Halozyme Therapeutics (HALO)

$45.55 (As of 06/24/21)

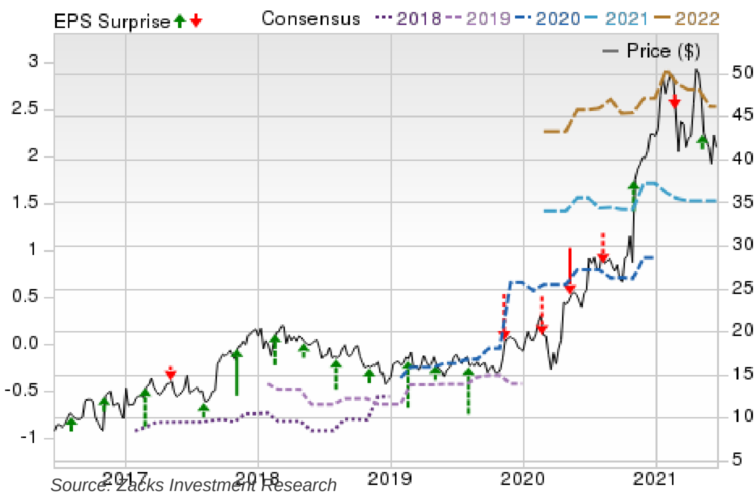
Price Target (6-12 Months): **$48.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/18/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: B | Momentum: C	**3-Hold** VGM:C

Summary

Halozyme has promising collaboration deals related to its ENHANZE technology with several pharma companies. These deals generate the majority of revenues for the company. Blockbuster drugs like Herceptin and Rituxan use ENHANZE for subcutaneous administration, which generates majority of its royalties. FDA and European approvals for the subcutaneous formulation of J&J's Darzalex and Roche's Phesgo are boosting royalties further. Restructuring initiatives started in 2019 are saving costs. Halozyme's stock has outperformed the industry so far this year. However, the company's dependence on collaboration partners for revenues remains a concern. Key partnered drugs are facing biosimilar competition.

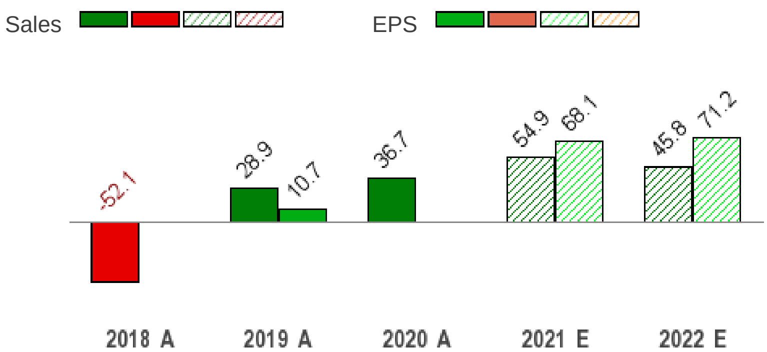
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$56.40 - $24.36**
20-Day Average Volume (Shares)	**1,047,035**
Market Cap	**$6.5 B**
Year-To-Date Price Change	**6.7%**
Beta	**1.48**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Medical - Biomedical and Genetics**
Zacks Industry Rank	**Bottom 15% (213 out of 252)**
Last EPS Surprise	**19.4%**
Last Sales Surprise	**5.2%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**08/09/2021**
Earnings ESP	**0.0%**
P/E TTM	**34.8**
P/E F1	**29.8**
PEG F1	**NA**
P/S TTM	**19.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	132 E	157 E	179 E	222 E	605 E
2021	89 A	101 E	108 E	117 E	415 E
2020	25 A	55 A	65 A	122 A	268 A

