

Agios Pharmaceuticals (AGIO)

\$46.55 (As of 01/28/21)

Price Target (6-12 Months): **\$48.00**

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

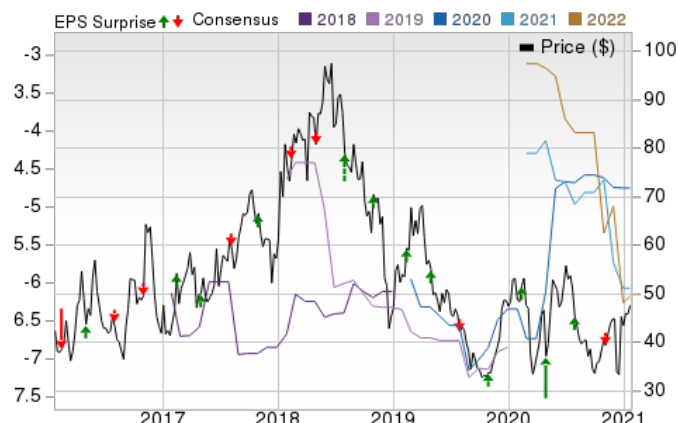
Growth: D

Momentum: D

Summary

Agios' leukemia drug Tibsovo has been performing steadily and driving growth. The drug's approval for the first-line setting is boosting revenues while its label expansion studies are also advancing well. Agios' progress with its pipeline looks impressive as well. Meanwhile, in December 2020, Agios entered into an agreement to sell its oncology business to Servier for around \$2 billion. The transaction will close in second-quarter 2021. Agios' collaboration agreements look lucrative as it gets regular funds and royalties from sales. However, Agios' excessive reliance on royalties to develop its pipeline is a constant worry. Stiff competition is another concern. Recently, Agios also withdrew the filing for Tibsovo in Europe, which is a headwind. Shares have underperformed the industry in the past year.

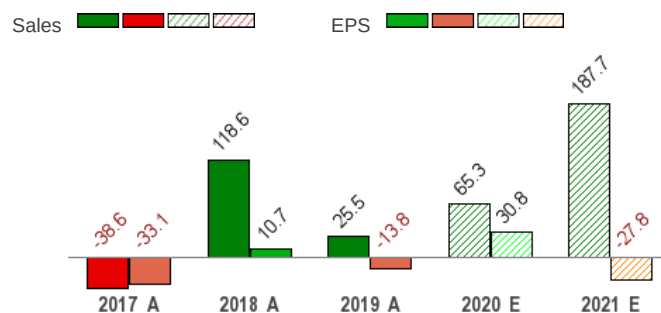
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$56.75 - \$27.77
20-Day Average Volume (Shares)	724,495
Market Cap	\$3.2 B
Year-To-Date Price Change	5.8%
Beta	1.80
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Products
Zacks Industry Rank	Bottom 13% (220 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.1%
Last Sales Surprise	-3.6%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/11/2021
Earnings ESP	0.0%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	16.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	34 E	36 E	5 E	5 E	561 E
2020	87 A	37 A	35 A	36 E	195 E
2019	30 A	26 A	26 A	35 A	118 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$1.40 E	-\$1.50 E	-\$2.00 E	-\$2.20 E	-\$6.07 E
2020	-\$0.59 A	-\$1.31 A	-\$1.43 A	-\$1.41 E	-\$4.75 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 01/28/2021. The reports text is as of 01/29/2021.

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 December 2020, Agios entered into a definitive agreement to sell its commercial, clinical and research-stage oncology portfolio including its wholly owned product Tibsovo to Servier, for up to \$2 billion. The transaction is expected to close in the second quarter of 2021.

