

GlaxoSmithKline plc (GSK)

\$34.09 (As of 03/02/21)

Price Target (6-12 Months): **\$29.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 03/02/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:A

Value: A

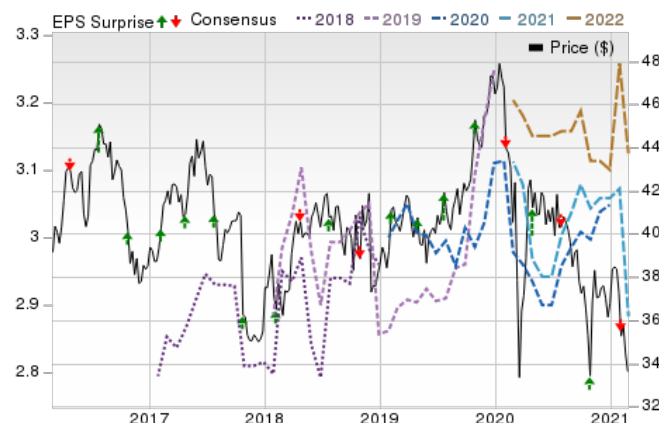
Growth: C

Momentum: A

Summary

Glaxo's new and specialty products like Nucala, Trelegy Ellipta, Shingrix and Juluca are performing impressively. Several new drug/line extension approvals are expected in 2021. However, pricing pressure and competitive dynamics due to generic competition for key drug, Advair, are hampering sales of Glaxo's respiratory products. Competitive pressure on HIV drugs has risen. Slowdown in vaccination rates is expected to continue to hurt vaccine sales in 2021, mainly in the first half, due to prioritization of COVID-19 vaccination programs and the resurgence of the pandemic in late 2020. These factors are expected to hurt adult and adolescent vaccinations, including Shingrix, mainly in the United States. Glaxo's shares have underperformed the industry this year so far.

Price, Consensus & Surprise

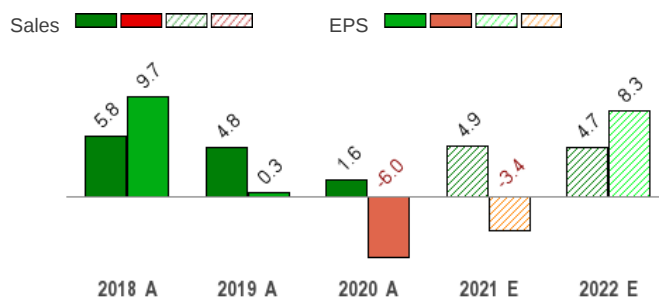


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$43.39 - \$31.43
20-Day Average Volume (Shares)	8,131,707
Market Cap	\$85.5 B
Year-To-Date Price Change	-7.4%
Beta	0.68
Dividend / Dividend Yield	\$2.48 / 7.3%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Bottom 19% (206 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-11.4%
Last Sales Surprise	2.6%
EPS F1 Estimate 4-Week Change	-9.3%
Expected Report Date	05/05/2021
Earnings ESP	0.0%
P/E TTM	11.4
P/E F1	12.2
PEG F1	1.7
P/S TTM	2.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					48,085 E
2021	10,894 E	10,775 E	12,118 E	12,586 E	45,945 E
2020	11,642 A	9,459 A	11,167 A	11,543 A	43,788 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$3.12 E
2021	\$0.59 E	\$0.57 E	\$0.85 E	\$0.71 E	\$2.88 E
2020	\$0.97 A	\$0.48 A	\$0.92 A	\$0.62 A	\$2.98 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 03/02/2021. The report's text and the analyst-provided price target are as of 03/03/2021.

Overview

Glaxo has three core businesses – Pharmaceuticals (respiratory, HIV, immuno-inflammation and oncology), Vaccines (meningitis, shingles and influenza vaccines) and Consumer Healthcare (oral health, wellness, pain relief, vitamins & minerals, respiratory health and digestive health).

