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Feb 11, 2021

Nektar Therapeutics(NKTR)

$23.20 (As of 02/10/21)

Price Target (6-12 Months): **$25.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/01/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:F
	Value: F | Growth: D | Momentum: D	

Summary

Nektar has a promising pipeline with several regulatory updates/data-readouts lined up in the upcoming quarters. Moreover, regular partnerships have enhanced the company's cash position. The blockbuster collaboration deal with Bristol-Myers for NKTR-214 significantly boosted Nektar's cash resources. It also has encouraging co-development deals with other pharma companies. The deals boost revenues and reduce expenses by sharing research costs. On the flip side, Nektar relies heavily on partners for revenues. Partnership-related setbacks may thus weigh heavily on the company's results in the future. Shares of the company have underperformed the industry so far this year. Estimates movement have been stable ahead of Q4 earnings. The company has an encouraging record of earnings surprises in the recent quarters.

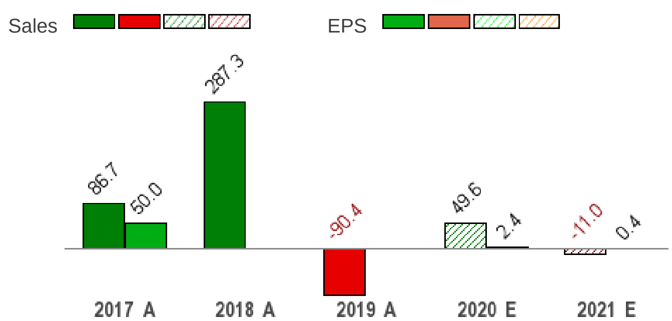
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$25.06 - $13.63**
20-Day Average Volume (Shares)	**1,648,207**
Market Cap	**$4.2 B**
Year-To-Date Price Change	**36.5%**
Beta	**1.66**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Medical - Drugs**
Zacks Industry Rank	**Bottom 23% (194 out of 253)**
Last EPS Surprise	**23.8%**
Last Sales Surprise	**39.3%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**02/25/2021**
Earnings ESP	**0.0%**
P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**25.5**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates **(millions of $)**

	Q1	Q2	Q3	Q4	Annual*
2021	46 E	28 E	29 E	44 E	153 E
2020	51 A	49 A	30 A	42 E	172 E
2019	28 A	23 A	29 A	34 A	115 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-$0.55 E	-$0.70 E	-$0.72 E	-$0.65 E	-$2.45 E
2020	-$0.53 A	-$0.45 A	-$0.61 A	-$0.62 E	-$2.46 E
2019	-$0.68 A	-$0.63 A	-$0.56 A	-$0.64 A	-$2.52 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 02/10/2021. The report's text and the analyst-provided price target are as of 02/11/2021.

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

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Overview

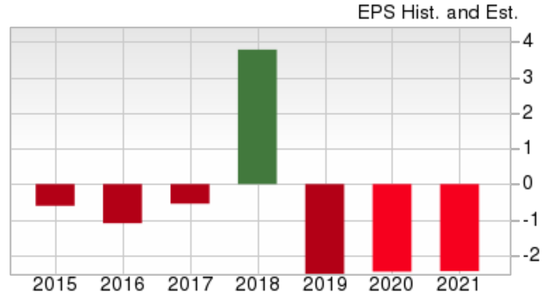
San Francisco, CA-based Nektar Therapeutics is a biopharmaceutical company, focused on the development of treatments utilizing its PEGylation and advanced polymer conjugate technology platforms.

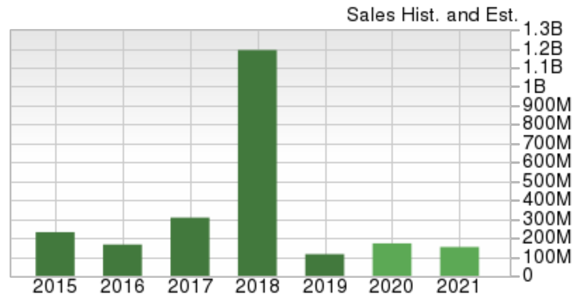
Nektar primarily finances its operations with funds from licensing, collaboration and manufacturing agreements. It has collaboration deals with companies namely AstraZeneca, Bayer, Roche, Amgen, Bristol-Myers and Eli Lilly among others.