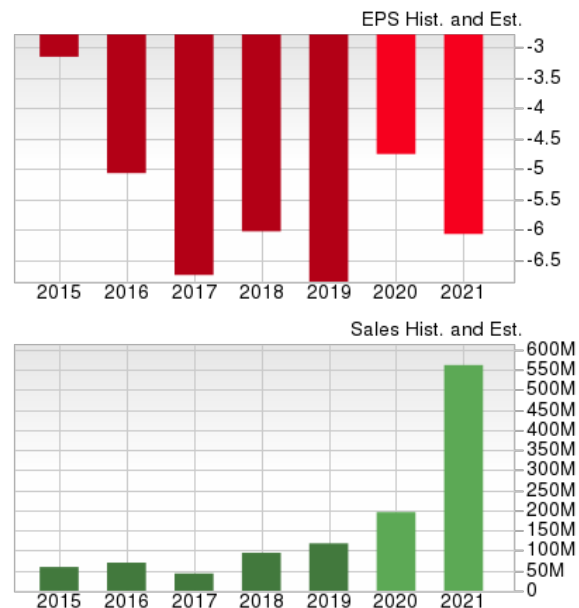
In July 2018, Tibsovo, an IDH inhibitor, was approved by the Food and Drug Administration (FDA) for treating relapsed/refractory acute myeloid leukemia (AML) with a susceptible isocitrate dehydrogenase-1 (IDH1) mutation as detected by an FDA-approved test. In June 2019, Agios out-licensed rights to market 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' rare genetic diseases candidate, mitapivat, is being developed for treating patients with pyruvate kinase (PK) deficiency. The candidate is also developing mitapivat for treating sickle cell disease ("SCD"), a blood disorder, and thalassemia.

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 Sales Driving Growth:** 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 \$113-\$115 million. Several label expansion studies on Tibsovo are currently underway.

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

▲ **Divests Oncology Business:** In December 2020, Agios entered into a definitive agreement to sell its commercial, clinical and research-stage oncology portfolio to France-based pharmaceutical company, Servier, for up to \$2 billion. Shares of the company rose significantly on the news.

With this agreement, Agios is looking to solely focus on expanding its genetically defined disease portfolio, including the clinical development of mitapivat, which is being developed for treating three types of hemolytic anemias.

The transaction is expected to close in the second quarter of 2021 subject to approval by Agios' shareholders and customary closing conditions. Upon closing, the transaction will help Agios to advance the genetically defined disease portfolio and strengthen its capital structure.

Also, upon closing of the above transaction, Agios will divest Tibsovo as well as other oncology pipeline candidates vorasidenib and AG-270. Vorasidenib is currently being evaluated in the registration-enabling phase III INDIGO study 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.

▲ **Mitapivat Studies Progressing Well:** Agios' rare genetic diseases candidate mitapivat is being evaluated in the single-arm ACTIVATE-T study for addressing PK in patients who are on regular blood transfusions. The top-line results from the same are expected in the first quarter of 2021. Also, the ACTIVATE study is evaluating mitapivat for treating PK deficiency in patients with no regular blood transfusions. In December 2020, the ACTIVATE study met the primary endpoint. Subsequently, in January 2020, the ACTIVATE-T study met the primary goal.

Meanwhile, mitapivat is also being developed for SCD and thalassemia. The company already received an orphan drug designation from the FDA for mitapivat to treat thalassemia as well as SCD. Pivotal phase III studies for both the indications are expected to begin in 2021.

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

▲ **Favorable Debt Profile:** As of Sep 30, 2020, the company had zero debt. It had cash, cash equivalents and marketable securities worth \$606 million as of September-end. In absence of any debt obligation, the company is less likely to file for bankruptcy in case of any insolvency. Thus, Agios has an encouraging debt position.

Reasons To Sell:

- ▼ **Shares Underperforming Industry:** Shares of Agios have lagged its industry in the past one year. The stock has lost 12.7% against the industry's increase of 5.2%.
- ▼ **Pipeline Setback:** In 2020, Agios discontinued the in-house development of AG-636 due to limited enrollment. The candidate was in the phase I development for treating advanced lymphoma. Meanwhile, in October 2020, Agios withdrew the marketing authorization application for Tibsovo to treat adult patients in Europe with relapsed/refractory AML with an IDH1 mutation. The withdrawal was based on an unfavorable feedback from the Committee for Medicinal Products for Human Use (CHMP). Such setbacks do not bode well for the company.

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

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 (NDA) for the candidate. The decision to discontinue the development of AG-519 was disappointing.

- ▼ **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' Q3 Loss Wider Than Expected, Revenues Miss

Agios reported third-quarter 2020 loss of \$1.43 per share, wider than the Zacks Consensus Estimate of a loss of \$1.40 but narrower than the year-ago loss of \$1.81.

