

Agios Pharmaceuticals (AGIO)

\$39.76 (As of 09/01/20)

Price Target (6-12 Months): **\$44.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 06/15/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: F

Growth: D

Momentum: C

Summary

Agios' leukemia drug Tibsovo has been performing steadily and driving growth. The drug's label expansion studies are also advancing well with the FDA granting a nod in the first-line setting in 2019. Moreover, Tibsovo is under review in the EU wherein a tentative approval will further boost growth. Agios' progress with its pipeline looks impressive too. Agios' collaboration agreements look lucrative as it gets regular funds and royalties from sales. However, Agios' excessive reliance on royalties to develop pipeline remains a constant worry. It is also facing adversities from the COVID-19 pandemic with several data readouts now being delayed. Stiff competition is another matter of concern. Shares of the company have underperformed the industry in the year.

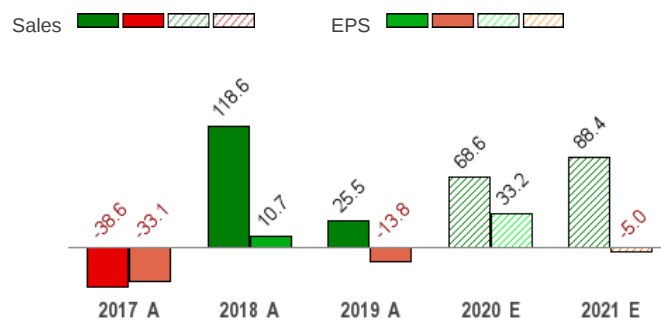
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$56.75 - \$27.77
20-Day Average Volume (Shares)	640,271
Market Cap	\$2.8 B
Year-To-Date Price Change	-14.1%
Beta	1.87
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Products
Zacks Industry Rank	Bottom 29% (179 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	7.8%
Last Sales Surprise	5.6%
EPS F1 Estimate 4-Week Change	2.1%
Expected Report Date	10/29/2020
Earnings ESP	14.5%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	15.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	34 E	37 E	40 E	44 E	375 E
2020	87 A	37 A	36 E	38 E	199 E
2019	30 A	26 A	26 A	35 A	118 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$1.44 E	-\$1.48 E	-\$1.44 E	-\$1.46 E	-\$4.81 E
2020	-\$0.59 A	-\$1.31 A	-\$1.38 E	-\$1.50 E	-\$4.58 E
2019	-\$1.59 A	-\$1.87 A	-\$1.81 A	-\$1.60 A	-\$6.86 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 09/01/2020. The reports text is as of 09/02/2020.

Overview

Cambridge, MA-based Agios Pharmaceuticals, Inc. is a biopharmaceutical company focused on development of treatments for cancer and rare genetic metabolic disorders, a subset of orphan genetic metabolic diseases.

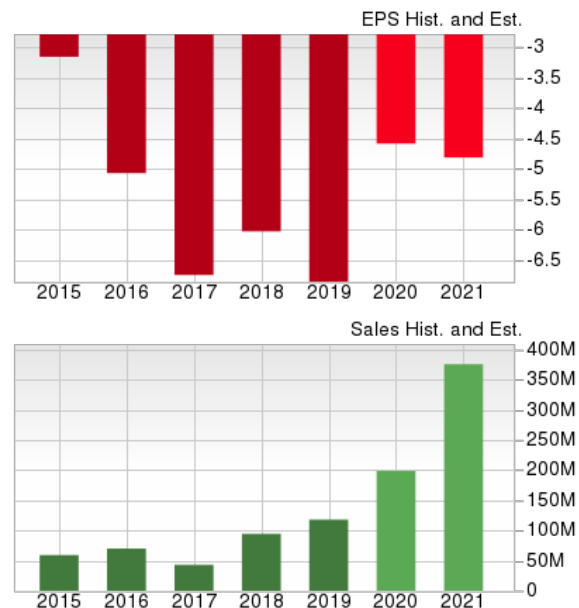
In July 2018, Agios' wholly owned product Tibsovo, an IDHm inhibitor, received FDA approval for relapsed/refractory acute myeloid leukemia (AML) with a susceptible IDH1 mutation as detected by an FDA-approved test. The candidate is also under review in the EU. Last June, Agios out-licensed rights to market Tibsovo in China to CStone Pharmaceuticals for the given indication. Tibsovo recorded sales of 59.9 million in 2019.

Notably, IDH1 and IDH2 mutations are found in a wide range of hematological malignancies and solid tumors including AML, chondrosarcoma and cholangiocarcinoma where both the treatment options and prognosis for patients are poor.

