

Nasdaq, Inc. (NDAQ)

\$156.10 (As of 04/09/21)

Price Target (6-12 Months): **\$164.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/03/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: D

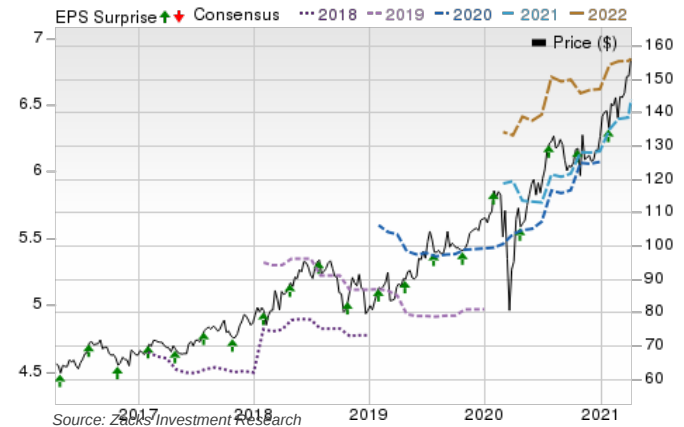
Growth: C

Momentum: A

Summary

Shares of Nasdaq have outperformed the industry in a year. The company has been successful in maximizing opportunities as a technology and analytics provider and growing core marketplace businesses. Focus on growth via acquisitions and organic initiatives, which aided its entry into new markets and helped it gain cross-selling opportunities, bodes well. Intense focus on Market Technology and Information Services businesses also helps the company to explore vast opportunities per its developmental strategies. A strong balance sheet and robust cash position help capitalize on growth opportunities. Nasdaq remains committed to deploy capital effectively by investing in organic growth initiatives. However, escalating expenses due to general and administrative costs weigh on margin expansion. Moreover, the company's high debt level poses risk.

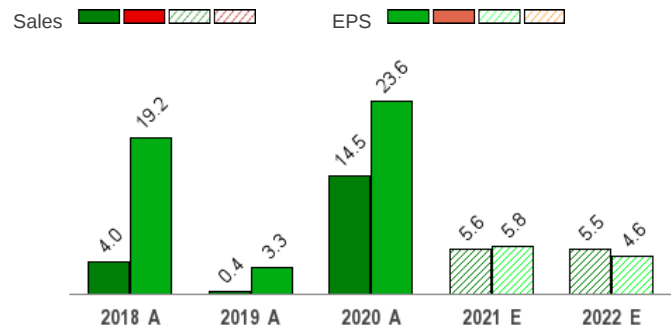
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$157.24 - \$102.67
20-Day Average Volume (Shares)	872,720
Market Cap	\$25.7 B
Year-To-Date Price Change	17.6%
Beta	0.84
Dividend / Dividend Yield	\$1.96 / 1.3%
Industry	Securities and Exchanges
Zacks Industry Rank	Top 17% (43 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	520.0%
Last Sales Surprise	5.4%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	04/21/2021
Earnings ESP	1.5%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	809 E	820 E	835 E	856 E	3,233 E
2021	767 E	768 E	777 E	799 E	3,065 E
2020	701 A	699 A	715 A	788 A	2,903 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.63 E	\$1.68 E	\$1.74 E	\$1.80 E	\$6.84 E
2021	\$1.64 E	\$1.61 E	\$1.61 E	\$1.67 E	\$6.54 E
2020	\$1.50 A	\$1.54 A	\$1.53 A	\$1.60 A	\$6.18 A

*Quarterly figures may not add up to annual.

P/E TTM	25.3
P/E F1	23.9
PEG F1	3.2
P/S TTM	4.6

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/09/2021. The report's text and the analyst-provided price target are as of 04/12/2021.

Overview

Founded in 1971 and headquartered in New York, Nasdaq Inc. is a leading provider of trading, clearing, marketplace technology, regulatory, securities listing, information and public and private company services.

The company's global offerings are diverse and include trading and clearing across multiple asset classes, trade management services, data products, financial indexes, capital formation solutions, corporate solutions, and market technology products and services. Its technology powers markets across the globe, supporting equity derivative trading, clearing and settlement, cash equity trading, fixed income trading, trading surveillance and many other functions.

