Alkermes plc (ALKS)

$21.69 (As of 01/26/21)

Price Target (6-12 Months): **$23.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/26/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: A | Momentum: C	

Summary

Alkermes beat both earnings and sales estimates in the third quarter of 2020. The company remains focused on the commercial execution of its proprietary products — VIvitrol and Aristada. The Food and Drug Administration (FDA) accepted the new drug application (NDA) for ALKS 3831 for both schizophrenia and bipolar I disorder indications. The positive outcome of the ALKS 3831 FDA Advisory Committee meeting is a significant achievement as well. A potential approval and the launch of ALKS 3831 will be a significant boost as well. The company aims to maximize the opportunities for both Aristada and Vivitrol and is preparing to leverage its commercial infrastructure with the potential launch of ALKS 3831. However, Alkermes is highly dependent on manufacturing and/or royalty revenue is a concern. Shares have underperformed the industry year to date.

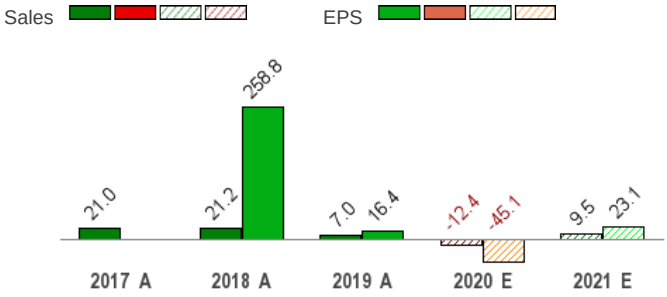
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$23.02 - $11.98**
20-Day Average Volume (Shares)	**1,353,203**
Market Cap	**$3.6 B**
Year-To-Date Price Change	**14.6%**
Beta	**1.25**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Medical - Biomedical and Genetics**
Zacks Industry Rank	**Bottom 13% (221 out of 253)**
Last EPS Surprise	**2,700.0%**
Last Sales Surprise	**11.0%**
EPS F1 Estimate 4-Week Change	**-235.7%**
Expected Report Date	**02/11/2021**
Earnings ESP	**21.7%**
P/E TTM	**19.7**
P/E F1	**45.2**
PEG F1	**2.0**
P/S TTM	**3.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	255 E	272 E	285 E	298 E	1,123 E
2020	246 A	248 A	265 A	269 E	1,026 E
2019	223 A	280 A	255 A	413 A	1,171 A

EPS Estimates

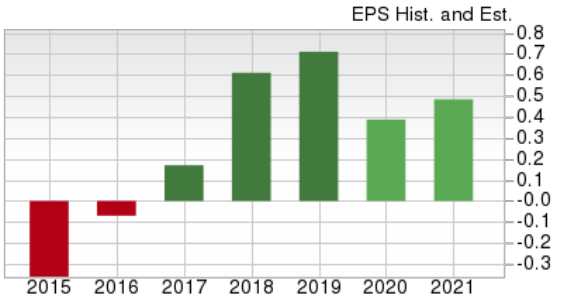
	Q1	Q2	Q3	Q4	Annual*
2021	$0.02 E	$0.06 E	$0.11 E	$0.15 E	$0.48 E
2020	$0.01 A	$0.06 A	$0.26 A	$0.07 E	$0.39 E
2019	-$0.17 A	$0.09 A	-$0.04 A	$0.83 A	$0.71 A

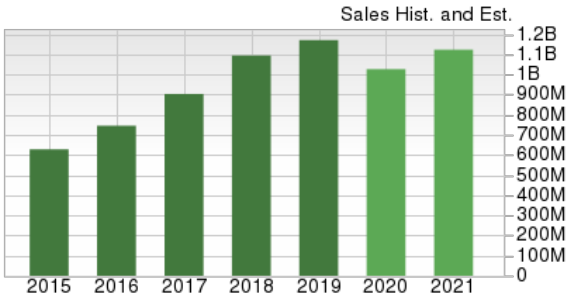
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/26/2021. The reports text is as of 01/27/2021.