Total revenues of \$34.7 million in the reported quarter missed the Zacks Consensus Estimate of \$36 million. However, the top line grew 33.4% year over year owing to increased sales of Tibsovo.

Tibsovo generated sales of \$31.7 million in the third quarter, reflecting a sequential increase of 15% on higher demand for the drug. On the third-quarter conference call, management stated that it continues to see a steady rise in physician preference for Tibsovo, both with respect to the newly-diagnosed as well as the relapsed and refractory AML setting.

The company raised the lower end of 2020 guidance for Tibsovo sales to the \$113-115 million from the earlier projection of \$105-115 million.

Quarter in Detail

Royalty revenues earned from Celgene, now part of Bristol-Myers were \$0.7 million on Idhifa's net sales.

Collaboration revenues were \$2.3 million in the quarter compared with \$5.9 million in the year-ago quarter.

Research & development expenses declined 11.9% year over year to \$89.6 million due to ramped-down activity of clinical studies for Tibsovo.

Selling general and administrative expenses increased 5.4% year over year to \$34.8 million on account of higher personnel costs.

Quarter Ending	09/2020
Report Date	Nov 05, 2020
Sales Surprise	-3.64%
EPS Surprise	-2.14%
Quarterly EPS	-1.43
Annual EPS (TTM)	-4.93

Recent News

ACTIVATE-T Study on Mitapivat Meets Primary Goal – Jan 26

Agios announced that the phase III ACTIVATE-T study, evaluating mitapivat, for treating PK deficiency in adult patients who receive regular blood transfusions, has met the primary endpoint.

Data from the study showed that treatment with mitapivat led to a statistically significant and clinically meaningful reduction in transfusion burden. 37% of patients in the study achieved a ~33% reduction in transfusion burden as compared to individual historical transfusion burden standardized to 24 weeks.

To Sell Oncology Portfolio to Servier for \$2B – Dec 21

Agios announced that it has entered into a definitive agreement to sell its commercial, clinical and research-stage oncology portfolio to France-based pharmaceutical company, Servier, for up to \$2 billion.

With this agreement, Agios is looking to solely focus on expanding its genetically defined disease portfolio, including the clinical development of lead pipeline candidate mitapivat, which is being developed for treating three types of hemolytic anemias.

Phase III Study on Mitapivat Meets Primary Goal – Dec 1

Agios announced that the phase III ACTIVATE study, evaluating mitapivat, for treating PK deficiency in patients who do not receive regular blood transfusions, has met the primary endpoint.

Data from the study showed that treatment with mitapivat led to a statistically significant, sustained increase in hemoglobin level in 40% of patients compared to none in the placebo arm.

Mitapivat Gets Orphan Drug Tag for SCD – Nov 12

Agios announced that the FDA has granted mitapivat an orphan drug designation for the treatment of patients with sickle cell disease (SCD), which is a blood disorder. The company plans to begin a pivotal phase III study on mitapivat for SCD in 2021.

Withdraws Filing for Tibsovo in the EU — Oct 16

Agios announced that it has withdrawn the marketing authorization application for Tibsovo to treat adult patients with relapsed/refractory AML with an IDH1 mutation in Europe.

The company decided to withdraw the European filing based on an unfavorable feedback from the Committee for Medicinal Products for Human Use (CHMP) of the European Medicine Agency (EMA). The opinion suggested that the single arm phase I study based on which Tibsovo was filed for the given indication did not sufficiently support a positive benefit-risk balance.

Posts Final OS Data From ClarIDHy Study — Sep 21

Agios announced final overall survival data from the phase III ClarIDHy on Tibsovo, which was evaluated in previously-treated patients with IDH1 mutant cholangiocarcinoma. A consistent trend in the improved OS was observed in patients treated with Tibsovo as compared to placebo but that outcome was not statistically significant.

Appoints New Chief Financial Officer — Sep 8

Agios announced that it has appointed Jonathan Biller as its new chief financial officer, and the head of legal and corporate affairs with effect from Sep 11, 2020.

Valuation

Agios' shares are down 4.2% in the past six months and 12.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are up 7.4% and 5.4% respectively, in the past six months period. Over the past year, the Zacks sub-industry is up 5.2% and the sector is up 8%.

The S&P 500 index is up 16.6% in the past six months and up 17.4% in the past year.

