

Qualcomm Incorporated (QCOM)

\$88.97 (As of 01/07/20)

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

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/06/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: B

Summary

Qualcomm is focusing to retain its leadership in 5G, chipset market and mobile connectivity with several technological achievements and innovative product launches. With more than 150 5G design wins to date, the company is reportedly the only chipset vendor with 5G system level solutions spanning sub-6, gigahertz and millimeter wave bands. It offers the flexibility and scalability needed for broad and fast 5G adoption through accelerated commercialization by OEMs. However, Qualcomm is anticipated to face continued softness in demand from China with Huawei gaining prominence in the local market and OEMs managing their inventory ahead of 5G. In addition, margins have decreased sharply due to high operating expenses and R&D costs. Aggressive competition in the mobile phone chipset market is also likely to hurt Qualcomm's profits.

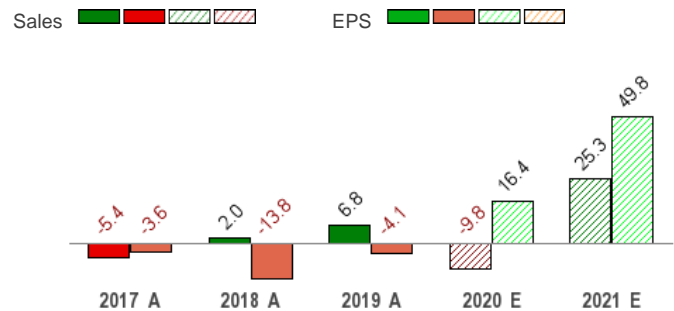
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$94.11 - \$49.10
20 Day Average Volume (sh)	7,371,243
Market Cap	\$101.6 B
YTD Price Change	0.8%
Beta	1.62
Dividend / Div Yld	\$2.48 / 2.8%
Industry	Wireless Equipment
Zacks Industry Rank	Bottom 36% (163 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	9.9%
Last Sales Surprise	2.0%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/05/2020
Earnings ESP	0.0%
P/E TTM	25.1
P/E F1	21.6
PEG F1	1.6
P/S TTM	4.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	7,285 E	6,393 E	6,684 E	7,328 E	27,424 E
2020	4,825 E	5,104 E	5,503 E	6,496 E	21,885 E
2019	4,842 A	4,982 A	9,635 A	4,814 A	24,273 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.70 E	\$1.33 E	\$1.38 E	\$1.67 E	\$6.17 E
2020	\$0.85 E	\$0.87 E	\$1.00 E	\$1.36 E	\$4.12 E
2019	\$1.20 A	\$0.77 A	\$0.80 A	\$0.78 A	\$3.54 A

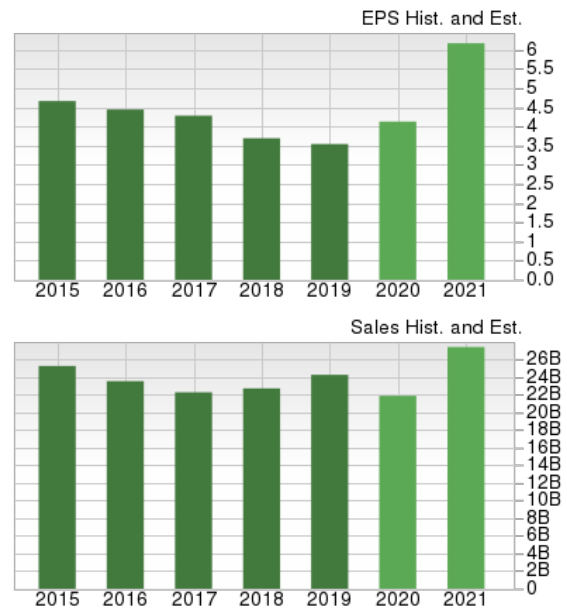
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/07/2020. The reports text is as of 01/08/2020.

