

United Therapeutics (UTHR)

\$168.22 (As of 02/01/21)

Price Target (6-12 Months): **\$172.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/26/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: B

Growth: B

Momentum: F

Summary

Demand for United Therapeutics' treprostinil medicines like Remodulin, Tyvaso and Orenitram is strong despite generic concerns and competitive pressure. It is working on new delivery mechanisms for Remodulin and expanded indications for Orenitram and Tyvaso, which might drive long-term growth. There is an increased market opportunity from Tyvaso's label expansion into PH-ILD based on INCREASE study data. Some improved Remodulin delivery devices are expected to be launched in 2021, which can widen its market. The stock has underperformed the industry this year so far. However, competition in the PAH market is increasing. Importantly, though United Therapeutics is a leader in PAH, lack of product as well as pipeline diversification beyond PAH is a concern.

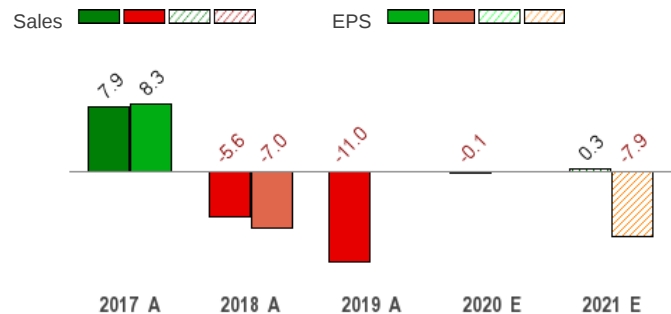
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$176.31 - \$75.58
20-Day Average Volume (Shares)	350,583
Market Cap	\$7.3 B
Year-To-Date Price Change	7.9%
Beta	0.52
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Drugs
Zacks Industry Rank	Bottom 22% (197 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	59.3%
Last Sales Surprise	5.0%
EPS F1 Estimate 4-Week Change	-0.7%
Expected Report Date	02/24/2021
Earnings ESP	-10.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	361 E	366 E	370 E	376 E	1,452 E
2020	356 A	362 A	380 A	350 E	1,448 E
2019	363 A	374 A	402 A	311 A	1,449 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$3.35 E	\$2.21 E	\$1.52 E	\$1.63 E	\$11.51 E
2020	\$3.12 A	\$2.41 A	\$3.84 A	\$3.11 E	\$12.50 E
2019	\$3.58 A	\$3.63 A	\$3.01 A	\$1.20 A	-\$2.39 A

*Quarterly figures may not add up to annual.

P/E TTM	15.5
P/E F1	14.6
PEG F1	NA
P/S TTM	5.2

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 02/01/2021. The report's text and the analyst-provided price target are as of 02/01/2021.

Overview

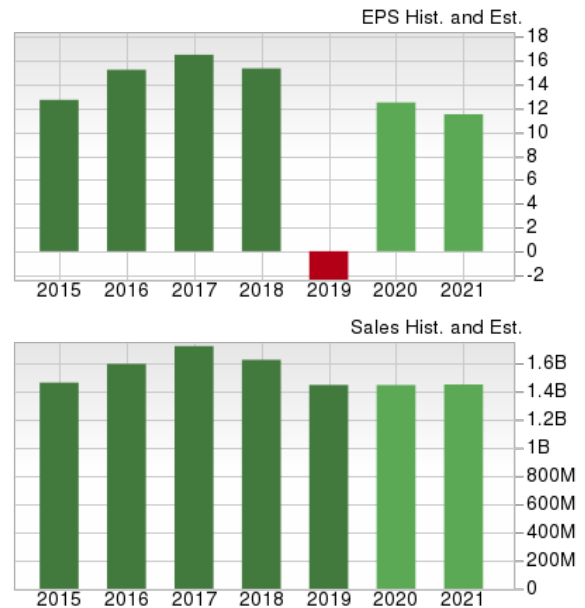
Silver Spring, MD-based United Therapeutics Corporation markets four medicines in the United States to treat pulmonary arterial hypertension (PAH): Remodulin, an injectable formulation of treprostinil, Orenitram, an oral version of treprostinil, Tyvaso, an inhaled version of treprostinil, and Adcirca (tadalafil; also sold by Eli Lilly as Cialis for erectile dysfunction) tablets. Remodulin is approved for both subcutaneous (SC) and intravenous (IV) use.

