

## Gilead Sciences Inc.(GILD)

**\$58.53** (As of 11/02/20)

Price Target (6-12 Months): **\$61.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 04/06/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: F

## Summary

While Gilead's third-quarter earnings and sales beat expectations on incremental Veklury revenues, the lowered forecast due to lower-than-expected demand for the drug was disappointing. The HIV franchise maintains momentum on strong Biktarvy sales. However, HCV sales were affected by fewer healthcare provider visits and screenings. While Veklury's approval for COVID-19 is a big boost for Gilead amid the second wave of the pandemic, the uncertainty in demand is a headwind. Meanwhile, the company's efforts to develop its oncology franchise through acquisitions and collaborations are positive as these will diversify its portfolio and add a new stream of revenues. Yescarta is picking up gradually but still has a long way to go. Stiff competition for HIV is also concerning. Shares have underperformed the industry in the past year.

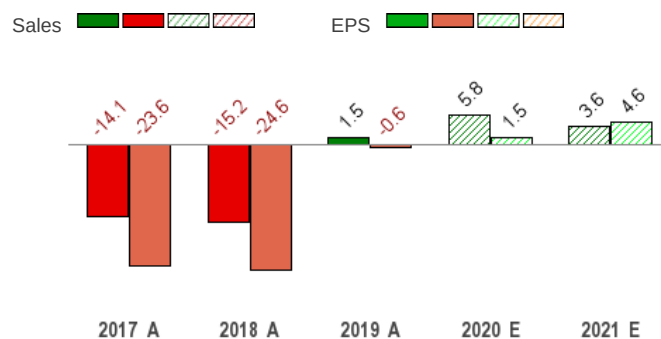
## Price, Consensus & Surprise



## Data Overview

|                                |                                   |
|--------------------------------|-----------------------------------|
| 52-Week High-Low               | \$85.97 - \$57.04                 |
| 20-Day Average Volume (Shares) | 10,603,207                        |
| Market Cap                     | \$73.4 B                          |
| Year-To-Date Price Change      | -9.9%                             |
| Beta                           | 0.53                              |
| Dividend / Dividend Yield      | \$2.72 / 4.6%                     |
| Industry                       | Medical - Biomedical and Genetics |
| Zacks Industry Rank            | Bottom 25% (191 out of 254)       |

## Sales and EPS Growth Rates (Y/Y %)



|                               |            |
|-------------------------------|------------|
| Last EPS Surprise             | 15.3%      |
| Last Sales Surprise           | 6.1%       |
| EPS F1 Estimate 4-Week Change | -3.6%      |
| Expected Report Date          | 02/02/2021 |
| Earnings ESP                  | -3.6%      |
| P/E TTM                       | 9.4        |
| P/E F1                        | 8.7        |
| PEG F1                        | 0.7        |
| P/S TTM                       | 3.2        |

## Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 6,160 E | 6,128 E | 6,137 E | 6,108 E | 24,608 E |
| 2020 | 5,548 A | 5,143 A | 6,577 A | 6,500 E | 23,762 E |
| 2019 | 5,281 A | 5,685 A | 5,604 A | 5,879 A | 22,449 A |

## EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.64 E | \$1.60 E | \$1.68 E | \$1.63 E | \$7.04 E |
| 2020 | \$1.68 A | \$1.11 A | \$2.11 A | \$1.86 E | \$6.73 E |
| 2019 | \$1.76 A | \$1.82 A | \$1.75 A | \$1.30 A | \$6.63 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 11/02/2020. The reports text is as of 11/03/2020.

