

Novo-Nordisk A/S (NVO)

\$69.33 (As of 01/12/21)

Price Target (6-12 Months): **\$73.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/12/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: A

Momentum: F

Summary

Novo Nordisk missed on sales but beat earnings estimates in the third quarter. Ozempic is off to a solid start and the launch of Rybelsus looks good. The label of Ozempic was further expanded by the Food and Drug Administration (FDA) to include a cardiovascular indication. Novo Nordisk has one of the broadest diabetes portfolios in the industry. Tresiba, Victoza, Ozempic, Xultophy and Saxenda maintain momentum for the company. Label expansion of existing drugs will further boost sales for the company. Shares of the company have outperformed the industry in the past year. However, lower realized prices in the United States, loss of exclusivity for products in hormone replacement therapy and intensifying competition will affect sales. Moreover, the impact of COVID-19 will adversely affect the performance in the upcoming quarters.

Price, Consensus & Surprise

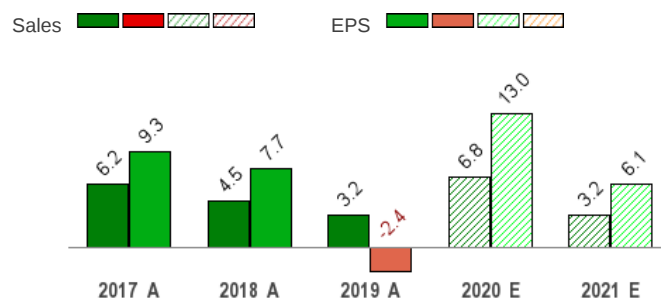


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$73.81 - \$49.24
20-Day Average Volume (Shares)	963,052
Market Cap	\$163.3 B
Year-To-Date Price Change	-0.7%
Beta	0.46
Dividend / Dividend Yield	\$0.74 / 1.1%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Bottom 49% (128 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.5%
Last Sales Surprise	2.3%
EPS F1 Estimate 4-Week Change	-1.0%
Expected Report Date	02/03/2021
Earnings ESP	5.6%
P/E TTM	26.1
P/E F1	23.5
PEG F1	2.6
P/S TTM	8.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	5,119 E	5,259 E	5,445 E	5,665 E	20,176 E
2020	5,001 A	4,429 A	4,856 A	4,921 E	19,542 E
2019	4,456 A	4,523 A	4,510 A	4,805 A	18,296 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.73 E	\$0.74 E	\$0.78 E	\$0.78 E	\$2.95 E
2020	\$0.75 A	\$0.67 A	\$0.69 A	\$0.60 E	\$2.78 E
2019	\$0.66 A	\$0.61 A	\$0.64 A	\$0.55 A	\$2.46 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 01/12/2021. The reports text is as of 01/13/2021.

Overview

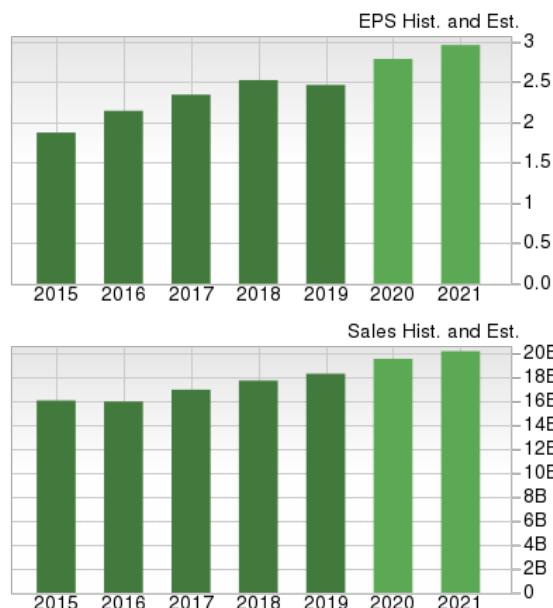
Bagsværd, Denmark-based Novo Nordisk is a global healthcare company and a leader in the worldwide diabetes market. The company is also a key player in hemophilia care, growth hormone therapy, hormone replacement therapy and obesity.

Novo Nordisk operates through two segments: Diabetes and obesity care and Biopharmaceuticals. While the Diabetes and obesity care segment covers insulins, glucagon-like peptide 1 (GLP-1), other protein-related products, obesity and oral anti-diabetic drugs, the Biopharmaceuticals segment includes hemophilia, growth hormone therapy and hormone replacement therapy.

Novo Nordisk's most well-known drugs include Levemir, NovoRapid, Victoza, Ozempic, NovoMix 30, NovoMix 50, NovoMix 70, NovoSeven, NovoThirteen and Norditropin. The company launched its first product for weight management, Saxenda, in the United States in May 2015.

In August 2018, Novo Nordisk announced that it has acquired all of the shares of Ziylo Ltd. Ziylo is a University of Bristol spin-out company based at Unit DX science incubator in the United Kingdom. The acquisition gives Novo Nordisk full rights to Ziylo's glucose binding molecule platform to develop glucose responsive insulins (GRIs). Novo Nordisk is focused on developing this technology in order to develop this next generation of insulin, which would lead to a safer and more effective insulin therapy.

