

Match Group (MTCH)

\$150.25 (As of 06/17/21)

Price Target (6-12 Months): **\$158.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/05/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

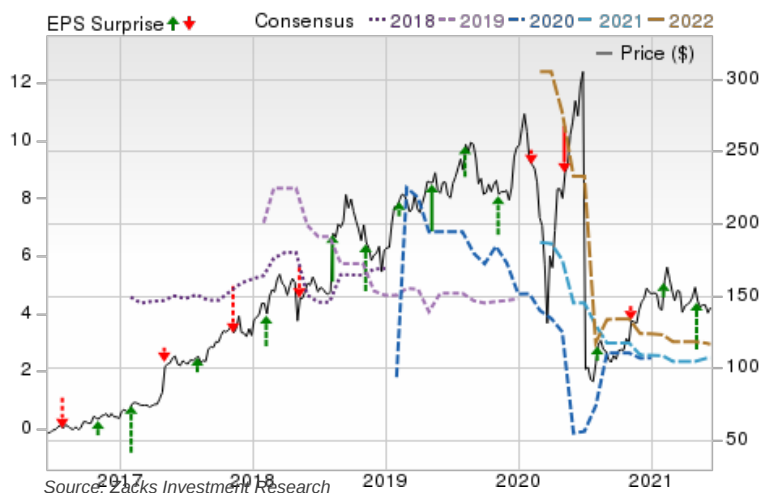
Growth: B

Momentum: F

Summary

Match Group is benefiting from increasing activity and engagement seen across its apps like Tinder, Hinge, Meetic, Pairs and OkCupid since the COVID-19 outbreak, especially across western markets. The company is also seeing rebound in propensity to pay, driven by robust uptake of video-enabled services to boost engagement amid the COVID-19 crisis. Shares of the company have outperformed the industry on a year-to-date basis. Nonetheless, Match Group's dependence on Tinder to drive the top line is a major concern. Tinder is labelled as a sexting/hook up app and could face hurdles, while trying to expand into other parts of the world. This may not bode well for the company's top line. Further, a highly-leveraged balance sheet and intense competition from other dating apps including the likes of Facebook Dating are persistent overhangs.

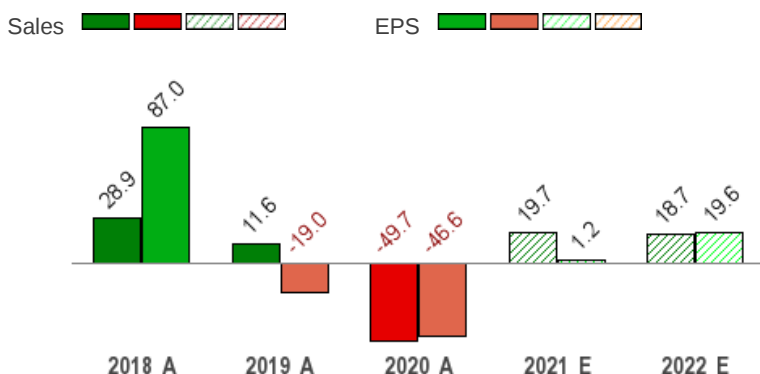
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$176.09 - \$88.27
20-Day Average Volume (Shares)	1,776,039
Market Cap	\$40.6 B
Year-To-Date Price Change	-0.6%
Beta	1.13
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Internet - Commerce
Zacks Industry Rank	Bottom 11% (224 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	45.7%
Last Sales Surprise	2.6%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	08/03/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	779 E	2,130 E	2,489 E	853 E	3,395 E
2021	668 A	689 E	736 E	759 E	2,861 E
2020	1,229 A	555 A	640 A	651 A	2,391 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.79 E	\$0.69 E	\$0.74 E	\$0.75 E	\$2.93 E
2021	\$0.67 A	\$0.55 E	\$0.60 E	\$0.64 E	\$2.45 E
2020	\$0.01 A	\$0.60 A	\$0.55 A	\$0.55 A	\$2.42 A

*Quarterly figures may not add up to annual.