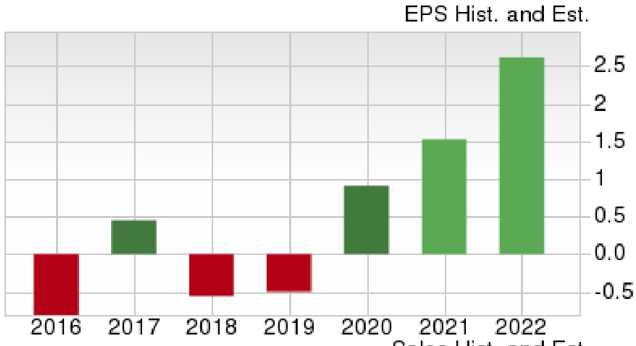
EPS Estimates

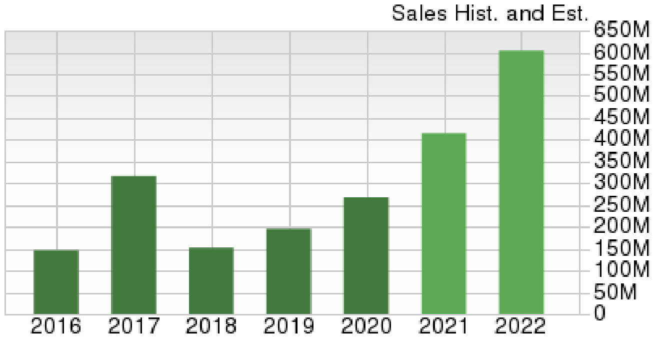
	Q1	Q2	Q3	Q4	Annual*
2022	$0.51 E	$0.60 E	$0.64 E	$0.76 E	$2.62 E
2021	$0.37 A	$0.41 E	$0.45 E	$0.53 E	$1.53 E
2020	-$0.04 A	$0.19 A	$0.25 A	$0.50 A	$0.91 A

*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 06/24/2021. The report's text and the analyst-provided price target are as of 06/25/2021.

Overview





San Diego, CA-based Halozyme Therapeutics is a biopharmaceutical company, focused on the development and commercialization of novel treatments for oncology indications by targeting tumor microenvironment. The company also licenses its novel drug delivery technology, ENHANZE, for subcutaneous administration of drugs.

The company's ENHANZE drug delivery technology helps in developing subcutaneous formulation of drugs. Several companies including Roche, Takeda, J&J, AbbVie, Lilly, Bristol-Myers and others are using this technology for developing subcutaneous formulation of their currently marketed drugs. The company has 10 collaborations and five marketed partnered drugs based on this technology. It also recognizes revenues from sale of drug products to its collaboration partners for development of drugs using its ENHANZE platform. The platform was developed based on the company's patented recombinant human hyaluronidase enzyme (rHuPH20).

The company also has one approved product in its portfolio – Hylenex recombinant as an adjuvant to facilitate subcutaneous fluid administration. The company halted all oncology clinical activities following the failure of the late-stage study evaluating its sole pipeline candidate, PEGPH20, in 2019.

Although Halozyme has one marketed product, it derives the majority of its revenues from royalties on sales of partnered drugs. The company generated total revenues of $267.6 million in 2020, up 36.5% year-over-year.

Source: Zacks Investment Research

Reasons To Buy:

We are positive on Halozyme's collaboration deals with large pharma companies related to ENHANZE technology. The company's restructuring initiatives are also encouraging.

- **Shares Outperforming Industry:** Halozyme's shares have gained 83.8% in the past year against the industry's decrease of 6%.

- **ENHANZE Technology Brings Majority Revenues:** Halozyme's ENHANZE drug delivery technology has been used in the development of subcutaneous formulation of five approved drugs through partnerships with J&J, Roche and Takeda. Moreover, the company's technology has attracted several other pharma/biotech companies, which use it for developing subcutaneous formulation of their pipeline candidates. These deals generate royalties on sales of marketed drugs, milestone payments for pipeline candidates and annual license fees. The company is also focused on signing new collaboration deals.

  Roche's cancer drugs, Rituxan Hycela (subcutaneous formulation of Rituxan) and Herceptin SC, and Takeda's immunodeficiency drug, HyQvia, are the three marketed drugs developed using ENHANZE technology. These drugs generate the majority of revenues for the company. Meanwhile, the FDA approved Roche's Phesgo injection, a single subcutaneous injection of the fixed-dose combination of Perjeta and Herceptin, in June 2020. Approval in Europe was received in December. Roche is also developing the subcutaneous formulation of Tecentriq and Perjeta. In May 2020, the FDA approved the subcutaneous administration of J&J's Darzalex (Darzalex Faspro) followed by an approval in Europe in June. Strong uptake of this drug is significantly boosting royalties for Halozyme. Label expansions of Darzalex Faspro will help boost sales further. Apart from these drugs, Halozyme has collaborations with Pfizer, AbbVie, Lilly, Bristol-Myers, Alexion Pharma, Horizon Therapeutics, ViiV Healthcare and ARGENX. Per the agreements, the companies have worldwide license to develop and commercialize products using Halozyme's ENHANZE technology. Halozyme expects its partnered pipeline candidates to reach 16 by the end of 2021. Four partnered products are expected to be in late-stage development by the end of the year.

