

VMware, Inc.(VMW)

\$155.64 (As of 01/02/20)

Price Target (6-12 Months): **\$163.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/01/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: D

Summary

VMware is benefiting from robust demand for NSX, VeloCloud and vSAN product lines. The company's dominance in software-defined data center (SDDC) and an expanding customer base in cloud, driven by partnerships with the likes of IBM, AWS and Microsoft Azure, are positives. The Pivotal and Carbon Black acquisitions along with the recently launched Tanzu portfolio are expected to drive recurring hybrid cloud subscription and SaaS revenues in the long haul. Nevertheless, sluggish server shipment is a headwind. Apart from an unfavorable revenue mix, which is expected to hurt license revenues, margins are anticipated to remain under pressure due to heavy spending on hybrid cloud and SaaS portfolio. The Carbon Black acquisition is also expected to hurt operating margin in fiscal 2021. Shares have underperformed the industry in the past year.

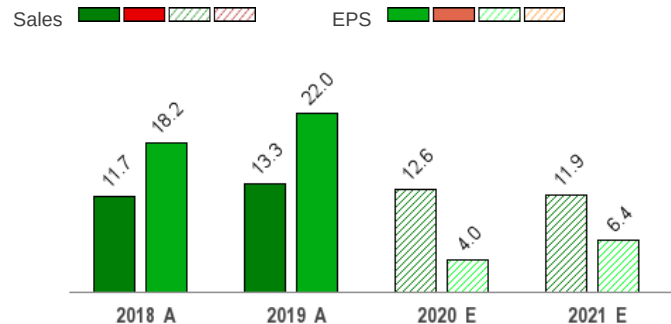
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$206.80 - \$128.69
20 Day Average Volume (sh)	990,674
Market Cap	\$63.8 B
YTD Price Change	2.5%
Beta	0.86
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Computer - Software
Zacks Industry Rank	Top 31% (78 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.9%
Last Sales Surprise	2.2%
EPS F1 Est- 4 week change	-0.0%
Expected Report Date	02/27/2020
Earnings ESP	0.2%
P/E TTM	24.4
P/E F1	23.7
PEG F1	1.8
P/S TTM	6.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,547 E	2,737 E	2,754 E	3,291 E	11,312 E
2020	2,266 A	2,439 A	2,456 A	2,947 E	10,109 E
2019	2,008 A	2,174 A	2,200 A	2,591 A	8,974 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.40 E	\$1.68 E	\$1.64 E	\$2.31 E	\$7.00 E
2020	\$1.32 A	\$1.60 A	\$1.49 A	\$2.17 E	\$6.58 E
2019	\$1.26 A	\$1.54 A	\$1.56 A	\$1.98 A	\$6.33 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 01/02/2020. The reports text is as of 01/03/2020.

Overview

Headquartered in Palo Alto, CA, VMware Inc. is a leading provider of virtualization solutions. Its product portfolio addresses the needs of clients, both individuals and organizations. The company specializes in providing virtualization platforms, virtual infrastructure automation and virtual infrastructure management.

VMware's suite of virtualization solutions addresses a range of complex IT problems, including infrastructure optimization, business continuity, software lifecycle management and desktop management.

VMware develops and markets its product and service offerings within three main product groups. These are SDDC or software-defined data center, End-User Computing (EUC) and Hybrid Cloud Computing.

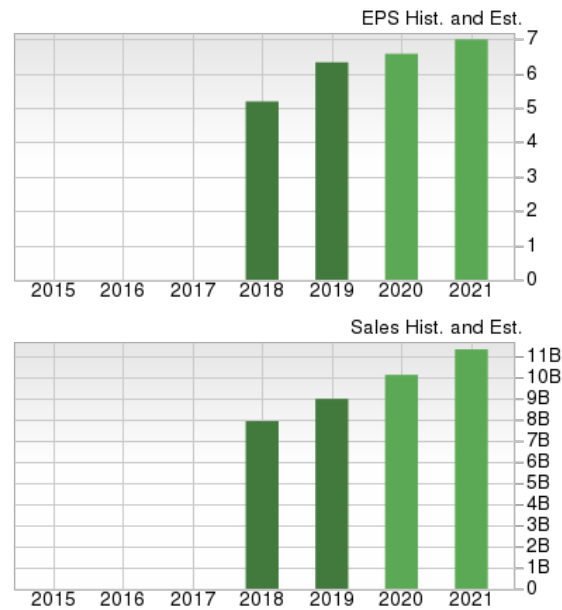
VMware's SDDC architecture consists of four main product categories — Compute, Cloud Management, Networking and Security, and Storage and Availability.