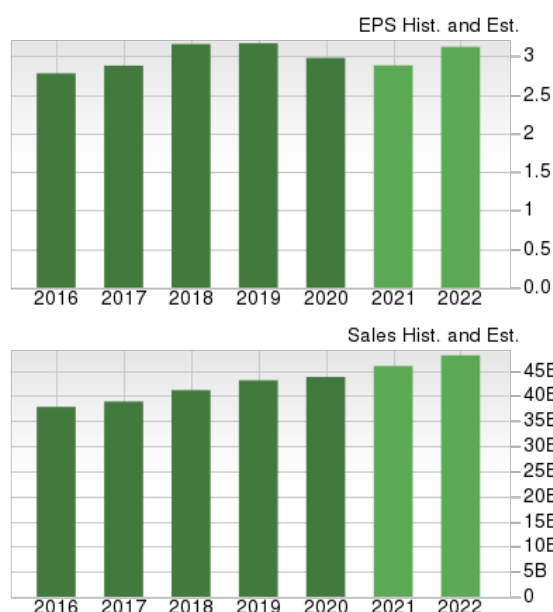
In August 2019, Glaxo and Pfizer merged their consumer healthcare unit into a new joint venture (JV). Glaxo owns a controlling stake of 68% in the JV.

Glaxo plans to split itself into two standalone companies. The new Glaxo will be a biopharma company focusing on developing new treatments. Glaxo intends to separate its Consumer Healthcare segment into a standalone company in 2022.

Glaxo is also divesting non-core assets. In 2015, Glaxo divested two quadrivalent meningitis ACWY vaccines – Nimenrix and Mencevax – to Pfizer, a portfolio of over-the-counter (OTC) brands to Perrigo, and all its remaining rights to Arzerra for auto-immune indications including multiple sclerosis to Novartis. In January 2019, Glaxo acquired Tesaro, an oncology focused biotech company, which added the PARP inhibitor Zejula (approved for ovarian cancer) to its portfolio

The Pharmaceuticals, Vaccines and Consumer Healthcare segments contributed approximately 50%, 20% and approximately 30%, respectively, to revenues in 2020. Total sales in 2020 were £34.1 billion (\$44.0 billion).

The company is headquartered in Brentford, UK.



Source: Zacks Investment Research

Reasons To Sell:

▼ **Shares Underperforming Industry:** This year so far, Glaxo's share price has declined 5.7%, underperforming the industry's decline of 0.7% in the same period.

▼ **Vaccine Sales Hurt Significantly Due to Pandemic:** Sales in Glaxo's Vaccines segment declined 1% at CER in 2020 due to slowdown in vaccination rates amid the pandemic. In 2021, the company expects disruption in the vaccine segment to continue in the first half due to prioritization of COVID-19 vaccination programs and the resurgence of the pandemic in late 2020. These factors are expected to hurt adult and adolescent vaccinations, including Shingrix, mainly in the United States.

▼ **Generic Competition for Key Products:** Glaxo's top line is under significant pressure due to generic competition faced by key products. Products like Lovaza and Avodart are facing declining sales due to intense generic competition. HIV drug, Epzicom is facing generic competition in most major markets. Sales of Advair, which generated 14% of Glaxo's Pharmaceuticals revenues in 2018, are eroding rapidly as a generic version of the drug was launched in the United States in February 2019. The drug's sales were already being adversely impacted by pricing and competitive pressure in the United States and generic competition in Europe. Advair sales declined 10% in 2020, 29% in 2019 and 21% in 2018. Also, competitive pressure on Glaxo's HIV drugs has risen.

▼ **Pipeline Setbacks:** Although Glaxo has several pipeline candidates in different stages of development, the company has had its share of pipeline/regulatory setbacks. Major setbacks include disappointing top-line phase III data on chronic coronary heart disease candidate, darapladib; Duchenne muscular dystrophy candidate, Kyndrisa (drisapersen), failing to meet the primary endpoint in a phase III study; disappointing phase III data on its Crohn's disease candidate, vercirnon and cardiovascular candidate, losmapimod, failing to achieve the primary endpoint in a phase III study.

