

Novartis AG (NVS)

\$84.22 (As of 07/24/20)

Price Target (6-12 Months): **\$88.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/10/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: A

Summary

Novartis' second-quarter results were hit by the coronavirus pandemic as sales fell short of expectations. Growth in Promacta/Revolade, Kymriah, Kisqali and Tafinlar + Mekinist as well as the launch uptake of Piqray were mostly offset by generic competition for Afinitor and Exjade and the negative impact of the pandemic, particularly in radioligand therapy. Moreover, the company tightened its outlook for 2020 to account for the adverse impact of the pandemic. Nevertheless, Cosentyx and Entresto gained market share. Novartis' strong oncology portfolio should maintain momentum. New launches like Piqray, Mayzent and Beovu should boost sales. The biosimilar portfolio also gains traction with new key approvals. However, pipeline setbacks and generic competition are concerning. Shares have underperformed the industry in the past year.

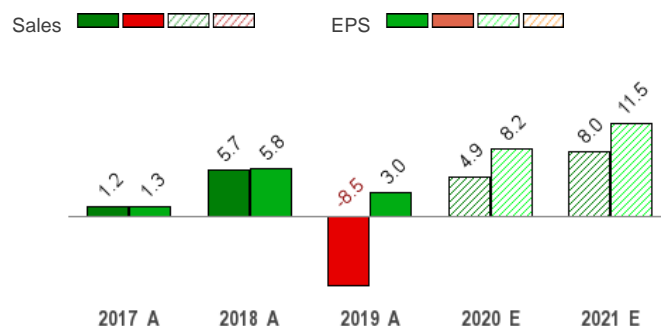
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$99.84 - \$69.18
20 Day Average Volume (sh)	1,414,778
Market Cap	\$192.8 B
YTD Price Change	-11.1%
Beta	0.50
Dividend / Div Yld	\$2.01 / 2.4%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Top 18% (45 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.7%
Last Sales Surprise	-2.6%
EPS F1 Est- 4 week change	0.5%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	15.0
P/E F1	14.9
PEG F1	1.7
P/S TTM	4.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					53,812 E
2020	12,283 A	11,347 A	12,884 E	13,513 E	49,831 E
2019	11,106 A	11,764 A	12,172 A	12,403 A	47,498 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$6.32 E
2020	\$1.55 A	\$1.35 A	\$1.37 E	\$1.48 E	\$5.67 E
2019	\$1.20 A	\$1.32 A	\$1.41 A	\$1.31 A	\$5.24 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 07/24/2020. The reports text is as of 07/27/2020.

Overview

Switzerland-based Novartis has one of the strongest and broadest portfolio of oncology drugs and generics, which has enabled it to maintain its dominant position as a top pharma company over the years. Novartis is one of the leaders in healthcare solutions with a wide array of drugs and a presence in not only oncology but neuroscience, cardiovascular and generics as well.

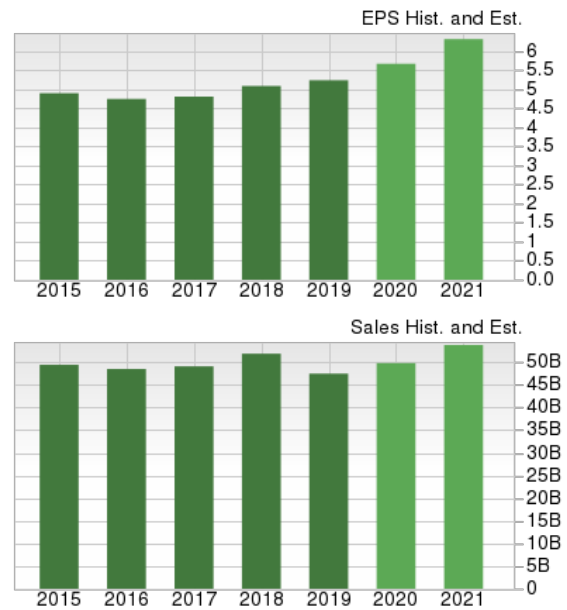
Novartis' efforts to strengthen its wide and deep oncology portfolio by developing breakthrough treatments had made it even more formidable in this space. The FDA approval of its breakthrough gene transfer treatment Kymriah in August 2017 bolstered its position in this relatively new but competitive space. Further, in May 2019, the FDA approved Zolgensma, the first and only gene therapy for pediatric patients with spinal muscular atrophy (SMA).

