Jan 25, 2021

Moderna, Inc. (MRNA)

$131.02 (As of 01/22/21)

Price Target (6-12 Months): **$138.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/21/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: B | Growth: C | Momentum: A	

Summary

Moderna's coronavirus vaccine candidate achieved 94.1% efficacy rate in primary analysis and the FDA granted EUA in December. It is also developing several promising mRNA-based pipeline candidates, targeting a wide range of indications. These candidates also attract partnerships with big pharma companies, thus generating funds through upfront and milestone payments, and reducing research and marketing costs. Shares of the company have significantly outperformed the industry in the past year. However, Moderna's sole dependence on partners for revenues is a concern. Early to mid-stage nature of its pipeline runs a high degree of risk. Any development setbacks would be a major disappointment for the company. Loss estimates have narrowed ahead of Q4 earnings. The company has a mixed record of earnings surprises in the recent quarters.

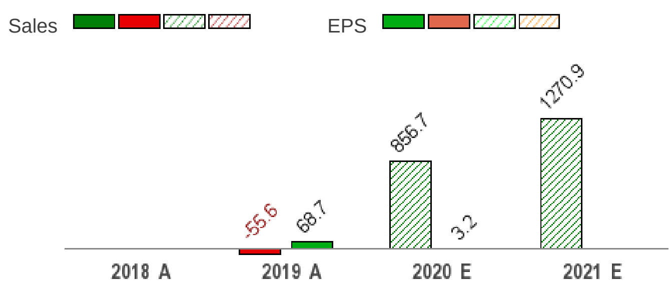
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$178.50 - $17.91**
20-Day Average Volume (Shares)	**15,770,912**
Market Cap	**$51.8 B**
Year-To-Date Price Change	**25.4%**
Beta	**1.73**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Medical - Biomedical and Genetics**
Zacks Industry Rank	**Bottom 13% (221 out of 253)**
Last EPS Surprise	**-37.2%**
Last Sales Surprise	**103.7%**
EPS F1 Estimate 4-Week Change	**17.6%**
Expected Report Date	**02/24/2021**
Earnings ESP	**0.0%**
P/E TTM	**NA**
P/E F1	**11.7**
PEG F1	**0.5**
P/S TTM	**210.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	1,303 E	1,926 E	2,127 E	2,134 E	7,869 E
2020	8 A	66 A	158 A	355 E	574 E
2019	16 A	13 A	17 A	14 A	60 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$1.56 E	$2.48 E	$2.25 E	$1.42 E	$11.24 E
2020	-$0.35 A	-$0.31 A	-$0.59 A	-$0.18 E	-$1.50 E
2019	-$0.40 A	-$0.41 A	-$0.37 A	-$0.37 A	-$1.55 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 01/22/2021. The reports text is as of 01/25/2021.

Overview

Cambridge, MA-based Moderna, Inc. is a clinical-stage pharmaceutical company, primarily focused on discovering and developing messenger RNA (mRNA) based therapies. The company has several early to mid-stage pipeline candidates targeting multiple indications including cancer and cardiovascular. It is also developing a few prophylactic vaccines and cancer vaccines.

The company has 24 mRNA investigational candidates with 13 candidates in clinical development stage. The company's most advanced pipeline candiadte, mRNA-1273, is approved for emergency use in several countries as COVID-19 vaccine. Its other key candidates in the mRNA pipeline include mRNA-1647, mRNA-4157 and AZD8601. These candidates are currently in late or mid-stage development. mRNA-1647 and mRNA-4157 are being evaluated as vaccines for cytomegalovirus and cancer, respectively, and AZD8601 is a candidate for myocardial ischemia.

Moderna's mRNA technology has helped it to enter into several collaborations with large pharma/biotech companies namely Merck, AstraZeneca and Vertex Pharmaceuticals. It also has strategic alliances with some government-sponsored organizations and private foundations.

