

NextGen Healthcare (NXGN)

\$18.25 (As of 03/29/21)

Price Target (6-12 Months): **\$19.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/29/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

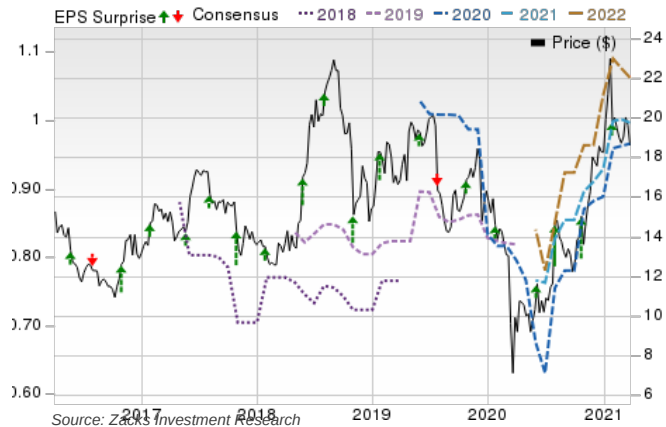
Growth: A

Momentum: B

Summary

NextGen benefited from its operating segments in the quarter under review. Expansion in adjusted operating margin is a positive. The company plans to capitalize further on the success of its integrated solution by shifting its client base onto its Spring '21 release, which leverages its new patient experience platform. The next generation EHR-based behavioral health suite continues to gain traction. The growth in Recurring revenues in the quarter is impressive. NextGen Healthcare exited the fiscal third quarter on a strong note, wherein both earnings and revenues surpassed the Zacks Consensus Estimate. Shares of NextGen have outperformed the industry in a year's time. However, significant contraction in gross margin remains a concern. Additionally, NextGen faces stiff competition in the MedTech space.

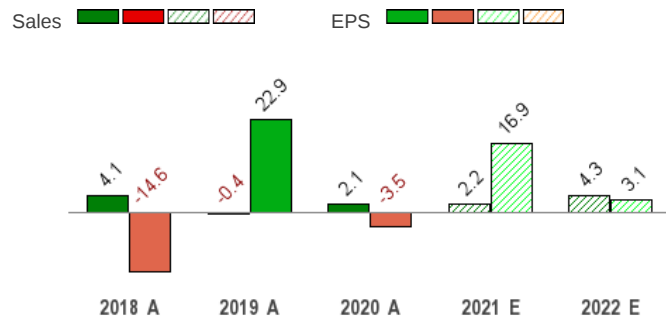
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$23.80 - \$7.84
20-Day Average Volume (Shares)	328,619
Market Cap	\$1.2 B
Year-To-Date Price Change	0.1%
Beta	1.16
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical Info Systems
Zacks Industry Rank	Bottom 26% (187 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.3%
Last Sales Surprise	0.6%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	06/07/2021
Earnings ESP	9.1%
P/E TTM	18.8
P/E F1	18.8
PEG F1	2.1
P/S TTM	2.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	140 E	144 E	147 E	146 E	576 E
2021	131 A	140 A	142 A	140 E	552 E
2020	132 A	134 A	138 A	136 A	540 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.22 E	\$0.26 E	\$0.27 E	\$0.24 E	\$1.00 E
2021	\$0.21 A	\$0.30 A	\$0.26 A	\$0.19 E	\$0.97 E
2020	\$0.16 A	\$0.24 A	\$0.23 A	\$0.20 A	\$0.83 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 03/29/2021. The report's text and the analyst-provided price target are as of 03/30/2021.

Overview

Headquartered in Irvine, CA, NextGen Healthcare, Inc. (NXGN) is a developer and marketer of healthcare information systems.

On Sep 7, 2018, Quality Systems, Inc. (QSI) announced that the company has changed its corporate name to NextGen Healthcare, Inc. On Sep 10, 2018, the company's securities started trading under the new symbol "NXGN."

