ZACKS | Our Research. Your Success.

Mar 15, 2021

OPKO Health (OPK)

$4.44 (As of 03/12/21)

Price Target (6-12 Months): **$5.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 09/28/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: C | Growth: A	Momentum: A

Summary

OPKO Health exited the fourth quarter on a strong note. Also, the company witnessed strength in Services segment in the fourth quarter. Regulatory approvals, expansion of digital health access through a new platform (Scarlet Health) and launch of new genetic tests during the fourth quarter are highlights. OPKO Health continues to progress with its Phase II trial for RAYALDEE in hemodialysis patients with full top-line data anticipated in first-quarter 2021. Furthermore, BioReference Laboratories' COVID-19 testing volume saw a significant increase in the fourth quarter. The company outperformed its industry in a year's time. OPKO Health's RAYALDEE has contributed significantly to the fourth quarter. However, contraction in gross margin is a woe. Further, the company faces cut-throat competition in the MedTech space.

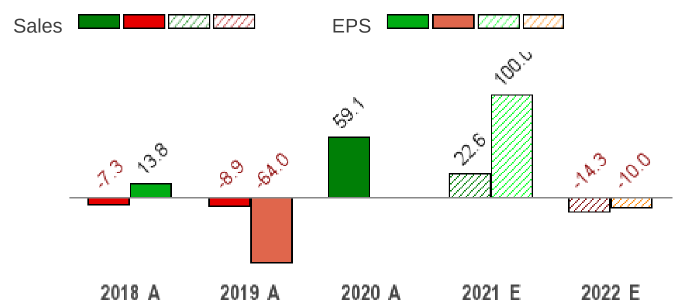
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$6.47 - $1.12**
20-Day Average Volume (Shares)	**7,645,375**
Market Cap	**$3.0 B**
Year-To-Date Price Change	**12.4%**
Beta	**1.84**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Medical - Instruments**
Zacks Industry Rank	**Bottom 33% (170 out of 253)**
Last EPS Surprise	**25.0%**
Last Sales Surprise	**13.4%**
EPS F1 Estimate 4-Week Change	**52.6%**
Expected Report Date	**05/05/2021**
Earnings ESP	**7.1%**
P/E TTM	**88.8**
P/E F1	**44.4**
PEG F1	**3.7**
P/S TTM	**2.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	385 E	393 E	388 E	405 E	1,508 E
2021	503 E	461 E	419 E	375 E	1,759 E
2020	212 A	301 A	428 A	495 A	1,435 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.02 E	$0.03 E	$0.03 E	$0.04 E	$0.09 E
2021	$0.05 E	$0.04 E	$0.02 E	$0.00 E	$0.10 E
2020	-$0.09 A	$0.05 A	$0.04 A	$0.05 A	$0.05 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 03/12/2021. The report's text and the analyst-provided price target are as of 03/15/2021.

Overview

Headquartered in Miami, Florida, OPKO Health, Inc (OPK) engages in the diagnostics and pharmaceuticals business in the United States, Ireland, Chile, Spain, Israel and Mexico.

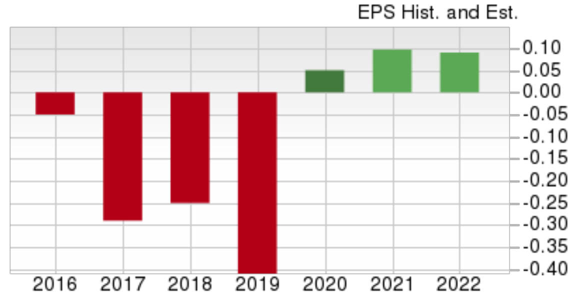
The Diagnostics segment operates Bio-Reference Laboratories, a clinical facility that offers testing services in the detection, diagnosis, evaluation, monitoring and treatment of diseases

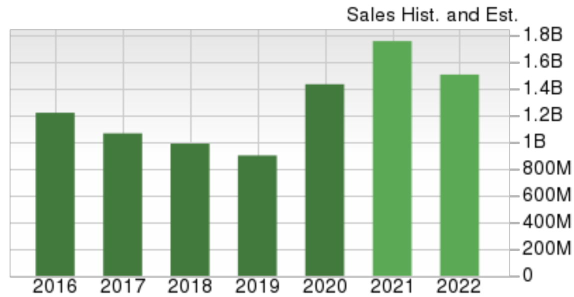
.