In September 2018, Glaxo received a complete response letter (CRL) from the FDA for its regulatory filing looking for label expansion of Nucala for the COPD indication.

▼ **Intense Competition:** In addition to facing generic competition, most of Glaxo's products are up against significant competition from small as well as large pharmaceutical companies. Glaxo's Consumer Healthcare segment faces competition from big companies like Colgate-Palmolive, Johnson & Johnson, Procter & Gamble and Pfizer. In addition, there are many small companies that compete with Glaxo in certain markets. Loss of market share due to intense competition will severely impact Glaxo's top line.

In the respiratory market, Advair is facing stiff competition in the COPD and asthma markets from AstraZeneca and Merck's respiratory disease drugs. Meanwhile, the launch of AstraZeneca's Fasenra and Sanofi's Dupixent has raised competitive pressure for Nucala, which has begun to hurt sales growth of this key drug in Glaxo's portfolio. Meanwhile, continued competitive and pricing pressure is hurting sales of Glaxo's ICS/LABA class of medicines.

Competitive pressure has risen on HIV and Respiratory segments.

Risks

- **Successful New Product Launches:** Glaxo's new and specialty products like Nucala (severe eosinophilic asthma) and Bexsero (meningitis vaccine) are doing well and have become key drivers of top-line growth.

Three key new drugs, Shingrix vaccine for shingles, which enjoys preferential recommendation from ACIP; Trelegy Ellipta, which provides three medicines in a single inhaler to treat COPD, and Juluca (dolutegravir and rilpivirine), the first two-drug regimen, once-daily, single pill for HIV, all approved in 2017, are witnessing considerable success, particularly Shingrix.

- **Strong Pipeline:** Glaxo is focused on oncology, immuno-inflammation, HIV and respiratory therapeutic areas. Promising candidates in late-stage development include long-acting cabotegravir (CAB LA) (HIV pre-exposure prophylaxis (PrEP) – phase IIb/III), otilimab (rheumatoid arthritis - phase III, severe COVID-related pulmonary disease – phase II), dostarlimab (second-line endometrial cancer — under review in the United States), gepotidacin (uncomplicated urinary tract infection and urogenital gonorrhoea — phase III), feladilimab/ICOS agonist (first line head and neck squamous cell cancer – phase II), RSV vaccines (phase III), adjuvanted recombinant protein-based COVID-19 vaccine candidate (phase I/II), GSK4182136/VIR-7831 (COVID-19 – phase III) and Duvroq/daprodustat (anemia associated with chronic renal disease – phase III).

The successful development and commercialization of the pipeline candidates should boost the company's top line. Glaxo is also working on expanding the label of marketed products into additional indications like Nucala for nasal polyps (under review in the United States and EU), COPD (phase III) and hypereosinophilic syndrome (approved in the United States in September 2020, under review in EU), Benlysta for lupus nephritis (approved in the United States and under review in the EU) and Trelegy Ellipta for asthma (approved in United States, under review in EU).

Glaxo plans to launch more than 20 new products/line extension by 2026 with more than 10 having blockbuster potential.

- **Focus on Oncology:** Glaxo has made significant progress in its oncology pipeline and doubled its assets in development since early 2018. In oncology, the company now has a development portfolio of 15 potential medicines. This has been achieved through advancement of internal programs as well as targeted business development including the January 2019 acquisition of Tesaro and the February 2019 global alliance with Merck KGaA (to co-develop bintrafusp alpha, a promising new oncology medicine).

Meanwhile, Glaxo now has a number of molecules with diverse mechanisms of action, providing an opportunity for many innovative cancer combinations. Meanwhile, it divested its non-core Consumer Healthcare (CHC) nutrition business to Unilever and has formed a new CHC joint venture with Pfizer to focus on its pharmaceuticals business, particularly oncology.