The company completed its IPO and started trading publicly from Dec 7, 2018.

Moderna derives revenues primarily from its collaboration partners. The company generated total revenues of $60.2 million in 2019 compared with $135.1 million in 2018.

Source: Zacks Investment Research

Reasons To Buy:

Moderna has several promising mRNA-based pipeline candidates in its portfolio. Moreover, coronavirus vaccine development is also encouraging.

▲ **Share Price Performance:** Shares of Moderna have outperformed the industry in the past year. The stock has gained 476.1% compared with the industry's increase of 18.1%. The majority of this gain is driven by the company's progress with coronavirus vaccine development.

▲ **Coronavirus Vaccine Holds Potential:** Moderna received FDA emergency use authorization for its mRNA-based vaccine, mRNA-1273, in December 2020. The company has also received conditional/temporary marketing authorization application for the candidate in Europe and other few countries in January 2021. Similar regulatory applications are under review in multiple countries. Data from the primary efficay analysis of the phase III COVE study evaluting mRNA-1273 announced in November 2020 demonstrated an efficacy rate of 94.1% for the candidate. Moreover, the candidate seems to have logistical advantage over its competitors.Interim data from a phase I study showed binding and neutralizing antibody titers were high in all participants after 90 days of second dose, suggesting durable immunity to the disease.It is looking to deliver up to 1 billion doses annually beginning 2021 across the globe. The company is also developing the vaccine candidate for adolescents and plans to evaluate it in pregnant women.

▲ **Promising Other Pipeline Candidates:** Moderna is developing several promising candidates as therapies and vaccines targeting oncology indications and rare diseases.

The company has eight mRNA-based prophylactic and cancer vaccine candidates in clinical stage development. The most advanced vaccine candidates, mRNA-1647 and mRNA-4157, are being evaluated in phase II studies. While mRNA-1647 is being developed as a Cytomegalovirus (CMV) vaccine, mRNA-4157 is being developed in combination with Merck's PD-1 inhibitor, Keytruda, as a personalized cancer vaccine. A phase III study on mRNA-1647 is anticipated start in 2021.

The company is also developing immuno-oncology candidates, which include OX40L (mRNA-2416) and a triplet – OX40L + IL23 + IL36 (mRNA-2752) – which are directly injected into tumors to drive anti-cancer T cell responses. The company is enrolling patients in a phase II study to evaluate mRNA-2416 in ovarian carcinoma. The company is also developing another pipeline candidate, AZD8601, in collaboration with AstraZeneca for Myocardial ischemia in a phase II study.

▲ **Encouraging Early-Stage Candidates:** Moderna is also developing several other mRNA candidates in early-stage clinical studies. It is developing a KRAS vaccine, mRNA-5671 for colorectal cancer (CRC), non-small cell lung cancer and pancreatic cancer (NSCLC) in phase I study. The company is also developing a RSV vaccine and a Zika vaccine in early-stage studies. An mRNA therapy is also being developed as an antibody against Chikungunya virus. The company is developing mRNA-2752 in solid tumors.The company will start evaluating three candidates — mRNA-1010, mRNA-1020 and mRNA-1030 — as seasonal flu vaccines, two candidates — mRNA-1644 and mRNA-1574 — as HIV vaccines and mRNA-1215 as a vaccine against Nipah virus in 2021.

▲ **Positive on Deals:** Moderna has agreements with big healthcare companies namely AstraZeneca, Merck and Vertex Pharmaceuticals for development of some of its pipeline candidates. These deals provide the company with funds through upfront and milestone payments as well as enables sharing of research and marketing costs. These deals also bode well for Moderna given its strong expertise from these big pharma/biotech companies. Moreover, coronavirus vaccine development has attracted funds and partnerships from public/private organizations as well.

