Hospital.

- **Plasma** (47.3% of revenues in fiscal 2020) includes plasma collection devices and disposables, plasma donor management software, anticoagulant and saline sold to plasma customers. In fiscal 2019, this segment registered 15.1% revenue growth compared with fiscal 2018.
- **Blood Center** (32.8%) includes blood collection and processing devices and disposables for red cells, platelets and whole blood as well as related donor management software. In fiscal 2019, this segment registered 5.5% revenue decline from fiscal 2018.
- **Hospital** (19.9%) includes three product lines, namely, Hemostasis Management, Cell Salvage and Transfusion Management.



Reasons To Buy:

▲ **Potential Upsides of Plasma Franchise:** Haemonetics has been witnessing strong growth in Plasma franchise for quite some time. In the global plasma market, Haemonetics holds 80% share approximately. In the fiscal fourth quarter, Plasma, the company's largest business segment, grew 11.7% on an organic basis on 12.5% growth in North America, including 11.8% growth in disposables. The upside was driven by favorable volume and price. Notably, impact of the coronavirus pandemic was limited to disposable sales in the final two weeks of the quarter in North America and Europe.

Haemonetics expects to return to positive top-line growth banking on its growth drivers like Plasma, TEG, hemostasis management as well as strong cash position.

Japan continued to experience strong sales of plasma products as the company increased and maintained share due to technological issues with a competitor device.

The company has completed 10 million YES procedures to date, resulting in more than 230,000 incremental liters of plasma collected. Haemonetics is currently witnessing plasma market growth above historic rates driven by an industry striving to double collections by 2025 and the rising demand for plasma-based medicines. The company continued to benefit from the NexSys device and NexLynk donor management software (DMS) backed by increased customer adoptions.

▲ **Huge Potential of Hemostasis Management Franchise:** Under Hospital business, Hemostasis Management saw strong growth in the past few quarters. Although Hospital business witnessed a fall in segmental revenues, organic revenue growth in the Hemostasis Management product line was 2.8%. North America, which is the biggest market for hemostasis management for the company, grew 20% in the quarter. The contribution from product launches and the overall demand for viscoelastic testing was encouraging in the quarter.

The TEG business, despite temporary challenges due to the pandemic, is believed to be the company's growth engine for the long term. Further, the company has started registering early demand for TEG in the West and recovery for Cell Saver in Asia. Notably, Haemonetics acquired the intellectual property assets relating to TEG 6s Hemostasis Analyzer System from CoraMed Technologies in January 2020.

We are also positive about Haemonetics' recent acquisitions of enicor and ClotPro technology to strengthen its offering across lab-based and site-of-care testing. ClotPro is currently available in select European and Asia-Pacific markets. Per Haemonetics, the ClotPro technology is a suitable complement to its existing TEG 6s business. Haemonetics is even hopeful that ClotPro will displace the TEG 5000 in due course, particularly the lab-based setting.

The company's transfusion management portfolio registered strong growth in the quarter backed by contributions from both BloodTrack and SafeTrace Tx. The company recorded robust bookings in North America in the reported quarter.

▲ **Strong Solvency and Balance Sheet Position:** Haemonetics exited the fourth quarter of fiscal 2020 with cash and cash equivalents of \$137 million compared with \$126 million at the end of the third quarter of fiscal 2020. Meanwhile, total debt came up to \$383 million for the period, compared with \$372 million in the last-reported quarter. This figure is much higher than the quarter-end cash and cash equivalent, apparently indicating weak solvency. However, if we go by the company's current-year debt level of \$77 million, it is pretty low compared to the cash in hand. This is good news in terms of the solvency position of the company, at least during a year of economic downturn, implying that the company is holding sufficient cash for debt repayment.

Debt comparison with the industry is, however, favorable as the industry's total debt of \$10.61 billion is much higher than the company's debt level.

The quarter's total debt-to-capital ratio of 0.34 stands at a moderately high level, indicating a leveraged balance sheet. However, it represents a sequential drop from 0.35 at the end of the fiscal third quarter. This compares favorably with the total debt-to-capital of the industry, which stands at a higher level of 0.37.

The times interest earned for the company stands at 6.4%, representing a sequential decline from 7.1% at the end of the fiscal third quarter. This, however, compares favorably with the times interest earned for the industry which stands at a lower level (4.8%).

