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John D. Vandermosten, CFA
312-265-9588 / jvandermosten@zacks.com

scr.zacks.com
101 N. Wacker Drive, Chicago, IL 60606

Ligand Pharmaceuticals, Inc. (LGND - NASDAQ)

LGND: Getting In Tune with MedTech

We use a blended 20.0x multiple of 2026 earnings and 16.0x multiple of 2026 EBITDA to generate our Ligand Pharmaceuticals core valuation. To this, we add investment value for Primrose equity, Palvella preferred stock and other investments along with cash, cash equivalents and Pelthos to produce our target price.

Current Price (8/8/2025)	$150.06
Valuation	**$164.00**

OUTLOOK

Ligand Pharmaceuticals holds a portfolio of revenue, royalty & milestone generating assets that have been vetted by its internal investment team. Ligand considers individual biopharmaceutical products, platforms, companies & income streams in its opportunity set. It targets late-stage and commercial income-producing assets when making investments. The company holds a diversified portfolio of biopharmaceutical royalties, a solubilizing and stability agent, as well as equity interests and ownership in other companies including Primrose, Palvella, Viking and Pelthos.

The royalty portfolio consists of 12 major commercial stage assets & >90 active programs. In addition to its identified programs, Ligand plans to deploy ~$200 million per year acquiring new assets which can largely be funded with free cash flow.

The company's experienced investment team takes an internal look under a confidentiality agreement at prospects' data, allowing for superior risk adjusted returns. In addition to its major commercial assets, Ligand's portfolio of development-stage programs, along with future acquisitions funded by internally generated capital, can fuel long-term revenue growth and generate superior risk-adjusted returns.

SUMMARY DATA

52-Week High	**151.55**
52-Week Low	**93.58**
One-Year Return (%)	**54.8**
Beta	**0.7**
Average Daily Volume (sh)	**154,767**
Shares Outstanding (mil)	**19.6**
Market Capitalization ($mil)	**2,940**
Short Interest Ratio (days)	**8.5**
Institutional Ownership (%)	**99.7**
Insider Ownership (%)	**2.4**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**6.8**
Earnings Per Share (%)	**13.2**
Dividend (%)	**N/A**
P/E using TTM EPS	**24.8**
P/E using 2025 Estimate	**22.0**
P/E using 2026 Estimate	**21.0**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Medium-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of USD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2024	$31.0 A	$41.5 A	$51.8 A	$42.8 A	$167.1 A
2025	$45.3 A	$47.6 A	$59.2 E	$64.2 E	$216.3 E
2026					$227.9 E
2027					$263.1 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
2024	$1.20 A	$1.40 A	$1.84 A	$1.27 A	$5.74 A
2025	$1.33 A	$1.60 A	$1.91 E	$1.98 E	$6.81 E
2026					$7.14 E
2027					$8.32 E

WHAT'S NEW

Ligand Pharmaceuticals, Inc. (NASDAQ: LGND) reported second quarter 2025 financial and operational results posting revenues of $47.6 million, a 15% rise over prior year levels. Drivers for the result were a 57% increase in royalty revenue and a 10% increase in Captisol revenue offset by a 73% decrease in Contract Revenue. Some of the individual portfolio constituents continuing to contribute to the year over year increase include Qarziba, Filspari and Ohtuvayre.