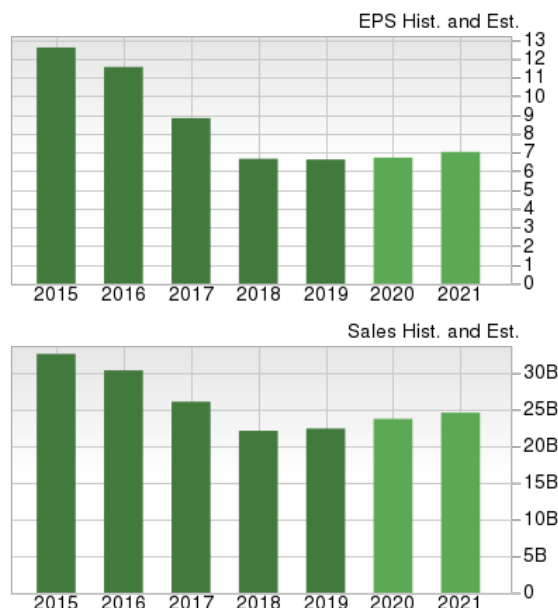
## Overview

Headquartered in Foster City, CA, Gilead Sciences is a pioneer in developing drugs for the treatment of human immunodeficiency virus (HIV), liver diseases, hematology/oncology diseases and inflammation/respiratory diseases. The company has a strong HIV franchise with key HIV/AIDS therapies like tenofovir alafenamide (TAF)-based products Genvoya, Odefsey, Descovy, Biktarvy and Truvada. Total sales from HIV franchise came in at \$16.4 billion in 2019. The portfolio also includes hepatitis C virus (HCV) drugs like Harvoni and Epclusa, and HBV drug, Vemlidy. For 2019, HCV product sales were \$2.9 billion compared to \$3.7 billion in 2018.

Yescarta, the first cell therapy approved for the treatment of adult patients with relapsed or refractory large B-cell lymphoma, has diversified Gilead's portfolio. Total Yescarta sales in 2019 came in at \$256 million.

Gilead has a robust late-stage pipeline that bodes well for long-term growth. The company is also working on diversifying and growing its business beyond antivirals into other therapeutic areas. The company has a collaboration agreement with Galapagos for the development and commercialization of the JAK1-selective inhibitor, filgotinib, for inflammatory disease indications, including rheumatoid arthritis (RA). The company acquired Kite Pharma for \$11.9 billion in 2017 to enter the CAR T space. In December 2017, Gilead acquired Cell Design Labs Inc. The company has recently collaborated with Novo Nordisk to develop drugs for the treatment of NASH.

Revenues in 2019 came in at \$22.4 billion, down from \$22.1 billion in 2018.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ **Strong HIV Franchise:** Gilead is a dominant player in the HIV market. The company was the first to bring to market a single-tablet regimen (STR) for the treatment of HIV — Atripla. Additional STRs for HIV in the market include Complera/Eviplera and Stribild, among others. Meanwhile, Gilead is looking to transition the HIV portfolio to drugs with improved long-term safety profiles. The TAF-based products — Genvoya, Odefsey and Descovy — have strengthened the franchise. Descovy-based regimens continue to gain share. The HIV franchise received a major boost when the FDA approved its once-daily STR, Biktarvy (bictegravir 50mg/emtricitabine 200mg/tenofovir alafenamide 25mg, BIC/FTC/TAF), for HIV-1 infection. Biktarvy has become the number one prescribed regimen for both treatment-naïve and switch patients. Meanwhile, the FDA approved a label expansion of Descovy (emtricitabine 200 mg and tenofovir alafenamide 25 mg tablets; F/TAF) as a prevention option. The initial uptake for the indication has been encouraging. The FDA had earlier also extended the indication for Truvada as PrEP to include at-risk adolescents. Approval of new therapies will further strengthen the franchise.
- ▲ **Veklury Leads the Coronavirus Battle:** Gilead is pioneering the race for developing a potential cure for COVID-19. The FDA granted full approval to Veklury for the treatment of patients with COVID-19 and the European Commission (EC) granted conditional Marketing Authorization to the same. It was earlier granted an Emergency Use Authorization ("EUA") by the FDA.
- ▲ **Acquisitions and Deals to Boost Portfolio and Strengthen Pipeline:** Gilead is looking to boost its portfolio and pipeline through deals and acquisitions. The company is also looking to expand beyond antivirals into other therapeutic areas. In January 2016, the company collaborated with Galapagos for the development and commercialization of filgotinib in inflammatory disease indications, including RA. The agreement was recently updated whereby both companies entered a 10-year global research and development collaboration.