In Sep 2016, VMware's parent-company EMC was acquired by Dell for \$67 billion. The new company named Dell Technologies holds approximately 80.5% of VMware shares, as of Feb 1, 2019.

Moreover, VMware revised fiscal calendar effective Jan 1, 2017. The company's first fiscal year under its revised calendar began on Feb 4, 2017 and ended on Feb 2, 2018.

In fiscal 2019, VMware reported revenues were \$8.97 billion. License contributed 42.3% of revenues, while Services contributed the rest of revenues. The company generated 46.9% of revenues from International markets.

Region wise, the United States and International accounted for 46.9% and 53.1% of revenues, respectively.



Reasons To Buy:

- ▲ VMware is the pioneer in developing core x86 server virtualization software solutions. The company already caters to about two-third of the total server virtualization market. Virtualization software allows the IT companies to run multiple software applications on a single server. The company's product strategy is based on the "one cloud, any application, any device" framework. With innovative virtualization products and cloud suit solutions, VMware continues to witness robust growth in the virtualization market, which has grown in double-digits. This apart, VMware is now gradually expanding its virtualization expertise from just servers to now include networking and storage as well. The future of server virtualization will most likely be centered on functionality beyond base virtualization provided by the hypervisor, wherein the company is already gaining a lot of traction.
 - ▲ VMware has placed itself well to benefit from the increasing adoption of cloud-based solutions. Enabling software support on cloud is a positive as many enterprises now prefer public cloud platforms like Amazon Web Services (AWS), Microsoft's Azure and Google Cloud. VMware has partnered AWS to offer an integrated hybrid cloud solution, functioning much like a SDDC. Moreover, VMware and AWS have expanded their partnership that now enables the latter to resell VMware Cloud on the platform. VMware Cloud on AWS is now available in 17 regions globally. The company has expanded partnership with IBM to include a new IBM Service offering that will help migrate and extend mission-critical VMware workloads to the IBM Cloud. It also encompasses new integrations to help enterprises modernize applications with Kubernetes and containers. Further, partnerships with Alibaba and Rackspace are expected to drive VCPP growth in the long haul.
 - ▲ VMware has been consistently taking initiatives to diversify its product portfolio to include most of the IT infrastructure. The company's acquisitions of Deskone and Airwatch have significantly strengthened its position in this aspect. The company's offerings in domains like SDDC (vSphere, vSAN, NSX), hybrid cloud (vCloud Air, VMware Cloud Provider Program) and EUC (AirWatch, Horizon) have helped it to gain market share. As a part of its product strategy, the company aims bring SDDC mainstream and vCloud Air as an important hybrid cloud platform, getting an edge to win customers in network architecture (especially in NSX and vSAN) and solidifying its position in the business mobility market. The company expects CloudHealth by VMware and VMware Cloud on AWS to contribute to revenue growth in fiscal 2020.
 - ▲ The Carbon Black acquisition, completed in October, is expected to boost VMware's security portfolio offerings. The addition of Carbon Black solutions will equip VMware's existing security portfolio to uniquely and radically reduce the attack surface and provide deep protection across infrastructure, applications and endpoints. Post the completion of the acquisition, VMware launched a new security business unit, including Carbon Black and AppDefense offerings. Moreover, Dell announced that Carbon Black Cloud, along with Dell Trusted Devices and Secureworks, is now the preferred endpoint security solution for the company's commercial customers. This is expected to boost demand for VMware's security portfolio solutions in the long haul.
-

VMware holds a prime position in the virtualization market and has placed itself well to benefit from the increasing adoption of cloud-based solutions.

Reasons To Sell:

- ▼ Intensifying competition from providers of public cloud infrastructure and SaaS-based offerings, including AWS, Microsoft Azure and vendors like Oracle (free server virtualization software) and Cisco (network virtualization technology), are major concerns. Moreover, we also expect increased competition from open source companies that are targeting data center virtualization and private cloud, including Red Hat, now a part of IBM, and Nutanix. The stiff competitive environment hurts VMware's pricing ability, which impacts profitability.
- ▼ Growth in license bookings has been muted for the last few quarters owing to customer delays and macro-economic weakness in some key regions. Though the decline in compute license bookings is slowing down, it can weigh on the financials in the near term.
- ▼ VMware's balance sheet is highly leveraged, which restricts its ability to invest in growth opportunities, including acquisitions. The ratio of its long-term debt-to-equity is currently 93% compared with the industry's 80.3%. Moreover, the company's net debt position was \$2.55 billion as of Nov 1, 2019.
- ▼ VMware's frequent acquisitions have escalated integration risks. Moreover, we note that the large acquisitions negatively impacted the company's balance sheet in the form of high level of goodwill and intangible assets, which totaled \$8.2 billion or almost 37.3% of total assets, as of Nov 1.