In the United States., the company operates The Nasdaq Stock Market, while in Europe, it operates exchanges in Sweden, Denmark, Finland, and Iceland as Nasdaq Nordic, and exchanges in Estonia, Latvia and Lithuania as Nasdaq Baltic.

Nasdaq manages, operates and provides products and services in four business segments: Market Services, Corporate Services, Information Services and Market Technology.

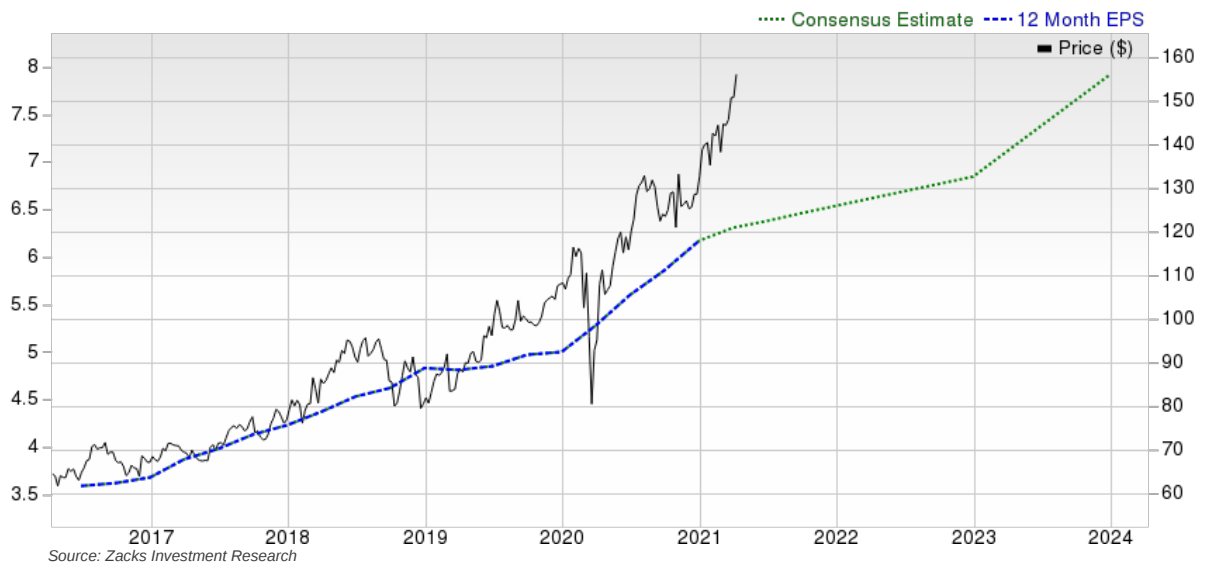
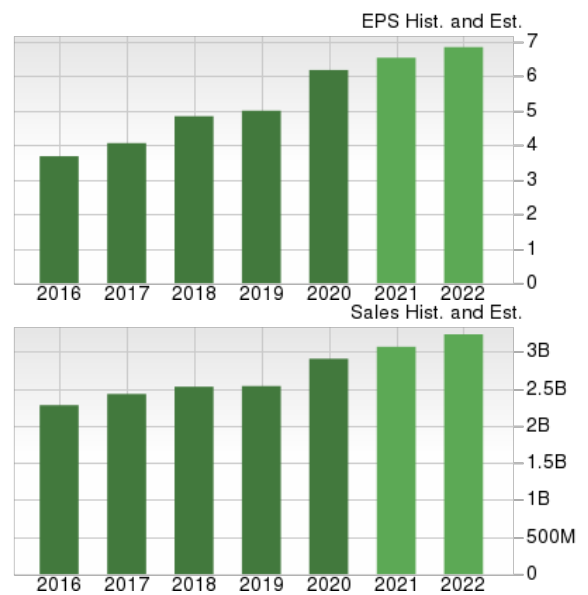
Market Services (68.1% of 2020 Revenues) : The segment includes Equity Derivative Trading and Clearing, Cash Equity Trading, FICC and Trade Management Services businesses.

Information Services (16.1%): The segment's businesses include Market Data, Index and Investment Data & Analytics.

Corporate Services (9.4%) : The segment delivers critical capital market and governance solutions across the lifecycle of public and private companies. Its operations encompass Corporate Solutions and Listing Service.