NextGen recently announced that its cloud-based electronic health record (EHR) ambulatory product, NextGen Office, has completed its integration with CoverMyMeds, the nation's largest electronic prior authorization (ePA) solution.

NextGen offers software that help in automating and streamlining administrative functions required for operating a medical, dental or hospital practice. Its segments also provide software products that automate patient records (replaces paper format) in physician practices, community health centers and hospital settings.

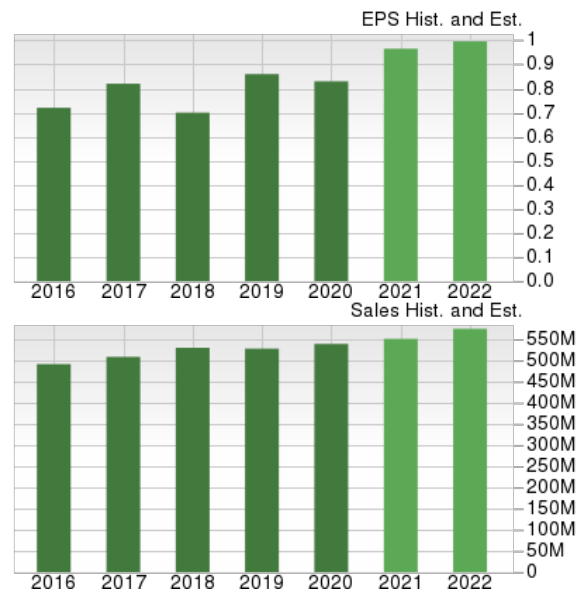
Apart from RCM, NextGen will continue to benefit from strong demand for its other NextGen solutions that include Hospitals, EHR and practice management.

The company reports in four segments:

- Software and Hardware
- Support and Maintenance
- RCM
- EDI
- Professional Services

FY20 at a Glance

For fiscal 2020, adjusted earnings per share came in at 83 cents, down 3.5% from the previous period. Fiscal 2020 revenues totaled \$540.2 million, up 2.1% from the prior-year period.



Reasons To Buy:

- ▲ **Shares Up:** Shares of NextGen have gained 74.8% compared with the industry's growth of 58.9% in a year's time. Continued strong demand for NextGen solutions, robust electronic health record (EHR) portfolio and a solid recurring revenue base continue to favor the stock.

The company delivered yet another quarter of robust double-digit growth in subscription services that has now outpaced maintenance to become the biggest source of revenues. Additionally, NextGen continues to play a significant role when it comes to supporting both the front lines of care and helping to enable the vaccine administration process for providers and their patients. The company's solid execution on revenues, earnings and collections continue to generate strong free cash flow, thereby presenting a full range of options for growth in the future.

- ▲ **Lucrative Prospects in the RCM Space:** NextGen is a major player in the U.S. RCM market. RCM is the financial process (utilizing medical billing software), which healthcare facilities use to keep track on patientcare episodes from registration, appointment scheduling and the final payment of a balance. The global RCM market is anticipated to reach \$73.2 billion by 2026. It is expected to witness a CAGR of 12.0% during the forecast period. Per Frost & Sullivan, RCM is 7.5 times larger than the EHR market.

NextGen Healthcare scored the highest among all ambulatory vendors for its performance in the following key RCM areas – effectiveness of claims processing, patient-facing support performance, efficiency gained by customers, sustainability of pricing and, trust as a business partner. Based on the popularity of the RCM solution, the company plans to expand into dental and hospital markets, which will further drive top-line growth in our view.

- ▲ **Big-Data Based Electronic Health Records System:** The latest trend of electronic health record (EHR) services in the U.S. MedTech space has been gaining prominence.

NextGen's NextGen Enterprise and NextGen Office (formerly, MediTouch) software technology and solutions accommodate the unique needs of ambulatory practices of all sizes. These EHR solutions cater to demands like Merit-Based Incentive Payment System (MIPS) requirements, population health needs, and other value-based care initiatives.