▲ **Favorable Debt Profile:** Moderna has a favorable debt profile. As of Sep 30, 2020, the company had $109 million in debt, with no debt maturing within next 12 months. The company also had significant cash, cash equivalents, and marketable securities totaling approximately $3.2 billion at the end of September 2020, which reduces the risk of insolvency.

Reasons To Sell:

▼ **Overdependence on Collaborations Could Hamper Progress:** With no approved product in its portfolio, Moderna has no sales. The company depends on collaborations and grants for its revenues. Moreover, potential sales could suffer in case partnerships do not materialize and the company is unable to raise funds to build sales and marketing capabilities. Also, unsuccessful development of its candidates will not generate any milestone payments.

With no marketed product in its portfolio, Moderna's dependence on collaborations for revenues is a concern. Lack of late-stage candidates has its own risk as well.

▼ **Lack of Late-stage Candidates:** Apart from coronavirus vaccine candidate, majority of Moderna's pipeline is early/mid-stage in nature, which runs its own risk. Although the company has several early/mid-stage candidates in its pipeline, it will be several years before any of these candidates are close to commercialization. Moreover, we note that clinical development involves a high degree of risk. Gaining approval for pipeline candidates has become more difficult given the tough regulatory environment. Development and regulatory setbacks for pipeline candidates would be a major disappointment for the company and have an adverse impact on shares.

Meanwhile, the company's focus on developing its coronavirus vaccine has hampered the development of certain other pipeline candidates. The company had paused enrollment and new site initiation for two early-stage studies evaluating mRNA-3704 and mRNA-3927 in methylmalonic acidemia and propionic acidemia, respectively. However, start-up activities for mRNA-3927 have resumed recently. It also discontinued development of mRNA-3630 in Fabry disease.

▼ **Competition Will Be a Hurdle:** Although Moderna's mRNA technology gives it a competitive edge, the company's products will face competition from products of several large pharma and smaller biotech players in their targeted markets. Moreover, several companies are also developing mRNA-based therapies, which include Glaxo, BioNTech, CureVac and eTheRNA Immunotherapies, among others. Moreover, several companies including Pfizer, J&J, AstraZeneca and Sanofi are developing a vaccine/therapy for coronavirus including multiple big pharma companies, which may lead to stiff competition.

Last Earnings Report

Moderna Q3 Earnings Lag Estimates, Revenues Beat

Quarter Ending	09/2020
Report Date	Oct 29, 2020
Sales Surprise	103.70%
EPS Surprise	-37.21%
Quarterly EPS	-0.59
Annual EPS (TTM)	-1.62

Moderna incurred loss of 59 cents per share in the third quarter of 2020, wider than the Zacks Consensus Estimate of a loss of 43 cents and the year-ago loss of 37 cents. Loss widened year over year due to higher research & development costs to support clinical development ofmRNA-1273.

Revenues in the quarter were $157.9 million, which comfortably beat the Zacks Consensus Estimate of $77.52 million. In the year-ago quarter, revenues were $17 million. The significant increase in revenues was driven by grants, especially from an agreement with BARDA related to development mRNA-1273.

Quarter in Details

Collaboration revenues were $12.2 million, down 8.4% year over year. Grant revenues were $145.7 million compared with $3.7 million in the year-ago quarter. Grant revenues were driven by its agreement with BARDA related to the development of mRNA-1273.

General and administrative expenses were up 72.3% to $48.5 million, primarily attributable to increased headcount and mRNA-1273 vaccine candidate development-related activities. Research & development expenses increased 187.9% to $344.5 million, largely due to increased headcount and mRNA-1273's clinical development as well as rise in clinical trial expenses, largely for mRNA-1273.

The company ended the quarter with $3.97 billion in cash and cash equivalents, compared with $3.07 billion as of Jun 30, 2020. Please note that the company recorded customer deposits of approximately $1.1 billion in the third quarter, related to supply agreements formRNA-1273, following a potential emergency use authorization or regular approval.

