

ResMed Inc.(RMD)

\$159.82 (As of 04/09/20)

Price Target (6-12 Months): **\$177.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 02/03/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: C

Summary

In the past three months, ResMed has outperformed its industry. ResMed exited second-quarter fiscal 2020 on a solid note, with better-than-expected numbers. It is encouraging to note that ResMed registered growth at CER across both its key operating segments. Mask sales within Total Sleep and Respiratory Care were particularly strong in Europe and Asia. Geographically, excluding SaaS, revenue growth was strong in the United States, Canada and Latin America regions. Within SaaS, the company recorded continued momentum in the Brightree service portfolio and an additional contribution from the MatrixCare buyout. Global revenues from SaaS in the quarter under review grew in double digits. However, in the second quarter, device sales in France declined as customers completed their connected device upgrade programs.

Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$177.99 - \$96.81
20 Day Average Volume (sh)	1,214,966
Market Cap	\$23.1 B
YTD Price Change	3.1%
Beta	0.52
Dividend / Div Yld	\$1.56 / 1.0%
Industry	Medical - Products
Zacks Industry Rank	Top 19% (48 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	19.8%
Last Sales Surprise	1.5%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	05/07/2020
Earnings ESP	0.0%
P/E TTM	40.2
P/E F1	37.7
PEG F1	3.6
P/S TTM	8.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	734 E	797 E	780 E	835 E	3,158 E
2020	681 A	736 A	722 E	764 E	2,907 E
2019	588 A	651 A	662 A	705 A	2,607 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.07 E	\$1.19 E	\$1.19 E	\$1.26 E	\$4.69 E
2020	\$0.93 A	\$1.21 A	\$1.04 E	\$1.09 E	\$4.24 E
2019	\$0.81 A	\$1.00 A	\$0.89 A	\$0.95 A	\$3.64 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 04/09/2020. The reports text is as of 04/13/2020.

Overview

ResMed, Inc. holds a major position as designer, manufacturer, as well as a distributor in the worldwide market for generators, masks, and related accessories for the treatment of sleep-disordered breathing (SDB) and other respiratory disorders. SDB includes obstructive sleep apnea (OSA) and other respiratory disorders that occur during sleep.

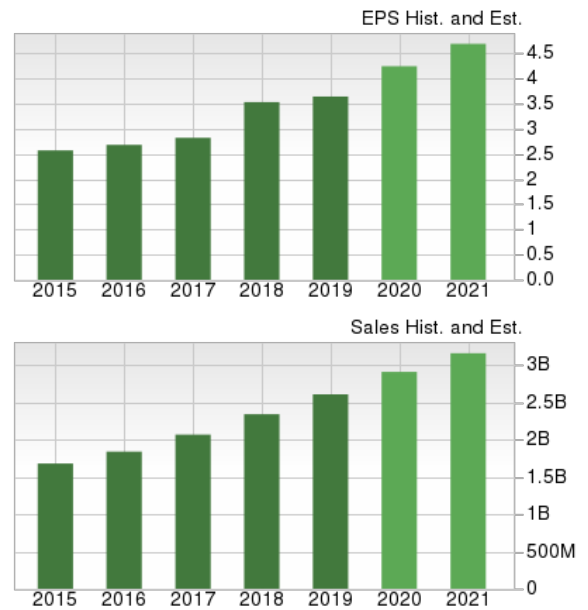
Following multiple acquisitions, including Brightree LLC in April 2016, HEALTHCAREfirst in July 2018 and MatrixCare in November 2018, the company currently has two operating segments, which are the **Sleep and Respiratory Care** segment (89.4% in fiscal 2019) and the **SaaS** segment (10.6% in fiscal 2019). In fiscal 2019, the first segment registered 7% revenue growth, while the latter registered 76% revenue growth from fiscal 2018.

Sleep and Respiratory Care includes Device; and Masks and other.

Devices include CPAP, VPAP and AutoSet systems for the titration and treatment of SDB. During fiscal year 2017, AirMini, the smallest portable CPAP on the market was launched. The company also acquired a line of Chinese-developed and manufactured sleep and ventilation devices with the acquisition of Curative Medical in fiscal year 2016.