Overview

Dublin, Ireland-based Alkermes plc was formed by the Sep 2011 merger of Waltham, MA-based Alkermes, Inc. and Elan Drug Technologies (EDT), the drug delivery unit of Elan Corporation, plc. Elan was acquired by Perrigo in 2013. The combined entity is a fully integrated global biopharmaceutical company that utilizes proprietary technologies to research, develop and commercialize, both with partners and on its own, pharmaceutical products to address unmet medical needs of patients in major therapeutic areas. Alkermes holds a diversified product portfolio and a promising pipeline of candidates targeting major central nervous system (CNS) disorders including schizophrenia, depression, addiction and multiple sclerosis.





Alkermes derives revenues on net sales of its proprietary products – Vivitrol (alcohol and opioid dependence) and Aristada (schizophrenia), and manufacturing and/or royalty revenues on net sales of products commercialized by the company's partners. These include Risperdal Consta (schizophrenia and bipolar I disorder), Invega Sustenna (schizophrenia and schizoaffective disorder)/Xeplion (schizophrenia), Invega Trinza/Trevicta (schizophrenia), Ampyra/Fampyra (to improve walking in patients with multiple sclerosis) and Bydureon (type II diabetes).

In October 2019, the FDA granted approval to Vumerity (diroximel fumarate),being developed in collaboration with Biogen to treat relapsing forms of multiple sclerosis(MS).

Further, Alkermes has a robust pipeline. Interesting late-stage candidates in the company's pipeline include ALKS 5461 (major depressive disorder/MDD), and ALKS 3831 (schizophrenia).

The company's proprietary drugs – Vivitrol and Aristada – generated more than 28.6% and 16.2%, respectively, of the total revenues in 2019. Vivitrol posted sales of $335.4 million, up 9.8%. Sales of Aristada increased 28% to 189.1 million in 2019.

In 2019, Alkermes reported total revenues of $1.17 billion, up 7% year over year.

Source: Zacks Investment Research

Reasons To Buy:

Alkermes' strong product portfolio and pipeline progress have been impressive. Divestment and restructuring initiatives are also a positive for the company.

- **Strong Product Portfolio:** Alkermes' revenues are being driven by its proprietary products, Vivitrol and Aristada, and the some partnered products – Risperdal Consta, Invega Sustenna/Xeplion, Invega Trinza/Trevicta, and Ampyra/Fampyra. We expect these products to continue contributing to the company's top-line growth in the coming quarters. Vumerity (diroximel fumarate) is being developed in collaboration with Biogen to treat relapsing forms of multiple sclerosis (MS). In October 2019, the FDA granted approval to Vumerity.. Alkermes received a $150 million milestone payment from Biogen following the FDA approval of the NDA for the same. The company may also receive a mid-teens percentage royalty on worldwide net sales. Further, Alkermes is also conducting the EVOLVE-MS-2 study, a five-week, head-to-head gastrointestinal (GI) tolerability study evaluating Vumerity versus dimethyl fumarate.

  Alkermes continues to witness robust sales of Vivitrol in both the Medicaid and commercial setting. The company expects Vivitrol to be the primary growth driver.

  The launch of Aristada Initio continues to gain traction.

- **Promising Pipeline:** Alkermes' pipeline has expanded significantly following the acquisition of the EDT unit. The company's progress with pipeline candidates targeting major CNS disorders, such as schizophrenia, addiction, depression and multiple sclerosis, has been impressive. An important pipeline candidate is ALKS 5461 being developed for the treatment of MDD. In January 2018, a new drug application (NDA) was submitted to the FDA for ALKS 5461 and the same was accepted for review by the FDA in April 2018. If approved, this would be the first therapeutic option for patients with depression with a novel mechanism of action. Other interesting candidates include ALKS 3831 (samidorphan). The ALKS 3831 NDA for schizophrenia and bipolar I disorder is currently under review with the FDA. In December 2020, the FDA accepted the company's NDA resubmission for ALKS 3831 for the treatment of adults with schizophrenia and adults with bipolar I disorder, and assigned the application a action date of June 1, 2021. Neither the Complete Response Letter (CRL) nor this subsequent records request identified or raised any concerns about the clinical or non-clinical data in the NDA and the FDA has not asked Alkermes to complete any new clinical trials to support approval of the application. In November 2020, Alkermes received a Complete Response Letter (CRL) from the FDA regarding its new drug application (NDA) for ALKS 3831 for the treatment of adults with schizophrenia and bipolar I disorder. Per Alkermes, the agency required the resolution of certain conditions related to the tablet coating process at its facility in Wilmington, OH, before the drug could be approved. The company noted that the CRL did not identify or raise any concerns about the clinical or non-clinical data in the NDA and the FDA has not asked Alkermes to complete any new clinical trials to support the approval of the application. These observations were based on some development batches of ALKS 3831 and the company feels that it has enough data available to address these issues.

