

## PTC Inc. (PTC)

**\$89.42** (As of 08/27/20)

Price Target (6-12 Months): **\$94.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 03/23/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: D

Growth: A

Momentum: C

### Summary

PTC is benefitting from steady performance across Core and Growth product groups. Solid new ACV bookings are driving the top line. Particularly, robust adoption of Vuforia-Chalk and the latest Vuforia Expert Capture solution hold promise. Furthermore, growing clout of ThingWorx and Windchill platforms is noteworthy. Moreover, synergies from Onshape acquisition bode well. New deal wins on the back of strategic alliances with Rockwell Automation and Microsoft are anticipated to drive the top line in the longer haul. However, the company revised guidance for fiscal 2020 due to coronavirus-induced weakening macroeconomic conditions. Unfavorable foreign exchange rates and stiff competition in the computer-aided design market remain major headwinds. Notably, shares of the company have underperformed the industry in the year-to-date period.

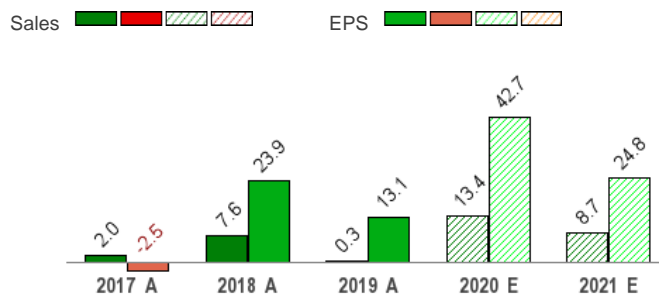
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$90.55 - \$43.90</b>
20 Day Average Volume (sh)	<b>635,099</b>
Market Cap	<b>\$10.4 B</b>
YTD Price Change	<b>19.4%</b>
Beta	<b>1.23</b>
Dividend / Div Yld	<b>\$0.00 / 0.0%</b>
Industry	<a href="#">Computer - Software</a>
Zacks Industry Rank	<b>Top 27% (67 out of 252)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>37.8%</b>
Last Sales Surprise	<b>6.7%</b>
EPS F1 Est- 4 week change	<b>1.9%</b>
Expected Report Date	<b>10/28/2020</b>
Earnings ESP	<b>0.0%</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	384 E	384 E	392 E	419 E	1,549 E
2020	356 A	360 A	352 A	356 E	1,424 E
2019	335 A	316 A	323 A	335 A	1,256 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.67 E	\$0.70 E	\$0.74 E	\$0.83 E	\$2.92 E
2020	\$0.57 A	\$0.59 A	\$0.62 A	\$0.56 E	\$2.34 E
2019	\$0.56 A	\$0.38 A	\$0.36 A	\$0.64 A	\$1.64 A

\*Quarterly figures may not add up to annual.

P/E TTM	<b>37.0</b>
P/E F1	<b>38.2</b>
PEG F1	<b>1.2</b>
P/S TTM	<b>7.4</b>

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/27/2020. The reports text is as of 08/28/2020.

## Overview

Boston, MA-based PTC Inc. provides software solutions and services globally, that aid manufacturing companies to design, operate, and manage products. Founded in 1985, the company was formerly known as Parametric Technology Corporation and changed its name to PTC Inc. in January 2013.

The company offers comprehensive portfolio of software solutions comprising computer-aided design (CAD) modeling, product lifecycle management (PLM), data orchestration (IIoT), and experience creation (AR) products.

Creo is the company's flagship 3D CAD product. Creo offers design engineers with design flexibility, assembly design, surfacing, and virtual prototyping design capabilities.

PTC's primary PLM product, Windchill software offers a unified repository for comprehensive product information. Windchill also includes AR capabilities, to aid customers develop a digital product definition and publish the illustration of the product in AR.

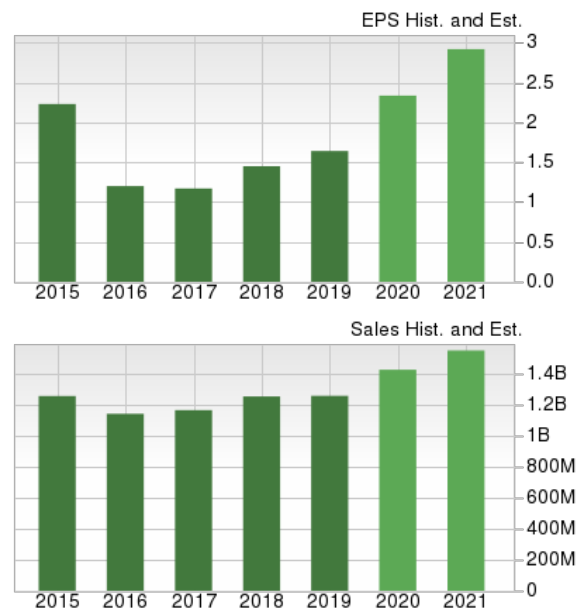
Meanwhile, ThingWorx product helps customers to develop and deploy IoT applications; manage connected devices; and analyze complex industrial IoT data, in a cost- and time-efficient manner.

