Acorda Therapeutics (ACOR)

$2.62 (As of 12/27/19)

Price Target (6-12 Months): **$3.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/28/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: A | Growth: F | Momentum: F	

Summary

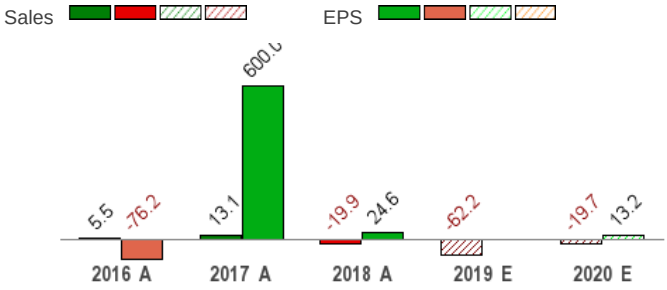
Acorda got a huge boost with the approval of its Parkinson's disease drug Inbrija in the United States. The drug was launched in February and is off to a solid start on high demand, both from doctors and patients since its launch. Inbrija was also approved in the EU in September 2019, which should contribute to sales in future quarters. Acorda's pipeline targets a wide range of disorders. The restructuring initiative is also curbing costs which is a positive. However, the company's key multiple sclerosis drug Ampyra is facing a generic competition which is significantly hurting it's top-line. The company expects to see a persistent decline in Ampyra sales during the quarters ahead. Shares of Acorda have underperformed the industry in the past year.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$17.57 - $1.49**
20 Day Average Volume (sh)	**2,085,280**
Market Cap	**$125.8 M**
YTD Price Change	**-83.2%**
Beta	**1.15**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Medical - Biomedical and Genetics**
Zacks Industry Rank	**Top 22% (55 out of 252)**
Last EPS Surprise	**9.8%**
Last Sales Surprise	**7.5%**
EPS F1 Est- 4 week change	**-5.1%**
Expected Report Date	**02/13/2020**
Earnings ESP	**0.0%**
P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**0.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2020	28 E	30 E	30 E	32 E	143 E
2019	44 A	50 A	48 A	36 E	178 E
2018	106 A	153 A	143 A	69 A	471 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	-$0.81 E	-$0.64 E	-$0.63 E	-$0.59 E	-$1.85 E
2019	-$0.56 A	-$0.55 A	-$0.46 A	-$0.55 E	-$2.13 E
2018	$0.14 A	$1.40 A	$0.17 A	$0.45 A	$2.18 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 12/27/2019. The reports text is as of 12/30/2019.

Overview

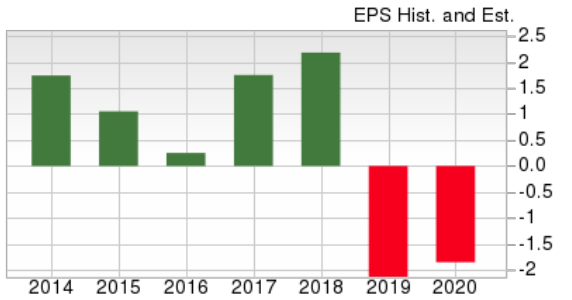
Ardsley, NY-based Acorda Therapeutics, Inc. is a commercial-stage biotechnology company focused on the development and commercialization of novel treatments that improve neurological function in people suffering from multiple sclerosis (MS), spinal cord injury (SCI) and other nervous system disorders.

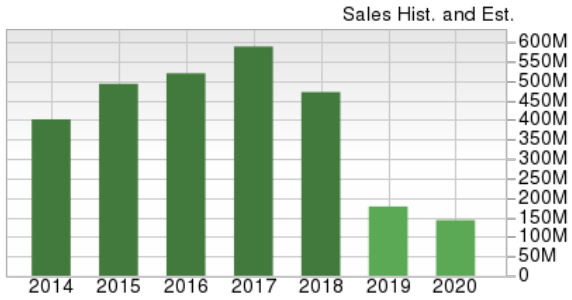
The company's lead marketed product is Ampyra (dalfampridine, ex-U.S. trade name: Fampyra), approved for the improvement of walking in MS patients. Acorda has a license and collaboration agreement with Biogen for commercialization of Fampyra outside the United States. Ampyra generated sales of $455.1 million in 2018.