Recent News

Coronavirus Vaccine Study Begins in Japan – Jan 21

Moderna's partner Takeda Pharmaceutical announced that it has dosed the first participant in a phase I/II study evaluating mRNA-1273 in Japan. The study is being led by Japan's Takeda whose development code for the COVID-19 vaccine candidate is TAK-919.

The placebo-controlled phase I/II study will enroll 200 participants aged 20 years and above in Japan. The study will evaluate the safety and immunogenicity of two shots of mRNA-1273 administered at an interval of 28 days.

Notably, upon potential licensure in Japan, per an agreement, Takeda will import and distribute 50 million doses of mRNA-1273, starting in the first half of 2021.

Switzerland Authorizes mRNA-1273 – Jan 12

Moderna announced that Swissmedic, the Swiss Agency for Therapeutic Products, has granted authorization to mRNA-1273 for use in individuals 18 years of age or older. The authorization was was based on a rolling submission of data and the totality of scientific evidence shared by the company under the ordinary approvals procedure. The country's government has supply agreement for 7.5 million doses of the vaccine candidate.

Announces Three New Development Programs – Jan 11

Moderna announced three new development programs to accelerate its infectious disease portfolio, following major success with its coronavirus vaccine, mRNA-1273. The company will start evaluating three candidates — mRNA-1010, mRNA-1020 and mRNA-1030 — as seasonal flu vaccines, two candidates — mRNA-1644 and mRNA-1574 — as HIV vaccines and mRNA-1215 as a vaccine against Nipah virus.

United Kingdom Authorizes mRNA-1273 – Jan 8

Moderna announced that the United Kingdom's Medicines and Healthcare products Regulatory Agency has granted temporary authorization to mRNA-1273 for use in individuals 18 years of age or older. The country's government has supply agreement for 17 million doses of the vaccine candidate.

mRNA-1273 Gets Authorization in Europe – Jan 6

Moderna announced that the European Commission has granted conditional marketing authorization (CMA) to mRNA-1273 for active immunization to prevent COVID-19 in individuals 18 years of age and older. The company already has an agreement to supply 160 million vaccine doses to EU member states in 2021.

Israel Authorizes mRNA-1273 – Jan 4

Moderna announced that the Israel's Ministry of Health also granted authorization to import mRNA-1273 according to Regulation 29 (A)(9). The company has a supply agreement in place for 6 million doses with Israel.

Provides mRNA-1273 Supply Update – Jan 4

Moderna announced that it is raising the base-case global production estimate mRNA-1273, for 2021 by 20% to 600 million doses. Previously, the company's estimated base-case for the year of 500 million doses.

Valuation

Moderna's shares are up 64% in the past six months and 476.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 7.8% and 7.9%, respectively, in the past six months. Over the past year, stocks in the sub-industry are up 18.1% while stocks in the sector are up 9.2%.

The S&P 500 Index is up 19.7% in the past six months and 20.6% in the past year.

The stock is currently trading at 18.79X trailing 12-month book value per share which compares to 2.95X for the Zacks sub-industry, 4.57X for the Zacks sector and 6.62X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 24.36X and as low as 3.01X, with a 5-year median of 5.82X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $138.00 price target reflects 19.79X trailing 12-month book value per share.

The table below shows summary valuation data for MRNA.

Valuation Multiples - MRNA

		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	18.79	2.95	4.57	6.62
	5-Year High	24.36	5.09	5.11	6.64
	5-Year Low	3.01	2	3.02	3.73

	5-Year Median	5.82	3.77	4.36	4.94
P/S TTM	Current	209.61	3.35	3.41	4.94
	5-Year High	537.32	3.82	3.68	4.96
	5-Year Low	36.91	2.34	2.35	2.81
	5-Year Median	114.08	3.25	3.21	3.88

