

## **The Zacks Analyst Blog Highlights: Duke Energy, Progress Energy, Exelon, Zimmer Holdings and Stryker**

The Associated Press

Zacks.com announces the list of stocks featured in the Analyst Blog. Every day the Zacks Equity Research analysts discuss the latest news and events impacting stocks and the financial markets. Stocks recently featured in the blog include Duke Energy Corporation (NYSE:DUK), Progress Energy Inc.

(NYSE:PGN), Exelon Corporation (NYSE:EXC), Zimmer Holdings (NYSE:ZMH) and Stryker Corporation (NYSE:SYK).

(Logo: <http://photos.prnewswire.com/prnh/20101027/ZIRLOGO>) Get the most recent insight from Zacks Equity Research with the free Profit from the Pros newsletter: <http://at.zacks.com/?id=5513> Here are highlights from Wednesday's Analyst Blog: Duke Energy Raises Dividend Duke Energy Corporation (NYSE:DUK) raised the quarterly cash dividend on its common stock by 5 cents to 25.5 cents per share. This action increases the annualized dividend from 98 cents to \$1.02. The dividend is payable on September 17, 2012 to shareholders of record at the close of business on August 17, 2012. This is the 86th consecutive year that Duke Energy has paid a quarterly cash dividend on its common stock. Earlier, in January 2011, Duke Energy announced that it would buy Progress Energy Inc. (NYSE:PGN). Raleigh, North Carolina-based Progress Energy is a pure-play electricity utility with a solid rate base growth opportunity in the long term. The company engages in regulated electricity operations in the southeastern U.S. and also runs non-regulated businesses. The \$16.5 billion transaction is expected to be completed by July 2012. Once the transaction gets through, it would create the largest U.S. utility and increase its ability to build new power plants to meet future greenhouse-gas emissions limits. Currently, Chicago-based Exelon Corporation (NYSE:EXC) is the largest U.S. utility. Duke Energy also announced a 1-for-3 reverse stock split, following the anticipated closing of its merger with Progress Energy, on or about July 1. Duke Energy also said that the dividend will be automatically adjusted to \$0.765, if the merger is closed on or prior to the dividend record date. Duke Energy, a Zacks #2 Rank ('Buy') stock, is one of the largest electric power holding companies in the United States. Duke Energy's stable U.S.

electricity and gas operations (spread over the five states of North Carolina, South Carolina, Indiana, Ohio and Kentucky) generate a relatively stable and growing earnings stream. Looking ahead, Duke Energy's merger with Progress Energy, Inc. is expected to be a strategic fit and accretive to earnings. The combined entity would provide regulated electricity services to more than 7.1 million customers in 6 states (North Carolina, South Carolina, Florida, Indiana, Ohio, and Kentucky). The merger is expected to keep the company's long-term goal of 4% 6% earnings growth in good stead.

Looking ahead, our bullish outlook for the company is supported by higher rates, its strong balance sheet, ongoing capital expansion projects and an above-average dividend yield for the industry.

Zimmer Expands U.S. Spinal Portfolio Zimmer Holdings (NYSE:ZMH) has strengthened its spinal portfolio in the US with the introduction of TM Ardis interbody system. This product, which extends the application of the proprietary trabecular metal technology, has been developed as a first application of a porous metal implant with an interbody indication for the lumbar spine. The company had released this product across Europe last month.

Sales from spinal products, contributing a mere 5% to the top line, have been languishing over the past few quarters. This segment witnessed high single-digit sales declines over the past two years, primarily in the Americas, while Europe and Asia Pacific recorded sales growth. Operational challenges related to the sales force, a difficult reimbursement landscape and lower sales of Dynesys Dynamic stabilization system affected sales numbers in the Americas.

Zimmer, however, managed to partially mitigate these challenges by robust sales of the PathFinder and Sequoia Pedicle Screw Systems, Universal Clamp System and Trabecular Metal Technology products. We are encouraged by the company's attempt in expanding its spinal portfolio that should provide some cushion to its struggling sales.

We also expect Zimmer to benefit from favorable long-term trends that point toward sustained growth driven by an aging global population, obesity, wear and tear of joints from more active lifestyles, growth in emerging markets, new material technologies, advances in surgical techniques and proven clinical benefits of joint replacement procedures.

Moreover, the shift in demand to premium products, such as those using trabecular metal technologies, hip stems with Kinectiv Technology, high-flex knees, porous hip stems and the introduction of patient specific devices, is expected to propel sales growth.

Although the musculoskeletal market is suffering from reduced procedure volume and pricing pressure, Zimmer believes that clinically relevant and innovative products can still fetch premium pricing and reimbursement. The company's recent product launches are based on two principles - the development of customizable implant and instrumentation systems enabling surgeons to deliver personalized care to every patient (including options for lifestyle demands, and providing relevant products that deliver long-term value to patients, hospitals and healthcare systems).

Consequently, Zimmer is exploring opportunities to expand its reach into early intervention products. However, the competitive landscape is tough with the presence of players such as Stryker Corporation (NYSE:SYK).

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We have a Neutral recommendation on Zimmer. The stock retains a Zacks #3 Rank (Hold) in the short term.

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