Agios developed another product, Idhifa, in collaboration with Celgene Corporation, a wholly owned subsidiary of Bristol-Myers Squibb Company. In June, 2020 Agios divested its tiered, sales-based royalty rights on worldwide net sales of Idhifa along with rights to receive up to \$55 million in outstanding regulatory milestone payments from Bristol Myers, to Royalty Pharma for \$255 million. Agios will continue to co-promote Idhifa and receive reimbursement from Bristol Myers and continues to conduct certain clinical development activities under its 2010 collaboration agreement with Bristol-Myers.

Agios' rare genetic diseases candidate, mitapivat, is being developed for treating patients with (PK) deficiency. The company's other pipeline candidates are vorasidenib and AG-270, which are being developed for various cancer indications.

In 2019, the company generated \$117.9 million in total revenues, reflecting a rise of 24.9% year over year.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Tibsovo Approval, a Huge Boost:** The FDA approval of Tibsovo in July 2018 offered a huge boost to the company given the immense commercial potential in the target market - AML patients with IDH-1 mutation. The FDA approval also lowered the company's heavy dependence solely on Celgene for revenues as Tibsovo is Agios' wholly owned product. Tibsovo contributed to around 50% of Agios' total revenues in 2019. In 2020, the company expects product sales from Tibsovo in the range of \$105-115 million.

FDA approval of leukemia drug Tibsovo was a huge boost for Agios. The drug's label expansion studies are also advancing well.

The drug is also under review in the EU for the same 0 wherein a tentative approval will further boost growth.

- ▲ **Tibsovo Label Expansion Studies Promising:** In May 2019, Tibsovo was approved by the FDA in the first-line setting. This nod was crucial as it expands the drug's eligible patient population and should drive sales higher in the future quarters.

Meanwhile, Tibsovo is being evaluated in combination with Celgene's Vidaza for treating newly diagnosed AML patients, who are ineligible for intensive chemotherapy. Agios plans to conclude enrollment in the study by 2021.

Tibsovo is also being evaluated in the phase III ClarIDHy study in previously-treated patients with IDH1 mutant cholangiocarcinoma, also called bile-duct cancer. In May 2019, Tibsovo met the primary endpoint of this study. The company plans to report mature overall survival data from the above-mentioned study in the third quarter of 2020. If the data is found positive, Agios expects to file an sNDA for the above indication in the first quarter of 2021.

Meanwhile, last December, the FDA granted Breakthrough Therapy designation to Tibsovo for treating relapsed/refractory myelodysplastic syndrome (MDS) in adult patients with a susceptible IDH1 mutation. Additional enrollment completion in this study is expected in 2021.

- ▲ **Promising Early-Stage Pipeline:** Agios' rare genetic diseases candidate, mitapivat, is being developed for treating patients with (PK) deficiency. It is conducting the single-arm ACTIVATE-T study for addressing PK in patients who are on regular blood transfusions, and also the ACTIVATE study for treating PK deficiency in patients with no regular blood transfusions. Top-line data from both studies is awaited between 2020 end and mid-2021.

Meanwhile, mitapivat is also being developed for sickle cell disease and thalassemia. In June 2020, management announced that a clinical proof-of-concept has been established in the phase I study on mitapivat for patients with sickle cell disease based on a preliminary analysis. The company already received an orphan drug designation from the FDA for mitapivat to treat thalassemia.

Agios' other product candidates are vorasidenib and AG-270. The company is currently enrolling patients in the registration-enabling phase III INDIGO study on vorasidenib for treating low grade (grade 2) glioma with an IDH1 or IDH 2 mutation.

AG-270 is being developed in a phase I study for addressing multiple tumor types carrying methylthioadenosine phosphorylase (MTAP)-deleted tumors. Moreover, in March 2020, the FDA cleared an investigational new drug (IND) application for AG-946, a next-generation pyruvate kinase-R (PKR) activator. A phase I study on the same for the potential treatment of hemolytic anemias is expected to begin in the third quarter of 2020.

Successful development and potential commercialization of these candidates will drive the company's growth in the future.

- ▲ **Royalty Pharma Deal Boost Cash Position:** Per management, the amount received from Royalty Pharma for royalty rights on global net sales of Idhifa is a non-dilutive funding. This provides Agios with extra financial flexibility to continue investing and advance its promising clinical pipeline. These proceeds from the deal will help Agios fund its exciting pipeline that will bode well for the long haul.
- ▲ **Favorable Debt Profile:** Agios has an encouraging debt profile. As of Jun 30, 2020, the company's total debt (current and long-term debt) was approximately \$109 million. Its cash, cash equivalents and marketable securities were approximately \$790 million as of the end of June 2020. Hence the company has enough resources to meet its total obligations. Agios is less likely to file for bankruptcy in case of insolvency.

