

Zoom Video (ZM)

\$246.56 (As of 07/24/20)

Price Target (6-12 Months): **\$284.00**

Long Term: 6-12 Months

Zacks Recommendation: **Outperform**

(Since: 06/09/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:D

Value: F

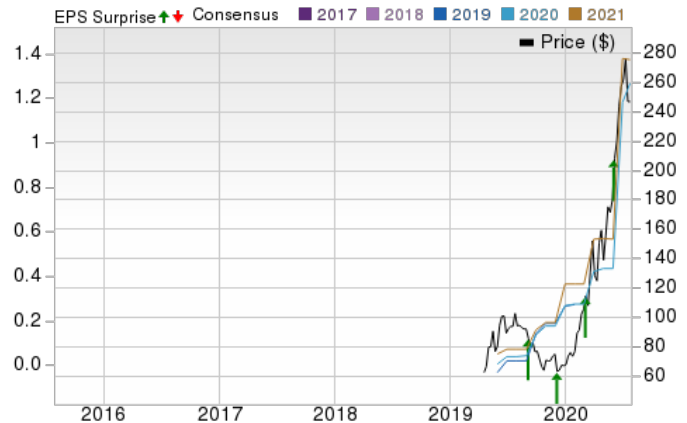
Growth: A

Momentum: D

Summary

Zoom Video gained significantly from the coronavirus-induced remote-working trend. Demand for the company's cloud-native video-first platform is expected to remain solid owing to the work-from-home and online-learning wave. Easy to deploy, use, manage and scalability makes Zoom Video's software popular among its customers. Moreover, the company's expanding international presence is a key catalyst. Its efforts to eliminate security and privacy loopholes like "zoombombing" is expected to help maintain its existing enterprise user base as well as attract new customers. Shares have outperformed the industry on a year-to-date basis. However, intensifying competition from the forays of Facebook and Verizon in the video-communication space does not bode well for Zoom video.

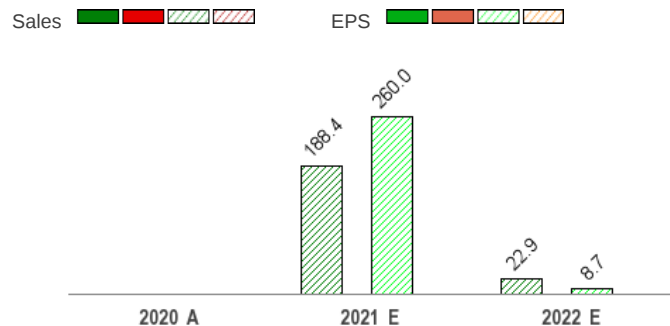
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$281.00 - \$60.97
20 Day Average Volume (sh)	6,999,543
Market Cap	\$69.6 B
YTD Price Change	262.4%
Beta	-1.48
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Software
Zacks Industry Rank	Top 38% (97 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	100.0%
Last Sales Surprise	61.6%
EPS F1 Est- 4 week change	0.5%
Expected Report Date	09/03/2020
Earnings ESP	0.0%
P/E TTM	474.2
P/E F1	195.7
PEG F1	7.4
P/S TTM	83.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	506 E	538 E	571 E	610 E	2,209 E
2021	328 A	498 E	488 E	484 E	1,797 E
2020	122 A	146 A	167 A	188 A	623 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.28 E	\$0.31 E	\$0.35 E	\$0.39 E	\$1.37 E
2021	\$0.20 A	\$0.45 E	\$0.35 E	\$0.26 E	\$1.26 E
2020	\$0.03 A	\$0.08 A	\$0.09 A	\$0.15 A	\$0.35 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 07/24/2020. The reports text is as of 07/27/2020.

Overview

Zoom Video Communications' cloud-native unified communications platform, which combines video, audio, phone, screen sharing and chat functionalities, makes remote-working and collaboration easy. Undoubtedly, the company is benefiting from the work-from-home and online learning wave following the coronavirus pandemic outbreak that forced more and more people to stay home.

