AstraZeneca plc (AZN)

$52.10 (As of 01/27/21)

Price Target (6-12 Months): **$55.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 10/23/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: B | Growth: C | Momentum: F	

Summary

AstraZeneca's products like Nexium, Crestor and Seroquel are facing generic competition, which is hurting sales. The diabetes franchise also faces stiff competition while pricing pressure is hurting sales in the respiratory unit. Nonetheless, AstraZeneca's cancer medicines Lynparza, Tagrisso and Imfinzi should keep driving revenues. Its pipeline is strong with several phase III data readouts lined up. Its COVID-19 vaccine candidate, AZD1222 has progressed at a rapid pace. AstraZeneca has also engaged in external acquisitions and strategic collaborations to boost its pipeline while investing in geographic areas of high growth like China. Its shares have underperformed the industry in the past six months. The company has a mixed record of earnings surprises in recent quarters. Estimates have gone down slightly ahead of Q4 earnings release.

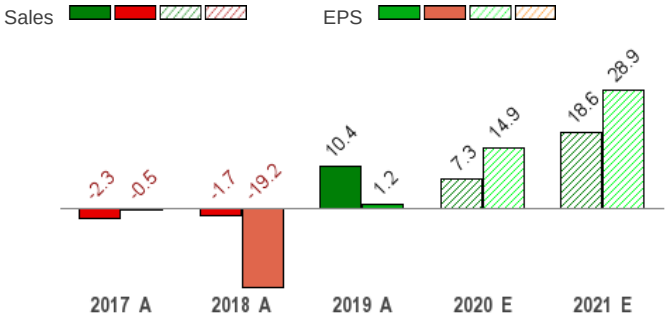
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$64.94 - $36.15**
20-Day Average Volume (Shares)	**11,354,878**
Market Cap	**$142.9 B**
Year-To-Date Price Change	**8.9%**
Beta	**0.55**
Dividend / Dividend Yield	**$0.88 / 1.7%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Bottom 23% (196 out of 253)**
Last EPS Surprise	**-4.1%**
Last Sales Surprise	**0.6%**
EPS F1 Estimate 4-Week Change	**-0.6%**
Expected Report Date	**02/11/2021**
Earnings ESP	**-7.0%**
P/E TTM	**28.2**
P/E F1	**20.1**
PEG F1	**1.1**
P/S TTM	**5.5**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					31,029 E
2020	6,354 A	6,275 A	6,578 A	6,956 E	26,165 E
2019	5,491 A	5,823 A	6,406 A	6,664 A	24,384 A

EPS Estimates

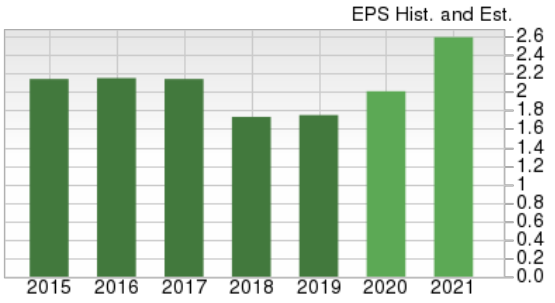
	Q1	Q2	Q3	Q4	Annual*
2021					$2.59 E
2020	$0.53 A	$0.48 A	$0.47 A	$0.53 E	$2.01 E
2019	$0.45 A	$0.37 A	$0.50 A	$0.45 A	$1.75 A

*Quarterly figures may not add up to annual.

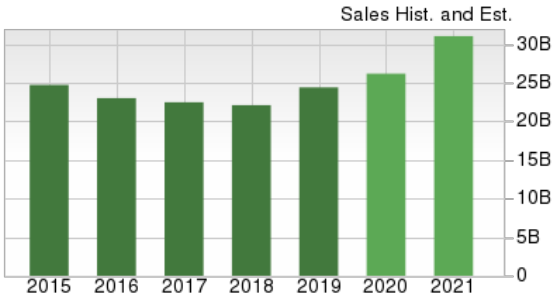
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/27/2021. The reports text is as of 01/28/2021.

Overview

AstraZeneca plc, headquartered in London, UK, is one of the largest biopharmaceutical companies in the world. AstraZeneca was formed on Apr 6, 1999, through the merger of Sweden's Astra AB and UK's Zeneca Group plc. AstraZeneca's business can be broken down into separate lines based on therapeutic classes. These include metabolic diseases, cardiovascular, respiratory, oncology, neuroscience, infection and other.



In order to bolster its respiratory portfolio, AstraZeneca acquired rights to Allergan's branded respiratory business in the U.S. and Canada in Mar 2015. The company also acquired Takeda's core respiratory business in May 2016.



