

Ticker:

ZBH

Company Snapshot



EAGLE FUND

ZIMMER BIOMET HOLDINGS INC (New York: ZBH, Currency: USD) 158.28 / -0.04% / -0.060001
 Bloomberg Rating: IG2 Sector: Health Care Industry: Health Care Equipment & Suppli Sub-Industry: Health Care Equipment FY End: December 2020 EPS D

Description
 Zimmer Biomet Holdings, Inc. designs, develops, manufactures, and markets medical equipment. The Company offers orthopedic, dental, and spinal reconstructive implants, as well as bone cement and related surgical products. Zimmer Biomet Holdings serves patients worldwide.

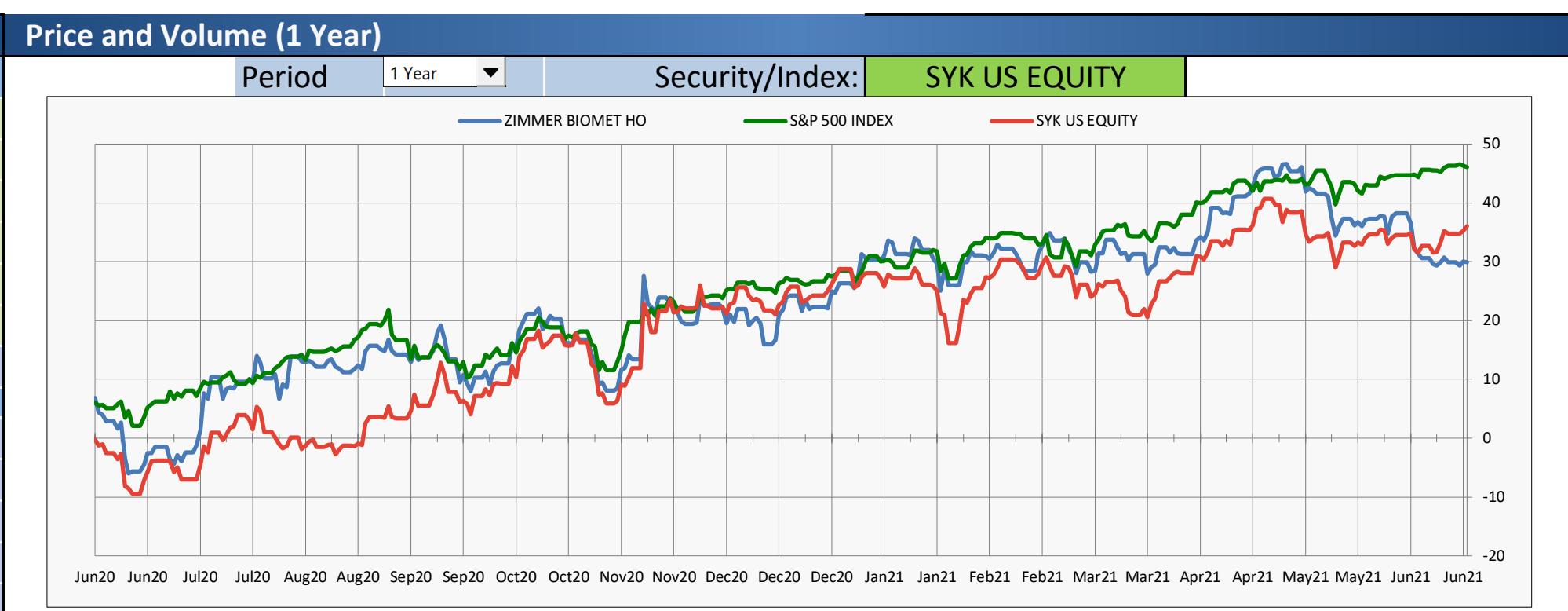
Business Segments (FY: Dec-20)	Revenue
Knees	2,389.80
Hips	1,750.50
E.T.-Product	1,322.00
CFMT	1,043.70
Surgical Products & Other	518.50