The company licensed certain exclusive rights to Adcirca from Lilly in November 2008. The company paid upfront fees of \$150 million to Lilly for the exclusive rights to commercialize Adcirca for the treatment of PAH in the United States.

In 2015, the company gained approval for Unituxin for the treatment of pediatric patients with high-risk neuroblastoma. The antibody has been developed under an agreement with the National Cancer Institute (NCI) of the United States National Institutes of Health (NIH).

In August, United Therapeutics acquired SteadyMed, adding its drug device pipeline product Trevyent for PAH to its portfolio. In January 2019, United Therapeutics acquired the worldwide rights to manufacture and develop/commercialize Arena Pharmaceuticals' oral, potent, once-daily IP receptor agonist, ralinepag. Ralinepag is being developed in late-stage studies for PAH.

The company reported total revenues of \$1.44 billion in 2019, down 11% year over year. Around 85% of its revenues in 2019 were derived from Remodulin, Tyvaso and Orenitram.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Strong Position in PAH Market:** United Therapeutics holds a strong position in the PAH market with four approved products targeting this indication. Lead product, Remodulin, is available in both the IV and SC forms. Patients usually start on a SC dose and move on to an IV dose of the drug once subcutaneous administration is either no longer tolerated or sufficient to control the symptoms. Meanwhile, the company has three more PAH products in its portfolio – Adcirca, Tyvaso and Orenitram. With these products, United Therapeutics has a varied range of therapies targeting the PAH market.

▲ **New Delivery Mechanisms for Remodulin:** The company is working on bringing multiple second generation Remodulin drug delivery systems to drive sales growth. Some improved Remodulin delivery devices, which can widen its market, are expected to be launched in 2021. In July 2018, United Therapeutics gained FDA approval for the use of Remodulin injection in the Implantable System for Remodulin (ISR). United Therapeutics had developed this implantable pump for delivering Remodulin intravenously in collaboration with Medtronic. United Therapeutics and Medtronic pursued parallel regulatory filings related to the device and the drug. The system has been developed to eliminate two biggest problems with Remodulin, subcutaneous pain and the life-threatening sepsis risk. The company expects to launch ISR in 2021. United Therapeutics has also developed a pre-filled, semi-disposable pump system for subcutaneous delivery of Remodulin (RemUnity) in partnership with DEKA. In February 2018, DEKA filed RemUnity with the FDA (510(k) filing) that was cleared by the FDA in May 2019. In February 2020, United Therapeutics gained FDA clearance for a special 510(k) filing and expects to commercially launch the product in the near term. RemoPro, a pain-free subcutaneous Remodulin prodrug, is in phase I studies.

Also, United Therapeutics expects to resubmit the NDA for Trevyent disposable treprostinil pump system in 2021. RemUnity and Trevyent, if approved, will provide two expanded options for patients on subcutaneous Remodulin.

▲ **Expanding Pipeline:** United Therapeutics is working on expanded indications for some of its marketed products like Orenitram and Tyvaso. A phase III FREEDOM-EV study evaluated an oral combination therapy of Orenitram — OreniPlus. In October 2019, United Therapeutics gained an FDA approval to get FREEDOM-EV data included in the label of Orenitram. With this label update, United Therapeutics is beginning to see higher sales volume of Orenitram.