Last Earnings Report

Glaxo Q4 Earnings Lag Estimates, Shingrix Back on Track

Glaxo reported fourth-quarter 2020 adjusted earnings of 62 cents per American depositary share ("ADS"), which missed the Zacks Consensus Estimate of 70 cents. Moreover, adjusted earnings were down 6% year over year on a reported basis and 5% at constant exchange rate ("CER") due to lower operating profit, higher interest costs and a higher effective tax rate, which was partly offset by lower non-controlling interest allocation of Consumer Healthcare profits

Quarterly revenues declined 2% on a reported basis and 1% at CER to \$11.54 billion (£8.74 billion). The top line beat the Zacks Consensus Estimate of \$11.25 billion.

Further, on a pro-forma basis, excluding the impact of divestment of vaccines and brands divested/under review in Consumer Healthcare, sales rose 2% at CER.

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

Quarterly Highlights

Glaxo reports results under three segments: Pharmaceuticals, Vaccines and Consumer Healthcare.

Pharmaceuticals sales were down 3% at CER as higher sales of new and specialty drugs, especially from Respiratory segment, were more than offset by decline in Established Pharmaceuticals segment.

Glaxo's business continued to reflect the negative impact of COVID-19 pandemic. New patient prescriptions in the United States and Europe were lower and demand for allergy and antibiotic products in International markets was tepid. The pandemic also affected pricing of drugs in the U.S. market.

Sales of pharmaceuticals in the United States were up 3%. Sales in European and International markets were down 3% and 12%, respectively, at CER.

HIV sales increased 2% year over year at CER driven by growth in dolutegravir franchise. Sales of dolutegravir franchise were up 2%, while sales from remaining drugs, comprising 3% of HIV portfolio, declined 6% at CER.

The dolutegravir franchise comprises two three-drug regimens — Triumeq and Tivicay — and two two-drug regimens — Juluca and Dovato. The growth in sales of two-drug regimens in the quarter was partially offset by decline in sales of three-drug regimens. Tivicay sales declined 13% in the quarter while Triumeq sales declined 9%.

Sales of the dolutegravir franchise were up 4% at CER in the U.S. market and 8% in Europe. In International markets, sales were down 19% at CER.

Juluca sales were up 25% year over year. Dovato generated sales of £141 million compared with £99 million in the previous quarter. A key driver of Dovato sales growth has been the inclusion in mid-2020 of the TANGO switch data in the United States. Regarding new HIV medicine, Rukobia, the company said it has seen a positive start.

Sales of respiratory drugs rose 15% at CER mainly driven by an increase in sales of Trelegy Ellipta and Nucala across all markets.

Nucala sales were up 34% at CER during the quarter. Sales of Nucala grew 42% and 7% in the United States and Europe, respectively. In the International markets, sales of Nucala increased 53%.

Sales of Ellipta products rose 8% in the quarter as sales rose in all regions. Trelegy Ellipta sales surged 40% year over year driven by strong growth in all regions.

Relvar/Breo Ellipta registered growth of 2% in sales during the fourth quarter. Sales of the drug in the United States were up 1%. Sales of Relvar/Breo Ellipta increased 11% in European markets while it declined 3% in international markets.

Immuno-inflammation drug Benlysta rose 23% in the quarter. Sales of the sub-cutaneous formulation of Benlysta rose 35% at CER and generated more than half of total sales of the drug.

In Oncology, sales of Zejula sales rose 35% year over year. Sales of new drug Blenrep were £25 million in the quarter compared with £8 million in the previous quarter.

Sales of Established Pharmaceuticals declined 18%, reflecting generic competition in Japan and pricing pressure for Flovent in the U.S. market. Advair/Seretide sales declined 15% year over year due to generic competition in all markets.

The rest of the Established Pharmaceuticals portfolio declined 16% in the quarter due to lower demand for antibiotics during the pandemic and increased use of generics in France, Japan and China.

In 2021, Glaxo expects flat to low single-digit percentage growth in revenues in the Pharmaceutical segment, excluding divestments as higher sales of New and Specialty medicines will be largely offset by decreasing revenues in Established Pharma.