Key Statistics	
52-Week Range	112 - 180.36
Avg Daily Vol (3 Mo)	1,054,928
Market Value	32,998.5
Current Enterprise Va	40,117.75
Shares Outstanding (E	208.48 M
Dividend Yield	0.6%
Float %	99.9%
Institutional %	105.2%
Analyst Coverage	29 Analysts
Target Price	190.75
LT Growth Rate	1193.8%
Consensus Rating	4.55
Return on Equity	4.7%

Actual and Estimate Data			
	LTM	12/2021	12/2022
Revenue	7,088.10	8,099.73	8,521.56
% change y/y		15.3%	5.2%
EBITDA	2,449.50	2,662.18	2,903.94
% Margin		-	9.1%
EPS	3.311948	7.843	8.768
% change y/y		38.3%	11.8%
EV/Sales	5.7x	4.8x	4.4x
EV/EBITDA	16.5x	15.1x	13.8x
P/Sales	4.6x	4.1x	3.9x
P/Earnings	47.8x	20.2x	18.1x
P/Book	2.7x	2.3x	2.1x

Relative Comps	Mkt Cap	PE (NTM)
Zimmer Biomet Holdings Inc	33.00 B	19.4x
SmileDirectClub Inc	3.51 B	
OrthoPediatrics Corp	1.24 B	
Globus Medical Inc	7.29 B	37.6x
	3.41 B	27.2x
Alphatec Holdings Inc	1.44 B	
Stryker Corp	97.24 B	27.1x
Masimo Corp	12.30 B	56.3x
Penumbra Inc	10.09 B	270.3x
AtriCure Inc	3.49 B	
Axonics Inc	2.69 B	
iRhythm Technologies Inc	1.84 B	
Cardiovascular Systems Inc	1.62 B	
LeMaitre Vascular Inc	1.21 B	45.7x
Renalytix AI PLC	0.83 B	

Measure:	Sales/Revenue/Turnover			
	2019	2020	2021	2022
Q1 Mar	1975.50	1783.80	1847.40	2020.42
Q2 Jun	1988.60	1226.10	1975.36	2123.44
Q3 Sep	1892.40	1929.30	2029.04	2055.50
Q4 Dec	2125.70	2085.30	2269.64	2316.20
Year	7982.20	7024.50	8099.73	8521.56
Cal Yr	7982.20	7024.50	8099.73	8521.56
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 06/21	0.0%	0.1%	1.5%	-0.2%
Qtr End 09/21	0.0%	0.0%	-0.6%	0.2%
FY End 12/21	0.0%	0.1%	1.7%	-0.2%
FY End 12/22	0.0%	0.0%	1.8%	0.0%



Prices/Volume	
YTD Change	2.72%
6 Month Change	18.65%
3 Month Change	-1.0%
1 Year Change	6.2%
Daily Volume	533,339
Average Volume 30 Day	1,171,815
Average Volume 3 Month	1,054,928
Average Volume 6 Month	1,159,209
Dividend Yld	0.6%
52 Week Beta	1.18

Measure:	Diluted EPS Bef XO Items			
	2019	2020	2021	2022
Q1 Mar	1.20	-2.46	0.94	1.32
Q2 Jun	0.65	-1.00	1.17	1.43
Q3 Sep	2.08	1.16	1.28	1.37
Q4 Dec	1.54	1.59	1.65	1.84
Year	5.47	-0.67	5.22	6.13
Cal Yr	5.47	-0.67	5.22	6.13
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 06/21	0.0%	-1.0%	6.6%	-
Qtr End 09/21	0.0%	-2.4%	-1.4%	-
FY End 12/21	0.0%	-0.7%	7.9%	-
FY End 12/22	0.0%	-1.4%	1.8%	-