Gilead's strong HIV franchise should help the company maintain momentum. Newly launched products should continue to perform well, thereby driving top-line growth.

Gilead acquired Kite Pharma to foray into the emerging field of cell therapy. Kite is a pioneer in cell therapy having developed engineered cell therapies that express either a chimeric antigen receptor (CAR) or an engineered T cell receptor (TCR), depending on the type of cancer. The approval of lead candidate Yescarta for the treatment of refractory aggressive non-Hodgkin lymphoma, which includes diffuse large B-cell lymphoma (DLBCL), transformed follicular lymphoma (TFL) and primary mediastinal B-cell lymphoma (PMBCL) is a significant boost for the company. The drug was also approved in Europe. The FDA granted accelerated approval to Tecartus (brexucabtagene autoleucel, formerly KTE-X19), the first and only approved chimeric antigen receptor (CAR) T cell therapy for the treatment of adult patients with relapsed or refractory mantle cell lymphoma (MCL). The approval will further strengthen this franchise. Gilead also acquired Cell Design Labs, Inc. for \$567 million in December 2017. Cell Design Labs is a leader in developing cell-based therapies, and uses its synNotch and Throttle technology platforms. These technological platforms will enhance Gilead's cellular therapy research efforts, which Gilead acquired through Kite Pharma acquisition. Cell Design Labs is developing several pre-clinical product candidates, including CAR T and TCR therapies for prostate cancer and hepatocellular carcinoma that use the synNotch technology. The company also collaborated with Kiniksa Pharmaceuticals, Ltd. to conduct a phase II, multicenter study of mavrilimumab, an investigational, fully-human monoclonal antibody that targets granulocyte macrophage colony stimulating factor receptor alpha, in combination with Yescarta in patients with relapsed or refractory large B-cell lymphoma.

Gilead recently acquired oncology company, Immunomedics, for approximately \$21 billion. The acquisition added Trodelvy (sacituzumab govitecan-hziy), a first-in-class antibody-drug conjugate (ADC), to Gilead's portfolio. The addition of Trodelvy will accelerate the company's efforts to develop a strong and diverse oncology portfolio. The drug is approved as a third-line treatment for mTNBC, a difficult cancer to treat, and therefore represents significant market potential. Post the acquisition, Gilead plans to initiate numerous additional mid- and late-stage studies on Trodelvy as both monotherapy or in combination with other products for various oncology indications. The acquisition will also broaden Gilead's oncology portfolio/pipeline, which comprises Yescarta, Tecartus and magrolimab. The addition of Trodelvy will immediately accelerate Gilead's sales.

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## Reasons To Sell:

- ▼ **Share Price Performance:** Gilead's stock has underperformed the industry in the past year.
- ▼ **HCV Franchise under Pressure:** Gilead's HCV franchise continued to witness a slowdown across key markets, including the United States and Europe. The franchise saw a significant plunge in sales in the last couple of years due to new competition and fewer patient starts.
- ▼ **Pipeline Setbacks:** Gilead is no stranger to pipeline setbacks. In fact, the company has been suffering a string of pipeline setbacks since the last few years. In 2016, the company terminated the phase II and IIb studies on simtuzumab for the treatment of idiopathic pulmonary fibrosis, NASH and primary sclerosing cholangitis; phase II and II/III studies on GS-5745 for the treatment of Crohn's Disease and ulcerative colitis; phase II studies on GS-4997 for the treatment of pulmonary arterial hypertension and diabetic kidney disease; and phase II study on eleclazine for the treatment of ventricular tachycardia/ventricular fibrillation, after determining that study data showed insufficient evidence of treatment benefit. Gilead also suffered a setback with the recent failure of a late-stage study on selonsertib in patients with compensated cirrhosis (F4) due to NASH. STELLAR-4, a phase III, randomized, double-blind, placebo-controlled study (n=877), evaluated the safety and efficacy of selonsertib, which is an investigational, once-daily, oral inhibitor of apoptosis signal-regulating kinase 1 (ASK1), in patients with compensated cirrhosis due to NASH. The failure of the STELLAR-4 study comes as a disappointment, given the significant market potential of NASH and increasing competition from the likes of Intercept Pharmaceuticals. Moreover, STELLAR-3 on selonsertib also did not meet the pre-specified week 48 primary endpoint.
- ▼ **Kite Pharma Acquisition:** While the approval of Yescarta is a significant boost for the company, CAR-T therapy is complicated and can sometimes be associated with severe side effects which can limit potential. Moreover, given the high costs of treatment and competition from Kymriah, Yescarta is not expected to contribute significantly as of now.
- ▼ **Remdesivir Profitability A Concern Once Vaccine Is Out:** Gilead is far from generating profits from remdesivir. Once the vaccines are available, this stream of revenues will be lost.
- ▼ **Unfavorable Debt Profile:** As of Jun 30, 2020, Gilead's total debt to total capital ratio stood at 0.58, which compares unfavorably to 0.53 at the end of the previous quarter. A higher ratio indicates higher financial risk and vice versa.

