Aug 06, 2020

Martin Marietta (MLM)

$216.85 (As of 08/05/20)

Price Target (6-12 Months): **$227.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/14/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: B | Growth: B | Momentum: C	

Summary

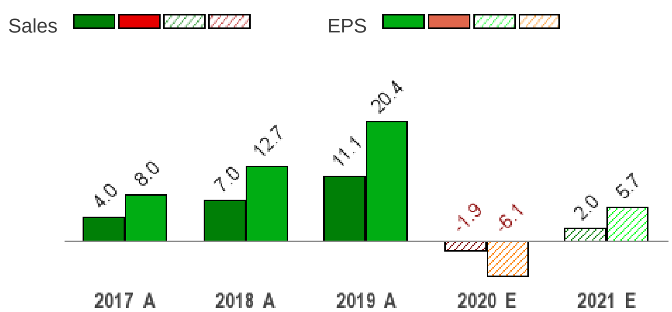
Martin Marietta's second-quarter earnings and revenues (products and services) topped analysts' expectation by 14.8% and 3.6%, respectively, backed by higher demand and operational excellence. The bottom line also increased 15.9% from the year-ago level, supported by disciplined execution of its strategic plan to combat COVID-19 impacts. The company witnessed strong demand across key markets, including two of its leading vertically-integrated markets — North Texas and the Front Range of Colorado. Pricing improved 3.3% despite 3.7% low aggregates shipments. It expects 2020 aggregates pricing to rise 3-4% from the prior year. That said, it anticipates industry-wide decline in product demand over the next few quarters, given the uncertainty of additional U.S. federal economic stimulus actions due to budget shortfalls.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$281.82 - $135.08**
20 Day Average Volume (sh)	**572,017**
Market Cap	**$13.5 B**
YTD Price Change	**-22.5%**
Beta	**0.88**
Dividend / Div Yld	**$2.20 / 1.0%**
Industry	**Building Products - Concrete and Aggregates**
Zacks Industry Rank	**Top 26% (67 out of 253)**
Last EPS Surprise	**14.8%**
Last Sales Surprise	**3.6%**
EPS F1 Est- 4 week change	**7.4%**
Expected Report Date	**11/03/2020**
Earnings ESP	**0.0%**
P/E TTM	**21.8**
P/E F1	**23.7**
PEG F1	**8.4**
P/S TTM	**2.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	893 E	1,232 E	1,337 E	1,056 E	4,423 E
2020	891 A	1,190 A	1,265 E	999 E	4,336 E
2019	878 A	1,196 A	1,323 A	1,025 A	4,422 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.66 E	$3.44 E	$4.08 E	$2.08 E	$9.67 E
2020	$0.41 A	$3.49 A	$3.67 E	$1.79 E	$9.15 E
2019	$0.68 A	$3.01 A	$3.96 A	$2.09 A	$9.74 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 08/05/2020. The reports text and the analyst-provided sales and EPS estimates are as of 08/06/2020.

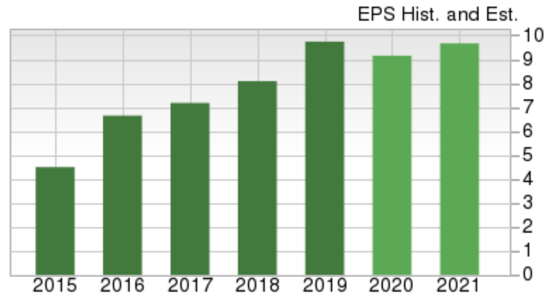
Overview

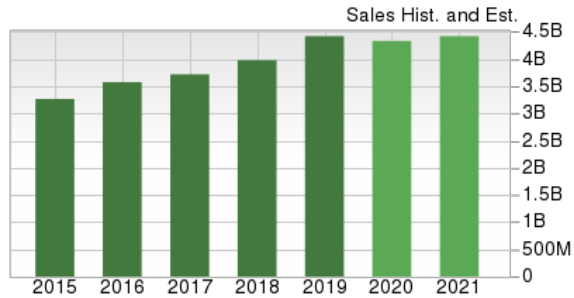
Based in Raleigh, NC, **Martin Marietta Materials, Inc.** produces and supplies construction aggregates and other heavy building materials, mainly cement, in the United States. The end uses of the company's aggregates and cement are infrastructure, private residential and private non-residential construction. Railroad, agricultural, utility and environmental industries also use these products. The company supplies aggregates (crushed stone, sand and gravel) through its network of approximately 300 quarries, mines and distribution yards in 27 states, Canada and the Bahamas.

