

Clovis Oncology, Inc. (CLVS)

\$5.85 (As of 10/07/20)

Price Target (6-12 Months): **\$6.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/01/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

Growth: C

Momentum: B

Summary

Clovis reported dismal Q2 results wherein earnings and revenues missed estimates. Meanwhile, approval in second-line maintenance setting for ovarian cancer irrespective of the BRCA-mutation is boosting revenues. Approval for label expansion of Rubraca in prostate cancer is likely to boost sales further. Moreover, successful development of Rubraca in several ongoing studies, targeting different types of ovarian cancer patients, will likely boost the drug's prospects. However, Rubraca faces strong competition from other PARP inhibitors in the market, Lynparza and Zejula. Moreover, competition is likely to increase with several others under development. Meanwhile, fewer diagnosis and office visits due to coronavirus is adversely impacting Rubraca sales. Shares have underperformed the industry so far this year.

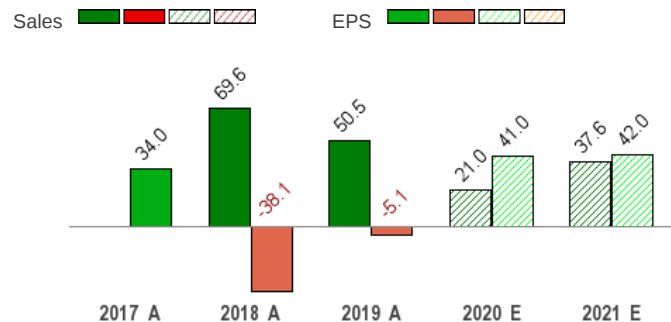
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$17.37 - \$2.93
20-Day Average Volume (Shares)	5,257,262
Market Cap	\$516.0 M
Year-To-Date Price Change	-43.9%
Beta	2.26
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Biomedical and Genetics
Zacks Industry Rank	Bottom 26% (187 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-8.8%
Last Sales Surprise	-10.7%
EPS F1 Estimate 4-Week Change	0.2%
Expected Report Date	11/05/2020
Earnings ESP	9.7%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	3.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	48 E	51 E	56 E	62 E	238 E
2020	43 A	40 A	42 E	47 E	173 E
2019	33 A	33 A	38 A	39 A	143 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.80 E	-\$0.76 E	-\$0.73 E	-\$0.65 E	-\$2.54 E
2020	-\$1.28 A	-\$1.11 A	-\$1.01 E	-\$0.92 E	-\$4.38 E
2019	-\$1.63 A	-\$2.27 A	-\$1.89 A	-\$1.81 A	-\$7.43 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 10/07/2020. The reports text is as of 10/08/2020.

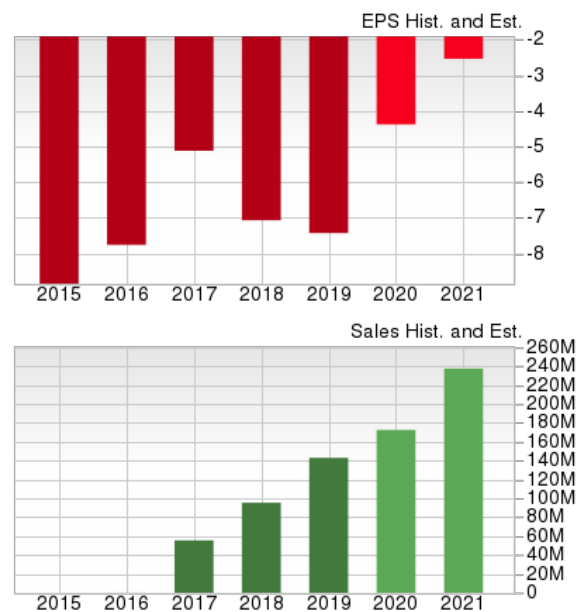
Overview

Boulder, CO-based Clovis Oncology, Inc. has only one marketed drug in its portfolio, Rubraca. Rubraca is approved as a maintenance treatment in recurrent ovarian cancer patients who have received one prior platinum-based chemotherapy (second-line setting), irrespective of BRCA-mutation. The drug is also approved as monotherapy for the treatment of deleterious BRCA mutation (germline and/or somatic)-associated advanced ovarian cancer in patients who have been treated with two or more chemotherapies (third or later line setting), and selected for therapy based on an FDA-approved companion diagnostic for Rubraca. The drug is also approved in the United States as monotherapy for treating BRCA-mutant metastatic castrate-resistant prostate cancer (mCRPC).