Intensifying competition, sluggish license bookings and leveraged balance sheet are major headwinds.

Last Earnings Report

VMware Q3 Earnings Beat Estimates, Revenues Up Y/Y

VMware reported third-quarter fiscal 2020 non-GAAP earnings of \$1.49 per share, which beat the Zacks Consensus Estimate by 4.9% but decreased 4.5% year over year. The figure also beat management's guidance of \$1.42 per share.

Revenues of \$2.46 billion surpassed the consensus mark by 2.2% and improved 11.6% on a year-over-year basis.

Strong top-line growth was primarily driven by robust performance from NSX, VeloCloud and vSAN product lines. VMware stated that it inked 18 deals in the quarter that were worth more than \$10 million.

Region-wise, U.S. revenues (47.7% of revenues) increased 11.4% to \$1.17 billion. International revenues (52.3% of revenues) grew 11.8% from the year-ago quarter to \$1.28 billion.

Services revenues (60.3% of total revenues) rose 12.6% to \$1.48 billion. License revenues (38.6% of total revenues) grew 7.1% year over year to \$947 million, which lagged management's guidance of \$950 million.

Hybrid Cloud and SaaS accounted for more than 13% of total revenues.

Robust Bookings

VMware stated that six of its top 10 customers purchased the entire VMware Cloud Foundation stack in the reported quarter.

NSX adoption was impressive as license bookings increased 50% year over year. Notably, eight of the top 10 deals in the quarter included NSX.

Furthermore, vSAN license bookings grew 35% year over year. The product was included in eight of the top 10 deals.

EUC license bookings were up 20% on a year-over-year basis and included in eight of the top 10 deals.

Core SDDC license bookings grew in the high-single digits on a year-over-year basis. Total core SDDC bookings were up in the mid-single digits year over year.

Compute license bookings grew mid-single digits and total compute bookings increased low-single digits on a year-over-year basis.

Management license bookings increased in the mid-teens whereas total management bookings were up 11% year over year.

At the end of the quarter, VMware had license backlog of \$33 million and total backlog of \$71 million.

Notably, remaining performance obligations that capture all of VMware's committed and non-cancelable future revenues, both billed and unbilled, including future revenues related to its growing hybrid cloud subscription and SaaS businesses, were \$8.50 billion at the end of the quarter.

Key Q3 Developments

During the quarter, VMware launched a new security business unit including Carbon Black (acquisition completed in October) and AppDefense offerings.

Additionally, Dell technologies announced that Carbon Black Cloud, along with Dell Trusted Devices and Secureworks, is now the preferred endpoint security solution for Dell commercial customers. Notably, Dell has a majority stake in VMware.

VMware unveiled VMware Tanzu, a new portfolio of products and services that helps enterprises build, run and manage software on Kubernetes. The portfolio includes Project Pacific, a technology preview focused on transforming VMware vSphere into a Kubernetes native platform in a future release.

VMware Tanzu solution also includes VMware Tanzu Mission Control, a single point of control from which customers will manage all their Kubernetes clusters regardless of where they run.

Notably, VMware and Amazon Web Services (AWS) have expanded their partnership that now enables the latter to resell VMware Cloud on the platform. VMware Cloud on AWS is now available in 17 regions globally. Number of available global regions in Europe expanded to five with the addition of Stockholm

VMware also unveiled new Workspace ONE Intelligent Hub innovations during the quarter.

Furthermore, the partnership with Microsoft resulted in the introduction of VMware Workspace ONE for Microsoft Endpoint Manager. This solution enables modern management for Windows 10 and Azure VMware Solutions within new industries and geographies.

VMware also added new cloud migration capabilities with VMware HCX and extended Azure's ability to serve the branch and edge with VMware SD-WAN by VeloCloud.

In September, VMware and Oracle announced an expanded partnership to help customers support their hybrid cloud strategies by running VMware Cloud Foundation on Oracle Cloud Infrastructure.

Quarter Ending **10/2019**

Report Date	Nov 26, 2019
Sales Surprise	2.19%
EPS Surprise	4.93%
Quarterly EPS	1.49
Annual EPS (TTM)	6.39

Notably, Oracle will also provide technical support for Oracle software running in VMware environments both in customer on-premises data centers and Oracle-certified cloud environments.