P/E TTM	63.4
P/E F1	61.3
PEG F1	4.1
P/S TTM	16.2

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/17/2021. The report's text and the

analyst-provided price target are as of 06/18/2021.

Overview

Match Group, Inc. is the world's foremost provider of dating products and operates a portfolio of more than 45 brands. Its biggest and best known brands are Tinder, Match.com, PlentyOfFish, Meetic and OkCupid. The Dallas, TX-based company offers dating products in 42 languages in more than 190 countries.

The company is currently enjoying strong growth, driven by robust momentum at Tinder and solid performances from Meetic, Match, Pairs as well as PlentyOfFish.

Tinder which was launched in 2012 and is the world's #1 downloaded as well as top earning dating app. Tinder reflects the key catalyst for the company's year-over-year revenue growth. In 2020, revenues from Tinder direct soared 18% to \$1.4 billion.

Match was launched in 1995 and helps in generating the online dating category. Its unique features involve searching profiles, receive algorithmic matches and attend live events, promoted by Match, with other Subscribers.

PlentyOfFish launched in 2003 and was acquired in October 2015. Its unique features are also the capability to both search profiles and receive algorithmic matches.

Based in France, Meetic is a leading European online dating brand and was launched in 2001. It also has unique features to search profiles, receive algorithmic matches, and attend live events.

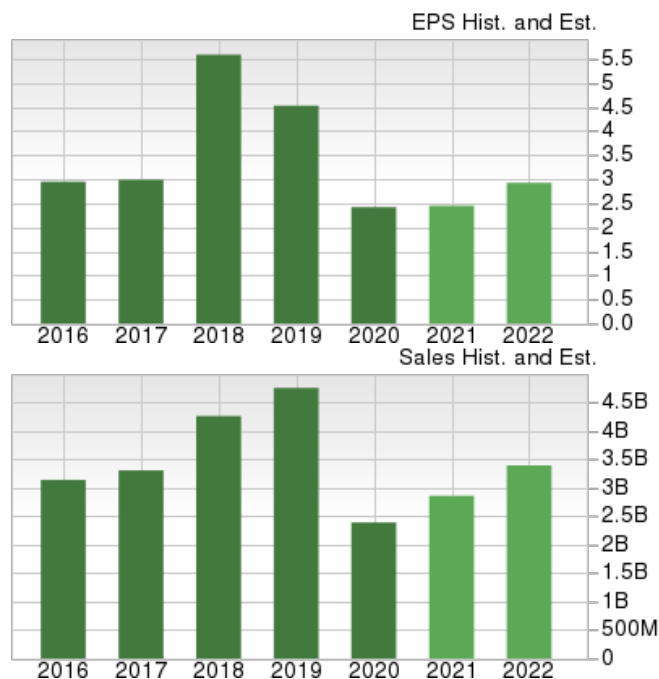
OkCupid launched in 2004 and attracts users through a mathematical and Q&A approach to the online dating category.

One of the largest brand, OurTime is a community of singles above the age 50 of any dating product.

Launched in 2012, Hinge was acquired by Match in December 2018. It is a mobile-only experience that focuses on users with a greater level of aim to enter into a relationship.

Match Group became a public company in 2015. For 2020, the company reported total revenues of \$2.391 billion.

