Mylan N.V. (MYL)

$15.25 (As of 09/09/20)

Price Target (6-12 Months): **$16.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/29/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: C	Momentum: A

Summary

Mylan's biosimilar business continues to gain traction with new approvals. The approvals of Fulphila and Semglee and the launch of Ogivri, a biosimilar to Herceptin in the United States, have boosted demand. Wixela and Yupelri too have boosted growth. Meanwhile, the company's decision to merge with Upjohn, Pfizer's off-patent branded and generic established medicines business, should positively impact its business, given the downturn in the generic business. The merger with Upjohn will provide the company a chance to turn over a new leaf and focus more on emerging markets. In November 2019, Mylan and Pfizer announced the name of the new entity as Viatris. However, the impact of the coronavirus outbreak is likely to negatively impact results in the second half of the year. Shares have underperformed the industry in the past year.

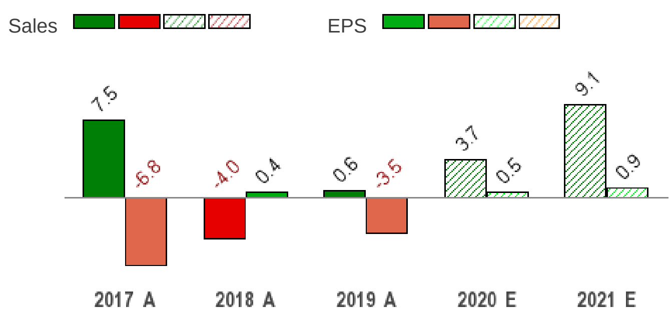
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$23.11 - $12.75**
20-Day Average Volume (Shares)	**5,233,846**
Market Cap	**$7.9 B**
Year-To-Date Price Change	**-24.1%**
Beta	**1.50**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Medical - Generic Drugs**
Zacks Industry Rank	**Bottom 16% (211 out of 251)**
Last EPS Surprise	**16.8%**
Last Sales Surprise	**1.1%**
EPS F1 Estimate 4-Week Change	**1.1%**
Expected Report Date	**11/03/2020**
Earnings ESP	**0.4%**
P/E TTM	**3.3**
P/E F1	**3.4**
PEG F1	**0.8**
P/S TTM	**0.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,735 E	2,936 E	3,110 E	3,321 E	13,007 E
2020	2,619 A	2,731 A	2,983 E	3,637 E	11,922 E
2019	2,496 A	2,852 A	2,962 A	3,192 A	11,501 A

EPS Estimates

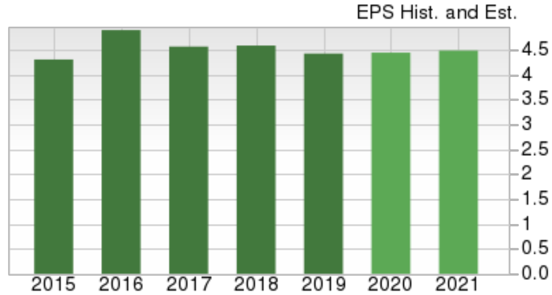
	Q1	Q2	Q3	Q4	Annual*
2021	$1.01 E	$1.09 E	$1.21 E	$1.35 E	$4.48 E
2020	$0.90 A	$1.11 A	$1.13 E	$1.29 E	$4.44 E
2019	$0.82 A	$1.03 A	$1.17 A	$1.40 A	$4.42 A

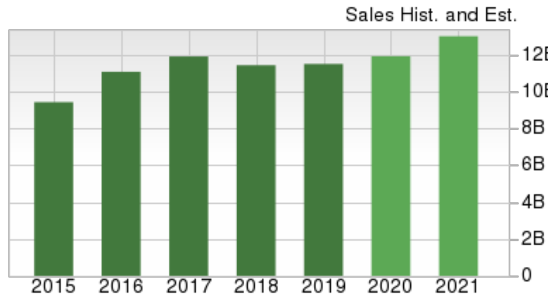
*Quarterly figures may not add up to annual.