A broad development program on Rubraca is currently underway across a variety of solid tumors. Clovis is looking to expand Rubraca's label into additional cancer types like prostate, breast and gastroesophageal cancers, among others. Meanwhile, Clovis holds global development and commercialization rights to Rubraca. Clovis in-licensed Rubraca from Pfizer in 2011.

In addition, the company has another product candidate, lucitanib (FGFR, VEGFR and PDGFR inhibitor) in its pipeline. In the second quarter of 2019, the company terminated development of rociletinib (EGFR inhibitor).

Currently, Clovis is seeking to license/acquire additional oncology assets for further development. Clovis generated product revenues of \$143 million in 2019, representing a growth of 49.9% from the year-ago period.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Rubraca Holds Potential in Ovarian Cancer:** Rubraca is the sole marketed product in Clovis' portfolio and has bright prospects, given the immense commercial potential in the target market and the tremendous demand for PARP inhibitors. Rubraca's label was expanded in second-line maintenance setting based on data from the ARIEL-3 study in the United States in April 2018 and in Europe in January 2019. With the expanded label, the commercial uptake of the drug is improving. Moreover, the company is conducting patient-focused awareness programs for Rubraca as well as PARP inhibitors. These programs helped the company to increase the penetration of PARP inhibitors and improve market share of the PARP inhibitor in ovarian cancer market, boosting Rubraca's sales.

Rubraca's approval for advanced ovarian cancer is a major boost for Clovis. Its prospects are pretty bright given the tremendous demand for PARP inhibitors.

Clovis is evaluating Rubraca in several label expansion studies in ovarian cancer. A phase III confirmatory study - ARIEL4 is evaluating Rubraca versus chemotherapy in patients who have failed two prior lines of therapy. A phase III study – ATHENA – is evaluating Rubraca as monotherapy and in combination with Bristol-Myers' Opdivo in advanced ovarian cancer as first-line maintenance treatment.

- ▲ **Rubraca's Potential in Other Cancers:** Clovis is looking to expand Rubraca's label into additional cancer types like prostate, breast and gastroesophageal cancers, among others. In May 2020, the FDA approved Rubraca as monotherapy under accelerated pathway for BRCA-mutant recurrent mCRPC. A phase III TRITON 3 study is evaluating Rubraca in mCRPC patients with tumor with BRCA mutations and ATM mutations. Data from this study will support continued approval of Rubraca in mCRPC. The company will start enrollment in a head-to-head phase III study to compare Rubraca's efficacy with Pfizer's Xtandi in mCRPC patients in September. The company is also developing the drug as monotherapy or in combination with other therapies for breast cancer and recurrent solid tumors with deleterious homologous recombination repair (HRR) gene mutations. Enrollment is ongoing in the phase II LODESTAR study evaluating Rubraca in HRR patients. The company may file for approval in 2021 based on the data from this study.

Clovis has a collaboration agreement with Merck and Bristol-Myers to develop Rubraca in combination with their PD-1/ PDL1 inhibitors for treating several cancer indications. Separate phase II studies are evaluating the same combination in prostate and advanced gastric cancer.

- ▲ **Encouraging Pipeline Candidate:** Apart from Rubraca, the company is also developing lucitanib for treating breast and lung cancer. The company is currently evaluating lucitanib in early-stage clinical studies in combination with Rubraca in ovarian cancer or Bristol-Myers' PD-1 inhibitor, Opdivo, in advanced gynecologic cancers and other solid tumors. Initial data from these clinical studies are expected later in 2020.
- ▲ **Potential in the Target Market:** According to the American Cancer Society, ovarian cancer ranks fifth in cancer deaths among women, accounting for more deaths than any other cancer of the female reproductive system. It is estimated that more than 21,570 cases of ovarian cancer will be diagnosed in the United States in 2020. Per GLOBOCAN 2018, 68,000 women are diagnosed with ovarian cancer every year in Europe. With standard-of-care treatments for ovarian cancer including surgery, radiation, chemotherapy, targeted and hormone therapies, the five-year relative survival rate for all types of ovarian cancer is 45%. There is huge unmet need for new treatment options, given that one in four women with ovarian cancer have a germline or somatic BRCA mutation. Therefore, Rubraca has bright prospects given the immense commercial potential of the target market and the tremendous demand for PARP inhibitors. Moreover, there will be 191,930 and 80,470 newly diagnosed prostate and bladder cancer patients, respectively, in the United States in 2020, per the American Cancer Society. There will be 43,000 patients diagnosed with mCRPC in the United States in 2020. Per GLOBOCAN, 450,000 men in Europe were diagnosed with prostate cancer in 2018.