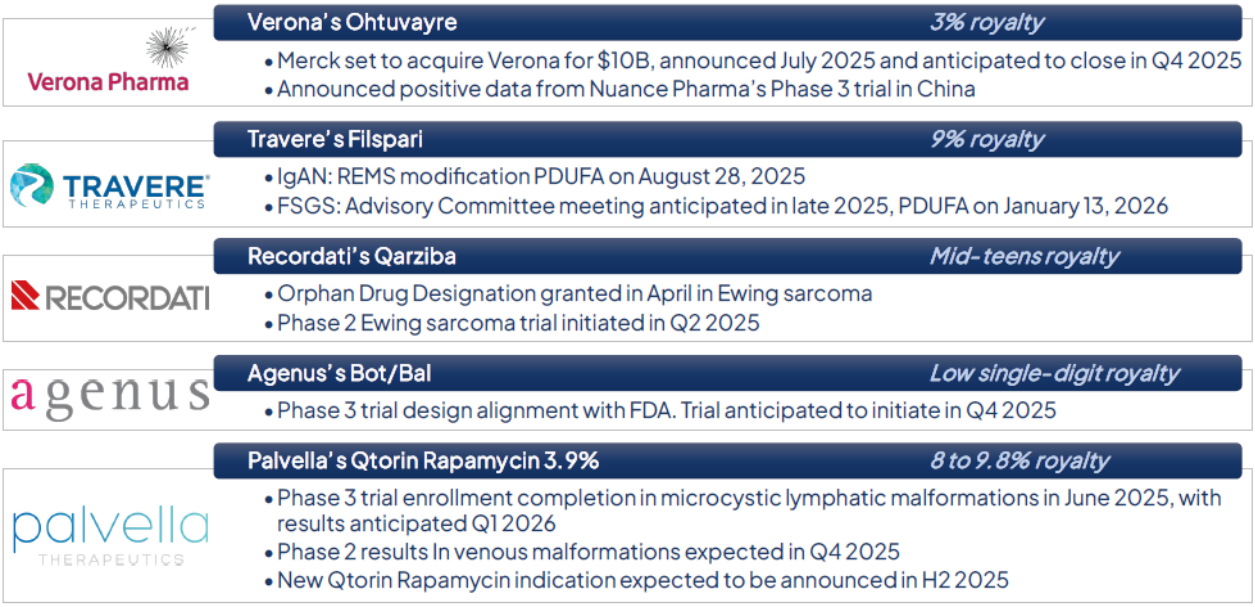
Adjusted core earnings per share were $1.60, up from 2Q:24's $1.40. Ligand raised 2025 guidance by just under 12% for both revenues and earnings per share (EPS) resulting in a range of $200 to $225 million for revenues and $6.70 to $7.00 in EPS. Since the previous quarterly update, Ligand has divested Pelthos Therapeutics which has, in turn, launched Zelsuvmi, announced an investment and royalty deal with Orchestra BioMed and proposed a $400 million convertible debt offering. We also get a date for the investor day on December 9th in New York.

Ligand provided a comprehensive update on all of its major portfolio constituents which included an acquisition, clinical trial progress, data readouts, partnerships and regulatory hurdles. One of the most publicized events was Merck's acquisition of Verona and its Ohtuvayre asset. The $200 billion pharmaceutical company agreed to pay $10 billion to acquire Verona. We anticipate that Merck's ownership will help accelerate growth of the COPD drug and help expand it internationally as compared to what Verona could accomplish on its own. Furthermore, Ohtuvayre is the subject of a Phase III trial in China and has met its primary and secondary clinical endpoints in the ENHANCE study, demonstrating improvements in lung function.

Palvella Therapeutics achieved full enrollment in its Phase III SELVA trial evaluating Qtorin rapamycin for the treatment of microcystic lymphatic malformations (MLM). Data readouts came from Agenus, which announced that its botensilimab and balstilimab (BOT/BAL) combination achieved a two-year survival rate of 42% along with a more mature 21-month median overall survival in an expanded cohort of 123 patients. Subjects were diagnosed with microsatellite-stable metastatic colorectal cancer without active liver metastases. Agenus also announced its entry into a partnership with Zydus to help accelerate clinical development and scale global manufacturing for BOT/BAL.

Filspari, which has been one of Ligands' most impactful and highest potential assets, was recommended by England's National Institute for Health and Care Excellence as an option to treat primary IgA nephropathy in adults with a urine protein excretion of 1.0 g/day or more. Filspari is also lined up for two target action dates in the United States. The first is a change from monthly to quarterly Risk Evaluation and Mitigation Strategy (REMS) monitoring later this month and the second is an indication expansion to focal segmental glomerulosclerosis (FSGS) in January of next year.

Exhibit I – Key Portfolio Achievements



Source: Ligand Pharmaceuticals 2Q:25 Slide Deck

2Q:25 Financial and Operational Results

Ligand reported second quarter 2025 results in a press release and Form 10-Q filing with the SEC on August 8th. A conference call was held with an accompanying slide deck to discuss results with investors following the release. For the quarter ending June 30th, 2025 revenues of $47.6 million were recognized. GAAP net loss per share for 2Q:25 totaled $0.24 and core adjusted EPS was $1.60. For second quarter 2025 versus the same prior year period:

- Revenues of $47.6 million rose 15% from $41.5 million due to strong growth in royalties and Captisol partially offset by a fall in Contract Revenue. Royalty revenues rose by 57% driven by contributions from the acquisition of Qarziba and an increase in Filspari and Vaxneuvance royalties. Captisol sales rose 10% on contributions from Gilead's Veklury. Contract revenue fell 73% due to prior year recognition of several milestones for Ohtuvayre, Capvaxive and Filspari;
- Cost of revenue, which is related to Captisol cost of goods sold, totaled $2.9 million, flat with prior year levels. This represents a gross margin on Captisol sales of 64.9%, up from 61.3%;
- Amortization of intangibles was flat at $8.3 million;
- Research and development expense totaled $6.6 million versus $5.4 million rising due to the expenses incurred by Pelthos in preparation for the Zelsuvmi launch;
- General & Administrative expenses were $20.2 million, up 14% from $11.0 million due to employee-related and operating costs associated with incubating the Pelthos business;
- Other adjustments include a $1.3 million adjustment to partner program derivatives, a $0.9 million gain from short term investments, $0.5 million in net interest income, and $1.4 million of other non-operating income;
- Income tax expense of $6.4 million represents a tax rate of 56.8% compared to income tax benefit of $13.5 million;
- Net income was $4.8 million versus a net loss of $51.9 million or $0.24 and ($2.88) per share, respectively. Adjustments to 2Q:25 GAAP earnings added back $1.36 per share to generate core earnings of $1.60 per share.[1]

As of June 30th, 2025, cash, equivalents and short-term investments totaled $245 million. This amount compares to the $256 million balance held at the end of 2024. Operational cash use and purchase of property and equipment in the second quarter totaled ($15.6) million while cash used in financing generated $15.0 million in part due to proceeds from Pelthos investors. The company maintains access to a revolver credit and an at-the-market (ATM) facility with Stifel, Nicolaus that can expand its access to capital as needed. Ligand raised its 2025 guidance for revenues from $180 - $200 million and core EPS of $6.00 - $6.25 to revenues of $200 - $225 million and core EPS of $6.70 - $7.00. A week after reporting second quarter results, Ligand announced its intent to issue $400 million in convertible notes due 2030 with an option to purchase an additional $60 million.

Orchestra BioMed Holdings Investment

Ligand announced a $40 million investment in Orchestra BioMed Holdings (NASDAQ: OBIO) on July 31st, 2025. It consists of a royalty investment and equity private placement. The arrangement provides Ligand with a tiered royalty on future sales of Orchestra's atrioventricular interval modulation (AVIM) therapy for the treatment of uncontrolled hypertension in pacemaker-indicated patients and from its Virtue Sirolimus Angioinfusion Balloon (SAB) programs. The AVIM program is being developed in partnership with Medtronic and the SAB program with Terumo. Both Medtronic and Terumo are expected to commercialize the product in their respective programs. We expect that first revenues from the AVIM and SAB programs will begin in the 2029/2030 timeframe.

Ligand's investment begins with a $20 million royalty investment at the closing of the deal and $5 million in an equity investment. At the nine-month anniversary of the transaction closing, Ligand will invest another $15 million, which will complete the transaction and entitle Ligand to a tiered royalty on sales of the AVIM therapy and Virtue SAB. A high teens royalty will be paid on net sales under $100 million for all of AVIM and SAB indications. A mid-single digit royalty will be paid on net sales over $100 million from AVIM therapy in uncontrolled hypertension and increased cardiovascular risk indications and Virtue SAB in coronary artery disease.

Further details of the arrangement were included in a Form 8-K filed by Orchestra BioMed outlining the royalty tiers. Annual net sales of the AVIM and SAB less than or equal to $100 million in any field will generate a 17% royalty for