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

Overview

Mylan N.V. is a global pharmaceutical company with a well-established generics business as well as a presence in specialty pharmaceuticals. The company's business model includes the development, manufacturing and marketing of branded and generic drugs as well as active pharmaceutical ingredients (APIs) in North America, Europe and Rest of World. Notably, Mylan has one of the world's largest API operations.





Mylan has been making prudent acquisitions and inking strategic deals to drive long-term growth. In February 2015, the company acquired Abbott Laboratories' non-U.S. developed markets' specialty and branded generics business. Further, in November 2015, it acquired certain female health care businesses of Famy Care. In June 2016, Mylan acquired the non-sterile, topicals-focused business of privately held Renaissance Acquisition Holdings for about $1 billion. In August 2016, Mylan acquired Swedish drug manufacturer, Meda, in a deal valued at $9.9 billion. All these buyouts augmented the company's diversified product portfolio and expanded its range of capabilities.

The company reports results under the following three segments on a geographic basis: (1) North America, (2) Europe and (3) Rest of World. The North America segment accounts for operations in the United States and Canada and includes the results of previously reported Specialty segment. The segment primarily develops, manufactures, sells and distributes pharmaceutical products in tablets, capsules, injectables, transdermal patches, gels, nebulized and creams or ointment forms and accounted for 36% of total sales. Europe accounted for 37% of total sales and Rest of the World accounted for 27%. While Mylan's Specialty portfolio consists mainly of branded specialty injectable and nebulized products and competes primarily in the respiratory and severe allergy markets. The most significant product in this segment is EpiPen auto-injector, used to treat severe allergic reactions like anaphylaxis. The Europe segment comprises operations in 35 countries within the region. The Rest of World segment caters to operations in India, Australia, Japan and New Zealand.

Revenues for 2019 came in at $11.50 billion, up 1% from 2018.

Source: Zacks Investment Research

Reasons To Buy:

Launch of new generic drugs and biosimilars should boost Mylan's revenues significantly. Prudent acquisitions also bode well for long-term growth.

- **Merger with Upjohn Looks Positive:** We are positive on Mylan's merger announcement with Upjohn, Pfizer's off-patent branded and generic established medicines business (includes Lipitor, Celebrex and Viagra), to create a new global pharmaceutical company. Per the agreement, which is structured as an all-stock, Reverse Morris Trust transaction, each Mylan share would be converted into one share of the new company.

  Pfizer's shareholders would own 57% of the combined entity, while Mylan's shareholders would own the remaining 43%. The transaction has been unanimously approved by the boards of both the companies. The new company boasts a diverse portfolio across many geographies and focuses on key therapeutic areas. The new company is expected to generate revenues of $19-$20 billion for 2020. Mylan has been plagued with various problems of late like lawsuits and pricing pressure among others. Hence, the merger with Upjohn will provide the company a chance to turn over a new leaf and focus more on emerging markets. The combined business (EpiPen, Lipitor, Celebrex and Viagra among others) will be one of the leading generic businesses in the world. The new company will be named Viatris.

- **Generics Segment Driving Revenues***:* Mylan's Generics segment has been boosted by product launches amid a challenging pricing environment. The company won FDA approval for a generic version of Copaxone (40 mg) in October 2017 and has gained significant market share. Moreover, Mylan received a significant boost, when the FDA approved its generic version of GlaxoSmithKline's Advair Diskus — Wixela Inhub — following a few setbacks. Notably, this was the first approved generic of Advair Diskus, which gave Mylan an edge in the market. The market potential is huge for Wixela and the generic has already captured a significant market share. The company has launched a generic version of AstraZeneca's Faslodex Injection for breast cancer. Mylan won the district court's decision against Biogen's multiple sclerosis (MS) drug Tecfidera's (dimethyl fumarate) patent. The U.S. District Court for the Northern District of West Virginia invalidated Biogen's Tecfidera patent, U.S. Patent No. 8,399,514, for lack of written description. The patent claimed methods of treating MS disease using a dose of 480 mg/day of dimethyl fumarate delayed-release capsules. This win clears the way for Mylan's launch of its dimethyl fumarate product upon the receipt of a potential FDA approval. Earlier, Mylan and partner Biocon Ltd. obtained FDA approval for the New Drug Application (NDA) for diabetes treatment, Semglee (insulin glargine injection), in vial and pre-filled pen presentations. It has been approved for controlling high blood sugar in adults with type 2 diabetes, and adult and pediatric patients with type 1 diabetes. These new approvals broaden Mylan's portfolio.