The stock is currently trading at 6.55X trailing 12-month book value, which compares to 3.41X for the Zacks sub-industry, 4.48X for the Zacks sector and 6.46X 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 5.41X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$48.00 price target reflects, 6.91X trailing 12-month book value.

The table below shows summary valuation data for AGIO

Valuation Multiples - AGIO					
		Stock	Sub-Industry	Sector	S&P 500
	Current	6.55	3.41	4.48	6.46
P/B TTM	EV/EBITDA	11.95	2.69	5.44	6.64

P/B TTM	5-Year High	11.25	3.62	5.11	6.64
	5-Year Low	2.9	2.28	3.02	3.73
	5-Year Median	5.41	2.95	4.36	4.95
P/S TTM	Current	16.15	4.65	3.32	4.82
	5-Year High	134.36	4.67	3.68	4.96
	5-Year Low	11.8	2.76	2.35	2.81
	5-Year Median	32.5	3.76	3.21	3.87

As of 01/28/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 13% (220 out of 253)



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	3
Jazz Pharmaceuticals PLC (JAZZ)	Neutral	3
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	C
Market Cap	3.17 B	627.48 M	26.41 B	181.47 B	75.32 M	136.74 B
# of Analysts	5	3	13	8	2	4
Dividend Yield	0.00%	0.00%	1.45%	5.06%	0.00%	1.69%
Value Score	F	-	-	A	F	B
Cash/Price	0.18	0.10	0.06	0.04	0.17	0.06
EV/EBITDA	-6.25	-0.69	14.73	21.61	-1.72	21.71
PEG F1	NA	2.93	2.43	1.43	NA	1.20
P/B	6.61	4.31	3.66	11.87	NA	10.04
P/CF	NA	24.06	14.44	10.09	NA	16.43
P/E F1	NA	28.91	19.77	8.45	NA	20.10
P/S TTM	16.32	6.79	2.84	4.46	NA	5.29
Earnings Yield	-13.24%	0.74%	4.98%	11.83%	-24.26%	4.97%
Debt/Equity	0.00	0.08	0.69	5.38	-1.54	1.34
Cash Flow (\$/share)	-6.90	0.00	6.85	10.33	-0.73	3.17
Growth Score	D	-	-	B	C	C
Historical EPS Growth (3-5 Years)	NA%	9.05%	9.69%	21.23%	NA	-2.63%
Projected EPS Growth (F1/F0)	-27.77%	32.88%	12.80%	16.06%	-42.50%	29.14%
Current Cash Flow Growth	18.64%	6.27%	4.88%	8.78%	-43.94%	2.12%
Historical Cash Flow Growth (3-5 Years)	NA%	8.47%	8.07%	19.92%	NA	-0.86%
Current Ratio	9.59	2.93	1.38	0.95	2.08	0.96
Debt/Capital	0.09%	14.01%	41.57%	84.33%	NA	57.30%
Net Margin	-170.65%	-11.05%	10.44%	18.16%	NA	9.65%
Return on Equity	-57.63%	-3.51%	15.37%	439.24%	-10,427.34%	37.23%
Sales/Assets	0.22	0.52	0.51	0.34	NA	0.43
Projected Sales Growth (F1/F0)	187.28%	16.67%	5.98%	18.31%	NA	18.59%
Momentum Score	D	-	-	D	C	F
Daily Price Change	-0.87%	0.00%	1.38%	1.38%	-4.26%	-0.12%
1-Week Price Change	3.94%	3.22%	-0.02%	0.31%	13.02%	3.72%
4-Week Price Change	4.87%	10.00%	0.04%	-2.74%	22.95%	4.10%
12-Week Price Change	7.98%	24.74%	8.96%	11.23%	44.23%	-5.66%
52-Week Price Change	-12.70%	31.33%	7.48%	27.43%	10.29%	6.01%
20-Day Average Volume (Shares)	724,495	325,728	1,962,643	6,802,074	414,931	11,364,933
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.02%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.26%	-0.03%	0.00%	-0.58%
EPS F1 Estimate 12-Week Change	-30.76%	0.00%	1.63%	0.45%	4.20%	1.03%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.05%	0.00%	0.00%	NA

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	F
Growth Score	D
Momentum Score	D
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.

Disclosures

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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.