Zoom Video's solutions include Zoom Meetings, Zoom Rooms, Zoom Phone (launched in 2019), Zoom Chat, Zoom Conference Room Connector, Zoom Video Webinars, Zoom for Developers and Zoom App Marketplace.

Zoom Video's flagship solution Zoom Meetings provides high-definition video, voice, chat and content sharing across mobile devices, desktops, laptops, telephones and conference room systems. Zoom Meetings integrate with tools, such as Atlassian, Dropbox, Google, LinkedIn, Microsoft, Salesforce and Slack.

Moreover, Zoom Phone is an enterprise cloud phone system that provides inbound and outbound calling via its support for native connectivity to the public switched telephone network (PSTN). Further, Zoom Video Webinars (\$40 per month per host) allows users to conduct large-scale online events. It can support more than 10,000 view-only attendees.

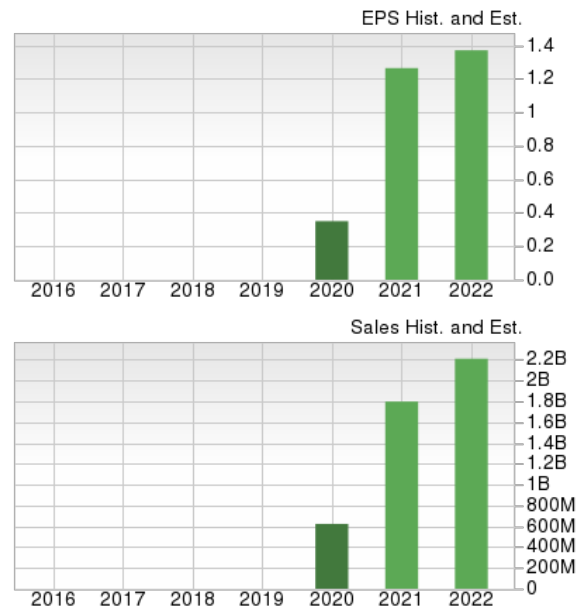
Zoom Video went for an Initial Public Offering (IPO) on Apr 17, 2019. This San Jose, CA-based company reported revenues of \$622.7 million in fiscal 2020.

The company generates revenues from the sale of subscriptions to its video-first communications platform. Subscription revenues are driven, primarily by the number of paid hosts as well as purchases of additional products including Zoom Rooms, Zoom Video Webinars and Zoom Phone.

Markedly, Zoom Meeting is offered on a per-host-per-month basis in Basic, Pro, Business and Enterprise tiers. Basic is offered for free as part of Zoom Video's "freemium" strategy to convert these users into a Zoom Host, a paying user. Pro, Business and Enterprise are offered at \$14.99, \$19.99 and \$19.99, respectively, with maximum of 9, 10 and 100 hosts, respectively.

Notably, as of Apr 30, 2020, the company had approximately 265.4K customers with more than 10 employees. .

Zoom Video faces significant competition from Cisco Webex, LogMeIn GoToMeeting, Microsoft Teams, Google G Suite, Avaya, RingCentral and 8x8.



Reasons To Buy:

- ▲ Zoom Video is undoubtedly the biggest gainer of the coronavirus-induced remote working trend. Demand for the company's video-first collaboration software jumped significantly amid lockdowns and stay-at-home measures undertaken by governments to break the chain of coronavirus pandemic. Easy to deploy, use, manage and scalability makes Zoom Video's software more popular among its customers. For enterprise customers, minimal involvement of IT, lower cost and scalability are major factors behind selecting Zoom Video. Notably, the company had 769 customers, contributing to more than \$100,000 of trailing 12 months' (TTM) revenues, in first-quarter fiscal 2021. Further, usage by customers in the Global 2000 grew more than 200% sequentially in first-quarter fiscal 2021. Additionally, 300 million daily meeting participants, free and paid, joined Zoom meetings in April 2020, up from 10 million in December 2019.
- ▲ Moreover, demand for Zoom Video's platform and solutions is expected to remain robust as healthcare experts believe that some form of social distancing will be required to prevent recurrent transmission of the coronavirus until a vaccine or any effective treatment is developed. Per a study by researchers from Harvard University's T.H. Chan School of Public Health, sporadic periods of social isolation might be required through 2022 in the United States to keep tabs on the number of coronavirus patients falling severely ill, thereby easing the healthcare system. Hence, the work-from-home wave is expected to continue for some time and good news is that it bodes well for Zoom Video in the long haul.
- ▲ Further, the company's freemium business model helps it win customers rapidly, which it can later convert into paying customer. Notably, new customer subscriptions accounted for approximately 71% of year-over-year revenue growth in first-quarter fiscal 2021. Additionally, Zoom is one of the leading names in the unified communications and collaboration (UC&C) space, which is expected to witness a healthy CAGR of 7.1% during 2019-2023 period, per IDC data. Gartner put Zoom Video in the Leaders Quadrant of the 2019 Magic Quadrant for Meeting Solutions. Moreover, Zoom Video's expanding international footprint is a major driver. Earlier in March, the company announced availability of its Zoom Phone cloud service in 11 additional countries (total 17 countries and one territory)
- ▲ As schools across the globe, are expected to remain closed for an extended period of time due to the coronavirus pandemic still looming large, Zoom Video is experiencing solid adoption among online educators. The company lifted its 40-minute meeting limit on free basic accounts for K-12 schools in a number of countries including Australia, India, New Zealand, Israel, Canada, Germany, the United Kingdom, the United States et al. Zoom Video solutions are also rapidly getting accepted by telehealth providers. Remote diagnosis is helping telehealth providers adhere to social-distancing norms without compromising on patient healthcare.
- ▲ Zoom Video is taking initiatives to solve privacy and security issues that threatened to derail its growth prospects. The company appointed technology experts to beef up security including encryption (AES 256-bit GCM encryption). Notably, its upcoming Zoom 5.0 supports GCM encryption. It added features that now allow users to screen, mute and keep unwarranted people at bay from a video call or meeting. These efforts are expected to help Zoom Video maintain its existing enterprise user base, which comprises the likes of VMware, Goldman Sachs, J.P. Morgan and Financial Industry Regulatory Authority (FINRA) and lure in new users.
- ▲ Zoom Video has a strong balance sheet and generates significant cash flow, which makes it an attractive stock for investors. The company has cash and cash equivalents (including marketable securities) worth \$1.11 billion as of Apr 30, 2020 compared with \$855.2 million as of Jan 31, 2020. Free cash flow was \$251.7 million in first-quarter fiscal 2021 compared with \$15.3 million in the year-ago quarter. We believe Zoom Video's ability to generate strong cash flows will enable it to make further investments in product development and acquisitions in the future.

Zoom Video is benefiting coronavirus-induced remote working trend. Its efforts to eradicate security and privacy flaws are expected to aid it to expand its user base.

Risks

- Zoom Video endures significant rivalry from legacy web-based meeting services providers including Cisco Webex and LogMeIn GoToMeeting, and bundled productivity solution providers with video functionality including Microsoft Teams and Google G Suite as well as UCaaS and legacy PBX providers including Avaya, RingCentral and 8x8. Facebook is the latest company to jump on the video calling bandwagon with the introduction of Messenger Rooms, which will soon be able to accommodate up to 50 users. Considering Facebook's massive user base, this is a huge setback for Zoom Video. Additionally, Verizon's acquisition of BlueJeans further intensifies competition for the company.
 - Zoom Video is facing significant backlash from customers due to security issues. Daimler AG, Ericsson, NXP Semiconductors, Bank of America and Tesla are among a host of companies banning or warning employees against using the app due to security concerns. It was also temporarily banned by the New York City Department of Education and Singapore. Moreover, India deemed Zoom Video as an unsafe platform. These allegations revealed a significant chink in Zoom's armor and could prompt customers to shift to more secure platforms like Teams and Webex that are now free to use.
 - Zoom Video is also struggling with privacy issues. The "zoombombing", which occurs when uninvited individuals disrupt a teleconferencing session, is a major privacy risk. Moreover, the company's iOS app is accused of sending user data to Facebook, which ultimately resulted in a class action lawsuit. The company allegedly overstated its ability to protect users on the platform. It failed to inform users that their communications weren't safeguarded by end-to-end encryption.
 - International expansion caused cost escalations in the form of marketing expenses. Sales and marketing expenses soared 83.3% year over year to \$340.6 million in fiscal 2020, a trend that will likely continue in fiscal 2021 as the company plans to add local sales support in international markets. Notably, revenues from the rest of world (APAC and EMEA) represented 19% of total revenues in fiscal 2020, up from 18% in fiscal 2019.
-

