

# Zacks Small-Cap Research

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

### VIOT: Viomi's Next Test is to Find Growth Without a Subsidy Tailwind

We continue to anticipate a normalization of the company's business in the back half of 2026 with a return to growth in 2027. However, we believe the degree of the first half slowdown could exceed our current expectations. We are leaving our 12-month valuation target unchanged at \$2.25/ADS for the time being.

Current Price (6/16/26) **\$0.90**  
Valuation **\$2.25**

### OUTLOOK

Viomi has not provided any guidance for 2026 but it appears as though demand for household durables (like the company's water filtration systems) continues to struggle in China based on the latest economic reports released by the government.

The market appears to favor diversified appliance makers with global distribution over focused domestic brands like Viomi at the moment.

Viomi remains closely aligned with Xiaomi and the demand decline and margin pressures that Xiaomi is facing has sharply impacted its valuation in 2026. Xiaomi's weakness has likely had a spillover effect on Viomi's shares.

### SUMMARY DATA

52-Week High **\$4.33**  
52-Week Low **\$0.87**  
One-Year Return (%) **-34%**  
Beta **0.38**  
Average Daily Volume (sh) **256,509**

Shares Outstanding (mil) **67**  
Market Capitalization (\$mil) **\$61**  
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 **3.1**  
P/E using 2026 Estimate **7.5**  
P/E using 2027 Estimate **5.3**

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)
2024		115 A		176 A	290 A
2025		211 A		136 A	347 A
2026		129 E		149 E	277 E
2027		137 E		164 E	302 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2024		\$0.01 A		\$0.11 A	\$0.13 A
2025		\$0.25 A		\$0.04 A	\$0.29 A
2026		\$0.03 E		\$0.08 E	\$0.12 E
2027		\$0.05 E		\$0.12 E	\$0.17 E

Zacks Projected EPS Growth Rate - Next 5 Years % **10%**

\*2024 Rev/EPS restated to reflect continuing operations

\*6 month estimates may not sum due to different exchange rates

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## WHAT'S NEW

### Durable Good Consumption in China

The trends in the domestic Chinese home appliance market that emerged in the first quarter – lower overall demand, weak pricing, and the hangover from appliance subsidies in 2025, which pulled forward demand – appear to have continued through the first two months of the second quarter. In the most recent government data, consumers continue to show price sensitivity, and large consumer purchases like autos and home appliances fell 20% in May. <sup>1</sup>

This decline in demand has persisted in the market despite the government renewing 15% subsidies on refrigerators, washing machines, televisions, air conditioners, computers, and water heaters in 2026. We have been forecasting a roughly 20% decline in Viomi's 2026 sales, as we felt the 2025 sales jump (up 20%) was driven in large part by the inclusion of water purification systems in the government trade-in program in 2025, which was not renewed in 2026. However, if all appliances, including those with continuing subsidies like air conditioning units, are experiencing a 20% decline even with the subsidies in place this year, we think the impact on a company like Viomi, with its concentration of sales in China and its main focus on water purification, could be greater than we are currently forecasting.

There are several significant shopping holidays on the horizon, including the annual 618 shopping festival this week, that could signal a change in consumer demand. Currently, we believe domestic economic headwinds and the demand that was pulled forward in 2025 may significantly impact Viomi's operations in the first half of 2026.

We believe that home water filtration remains a priority for many consumers in China, and demographic trends favor continued market growth over the long term. However, it appears consumers are deferring purchases of larger durable goods at the moment, which could impact Viomi's near-term results.

Government data and industry reports indicate that appliance demand has weakened around major events, such as the May national holiday. This creates some risk that companies will seek to drive revenue or gain market share by offering steeper discounts around upcoming shopping holiday periods. There also appears to be a risk that consumers are becoming conditioned to expect subsidies on all purchases, and may defer purchases until subsidies are available for the item they need. There are several categories where equipment purchases are driven by equipment failure, such as washers/dryers, refrigerators, or TVs, while other categories, like air conditioning units, small appliances, or possibly water filtration, may be upgraded when price or technological improvements drive consumer decisions. These upgrades tend to be more sensitive to consumer sentiment, and we think this is why water filtration could be underperforming the broader appliance market.

As we've discussed previously, the company has several Chinese-based appliance peers that manufacture and sell across home appliance markets, including Midea Group, Haier Smart Home, Gree Electric Appliance, and HiSense Appliance. While most of these companies sell water filtration systems, they tend to focus on larger appliances such as HVAC systems, refrigerators, and electronics. While these companies operate in the same market as Viomi, their revenues and market capitalizations are many times those of Viomi, yet it is still worth discussing what they are experiencing in the market.

