

Biogen Inc. (BIIB)

\$256.76 (As of 10/26/20)

Price Target (6-12 Months): **\$270.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/02/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: A

Growth: B

Momentum: F

Summary

Biogen beat Q3 estimates for earnings and sales. Several important data readouts are expected in 2021. Meanwhile, its biosimilars business is expected to drive long-term growth. The approvability of controversial Alzheimer's drug, aducanumab, has improved after FDA granted priority tag to its biologics license application. However, multiple generic versions of blockbuster drug, Tecfidera have been launched, which will significantly erode the drug's sales. Sales of Spinraza are being hurt due to COVID-19 and the drug's competitive environment is also getting challenging. The initial rollout of Vumerity has been slow due to COVID-19 and this coupled with generic entrants for Tecfidera in the United States makes the future of Biogen's MS franchise uncertain. The stock has underperformed its industry this year so far.

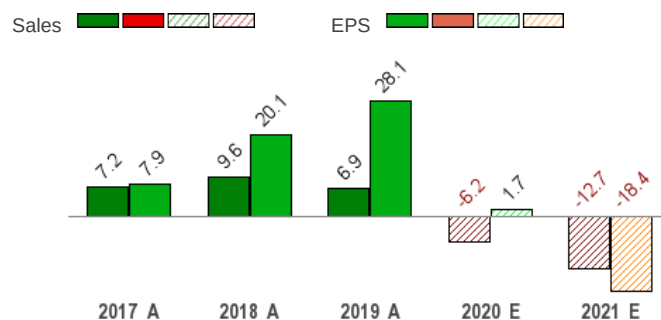
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$374.99 - \$255.83
20-Day Average Volume (Shares)	1,012,810
Market Cap	\$40.8 B
Year-To-Date Price Change	-10.7%
Beta	0.54
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Biomedical and Genetics
Zacks Industry Rank	Bottom 25% (184 out of 248)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	9.7%
Last Sales Surprise	0.9%
EPS F1 Estimate 4-Week Change	-4.3%
Expected Report Date	NA
Earnings ESP	-16.5%
P/E TTM	7.2
P/E F1	7.5
PEG F1	0.8
P/S TTM	2.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,760 E	2,719 E	2,720 E	2,759 E	11,766 E
2020	3,534 A	3,682 A	3,376 A	2,975 E	13,482 E
2019	3,490 A	3,617 A	3,600 A	3,671 A	14,378 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$7.11 E	\$6.95 E	\$6.91 E	\$6.93 E	\$27.86 E
2020	\$9.14 A	\$10.26 A	\$8.84 A	\$5.92 E	\$34.13 E
2019	\$6.98 A	\$9.15 A	\$9.17 A	\$8.34 A	\$33.57 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 10/26/2020. The reports text is as of 10/27/2020.

Overview

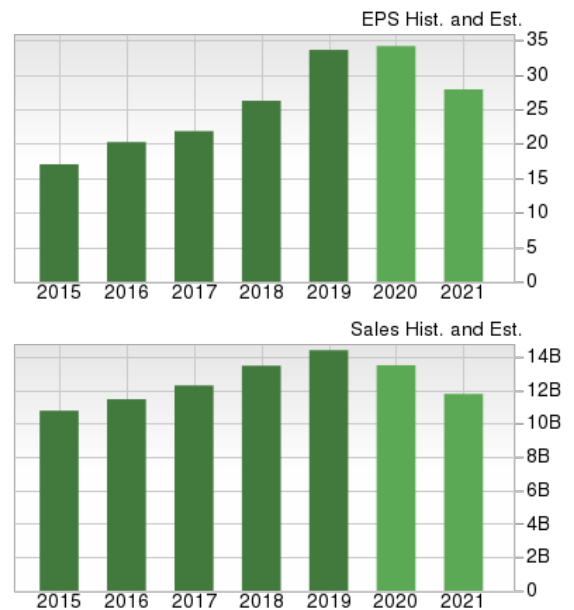
Based in Cambridge, MA, Biogen Inc. is one of the world's leading biotechnology companies, which focuses on developing innovative therapies for treating serious neurological and neurodegenerative diseases, including its core growth areas of multiple sclerosis (MS) and neuroimmunology, Alzheimer's disease (AD) and dementia, movement disorders including Parkinson's disease, neuromuscular disorders, including spinal muscular atrophy (SMA) and amyotrophic lateral sclerosis (ALS) and ophthalmology.