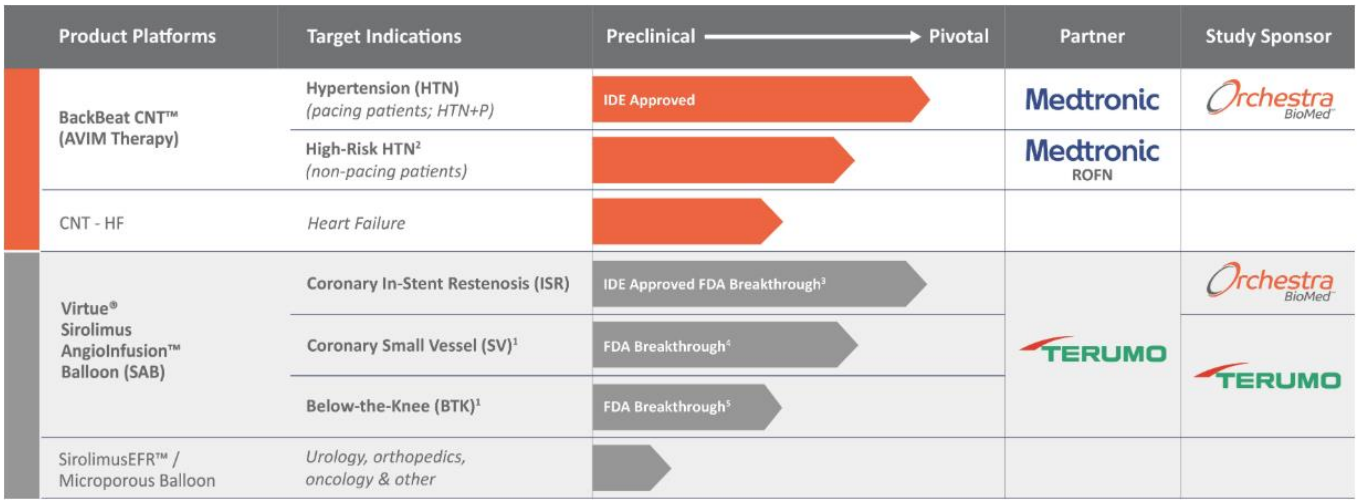
[1] Details of the GAAP to core earnings reconciliation are in Ligand's earnings press release. Material adjustments include Share-based compensation expense, Amortization and Pelthos operating loss

Ligand. Sales of the two products above $100 million will yield a 4% royalty to be paid to Ligand. Ligand will pay $20 million upon close of the deal and another $15 million 270 days after the close. If certain undisclosed milestones are not met for the Backbeat clinical study by January 1st, 2027, the royalty tiers will increase to 20% and 7%. Ligand also receives a warrant to buy two million shares at a price to be determined based on market activity. As part of the royalty investment, other capital from Medtronic and a public offering secured over $111 million in proceeds and committed capital for Orchestra as detailed in a press release on August 5th, 2025.

Orchestra Background

Orchestra was founded in 2018 and uses a partnership-enabled business model. It works with established medical device companies Medtronic and Terumo to develop, innovate and commercialize its products. Its pipeline contains two product platforms. The most advanced is the AVIM Therapy which is the subject of three studies including the Backbeat global pivotal study. The second platform is the Virtue Sirolimus AngioInfusion Balloon which is the subject of four studies.

Exhibit II – Orchestra BioMed Pipeline



Source: Orchestra BioMed Website

AVIM Therapy

AVIM therapy is an investigational therapy compatible with standard dual-chamber pacemakers designed to lower blood pressure. It has been evaluated in pilot studies in patients with hypertension who are also indicated for a pacemaker. MODERATO II, a double-blind, randomized pilot study, showed that patients treated with AVIM therapy experienced net reductions of 8.1 mmHg in 24-hour ambulatory systolic blood pressure and 12.3 mmHg in office systolic blood pressure at six months when compared to control patients. In addition to reducing blood pressure, clinical results using AVIM therapy demonstrate improvements in cardiac function and hemodynamics. The BACKBEAT global pivotal study will further evaluate the safety and efficacy of AVIM therapy in lowering blood pressure in patients who have systolic blood pressure above target despite anti-hypertensive medication and who are indicated for or have recently received a dual-chamber cardiac pacemaker. AVIM therapy has been granted Breakthrough Device Designation by the FDA for the treatment of uncontrolled hypertension in patients who have increased cardiovascular risk. (Adapted from Orchestra press release)

Virtue SAB

Virtue SAB is designed to deliver a proprietary extended-release formulation of sirolimus through a non-coated microporous AngioInfusion Balloon that protects the drug in transit to consistently deliver a large liquid dose overcoming certain limitations of drug-coated balloons. Sirolimus delivered by Virtue SAB has been shown in published preclinical series involving hundreds of arterial deliveries to achieve sustained tissue levels well above the known required therapeutic tissue concentration for inhibiting restenosis (1 ng/mg tissue) for the entire critical healing period of approximately 30 days. Virtue SAB demonstrated positive three-year clinical data in coronary ISR in the SABRE study, a multi-center prospective, independent core lab-adjudicated clinical study of 50 patients conducted in Europe. Virtue SAB has been granted Breakthrough Device Designation by the FDA for specific indications relating to coronary ISR, coronary small vessel disease and peripheral artery disease below-the-knee. (Adapted from Orchestra press release)

