Novartis AG (NVS)

$86.60 (As of 08/28/20)

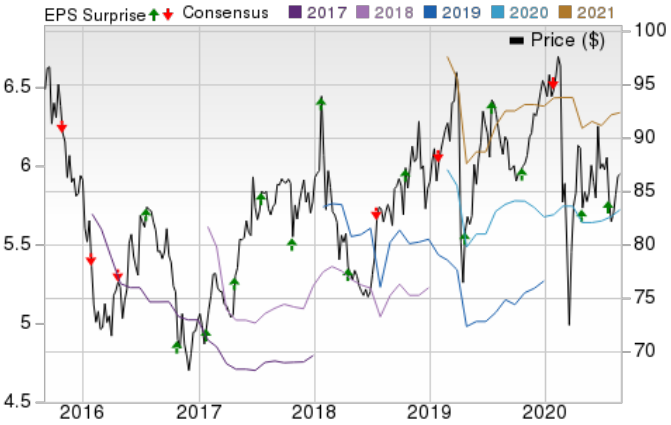
Price Target (6-12 Months): **$91.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/10/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: B | Growth: B | Momentum: C	

Summary

Novartis has a strong oncology portfolio. While the performance in the first half of 2020 was soft due to the coronavirus pandemic as growth in Promacta/Revolade, Kymriah, Kisqali and Tafinlar+Mekinist as well as the launch of Piqray were mostly offset by the generic competition for Afinitor and Exjade and the negative impact of the pandemic, particularly on the radioligand therapy. Moreover, the company tightened its outlook for 2020 due to the pandemic woes. Nevertheless, Cosentyx and Entresto gained a decent market share amid the current scenario. Piqray, Mayzent and Beovu should boost sales too further. The biosimilar portfolio also gains traction from key new approvals. However, pipeline setbacks and generic competition are concerning. Shares have underperformed the industry in the past year.

Price, Consensus & Surprise

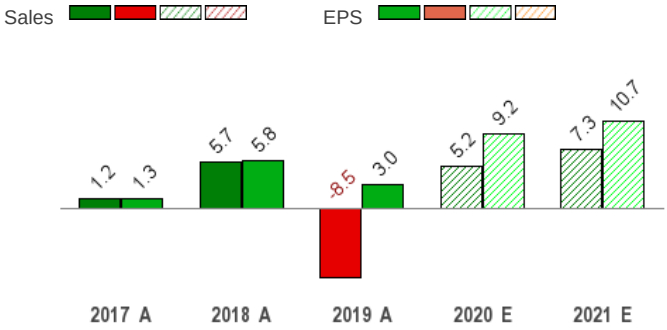


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$99.84 - $69.18**
20-Day Average Volume (Shares)	**1,641,616**
Market Cap	**$198.2 B**
Year-To-Date Price Change	**-8.5%**
Beta	**0.46**
Dividend / Dividend Yield	**$2.01 / 2.3%**
Industry	**Large Cap Pharmaceuticals**
Zacks Industry Rank	**Bottom 25% (188 out of 252)**
Last EPS Surprise	**4.7%**
Last Sales Surprise	**-2.6%**
EPS F1 Estimate 4-Week Change	**0.8%**
Expected Report Date	**NA**
Earnings ESP	**0.0%**
P/E TTM	**15.4**
P/E F1	**15.1**
PEG F1	**1.8**
P/S TTM	**4.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					53,600 E
2020	12,283 A	11,347 A	12,884 E	13,513 E	49,949 E
2019	11,106 A	11,764 A	12,172 A	12,403 A	47,498 A

EPS Estimates

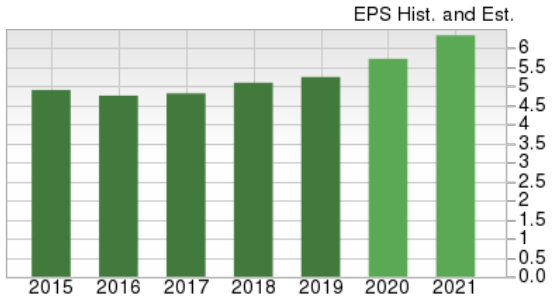
	Q1	Q2	Q3	Q4	Annual*
2021					$6.33 E
2020	$1.55 A	$1.35 A	$1.37 E	$1.48 E	$5.72 E
2019	$1.20 A	$1.32 A	$1.41 A	$1.31 A	$5.24 A

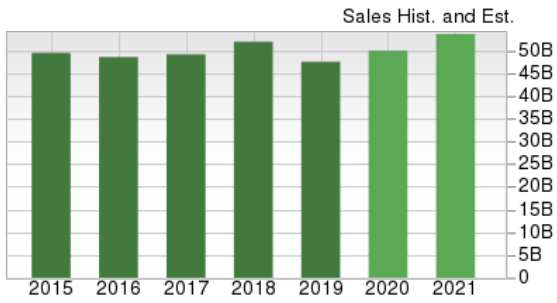
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/28/2020. The reports text is as of 08/31/2020.