Key multiple sclerosis/MS drugs in its portfolio are Tecfidera, Vumerity, Avonex, Plegridy, Fampyra and Tysabri. Other approved/marketed products include Fumaderm (severe psoriasis) and Spinraza (spinal muscular atrophy (SMA)). Key MS drugs Tecfidera and Tysabri accounted for around 39% and 16%, respectively, of the company's 2019 product revenues. Spinraza accounted for 18% of Biogen's total product revenues in 2019.

On Feb 1, 2017, Biogen completed the spin-off of its hemophilia business into a new company called Bioverativ. Bioverativ began trading under the ticker symbol "BIVV" on the NASDAQ stock market from Feb 2.

Biogen also generates significant royalties from partnership agreements with other pharmaceutical and biotechnology companies. It has collaborations with companies like Roche (Rituxan and Gazyva – cancer and Ocrevus – primary progressive MS and relapsing MS), Eisai (aducanumab and BAN2401– Alzheimer's disease), Acorda (Fampyra), Alkermes (Vumerity) and Ionis (Spinraza).

Biogen garnered total sales of \$14.4 billion in 2019, up 7% year over year.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **MS – Key Focus Area:** Biogen holds a strong position in the MS market with a wide range of products including Avonex, Tysabri, Tecfidera and Plegridy. Biogen's MS revenues (including royalties) were \$9.2 billion in 2019, up 2% year over year, almost half of which came from Tecfidera. Tecfidera recorded revenues of \$4.4 billion in 2019 driven by strong global patient growth. Meanwhile, Tysabri, the company's second MS product, continues to contribute significantly to the top line despite carrying a "black box" warning for the risk of progressive multifocal leukoencephalopathy (PML) and other cautionary messages. Biogen recorded Tysabri revenues of around \$1.9 billion in 2019.

Avonex posted sales of \$1.7 billion in 2019. Another MS treatment, Plegridy, launched in 2014, raked in sales of \$436 million in 2019.

Meanwhile, Roche's Ocrevus (ocrelizumab) was approved for the treatment of relapsing MS (RMS) and primary progressive MS (PPMS) in Mar 2017. Though Ocrevus poses strong competition for Biogen's MS drugs, Biogen is receiving royalties on U.S. sales of Ocrevus.

Meanwhile Biogen is working on consolidating its position in the MS market by bringing new treatments to market. In November 2017, Biogen in-licensed worldwide commercialization rights to Alkermes' Vumerity (BIIB098), which the company claims has a potentially differentiated profile to Tecfidera. Vumerity was launched for relapsing forms of MS in 2019.

- ▲ **Growth Opportunities beyond MS:** As competition in the MS market intensifies, Biogen is trying to diversify its pipeline and aims to be a leader in neuroscience and the adjacent therapeutic area. In almost four years from 2017-2020, Biogen executed 20 business development transactions, which significantly boosted its pipeline.

Biogen is looking to strengthen its Alzheimer's disease (AD) and other neurodegenerative disorders pipeline. Biogen's spinal muscular atrophy (SMA) treatment, Spinraza (nusinersen) has consolidated its position in the neurological disease market with the drug being the first and only treatment to be approved in the U.S. for SMA. The market potential of the disease is huge. The drug has performed beyond expectations witnessing strong patient uptake in the United States and internationally and has now become the standard of care in SMA. Biogen has also expanded its collaboration with Ionis to identify new gene therapies for the treatment of SMA as well as a broad range of neurological diseases. In July 2018, Biogen acquired two programs from AliveGen, targeting the myostatin pathway for potential muscle enhancement across a range of neuromuscular diseases including SMA. In early 2019, Biogen signed new collaboration with Skyhawk Therapeutics to develop an oral splicing modulator for multiple diseases, including MS and SMA.

Biogen is also building a portfolio of best-in-class treatments for stroke and acute neurology. In May 2018, Biogen purchased a phase III candidate, BIIB093/Cirara from Remedy Pharmaceuticals, which is being studied for the treatment of large hemispheric infarction (LHI), a severe form of stroke with no available therapy.