Weaker-than-expected performance of HCV franchise due to lower sales of Harvoni and Sovaldi is concerning. Pipeline setbacks and stiff competition remain a threat as well.

## Last Earnings Report

### Gilead Misses on Q2 Earnings & Sales, Ups '20 Guidance

The company reported earnings of \$1.11 per share in the quarter under review, which missed the Zacks Consensus Estimate of \$1.46 and declined from \$1.72 in the year-ago quarter.

Total revenues of \$5.143 billion missed the Zacks Consensus Estimate of \$5.3 billion and decreased from \$5.685 billion in the year-ago quarter.

#### Quarter in Detail

Total product sales decreased 10% to \$5.1 billion for the second quarter of 2020 due to lower sales volume of chronic hepatitis C virus ("HCV") products as a result of the COVID-19 pandemic, which led to fewer healthcare provider visits and screenings.

HIV product sales decreased 1% to \$4.0 billion for the second quarter of 2020 due to lower sales volume of Truvada (emtricitabine [FTC] and tenofovir disoproxil fumarate [TDF]) based products. Moreover, the reversal of the pull forward of revenues into the first quarter due to COVID-19 also had a negative impact on the revenues. Truvada sales plunged to \$387 million from \$718 million in the year-ago quarter. Nevertheless, Biktarvy maintained momentum with sales of \$1.6 billion, up from \$1.1 billion in the year-ago quarter.

Genvoya generated sales of \$816 million, down from \$980 million in the year-ago quarter. Descovy recorded sales of \$417 million, up from \$358 million in the year-earlier period, while Odefsey sales were \$382 million, down from \$387 million a year ago.

HCV product sales decreased 47% to \$448 million due to lower sales volume, driven by lower patient starts in the United States and Europe.

CAR-T therapy, Yescarta (axicabtageneclisoleucel), generated \$156 million in sales, up from \$120 million a year ago, driven by its continued expansion in Europe. Sales also grew from \$140 million in the previous quarter.

Sales from Letairis and Ranexa declined to \$80 million and \$1 million due to generic entries in 2019.

Adjusted product gross margin was 84.3% compared with 87% in the year-ago period. Research & development (R&D) expenses came in at \$1.19 billion, up from \$996 million in the year-ago quarter due to higher clinical trial and manufacturing ramp-up expenses related to remdesivir. Selling, general and administrative (SG&A) expenses increased to \$1.164 billion from \$1.09 billion in the year-ago quarter.

#### 2020 Guidance

Gilead revised its annual guidance. Product sales are projected around \$23-\$25 billion (previous guidance: \$21.8 - \$22.2 billion). Earnings per share are projected around \$6.25-\$7.65 (previous guidance: \$6.05 -\$6.45).

#### COVID-19 Update

In May 2020, the FDA issued an Emergency Use Authorization ("EUA") for investigational antiviral, remdesivir, under the brand name Veklury for the treatment of hospitalized patients with severe COVID-19. It was also granted Conditional Marketing Authorization in Europe in July.