Novo Nordisk reported 2019 revenues of \$18.3 billion, up 9% in DKK. Sales of diabetes and obesity products increased 16% at CER. Sales of biopharmaceutical products increased 4% in CER.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Share Price Performance:** Novo Nordisk's stock has outperformed the industry year to date

▲ **Strong Foothold in the Diabetes Market:** Novo Nordisk has a strong presence in the Diabetes care market with one of the broadest diabetes portfolios in the industry. Novo Nordisk has improved its global diabetes value market share over the last 12 months from 28.4% to 29.2%, driven by an improved global insulin market share and expansion of the GLP-1 segment as well as market share.

▲ **Other Drugs Performing Well:** Obesity drug, Saxenda (liraglutide 3 mg) was launched in the United States in 2015 and the drug is doing well. In December 2020, the FDA approved an updated label for Saxenda injection 3 mg. The Saxenda Injection is now approved for the treatment of obesity in adolescents (12-17 years) with a body weight above 60 kg and an initial body mass index (BMI) corresponding to 30 kg/m² or greater for adults, as an adjunct to a reduced-calorie diet and increased physical activity.

Novo Nordisk has a strong presence in the Diabetes Care market and boasts of a strong pipeline, with focus on therapeutic proteins within insulin. Victoza remains the growth engine for the company.

The FDA approved Ozempic (semaglutide) once-daily pre-filled pen to improve glycemic control in type II diabetes patients in December 2017. In January 2020, Ozempic was approved in the United States for cardiovascular (CV) risk reduction in people with type II diabetes and established cardiovascular diseases. Label expansion of drugs will boost sales.

In September 2019, the FDA approved semaglutide in a tablet form, which is marketed under the brand name, Rybelsus. It is approved as an adjunct to diet and exercise to improve glycemic control in adults with type II diabetes mellitus. The drug is off to a good start in the United States. It is the first approved glucagon-like peptide-1 (GLP-1) receptor agonist in a tablet form. In December 2020, the company submitted a new drug application (NDA) to the FDA for subcutaneous semaglutide 2.4 mg, a once-weekly glucagon-like peptide-1 (GLP-1) analogue for chronic weight management. In December 2020, the company submitted a Marketing Authorisation Application (MAA) to the European Medicines Agency (EMA) for subcutaneous semaglutide 2.4 mg, a once-weekly glucagon-like peptide-1 (GLP-1) analogue for weight management.

In December 2020, Novo Nordisk also announced the decision to enter phase III development in Alzheimer's disease with 14 mg oral semaglutide, a once-daily oral formulation of the long-acting GLP-1 analogue semaglutide.

The FDA also updated the Rybelsus label with additional information from the PIONEER 6 CV outcomes study. Rybelsus was recently approved in Europe for the treatment of adults with insufficiently controlled type II diabetes to improve glycemic control as an adjunct to diet and exercise. In June 2020, the Japanese Ministry of Health, Labour and Welfare approved Rybelsus for the treatment of adults with Type II diabetes. The approval of Rybelsus in Japan is based on results from the PIONEER study, which involved more than 9,500 adults with Type II diabetes, including about 1,300 adults from Japan. Approval in other geographies should boost sales.

On Aug 28, 2020, once-weekly somapacitan was approved by the FDA under the brand name Sogroya for substitution of endogenous growth hormone in adults with growth hormone deficiency (AGHD). Sogroya for AGHD is currently under regulatory review in the EU, Switzerland and Japan.

These approvals will further boost sales.

▲ **Encouraging Pipeline Progress:** Novo Nordisk is making efforts to broaden its portfolio.

During the second quarter of 2020, Novo Nordisk reported the successful completion of the phase III programme with semaglutide 2.4 mg, the phase II study with AM833 and the phase I combination study with AM833 and semaglutide 2.4 mg, all in obesity care. During the third quarter of 2020, Novo Nordisk initiated a phase IIIb study investigating the effects of Ozempic (once-weekly subcutaneous semaglutide) in around 800 people with type II diabetes and peripheral artery disease. In the study, the effects of semaglutide are being evaluated compared to standard of care.

In December 2020, Novo Nordisk submitted a label expansion application to the European Medicines Agency (EMA) for the marketing authorization of Ozempic to include a new dose of 2.0 mg. The submission is supported by results from the SUSTAIN FORTE study, which included 961 people with type II diabetes in need of treatment intensification. In the study, people treated with semaglutide 2.0 mg achieved a statistically significant and superior reduction in HbA_{1c} at week 40 compared to semaglutide 1.0 mg. With the 2.0 mg dose, more people with type 2 diabetes will be able to achieve the treatment target.

During the third quarter of 2020, Novo Nordisk initiated a phase I study with higher doses of oral semaglutide for type II diabetes. The study is designed to assess oral semaglutide at higher doses, including investigation of different formulations in healthy volunteers. The primary objective of the trial is to investigate the steady state exposure of 25 and 50 mg of oral semaglutide in different formulation.

▲ **Diversification other than diabetes:** We are encouraged by the company's efforts to develop new treatments. In February 2019, the FDA approved Novo Nordisk's biologics license application (BLA) for Esperoct (turoctocogalfapegol, N8-GP) for the treatment of hemophilia A in adults and children. The drug is approved for the routine prophylactic to reduce the frequency of bleeding episodes, on-demand treatment and control of bleeding episodes plus perioperative management of bleeding in the given patient population. In July, the European Commission granted marketing authorization to the drug for the treatment of adolescents (?12 years of age) and adults with hemophilia A. The authorization covers all 28 European Union member states.