However, Ampyra revenues have been persistently weak as authorized generic version of the drug was launched last September. Ampyra is witnessing a sharp decline in sales, a trend it believes will continue over time the future ahead.

Inbrija was approved in December 2018 as an inhaled levodopa for treating OFF periods in patients suffering Parkinson's and receiving a carbidopa / levodopa regimenin the United States. The drug was launched in the United States in February 2019.

Inbrija was added to Acorda's portfolio with the Oct 2014 acquisition of Civitas Therapeutics. Acorda gets royalty revenues on the authorized generic sales of Zanaflex Capsules.





In October 2018, Acorda sold its dermal patch Qutenza, approved for managing neuropathic pain, to Germany-based pharma company Grunenthal.

Acorda recorded total revenues of $471.4 million in 2018, down 19.9% year over year.

Reasons To Buy:

> Acorda received a huge boost with the approval and subsequent launch of Inbrija. Restructuring initiatives should generate annualized cost savings.

- **Inbrija Gets a Positive Start:** In December 2018, the FDA approved Acorda's Parkinson's disease (PD) drug Inbrija. Following this nod, the product became the first and the only approved inhaled levodopa for treating OFF periods in patients suffering Parkinson's and receiving a carbidopa / levodopa regimen. The approval also lowered the company's heavy reliance on Ampyra for revenues. Inbrija was launched in February and is off to a strong start on high demand from doctors as well as patients. Inbrija generated sales of $9.2 million during the first nine months of 2019.

  In September 2019, Inbrija inhalation powder was approved in Europe. This should boost the drug's sales in the future quarters. Acorda is seeking collaborations for the ex-U.S. distribution of Inbrija with potential partners both across Europe and Japan.

  Notably, more than 350,000 people in the United States are suffering OFF periods related to Parkinson's disease. Inbrija will help address this largely unmet medical need for those affected with the ailment. Acorda estimates Inbrija's market opportunity to be more than $800 million in the United States.

- **Strong Pipeline:** The company has an early-stage candidate, CVT-427 which is being evaluated in phase I special population study for the treatment of acute migraine using the ARCUS drug delivery technology.

  Another early-stage candidate rHIgM22, a remyelinating antibody, is being developed as a potential treatment for multiple sclerosis (MS). Acorda completed a phase I study using one of the two doses of rHIgM22 or placebo in MS patients, who experienced an acute relapse. The study showed no difference between the treatment groups. The company is planning the next steps for this program.

  Such candidates are key to long-term growth at Acorda as these target lucrative markets.

- **Restructuring Initiatives on Savings Costs:** In April 2017, the decision by the U.S. District Court for the District of Delaware to invalidate four of Acorda's patents on Ampyra opened doors to the generic competition for the drug. Acorda announced a streamlining plan to reduce its cost structure and focus its resources on Inbrija. The restructuring is also aimed at maximizing patient access to Ampyra extended release 10 mg tablets.

  As part of this restructuring, the company trimmed its headcount by approximately 20%, which led to substantial cost savings.

  Moreover, in October 2019, Acorda implemented a corporate restructuring whereby it reduced the workforce by almost 25%. The company expects to realize estimated annualized cost savings of approximately $21 million beginning in the second quarter of 2020 owing to headcount reduction. Following the restructuring, Acorda lowered its operating expense projections for 2019.

Reasons To Sell:

- **Shares Underperforming Industry:** Shares of Acorda have underperformed the industry in the past one year. The stock has plummeted 83.1% versus the industry's increase of 8.8% .

- **Ampyra Facing Generic Competition:** We are persistently concerned about the company's dependence on Ampyra for growth. Notably, during the first nine months of 2019, sales of Ampyra tanked 68.7% year over year due to generic competition. Acorda believes that Ampyra sales will continue to see a sharp decline in the near future.

> Acorda's dependence on Ampyra for a major part of its revenues and the multiple generic challenges being faced by Ampyra are matters of concern.

In September 2018, the U.S. Court of Appeals invalidated four patents of Ampyra, which paved the way for the entry of a generic product. Mylan launched its authorized generic version of Ampyra last September.

Although Inbrija is off to a positive start, it still remains to be seen if the product can deliver the desired results and be a perfect replacement for Ampyra in the long run.