Reasons To Sell:

- ▼ **Shares Underperforming Industry:** Shares of Agios have lagged its industry year to date. The stock has lost 14.1%, wider than the industry's decline of 0.2%.
- ▼ **Pipeline Setback:** In December 2016, company announced its decision to discontinue the development of AG-519. The decision was taken after the verbal notification of a clinical hold by the FDA, which led the company to withdraw its investigational new drug application for the candidate. The decision to discontinue the development of AG-519 was disappointing.

Agios is highly dependent on Celgene for royalties and regular funds. Pipeline setbacks too remain a threat as well.

In 2020, Agios discontinued the in-house development of AG-636 due to limited enrollment, which was in the phase I development for treating advanced lymphoma. Similar setbacks in the future will hurt the stock significantly.

- ▼ **Dependence on Royalties for Pipeline Progress:** The company depends heavily on revenues, which it earns in the form of collaboration revenues and royalty revenues on Idhifa sales from related parties. The discovery phase under the 2010 agreement concluded in April 2016 hence Agios no longer receives payments from Celgene with respect to extensions of the discovery phase under the agreement. Meanwhile, in December 2019, Celgene withdrew the marketing application for Idhifa in Europe.

In March 2020, Celgene declined to extend the metabolic immuno-oncology research collaboration with Agios. Further, it decided not to exercise its option to gain the rights to AG-270,.

Notably, in September 2018, following the termination of the vorasidenib (formerly AG-881) agreement, Agios acquired the worldwide rights to vorasidenib from partner Celgene. The candidate was earlier jointly developed by the companies. Agios now needs funds to develop this candidate further.

Last Earnings Report

Agios' Q2 Loss Narrower Than Expected, Revenues Surpass

Agios reported second-quarter 2020 loss of \$1.31 per share, narrower than the Zacks Consensus Estimate of a loss of \$1.42 as well as the year-ago loss of \$1.87.

Total revenues of \$37.3 million were above the Zacks Consensus Estimate of \$35 million. The top line also grew year over year, driven by a 101% increase in Tbisovo sales.

Tibsovo generated sales worth \$27.6 million in the second quarter, reflecting a sequential increase of 21.5%, driven by a strong uptake of the drug. Tibsovo total number of unique prescribers was expanded by 15% from the previous quarter. In 2020, the company expects Tibsovo sales in the range of \$105-115 million.

Royalty revenues earned from Celgene, now part of Bristol-Myers, were \$3.3 million in the reported quarter on Idhifa's net sales.

Collaboration revenues were \$6.4 million in the quarter compared with \$9.8 million in the year-ago period.

Research & development expenses declined 15.4% year over year to \$90.9 million owing to the ramp-down of clinical studies for pipeline development.

General and administrative expenses increased 11.1% year over year to \$36 million on account of higher infrastructure costs.

Agios ended the second quarter with cash, cash equivalents and marketable securities of \$794 million, higher than the sequential quarter's \$613.1 million. The company expects this cash balance and revenues recognized from Tibsovo plus royalties to effectively fund its current operational plans for at least through the end of 2022.

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	5.62%
EPS Surprise	7.75%
Quarterly EPS	-1.31
Annual EPS (TTM)	-5.31

Recent News

Proof-of-Concept Established in Sickle Cell Disease Study on Mitapivat – Jun 12

Agios announced that based on a preliminary analysis, clinical proof-of-concept has been established in the phase I study on mitapivat for patients with sickle cell disease.

Divests Idhifa Royalty Rights to Royalty Pharma – Jun 12

Agios announced that it has sold tiered, sales-based royalty rights on worldwide net sales of Bristol Myers' Idhifa along with rights to receive up to \$55 million in outstanding regulatory milestone payments from the latter, to Royalty Pharma for \$255 million.

Orphan Drug Tag for Mitapivat to Treat Thalassemia – Jun 8

Agios announced that the FDA has granted an orphan drug designation to its first-in-class pyruvate kinase-R (PKR) activator mitapivat for the treatment of patients with thalassemia. The candidate is an investigational, oral, small molecule allosteric activator of wild-type and a variety of mutated PKR enzymes.

Valuation

Agios' shares are down 14.1% in the year-to-date period and up 8.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are down 0.2% and up 1.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 1.2% while the sector is up 9.5%.

The S&P 500 index is up 3.1% in the year-to-date period and up 13.8% in the past year.

The stock is currently trading at 5.08X trailing 12-month book value, which compares to 3.22X for the Zacks sub-industry, 3.91X for the Zacks sector and 4.50X for the S&P 500 index.

Over the past five years, the stock has traded as high as 11.25X and as low as 2.90X, with a 5-year median of 5.48X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$44.00 price target reflects, 5.45X trailing 12-month book value.