In February 2020, United Therapeutics announced that the pivotal phase III INCREASE study evaluating Tyvaso in patients with PAH associated with interstitial lung disease (PH-ILD) met its primary efficacy endpoint of demonstrating improvement in six-minute walk distance. The study also met its key secondary endpoints. The company's supplemental new drug application to include INCREASE study data on Tyvaso's label is under review in the United States with a decision expected in April 2021. If approved, the label update will increase Tyvaso's eligible U.S. population by more than 30,000 patients.

Other phase III programs include autologous cell therapy (PAH - phase II SAPPHIRE study), Treprostinil Technosphere dry powder inhaler (PAH — phase III BREEZE study), Tyvaso in PAH patients who have COPD (phase III PERFECT study), Tyvaso in patients with chronic fibrosing interstitial lung disease (TETON-phase III expected to begin soon) and Ralinepag (PAH — phase III ADVANCE studies). Success in these studies may open up attractive market opportunities and address significant unmet clinical needs. Finally, the company is also developing Unituxin in relapsed/refractory neuroblastoma in pediatric patients in a late-stage study. United Therapeutics also has four different kinds of organ manufacturing products in clinical and preclinical development. These include xenotransplantation, three-dimensional organ printing, regenerative medicine and ex-vivo lung perfusion.

▲ **PAH Market Represents Significant Opportunity:** The PAH market is highly attractive given the low diagnosis rate, the low penetration of existing therapies, and the significant unmet medical need. The incidence of PAH is growing rapidly, especially in patients with associated diseases such as HIV, sickle cell anemia, systemic sclerosis, and chronic obstructive pulmonary disease (COPD). However, many of the associated PAH cases develop from idiopathic origins. As PAH is a progressive disease without a cure, many patients continue to deteriorate on currently approved therapies. Although the majority of PAH patients start out on oral endothelin receptor antagonist (ETRA) treatments like J&J's Tracleer (bosentan) or Gilead's Letairis (ambrisentan), PAH progression often moves fast and patients typically begin to fail oral first-line monotherapy within two years. The next progression is usually to SC/IV prostacyclin agents such as Glaxo's Flolan (epoprostenol) or Remodulin. Furthermore, the market should continue to expand as more patients are diagnosed with PAH each year. United Therapeutics is, therefore, well-positioned to gain additional share in the PAH market.

▲ **Favorable Debt Profile:** As of Sep 30, 2020, United Therapeutics had \$800 million in long-term debt on its balance sheet. Cash and cash equivalents totaled approximately \$1.58 billion. Its cash position is sound and the company is more than capable of paying the debt in case of insolvency. Its debt/capital was 19.6% at the end of September 2020, lower than 20.5% at the end of June 2020. A lower ratio indicates lower financial risk. Meanwhile, its times interest earned ratio stands at 21.7, higher than 16.2 at the end of March 2020. A higher ratio indicates that the company is capable of meeting its interest obligations from operating earnings.

United Therapeutics is working on new delivery mechanisms for Remodulin and expanded indications for its other marketed products like Orenitram and Tyvaso, which might drive long-term growth.

Reasons To Sell:

- ▼ **Shares Underperforming Industry:** United Therapeutics' share price has risen 7.9% this year so far compared to the industry's increase of 8.4%.
- ▼ **Intense Competition:** Even though United Therapeutics has four products for the treatment of PAH, competition in this market is intense. The majority of PAH patients start out on oral ETRA treatments that include Gilead's Letairis and Acetelion's Tracleer. PDE-5 agents including Pfizer's Revatio (sildenafil, sold as Viagra for erectile dysfunction) also gained significant front-line use, thanks to their oral administration and vasodilating properties. Meanwhile, Actelion's (now a part of J&J) Uptravi competes directly with Orenitram.

Competition in the PAH market is increasing. Lack of product as well as pipeline diversification beyond PAH is a concern

Moreover, competition in the market has increased with the entry of generic versions of Revatio, Letairis and Tracleer.

We believe competition will continue to increase with several companies working on bringing additional therapies to the market. Several investigational PAH therapies are in the later stages of development. LIQ861, a dry powder inhalation formulation of treprostinil, developed by Liquidia Technologies is under review with the FDA.