Nektar recognizes product sales from its manufacturing and supply agreements with several pharma companies related to products developed using its PEGylation platform. The company also earns royalty payments from the sales of products using its technology platforms. Amgen's neutropenia drug, Neulasta is one of the drugs developed using Nektar's PEGylation platform.

Meanwhile, Nektar is developing several candidates targeting cancer and autoimmune therapeutic areas. Interesting ones include NKTR-358 (auto-immune and inflammatory diseases) and bempegaldesleukin (previously NKTR-214; several studies in cancer indications) among others.

Nektar generated total revenues of $114.6 million in 2019 compared with $1.19 billion in the year-ago period. The significant decrease was due to an upfront payment of $1.06 billion received from Bristol-Myers related to a collaboration agreement in 2018.





Source: Zacks Investment Research

Reasons To Buy:

> The U.S. and EU approval of Movantik is a huge positive for Nektar. The company also boasts a robust pipeline. Moreover, its collaborations bode well for growth.

▲ **Strong Pipeline Candidates Attracting Funds:** Nektar has deals with large pharma companies for developing 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 Nektar as they provide the company strong expertise.

The company has a deal with Bristol-Myers to develop bempegaldesleukin (bempeg) in combination with Bristol-Myers' Opdivo or Yervoy. With this deal, Nektar received $1 billion in upfront payments and is eligible to receive almost $1.8 billion in future payments. Per the deal, Bristol-Myers also infused $850 million in Nektar through the acquisition of the latter's common stock. The company is evaluating bempeg in combination with Bristol-Myers' Opdivo alone or with Yervoy under PIVOT program in more than 20 indications across nine tumor types, including melanoma, kidney, breast, bladder and non-small cell lung cancer.

It also has an oncology clinical collaboration with Takeda to develop bempeg in combination with the latter's TAK-659 in liquid and solid tumors. The company will develop doublet or triplet combination therapies of bempeg with Pfizer's Bavencio (avelumab), Talzenna (talazoparib) or Xtandi (enzalutamide) in several cancer indications, under a collaboration with Pfizer. Takeda and Pfizer share the costs related to clinical studies. Nektar is also developing a combination of bempeg and Merck's Keytruda as a treatment for non-small cell lung cancer.

Nektar has a co-development deal with Lilly to develop NKTR-358 in auto-immune and inflammatory diseases under which Lilly will bear the majority of development and commercialization costs. Nektar is also eligible to receive $250 million in milestone payments and royalties. Under Nektar's research collaboration with Gilead, the clinical development costs for NKTR-255 in combination with the Gilead's antiretroviral therapies will be funded by Gilead.

▲ **Pipeline Progressing Well:** We are pleased with Nektar's efforts to build its internal pipeline. The company has a robust pipeline of early- and late-stage candidates. The company's primary immuno-oncology candidate, bempeg, is being evaluated as monotherapy or in combination with other drugs in five different registration studies targeting multiple cancer indications. Other pipeline candidates include NKTR-358 (systemic lupus erythematosus, psoriasis, atopic dermatitis; phase II), NKTR-255 (relapsed, refractory non-Hodgkin lymphoma or multiple myeloma; relapsed or refractory head and neck squamous cell carcinoma or colorectal cancer; phase I/II) and NKTR-262 (in combination with bempegaldesleukin; refractory melanoma; phase I/II).

Successful development and commercialization of these candidates will likely boost the company's top line considering the lucrative markets they are targeting.

▲ **PEGylation Technology Generates Royalties:** Nektar's PEGylation technology has facilitated the development of more than ten approved products in the United States and the EU through partnerships with healthcare companies, including UCB's Cimzia and Amgen's Neulasta among others. These partnerships have significantly enhanced the company's financial position as it earns royalties on sales of partnered drugs.