The table below shows summary valuation data for AGIO

Valuation Multiples - AGIO					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	5.08	3.22	3.91	4.5
	5-Year High	11.25	3.48	5.07	4.76
	5-Year Low	2.9	2.2	2.94	2.83
	5-Year Median	5.48	2.82	4.28	3.76
P/S TTM	Current	15.21	4.21	3.14	3.67
	5-Year High	134.36	4.23	3.81	3.88
	5-Year Low	13.52	2.7	2.29	2.43
	5-Year Median	34.3	3.71	3.18	3.21

As of 08/31/2020

Industry Analysis Zacks Industry Rank: Bottom 29% (179 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. (ABBV)	Neutral	3
ASLAN Pharmaceuticals Ltd. (ASLN)	Neutral	3
AstraZeneca PLC (AZN)	Neutral	3
Bayer Aktiengesellschaft (BAYRY)	Neutral	4
Jazz Pharmaceuticals PLC (JAZZ)	Neutral	2
Eli Lilly and Company (LLY)	Neutral	3
Novartis AG (NVS)	Neutral	3
Pfizer Inc. (PFE)	Neutral	3

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

Industry Comparison Industry: Medical - Products				Industry Peers		
	AGIO	X Industry	S&P 500	ABBV	ASLN	AZN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	B	D	B
Market Cap	2.83 B	355.62 M	23.72 B	169.02 B	48.40 M	146.96 B
# of Analysts	6	3	14	6	2	4
Dividend Yield	0.00%	0.00%	1.65%	4.93%	0.00%	1.57%
Value Score	F	-	-	B	F	C
Cash/Price	0.29	0.12	0.07	0.04	0.28	0.04
EV/EBITDA	-5.28	-0.30	13.28	20.50	-1.16	23.21
PEG F1	NA	4.23	3.03	1.54	NA	1.66
P/B	5.07	3.47	3.17	11.47	NA	10.76
P/CF	NA	17.52	12.87	9.27	NA	17.68
P/E F1	NA	40.29	21.63	9.16	NA	27.59
P/S TTM	15.25	5.71	2.53	4.67	NA	5.72
Earnings Yield	-11.17%	-1.23%	4.39%	10.92%	-27.81%	3.63%
Debt/Equity	0.18	0.13	0.70	5.57	-2.26	1.14
Cash Flow (\$/share)	-6.90	-0.00	6.93	10.33	-0.73	3.17
Growth Score	D	-	-	C	A	A
Historical EPS Growth (3-5 Years)	NA%	10.79%	10.41%	21.34%	NA	-2.71%
Projected EPS Growth (F1/F0)	33.21%	4.88%	-4.75%	16.98%	43.92%	16.00%
Current Cash Flow Growth	18.64%	4.10%	5.22%	8.78%	-43.94%	2.12%
Historical Cash Flow Growth (3-5 Years)	NA%	7.74%	8.49%	19.92%	NA	-0.86%
Current Ratio	13.15	2.97	1.35	0.86	3.23	0.82
Debt/Capital	15.49%	14.85%	42.92%	84.78%	NA	53.34%
Net Margin	-182.49%	-23.64%	10.25%	19.20%	NA	8.36%
Return on Equity	-59.71%	-8.55%	14.66%	-628.57%	-10,427.34%	37.72%
Sales/Assets	0.22	0.51	0.50	0.37	NA	0.43
Projected Sales Growth (F1/F0)	68.41%	0.00%	-1.40%	36.62%	0.00%	7.75%
Momentum Score	C	-	-	B	D	D
Daily Price Change	2.32%	0.00%	-0.82%	1.70%	-1.31%	0.56%
1-Week Price Change	1.29%	0.03%	2.59%	-0.73%	-4.97%	-0.04%
4-Week Price Change	-12.65%	-0.97%	3.55%	-0.18%	-5.03%	-1.44%
12-Week Price Change	-21.48%	-1.18%	-0.44%	1.25%	-20.11%	6.50%
52-Week Price Change	8.06%	3.92%	2.80%	45.68%	-9.04%	24.36%
20-Day Average Volume (Shares)	640,271	263,903	1,839,384	6,475,466	44,202	3,711,342
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%
EPS F1 Estimate 4-Week Change	2.14%	0.67%	0.20%	0.27%	0.00%	-0.29%
EPS F1 Estimate 12-Week Change	3.75%	3.05%	3.87%	-0.96%	-5.06%	0.59%
EPS Q1 Estimate Monthly Change	2.69%	0.00%	0.00%	-0.36%	0.00%	-1.92%

Source: Zacks Investment Research

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	F
Growth Score	D
Momentum Score	C
VGM Score	F

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 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.