  On Oct 9, Alkermes received positive votes for ALKS 3831 from the joint meeting of the Psychopharmacologic Drugs Advisory Committee and the Drug Safety and Risk Management Advisory Committee, appointed by the FDA. During the joint meeting, the group voted that samidorphan meaningfully mitigates olanzapine-associated weight gain with a 16-1 vote. The committee also ruled the safety profile of ALKS 3831, which has been adequately characterized with a 13-3 vote.The committees jointly voted that labeling is sufficient to mitigate the risks related to the opioid antagonist action of samidorphan in an 11-6 vote. Though the FDA is not bound by it, the joint advisory committee's recommendations will be considered by the agency in its review of the NDA for ALKS 3831.

  Another important candidate in Alkermes' pipeline is cancer immunotherapy ALKS 4230, which is being evaluated under ARTISTRY Clinical Development Program in patients with advanced solid tumors. The company is developing ALKS 4230 in three distinct stage under ARTISTRY-1 program, an ongoing monotherapy dose-escalation stage, a monotherapy expansion stage and an ongoing combination therapy stage with the Merck's PD-1 inhibitor Keytruda (pembrolizumab) – in patients with select advanced solid tumors. The ARTISTRY-2 program has two phase I/II studies evaluating subcutaneous administration of ALKS 4230 as monotherapy and in combination with Merck's Keytruda in patients with advanced solid tumors. In February 2019, Alkermes signed a collaboration to evaluate ALKS 4230 in combination with Clovis Oncology's PARP inhibitor Rubraca (rucaparib), and lucitanib across multiple tumor types. On Aug 19, 2020, the company initiated a new phase II ARTISTRY-3 study to evaluate the clinical and immunologic effects of ALKS 4230 monotherapy in patients with advanced solid tumors. The ARTISTRY-3 study will evaluate treatment-emergent changes in the tumor microenvironment and peripheral blood immunophenotypes, as well as the safety, tolerability, and pharmacokinetic profile of ALKS 4230 (6µg/kg) dosed intravenously, as lead-in monotherapy, followed by combination with Merck's anti-PD-1 therapy, Keytruda, in patients with select advanced malignant solid tumors.

  Successful development and subsequent commercialization of these candidates would be a huge boost for the company.

- **Acquisition of Rodin Therapeutics, a Boost:** Alkermes acquired Rodin Therapeutics, Inc., a privately held biopharmaceutical company in November 2019. This transaction builds on Alkermes' experience in central nervous system (CNS) diseases and expands Alkermes' CNS development efforts into a wide range of neurodegenerative disorders.

  Alkermes plans to advance investigational new drug (IND)-enabling activities for lead preclinical assets in the Rodin development candidate portfolio. Alkermes also intends to continue Rodin's preclinical research program focused on the subset of frontotemporal dementia patients with an inherited mutation of the progranulin gene (FTD-GRN) and exploratory work in hematological disorders and oncology.

- **Favorable Debt Profile:** Alkermes has a favorable debt profile. As of Sep 30, 2020, the company's debt to total capital stood at 20.3, slightly lower than 21.5 at the end of Jun 30, 2020. A lower ratio indicates lower financial risk. The company's total debt (current and long-term debt) was approximately $276 million as of September-end. The company's cash, cash equivalents and marketable securities of approximately $569 million at the end of September 2020 should be sufficient to pay the debt in case of insolvency.

Reasons To Sell:

Alkermes' heavy dependence on partners for revenues is concerning. Pipeline setbacks are also matters for concern.

- **Pipeline Setbacks:** Gaining approval for pipeline candidates has become difficult with an increasingly stringent regulatory environment. Any unfavorable outcome on the regulatory front or the ongoing development programs would have an adverse impact on the shares. Alkermes is no stranger to pipeline setbacks.