**1) Midea Group (Shenzhen: 000333.SZ) - \$90 billion market cap**

Midea's shares have been effectively flat over the past 6 months, despite its relatively large exposure to the Chinese market (more than 50% of sales are tied to China). The company sells a diverse product lineup, including air conditioners, heat pumps, refrigerators, dishwashers, ranges, and water purification systems. Many of the company's products are still eligible for government subsidies in 2026, which should help its year-over-year comparisons. Midea's international exposure and multi-line offerings appear to have insulated it somewhat from concerns about the Chinese market.

**2) Haier Smart Home (Shanghai: 600690.SS) - \$28 billion market cap**

Haier markets its appliances under a variety of brands including Haier, GE Appliances and numerous regional brands. While Haier is a dominant player in China, holding close to 50% market share in several key categories, the company also has significant market share in North America and Europe. The diversification of its operations around the globe has helped the company weather regional economic weakness, but we note that over the last three months the stock has slipped about 15% and is currently at its lowest price in roughly 5 years. Haier may be seen as the best proxy for the health of the Chinese consumer.

**3) Gree Electric Appliance (Shenzhen 000651.SZ) - \$31 billion market cap**

Gree is primarily focused on HVAC products, but it also sells major home appliances and small kitchen appliances. It is relevant because, like Viomi, the overwhelming majority of its sales are from domestic operations in China. The company's shares are only down about 10% over the last six months, but are effectively at a 52-week low, which, like Haier, seems to signal concerns about the health of household spending on large-ticket items in China.

**4) Hisense Home Appliance (Shenzhen 000921.SZ) - \$6 billion market cap**

Hisense derives a greater share of its revenue from electronics and connected appliances (such as televisions) than some other traditional appliance companies. The prioritization of Chinese consumers on upgrading to larger televisions with additional features has helped Hisense's results recently. The company derives more than 40% of its sales from international operations, which, combined with the view that it's not strictly a durable goods company, makes it more attractive to investors. The company's stock is trading near a 52-week high despite the challenges in the domestic market.

When considering the larger home appliance companies and how they compare to Viomi Technology,

**Large Cap Appliance Companies**

- Diversified product lines
- Less impact from subsidy removal
- China-focused but growing Int'l ops
- Diverse customer base

**Viomi Technology**

- Focused on Water Purification
- Significant impact from subsidy removal
- 90%+ of sales are derived from China
- 90% of sales tied to Xiaomi

The challenges facing all companies operating in this market are similar, but the concentration of Viomi's products in one vertical that was eligible for a subsidy in 2025 but not eligible in 2026, its exposure to the domestic Chinese market, and its customer concentration are combining to heighten the risk in 2026.

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**INTERNATIONAL EXPANSION**

We have heard very little about the company's international expansion plans in 2026 beyond its vision to accelerate its push into offline channels in the US and we've not seen the products stocked in any major home improvement retailers to date. At this point, roughly halfway through 2026, it appears the company is still relying on its Amazon distribution platform to drive US sales, and based on the review count, we think this is still a very small portion of the overall business.

We still believe the Southeast Asian market presents the greatest near-term opportunity for Viomi, but we haven't seen any indication that the company has accelerated its efforts to target new markets here in 2026.

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## XIAOMI UPDATE

To paraphrase the economic saying, "If Xiaomi sneezes, Viomi catches a cold." Despite the company's efforts to expand into new markets and develop new partnerships, sales to Xiaomi accounted for roughly 90% of total sales in the second half of 2025. Xiaomi has repositioned itself as a technology provider and EV manufacturer, but rising input costs are expected to have a meaningful impact on the company's profit margins. As a result, Xiaomi's shares have sharply underperformed over the last year, and the stock is trading near 2-year lows.

We believe the steep selloff in Xiaomi's shares has also impacted Viomi's valuation in recent months, as Viomi is sometimes viewed as a small-cap proxy for Xiaomi.

We would also note that, despite the company's efforts to diversify its customer base, Xiaomi's share of sales rose from 78.9% in 2023 to 89.6% in 2025. This reliance on the relationship with Xiaomi, and the challenges currently facing Xiaomi (primarily in its cell phone and auto businesses), are likely further impacting the market's view of Viomi.

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## SHARE PRICE UPDATE

Most of the companies in this home appliance space have seen their share prices dip to new lows recently as a result of the challenges facing the domestic market in China. Given Viomi's small-cap status, dependence on Xiaomi, focus on the Chinese domestic market, water filtration focus, and limited international exposure, these factors have had a far greater impact on Viomi than on any of its large-cap peers. Shares of Viomi are down roughly 60% over the last six months, but the stock appears to have stabilized a bit over the last 2 months in the \$0.90-\$1.00/share range.