Market Technology (6.4%): This business is a leading global technology solutions provider and partner to exchanges, clearing organizations, central securities depositories, regulators, banks, brokers, buy-side firms and corporate businesses.

Other Revenues include revenues from the Public Relations Solutions and Digital Media Services businesses, which were sold in April 2018.



Reasons To Buy:

- ▲ Shares of Nasdaq have gained 51.1% in a year outperforming the industry's increase of 27.1%. Solid fundamentals should help the stock retain the momentum.
 - ▲ Nasdaq has grown meaningfully over the years through a number of strategic expansions. These acquisitions have helped the company gain direct access to the Canadian equities market, expand its technology offering, and fortify its Corporate Solutions business and improve its market surveillance techniques. The company's acquisition of eVestment, Cinnober, Quandl, among others, have enhanced its capabilities and been accretive to its results. In its bid to evolve as a leading SaaS technology provider, Nasdaq acquired Verafin in February 2021. The combination will complement Nasdaq's established reg tech leadership to create a global SaaS leader focused on the \$12.5 billion market for anti-financial crime technology solutions.
 - ▲ Nasdaq also remains focused on improving growth via organic means. The company thus expects growth from its index and analytics businesses followed by moderate growth in its exchange data products across U.S. and Nordic equities, options and fixed income businesses, driven by a widespread client base. In fact, the company is on track regarding its goals of maximizing opportunities as an innovative analytics and technology partner in the capital markets, develop and deploy marketplace economy technology strategy and consolidate competitive edge in its core businesses.
 - ▲ Nasdaq reviews its operations to expedite the growth plans. As a result, Nasdaq intensified its focus toward Market Technology and Information Services businesses, offering the biggest growth opportunities per the company's developmental strategies. Recently, the Market Technology business of Nasdaq has inked a partnership deal with Caspian to boost business growth in financial crime market vertical. Further, the company also sets sights on its core special marketplace platform businesses but intends to lower capital resources for investment in business that do not offer considerable growth for Nasdaq. Also, technology expansion with SMARTS surveillance in nonfinancial markets testifies the company's focus to capitalize on emerging opportunities in the cryptocurrency markets. It remains focused on expansion of Trade Surveillance, data analytics and integrity solutions. In the second quarter, it launched Nasdaq's marketplace services platform to provide Market Technology clients with seamless access to standard cloud-based infrastructure component.
 - ▲ Nasdaq's organic growth has been also aided by its strategy of accelerating its non-trading revenue base, which includes market technology, listing and information revenues, and management's long-term outlook calls for 5-7% growth, thereby infusing dynamism in its business profile. In 2020, revenues in the non-trading segments increased 11% from the year-ago period, primarily due to organic growth. Nasdaq estimates 5% - 8% revenue organic growth at Investment Intelligence, 8% - 11% at Market Technology and 3% - 5% at Corporate Platforms over medium term.
 - ▲ Nasdaq boasts a healthy balance sheet and cash position along with modest operating cash flow from its diverse business model. While cash balance increased more than eight fold at 2020 end, free cash flow improved 27.3% in 2020. While the company increased cash reserves and sought to eliminate near-term maturities, it issued a \$500 million 30-year bond and repaid all commercial paper and borrowings under its revolver. This helped to lower leverage while improving its available liquidity.
 - ▲ A healthy balance sheet ensures shareholder-friendly moves like dividend hikes and share repurchases. With the 4% hike in April 2020, the company's dividend increased at a five-year CAGR (2016-2020) of 13.5%. Its current dividend yield is 1.26%. The company had \$410 million remaining under its share repurchase authorization as of Dec 31, 2020.
- Nasdaq remains committed to deploy capital effectively by de-leveraging, investing in organic growth initiatives, pursuing strategic acquisitions, increasing dividend and engaging in buybacks.
-

Nasdaq remains focused on growth through acquisitions as well as organic initiatives that enable entry and cross-selling opportunities into new markets at a low-cost and highly-flexible platform.