Quarter Ending 12/2020

Report Date	Feb 03, 2021
Sales Surprise	2.60%
EPS Surprise	-11.43%
Quarterly EPS	0.62
Annual EPS (TTM)	2.99

Sales in the Consumer Healthcare segment decreased 7% at CER due to loss of sales from divested brands and weaker sales of Respiratory health segment. Brands divested/under review declined 75% CER. Sales grew 1% CER, excluding brands divested/under review.

Sales of Pain relief and Oral health categories increased 10% and 6%, respectively, in the quarter. Sales of Vitamins, minerals and supplements category were up 17% in the fourth quarter. Digestive health and other category's sales were down 7%. Sales of Respiratory health declined 24%.

The impact of COVID-19 was mixed for this segment. Vitamins, minerals and supplements brands continue to benefit from strong demand as consumers increasingly focus on health and wellness amid COVID-19. However, social distancing measures and a weak cough and cold season hurt Respiratory health brands.

In 2021, sales of Consumer Healthcare segment are expected to increase by low to mid-single digits, excluding brands divested/under review.

Sales from the Vaccines segment were up 16% at CER, driven by strong recovery in demand for Shingrix along with strong demand across all regions for Influenza vaccine. Influenza vaccine sales growth reflected the strong government recommendation to prioritize flu vaccination during COVID-19. Moreover, favorable CDC demand in the United States benefited sales of Meningitis vaccines.

Shingrix sales rose 23% in the reported quarter, driven by strong demand in Europe, seasonal flu vaccination in the United States and the phased launch in China. However, wellness visits declined in the United States towards the end of fourth-quarter 2020 due to resurgence of COVID-19 cases.

In Meningitis vaccines, Bexsero sales increased 44% while sales of Menveo were up 27%. Sales of influenza vaccine Fluarix were up 85%, reflecting strong demand across all regions. Sales of Established vaccines were down 3% year over year.

In 2021, the company expects disruption in the vaccine segment to continue in the first half due to prioritization of COVID-19 vaccination programs and the resurgence of the pandemic in late 2020. These factors are expected to hurt adult and adolescent vaccinations, including Shingrix, mainly in the United States. However, the company expects Shingrix sales to recover in the second half. Overall, the company broadly expects similar volumes in the United States for Shingrix, with growth weighted to the second half and increasing contributions from outside U.S. markets. For the full year, the company expects sales of the vaccine segment to remain flat to up in low-single digit percentage.

Meanwhile, trend of infection rates, the extent of recovery in international travel, and back to school patterns, particularly in the United States are some other factors that management expects will influence its 2021 outturn in Vaccines.

Profit Discussion

Adjusted operating profit declined 1% in the period. On a pro-forma basis, adjusted operating profit rose 2%. Adjusted operating margin declined 10 bps in the quarter at CER to 20.8%, due to higher R&D costs and increased promotional product support and legal costs which offset benefit from cost cuts.

Selling, general and administration (SG&A) costs decreased 4% at CER year over year to £2.92 billion. The decline in SG&A costs was led by tight cost control, benefits from restructuring and reduced variable spending due to COVID-19 related restrictions, which offset increased investment for new product launches.

Research and development (R&D) expenses gained 12% at CER to £1.3 billion, reflecting higher clinical activity in the oncology and COVID-19 therapy programs.

2020 Results

Glaxo reported revenues of \$44 billion (£34.1 billion), up 2% year over year at CER. The company's adjusted earnings for 2020 were \$2.99 per ADS. Adjusted earnings per share declined 6% year over year on a reported basis and 4% at CER.

2021 Guidance

Based on its current assessment of the COVID-19 impact, Glaxo expects its adjusted earnings to decline in 2021 by mid to high-single digit percentage at CER. Currency headwinds are expected to hurt 2021 sales by 4% and earnings by 7%. R&D costs are expected to rise low double-digit percentage in 2021.

The company expects normalcy to return in the second half of 2021. Glaxo expects to reduce its dividend after the pharma and consumer businesses are separated to free up significant cash flow and financing capacity for the remaining pharma business.