- **Biosimilar Pipeline Progress***:* Mylan is also exploring the world of biosimilars. A partnership with Biocon, and collaborations with Momenta and Mabion have helped Mylan develop a wide portfolio of biosimilar/insulin analog generic products. The Biocon partnership includes six biosimilar programs — biosimilar versions of Herceptin, Neulasta, Humira, Avastin, Enbrel and Neupogen — and three insulin analogs — Lantus, Humalog and NovoLog. Mylan received a major boost with the FDA approval of Ogiviri, the biosimilar version of Herceptin, and expects to launch it shortly. The companies also obtained FDA approval for Fulphila, a biosimilar of Neulasta, which has significant potential. The biosimilar of Humira also won FDA approval. The FDA has accepted the Biologics License Application (BLA) for MYL-1402O, a proposed biosimilar to Avastin (bevacizumab). The company plans to launch its biosimilar to Enbrel in the second half of the year. The company is also developing a biosimilar of Eylea (in phase III).

- **Acquisitions and Deals to Drive Growth***:* Mylan has been undertaking prudent acquisitions and inking strategic deals to drive long-term growth. The Topicals Business gave Mylan a complementary portfolio of commercial and pipeline products, and an established sales and marketing infrastructure targeting dermatologists in the United States. On the other hand, Meda acquisition provided the company with a diversified and expansive portfolio of branded and generic medicines along with a strong and growing portfolio of over-the-counter (OTC) products. The Meda acquisition has also expanded Mylan's OTC presence into a $1-billion business. Moreover, the acquisition of Meda expanded the company's footprint in key emerging markets, including, China, Russia, Turkey, and Mexico, and in countries in South East Asia, and the Middle East, which complemented Mylan's existing presence in India, Brazil and Africa (including South Africa). In August 2018, Mylan acquired worldwide rights to cystic fibrosis products TOBI Podhaler and TOBI solution from Novartis, which should broaden the former's respiratory portfolio.

- **Favorable Debt Profile**: As of Jun 30, 2020, Mylan's total debt to total capital ratio stood at 0.52 which compares favorably to the industry's 0.66. A lower ratio indicates lower financial risk and vice versa.

Reasons To Sell:

- **Share Price Performance:** Mylan's stock has underperformed the industry in the past year. The coronavirus pandemic will likely impact results in the upcoming quarters.

- **Increasing Competition:** Competition has stiffened for EpiPen. Rival Teva Pharmaceutical won the FDA approval for the first generic version of Mylan's EpiPen and EpiPen Jr (epinephrine) auto-injector for the emergency treatment of allergic reactions, including those that are life-threatening (anaphylaxis), in adult and pediatric patients. This in turn will impact sales.

The EpiPen woes continue to plague Mylan. In addition, the failure of the biosimilar study was also disappointing.