We believe the shares are now fully discounting the worst case scenario for 2026 where sales might fall more than 20% in China as a result of the subsidy non-renewal for water purification systems and an inability of the company to penetrate new markets.

There has been speculation that Chinese authorities may consider a mid-year stimulus package to spur investment and spending, but we don't think investors should plan for another stimulus package.

We continue to believe that the first half of 2026 will mark the low point for revenues of Viomi and that the company will return to revenue growth in the second half. There are significant opportunities for the company to grow its international offline business, and we think any news on this front could radically change investors' perceptions of Viomi's prospects.

We recognize that the weakness in domestic spending is deeper and broader than we initially anticipated, but we are electing to maintain our model for the time being because it is unclear how the spending slowdown is specifically impacting the company.

A core piece of the investment thesis is that over time two key things will happen at Viomi:

- The company's reliance on Xiaomi will be reduced over time and
- Sales of higher margin consumables (principally filters) will increase over time as the company has a larger installed base of purification systems.

Unfortunately, the data published in the company's 2025 20-F seem to indicate that these are not happening and, in fact, are trending in the opposite direction. The company's sales to Xiaomi grew from roughly 83% to almost 90% in 2025, while sales of consumables fell to under 10% of total sales, down from roughly 20% in 2023. We believe the longer useful life of the company's new filters could be impacting sales of consumables.

The company's sales of other kitchen appliances have grown in recent years, and we think investors are failing to recognize that nearly 20% of 2025 sales came from sources other than water purification.

Despite the very challenging operating environment right now for Viomi, we think several key shopping holidays are on the horizon, beginning with the 618 shopping event this week, that could provide a catalyst for the company. We continue to believe that the company would be fairly valued at 12-14 times our 2027 estimate of \$0.17/ADS, so we are maintaining our 12-month target to \$2.25/ADS. We would note that if the company were to expand its share buyback program or sign a major offline retail distribution agreement in the US market, it could change our outlook, and the company's shares could find support sooner than anticipated.

The company's balance sheet remains very strong, with close to \$188 million in cash at year-end, and affords the company the flexibility to continue enhancing shareholder value through special dividends or share buybacks.

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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, water solutions and kitchen appliance company has not been fully understood by investors.

The ongoing operations of Viomi Technology, after 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 and Xiaomi brands (HKSE: 1810.HK). Xiaomi is a \$120 billion smartphone, EV, and consumer electronics giant based in China.

## VIOMI'S PRODUCT LINEUP

Figure 1: 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.

## RISKS

- Xiaomi is an important partner, shareholder, and customer of the company. Sales to Xiaomi accounted for over 90% of total revenues in 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.

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<https://www.scmp.com/economy/economic-indicators/article/3356567/chinas-consumer-prices-see-may-uptick-oil-shock-inflates-factory-gate-costs>