Reasons To Sell:

- ▼ Nasdaq witnessed a rise in expenses due to the development and diversification of its business, compensation and benefits, merger and strategic initiatives, restructuring charges, general, administrative and other expenses, which weighed on operating margin expansion. In 2020, adjusted operating expenses increased 9.2% attributable due to an increase in organic expense. Net margin contracted 160 bps in 2020. Nasdaq estimates 2021 non-GAAP operating expense in the range of \$1.55 billion to \$1.62 billion, indicating 3% organic increase and 3% increase due to changes in foreign exchange rates, as well as expenses due to the net impact of M&A.
- ▼ Nasdaq's debt has been increasing over the last few years. Long-term debt increased 84.9% from 2019-end. Leverage ratio (debt to capital) of 37.3 compared unfavorably with the industry average of 32.2. Nonetheless, times interest earned, a measure of a company's ability to meet its interest payments, improved to 13 from 9.2 in 2019 and compared favorably with the industry average of 10.9. The company must strive to service debt uninterrupted, else creditworthiness could be dented.
- ▼ Nasdaq has been facing intense competition with the wave of mergers and acquisitions (M&A) in the stock exchange industry. This includes both product and price competition that has continued to increase as a result of the creation of new execution and listing venues in the U.S. and Europe. While exchange operators across the globe are expanding their operating efficiencies through significant M&A, Nasdaq also seeks to diversify beyond product and geography. The addition of rival trading platforms over the recent years have not only cut the market share held by the exchange operator, but have also been pressurizing fees generated from handling trades and volumes, thereby directly hampering the liquidity.

Escalating costs due to due to the development and diversification of its business weighing on the operating margin expansion, stiff competition and regulatory issues remain key concerns for Nasdaq.

Last Earnings Report

Nasdaq's Q4 Earnings and Revenues Surpass Estimates

Nasdaq reported fourth-quarter 2020 adjusted earnings per share of \$1.60, beating the Zacks Consensus Estimate of \$1.47 by nearly 8.8%. The bottom line increased 24% year over year.

The improvement was primarily driven by organic growth, favorable changes in foreign exchange rates, margin expansion and solid segmental performance.

Performance in Detail

Nasdaq's revenues of \$788 million increased 22% year over year. The upside was primarily attributable to a \$126 million positive impact from organic growth, a \$13 million increase from the impact of favorable changes in foreign exchange rates and a \$3 million increase from the inclusion of revenues from acquisitions. The top line beat the Zacks Consensus Estimate by 5.3%.

Adjusted operating expenses were \$406 million, up 21% from the year-ago period owing to an increase of \$53 million in organic expense. Excluding the reserve related to the Market Technology implementation project of \$25 million, the organic increase was \$28 million, or 8%. The \$28 million increase was primarily driven by performance-linked compensation and other variable expenses resulting from higher-than-expected revenues during the period. The remainder of the \$53 million increase reflects a \$12 million increase due to unfavorable changes in foreign exchange rates and a \$6 million increase from the impact of acquisitions.

Operating margin of 51% expanded 200 basis points year over year.

The Nasdaq Stock Market welcomed 316 IPOs in 2020, representing \$81 billion in capital raised, the first among the U.S. exchanges, including 18 of the top 30 operating company IPOs by capital raised. New listings in 2020 included 20 companies switching their listings from NYSE to join Nasdaq. In the fourth quarter of 2020, the Nasdaq Stock Market welcomed 199 new U.S. listings with 142 IPOs, including Airbnb, Wish and Array Technologies.

Segment Details

Net revenues at **Market Services** were up 29% from the year-ago quarter to \$291 million. This upside was largely due to higher revenues from equity derivative trading and clearing, cash equity trading, fixed income and commodities trading and clearing, trade management services.

Revenues at **Corporate Services** increased 12% year over year to \$144 million, driven by higher listings services revenues as well as IR & ESG revenues.

Investment Intelligence revenues rose 27% year over year to \$247 million. Higher market data, index and analytics revenues drove the upside.

Revenues at **Market Technology** increased 8.2% year over year to \$106 million, largely due to higher SaaS revenues as well as a \$4 million favorable impact from changes in foreign exchange rates.

Full-Year Update

Adjusted earnings per share of \$6.18 surpassed the Zacks Consensus Estimate of \$6.04. The bottom line also improved 2% year over year.

Total revenues increased 15% from the year-ago quarter to \$2.9 billion and beat the Zacks Consensus Estimate of \$2.86 billion.

