

# Zacks Small-Cap Research

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## Viomi Technology Co., Ltd (NASDAQ: VIOT)

**VIOT: Reminder that the glass of filtered water is still half-full at Viomi.**

Viomi's shares have been under pressure for much of the past two months, losing more than half its value and underperforming both the company's peer group and the broader market. We believe the market is overreacting to recent policy shifts in China. We are maintaining our 12-month valuation target to \$5.00/ADS.

Current Price (02/05/26) **\$1.33**  
Valuation **\$5.00**

### OUTLOOK

Viomi's outlook for 2026 remains robust but the lack of a renewal of the "new-for-old" subsidy program in China has become a major focus of investors.

US/China trade relations remain strained and we believe that this has had an impact on the company's planned international expansion.

Viomi had over \$17 million of availability under its existing share repurchase agreement as of 12/31/25 and we think that the company could utilize this availability to enhance shareholder value.

### SUMMARY DATA

52-Week High **\$4.33**  
52-Week Low **\$1.18**  
One-Year Return (%) **0%**  
Beta **0.36**  
Average Daily Volume (sh) **329,410**

Shares Outstanding (mil) **69**  
Market Capitalization (\$mil) **\$92**  
Short Interest Ratio (days) **N/A**  
Institutional Ownership (%) **1**  
Insider Ownership (%) **34**

Annual Cash Dividend **\$0.00**  
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates  
Sales (%) **N/A**  
Earnings Per Share (%) **N/A**  
Dividend (%) **N/A**

P/E using TTM EPS **3.8**  
P/E using 2025 Estimate **3.0**  
P/E using 2026 Estimate **3.0**

Zacks Rank **N/A**

Risk Level **High**  
Type of Stock **Small-Value**  
Industry **Home water filtration**

### ZACKS ESTIMATES

#### Revenue (in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023		102 A		123 A	225 A
2024		115 A		176 A	290 A
2025		206 A		208 E	415 E
2026		191 E		228 E	419 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023		\$0.06 A		\$0.17 A	\$0.23 A
2024		\$0.01 A		\$0.11 A	\$0.13 A
2025		\$0.24 A		\$0.20 E	\$0.45 E
2026		\$0.22 E		\$0.24 E	\$0.45 E

Zacks Projected EPS Growth Rate - Next 5 Years % **20%**

\*Revenues Restated/EPS reflect continuing operations

\*6 month revenues and EPS may not sum due to different exchange

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## WHAT'S NEW

### Share underperformance

Since the company reported full first-half results in mid-November, Viomi's shares have been under considerable selling pressure and have significantly underperformed both its domestic peers and the broader indexes. There has been no single event or catalyst that explains the weakness in the shares, but in our opinion, it is the result of several unrelated events.

1. The majority of Viomi's public competitors are based in China and listed on Chinese markets, in contrast to Viomi, which trades on the NASDAQ. There appears to be more negative sentiment among U.S.-based investors toward companies focused primarily on selling to Chinese consumers, which has depressed both the broader small-cap Chinese indexes and many NASDAQ-listed names.
2. There appears to be some concern in the market that broadline appliance companies based in China with greater portfolio diversification are exerting pricing pressure in the domestic market to gain share, but we have not seen evidence of this yet.
3. While demand for in-home water purification in China is likely to remain strong for the foreseeable future, and as the company's installed base grows, the sale of replacement filters should continue to drive recurring revenues, there are concerns in the market that subsidies for water filtration systems in China pulled forward demand from future years. When coupled with the prospect of weak consumer spending in China and particularly weak investment spending on home renovations in 2025 (down 1-2%), the short-term outlook for this market is a bit depressed.
4. Finally, the company's largest customer, Xiaomi (HKSE – 1810.HK) has seen its shares fall sharply over the past 4 months and we feel that Viomi's shares are likely trading in sympathy with Xiaomi (discussed below).

In general, the company's closest comps in the Chinese market have seen their shares trade in a tight range over the past three months, with most of the companies trading within + or – 10% of their mid-November price (the exception is KingClean (Shanghai, 603355.SS), which is up roughly 50%). Viomi is the clear outlier, with its shares down more than 50% in the past 3 months. We expect that, eventually, this market overreaction will correct, providing patient investors with an excellent entry point for long-term positions.