Masks and others: This portfolio consists of different masks for SDB treatments like AirFit F20 in the full-face category and the AirFit N20, AirFit N30i etc.

Software-as-a-Service (SaaS): Following multiple acquisitions, including Brightree LLC in April 2016, HEALTHCAREfirst in July 2018 and MatrixCare in November 2018, this segment offers out-of-hospital software products.



Reasons To Buy:

▲ **Share Price Performance:** In the past three months, the company has outperformed its industry. The stock has gained 0.9%, as against the 10.8% decline of the industry. Overall, the company achieved double-digit global revenue growth in the reported quarter. We are upbeat about the strong constant-currency growth in both its key operating segments — Total Sleep and Respiratory Care, and SaaS — during the second quarter of fiscal 2020. During the reported quarter, mask and other sales grew 5% in combined Europe, Asia and other markets at CER, reflecting strong adoption of AirFit F20 and AirFit N20. Geographically, excluding SaaS, revenue growth was strong in the United States, Canada and Latin America regions. Within SaaS, the company recorded continued momentum in the Brightree service portfolio and an additional contribution from the MatrixCare buyout. Global revenues from SaaS in the quarter under review grew in double digits. ResMed's focus on digital health technology instils optimism.

ResMed continues to rein in surging demand for its products for the treatment of SDB. Meanwhile, the company's latest Brightree buyout has been meaningfully boosting its sleep apnea devices sales in the U.S.

▲ **Progress in Three-Horizon Growth Strategy – a Long-term Goal:** ResMed had identified three horizons for future growth viz, focus on ResMed's core sleep apnea franchise, growth in adjacent product and geographic markets and discover a portfolio of opportunities in new markets.

In terms of progress in the first horizon, which focuses on ResMed's core sleep apnea franchise, ResMed is actively progressing in the field of utilizing digital health technology to convert big data into valuable information. ResMed consists of over 4.5 billion nights of sleep apnea and Chronic Obstructive Pulmonary Disease (COPD) treatment data in the cloud and that growth remains to be staggering.

In this line, the Propeller Health buyout in 2019 is a significant addition to the company's vision of longitudinal solutions in respiratory care.

The addition of Propeller by pharmaceutical retailer Walgreens in its pharmacy's health platform (Find Care) paves the way for expanding the outreach of Propeller into Walgreens customers. Further, the collaboration with Verily is successfully creating software solutions for the purpose of better living of sleep apnea patients.

This apart, ResMed has been making advanced technology combined with digital health and connected care solutions. The company now has more than 12 million patients being monitored with the AirView software, the company's cloud-based platform for managing sleep apnea and COPD patients. Also, over 11 million 100% cloud connectable ResMed devices have been installed in the market.

▲ **Potential in Digital Health:** Of late, ResMed has been focusing on digital health technology. The Brightree and MatrixCare software systems are significantly contributing to the company's capabilities of managing 90 million more people outside the hospital setting. Given that digital health technology is an integrator across everything that the company does; AirView, myAir, Propeller and a portfolio of other digital health solutions support the company's plans of reaching out to more customers and partners. ResMed is currently investing in advanced analytics and expanding its capabilities in machine learning and machine intelligence so that the digital health ecosystem can attain high volume-based growth rates.

▲ **Growing Adjacent Product and Geographic Markets:** The second horizon in the three-pronged growth strategy is growth in adjacent product and geographic markets. This includes homecare ventilation for COPD, Amyotrophic Lateral Sclerosis (ALS) and other respiratory disorders, and emerging markets in China, India and Brazil. For progress in this horizon, management believes that the spectrum of cloud connected respiratory care products across ResMed's portfolio will play a big role in reducing costs and improving outcomes. Connected Care in ventilation can reduce costs and improve patient outcomes in COPD and beyond. With COPD being the number three cause of death in the Western world and the number two cause of re-hospitalization in the West, we expect this strategy of ResMed to play crucial role in its growth process.

In this respect, it is worth noting that Brightree (a subsidiary of ResMed) has announced the acquisition of SnapWorx (a privately held software company) in January 2020. With the buyout, ResMed aims to strengthen its continuous positive airway pressure (CPAP) resupply market. It believes that the combination of the technologies of Brightree and SnapWorx will be beneficial to its home medical equipment (HME) customers by increasing patient adherence and operational efficiency. However, this acquisition is expected to remain accretive to the company's adjusted earnings per share from fiscal 2021.