In Jun 2007, AstraZeneca acquired biotechnology company MedImmune for $15.6 billion, which strengthened its product portfolio. In Aug 2011, AstraZeneca sold its Astra Tech business to DENTSPLY for about $1.8 billion in cash. In a bid to add late-stage candidates to its pipeline, AstraZeneca entered into a number of deals (Almirall's respiratory franchise, Bristol-Myers' diabetes portfolio, Pearl Therapeutics and Omthera Pharmaceuticals) and struck agreements with companies such as FibroGen, Inc. In Dec 2015, AstraZeneca acquired biotech company, ZS Pharma, for about $2.7 billion to boost its cardiovascular and metabolic disease pipeline.

In 2019, total sales rose 13% (CER) to $24.4 billion. Its top-selling medicines are Tagrisso (14% of total product sales), Symbicort (11%), Brilinta (7%), Farxiga (7%), Nexium (6%) and Imfinzi (6%).

Source: Zacks Investment Research

Reasons To Buy:

AstraZeneca has a strong diversified portfolio, an expanding presence in emerging markets, ongoing cost-cutting initiatives and a robust pipeline.

- **Strong Diversified Portfolio; New Drugs Supporting Sales:** AstraZeneca has a strong product portfolio. Newer drugs like Brilinta (cardiovascular), Lynparza (ovarian cancer), Farxiga/Forxiga (type II diabetes) Tagrisso (lung cancer) are driving top-line growth, with AstraZeneca launching them in more markets and in an increased number of indications. AstraZeneca now has eight blockbuster medicines in its portfolio with sales exceeding $1 billion including newer medicines, Tagrisso, Brilinta, Farxiga, Imfinzi and Lynparza. AstraZeneca is looking for further label expansions for all these drugs.

  AstraZeneca returned to product sales growth from the second half of 2018 on the back of its newer drugs. Patent expirations had been hurting its product sales growth since 2010. Sales of AstraZeneca's newer medicines rose 81% in 2018 and 62% in 2019 as almost every new product it has launched in the recent years has done well. The company is confident of seeing sustained growth for several years driven by sales growth of its new medicines, Tagrisso, Imfinzi, Lynparza, Farxiga and Fasenra.

- **Emerging Markets - A Focus Area:** AstraZeneca, which operates in multiple countries across the globe, is focusing on emerging markets. Emerging markets represents its largest market by product sales and accounts for around 33% of its total product sales. Revenues from emerging markets climbed 8% in 2017, 12% in 2018 and 24% in 2019, supported by strong growth in China. Emerging markets represent significant commercial opportunity, given factors like pricing pressure in the EU and intensifying generic competition affecting sales in large pharmaceutical markets. In late 2015, AstraZeneca struck a deal with WuXi AppTec, an operating subsidiary of China-based WuXi PharmaTech Inc., to develop innovative biologics targeting therapeutics areas such as respiratory, inflammation and autoimmunity among others. The company is looking to make additional investments in China. In fact, in Emerging Markets, countries outside China are also starting to contribute more, with sales in ex-China markets rising 12% in 2019 and 10% in the first nine months of 2020. AstraZeneca's operations in emerging markets should place it well, going forward.

- **Cost Cutting Initiatives and Divestures:** AstraZeneca has consistently made significant efforts to restructure and reshape its business to improve its long-term competitiveness. AstraZeneca is working to reduce the impact of genericization on its key products by trimming its cost structure to drive operational efficiency. Its latest restructuring efforts include centralization of global R&D footprint into three strategic centers, transformation of the IT organization, closure of a number of manufacturing facilities and other activities to simplify and streamline the organization. These restructuring initiatives are expected to be completed in 2022 and generate annualized benefits of $1.2 billion. Streamlining of operations and focus on R&D will benefit the company in the long run. AstraZeneca expects to generate operating margin in excess of 30% from 2021.

  In 2018, AstraZeneca divested several non-core products as it streamlines its portfolio to focus on its core areas of Oncology, Cardiovascular, Renal & Metabolism and Respiratory.

- **Acquisitions & Deals to Boost Growth:** AstraZeneca is working on bolstering its pipeline and is looking at suitable acquisitions and deals. In order to strengthen its respiratory portfolio, AstraZeneca acquired rights to Allergan's branded respiratory business in the U.S. and Canada in Mar 2015. AstraZeneca had also acquired Almirall's respiratory franchise in Oct 2014. In May 2016, AstraZeneca acquired Takeda's core respiratory business, thereby gaining global rights to Daliresp/Daxas.