▲ **Acquisitions To Boost Portfolio:** In June 2020, Novo Nordisk announced that it has agreed to buy AstraZeneca Plc's spin-off, Corvidia

Therapeutics, for an upfront payment of \$725 million in cash. With the acquisition, the company seeks to expand presence across a range of cardiometabolic diseases that are closely linked to Novo Nordisk's core business within diabetes and obesity. The acquisition was completed in July 2020 and will be accounted for as an asset acquisition in the third quarter of 2020.

Corvidia's leading drug candidate, ziltivekimab, is in mid-stage clinical trials. In September 2020, the company successfully completed the RESCUE phase II study with once-monthly subcutaneous ziltivekimab. Following the completion of the study, a cardiovascular outcomes study is expected in 2021. Ziltivekimab was being evaluated in the study-RESCUE in patients who had an increased risk of atherosclerotic cardiovascular disease (ASCVD) with chronic kidney disease (CKD) and inflammation. Novo Nordisk remains optimistic about ziltivekimab and believes that the candidate has the potential to become a first- and best-in-class treatment to lower the burden of cardiovascular disease in a patient population that is at high risk of major adverse cardiovascular events. This acquisition recognizes the important scientific work Corvidia has been doing over the last five years in cardio-renal diseases with a focus on inflammation.

In November 2019, Novo Nordisk and UBE Industries Ltd. announced that the former obtained an exclusive worldwide license to UBE's preclinical asset UD-014, a selective Semicarbazide-Sensitive Amine Oxidase/Vascular Adhesion Protein-1 (SSAO/VAP-1) inhibitor small molecule, which has shown promising efficacy in preclinical studies for its anti-inflammatory mechanism of action and antioxidative effect on endothelial cells, and can potentially be used for the treatment of NASH. Per the agreement, UBE received an upfront payment as well as development and sales milestones plus tiered royalties on the annual net sales. Novo Nordisk is responsible for the further development, manufacturing and commercialization of UD-014.

In the same month, Novo Nordisk and Dicerna announced an agreement to discover and develop novel therapies for the treatment of liver-related cardio-metabolic diseases using Dicerna's proprietary GalXC RNAi platform technology. The collaboration aims at exploring more than 30 liver cell targets and may deliver multiple clinical candidates for disorders.

In October 2019, Novo Nordisk and bluebird entered a three-year research collaboration to jointly develop next-generation vivo genome editing treatments for genetic diseases, including hemophilia. Per the agreement, both companies will focus on identifying a development gene-therapy candidate to offer people with hemophilia A a lifetime free of factor replacement therapy.

In April 2019, Novo Nordisk and Gilead Sciences, Inc. collaborated for developing treatments for non-alcoholic steatohepatitis (NASH).

Reasons To Sell:

▼ **Generic Competition a Threat to Key Products:** The patent expiry on some of the products in Novo Nordisk's portfolio is highly concerning. The formulation patent on Norditropin expired in the United States, Europe and Japan in 2017. Victoza is slated to lose patent protection in the United States and the EU in 2023. Novo Nordisk is also facing a risk from biosimilars in the human growth hormone market. Moreover, the diabetes market is already crowded with a number of drugs. Merck's Januvia and Janumet (type II diabetes), Eli Lilly's Trulicity (type II diabetes), Sanofi's Toujeo (type I and II diabetes) are already approved. The company also faces stiff competition from Eli Lilly and Astra Zeneca in the global GLP-1 market.

Novo Nordisk is going through a rough patch with several drugs in its portfolio losing patent protection. The company is also facing pricing pressure for some of its drugs.

▼ **Pipeline Setbacks:** With generic competition looming large over the company, Novo Nordisk's pipeline needs to deliver. The company received a setback with the discontinuation of the development of liraglutide as a joint therapy to insulin in type I diabetes. In August 2018, the first human dose trial investigating the short-acting glucagon analogue Hypopen-1513 was stopped due to a suboptimal PK/PD profile.

Novo Nordisk also halted three (two phase III and one phase II) ongoing studies investigating its anti-TFPI mAB, concizumab, in hemophilia A and B patients with or without inhibitors. The decision was taken due to the occurrence of non-fatal thrombotic events in three patients in the phase III studies. While the company will not recruit any additional patients in the studies, it will also cease further treatment of patients already enrolled in the studies. Novo Nordisk and an independent Data Monitoring Committee are evaluating all available data to decide whether to continue the studies.

In 2019, Novo Nordisk successfully completed a phase II study evaluating the effects of the combination of anti-IL-21 and Saxenda therapy for patients recently diagnosed with type I diabetes. Following an evaluation of the regulatory path forward, Novo Nordisk has decided to discontinue the development of anti-IL-21 in combination with Saxenda.

▼ **Pricing Pressure:** Market conditions within the pharmaceutical industry continue to change with efforts by governmental entities to reduce or control costs. In most of the countries in which Novo Nordisk sells insulin, product prices are subsidized or are subject to price control. Moreover, the company continues to face pricing pressure from other players in the market. Going forward, the company may encounter a tough pricing environment in the United States basal insulin market. Downward pricing pressure could negatively impact future

Last Earnings Report

Novo Nordisk's Q3 Earnings Beat Estimates, Sales Miss

Novo Nordisk reported third-quarter 2020 earnings of 69 cents per American Depositary Receipt (ADR), which beat the Zacks Consensus Estimate of 68 cents and increased from 64 cents in the year-ago quarter.