  In February 2019, the FDA issued a Complete Response Letter ("CRL") related to its new drug application ("NDA") for ALKS 5461. The NDA sought approval for the candidate as an adjunctive treatment of major depressive disorder ("MDD"). The regulatory authority refused approval, due to a lack of evidence supporting efficacy of the oral medication. The CRL is likely to delay or result in a missed opportunity for the company.

  The FDA requested for additional clinical data to demonstrate substantial evidence of effectiveness of ALKS 5461 for the proposed indication. The company is planning to meet with the FDA to discuss the issues raised in the CRL and future steps related to the development of the candidate.

  On Apr 16, 2018, the FDA accepted for review the NDA for ALKS 5461. The FDA had initially issued a Refusal to File letter on Mar 30 for the candidate, stating that the NDA did not have enough evidence for the oral medication to work. The FDA suggested that additional studies might be required to demonstrate the drug's overall effectiveness for the proposed indication.

- **High Dependence on Partners:** Alkermes is highly dependent on manufacturing and/or royalty revenues on sales of products that are commercialized by the company's partners. For instance, Johnson and Johnson's Janssen is responsible for the commercialization of Risperdal Consta, Invega Sustenna/Xeplion, Invega Trinza and Vivitrol in Russia and certain Commonwealth of Independent States countries, while Ampyra is marketed by Acorda Therapeutics in the United States and Biogen in the ex-United States' markets. On the other hand, AstraZeneca is responsible for the commercialization of Bydureon. Partnership-related setbacks may weigh heavily on the company. Particularly, any significant negative development related to these products, or to the company's licensing agreements, could have a material adverse effect on its top-line growth. For instance, manufacturing and royalty business recorded a year-over-over decline in third-quarter 2016 due to lower sales of Risperdal Consta, Ampyra and Bydureon by the company's partners.

Last Earnings Report

Alkermes Beats on Q3 Earnings & Sales, Lifts Guidance

Quarter Ending	09/2020
Report Date	Oct 29, 2020
Sales Surprise	11.00%
EPS Surprise	2,700.00%
Quarterly EPS	0.26
Annual EPS (TTM)	1.16

Alkermes reported adjusted earnings of 26 cents per share in the third quarter of 2020 against a loss of 4 cents reported in the year-ago quarter. The Zacks Consensus Estimate was pegged at a loss of a cent.

The company's revenues of $265 million in the quarter increased 3.8% from the year-ago quarter. The top-line beat the Zacks Consensus Estimate of $239 million.

Quarter Details

Total manufacturing and royalty revenues were up 16% year over year to $120.4 million. Manufacturing and royalty revenues from J&J's drugs — Risperdal Consta, Invega Sustenna/Xeplion and Invega Trinza/Trevicta — were $87.9 million, up 14.6% year over year.

Vivitrol sales decreased about 6% year over year to $80.3 million. The decline resulted mainly due to COVID-19-related disruptions.

Aristada sales came in at $62.4 million, up 16% year over year, driven primarily by the increased breadth of the Aristada provider base and growth in the drug's two-month dose.

Research and development (R&D) expenses were $95 million, down 11.8% year over year.

Selling, general and administrative (SG&A) expenses were $127.7 million, down 16.4% year over year.

Pipeline Updates

In October 2020, the company received positive vote outcomes from the joint meeting of the Psychopharmacologic Drugs Advisory Committee and the Drug Safety and Risk Management Advisory Committee appointed by the FDA, on questions relating to ALKS 3831 for the treatment of adults with schizophrenia and bipolar I disorder. The joint advisory committee's recommendations, while not binding, will be considered by the FDA in its review of the ALKS 3831 new drug application (NDA). The action date for the NDA is Nov 15, 2020.

In August 2020, the company announced the initiation of ARTISTRY-3, a phase II study evaluating the clinical and immunologic effects of ALKS 4230 monotherapy administered intravenously on the tumor microenvironment in a variety of advanced, malignant solid tumors.

2020 Guidance Raised

The company now expects total revenues of $1,010-$1,035 million, up from the previous expectation of $965-$1,005 million. It expects Vivitrol net sales of $305-$315 million, up from the prior expectations of $270-$300 million. Aristada net sales are expected to be $230-$240 million, up from the previous expectation of $220-$235 million

Earnings are expected between 31-43 cents per share,up from, the earlier expectation of break-even and 19 cents per share.