  In February 2014, AstraZeneca boosted its diabetes portfolio by acquiring Bristol-Myers' global diabetes business and capitalized on its strong presence in emerging markets to promote its diabetes franchise. In December 2015, AstraZeneca acquired biotech company, ZS Pharma to boost its cardiovascular and metabolic disease pipeline. In Feb 2016, AstraZeneca also acquired a majority equity stake in privately owned biotech company, Acerta Pharma, to boost its oncology pipeline.

  Meanwhile, the June 2012 acquisition of Ardea added Zurampic to AstraZeneca's gout portfolio. The Pearl Therapeutics takeover added Bevespi to AstraZeneca's respiratory portfolio. Other acquisitions include Omthera and AlphaCore, both boosting the company's cardiovascular pipeline.

  In addition to acquisitions, the company is pursuing co-development deals with companies like Innate Pharma, FibroGen, Moderna and Daiichi Sankyo to boost its pipeline. AstraZeneca also has a profit- sharing deal with Merck for Lynparza and Koselugo (selumetinib). We believe that the company will continue to pursue such accretive deals and acquisitions.

- **Focus on Oncology:** AstraZeneca is working on strengthening its oncology product portfolio through label expansions of existing products and progressing oncology pipeline candidates. Oncology sales now comprise more than 40% of total product sales for AstraZeneca and rose 50% in 2018 and 47% in 2019.The strong oncology performance was driven by new medicines such as Tagrisso, Lynparza and Imfinzi. These coupled with newly approved Calquence in leukemia and Enhertu in breast cancer are driving oncology growth. AstraZeneca's oncology business is now annualizing at more than $10 billion

  The immuno-oncology therapeutic area is presently attracting a lot of interest and represents huge commercial potential. An interesting candidate in the company's immuno-oncology pipeline is Imfinzi (durvalumab).

  Imfinzi is presently approved for unresectable, stage III non-small-cell lung cancer (NSCLC) and advanced bladder cancer in second-line settings. The lung cancer indication is driving sales significantly. In March 2020, Imfinzi was approved for first-line treatment of extensive-stage small cell lung cancer (ES-SCLC). Imfinzi is also being evaluated for multiple cancers, either alone or in combination with other regimens, including phase III trials in combination with tremelimumab in hepatocellular carcinoma (HCC, liver cancer), small cell lung cancer, metastatic urothelial cancer, head and neck squamous cell carcinoma (HNSCC), in earlier settings in NSCLC, among others. In November 2017, another cancer drug Calquence (acalabrutinib) gained FDA approval for previously treated mantle cell lymphoma (MCL), the first for AstraZeneca for a type of blood cancer. In November 2019, Calquence was approved by the Food & Drug Administration (FDA) for the larger

chronic lymphocytic leukemia indication (in frontline as well as relapsed/recurrent disease setting), which has significantly expanded the drug's eligible patient population and is expected to drive sales.

Koselugo (selumetinib) for the treatment of pediatric patients with neurofibromatosis type 1 (NF1) related plexiform neurofibromas (PN), a rare and debilitating genetic condition, was approved by the FDA in April 2020. Important oncology candidate in AstraZeneca's pipeline is savolitinib (NSCLC - phase III) and monalizumab (head and neck cancer – phase III). In April 2019, AstraZeneca acquired joint development and commercialization rights to an innovative antibody drug conjugate (ADC), trastuzumab deruxtecan from Japan's Daiichi Sankyo. Trastuzumab deruxtecan was approved by the FDA in third-line HER2-positive metastatic breast cancer in December 2019 and immediately launched under the brand name of Enhertu.

Lynparza, presently approved in three tumor types, ovarian, breast and pancreatic, was approved for metastatic castration-resistant prostate cancer (with HRR genetic mutations) in May 2020, which marked the drug's approval for the fourth cancer type. In May, Lynparza was also approved by the FDA in combination with Roche's Avastin as a maintenance treatment for first-line advanced ovarian cancer in women who have an HRD-positive tumor. Lynparza is also being evaluated in earlier line setting for the approved cancer indications. Tagrisso is also being evaluated in earlier-line settings for lung cancer. Regulatory applications seeking approval of Enhertu for HER2+, metastatic gastric cancer are under priority review in the United States (PDUFA- first quarter of 2021).

- **Non-Cancer Pipeline Progress:** The company had 20 new molecular entities in pivotal development or under regulatory review at the end of September 2020. Its R&D focus is on three main therapy areas — Oncology; Cardiovascular, Renal and Metabolism; and Respiratory. AstraZeneca has been making significant progress with its non-oncology pipeline as well.