Revenues of \$4.58 billion increased 2% in Danish kroner and 7% at constant exchange rate (CER). Revenues missed the Zacks Consensus Estimate of \$4.75 billion. The increased global sales of 7% (CER) was driven by higher Diabetes and Obesity care sales owing to elevated GLP-1 sales, offset by insulin sales decline of 2% and unchanged Obesity care sales and Biopharm sales.

Sales were negatively impacted by COVID-19 due to fewer patient treatment initiations, unemployment in the United States and COVID-19-related destocking, offset by phasing of rebates and inventory changes at the wholesaler level in the United States.

All growth rates mentioned below are on a year-over-year basis.

Quarter in Detail

Novo Nordisk operates in two segments — Diabetes and Obesity Care, and Biopharmaceuticals.

The Diabetes and Obesity Care segment sales grew 9% at CER. In Diabetes Care, fast-acting insulin (Fiasp and NovoRapid) revenues grew 4% at CER and Human insulin revenues were up 5% at CER. Premix insulin (Ryzodeg and NovoMix) revenues rose 4%. However, sales of long-acting insulin (Tresiba, Xultophy and Levemir) declined 15%. Ozempic had a strong launch and recorded sales of DKK 5.4 billion in the quarter.

Obesity Care (Saxenda) sales were flat year over year.

Sales in the Biopharmaceuticals segment were flat year over year at DKK 4.5 billion. Hemophilia sales (NovoSeven and NovoEight) were down 4% to DKK 2.3 billion.

Sales and distribution costs increased 5% measured in Danish kroner and 10% at CER year over year. The increase was driven by North America Operations reflecting the launch of Rybelsus and promotional activities related to Ozempic as well as changes to provisions for legal cases.

Research and development costs increased 9% measured in Danish kroner and 10% at CER from the year-ago quarter. The costs were driven by the amortization of the priority review voucher for semaglutide in obesity, largely offset by impairments in the third quarter of 2019.

Administrative costs remained unchanged in Danish kroner and increased 3% at CER from the same period in 2019.

2020 Outlook

Novo Nordisk expects 5%-8% sales growth at CER. The guidance reflects expectations for continued robust sales performance of the GLP-1 diabetes care products, Ozempic, Victoza and Rybelsus; the portfolio of new-generation insulin; and the biopharm products. The guidance also reflects intensifying competition in both Diabetes care and Biopharm, especially within the hemophilia inhibitor segment.

The COVID-19 pandemic led to uncertainty regarding the number of patients initiating treatment and societal impacts such as the unemployment rate in the United States, which is negatively impacting healthcare insurance coverage.

Quarter Ending	09/2020
Report Date	Oct 30, 2020
Sales Surprise	2.33%
EPS Surprise	1.47%
Quarterly EPS	0.69
Annual EPS (TTM)	2.66

Recent News

Novo Nordisk Files for Ozempic's Label Expansion in EU-Dec 29

Novo Nordisk announced that it has submitted a label expansion application to the European Medicines Agency (EMA) for the marketing authorization of Ozempic to include a new dose of 2.0 mg.

We note that Ozempic is currently approved in the EU in 0.5 mg and 1.0 mg doses for the treatment of type 2 diabetes in adults.

The submission is supported by results from the SUSTAIN FORTE study, which included 961 people with type II diabetes in need of treatment intensification. In the study, people treated with semaglutide 2.0 mg achieved a statistically significant and superior reduction in HbA_{1c} at week 40 compared to semaglutide 1.0 mg.

With the 2.0 mg dose, more people with type 2 diabetes will be able to achieve the treatment target. The FDA approved Ozempic once-daily pre-filled pen to improve glycemic control in type II diabetes patients in December 2017. In January 2020, the drug was approved in the United States for cardiovascular (CV) risk reduction in people with type II diabetes and established cardiovascular diseases.

Label expansion of drugs will boost sales for the company.

Files EU Application for Once-daily Semaglutide 2.4mg-Dec 18

Novo Nordisk announced the submission of a Marketing Authorisation Application (MAA) to the European Medicines Agency (EMA) for subcutaneous Ozempic (semaglutide) 2.4 mg, a once-weekly glucagon-like peptide-1 (GLP-1) analogue for weight management. The company is seeking approval for the treatment of adults with obesity or overweight with at least one weight-related comorbidity, as an adjunct to reduced-calorie diet and increased physical activity. Obesity is a chronic disease that requires long-term management. In December 2020, the company submitted a new drug application (NDA) to the FDA for subcutaneous semaglutide 2.4 mg, analogue for chronic weight management.

To Enter Phase III development in Alzheimer's disease with Oral Semaglutide-Dec 16

Novo Nordisk announced the decision to enter phase III development in Alzheimer's disease with 14 mg oral semaglutide, a once-daily oral formulation of the long-acting GLP-1 analogue semaglutide. The decision follows evaluation of GLP-1 data from preclinical models, real-world evidence studies, post-hoc analysis of data from large cardiovascular outcomes trials, as well as discussions with regulatory authorities.