Recent News

Results For Methamphetamine Use Disorder Published-Jan 14

Results from a National Institute on Drug Abuse (NIDA)-funded study evaluating the efficacy and safety of naltrexone for extended-release injectable suspension (XR-NTX) administered once every three weeks plus oral extended-release bupropion administered daily as a combination treatment for adults with moderate or severe methamphetamine use disorder (MUD) were published in the *New England Journal of Medicine (NEJM)*. This is the second published study evaluating this combination regimen for the treatment of MUD.[2]

The number of adults living with MUD has risen in recent years. In 2019, approximately 1 million adults in the U.S. reported having a methamphetamine use disorder—an increase of more than 50 percent since 2016. Currently, there are no FDA-approved medicines for the treatment of MUD.

FDA Accepts Resubmission of NDA for ALKS 3831-Dec 29

Alkermes announced that FDA accepted the company's new drug application (NDA) resubmission for ALKS 3831 (olanzapine/samidorphan) for the treatment of adults with schizophrenia and adults with bipolar I disorder, and assigned the application a action date of June 1, 2021.

The FDA classified the resubmission as a complete, Class 2 response to the Complete Response Letter (CRL) issued in November 2020, following a remote review of records relating to the manufacture of ALKS 3831 at the company's Wilmington, OH facility. Subsequent to Alkermes' resubmission of the NDA, the FDA issued a new request for records to supplement the information previously provided by the company. Neither the CRL nor this subsequent records request identified or raised any concerns about the clinical or non-clinical data in the NDA and the FDA has not asked Alkermes to complete any new clinical trials to support approval of the application.

Alkermes will continue to work closely with the FDA as it completes its review of the ALKS 3831 NDA and remains committed to making ALKS 3831 available to patients as quickly as possible.

Alkermes Outlines Value Enhancement Plan-Dec 10

Alkermes announced a Value Enhancement Plan, designed to drive growth, improve operational and financial performance, as well as enhance shareholder value.

The plan includes a commitment to multi-year profitability targets, review and optimization of the company's cost structure, potential monetization of non-core assets, as well as persistent governance enhancements.

Management's goal is to improve margins over the next few years so that its adjusted net income is 25% of 2023 revenues, with earnings before interest, taxes, depreciation and amortization (EBITDA) margin of 20% of 2023 revenues. The company is looking to further boost margins in 2024, with net income making up 30% of 2024 revenues and an EBITDA margin of 25% of 2024 revenues.

It is also undertaking several initiatives to meet these goals, including reorganization of the commercial infrastructure, which was implemented in November 2020. As part of the reorganization, several functional areas within Alkermes' commercial organization were consolidated to improve efficiencies. About 80 full-time positions were reallocated to support the potential approval and launch of its schizophrenia and bipolar I disorder drug ALKS 3831, reducing the need for the previously planned new hires.

The company has also started an in-depth review of operations and structure, both internally and in collaboration with external advisors, to identify potential areas for improved efficiencies.

Management also plans to license or sell non-core assets and the company is exploring a strategic collaboration for ALKS 4230, an immuno-oncology drug, which will cut costs further.

Finally, Alkermes has committed to refreshing the board of directors, a process that has already started with the appointment of two new independent directors. The board plans to add at least one additional director in first-half 2021.

The company plans to provide an update on the findings and planned initiatives resulting from the ongoing review following its conclusion, expected in first-quarter 2021.

Alkermes Receives FDA CRL in Relation to ALKS 3831-Nov 17

Alkermes announced that it has received a Complete Response Letter (CRL) from the FDA regarding its new drug application (NDA) for ALKS 3831 (olanzapine/samidorphan) for the treatment of adults with schizophrenia and bipolar I disorder.

ALKS 3831 (olanzapine/samidorphan) is an investigational, novel, once-daily, oral atypical antipsychotic drug candidate being evaluated for the treatment of adults with schizophrenia and bipolar I disorder. Schizophrenia is a chronic, severe and disabling brain disorder. Bipolar disorder is a brain disorder that causes unusual shifts in a person's mood, energy and ability to function.