Recent News

CHMP Nod for Dostarlimab for Endometrial Cancer – Feb 26

Glaxo announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has given a positive opinion recommending approval of dostarlimab, a PD-1 inhibitor, for treating women with recurrent or advanced endometrial cancer who progressed on or after a platinum-based regimen.

Phase II Data on Otilimab for COVID-19 – Feb 25

Glaxo announced data from a phase II proof of concept study evaluating its investigational monoclonal antibody, otilimab, for the treatment of hospitalized adult patients with COVID-19.

The study's primary endpoint was the proportion of COVID-19 patients who were alive and free of respiratory failure 28 days after treatment with otilimab plus standard of care compared to patients receiving standard of care alone. Though the data showed a treatment difference of 5.3% in patients of all ages, it was not statistically significant. However, in patients aged 70 and older, 65.1% of patients in the otilimab group were alive and free of respiratory failure 28 days after treatment compared to 45.9% of patients in the standard of care group.

Begins New COVID-19 Vaccine Study – Feb 22

Glaxo and Sanofi announced the start of a new phase II study on their adjuvanted recombinant protein-based COVID-19 vaccine candidate with an improved antigen formula. The vaccine is being developed by combining Sanofi's recombinant protein-based technology with Glaxo's pandemic adjuvant technology.

In December, the companies had announced a delay in the development plans of the vaccine insufficient immune response in older adults in early-stage studies. Data from a phase I/II study showed that in adults aged 18 to 49 years, the candidate showed an immune response comparable to patients who recovered from COVID-19. However, in older adults, the candidate demonstrated a low immune response, which the companies believe may be due to an insufficient concentration of the antigen.

The new phase II study aims to select the most appropriate antigen dosage for adults of all ages for phase III evaluation.

If the data of the phase II study are positive, the companies plan to start a phase III study in the second quarter of 2021 and the vaccine is now expected to be available in the fourth quarter of 2021.

To Make Influenza Antibodies with Vir Biotech – Feb 17

Glaxo announced that it is expanding its existing coronavirus collaboration with Vir Biotechnology for developing new monoclonal antibody (mAb) candidates for influenza and other respiratory viruses. Glaxo and Vir Biotech are already developing two monoclonal antibody candidates - VIR-7832 and VIR-7831 as a potential treatment of COVID-19 under their existing coronavirus collaboration agreement. Per the new deal, the companies are looking to develop VIR-2482, an intramuscularly administered mAb for treating influenza A. Glaxo will make an upfront payment of \$225 million along with an equity investment worth \$120 million in Vir Biotech for the expanded deal.

Begins RSV Vaccine Study in Older Adults – Feb 16

Glaxo began dosing in a phase III study evaluating the immunogenicity, safety, reactogenicity and persistence of its Respiratory Syncytial Virus (RSV) candidate vaccine in older adults. Meanwhile, a separate phase III study will assess the vaccine's efficacy in this patient population. The candidate has shown promising safety and immunogenicity in a phase I/II study in both young and older adults. Glaxo is already developing maternal and pediatric vaccines against RSV vaccines.

To Divest Cephalosporin Antibiotics Business to Sandoz – Feb 11

Glaxo announced an agreement to divest its Cephalosporin antibiotics business to Novartis' generics unit, Sandoz. For the sale, Sandoz will pay Glaxo \$350 million at closing and the latter will also be entitled to milestone payments of up to \$150 million. The transaction is expected to close in the second half of 2021.

EU Approves Rukobia – Feb 8

Glaxo announced that the European Commission has granted approval to Rukobia (fostemsavir) in combination with other antiretroviral (ARV) therapies to treat heavily treatment-experienced adult patients with multidrug-resistant HIV. The approval of Rukobia 600mg extended-release tablets was based on data from the pivotal phase III BRIGHT study. Rukobia was approved by the FDA in July last year.