The company's pharmaceutical business features Rayaldee, an FDA-approved treatment for secondary hyperparathyroidism (SHPT) in adults with stage 3 or 4 chronic kidney disease (CKD) and vitamin D insufficiency (launched in November 2016) and VARUBI for chemotherapy induced nausea and vomiting.

OPKO Health has a development and commercial supply pharmaceutical unit in Ireland along with a global supply chain operation and holding wing. The company also owns specialty active pharmaceutical ingredients (APIs) manufacturer in Israel.

The company operates through three revenue segments — Revenues from services, revenues from products and revenues from transfer of intellectual property.





2020 at a Glance

Net revenues in 2019 totaled $1.44 billion, up 59.2% on a year-over-year basis. Notably, this Florida-based diagnostics and pharmaceuticals company reports through three major segments — Services, Products and Transfer of intellectual property.

While revenues from services accounted for 88% of net revenues, the same from products comprised 8%. Transfer of intellectual property accounted for 4% of net revenues.

Source: Zacks Investment Research

Reasons To Buy:

Solid prospects in RAYLDEE and BioReference platforms have been providing OPKO Health with a competitive edge in the MedTech Industry. OPKO Health's strong focus in R&D bodes well.

▲ **Price Performance**: Shares of OPKO Health have skyrocketed 161.1% in a year's time compared with the industry's rally of 54.1%. Solid prospects in RAYALDEE, strength shown by BioReference Laboratories amid the pandemic, and strong research and development (R&D) focus continue to favor the stock.

Although the company witnessed a decline in RAYALDEE prescriptions, over 22,700 patients have had RAYALDEE prescribed by nearly 3,400 physicians since the product launch. Further, RAYALDEE has successfully received market authorizations in 11 European countries. Notably, COVID-19 testing was a strong contributor to OPKO Health's 2020 growth and profitability. During fourth-quarter 2020, BioReference Laboratories processed about 4.3 million COVID-19 PCR tests and currently has the capacity to process above 100,000 PCR tests per day.

▲ **RAYALDEE Gains Prominence**: Within the pharmaceutical business, RAYALDEE is OPKO Health's leading renal product in the U.S. market since the last two years. RAYALDEE is the first and only therapy approved by the FDA for the treatment of secondary hyperparathyroidism (SHPT) in adults with stage 3 or 4 chronic kidney disease. RAYALDEE has been witnessing a decent momentum, courtesy of successful efforts from the sales team.

Per management, total RAYALDEE prescriptions reported by IQVIA declined 16.2% year over year in the fourth quarter. During the quarter under review, demand for RAYALDEE was impacted due to challenges in onboarding new patients resulting from COVID-19 pandemic. Nonetheless, around 140 physicians or about 4% of the total number of prescribers were new RAYALDEE prescribers in the fourth quarter. Since launch, over 22,700 patients have had RAYALDEE prescribed by nearly 3,400 physicians. Also, OPKO Health's commercial partner for RAYALDEE in Europe — Vifor Fresenius Medical Care Renal Pharma — attained marketing authorizations for RAYALDEE for the treatment of secondary hyperparathyroidism in adults with stage 3 or 4 chronic kidney disease (CKD) and vitamin D insufficiency in 11 European countries, following the addition of Spain, Portugal and Italy to the U.K., Germany, Sweden, Norway, Ireland, Denmark and the Netherlands. Commercial launch is intended to commence in 2021 by Vifor.

OPKO Health is fully enrolled in its Phase II clinical trial for RAYALDEE in hemodialysis patients and anticipates to report full top-line data in first-quarter 2021. The ongoing Phase 2 clinical trial is engaged in the safety and efficacy of a high strained formulation of RAYALDEE as a new treatment for secondary hyperparathyroidism in adult patients for Stage 5 CKD requiring regular hemodialysis and vitamin D insufficiency.