Per Alkermes, the agency required the resolution of certain conditions related to the tablet coating process at its facility in Wilmington, OH, before the drug could be approved. The company noted that the CRL did not identify or raise any concerns about the clinical or non-clinical data in the NDA and the FDA has not asked Alkermes to complete any new clinical trials to support the approval of the application. These observations were based on some development batches of ALKS 3831 and the company feels that it has enough data available to address these issues.

The company is preparing data for submission and plans to work closely with the FDA to resolve the items in a timely manner and complete labeling discussions for the application.

ALKS 3831 Gets Favorable FDA Panel Vote-Oct 9

Alkermes announced that it received positive votes for ALKS 3831 from the joint meeting of the Psychopharmacologic Drugs Advisory Committee and the Drug Safety and Risk Management Advisory Committee, appointed by the FDA.

ALKS 3831 (olanzapine/samidorphan) is an investigational, novel, once-daily, oral atypical antipsychotic drug candidate being evaluated for the treatment of adults with schizophrenia and bipolar I disorder. Schizophrenia is a chronic, severe and disabling brain disorder. Bipolar disorder is a brain disorder that causes unusual shifts in a person's mood, energy and ability to function.

During the joint meeting, the group voted that the samidorphan meaningfully mitigates olanzapine-associated weight gain with a 16-1 vote. The committee also ruled the safety profile of ALKS 3831, which has been adequately characterized with a 13-3 vote.The committees jointly voted that labeling is sufficient to mitigate the risks related to the opioid antagonist action of samidorphan in an 11-6 vote.

Though the FDA is not bound by it, the joint advisory committee's recommendations will be considered by the agencyin its review of the new drug application (NDA) for ALKS 3831.The action date for the ALKS 3831 NDA is Nov 15, 2020. The NDA is supported by data from 18 studies evaluating ALKS 3831 and nine studies evaluating samidorphan alone.

Presents New Clinical Data on ALKS 4230 at ESMO Virtual Congress-Sep 18

Alkermes presented new clinical data from ARTISTRY-1, an ongoing phase I/II study evaluating Alkermes' investigational engineered interleukin-2 (IL-2) variant immunotherapy, ALKS 4230, administered intravenously as monotherapy and in combination with the PD-1 inhibitor pembrolizumab (Keytruda) in patients with refractory solid tumors.

Data from the ongoing ARTISTRY-1 study showed encouraging single-agent activity of ALKS 4230 in melanoma and durable responses in multiple tumor types in combination with pembrolizumab. The most frequently observed treatment-emergent adverse events (AEs) in both the monotherapy and combination cohorts were transient fever and chills, consistent with anticipated effects of immunotherapy.

In the melanoma cohort-of the 5 evaluable melanoma patients, one had a confirmed partial response (PR) and two had stable disease on at least two consecutive scans. The PR was achieved in a patient with metastatic urethral melanoma by week 20 of treatment, and a deepening of response was observed through week 39 of treatment. This patient's serum lactate dehydrogenase (LDH) levels, a known marker for treatment response in melanoma, normalized at week 5 of treatment and remained within the normal range throughout the treatment period. As of July 27, 2020, the patient had experienced a total tumor shrinkage of 39% and was continuing monotherapy treatment.

Data from ALKS 4230 in Combination with pembrolizumab showed that of the 13 evaluable patients with progressive, refractory ovarian cancer, 9 demonstrated stable disease on their first scan. Six of these 9 patients received a second scan by the data cut off date, and 5 had stable disease or better. All 5 of these ovarian cancer patients were heavily pretreated and platinum-resistant, and each experienced tumor burden reduction with the combination of ALKS 4230 and pembrolizumab.

Additional PRs were achieved in multiple other tumor types across the PD-1/L1 approved and unapproved cohorts, including one patient with triple-negative breast cancer and two patients with esophageal cancer (one of which is awaiting confirmation). As of the data cut, these three patients had sustained PRs and continued on treatment.