Operating Details

Non-GAAP gross margin contracted 90 basis points (bps) on a year-over-year basis to 86.8%. While license gross margin shrank 40 bps, services gross margin contracted 120 bps in the reported quarter.

Both research & development (R&D) and sales & marketing (S&M) expenses, as a percentage of revenues, increased 100 bps each to 19.2% and 30.4%, respectively. General & administrative (G&A) expenses, as a percentage of revenues, declined 10 bps to 6.3%.

Non-GAAP operating expenses, as a percentage of revenues, increased 190 bps on a year-over-year basis to 55.9%.

Non-GAAP operating margin contracted 280 bps to 30.9% in the reported quarter. However, operating margin was better than management's expectation of 30.3%.

Balance Sheet & Cash Flow

As of Nov 1, 2019, cash & cash equivalents were \$2.03 billion compared with \$2.95 billion as of Aug 2, 2019.

Operating cash flow was \$810 million in the reported quarter, while free cash flow was \$760 million. In the previous quarter, operating cash flow was \$699 million and free cash flow was \$611 million.

In the reported quarter, VMware bought back shares worth \$242 million. The company has approximately \$1 billion remaining under its current share repurchase authorization, which extends through the end of fiscal 2021.

Guidance

For fiscal 2020, VMware now expects revenues of \$10.10 billion, up 12.5% year over year. License revenues are now expected to increase 12% to \$4.245 billion (up from the previous guidance of \$4.215 billion).

Non-GAAP operating margin is anticipated to be 33%. Non-GAAP earnings are expected to be \$6.58 per share (up from previous guidance of \$6.54 per share).

Cash flow from operations is expected to be \$3.85 billion. Free cash flow is anticipated to be \$3.57 billion.

For fourth-quarter fiscal 2020, total revenues are expected to be \$2.95 billion, up 13.8% year over year. License revenues are anticipated to be \$1.39 billion, indicating a year-over-year increase of 13%.

Non-GAAP operating margin is anticipated to be 37.6%. Non-GAAP earnings are expected to be \$2.16 per share.

Recent News

On Dec 30, VMware announced that it has completed the acquisition of Pivotal Software.

On Nov 14, VMware and Nokia announced an expanded partnership that includes the development of integrated solutions to support communications service providers (CSPs). The companies will advance the interoperability between Nokia software applications and VMware's Telco Cloud, including VMware vCloud NFV. Nokia and VMware will also increase investments in advanced research & development to develop integrated solutions.

On Nov 5, VMware announced that VMware Cloud on AWS will be launched in the AWS EU (Stockholm) region, bringing the total number of available regions in Europe to five and globally to 17 in just more than two years.

The company also unveiled a beta program for both Project Pacific and VMware Tanzu Mission Control, and outlined the details of a new VMware Cloud Native Master Services Competency.

Moreover, VMware announced a new multi-tenancy service for VMware Cloud on AWS that will make it available to customers of all sizes through managed service providers (MSPs).

On Oct 8, VMware announced the completion of the acquisition of Carbon Black in an all-cash transaction for \$26 per share, representing an enterprise value of \$2.1 billion. Approximately 64.1 million shares of Carbon Black, representing approximately 85.1% of the outstanding shares, were validly tendered in the Tender Offer and not validly withdrawn.

On Sep 16, VMware announced a partnership with Oracle to offer technical support for Oracle products running on VMware virtualized environments.

Valuation

VMware shares are down 8.2% in the six-months period but up 12.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 7.3% and 11.1% in the six-months period, respectively. Over the past year, the Zacks sub-industry and the sector are up 43.2% and 32.6%, respectively.

The S&P 500 index is up 8.3% in the six-months period and 26.3% in the past year.

The stock is currently trading at 22.35X forward 12-month earnings, which compares to 32.11X for the Zacks sub-industry, 23.04X for the Zacks sector and 19.07X for the S&P 500 index.

Over the past five years, the stock has traded as high as 40.71X and as low as 12.43X, with a 5-year median of 27.35X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$163 price target reflects 23.42X forward 12-month earnings.

