

AbbVie Inc. (ABBV)

\$87.70 (As of 10/09/20)

Price Target (6-12 Months): **\$92.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/13/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: B

Summary

AbbVie's key drug, Humira is seeing strong demand trends in the United States. AbbVie has been successful in expanding labels of its cancer drugs, Imbruvica and Venclexta. It gained approvals for two new drugs with significant potential, Skyrizi and Rinvoq, in 2019. Both are off to a strong start. Allergan's acquisition has diversified AbbVie's revenue base into new therapeutic areas, enhancing its long-term growth potential. However, sales erosion due to direct biosimilar competition to Humira in international markets is a big headwind. Also, the decline in hepatitis C virus (HCV) drug Mavyret's sales is a concern. Estimate movement has been mixed ahead of Q3 earnings. AbbVie has a positive record of earnings surprise in the recent quarters. Shares have underperformed the industry this year so far.

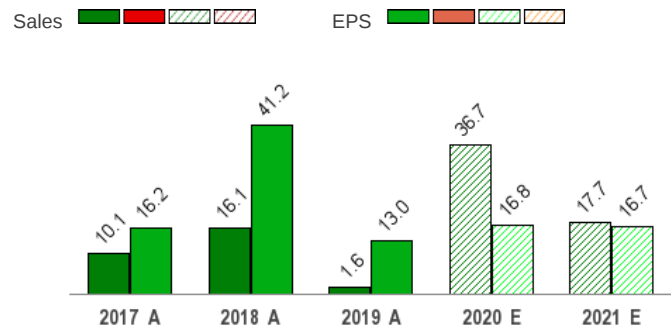
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$101.28 - \$62.55
20-Day Average Volume (Shares)	6,938,151
Market Cap	\$154.8 B
Year-To-Date Price Change	-1.0%
Beta	0.74
Dividend / Dividend Yield	\$4.72 / 5.4%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Top 49% (124 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.5%
Last Sales Surprise	3.0%
EPS F1 Estimate 4-Week Change	-0.1%
Expected Report Date	10/30/2020
Earnings ESP	-1.0%
P/E TTM	9.4
P/E F1	8.4
PEG F1	1.5
P/S TTM	4.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	12,590 E	12,927 E	13,388 E	13,867 E	53,537 E
2020	8,619 A	10,425 A	12,847 E	13,591 E	45,476 E
2019	7,828 A	8,255 A	8,479 A	8,704 A	33,266 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.86 E	\$2.93 E	\$3.08 E	\$3.13 E	\$12.18 E
2020	\$2.42 A	\$2.34 A	\$2.78 E	\$2.92 E	\$10.44 E
2019	\$2.14 A	\$2.26 A	\$2.33 A	\$2.21 A	\$8.94 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/09/2020. The reports text is as of 10/12/2020.

Overview

North Chicago, IL-based AbbVie has become one of the top-most pharma companies after it acquired Botox maker Allergan in a cash-and-stock deal for \$63 billion in May 2020. The deal is expected to transform AbbVie's portfolio and lower its dependence on Humira, its flagship product, which has already lost patent protection in Europe and is due to face biosimilar competition in the United States in 2023. AbbVie has one of the most popular cancer drugs in its portfolio, Imbruvica and its newest immunology drugs Skyrizi (risankizumab) and Rinvoq (upadacitinib) position it well for long-term growth.

AbbVie came into existence on Jan 1, 2013, after Abbott Laboratories divested its pharmaceutical division. It announced a definitive agreement to buy Allergan on Jun 24, 2019. AbbVie paid Allergan a price of \$120.30 in cash and 0.8660 AbbVie shares per Allergan share. The deal closed in May 2020.