Virtual FDA Advisory Committee Meeting to Review NDA for ALKS 3831 in October-Aug 21

Alkermes announced that a joint meeting of the FDA's Psychopharmacologic Drugs Advisory Committee and the Drug Safety and Risk Management Advisory Committee to review the new drug application (NDA) for ALKS 3831 (olanzapine/samidorphan) has been tentatively scheduled for Oct. 9, 2020. ALKS 3831 is an investigational, novel, once-daily, oral atypical antipsychotic drug candidate for the treatment of adults with schizophrenia and for the treatment of adults with bipolar I disorder. The PDUFA date for the ALKS 3831 NDA is Nov. 15, 2020.

It is expected that the advisory committee panel will review the efficacy, safety, and benefit-risk profile of ALKS 3831 for the proposed indications of schizophrenia and bipolar I disorder. As announced previously, the company expects the advisory panel to focus on the clinical meaningfulness of ALKS 3831's attenuation of olanzapine-associated weight gain, including the magnitude of weight effect and the impact of ALKS 3831 on laboratory-based metabolic parameters.

Alkermes Starts Phase II Study on ALKS 4230 for Solid Tumors-Aug 19

Alkermes announced the initiation of a new phase II ARTISTRY-3 study to evaluate the clinical and immunologic effects of ALKS 4230 monotherapy in patients with advanced solid tumors.

ALKS 4230 is a novel, engineered fusion protein designed to selectively expand tumor-killing immune cells while avoiding the activation of immunosuppressive cells by preferentially binding to the intermediate-affinity interleukin-2 (IL-2) receptor complex. The selectivity of ALKS 4230 is designed to leverage the proven anti-tumor effects of existing IL-2 therapy while mitigating certain limitations.

The ARTISTRY-3 study will evaluate treatment-emergent changes in the tumor microenvironment and peripheral blood immunophenotypes, as well as the safety, tolerability, and pharmacokinetic profile of ALKS 4230 (6µg/kg) dosed intravenously, as lead-in monotherapy, followed by combination with Merck's anti-PD-1 therapy, Keytruda (pembrolizumab), in patients with select advanced malignant solid tumors. The study will also assess clinical anti-tumor activity (overall response rate and duration of response) of ALKS 4230 as one of its secondary objectives.

Early clinical data from the ARTISTRY program showed that ALKS 4230 selectively expanded cancer-fighting immune cells in the periphery, with negligible effects on regulatory T cells.

ARTISTRY-3 is the fourth study evaluating ALKS 4230 as a novel immuno-oncology candidate.

Publishes Data from Alkermes' ALPINE Study in Patients with Schizophrenia-May 20

Alkermes announced that data from its phase IIb ALPINE study were published in the *Journal of Clinical Psychiatry*. ALPINE was a six-month study evaluating the efficacy and safety of the Aristada Initio (aripiprazole lauroxil) one-day initiation regimen, consisting of Aristada Initio and one single dose of 30 mg of oral aripiprazole, together with the Aristadatwo-month dose in patients experiencing an acute exacerbation of schizophrenia. Positive topline data were first reported in April 2019. Results from the study provide evidence to support the use of the Aristada Initio one-day regimen together with Aristada for treatment of an acute exacerbation of schizophrenia, started in the hospital setting and continued through the critical transition to outpatient care.

Valuation

Alkermes' shares were up 7.5% in past six months and were up 22.0% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 8.3% while stocks in the Zacks sector are up 8.1% in the past six months. Over the past year, stocks in the sub-industry and the sector are up 16.3% and up 8.3%, respectively.

The S&P 500 Index is up 20.9% in the past six months and up 19.7% in the past year.

The stock is currently trading at 2.95X trailing 12-month sales per share, which compares to 3.32X for the Zacks sub-industry, 3.39X for the Zacks sector and 4.95X for the S&P 500 index.

Over the past five years, the stock has traded as high as 12.98X and as low as 1.76X, with a 5-year median of 6.77X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $23.00 price target reflects 3.13X trailing 12-month sales per share.

The table below shows summary valuation data for ALKS.