## PROJECTED INCOME STATEMENT

Viomi Technology Co., Ltd.  
In USD at RMB 6.9931 = 1 USD  
3/25/26

	2024A			2025E			2026E			2027E		
	June	Dec		June	Dec		June	Dec		June	Dec	
	H1 25 A	H2 25 A	2025E	H1 26 E	H2 26 E	2026E	H1 27 E	H2 27 E	2027E			
<i>(Millions USD; December Year-End)</i>												
<b>Revenues:</b>												
A related party (Xiaomi)	249.2	194.6	122.1	316.7	115.8	132.3	248.1	120.7	143.1	263.7		
Third parties	41.1	16.7	13.8	30.5	12.9	16.3	29.2	16.5	21.4	37.8		
<b>Total Revenues</b>	<b>290</b>	<b>211</b>	<b>136</b>	<b>347</b>	<b>129</b>	<b>149</b>	<b>277</b>	<b>137</b>	<b>164</b>	<b>302</b>		
Cost of Revenues	215	155	104	259	98	112	211	104	123	227		
<b>Gross Profit</b>	<b>75</b>	<b>56</b>	<b>32</b>	<b>88</b>	<b>30</b>	<b>36</b>	<b>67</b>	<b>33</b>	<b>41</b>	<b>74</b>		
<b>Gross Profit Margin</b>	<b>25.9%</b>	<b>26.5%</b>	<b>23.5%</b>	<b>25.3%</b>	<b>23.6%</b>	<b>24.6%</b>	<b>24.1%</b>	<b>24.1%</b>	<b>25.1%</b>	<b>24.6%</b>		
<b>Operating Expenses:</b>												
Research & Development Expense	20	13	11	24	11	11	22	12	12	24		
Selling & Marketing Expense	29	18	21	40	17	19	36	17	20	38		
General & Administrative Expense	10	9	3	12	3	3	7	3	4	7		
<b>Total Operating Expenses</b>	<b>58</b>	<b>40</b>	<b>35</b>	<b>76</b>	<b>31</b>	<b>33</b>	<b>65</b>	<b>33</b>	<b>36</b>	<b>69</b>		
other income, net	4	1	5	6	3	3	5	3	3	6		
<b>Operating Income (Loss)</b>	<b>21</b>	<b>17</b>	<b>1</b>	<b>18</b>	<b>1</b>	<b>6</b>	<b>7</b>	<b>3</b>	<b>8</b>	<b>11</b>		
Interest & Investment Income/(Loss)	1	3	1	4	1	1	2	1	1	2		
Other non-operating Income	0	0	(0)	(0)	0	0	0	0	0	0		
<b>Income before Taxes</b>	<b>22</b>	<b>20</b>	<b>2</b>	<b>22</b>	<b>3</b>	<b>7</b>	<b>9</b>	<b>4</b>	<b>9</b>	<b>14</b>		
Income (Taxes)/Benefit	(2)	(2)	1	(2)	(0)	(1)	(1)	(1)	(1)	(2)		
<b>Net income from continuing operations</b>	<b>20</b>	<b>17</b>	<b>3</b>	<b>20</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>12</b>		
<b>Net (loss)/income from discontinued operations</b>	<b>(11)</b>	<b>0</b>	<b>0</b>	<b>0</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	0	0	0		
<b>Net Income (Loss) reported</b>	<b>9</b>	<b>17</b>	<b>3</b>	<b>20</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>12</b>		
<b>Net Income in \$</b>												
<b>EPS reported</b>	<b>0.04</b>	<b>0.08</b>	<b>0.01</b>	<b>0.09</b>	<b>0.01</b>	<b>0.03</b>	<b>0.04</b>	<b>0.02</b>	<b>0.04</b>	<b>0.06</b>		
<b>Earnings Per ADS</b>	<b>0.13</b>	<b>0.25</b>	<b>0.04</b>	<b>0.29</b>	<b>0.03</b>	<b>0.08</b>	<b>0.12</b>	<b>0.05</b>	<b>0.12</b>	<b>0.17</b>		
Diluted Shares (weighted average)	206.3	205.9	210.9	210.9	209.9	209.3	209.6	208.8	208.3	208.6		
ADS outstanding	68.8	68.6	70.3	70.3	70.0	69.8	69.9	69.6	69.4	69.5		
<b>Margins:</b>												
<b>Gross Margin</b>	<b>25.9%</b>	<b>26.5%</b>	<b>23.5%</b>	<b>25.3%</b>	<b>23.6%</b>	<b>24.6%</b>	<b>24.1%</b>	<b>24.1%</b>	<b>25.1%</b>	<b>24.6%</b>		

## BALANCE SHEET

Viomi Technology Co., Ltd.

Balance Sheet in RMB (RMB 6.9931 to US \$1.00)

12/31/25

(Renminbi RMB in Millions) 12/31/25

### Assets

Current Assets	RMB	USD
Cash and Cash Equivalents	807	115
Restricted Cash Current	164	24
Short-term Deposits	258	37
Short-term Investments	83	12
Accounts and Notes Receivable from 3rd Parties (net)	25	4
Accounts and Notes Receivable from Related Party (net)	340	49
Inventories	127	18
Prepaid expenses and other current assets	157	22
Other receivables from related parties	0	0
<b>Total current assets</b>	<b>1,960</b>	<b>280</b>
<b>Non-Current Assets</b>		
Prepaid expenses and other non-current assets	19	3
Property & Equipment (net)	305	44
Long-term Deposits	20	3
Deferred Tax Assets	8	1
Intangible Assets (net)	6	1
Right of use asset	2	0
Land use rights, net	57	8
Long-term investment	13	2
<b>Total non-current assets</b>	<b>430</b>	<b>62</b>
<b>Total Assets</b>	<b>2,391</b>	<b>342</b>