Gilead completed the delivery of the previously announced donation of its initial supply of 1.5 million doses of remdesivir at the end of June. As the company transitions beyond this donation, it set the pricing of Veklury at \$390 per vial for governments of developed countries and \$520 per vial for U.S. private insurance companies and others.

Gilead currently expects to manufacture more than two million remdesivir treatment courses by the end of 2020 and several million more treatment courses in 2021.

The company initiated two open-label phase III studies in February (SIMPLE studies) on experimental candidate, remdesivir, for COVID-19. The study demonstrated that the five-day treatment course resulted in significantly greater clinical improvement versus treatment with standard of care alone.

Gilead also initiated a phase I study to evaluate the safety, tolerability and pharmacokinetics of an investigational, inhaled solution of remdesivir in healthy volunteers. It plans to evaluate remdesivir in combination with Eli Lilly's JAK inhibitor, baricitinib, and Roche's IL-6 receptor antagonist, Actemra.

| Quarter Ending   | 09/2020      |
|------------------|--------------|
| Report Date      | Oct 28, 2020 |
| Sales Surprise   | 6.07%        |
| EPS Surprise     | 15.30%       |
| Quarterly EPS    | 2.11         |
| Annual EPS (TTM) | 6.20         |

## Recent News

### Marketing Application for Filgotinib – Nov 2

Gilead Sciences and Galapagos announced that the European Medicines Agency (EMA) has validated the marketing application for filgotinib for the treatment of ulcerative colitis.

### Acquires Immunomedics – Oct 23

Gilead announced the completion of the previously announced transaction to acquire Immunomedics, Inc. for approximately \$21 billion.

### FDA Approval of Veklury – Oct 22

Gilead announced that the FDA has approved the antiviral drug Veklury (remdesivir) for the treatment of patients with COVID-19 requiring hospitalization. Veklury works to stop the replication of SARS-CoV-2, the virus that causes COVID-19.

### New Data on Biktarvy – Oct 21

Gilead announced 48-week data from the BRAAVE 2020 study, a phase III study evaluating the safety and efficacy of switching to Biktarvy (bictegravir 50 mg/emtricitabine 200 mg/tenofovir alafenamide 25 mg tablets, B/F/TAF) in virologically suppressed adults living with HIV who self-identified as Black or African American. Data showed that switching from a standard regimen of two nucleoside reverse transcriptase inhibitors (NRTIs) plus a third agent to Biktarvy is an effective treatment regimen in Black Americans with HIV who are virologically suppressed, including individuals with a history of treatment failure or pre-existing resistance.

### CAR T Cell Therapy Gets Positive CHMP Opinion – Oct 16

Gilead announced that the European Medicines Agency (EMA) Committee for Medicinal Products for Human Use (CHMP) has issued a positive opinion to its Marketing Authorization Application (MAA) for KTE-X19, a chimeric antigen receptor (CAR) T cell therapy.

The MAA is seeking approval of the candidate as a potential treatment for adult patients with relapsed or refractory mantle cell lymphoma after two or more lines of systemic therapy including a Bruton's tyrosine kinase (BTK) inhibitor.

### Positive Data on UC Candidate – Oct 12

Gilead announced positive results on pipeline candidate, filgotinib, for the treatment of moderately to severely active ulcerative colitis (UC).

Filgotinib is an investigational, oral, once-daily, JAK1 preferential inhibitor, for the treatment of moderately to severely active UC. Data from the randomized, double-blind, placebo-controlled, phase IIb/III SELECTION study showed that a significantly higher proportion of patients treated with filgotinib 200 mg, achieved clinical remission at week 10 and maintained remission through week 58 as compared to placebo. In addition, significantly more patients achieved six-month corticosteroid-free remission.

The SELECTION phase IIb/III study is a multi-center, randomized, double-blind, placebo-controlled study to assess the safety and efficacy of filgotinib in adult patients with moderately to severely active UC. It included biologic-naïve patients, for whom prior conventional therapy had failed, as well as biologic-experienced patients.