Given the evolving and competitive nature of the pharma business, Novartis has constantly taken steps to reshape its business with prudent acquisitions and strategic divestitures. In March 2015, Novartis acquired certain oncology products and pipeline compounds from Glaxo for \$16 billion. In exchange, it sold its non-influenza Vaccines business to Glaxo for \$7.1 billion. Also, the company has spun off the Alcon business into a separate company to focus better on its growing pharma business. In January 2015, Novartis divested its Animal Health division to Lilly for approximately \$5.4 billion. In July 2015, the company divested its influenza vaccines business to CSL Limited for \$275 million. Apart from these, the company continues to make small tuck-in acquisitions to broaden its pipeline. Novartis recently acquired The Medicines Company, adding inclisiran — a potentially transformative cholesterol-lowering therapy — to its portfolio.

Following the separation of the Alcon business, Novartis now has two operating segments:

- **Innovative Medicines** (Pharmaceuticals): Innovative patent-protected prescription medicines and ophthalmic pharmaceutical (79.5% of 2019 Sales).
- **Sandoz**: Generic pharmaceuticals (20.5% of 2019 Sales)

Revenues for 2019 came in at \$47.5 billion, up 6% from 2018.



Reasons To Buy:

- ▲ **Strong Oncology Portfolio:** Novartis has a strong oncology portfolio, consisting of drugs like Afinitor, Exjade, Jakavi, Zykadia, Tassigna, Luthathera, Promacta and Jadenu. Particularly, Promacta/Revolade, Tafenlar + Mekinist, Jakavi, and Luthathera have fueled the top line in the recent quarters. The FDA approval of Kisqali for the first-line treatment of postmenopausal women with hormone receptor positive, human epidermal growth factor receptor-2 negative (HR+/HER2-) advanced or metastatic breast cancer has boosted the company's oncology portfolio. The label expansion of Kisqali, Zykadia, Tafenlar plus Mekinist should further drive sales. Novartis acquired Endocyte to expand expertise in radiopharmaceuticals and transformational therapeutic platforms. The acquisition added 177Lu-PSMA-617, a potential first-in-class radioligand therapy, to its diverse portfolio. The therapy is in phase III development for metastatic castration-resistant prostate cancer (mCRPC). The recent approval of Piqray for advanced or metastatic breast cancer will further strengthen Novartis' oncology portfolio. The recent approval of Piqray for advanced or metastatic breast cancer and Taltrex for lung cancer has further strengthened Novartis' oncology portfolio.
- ▲ **First CAR T Therapy Approved:** In August 2017, the FDA approved its breakthrough gene transfer treatment, Kymriah suspension, for the treatment of patients up to 25 years of age with B-cell precursor acute lymphoblastic leukemia (ALL) that is refractory or in second or later relapse. The approval is a major boost for Novartis, given the potential in the CAR T therapy space. Kymriah is the first chimeric antigen receptor T cell (CAR-T) therapy that has been approved. A novel immunocellular therapy and one-time treatment, Kymriah, uses a patient's T cells to fight cancer. The approval opens up new frontiers in the treatment of cancer by advancing immunocellular therapy for children and young adults with r/r B-cell ALL. The uptake of the drug has been strong. Meanwhile, the FDA expanded the drug's label for the treatment of adult patients with relapsed or refractory (r/r) large B-cell lymphoma after two or more lines of systemic therapy, including diffuse large B-cell lymphoma (DLBCL), high grade B-cell lymphoma and DLBCL arising from follicular lymphoma. New approvals in this space will fortify the company's position further.
- ▲ **Novartis Forays Into Gene Therapy:** Novartis is looking to solidify its presence in the gene therapy space. In 2018, Novartis acquired U.S.-based, clinical-stage, gene-therapy company, AveXis, Inc, which is focused on developing novel treatments for patients suffering from rare and life-threatening neurological genetic diseases. In May 2019, the FDA approved Zolgensma, the first and only gene therapy for pediatric patients with spinal muscular atrophy (SMA), a rare genetic disorder. Zolgensma addresses the genetic root cause of SMA by providing a functional copy of the human SMN gene to halt disease progression through sustained SMN protein expression with a single, one-time intravenous (IV) infusion. The uptake of the drug was strong in 2019 and will likely propel sales in 2020.