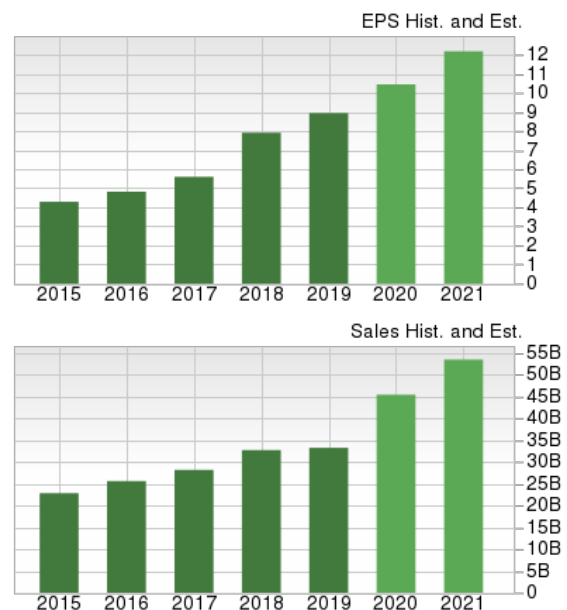
AbbVie enjoys leadership positions in key therapeutic areas including immunology, hematologic oncology, neuroscience, aesthetics, eye care and women's health.

Humira is approved for several autoimmune diseases like rheumatoid arthritis (RA), active psoriatic arthritis, active ankylosing spondylitis, Crohn's disease and others. Imbruvica (hematological cancers – approved for 11 indications in six distinct disease areas) became part of the company's portfolio following the Pharmacyclics acquisition. Humira and Imbruvica accounted for 58% and 14%, respectively, of AbbVie's total revenues in 2019.

Other drugs include Mavyret/Maviret (HCV), Venclexta (venetoclax) (oncology), AndroGel (low testosterone), Kaletra (HIV), Synthroid (hormone therapy for thyroid disease), Creon (pancreatic enzyme replacement therapy for conditions associated with cystic fibrosis and chronic pancreatitis), Duopa/Duodopa (advanced Parkinson's disease), Orilissa (endometriosis pain), Skyrizi (plaque psoriasis) and Rinvoq (RA). The company also has partnerships with companies like Roche and J&J.

In June 2016, AbbVie acquired cancer drugmaker, Stemcentrx in a cash and stock deal worth \$5.8 billion.

AbbVie reported total sales of \$33.3 billion in 2019, up 1.6%.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Humira U.S. Sales Going Strong:** AbbVie's flagship product, Humira, continues to drive revenues. Humira, an anti-inflammatory product, is the anti-tumor necrosis factor (TNF) drug of choice. Humira continues to witness strong demand trends despite new mechanisms of action and competition from indirect biosimilars. Currently approved for 12 indications, Humira sales have increased consistently backed by robust demand trends. The product continues to see strong growth in the dermatology and gastroenterology markets in the United States. Though biosimilar versions of Humira are already approved by the Food and Drug Administration (FDA), per settlements with several companies, biosimilar entry into the United States is scheduled for 2023, thus delaying direct biosimilar competition in the country.

AbbVie's key drug Humira'd demand trends are strong in united States. Imbruvica has multi-billion dollar potential. AbbVie has been successful in expanding approvals for its cancer drugs, Imbruvica and Venclexta.

▲ **Allergan Deal Adds Botox:** AbbVie's acquisition of Allergan significantly expanded and diversified its revenue base with new therapeutic areas, enhancing its long-term growth potential. The acquisition strengthened AbbVie's existing leadership position in immunology and hematological oncology while providing additional growth franchises in aesthetics and neuroscience. AbbVie's rationale behind the Allergan deal was to add a new blockbuster product to its portfolio, Allergan's Botox, ahead of generic competition for Humira. Humira generics are already denting revenues in Europe and are expected to be launched in the United States in 2023. AbbVie is heavily dependent on Humira and is looking to diversify its portfolio. Approved for therapeutic and aesthetic use, Botox is a key top-line driver for Allergan and looks fit to be the next revenue driver for AbbVie after Humira loses exclusivity. AbbVie expects to realize \$2 billion in cost synergies by year three post closure of the Allergan acquisition.

▲ **Collaborations and Agreements to Strengthen Pipeline:** We are positive on AbbVie's efforts to strengthen its pipeline. The company has been actively pursuing partnership deals and collaborations for candidates across several therapeutic areas including oncology, immunology, neuroscience, cystic fibrosis and women's health. Some partners include Roche (Venclexta – oncology), J&J (Imbruvica – cancer) and Boehringer Ingelheim (Skyrizi– psoriasis) among others. We believe the company will continue pursuing such deals to grow its pipeline.