Overview

Qualcomm Incorporated designs, manufactures and markets digital wireless telecom products and services based on the Code Division Multiple Access (CDMA) technology. The products include CDMA-based integrated circuits (ICs) and system software for wireless voice and data communications as well as global positioning system (GPS) products. Qualcomm's business is organized into two reporting segments as follows:

- Qualcomm CDMA Technologies (QCT)** (75% of GAAP revenues in fourth-quarter fiscal 2019): This segment reports operating results for sales of CDMA-based integrated circuit devices (chips) and system software for wireless voice and data communications, as well as GPS products. QCT's integrated circuit (IC) products are used mainly in mobile phones, wireless data access cards and infrastructure equipment. QCT offers a broad portfolio of products that support CDMA2000 1X, 1xEV-DO, EV-DO Revision A, EV-DO Revision B and UMB. Qualcomm also develops IC that supports GSM/GPRS, WCDMA, HSDPA and HSUPA technologies.
- Qualcomm Technology Licensing (QTL)** (25%): This segment reports revenues received from licenses to the intellectual property portfolio, which includes CDMAOne, CDMA2000 1X EV-DO/1xEV-DV, TD-SCDMA, and WCDMA technology solutions. QTL generates revenues from license fees as well as royalties based on global sales by licensees of products incorporating or using Qualcomm's intellectual property.



Reasons To Buy:

▲ Qualcomm has settled its bitter patent battle with Apple. Drawing curtains on lingering patent litigations, the former allies turned antagonists decided to call a truce, with Apple paying \$4.5-\$4.7 billion to Qualcomm. The agreement also includes a six-year license agreement effective Apr 1, 2019 along with a two-year extension option and a multi-year chipset supply agreement. Apple is expected to license the chips directly from Qualcomm instead of relying on OEMs to do it on its behalf. This will likely involve recurring payments to the mobile chip manufacturer. In addition, Qualcomm expects 175 million to 225 million 5G handset units for calendar 2020. The company anticipates to witness an inflection point for QCT in first quarter fiscal 2020 as it realizes the benefits from the ramp of 5G handset launches. Furthermore, for the fiscal second quarter, management anticipates QCT revenues to grow in the mid-teens on a sequential basis with EBT margins in the mid-teens.

Qualcomm anticipates improving conditions for its chip business in the second half of fiscal 2019 backed by new product launches including devices with 5G chipsets and growth in adjacent businesses.

▲ Leveraging its mobile expertise, Qualcomm has decided to replicate its success story within the data center chip market by offering AI-powered chips that form the fundamental building blocks of cloud computing. Although, the company is yet to provide the finer details of the upcoming product dubbed as the Cloud A1, it has apparently ruffled the feathers of the industry players with proposed features of 50x more powerful in processing AI workloads as its flagship mobile chip. The chip is likely to be instrumental for facilitating inferencing work that helps to make informed decisions based on analysis of data streams such as digitized voice or images.

▲ Qualcomm has raised the bar for premium audio features as it launched the QCS400 system-on-a-chip (SoC) series with low-power compute capabilities. This is likely to herald a new chapter for smarter audio and IoT applications by integrating highly optimized, AI-enabled solutions in single, power-optimized chip architecture. Equipped with multiple advanced audio-visual display capabilities, the QCS400 SoCs deliver superior voice-assistant experiences with faster, smarter voice user interface. These include AI-based local automatic speech recognition, multi-keyword far-field voice pickup with beam-forming and echo cancellation, as well as support for cloud-based voice assistants for connected user experiences and impeccable sound quality. The feature-rich chips are highly interoperable and smart, yet extremely power efficient and are a perfect fit for next-generation smart speakers, home assistants and soundbars. In particular, these chips offer advanced connectivity features with tri-radio co-existence and low-latency audio streaming capability to enable users enjoy music virtually at all places. Compared to other available products in the market, the QCS400 SoCs boast up to 25 times longer standby, with voice wake-up and extended 'un-plugged' battery life, delivering uninterrupted playback, along with robust AI-powered voice user interface features. At the same time, Qualcomm has rolled out CSRA6640 — a highly flexible integrated single-chip amplifier solution — for power-efficient speakers that offer truly differentiated audio quality. In addition to enhanced amplification capability, the product brings a new level of integration to make superior class-D amplification more commercially viable on smaller form factors and lower tier products through optimization of materials costs and elimination of additional external components.