Financial Update

Nasdaq had cash and cash equivalents of \$2.7 billion as of Dec 31, 2020, up 726.8% from 2019-end level. Long-term debt increased 84.9% from 2019-end level to \$5.5 billion as of Dec 31, 2020.

Capital Deployment

As of Dec 31, 2020, Nasdaq had \$410 million remaining under its share repurchase authorization.

Dividend Update

The board of directors announced quarterly dividend of 49 cents per share.

Guidance

Nasdaq provided 2021 non-GAAP operating expense guidance in the range of \$1.55 billion to \$1.62 billion. The midpoint of the 2021 guidance indicates 3% increase due to organic growth, as well as the impacts of foreign exchange rates and merger and acquisition activity, including the Verafin acquisition, which is expected to close in the first quarter of 2021.

Non-GAAP tax rate is estimated to be in the range of 25% to 27% in 2021.

Quarter Ending 12/2020

Report Date	Jan 27, 2021
Sales Surprise	5.36%
EPS Surprise	520.00%
Quarterly EPS	1.60
Annual EPS (TTM)	-0.88

Recent News

Nasdaq Reports Mixed Q1 and March Volumes - Apr 8, 2021

Nasdaq reported mixed volumes for the first quarter and March 2021. While U.S. equity options volume increased 57% year over year to 892 million contracts in the first quarter, European options and futures volume dropped 22.9% year over year to 22.2 million contracts.

Revenue capture per contract for U.S. equity options dropped 26.7%, while the same for European options and futures increased 10.3% in the first quarter.

Under its cash equities, Nasdaq's U.S. matched equity volume in the first quarter grossed about 152.6 billion shares, up 20.3% from the prior-year quarter. European equity volume increased nearly 7% year over year to \$323 billion. Under fixed income commodities, U.S. Fixed income volumes traded were \$2.5 trillion, up 20.7%. European fixed income volume increased 8.2% to 7.9 million contracts. Total listings in the first quarter increased 13.7% to 4,757.

Nasdaq's U.S. equity options volume increased 53.7% year over year to 315 million contracts in March. European options and futures volume dropped 41.7% year over year to 7 million contracts in March. Under its cash equities, Nasdaq's U.S. matched equity volume in March grossed about 55.6 billion shares, down 15.3% year over year. European equity volume declined 15.4% year over \$117.1 billion. Under fixed income commodities, U.S. Fixed income volumes traded were \$8.8 billion, up 5.1%. European fixed income volume decreased 16.2% to 3.1 million contracts in March.

Nasdaq Ties Up With PureStream, Offers Execution Platform - Mar 16, 2021

Nasdaq has teamed up with PureStream Trading Technologies Inc. to power the latter's new PureStream alternative trading system (ATS) via the Nasdaq Execution Platform. In this partnership, PureStream will leverage market operating experience and the technological scale of Nasdaq to effectively manage its internal marketplace. The PureStream-Nasdaq tie-up will aid in expense reduction and provide opportunities for more revenue-generating activities. Therefore, the partnership with PureStream Trading Technologies will boost the Market Technology business of Nasdaq.

Valuation

Nasdaq's shares are up 17.6% and 51.1% year to date and over the trailing 12-month period, respectively. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 6.7% and 12.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 27.2% and 46.8%, respectively.

The S&P 500 index are up 10.6% in the year-to-date period and 52.8% in the past year.

The stock is currently trading at 23.57x forward 12-month price to earnings, which compares to 27.46x for the Zacks sub-industry, 17.27x for the Zacks sector and 23.12x for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.57x and as low as 13.03x, with a 5-year median of 17.54x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$164 price target reflects 24.77x forward earnings.