The June 2019 acquisition of gene therapy maker Nightstar Therapeutics provided Biogen with two potentially mid-to late-stage clinical assets (BIIB111 and BIIB112) in inherited retinal disease. Meanwhile, Biogen signed a collaboration with Sangamo Therapeutics in 2020 to make gene regulation therapies for a range of neurological indication including Alzheimer's disease. It also collaborated with Denali Therapeutics in August 2020 to co-develop and co-commercialize its small molecule LRRK2 inhibitor program, DNL151, for Parkinson's disease, which will enter late-stage development in 2021.

We believe the company will continue pursuing deals to add late-stage and commercial assets to its portfolio.

- ▲ **Pipeline Diversification:** Biogen plans to strengthen existing efforts in multiple sclerosis and spinal muscular atrophy while continuing to focus R&D efforts in the field of neuroscience. The company also spun off its hemophilia business in February 2017, which allows it to focus on neurology, its key area of expertise.

Promising pipeline candidates are BIIB054 (Parkinson's – phase II), BIIB092/gosuranemab (monoclonal antibody for Alzheimer's – phase II), BIIB104 (cognitive impairment associated with schizophrenia (CIAS)- phase IIb), dapirolizumab pegol (active systemic lupus erythematosus [SLE] - phase III), BIIB111 (choroideremia – phase III), BIIB093 (LHI – phase III, brain contusion – phase II), BIIB059 (lupus - phase II), tofersen/BIIB067 (ALS with SOD1 mutations – phase III) and BAN2401 (early Alzheimer's – phase III). By the end of 2021, six mid- to late-stage data readouts are expected across clinical programs in MS, ALS, ophthalmology, Parkinson's disease, stroke and Alzheimer's disease and others. A regulatory application seeking approval of aducanumab in patients with early-stage Alzheimer's disease was granted priority review by the FDA in August 2020 with a decision expected on March 7, 2021. A marketing authorization application in the EU was filed in October. If aducanumab is approved by the FDA, it will become the first medicine to be approved to reduce the clinical decline associated with Alzheimer's disease, thus opening up a huge market opportunity for Biogen.

- ▲ **Exploring Biosimilar Opportunity:** Biogen is also working with Samsung BioLogics to bring new biosimilars to market. Samsung Bioepis, the joint venture between the two companies, markets three anti-TNF biosimilars in the EU – Flixabi (a biosimilar referencing Remicade), Benepali (a biosimilar referencing Enbrel) and Imraldi (a biosimilar referencing Humira). Biosimilars revenues rose 43% in 2018 and 35% in 2019. Biogen has a 49.9% stake in Samsung Bioepis. In December 2019, Biogen acquired exclusive rights from Samsung Bioepis to commercialize two new potential ophthalmology biosimilars – SB11, a biosimilar of Roche's Lucentis and SB15, a biosimilar to Regeneron's Eylea - with a global market opportunity of approximately \$11 billion. Biogen is optimistic that its biosimilars business has the opportunity to potentially double over the next couple of years.

- ▲ **Restructuring Initiative to Drive Cost Savings:** With its focus on streamlining operations and increasing efficiencies, in October 2015, Biogen announced a restructuring program. Under the program, it discontinued several pipeline programs and executed an 11% reduction in its workforce. The restructuring program generated annual cost savings of about \$250 million which were invested in pipeline development

Biogen's efforts to diversify beyond MS to other areas like Alzheimer's are commendable. Biogen regularly in-licenses assets to build its pipeline.

and commercial activities. In 2016, Biogen initiated additional cost saving measures that included the realignment of its organizational structure and achieve further targeted cost reductions.

▲ **Favorable Debt Profile:** As of the end of Sep 30, 2020, Biogen had approximately \$7.4 billion in long-term debt (senior notes payable) on its balance sheet. Cash, cash equivalents, and marketable securities totaled approximately \$3.58 billion. Though its cash is lower than its total debt, none of its debt is payable in the next 12 months. Though its debt to capital ratio of 40.9% is higher than 26.2% at the end of March 2020, it is because it issued senior notes worth \$3.0 billion in April 2020. Its debt to capital ratio has improved consistently over a few quarters before 2020.

Reasons To Sell:

▼ **Shares Underperforming Industry:** Biogen's shares have declined 13.5% this year so far, comparing unfavorably with a decrease of 3.2% for the industry.