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.

Source: Zacks Investment Research

Reasons To Buy:

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.

- **Strong Oncology Portfolio**: Novartis has a strong oncology portfolio, consisting of drugs like Afinitor, Exjade, Jakavi, Zykadia, Tasigna, Luthathera, Promacta and Jadenu. Particularly, Promacta/Revolade, Tafinlar + 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, Tafinlar 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 and that of Tabrecta for lung cancer 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 Zarxio 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. 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

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

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 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

Asciminib (ABL001) meets primary endpoint – Aug 26

Novartis announced positive data from a late-stage study, ASCEMBL, on pipeline candidate, asciminib, for the treatment of chronic myeloid leukemia. Asciminib (ABL001) is an investigational treatment, specifically targeting the ABL myristoyl pocket (STAMP). ASCEMBL is a phase III, multicenter, open-label, randomized study comparing asciminib with Bosulif in patients with Philadelphia chromosome-positive chronic myeloid leukemia in chronic phase (Ph+ CML-CP), previously treated with two or more tyrosine-kinase inhibitors (TKIs). The study met its primary endpoint of statistically significant superiority in major molecular response (MMR) rate at 24 weeks for asciminib as compared to bosutinib.

Data on Tafinlar + Mekinist – Aug 22

Novartis announced disappointing results from a late-stage study evaluating the investigational immunotherapy, spartalizumab (PDR001), in combination with the targeted therapies, Tafinlar (dabrafenib) and Mekinist (trametinib). COMBI-i was a randomized, double-blind, placebo-controlled phase III study comparing the combination of anti-PD1 spartalizumab with Tafinlar and Mekinist versus the combination of placebo, and Tafinlar and Mekinist. The study did not meet its primary endpoint of investigator-assessed progression-free survival. The trial was conducted among untreated patients with unresectable (Stage IIIC) or metastatic (Stage IV) BRAF V600 mutation-positive cutaneous melanoma.

Kesimpta Approval – Aug 20

Novartis announced that the FDA has approved the supplemental biologics license application (sBLA) for its novel B-cell therapy Kesimpta (ofatumumab). The drug is now approved as a subcutaneous injection for the treatment of adult patients with relapsing forms of multiple sclerosis (RMS) including a clinically isolated syndrome, relapsing-remitting disease and an active secondary progressive disease. The FDA nod was based on data from the phase III ASCLEPIOS I and II studies.

EC Approval for New Xolair — Aug 6

Novartis announced that the European Commission (EC) has approved Xolair (omalizumab) as an add-on therapy with intranasal corticosteroids (INC) for the treatment of adults (18 years and above) with severe chronic rhinosinusitis with nasal polyps (CRSwNP) for whom the therapy with INC does not provide adequate disease control.

Kymriah Meets Primary Endpoint — Aug 4

Novartis announced positive results from the phase II ELARA study of Kymriah (tisagenlecleucel) in patients with relapsed or refractory (r/r) follicular lymphoma (FL). In the interim analysis, the global study met its primary endpoint of a complete response rate (CRR) as assessed by an independent review committee. CRR is a standard measure of patient response to the therapy for FL.

Cosentyx Label Expansion — Aug 3

Novartis announced that the European Commission (EC) approved of Cosentyx (secukinumab) for the treatment of moderate-to-severe plaque psoriasis in children and adolescents aged six to less than 18 years. The recommended dose for children up to 50 kg is 75 mg (without a lower weight restriction) and 150 mg for children with 50 kg and above (150 mg as a starting dose, which may be increased to 300 mg, if needed).

Piqray Approved in Europe — Jul 29

Novartis announced that the European Commission (EC) has approved Piqray (alpelisib) in combination with fulvestrant for the treatment of postmenopausal women and men with hormone receptor positive, human epidermal growth factor receptor-2 negative (HR+/HER2-), locally advanced or metastatic breast cancer with a PIK3CA mutation after disease progression following endocrine therapy as a monotherapy.

Valuation

Novartis' shares are are down 8.2% in the year-to-date period and 2.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are up 1.7% and 0.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 14% while the sector is up 8.9%.

The S&P 500 index is up 8.2% in the year-to-date period and 19.5% in the past year.