### Correlation with Xiaomi

Xiaomi, the \$130 billion consumer electronics, cell phone, and EV giant in China, remains the primary customer for Viomi's products sold under the Xiaomi nameplate, accounting for more than 90% of the company's sales in the first half of 2025.

Xiaomi's stock more than doubled from 2024 to 2025, driven by enthusiasm for the company's smartphone business and initial acceptance of its EVs. However, in the fall of 2025, investors began to focus on a slower growth rate in the company's core smartphone business and tighter operating margins. After Xiaomi's third-quarter earnings report, several analysts lowered their forecasts for the company due to lower volumes in its smartphone business and a weak overall outlook.

Since October 2025, Xiaomi's stock has fallen roughly 40% and has given back a meaningful portion of its earlier gains.

Given the importance of Xiaomi's relationship with Viomi, it feels a bit like the old economic adage – “when America sneezes, the world catches a cold.” However, in this case, it's when Xiaomi sneezes that Viomi catches a cold.

If we look at the correlation between these two stocks over the past 18 months, it is clear that Viomi was off the radar for much of 2025, while Xiaomi became a stock market darling. However, that changed suddenly in the summer before Xiaomi's second-quarter earnings results when small-cap investors began to understand the importance of the relationship between Xiaomi and Viomi.

**Figure 1: Viomi vs. Xiaomi Share Performance**



Source: Yahoo Finance

Since October, Xiaomi's shares have fallen sharply, and, as a less liquid, small-cap proxy for Xiaomi, Viomi's shares appear to have been caught up in the fallout.

## NON-RENEWAL OF SUBSIDIES

China's National Development and Reform Commission and the Ministry of Finance updated their policy at the end of 2025 regarding rebates or subsidies that can be claimed under the "old-for-new" policy for consumer goods in 2026.

China's "Old-for-New" subsidy policy was implemented to spur domestic demand for large durable goods purchases, such as appliances or vehicles, by lowering the effective price of the products through subsidies issued to buyers. This policy supports the government's long-term goals to encourage a more balanced economy with greater emphasis on domestic consumption and a reduced reliance on manufacturing. Additionally, like the Car Allowance Rebate System (AKA "cash-for-clunkers") in the U.S., policies like this can speed up the replacement cycle of appliances, as older, less energy-efficient products are replaced with modern ones.

In 2025, the government expanded its home appliance subsidies to 12 categories, including water filtration systems, with subsidies ranging from 15% to 20% of the total purchase price. Since this was the first time in recent memory that water filtration was included in the home appliance subsidy, many

households took advantage of the opportunity to upgrade or purchase their first water filtration system. First-half revenues at Viomi were up 76% to \$206 million, partly due to these subsidies, and we expect that carried over a bit into the second half of 2025, though results have yet to be announced.

In December 2025, the Chinese government revealed that home appliance subsidies were reduced from 12 categories to just 6, with household stoves, range hoods, microwaves, **water purifiers**, dishwashers, and rice cookers eliminated from the program. Obviously, the elimination of the subsidy will affect sales in 2026, but we believe it will be more muted than some of the programs because of the size of the rebate and the possible growth of the market due to more water filtration systems in use.

The larger installed base resulting from this program also eventually means greater filter sales for Viomi, and we think that as more families spread the word about their water filtration systems purchased under the 2025 subsidy program, new customers will come calling despite the return to normalized pricing.

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## INTERNATIONAL EXPANSION

Viomi stepped up its efforts to expand internationally in 2025, directly into the face of the most significant trade tensions in recent memory. Viomi's management team highlighted the company's plans to enter the US market last year. Unfortunately, we feel like the combination of tariff uncertainty, the lack of a brand partnership similar to the Xiaomi relationship that the company has in China, and challenges selling online has slowed the company's expansion plans.

The recommended water filtration systems from the NYTimes Wirecutter are all owned by US-based A.O. Smith (NYSE: AOS), which acquired Aquasana in 2016. Although these filters may contain components from China, tariffs have not affected pricing much, as the water systems for undersink filtration on the highest-rated units are below \$120-\$130 online.