  Promising non-oncology pipeline candidates include tezepelumab (asthma – phase III), anifrolumab (systemic lupus erythematosus – under review in United States and EU), brazikumab (inflammatory bowel disease – phase III), AZD1222 (COVID-19 vaccine – phase III), AZD7442 (COVID-19 antibody combo – phase III to start soon), nirsevimab vaccine (respiratory syncytial virus (RSV) – phase III) and roxadustat (anemia in patients with chronic kidney disease – FDA decision on new drug application or NDA filed by partner FibroGen in March 2021). Several label expansion studies are also ongoing on Farxiga for heart failure and chronic kidney disease indications and Fasenra for eosinophil-driven diseases (EDDs) beyond severe asthma like chronic rhinosinusitis with nasal polyps, COPD and others.

- **Favorable Debt Profile:** AstraZeneca has considerable financial resources available. As of Sep 30, 2020, the company had $12.6 billion in financial resources (cash and cash-equivalent balances + liquid fixed income securities + undrawn committed bank facilities) with only $3.6 billion of borrowings due within one year. This implies that it does have sufficient cash to pay its short-term debt in case of insolvency. Meanwhile, its times interest earned ratio stands at 3.2, which means its operating earnings are almost three times the interest expenses of the company. This suggests that the company is capable to meeting its interest obligations from operating earnings. The company's credit rating for the long term is BBB+ by Standard and Poor and A3 by Moody's, both implying that the company has adequate capacity to meet its financial commitments.

Reasons To Sell:

AstraZeneca's core products are facing generic competition. The diabetes franchise also faces stiff competition while pricing pressure hurts sales of the respiratory franchise.

- **Shares Underperforming Industry:** AstraZeneca's share price declined 8.2% in the past six months, underperforming the 7.9% increase witnessed by the industry.

- **Generics Eroding Revenues:** AstraZeneca's core products like Nexium, Seroquel XR and Crestor are facing generic competition, which are hurting earnings growth. Atacand, Toprol-XL and Merrem are also facing generic competition in the United States. The genericization of key products makes it challenging for the company to drive its top line.

  Sales of products which lost exclusivity declined by more than $13 billion between 2011 and 2018.

- **Intense Competition:** In addition to generic threats, AstraZeneca's products already face intense competition in the market from both large pharma companies as well as small and mid-sized companies. One of AstraZeneca's key focus areas, the diabetes market, is heavily crowded with a number of products present in the market. AstraZeneca's Farxiga/Forxiga belongs to the same class (SGLT2) as Johnson & Johnson's Invokana. Bydureon, a GLP-1 receptor agonist with a once weekly dosing is facing competition from Glaxo's Tanzeum and Lilly's Trulicity. The diabetes franchise is facing increased pricing pressure. Products targeting other areas, such as oncology and respiratory among others, are also facing stiff competition.

  Although AstraZeneca is among the major players in immunotherapy, there are several other companies, big as well as small, looking to develop and bring immunotherapy treatments to market. Rising competition in the immuno-oncology market is a significant concern.

  Loss of market share due to intense competition will severely impact AstraZeneca's top line.

- **Pipeline Setbacks:** Although AstraZeneca has several candidates in its pipeline in different stages of development, the company has had its share of pipeline setbacks. Pipeline setbacks include the discontinuation of the development of candidates like zibotentan (prostate cancer), TC-5214 (major depressive disorder), sifalimumab (lupus) and selumetinib (uveal melanoma, NSCLC, thyroid cancer).

  In Jul 2017, a pivotal phase III study (MYSTIC) on Imfinzi in the 1st line NSCLC patient population failed to meet the primary endpoint of progression-free-survival. The same study failed to meet the second primary endpoint of showing statistical improvement in overall survival in the patients in November 2018. In June 2018, AstraZeneca discontinued two late-stage studies on Alzheimer's disease candidate, lanabecestat as the independent data monitoring committee (IDMC) felt they were unlikely to meet their primary endpoint.

  Given the generic competition being faced by the company, the pipeline needs to deliver.

- **Issues Regarding Diabetes Drugs:** In early Apr 2016, AstraZeneca received a communication from the FDA on proposed label changes related to a potential risk for an increase in heart failure in the SAVOR (Saxagliptin Assessment of Vascular Outcomes Recorded in Patients with Diabetes Mellitus) outcomes study on Onglyza. The post-marketing study was conducted to evaluate cardiovascular (CV) effects of Onglyza when added to type II diabetes therapy in adult diabetics at a risk of a CV disease. Consequently, AstraZeneca updated Onglyza's label. Onglyza sales were adversely impacted due to the label update.

  In addition, the FDA raised concerns regarding DPP-4 inhibitors (including the company's Onglyza and Kombiglyze XR) and warned patients in Aug 2015 of severe and disabling joint pain associated with its use. Moreover, the FDA, along with the European Medicines Agency, has raised concerns regarding SGLT2 inhibitors (including the company's Forxiga/Forxiga) and warned patients of ketoacidosis – a serious condition where the body produces high levels of blood acids called ketones.