In 2020, North America contributed 50.6% to total direct revenues, while international contributed 49.4%.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Online dating has been gaining traction because of the rising number of singles globally. According to reports, the marriage rate in the U.S. has decreased 40% in the last 25 years. This has led to a significant rise in the number of people looking for a match. Per Verified Market Research data, online dating services market is projected to hit \$10.38 billion by 2027 at a CAGR of 4.98% between 2020 and 2027. Match group is already a trusted dating site with over two decades of presence in the industry. Consequently, the statistic bodes well for the company and will help Match group to garner additional revenues.
- ▲ The company is considered to have pioneered the concept of online dating, which is why it enjoys a first mover's advantage in this market. Match Group has been benefiting from increasing subscriber addition in the form of membership subscriptions. Online dating has been expanding, as users from more demographics join the fray. The company's subscribers continue to grow at a significant pace driven by new features and tools that improve engagement. For the first quarter of 2021, average subscriber base increased 12% to 11.1 million and average revenues per user (ARPU) were up 9% year over year. Most of Match Group's users connect from mobile devices, where conversion to paid members is also higher. This momentum bodes well for top-line growth, going forward.
- ▲ Match Group has been reaping profits for the past three years and recording top-line expansion as well. The company is currently enjoying strong growth, driven by robust momentum at Tinder and solid performances from Meetic, Match as well as PlentyOfFish. As of Mar 31, 2021, Match group has 11.1 million subscribers worldwide. Also, more than 6 million subscribers use Tinder — the most profitable segment of Match Groups business for advertising (In fact, Tinder became the highest grossing app in Apple's App Store in 2019, edging out Netflix and Candy Crush). With a combination of free features — which include advertising — and paid subscription-based premium services and options, Match Group took in \$2.391 billion in revenues in 2020, up 17% year over year. For the first quarter of 2021, revenues soared 23% to \$667.6 million.
- ▲ Tinder, the world's #1 downloaded and top earning dating app, is one of the major growth drivers for Match Group. Moreover, gender diversification is an attraction for Tinder users, as the app includes more gender options like transgender. Per media reports, the gender options update was rolled out to make the service more inclusive. In 2017, Tinder launched a web-based version of its popular mobile dating service called Tinder Online. Tinder also updated its app, which will allow its users to link their profiles with their respective Instagram profiles. Notably, Tinder is the cash cow of Match Group. Revenues from Tinder direct soared 18% year over year in first quarter of 2021. The company has a presence in about 196 countries with reportedly over 50 million users (who spend an average of 90 minutes on the app and keep coming back at least 11 times a day). Moreover, Match Group has introduced Tinder Lite, with an aim to expand international presence. The company also launched a credit card payment option on the Android version of Tinder. We believe that such initiatives can be strong growth drivers for if Match Group decides to monetize the same ever.
- ▲ Of all places, India deserves special mention regarding user growth. India, the world's second most populated country, offers tremendous potential. It has more than 1.3 billion people, of which, only a little over 560 million use Internet, per Statista. Despite low internet penetration, India is already one of the largest markets for the company just after the United States, given its extreme popularity. Tinder was launched in the country in 2013, and with its rapidly growing mobile-friendly demographic, the app saw a 400% increase in downloads in the country in 2015. Moreover, India holds the biggest market in Asia in regard to this dating app. Tinder stated in 2016 that it gets 7.5 million daily swipes in India. This bodes well for Match Group. A burgeoning well-educated middle class, increasing spending power and rapid adoption of smartphones will boost Match Group's prospects in the country.

Robust momentum at Tinder and solid performances from Meetic, Match as well as PlentyOfFish bodes well for the company.

Reasons To Sell:

- ▼ Match Group currently faces stiff competition from other big and small players in the dating industry, with a constant stream of new products and entrants. Additionally, within the dating industry, cost for users to switch between the products is usually very low and consumers have a tendency to try new ways to connect with people. Consequently, new entrants, new products and business models are emerging at a high rate which may pose a huge threat to Match Group's profitability.
- ▼ Facebook poses a potential threat on Match Group. Due of its sheer size, anything Facebook does is rightly viewed as a potential threat to anyone currently occupying the space. Facebook's more than 3 billion user count dwarfs Match Group's 11.1 million average subscribers as of Mar 31, 2021, suggesting that if Facebook Dating (launched in the United States on Sep 5, 2019) gains traction, Match Group could witness widespread defections and consequently its earnings. If successful, this can be a huge hindrance to Match Group to retain its customers. Although Match Group has started distributing ads on other websites, we believe that Facebook continues to have a significant competitive edge due to its scale and diversified product offering. Weaker-than-expected advertising revenue growth trends might dent the company's top-line, going forward.
- ▼ Tinder is the major source of revenues for Match Group. Tinder, launched in 2012, is a location-based dating service. It is basically labelled as more of a hook up/sexting app. Although, over the past few days, Tinder has updated its app to include more gender options like transgender. Per media reports, the update is available only in the United States, the U.K and Canada and is aimed at making the service more inclusive. Reports further add that Tinder is likely to face hurdles when it tries to roll out this feature in other "not so liberal parts" of the world.
- ▼ The company has a highly leveraged balance sheet. As of Mar 31, 2021, Match Group had cash and cash equivalents of \$846 million whereas long-term debt stood at \$3.8 billion. Moreover, total debt to total capital stands at 146.2% compared with industry's figure of 14.8%. A high debt-to-capital ratio indicates increases in the risk profile of the company. The high debt level can jeopardize its ability to buy back shares and pursue accretive acquisitions.

Stiff competition from Facebook, overdependence on Tinder for revenue generation and a leveraged balance sheet are major concerns.

Last Earnings Report

Match Group Q1 Earnings Decline Y/Y, Revenues Up

Match Group reported first-quarter 2021 earnings of 57 cents per share, which declined 6.6% from year-ago quarter's figure.

Further, revenues of \$667.6 million increased 23% year over year. Continued momentum at Tinder and solid performances of other apps like Hinge, Pairs and OkCupid drove the top line.

Excluding the effect of foreign exchange, the top line rose 19% year over year to \$649.4 million, driven by rise in average subscriber base.

Notably, activity and engagement across all brands has been high since the COVID-19 outbreak, especially across western markets.

Quarter in Details

In the first quarter, average subscriber base increased 12% to 11.1 million and average revenues per user (ARPU) were up 9% year over year to 64 cents. Growth in subscriber base was driven by continued momentum in apps like Tinder, PlentyOfFish, BLK, Hinge, Meetic, Pairs and Chispa. The company continues to expand operations for apps like OkCupid across international markets.

Direct revenues from North America were up 24% to \$326.8 million. In International markets, direct revenues increased 21% to \$328.4 million for the first quarter.

North America subscriber base climbed up 9% to 4.99 million, while International advanced 15% to 6.12 million in the quarter under review.

North America ARPU increased 13% to 70 cents, while International ARPU increased 7% to 59 cents.

Improvement in North America ARPU was driven by addition of à la carte features and price optimization for Hinge app, higher premium subscription purchases at Tinder and OkCupid as well as increases in live video streaming for PlentyOfFish app. Internationally, growth was driven by favorable forex movement.

Moreover, robust Tinder average subscriber increased 15% year over year while Tinder ARPU increased 4% in the first quarter.

Direct revenues from Tinder increased 18% year over year. The company is now offering Tinder Platinum subscription to all users and relaunched free Global Passport to help users find connections from all over the world. The dating app is also testing a slew of new revenue features like in-app virtual currency to suit changing preferences of its global user base.

Direct revenues from non-Tinder brands collectively increased 30% on a year-over-year basis. Non-Tinder brands witnessed 18% growth in ARPU as well as 8% increase in average subscribers.

The company expects the impending acquisition Hyperconnect as well as non-dating apps like Ablo to cushion the top line, going ahead. The company's Ablo app helps people make friends around the world. Match Group is also directing significant resources to revamp tech capabilities to support video streaming as video date trend gains momentum. The company expects to spend incremental \$40 million on sales and marketing in the second quarter of 2021.

For the first quarter, adjusted EBITDA was \$230 million, up 32% year over year. Also, adjusted EBITDA margin expanded 200 basis points (bps) year over year to 34%.

Total operating costs and expenses increased 17% year over year to \$478.4 million in the first quarter. The upside can be attributed to increase in cost of revenues, selling and marketing expenses, product development as well as general and administrative expenses.