- **Pipeline Setbacks:** The company has its share in pipeline setbacks too. In November 2017, Acorda decided to discontinue the phase III study on one of its PD candidates, tozadenant. Meanwhile, in August 2017, Inbrija received a refusal-to-file letter from the FDA, which delayed its commercial launch, previously expected in the first half of 2018.

  Moreover, over time, following a series of disappointing results from the respective studies, Acorda has stopped further development of its two phase II candidates, namely SYN120 (PD dementia) and BTT1023 (primary sclerosing cholangitis). Both candidates were added to the company's portfolio after the acquisition of Biotie Therapies in 2016. Acorda plans to evaluate the potential of out-licensing BTT1023.

  In November 2016, Acorda announced that it is discontinuing development of Ampyra for an expanded indication of post-stroke walking difficulties (PSWD). Such setbacks are detrimental to the company's growth prospects.

Last Earnings Report

Acorda Q3 Earnings and Revenues Surpass Estimates

Quarter Ending	09/2019
Report Date	**Nov 04, 2019**
Sales Surprise	**7.53%**
EPS Surprise	**9.80%**
Quarterly EPS	**-0.46**
Annual EPS (TTM)	**-1.12**

Acorda reported third-quarter 2019 loss per share of 46 cents, narrower than the Zacks Consensus Estimate of a loss of 51 cents. However, the figure came in against the year-ago earnings of 17 cents.

The company generated total revenues of $47.7 million in the third quarter, beating the Zacks Consensus Estimate of $44 million. However, sales tumbled 66.6% year over year due to lower sales of Ampyra.

Quarter in Detail

Inbrija generated sales of $4.9 million in the reported quarter, reflecting a sequential increase of 63.3%. Approximately 6,400 prescription request forms for Inbrija were received through October 2019. Per the company, total Inbrija prescriptions increased by more than 60% in the third quarter compared to the second quarter.

Majority of Acorda's net product revenues are drawn from Ampyra, which generated sales of $37.6 million in the third quarter, reflecting a 72.7% plunge year over year and a 14.9% decline sequentially due to generic competition. Acorda believes that Ampyra sales will continue to see a sharp decline in the quarters ahead.

Royalty revenues were $2.9 million in the quarter, almost in line with the year-ago reported figure.

Research and development (R&D) expenses (excluding share-based compensation expenses) were $15.4 million, down 29.4% year over year.

Selling, general and administrative (SG&A) expenses (excluding share-based compensation expenses) were $46.3 million, up 16.9% year over year.

Acorda had $253 million worth of cash, cash equivalents and investments as of Sep 30, 2019 compared with $296.9 million as of Jun 30, 2019.

Guidance

Acorda expects R&D expenses in the range of $55-$60 million compared to the previous expectation of $70-$80 million. SG&A expenses' guidance was lowered to the $185-$190 million band from $200-$210 million expected earlier.

For 2020, R&D expenses are expected in the range of $20-$25 million while SG&A expenses are anticipated in the $160-$165 million band.

Recent News

Appoints Non-Executive Chairman – Nov 27

Acorda announced that its Board of Directors has elected Mr. John Kelley as the non-executive board Chair, with effect from Nov 25, 2019.

Implements Corporate Restructuring - Oct 23

Acorda announced a corporate restructuring and updated its 2019 financial outlook as well as renewed 2020 financial guidance. As part of its corporate strategy, management stated to trim workforce by almost 25%. The company expects to realize estimated annualized cost savings of approximately $21 million beginning next year due to headcount reduction.

Valuation

Acorda's shares are down 83.1% over the trailing 12-month period. Over the past year, the Zacks sub-industry is up 8.8% and the sector is up 9%.

The S&P 500 index is up 28% in the past year.

The stock is currently trading at 0.88X forward 12-month sales per share, which compares to 2.46X for the Zacks sub-industry, 2.87X for the Zacks sector and 3.41X for the S&P 500 index.

Over the past five years, the stock has traded as high as 5.84X and as low as 0.49X, with a 5-year median of 2.73X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $3.00 price target reflects 1.01X forward 12-month sales per share.