Pelthos' Transformation to Public Company

Ligand announced that it had identified a suitor to take its subsidiary Pelthos Therapeutics public in an April 17th press release. Ligand's subsidiary will combine with the public company Channel Therapeutics (NYSE: CHRO) which is a clinical stage life sciences company developing pain therapeutics. Readers may recall that Pelthos offers Zelsuvmi, an FDA approved treatment for molluscum contagiosum. Since the acquisition of Novan by Ligand in 2023, Zelsuvmi has received FDA approval, Pelthos was created and a CEO was appointed to the company. The transaction closed in July 2025 and Scott Plesha became CEO of the combined company and Mr. Knuettel (former CEO of Channel) is CFO. The Board of Directors consists of Mr. Plesha, two independent directors, Peter Greenleaf and Matt Pauls, two board members appointed by Ligand, and an additional two independent directors who are reasonably acceptable to Murchinson, both of whom are current Channel board members.

Prior to the merger with Channel, Pelthos had been building inventory and preparing for commercial launch leading to a July 10th announcement in a July 10th introduction of Zelsuvmi. It included Pelthos' payment of a $5 million milestone to Ligand. Along with the merger, investors placed $50.1 million with the new entity. Ligand now owns 56% of Pelthos and is entitled to a 13% royalty on Zelsuvmi sales and may receive an additional $5 million in commercial sales milestones.

Pelthos Therapeutics Background

In May 2019, Ligand entered into a development funding and royalty agreement with Novan, Inc. where Ligand provided $12 million in funding in return for milestones and royalty payments. Novan was developing SB-206 (berdazimer gel), now branded Zelsuvmi to treat molluscum contagiosum (MC), a common skin infection in children. Due to a difficult funding environment, Novan was forced to declare bankruptcy in mid-2023 despite the FDA having accepted a new drug application (NDA) on behalf of Novan's lead candidate. Ligand elected to provide debtor in possession financing and make a bid for the assets out of bankruptcy, paying $12.2 million for the as yet unapproved candidate. In return for the payment, Ligand gained ownership of the product along with Novan's Nitricil platform and related assets. Zelsuvmi was later approved by the FDA in January 2024.

Exhibit III – Zelsuvmi Investment Background

Source: Ligand Pharmaceuticals 2Q:25 Slide Deck

Nitricil Platform

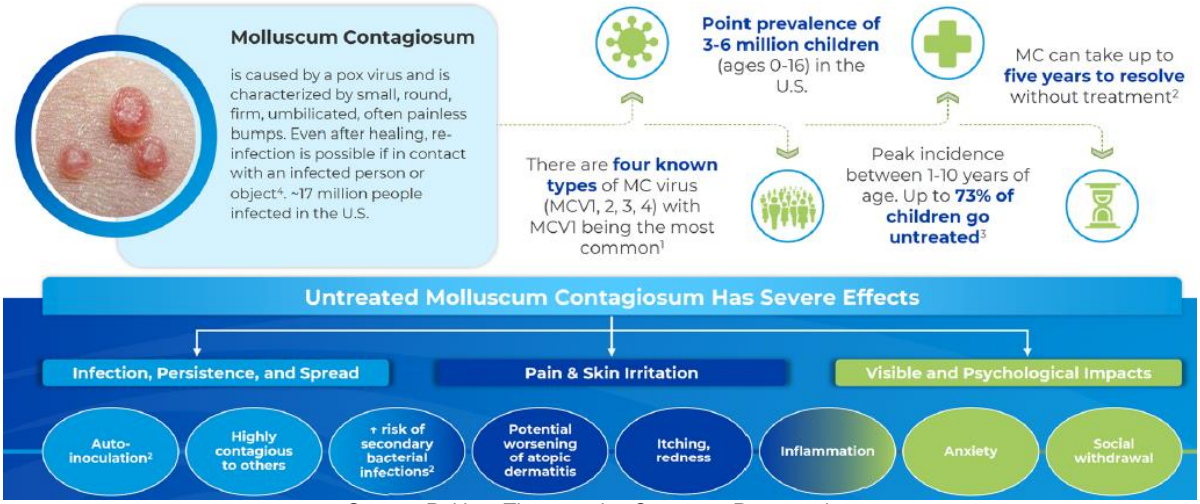
Nitricil is a co-condensed silica-based macromolecule which is able to covalently store nitric oxide (NO) and prevent it from decomposing into other oxides of nitrogen. The platform provides a nanoparticle delivery system that contains a nitric oxide releasing macromolecule consisting of a polysiloxane[2] (silicone-oxygen) backbone and covalently bound N-diazeniumdiolate nitric oxide donors. Early development work for Zelsuvmi demonstrated the platform's ability to stably suspend NO and release it when mixed with a hydrogel. It can be modulated to provide a desired release profile of either a burst or steady delivery of drug. Preclinical and clinical work has been conducted in other dermatology indications beyond molluscum contagiosum including atopic dermatitis, psoriasis, acne vulgaris and tinea pedis.