Valuation Multiples - ALKS

		Stock	Sub-Industry	Sector	S&P 500
P/S TTM	Current	2.95	3.32	3.39	4.95
	5-Year High	12.98	3.82	3.68	4.96
	5-Year Low	1.76	2.34	2.35	2.81
	5-Year Median	6.77	3.25	3.21	3.87
P/B TTM	Current	3.18	2.96	4.57	6.64
	5-Year High	8.6	5.09	5.11	6.64
	5-Year Low	1.9	2	3.02	3.73
	5-Year Median	5.03	3.77	4.36	4.94

As of 01/26/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 13% (221 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Bayer Aktiengesellschaft **(BAYRY)**	Neutral	3
Biogen Inc. **(BIIB)**	Neutral	3
Bristol Myers Squibb Company **(BMY)**	Neutral	3
Eli Lilly and Company **(LLY)**	Neutral	3
Novartis AG **(NVS)**	Neutral	3
Pfizer Inc. **(PFE)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	4
Sanofi **(SNY)**	Neutral	3

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

Industry Comparison Industry: Medical - Biomedical And Genetics

Industry Peers

	ALKS	X Industry	S&P 500	BIIB	LLY	RHHBY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	B	-	-	C	C	B
Market Cap	3.64 B	385.70 M	27.04 B	42.40 B	203.13 B	312.98 B
# of Analysts	8	3	13	29	4	4
Dividend Yield	0.00%	0.00%	1.42%	0.00%	1.39%	1.57%
Value Score	C	-	-	A	C	C
Cash/Price	0.16	0.19	0.06	0.09	0.02	0.02
EV/EBITDA	-30.62	-5.85	14.85	5.85	33.27	NA
PEG F1	1.97	1.25	2.52	1.06	1.84	4.06
P/B	3.36	4.85	3.88	3.95	40.66	8.66
P/CF	37.30	20.03	14.57	7.03	30.03	14.30
P/E F1	45.54	30.45	20.63	11.14	26.27	16.35
P/S TTM	3.11	23.46	2.95	2.97	8.75	NA
Earnings Yield	2.10%	-9.20%	4.74%	8.98%	3.81%	6.13%
Debt/Equity	0.25	0.00	0.70	0.69	3.27	0.36
Cash Flow ($/share)	0.58	-1.20	6.88	38.63	7.08	3.20
Growth Score	A	-	-	D	C	A
Historical EPS Growth (3-5 Years)	NA%	18.53%	9.69%	18.07%	18.44%	NA
Projected EPS Growth (F1/F0)	24.84%	7.41%	12.61%	-26.83%	7.48%	3.90%
Current Cash Flow Growth	-4.72%	11.49%	4.97%	9.02%	-7.51%	11.61%
Historical Cash Flow Growth (3-5 Years)	-0.32%	6.93%	8.07%	11.97%	9.27%	9.89%
Current Ratio	2.71	6.20	1.38	2.06	1.36	1.23
Debt/Capital	20.09%	0.00%	41.88%	40.87%	76.58%	26.41%
Net Margin	-6.28%	-215.61%	10.44%	35.63%	24.01%	NA
Return on Equity	9.35%	-58.89%	15.37%	51.00%	166.45%	NA
Sales/Assets	0.64	0.18	0.50	0.55	0.56	NA
Projected Sales Growth (F1/F0)	9.44%	23.92%	6.13%	-16.68%	12.71%	4.01%
Momentum Score	C	-	-	F	B	F
Daily Price Change	-5.16%	-1.52%	-0.63%	-1.40%	0.17%	0.00%
1-Week Price Change	-0.80%	2.16%	-0.02%	-2.32%	8.06%	1.39%
4-Week Price Change	4.48%	11.92%	3.06%	11.59%	27.70%	5.52%
12-Week Price Change	33.07%	28.27%	13.23%	9.98%	62.41%	9.12%
52-Week Price Change	22.06%	24.91%	8.52%	-3.65%	52.75%	10.95%
20-Day Average Volume (Shares)	1,353,203	336,582	1,805,457	1,099,433	4,555,960	2,153,948
EPS F1 Estimate 1-Week Change	-235.71%	0.00%	0.00%	-0.55%	0.35%	-1.50%
EPS F1 Estimate 4-Week Change	-235.71%	0.00%	0.15%	-0.59%	1.25%	-2.95%
EPS F1 Estimate 12-Week Change	42.42%	0.00%	2.10%	-3.21%	2.17%	-3.79%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.58%	NA	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	C
Growth Score	A
Momentum Score	C
VGM Score	B

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

Disclosures

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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 mediumterm 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 mostrecent 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.