The company's long-term integrated platform strategy was bolstered in March 2020 with the most recent launch of NextGen Enterprise, its integrated EHR/PM core system designed to run complex and growing ambulatory practices.

In September 2020, the company announced that the next generation of its behavioral health suite is available. This health suite, backed by a renowned electronic health record (EHR) and practice management system, is the industry's only platform that combines comprehensive physical, behavioral and oral health in one software solution.

In December 2020, NextGen announced that it is lending support to the rollout of COVID-19 vaccines via its established and robust EHR platform and integrated solutions. With respect to vaccine distribution, NextGen is fulfilling its role of being a trustworthy health information technology (IT) partner. Notably, NextGen Enterprise is an end-to-end software platform that simplifies COVID-19 vaccine workflow. Further, the platform aids providers to identify high-risk patients through the NextGen Population Health solution.

In January 2021, the company announced that FPA Women's Health deployed its integrated NextGen Patient Experience Platform to offer continuity of care during the COVID-19 pandemic. Notably, FPA Women's Health is a mid-sized specialty medical group committed to women's healthcare. Integration with the NextGen Enterprise EHR for patient self-scheduling and virtual visit solutions reduced the risk of duplicative chart problems, which is a major challenge. This is likely to bolster NextGen's presence in the global healthcare information technology (HCIT) space.

Again, in the same month, the company announced that its renowned cloud-based EHR platform — NextGen Office — has managed to enable provider-owned healthcare practices across the United States. Notably, the NextGen office solution will act as a financial bridge amid the COVID-19 health crisis and maintain business continuity.

- ▲ **Recurring Revenue Base:** Strong recurring revenue base has been a key catalyst. In the third quarter of fiscal 2021, total Recurring revenues were \$128.2 million (90% of total revenues), up 3% from the year-ago quarter driven by an increase of 14% in subscription services and 2% in managed services, offset by a decline of 5% in maintenance and support.

- ▲ **Solid Demand for NextGen Solutions:** Apart from RCM, NextGen will continue to benefit from strong demand for its other NextGen solutions that include Hospitals, EHR and practice management. NextGen's Inpatient Clinicals, Lab and Patient Portal EHR solutions have also been gaining considerable traction. The latest deals in the platforms with EagleDream and Entrada hold promise.

The company's revenue growth continues to be largely boosted by the strength of its NextGen division. We believe that NextGen has strong growth prospects in the ambulatory and hospital software market owing to its product portfolio, which is compliant with the U.S. government's regulatory reforms.

In recent past, the company launched its Behavioral Health Suite 3.0, which is a major step in improvement of mental and full-body health. Its behavioral health suite continued to gain solid traction in the market through the fiscal third quarter of 2021.

In March 2020, the company announced the availability of NextGen Patient Experience Platform. This newly-available platform is likely to enable high-quality healthcare apart from driving patient engagement and outcomes. Through the fiscal third quarter, the company continued to demonstrate the strength of its NextGen integrated ambulatory platform. The company plans to further capitalize on the success of its

Big-Data based Electronic Health Records, recurring revenue base and solid demand for NextGen solutions are likely to provide NextGen with a competitive edge in the MedTech space.

integrated solution by shifting its client base onto its Spring '21 release, which leverages on its new patient experience platform.

In May 2020, the company announced NextGen Advisors, a multi-disciplinary team of healthcare and regulatory experts who offer strategic guidance and insights for ambulatory care providers across the United States. In June, the company announced that Capital Women's Care, an OB/GYN private practice in the mid-Atlantic region, has utilized NextGen Virtual Visits for the expansion of women's healthcare services during the coronavirus crisis. In June, the company announced Nevada Eye Physicians, a comprehensive eye care facility in the Las Vegas area, which is utilizing NextGen Enterprise with integrated telehealth capability called NextGen Virtual Visits. In August 2020, the company announced that Virginia Cardiovascular Specialists ("VCS"), the largest private cardiology practice in Central Virginia, deployed NextGen Virtual Visits to expand the scope of care and treatment offered to patients for non-urgent visits that were disrupted by COVID-19.