- ▲ **Strong Biosimilars Business:** Sandoz is a strong player in the biosimilar market with five marketed biosimilars (Omnitrope, a human growth hormone; Binocrit, an erythropoiesis-stimulating agent used to treat anemia; and filgrastim for neutropenia under the brand names Zarzio outside the United States and Zarzio in the United States.). A biosimilar version of Rituxan (rituximab) was approved by the European Commission in June 2017 (marketed as Rixathon). In August 2016, Sandoz's Erelzi, a biosimilar version of Amgen blockbuster drug Enbrel gained approval in the United States for five indications. Erelzi was also approved by the European Commission in 2017. Sandoz also obtained approval for Zessly, a biosimilar version of Johnson & Johnson's Remicade, in Europe. The FDA also approved Hyrimoz, the biosimilar of Humira. Approval of additional biosimilars will fuel further growth.
- ▲ **New Drugs to Boost Portfolio:** The approval of new drugs and label expansion of existing drugs will boost the top line in the days to come. Heart failure drug, Entresto, and psoriasis drug, Cosentyx, have performed impressively since their launch. Psoriasis drug, Cosentyx, was also approved for the treatment of two new indications — ankylosing spondylitis (AS) and psoriatic arthritis (PsA) — in the EU in 2016. Moreover, the FDA approved Cosentyx for AS and PsA. The uptake of Cosentyx has been strong and the company has grabbed market shares from rivals, Humira and Enbrel. Novartis received FDA and EMA approvals for Cosentyx for the treatment of patients with non-radiographic axSpA, the fourth indication after moderate to severe plaque psoriasis, psoriatic arthritis and ankylosing spondylitis. Cosentyx also received a positive CHMP opinion for the treatment of pediatric psoriasis. The FDA also approved Mayzent (siponimod), a next generation, selective sphingosine 1-phosphate receptor modulator, for the treatment of adults with relapsing forms of multiple sclerosis (MS). The FDA recently approved Adakveo (crizanlizumab) to reduce the frequency of vaso-occlusive crises (VOCs) or pain crises in patients aged 16 years or above with sickle cell disease (SCD). The FDA also approved Beovu for the treatment of wet age-related macular degeneration and the drug has been launched in the United States. The drug also obtained a positive CHMP opinion in December. Strong uptake is expected from Beovu as it is the first FDA-approved anti-VEGF to offer greater fluid resolution as compared to market-leading drug, Eylea. Beovu's potential to treat patients with quarterly injections is a major positive and should enable it to capture market share. Approval of new drugs and label expansion of existing drugs bode well for the company, as it looks to streamline its business.
- ▲ **Developing Coronavirus Treatments:** Novartis and partner Incyte initiated a phase III study to evaluate the use of Jakavi in combination with standard of care (SoC) compared with SoC alone for COVID-19 infection. A phase III study on Ilaris (canakinumab) in patients with pneumonia as a result of SARS-CoV-2 infection is also ongoing. Data readouts from these studies are expected in the second half of 2020.
- ▲ **Acquisitions to Boost Pipeline:** Novartis acquired U.S.-based biopharmaceutical company, The Medicines Company, for \$85 per share in cash or a total valuation of \$9.7 billion, and added a potentially transformational investigational cholesterol-lowering therapy. The acquisition added a potentially first-in-class siRNA inhibitor targeting PCSK9, inclisiran, to its pipeline. Inclisiran is currently under review with the FDA and the European Medicines Agency (EMA) for use in adults with ASCVD or heterozygous familial hypercholesterolemia (HeFH), who have elevated LDL-C while being on a maximum tolerated dose of a LLT. Separately, Novartis continues to make small acquisitions to boost its pipeline and focus on other therapeutic areas apart from oncology. The Advanced Accelerator Applications acquisition added Lutathera to the company's portfolio.
- ▲ **Alcon Spin-Off Positive:** Novartis spun-off its ophthalmology division, Alcon, into a separately-traded standalone company in order to grow as a medicines company solely. The separation of the Alcon business is a step in the right direction, as the business was not performing as per management's expectations. While it did revive in between, the company decided to spin-off the same in order to focus better on its legacy drug business. Novartis acquired Alcon in 2011. The business then comprised surgical, vision care and ophthalmic pharmaceuticals.

