

Pfizer Inc.(PFE)

\$37.79 (As of 08/31/20)

Price Target (6-12 Months): **\$40.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/01/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: D

Momentum: B

Summary

The Consumer Healthcare joint venture with Glaxo, the Array acquisition and the pending merger of Upjohn unit with Mylan, if successful, will make Pfizer a smaller company with a diversified portfolio of innovative drugs and vaccines. The smaller Pfizer should see better revenue growth as the Lyrica LOE cliff will go away. Pfizer expects continued strong growth of key brands like Ibrance, Inlyta and Eliquis to drive sales in the second half. Pfizer also has a strong portfolio of new drugs, which will accelerate growth. However, Pfizer experienced significant coronavirus-related business disruption in Q2, which is expected to ease in the second half of 2020. Meanwhile, currency headwinds and pricing pressure are other top-line headwinds. Shares have underperformed the industry this year so far.

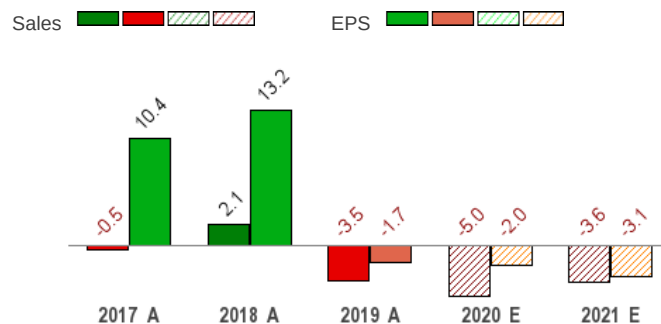
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$40.97 - \$27.88
20-Day Average Volume (Shares)	20,840,686
Market Cap	\$210.0 B
Year-To-Date Price Change	-3.6%
Beta	0.67
Dividend / Dividend Yield	\$1.52 / 4.0%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Top 43% (109 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	21.9%
Last Sales Surprise	-0.6%
EPS F1 Estimate 4-Week Change	-0.2%
Expected Report Date	11/03/2020
Earnings ESP	12.5%
P/E TTM	13.1
P/E F1	13.1
PEG F1	2.2
P/S TTM	4.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	10,700 E	10,600 E	10,900 E	11,700 E	47,438 E
2020	12,028 A	11,801 A	12,271 E	11,982 E	49,186 E
2019	13,118 A	13,264 A	12,680 A	12,688 A	51,750 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.69 E	\$0.66 E	\$0.63 E	\$0.64 E	\$2.80 E
2020	\$0.80 A	\$0.78 A	\$0.69 E	\$0.55 E	\$2.89 E
2019	\$0.85 A	\$0.80 A	\$0.75 A	\$0.55 A	\$2.95 A

*Quarterly figures may not add up to annual.

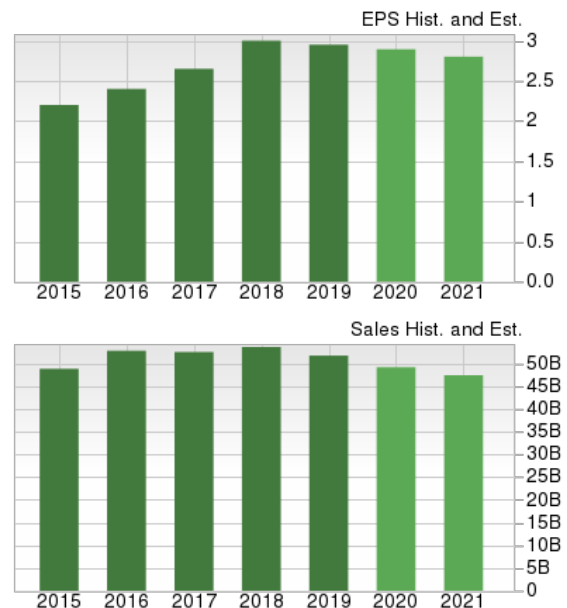
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/31/2020. The reports text is as of 09/01/2020.