[2] Polysiloxanes are frequently used for medical applications and are stable and unreactive. They are hydrophobic and have a low moisture uptake.

The nitric oxide molecule offers antiviral, anti-bacterial, anti-fungal and anti-inflammatory properties. It provides multiple modes of action that can address numerous dermatology conditions such as acne and its underlying bacterial and inflammatory drivers, human papillomavirus (HPV) and MC which are viral in nature and atopic dermatitis and psoriasis which are inflammatory in nature. We anticipate that the Nitricil platform will be retained by Ligand and further development of new products addressing new indications may be undertaken by Pelthos under a license agreement. Management believes that up to four different indications may be addressed by products derived from the Nitricil platform.

In April 2024, Ligand created a new company called Pelthos Therapeutics to prepare for the commercialization of Zelsuvmi. Scott Plesha was named CEO of the company. Ligand voiced its intent to commercialize Zelsuvmi in partnership with a capital provider and/or strategic partner. In addition to the value of the approved product and Nitricil platform, Pelthos also will owe Ligand milestones and royalties of 13% on worldwide sales. Novan had signed an agreement with Sato Pharmaceutical in Japan for development and commercialization of SB206 (Zelsuvmi in the US). We anticipate that any Zelsuvmi milestones and royalties owed by Sato will revert directly to Ligand.

Exhibit IV – Molluscum Contagiosum



Source: Pelthos Therapeutics Corporate Presentation

Rough Valuation Assumptions

Based on the information available, we anticipate Zelsuvmi peak sales in the several hundred-million-dollar range. In previous analyses that we have performed, we estimated an addressable market of about six million patients and penetration of up to 10% in the United States. A competing product branded Ycanth which also treats molluscum contagiosum was approved in 2023. While this product is administered in a doctor's office in contrast to Zelsuvmi's at-home administration, we think its pricing is a good guide. Based on a review of sources, the wholesale acquisition cost is $685 per applicator. In terms of timing, we anticipate it will take six years to reach peak penetration with population growth and pricing to provide revenue increases in subsequent years.

Pelthos Milestones

- FDA approval of Zelsuvmi – January 2024
- Creation of Pelthos Therapeutics to commercialize Zelsuvmi – April 2024
- Merger into Channel Therapeutics – July 2025
- Zelsuvmi partnering and launch – July 2025
- Pelthos cash flow breakeven - 2027

Valuation

We updated our valuation to reflect our updated estimates for 2026 earnings and EBITDA. We apply a 20x multiple of 2026 EBITDA and a 16x multiple of 2026 core adjusted earnings per share to produce our valuation. The values are blended to generate our updated target price of $164 per share.