Novo Nordisk intends to initiate a pivotal phase IIIa programme with approximately 3,700 people with early Alzheimer's disease. The programme is planned for initiation in the first half of 2021 and will investigate the efficacy and safety of once-daily oral semaglutide, compared to placebo. The expected main treatment period in the trials is around two years.

Completes the Emisphere Technologies Acquisition-Dec 8, 2020

Novo Nordisk announced that the acquisition of Emisphere Technologies Inc. (Emisphere), announced on Nov 6, 2020, has now been completed.

FDA Approves Label Expansion of Saxenda-Dec 5

Novo Nordisk announced that the FDA has approved an updated label for Saxenda (liraglutide) injection 3 mg. The Saxenda Injection is now approved for the treatment of obesity in adolescents (12-17 years) with a body weight above 60 kg and an initial body mass index (BMI) corresponding to 30 kg/m² or greater for adults, as an adjunct to a reduced-calorie diet and increased physical activity.

We note that Saxenda is already indicated in the United States for chronic weight management in adults with a BMI greater than or equal to 30 kg/m², or 27 kg/m² or higher with at least one weight-related comorbidity, as an adjunct to a reduced-calorie diet and increased physical activity.

We note that the approval for label expansion of Saxenda was supported by data from a phase III study, which investigated the effects of

Saxenda compared to placebo for weight management in 251 adolescents (aged 12-18 years) living with obesity as an adjunct to lifestyle therapy. The primary endpoint was change from baseline in BMI Standard Deviation Score (SDS) at week 56. The data showed a significant reduction in BMI-SDS and reductions in BMI, mean body weight, as well as other weight-related endpoints versus placebo in adolescents with obesity when using Saxenda as an adjunct to lifestyle therapy.

A label expansion of the drug will lead to increased sales for the company.

Files for FDA Approval of Once Weekly Semaglutide 2.4 mg –Dec 4

Novo Nordisk announced the submission of a new drug application (NDA) to the FDA for subcutaneous semaglutide 2.4 mg, a once-weekly glucagon-like peptide-1 (GLP-1) analogue for chronic weight management. A priority review voucher has been applied to the NDA, leading to an anticipated review time of six months from the submission date, according to standard FDA review timelines. The potential indication is for the treatment of adults with obesity (BMI $\geq$ 30 kg/m²) or overweight (BMI $\geq$ 27 kg/m²) with at least one weight-related comorbidity, as an adjunct to reduced-calorie diet and increased physical activity. The submission is based on the results from the STEP phase IIIa clinical trial programme, which included more than 4,500 adults with obesity or overweight. Across the STEP programme, people with obesity treated with once-weekly semaglutide 2.4 mg achieved a statistically significant and superior reduction in body weight compared to placebo.

Novo Nordisk's Phase IIIb Study Meets Primary Endpoint-Nov 17

Novo Nordisk announced headline results from the SUSTAIN FORTE study, an efficacy and safety study with once-weekly semaglutide 2.0 mg versus once-weekly semaglutide 1.0 mg as add-on to metformin and/or sulfonylureas in 961 people with type II diabetes in need for treatment intensification. The phase IIIb study achieved its primary endpoint by demonstrating a statistically significant and superior reduction in HbA_{1c} of 2.2% at week 40 with semaglutide 2.0 mg compared with a 1.9% reduction with semaglutide 1.0 mg.

The results also showed that from a mean baseline body weight of 99.3 kg, people treated with semaglutide 2.0 mg experienced a statistically significant and superior weight loss of 6.9 kg compared with 6.0 kg with semaglutide 1.0 mg. People treated with semaglutide 2.0 mg experienced a statistically non-significant weight loss of 6.4 kg compared with 5.6 kg with semaglutide 1.0 mg. The study showed that patients in poor glycaemic control increase the likelihood of achieving their HbA_{1c} target when treated with semaglutide 2.0 mg.

Present new data from proof-of-concept trial in NASH-Nov 15

Novo Nordisk and Gilead Sciences, Inc. today announced results from a phase II proof-of-concept study. The five-arm study evaluated combinations of Novo Nordisk's semaglutide, a GLP-1 receptor agonist, with Gilead's investigational FXR agonist cilofexor and/or Gilead's investigational ACC inhibitor firsocostat over 24 weeks in 108 people with non-alcoholic steatohepatitis (NASH).

The study met its primary endpoint by demonstrating that in people with NASH and mild to moderate fibrosis all regimens were well tolerated. The most common adverse events (AEs) were gastrointestinal. Minimal pruritus (itching) was observed in people treated with cilofexor. Across all groups, 5–14% of people discontinued any trial treatment due to AEs.

The companies also presented preclinical data supporting the development of combination approaches in NASH. In the preclinical study, semaglutide alone and in combination with cilofexor and/or GS-834356 (an analogue of firsocostat) were administered daily for 12 weeks in a murine model of diet-induced NASH. The results demonstrated that while semaglutide significantly improved NASH and fibrosis-related endpoints, the addition of either cilofexor or the firsocostat analogue further improved liver fat reduction. The combination of all three agents had the greatest impact on changes in the NAFLD Activity Score (NAS).

The safety and efficacy of firsocostat, GS-834356 and cilofexor have not been established.

To acquire Emisphere Technologies-Nov 6

Novo Nordisk announced that it has entered into a definitive agreement to acquire Emisphere Technologies Inc. a drug delivery company with proprietary technologies, such as the Eligen SNAC technology, that enable oral formulations of therapeutics.