▲ Qualcomm is one of the largest manufacturers of wireless chipset based on baseband technology. The company is focusing to retain its leadership in 5G, chipset market and mobile connectivity with several technological achievements and innovative product launches. Qualcomm has redefined the computing and mobile ecosystem across the globe with the launch of QCA6390 Connectivity SoC product. This game-changing and arguably the most advanced integrated offering from Qualcomm is likely to deliver path-breaking performance in the 5G era and provide it a competitive advantage against rivals. Built on indigenous technologies, the QCA6390 is designed to meet the growing need for faster connectivity options and data speed. Supporting all the feature suites of both Wi-Fi 6 and Bluetooth 5.1, it offers faster, more secure and robust Wi-Fi experiences and enhanced Bluetooth capabilities. These include ultra-high-definition voice and low-latency gaming over wireless headphones, earbuds and speakers. The QCA6390 sets a new industry standard with the world's first announced 14nm integrated SoC that boasts extended features and cutting-edge design. It is likely to help users experience seamless transition to super-fast 5G networks, delivering low-power resilient multi-gigabit connectivity with unprecedented range and Qualcomm's best-in-class security. This, in turn, would further offer the flexibility and scalability needed for broad and fast 5G adoption through accelerated commercialization by OEMs. With more than 150 5G design wins till date, Qualcomm is reportedly the only chipset vendor with 5G system level solutions spanning both sub-6, gigahertz and millimeter wave bands.

Reasons To Sell:

- ▼ Over the past few years, Qualcomm's margins have decreased sharply due to high operating expenses and R&D costs. The company expects softness in the handset market and weaker overall mix of devices to remain in the near future. In addition, Qualcomm faces huge concentration risks as bulk of its revenues is generated from a handful of customers - a trend that is expected to continue in the ensuing quarters. Moreover, majority of these customers include Chinese manufacturers, which further cloud the revenue-generating potential owing to strained bilateral trade relationship with the United States.
- ▼ Shift in the share among OEMs (original equipment manufacturer) at the premium tier has reduced Qualcomm's near-term opportunity to sell integrated chipsets from the Snapdragon platform. Aggressive competition in the mobile phone chipset market is also likely to hurt Qualcomm's profits in the future. The company is facing severe competitive threat from its closest rival Intel, which has been redesigning its chipsets for the mobile computing market. Competition is also likely to come from formidable rivals like Broadcom and Nvidia.
- ▼ Qualcomm is anticipated to face continued softness in demand from China with Huawei gaining prominence in the local market and OEMs managing their inventory ahead of 5G. Due to the ongoing Sino-U.S. trade dispute, there has been a marked shift in OEM share towards Huawei, as the leading Chinese smartphone manufacturer increases its focus on domestic sales. In addition, Chinese OEMs are pulling back on new 4G device orders and managing their inventory in advance of the transition to 5G in early 2020. Consequently, Qualcomm expects a significant impact on device shipment as sell-in and sell-through growth rates realign and channel inventory levels are drawn down in China. Global 3G, 4G, 5G device shipments in calendar 2019 are anticipated to be down by 100 million units to a range of 1.7 billion to 1.8 billion. In other regions, including North America and Europe, lengthening of handset replacement rates are likely to impact unit volumes.
- ▼ Moreover, Qualcomm has been facing challenges from low-cost chip manufacturers like MediaTek and Rockchip as well as handset manufacturers' SoC projects such as Exynos by Samsung. Although the global smartphone market is expected to maintain its momentum over the next three to four years, major portion of this growth is likely to come from the low-cost emerging markets, which may weigh on Qualcomm's margins. In addition, adverse court rulings relating to its licensing business could impair its growth potential to some extent.

Aggressive competition in the mobile phone chipset market continues to bother Qualcomm. In addition, margins have decreased sharply over the years due to high operating expenses and R&D costs.

Last Earnings Report

Qualcomm Q4 Earnings & Revenues Top, Decline Y/Y

Qualcomm reported healthy fourth-quarter fiscal 2019 financial results, wherein the top line and the bottom line beat the Zacks Consensus Estimate. However, both metrics declined year over year on macroeconomic challenges.

Net Income

On a GAAP basis, net income for the September quarter was \$506 million or 42 cents per share against net loss of \$513 million or loss of 36 cents per share in the prior-year quarter.

Quarterly non-GAAP net income came in at \$947 million or 78 cents per share compared with \$1,260 million or 89 cents per share in the year-ago quarter. The figure exceeded the top end of management's guidance due to higher Qualcomm Technology Licensing (QTL) revenues. The bottom line beat the Zacks Consensus Estimate by 7 cents.

For fiscal 2019, GAAP earnings were \$4,386 or \$3.59 per share, while non-GAAP earnings came in at \$4,323 million or \$3.54 per share. In fiscal 2018, Qualcomm reported GAAP loss of \$4,964 million or loss of \$3.39 per share, while non-GAAP earnings were \$5,343 million or \$3.62 per share.

Revenues

On a GAAP basis, total revenues for the fiscal fourth quarter were \$4,814 million compared with \$5,778 million in the prior-year quarter. The figure surpassed the consensus estimate of \$4,718 million and was above the midpoint of the earlier guided range due to solid QTL revenues on higher unit sale and strong product mix.