The table below shows summary valuation data for NDAQ

Valuation Multiples - NDAQ					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	23.57	27.46	17.27	23.12
	5-Year High	23.57	27.47	17.27	23.83
	5-Year Low	13.03	18.49	11.6	15.3
	5-Year Median	17.54	22.86	14.81	18
P/S F12M	Current	8.24	12.5	7.89	4.78
	5-Year High	8.24	12.94	7.89	4.78
	5-Year Low	4.3	7.48	5.03	3.21
	5-Year Median	5.6	10.85	6.16	3.71
P/B TTM	Current	4	3.63	3.17	7.01
	5-Year High	4	3.63	3.18	7.01
	5-Year Low	1.77	1.89	1.74	3.83
	5-Year Median	2.62	2.81	2.6	4.98

As of 04/09/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 17% (43 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
OTC Markets Group Inc. (OTCM)	Outperform	1
Cboe Global Markets, Inc. (CBOE)	Neutral	2
CME Group Inc. (CME)	Neutral	3
Envestnet, Inc (ENV)	Neutral	5
Intercontinental Exchange Inc. (ICE)	Neutral	2
Moodys Corporation (MCO)	Neutral	2
MarketAxess Holdings Inc. (MKTX)	Neutral	3
MSCI Inc (MSCI)	Neutral	3

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

Industry Comparison Industry: Securities And Exchanges				Industry Peers		
	NDAQ	X Industry	S&P 500	CBOE	CME	ICE
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	2
VGM Score	C	-	-	B	F	D
Market Cap	25.72 B	25.72 B	29.66 B	10.72 B	73.46 B	65.93 B
# of Analysts	6	6	12	7	7	7
Dividend Yield	1.26%	1.26%	1.33%	1.68%	1.76%	1.13%
Value Score	D	-	-	D	D	D
Cash/Price	0.12	0.03	0.06	0.03	0.02	0.02
EV/EBITDA	18.67	19.46	17.00	13.42	22.42	20.26
PEG F1	3.23	5.90	2.38	15.87	10.03	2.22
P/B	3.98	3.68	4.01	3.23	2.78	3.37
P/CF	20.77	20.23	17.08	14.67	25.51	20.23
P/E F1	23.96	23.88	22.05	19.52	30.79	23.31
P/S TTM	4.57	7.78	3.45	3.13	15.04	8.00
Earnings Yield	4.19%	4.19%	4.47%	5.13%	3.25%	4.29%
Debt/Equity	0.86	0.23	0.66	0.34	0.13	0.72
Cash Flow (\$/share)	7.52	6.82	6.78	6.82	8.02	5.79
Growth Score	C	-	-	B	F	D
Historical EPS Growth (3-5 Years)	11.83%	13.18%	9.39%	22.05%	14.73%	13.18%
Projected EPS Growth (F1/F0)	3,531.50%	8.00%	15.24%	313.60%	287.20%	11.43%
Current Cash Flow Growth	20.29%	13.14%	0.61%	2.66%	-1.11%	13.83%
Historical Cash Flow Growth (3-5 Years)	11.39%	13.56%	7.37%	24.63%	13.40%	13.71%
Current Ratio	1.56	1.11	1.39	1.19	1.01	0.99
Debt/Capital	46.26%	18.44%	41.26%	25.32%	11.56%	42.13%
Net Margin	16.56%	25.91%	10.59%	13.63%	43.11%	25.34%
Return on Equity	17.47%	17.41%	14.86%	17.35%	9.03%	13.78%
Sales/Assets	0.36	0.21	0.51	0.59	0.04	0.06
Projected Sales Growth (F1/F0)	5.57%	5.05%	7.36%	3.53%	-0.42%	14.59%
Momentum Score	A	-	-	A	C	A
Daily Price Change	1.68%	0.93%	0.62%	0.73%	0.93%	0.97%
1-Week Price Change	0.09%	0.49%	0.35%	3.21%	-1.13%	0.49%
4-Week Price Change	8.33%	1.71%	4.25%	-2.50%	-0.48%	1.71%
12-Week Price Change	9.83%	5.40%	8.87%	4.50%	5.40%	1.34%
52-Week Price Change	44.64%	32.53%	52.90%	7.14%	7.61%	34.09%
20-Day Average Volume (Shares)	872,720	563,592	2,047,782	563,592	1,425,878	1,975,869
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	1.19%	1.59%	1.01%
EPS F1 Estimate 4-Week Change	0.00%	1.01%	0.00%	1.19%	1.59%	1.01%
EPS F1 Estimate 12-Week Change	4.05%	0.87%	2.24%	0.28%	-0.40%	4.03%
EPS Q1 Estimate Monthly Change	0.00%	0.47%	0.00%	0.80%	1.73%	0.13%

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	C
Momentum Score	A
VGM Score	C

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

Disclosures

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

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

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

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

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

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

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 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.