The company's total revenues include sales of products and services to customers (net of any discounts or allowances) and freight revenues.

Building Materials (accounting for 94.9% of 2019 total revenues): The Building Materials business includes aggregates, cement, ready mixed concrete, asphalt and paving product lines. The Building Materials business includes three reportable segments: The Mid-America Group (30.3%), the Southeast Group (10.5%) and the West Group (54.1%).

Magnesia Specialties (5.1%)**:** The segment produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel industry.
At the end of the June quarter, the company had $70.1 million of cash on hand and $967.7 million unused borrowing capacity under the existing revolving facilities.





At the end of the June quarter, the company had $70.1 million of cash on hand and $967.7 million unused borrowing capacity under the existing revolving facilities.

Reasons To Buy:

An uptick in public construction activity will boost demand. Acquisitions and healthy balance sheet also bode well.

▲ **Leading Supplier of Aggregates**: Martin Marietta is a leading supplier of construction aggregates in the United States used for construction of highways, infrastructure projects and residential, commercial and industrial building development. The company has a vast network of aggregate quarries and distribution centers throughout the southern U.S., in the Bahamas and Canada, as well as distribution centers along the Gulf of Mexico and Atlantic coasts. Higher shipments, pricing improvement and benefits from growth initiatives owing to strong underlying demand will boost its sales and profits at the Aggregates business in the forthcoming quarters. The company highlights that Texas (the company's largest revenue producing state) and Colorado (second largest) remain in good health amid coronavirus-related uncertainties. Additionally, in North Carolina, the company booked 10 million tons of aggregates on six large NCDOT projects in first-quarter 2020, and 9.4 million is expected to be shipped in 2020 and 2021. Although NCDOT suspended awards for certain projects due to pre-COVID-19 funding issues, it will benefit from $700 million in build NC bond revenues to fund the existing transportation programs.

▲ **Solid Public Infrastructure Demand**: Public sector construction includes spending by federal, state and local governments for construction of highways, bridges, airports, dams, roads and other infrastructure construction. Generally, public sector spending is a lot more stable than the private sector because public construction projects are less affected by general economic cycles and receive predictable government funding. Notably, the infrastructure market represented 35% and 32% of its 2019 and first-quarter 2020 aggregate shipments, respectively. The company expects infrastructure shipments to grow meaningfully in future, driven by healthy state Department of Transportation (DOT) budgets and an expected extension or replacement for the Fixing America's Surface Transportation (FAST) Act.

The company expects the outlook for public infrastructure, particularly for aggregate intensive street/highway work, to remain more resilient during these uncertain times. The outlook for infrastructure construction, particularly for aggregates-intensive highways and streets, is expected to be the most near-term resilient. While shelter-in-place orders have been issued in the vast majority of the United States, most state DOTs have remained operational and continue to advance current and planned transportation projects, capitalizing on reduction of vehicles on the road and related traffic congestion.

Importantly, Trump's impetus to spur massive infrastructure investments in roads, highways, ports and airports bodes well for aggregate producers like Martin Marietta. The plan also addresses the issues related to drinking and wastewater system, energy and rural infrastructure, and veterans' hospitals, to name a few. This will further propel demand for products sold by companies like Martin Marietta.

The multi-year highway bill — five-year, $305 billion FAST Act — enacted in December 2015 increased the funding certainty for the state transportation and highway programs. This, coupled with state/local municipal-level initiatives to finance infrastructure projects, should propel the increased construction of highways, streets, roads, and bridges in the near term, thereby increasing aggregates demand.

▲ **Healthy Balance Sheet**: As of Jun 30, 2020, the company had $70.1 million of cash on hand and $967.7 million of unused borrowing capacity on the existing credit facilities. Notably, it repaid $300 million of floating rate notes that matured in May 2020. The company's current liquidity position is more than enough to meet the short-term obligation of $181 million, which is way lower than $693 million reported at March-end. Moreover, at the end of the second quarter, its long-term debt was flat sequentially and is not likely to mature before 2024. Its total debt to total capital decreased to 37% at June-end from 41.4% at March-end.

▲ **Regular Acquisitions**: The company completed more than 85 smaller acquisitions since its Initial Public Offering in 1994 till 2017, strengthening its position in the Aggregates business. Notably, the company has acquired aggregates and related quarry locations from industry majors like Vulcan Materials, Lafarge North America and CEMEX, Inc.