For fiscal 2019, GAAP revenues were \$24,273 million compared with \$22,611 million in fiscal 2018.

Segment Results

Quarterly revenues from Qualcomm CDMA Technologies (QCT) declined 22% year over year to \$3,611 million, due to weakening demand for 4G solutions. Mobile Station Modem (MSM) chip shipments were 152 million, down from 232 million. EBT margin decreased to 14% from 17% in the prior-year quarter.

QTL revenues were \$1,158 million, down 4% year over year. The figure came in slightly above the midpoint of management's guided range driven by higher unit sale and strong product mix. EBT margin was 68% compared with 64% in the year-ago quarter, and exceeded the high end of the company's guidance on lower operating expenses due to faster-than-anticipated reduction in excess litigation expenses.

Cash Flow & Liquidity

For fiscal 2019, Qualcomm generated \$7,286 million of net cash from operating activities compared with \$3,908 million in the year-ago quarter. At fiscal end, the company had \$11,839 million in cash and equivalents with \$13,437 million of long-term debt compared with respective tallies of \$11,777 million and \$15,365 million a year ago.

During the reported quarter, Qualcomm paid out cash dividends totaling \$711 million or 62 cents per share. At quarter-end, the company had \$7.1 billion available for repurchase under its \$30 billion stock buyback program.

Guidance

For the first quarter of fiscal 2020, Qualcomm currently expects revenues of \$4.4-\$5.2 billion. Non-GAAP earnings are projected in the 80-90 cents per share range. Revenues at QTL are expected between \$1.3 billion and \$1.5 billion. For QCT, the company anticipates MSM shipments in the range of 145 million to 165 million units.

For calendar 2019, Qualcomm reiterated its earlier guidance of 1.7 billion to 1.8 billion units for global 3G, 4G, 5G devices. For calendar 2020, the company estimates sales of 1.75 billion to 1.85 billion units, up approximately 3% at the midpoint, reflecting flat handsets and low double-digit growth in non-handsets. Qualcomm expects 175 million to 225 million 5G handset units for calendar 2020.

The company anticipates to witness an inflection point for QCT in the fiscal first quarter as it realizes the benefits from the ramp of 5G handset launches. For the fiscal second quarter, management anticipates QCT revenues to grow in the mid-teens on a sequential basis with EBT margins in the mid-teens.

Quarter Ending **09/2019**

Report Date	Nov 06, 2019
Sales Surprise	2.04%
EPS Surprise	9.86%
Quarterly EPS	0.78
Annual EPS (TTM)	3.55

Recent News

On Jan 6, 2020, Qualcomm unveiled the first-of-its-kind automotive platform — Snapdragon Ride — which enables automakers to transform their vehicles into self-driving cars using AI. Snapdragon's scalable platform comprises the Snapdragon Ride Safety system-on-a-chip, Accelerator and the Snapdragon Ride Autonomous Stack. The combination of these self-driving algorithms facilitates a robust architecture of hardware and software that supports advanced driver assistance systems like automatic emergency braking, traffic sign recognition, lane keeping, self-parking and automated highway driving technology, commonly known as Level 1 and Level 2 systems.

On Oct 24, 2019, Qualcomm announced that it has formed a \$200 million venture capital fund with an intent to invest in startup companies leveraging 5G technology in devices other than smartphones. This transformational move will also enable the company to utilize 5G in areas such as connection of industrial and agricultural equipment with Internet, enabling autonomous cars to connect with traffic lights and signs, to name a few. The San Diego-based company is currently supplying 5G chips to Samsung Electronics Co Ltd for the successful rollout of next gen mobile networks.

Valuation

Qualcomm shares are up 57.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 19% and 30.7% over the past year, respectively.

The S&P 500 index is up 24.3% in the past year.

The stock is currently trading at 12.33X trailing 12-month EV/EBITDA, which compares to 21.83X for the Zacks sub-industry, 12.12X for the Zacks sector and 11.99X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.12X and as low as 4.87X, with a 5-year median of 10.06X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$94 price target reflects 4.93X forward 12-month earnings.