Reasons To Sell:

▼ **Rubraca Sales Disappoint:** Although the company is progressing well with label expansion of Rubraca, sales are not improving in tandem. Moreover, the adoption of drugs belonging to the PARP inhibitor class, to which Rubraca belongs, remained slow in the U.S. market. Rubraca sales growth in Europe was also weak. Hence, we prefer to keep a wait and see approach. Although Clovis is developing the drug for several indications beyond ovarian cancer, it will face competition upon successful development and launch in those indications too. Moreover, sales are getting adversely impacted by coronavirus related travel restrictions, which have reduced new patient starts due to fewer diagnosis and office visits.

With just one approved product in the portfolio, Clovis is heavily dependent on Rubraca for growth.

▼ **Pipeline Setbacks:** In April 2019, Clovis discontinued phase II ATLAS study evaluating Rubraca monotherapy for metastatic bladder cancer as preliminary data suggested that it was unlikely to provide a meaningful clinical benefit to patients. In 2016, the company discontinued all developmental activities related to rociletinib following the issuance of a CRL by the FDA and the in-licensing deal with Celgene was terminated. Additionally, Clovis withdrew its regulatory application for rociletinib that was previously filed with European regulatory authorities.

▼ **Fierce Competition in Target Market:** While the ovarian cancer market provides immense commercial potential, we note that Rubraca is facing intense competition from currently marketed PARP inhibitors as well as other approved therapies. Approved PARP inhibitors for ovarian cancer include Merck/AstraZeneca's Lynparza and Glaxo's Zejula, which were approved in early 2017. Moreover, Lynparza and Pfizer's Talzenna have received approval for metastatic breast cancer. Lynparza is also approved for treating pancreatic cancer and prostate cancer. Moreover, these big pharma companies have strong cash resources to promote their drugs, which can push Clovis on the back foot.

Meanwhile, there are a number of PARP inhibitors in clinical development including AbbVie's veliparib. Meanwhile, the oncology market is attracting a lot of attention with several companies inking deals and working on bringing their candidates to this high-revenue potential market.

▼ **Unfavorable Debt Profile:** Clovis has an unfavorable debt profile. As of Jun 30, 2020, the company's total debt (current and long-term debt) was approximately \$611 million. The company's cash, cash equivalents, and marketable securities were approximately \$261 million, as of the end of June 2020. Although the company has enough resources to pay off its short-term debt (\$5 million), the company's total debt almost equals its total assets, which may lead to bankruptcy in case of insolvency. Although, the company's debt to capital ratio of 1.19 as of June end demonstrates a decline from 1.26 at March end, it is higher than the industry's ratio of 0.5. A higher ratio indicates higher financial risk.

Last Earnings Report

Clovis Q2 Earnings and Revenues Miss Estimates

Clovis incurred loss of \$1.11 per share in the second quarter of 2020, wider than the Zacks Consensus Estimate of a loss of \$1.02 but narrower than the year-ago loss of \$1.63 per share.

Net revenues, entirely from Rubraca, were up almost 21% year over year to \$39.9 million in the quarter. However, revenues missed the Zacks Consensus Estimate of \$44.65 million. Total sales of Rubraca were down 6.3% sequentially due to fewer new patient starts amid coronavirus related stay-in-home and other travel restrictions. The company stated that the COVID-19 related situation remains uncertain and it is difficult to predict future sales of the drug.

Quarter in Details

Sales of Rubraca in the United States were \$36.7 million, compared with \$32.7 million in the second quarter of 2019. Ex-U.S. market sales were \$3.2 million in the second quarter compared with \$3.3 million in the first quarter of 2020.