- ▼ **Dependence on Remodulin, Generic Competition:** We are concerned about the company's dependence on Remodulin for revenues. Remodulin, which accounted for 40% of total sales in 2019, lost exclusivity in June 2018. A generic version was launched by Novartis' Sandoz in March 2019. Par Sterile Products, Dr Reddy's, Alembic and Teva received FDA approval for their Remodulin generics. Teva launched its generic product in October 2019. More generics may be unveiled in Europe and the United States, which may reduce revenues from this product in the future quarters.

Adcirca lost patent exclusivity in May 2018 and a generic formulation was launched by Mylan in August 2018 and by additional companies in February 2019. This significantly lowered Adcirca sales in 2019 and in the first nine months of 2020.

Importantly, though United Therapeutics is a leader in PAH, a lack of product as well as pipeline diversification beyond PAH is a concern.

- ▼ **Setback for Remodulin Life Cycle Management Plans:** The company's life cycle management plans for Remodulin faced a setback with the FDA issuing a response letter to partner Medtronic for its premarket approval application (PMA) for the catheter for ISR, saying that the PMA is not approvable. The agency noted various measures that Medtronic needs to take for approval of the PMA. United Therapeutics also received a complete response letter for its NDA requesting FDA approval for the use of Remodulin with ISR. The CRL indicated that the FDA cannot approve the NDA before Medtronic's PMA is approved. Both the NDA and PMA have to be approved in order to launch ISR in the U.S.

Though Medtronic's pre-market approval for the ISR device was given approval by the FDA in December 2017, the launch is pending on the satisfaction of further regulatory requirements by Medtronic which are not expected to be fulfilled in 2020. Launch of the ISR is not expected before 2021.

Last Earnings Report

United Therapeutics Q3 Earnings & Sales Beat Estimates

United Therapeutics reported earnings of \$3.84 per share for the third quarter of 2020, which comprehensively beat the Zacks Consensus Estimate of \$2.41 per share and were higher than the year-ago earnings of \$3.01 per share.

The abovementioned earnings include the impact of share-based compensation expenses, unrealized gains/losses on equity securities, license related fees, impairment charges and other items. Excluding these items, adjusted earnings were \$3.88 per share, up 1% year over year.

Revenues for the reported quarter were \$380.1 million, which beat the Zacks Consensus Estimate of \$362 million. However, revenues fell 5% year over year.

While the company saw a decline in new prescriptions for Remodulin, Tyvaso and Orenitram in the month of April as patients were unable to visit their doctors, the number of new patient prescriptions grew to reach close to pre-pandemic levels toward the end of the third quarter. This led to higher U.S. revenues in the quarter. Meanwhile, the year-ago quarter revenues benefited from an "excess order" by a U.S. distributor, which significantly increased revenues in that quarter. Minus the excess order, sales growth of Remodulin, Tyvaso and Orenitram would have been higher in the third quarter of 2020.

Quarter in Detail

Orenitram sales amounted to \$74.7 million in the reported quarter, up 20% year over year due higher volumes resulting from an expanded Orenitram label, reflecting the FREEDOM-EV results. Tyvaso sales totaled \$129.5 million, up 17% year over year gaining from higher volumes as a result of patient growth and price increases.

Remodulin sales were \$124.5 million, down 26% year over year due to lower volumes in Europe as a result of generic competition and the impact of COVID-19. U.S. revenues declined due to the excess order.

Adcirca sales were \$13.8 million, down 54% year over year as generic competition resulted in continued erosion of market share in the quarter.

Unituxin's (for the treatment of pediatric patients with high-risk neuroblastoma) sales of \$37.6 million were up 25% year over year.

Research and development (R&D) expenses were \$68.7 million in the quarter, down 20% year over year. Selling, general and administrative expense declined 33% to \$66.3 million in the quarter.