▲ **Growing Oncology Portfolio:** AbbVie believes that oncology will be its major growth driver over the next 10 years. The acquisition of Pharmacyclics in May 2015 added Imbruvica to AbbVie's portfolio and diversified the company's revenue base. AbbVie has built a substantial oncology franchise with Imbruvica and Venclexta, which generated combined revenues of nearly \$5.5 billion in 2019. Strong double-digit growth is expected in 2020.

Imbruvica, currently approved for 11 indications, has multi-billion dollar potential and AbbVie is exploring the potential to expand Imbruvica's label into solid tumors and autoimmune diseases. Several studies on Imbruvica are ongoing to evaluate the drug alone or in combination in different patient segments. AbbVie expects Imbruvica peak sales of more than \$7 billion and revenues of about \$5 billion in 2020. AbbVie is positioning Imbruvica as a "pipeline in a molecule" - the treatment is in several company-sponsored studies.

AbbVie is also studying Venclyxto/Venclexta to expand the label to address the broader relapsed/refractory chronic lymphocytic leukemia (CLL) patient population, expand into earlier lines of therapy, and broaden into other hematologic malignancies like multiple myeloma and AML. AbbVie expects to begin a phase III study on Venclexta in myelodysplastic syndrome or MDS in 2020. Label expansion approvals in the past couple of years have expanded the eligible patient population of Venclexta significantly, which is boosting sales from the drug.

▲ **Promising Pipeline:** AbbVie has a deep pipeline consisting of several interesting late-stage candidates. Key recent FDA approvals include that of Orilissa (elagolix) for management of pain associated with endometriosis, a common gynecologic disorder in July 2018, Skyrizi (risankizumab) for plaque psoriasis in April 2019 and Rinvoq (upadacitinib) for moderate-to-severe rheumatoid arthritis (RA) in August 2019. Skyrizi and Rinvoq have demonstrated differentiated clinical profiles versus Humira and are expected to lower AbbVie's dependence on Humira. Importantly, Skyrizi and Rinvoq are off to strong starts and AbbVie expects combined revenues of these two drugs to be approximately \$2.0 billion in 2020. In 2020, AbbVie gained FDA approval for Oriahnn/elagolix for reducing heavy menstrual bleeding (HMB) in premenopausal women with uterine fibroids.

Promising candidates include risankizumab (phase III for Crohn's disease and psoriatic arthritis, phase II for ulcerative colitis) upadacitinib (phase III for Crohn's disease, ulcerative colitis, axial spondyloarthritis, atopic dermatitis and giant cell arteritis; psoriatic arthritis – new drug application or NDA filed in the second quarter of 2020), navitoclax (phase III for myelofibrosis to begin in 2020) ABBV-8E12 (phase II for early Alzheimer's disease), veliparib (phase III for frontline ovarian cancer and BRCA-mutated breast cancer), atogepant (phase III for prevention of episodic migraine) and ABBV-951 (phase III for Parkinson's disease).

▲ **Favorable Debt Profile:** As of Jun 30, 2020, AbbVie's debt/capital ratio was 85.6%, less than 112.4% as of Mar 31, 2019. A lower ratio indicates lower financial risk. Also, as of Jun 30, 2020, AbbVie had \$82.06 billion in long-term debt (plus finance lease obligations) and short-term debt/obligations of \$5.37 billion on its balance sheet. Cash and cash equivalents totaled approximately \$6.04 billion. Though the company is highly leveraged, its cash position is sufficient to pay its short-term debt in case of insolvency. Also, though AbbVie's debt level has increased significantly with the Allergan buyout, AbbVie is expected to reduce debt within a couple of years of closing. Meanwhile, Fitch has assigned BBB credit rating to AbbVie which indicates that the expectations of default risk are currently low. S&P Global Ratings has an issuer credit rating of BBB+ on AbbVie with a stable outlook. This means that the company has adequate capacity to meet its financial commitments, though adverse economic conditions may weaken this capacity.