## Valuation

Gilead's shares are down 9.7% in the year-to-date period and 10% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 8% and 5.9% respectively in the year-to-date period. Over the past year, the Zacks sub-industry is up 1.4% while the sector is up 0.8%. The S&P 500 Index is up 3.7% in the year-to-date period and 8.1% in the past year.

The stock is currently trading at 8.4X forward 12-month earnings per share which compares to 49.78X for the Zacks sub-industry, 21.11X for the Zacks sector and 21.06X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 13.87X and as low as 6.28X, with a 5-year median of 9.69X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$61 price target reflects 8.75X forward 12-month earnings per share.

The table below shows summary valuation data for GILD

| Valuation Multiples - GILD |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                   | Current       | 8.4   | 49.78        | 21.11  | 21.06   |
|                            | 5-Year High   | 13.87 | 61.31        | 23.05  | 23.47   |
|                            | 5-Year Low    | 6.28  | 20.77        | 15.9   | 15.27   |
|                            | 5-Year Median | 9.69  | 37.76        | 19     | 17.7    |
| P/S F12M                   | Current       | 3     | 2.92         | 2.64   | 3.89    |
|                            | 5-Year High   | 5.38  | 3.3          | 3.25   | 4.3     |
|                            | 5-Year Low    | 2.95  | 1.95         | 2.25   | 3.17    |

|         |               |      |      |      |      |
|---------|---------------|------|------|------|------|
| P/B TTM | 5-Year Median | 3.89 | 2.68 | 2.86 | 3.67 |
|         | Current       | 4.2  | 3.11 | 3.61 | 5.49 |
|         | 5-Year High   | 9.88 | 5.59 | 5.09 | 6.17 |
|         | 5-Year Low    | 3.4  | 2.1  | 2.97 | 3.74 |
|         | 5-Year Median | 4.4  | 3.84 | 4.3  | 4.89 |

As of 11/02/2020

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Bottom 25% (191 out of 254)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                       | Rec     | Rank |
|----------------------------------------|---------|------|
| AbbVie Inc. (ABBV)                     | Neutral | 3    |
| Bristol Myers Squibb Company (BMY)     | Neutral | 3    |
| GlaxoSmithKline plc (GSK)              | Neutral | 3    |
| JohnsonJohnson (JNJ)                   | Neutral | 3    |
| MerckCo., Inc. (MRK)                   | Neutral | 3    |
| Novartis AG (NVS)                      | Neutral | 3    |
| Pfizer Inc. (PFE)                      | Neutral | 3    |
| United Therapeutics Corporation (UTHR) | Neutral | 3    |