Searching on a popular consumer website like Amazon for a Tankless Reverse Osmosis Water Filtration system yields sponsored results that include the Viomi models, but when sorting by "bestselling" or "highest average review," the search results are dominated by Waterdrop, iSpring, and A.O. Smith (Aquasana) models.

Several Chinese companies have successfully built brand recognition among US consumers very quickly by delivering a great product at a good price point through existing retail channels. Companies like

- Haier (home appliances)
- TPlink (cameras)
- Worx (home and garden tools)
- DJI (drones)

have all rapidly gained market share in the US without large ad budgets by delivering high-quality products at affordable prices.

Another investor concern is that Viomi is highly reliant on the Xiaomi ecosystem to drive sales in China, and that the company does not have a similar relationship in the US. Thus far, the company's marketing efforts in the US have been limited to a tradeshow and a few press releases. We believe that the company could take steps to reverse investor worries about penetrating the US market by

- Partnering with a known home appliance brand to build private-label filtration systems similar to the Xiaomi relationship in China.
- Seeking a licensing agreement with a known water-related brand in the US, like Brita (owned by Clorox) or PUR (owned by Helen of Troy).
- Seeking retail distribution through the major home improvement retailers in the US (Home Depot or Lowe's).

Any of these steps would likely require a US sales team or business development efforts. To date, the company has relied mostly on digital marketing strategies that are less effective in the US for household appliance purchases.

However, while the company and investors have focused a great deal of attention on the US market, we think the story of Viomi's international expansion lies beyond the US and may be significantly closer to home.

India, Indonesia, and Pakistan face serious challenges regarding water safety and security. The shopping and home appliance buying habits of people in these countries also more clearly align with the Chinese market than the US market, so we think the company could have more success partnering with a large appliance brand in the home country to sell a water system that limits waste (like a tankless reverse osmosis system from Viomi) but still filters out all dangerous contaminants. There are some established brands in these markets, but the advanced technology offered by the Viomi filtration system could enable the company to quickly establish itself as a formidable brand.

The company has already entered the Malaysian market with a new tabletop model called the INNO. This model appears to be customized to meet the market's demands, which prioritize not only purification but also rapid water heating for tea. The company's strategy in the Malaysian market is a bit of a hybrid of its efforts in China and the US, and investors will be looking for indications that this rollout has been successful when the company reports second-half results.

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## SUMMARY

Viomi is a small-cap, NASDAQ-listed stock that the market views as having tariff risks, a slow-out-of-the-gate international expansion strategy, and an incredibly high customer concentration, with the overwhelming majority of its sales to Xiaomi. Historically, the company has traded at a slight discount to its peers due to these factors, but after falling more than 50% in the past three months, this appears to be an overreaction, and we think investors will begin to focus on the valuation, which is compelling at less than 3 times our 2026 EPS estimate.

At this point in the company's evolution, execution risk for its international expansion plans remains high. Until the company's expansion plans in Asia or the US market begin to show results, the market may continue to doubt the company's strategy.

A normalized valuation for a home appliance manufacturer should be 8-12 times earnings, and perhaps a bit higher if growth opportunities or new markets are entered, shares can trade above these multiples. Today, we feel the substantial discount applied to Viomi's shares is directly tied to the company's reliance on a single customer in a single market and the recent decline in that customer's stock price. The growth opportunities in China's water purification market are being offset by concerns about the company's ability to execute its expansion strategy.

Near-term catalysts that may change investor sentiment:

- The company will likely report second-half 2025 results in the next 60 days. While we anticipate that the phaseout of the subsidies likely impacted second-half results to some degree, the company should still be able to provide an updated growth plan for domestic growth and international expansion.
- The company will likely update the status of its stock buyback program. The average price of the company's first purchases under the stock buyback program was \$2.45/ADS, and with the stock trading almost 45% below that value today, we think it is possible that the company will be actively utilizing this buyback to reduce the total number of ADS's outstanding.
- The company has shown a commitment to enhancing shareholder value through both the current buyback and the special dividend paid in August 2025, and we think that commitment will continue, which may signal to investors management's confidence in Viomi's core business outlook.

However, ultimately, we feel that as long as Xiaomi remains the company's primary customer, investors will link the two companies together, and when Xiaomi outperforms, Viomi's outperformance is likely to be even greater, and when Xiaomi underperforms, Viomi is likely to be even weaker.