However, total operating costs and expenses, as a percentage of revenues, contracted 300 bps on a year-over-year basis and came in at 72% in the reported quarter.

Operating income advanced 38% from the year-ago quarter's tally to \$189 million. Operating margin expanded 300 bps to 28%.

Balance Sheet & Cash Flow

As of Mar 31, 2021, Match Group had cash and cash equivalent balance of \$846 million compared with \$739.2 million as of Dec 31, 2020. As of Mar 31, 2021, the company had long-term debt of \$3.8 billion compared with \$3.53 billion as of Dec 31, 2020.

As of Mar 31, 2021, the company reported \$1.7 billion of exchangeable senior notes. The company had \$750 million under its revolving credit facility as of Mar 31, 2021. The amount was undrawn as of Mar 31.

For the first quarter of 2021, the company generated operating cash flow of \$102 million and free cash flow was \$92 million.

Quarter Ending	03/2021
Report Date	May 04, 2021
Sales Surprise	2.60%
EPS Surprise	45.65%
Quarterly EPS	0.67
Annual EPS (TTM)	2.37

Guidance

Match Group expects second-quarter 2021 revenues of \$680 million to \$690 million, indicating year-over-year growth of 22-24%.

Adjusted EBITDA for the first quarter is anticipated in the range of \$255-\$260 million.

For 2021, Match Group added that it was on track to achieve the high end of the previous guidance for revenues and EBITDA growth for 2021.

For 2021, Match Group earlier projected revenues in the range of \$2.75-\$2.85 billion, suggesting year over year growth in mid to high-teens. The company also expects to surpass \$1 billion for adjusted EBITDA in 2021.

Recent News

On Jun 17, Match Group announced that it has completed the acquisition of Hyperconnect, a leading social discovery and video technology company. The \$1.725 billion transaction was completed 50% in cash and 50% in Match Group stock.

On May 21, Match Group disclosed that it was working with White House to help in promotion of COVID-19 vaccinations. As a part of the strategy, Match Group will implement innovative campaigns (like allowing singles to display vaccine badges and provide details pertaining to vaccine center) on its various apps like Tinder, Plenty of Fish, Match, OkCupid, and Hinge.

On Apr 12, Match Group announced that Hinge app launched Video Prompts to aid users to start conversations with their matches.

On Mar 31, Match Group announced that Chispa now boasts more than 4 million downloads. Chispa is also teaming up with Tragos (card game maker) to add a new feature to the dating app which is expected to aid users to initiate conversations. Chispa is Match Group's Latinx-focused dating app.

On Mar 15, Match Group teamed up with Garbo to provide its users with the latter's background verification platform and help them make informed decisions and choices. Tinder app users in United States will be the first set of users that will be provided access to Garbo's platform.

Valuation

Match Group shares are down 0.6% in the year-to-date period and 49.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Retail-Wholesale sector are down 15% and 0.9%, respectively in the year-to-date period. In the past year, the Zacks sub-industry shares are down 4.5% while sector rose 19%.

The S&P 500 index is up 13.2% in the year-to-date period and 38.4% in the past year.

The stock is currently trading at 13.07X forward 12-month sales, which compares to 3.73X for the Zacks sub-industry, 1.33X for the Zacks sector and 4.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.99X and as low as 1.23X, with a 5-year median of 3.32X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$158 price target reflects 13.74X forward 12-month sales.

The table below shows summary valuation data for MTCH

Valuation Multiples - MTCH					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	13.07	3.73	1.33	4.7
	5-Year High	15.99	5.97	1.41	4.74
	5-Year Low	1.23	3.17	0.84	3.21
	5-Year Median	3.32	4.47	1.02	3.72
EV/Sales TTM	Current	17.33	4.29	1.47	4.84
	5-Year High	20.54	8.5	1.61	4.88
	5-Year Low	1.35	3.91	0.97	2.65
	5-Year Median	4.13	6.23	1.22	3.64