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

| Industry Comparison Industry: Medical - Biomedical And Genetics |            |            |           | Industry Peers |           |           |
|-----------------------------------------------------------------|------------|------------|-----------|----------------|-----------|-----------|
|                                                                 | GILD       | X Industry | S&P 500   | ABBV           | BMY       | JNJ       |
| Zacks Recommendation (Long Term)                                | Neutral    | -          | -         | Neutral        | Neutral   | Neutral   |
| Zacks Rank (Short Term)                                         | 3          | -          | -         | 3              | 3         | 3         |
| VGM Score                                                       | A          | -          | -         | B              | A         | B         |
| Market Cap                                                      | 73.38 B    | 268.59 M   | 22.78 B   | 155.75 B       | 134.61 B  | 365.11 B  |
| # of Analysts                                                   | 13         | 3          | 13        | 8              | 8         | 9         |
| Dividend Yield                                                  | 4.65%      | 0.00%      | 1.63%     | 5.35%          | 3.03%     | 2.91%     |
| Value Score                                                     | A          | -          | -         | A              | A         | B         |
| Cash/Price                                                      | 0.36       | 0.26       | 0.07      | 0.04           | 0.16      | 0.09      |
| EV/EBITDA                                                       | 9.19       | -3.40      | 13.27     | 19.39          | 23.03     | 14.89     |
| PEG F1                                                          | 0.70       | 1.48       | 2.59      | 1.46           | 1.04      | 3.03      |
| P/B                                                             | 4.20       | 3.75       | 3.35      | 10.57          | 2.74      | 5.66      |
| P/CF                                                            | 8.02       | 14.45      | 12.76     | 8.54           | 13.55     | 12.04     |
| P/E F1                                                          | 8.71       | 24.24      | 20.60     | 8.44           | 9.51      | 17.40     |
| P/S TTM                                                         | 3.17       | 14.15      | 2.55      | 3.83           | 3.86      | 4.52      |
| Earnings Yield                                                  | 11.50%     | -14.88%    | 4.70%     | 11.85%         | 10.51%    | 5.75%     |
| Debt/Equity                                                     | 1.27       | 0.00       | 0.70      | 5.57           | 0.85      | 0.51      |
| Cash Flow (\$/share)                                            | 7.30       | -1.12      | 6.92      | 10.33          | 4.39      | 11.52     |
| Growth Score                                                    | B          | -          | -         | C              | B         | B         |
| Historical EPS Growth (3-5 Years)                               | -17.54%    | 18.53%     | 10.07%    | 21.23%         | 23.36%    | 7.80%     |
| Projected EPS Growth (F1/F0)                                    | 1.49%      | 14.49%     | -0.59%    | 17.00%         | 33.34%    | -8.19%    |
| Current Cash Flow Growth                                        | -2.57%     | 11.17%     | 5.45%     | 8.78%          | 36.74%    | 3.68%     |
| Historical Cash Flow Growth (3-5 Years)                         | -8.08%     | 6.94%      | 8.38%     | 19.92%         | 22.46%    | 7.62%     |
| Current Ratio                                                   | 3.36       | 6.03       | 1.37      | 0.86           | 1.47      | 1.48      |
| Debt/Capital                                                    | 54.94%     | 0.00%      | 41.67%    | 84.78%         | 45.99%    | 33.64%    |
| Net Margin                                                      | 5.48%      | -217.69%   | 10.37%    | 18.16%         | -1.61%    | 21.01%    |
| Return on Equity                                                | 37.77%     | -58.27%    | 14.93%    | -5,561.40%     | 28.47%    | 34.64%    |
| Sales/Assets                                                    | 0.39       | 0.19       | 0.50      | 0.37           | 0.31      | 0.50      |
| Projected Sales Growth (F1/F0)                                  | 6.23%      | 1.00%      | -0.11%    | 36.10%         | 60.31%    | -0.11%    |
| Momentum Score                                                  | F          | -          | -         | D              | C         | B         |
| Daily Price Change                                              | 0.65%      | 0.00%      | 2.25%     | 3.70%          | 1.78%     | 1.15%     |
| 1-Week Price Change                                             | -4.34%     | -6.23%     | -5.63%    | 0.90%          | -2.79%    | -5.60%    |
| 4-Week Price Change                                             | -7.97%     | -7.38%     | -1.47%    | 0.36%          | 0.49%     | -6.44%    |
| 12-Week Price Change                                            | -14.57%    | -12.71%    | -1.17%    | -4.47%         | -3.77%    | -6.31%    |
| 52-Week Price Change                                            | -10.24%    | 6.00%      | -0.65%    | 6.34%          | 5.03%     | 6.50%     |
| 20-Day Average Volume (Shares)                                  | 10,603,207 | 221,341    | 1,910,259 | 8,100,776      | 9,995,690 | 6,372,063 |
| EPS F1 Estimate 1-Week Change                                   | -2.44%     | 0.00%      | 0.00%     | 0.55%          | 0.00%     | 0.00%     |
| EPS F1 Estimate 4-Week Change                                   | -3.57%     | 0.00%      | 0.76%     | 0.34%          | 0.15%     | 1.74%     |
| EPS F1 Estimate 12-Week Change                                  | -4.88%     | 0.00%      | 2.79%     | 0.21%          | 1.12%     | 1.74%     |
| EPS Q1 Estimate Monthly Change                                  | -14.98%    | 0.00%      | 0.22%     | -1.63%         | 0.61%     | -4.21%    |

Source: Zacks Investment Research



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## 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.

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### 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      | A |

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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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.

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**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.

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**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.