Per the agreement, Novo Nordisk will acquire all outstanding shares of Emisphere for \$1.350 billion. As part of the transaction, Novo Nordisk will also acquire related Eligen SNAC royalty stream obligations owed to MHR Fund Management LLC (MHR), the largest shareholder of Emisphere, for \$450 million. Consequently, the total acquisition price is \$1.8 billion.

With these acquisitions, Novo Nordisk eliminates its future royalty obligations to Emisphere and MHR and obtains full access to the Eligen SNAC

technology platform thereby enabling Novo Nordisk to expand the portfolio of oral biologic pipeline assets across therapy areas.

The acquisition of Emisphere provides Novo Nordisk full ownership of the Eligen SNAC technology, which has been successfully used under a licence agreement to develop the first oral biologic, Rybelsus.

Raises Sales & Operating Profit Outlook for 2020-Oct 8

Novo Nordisk announced preliminary third-quarter 2020 sales and operating profit results and raised 2020 sales and operating profit outlook at constant exchange rates (CER).

In the third quarter of 2020, the company's sales increased 7% and operating profit grew 7%, both at CER. The growth reflects that the negative impact due to COVID-19 was lesser than expected. Sales were positively impacted by inventory changes at the wholesale level in the United States.

Due to a lesser-than-expected impact of COVID-19 and the underlying market demand, the company raised its sales and operating profit outlook for 2020. It now expects sales growth in the range of 5-8%, up from the previous expectation of 3-6%. The company also expects operating profit guidance in the range of 5-8%, up from the prior expectation of 2-5%. The outlook is based on a number of assumptions related to the severity and duration of the impacts of COVID-19 along with other factors.

Switching to investigational once-weekly insulin icodec from other basal insulins to be efficacious-Sep 22

Novo Nordisk announced results from three phase II studies for insulin icodec, an investigational once-weekly basal insulin analogue, which were presented during the European Association for the Study of Diabetes (EASD) Annual Meeting 2020.

The first showed that switching to insulin icodec from other basal insulins using two different switch approaches was efficacious and well-tolerated compared to once-daily insulin glargine U100 and the switching approaches were without an increased risk of clinically significant or severe hypoglycaemic episodes compared to once-daily insulin glargine U100. This 16-week phase II study involved 154 adults with type II diabetes inadequately controlled with oral antidiabetic drugs and once/twice-daily basal insulin randomised to once-weekly insulin icodec with or without a loading dose or insulin glargine U100. The primary endpoint of the trial, the blood sugar 'time in range' 3.9–10.0 mmol/L during weeks 15 and 16, showed that people receiving insulin icodec with a loading dose demonstrated a significantly greater 'time in range' compared to insulin glargine U100 (73% vs 65%, respectively). People who received insulin icodec without a loading dose demonstrated similar blood sugar 'time in range' compared to insulin glargine U100 (66% vs 65%, respectively).

Rybelsus Approved in Japan to Treat Type II Diabetes-June 29

Novo Nordisk announced that the Japanese Ministry of Health, Labour and Welfare has approved Rybelsus (oral semaglutide), the first and only oral glucagon-like peptide-1 receptor agonist (GLP-1 RA) in a tablet, for the treatment of adults with Type II Diabetes.

The approval of Rybelsus in Japan is based on results from the PIONEER study, which involved more than 9,500 adults with Type II diabetes, including about 1,300 adults from Japan.

Novo Nordisk will now initiate reimbursement negotiations and expects to launch Rybelsus® in Japan thereafter. Novo Nordisk and MSD will be co-promoting Rybelsus in Japan.

Successfully completes AM833 Study and Combination trial of AM833 and Semaglutide in Obesity-June 18

Novo Nordisk announced the headline results from two studies with a novel once-weekly subcutaneous amylin analogue (AM833), a phase II monotherapy study and a phase I combination study of AM833 and once-weekly subcutaneous semaglutide 2.4 mg.

The 26-week blinded phase II monotherapy study with AM833 investigated safety, tolerability and efficacy for weight management in 706 people with obesity or overweight with at least one weight-related comorbidity. The patients were randomised to treatment with five different weekly doses of AM833 (0.3 mg, 0.6 mg, 1.2 mg, 2.4 mg, 4.5 mg), liraglutide 3.0 mg or placebo.

The study reached its primary endpoint by demonstrating a weight loss of 10.8% at week 26 with AM833 at the 4.5 mg dose, compared to a weight loss of 3.0 % with placebo. The treatment difference was statistically significant. AM833 appeared to have a safe and well-tolerated profile.

The 20-week multiple ascending dose phase I study investigated safety, tolerability, pharmacokinetics and weight loss potential of AM833 administered in combination with semaglutide 2.4 mg in 80 people with obesity or overweight.

After 20 weeks of treatment, participants receiving the highest dose lost an average of 17.1% body weight from a mean baseline body weight of 95.1 kg (secondary end-point)¹.

The study investigated the number of treatment-emergent adverse events (primary end-point) and AM833 was well-tolerated, with the most common adverse events being gastrointestinal disorders including nausea and vomiting, the majority being non-serious and mild or moderate in severity. The level of gastrointestinal disorders observed for the combination of AM833 and semaglutide in the trial was comparable to what is generally seen for glucagon-like peptides-1 (GLP-1) in monotherapy.