▼ **Rising Competitive Pressure on MS Drugs:** The competitive landscape remains challenging for Biogen's MS products with newer, competitive entrants. The Ocrevus launch by Roche is adversely impacting MS franchise sales, mainly Tysabri. Moreover, treatments like Novartis' Gilenya and Sanofi's Aubagio pose competitive threat to Tysabri.

Biogen's U.S. Interferon revenues are also experiencing declining trends with patients transitioning to other oral or high efficacy MS therapies including biosimilars with the trend expected to continue in the future quarters. Global MS revenues, excluding Ocrevus royalties, declined 4% in 2018 and almost 1% in 2019.

In June and September 2020, district courts in West Virginia and Delaware, respectively invalidated the '514 patent related to Tecfidera in lawsuits filed by several generic makers, opening doors for early generic competition. The '514 patent covers the treatment of multiple sclerosis with 480mg dose of dimethyl fumarate (DMF), the active ingredient of Tecfidera. Multiple generic versions of the drug were launched in the third quarter of 2020, much earlier than 2028 when the patent expires. A significant erosion in Tecfidera's sales is expected in the fourth quarter of 2020. The initial rollout of Vumerity has been slow due to COVID-19 and this coupled with Tecfidera generic entrants makes the future of Biogen's MS franchise uncertain.

▼ **Competition for Spinraza Rising in 2020:** Novartis' new SMA treatment, Zolgensma was approved in May 2019 to treat children under two years old, representing about 5% of the prevalent market. Biogen acknowledged that it has begun to see some negative impact of Zolgensma's launch on Spinraza's U.S. sales within the infant population.

Meanwhile, Roche and PTC Therapeutics' Evrysdi (risdiplam) was approved by the FDA to treat a broad range of patients with SMA in August 2020 which has raised competitive pressure on Spinraza.

▼ **Safety Concerns of MS Drugs:** We remain concerned that an increase in the number of PML cases associated with the use of Tysabri could lead to a slowdown in Tysabri sales going forward. Additional instances of PML cases could hamper the product's acceptance in the medical community thereby limiting its sales growth.

Since the emergence of the first PML case in a patient on Tecfidera, increased caution is being exercised by physicians and patients. These issues are being faced in the more mature markets of Europe like Germany as well. Additional PML cases would have a negative impact on Tecfidera sales.

In March 2018, Biogen announced the decision to withdraw Zinbryta from the markets, less than two years of its approval, due to growing safety concerns and limited commercial adoption of the drug due to its restrictive label. The company decided to discontinue marketing of the drug on grounds of its complex and evolving benefit/risk profile.

▼ **Development and Regulatory Setbacks:** Although Biogen has an impressive pipeline, we remind investors that product development involves a high degree of risk. Among some recent setbacks, in 2016, Biogen discontinued the development of amiselimod, which was being evaluated for the treatment of autoimmune diseases.

In early 2018, Pfizer halted development of Tysabri for acute ischemic stroke (AIS) as Tysabri did not demonstrate improvement in clinical outcomes compared to placebo in a phase IIb study in AIS patients.

In March 2019, Biogen/Eisai announced the discontinuation of ENGAGE and EMERGE phase III studies on aducanumab in early AD as a futility analysis showed that the studies were unlikely to meet their primary endpoints. In October, Biogen revealed plans to pursue U.S. regulatory approval of aducanumab based on positive results of a new analysis of larger dataset, which became available after the discontinuation of the studies. However, the FDA may not approve aducanumab particularly with mixed outcome results across the two studies. Also, the FDA may require additional studies to be conducted.

In September 2019, Biogen and Eisai discontinued two late-stage studies on elenbecestat. The decision was taken following a safety review conducted by the Data Safety Monitoring Board. The board's recommendation to discontinue the studies was due to unfavorable risk-benefit ratio.

Multiple generic versions of Tecfidera have been launched which is hurting sales. Sales of Spinraza are being hurt due to COVID-19 and the drug's competitive environment is also getting challenging.

Last Earnings Report

Biogen Q3 Earnings Top, Tecfidera Generics Hurt Sales

Biogen reported third-quarter 2020 earnings per share of \$8.84, which comprehensively beat the Zacks Consensus Estimate of \$8.06. Earnings declined 4% year over year due to lower revenues.