Novartis has a strong oncology portfolio and continues to work on developing its immuno-oncology pipeline. Besides, Sandoz is working on further advancing its portfolio of biosimilars and generics.

The company is looking to restructure its business to become a core drug-focused company, powered by data and digital technologies.

▲ **Favorable Debt Profile:** Novartis has a favorable debt profile. As of Jun 30, the company's debt to total capital ratio stands at 39.1, which compares favorably to the industry's 52.4. A lower ratio indicates lower financial risk and vice versa. Moreover, the cash position of \$6.3 billion is up from \$4.5 billion at the end of the previous quarter. Moreover, the company carries an AA- rating from Fitch (as of Dec 12, 2019). The AA rating from the agency implies very low default risk. Overall, Novartis is in good financial health.

Reasons To Sell:

▼ **Share Price Performance:** Novartis' stock has underperformed the industry in the past year.

▼ **Generic Threat to Key Products:** We are highly concerned about the loss of patent protection for some of the key drugs in Novartis' portfolio. Gleevec/Glivec, Diovan and Exforge face continued and increasing generic competition in major markets. The loss of patent protection for these top-selling drugs continue to hurt sales. Patent protection for Exjade has expired in the United States. Generic competition is expected to start for Afinitor in 2020. Oncology drugs are facing competition from immuno-oncology therapies. Generic versions of Sandostatin SC are available in the United States, the EU and Japan.

Novartis is expected to face challenging conditions ahead due to generic competition for several of its key drugs.

▼ **Pipeline Setbacks a Concern:** Novartis suffered quite a few pipeline setbacks. The company received a complete response letter from the FDA in October 2018 regarding its supplemental Biologics License Application for ACZ885 (brand name Ilaris) in cardiovascular risk reduction. Earlier the company received a setback when a phase IIb/III study evaluating BYM338 (bimagrumab) in sporadic inclusion body myositis failed to meet the primary endpoint. Similar setbacks will weigh on the company as it looks to revive its core pharmaceutical business. Meanwhile, the FDA has recently approved a label update for ophthalmology drug, Beovu, to include additional safety information regarding retinal vasculitis and retinal vascular occlusion. The growth trajectory that Beovu takes up following this label update has yet to be seen.

▼ **Sandoz Facing Pricing Pressure:** The generic division, Sandoz, is facing stiff competition from companies that market patented pharmaceutical products as well as other generic and biosimilar pharmaceutical companies, which aggressively compete for market share, mainly through significant price competition. In particular, industry-wide price competition among generic pharmaceutical companies and consolidation of buyers caused significant declines in sales and profits of Sandoz in the United States.