Vuforia Studio product aids industrial enterprises to publish AR experiences superimpose vital digital information from CAD, IoT, and other related sources onto the view of the material things on which users work.

In fiscal 2019, revenues came in at \$1.311 billion as per ASC 605. Under ASC 606, the company reported revenues of \$1.256 billion.

PTC has two operating and reportable segments: Software Products (44.6% of fiscal 2019 revenues), which includes subscription, license and associated support revenues; and Professional Services (55.4%), which includes implementation, consulting and training services.

Per ASC 606, the company generated 43% of revenues from Americas, while the balance 57% came from foreign operations in fiscal 2019.



---

## Reasons To Buy:

- ▲ PTC is well poised to gain from strength in product portfolio. The company's solutions aid industrial enterprises to enhance operational efficiency, accelerate product and service innovation, and boost workforce productivity. Growing clout of the company's major technology platforms including, 3D modeling (CAD) offering; Creo, lifecycle management (PLM) solution; Windchill, data orchestration (IIoT) offering; ThingWorx, and experience creation (AR) product; Vuforia Studio, is expected to drive the top-line.
- ▲ Global 3D CAD software market is set to hit \$14.5 billion by 2026, at a CAGR of 5.9% between 2019 and 2026, per Acumen Research and Consulting data. Increased adoption of computer-based design in the automotive sector, and growing clout of additive production by manufacturers, are tailwinds. Solid demand for precision in design, complex prototyping and digitalization of construction is expected to drive demand for 3D-CAD offerings in the automotive, aerospace, manufacturing, healthcare and defense verticals.
- ▲ Moreover, increasing spending by enterprises on emerging categories like IoT and AR/VR presents significant prospects for PTC. Market research firm IDC estimates global IoT spending to hit \$1.1 trillion in 2023. Moreover, the firm estimates AR/VR spending to accelerate at a CAGR of 77% over 2019-2023 timeframe. This presents significant growth opportunity for semiconductor chip makers and electronics sensor developers. We believe that the company's expanding product portfolio will help it to win frequent orders and new customers from these emerging markets. Notably, IDC's "MarketScape: Worldwide Industrial IoT Platforms in Manufacturing 2019 Vendor Assessment" report places PTC in the "Leaders" quadrant, which reflects the company's growing clout in the IIoT vertical on robust adoption of its ThingWorx offering.
- ▲ The company's collaborations with advanced technology suppliers, hardware vendors, specialized application developers, and CAD and PLM providers is a key catalyst. For instance, PTC's partnership with ANSYS enables integration of Creo with ANSYS' Discovery Live real-time simulation capabilities. The company also teamed up with Rockwell Automation, which is expected to enhance PTC's Vuforia and ThingWorx platforms. It has also partnered with Microsoft to deploy the ThingWorx Industrial Innovation Platform on Azure cloud platform. We believe that the strong partner network will help the company win customers more frequently, which in turn will drive the top line.
- ▲ Strategic acquisition strategy has played a pivotal part in developing the company's business in the last few years. Recently, the company acquired Onshape for \$470 million in cash to enhance Creo and Windchill products with advanced SaaS capabilities. The company's buyout of TWNKLs will strengthen its industrial AR offerings. These along with Frustum (advanced patented desktop and cloud-based generative design software provider), Waypoint Labs and Reality Editor (adding more IoT and AR product development capabilities) acquisitions have enabled the company to offer new and innovative products. We anticipate PTC to pursue tuck-in acquisitions, which will further expand product portfolio in the long term.
- ▲ We also note that it has a diversified customer base, which is evident from the fact that no single customer accounted for more than 5% of revenues in the last three years. Markedly, at the end of fiscal 2019, total deferred revenues (including unbilled deferred revenues and backlog) came in at \$1.135 billion. We also believe that PTC's increasing investments on emerging trends like IoT, AR/VR and autonomous vehicle sub-systems presents significant prospects for the company in the long haul.