In fiscal 2020, the company repurchased a total of 1,482,554 of its common shares for \$175 million through multiple accelerated share repurchase agreements entered into during the fiscal year. Further, the company has a remaining share repurchase authorization of \$325 million.

Reasons To Sell:

▼ **Share Price Movement:** Over the past six months, Haemonetics has underperformed its industry. The stock has lost 26.7% compared with the industry's 9.1% fall. The company's sluggish Blood Center business due to imbalances in supply and demand for blood products is concerning. Price and utilization rates pose further challenges for this segment apart from previously discontinued customer contracts and ongoing declines in blood utilization rates. Hospital segment saw declines in procedures due to COVID-19, restricted access for sales teams and reallocation of funds to critical ICU needs within hospitals. The company is not issuing guidance for 2021. The uncertain economic scenario and a tough competitive landscape are other concerns for the company.

The weakness in the Blood center franchise significantly affected Haemonetics' results in the reported quarter. Moreover, tough competitive environment also weighed on the stock.

▼ **Expensive Valuation:** Haemonetics' P/S (F12M) ratio is expensive in comparison to the broader industry. The company is currently trading at a forward P/S (F12M basis) ratio of 4.4 for the past year, whereas the current P/S ratio (F12 basis) for the industry it belongs to is 3.7.

▼ **Persistent Decline in Blood Center Revenues:** Haemonetics has been witnessing sluggish revenue growth at its Blood Center franchise, due to several adverse factors. In the reported quarter, Blood Center revenues declined 10.8% (10% on an organic basis). This resulted from a drop in collection volumes in the regions of Asia, China, Korea and Japan where the coronavirus impact was pronounced. Whole blood revenues declined 12% in the quarter due to unfavorable order timing among the company's distributors. The 6% decline in revenues in fiscal 2020 includes discontinued customer contracts and ongoing declines in blood utilization rates.

The decline in Blood Center software revenues was due to discontinued customer contracts. The company further anticipates a greater overall impact on Blood Center revenues resulting from imbalances in the supply and demand for blood products. Further, the segment will continue to face price and utilization rate challenges.

▼ **Economic Uncertainty a Concern:** The uncertain economic scenario continues to pose a challenge for Haemonetics. The company has been progressing with blood management solutions even though the attempt is negatively impacted by economic challenges. Moreover, a stronger dollar, causing significant currency fluctuations, has been affecting the company's outcome over the past few quarters and no respite is expected in the near term. Unstable macroeconomic conditions due to coronavirus outbreak is another headwind trailing the company.

▼ **Competitive Landscape:** Haemonetics operates in a very competitive environment, both for manual and automated systems, which includes companies like MAK Systems, ROTEM analyzers, Medtronic, e Fresenius, MacoPharma and Terumo, among others. Slower-than-expected product adoption by customers, especially the American Red Cross, might reduce the company's revenues and profit.

Last Earnings Report

Haemonetics Q4 Earnings Lag Estimates, Margins Expand

Haemonetics delivered adjusted earnings per share of 69 cents in the fourth quarter of fiscal 2020, reflecting 13.1% year-over-year growth. The bottom line, however, lagged the Zacks Consensus Estimate by 5.5%.

On a GAAP basis, net income was 34 cents per share, down 15% from the year-ago figure.

Full-year adjusted earnings per share was \$3.31, reflecting a 38.5% increase from the year-earlier \$2.39. The metric lagged the Zacks Consensus Estimate by 0.9%.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	-2.79%
EPS Surprise	-5.48%
Quarterly EPS	0.69
Annual EPS (TTM)	3.31

Total Revenues

Revenues declined 4.3% (up 0.7% on an organic basis) to \$238.5 million in the fourth quarter of fiscal 2020. Further, the top line lagged the Zacks Consensus Estimate by 2.8%.

Full-year revenues were \$988.5 million, reflecting a 2.2% increase from the year-ago period (up 6.3% organically). Revenues lagged the Zacks Consensus Estimate by 0.6%.

Quarterly Revenues by Product Categories

At **Plasma**, revenues of \$111.9 million (accounting for 46.9% of total revenues) increased 3.8% year over year (11.7% on an organic basis) in the reported quarter. Plasma revenue growth in North America was 12.5%, including 11.8% growth in disposables.