In the second quarter, research & development expenses decreased 1.1% year over year to \$69.9 million. Selling, general and administrative expenses declined 12.7% year over year to \$41.9 million, driven by cost-saving initiatives and savings due to the COVID-19 situation globally.

Clovis ended the quarter with \$261.4 million of cash equivalents and available-for-sale securities compared with \$228.4 million as of Mar 31, 2020. The increase was led by net proceeds of \$82.8 million through an equity offering in May.

The company expects its cash resources to be enough to support its operations into early 2022.

Quarter Ending	06/2020
Report Date	Aug 06, 2020
Sales Surprise	-10.67%
EPS Surprise	-8.82%
Quarterly EPS	-1.11
Annual EPS (TTM)	-6.09

Recent News

New Data Presented At ESMO Virtual Congress 2020-Sep 17

Clovis announced the data being presented at the European Society for Medical Oncology (ESMO) Virtual Congress 2020. These include initial data from the phase Ib part of the LIO-1 study of lucitanib in combination with Opdivo, new analyses of data from the pivotal Rubraca ARIEL3 and TRITON2 studies, initial data from the phase Ib part of the SEASTAR study arm of Rubraca with Trodelvy (sacituzumab govitecan-hziy), and the first presentation of preclinical data for FAP-2286 Clovis' novel peptide-targeted radionuclide therapy.

The initial data from the phase Ib part of the LIO-1 trial of lucitanib combined with Opdivo (nivolumab) in advanced metastatic solid tumors identified a recommended phase II dose and show promising signs of antitumor activity

The first presentation of preclinical data for FAP-2286, a novel peptide-targeted radionuclide therapy (PTRT), showed the compound potently and selectively binds fibroblast activation protein (FAP); compelling anti-tumor activity was observed in FAP-expressing tumor models

New data analyses from pivotal Rubraca (rucaparib) studies ARIEL3 and TRITON2 further characterize its safety profile in recurrent ovarian cancer and metastatic castration-resistant prostate cancer (mCRPC), respectively.

The initial data from the SEASTAR study evaluating Rubraca in combination was encouraging.

FDA Approved FoundationOne Liquid CDx-Aug 26

Clovis announced today that the FDA approved the FoundationOneLiquid CDx, Foundation Medicine's comprehensive liquid biopsy test for all solid tumors with multiple companion diagnostic indications, including for Rubraca (rucaparib) tablets, approved for the treatment of adult patients with a deleterious *BRCA* mutation (germline and/or somatic)-associated metastatic castration-resistant prostate cancer (mCRPC) who have been treated with androgen receptor-directed therapy and a taxane-based chemotherapy.

FoundationOne Liquid CDx is intended for use by health care professionals to help inform cancer treatment decisions in accordance with FDA-approved labeling and professional guidelines for patients with solid tumors.

Initiates Enrollment in LIO-1 Study – Aug 5

Clovis announced that it started enrollment in phase II LIO-1 study which will evaluate lucitanib in combination with Opdivo for the treatment of gynecologic cancers.

Completes Enrollment in ATHENA Study – Jun 10

Clovis announced that it has reached the patient enrollment target in the phase III study — ATHENA — evaluating its sole marketed drug, Rubraca, as a treatment for advanced ovarian cancer.

New Recommendations for Rubraca – May 28

Clovis announced that the National Comprehensive Cancer Network (NCCN) updated its Clinical Practice Guidelines in Oncology for Prostate Cancer to include new recommendations for Rubraca. The drug is now recommended in the NCCN Guidelines for the treatment of BRCA-mutant patients with mCRPC under second-line treatment and subsequent therapy as a Category 2A recommendation.

Rubraca Gets FDA Approval for Prostate Cancer – May 15

Clovis announced that the FDA has granted accelerated approval to label expansion of Rubraca as a monotherapy for BRCA-mutant recurrent, mCRPC in patients treated with androgen receptor-directed therapy and a taxane-based chemotherapy.

Valuation

Clovis' shares are down 43.8% in the year-to-date period but up 83.4% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 2.3% and stocks in the Zacks sector are down 0.3% in the year-to-date period. Over the past year, stocks in the sub-industry and the sector are up 25.5% and 13.7%, respectively.

The S&P 500 Index is up 6.3% in the year-to-date period and 17.3% in the past year.