Irrespective of the ongoing pandemic, OPKO Health showed progress with its pharmaceutical business as the company is on track with respect to Pfizer's regulatory submissions for marketing approval of somatrogon for children with growth hormone deficiency in the United States in fourth-quarter 2020 and in Europe and Japan in the first half of 2021. Additionally, the company reported favorable somatrogon Phase 3 top-line results, which were reported from crossover pediatric study. The company is optimistic about such efforts as it expects these to expand RAYALDEE's label and further bolster its market presence to become a meaningful contributor to sales and earnings for OPKO Health. The company has several additional programs in both preclinical and late-stage clinical development in the pipeline.

In June, the company announced that the FDA had authorized OPKO Health to start a Phase 2 trial of RAYALDEE as a treatment for patients with mild-to-moderate COVID-19. This authorization comes after publication of numerous independent studies that reported a correlation between vitamin D status and COVID-19 risk and severity. During the quarter under review, OPKO Health initiated this trial, which is a randomized, double-blind, placebo-controlled study and is anticipated to enroll 160 outpatients, including many with stage 3 or 4 CKD and are at a higher risk for developing more severe illness.

▲ **BioReference — the Third Largest Clinical Lab**: OPKO Health's BioReference platform is the third largest full-service clinical laboratory. BioReference has almost 400 employees in the sales and marketing team and operates a network of approximately 275 patient service centers. Through BioReference, the company operates in five highly specialized laboratory divisions that have been raking in strong revenues lately. These include BioReference Laboratories, GenPath (Oncology), GenPath (Women's Health), GeneDx and Laboratorio Bueno Salud.

In September 2020, BioReferece Laboratories along with its GenPath specialty oncology division, launched OnkoSight Advanced — a next generation sequencing (NGS) assay that enables revolutionary deoxyribonucleic acid (DNA) mutational profiling of tumor samples. In October, BioReference Laboratories announced that it has started accepting specimens for a new multiplex COVID-19 and influenza test, which can be utilized by healthcare providers, clinics and health systems across the United States. This test will help in the diagnosis of COVID-19 and Influenza A or B (flu).

In January 2021, BioReference Laboratories introduced Scarlet Health — an in-home, fully-integrated digital platform — that ensures access to on-demand diagnostic services. Scarlet Healthcare provides an innovative and flexible alternative to conventional patient service centres for collection of test specimen. The new technology improves and accelerates patient-centered health care, utilizing similar on-demand services that patients can use from the comfort of their homes. With this innovation, BioReference can revolutionize delivery of healthcare services by bridging the gap between telemedicine and traditional health care.

Per management, BioReference Laboratories has been making excellent progress when it comes to the improvement of both its top and bottom-line performance and is poised for growth in 2021.

With respect to COVID-19 response efforts, the company built a specific expertise in offering testing with reasonable turnaround times. BioReference has been chosen to offer testing services by the Centers for Disease Control and Prevention (CDC) to various states, cities and large healthcare systems, multiple drive-through around the United States, urgent care centers, and several very important professional sports organizations. It will also provide testing in partnerships with both Rite Aid and CVS at around 500 different locations. Moreover, the company continues to see a massive demand for COVID-19 testing across all segments of the economy.

Notably, COVID-19 testing was a strong contributor to OPKO Health's 2020 growth and profitability. Per the fourth-quarter 2020 earnings call, BioReference Laboratories continues to be a leading provider of COVID-19 Polymerase chain reaction (PCR) testing services. In fact, in the fourth quarter, COVID-19 PCR testing volume rose 24% sequentially. It is worth mentioning that with respect to COVID-19 response efforts, the company built a specific expertise in offering testing with reasonable turnaround times. During fourth-quarter 2020, BioReference Laboratories processed about 4.3 million COVID-19 PCR tests and currently has the capacity to process above 100,000 PCR tests per day. In addition, BioReference Laboratories performed around 220,000 COVID-19 serology tests to measure SARS-CoV-2 antibody levels and presently has substantial additional capacity. Increase in visibility with respect to new customers that was witnessed during the pandemic, resulted in additional business relationships for the lab's core services, which is expected to progress well beyond the end of the pandemic.