In April 2018, Martin Marietta acquired Bluegrass Materials Company for $1.625 billion in cash. The addition of Bluegrass strengthened Martin Marietta's aggregates position in the high-growth regions of Southeastern and Mid-Atlantic. Bluegrass has a portfolio of more than 125 years of strategically-located, high-quality reserves across Georgia, South Carolina, Maryland, Kentucky and Tennessee. In late June, the company acquired several sand and gravel operations and a permitted Greenfield site in Omaha, Nebraska, adding approximately 30 million tons of total reserves to its Midwest business. Martin Marietta continues to expect pursuing selective acquisitions, joint ventures or other business arrangements that will help the company expand footprint.

Reasons To Sell:

Coronavirus-related woes and adverse weather conditions raise concerns

- **Coronavirus-Related Woes**: Although the company has seen minimal disruption from the COVID-19 pandemic through April 2020, it expects softer demand in the coming months as businesses and governments have decreased the scale or postponed the timing of future construction due to lower revenue collections and other short-term funding needs. Despite being designated as "essential business" amid COVID-19-led shutdown, Martin Marietta experienced negative impacts of macroeconomic slowdown. It anticipates industry-wide decline in product demand over the next few quarters, given the uncertainty of additional U.S. federal economic stimulus actions due to budget shortfalls.

  Large non-residential projects are experiencing delays due to prevailing uncertainty owing to the COVID-19 outbreak.

  Additionally, it has temporarily paused share repurchases until visibility becomes clearer. Also, the impact of lower state funding could weigh on its second-half 2020 performance (given the absence of congressional action), with varying effects depending on the health of state budgets.

- **Weather Woes**: Weather-related challenges in many markets are affecting Martin Marietta. All of the company's businesses are subjected to weather-related risks that can significantly affect production schedules and profitability. Excessive rainfall, flooding, or severe drought can jeopardize shipments, production, and profitability in all of the company's markets. The first and fourth quarters are most adversely affected by winter. Hurricane activity in the Atlantic Ocean and Gulf Coast is most active during the third and fourth quarters. In the Downstream business, first-quarter ready mixed concrete shipments decreased 14.1% year over year, resulting from weather-impacted project delays in Texas that more than offset double-digit growth in Colorado. In fourth-quarter 2019, weather-related woes impacted projects in Colorado in the Downstream business.

- **Lower Margins in Aggregates Downstream Operations**: Martin Marietta's aggregates-related downstream operations have lower gross margins (excluding freight and delivery revenues) than its aggregates product line due to highly competitive market dynamics, lower barriers to entry and volatility in fuel costs. Therefore, as the downstream operations are expanded, overall gross margin (excluding freight and delivery revenues) is likely to be adversely affected.

Last Earnings Report

Martin Marietta Q2 Earnings Top Estimates, Margin Up

Quarter Ending	06/2020
Report Date	Jul 28, 2020
Sales Surprise	3.63%
EPS Surprise	14.80%
Quarterly EPS	3.49
Annual EPS (TTM)	9.95

Martin Marietta Materials, Inc. reported better-than-expected second-quarter 2020 earnings and revenues (products and services) backed by higher demand and operational excellence. Demand for the company's products remained strong across key markets, including two of its leading vertically-integrated markets — North Texas and the Front Range of Colorado.

Ward Nye, chairman and CEO of Martin Marietta, said, "We remain confident that our favorable pricing trends will continue, aided in part by the continued success of our locally-driven pricing strategy. We expect our full-year 2020 aggregates pricing to increase 3 percent to 4 percent, slightly below our pre-COVID-19 forecast, largely due to year-over-year geographic and product mix fluctuations."

Despite being designated as "essential business" amid COVID-19-led shutdown, Martin Marietta experienced negative impacts of macroeconomic slowdown. It anticipates industry-wide decline in product demand over the next few quarters, given the uncertainty of additional U.S. federal economic stimulus actions due to budget shortfalls.

Inside the Headlines

Martin Marietta reported adjusted earnings per share of $3.49, surpassing the Zacks Consensus Estimate of $3.04 by 14.8%. The metric also increased 15.9% from the year-ago level of $3.01 per share. The uptrend was mainly attributable to operational excellence and disciplined execution of its strategic plan to combat COVID-19 impacts.

Total quarterly revenues (including Product and services, and Freight revenues) came in at $1.27 billion, slightly down from the year-ago figure of $1.28 billion. Products and services revenues, accounting for 93.65 of total revenues, slipped 0.6% year over year but topped the consensus mark of $1.15 billion by 3.6%. The upside in demand was driven by attractive customer backlogs and continued construction activity. However, macroeconomic slowdown offset the positives.