Reasons To Sell:

- ▼ **Shares Underperforming Industry:** AbbVie shares have declined 1.0% this year compared with the industry's 0.5% increase.
- ▼ **Humira Biosimilars Can Erode Sales:** Several companies have made biosimilar versions of Humira. With Humira accounting for around 60% of AbbVie's sales, the entry of biosimilars would have a huge impact on the company's financials. Per settlements with nine manufacturers, Humira biosimilars are expected to be launched in the United States in 2023. In the international markets, AbbVie is facing direct biosimilar competition in Europe and other countries. Humira biosimilars were launched in the EU in October 2018 and are rapidly eroding international sales from the branded drug. Humira international sales declined 31.1% in 2019 and 14.9% in the first half of 2020 due to generic competition. Humira sales could also feel the impact of competition from biosimilar versions of other products like Remicade and Enbrel.
- ▼ **Declining Mavyret Sales:** Sales of AbbVie's relatively newer HCV medicine, Mavyret has declined since 2018 primarily driven by lower patient volumes in certain international markets and competitive dynamics in the United States.
- ▼ **Intense Competition for Key Products:** While Humira U.S. sales continue to be impressive, we are concerned about intense competition in the market in the form of Johnson & Johnson's Simponi and UCB's Cimzia among others. Increasing competition from new classes of drugs could lead to a slowdown in Humira's market share gains. Meanwhile, Kaletra faces intense competition in the HIV market from players like Gilead, Bristol-Myers, and Johnson & Johnson.
- ▼ **Pipeline and Regulatory Setbacks:** While we believe that AbbVie has an impressive pipeline, we note that clinical development involves a high degree of risk. Gaining approval for pipeline candidates has become more difficult given the tough regulatory environment. Development and regulatory setbacks for late-stage pipeline candidates would be a major disappointment for the company.

Sales erosion due to direct biosimilar competition to Humira in international markets is a big headwind.

Among more recent setbacks, in August 2019, AbbVie discontinued development of rovalpituzumab tesirine or Rova-T due to poor/no survival benefit observed for patients treated with Rova-T in three studies. Rova-T was added to AbbVie's portfolio, following the acquisition of Stemcentrx in June 2016. The failure of Rova-T has brought into question the viability of the Stemcentrx deal.

In March 2019, the FDA placed a partial clinical hold on all studies evaluating Venclexta for the treatment of multiple myeloma. The decision was taken after, in the ongoing phase III BELLINI study, a higher proportion of deaths were observed in the Venclexta arm compared to the control arm of the study. In May 2019, a phase III study evaluating depatuxizumab mafodotin (Depatux-M) failed to show any survival benefit in patients with newly diagnosed glioblastoma, an aggressive form of brain cancer. As a result, AbbVie stopped enrollment in all ongoing Depatux-M studies.

Last Earnings Report

AbbVie Beats on Q2 Earnings & Sales

AbbVie reported earnings of \$2.34 per share for the second quarter of 2020, comfortably beating the Zacks Consensus Estimate of \$2.24 and exceeding the guided range of \$2.10-\$2.16. Earnings rose 3.5% year over year.

Revenues of \$10.43 billion beat the Zacks Consensus Estimate of \$10.12 billion. Sales rose 26.3% on a reported basis and included a partial quarter of revenues from Allergan. However, on a comparable operational basis, sales declined 5.3% due to the negative impact of the COVID-19 pandemic.

The comparable operational growth rate includes full quarter, current year, and historical results for Allergan on a pro forma basis and are presented on a constant currency basis.

However, the company said that the impact of COVID-19 related business disruption on legacy AbbVie drugs was less severe than expected. However, for the legacy Allergan side of business, the company saw significant COVID-related impacts on BotoxTherapeutic and the aesthetics business. Overall, second-quarter sales were hurt by more than \$900 million due to COVID-19. However, the company said that by the end of June, the total business had recovered to more than 90% of pre-COVID levels.

The Q1 inventory stockpiling benefits were largely reversed in the second quarter.

The total revenues included approximately \$8.4 billion of legacy AbbVie sales, which performed above expectations due to continued robust performance in both hematology/oncology and immunology franchises. The Allergan portfolio contributed \$2 billion to total revenues. Revenues include Allergan's product revenues from the date of the acquisition till quarter end.

Quarter in Details

In the immunology franchise, Humira sales declined 0.7% (down 0.2% on a comparable operational basis) to \$4.84 billion as higher U.S. sales were offset by a decline in international markets.