Sales came in at \$3.38 billion, down 6% from the year-ago quarter, hurt by lower sales of Tecfidera and Spinraza. Currency headwinds hurt sales by 1% in the quarter. Sales, however, marginally beat the Zacks Consensus Estimate of \$3.35 billion.

Product sales in the quarter were \$2.69 billion, down 7% year over year. Royalties on sales of Roche's Ocrevus were \$272 million in the quarter, up 45% year over year. Revenues from Biogen's share of Rituxan and Gazyva operating profits declined 29% from the year-ago period to \$288 million as biosimilars are hurting sales of Rituxan. Other revenues rose 15% in the quarter to \$126 million.

Multiple Sclerosis Revenues

Biogen's MS revenues were \$2.26 billion in the reporter quarter, including Ocrevus royalties, which declined 4% year over year. MS revenues, excluding Ocrevus royalties, declined 8% year over year.

Tecfidera sales declined 15% to \$953 million in the quarter hurt by the launch of multiple generics products in the United States. On the conference call, the company said that more than 10 generic versions of Tecfidera have received FDA approval and around six have already launched with discounted prices of approximately 90%.

Outside U.S. Tecfidera sales rose 1% boosted by continued patient growth.

Vumerity, launched in the United States late in 2019, recorded \$15 million in sales, higher than \$9 million in the previous quarter. The launch uptake of the drug has been slow due to lower new patient starts and switches due to COVID-19 and reduced physician interaction. However, in the third quarter, the company saw improvement in new patient starts.

On the conference call, the company said that it is redirecting reallocating some Tecfidera resources to support the launch of Vumerity and potential launch of aducanumab.

Total Fumarates (Tecfidera + Vumerity) revenues were \$968 million in the quarter, down 14% year over year. U.S. Fumarates sales in the quarter were \$684.2 million, down 19% year over year. Ex-U.S. sales were \$283.3 million, up 1% year over year.

Tysabri sales rose 7% year over year to \$516 million due to higher volumes and price. Tysabri U.S. sales rose 15.7% to \$304.2 million in the quarter. International revenues declined 3.8% to \$212.3 million due to currency headwinds. Global patient growth was 4% for Tysabri.

Combined interferon revenues (Avonex and Plegridy) in the quarter were \$474 million, down 11% year over year. Avonex revenues declined 9% from the year-ago quarter to \$381 million. Plegridy contributed \$93 million to revenues, down 15% year over year.

Other Products

Sales of Spinraza declined 10% year over year to \$495 million. Spinraza U.S. sales were \$182.5 million in the quarter, down 22.9% year over year due to the negative impact of COVID-19 on new starts as well as maintenance doses and competitor headwinds. In ex-U.S. markets, Spinraza sales were almost flat year over year at \$311.9 million.

In 2020, Spinraza's sales growth rate is expected to moderate from 2019 levels, primarily due to a lower rate of new patient starts, the impact of loading dose dynamics as patients transition to dosing once every four months and the impact of COVID-19. Lower prices in some international markets may also hurt sales.

In the quarter, biosimilars revenues rose 13% year over year to \$208 million. Though biosimilars revenues improved, sales continued to be impacted by slowdown in new treatments and reduced clinic capacity for immunology patients as a result of COVID-19.

Imraldi generated sales of \$56 million in the quarter, up 14% year over year. Benepali recorded sales of \$124 million in the quarter, up 7% year over year. Flixabi sales of \$27 million rose 49% year over.

Research and development (R&D) expenses were flat year over year at \$540 million. Selling, general and administrative (SG&A) expenses rose 4% year over year to \$569 million.

In the quarter, Biogen repurchased approximately 4.5 million shares worth \$1.25 billion. Biogen's \$5 billion plan approved in December 2019 was completed in September 2020. Biogen's board of directors authorized a new share buyback plan of \$5 billion on Oct 20.

2020 Guidance

Biogen lowered its sales and earnings guidance for the year due to expected erosion from Tecfidera generics. The company said that the earlier guidance assumed no generic entry for Tecfidera in 2020. With multiple generic versions of the drug now launched, the company expects a significant erosion of Tecfidera sales in the fourth quarter of 2020.