Overview

With eight blockbuster products in its portfolio, New York-based, Pfizer, Inc. boasts a sustainable pipeline with multiple late-stage pipeline programs that can drive growth. Pfizer markets a wide range of drugs and vaccines and reports under two business units — Pfizer Biopharmaceuticals Group and Upjohn. Biopharma comprises six business units — Oncology, Inflammation & Immunology, Rare Disease, Hospital, Vaccines and Internal Medicine. Upjohn is a global, off-patent branded and generic established medicines business, which includes 20 off patent solid oral dose legacy brands, as well as certain generic medicines. In July 2019, Pfizer announced a definitive agreement to spin-off the Upjohn unit and combine it with generic drugmaker Mylan to create a new generic pharmaceutical company to be called Viatris. The transaction is expected to close in the fourth quarter of 2020. The Consumer Healthcare segment, an over-the-counter medicines business, was merged with Glaxo's unit in July 2019 to form a new joint venture (JV). Pfizer owns a stake of 32% in the JV and Glaxo owns the remaining 68%.

The Consumer Healthcare joint venture with Glaxo and the pending merger of Upjohn unit with Mylan, if successful, will make Pfizer a smaller company with a diversified portfolio of innovative drugs and vaccines. The smaller Pfizer should see better revenue growth as the Lyrica loss of exclusivity cliff will go away. However, its Upjohn unit is a cash rich business and its divestiture will reduce the company's cash flow. Pfizer's acquisition strategy has evolved from making huge acquisitions to buying early to mid-stage opportunities, which cost much less than the massive deals. Its key acquisitions include cancer-focused biotech Array BioPharma in July 2019, cancer-focused biopharma company, Medivation in September 2016, Anacor in June 2016, sterile injectable drugs and biosimilars manufacturer, Hospira in September 2015, King Pharmaceuticals in February 2011 and Wyeth in October 2009.

Worldwide sales were \$51.8 billion in 2019 (down 4%). Biopharmaceuticals and Upjohn segments accounted for 76% and 20% of total revenues, respectively in 2019. Biopharmaceuticals segment sales were \$39.4 billion in 2019, up 5% year over year. Upjohn recorded sales of \$10.23 billion, down 18%.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Acquisitions to Boost Growth & Pipeline:** Pfizer's October 2009 acquisition of Wyeth helped the company become more diversified with a stronger presence in emerging markets. Wyeth's large biologics platform, strong presence in vaccines, and significant consumer products businesses has been beneficial for Pfizer. Pfizer realized synergies of more than \$4 billion from the Wyeth acquisition.

The September 2015 Hospira acquisition has significantly expanded Pfizer's sterile injectable and biosimilar capabilities. The acquisition provided Pfizer with Hospira's lucrative biosimilar portfolio of both marketed and pipeline assets.

In 2016, the company spent approximately \$40 billion on acquisitions, which enhanced the company's growth potential by expanding its footprint in the highest-growth therapeutic areas. The June 2016 Anacor acquisition added Eucrisa (crisaborole) topical ointment for treating eczema to Pfizer's pipeline. The Bamboo Therapeutics acquisition (August 2016) complemented Pfizer's rare disease portfolio and enhanced its leadership position in gene therapy. The September 2016 acquisition of cancer-focused biopharma company, Medivation, added prostate cancer (castration-resistant) treatment, Xtandi, and talazoparib (now approved as Talzenna), an orally-available PARP inhibitor, to Pfizer's portfolio, which further strengthened its cancer franchise.

The Consumer Healthcare JV with Glaxo, the Array acquisition and the pending merger of Upjohn unit with Mylan, if successful, will make Pfizer a smaller company with a diversified portfolio of innovative drugs and vaccines

- ▲ **Active on the Licensing and Collaboration Front:** In addition to acquisitions, Pfizer is looking to drive growth through licensing deals and collaborative agreements. Pfizer has a co-marketing deal with Merck for new type II diabetes medicine Steglatro, both as a monotherapy and also in two fixed-dose combinations with metformin and with Januvia/sitagliptin. Other agreements include the development and commercialization of Eliquis with Bristol-Myers Squibb, Xtandi with Astellas and Bavencio with Merck KGaA. In December 2016, Pfizer acquired the rights to AstraZeneca's late-stage small-molecule anti-infectives business, primarily in ex-U.S. markets.

- ▲ **New Drugs and Deep Pipeline to Drive Long-Term Growth:** Pfizer has committed significant number of resources toward the development of treatments in the fields of oncology, internal medicine, rare diseases, immunology, inflammation, vaccines and hospital. Pfizer expects approximately 25 to 30 drug approvals through 2022, including around 15 products that have blockbuster potential, including line-extensions for Xtandi, Ibrance & Xeljanz/XR.

In oncology, Pfizer gained FDA approval for several innovative medicines like Daurismo, Lorbrena, Vizimpro, Talzenna, Besponsa, and Mylotarg in 2017/2018, which can boost its oncology sales. Braftovi plus Mektovi, which Pfizer acquired following its acquisition of Array BioPharma, was launched as a treatment for BRAF-mutant melanoma, in 2018. Meanwhile, the combination therapy is being investigated in over 30 studies across several solid tumor indications.