Once-weekly insulin Icodec Showed Comparable Efficacy and Safety-June 15

Novo Nordisk announced results from a phase II study of investigational insulin icodec, a once-weekly basal insulin analogue. In the trial, adults with type II diabetes randomised to once-weekly insulin icodec achieved similar blood sugar control and a similar safety profile compared with adults with type II diabetes randomised to once-daily insulin glargine U100.

This 26-week, phase II study involved 247 insulin-naïve adults with type II diabetes inadequately controlled with metformin with or without a DPP-

4i. The primary endpoint showed that the change from baseline to week 26 in blood sugar control (HbA_{1c}) was similar in participants receiving once-weekly insulin icodec compared to once-daily insulin glargine U100. Secondary endpoints included change in fasting plasma glucose (FPG) from baseline to week 26, which was similar for insulin icodec and insulin glargine U100, and the change from baseline to week 26 of the mean of the nine-point self-monitoring of blood glucose (SMBG) profile, which was greater for icodec.

Reports Data from EXPERT and PATHWAY Studies-June 13

Novo Nordisk announced results from two real-world studies: EXPERT, which confirmed the efficacy Ozempic (once-weekly semaglutide) demonstrated in the SUSTAIN study, and PATHWAY, which supported recommendations in clinical guidelines by showing that initiation of a GLP-1 receptor agonist (GLP-1 RA) helps people with type II diabetes reach their blood sugar goals (measured by HbA_{1c}) while also losing weight.

The EXPERT study showed that a switch to Ozempic from another GLP-1 RA in people with type II diabetes was associated with statistically significant reductions in blood sugar and weight, independent of the previous GLP-1 RA used.

The PATHWAY study showed that intensifying treatment with a GLP-1 RA resulted in a statistically significant increased likelihood of achieving HbA_{1c} below 7% and weight reduction from baseline compared with adding a further oral antidiabetic. These blood glucose and weight reductions were more pronounced compared with insulin intensification, where those taking a GLP-1 RA were almost twice as likely to achieve HbA_{1c} below 7% and approximately three times more likely to lose weight.

Reports STEP 2 and STEP 3 Study Data- June 12

Novo Nordisk announced headline results from the final two phase IIIa studies investigating once-weekly subcutaneous (sc) semaglutide 2.4 mg for weight management. STEP 2 in adults with obesity and type II diabetes (T2D) and STEP 3 as an adjunct to intensive behavioural therapy (IBT) in adults with obesity.

STEP 2 study compared the efficacy and safety of once-weekly sc semaglutide 2.4 mg after 68 weeks to placebo and once-weekly sc semaglutide 1.0 mg. Treatment was provided in conjunction with lifestyle intervention, in 1,210 adults with T2D and either obesity or overweight with comorbidities.

The study met both primary endpoints. In all people randomised, a statistically significant greater weight loss of 9.6% was achieved at 68 weeks with sc semaglutide 2.4 mg, from a mean baseline bodyweight of 99.8 kg, compared to placebo (3.4% weight loss) and sc semaglutide 1.0 mg (7.0% weight loss). 68.8% of those who received sc semaglutide 2.4 mg achieved a weight loss of 5% or more after 68 weeks, compared to 28.5% with placebo.

STEP 3 study investigated the effect of once-weekly sc semaglutide 2.4 mg after 68 weeks compared to placebo in 611 adults with obesity or overweight with comorbidities. Both treatments were in conjunction with IBT, defined as weekly behavioural support, dietician counselling and reduced calorie diet.

The study met both of its primary endpoints. In all people randomised, a statistically significantly greater weight loss of 16.0% was achieved with sc semaglutide 2.4 mg as an adjunct to IBT, from a mean baseline bodyweight of 105.8 kg, compared to a 5.7% weight loss with placebo plus IBT after the 68-week treatment period. 86.6% of those treated with sc semaglutide 2.4 mg achieved a weight loss of 5% or more after 68 weeks as an adjunct to IBT, compared to 47.6% with placebo plus IBT.

Novo Nordisk to Acquire Corvidia Therapeutics for \$725M Cash-June 11

Novo Nordisk announced that it has agreed to buy AstraZeneca Plc's spin-off, Corvidia Therapeutics, for an upfront payment of \$725 million in cash. With the acquisition, the company seeks to expand presence across a range of cardiometabolic diseases that are closely linked to Novo Nordisk's core business within diabetes and obesity. Upon meeting some regulatory and sales milestones, Novo Nordisk will make total payments of \$2.1 billion in cash to Corvidia's shareholders.

Corvidia's leading drug candidate, ziltivekimab, is in mid-stage clinical trials. Ziltivekimab is being evaluated in a phase IIb dose-finding study in patients who have an increased risk of atherosclerotic cardiovascular disease (ASCVD) with chronic kidney disease (CKD) and inflammation. Novo Nordisk remains optimistic about ziltivekimab and believes that the candidate has the potential to become a first- and best-in-class treatment to lower the burden of cardiovascular disease in a patient population that is at high risk of major adverse cardiovascular events. This acquisition recognizes the important scientific work Corvidia has been doing over the last five years in cardio-renal diseases with a focus on inflammation.

The transaction will not impact Novo Nordisk's previously communicated operating profit outlook for 2020. The company will fund the upfront payment from financial reserves, without affecting the ongoing share buyback program.