Segment Discussion

The Building Materials segment's (including aggregates, cement, ready-mixed concrete, asphalt, paving product lines and Freight) revenues of $1.22 billion increased 1.1% year over year. Within the segment, product and services revenues amounted to $1.14 billion, up 1.3% from the year-ago level. However, freight revenues of $76.4 million were down 1.4% from the year-ago period.

Again in product and services, Aggregates' revenues of $754.9 million fell 0.4% from the year-ago quarter. Also, Cement revenues slipped 2.5% year over year to $109.5 million. On the contrary, Ready Mixed Concrete's revenues grew 1.6% year over year to $245.1 million. Revenues in Asphalt and paving product lines also increased 30.2% from the year-ago quarter to $107 million. Aggregates shipments declined 3.7% year over year, while pricing improved 3.3% owing to strong performance across all divisions.

Geographically, Mid-America Group operations' shipments declined 7.2% from the prior-year period due to near-record rainfall in most of the regions served and lower infrastructure shipments in North Carolina. Pricing in the region improved just 2.3% from the prior-year quarter owing to geographic mix. Southeast Group operations' shipments increased 3% from the prior-year quarter. The Florida Department of Transportation boosted certain transportation projects amid the COVID-19 pandemic, which supported the growth. Meanwhile, persistent strength in warehouse, data center and distribution facility construction was partially offset by weather-related construction delays. Pricing improved 0.7% from the prior-year quarter owing to higher percentage of lower-priced base and fines shipments. West Groups' aggregate shipments slipped 1% from a year ago. Double-digit growth in North Texas and Colorado was more than offset by the completion of certain Gulf Coast liquefied natural gas projects and reduced energy-sector shipments. Pricing grew 5.5% year over year.

Cement shipments decreased 2.7% year over year due to reduced demand for West Texas oil-well specialty cement products caused by historically low oil prices. Ready mixed concrete and Colorado asphalt shipments increased 8.7% and 34.6% year over year, respectively.

The Magnesia Specialties segment — including magnesium oxide, magnesium hydroxide and dolomite lime products — reported total revenues of $53.6 million, reflecting a 29.8% decline from the year-ago period. Product and services revenues of $48.9 million were down 30.6% year over year. Freight revenues of $4.7 million were also down 20.3% from the year-ago period. The downside was due to a decline in lime and periclase shipments, along with tepid domestic and international demand for chemicals products.

Operating Highlights

Consolidated gross margin came in at 29.9%, which improved 200 basis points. Also, adjusted EBITDA of $407 million increased 7.5% year over year, driven by pricing momentum and improved cost management across the Building Materials business.

Liquidity and Cash Flow

As of Jun 30, 2020, Martin Marietta had cash and cash equivalents of $70.1 million compared with $21 million at 2019-end. Long-term debt (excluding current maturities) was $2.62 billion compared with $2.43 at 2019-end. Net cash provided by operations was $373.2 million at second quarter-end, up from $333.7 million in the comparable period of 2019. It had $967.7 million of unused borrowing capacity on the existing credit facility as of Jun 30, 2020.

Valuation

Martin Marietta's shares are down 23.5% in the year-to-date period and 12.7% in the and trailing 12-month period. Stocks in the Zacks sub-industry are down 14.7% but the Zacks Construction sector is up 5.1% in the year-to-date period. Over the past year, the Zacks sub-industry is down 4.8% but sector is up 20.6%.

The S&P 500 index is up 3.3% in the year-to-date period and 15.6% in the past year.

The stock is currently trading at 22.92X forward 12-month earnings, which compares to 26.35X for the Zacks sub-industry, 18.96X for the Zacks sector and 22.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.34X and as low as 12.4X, with a 5-year median of 22.92X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $227 price target reflects 24.05X forward 12-month earnings.