Last Earnings Report

Q3 Earnings Miss Estimates, Sales Beat

Quarter Ending	09/2020
Report Date	Nov 05, 2020
Sales Surprise	0.56%
EPS Surprise	-4.08%
Quarterly EPS	0.47
Annual EPS (TTM)	1.93

AstraZeneca's third-quarter 2020 results were mixed as it missed estimates for earnings but beat the same for sales. The company maintained its previously issued revenue and earnings guidance for 2020.

Third-quarter 2020 core earnings of 47 cents per American depositary share missed the Zacks Consensus Estimate of 49 cents. Core earnings per share of 94 cents were flat year over year at constant exchange rates ("CER").

Total revenues were up 3%, both on a reported and CER basis, to $6.58 billion in the quarter, as higher product sales made up for lower collaboration revenues. Revenues slightly beat the Zacks Consensus Estimate of $6.54 billion.

All growth rates mentioned below are on a year-over-year basis and at CER.

Product Sales Rise

Product sales rose 7% at CER to $6.52 billion driven by higher sales of oncology medicines and diabetes drug Farxiga, which made up for the decline in the Respiratory & Immunology franchise. COVID-19 impacted sales of some of AstraZeneca's medicines, most importantly Pulmicort.

Collaboration revenues were $58 million, down 78% at CER due to lower Lynparza-related milestone receipts in the quarter. This included collaboration revenues of $8 million for roxadustat and $27 million for Enhertu. Some milestone payments for Lynparza are expected in the fourth quarter, which should boost collaboration revenues from Lynparza.

Among AstraZeneca's various therapeutic areas, Oncology product sales were up 13%. In BioPharmaceuticals, New CVRM product sales were up 8% while Respiratory & Immunology declined 12%. Sales of other medicines declined 3%.

Sales in Detail

In Oncology, Lynparza product revenues rose 42% year over year to $464 million on the back of expanded use in ovarian and breast cancer and as the launch in prostate cancer and first-line HRD+ ovarian cancer began to take effect.

Tagrisso recorded sales of $1.16 billion, up 30% year over year driven by demand growth. Imfinzi generated sales of $533 million in the quarter, up 29% year over year mainly driven by strong demand in advanced lung cancer patients. On the conference call, the company said the launch of Imfinzi in extensive stage small cell lung cancer has picked up despite headwinds from COVID-19 on patient diagnosis. Revenues are also picking up in Europe and Emerging markets.

New drug Calquence generated sales of $145 million in the quarter compared with $107 million in the previous quarter. New drug, Koselugo, approved in April 2020, generated sales of $13 million in the quarter compared with $7 million in the previous quarter.

Iressa sales were down 40% to $54 million. Sales of older cancer drugs, Arimidex, Faslodex and Casodex declined while Zoladex increased.

In CVRM, Brilinta/Brilique sales were $385 million in the reported quarter, down 7% year over year due to the impact of COVID-19 (reflecting fewer elective procedures) and pricing pressure from the VBP (volume-based procurement) program in China.

Farxiga recorded product sales of $525 million in the quarter, up 35% year over year, reflecting growth across all regions.

Crestor sales declined 10% to $300 million. Bydureon sales declined 14% to $110 million. Onglyza sales declined 13% to $109 million. Seloken sales increased 32% to $225 million. Atacand sales were up 4% to $54 million. Byetta sales were down 44% to $15 million.

In Respiratory & Immunology, Symbicort sales declined 2% in the quarter to $599 million due to reversal of stockpiling benefits in the United States and generic competition in Japan.

Pulmicort sales declined 55% to $155 million, reflecting a slowdown in hospital visits in China due to the coronavirus, especially the pediatrics' nebulizing segment. The volume of adult elective procedures partly recovered in the quarter.

Fasenra recorded sales of $240 million in the quarter, up 18% year over year driven by market share growth and increased adoption of self-administration option, which offset the impact of lower new patient starts due to COVID-19.

Bevespi, a LAMA/LABA in a pressurized metered dose inhaler, recorded sales of $14 million in the quarter, up 36% year over year.

Breztri, which was launched in Japan in 2019 and China in 2020, recorded sales of $10 million in the quarter. Breztri was recently approved and launched in the United States, which should increase sales in the fourth quarter. Daliresp/Daxas rose 9% to $57 million in the quarter.

In Other Medicines, Nexium sales rose 9% to $401 million. Synagis fell 19% to $118 million.