▲ **Increasing Opportunities in New Markets:** The third growth horizon of the three-pronged growth strategy incorporates a portfolio of opportunities in new markets, including clinical adjacencies such as atrial fibrillation, heart failure with preserved ejection fraction, asthma, chronic disease management as well as sleeps health and wellness. Another key area of this horizon is ResMed's work on chronic disease management algorithms, including population health models, health care analytics, care co-ordination and SaaS models for home health, home nursing and hospice. Lately, the company has been registering steady growth across its Brightree service portfolio and additional contribution from the buyouts of MatrixCare and HEALTHCAREfirst.

▲ **Strategic Pacts to Boost SaaS Business:** ResMed has been continuously opting for strategic buyouts to boost the revenues from SaaS business. According to the company, this niche is booming with prospects and has a total addressable market over \$1.5 billion in the United States alone. Leveraging on the company's leading positions in multiple SaaS verticals, ResMed expects its SaaS portfolio to move from high single-digit pro forma growth to low double-digit pro forma growth over the medium term and this rate should continue to be sustainable over the long-term.

Global revenues from SaaS in the quarter under review represented a 37% increase year over year due to continued momentum in the Brightree service portfolio and an additional contribution from the MatrixCare buyout.

Within its SaaS portfolio, the company inked a collaboration deal with Cerner as a new preferred provider for home health and hospice software. This partnership strengthens ResMed's position as an industry-leading provider of digital health solutions for out-of-hospital healthcare. The company's offerings for home health and hospice customers comprises of the most superior technology from MatrixCare and

Brightree. This agreement ensures that the entire portfolio of ResMed's home health and hospice solutions is available to Cerner's entire consumer base. The partnership is in the early stages and is progressing well.

- ▲ **Huge Potential in SDB Market:** The market for SDB is huge and is, as yet, to a great extent, underpenetrated across the globe. Globally, the scenario is grave with over 100 million suffering from sleep apnea (per an article published on The Sleep Zone). Per a report by MarketsAndMarkets, the global sleep apnea devices market is expected to see a CAGR of 7.8% to reach \$6.49 billion between 2018 and 2023. Moreover, a strong correlation between OSA and a number of cardiovascular diseases has been discovered recently.

However, despite the high prevalence of OSA, there is lack of awareness regarding it among both physicians and patients. It is estimated that less than 20% of patients suffering from OSA have been diagnosed or given proper treatment. With the global SDB market currently growing in mid-single-digits, ResMed is leaving no stone unturned to expand its foothold in this market. With this in view, ResMed has begun working on the joint venture with Verily to develop software solutions that allow healthcare providers to discover, diagnose, treat and manage individuals with sleep apnea and other breathing-related sleep conditions more efficiently.

Management is also looking forward to the proposed rule by Centers for Medicare and Medicaid Services to make changes to the bidding and pricing methodologies under the competitive bidding program. Moreover, the company continues to focus on its target to change 250 million lives by 2025. We expect ResMed with its broad range of products to create a solid foothold in the global SDB market.

- ▲ **Increased Focus on International Markets:** ResMed continues to invest and expand its presence in high growth markets like China, South Korea, India, Brazil and many countries in Eastern Europe. Interestingly, in each of these regions, ResMed is implementing long-term strategies to improve quality of patient life for the purpose of delivering better patient outcomes and reduce overall system healthcare costs within each individual country. ResMed is also currently focusing on consolidating its strong presence in Europe with respect to its life support ventilation solutions and non-invasive ventilation solutions for chronic obstructive pulmonary disease and neuromuscular disease.

In the second quarter, revenues from the combined Europe, Asia and other markets reported an 8% rise at CER from the year-earlier number. Geographically, excluding SaaS, revenues in the United States, Canada and Latin America improved 14% from the prior-year period on robust performance of its mask and device product portfolios.

