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Sep 04, 2020

Amarin Corporation (AMRN)

$4.56 (As of 09/03/20)

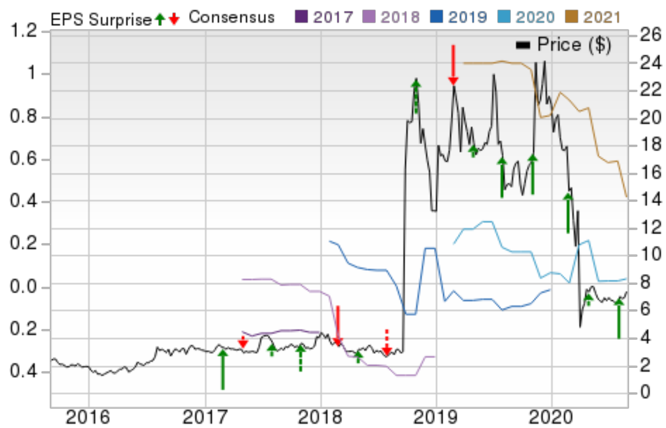
Price Target (6-12 Months): **$5.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/01/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: B | Momentum: A	

Summary

Amarin reported mixed Q2 results, wherein earnings beat the Zacks Consensus Estimate but revenues missed the same. The company's sole marketed drug Vascepa has been on a strong growth trajectory for the last four years. The drug's recent label expansion for cardiovascular indication looks promising. The growth trend for Vascepa has continued in 2020. The company is expanding its sales force and started promotional programs to create awareness for Vascepa's expanded label. These initiatives are likely to drive sales higher. The company is looking to get approval for the drug in additional countries. However, Amarin is over-dependent on Vascepa for growth. The company anticipates adverse impact on sales due to COVID-19 in the remainder of 2020. Moreover, potential generic competition remains a concern.

Price, Consensus & Surprise

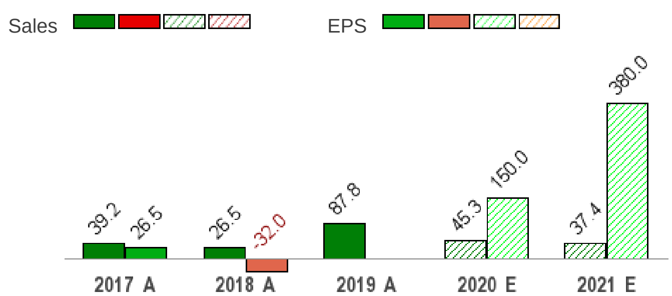


Source: Zacks Investment Research

Data Overview

52-Week High-Low	$26.12 - $3.95
20-Day Average Volume (Shares)	11,185,606
Market Cap	$1.8 B
Year-To-Date Price Change	-78.7%
Beta	2.65
Dividend / Dividend Yield	$0.00 / 0.0%
Industry	Medical - Biomedical and Genetics
Zacks Industry Rank	Bottom 27% (184 out of 251)
Last EPS Surprise	200.0%
Last Sales Surprise	-9.7%
EPS F1 Estimate 4-Week Change	89.1%
Expected Report Date	11/03/2020
Earnings ESP	0.0%
P/E TTM	76.0
P/E F1	91.2
PEG F1	NA
P/S TTM	3.2

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	204 E	232 E	260 E	288 E	859 E
2020	155 A	135 A	156 E	175 E	625 E
2019	73 A	101 A	112 A	143 A	430 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.13 E	$0.18 E	$0.22 E	$0.26 E	$0.24 E
2020	-$0.03 A	$0.04 A	$0.02 E	$0.02 E	$0.05 E
2019	-$0.05 A	$0.02 A	$0.01 A	$0.04 A	$0.02 A

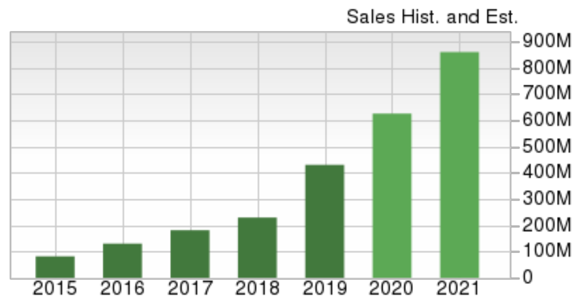
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/03/2020. The reports text is as of 09/04/2020.