Performance	2012	2013	2014	2015	2016	2017	2018	2019	2020	5 Yr Avg
Price Change	24.8%	39.8%	21.7%	-9.5%	0.6%	16.9%	-14.0%	44.3%	2.9%	10.1%
S&P 500 INDEX	13.4%	29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	13.6%
Industry (INDU Index)	7.3%	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	12.5%
Div Yield	0.8%	0.9%	0.8%	0.9%	0.9%	0.8%	0.9%	0.6%	0.6%	0.8%
Financials	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr CAGR
Sales	4,471.7	4,623.4	4,673.3	5,997.8	7,668.4	7,803.3	7,932.9	7,982.2	7,024.5	3.2%
EBITDA	1,410.5	1,427.1	1,413.1	1,179.7	1,860.4	1,862.0	1,074.3	2,219.6	1,028.6	-2.7%
EBIT	1,047.4	1,068.6	1,037.3	467.3	821.1	799.3	33.8	1,137.5	87.8	-171.6%
Net Income	755.0	780.4	720.3	147.0	305.9	1,813.8	379.2	1,131.6	138.9	-198.9%
EPS (Diluted)	4.29	4.54	4.20	0.77	1.51	8.90	-1.86	5.47	-0.67	-197.3%
Dividends per Share	0.54	0.80	0.88	0.88	0.96	0.96	0.96	0.96	0.96	1.8%
Shares for Fully Diluted EP	176.0	171.8	171.7	189.8	202.4	203.7	203.5	206.7	207.0	1.8%
Book Value per Share	34.15	37.09	38.60	48.78	48.20	57.93	55.25	60.14	58.74	3.8%
Cash & Near Cash	884.3	1,080.6	1,083.3	1,459.3	634.1	524.4	542.8	617.9	802.1	-11.3%
Total Assets	9,012.4	9,580.6	9,658.0	27,160.6	26,684.4	26,014.0	24,126.8	24,638.7	24,417.7	-2.1%
Working Cap	2,842.7	3,166.1	3,289.3	4,235.8	2,282.1	1,495.1	2,006.1	1,282.4	2,526.4	-9.8%
LT Debt	1,720.8	1,672.3	1,425.5	11,497.4	10,665.8	8,917.5	8,413.7	6,936.9	7,844.3	-7.4%
Cash Flow-Oper Activities	1,151.9	963.1	1,060.5	849.8	1,632.2	1,582.3	1,747.4	1,585.8	1,204.5	7.2%
Capital Expenditures	263.6	292.9	342.3	434.1	530.2	493.0	439.0	523.0	409.2	-1.2%
Free Cash Flow	888.3	670.2	718.2	415.7	1,102.0	1,089.3	1,308.4	1,062.8	795.3	13.9%
Ratios	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr Avg
Gross Margin	74.8%	72.6%	73.4%	70.0%	68.9%	72.7%	71.4%	71.8%	69.7%	70.9%
EBITDA Margin	31.5%	30.9%	30.2%	19.7%	24.3%	23.9%	13.5%	27.8%	14.6%	20.8%
EBIT Margin	23.4%	23.1%	22.2%	7.8%	10.7%	10.2%	0.4%	14.3%	-1.2%	6.9%
Profit Margin	16.9%	16.9%	15.4%	2.5%	4.0%	23.2%	-4.8%	14.2%	-2.0%	6.9%
Return on Assets	8.6	8.4	7.5	0.8	1.1	6.9	-1.5	4.6	-0.6	2.1
Return on Com Eqty	13.3	12.8	11.2	1.8	3.1	16.9	-3.3	9.6	-1.1	5.0
Asset Turnover	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Assets/Equity	1.5	1.5	1.5	2.7	2.8	2.2	2.1	2.0	2.0	2.2
Net Inc per 1000 Employee	-	-	72.0	8.4	16.5	99.7	-20.0	56.9	-6.9	29.2
Days Sales Out (DSO)	70.5	71.9	72.2	71.8	72.8	73.6	64.9	60.4	73.4	69.0
Acc Pay Turn Days (DPO)	50.3	44.8	39.1	27.4	56.9	56.6	51.4	58.5	61.0	56.9
Current Ratio	4.3	4.1	4.2	3.6	2.0	1.5	1.8	1.4	2.0	1.7
Quick Ratio	2.8	2.7	2.5	1.9	0.9	0.7	0.8	0.6	0.9	0.8
Total Debts/Total Capital	23.7	21.0	17.9	53.8	53.8	46.4	44.2	40.7	40.8	45.2
Total Debt/Total Equity	31.0	26.6	21.8	116.3	116.3	86.4	79.3	68.6	69.0	83.9