- **Encouraging Restructuring Initiatives:** Following the failure of its lead pipeline candidate, PEGPH20, in phase III HALO-301 study, Halozyme initiated an operational review to support future growth in November 2019. The company has discontinued all clinical developmental activities related to PEGPH20 and oncology operations. This enabled Halozyme to solely focus on its high-growth, high-margin ENHANZE technology. As part of the plan, the company reduced headcount by 55%. As a result of these restructuring activities, the company reduced operating expenses in 2020, boosting the bottom line, which is likely to continue in 2021.

  It also authorized the initiation of share repurchase program worth $550 million in November 2019 to be completed over the next three years, of which $350 million worth of repurchase has been completed. These initiatives are encouraging and pushed share prices higher despite clinical study failure.

- **Potential in Targeted Indications:** The majority of Halozyme's partnered drugs, under development or being marketed, have blockbuster status. This can lead to significant royalties for Halozyme if the subcutaneous administration of these drugs sees strong uptake. The company expects to generate $1 billion in annual royalties from its ENHANZE technology by 2027. Moreover, the ENHANZE technology is expected to generate $400 million to $450 million in revenues through 2021 to 2023.

- **Favorable Debt Profile:** Halozyme has a favorable debt profile. Although the company's debt to capital ratio increased to 0.93 as of Mar 31, 2021 from 0.73 as of December-end, it has sufficient cash as well as income to serve its short-term debt and interest obligation. The company's total debt was approximately $874 million as of March-end. The company's cash, cash equivalents, and marketable securities of approximately $764 million as of the end of March 2021 was enough to pay its short-term debt of $89 million.Halozyme's times interest earned ratio was 10.6 as Mar 31, 2021, indicating that the company has sufficient earnings to pay its interest obligations.The ratio has also increased from previous quarter's 7.3.

Reasons To Sell:

- **Overdependence on Partners:** A significant portion of Halozyme's revenues comes from its partners who are developing or marketing subcutaneous formulation of their drugs developed using ENHANZE drug delivery technology. The revenues are recorded as royalties or product revenues. Meanwhile, Roche's Herceptin and Rituxan, which generate the majority of royalties for the company, are facing rising biosimilar competition. This is unfavorably impacting Halozyme's royalty revenues and is likely to continue going forward. The company also sells the bulk of rHuPH20 and ENHANZE drug product to its collaborators for use in clinical studies or drug manufacturing. Thus, the failure of clinical studies by partners, completion or termination of studies or collaborations and lower sales of partnered drugs will result in a decline in Halozyme's product revenues.

Halozyme's dependence on partners for revenues remains a concern. Any setback to collaborations or partnered drugs will have an unfavorable impact.

- **Pipeline Setbacks:** Gaining approval for pipeline candidates has become more difficult with an increasingly stringent regulatory environment. We note that Halozyme is no stranger to pipeline setbacks. In November 2019, Halozyme discontinued all clinical activities for PEGPH20 and oncology operations, following the failure of phase III HALO-301 study. The study evaluated a combination regimen of PEGPH20 first-line pancreatic cancer patients.

- **Product Sales Not Encouraging:** Halozyme's marketed product, Hylenex does not generate significant revenues for the company. In 2020, total sales from Hylenex were less than 6.5% of total revenues. Moreover, the company expects sales of Hylenex to remain flat or decline in the future as it faces intense rising competition in its targeted market.

Last Earnings Report

Halozyme Q1 Earnings & Sales Beat Estimates

Quarter Ending	03/2021
Report Date	May 10, 2021
Sales Surprise	5.19%
EPS Surprise	19.35%
Quarterly EPS	0.37
Annual EPS (TTM)	1.31

Halozyme reported first-quarter 2021 earnings of 34 cents per share (including stock-based compensation expense), which beat the Zacks Consensus Estimate of 28 cents. The company had incurred a loss of 1 cent in the year-ago quarter.

Total revenues increased 250.4% year over year to $89.0 million, primarily driven by milestone payments from Bristol-Myers, J&J and higher royalty revenues. The top line also beat the Zacks Consensus Estimate of $85.0 million.

Quarterly Highlights

Halozyme's top line comprises product sales, royalties and revenues under collaborative agreements.

Royalty revenues were $36.9 million in the first quarter, up 119.5% from the year-ago quarter, mainly driven by strong sales uptake of J&J's subcutaneous Darzalex (Darzalex SC). In the quarter, J&J received FDA and Health Canada approval for label expansion of Darzalex Faspro for treating newly diagnosed light chain (AL) amyloidosis in adult patients. The approval should support the future growth of subcutaneous Darzalex and subsequently Halozyme's royalty revenues.