Last Earnings Report

Novartis' Q2 Earnings Surpass Estimates, Sales Miss

Second-quarter 2020 core earnings (excluding one-time charges) of \$1.35 per share easily beat the Zacks Consensus Estimate of \$1.29 and increased from \$1.34 reported in the year-ago quarter.

However, revenues were down 4% year over year to \$11.3 billion as the impact of forward purchasing in the first quarter was reversed in the second quarter. Revenues missed the Zacks Consensus Estimate of \$11.6 billion. The outbreak of COVID-19 negatively impacted demand. Particularly, Lucentis and mature ophthalmology (\$0.3 billion), new patient starts in dermatology, and Sandoz retail were adversely impacted. Sales were mostly affected by lower new patient starts and a significant reduction in patient visits to physicians.

Quarter Ending **06/2020**

Report Date	Jul 21, 2020
Sales Surprise	-2.56%
EPS Surprise	4.65%
Quarterly EPS	1.35
Annual EPS (TTM)	5.62

Quarter in Detail

Novartis operates under two segments — Innovative Medicines and Sandoz (generics).

The Innovative Medicines division recorded sales of \$9.2 billion, up 1% year over year. Within this segment, the Pharmaceuticals business unit grew 1% as the uptake of Zolgensma and continued momentum in Entresto and Cosentyx were mostly offset by the negative impact of the pandemic, particularly in ophthalmology and new patient starts in dermatology.

Cosentyx sales increased 12% to \$944 million, driven by strong demand for all indications and gain of additional market share in the United States. However, growth was impacted by COVID-19 related disruptions in dermatology and rheumatology practices. Entresto sales grew 40% to \$580 million, driven by increased market share. Increasing contribution from Zolgensma (gene therapy for spinal muscular atrophy) also boosted this business unit.

Oncology BU grew 1% as growth in Promacta/Revolade, Kymriah, Kisqali and Tafinlar + Mekinist as well as the launch uptake of Piqray was mostly offset by generic competition for Afinitor and Exjade and the negative impact of the COVID-19 pandemic, particularly in radioligand therapy.

Sales at the Sandoz division were \$2.2 billion, down 9% due to COVID-19 impacts. Reversal of forward purchasing in the first quarter, lower retail demand and some contract discontinuations in the United States affected results. Nevertheless, biopharmaceutical sales grew 19%, driven by continued strong double-digit growth in Europe and the United States.

Guidance for 2020 Tightened

The company expects net sales in 2020 to grow in mid-single digits (previous guidance: mid to high-single digits). Innovative Medicines revenues are projected to grow in mid-single digits (previous guidance: mid to high-single digits). Revenues from Sandoz are expected to grow in low-single digits (same as before).

COVID-19 Update

Novartis and partner Incyte initiated a phase III study to evaluate the use of Jakavi in combination with standard of care (SoC) compared with SoC alone for COVID-19 infection. A phase III study on Ilaris (canakinumab) in patients with pneumonia as a result of SARS-CoV-2 infection is also ongoing. Data readouts from these studies are expected in the second half of 2020.

Key Pipeline Updates

Novartis received FDA and EMA approval for Cosentyx for the treatment of patients with non-radiographic axSpA, the fourth indication after moderate to severe plaque psoriasis, psoriatic arthritis and ankylosing spondylitis. Cosentyx also received a positive CHMP opinion for the treatment of pediatric psoriasis.

Meanwhile, the FDA approved a label update of Beovu to include additional safety information. The update includes characterization of adverse events — retinal vasculitis and retinal vascular occlusion — as part of the spectrum of intraocular inflammation observed in the HAWK and HARRIER trials and noted in the original prescribing information.

The FDA extended its review of the sBLA for ofatumumab, a self-administered, targeted B-cell therapy for patients with relapsing multiple sclerosis. Regulatory action is now expected in September 2020.