Revenues at **Blood Center** (32.1%) declined 10.8% (10% on an organic basis) to \$76.6 million.

Hospital revenues (19.2%) were down 8.6% (up 0.3% on an organic basis) to \$45.8 million. Under the Hospital segment, organic revenue growth in the Hemostasis Management product line was 2.8% in the fourth quarter of fiscal 2020.

Service revenues (1.8%) were down 24.3% (24.8% on an organic basis) to \$4.2 million.

Margins

Per the company, adjusted gross margin was 50.3%, up 320 basis points (bps) year over year on change in the pricing structure, favorable product mix and productivity savings.

Adjusted operating expenses as provided by the company in the fourth quarter of fiscal 2020 were \$72.7 million, down 2.7% from \$74.7 million in the year-ago quarter. The reduction in operating expenses resulted from productivity savings which were partially offset by continued investments in sales and marketing.

Adjusted operating income was \$47.3 million in the quarter under discussion, up 10.5% from \$42.8 million in the year-ago quarter. Meanwhile, adjusted operating margin expanded 270 bps year over year to 19.8%.

Financial Position

Haemonetics exited the fiscal 2020 with cash and cash equivalents of \$137.3 million compared with \$126.4 million at the end of the third quarter. Long-term debt at the end of the fiscal 2020 was \$305.5 million, marking a reduction of 1.4% from \$309.7 million at the end of the third quarter.

Cumulative cash flow from operating activities was \$158.2 million at the end of fiscal 2020 compared with \$159.3 million in the year-ago period (down 0.7%). It also reported free cash flow (before restructuring and turnaround costs) of \$126.2 million during the same period, which recorded a stupendous increase of 192.7% from \$43.1 million a year ago.

The company repurchased a total of 1,482,554 of its common shares for \$175 million in fiscal 2020 through multiple accelerated share repurchase agreements entered into during the fiscal year. It has a remaining share repurchase authorization of \$325 million. However, given the current economic situation due to the coronavirus pandemic, the company will prioritize allocating capital to support its business needs first.

Fiscal 2021 Guidance

Haemonetics expects to see greater COVID-19 impact on its fiscal 2021 results due to the persisting effects of social distancing guidelines and stay-at-home orders. Other factors which are expected to impact its fiscal 2021 results are decline in elective surgeries, restricted vendor access at customer sites and reallocation of hospital resources to critical ICU needs.

The company is currently unable to ascertain the scope and duration of the pandemic as well as quantify the actual impact and timing of the associated economic recovery. It is currently in the process of assessing the potential scenarios for the economic impact of COVID-19 and the related effect on healthcare in the coming period. The company intends to issue its full-year guidance later in the fiscal year.

Recent News

On **June 3, 2020**, Haemonetics announced entering into a definitive agreement to sell its Fajardo, Puerto Rico, manufacturing operations to GVS, S.p.A, a provider of advanced filtration solutions for critical applications.

On **May 28, 2020**, Haemonetics announced entering into a definitive agreement to sell certain blood donor management software solution assets within its Blood Center business unit to the GPI Group.

On **Apr 2, 2020**, announced that it acquired enicor GmbH, a Germany-based privately held manufacturer of a new-generation whole blood coagulation testing system called ClotPro.

Valuation

Haemonetics shares are down 25.3% in the year-to-date period and down 27.2% in the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Medical sector are down 8.3% and down 2.4% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 6.9% and down 1.9%, respectively.

The S&P 500 index is down 3.3% in the year-to-date period and up 5.4% in the past year.

The stock is currently trading at 26.5X Forward 12-months earnings, which compares to 29.9X for the Zacks sub-industry, 22.7X for the Zacks sector and 22.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.5X and as low as 14.6X, with a 5-year median 27.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$90 price target reflects 27.7X forward 12-months earnings.