Pipeline Update

Along with the earnings release, regarding its clinical studies, the company said that though enrollment of new patients has resumed at select study sites for certain studies after it was paused in the first quarter, it cannot predict when it will be able to re-open enrollment at additional sites for these studies. Meanwhile, enrollment in PERFECT study remains paused. Also, the company expects a delay in completion and data readouts for several ongoing studies.

Meanwhile, the timing of commercial launch of RemUnity has been delayed due to pandemic-related issues. The pandemic has hurt its partner, DEKA's ability to secure certain components and raw materials necessary to build the pumps.

Quarter Ending 09/2020

Report Date	Oct 28, 2020
Sales Surprise	5.01%
EPS Surprise	59.34%
Quarterly EPS	3.84
Annual EPS (TTM)	10.57

Recent News

Tyvaso Meets Goal in BREEZE Study – Jan 28

United Therapeutics announced that the BREEZE study which is evaluating Tyvaso DPI (inhaled Treprostinil) has met the primary objective by demonstrating safety and tolerability in patients with pulmonary arterial hypertension.

To Acquire Priority Review Voucher – Dec 28

United Therapeutics announced a definitive agreement to acquire a Rare Pediatric Disease Priority Review Voucher (PRV) for \$105 million. The company plans to use the PRV with NDA filing of Tyvaso DPI in the near future. The closing of the transaction is subject to customary closing conditions.

Orphan Drug Status for Treprostinil for IPF – Dec 9

United Therapeutics announced that the FDA has granted Orphan Drug status to treprostinil for the treatment of patients with idiopathic pulmonary fibrosis (IPF). The company plans to start a phase III study (TETON) soon to evaluate Tyvaso (treprostinil) Inhalation Solution in patients with IPF. Enrollment is expected to begin in TETON study in 2021.

Appoints New Board of Director – Sep 11

United Therapeutics announced that it has appointed Dr. Linda Maxwell to the company's board of directors as an independent director.

FDA Accepts Tyvaso sNDA – Aug 17

United Therapeutics announced that the FDA has accepted its supplemental new drug application seeking approval to include data from the INCREASE study on the label of Tyvaso for review. The pivotal phase III INCREASE study evaluated Tyvaso in patients with pulmonary hypertension associated with interstitial lung disease (PH-ILD), a lung disease for which no treatments are presently approved. Tyvaso is presently approved to treat PAH to improve exercise ability.

The FDA granted standard review to the sNDA and so a decision is expected in April 2021. If approved, the label update will increase Tyvaso's eligible U.S. population by more than 30,000 patients, which should drive sales of the drug higher.

Valuation

United Therapeutics' shares rose 7.9% year to date and 71.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 8.4% and 3.4%, respectively, in the year to date period. Over the past year, Zacks sub-industry and sector are up 3.6% and 7.4%, respectively.

The S&P 500 index is down 1% in the year-to-date period but up 16% in the past year.

The stock is currently trading at 5.18X trailing 12-month sales per share which compares to 2.39X for the Zacks sub-industry, 3.33X for the Zacks sector and 4.78X for the S&P 500 index.

Over the past five years, the stock has traded as high as 5.47X and as low as 2.08X, with a 5-year median of 3.29X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$172 price target reflects 5.43X trailing 12-month sales per share.

The table below shows summary valuation data for UTHR

Valuation Multiples - UTHR					
		Stock	Sub-Industry	Sector	S&P 500
P/S TTM	Current	5.18	2.39	3.33	4.78
	5-Year High	5.47	4.34	3.67	4.96
	5-Year Low	2.08	1.72	2.35	2.8
	5-Year Median	3.29	2.51	3.21	3.86
P/B TTM	Current	2.22	1.78	4.49	6.34
	5-Year High	3.86	13.42	5.11	6.58
	5-Year Low	1.25	1.03	3.02	3.73
	5-Year Median	2.08	2.36	4.36	4.95