Recent News

Data on Beovu – Jul 27

Novartis announced results of a new post-hoc analysis of Beovu (brolucizumab) phase III HAWK and HARRIER studies demonstrating faster sustainable fluid control when compared with Eylea in patients with wet age-related macular degeneration (wet AMD). Sustained dryness was defined as the beginning of three or more consecutive fluid-free (absence of both IRF and SRF) visits, as measured over 96 weeks.

Adakveo Gets Positive CHMP Opinion – Jul 24

Novartis announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted a positive opinion recommending conditional marketing authorization to Adakveo (crizanlizumab) for the prevention of recurrent vaso-occlusive crises (VOCs), or pain crises, in patients with sickle cell disease aged 16 years and older. Adakveo can be given as an add-on therapy to hydroxyurea/hydroxycarbamide (HU/HC) or as monotherapy in patients for whom HU/HC is inappropriate or inadequate.

Jakavi Meets Goals in GVHD Study – Jul 23

Novartis announced that the phase III REACH3 study evaluating Jakavi (ruxolitinib) in patients with steroid-refractory or steroid-dependent chronic graft-versus-host disease (GvHD) met its primary endpoint of superior overall response rate (ORR) at week 24 versus best available therapy (BAT). The study also met key secondary endpoints, significantly improving failure-free survival and patient-reported symptoms assessed by a validated chronic GvHD-specific score¹. These topline results build on positive data from the previously reported REACH2 trial, which demonstrated that Jakavi improved outcomes across a range of efficacy measures in patients with steroid-refractory or steroid-dependent acute GvHD2.

EC Approval for Enerzair Breezhaler for Asthma – Jul 7

Novartis announced that the European Commission (EC) has approved Enerzair Breezhaler (QVM149; indacaterol acetate, glycopyrronium bromide and mometasone furoate [IND/GLY/MF]). It was granted approval as a maintenance treatment of asthma in adult patients not adequately controlled with a maintenance combination of a long-acting beta2-agonist (LABA) and a high-dose of an inhaled corticosteroid (ICS) who experienced one or more asthma exacerbations in the previous year.

Tabrecta approved in Japan – Jun 29

Novartis announced that the Japanese Ministry of Health, Labour and Welfare (MHLW) approved Tabrecta, an oral MET inhibitor, for MET exon 14 skipping (METex14) mutation-positive advanced and/or recurrent unresectable non-small cell lung cancer (NSCLC). Tabrecta is approved for first-line and previously treated patients, regardless of prior treatment type.

Valuation

Novartis' shares are down 11.1% in the year-to-date period and 8.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are down 0.1% and flat in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 9.8% while the sector is up 5.5%.

The S&P 500 index is down 0.1% in the year-to-date period but up 6.9% in the past year.

The stock is currently trading at 13.94X forward 12-month earnings per share which compares to 15.23X for the Zacks sub-industry, 22.79X for the Zacks sector and 22.51X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 19.3X and as low as 11.99X, with a 5-year median of 15.84X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$88.00 price target reflects 14.6X forward 12-month earnings per share.

The table below shows summary valuation data for NVS

Valuation Multiples - NVS

Stock	Sub-Industry	Sector	S&P 500
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P/E F12M	Current	13.94	15.23	22.79	22.51
	5-Year High	19.3	17.6	23.17	22.51
	5-Year Low	11.99	13.61	15.89	15.25
	5-Year Median	15.84	15.32	18.98	17.52
P/S F12M	Current	3.7	4.74	2.81	3.55
	5-Year High	4.84	4.85	3.74	3.55
	5-Year Low	3.14	3.88	2.22	2.53
	5-Year Median	3.84	4.4	2.9	3.02
P/B TTM	Current	3.58	6.77	4.37	4.4
	5-Year High	4.64	7.37	5.07	4.56
	5-Year Low	2.19	3.69	2.94	2.83
	5-Year Median	2.77	5.24	4.3	3.71