Last Earnings Report

Zoom Video Q1 Earnings Top Estimates, Revenues Jump Y/Y

Zoom Video's first-quarter fiscal 2021 adjusted earnings of 20 cents per share beat the Zacks Consensus Estimate by 100%. The company had reported earnings of 3 cents per share in the year-ago quarter.

Moreover, revenues of \$328.2 million surpassed the consensus mark by 61.6% and also soared 169% year over year. This outperformance was primarily driven by new customer subscriptions, which accounted for approximately 71% of growth. Existing customer subscriptions represented roughly 29% of the year-over-year growth.

Revenues from Americas (74.8% of revenues) jumped 150.1% year over year to \$245.6 million. EMEA (15.6% of revenues) soared a whopping 282.8% from the year-ago quarter to \$51.3 million. APAC (9.5% of revenues) were \$31.3 million, up a massive 201% year over year.

User Base Jumps in Q1

As anticipated, Zoom Video benefited from the coronavirus-induced work-from-home and online-learning wave.

At the end of the fiscal first quarter, Zoom Video had roughly 265.4K customers (with more than 10 employees), up 354% year over year. Moreover, the company had 769 customers (with more than \$100,000 in the trailing 12-month (TTM) revenues), up 90% year over year.

Based on support from Amazon Web Services (AWS) and Oracle cloud, Zoom Video scaled rapidly in the reported quarter. Notably, usage by customers in the Global 2000 grew more than 200% sequentially. Further, 300 million daily meeting participants, free and paid, joined Zoom meetings in April 2020, up from 10 million in December 2019.

Further, Zoom Video opened up its platform to deliver free services to more than 100,000 K-12 schools across 25 countries during the quarter.

Additionally, annualized meeting minutes' run rate jumped from 100 billion at the end of January 2020 to more than 2 trillion meeting minutes based on April 2020 run rate.

Operating Details

Non-GAAP gross margin in the quarter under review was 69.4%, down significantly from 80.9% reported in the year-ago quarter. Higher level of free meeting minutes including those from K-12 schools in March and April dented the gross margin.

Research & development (R&D) expenses as a percentage of revenues decreased 390 basis points (bps) on a year-over-year basis to 6.4%. However, general & administrative (G&A) expense increased 130 bps to 14.8%.

Moreover, sales & marketing (S&M) expenses as a percentage of revenues were 31.5%, significantly down from 50.3% in the year-ago quarter.

Total operating expenses as a percentage of revenues were 52.8% compared 74.2% reported in the year-ago quarter

Non-GAAP operating income surged to \$54.6 million from \$8.2 million reported in the year-ago quarter.

Balance Sheet & Cash Flow

As of Apr 30, 2020, cash and cash equivalents and marketable securities were \$1.11 billion compared with \$855.2 million as of Jan 31, 2020.

Free cash flow was \$251.7 million in the quarter under review compared with \$15.3 million in the year-ago quarter.

Remaining Performance Obligation (RPO) was \$1.1 billion, up 184% year over year. The company expects to recognize nearly 72% or \$772 million of the total RPO as revenues over the next 12 months.