Following deal generates major revenues for Nektar. The company has a collaboration agreement with Takeda for Adynovate for the treatment of hemophilia A. Nektar is entitled to receive royalties and sales milestones related to Adynovate. The company is entitled to significant and escalating double-digit royalty payments and sales milestone payments from AstraZeneca based on annual worldwide net sales of Movantik and Movantik fixed-dose combination products. In December 2020, the company sold royalty rights to Movantik and Adynovate to Healthcare Royalty Manamgement for $150 million. Nektar also has license, manufacturing and supply agreements with several large pharmaceuticals, including Pfizer, related to approved drugs or drugs under development using PEGylation technology.

▲ **Favorable Debt Profile:** Nektar has a favorable debt profile. As of Sep 30, 2020, the company had no debt. The company's cash, cash equivalents, and marketable securities was approximately $956 billion at the end of September 2020.

Reasons To Sell:

- **Overdependence on Partners:** Nektar relies heavily on partners for revenues in the form of collaboration, license and milestone payments. If the approved partnered drugs fail to achieve commercial success or if the candidates in development fail to generate positive late-stage outcomes sufficient to support regulatory approval in major markets, it could significantly impact the company's top line. For instance, following failure of IVERIC bio's late-stage candidate, Fovista, for the treatment of wet age-related macular degeneration, Nektar terminated its license and supply agreement with IVERIC bio in 2017. Therefore, the company's heavy dependence on its partners is concerning.

Nektar relies heavily on collaboration agreements for funds. Stiff competition remains a threat as well. Any hiccup on the development/regulatory front could adversely impact shares.

- **Pipeline and Regulatory Setbacks:** Gaining approval for pipeline candidates has become more difficult with an increasingly stringent regulatory environment. We note that Nektar is no stranger to pipeline setbacks. In January 2020, two FDA advisory committees did not recommend NKTR-181's approval. The company has withdrawn the NDA for the candidate and decided to stop further development of the candidate following the unfavorable decision. The company decided to terminate all development activities related to Onzeald in February 2020, following its failure in a late-stage breast cancer study.

  In July 2019, Nektar informed that sub-optimal lots of bempegaldesleukin have led to reduced response rate in cancer patients evaluated in clinical studies under PIVOT program. Nektar is enrolling additional treatment-naive NSCLC patients for consistent results, which will lead to delay in bempeg-Opdivo combo development.

  The company has several pipeline-related updates upcoming over the next several quarters. Any additional hiccup on the development or regulatory front could pull down the stock significantly and hamper the company's growth prospects.

- **Stiff Competition:** Nektar's PEGylation and advanced polymer conjugate chemistry platforms and partnered and proprietary products in the market face competition from various pharmaceutical and biotechnology companies. Players in PEGylation and polymer conjugate chemistry technology space include Biogen, Dr. Reddy's, Horizon Pharma and Novo Nordisk, among others. In addition, there are a number of companies, including Merck, Ironwood Pharmaceuticals, GlaxoSmithKline and others are developing treatments targeting OIC and OBD across different patient populations. Meanwhile, Adynovate faces competition from Biogen's Eloctate. In fact, competition is likely to increase with approvals of Bayer's Jivi and Novo Nordisk's Esperoct.

  Upon approval, bempegaldesleukin will face stiff competition. The immuno-oncology segment is led by Merck's Keytruda, followed by Bristol-Myers' Opdivo and Roche's Tecentriq. Several candidates are also being developed by various pharma companies. Notably, NKTR-358 will compete with several drugs, which are approved or under development for autoimmune diseases, including Lilly's Olumiant and Galxo's Benlysta. Competitive pressures may dent the company's top line and growth prospects.

Last Earnings Report

Nektar Q3 Earnings & Revenues Top Estimates

Quarter Ending	09/2020
Report Date	Nov 05, 2020
Sales Surprise	39.34%
EPS Surprise	23.75%
Quarterly EPS	-0.61
Annual EPS (TTM)	-2.23

Nektar reported a loss of 61 cents per share for the third quarter of 2020, narrower than the Zacks Consensus Estimate of a loss of 80 cents but wider than the year-ago loss of 56 cents.