### Liabilities

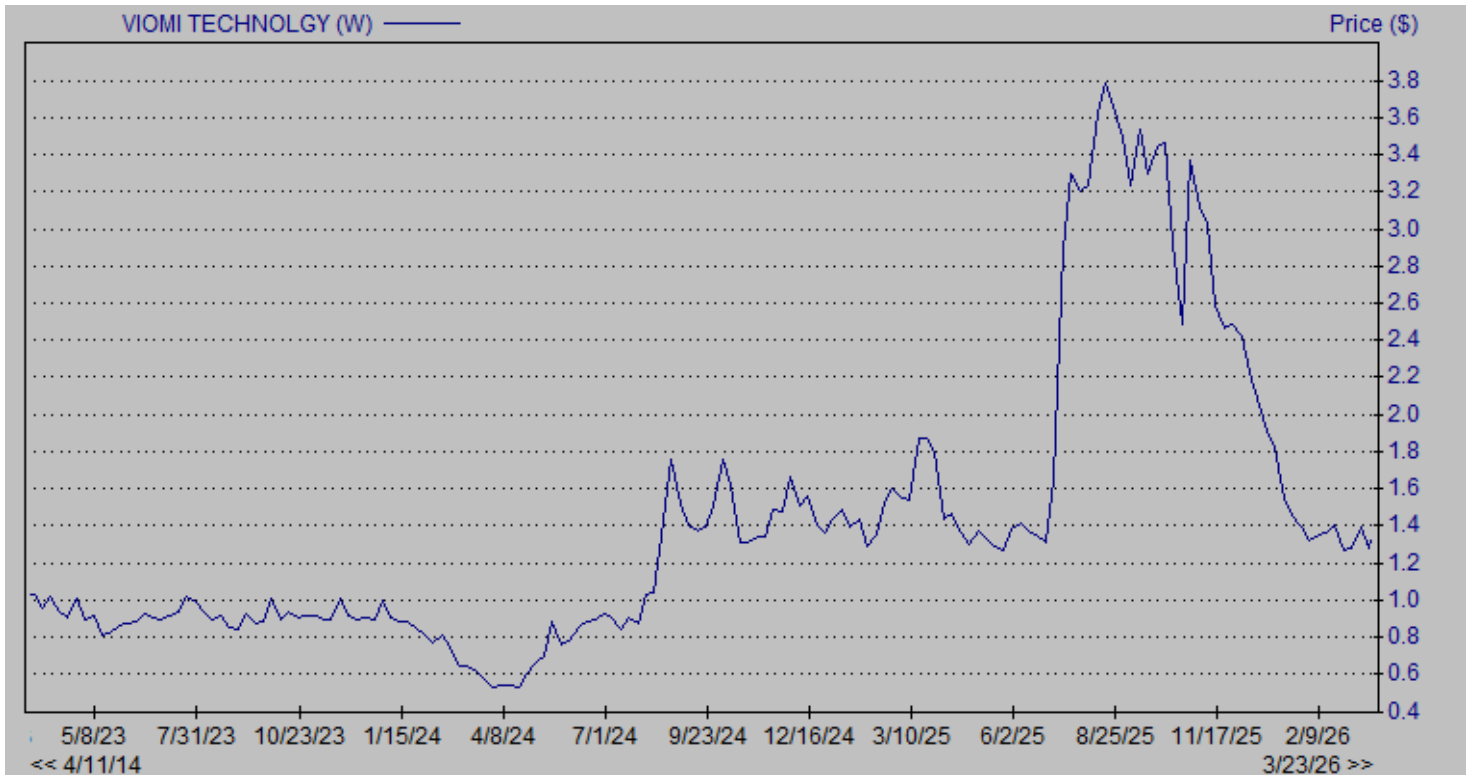
Current Liabilities		
Short-Term borrowing	40	6
Accounts and notes payable	518	74
Advances from customer	10	1
Amount due to related parties	1	0
Accrued expenses and other liabilities	157	22
Income Tax Payable	1	0
Lease liabilities due within one year	1	0
Long-term borrowing-current portion	25	4
<b>Total current liabilities</b>	<b>753</b>	<b>108</b>
<b>Non-Current Liabilities</b>		
Accrued expenses	53	8
Long-term borrowing	52	7
Lease liabilities	0	0
<b>Total Liabilities</b>	<b>859</b>	<b>123</b>

### Shareholder's Equity

Ordinary Shares	0	0
Treasury Shares	-103	-15
Additional Paid-in Capital	1,414	202
Accumulated Other Comprehensive Loss	-11	-2
Retained Earnings	226	32
Non-controlling interests	5	1
<b>Shareholder's Equity (Deficiency)</b>	<b>1,532</b>	<b>219</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>2,391</b>	<b>342</b>

Source: Company Press Release

## HISTORICAL STOCK PRICE



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