Guidance

For second-quarter fiscal 2021, Zoom Video expects revenues between \$495 million and \$500 million. Non-GAAP income from operations is expected between \$130 million and \$135 million. Moreover, non-GAAP earnings are expected in the 44-46 cents per share range.

However, management expects churn rate to increase and modest demand for its services as shelter-in-place restrictions are lifted. Zoom Video expects third and fourth-quarter revenues to be almost similar to second-quarter top line due to these factors coupled with aggravated economic uncertainty.

Zoom Video expects gross margin to be back in the mid-70% range within the next several quarters as it builds additional capacity in its own data centers. The company expects to increase capital expenditures for additional data center infrastructure in the rest of fiscal 2020.

Moreover, R&D is expected to increase as Zoom Video continues to invest in driving innovation and security functionality. The company is also expanding its hiring plans for the remaining year.

For the full fiscal, Zoom Video now expects revenues between \$1.775 billion and \$1.8 billion (up from the previous revenue guidance of \$905-\$915 million). Non-GAAP income from operations is expected between \$355 million and \$380 million (up from the past outlook of \$110-\$120 million). Moreover, non-GAAP earnings are expected in the \$1.21-\$1.29 per share range.

Quarter Ending 04/2020

Report Date	Jun 02, 2020
Sales Surprise	61.64%
EPS Surprise	100.00%
Quarterly EPS	0.20
Annual EPS (TTM)	0.52

Recent News

On Jul 21, Zoom Video announced that it will expand its presence in India by opening a new technology center in Bangalore.

On Jul 16, Zoom Video and Formula 1 announced a new digital partnership to deliver the first ever virtual Paddock Club experience.

On Jul 15, Zoom Video introduced Zoom for Home, a new category of software experiences and hardware devices to support remote working.

On Jul 7, Zoom Video and ServiceNow announced a commitment to use each other's technology solutions to make work-from-anywhere experience better. Zoom Video is using ServiceNow's Customer Service Management to scale its customer-service operations. It will also deploy the Now Platform, including new AIOps capabilities, to enable its new Hardware as a Service ("HaaS") business model. Zoom will also expand its implementation of ServiceNow's CSM to provide HaaS customer support.

On the other hand, ServiceNow has been using Zoom Video for remote working. The company now plans to replace its legacy hardware phone system with Zoom Phone.

On Jul 2, Zoom Video and the Los Angeles Unified School District announced plans to enter a formal agreement under which the latter will provide a safe, secure solution for remote-learning.

On Jun 24, Zoom Video announced the appointment of Jason Lee as its Chief Information Security Officer, effective Jun 29, 2020.

Per a report published in Nikkei Asian Review on May 19, Zoom Video suspended individual users from signing up in China. Moreover, from May 1 onward, individual free users can no longer host meetings on Zoom but will still be able to join them. The facility is currently available to paid enterprise accounts and individuals only.

On May 14, Zoom Video announced that it will open two new research and development centers in the greater Phoenix, AZ and Pittsburgh, PA, respectively. The company plans to hire up to 500 software engineers between Phoenix and Pittsburgh in the next few years.

On May 7, Zoom Video announced its acquisition of Keybase, a secure messaging and file-sharing service. The takeover will accelerate the company's plan to build end-to-end encryption service.

On Apr 22, Zoom Video announced robust security upgrades with the upcoming general availability of Zoom 5.0, which supports AES 256-bit GCM encryption.

Valuation

Zoom Video shares are up 155.6% in the past year. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 32.6% and 21.6% over the same period, respectively. Moreover, the S&P 500 index is up 6.9%.

Our Outperform recommendation indicates that the stock will perform better than the market. Our \$284 price target reflects 96.59X trailing 12-month (TTM) sales.