Overview

Dublin, Ireland based Amarin Corporation plc is a commercial-stage pharmaceutical company focused on developing therapies, especially based on omega-3 fatty acid, for treating cardiovascular diseases.

The company's sole marketed drug, Vascepa (icosapent ethyl) is approved in the United States as an adjunct to diet for treating severe hypertriglyceridemia or elevated triglyceride (TG) levels (?500 mg/dL). In December 2019, the FDA approved Vascepa to reduce cardiovascular risk in patients with persistent elevated triglycerides on statin therapy for LDL-C. The drug is under review in Europe for the cardiovascular indication.



The has several initiatives to boost Vascepa sales. It has initiated various promotional activities and direct-to-consumer programs as well as expanded its salesforce to support promotion of Vascepa's expanded label.

However, a district court ruled in favor of generic companies seeking approval for generic version of Vascepa for treating hypertriglyceridemia. The company has appealed against the ruling. Meanwhile, the company has signed settlement agreement with Teva and Apotex related to patent litigation for generic version of Vascepa.

Amarin derives revenues primarily from the sale of Vascepa in the United States. The drug recorded sales of $427.4 million in 2019. Amarin generated sales of $429.8 million in 2019 compared with $229.2 million in 2018.

Source: Zacks Investment Research

Reasons To Buy:

▲ **Vascepa Sales Growth Impressive:** Amarin started commercialization of Vascepa in 2013 following its FDA approval. Sales of the drug have recorded strong year-over-year growth in the last four years. Sales registered 100% growth in the first half of 2020. Sales from the drug in 2020 are expected to be between $650 million and $700 million, suggesting another strong year of growth. The company believes Vascepa has multi-billion dollar potential.

Amarin's only marketed drug Vascepa has been generating strong sales over the last four years in the United States. Its label expansion approval is encouraging.

▲ **Efforts to Boost Vascepa Sales:** Amarin is planning several initiatives to boost Vascepa sales. The company expanded its salesforce to support promotion of Vascepa's expanded label, which was approved based on REDUCE-IT cardiovascular outcome study in December 2019. The company increased its sales team to 800 in early 2020 and has started promoting the expanded label of the drug among physicians. The company has initiated various promotional activities and direct-to-consumer programs to increase awareness about Vascepa. The company is also actively engaged in improving payer coverage for the drug.

Apart from promotional programs in the United States, Amarin is looking to get approval for Vascepa in additional countries. In December 2019, the drug was approved in Canada and it is under review in Europe. An approval in Europe is expected by the end of 2020. The company has made significant progress in terms of developing resources to support launch in Europe over the past year, following a potential approval. The company will commercialize the drug in Europe through its own dedicated European commercial organization. Moreover, the company is actively looking to sign partnership/licensing deals for commercialization of Vascepa in ex-U.S. markets. It already has partnership/licensing deals to commercialize Vascepa in certain ex-U.S. markets like the Middle East, China and Canada. These deals reduce commercialization costs, and provide additional funds in upfront and milestone payments and access to established marketing networks of partners in concerned territories.

▲ **Lucrative Cardiovascular Market:** Amarin's Vascepa targets patients with high TG levels who are at risk of cardiovascular events, including heart attacks and stroke, which represents a significant opportunity. Costs related to cardiovascular disease in the United States are more than $500 billion each year, per American Heart Association. Approximately 121 million adults in the United States have a cardiovascular disease with an estimated 1 million new or recurrent coronary events and 795,000 new or recurrent strokes occur each year. It is estimated that more than 50 million adults in the United States have elevated triglyceride level. In Europe, it is estimated that 80 million people have cardiovascular disease and 11 million new cases are added each year. The drug reduces the risk of cardiovascular events by lowering TG levels in patients with controlled LDL-C (bad cholesterol) levels through maximally tolerated statins. Controlled LDL-C levels reduce the risk of cardiovascular events by 25-35%, which leaves a significant opportunity for Vascepa. It is estimated that there are more than 50 million people with elevated TG levels ((?150 mg/dL). Vascepa is also the only FDA-approved drug for reducing cardiovascular risk beyond cholesterol lowering therapy in high-risk patients.