In terms of recent reimbursement developments, the company is upbeat about approvals in France, South Korea and Japan. During the reported quarter, mask and other sales grew 5% in combined Europe, Asia and other markets at CER, reflecting strong adoption of AirFit F20 and AirFit N20.

- ▲ **Strong Emphasis on Product Development:** In order to maintain its leadership position in the SDB market and to expand its sales base, ResMed is focusing on product development and innovation. In this regard, ResMed recently expanded its AirFit mask portfolio with the introduction of the world's first tube-down nasal cradle CPAP mask with a front-facing tube, AirFit N30, in the United States. It will later be available in other countries as well.

The company is also progressing well with its flagship masks — the AirFit F20 and the AirFit N20. Also, it witnessed solid contribution of the F30 in the second quarter.

According to the company, it is well positioned for fiscal 2020 and will work on a pipeline of new products and connected care solutions for sleep apnea, COPD, neuromuscular disease and other clinical adjacencies.

- ▲ **Strong Return to Shareholders:** ResMed exited the second quarter of fiscal 2020 with cash and cash equivalents of \$204.1 million compared with \$172.2 million at the end of the first quarter.
-

Risks

- **Reimbursement Headwind:** ResMed's ability to sell its products largely depends on the extent to which coverage and reimbursement for its products will be available from government health administration authorities, private health insurers and other organizations. These third-party payers are increasingly challenging the prices charged for medical products and services and can, deny coverage for treatments that may include the use of its products. In some markets, such as Spain, France and Germany, government coverage and reimbursement are currently available for the purchase or rental of its products but are subject to constraints such as price controls or unit sales limitations. In other markets, such as Australia, there is currently limited or no reimbursement for devices that treat SDB conditions.
 - **Dull Device Sales:** In second-quarter fiscal 2020, device sales in France were impacted as customers completed their connected device upgrade programs. The company expects this impact to persist over the next few quarters.
 - **Competitive Bidding – A Major Threat:** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 instructed the Centers for Medicare & Medicaid Services (CMS) to establish and implement programs under which customers that provide home healthcare services must compete to offer products in designated competitive bidding areas. CMS recently rolled out the competitive bidding program and included home medical equipment such as oxygen and oxygen equipment, CPAP and respiratory assist devices, and related supplies and accessories. In 2011, CMS implemented Round 1 of competitive bidding in 9 competitive bidding areas (CBAs). In 2013, CMS announced the single payment amounts for Round 2, which covered a total of 91 CBAs. Effective Jul 1, 2013, the average reduction from the then-current Medicare payment rates in Round 2 was approximately 47% on a weighted average basis for CPAP and respiratory devices. In 2016, CMS implemented the Round 2 Recompete, covering a total of 117 CBAs, and announced the single payment amounts. In addition, the ACA required CMS to roll out the competitive bidding process nationally or adjust prices in non-competitive bidding areas, also known as the Round 3 areas, to match competitive bidding prices by 2016. CMS phased in the new rates beginning Jan 1, 2016, and were fully effective since Jul 1, 2016.
 - **Competitive Landscape:** The market for SDB products is highly competitive with respect to product price, features and reliability. ResMed's primary competitors include Philips BV; DeVilbiss Healthcare; Fisher & Paykel Healthcare Corporation Limited; Apex Medical Corporation; BMC Medical Co. Ltd.; and regional manufacturers. The disparity between the company's resources and those of its competitors may increase owing to the trend of consolidation in the healthcare industry. Moreover, some of ResMed's competitors, such as Löwenstein Medical GmbH + Co. KG, are affiliates of its customers, which may make it difficult for the company to compete with them.
 - **Challenging Macroeconomic Scenario:** Pricing pressure in the United States and Europe has been a staggering issue over the past few quarters. Healthcare reform in the United States has created a degree of uncertainty for the medical devices companies and has created a less flexible pricing environment. Currency headwinds continue to affect ResMed's overseas sales. Moreover, the overall macro-economic uncertainty across the globe affects physician office visits, thereby impacting ResMed's progress. Thus, the company is treading cautiously in the markets it serves, especially Europe and the Americas, as the results from these territories might hurt margins. With growing concerns over healthcare spending taking its toll on players in the medical device space, the stock might suffer due to a sluggish market.
-

Last Earnings Report

ResMed Q2 Earnings Beat Estimates

ResMed announced second-quarter fiscal 2020 results, wherein adjusted earnings per share were \$1.21, up 21% year over year. The metric also beat the Zacks Consensus Estimate by 19.8%.