Product sales, solely from the sale of bulk API to collaborators using the ENHANZE platform for drug development, increased 167.2% to $21.8 million in the quarter. The increase was driven by higher bulk API sales to ENHANZE partners, J&J and Roche. Revenues under collaborative agreements were $30.3 million compared with $0.4 million in the prior-year quarter. The significant increase was due to $25 million in milestone payment received from Bristol-Myers (following start of a phase III study on subcutaneous formulation of Opdivo using ENHANZE technology) and $5 million in milestone revenues from J&J (due to approval of Darzalex SC in Japan).

Research and development (R&D) expenses declined 11.8% year over year to $9.0 million mainly due to discontinuation of oncology drug development efforts and some development activities related to PEGPH20.

Selling, general and administrative (SG&A) expenses were $11.1 million, down 11.9% from the year-ago period.

The company repurchased 1.8 million shares of common stock for $76.2 million during the fourth quarter.

2021 Guidance Maintained

Halozyme maintained its previously issued guidance for revenues and earnings for 2021. The company expects total revenues in 2021 to be between $375 million and $395 million, indicating year-over-year growth of 40%-48%. The company expects revenues from royalties to double year over year on the back of strong uptake of subcutaneous formulation of J&J's Darzalex and growth in Roche's Phesgo. Halozyme expects Darzalex SC to be the key driver of its royalty revenue growth in 2021. Product sales are expected to increase 50% to 60% from 2020 levels.

It expects earnings to be in the range of $1.55-$1.70 per share (excluding stock-based compensation expense), indicating year-over-year growth of 38%-52%.

Recent News

ViiV Healthcare Signs Collaboration Deal – Jun 22

Halozyme and Glaxo's HIV company, ViiV Healthcare announced that they have signed a global collaboration and license agreement for developing the latter's ultra-long-acting medicines (drugs with dosing intervals of three months or longer) for treating HIV. Per the agreement, ViiV Healthcare will gain exclusive rights to Halozyme's popular ENHANZE drug delivery technology to develop a subcutaneous formulation of its long-acting drugs and pipeline products for specific targets used in the treatment and prevention of HIV.

Per the terms of the agreement, Halozyme will receive an upfront payment of $40 million from ViiV Healthcare for the exclusive license to four HIV small and large molecule targets. Halozyme will also receive payments of up to $175 million per target related to development and commercial milestones. The company is also entitled to receive royalties on potential sales from medicines developed using the ENHANZE technology. Pre-clinical or clinical studies under this agreement are expected to begin by the end of 2021, starting with ViiV Healthcare's pre-exposure prophylaxis candidate, cabotegravir.

Darzalex SC Gets Approval for Two New Indications in Europe – Jun 22

Halozyme announced that the European Commission has approved two label expansions of J&J's Darzalex SC to include treatment of patients with newly diagnosed systemic light-chain amyloidosis and patients with relapsed or refractory multiple myeloma.

Valuation

Halozyme's shares are up 6.6% in the year-to-date period and up 83.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 1.6% and 0.6%, in the year-to-date period. Over the past year, Zacks sub-industry and sector are down 6% and up 5.9%, respectively

The S&P 500 Index is up 13.7% in the year-to-date period and 43.3% in the past year.

The stock is currently trading at 20.43X trailing 12-month sales per share which compares to 2.77X for the Zacks sub-industry, 3.14X for the Zacks sector and 5.24X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 31.06X and as low as 6.25X, with a 5-year median of 13.16X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $48.00 price target reflects 21.53X trailing 12-month sales per share.

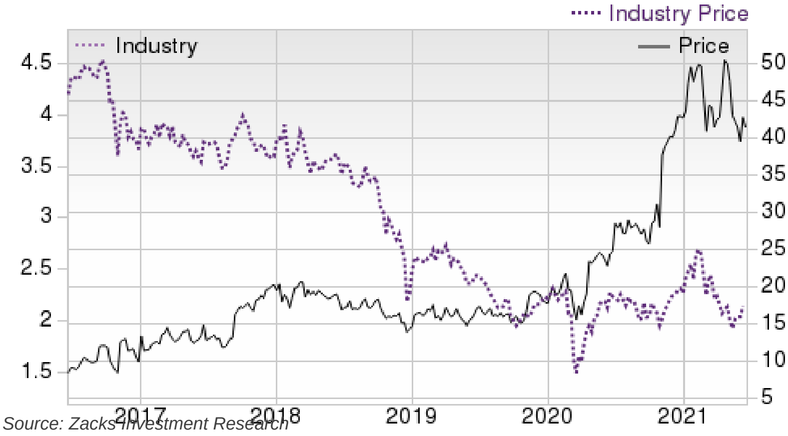
The table below shows summary valuation data for HALO