As of 06/17/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 11% (224 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Outperform	3
Facebook, Inc. (FB)	Outperform	2
Bumble Inc. (BMBL)	Neutral	3
Pinterest, Inc. (PINS)	Neutral	2
Snap Inc. (SNAP)	Neutral	3
Weibo Corporation (WB)	Neutral	3
Spark Networks, Inc. (LOV)	Underperform	NA
Twitter, Inc. (TWTR)	Underperform	4

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

Industry Comparison Industry: Internet - Commerce				Industry Peers		
	MTCH	X Industry	S&P 500	FB	LOV	SNAP
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	2	-	3
VGM Score	D	-	-	B	-	C
Market Cap	40.61 B	3.79 B	29.66 B	954.16 B	6.93 M	94.90 B
# of Analysts	6	3.5	12	15	0	8
Dividend Yield	0.00%	0.00%	1.35%	0.00%	0.00%	0.00%
Value Score	D	-	-	D	-	F
Cash/Price	0.02	0.13	0.05	0.07	2.46	0.03
EV/EBITDA	53.81	3.06	16.95	22.23	1.83	-143.14
PEG F1	4.13	2.17	2.09	1.27	NA	NA
P/B	NA	6.07	4.06	7.14	0.08	55.62
P/CF	73.91	32.28	17.27	26.61	0.12	NA
P/E F1	62.52	57.43	20.99	25.52	44.33	275.32
P/S TTM	16.15	4.09	3.39	10.11	NA	33.73
Earnings Yield	1.63%	0.92%	4.65%	3.92%	2.26%	0.37%
Debt/Equity	-3.17	0.02	0.66	0.00	0.84	1.32
Cash Flow (\$/share)	2.03	0.40	6.83	12.65	44.79	-0.49
Growth Score	B	-	-	A	NA	A
Historical EPS Growth (3-5 Years)	12.45%	7.70%	9.44%	28.35%	NA	NA
Projected EPS Growth (F1/F0)	1.17%	28.08%	21.49%	30.65%	150.00%	477.08%
Current Cash Flow Growth	13.80%	4.44%	0.99%	48.63%	398.18%	-19.96%
Historical Cash Flow Growth (3-5 Years)	5.29%	9.42%	7.28%	42.26%	122.39%	NA
Current Ratio	2.56	2.18	1.39	6.08	0.32	4.31
Debt/Capital	NA%	8.28%	41.51%	0.00%	45.52%	56.82%
Net Margin	20.44%	-0.29%	11.95%	35.74%	NA	-32.90%
Return on Equity	-39.56%	-3.81%	16.48%	27.54%	NA	-43.12%
Sales/Assets	0.90	0.82	0.51	0.62	NA	0.57
Projected Sales Growth (F1/F0)	-6.96%	24.95%	9.41%	35.18%	2.40%	55.77%
Momentum Score	F	-	-	C	-	C
Daily Price Change	5.06%	0.00%	-0.04%	1.64%	-2.39%	3.47%
1-Week Price Change	2.64%	0.68%	-0.41%	0.28%	-1.82%	5.07%
4-Week Price Change	5.23%	1.84%	1.51%	5.62%	-1.12%	9.15%
12-Week Price Change	11.63%	-3.06%	7.99%	20.73%	-15.02%	21.16%
52-Week Price Change	-50.60%	42.00%	35.52%	42.63%	49.23%	183.26%
20-Day Average Volume (Shares)	1,776,039	334,484	1,771,802	13,817,558	69,065	13,851,558
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.03%	0.99%	-63.64%	0.00%
EPS F1 Estimate 12-Week Change	2.43%	0.00%	3.37%	16.92%	-66.67%	2.40%

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	0.00%	:	0.00%	:	0.00%	:	1.25%	:	NA	:	0.00%
--------------------------------	-------	---	-------	---	-------	---	-------	---	----	---	-------

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	D
Growth Score	B
Momentum Score	F
VGM Score	D

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.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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

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

Glossary of Terms and Definitions

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

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

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

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

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

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a 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.