On a GAAP (reported) basis, earnings per share were \$1.10 for the quarter under review, reflecting an increase of 27.9% from the year-ago period.

Second-quarter revenues, on a reported basis, increased 13.1% year over year (up 14% at constant exchange rate or CER) to \$736.2 million. The figure surpassed the Zacks Consensus Estimate by 1.5%.

Non-GAAP revenues (adding back fair value adjustment of deferred revenues) were \$736.8 million, reflecting an improvement of 12.8% from the year-ago adjusted figure.

A Closer View of the Top Line

Geographically, excluding SaaS, revenues in the United States, Canada and Latin America improved 14% from the prior-year period to \$408 million on robust performance of its mask and device product portfolios.

Global revenues from SaaS in the quarter under review summed \$86.7 million, representing a 37% increase year over year.

Revenues in combined Europe, Asia and other markets were \$241.5 million, highlighting an 8% rise at CER from the year-earlier number.

Margins

Gross margin for the fiscal second quarter was 59.7%, reflecting a 72-basis point (bps) expansion from the year-ago number. The expansion was fueled by benefits from changes in product mix, and manufacturing and procurement efficiencies.

Selling, general and administrative expenses were up 6.1% year over year to \$171.4 million (up by 8% at constant exchange rate or CER). However, excluding the effects of recent acquisitions, the metric rose to 23.3% year over year (or up 2% at CER).

Research and development expenses increased 15.8% to \$49.9 million (up 18% at CER). This, in turn, increased adjusted operating expenses by 8.1%, which amounted to \$221.4 million. However, adjusted operating margin in the reported quarter expanded 209 bps to 29.6%.

Financial Updates

ResMed exited the second quarter of fiscal 2020 with cash and cash equivalents of \$204.1 million compared with \$172.2 million at the end of the first quarter.

Cumulative cash flow from operating activities was \$232.3 million at the end of the second quarter compared with \$177.6 million in the year-ago period.

Along with the earnings release, ResMed announced a regular quarterly dividend payout of 39 cents per share.

Quarter Ending **12/2019**

Report Date	Jan 30, 2020
Sales Surprise	1.49%
EPS Surprise	19.80%
Quarterly EPS	1.21
Annual EPS (TTM)	3.98

Recent News

On **Jan 20, 2020**, ResMed launched its first tube-up full face CPAP mask, AirFit F30i, to complete its full-face mask portfolio on the market.

Valuation

ResMed shares are up 3.1% in the year-to-date period and up 55% in the trailing 12-month periods. Stocks in the Zacks sub-industry and Zacks Medical sector are down 10.2% and down 9.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 4.3% and down 6.7%, respectively.

The S&P 500 index is down 13.7% in the year-to-date period and down 4.6% in the past year.

The stock is currently trading at 34.8X Forward 12-months earnings, which compares to 24.7X for the Zacks sub-industry, 19.8X for the Zacks sector and 18.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 39X and as low as 18.4X, with a 5-year median 25.6X. Our Outperform recommendation indicates that the stock will perform above the market. Our \$177 price target reflects 38.6x forward 12-months earnings.

The table below shows summary valuation data for RMD

Valuation Multiples - RMD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	34.81	24.69	19.76	18.16
	5-Year High	39	25.36	21.1	19.34
	5-Year Low	18.44	17.01	15.81	15.19
	5-Year Median	25.55	19.72	18.84	17.45
P/S F12M	Current	7.46	3.76	2.53	3.08
	5-Year High	8.35	3.99	3.84	3.44
	5-Year Low	3.83	2.88	2.26	2.54
	5-Year Median	4.98	3.22	2.96	3.01
P/B TTM	Current	10.24	2.97	3.49	3.71
	5-Year High	11.31	4.3	5.05	4.55
	5-Year Low	4.39	2.21	2.9	2.84
	5-Year Median	5.92	2.77	4.3	3.63