Robust adoption driven by high demand for SaaS-based CAD, PLM and IIoT solutions, new business bookings on the back of strategic alliances with Rockwell Automation and Microsoft, are key catalysts.

---

## Reasons To Sell:

- ▼ PTC generated a significant portion (57%) of revenues from the International market in fiscal 2019. Adverse foreign currency exchange rates, particularly the Euro, impacted European revenues unfavorably in 2019 by \$26 million. Unfavorable changes in foreign currency exchange rates impacted Asia Pacific revenues by \$6 million in 2019. This is anticipated to weigh on revenue growth in the near term owing to the strengthening of the U.S. dollar compared with the Euro and other foreign currencies, which is a significant concern.
- ▼ Moreover, Europe continues to remain a major headwind for PTC. Uncertainty related to Brexit, growing data privacy regulations and overall macro-weakness in the region is anticipated to hurt top line in the near term. Notably, the company generated 37% of fiscal 2019 revenues (per ASC 606) from Europe.
- ▼ PTC faces stiff competition in the computer-aided design (CAD) market from Cadence Design Systems (as it recently ventured into the market with 3D Solver offering), Autodesk, ANSYS and Synopsys, to mention a few. Considering IIoT vertical, similar solutions from large established companies like Amazon, IBM, Oracle, SAP, Siemens AG, and GE are likely to affect adoption of PTC's ThingWorx IoT platform. New entrants are likely to pose a threat to the company's market share. This might compel the company resort to competitive pricing to maintain and capture further market share.
- ▼ Frequent acquisitions have escalated integration risks for PTC. We note that the frequent acquisitions negatively impacted the company's balance sheet in the form of high level of goodwill and intangible assets, which accounted for approximately \$1.85 billion or 54.8% of the total assets as of Jun 27. Acquisitions also raise PTC's debt burden, which increases the risk profile of the business. As of Jun 27, the company's net debt was \$665 million. Moreover, total debt to total capital of 49.6% is higher than the industry's figure of 43.7%. Further, times interest earned is 2.5X compared with the industry's figure of 17.6X. Consequently, the company is required to constantly generate adequate amount of cash flows to meet debt requirements.

Uncertainty over Brexit adverse foreign currency exchange volatility, and integration risks from buyouts, are likely to weigh on PTC's financial performance.

## Last Earnings Report

### PTC Surpasses Q3 Earnings Estimates, Tweaks 2020 Guidance

PTC Inc. reported third-quarter fiscal 2020 non-GAAP earnings of 62 cents per share, up 169.6% on a year-over-year basis. Also, the bottom line beat the Zacks Consensus Estimate by 37.8%.

Revenues came in at \$352 million, up 19% year over year, driven by strength across Core and Growth product groups offset by mid-single digit growth in Focused Solutions Group (FSG). The top line surpassed the Zacks Consensus Estimate by 6%.

Quarter Ending **06/2020**

Report Date	Jul 29, 2020
Sales Surprise	<b>6.66%</b>
EPS Surprise	<b>37.78%</b>
Quarterly EPS	<b>0.62</b>
Annual EPS (TTM)	<b>2.42</b>

#### Top Line in Detail

Recurring revenues of \$310.6 million improved 27.2% year over year. Perpetual license of \$6.77 million declined 26.5% from the year-ago quarter's figure due to end of perpetual license sales on Jan 1, 2019.

##### *Revenues by License, Support and Services*

License revenues (33.6% of total revenues) were \$118.2 million, up 87.9% from the year-ago quarter's figure.

Support and cloud services revenues (56.6%) of \$199.1 million improved 4.5% year over year.

Professional services revenues (9.8%) of \$34.3 million declined 18.4% year over year.

##### *Revenues by Product Group*

Revenues from Core Product Group — which includes computer-aided design (CAD) & Product Lifecycle Management (PLM) offerings — came in at \$230 million, up 33% year over year (up 34% at constant currency or cc).

Revenues from Growth Product Group (which includes IoT, AR & Onshape) totaled \$40 million, up 9% year over year (10% at cc).

Revenues from Focused Solutions Group (FSG) amounted to \$47 million, up 8% year over year (9% at cc).

#### ARR Performance

Annualized recurring revenues (ARR) were \$1.205 billion, up 9% year over year, driven by strong renewals performance and higher-than-expected new ACV bookings.

ARR from Core Product Group (CAD & PLM) came in at \$869 million, up 9% year over year (up 10% at cc). Growth was driven by strength in PLM.