Regional Performance

In the United States, product sales were up 11% to $2.27 billion. Sales in European markets declined 11% in the quarter to $1.26 billion. Revenues from Emerging Markets were up 4% to $2.14 billion. In Emerging Markets, sales in China rose 6% to $1.35 billion, while in ex-China

markets, sales rose 2% to $783 million. In Established ROW market (comprising Japan, Canada and other markets), sales were up 7% to $911 million.

Profit Discussion

AstraZeneca's core gross margin of 79.4% was flat at CER. Core selling, general and administrative (SG&A) expenses declined 1% to $2.17 billion due to savings in travel and expense costs.

Core research and development (R&D) expenses rose 10% to $1.45 billion. Core operating profit declined 1% to $1.8 billion in the quarter. Core operating margin declined 1 percentage point to 27.3% in the quarter.

2020 Outlook

AstraZeneca retained its guidance for total revenues and core EPS for 2020. AstraZeneca expects total revenues to grow in a high single-digit to a low double-digit range. The company expects core EPS to increase in a mid- to high-teens percentage. Currency changes are expected to have a low single-digit adverse impact on sales and core EPS in 2020.

However, AstraZeneca stated that the uncertainty from the impact of COVID-19 remains and performance between quarters may vary.

Update on Coronavirus Related Research Efforts

AstraZeneca announced that it has resumed dosing in all late-stage clinical studies on its COVID-19 vaccine candidate, AZD1222, globally. In September, AstraZeneca temporarily paused all its global late-stage studies on AZD1222, being developed in partnership with Oxford University, as a patient in U.K. suffered an unspecified illness. The study in U.K. is now fully recruited with 23,000 patients now enrolled in the Brazilian and South African studies. Data readouts are expected in the next two months. In the EU, a rolling review of data for AZD1222 has begun.

In October, AstraZeneca announced plans to start two phase III studies on AZD7442, a monoclonal-antibody combination for the prevention and treatment of COVID-19 in the next few weeks. AZD7442 is a combination of two monoclonal antibodies, AZD8895 and AZD1061, which were derived from convalescent patients with SARS-CoV-2 infection, which AstraZeneca licensed from Vanderbilt University, in the United States in June 2020.

Recent News

Symbicort Turbuhaler Gets Approval in China – Jan 26

AstraZeneca announced that its dual-combination therapy, Symbicort Turbuhaler, has been approved in China for mild, moderate and severe asthma for people 12 years of age and older. Symbicort is a combination of an ICS and a long-acting beta2-agonist (LABA) bronchodilator.

Calquence Shows Superiority to Imbruvica in CLL Study – Jan 25

AstraZeneca's Calquence met the primary efficacy endpoint in head-to-head phase III study (ELEVATE-RR) evaluating it against AbbVie/J&J's Imbruvica (ibrutinib) for previously treated chronic lymphocytic leukemia patients. The data demonstrated that treatment with Calquence led non-inferior progression-free survival (PFS), the primary endpoint, in such patients compared to Imbruvica. The study also met a key secondary endpoint for safety by showing that treatment with Calquence led to statistically significantly lower incidence of atrial fibrillation compared to Imbruvica.

Meanwhile, the Japanese regulatory authority granted approval to Calquence for the treatment of adult patients with relapsed or refractory CLL. The approval was based on positive data from the ASCEND phase III study and a phase I study in Japanese patients.

FDA Approves Enhertu for Gastric Cancer – Jan 20

AstraZeneca and Daiichi Sankyo's Enhertu (trastuzumab deruxtecan) was approved in the United States for its second indication. Enhertu, which is already approved to treat HER2-positive metastatic breast cancer in the United States, was approved for HER2-positive metastatic gastric cancer for patients who have received a prior trastuzumab-based regimen. The approval was based on positive results from the randomized DESTINY-Gastric01 phase II study.

EU Approval for Enhertu for Breast Cancer – Jan 18

AstraZeneca announced that the European Commission has granted approval to Enhertu for metastatic HER2-positive breast cancer patients who have received two or more prior anti-HER2-based regimens. The approval was based on positive results from the randomized DESTINY-Breast01 phase II study. Enhertu is already approved for the same indication in the United States and Japan.

EU Approval for Improved Dosing for Imfinzi – Jan 15

AstraZeneca announced that the European Commission granted marketing approval for a new four-week, fixed-dose regimen of Imfinzi in the approved indication of unresectable non-small cell lung cancer (NSCLC) after chemoradiation therapy. The new dosing regimen of Imfinzi was approved in the United States in November for the approved indications of stage III NSCLC after chemoradiation therapy and previously treated advanced bladder cancer. Imfinzi is presently administered as a weight-based dosing of 10mg/kg every two weeks. The four-week, fixed-dose regimen (1500 mg) will reduce patients' medical visits by half.