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## VALUATION

As we've noted previously, we believe the company's customer concentration (Xiaomi accounted for over 90% of sales in the first half of 2025) will lead investors to discount Viomi's valuation until the company can diversify its customer base significantly. We would remind investors that our base-case assumption was that the subsidies for water purification systems would not be renewed in China for 2026, so the 50% decline in the company's stock based on our base-case scenario becoming a reality is very perplexing.

Based on our EPS forecast of \$0.45/ADS for 2026, the stock is currently trading at less than 3 times this estimate. We believe Viomi's shares are fairly valued at 10-12 times earnings, and thus we are maintaining our 12-month target of \$5.00/ADS. We would note that if the company is aggressive with its share buyback program at current prices, it could have a positive impact on our target price later in 2026. Also, we recognize that the company's shares have a very high correlation with the shares of Xiaomi and the shares of Viomi are likely to remain under pressure until Xiaomi's shares recover.

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## OVERVIEW

Viomi Technology Co., Ltd (NASDAQ: VIOT) operates in China, offering water filtration, mineralization systems, and related products as of September 2024. The company has undergone a significant transformation over the past few years, and we believe that this transformation from a large, multi-line, unprofitable home appliance and connected home device company into a significantly smaller, yet profitable, water solutions and kitchen appliance company has not been fully understood by investors.

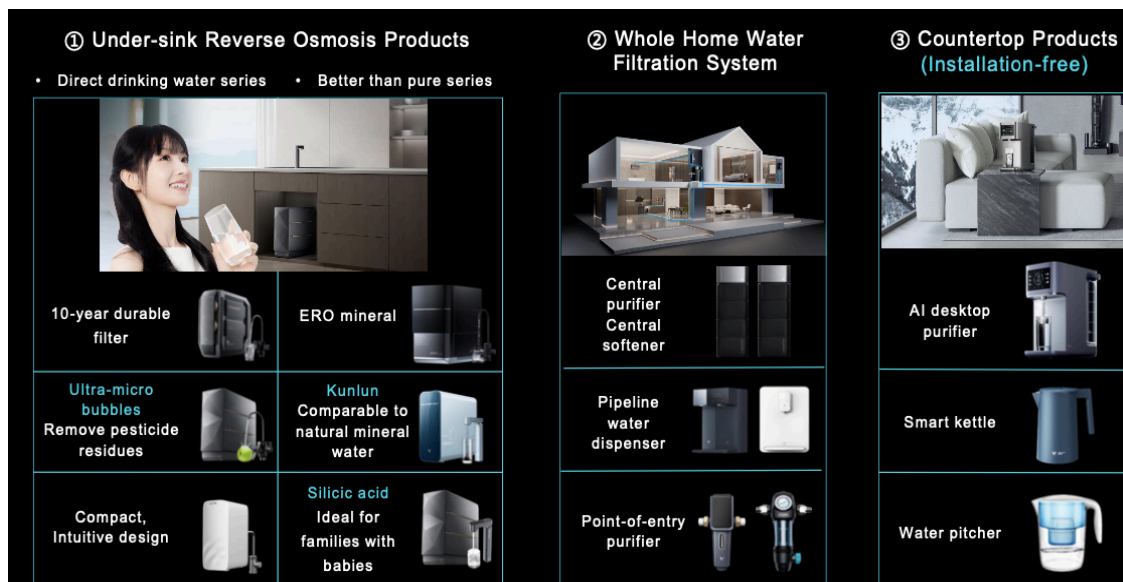
The ongoing operations of Viomi Technology subsequent to the 2024 divestiture of its internet of things business are principally related to the sale of

1. Home water systems – undersink filter systems, whole house filters, water softeners, water heaters, and water quality meters
2. Consumables – water filters
3. Kitchen appliances and other services – range hoods, gas stoves, small appliances, and installation services.

The company's water purification products are sold under both the Viomi brand and the Xiaomi brand (1810.HK HKSE). Xiaomi is the \$130 billion smartphone, EV, and consumer electronics giant based in China.

## VIOMI'S PRODUCT LINEUP

Figure 2: Viomi's Water Filtration Products



Source: Company Investor Presentation 2024

Viomi's water filtration products include under-the-sink reverse osmosis filtration systems, whole-house filtration systems, and various small countertop products.