The table below shows summary valuation data for HAE

Valuation Multiples - HAE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.45	29.88	22.68	22.42
	5-Year High	44.54	30.95	23.16	22.42
	5-Year Low	14.60	17.01	15.94	15.23
	5-Year Median	27.86	20.12	19.05	17.49
P/S F12M	Current	4.44	3.74	2.76	3.50
	5-Year High	6.77	3.88	3.74	3.50
	5-Year Low	1.48	2.88	2.21	2.53
	5-Year Median	3.36	3.28	2.91	3.02
P/B TTM	Current	7.35	2.84	4.23	4.26
	5-Year High	12.02	4.26	5.06	4.56
	5-Year Low	1.84	2.19	2.93	2.83
	5-Year Median	3.83	2.78	4.28	3.67

As of 06/18/2020

Industry Analysis Zacks Industry Rank: Top 38% (95 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Accuray Incorporated (ARRAY)	Outperform	2
ABIOMED, Inc. (ABMD)	Neutral	3
AngioDynamics, Inc. (ANGO)	Neutral	3
Anika Therapeutics Inc. (ANIK)	Neutral	3
Alphatec Holdings, Inc. (ATEC)	Neutral	3
Boston Scientific Corporation (BSX)	Neutral	3
Fresenius Medical Care AGCo. KGaA (FMS)	Neutral	4
3M Company (MMM)	Neutral	3

Industry Comparison Industry: Medical - Products				Industry Peers		
	HAE	X Industry	S&P 500	ABMD	ARRAY	MMM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	C	D	B
Market Cap	4.31 B	350.69 M	21.93 B	11.39 B	210.90 M	91.58 B
# of Analysts	4	3	14	7	1	7
Dividend Yield	0.00%	0.00%	1.93%	0.00%	0.00%	3.69%
Value Score	C	-	-	D	C	C
Cash/Price	0.03	0.10	0.06	0.04	0.48	0.05
EV/EBITDA	20.98	0.02	12.69	39.48	-144.45	14.64
PEG Ratio	2.08	3.83	2.97	4.04	NA	2.12
Price/Book (P/B)	7.35	3.42	3.02	10.72	3.52	8.97
Price/Cash Flow (P/CF)	15.32	17.26	11.62	48.04	NA	13.24
P/E (F1)	28.06	34.37	21.45	78.86	46.60	20.13
Price/Sales (P/S)	4.36	5.30	2.33	13.55	0.52	2.83
Earnings Yield	3.57%	0.05%	4.37%	1.27%	2.15%	4.97%
Debt/Equity	0.52	0.10	0.77	0.00	3.62	1.94
Cash Flow (\$/share)	5.60	-0.01	7.01	5.27	-0.01	12.02
Growth Score	B	-	-	A	D	A
Hist. EPS Growth (3-5 yrs)	15.52%	12.07%	10.87%	51.28%	NA	5.11%
Proj. EPS Growth (F1/F0)	-7.63%	-1.37%	-10.65%	-32.22%	133.33%	-13.09%
Curr. Cash Flow Growth	19.21%	6.00%	5.46%	31.85%	-94.34%	-11.15%
Hist. Cash Flow Growth (3-5 yrs)	9.09%	7.71%	8.55%	51.31%	14.18%	1.67%
Current Ratio	2.20	2.73	1.29	4.82	1.95	1.65
Debt/Capital	34.23%	14.48%	45.14%	0.00%	78.34%	66.04%
Net Margin	7.74%	-25.53%	10.53%	24.14%	0.64%	15.37%
Return on Equity	29.33%	-8.55%	16.06%	18.51%	-14.83%	50.24%
Sales/Assets	0.80	0.54	0.55	0.72	0.87	0.75
Proj. Sales Growth (F1/F0)	-3.84%	0.00%	-2.61%	-7.19%	-7.50%	-5.32%
Momentum Score	B	-	-	F	F	F
Daily Price Chg	-2.53%	0.00%	-0.07%	-0.54%	2.64%	-0.01%
1 Week Price Chg	-10.08%	-2.58%	-7.25%	-3.25%	-13.77%	-7.49%
4 Week Price Chg	-19.42%	2.98%	6.92%	29.06%	13.66%	9.19%
12 Week Price Chg	-18.18%	22.18%	16.91%	69.85%	32.39%	16.91%
52 Week Price Chg	-27.15%	-6.52%	-5.63%	-2.68%	-40.56%	-8.47%
20 Day Average Volume	625,669	262,020	2,574,456	525,287	575,727	3,595,958
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.14%
(F1) EPS Est 4 week change	-0.16%	0.00%	0.00%	-1.36%	0.00%	-0.14%
(F1) EPS Est 12 week change	-20.17%	-18.98%	-14.21%	-29.61%	29.17%	-14.32%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	-0.19%

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	B
Momentum Score	B
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.

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