AZD1222 Gets Emergency Approval in India & Other Countries – Jan 6

AstraZeneca announced that its COVID-19 vaccine has been granted emergency use authorisation in India as well as Argentina, Dominican Republic, El Salvador, Mexico and Morocco for the active immunisation of adults. In India, AstraZeneca has partnered with Serum Institute of India (SII),

FDA Grants Priority Review to Farxiga for CKD – Jan 6

AstraZeneca announced that the FDA granted priority review to its application seeking approval of Farxiga for the treatment of new or worsening chronic kidney disease in adults with and without type-II diabetes (T2D). The FDA's decision is expected in the second quarter of 2021. Farxiga is presently approved to treat T2D and heart failure with reduced ejection fraction in the United States.

AZD1222 Gets Emergency Approval in U.K. – Dec 30

AstraZeneca announced that its adenovirus-based coronavirus vaccine candidate, AZD1222, received an authorization for emergency use in the United Kingdom. This is the first approval or authorization for the candidate anywhere in the world. The UK Medicines and Healthcare products Regulatory Agency has authorized use of two full doses of the candidate for the active immunization of individuals 18 years or older. Two doses of the vaccine will be administered with an interval of between four and 12 weeks. First vaccinations in the country are likely to begin early in the New Year.

Lynparza Approved in Japan for 3 Cancers – Dec 28

AstraZeneca and Merck announced that Lynparza has been approved by the Japanese Ministry of Health, Labour, and Welfare for the treatment of advanced ovarian, prostate and pancreatic cancers. The first approval was as a first-line maintenance treatment in combination with Roche's Avastin for patients with HRD-positive advanced ovarian cancer based on data from the PAOLA-1 phase III study.

The second approval was for the treatment of BRCA gene-mutated (BRCAm) castrate-resistant prostate cancer (mCRPC), which was based on a subgroup analysis of the PROfound phase III study.

The third approval was for BRCAm metastatic pancreatic cancer based on the results of the POLO phase III study.

Tezepelumab Misses Phase III Study Goal – Dec 22

AstraZeneca and partner Amgen announced that a phase III study (SOURCE) on tezepelumab in patients with severe, oral corticosteroid-dependent asthma did not meet the primary endpoint.

The primary endpoint of the study was to show a statistically significant reduction in the daily oral corticosteroid (OCS) dose without loss of asthma control on treatment with tezepelumab, an anti-thymic stromal lymphopoietin monoclonal antibody. The 48-week study, which compared tezepelumab to placebo, evaluated 150 severe asthma patients who required maintenance use of OCS on top of standard of care (SoC). The company said that other efficacy parameters and safety profile of tezepelumab in the SOURCE study were similar to previous studies including the phase III NAVIGATOR study, for which data was announced last month. Additional analysis of the data from the SOURCE study is ongoing and further data will be presented at a future medical conference.

The NAVIGATOR study on tezepelumab met the primary endpoint of a statistically significant and clinically meaningful reduction in annual asthma exacerbation rate ("AAER"), a measure of deterioration of asthma in a broad population of severe, uncontrolled asthma patients, including those with low levels of eosinophils.

NAVIGATOR and SOURCE studies are part of phase III PATHFINDER clinical program on tezepelumab. Amgen and AstraZeneca plan to file regulatory applications for tezepelumab next year.

FDA Approves Tagrisso for Adjuvant Early-Stage NSCLC – Dec 21

AstraZeneca announced that the FDA has granted approval to Tagrisso for the adjuvant treatment of patients with early-stage EGFR-mutated lung cancer. The approval was based on data from the ADAURA phase III study.

Update of U.S. Regulatory Review of Roxadustat – Dec 18

AstraZeneca announced that the FDA has requested further clarifying analyses of clinical data to complete its review of NDA for roxadustat n anaemia of chronic kidney disease. The FDA's decision is expected on 20 March 2021.

Valuation

AstraZeneca's shares are down 8.2% in the past six months but up 4.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 7.9% and 7.3%, respectively in the past six months. Over the past year, the Zacks sub-industry and sector are up 9.8% and 8.2%, respectively.

The S&P 500 Index is up 19.5% in the past six months and 19.7% in the past year.

The stock is currently trading at 19.1X forward 12-month earnings per share, which compares to 15.05X for the Zacks sub-industry, 23.34X for the Zacks sector and 23.12X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 27.92X and as low as 11.1X, with a 5-year median of 20.09X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $55 price target reflects 20.2X forward 12-month earnings per share.

The table below shows summary valuation data for AZN.