**Under-the-sink reverse osmosis products** – The company offers a variety of products in the under-the-sink category, but the key differentiators are the flow rate of the water, the levels of filtration, and the degree of connectivity. Higher flow rates are valued by some consumers who wish to fill large bottles or pots for cooking. However, it should be noted that these higher flow rates may impact the life of the reverse osmosis membrane, as the force of the water being pushed through the membrane will be greater. The company's standard models marketed under the Viomi brand sell for an average price of between RMB 2,000 and RMB 3,000 (\$275-\$400) while the carbon filter replacements are around RMB 300 – 400 (\$40-\$55 - higher if it includes mineralization) and the reverse osmosis filters are around RMB 800 – 1000 (\$110-\$140).

In May 2025, the company introduced a new line of purifiers called the Kunlun series, which not only filters the water entering a home but also adds up to 6 minerals to the water, creating a "mineral water"-like experience from the tap. While reverse osmosis systems are valued for their ability to remove all contaminants, the process also removes beneficial minerals, such as calcium, magnesium, and iron. Health-conscious consumers are seeking ways to ensure they have access to safe drinking water while still consuming beneficial minerals. The Kunlun series enables consumers to add these minerals back to the water before consumption.

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## RISKS

- Xiaomi is an important partner, shareholder, and customer of the company. Sales to Xiaomi accounted for over 92% of total revenues in the first half of 2025. Obviously, the loss of Xiaomi as a customer would have a severe impact on Viomi and the valuation of the company's ADSs. The company's relationship with Xiaomi is based on a series of contracts that are subject to early termination by Xiaomi under certain circumstances. The company has extended its relationship for the sale of water products to Xiaomi for another three years through 2027.
- The company is currently undergoing a significant expansion of its manufacturing capacity, which is expected to be completed within five years. The first phase of this expansion was completed in 2023, which brought R&D and water purification smart manufacturing to the facility. The second phase of the expansion will include upgrading the water purification supply chain capabilities. If the company experiences delays or increased costs associated with this expansion, it could impact the company's ability to operate profitably.
- The company and its auditors have identified material weaknesses in the company's internal controls over financial reporting, particularly regarding the staff's familiarity with US GAAP. The company has implemented a plan to address these concerns by hiring additional staff who are familiar with US GAAP rules and providing sufficient training to existing staff.
- The company has a dual-class share structure with Class A and Class B shares. The Class B shares entitle the holders to 10 votes at the company's annual meeting versus just one vote for Class A shares. The holders of the Class B shares, principally the company's CEO and a subsidiary of Xiaomi, control over 90% of the voting rights of the company and will be able to exercise substantial control in directing all matters that come before the company for a vote.
- The company's operating entities currently conduct the majority of its operations in China and the People's Republic of China (PRC), and the government has "significant oversight and discretion" over their business. Additionally, economic challenges in China could have a material impact on the company's business.

## PROJECTED INCOME STATEMENT

Viomi Technology Co., Ltd.