▲ **Highly Unique 4Kscore Test Holds Promise**: Through BioReference, the company offers the 4Kscore test in a laboratory located in Elmwood Park, New Jersey. The 4Kscore test is a laboratory developed procedure that measures the blood plasma levels of four different prostate-derived kallikrein proteins — Total PSA, Free PSA, Intact PSA and Human Kallikrein-2 ("hK2"). The company has obtained a positive coverage decision from at least one national private payer and pricing agreements from several regional payers as of now.

On Jan 1, 2020, medicare coverage for 4Kscore resumed because of the new Local Coverage Determination by Novitas. Notably, 4Kscore orders are on track to be on the same level as pre COVID-19 by the end of fourth-quarter 2020 and improved 1% on a year-over-year basis.

▲ **Balance Sheet View**: OPKO Health exited the fourth quarter of 2020 with cash and cash equivalents amounting to $72 million, up from $36 million sequentially. Meanwhile, the company's long-term debt totaled $222 million in the fourth quarter, compared with $219 million sequentially. The long-term debt level is noticeably higher than the quarter's cash and cash equivalent level. However, we can see that the current debt level of $25 million in the fourth quarter, up from $13 million in the previous quarter, is in fact much lower than the short-term cash level. This is good news in terms of the company's solvency level as, at least during the year of economic downturn, it has sufficient cash for debt repayment.

Reasons To Sell:

OPKO Health faces cutthroat competition in the niche space. The company has been incurring operating losses due to limited revenues from the pharmaceutical operations.

- **Cutthroat Competition in the Niche Space**: The medical instrument industry is highly competitive. The industry calls for extensive research for technological innovation continuously. In fact, there are several companies that have been trying to outpace OPKO Health in terms of cost efficiency and diverse portfolio. Per management, major pharmaceutical bigwigs, specialty pharmaceutical companies and specialized biotechnology companies are direct competitors of OPKO Health's pharmaceutical business.

  Competitors of the diagnostics business include major diagnostic companies, reference laboratories, molecular diagnostic firms, universities and research institutions.

  We believe that most of these companies are financially stronger than OPKO Health with larger research and development staffs along with more extensive marketing and manufacturing organizations. The strength of these companies is likely to dent OPKO Health's customer base in the quarters to come.

- **Weak Q4 Trends**: Revenues from Products fell 3.8% to $30.8 million due to lower sales of RAYALDEE. However, increase in sales in OPKO Chile partially negated the downside.

  Revenues from Transfer of intellectual property totaled $5.9 million, down 59% year over year, due to a decline in the amortization of payments received from Pfizer associated with Somatrogon development program.
  Gross margin was 35.6% of net revenues, down 100 basis points (bps) year over year.

- **Weakness in R&D Focus**: OPKO Health's strong focus in research and development (R&D) is a positive factor. The company's strong commitment toward innovation led to the introduction of several new products, improvements in the existing products and expansion of product lines as well as enhancements and new equipment in the R&D facilities.

  However, in fourth-quarter 2020, research and development expenses amounted to $17.5 million, down 23.9% year over year, thereby indicating lower spending on the company's Somatrogon development program.

Last Earnings Report

OPKO Health Q4 Earnings and Revenues Beat Estimates

Quarter Ending	12/2020
Report Date	Feb 18, 2021
Sales Surprise	13.41%
EPS Surprise	25.00%
Quarterly EPS	0.05
Annual EPS (TTM)	0.05

OPKO Health, Inc. reported fourth-quarter 2020 adjusted earnings per share of 5 cents per share, which outpaced the Zacks Consensus Estimate of 4 cents by 25%. Notably, the company had reported a loss of 18 cents in the prior-year quarter.

For the full-year 2020, the company reported adjusted EPS of 5 cents, against the year-ago period's loss of 53 cents. The figure beat the consensus mark of a penny.

Revenue Details

Fourth-quarter revenues of the company were $494.6 million, which surpassed the Zacks Consensus Estimate by 13.4%. The top line also improved 120.5% on a year-over-year basis.