As of 01/22/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 13% (221 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Novavax, Inc. **(NVAX)**	Outperform	3
Arcturus Therapeutics Holdings Inc. **(ARCT)**	Neutral	3
AstraZeneca PLC **(AZN)**	Neutral	3
BioNTech SE Sponsored ADR **(BNTX)**	Neutral	4
GlaxoSmithKline plc **(GSK)**	Neutral	3
Pfizer Inc. **(PFE)**	Neutral	3
Translate Bio, Inc. **(TBIO)**	Neutral	3
Vir Biotechnology, Inc. **(VIR)**	Neutral	3

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

Industry Comparison Industry: Medical - Biomedical And Genetics

Industry Peers

	MRNA	X Industry	S&P 500	ARCT	BNTX	TBIO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	B	-	-	F	D	B
Market Cap	51.85 B	387.70 M	27.01 B	1.66 B	24.54 B	1.71 B
# of Analysts	9	3	13	7	4	6
Dividend Yield	0.00%	0.00%	1.42%	0.00%	0.00%	0.00%
Value Score	B	-	-	D	C	D
Cash/Price	0.06	0.19	0.06	0.21	0.05	0.39
EV/EBITDA	-99.86	-5.48	14.84	-54.95	-145.33	-9.51
PEG F1	0.56	1.24	2.54	NA	NA	NA
P/B	18.79	4.77	3.82	6.33	22.63	4.68
P/CF	NA	20.45	14.53	NA	NA	NA
P/E F1	12.55	30.99	20.41	NA	7.87	NA
P/S TTM	210.15	23.79	2.96	161.47	131.68	18.75
Earnings Yield	8.58%	-9.45%	4.70%	-0.62%	12.71%	-4.43%
Debt/Equity	0.04	0.00	0.70	0.06	0.00	0.00
Cash Flow ($/share)	-1.45	-1.20	6.93	-1.67	-0.72	-1.50
Growth Score	C	-	-	F	F	A
Historical EPS Growth (3-5 Years)	NA%	18.53%	9.72%	NA	NA	NA
Projected EPS Growth (F1/F0)	847.49%	6.98%	12.61%	86.68%	893.27%	-22.80%
Current Cash Flow Growth	34.56%	11.28%	5.05%	19.36%	423.95%	-4.81%
Historical Cash Flow Growth (3-5 Years)	NA%	6.94%	8.36%	4.20%	NA	NA
Current Ratio	2.43	6.14	1.38	11.21	4.07	5.73
Debt/Capital	3.79%	0.00%	41.88%	5.45%	0.00%	0.00%
Net Margin	-242.73%	-209.88%	10.40%	-506.70%	-250.12%	-70.38%
Return on Equity	-28.11%	-58.66%	15.37%	-52.32%	-66.72%	-27.54%
Sales/Assets	0.08	0.18	0.50	0.07	0.17	0.18
Projected Sales Growth (F1/F0)	1,270.22%	24.22%	6.15%	NA	907.11%	-17.47%
Momentum Score	A	-	-	F	A	B
Daily Price Change	-1.47%	0.59%	-0.37%	6.16%	2.86%	2.22%
1-Week Price Change	14.99%	1.74%	-0.33%	-14.31%	1.20%	7.71%
4-Week Price Change	6.18%	7.28%	3.16%	-31.01%	11.84%	4.02%
12-Week Price Change	83.81%	28.96%	18.15%	23.14%	27.86%	70.21%
52-Week Price Change	510.25%	22.37%	6.10%	466.53%	195.48%	164.71%
20-Day Average Volume (Shares)	15,770,912	315,728	1,623,841	3,210,460	2,489,864	787,268
EPS F1 Estimate 1-Week Change	6.27%	0.00%	0.00%	-498.21%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	17.55%	0.00%	0.13%	-198.82%	45.19%	0.49%
EPS F1 Estimate 12-Week Change	444.26%	0.00%	2.09%	-141.51%	171.44%	38.85%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-0.51%	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	B
Growth Score	C
Momentum Score	A
VGM Score	B

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

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.