Sales in the United States climbed 4.8% to \$3.97 billion, driven by higher demand, which was partially offset by lower new patient starts due to COVID-19 impact. However, the negative impact of COVID-19 on Humira sales was lower than expected. Humira sales in the ex-U.S. markets were down 17.4% on a comparable operational basis and 19.9% on a reported basis to \$863 million.

International sales were severely impacted by the launch of several direct biosimilar drugs in Europe and other international markets.

In 2020, Humira is expected to record revenue growth of approximately 8% in the United States versus 7% expected previously. International Humira sales are expected to approach \$3.5 billion versus the previous expectation of \$3.4 billion in 2020.

New immunology drugs Skyrizi and Rinvoq registered sales of \$330 million and \$149 million, respectively. In the previous quarter, Skyrizi and Rinvoq recorded sales of \$300 million and \$86 million, respectively. Strong sequential growth in sales of both drugs in the past couple of quarter reflects strong uptake. However, the company did witness modest delays to new patient starts for Skyrizi in the quarter due to COVID-19.

AbbVie expects Skyrizi global revenues of approximately \$1.4 billion. Rinvoq global revenues are expected to be approximately \$600 million versus \$500 million expected previously.

AbbVie's oncology/hematology (including Imbruvica and Venclexta) sales rose 25.8% on an operational basis to \$1.59 billion in the quarter, driven by strong growth of both Imbruvica and Venclexta.

Second-quarter net revenues from Imbruvica were \$1.29 billion, up 17.2% year over year operationally. driven by continued penetration for patients with CLL. U.S. sales of Imbruvica grossed \$1.06 billion, up 19% from the year-ago figure. AbbVie logged \$233 million of international profit sharing with J&J, up 9.4% year over year.

Venclexta generated revenues of \$303 million in the reported quarter, reflecting growth of 81.5% year over year on an operational basis, driven by continued share gains in first-line CLL and relapsed/refractory CLL indications.

In 2020, Imbruvica global revenues are expected to be approximately \$5.5 billion while Venclexta global sales are expected to be approximately \$1.3 billion.

In Aesthetics franchise, Botox Cosmetic net revenues were \$226 million, a decrease of 43.1% on a comparable operational basis while Juvederm Collection of filler recorded sales of \$113 million, down 60.4% on a comparable operational basis. Sales of both the products were hurt as aesthetics health care providers were closed during the initial phase of COVID-19. However, several aesthetics accounts reopened by the end of June and the company said that revenue trends are recovering due to considerable pent-up demand.

In 2020, AbbVie expects global aesthetics sales of approximately \$2.4 billion, including approximately \$1 billion from Botox Cosmetic and approximately \$650 million from Juvederm.

In Neuroscience franchise, Botox Therapeutic net revenues decreased 22.3% on a comparable operation basis to \$297 million as COVID-19 pandemic hurt sales of this physician administered product. However, Vraylar sales were up 70.4% to \$192 million. Duodopa sales rose 4.6% to

Quarter Ending	06/2020
Report Date	Jul 31, 2020
Sales Surprise	2.99%
EPS Surprise	4.46%
Quarterly EPS	2.34
Annual EPS (TTM)	9.30

\$118 million.

In 2020, AbbVie expects global neuroscience sales of approximately \$3.5 billion, including approximately \$1.4 billion from Botox Therapeutic and approximately \$950 million from Vraylar.

In Eye Care, Restasis sales of \$144 million declined 19.5% on a comparable operational basis. In Women's Health, Lo Loestrin's sales of \$80 million declined 8.9% on a comparable operational basis. AbbVie's new drug Orilissa recorded sales of \$31 million same as in the previous quarter.

In 2020, AbbVie expects global Eyecare sales of approximately \$2.1 billion, including approximately \$700 million from Restasis, assuming no generic competition in 2020.

Among other key drugs, Mavyret sales totaled \$376 million in the quarter, down 51.4% on a comparable operational basis due to competitive pressure in the United States and lower patient volumes due to COVID-19 as well as lower patient volumes in certain international markets.