Quarterly revenues were up 2.7% year over year to $30 million during the quarter. Revenues also beat the Zacks Consensus Estimate of $22 million.

Quarter in Detail

In the third quarter, product sales increased 2.4% from the year-ago period to $5.7 million. Non-cash royalty revenues were up 1.5% to $10.4 million.

Nektar's royalty revenues increased 19.6% year over year to $12.3 million in the quarter.

License, collaboration and other revenues were $1.6 million in the quarter compared with $3.1 million in the year-ago quarter.

Research and development expenses increased 1.5% to $100.5 million due to higher clinical development costs, partially offset by lower manufacturing costs for clinical study materials.

General and administrative expenses rose 12.5% to $27 million in the reported quarter.

2020 Guidance Maintained

Nektar maintained its guidance for 2020. The company expects total revenues for 2020 to be in the range of $140-145 million.

Pipeline Update

On the earnings call, Nektar stated that enrollment in clinical studies led by the company or its partners is back on track following a disruption in the second quarter due to the COVID-19 pandemic. The company's partner Bristol-Myers is progressing well with enrollment in five registrational studies of bempegaldesleukin in combination with Bristol-Myers' Opdivo (nivolumab). In September, Bristol-Myers initiated a new phase I/II study to evaluate bempegaldesleukin+Opdivo in combination with a tyrosine-kinase inhibitor in renal cell carcinoma.

Recent News

Inks Agreement to Sell Royalties from Adynovate and Movantik – Dec 22

Nektar announced that it has entered into an agreement with Healthcare Royalty Management sell its royalties on future sales of Adynovate and Movantik. Nektar will receive $150 million in cash from Healthcare Royalty.

Nektar receives royalties on Adynovate and Movantik per agreement with Baxalta Incorporated and AstraZeneca, respectively.

Per the agreement, the agreement will auto expire if aggregate royalty payments reach $210 million by 2025. If the milestone achieved by 2025, the agreement will expire upon aggregate royalty payments of $240 million. After expiration of the agreement, royalty rights to both drugs will return to Nektar.

Initiates Dosing in NKTR-255 Study – Dec 15

Nektar announced that it initiated dosing in a phase I/II study evaluating NKTR-255 in combination with Lilly's Erbitux (cetuximab) in patients with relapsed or refractory head and neck squamous cell carcinoma or colorectal cancer.

Receives FDA Clearance for Bempeg Coronavirus Study – Oct 27

Nektar announced that the FDA has cleared its Investigational New Drug (IND) application for initiating a phase Ib study to evaluate bempeg in patients with mild COVID-19 infection. Enrollment in the study in November.

Valuation

Nektar's shares are up 15.4% in the past six months and down 1.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are up 17.5% and 8.5%, respectively, in the past six months period. Over the past year, stocks in the sub-industry are up 8.5% while stocks in the sector are up 7.1%.

The S&P 500 Index is up 17.1% in the past six months period and 17.8% in the past year.

The stock is currently trading at 25.44X trailing 12-month sales per share which compares to 2.6X for the Zacks sub-industry, 3.43X for the Zacks sector and 5.64X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 55.8X and as low as 4.21X, with a 5-year median of 20.1X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $25.00 price target reflects 27.41X trailing 12-month sales per share.