Moreover, the SEC charged Mylan for accounting and disclosure failures relating to a Department of Justice (DOJ) probe into whether the company overcharged Medicaid by hundreds of millions of dollars for its largest product, EpiPen. The SEC stated that investors were kept in the dark about EpiPen misclassification and the potential loss the company faced as a result of the pending investigation into the misclassification. Consequently, Mylan has agreed to pay $30 million as charges for the same. Per SEC's complaint, the company misclassified EpiPen as a "generic" drug under the Medicaid Drug Rebate Program. This led Mylan to pay much lower rebates to the government than what it would have paid if EpiPen had been classified as a "branded" drug. The complaint also states that the Centers for Medicare and Medicaid Services (CMS) informed the company in October 2014 about this misclassification. Thereafter, the DOJ conducted a civil investigation into whether the company misclassified EpiPen and thereby overcharged the government for the drug's sales to Medicaid patients. The investigation started in November 2014 and continued for nearly two years. During the investigation, DOJ issued multiple subpoenas and investigative demands, rejected Mylan's arguments to close the investigation, and indicated its intent to sue the company if it failed to make a settlement offer. Moreover, the complaint alleges that Mylan produced documents and other information to DOJ, including potential damage calculations and offers for settlement. The allegations of misclassification and resultant charges further add to Mylan's woes.

- **Pipeline Setbacks**: In a major setback, the company and partner Momenta reported disappointing results from a phase I study on the biosimilar version of Orencia. The study failed to meet primary endpoints. Any additional failures will be detrimental to the company's growth prospects**.**

- **Delay in Generic Approvals**: The company's efforts to get Advair's generic approved suffered a blow, when the FDA issued a complete response letter to its ANDA for generic Advair. Although the FDA has approved the generic, similar setbacks are likely to weigh on the stock.

Last Earnings Report

Mylan Q2 Earnings Beat Estimates, Revenues Fall Y/Y

Quarter Ending	06/2020
Report Date	Aug 06, 2020
Sales Surprise	1.08%
EPS Surprise	16.84%
Quarterly EPS	1.11
Annual EPS (TTM)	4.58

Mylan reported adjusted earnings of $1.11 per share for the second quarter of 2020, beating the Zacks Consensus Estimate of 95 cents. Also, the bottom line improved from the year-ago quarter's $1.03.

Further, quarterly revenues of $2.73 billion beat the Zacks Consensus Estimate of $2.70 billion. However, revenues decreased 4% reportedly and 2% at constant exchange rate (CER) from the prior-year quarter. This downside was primarily due to lower pricing and volumes from net sales of existing products.

Per the company, the COVID-19 pandemic unfavorably impacted net sales in the reported quarter, especially in Europe and Rest of World, thanks to weak retail pharmacy demand, fewer non-COVID-19 related patient hospital visits and a decline in meetings with prescribers and payors.

Quarter in Detail

The company posts results under three segments on a geographic basis, namely North America, Europe and the Rest of the World.

The North America segment's net sales came in at $1.04 billion, up 2% year over year. This increase was primarily driven by higher volumes of existing products and partially on new product sales. Expansion in volumes was primarily boosted by expected growth of Yupelri, Inhub and Wixela.

Net sales in the Europe segment came in at $935 million, down 6% year on year. This downtrend was primarily due to soft volumes from net sales of existing products due to COVID-19 adversity, the unfavorable impact of foreign currency and to a lesser extent, lower pricing of sales of existing products.

The Rest of the World segment's net sales of $721.9 million fell 10% due to the unfavorable impact of foreign currency translation and the negative impact from COVID-19 in China. In addition, net sales of existing products were affected by lower pricing, primarily because of government price cuts in Australia and Japan.

Adjusted gross margin of 54% was flat with the year-ago quarter's level.

2020 Guidance

Due to the unfavorable impact of the COVID-19 pandemic, Mylan tightened its full-year guidance and expects a similar adverse impact on the second half of 2020. Revenues are now projected between $11.5 billion and $12 billion. The Zacks Consensus Estimate stands at $12.10 billion.

Recent News

To Buy Aspen Pharmacare’s Thrombosis Business in Europe – Sep 8

Mylan announced an agreement to acquire Aspen Pharmacare Holdings Limited's thrombosis business in Europe for €641.9 million.

The portfolio consists of well-established injectable anticoagulants sold in Europe under the brand names — Arixtra, Fraxiparine, Mono-Embolex and Orgaran. These products accounted for combined net sales of approximately €231 million for the 12 months ended Jun 30, 2020.