As of 04/10/2020

Industry Analysis Zacks Industry Rank: Top 19% (48 out of 253)



Top Peers

Baxter International Inc. (BAX)	Neutral
BioLife Solutions, Inc. (BLFS)	Neutral
Cellectar Biosciences, Inc. (CLRB)	Neutral
Cardiovascular Systems, Inc. (CSII)	Neutral
Haemonetics Corporation (HAE)	Neutral
Hill-Rom Holdings, Inc. (HRC)	Neutral
Medtronic PLC (MDT)	Neutral
Quidel Corporation (QDEL)	Neutral

Industry Comparison Industry: Medical - Products				Industry Peers		
	RMD Outperform	X Industry	S&P 500	CSII Neutral	HAE Neutral	QDEL Neutral
VGM Score	C	-	-	F	B	B
Market Cap	23.11 B	270.68 M	19.66 B	1.41 B	5.05 B	4.02 B
# of Analysts	6	2.5	13	5	4	4
Dividend Yield	0.98%	0.00%	2.18%	0.00%	0.00%	0.00%
Value Score	C	-	-	F	C	D
Cash/Price	0.01	0.10	0.06	0.09	0.03	0.01
EV/EBITDA	34.39	0.50	11.72	263.75	27.14	26.43
PEG Ratio	3.56	2.71	2.04	NA	2.33	NA
Price/Book (P/B)	10.23	3.36	2.66	9.83	8.86	7.14
Price/Cash Flow (P/CF)	33.91	17.24	10.44	444.21	21.69	22.33
P/E (F1)	37.69	25.73	17.51	NA	27.98	31.35
Price/Sales (P/S)	8.30	4.67	2.12	5.33	5.06	7.51
Earnings Yield	2.65%	-0.49%	5.65%	-1.13%	3.57%	3.19%
Debt/Equity	0.61	0.11	0.70	0.15	0.54	0.17
Cash Flow (\$/share)	4.71	-0.00	7.01	0.09	4.63	4.30
Growth Score	C	-	-	C	B	A
Hist. EPS Growth (3-5 yrs)	11.04%	11.68%	10.92%	NA	12.32%	119.67%
Proj. EPS Growth (F1/F0)	16.53%	6.91%	-1.14%	-4,420.00%	7.49%	3.03%
Curr. Cash Flow Growth	7.87%	3.94%	5.93%	-44.46%	24.78%	-0.69%
Hist. Cash Flow Growth (3-5 yrs)	9.87%	7.73%	8.55%	15.92%	3.78%	52.19%
Current Ratio	2.60	2.65	1.24	3.18	2.27	1.77
Debt/Capital	37.71%	15.77%	42.36%	12.73%	35.03%	14.28%
Net Margin	16.34%	-23.63%	11.64%	-2.66%	7.98%	13.63%
Return on Equity	27.25%	-12.82%	16.74%	-4.90%	27.78%	22.71%
Sales/Assets	0.67	0.58	0.54	1.21	0.81	0.61
Proj. Sales Growth (F1/F0)	11.53%	3.04%	0.45%	7.00%	1.56%	3.57%
Momentum Score	C	-	-	F	C	D
Daily Price Chg	3.00%	0.64%	2.48%	2.64%	-0.22%	2.40%
1 Week Price Chg	7.76%	0.00%	-4.40%	1.09%	-2.53%	0.73%
4 Week Price Chg	17.41%	12.46%	11.26%	24.69%	6.31%	17.96%
12 Week Price Chg	-0.57%	-15.86%	-20.02%	-23.64%	-13.40%	28.11%
52 Week Price Chg	58.49%	-16.00%	-11.31%	12.05%	13.35%	50.02%
20 Day Average Volume	1,214,966	232,088	3,931,994	347,636	694,791	877,651
(F1) EPS Est 1 week change	0.00%	0.00%	-0.12%	-23.84%	-1.17%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-5.78%	-189.74%	-7.18%	0.23%
(F1) EPS Est 12 week change	3.29%	-4.50%	-7.64%	-653.33%	-6.17%	-1.14%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-10.13%	-226.06%	-16.15%	-7.27%

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	C
Momentum Score	C
VGM Score	C

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

Disclosures

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

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

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

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

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

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