Costs Rise

Adjusted gross margin declined 10 bps to 82.8% in the quarter. Adjusted SG&A expenses increased 47.7% to \$2.39 billion. R&D expenses were \$1.3 billion in the second quarter, rising 8.1% year over year due to greater investments in the pipeline. Adjusted operating margin represented 47% of sales.

2020 Outlook

AbbVie said that the recovery trends from COVID-19 are faster-than expected with further recovery expected in the second half of 2020.

AbbVie issued new EPS guidance for 2020 to include results of Allergan from May 8 to Dec 31. The company now expects adjusted EPS to be in the range of \$10.35-\$10.45, reflecting growth of 16.3% at the midpoint. The guidance includes an 11% accretion on an annualized basis from Allergan deal.

AbbVie had previously issued EPS guidance for the standalone company (excluding Allergan impact) in the range of \$9.61-\$9.71 for 2020.

In 2020, AbbVie expects revenues of approximately \$45.5 billion.

Adjusted gross margin is expected to be just above 82% of sales. Operating margin is expected to be approximately 48% of sales. While adjusted R&D is expected to be approximately \$5.8 billion, SG&A expense is expected to be approximately \$9.9 billion. Adjusted tax rate is expected to be just above 11% for the combined company.

Third-Quarter 2020 Outlook

Third-quarter earnings are expected between \$2.73 and \$2.74 per share. AbbVie expects adjusted revenues of approximately \$12.8 billion. Adjusted operating margin is expected to be above 48% of sales

Recent News

To Buy Dermal Fillers Business from Private Company – Oct 7

AbbVie's subsidiary, Allergan Aesthetics announced an agreement with Israeli private aesthetics company, Luminera to acquire its dermal fillers business. Allergan will acquire Luminera's full dermal filler portfolio and R&D pipeline which will complement its Juvederm collection of fillers.

FDA Grants Elezanumab Fast Track and Orphan Drug Status – Sep 28

AbbVie announced that the FDA granted Orphan Drug and Fast Track designations to its pipeline candidate, elezanumab for the treatment of spinal cord injury. Elezanumab, a monoclonal antibody RGMa inhibitor, is presently being evaluated in a phase II study for spinal cord injury. Separately, it is also being studied for other neurological disorders like multiple sclerosis and acute ischemic stroke.

Declares Quarterly Dividend – Sep 11

The board of directors of AbbVie declared a quarterly cash dividend of \$1.18 per share to be paid out on Nov 16 to shareholders of record at the close of business on Oct 15.

Buys Rights to Novel Cancer Candidate from I-Mab – Sep 2

AbbVie announced that it has signed an agreement to acquire an exclusive global license (excluding greater China) from Chinese biotech I-Mab to develop and commercialize the latter's anti-CD47 monoclonal antibody lempzoparlimab which is in early-stage studies for treating different cancers. AbbVie will pay I-Mab \$180 million in an upfront payment and \$20 million in milestone payments based on the results of a phase I study which were also released. In addition, AbbVie will be entitled to pay up to \$1.74 billion in clinical development and regulatory milestone payments. AbbVie plans to explore the combination of lempzoparlimab with AbbVie's blood cancer drug Venclexta.

Valuation

AbbVie's shares have declined 1.0% in the year-to-date period but up 18.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 0.5% and 1.3%, respectively, in the year-to-date period. Over the past year, stocks in the sub-industry and sector are up 12.3% and 14.7%, respectively.

The S&P 500 Index is up 8.1% in the year-to-date period and 17.5 % in the past year.

The stock is currently trading at 7.43X forward 12-month earnings per share, which compares with 14.59X for the Zacks sub-industry, 22.54X for the Zacks sector and 22.62X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.99X and as low as 5.96X, with a 5-year median of 11.06X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$92 price target reflects 7.8X forward 12-month earnings per share.