Inks Deal with CureVac to Make COVID-19 Vaccines – Feb 3

Glaxo and CureVac announced a €150 million deal to contribute resources and expertise to jointly develop mRNA vaccines for COVID-19, including multi-valent and monovalent approaches. The companies target to launch the vaccine in 2022. Glaxo will also support manufacturing of CureVac's first generation COVID-19 vaccine candidate CVnCoV (up to 100 million doses), which is currently in phase IIb/III study.

New Deal with Lilly to Study COVID-19 Antibody Combo – Jan 27

Lilly announced a deal with Vir Biotech and Glaxo to expand its ongoing BLAZE-4 study to evaluate bamlanivimab (700mg) with Vir Biotech/Glaxo's investigational COVID-19 antibody, VIR-7831 (500mg) in low-risk patients with mild-to-moderate COVID-19. The first patient in the BLAZE-4 study evaluating the bamlanivimab/ VIR-7831 combo has been dosed.

FDA Approves Cabenuva – Jan 21

Glaxo's HIV subsidiary, ViV Healthcare and J&J announced that the FDA has approved their long-acting injectable regimen of Glaxo's cabotegravir and J&J's Edurant (rilpivirine) for the treatment of HIV-1 infection in virologically suppressed adults. The regimen will be marketed by the trade name of Cabenuva and will be provided as a co-pack with the two injectable medicines, cabotegravir and Edurant. Cabenuva is already approved in Canada and EU. The long-acting regimen will reduce the frequency of treatment days from 365 to 12 per year, thereby removing the need to take daily oral pills. The approval of Cabenuva is based on data from the pivotal phase III ATLAS and FLAIR studies.

The FDA simultaneously approved Vocabria (cabotegravir oral tablets) for short-term HIV treatment in combination with rilpivirine tablets.

Valuation

Glaxo's shares are down 5.7% in the year-to-date period and 17.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 0.7% while those in the sector are up 2.0% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up 8.0% and 7.8%, respectively.

The S&P 500 Index is up 4.6% in the year-to-date period and 29.1% in the past year.

The stock is currently trading at 11.66X forward 12-month earnings per share, which compares to 13.78X for the Zacks sub-industry, 22.07X for the Zacks sector and 22.52X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 17.78X and as low as 10.67X, with a 5-year median of 13.95X. Our Underperform recommendation indicates that the stock will perform below the market. Our \$29.00 price target reflects 9.9X forward 12-month earnings per share.

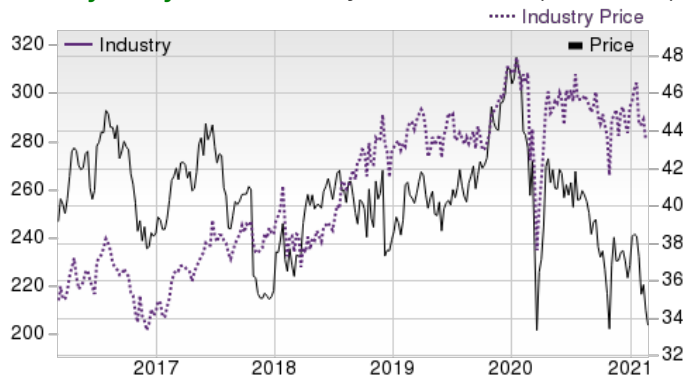
The table below shows summary valuation data for GSK

Valuation Multiples - GSK					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	11.66	13.78	22.07	22.52
	5-Year High	17.78	16.62	22.85	23.8
	5-Year Low	10.67	13.18	15.9	15.3
	5-Year Median	13.95	15.04	19.2	17.87
P/S F12M	Current	1.85	4.36	2.77	4.55
	5-Year High	2.92	4.85	3.17	4.55
	5-Year Low	1.76	3.88	2.26	3.21
	5-Year Median	2.42	4.43	2.82	3.68
P/B TTM	Current	3.2	5.42	4.38	7.301
	5-Year High	27.59	7.37	5.11	7.07
	5-Year Low	3.15	3.82	3.02	3.84
	5-Year Median	16.83	5.39	4.38	4.97