Revenues in 2020 are now expected in the range of \$13.2-\$13.4 billion versus \$13.8-\$14.2 billion expected previously. Earnings per share are

Quarter Ending	09/2020
Report Date	Oct 21, 2020
Sales Surprise	0.91%
EPS Surprise	9.68%
Quarterly EPS	8.84
Annual EPS (TTM)	36.58

now expected between \$32.50 and \$33.50 versus \$34.00 and \$36.00 previously.

SG&A costs are expected to increase in the fourth quarter as the company prepares for commercial launch of aducanumab.

Recent News

EMA Accepts Filing for SB11, Lucentis Biosimilar – Oct 6

Biogen and Samsung Bioepis announced that the European Medicines Agency (EMA) has accepted for review their marketing application seeking approval of SB11, a proposed biosimilar of Roche's eye drug, Lucentis.

FDA to Conduct Advisory Meeting to review Aducanumab BLA – Sep 29

Biogen announced that the FDA will conduct a virtual advisory committee meeting of the Peripheral and Central Nervous System Drugs Advisory Committee on November 6 to review the BLA for aducanumab.

FDA Grants Priority Review to Aducanumab BLA – August 7

Biogen and Eisai announced that the FDA has granted priority review to its biologics license application (BLA) seeking approval of aducanumab for Alzheimer's disease.

The priority review status accelerated FDA's review timeline to six months from acceptance of the BLA instead of the standard 10 months. With the FDA granting priority review to the BLA, a decision is expected on Mar 7, 2021. Biogen did not use its priority review voucher (PRV), which was granted at the time of approval of Spinraza. However, the FDA plans to hold an Advisory Committee meeting for the BLA..

The BLA filing includes data from the ENGAGE and EMERGE phase III studies as well as the phase Ib PRIME study in patients with early-stage Alzheimer's disease.

In March 2019, Biogen and Eisai announced the discontinuation of ENGAGE and EMERGE studies as a futility analysis showed that these were unlikely to meet their primary endpoints. In October 2019, surprisingly, Biogen revealed plans to pursue U.S. regulatory approval of aducanumab based on positive results of a new analysis of larger dataset, which became available after the discontinuation of the studies.

The new analysis of the larger dataset showed a different outcome than the one predicted at the time of the futility analysis. The EMERGE study met the primary endpoint, showing that patients treated with a high dose (10mg/kg) of aducanumab experienced a statistically significant reduction in clinical decline of Alzheimer's disease. The ENGAGE study, however, did not meet the primary endpoint. However, Biogen said that data from a subset of patients in the ENGAGE study who received higher dose of aducanumab supported the findings from the EMERGE study. Biogen completed the BLA filing in July.

Biogen has left no stone unturned to resurrect aducanumab because if it is approved by the FDA, it will become the first medicine to be approved to reduce the clinical decline associated with this devastating disease. It will also be the first medicine to show that removing amyloid beta (plaque in the brain) results in better clinical outcomes in Alzheimer's patients. It will bring in huge revenues for Biogen by meaningfully changing the course of Alzheimer's treatment..

Valuation

Biogen's shares have declined 13.5% in the year-to-date period and 13.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 3.2% and 1.0%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up 9.6% and 8.1%, respectively

The S&P 500 Index is up 7.8% in the year-to-date period and 14.4% in the past year.

The stock is currently trading at 2.92X trailing 12-month sales per share which compares to 2.95X for the Zacks sub-industry, 3.07X for the Zacks sector and 4.36X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 6.82X and as low as 2.85X, with a 5-year median of 4.97X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$270.0 price target reflects 3.1X trailing 12-month sales per share.

The table below shows summary valuation data for BIIB

Valuation Multiples - BIIB					
		Stock	Sub-Industry	Sector	S&P 500
P/S TTM	Current	2.92	2.95	3.07	4.36
	5-Year High	6.82	4.52	3.69	4.51
	5-Year Low	2.85	2.26	2.3	2.81
	5-Year Median	4.97	3.22	3.18	3.86
P/E F12M	Current	9.01	50.9	22.19	22.3
	5-Year High	16.78	62.61	23.11	23.47
	5-Year Low	6.74	20.82	15.91	15.27
	5-Year Median	12.11	37.99	18.99	17.68
P/B TTM	Current	3.8	3.27	3.81	6.03
	5-Year High	7.28	5.55	5.08	6.2
	5-Year Low	2.84	2.09	2.96	3.75
	5-Year Median	4.94	3.83	4.3	4.91