In USD at RMB 7.1636 = 1 USD

11/10/25

	June		Dec		June		Dec	
	2024A	H1 25 A	H2 25 E	2025E	H1 26 E	H2 26 E	2026	
<i>(Millions USD; December Year-End)</i>								
<b>Revenues:</b>								
A related party (Xiaomi)	249.2	190.0	191.7	381.6	162.2	200.7	362.9	
Third parties	41.1	16.3	16.7	33.0	28.6	27.4	56.0	
<b>Total Revenues</b>	<b>290</b>	<b>206</b>	<b>208</b>	<b>415</b>	<b>191</b>	<b>228</b>	<b>419</b>	
Cost of Revenues	215	152	157	309	141	172	313	
<b>Gross Profit</b>	<b>75</b>	<b>55</b>	<b>51</b>	<b>106</b>	<b>50</b>	<b>56</b>	<b>106</b>	
<b>Gross Profit Margin</b>	<b>25.9%</b>	<b>26.5%</b>	<b>24.7%</b>	<b>25.6%</b>	<b>26.1%</b>	<b>24.8%</b>	<b>25.4%</b>	
<b>Operating Expenses:</b>								
Research & Development Expense	20	12	12	24	12	12	25	
Selling & Marketing Expense	29	18	18	36	15	20	35	
General & Administrative Expense	10	9	9	18	9	9	19	
<b>Total Operating Expenses</b>	<b>58</b>	<b>39</b>	<b>39</b>	<b>79</b>	<b>37</b>	<b>42</b>	<b>78</b>	
other income, net	4.5	1.3	1.2	2.5	1.2	1.2	2.3	
<b>Operating Income (Loss)</b>	<b>21</b>	<b>17</b>	<b>13</b>	<b>30</b>	<b>14</b>	<b>16</b>	<b>30</b>	
Interest & Investment Income/(Loss)	1	3	3	5	3	3	5	
Other non-operating Income	0	0	0	-	0	0	0	
<b>Income before Taxes</b>	<b>22</b>	<b>19</b>	<b>16</b>	<b>35</b>	<b>17</b>	<b>19</b>	<b>36</b>	
Income (Taxes)/Benefit	(2)	(2)	(2)	(4)	(2)	(2)	(4)	
<b>Net income from continuing operations</b>	<b>20</b>	<b>17</b>	<b>14</b>	<b>31</b>	<b>15</b>	<b>16</b>	<b>31</b>	
<b>Net (loss)/income from discontinued operations</b>	<b>(11)</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	
Less: Net loss attributable to non-controlling interest	(0)	0	0	0	0	0	0	
<b>Net Income (Loss) reported</b>	<b>9</b>	<b>17</b>	<b>14</b>	<b>31</b>	<b>15</b>	<b>16</b>	<b>31</b>	
<b>Net Income in \$</b>								
EPS reported	0.04	0.08	0.07	0.15	0.07	0.08	0.15	
<b>Earnings Per ADS</b>	<b>0.13</b>	<b>0.24</b>	<b>0.20</b>	<b>0.45</b>	<b>0.22</b>	<b>0.24</b>	<b>0.45</b>	
Diluted Shares (weighted average)	206.3	205.9	206.0	205.9	206.5	207.0	206.7	
ADS outstanding	68.8	68.6	68.7	68.6	68.8	69.0	68.9	
<b>Margins:</b>								
<b>Gross Margin</b>	<b>25.9%</b>	<b>26.5%</b>	<b>24.7%</b>	<b>25.6%</b>	<b>26.1%</b>	<b>24.8%</b>	<b>25.4%</b>	

1 ADS (American Depositary Share) = 3 ordinary shares

\* Disposed businesses now reclassified as discontinued operations

# BALANCE SHEET

Viomi Technology Co., Ltd.

Balance Sheet in RMB (RMB 7.1636 to US \$1.00)

6/30/25

(Renminbi RMB in Millions) 6/30/25

## Assets

Current Assets	RMB	USD
Cash and Cash Equivalents	709	99
Restricted Cash Current	341	48
Short-term Deposits	377	53
Short-term Investments	108	15
Accounts and Notes Receivable from 3rd Parties (net)	36	5
Accounts and Notes Receivable from Related Party (net)	778	109
Inventories	114	16
Prepaid expenses and other current assets	68	9
Other receivables from related parties	3	0
<b>Total current assets</b>	<b>2,534</b>	<b>354</b>
<b>Non-Current Assets</b>		
Prepaid expenses and other non-current assets	7	1
Property & Equipment (net)	315	44
Deferred Tax Assets	11	2
Intangible Assets (net)	7	1
Right of use asset	3	0
Land use rights, net	57	8
Long-term investment	8	1
<b>Total non-current assets</b>	<b>407</b>	<b>57</b>
<b>Total Assets</b>	<b>2,942</b>	<b>411</b>