The stock is currently trading at 2.95X trailing 12-month sales per share which compares to 3.11X for the Zacks sub-industry, 3.08X for the Zacks sector and 4.31X for the S&P 500 Index.

Over the past five years, the stock has traded as low as 1.22X, with a 5-year median of 14.08X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$6.00 price target reflects 3.03X trailing 12-month sales per share.

Industry Analysis Zacks Industry Rank: Bottom 26% (187 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Ligand Pharmaceuticals Incorporated (LGND)	Outperform	3
Agenus Inc. (AGEN)	Neutral	4
Basilea Pharmaceutica AG (BPMUF)	Neutral	3
Heska Corporation (HSKA)	Neutral	3
Insmid, Inc. (INSM)	Neutral	3
Kamada Ltd. (KMDA)	Neutral	3
Vericel Corporation (VCEL)	Neutral	3
BioNTech SE Sponsored ADR (BNTX)	Underperform	5

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

Industry Comparison Industry: Medical - Biomedical And Genetics				Industry Peers		
	CLVS	X Industry	S&P 500	AGEN	BPMUF	INSM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	D	-	-	C	A	F
Market Cap	515.99 M	288.35 M	23.47 B	816.32 M	586.40 M	3.51 B
# of Analysts	4	3	14	3	3	4
Dividend Yield	0.00%	0.00%	1.62%	0.00%	0.00%	0.00%
Value Score	F	-	-	D	D	F
Cash/Price	0.52	0.25	0.07	0.11	NA	0.20
EV/EBITDA	-2.25	-3.83	13.46	-11.91	NA	-16.48
PEG F1	NA	1.74	2.90	NA	NA	NA
P/B	NA	4.09	3.49	NA	NA	8.61
P/CF	NA	18.93	13.28	NA	NA	NA
P/E F1	NA	26.09	21.75	NA	NA	NA
P/S TTM	3.24	15.67	2.62	8.46	NA	21.38
Earnings Yield	-74.87%	-13.24%	4.41%	-22.92%	-4.01%	-7.41%
Debt/Equity	-5.93	0.00	0.70	-0.08	NA	0.90
Cash Flow (\$/share)	-7.29	-1.09	6.92	-0.76	-1.76	-2.51
Growth Score	C	-	-	B	A	D
Historical EPS Growth (3-5 Years)	NA%	19.03%	10.45%	NA	NA	NA
Projected EPS Growth (F1/F0)	41.05%	15.00%	-2.99%	-27.91%	-4.94%	14.95%
Current Cash Flow Growth	11.25%	11.49%	5.47%	-32.65%	NA	-24.87%
Historical Cash Flow Growth (3-5 Years)	NA%	7.03%	8.50%	NA	8.59%	NA
Current Ratio	2.87	6.07	1.35	0.74	NA	8.98
Debt/Capital	NA%	0.00%	42.90%	NA	NA	47.37%
Net Margin	-241.69%	-209.67%	10.28%	-176.81%	NA	-147.54%
Return on Equity	NA%	-58.27%	14.79%	NA	NA	-82.15%
Sales/Assets	0.24	0.19	0.51	0.55	NA	0.21
Projected Sales Growth (F1/F0)	20.67%	0.90%	-0.62%	-52.86%	8.67%	27.24%
Momentum Score	B	-	-	C	A	B
Daily Price Change	4.19%	1.54%	1.74%	6.21%	-1.66%	4.45%
1-Week Price Change	-2.21%	0.00%	2.13%	-3.48%	0.00%	-4.79%
4-Week Price Change	7.93%	3.62%	1.57%	6.21%	-1.66%	18.29%
12-Week Price Change	-9.44%	-2.90%	5.89%	20.60%	-2.10%	26.06%
52-Week Price Change	83.39%	25.59%	6.10%	68.56%	29.14%	111.90%
20-Day Average Volume (Shares)	5,257,262	289,756	2,147,698	3,937,724	1	1,010,894
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.19%	0.00%	0.00%	0.00%	18.76%	0.00%
EPS F1 Estimate 12-Week Change	-0.66%	0.58%	3.55%	2.85%	30.81%	7.78%
EPS Q1 Estimate Monthly Change	0.27%	0.00%	0.00%	0.00%	NA	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	F
Growth Score	C
Momentum Score	B
VGM Score	D

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 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.