▲ **Favorable Debt Profile:** Amarin has a favorable debt profile. As of Jun 30, 2020, the company's debt to total capital was 3.6%, which compared favorably with 5.9% at the end of first quarter 2020. A lower ratio indicates lower financial risk. Moreover, the company brought down its debt (current + long-term) significantly in the past six quarters to $22 million as of Jun 30, 2020 from $80.3 million at 2018 end. This sharply reduced its debt-to-capital ratio from 34.5% at 2018 end. Also, Amarin's long-term debt level was zero as of June end. The company's cash, cash equivalents, and marketable securities of approximately $554 million at the end of June 2020 should be sufficient to pay the debt in case of insolvency.

Reasons To Sell:

Amarin's sole dependence on Vascepa for growth is a concern. Any setback to Vascepa will have an unfavorable impact. Lack of pipeline candidates is another woe.

- **Overdependence on Vascepa:** Amarin has no approved product in its portfolio other than Vascepa at the moment. The company is completely dependent on the drug for revenues and future growth. Any commercial setback or rise in competition will be a setback for the company. In March 2020, the company received a setback when Nevada district court ruled in favor of generic companies seeking approval for generic version of Vascepa for treating hypertriglyceridemia. In September, the U.S. Court of Appeals upheld the district court's ruling. Meanwhile, the FDA approved Hikma's generic version of Vascepa in May 2020. Amarin plans to file for review of the Court of Appeals' ruling. Launch of generic Vascepa will significantly dent the company's prospects, as it will erode Vascepa's sales.

  On its second-quarter earnings call, Amarin stated that revenue and prescription growth for Vascepa was slower than the past few quarters. The decline in pace was due to lower patient visits to medical offices and lower number of routine lab tests amid travel and mobility restrictions related to COVID-19. The company stated that patient visits to physicians remained approximately 35% below pre-COVID-19 levels during the week ending Jul 3 per IQVIA. These factors are likely to lead to decline in pace of sales growth in the rest of 2020.

- **Competition in Targeted Market:** Although Vascepa reduces risk of cardiovascular events by lowering TG levels, it may face competition from LDL-C lowering drugs and statins. Moreover, AstraZeneca also has an omega-3 based drug, Epanova, approved as an adjunct to diet to reduce triglyceride levels in adults with severe hypertriglyceridemia. Acasti Pharma is also developing its omega-3 based candidate, CaPre, for treating severe hypertriglyceridemia and also has potential to treat patients with mild-to-moderate TG levels. Matinas BioPharma is also developing a candidate targeting hypertriglyceridemia and mixed dyslipidemia. Successful development will increase competition for Vascepa. Other drugs, which may provide competition to Vascepa, include generic version of Tricor, Trilipix and Lovaza.

- **Pipeline Setback:** Gaining approval for pipeline candidates has become more difficult with an increasingly stringent regulatory environment. Any unfavorable outcome on the regulatory front or in future development programs will have an adverse impact on the shares. We note that Amarin is no stranger to regulatory setbacks. In 2015, the company had received a complete response letter to a label expansion application for Vascepa seeking approval in patients with mixed dyslipidemia, based on data from the ANCHOR study.

Last Earnings Report

Amarin's Q2 Earnings Beat Estimates, Sales Miss

Quarter Ending	06/2020
Report Date	Aug 04, 2020
Sales Surprise	-9.70%
EPS Surprise	200.00%
Quarterly EPS	0.04
Annual EPS (TTM)	0.06

Amarin reported second-quarter 2020 adjusted earnings of 4 cents (excluding stock-based compensation) per American depositary share in contrast to the Zacks Consensus Estimate of a loss of 4 cents. The company had recorded adjusted earnings of 2 cents in the year-ago period.