ARR from Growth Product Group (IoT, AR & Onshape) came in at \$160 million, up 23% year over year (24% at cc). Year-over-year growth can be attributed to improvement in AR as well as strength across Europe and Japan. However, performance was dampened by decline in transaction at the end of quarter due to the COVID-19 outbreak.

ARR from FSG came in at \$177 million, down 1% year over year (0% at cc). The low growth rate reflects America region's weak performance.

#### Operating Details

Non-GAAP gross margin expanded 510 basis points (bps) on a year-over-year basis to 80.3%.

Non-GAAP operating expenses were \$179 million. GAAP operating expenses increased 3% year over year to \$209 million. This can be attributed to the company's restructuring efforts to control expenses.

Operating income on a non-GAAP basis increased 173.7% year over year to \$103.4 million.

Consequently, operating margin on a non-GAAP basis was 29.4% compared with 12.8% reported in the year-ago quarter.

#### Balance Sheet & Cash Flow

As of Jun 27, cash, cash equivalents and marketable securities were \$435 million compared with the prior-quarter's figure of \$84 million.

Total debt, net of deferred issuance costs, was \$1.12 billion, up from the prior-quarter figure of \$1.63 billion.

Cash provided by operating activities came in at \$105 million compared with the prior-quarter figure of \$87.8 million.

Free cash flow was \$99 million compared with \$82.3 million reported in the previous quarter.

#### Guidance

Due to weakening macroeconomic conditions induced by the coronavirus pandemic, the company revised its guidance for fiscal 2020.

Fiscal 2020 revenues are now projected between \$1.40 billion and \$1.43 billion compared with the earlier guidance of \$1.415-\$1.43 billion. Further, non-GAAP earnings are now expected between \$2.20 and \$2.35 per share compared with the prior range of \$2.28-\$2.35 per share.

ARR is now expected to be \$1.220-\$1.255 billion, which indicates rise of 11-12% year over year. The prior guidance for ARR was in the range of

---

\$1.235-\$1.255 billion.

Adjusted free cash flow is projected to be \$200 million compared with the prior figure of \$210 million.

---

## Recent News

On Aug 14, PTC rolled out Onshape Education Suite's Enterprise Plan for K-12 affiliated schools and universities to assist students as they adapt to online learning owing to coronavirus outbreak, for no additional cost.

On Jul 29, PTC announced that the U.S. Navy has selected its Windchill product lifecycle management (PLM) Software as a Service (SaaS) offering to support its Model Based Product Support (MBPS) digital transformation initiatives, aimed at improving the Navy's operational readiness.

On Jul 8, PTC announced that it expects to deliver third quarter fiscal 2020 ARR growth of 9% year over year, 10% in constant currency. The company also anticipates delivering double-digit growth in revenues and free cash flow on a year-over-year basis in fiscal third quarter.

On Jun 17, PTC announced that the Vuforia Chalk remote experience software has been selected by BID Group to advance its digital transformation strategy. BID Group, which provides innovative wood processing solutions, will leverage Vuforia Chalk remote experience software's AR capabilities to enable its remote service teams to provide real-time assistance to customers.

On Apr 23, PTC announced the release of the Vuforia Spatial Toolbox platform, designed to solve spatial computing problems and speed-up the spatial AR programming of machines.

On Apr 14, PTC announced the launch of the latest version of its Creo 3D computer-aided design (CAD) software – Creo 7.0, which added artificial intelligence (AI) capabilities to the software.

## Valuation

PTC shares are up 19.4% in the year to date period and 36.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 39% and 27.7% in the year-to-date period, respectively. In the past year, the Zacks sub-industry and the sector are up 53.3% and 43.2%, respectively.

The S&P 500 index is up 8.2% in the year-to-date period and 19.5% in the past year.

The stock is currently trading at 6.76X forward 12-month sales compared with 8.23X for the Zacks sub-industry, 4.31X for the Zacks sector and 3.82X for the S&P 500 index.

In the past five years, the stock has traded as high as 9.96X and as low as 2.61X, with a five-year median of 5.49X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$94 price target reflects 7.11X forward 12-month sales.