The table below shows summary valuation data for VMW

Valuation Multiples - VMW					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.35	32.11	23.04	19.07
	5-Year High	40.71	32.11	23.04	19.34
	5-Year Low	12.43	17.61	16.86	15.17
	5-Year Median	27.35	23.86	19.11	17.44
P/S F12M	Current	5.69	7.10	3.55	3.46
	5-Year High	8.17	7.10	3.55	3.46
	5-Year Low	2.45	3.88	2.29	2.54
	5-Year Median	5.37	5.25	2.99	3.00
EV/Sales TTM	Current	6.70	7.37	4.17	3.22
	5-Year High	9.37	7.43	4.19	3.30
	5-Year Low	1.68	3.19	2.54	2.14
	5-Year Median	4.55	5.22	3.42	2.79

As of 01/02/2020

Industry Analysis Zacks Industry Rank: Top 31% (78 out of 253)



Top Peers

Adobe Systems Incorporated (ADBE)	Neutral
Amazon.com, Inc. (AMZN)	Neutral
Cisco Systems, Inc. (CSCO)	Neutral
Hewlett Packard Enterprise Company (HPE)	Neutral
International Business Machines Corporation (IBM)	Neutral
Microsoft Corporation (MSFT)	Neutral
Nutanix Inc. (NTNX)	Neutral
Oracle Corporation (ORCL)	Neutral

Industry Comparison Industry: Computer - Software				Industry Peers		
	VMW Neutral	X Industry	S&P 500	CSCO Neutral	IBM Neutral	NTNX Neutral
VGM Score	F	-	-	C	B	F
Market Cap	63.80 B	1.89 B	23.76 B	205.41 B	119.93 B	6.13 B
# of Analysts	11	3	13	12	8	11
Dividend Yield	0.00%	0.00%	1.78%	2.89%	4.79%	0.00%
Value Score	D	-	-	C	A	F
Cash/Price	0.03	0.11	0.04	0.14	0.09	0.15
EV/EBITDA	17.94	23.10	13.97	11.07	10.31	-11.51
PEG Ratio	1.78	2.17	2.02	2.54	2.05	NA
Price/Book (P/B)	10.97	5.25	3.38	5.97	6.63	96.44
Price/Cash Flow (P/CF)	23.95	26.11	13.70	14.07	7.18	NA
P/E (F1)	23.65	30.50	18.83	14.88	10.26	NA
Price/Sales (P/S)	6.54	4.50	2.68	3.95	1.55	4.95
Earnings Yield	4.23%	2.93%	5.30%	6.71%	9.75%	-9.00%
Debt/Equity	0.63	0.17	0.72	0.42	3.40	9.21
Cash Flow (\$/share)	6.50	1.01	6.94	3.44	18.86	-2.48
Growth Score	F	-	-	B	D	F
Hist. EPS Growth (3-5 yrs)	15.51%	9.51%	10.56%	8.00%	-3.75%	NA
Proj. EPS Growth (F1/F0)	3.95%	12.53%	7.41%	4.95%	3.16%	-90.07%
Curr. Cash Flow Growth	23.44%	7.45%	14.83%	6.95%	-1.93%	121.11%
Hist. Cash Flow Growth (3-5 yrs)	12.60%	8.09%	9.00%	3.53%	-5.41%	NA
Current Ratio	0.58	1.49	1.23	1.70	1.09	1.86
Debt/Capital	38.53%	18.61%	42.92%	29.63%	77.29%	90.20%
Net Margin	67.21%	6.97%	11.08%	21.15%	10.00%	-61.10%
Return on Equity	61.67%	12.33%	17.10%	35.01%	67.12%	-293.83%
Sales/Assets	0.54	0.64	0.55	0.53	0.55	0.68
Proj. Sales Growth (F1/F0)	12.66%	7.20%	4.20%	-1.63%	2.78%	12.76%
Momentum Score	D	-	-	C	C	B
Daily Price Chg	2.54%	0.84%	0.33%	0.96%	1.03%	1.98%
1 Week Price Chg	2.07%	0.00%	0.13%	0.67%	-0.24%	0.25%
4 Week Price Chg	4.94%	2.40%	3.31%	11.26%	2.66%	-10.37%
12 Week Price Chg	2.62%	7.80%	9.70%	4.92%	-4.05%	34.60%
52 Week Price Chg	19.11%	41.07%	30.28%	17.90%	19.94%	-21.07%
20 Day Average Volume	990,674	68,193	1,603,615	18,213,404	3,059,069	2,491,529
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.05%	0.00%	0.00%	0.00%	0.13%	0.00%
(F1) EPS Est 12 week change	-1.07%	-0.64%	-0.57%	-3.49%	-0.80%	-1.24%
(Q1) EPS Est Mthly Chg	-0.24%	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	F
Momentum Score	D
VGM Score	F

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.