Revenues, primarily from its cardiovascular drug, Vascepa, were up almost 34.3% year over year to $135.3 million in the quarter, missing the Zacks Consensus Estimate of $149.86 million.

Quarter in Details

Product revenues, entirely from Vascepa, were $133.7 million, up 33.2% year over year. Strong demand for the drug continues to drive sales higher. Sales in ex-U.S. market, primarily from Canada, were $1.8 million.

Per IQVIA, normalized prescriptions for Vascepa increased approximately 44% year over year in the United States.

However, sales were down 12.2% sequentially. We note that revenue and prescription growth for Vascepa was slower than the past few quarters. The decline in pace was due to lower patient visits to medical offices and lower number of routine lab tests amid travel and mobility restrictions related to COVID-19. The company stated that patient visits to physicians remained approximately 35% below pre-COVID-19 levels during the week ending Jul 3 per IQVIA.

Licensing revenues were $1.6 million in the second quarter compared with $0.4 million in the year-ago period.

Adjusted selling, general and administrative expenses were up 23.6% to $82.3 million due to costs related to an expanded sales force, partially offset by decrease in consumer-focused promotion.

Adjusted research & development expenses surged 34.6% to $8.2 million due to further analysis of samples collected from REDUCE-IT patients, payment of milestone to its partner and costs to support various publications and pilot studies.

The company ended the quarter with $611.3 million in cash and investments, compared with $623.7 million as of Mar 31, 2020.

Recent News

Court of Appeals Upholds District Court Ruling in Vascepa Patent Litigation – Sep 3

Amarin announced that the U.S. Court of Appeals for the Federal Circuit has upheld the ruling by the U.S. District Court for the District of Nevada related to a patent litigation against Vascepa.

Investigator-Initiated Study to Evaluate Vascepa for COVID-19 – Aug 7

Amarin announced that it is supporting an investigator-initiated clinical study, which will evaluate Vascepa as a potential treatment for viral upper respiratory infection, especially patients with COVID-19.

Announces Commercial Plan for Vascepa in Europe – Aug 4

Amarin announced that it plans to launch Vascepa in Europe, following a potential approval, through its own dedicated European commercial organization. The company has successfully included Vascepa in the medical treatment guidelines of the European Society of Cardiology and the European Atherosclerosis Society. The company is conducting market analysis and payor access research in order to grab the market opportunity and prepare for the reimbursement negotiations in various countries. It has also recruited Karim Mikhail as senior vice president, commercial head Europe, who has decades of experience related to commercial strategy.

Settles Patent Litigation With Apotex – Jun 16

Amarin announced that it has entered into a settlement agreement with Apotex resolving patent litigation related to Vascepa. Apotex has previously filed an abbreviated NDA seeking approval for a generic version of Vascepa.

The agreement will allow Apotex to market a generic version of Vascepa not earlier than Aug 9, 2029.

Valuation

Amarin's shares are down 78.6% in the year-to-date period and 71.4% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 2.1% and stocks in the Zacks sector are up 2% in the year-to-date period. Over the past year, stocks in the sub-industry and the sector are up 15.7% and 10%, respectively.

The S&P 500 Index is up 6.8% in the year-to-date period and 15.9% in the past year.

The stock is currently trading at 3.34X trailing 12-month sales per share which compares to 3.09X for the Zacks sub-industry, 3.17X for the Zacks sector and 3.81X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 33.02X and as low as 2.82X, with a 5-year median of 5.73X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $5.00 price target reflects 3.66X trailing 12-month sales per share.