As of 3/02/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 19% (206 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AstraZeneca PLC (AZN)	Neutral	3
Bristol Myers Squibb Company (BMY)	Neutral	3
Gilead Sciences, Inc. (GILD)	Neutral	3
Johnson & Johnson (JNJ)	Neutral	2
Merck & Co., Inc. (MRK)	Neutral	3
Novartis AG (NVS)	Neutral	3
Pfizer Inc. (PFE)	Neutral	3
Roche Holding AG (RHHBY)	Underperform	5

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

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	GSK	X Industry	S&P 500	JNJ	PFE	RHHBY
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	5	-	-	2	3	5
VGM Score	A	-	-	D	B	A
Market Cap	85.52 B	183.14 B	27.84 B	418.01 B	186.91 B	281.13 B
# of Analysts	6	2	13	9	9	4
Dividend Yield	7.28%	2.55%	1.43%	2.54%	4.66%	1.75%
Value Score	A	-	-	B	A	B
Cash/Price	0.10	0.06	0.06	0.06	0.07	0.05
EV/EBITDA	9.84	16.20	15.61	17.78	17.26	11.33
PEG F1	1.73	2.01	2.33	2.17	1.50	2.29
P/B	3.20	5.03	3.78	6.62	2.93	6.63
P/CF	10.42	10.99	15.65	14.60	10.78	12.11
P/E F1	12.22	12.74	20.41	16.77	10.26	15.13
P/S TTM	1.95	3.98	3.10	5.06	3.92	NA
Earnings Yield	8.18%	7.87%	4.82%	5.96%	9.76%	6.60%
Debt/Equity	1.13	0.65	0.67	0.52	0.59	0.26
Cash Flow (\$/share)	3.27	3.43	6.78	10.89	3.11	3.39
Growth Score	C	-	-	C	D	A
Historical EPS Growth (3-5 Years)	5.19%	5.24%	9.32%	6.92%	5.24%	NA
Projected EPS Growth (F1/F0)	-6.49%	7.41%	14.54%	18.07%	47.20%	2.36%
Current Cash Flow Growth	-24.05%	3.67%	0.44%	-5.46%	-23.28%	6.04%
Historical Cash Flow Growth (3-5 Years)	0.29%	6.26%	7.37%	6.23%	-1.79%	13.92%
Current Ratio	0.91	1.16	1.39	1.21	1.35	1.30
Debt/Capital	52.96%	39.31%	41.42%	34.03%	36.91%	20.44%
Net Margin	NA%	16.69%	10.59%	17.82%	NA	NA
Return on Equity	28.50%	34.02%	14.85%	34.02%	23.73%	NA
Sales/Assets	0.42	0.43	0.51	0.50	0.28	NA
Projected Sales Growth (F1/F0)	%	9.09%	6.76%	10.56%	NA	NA
Momentum Score	A	-	-	F	B	F
Daily Price Change	1.07%	0.57%	2.18%	-0.19%	-0.53%	0.20%
1-Week Price Change	-2.38%	-2.70%	-1.51%	-2.77%	-2.76%	-2.54%
4-Week Price Change	-9.31%	-3.06%	5.45%	-1.38%	-4.23%	-5.37%
12-Week Price Change	-9.43%	-0.86%	6.76%	4.93%	-21.26%	-4.18%
52-Week Price Change	-17.46%	0.05%	20.60%	17.28%	-2.30%	-1.30%
20-Day Average Volume (Shares)	0	3,324,476	1,979,313	7,221,779	0	0
EPS F1 Estimate 1-Week Change	-3.35%	0.00%	0.00%	0.00%	0.02%	-0.09%
EPS F1 Estimate 4-Week Change	-9.28%	-0.34%	0.30%	0.00%	0.12%	-2.95%
EPS F1 Estimate 12-Week Change	-8.88%	1.14%	2.10%	5.32%	5.14%	-6.63%
EPS Q1 Estimate Monthly Change	NA%	0.00%	0.00%	0.00%	3.64%	NA

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

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

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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