Milestones

- Royalty financing with Castle Creek Biosciences – February 2025
- Submission of Filspari sNDA in FSGS – 1Q:25
- European Commission final decision for Capvaxive marketing authorization – 2Q:25
- Ligand rings NASDAQ opening bell – May 2025
- Start of Qarziba Phase II Ewing sarcoma trial – 2Q:25
- Recordati (Qarziba) FDA meeting for BLA in relapsed/refractory setting – mid-2025
- Palvella's Qtorin Rapamycin Phase III trial enrollment completion in MLM – June 2025
- Pelthos merges with Channel Therapeutics – July 2nd, 2025
- Zelsuvmi product launch – July 2025
- Merck announces agreement to acquire Verona (Ohtuvayre) for $10 billion – July 2025
- Orchestra BioMed capital investment – July 2025
- Proposed offering of $400 million in convertible debt – August 2025
- FDA meeting on Qarziba for use in relapsed/refractory setting – 2025
- Filspari REMS target action date – August 28, 2025
- Phase IIb trial launch, Ohtuvayre with glycophyrrolate – 3Q:25
- Filspari REMS target action date – August 28, 2025
- Potential FDA FSGS approval for Filspari if granted Priority Review – 2H:25
- Initiation of Agenus' BOT/BAL Phase III trial – 4Q:25
- Ligand investor day – December 2025
- Filspari FSGS indication FDA target action date– January 13th, 2026
- Data readout for Phase III SELVA trial for PTX-022 – 1Q:26

Summary

Ligand surprised to the upside in the second quarter with continued strength from Filspari, Qarziba and Vaxneuvance driving royalty revenues overcoming a difficult comparison for contract revenue which included multiple milestone payments in the prior year. Topline expanded 15% driving better than expected earnings and an increase in full year guidance. Since the first quarter report, the company added another asset to its portfolio. Ligand will place $40 million with Orchestra BioMed in both an equity investment and a royalty interest which will pay double digit revenues on two assets in its portfolio. Both will be commercialized by established device companies after FDA approval.

After the end of the quarter, Pelthos was spun out into its own company and it launched its approved asset Zelsuvmi. We see this as a multi-hundred-million-dollar potential product that will pay a double-digit royalty to Ligand and provide equity upside as it achieves its milestones. Ligand received a $5 million payment from Pelthos upon the launch of Zelsuvmi. We increase our valuation to reflect greater earnings potential in 2026 with a target price of $164 per share.

PROJECTED FINANCIALS

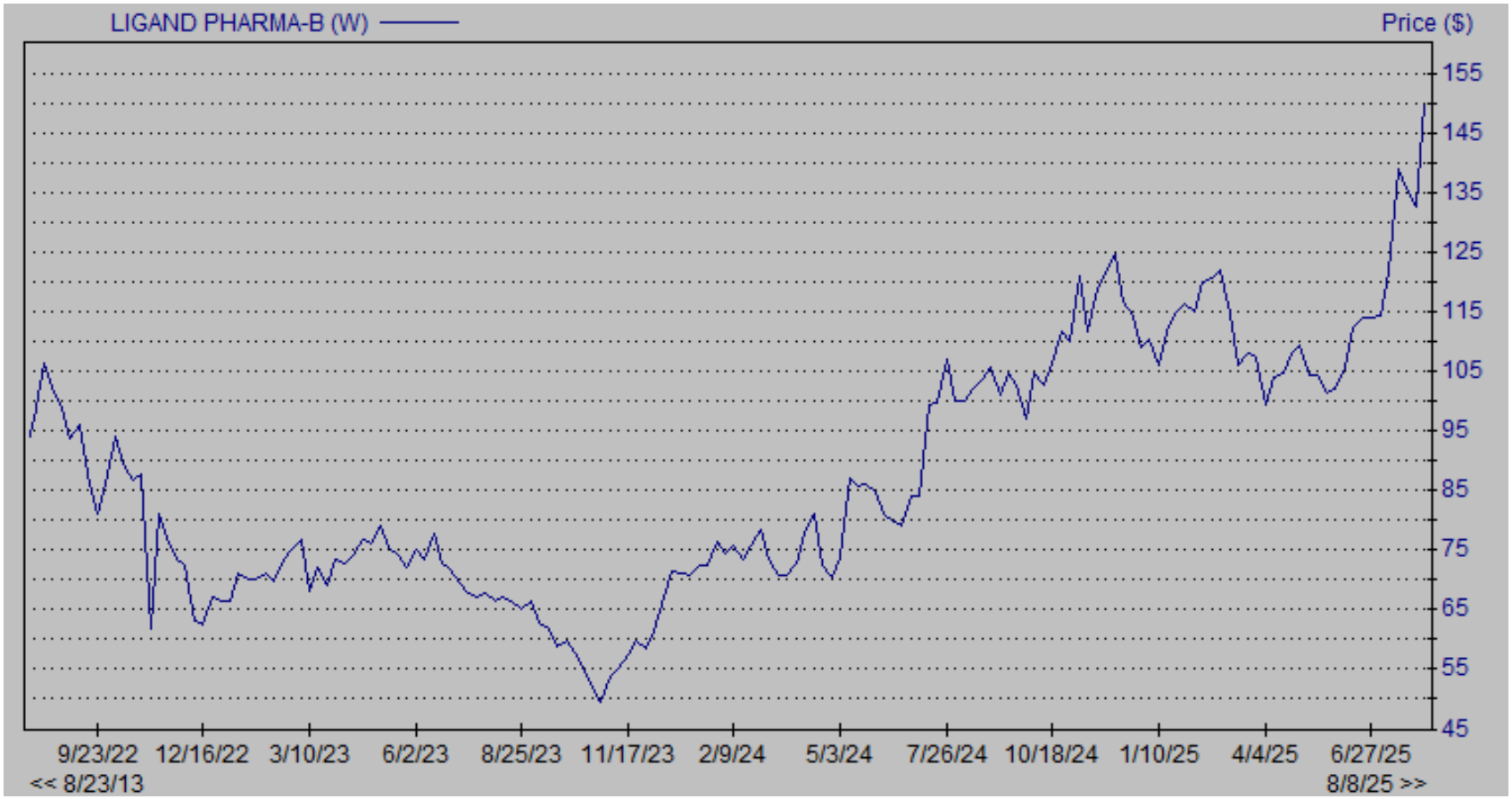
Ligand Pharmaceuticals, Inc. - Income Statement