The stock is currently trading at 14.21X forward 12-month earnings per share which compares to 14.94X for the Zacks sub-industry, 22.31X for the Zacks sector and 23.37X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 18.15X and as low as 11.99X, with a 5-year median of 15.81X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $91.00 price target reflects 14.9X forward 12-month earnings per share.

The table below shows summary valuation data for NVS

P/E F12M	Current	14.21	14.94	22.31	23.37
	5-Year High	18.15	16.62	23.21	23.37
	5-Year Low	11.99	13.61	15.89	15.25
	5-Year Median	15.81	15.32	18.97	17.58
P/S F12M	Current	3.8	4.76	2.81	3.82
	5-Year High	4.55	4.85	3.42	3.82
	5-Year Low	3.14	3.88	2.23	2.53
	5-Year Median	3.83	4.4	2.89	3.05
P/B TTM	Current	3.7	5.45	3.85	4.71
	5-Year High	4.64	7.37	5.07	4.71
	5-Year Low	2.19	3.69	2.94	2.83
	5-Year Median	2.77	5.26	4.29	3.76

As of 08/27/2020

Industry Analysis **Zacks Industry Rank:** Bottom 25% (188 out of 252)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. **(ABBV)**	Neutral	3
Bayer Aktiengesellschaft **(BAYRY)**	Neutral	4
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	3
Sanofi **(SNY)**	Neutral	3

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

Industry Comparison Industry: Large Cap Pharmaceuticals

	NVS	X Industry	S&P 500	BAYRY	PFE	RHHBY
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	A	-	-	A	B	A
Market Cap	198.20 B	150.58 B	23.71 B	61.16 B	210.66 B	297.36 B
# of Analysts	5	2	14	2	4	4
Dividend Yield	2.32%	2.33%	1.63%	3.24%	4.01%	1.66%
Value Score	B	-	-	A	B	C
Cash/Price	0.03	0.05	0.07	0.10	0.11	0.04
EV/EBITDA	13.97	14.46	13.37	8.44	10.06	13.53
PEG F1	1.77	2.05	3.08	1.18	3.06	2.88
P/B	3.68	5.20	3.22	1.15	3.26	8.24
P/CF	10.97	11.88	12.90	4.72	9.22	13.59
P/E F1	15.14	14.67	21.82	8.63	13.11	16.19
P/S TTM	4.11	4.28	2.52	1.27	4.28	NA
Earnings Yield	6.61%	6.82%	4.41%	11.59%	7.62%	6.17%
Debt/Equity	0.48	0.78	0.74	0.78	0.78	0.35
Cash Flow ($/share)	7.90	4.22	6.94	3.48	4.11	3.20
Growth Score	B	-	-	A	D	A
Historical EPS Growth (3-5 Years)	2.64%	7.34%	10.41%	-4.00%	7.38%	NA
Projected EPS Growth (F1/F0)	9.12%	7.54%	-4.94%	7.34%	-1.95%	5.61%
Current Cash Flow Growth	4.27%	2.90%	5.22%	-8.03%	-6.57%	11.61%
Historical Cash Flow Growth (3-5 Years)	7.11%	7.37%	8.50%	6.30%	2.54%	9.89%
Current Ratio	0.81	1.24	1.35	1.40	1.42	1.30
Debt/Capital	32.25%	43.67%	43.86%	43.72%	43.90%	26.10%
Net Margin	14.96%	19.20%	10.25%	-12.80%	28.80%	NA
Return on Equity	24.14%	31.21%	14.66%	13.85%	25.11%	NA
Sales/Assets	0.40	0.43	0.50	0.34	0.29	NA
Projected Sales Growth (F1/F0)	5.28%	5.05%	-1.43%	-1.36%	-10.17%	8.33%
Momentum Score	C	-	-	B	B	B
Daily Price Change	-0.46%	-0.42%	0.71%	-1.65%	0.13%	-0.25%
1-Week Price Change	2.07%	0.89%	-1.45%	-1.01%	2.15%	3.13%
4-Week Price Change	2.81%	-2.16%	4.59%	-2.76%	-2.14%	-2.19%
12-Week Price Change	1.74%	0.86%	4.86%	-8.41%	5.28%	0.28%
52-Week Price Change	-2.71%	12.15%	3.09%	-12.47%	7.30%	26.81%
20-Day Average Volume (Shares)	1,641,616	2,095,590	1,887,168	466,031	20,682,762	827,843
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.78%	0.95%	0.79%	-2.56%	-0.49%	2.19%
EPS F1 Estimate 12-Week Change	1.45%	1.95%	3.43%	1.60%	1.25%	3.17%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	NA	-4.15%	NA

Source: Zacks Investment Research

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	B
Momentum Score	C
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.

Disclosures

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Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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