The table below shows summary valuation data for NKTR

Valuation Multiples - NKTR

		Stock	Sub-Industry	Sector	S&P 500
P/S TTM	Current	25.44	2.6	3.43	5.64
	5-Year High	55.8	4.34	3.67	5.65
	5-Year Low	4.21	1.72	2.35	2.8
	5-Year Median	20.1	2.51	3.21	3.86
P/B TTM	Current	3.55	1.93	4.62	6.69
	5-Year High	1101.7	13.42	5.11	6.7
	5-Year Low	NA	1.03	3.02	3.8
	5-Year Median	3.51	2.35	4.37	4.95

As of 02/10/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 23% (194 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Alkermes plc **(ALKS)**	Neutral	3
Biogen Inc. **(BIIB)**	Neutral	4
Bristol Myers Squibb Company **(BMY)**	Neutral	3
Gilead Sciences, Inc. **(GILD)**	Neutral	3
Merck & Co., Inc. **(MRK)**	Neutral	3
Novo Nordisk AS **(NVO)**	Neutral	3
Dr. Reddys Laboratories Ltd **(RDY)**	Neutral	2
Roche Holding AG **(RHHBY)**	Underperform	4

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

Industry Comparison Industry: Medical - Drugs

	NKTR	X Industry	S&P 500	BIIB	NVO	RDY
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	2
VGM Score	F	-	-	C	B	C
Market Cap	4.16 B	252.32 M	27.72 B	41.89 B	167.61 B	10.89 B
# of Analysts	8	3	13	30	5	2
Dividend Yield	0.00%	0.00%	1.42%	0.00%	1.03%	0.42%
Value Score	F	-	-	A	B	C
Cash/Price	0.26	0.19	0.06	0.06	0.01	0.02
EV/EBITDA	-8.42	-5.28	14.81	8.49	17.63	25.75
PEG F1	NA	1.18	2.38	1.20	2.40	NA
P/B	3.55	5.01	3.81	3.96	17.28	4.69
P/CF	NA	11.53	15.29	7.18	22.84	17.33
P/E F1	NA	16.94	20.64	12.65	23.25	31.15
P/S TTM	25.48	12.10	3.04	3.12	8.62	4.33
Earnings Yield	-10.56%	-8.90%	4.77%	7.91%	4.30%	3.21%
Debt/Equity	0.00	0.00	0.68	0.69	0.05	0.04
Cash Flow ($/share)	-2.43	-0.62	6.77	38.29	3.12	3.79
Growth Score	D	-	-	F	C	C
Historical EPS Growth (3-5 Years)	NA%	9.39%	9.27%	17.25%	5.16%	20.12%
Projected EPS Growth (F1/F0)	0.49%	15.82%	13.85%	-35.49%	10.94%	-24.37%
Current Cash Flow Growth	-161.76%	4.48%	3.46%	-12.77%	9.69%	40.31%
Historical Cash Flow Growth (3-5 Years)	NA%	5.64%	7.74%	5.39%	6.83%	5.28%
Current Ratio	8.25	3.92	1.38	1.84	0.94	1.81
Debt/Capital	0.00%	0.46%	41.31%	41.00%	4.37%	3.69%
Net Margin	-269.05%	-127.69%	10.58%	29.76%	33.11%	11.34%
Return on Equity	-30.74%	-55.08%	14.86%	47.10%	71.58%	15.96%
Sales/Assets	0.09	0.26	0.51	0.53	0.94	0.76
Projected Sales Growth (F1/F0)	-11.15%	8.75%	6.30%	-19.30%	6.03%	7.03%
Momentum Score	D	-	-	F	A	D
Daily Price Change	2.61%	0.00%	0.21%	2.11%	-0.13%	-0.33%
1-Week Price Change	2.44%	8.48%	4.58%	-6.20%	2.59%	7.03%
4-Week Price Change	26.57%	19.32%	1.11%	3.12%	0.39%	-8.42%
12-Week Price Change	35.59%	41.64%	8.61%	14.12%	7.01%	4.97%
52-Week Price Change	-1.17%	28.60%	8.77%	-17.11%	12.38%	47.12%
20-Day Average Volume (Shares)	1,648,207	433,190	2,095,832	1,339,770	967,202	229,753
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.00%	1.32%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.59%	-27.49%	3.66%	-2.31%
EPS F1 Estimate 12-Week Change	3.40%	0.00%	1.77%	-27.88%	3.24%	2.18%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.22%	-10.74%	0.00%	NA

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	F
Growth Score	D
Momentum Score	D
VGM Score	F

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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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.