## Liabilities

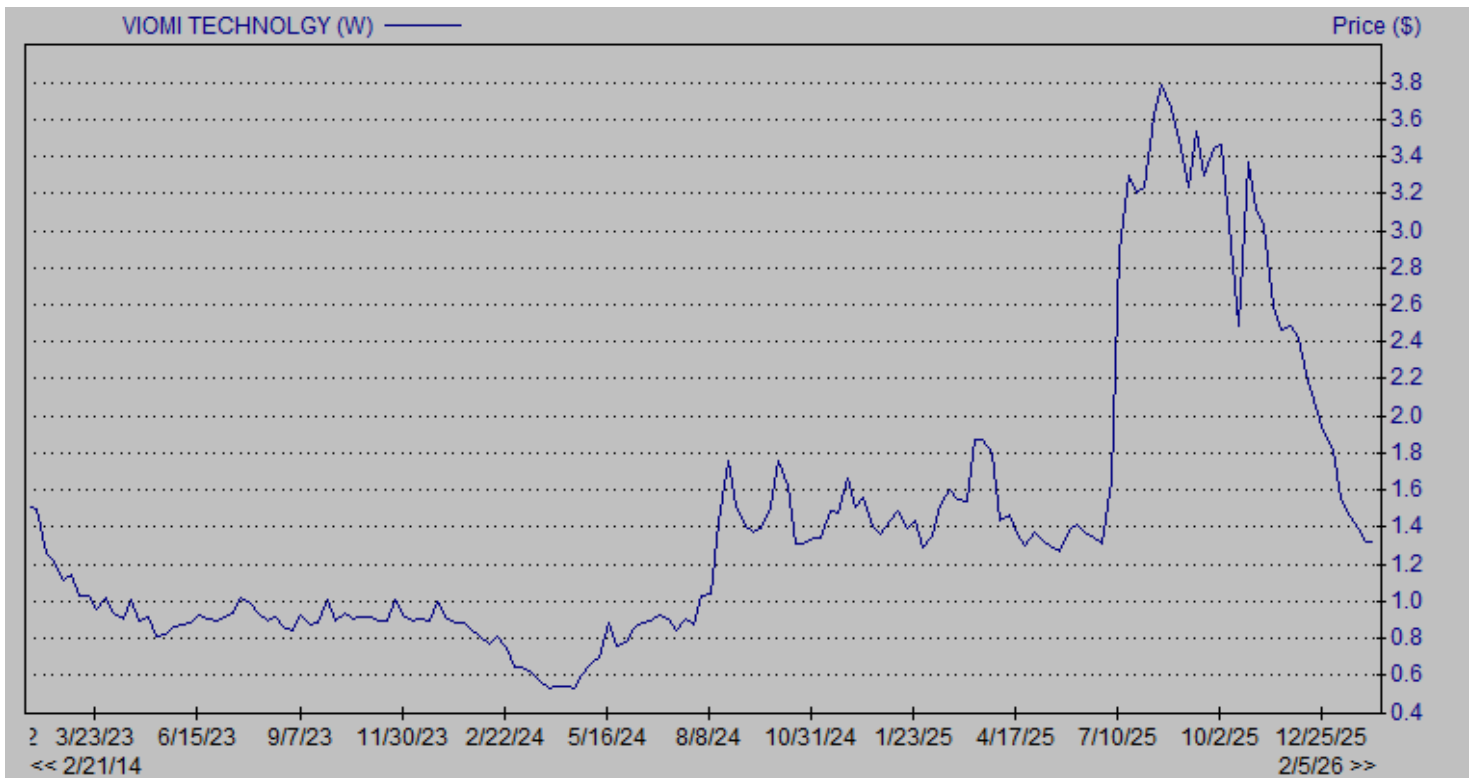
Current Liabilities		
Short-Term borrowing	40	6
Accounts and notes payable	983	137
Advances from customer	13	2
Amount due to related parties	8	1
Accrued expenses and other liabilities	210	29
Income Tax Payable	13	2
Lease liabilities due within one year	2	0
Long-term borrowing-current portion	27	4
<b>Total current liabilities</b>	<b>1,296</b>	<b>181</b>
<b>Non-Current Liabilities</b>		
Accrued expenses	14	2
Long-term borrowing	64	9
Lease liabilities	1	0
<b>Total Liabilities</b>	<b>1,376</b>	<b>192</b>

## Shareholder's Equity

Ordinary Shares	0	0
Treasury Shares	-85	-12
Additional Paid-in Capital	1,381	193
Accumulated Other Comprehensive Loss	-2	0
Retained Earnings	267	37
Non-controlling interests	5	1
<b>Shareholder's Equity (Deficiency)</b>	<b>1,566</b>	<b>219</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>2,942</b>	<b>411</b>

Source: Company Press Release

# HISTORICAL STOCK PRICE



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