Valuation Multiples - AZN

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.1	15.05	23.34	23.12
	5-Year High	27.92	16.62	23.34	23.8
	5-Year Low	11.1	13.18	15.9	15.3
	5-Year Median	20.09	15.05	19.13	17.82
P/S F12M	Current	4.36	4.76	2.91	4.57
	5-Year High	5.6	4.85	3.17	4.57
	5-Year Low	2.99	3.88	2.26	3.2
	5-Year Median	4.06	4.42	2.85	3.67
P/B TTM	Current	10.49	6.88	4.57	6.64
	5-Year High	11.88	7.37	5.11	6.64
	5-Year Low	3.82	3.69	3.02	3.73
	5-Year Median	6.57	5.38	4.36	4.95

As of 1/27/2021 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Bottom 23% (196 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Amgen Inc. **(AMGN)**	Neutral	3
Bristol Myers Squibb Company **(BMY)**	Neutral	3
GlaxoSmithKline plc **(GSK)**	Neutral	3
Johnson & Johnson **(JNJ)**	Neutral	3
Merck & Co., Inc. **(MRK)**	Neutral	2
Novartis AG **(NVS)**	Neutral	3
Pfizer Inc. **(PFE)**	Neutral	3
Roche Holding AG **(RHHBY)**	Neutral	4

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

Industry Comparison Industry: Large Cap Pharmaceuticals

Industry Peers

	AZN	X Industry	S&P 500	NVS	PFE	RHHBY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	C	-	-	B	C	B
Market Cap	142.88 B	182.31 B	27.04 B	219.58 B	207.38 B	312.98 B
# of Analysts	4	3	13	5	8	4
Dividend Yield	1.62%	2.23%	1.42%	2.09%	4.07%	1.57%
Value Score	B	-	-	B	B	C
Cash/Price	0.06	0.05	0.06	0.05	0.11	0.02
EV/EBITDA	21.73	15.10	14.85	14.64	9.68	NA
PEG F1	1.11	2.09	2.52	1.82	2.34	4.06
P/B	10.49	5.46	3.88	4.03	3.17	8.66
P/CF	16.45	12.07	14.57	11.02	8.82	13.92
P/E F1	20.12	14.25	20.63	14.70	11.43	16.35
P/S TTM	5.52	4.51	2.95	4.51	4.26	NA
Earnings Yield	4.76%	7.05%	4.74%	6.81%	8.74%	6.13%
Debt/Equity	1.34	0.76	0.70	0.46	0.76	0.36
Cash Flow ($/share)	3.17	4.22	6.88	8.43	4.11	3.20
Growth Score	C	-	-	C	D	A
Historical EPS Growth (3-5 Years)	-2.63%	6.69%	9.69%	3.57%	6.54%	NA
Projected EPS Growth (F1/F0)	29.14%	5.84%	12.61%	13.50%	13.69%	3.90%
Current Cash Flow Growth	2.12%	2.90%	4.97%	7.83%	-6.57%	11.61%
Historical Cash Flow Growth (3-5 Years)	-0.86%	7.37%	8.07%	7.11%	2.54%	9.89%
Current Ratio	0.96	1.23	1.38	0.91	1.40	1.23
Debt/Capital	57.30%	42.47%	41.88%	32.69%	43.19%	26.41%
Net Margin	9.65%	18.16%	10.44%	16.59%	NA	NA
Return on Equity	37.23%	34.64%	15.37%	24.77%	24.88%	NA
Sales/Assets	0.43	0.43	0.50	0.39	0.28	NA
Projected Sales Growth (F1/F0)	18.59%	5.70%	6.13%	10.14%	NA	4.01%
Momentum Score	F	-	-	A	D	F
Daily Price Change	-4.30%	0.10%	-0.63%	-3.17%	-2.87%	-2.69%
1-Week Price Change	3.72%	1.19%	-0.02%	1.33%	-0.41%	1.39%
4-Week Price Change	3.83%	3.86%	3.06%	-1.55%	-1.36%	1.44%
12-Week Price Change	-5.34%	15.32%	13.23%	10.91%	-2.92%	0.61%
52-Week Price Change	4.91%	1.12%	8.52%	-2.97%	-3.57%	7.23%
20-Day Average Volume (Shares)	11,354,878	3,212,854	1,805,457	1,816,523	0	2,120,459
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.28%	1.83%	0.00%
EPS F1 Estimate 4-Week Change	-0.58%	0.45%	0.15%	0.62%	-4.65%	-2.95%
EPS F1 Estimate 12-Week Change	1.03%	0.96%	2.10%	2.19%	7.80%	-3.79%
EPS Q1 Estimate Monthly Change	NA%	0.00%	0.00%	NA	6.67%	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	B
Growth Score	C
Momentum Score	F
VGM Score	C

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.