In December 2020, the company announced that its client — Bridges Health Partners LLC — has managed to boost quality of patient care and attain value-based care financial goals throughout its wide network of 1,100 physicians with the aid of NextGen Population Health. Further, the company announced that its NextGen Health Data Hub (HDH) has been chosen by HI-BRIDGE HIE (health information exchange). This will enable HIE administrators to build rules-driven data exchange to facilitate automated routing of patient information across the group of care. Notably, NextGen HDH is a cloud-based HIE platform that lends support to secure sharing of patient health data from numerous sources. Also, in the same month, the company announced that NextGen Enterprise has been chosen by Orthopaedic & Sports Medicine Center (OSMC) as its core electronic health record (EHR) and practice management (PM) solution. Notably, OSMC is a premier orthopedic center in the northeast region of Kansas.

▲ **Acquisition Spree:** In October 2019, the company acquired TOPAZ information solutions (completed in the last month of the quarter under review). TOPAZ has been a strong reseller partner into the behavioral health space and is likely to bring strong, commercial end solution capabilities to NextGen. Through the fiscal second quarter, the company continued gaining from this acquisition.

▲ **Balance Sheet View:** The company exited third-quarter fiscal 2021 with cash and cash equivalents of \$94 million, down from \$109 million in the preceding quarter. Meanwhile, the company ended the quarter with long-term debt of \$29 million on the balance sheet, sequentially down from \$64 million and also noticeably lower than the cash and cash equivalent level. Also, there was no current debt for the fiscal third quarter. This is particularly good when it comes to the company's solvency position, as at least during a year of economic downturn, the company has sufficient cash for debt repayment.

Reasons To Sell:

- ▼ **Macroeconomic Sluggishness:** Although government initiatives to digitize healthcare systems has lent strength to such companies, high cost of investments and maintenance cost is likely to impede market growth. Precisely, NextGen has high cost of investments in EHR maintenance, software upgrades and hardware replacement. All of these factors are acting as major deterrents for the global market.

Furthermore, unlike the manufacturers of life-saving devices, the demand for the software company's products is closely tied to budgetary processes of clients, which negatively impacts system sales. Moreover, shrinking opportunities for product sales to physician groups as such groups are increasingly absorbed by hospitals also hurts revenue growth. Strict regulatory environment is another major headwind in this regard.

- ▼ **Cutthroat Competition in the HCIT Space:** The healthcare information technology (HCIT) market is highly competitive. Also, the industry is exceedingly fragmented and includes numerous players.

Per a research report by Transparency Market Research, leading players in the Global Healthcare Information Systems Market are Cerner Corporation, McKesson and All Scripts. Collectively, these players hold a 26% share of the global market. Thus, competitors seek to gain market traction through lowering prices or offering services that are differentiated from NextGen.

We harbor doubts regarding the company's ability to penetrate the Electronic Health Record (EHR) market where it faces competition from low-priced cloud-based EHR models.

- ▼ **Unfavorable Product Mix:** Although recurring revenue stream is a positive for NextGen, it mostly comes from the lower margin EDI and RCM services. We believe that the shift in product mix is negatively impacting gross margin. The company expects contributions from services to increase total revenue, which will however be a drag on gross margin expansion in the long run. Moreover, higher research & development as well as selling, general & administrative expenses (increasing headcount, higher marketing expenses) will hurt profitability over the long term.

- ▼ **Integration Risks:** NextGen continues to acquire businesses that improve its revenue opportunities on one hand and aggravate integration risks on the other. The company's frequent acquisitions can impact its balance sheet in the form of a high level of goodwill and intangible assets. Meanwhile, regular acquisitions are proving to be a distraction for management which can impact the company's overall organic growth. This may limit NextGen's future expansion and worsen the company's risk profile, going forward.