The table below shows summary valuation data for PTC

Valuation Multiples - PTC					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	6.76	8.23	4.31	3.82
	5-Year High	9.96	8.23	4.31	3.82
	5-Year Low	2.61	3.88	2.32	2.53
	5-Year Median	5.49	5.63	3.14	3.05
P/B TTM	Current	7.79	11.87	5.81	4.71
	5-Year High	15	11.87	5.85	4.71
	5-Year Low	3.8	4.19	3.16	2.83
	5-Year Median	7.39	7.36	4.44	3.76
EV/Sales TTM	Current	8.02	9.2	5.01	3.42
	5-Year High	10.45	9.2	5.05	3.46
	5-Year Low	2.95	3.26	2.59	2.15
	5-Year Median	6.39	5.85	3.64	2.88

As of 08/27/2020

## Industry Analysis Zacks Industry Rank: Top 27% (67 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
Blackbaud, Inc. (BLKB)	Outperform	1
Autodesk, Inc. (ADSK)	Neutral	3
ANSYS, Inc. (ANSS)	Neutral	2
Cadence Design Systems, Inc. (CDNS)	Neutral	2
CommVault Systems, Inc. (CVLT)	Neutral	3
Nuance Communications, Inc. (NUAN)	Neutral	3
Pegasystems Inc. (PEGA)	Neutral	3
Verint Systems Inc. (VRNT)	Neutral	3

Industry Comparison Industry: Computer - Software				Industry Peers		
	PTC	X Industry	S&P 500	ANSS	CDNS	VRNT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	2	3
VGM Score	B	-	-	F	C	B
Market Cap	10.38 B	1.74 B	23.67 B	28.51 B	30.49 B	2.99 B
# of Analysts	6	4	14	5	6	4
Dividend Yield	0.00%	0.00%	1.64%	0.00%	0.00%	0.00%
Value Score	D	-	-	F	D	C
Cash/Price	0.04	0.07	0.07	0.03	0.04	0.21
EV/EBITDA	79.93	17.93	13.33	46.59	47.69	17.42
PEG Ratio	1.19	2.58	3.05	NA	3.13	1.03
Price/Book (P/B)	7.79	6.83	3.18	8.27	13.51	2.51
Price/Cash Flow (P/CF)	55.39	23.18	12.81	50.67	27.50	11.03
P/E (F1)	38.58	35.75	21.68	54.18	42.94	14.40
Price/Sales (P/S)	7.40	4.65	2.50	18.75	12.52	2.34
Earnings Yield	2.62%	2.64%	4.43%	1.84%	2.33%	6.95%
Debt/Equity	0.98	0.24	0.74	0.12	0.15	0.90
Cash Flow (\$/share)	1.61	1.17	6.94	6.56	3.98	4.20
Growth Score	A	-	-	D	B	B
Hist. EPS Growth (3-5 yrs)	4.68%	9.39%	10.41%	14.28%	33.78%	6.79%
Proj. EPS Growth (F1/F0)	42.38%	10.11%	-4.94%	-6.78%	15.76%	-10.38%
Curr. Cash Flow Growth	-3.70%	6.56%	5.22%	8.84%	138.95%	10.44%
Hist. Cash Flow Growth (3-5 yrs)	-9.76%	9.63%	8.50%	7.79%	24.55%	0.84%
Current Ratio	1.27	1.51	1.35	2.38	1.42	1.64
Debt/Capital	49.55%	27.95%	43.86%	10.97%	13.31%	47.46%
Net Margin	6.21%	6.61%	10.25%	26.17%	41.74%	1.65%
Return on Equity	16.99%	10.54%	14.66%	12.91%	50.84%	12.14%
Sales/Assets	0.43	0.60	0.50	0.35	0.71	0.42
Proj. Sales Growth (F1/F0)	8.87%	2.10%	-1.43%	5.67%	11.49%	-5.40%
Momentum Score	C	-	-	F	B	D
Daily Price Chg	-0.40%	-0.32%	0.43%	0.26%	-2.94%	0.22%
1 Week Price Chg	-0.14%	0.61%	-1.45%	3.61%	2.38%	0.78%
4 Week Price Chg	4.49%	3.55%	3.75%	7.32%	1.59%	4.07%
12 Week Price Chg	11.41%	7.95%	3.95%	17.78%	19.82%	0.32%
52 Week Price Chg	36.17%	20.23%	2.75%	58.88%	58.45%	-13.55%
20 Day Average Volume	635,099	140,783	1,887,168	334,737	1,372,647	403,020
(F1) EPS Est 1 week change	0.34%	0.00%	0.00%	-0.22%	0.00%	0.00%
(F1) EPS Est 4 week change	1.94%	0.00%	0.79%	1.97%	0.00%	0.00%
(F1) EPS Est 12 week change	0.72%	2.50%	3.43%	2.18%	16.77%	-3.50%
(Q1) EPS Est Mthly Chg	-28.06%	0.00%	0.00%	-16.74%	0.00%	0.00%



---

## 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 have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

---

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	A
Momentum Score	C
VGM Score	B

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.