Valuation

Novo Nordisk's shares are up 5.8% in the past six months and up 16.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 4.3% and up 8.3% in the Zacks Medical sector in the past six months. Over the past year, the Zacks sub-industry is up 3.6% and the sector is up 5.9%.

The S&P 500 index is up 19.6% in the past six months and up 17.6% in the past year.

The stock is currently trading at 23.20X forward 12-month earnings per share, which compares to 14.50X for the Zacks sub-industry, 23.14X for the Zacks sector and 23.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.62X and as low as 13.75X, with a 5-year median of 19.32X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$73.00 price target reflects 24.43X forward 12-month earnings per share.

The table below shows summary valuation data for NVO

Valuation Multiples - NVO					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	23.2	14.5	23.14	23.16
	5-Year High	25.62	16.62	23.14	23.79
	5-Year Low	13.75	13.18	15.9	15.3
	5-Year Median	19.32	15.05	19.13	17.83
	Current	8.07	4.58	2.88	4.52

P/S F12M	Current	8.07	4.58	2.88	4.52
	5-Year High	8.62	4.85	3.17	4.52
	5-Year Low	4.73	3.88	2.26	3.2
	5-Year Median	6.77	4.42	2.85	3.68
P/B TTM	Current	17.46	6.58	4.5	6.53
	5-Year High	27.12	7.37	5.11	6.58
	5-Year Low	12.39	3.69	3.02	3.73
	5-Year Median	16.72	5.37	4.35	4.94

As of 01/12/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 49% (128 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. (ABBV)	Neutral	3
AstraZeneca PLC (AZN)	Neutral	3
GlaxoSmithKline plc (GSK)	Neutral	3
H Lundbeck AS (HLUYY)	Neutral	4
Innoviva, Inc. (INVA)	Neutral	3
Eli Lilly and Company (LLY)	Neutral	3
Merck & Co., Inc. (MRK)	Neutral	2
Sanofi (SNY)	Neutral	3

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

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	NVO	X Industry	S&P 500	ABBV	AZN	LLY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	A	B	C
Market Cap	163.26 B	167.15 B	26.90 B	193.81 B	131.99 B	171.04 B
# of Analysts	5	3	13	8	4	5
Dividend Yield	1.06%	2.28%	1.41%	4.30%	1.75%	1.66%
Value Score	B	-	-	B	B	B
Cash/Price	0.03	0.05	0.06	0.04	0.06	0.02
EV/EBITDA	18.27	14.98	15.05	22.44	21.03	28.27
PEG F1	2.58	2.04	2.62	1.53	1.16	1.53
P/B	17.45	5.20	3.76	12.68	9.69	34.24
P/CF	24.54	11.93	14.67	10.62	15.88	25.24
P/E F1	23.50	14.04	20.85	9.03	19.34	22.39
P/S TTM	8.55	4.45	3.00	4.77	5.10	7.37
Earnings Yield	4.26%	7.13%	4.69%	11.08%	5.17%	4.46%
Debt/Equity	0.04	0.83	0.70	5.38	1.34	3.27
Cash Flow (\$/share)	2.82	4.22	6.93	10.33	3.17	7.08
Growth Score	A	-	-	B	C	C
Historical EPS Growth (3-5 Years)	5.67%	6.62%	9.72%	21.23%	-2.63%	18.44%
Projected EPS Growth (F1/F0)	6.18%	6.04%	12.36%	16.02%	30.00%	6.29%
Current Cash Flow Growth	-0.50%	2.90%	5.22%	8.78%	2.12%	-7.51%
Historical Cash Flow Growth (3-5 Years)	7.63%	7.37%	8.37%	19.92%	-0.86%	9.27%
Current Ratio	1.04	1.23	1.38	0.95	0.96	1.36
Debt/Capital	4.24%	43.19%	41.97%	84.33%	57.30%	76.58%
Net Margin	32.65%	18.16%	10.44%	18.16%	9.65%	24.01%
Return on Equity	71.46%	34.64%	15.37%	439.24%	37.23%	166.45%
Sales/Assets	0.96	0.43	0.50	0.34	0.43	0.56
Projected Sales Growth (F1/F0)	3.24%	6.84%	6.00%	18.29%	17.03%	11.78%
Momentum Score	F	-	-	B	C	D
Daily Price Change	-1.55%	-0.68%	0.57%	0.70%	-0.53%	-3.84%
1-Week Price Change	0.59%	0.73%	2.23%	0.11%	1.74%	-1.44%
4-Week Price Change	-0.22%	4.39%	3.70%	6.77%	-1.06%	6.79%
12-Week Price Change	-2.69%	7.78%	14.39%	30.30%	-3.64%	24.52%
52-Week Price Change	16.36%	-2.86%	7.96%	24.47%	0.22%	27.12%
20-Day Average Volume (Shares)	963,052	2,656,772	1,754,762	5,951,660	12,402,855	3,283,684
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	-0.29%	0.00%
EPS F1 Estimate 4-Week Change	-1.01%	0.01%	0.06%	0.51%	2.67%	0.49%
EPS F1 Estimate 12-Week Change	-1.27%	-0.56%	2.55%	-0.11%	1.33%	-0.73%
EPS Q1 Estimate Monthly Change	-3.95%	0.00%	0.00%	2.31%	NA	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	B
Growth Score	A
Momentum Score	F
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.

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.