Unfavorable product mix, global economic weakness, intensifying competition and growing integration risk due to frequent acquisitions are major concerns

Last Earnings Report

NextGen Healthcare Q3 Earnings and Revenues Beat Estimates

NextGen Healthcare, Inc. reported fiscal third-quarter adjusted earnings per share of 26 cents, beating the Zacks Consensus Estimate of 24 cents by 8.3%. Moreover, the bottom line improved 13% from the prior-year quarter.

Revenue Details

Revenues amounted to \$141.7 million, up 2.9% year over year. Also, the top line surpassed the Zacks Consensus Estimate by 0.6%.

Segment Details

The company reported third-quarter fiscal 2021 revenues under the following segments:

Total Recurring revenues were \$128.2 million, up 2.8% from the year-ago quarter.

Meanwhile, total Software, hardware and other non-recurring revenues amounted to \$13.5 million, up 4.3% on a year-over-year basis.

Margins

In the quarter under review, gross profit totaled \$71.4 million, up 2.6% from the prior-year quarter. Gross margin was 50.4%, down 10 basis points (bps).

Operating profit came in at \$0.9 million, down 71.6% year over year. Operating margin in the fiscal third quarter was 0.7%, up 170 bps.

Cash Position

Cash and cash equivalents were \$89.5 million at the end of the fiscal third quarter, compared with \$103.4 million at the end of the fiscal second quarter.

At the end of fiscal third quarter, cumulative net cash flow from operations came in at \$75.9 million, compared with \$64.4 million a year ago.

Fiscal 2021 Guidance

On the back of improvement in market conditions, NextGen Healthcare is reiterating its annual guidance.

The company projects revenues in the range of \$547 million to \$555 million. The Zacks Consensus Estimate for the same is pegged at \$549.6 million.

Adjusted EPS is projected within 92-98 cents. The Zacks Consensus Estimate for the same is pegged at 96 cents.

Quarter Ending	12/2020
Report Date	Jan 27, 2021
Sales Surprise	0.63%
EPS Surprise	8.33%
Quarterly EPS	0.26
Annual EPS (TTM)	0.97

Recent News

NextGen Solution Acts as Financial Bridge Amid COVID-19: Jan 14, 2021

NextGen announced that its renowned cloud-based EHR platform -- NextGen Office -- has managed to enable provider-owned healthcare practices across the United States. Notably, the NextGen office solution will act a financial bridge amid the COVID-19 health crisis and maintain business continuity.

NextGen's Platform Gets Adopted by FPA Women's Health: Jan 4, 2021

NextGen announced that FPA Women's Health deployed its integrated NextGen Patient Experience Platform to offer continuity of care during the COVID-19 pandemic. Notably, FPA Women's Health is a mid-sized specialty medical group committed to women's healthcare.

Valuation

NextGen's shares are up 0.1% and 74.8% in the year-to-date and in the trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are down 2.8% in the year-to-date period while that in the Zacks Medical Market are up 1%. Over the past year, the Zacks sub-industry and sector are up 58.9% and 23%, respectively.

The S&P 500 index is up 6.5% in the year-to-date period and 58.2% in the past year.

The stock is currently trading at 2.1X Forward 12-months sales, which compares to 3.8X for the Zacks sub-industry, 2.7X for the Zacks sector and 4.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.8X and as low as 0.7X, with a 5-year median of 1.8X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$19 price target reflects 2.2X forward 12-months sales.

The table below shows summary valuation data for NXGN.