Valuation Multiples - HALO

		Stock	Sub-Industry	Sector	S&P 500
P/S TTM	Current	20.43	2.77	3.14	5.24
	5-Year High	31.06	3.79	3.67	5.26
	5-Year Low	6.25	2.35	2.42	2.83
	5-Year Median	13.16	3.18	3.24	3.94
P/B TTM	Current	96.57	3.3	4.46	7.06
	5-Year High	162.86	4.79	5.05	7.08
	5-Year Low	NA	2	3.03	3.84
	5-Year Median	11.69	3.7	4.35	5.02

As of 06/24/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 15% (213 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Alkermes plc **(ALKS)**	Neutral	3
Amphastar Pharmaceuticals, Inc. **(AMPH)**	Neutral	3
Ascendis Pharma AS **(ASND)**	Neutral	3
Bausch Health Cos Inc. **(BHC)**	Neutral	3
Ligand Pharmaceuticals Incorporated **(LGND)**	Neutral	3
Merck & Co., Inc. **(MRK)**	Neutral	4
Nektar Therapeutics **(NKTR)**	Neutral	3
Eli Lilly and Company **(LLY)**	Underperform	4

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

Industry Comparison Industry: Medical - Biomedical And Genetics

	HALO	X Industry	S&P 500	ALKS	LGND	NKTR
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	C	D	F
Market Cap	6.49 B	371.63 M	29.99 B	3.93 B	2.25 B	3.10 B
# of Analysts	4	3	12	8	2	8
Dividend Yield	0.00%	0.00%	1.35%	0.00%	0.00%	0.00%
Value Score	C	-	-	C	C	F
Cash/Price	0.13	0.25	0.06	0.14	0.16	0.33
EV/EBITDA	38.74	-5.86	17.12	-612.22	32.62	-5.26
PEG F1	NA	1.45	2.06	1.31	1.46	NA
P/B	96.57	3.75	4.11	3.74	3.02	3.12
P/CF	41.79	20.22	17.50	64.68	20.50	NA
P/E F1	30.09	22.90	21.14	49.53	21.96	NA
P/S TTM	19.58	22.31	3.40	3.77	10.80	24.63
Earnings Yield	3.36%	-12.17%	4.66%	2.04%	4.56%	-16.86%
Debt/Equity	11.61	0.00	0.66	0.28	0.47	0.00
Cash Flow ($/share)	1.09	-0.94	6.86	0.38	6.59	-2.15
Growth Score	B	-	-	C	C	D
Historical EPS Growth (3-5 Years)	NA%	20.82%	9.59%	NA	24.67%	NA
Projected EPS Growth (F1/F0)	67.86%	5.17%	21.79%	15.12%	35.27%	-15.21%
Current Cash Flow Growth	-316.18%	16.16%	1.02%	-34.13%	0.90%	-9.93%
Historical Cash Flow Growth (3-5 Years)	46.82%	6.94%	7.28%	23.97%	7.81%	NA
Current Ratio	8.77	7.43	1.39	2.75	4.57	8.89
Debt/Capital	92.07%	0.00%	41.51%	21.90%	32.08%	0.00%
Net Margin	49.23%	-205.15%	12.06%	-9.06%	18.83%	-340.31%
Return on Equity	174.48%	-52.12%	16.59%	-0.15%	8.50%	-38.12%
Sales/Assets	0.51	0.16	0.51	0.56	0.16	0.08
Projected Sales Growth (F1/F0)	55.11%	10.18%	9.56%	10.27%	48.47%	-28.33%
Momentum Score	C	-	-	D	D	C
Daily Price Change	5.61%	1.09%	0.58%	1.45%	5.43%	2.10%
1-Week Price Change	-3.23%	-2.60%	1.06%	-2.44%	2.41%	-3.46%
4-Week Price Change	9.10%	2.42%	1.56%	8.69%	15.03%	-5.23%
12-Week Price Change	7.35%	-7.67%	6.14%	28.04%	-12.58%	-16.57%
52-Week Price Change	78.35%	3.43%	38.35%	27.24%	19.86%	-24.32%
20-Day Average Volume (Shares)	1,047,035	333,371	1,811,241	1,636,870	153,796	904,963
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%

EPS F1 Estimate 12-Week Change	14.13%	0.00%	3.54%	53.76%	2.91%	-0.89%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-25.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	B
Momentum Score	C
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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