Industry Analysis Zacks Industry Rank: Top 38% (97 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Avaya Holdings Corp. (AVYA)	Neutral	3
Cisco Systems, Inc. (CSCO)	Neutral	2
Facebook, Inc. (FB)	Neutral	3
Alphabet Inc. (GOOGL)	Neutral	3
LogMein, Inc. (LOGM)	Neutral	4
Microsoft Corporation (MSFT)	Neutral	3
Verizon Communications Inc. (VZ)	Neutral	3
Ringcentral, Inc. (RNG)	Underperform	5

Industry Comparison Industry: Internet - Software				Industry Peers		
	ZM	X Industry	S&P 500	CSCO	GOOGL	MSFT
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	2	3	3
VGM Score	D	-	-	B	C	B
Market Cap	69.56 B	841.30 M	22.16 B	195.91 B	1,029.53 B	1,526.55 B
# of Analysts	11	5	14	12	12	14
Dividend Yield	0.00%	0.00%	1.81%	3.10%	0.00%	1.01%
Value Score	F	-	-	B	C	D
Cash/Price	0.02	0.10	0.06	0.14	0.11	0.09
EV/EBITDA	857.35	-0.60	13.07	10.33	18.05	25.08
PEG Ratio	7.37	3.93	3.03	2.73	2.31	2.27
Price/Book (P/B)	77.11	6.78	3.11	5.49	5.07	12.90
Price/Cash Flow (P/CF)	871.51	24.94	12.27	13.48	21.72	26.75
P/E (F1)	195.68	73.17	21.88	14.74	35.86	31.66
Price/Sales (P/S)	83.92	4.48	2.38	3.87	6.18	10.67
Earnings Yield	0.51%	0.30%	4.34%	6.79%	2.79%	3.16%
Debt/Equity	0.07	0.14	0.76	0.32	0.08	0.57
Cash Flow (\$/share)	0.28	-0.00	7.01	3.44	69.45	7.53
Growth Score	A	-	-	B	C	A
Hist. EPS Growth (3-5 yrs)	NA%	16.26%	10.82%	9.03%	23.83%	18.74%
Proj. EPS Growth (F1/F0)	261.29%	-4.33%	-9.01%	1.56%	-14.44%	10.38%
Curr. Cash Flow Growth	122.56%	4.17%	5.47%	6.95%	12.62%	17.66%
Hist. Cash Flow Growth (3-5 yrs)	NA%	19.20%	8.55%	3.53%	19.91%	11.99%
Current Ratio	1.72	1.47	1.31	1.59	3.66	2.52
Debt/Capital	6.53%	20.11%	44.41%	24.49%	7.07%	36.24%
Net Margin	6.04%	-17.36%	10.46%	21.32%	20.71%	30.96%
Return on Equity	6.29%	-14.52%	15.13%	36.47%	17.43%	39.45%
Sales/Assets	0.59	0.61	0.54	0.54	0.62	0.50
Proj. Sales Growth (F1/F0)	188.67%	5.97%	-2.06%	-5.13%	5.49%	8.52%
Momentum Score	D	-	-	D	B	A
Daily Price Chg	-1.96%	-0.79%	-0.65%	-2.13%	-0.56%	-0.61%
1 Week Price Chg	-10.63%	-1.55%	3.82%	0.19%	-1.44%	-5.05%
4 Week Price Chg	-4.99%	0.00%	4.96%	2.61%	4.66%	0.48%
12 Week Price Chg	82.41%	21.43%	9.30%	9.49%	11.99%	12.33%
52 Week Price Chg	153.90%	0.00%	-2.82%	-18.05%	32.77%	43.59%
20 Day Average Volume	6,999,543	585,255	2,026,477	22,580,726	1,919,848	34,849,564
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	1.95%
(F1) EPS Est 4 week change	0.46%	0.00%	0.15%	0.00%	1.42%	1.95%
(F1) EPS Est 12 week change	4,018.75%	0.00%	-3.24%	4.19%	2.52%	3.03%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.65%	3.11%

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	F
Growth Score	A
Momentum Score	D
VGM Score	D

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

Disclosures

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

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

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

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

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

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