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	-12.0%	-3.4%	3.2%	5.2%
EBIT	-107.7%	-147.9%	-171.6%	
EBITDA	-53.7%	-17.9%	-2.7%	-2.0%
Net Income	-112.3%	-142.5%	-198.9%	
EPS (Diluted)	-112.2%	-142.2%	-197.3%	
Dividends	0.0%	0.0%	1.8%	
BVPS	-2.3%	0.5%	3.8%	7.1%
Free Cash Flow	-25.9%	-10.7%	11.6%	-1.8%
Valuation Summary				
Latest FY	5 Year Periodicity: Yearly			
12/31/2020	High	Low	Avg	
P/E (LTM)	45.3x	46.5x	19.8x	30.5x
P/E (NTM)	19.2x	19.3x	11.9x	16.1x
PEG (NTM)	1.6x	5.3x	1.1x	2.7x
P/Bk	2.6x	2.7x	1.9x	2.3x
P/CF	26.5x	27.2x	12.1x	18.9x
P/Sales	4.5x	4.7x	2.7x	3.6x
EV/EBITDA	38.5x	38.5x	16.8x	23.7x
EV/Sales	5.6x	5.6x	3.7x	4.5x
Div Yield	0.6%	0.9%	0.6%	0.8%

Recommendation
 Given its attractive valuation characteristics and the increasingly likelihood of accelerating revenue, margin, and earnings growth over the next few years, we recommend purchase of Zimmer Biomet (ZBH) shares.

Earnings Drivers/ Catalysts
 Zimmer's fundamentals took a big hit last year as people who planned joint replacement and other orthopedic surgeries postponed those procedures due to the COVID-19 pandemic. This dynamic has essentially created a large 'backlog' of pent-up demand for future procedures. As the vaccine rollout continues globally and economic lockdowns are lifted, Zimmer's business should rebound sharply. Encouragingly, during its last quarterly earnings call in April, Zimmer indicated that business accelerated in the last month of the prior quarter and that next quarter's results should be even stronger. Future growth and profitability should be further aided by new product developments in devices and robotics that will allow Zimmer to gain market share from industry competitors. Additionally, the company has put in to place a restructuring plan that will increase operating margins from the current 27.5% to 30% by 2023. Another major catalyst for the stock is the pending spin-off of Dental and Spine unit which should drive value creation for ZMH shareholders. And finally, Zimmer's significant international exposure (45% sales are outside the US), should allow for an elongated fundamental recovery, as timetable for global vaccine rollouts have trailed by the U.S. by several months.

Balance Sheet/ Cash Flow
 Zimmer is conservatively capitalized, with a debt to capital ratio of 18%, only slightly higher than industry peers. Free Cash Flow was very strong last year, as the company aggressively managed its working capital during the pandemic. Next year, Free Cash Flow will decline, albeit temporarily, as the company increases working capital commitments necessary to support an anticipated rebound in sales. In recent years the company has been prioritizing internal capex and medium size acquisitions as uses of their cash flow. There has been no meaningful dividend increases, debt paydown, or share repurchases over the past 3 years.

Valuation
 Currently trading at 19x estimates 2021 earnings, Zimmer's P/E valuation is attractive versus the overall market (S&P 500 23x) and its closest competitors in the medical devices industry (Stryker 26x, Smith & Nephew 22x). Relative valuation is equally compelling (20-30% discount) on other metrics such as EV/Ebitda and EV/Sales versus its competitors, despite similar future growth rate expectations.

Risks
 Near term, the greatest risk to Zimmer is a resurgence of Covid and the reimposition of lockdowns, which would push back non-essential surgical procedures once again. Other risks include failure to successfully launch new products and/or execute on the Spin-off or restructuring plans.