As of 07/03/2020

Industry Analysis Zacks Industry Rank: Top 18% (45 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Bayer Aktiengesellschaft (BAYRY)	Outperform	1
AbbVie Inc. (ABBV)	Neutral	2
GlaxoSmithKline plc (GSK)	Neutral	3
Eli Lilly and Company (LLY)	Neutral	3
MerckCo., Inc. (MRK)	Neutral	3
Pfizer Inc. (PFE)	Neutral	3
Roche Holding AG (RHHBY)	Neutral	2
Sanofi (SNY)	Neutral	3

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	NVS	X Industry	S&P 500	BAYRY	PFE	RHHBY
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	1	3	2
VGM Score	A	-	-	B	B	A
Market Cap	192.75 B	149.52 B	22.16 B	65.54 B	209.20 B	294.14 B
# of Analysts	5	3	14	2	4	4
Dividend Yield	2.38%	2.56%	1.81%	3.02%	4.04%	1.67%
Value Score	A	-	-	A	B	B
Cash/Price	0.02	0.04	0.06	0.09	0.05	0.04
EV/EBITDA	13.70	13.76	13.07	8.83	9.92	13.38
PEG Ratio	1.74	2.03	3.03	1.23	3.05	2.85
Price/Book (P/B)	3.58	3.93	3.11	1.23	3.20	8.15
Price/Cash Flow (P/CF)	10.66	11.09	12.27	5.05	9.16	13.44
P/E (F1)	14.85	15.11	21.88	9.01	13.09	16.36
Price/Sales (P/S)	4.00	4.13	2.38	1.31	4.13	NA
Earnings Yield	6.73%	6.62%	4.34%	11.10%	7.65%	6.12%
Debt/Equity	0.48	0.77	0.76	0.78	0.56	0.35
Cash Flow (\$/share)	7.90	4.22	7.01	3.48	4.11	3.20
Growth Score	B	-	-	D	B	A
Hist. EPS Growth (3-5 yrs)	1.77%	8.07%	10.82%	NA	8.07%	NA
Proj. EPS Growth (F1/F0)	8.28%	2.37%	-9.01%	10.17%	-2.46%	3.35%
Curr. Cash Flow Growth	4.27%	2.90%	5.47%	-8.03%	-6.57%	11.61%
Hist. Cash Flow Growth (3-5 yrs)	7.11%	7.37%	8.55%	6.30%	2.54%	9.89%
Current Ratio	0.81	1.11	1.31	1.40	1.02	1.30
Debt/Capital	32.25%	43.44%	44.41%	43.72%	35.70%	26.10%
Net Margin	14.96%	21.10%	10.46%	9.65%	31.17%	NA
Return on Equity	24.14%	33.97%	15.13%	14.15%	25.76%	NA
Sales/Assets	0.40	0.46	0.54	0.35	0.31	NA
Proj. Sales Growth (F1/F0)	5.03%	5.09%	-2.06%	-3.11%	-10.61%	6.42%
Momentum Score	A	-	-	B	D	B
Daily Price Chg	-0.79%	-0.97%	-0.65%	-0.23%	-1.95%	-2.45%
1 Week Price Chg	1.33%	4.11%	3.82%	0.20%	7.15%	2.83%
4 Week Price Chg	-6.00%	-1.81%	4.96%	-8.58%	16.52%	-3.96%
12 Week Price Chg	-0.60%	-0.90%	9.30%	6.81%	-1.82%	-1.20%
52 Week Price Chg	-8.45%	15.58%	-2.82%	6.48%	-11.74%	29.09%
20 Day Average Volume	1,414,778	1,949,145	2,026,477	385,767	33,207,946	955,126
(F1) EPS Est 1 week change	0.46%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.50%	0.06%	0.15%	2.09%	0.00%	0.19%
(F1) EPS Est 12 week change	-0.46%	1.04%	-3.24%	1.30%	6.75%	0.87%
(Q1) EPS Est Mthly Chg	-2.84%	-0.51%	0.00%	NA	-0.46%	NA

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 have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	A
Growth Score	B
Momentum Score	A
VGM Score	A

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

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