As of 10/26/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 25% (184 out of 248)



Top Peers

Company (Ticker)	Rec	Rank
Alexion Pharmaceuticals, Inc. (ALXN)	Neutral	3
Amgen Inc. (AMGN)	Neutral	3
CSL Limited Sponsored ADR (CSLLY)	Neutral	2
Gilead Sciences, Inc. (GILD)	Neutral	3
Regeneron Pharmaceuticals, Inc. (REGN)	Neutral	3
SINO PHARMACEUT (SBMFF)	Neutral	3
Vertex Pharmaceuticals Incorporated (VRTX)	Neutral	3
illumina, Inc. (ILMN)	Underperform	4

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

Industry Comparison Industry: Medical - Biomedical And Genetics				Industry Peers		
	BIIB	X Industry	S&P 500	CSLLY	GILD	REGN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	2	3	3
VGM Score	B	-	-	C	B	B
Market Cap	40.78 B	297.03 M	24.22 B	96.16 B	76.21 B	61.69 B
# of Analysts	20	3	14	2	13	11
Dividend Yield	0.00%	0.00%	1.61%	0.92%	4.47%	0.00%
Value Score	A	-	-	D	A	B
Cash/Price	0.10	0.24	0.07	0.01	0.24	0.05
EV/EBITDA	5.62	-3.78	13.53	32.05	10.51	22.20
PEG F1	0.75	1.55	2.78	NA	0.68	1.77
P/B	3.80	4.20	3.51	14.70	4.20	6.81
P/CF	6.86	14.72	13.40	38.05	8.33	23.94
P/E F1	7.53	23.71	21.48	43.05	8.95	20.38
P/S TTM	2.86	15.24	2.64	NA	3.44	7.71
Earnings Yield	12.88%	-14.03%	4.42%	2.32%	11.17%	4.91%
Debt/Equity	0.69	0.00	0.70	0.89	1.22	0.08
Cash Flow (\$/share)	38.63	-1.09	6.93	2.78	7.30	24.22
Growth Score	B	-	-	A	B	B
Historical EPS Growth (3-5 Years)	17.80%	19.03%	10.39%	NA	-17.61%	32.23%
Projected EPS Growth (F1/F0)	1.64%	15.02%	-2.06%	6.28%	2.41%	15.30%
Current Cash Flow Growth	9.02%	11.17%	5.49%	9.94%	-2.57%	10.30%
Historical Cash Flow Growth (3-5 Years)	11.97%	6.94%	8.50%	NA	-8.08%	23.75%
Current Ratio	2.06	6.03	1.37	3.01	2.33	2.12
Debt/Capital	40.87%	0.00%	42.22%	47.01%	54.94%	7.33%
Net Margin	35.63%	-209.67%	10.35%	NA	-1.16%	37.30%
Return on Equity	51.00%	-58.27%	14.80%	NA	33.59%	26.71%
Sales/Assets	0.55	0.19	0.50	NA	0.38	0.54
Projected Sales Growth (F1/F0)	-5.31%	0.76%	-0.53%	12.97%	5.93%	5.40%
Momentum Score	F	-	-	D	F	F
Daily Price Change	-0.67%	0.04%	0.57%	-0.55%	0.20%	0.71%
1-Week Price Change	-2.28%	-0.88%	0.02%	0.02%	-2.88%	-0.39%
4-Week Price Change	-1.87%	3.23%	7.98%	0.66%	-2.35%	4.01%
12-Week Price Change	-3.59%	-4.43%	6.01%	8.09%	-15.96%	-8.18%
52-Week Price Change	-7.24%	15.97%	4.67%	21.89%	-7.89%	89.62%
20-Day Average Volume (Shares)	1,012,810	235,309	1,824,341	42,113	8,847,094	1,256,940
EPS F1 Estimate 1-Week Change	-3.00%	0.00%	0.00%	0.00%	-0.79%	0.00%
EPS F1 Estimate 4-Week Change	-4.27%	0.00%	0.17%	1.45%	-1.82%	0.00%
EPS F1 Estimate 12-Week Change	-5.20%	0.31%	3.36%	-0.81%	2.15%	19.93%
EPS Q1 Estimate Monthly Change	-7.65%	0.00%	0.00%	NA	-3.10%	0.00%

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	A
Growth Score	B
Momentum Score	F
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.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.