Industry Analysis **Zacks Industry Rank:** Bottom 27% (184 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Acasti Pharma, Inc. **(ACST)**	Neutral	2
Alnylam Pharmaceuticals, Inc. **(ALNY)**	Neutral	3
Amgen Inc. **(AMGN)**	Neutral	3
AstraZeneca PLC **(AZN)**	Neutral	3
Ionis Pharmaceuticals, Inc. **(IONS)**	Neutral	3
Eli Lilly and Company **(LLY)**	Neutral	3
Regeneron Pharmaceuticals, Inc. **(REGN)**	Neutral	2
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

	AMRN	X Industry	S&P 500	ACST	AZN	IONS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	B	-	-	D	B	F
Market Cap	1.76 B	275.65 M	23.52 B	21.12 M	142.14 B	7.72 B
# of Analysts	2	3	14	3	4	7
Dividend Yield	0.00%	0.00%	1.62%	0.00%	1.62%	0.00%
Value Score	C	-	-	F	C	C
Cash/Price	0.20	0.24	0.07	0.19	0.04	0.32
EV/EBITDA	-90.68	-3.57	13.12	-0.41	22.49	13.93
PEG F1	NA	1.74	2.97	NA	1.61	NA
P/B	2.95	3.86	3.20	1.81	10.41	4.84
P/CF	NA	16.42	12.72	NA	17.10	22.75
P/E F1	84.20	22.63	21.67	NA	26.78	NA
P/S TTM	3.22	14.91	2.49	NA	5.53	8.21
Earnings Yield	1.10%	-13.01%	4.40%	-90.91%	3.73%	-0.98%
Debt/Equity	0.00	0.02	0.70	0.01	1.14	0.50
Cash Flow ($/share)	-0.06	-1.08	6.93	-0.19	3.17	2.43
Growth Score	B	-	-	C	A	F
Historical EPS Growth (3-5 Years)	NA%	19.03%	10.41%	NA	-2.71%	NA
Projected EPS Growth (F1/F0)	125.00%	16.33%	-4.75%	13.04%	15.57%	-125.82%
Current Cash Flow Growth	-82.27%	12.61%	5.22%	-51.98%	2.12%	-22.36%
Historical Cash Flow Growth (3-5 Years)	12.50%	7.73%	8.49%	NA	-0.86%	126.64%
Current Ratio	2.92	6.06	1.35	2.34	0.82	10.94
Debt/Capital	0.00%	3.38%	42.95%	0.50%	53.34%	33.52%
Net Margin	-2.30%	-205.02%	10.25%	NA	8.36%	13.81%
Return on Equity	-2.16%	-59.07%	14.59%	-578.16%	37.72%	10.27%
Sales/Assets	0.61	0.19	0.50	NA	0.43	0.31
Projected Sales Growth (F1/F0)	45.39%	0.47%	-1.42%	625.76%	7.75%	-36.72%
Momentum Score	A	-	-	A	C	D
Daily Price Change	-9.52%	-2.76%	-2.14%	0.46%	-3.11%	0.38%
1-Week Price Change	6.51%	-1.85%	2.59%	-7.32%	-0.04%	0.23%
4-Week Price Change	-35.32%	-5.60%	2.25%	-72.75%	-3.65%	-2.19%
12-Week Price Change	-31.74%	-1.05%	11.04%	-68.86%	5.02%	-2.19%
52-Week Price Change	-71.50%	5.14%	2.01%	-89.31%	21.00%	-11.93%
20-Day Average Volume (Shares)	11,185,606	288,269	1,827,096	7,327,555	3,800,726	649,681
EPS F1 Estimate 1-Week Change	74.54%	0.00%	0.00%	29.41%	-0.27%	-4.91%
EPS F1 Estimate 4-Week Change	89.09%	0.00%	0.00%	46.43%	-0.27%	-12.61%
EPS F1 Estimate 12-Week Change	88.95%	1.41%	3.89%	51.22%	0.22%	-12.14%
EPS Q1 Estimate Monthly Change	175.00%	0.00%	0.00%	4.76%	3.27%	-113.67%

Source: Zacks Investment Research

Zacks Style Scores

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

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

Value Score	C
Growth Score	B
Momentum Score	A
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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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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.