Ligand Pharmaceuticals, Inc.	2024 A	Q1 A	Q2 A	Q3 E	Q4 E	2025 E	2026 E	2027 E
Total Revenues ($US '000)	**$167,133**	**$45,333**	**$47,627**	**$59,150**	**$64,226**	**$216,336**	**$227,930**	**$263,143**
YOY Growth	27%	46%	15%	14%	50%	29%	5%	15%
Cost of Goods Sold (Captisol)	$11,074	$4,849	$2,907	$3,231	$3,211	$14,198	$13,040	$13,822
Product Gross Margin	64.1%	64.0%	64.9%	63.7%	63.2%	63.8%	64.0%	64.0%
Amortization of intangibles	$32,959	$8,257	$8,258	$7,532	$7,532	$31,579	$31,848	$31,848
Research & development	$21,425	$50,085	$6,567	$2,905	$2,920	$62,477	$8,520	$8,607
General & administrative	$78,654	$18,801	$20,175	$8,218	$8,344	$55,538	$32,300	$35,200
Other	$45,627	($443)	$1,276	$0	$0	$833	$0	$0
Income from operations	($22,606)	($36,216)	$8,444	$37,264	$42,219	$51,712	$142,222	$173,665
Operating Margin								
Interest expense	$5,018	$0	$0	$0	$0	$0	($1,000)	($1,000)
Other income, net	$20,106	($13,964)	$2,779	$0	$0	($11,185)	$0	$0
Pre-Tax Income	$2,518	($50,180)	$11,223	$37,264	$42,219	$40,527	$141,222	$172,665
Provision for Income Tax	$6,550	($7,729)	$6,376	$9,875	$11,188	$19,710	$31,775	$39,713
Tax Rate	260.1%	15.4%	56.8%	26.5%	26.5%	48.6%	22.5%	23.0%
Net Income	**($4,032)**	**($42,451)**	**$4,847**	**$27,389**	**$31,031**	**$20,816**	**$109,447**	**$132,952**
Net Margin								
Reported EPS	**($0.22)**	**($2.21)**	**$0.24**	**$1.26**	**$1.43**	**$1.01**	**$5.53**	**$6.71**
Adjustments	$5.96	$3.54	$1.36	$0.65	$0.55	$6.10	$1.61	$1.61
Core EPS	**$5.74**	**$1.33**	**$1.60**	**$1.91**	**$1.98**	**$6.81**	**$7.14**	**$8.32**
YOY Growth	41%	11%				19%	5%	17%
Fully Diluted Shares	18,290	19,191	19,926	21,800	21,750	20,667	19,800	19,800

Source: Company Filing // Zacks Investment Research, Inc. Estimates

HISTORICAL STOCK PRICE

Ligand Pharmaceuticals, Inc. – Share Price Chart[3]



[3] Source: Zacks Research System

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