For the full-year 2020, the company reported revenues of $1.44 billion, which outpaced the consensus mark by 5.1%. The figure also surged 59.2% from the prior year.

Segmental Revenues in Q4

Revenues from Services amounted to $457.9 million in the reported quarter, up 157.4% year over year driven by COVID-19 testing volume. However, lower clinical test volume, and clinical and genomic test reimbursement partially offset the upside.

Revenues from Products fell 3.8% to $30.8 million due to lower sales of RAYALDEE. However, increase in sales in OPKO Chile partially offset the downside.

Revenues from Transfer of intellectual property totaled $5.9 million, down 59% year over year, due to a decline in the amortization of payments received from Pfizer associated with somatrogon.

Per management, total RAYALDEE prescriptions reported by IQVIA declined 16.2% year over year in the fourth quarter. During the quarter under review, demand for RAYALDEE was impacted due to challenges in onboarding new patients resulting from COVID-19 pandemic.

Margin Analysis

Gross profit in the reported quarter was $175.9 million, up 114.5% from the prior-year quarter. Gross margin was 35.6% of net revenues, down 100 basis points (bps) year over year.

Selling, general and administrative expenses totaled $101.8 million, up 28.7% year over year. Research and development expenses amounted to $17.5 million, down 23.9% year over year.

Operating income in the fourth quarter was $49.3 million, against the year-ago quarter's loss of $112.5 million.

Financial Update

The company exited the fourth quarter with cash, cash equivalents and marketable securities of $72.2 million, compared with $36.3 million on a sequential basis.

Guidance

In the quarter under review, OPKO Health refrained from issuing any guidance.

Valuation

OPKO Health's shares are up 12.1% and 161.1% in the year-to-date period and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are down 2% in the year-to-date period while that in the Zacks Medical sector are up 0.8%. Over the past year, the Zacks sub-industry and sector are up 54% and 31.8%, respectively.

The S&P 500 index is up 5.4% in the year-to-date period and 67.8% the past year.

The stock is currently trading at 1.7X Forward 12-months sales, which compares to 4.6X for the Zacks sub-industry, 2.8X 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 5.2X and as low as 0.9X, with a 5-year median of 2.1X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $5 price target reflects 1.9X forward 12-months sales.

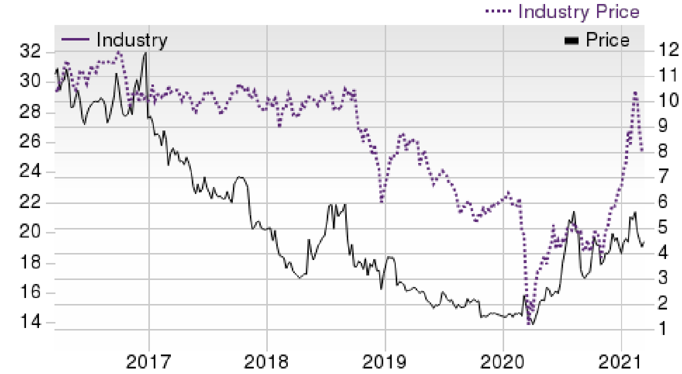
The table below shows summary valuation data for OPK.

Valuation Multiples - OPK

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.74	4.55	2.75	4.57
	5-Year High	5.17	4.77	3.17	4.57
	5-Year Low	0.86	2.56	2.26	3.21
	5-Year Median	2.08	3.4	3.81	3.69
P/B TTM	Current	1.78	4.63	4.32	6.67
	5-Year High	3.19	5.08	5.11	6.67
	5-Year Low	0.5	2.8	3.02	3.83
	5-Year Median	1.47	4.13	4.38	4.97

As of 03/12/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 33% (170 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AngioDynamics, Inc. **(ANGO)**	Neutral	3
Quest Diagnostics Incorporated **(DGX)**	Neutral	3
Laboratory Corporation of America Holdings **(LH)**	Neutral	3
Luminex Corporation **(LMNX)**	Neutral	3
Novartis AG **(NVS)**	Neutral	4
Pfizer Inc. **(PFE)**	Neutral	3
Teva Pharmaceutical Industries Ltd. **(TEVA)**	Neutral	3
Jazz Pharmaceuticals PLC **(JAZZ)**	Underperform	5