The transaction is expected to be immediately accretive to Mylan upon closing. Upon closing of the transaction, Mylan expects to fund an upfront payment of €263.2 million to Aspen from existing cash. In addition, Mylan will use the cash generated from operations to make the final deferred payment of €378.7 million on Jun 25, 2021. The closing of the proposed sale is expected to be completed before the year-end.

Aspen will retain manufacturing and product supply responsibilities and supply Mylan with finished products.

The acquisition is also expected to be accretive to Viatris upon the completion of Mylan's previously announced combination with Pfizer’s (PFE) Upjohn that is expected to close in the fourth quarter of 2020. The acquisition of this thrombosis portfolio will broaden Mylan's European business and make it the second-largest supplier of these products to patients in Europe. It complements and expands Mylan's complex injectables offering and presence in hospitals.

FDA Approval of Hulio – July 9

The FDA approved Hulio (adalimumab-fkjp), a biosimilar to AbbVie's Humira (adalimumab), for the treatment of rheumatoid arthritis, juvenile idiopathic arthritis (4 years and older), psoriatic arthritis, ankylosing spondylitis, adult Crohn's disease, ulcerative colitis and plaque psoriasis, in both prefilled syringe and auto-injector presentations.

Per the patent license agreement with AbbVie, Mylan will be able to launch Hulio in the U.S. during July 2023.

Voluntary Nationwide Recall of One Lot of Daptomycin for Injection – July 7

Mylan announced that it is conducting a voluntary nationwide recall to the consumer level of one lot of Daptomycin for Injection, 500 mg/vial, due to the presence of particulate matter found in one single-dose vial manufactured by Mylan Laboratories Limited's Specialty Formulation Facility.

Regulatory Approval for Remdesivir Lyophilized Powder – July 6

Mylan announced that the Drug Controller General of India (DCGI) has approved its remdesivir 100 mg/vial for restricted emergency use in India as part of the DCGI's accelerated approval process to address urgent, unmet needs amid the evolving coronavirus pandemic. The drug is approved for the treatment of suspected or laboratory confirmed incidences of COVID-19 in adults and children hospitalized with severe presentations of the disease. The drug will be launched under the brand name Desrem in India and available to patients in July at a price of INR 4,800, which is more than 80% less than the price at which the branded version of this product will be available to governments in the developed world.

Valuation

Mylan’s shares are shares are down 24% in the year-to-date period and 32.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are down 11.9% and 0.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 5.6% while the sector is up 6.8%.

The S&P 500 index is up 5.7% in the year-to-date period and 13.9% in the past year.

The stock is currently trading at 3.42X forward 12-month earnings per share, which compares to 7.32X for the Zacks sub-industry, 7.32X for the Zacks sector and 22.61X for the S&P 500 index.

Over the past five years, the stock has traded as high as 11.15X and as low as 2.96X, with a 5-year median of 6.92X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $16.00 price target reflects 4.45x forward 12-month earnings per share.

The table below shows summary valuation data for MYL

Valuation Multiples - MYL

		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	3.42	7.32	7.32	22.61
	5-Year High	11.15	11.19	11.19	23.44
	5-Year Low	2.96	5.77	5.77	15.26
	5-Year Median	6.92	7.74	7.74	17.63
P/S F12M	Current	0.62	0.82	2.76	4.16
	5-Year High	2.53	2.66	3.25	4.29
	5-Year Low	0.56	0.72	2.23	3.11
	5-Year Median	1.56	1.2	2.89	3.66
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P/B TTM	Current	0.67	1.07	3.86	5.85
	5-Year High	2.77	3.52	5.07	6.17
	5-Year Low	0.58	0.73	2.95	3.75
	5-Year Median	1.55	1.27	4.29	4.84