The table below shows summary valuation data for QCOM

Valuation Multiples - QCOM					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	12.33	21.83	12.12	11.99
	5-Year High	20.12	25.55	12.6	12.86
	5-Year Low	4.87	10.1	7.67	8.48
	5-Year Median	10.06	15.76	10.52	11.99
P/E F12M	Current	19.07	19.97	22.32	18.74
	5-Year High	26.69	30.47	22.32	19.34
	5-Year Low	11.29	13.61	16.86	15.17
	5-Year Median	15.74	18.22	19.24	17.44
P/S F12M	Current	4.34	3.27	3.59	3.47
	5-Year High	5.15	3.51	3.59	3.47
	5-Year Low	2.82	2.07	2.3	2.54
	5-Year Median	3.87	2.8	3.01	3

As of 01/07/2020

Industry Analysis Zacks Industry Rank: Bottom 36% (163 out of 254)



Top Peers

Advanced Micro Devices, Inc. (AMD)	Neutral
Broadcom Inc. (AVGO)	Neutral
Cirrus Logic, Inc. (CRUS)	Neutral
Intel Corporation (INTC)	Neutral
NVIDIA Corporation (NVDA)	Neutral
Texas Instruments Incorporated (TXN)	Neutral
Xilinx, Inc. (XLNX)	Neutral
Analog Devices, Inc. (ADI)	Underperform

Industry Comparison Industry: Wireless Equipment				Industry Peers		
	QCOM Neutral	X Industry	S&P 500	AMD Neutral	INTC Neutral	TXN Neutral
VGM Score	D	-	-	B	A	C
Market Cap	101.59 B	339.77 M	23.82 B	53.73 B	256.35 B	120.97 B
# of Analysts	9	2	13	12	14	10
Dividend Yield	2.79%	0.00%	1.8%	0.00%	2.14%	2.78%
Value Score	D	-	-	F	B	D
Cash/Price	0.12	0.21	0.04	0.02	0.05	0.04
EV/EBITDA	10.58	13.01	13.92	81.03	8.27	15.61
PEG Ratio	1.57	3.15	2.00	1.82	1.66	2.57
Price/Book (P/B)	22.03	2.18	3.32	24.69	3.45	13.46
Price/Cash Flow (P/CF)	21.32	15.90	13.58	82.43	8.66	19.53
P/E (F1)	21.44	26.51	18.86	44.13	12.48	25.98
Price/Sales (P/S)	4.19	1.80	2.63	8.92	3.64	8.20
Earnings Yield	4.63%	3.78%	5.30%	2.26%	8.01%	3.85%
Debt/Equity	2.74	0.25	0.72	0.40	0.32	0.59
Cash Flow (\$/share)	4.17	0.53	6.94	0.59	6.81	6.62
Growth Score	D	-	-	A	B	B
Hist. EPS Growth (3-5 yrs)	-8.63%	-5.87%	10.56%	NA	19.47%	21.02%
Proj. EPS Growth (F1/F0)	16.51%	23.31%	7.49%	76.58%	2.42%	-3.02%
Curr. Cash Flow Growth	-22.34%	-14.66%	14.83%	123.28%	23.02%	20.88%
Hist. Cash Flow Growth (3-5 yrs)	-10.62%	6.65%	9.00%	30.77%	11.64%	13.94%
Current Ratio	1.88	1.94	1.23	2.10	1.20	4.34
Debt/Capital	73.24%	25.49%	42.92%	28.61%	24.20%	37.11%
Net Margin	18.07%	3.08%	11.08%	3.47%	27.46%	35.10%
Return on Equity	77.78%	3.26%	17.16%	16.54%	28.28%	58.00%
Sales/Assets	0.72	0.78	0.55	1.21	0.54	0.84
Proj. Sales Growth (F1/F0)	-9.84%	5.21%	4.15%	27.10%	1.56%	-2.13%
Momentum Score	B	-	-	C	A	A
Daily Price Chg	2.84%	-0.57%	-0.22%	-0.29%	-1.67%	1.93%
1 Week Price Chg	-2.00%	0.00%	-0.30%	5.24%	0.03%	-0.56%
4 Week Price Chg	5.77%	1.11%	2.11%	22.34%	4.14%	6.62%
12 Week Price Chg	14.33%	2.01%	5.70%	57.06%	11.93%	-1.73%
52 Week Price Chg	59.02%	-1.06%	22.84%	132.53%	23.44%	37.12%
20 Day Average Volume	7,371,243	72,546	1,570,747	49,312,712	18,201,998	3,706,928
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	-0.02%	0.00%
(F1) EPS Est 12 week change	5.72%	4.81%	-0.53%	-0.75%	6.34%	-14.27%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	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	D
Momentum Score	B
VGM Score	D

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.