As of 1/29/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 22% (197 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Bayer Aktiengesellschaft (BAYRY)	Neutral	3
Gilead Sciences, Inc. (GILD)	Neutral	3
GlaxoSmithKline plc (GSK)	Neutral	3
Insmid, Inc. (INSM)	Neutral	4
Johnson & Johnson (JNJ)	Neutral	3
Pfizer Inc. (PFE)	Neutral	3
Reata Pharmaceuticals, Inc. (RETA)	Neutral	3
Teva Pharmaceutical Industries Ltd. (TEVA)	Underperform	4

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

Industry Comparison Industry: Medical - Drugs				Industry Peers		
	UTHR	X Industry	S&P 500	GILD	JNJ	PFE
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	A	B	C
Market Cap	7.28 B	202.50 M	26.06 B	82.23 B	429.45 B	199.55 B
# of Analysts	5	3	13	12	9	3
Dividend Yield	0.00%	0.00%	1.48%	4.15%	2.48%	4.35%
Value Score	B	-	-	A	B	B
Cash/Price	0.21	0.20	0.06	0.29	0.07	0.11
EV/EBITDA	-86.78	-3.82	14.72	11.53	17.50	9.60
PEG F1	NA	1.10	2.42	0.71	2.98	2.33
P/B	2.22	4.39	3.60	4.71	6.66	3.05
P/CF	NA	11.19	14.66	8.99	14.16	8.74
P/E F1	14.62	15.05	19.64	9.17	17.31	11.35
P/S TTM	5.17	11.01	2.86	3.55	5.20	4.10
Earnings Yield	7.03%	-10.32%	4.98%	10.91%	5.77%	8.80%
Debt/Equity	0.24	0.00	0.69	1.65	0.51	0.76
Cash Flow (\$/share)	-1.34	-0.62	6.85	7.30	11.52	4.11
Growth Score	B	-	-	B	C	D
Historical EPS Growth (3-5 Years)	-3.10%	9.37%	9.69%	-17.54%	7.80%	6.54%
Projected EPS Growth (F1/F0)	-7.89%	17.81%	12.80%	2.71%	17.35%	36.79%
Current Cash Flow Growth	-109.37%	4.23%	4.88%	-2.57%	3.68%	-6.57%
Historical Cash Flow Growth (3-5 Years)	NA%	5.64%	8.07%	-8.08%	7.62%	2.54%
Current Ratio	7.22	3.78	1.38	3.25	1.48	1.40
Debt/Capital	19.59%	0.36%	41.57%	62.31%	33.64%	43.19%
Net Margin	33.25%	-142.81%	10.56%	5.48%	17.82%	17.85%
Return on Equity	15.48%	-54.20%	15.23%	37.77%	34.07%	24.88%
Sales/Assets	0.34	0.26	0.51	0.39	0.51	0.28
Projected Sales Growth (F1/F0)	0.27%	8.67%	5.92%	-0.86%	10.56%	23.59%
Momentum Score	F	-	-	C	A	F
Daily Price Change	-0.35%	-0.42%	-1.88%	1.42%	-3.56%	0.11%
1-Week Price Change	-2.96%	1.56%	-0.02%	5.70%	2.03%	-0.41%
4-Week Price Change	7.93%	10.03%	-1.48%	12.60%	3.65%	-2.47%
12-Week Price Change	18.96%	16.24%	6.91%	10.01%	16.72%	-1.35%
52-Week Price Change	70.03%	7.57%	5.65%	2.45%	8.49%	-3.16%
20-Day Average Volume (Shares)	350,583	323,191	1,962,643	9,023,214	8,099,470	31,445,820
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	1.83%	6.65%	1.86%
EPS F1 Estimate 4-Week Change	-0.69%	0.00%	0.26%	3.78%	6.61%	-4.62%
EPS F1 Estimate 12-Week Change	0.23%	0.00%	1.63%	1.53%	5.15%	7.84%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.05%	8.32%	3.72%	6.67%

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	B
Growth Score	B
Momentum Score	F
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

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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.

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Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.