The table below shows summary valuation data for ACOR

Valuation Multiples - ACOR

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.88	2.46	2.87	3.41
	5-Year High	5.84	2.91	3.8	3.41
	5-Year Low	0.49	1.99	2.42	2.54
	5-Year Median	2.73	2.51	2.94	3
P/B TTM	Current	0.45	3.81	4.61	4.42
	5-Year High	3.46	5.68	5.01	4.42
	5-Year Low	0.21	2.41	3.42	2.85
	5-Year Median	1.72	3.24	4.27	3.6

As of 12/27/2019

Industry Analysis **Zacks Industry Rank:** Top 22% (55 out of 252)

Top Peers

AbbVie Inc. **(ABBV)**	Neutral
Allergan plc **(AGN)**	Neutral
Biogen Inc. **(BIIB)**	Neutral
GlaxoSmithKline plc **(GSK)**	Neutral
Johnson & Johnson **(JNJ)**	Neutral
Mylan N.V. **(MYL)**	Neutral
Novartis AG **(NVS)**	Neutral
Sanofi **(SNY)**	Neutral

Industry Comparison Industry: Medical - Biomedical And Genetics

Industry Peers

	ACOR Neutral	X Industry	S&P 500	GSK Neutral	MYL Neutral	NVS Neutral
VGM Score	D	-	-	A	B	A
Market Cap	125.84 M	186.75 M	23.80 B	117.95 B	10.18 B	218.57 B
# of Analysts	3	3	13	5	8	5
Dividend Yield	0.00%	0.00%	1.78%	4.07%	0.00%	1.93%
Value Score	A	-	-	B	A	B
Cash/Price	2.97	0.25	0.04	0.05	0.04	0.04
EV/EBITDA	3.74	-3.50	13.88	14.23	7.84	10.63
PEG Ratio	NA	1.86	2.13	2.99	1.06	2.14
Price/Book (P/B)	0.45	3.82	3.33	5.30	0.89	4.16
Price/Cash Flow (P/CF)	1.17	12.45	13.55	11.28	2.26	11.64
P/E (F1)	NA	25.39	19.62	14.56	4.58	18.24
Price/Sales (P/S)	0.60	12.59	2.66	2.80	0.89	4.52
Earnings Yield	-81.30%	-17.00%	5.09%	6.87%	21.86%	5.48%
Debt/Equity	1.33	0.02	0.71	1.38	1.17	0.42
Cash Flow ($/share)	2.35	-1.07	6.94	4.16	8.68	8.15
Growth Score	F	-	-	C	D	C
Hist. EPS Growth (3-5 yrs)	23.20%	17.09%	10.48%	5.16%	3.79%	0.15%
Proj. EPS Growth (F1/F0)	-197.71%	11.20%	6.14%	2.78%	-5.95%	2.75%
Curr. Cash Flow Growth	34.46%	19.57%	14.75%	8.35%	5.27%	6.18%
Hist. Cash Flow Growth (3-5 yrs)	32.90%	8.69%	8.93%	-0.78%	22.00%	2.20%
Current Ratio	3.42	5.10	1.24	0.82	1.43	0.95
Debt/Capital	57.15%	4.28%	42.92%	57.90%	53.87%	29.33%
Net Margin	-155.89%	-197.98%	11.06%	13.76%	0.42%	24.43%
Return on Equity	-12.96%	-64.11%	17.10%	92.73%	18.80%	20.86%
Sales/Assets	0.18	0.20	0.54	0.49	0.36	0.37
Proj. Sales Growth (F1/F0)	-62.30%	0.00%	2.49%	7.20%	1.09%	-6.79%
Momentum Score	F	-	-	A	B	A
Daily Price Chg	43.23%	0.00%	0.21%	0.02%	-1.31%	-0.01%
1 Week Price Chg	1.14%	0.00%	1.46%	2.91%	3.40%	1.40%
4 Week Price Chg	57.14%	3.24%	1.98%	3.21%	4.26%	2.84%
12 Week Price Chg	-3.00%	11.11%	9.78%	13.17%	3.98%	11.29%
52 Week Price Chg	-81.48%	2.69%	28.47%	23.45%	-28.62%	12.77%
20 Day Average Volume	2,085,280	196,184	1,778,443	2,449,312	5,776,106	1,468,171
(F1) EPS Est 1 week change	-5.08%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-5.08%	0.00%	0.00%	2.35%	0.00%	0.24%
(F1) EPS Est 12 week change	-0.33%	1.35%	0.12%	9.73%	0.82%	2.25%
(Q1) EPS Est Mthly Chg	-5.38%	0.00%	0.00%	4.29%	0.00%	3.71%

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 have an excellent 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	F
Momentum Score	F
VGM Score	D

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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