As of 09/09/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 16% (211 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Amgen Inc. **(AMGN)**	Neutral	3
Bausch Health Cos Inc. **(BHC)**	Neutral	3
GlaxoSmithKline plc **(GSK)**	Neutral	2
Mallinckrodt public limited company **(MNK)**	Neutral	3
Momenta Pharmaceuticals, Inc. **(MNTA)**	Neutral	4
Novartis AG **(NVS)**	Neutral	3
Dr. Reddys Laboratories Ltd **(RDY)**	Neutral	2
Teva Pharmaceutical Industries Ltd. **(TEVA)**	Neutral	3

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

Industry Comparison Industry: Medical - Generic Drugs

	MYL	X Industry	S&P 500	BHC	MNK	TEVA
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	B	A	D
Market Cap	7.88 B	385.27 M	23.35 B	5.74 B	119.27 M	9.70 B
# of Analysts	8	4	14	8	8	9
Dividend Yield	0.00%	0.00%	1.63%	0.00%	0.00%	0.00%
Value Score	A	-	-	A	A	A
Cash/Price	0.04	0.33	0.07	0.33	6.54	0.24
EV/EBITDA	6.49	-2.15	13.13	14.73	-13.65	69.83
PEG F1	0.76	0.53	2.97	0.41	0.01	0.65
P/B	0.67	2.38	3.22	10.51	0.12	0.65
P/CF	1.83	2.28	12.52	1.54	0.07	2.28
P/E F1	3.43	6.64	21.45	4.47	0.22	3.57
P/S TTM	0.69	2.33	2.48	0.71	0.05	0.57
Earnings Yield	29.11%	-10.20%	4.45%	22.40%	448.94%	28.04%
Debt/Equity	0.84	0.01	0.70	44.61	5.39	1.66
Cash Flow ($/share)	8.33	-0.31	6.93	10.49	20.20	3.89
Growth Score	C	-	-	D	C	F
Historical EPS Growth (3-5 Years)	0.16%	1.65%	10.41%	-18.63%	1.65%	-19.63%
Projected EPS Growth (F1/F0)	0.40%	3.06%	-4.73%	-18.34%	-28.74%	3.57%
Current Cash Flow Growth	-3.91%	0.54%	5.22%	-14.18%	10.71%	-9.67%
Historical Cash Flow Growth (3-5 Years)	16.74%	7.89%	8.49%	-4.00%	10.87%	-6.21%
Current Ratio	0.93	2.57	1.35	1.12	1.48	1.09
Debt/Capital	45.72%	4.03%	42.95%	97.81%	84.35%	62.41%
Net Margin	2.35%	-48.59%	10.25%	-25.19%	-89.95%	0.03%
Return on Equity	20.43%	-40.26%	14.59%	104.13%	34.26%	17.88%
Sales/Assets	0.38	0.36	0.50	0.25	0.23	0.30
Projected Sales Growth (F1/F0)	3.66%	1.45%	-1.42%	-8.37%	-16.15%	-3.73%
Momentum Score	A	-	-	D	A	F
Daily Price Change	-2.46%	0.00%	1.39%	0.19%	-3.42%	0.00%
1-Week Price Change	-2.59%	-3.46%	-1.28%	-3.67%	-10.30%	-4.27%
4-Week Price Change	-5.75%	-5.56%	-1.22%	-7.07%	-5.37%	-23.71%
12-Week Price Change	-4.51%	-11.85%	5.76%	-18.38%	-44.05%	-26.25%
52-Week Price Change	-32.31%	-2.63%	-0.03%	-30.01%	-58.04%	6.73%
20-Day Average Volume (Shares)	5,233,846	259,307	1,805,652	4,101,713	3,588,953	10,815,064
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.10%
EPS F1 Estimate 4-Week Change	1.11%	0.00%	0.00%	-0.38%	0.00%	-0.99%
EPS F1 Estimate 12-Week Change	2.22%	0.30%	3.99%	-3.25%	7.16%	0.30%
EPS Q1 Estimate Monthly Change	0.59%	0.00%	0.00%	0.75%	0.00%	-0.27%

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	A
Growth Score	C
Momentum Score	A
VGM Score	A

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

Disclosures

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

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 forwardlooking 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 mediumterm 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 mostrecent 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 a 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.