Valuation Multiples - NXGN					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	2.12	3.81	2.74	4.59
	5-Year High	2.76	4.22	3.18	4.59
	5-Year Low	0.66	1.53	2.27	3.21
	5-Year Median	1.79	2.17	2.81	3.69
P/B TTM	Current	2.87	3.66	4.00	6.71
	5-Year High	4.38	4.88	5.12	6.73
	5-Year Low	0.94	2.10	3.03	3.84
	5-Year Median	2.86	2.96	4.36	4.98

As of 03/29/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 26% (187 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Cerner Corporation (CERN)	Neutral	4
Computer Programs and Systems, Inc. (CPSI)	Neutral	3
Cognizant Technology Solutions Corporation (CTSH)	Neutral	3
Evolent Health, Inc. (EVH)	Neutral	3
Inovalon Holdings, Inc. (INOV)	Neutral	4
IQVIA Holdings Inc. (IQV)	Neutral	3
Allscripts Healthcare Solutions, Inc. (MDRX)	Neutral	3
Premier, Inc. (PINC)	Neutral	3

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

Industry Comparison Industry: Medical Info Systems				Industry Peers		
	NXGN	X Industry	S&P 500	CERN	EVH	MDRX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	A	-	-	B	B	D
Market Cap	1.22 B	638.64 M	29.36 B	22.20 B	1.69 B	2.11 B
# of Analysts	9	4	13	14	4	9
Dividend Yield	0.00%	0.00%	1.34%	1.21%	0.00%	0.00%
Value Score	B	-	-	B	D	C
Cash/Price	0.08	0.06	0.06	0.05	0.20	0.25
EV/EBITDA	17.21	-5.28	16.54	13.31	517.76	17.83
PEG F1	2.10	3.00	2.39	2.03	NA	3.22
P/B	2.87	4.96	3.96	4.96	2.68	1.43
P/CF	11.97	15.80	16.53	15.27	5.92	7.86
P/E F1	18.63	22.16	21.88	23.00	NA	22.16
P/S TTM	2.23	4.71	3.37	4.03	1.66	1.31
Earnings Yield	5.32%	-1.45%	4.51%	4.35%	-1.07%	4.51%
Debt/Equity	0.07	0.03	0.66	0.30	0.43	0.10
Cash Flow (\$/share)	1.52	-0.08	6.78	4.75	3.32	1.92
Growth Score	A	-	-	B	A	F
Historical EPS Growth (3-5 Years)	-2.94%	4.12%	9.36%	3.23%	NA	4.12%
Projected EPS Growth (F1/F0)	16.33%	20.54%	15.07%	10.99%	-1.19%	-10.38%
Current Cash Flow Growth	19.84%	-5.61%	0.44%	-0.60%	40.16%	-6.47%
Historical Cash Flow Growth (3-5 Years)	9.12%	9.40%	7.37%	4.97%	42.41%	6.13%
Current Ratio	1.36	1.76	1.39	2.27	1.36	1.23
Debt/Capital	6.38%	6.38%	41.42%	22.96%	29.83%	9.14%
Net Margin	1.07%	-22.63%	10.59%	14.17%	-32.59%	43.47%
Return on Equity	12.61%	-17.59%	14.86%	17.85%	-4.67%	6.66%
Sales/Assets	0.78	0.52	0.50	0.77	0.75	0.52
Projected Sales Growth (F1/F0)	2.26%	19.34%	7.28%	5.87%	-16.73%	-8.54%
Momentum Score	B	-	-	F	C	C
Daily Price Change	-1.78%	-2.28%	-0.42%	0.08%	-4.51%	-1.37%
1-Week Price Change	-5.25%	-5.22%	2.12%	0.67%	-0.48%	-1.03%
4-Week Price Change	-5.34%	-13.66%	3.83%	3.34%	0.72%	-3.08%
12-Week Price Change	0.77%	11.60%	11.63%	-6.75%	21.18%	5.34%
52-Week Price Change	74.98%	84.02%	59.04%	12.84%	248.94%	108.71%
20-Day Average Volume (Shares)	328,619	573,782	2,357,830	2,851,379	601,838	2,574,713
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.03%	-0.15%	0.00%	-0.30%	2.03%	3.02%
EPS F1 Estimate 12-Week Change	8.37%	-4.15%	2.19%	-5.29%	19.44%	17.52%
EPS Q1 Estimate Monthly Change	1.93%	0.00%	0.00%	0.00%	-7.41%	-2.78%

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	B
Growth Score	A
Momentum Score	B
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

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.