The table below shows summary valuation data for MLM

Valuation Multiples - MLM

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.92	26.35	18.96	22.71
	5-Year High	33.34	29.81	18.99	22.71
	5-Year Low	12.4	12.88	10.74	15.25
	5-Year Median	22.92	20.29	15.86	17.55
P/S F12M	Current	3.08	2.14	2.12	3.63
	5-Year High	4.01	2.66	2.12	3.63
	5-Year Low	1.89	1.52	1.17	2.53
	5-Year Median	3.08	2.13	1.63	3.04
EV/EBITDA TTM	Current	13.05	17.23	19.28	12.89
	5-Year High	22.71	23.32	21.52	12.89
	5-Year Low	9.75	13.22	12.49	8.24
	5-Year Median	15.99	17.51	17.81	10.89

As of 08/05/2020

Industry Analysis **Zacks Industry Rank:** Top 26% (67 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
Eagle Materials Inc **(EXP)**	Outperform	1
Summit Materials, Inc. **(SUM)**	Outperform	2
Cornerstone Building Brands, Inc. **(CNR)**	Neutral	4
Cemex S.A.B. de C.V. **(CX)**	Neutral	2
FORTERRA INC **(FRTA)**	Neutral	3
U S Concrete, Inc. **(USCR)**	Neutral	3
Vulcan Materials Company **(VMC)**	Neutral	3
Cementos Pacasmayo S.A.A. **(CPAC)**	Underperform	4

Industry Comparison Industry: Building Products - Concrete And Aggregates

Industry Peers

	MLM	X Industry	S&P 500	CNR	SUM	VMC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	4	2	3
VGM Score	B	-	-	D	A	C
Market Cap	13.50 B	1.89 B	22.93 B	870.44 M	1.89 B	16.76 B
# of Analysts	7	2	14	1	5	7
Dividend Yield	1.01%	0.00%	1.76%	0.00%	0.00%	1.07%
Value Score	B	-	-	D	A	D
Cash/Price	0.01	0.12	0.07	0.68	0.15	0.01
EV/EBITDA	13.19	8.30	13.16	8.77	8.40	15.71
PEG Ratio	8.31	5.68	2.99	NA	NA	2.98
Price/Book (P/B)	2.46	1.58	3.20	2.50	1.29	2.91
Price/Cash Flow (P/CF)	13.78	6.55	12.45	2.77	5.66	16.73
P/E (F1)	23.53	23.98	21.78	NA	24.57	28.54
Price/Sales (P/S)	2.84	0.83	2.47	0.18	0.83	3.37
Earnings Yield	4.22%	4.05%	4.33%	-20.58%	4.05%	3.50%
Debt/Equity	0.55	0.65	0.77	11.05	1.28	0.55
Cash Flow ($/share)	15.73	2.93	6.94	2.50	2.93	7.56
Growth Score	B	-	-	C	A	C
Hist. EPS Growth (3-5 yrs)	16.92%	10.78%	10.46%	NA	-20.22%	22.74%
Proj. EPS Growth (F1/F0)	-6.03%	-28.65%	-7.14%	-464.10%	-28.30%	-5.65%
Curr. Cash Flow Growth	15.01%	15.68%	5.47%	126.38%	46.64%	12.71%
Hist. Cash Flow Growth (3-5 yrs)	17.98%	15.48%	8.55%	45.03%	27.62%	19.87%
Current Ratio	2.67	2.08	1.32	2.44	2.44	1.95
Debt/Capital	35.66%	39.16%	44.59%	91.70%	56.16%	35.63%
Net Margin	13.12%	3.43%	10.15%	-10.08%	4.53%	12.60%
Return on Equity	11.62%	9.31%	14.46%	-8.57%	9.31%	11.46%
Sales/Assets	0.46	0.58	0.51	0.89	0.56	0.46
Proj. Sales Growth (F1/F0)	-1.94%	-0.04%	-1.68%	0.00%	3.18%	-0.07%
Momentum Score	C	-	-	F	B	B
Daily Price Chg	2.15%	1.58%	0.59%	4.86%	7.67%	1.78%
1 Week Price Chg	-7.36%	-1.44%	0.14%	-4.06%	-12.69%	-7.75%
4 Week Price Chg	3.81%	6.58%	5.31%	32.18%	1.41%	6.23%
12 Week Price Chg	35.00%	35.00%	19.84%	73.80%	49.86%	35.99%
52 Week Price Chg	-11.52%	-8.30%	2.73%	43.75%	-11.87%	-8.30%
20 Day Average Volume	572,017	81,702	2,098,555	442,100	1,329,791	949,730
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.65%
(F1) EPS Est 4 week change	7.41%	2.65%	1.10%	0.00%	48.46%	2.65%
(F1) EPS Est 12 week change	7.32%	9.46%	1.04%	-349.12%	77.37%	1.87%
(Q1) EPS Est Mthly Chg	-1.93%	0.00%	0.39%	NA	10.50%	1.20%

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	B
Momentum Score	C
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.