The table below shows summary valuation data for ABBV

Valuation Multiples - ABBV					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	7.43	14.59	22.54	22.62
	5-Year High	17.99	16.62	23.12	23.47
	5-Year Low	5.96	13.61	15.87	15.27
	5-Year Median	11.06	15.17	18.99	17.7
P/S F12M	Current	2.99	4.66	2.83	4.16
	5-Year High	6.22	4.85	3.26	4.3
	5-Year Low	1.94	3.88	2.24	3.18
	5-Year Median	3.65	4.42	2.85	3.67
P/B TTM	Current	10.51	5.94	3.92	6.04
	5-Year High	47.45	5.99	5.08	6.2
	5-Year Low	N/A	3.63	2.96	3.75
	5-Year Median	15.84	4.83	4.3	4.89

As of 10/9/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 49% (124 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Amgen Inc. (AMGN)	Neutral	3
AstraZeneca PLC (AZN)	Neutral	3
Eli Lilly and Company (LLY)	Neutral	2
MerckCo., Inc. (MRK)	Neutral	3
Novartis AG (NVS)	Neutral	3
Pfizer Inc. (PFE)	Neutral	3
Roche Holding AG (RHHBY)	Neutral	4
JohnsonJohnson (JNJ)	Underperform	3

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	ABBV	X Industry	S&P 500	AMGN	JNJ	MRK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	A	B	A
Market Cap	154.78 B	152.41 B	23.82 B	138.63 B	397.48 B	203.25 B
# of Analysts	7	3	14	12	9	7
Dividend Yield	5.38%	2.29%	1.59%	2.70%	2.68%	3.04%
Value Score	A	-	-	B	B	B
Cash/Price	0.04	0.05	0.07	0.08	0.05	0.05
EV/EBITDA	19.31	14.44	13.54	12.77	16.36	14.44
PEG F1	1.51	1.99	2.94	2.09	3.34	2.10
P/B	10.51	3.77	3.51	13.01	6.31	7.31
P/CF	8.49	11.60	13.47	12.52	13.11	12.01
P/E F1	8.40	14.32	22.09	15.12	19.22	14.14
P/S TTM	4.27	4.20	2.67	5.70	4.94	4.31
Earnings Yield	11.90%	6.99%	4.31%	6.61%	5.21%	7.07%
Debt/Equity	5.57	0.78	0.70	3.20	0.40	0.94
Cash Flow (\$/share)	10.33	4.22	6.92	18.91	11.52	6.69
Growth Score	C	-	-	B	C	B
Historical EPS Growth (3-5 Years)	21.34%	7.34%	10.45%	9.69%	8.66%	9.70%
Projected EPS Growth (F1/F0)	16.82%	7.45%	-3.01%	5.61%	-9.49%	9.52%
Current Cash Flow Growth	8.78%	2.90%	5.47%	-2.47%	3.68%	5.54%
Historical Cash Flow Growth (3-5 Years)	19.92%	7.37%	8.50%	5.06%	7.62%	0.15%
Current Ratio	0.86	1.10	1.35	2.18	1.25	1.32
Debt/Capital	84.78%	43.90%	42.90%	76.20%	28.47%	48.53%
Net Margin	19.20%	19.20%	10.28%	30.04%	22.69%	22.20%
Return on Equity	-628.57%	31.21%	14.79%	91.98%	35.21%	52.94%
Sales/Assets	0.37	0.43	0.51	0.40	0.51	0.55
Projected Sales Growth (F1/F0)	36.70%	4.92%	-0.62%	8.78%	-1.46%	1.97%
Momentum Score	B	-	-	A	A	B
Daily Price Change	0.41%	1.13%	0.24%	-1.41%	1.40%	-0.15%
1-Week Price Change	-0.13%	-1.04%	2.13%	0.65%	0.40%	-2.57%
4-Week Price Change	-2.18%	0.04%	4.78%	-1.64%	2.76%	-3.84%
12-Week Price Change	-12.23%	-4.39%	7.34%	-7.25%	1.15%	1.21%
52-Week Price Change	17.80%	8.31%	6.73%	19.14%	16.98%	-4.06%
20-Day Average Volume (Shares)	6,938,151	2,549,008	2,121,744	2,714,793	5,995,109	8,305,027
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.05%	0.00%	-0.18%
EPS F1 Estimate 4-Week Change	-0.13%	-0.06%	0.00%	0.06%	0.00%	-0.16%
EPS F1 Estimate 12-Week Change	-0.11%	0.81%	3.47%	0.59%	1.99%	7.22%
EPS Q1 Estimate Monthly Change	-0.09%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	C
Momentum Score	B
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.