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

Industry Comparison Industry: Medical - Instruments

Industry Peers

	OPK	X Industry	S&P 500	DGX	LH	LMNX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	A	B
Market Cap	2.97 B	336.95 M	28.54 B	16.26 B	23.30 B	1.53 B
# of Analysts	3	2	13	9	9	4
Dividend Yield	0.00%	0.00%	1.38%	1.84%	0.00%	1.22%
Value Score	C	-	-	A	A	B
Cash/Price	0.03	0.09	0.06	0.07	0.06	0.21
EV/EBITDA	19.92	-5.13	16.11	7.94	7.82	18.28
PEG F1	3.93	3.09	2.38	0.41	1.10	NA
P/B	1.78	5.83	3.92	2.41	2.48	2.94
P/CF	25.47	28.91	16.30	8.70	6.77	29.21
P/E F1	47.10	40.92	21.26	10.97	11.18	35.51
P/S TTM	2.07	7.28	3.30	1.72	1.67	3.66
Earnings Yield	2.25%	-1.17%	4.59%	9.12%	8.94%	2.81%
Debt/Equity	0.13	0.06	0.67	0.59	0.59	0.39
Cash Flow ($/share)	0.17	-0.11	6.78	14.01	35.24	1.12
Growth Score	A	-	-	A	A	C
Historical EPS Growth (3-5 Years)	NA%	7.32%	9.34%	10.73%	14.25%	-23.49%
Projected EPS Growth (F1/F0)	93.33%	28.40%	14.75%	-0.59%	-10.80%	188.28%
Current Cash Flow Growth	-179.41%	-0.02%	0.74%	54.12%	102.69%	171.04%
Historical Cash Flow Growth (3-5 Years)	-0.39%	9.87%	7.37%	13.57%	22.28%	-2.62%
Current Ratio	1.39	3.26	1.39	1.72	1.66	5.82
Debt/Capital	11.72%	9.18%	41.42%	37.56%	37.12%	28.18%
Net Margin	2.13%	-12.02%	10.59%	15.16%	11.13%	3.63%
Return on Equity	1.90%	-20.54%	14.70%	24.59%	29.36%	3.03%
Sales/Assets	0.61	0.51	0.51	0.71	0.76	0.57
Projected Sales Growth (F1/F0)	22.53%	15.52%	6.93%	1.33%	2.08%	14.99%
Momentum Score	A	-	-	C	A	A
Daily Price Change	0.00%	0.00%	0.64%	0.01%	0.60%	0.96%
1-Week Price Change	-6.22%	-4.32%	2.46%	2.05%	-0.88%	-0.89%
4-Week Price Change	-19.57%	-8.86%	4.45%	-2.55%	0.63%	18.31%
12-Week Price Change	-1.33%	21.73%	7.65%	0.95%	17.77%	37.19%
52-Week Price Change	212.68%	69.04%	62.34%	34.80%	74.38%	41.88%
20-Day Average Volume (Shares)	7,645,375	276,802	2,210,456	1,376,981	863,424	1,111,777
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.14%	0.10%	0.00%
EPS F1 Estimate 4-Week Change	52.63%	0.00%	0.00%	-0.12%	10.36%	2.22%
EPS F1 Estimate 12-Week Change	52.63%	0.00%	2.01%	8.79%	15.68%	10.48%
EPS Q1 Estimate Monthly Change	33.33%	0.00%	0.00%	-1.51%	18.83%	-1.67%

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	C
Growth Score	A
Momentum Score	A
VGM Score	A

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

Disclosures

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.

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a mediumterm price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

# of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the mostrecent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every $1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at $35 and expected to earn $3 per share in the current fiscal year (F1), would be 0.0857 (3/35 = 0.0857) or 8.57%. In other words, for $1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow ($/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every $1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every $1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated $2.50 in sales for every $1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is $1.10 now versus $1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from $1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.