A key candidate in the oncology pipeline is Bavencio (avelumab), which is being evaluated for different types of cancer while being already approved for Merkel cell carcinoma and second-line/first line treatment of locally advanced or metastatic urothelial carcinoma. Bavencio is also approved for use in combination with Inlyta for first-line treatment of advanced kidney cancer. Though approved for these three small indications currently, Bavencio can be a key long-term growth driver for Pfizer if it gains label expansion approvals. Avelumab is being evaluated in various studies as a single agent as well as in various combinations with Pfizer/Merck KGaA's approved and investigational oncology therapies.

Interesting non-oncology pipeline candidates include abrocitinib/PF-04965842 (JAK selective inhibitor for atopic dermatitis – phase III; NDA filing expected in third quarter of 2020), ritlecitinib/PF-06651600 (JAK3 inhibitor for severe alopecia areata – phase III), PF-06482077 (20-valent pneumococcal conjugate vaccine – phase III; NDA filing expected in the fourth quarter of 2020), tanezumab (osteoarthritis pain – under review in the United States), somatrogon (children with growth hormone deficiency – phase III) PF-06886992 (pentavalent meningococcal vaccine candidate - phase III), PF-06928316 (respiratory syncytial virus (RSV) vaccine candidate - phase III) and fidanacogene elaparovect/PF-06838435 (gene therapy for hemophilia B –phase III). Meanwhile, Vyndaqel and Vyndamax, two oral formulations of tafamidis to treat transthyretin cardiomyopathy (TTR-CM), were approved and launched in the United States in 2019 and are off to a strong start.

Pfizer is also working on expanding the labels of approved products like Ibrance, Xeljanz, Xalkori and Eliquis. Xeljanz was approved in the United States for new indications, psoriatic arthritis in December 2017 and ulcerative colitis in May 2018. Xeljanz is also being evaluated in late-stage studies for ankylosing spondylitis (AS) with top-line data expected to be presented in 2020. Pfizer is exploring the possibility of expanding Ibrance into recurrent and subsequent early breast cancer.

Pfizer looks well positioned to deliver several potential new breakthrough innovative medicines in the next five years, which can drive long-term growth.

- ▲ **Growing Biosimilar Portfolio:** Pfizer launched Inflectra, its first biosimilar version of Remicade in November 2016. Inflectra was the first biosimilar monoclonal antibody available in the United States and its sales are growing in certain U.S. channels as well as in developed Europe. Gradually, Pfizer is venturing into the oncology biosimilars space. In Europe and United States, Pfizer markets biosimilar versions of Amgen's drugs Neupogen and Epogen. Biosimilar versions of Roche's cancer drugs Herceptin (trade name: Trazimera), Avastin (trade name: Zirabev) and Rituxan (trade name: Ruxience) and AbbVie's Humira (trade name: Abrilada) were approved by the FDA in 2019. Zirabev, Trazimera and Ruxience were launched in the United States in early 2020. Abrilada will be launched in 2023 per a settlement with AbbVie. In June 2020, Pfizer gained FDA approval for Nyvepria, a biosimilar version of Amgen's drug Neulasta which will be launched in 2020. Biosimilar versions of Herceptin, Avastin and Rituxan are also approved in the EU. Pfizer is evaluating several biosimilar molecules in various stages of development.

- ▲ **Cost-Cutting Initiatives & Shareholder Returns:** With several new product launches lined up for the next few years, Pfizer will need to make investments in new market creation activities. Pfizer is taking steps to simplify the organization, increase spans of control and reduce

organizational layers to reduce bureaucracy and expedite decision making.

In 2017/2018, Pfizer undertook more cost-reduction/productivity initiatives, which generated cost savings of approximately \$1.6 billion in the three-year period 2017-2019. In 2020, Pfizer will be working to transform into a more focused company with CHC JV and Upjohn transactions. Actions in this regard are expected to result in cost savings of about \$1.1 billion to be achieved over the three-year period 2020-2022.

Pfizer is also looking to reward shareholders through share buybacks and dividends. The company returned about \$16.9 billion to shareholders in the form of dividends and share buybacks in 2019, \$20.2 billion in 2018 and 12.7 billion in 2017

▲ **Favorable Debt Profile:** Pfizer has \$50.5 billion in long term debt and \$13.1 billion in short term debt as of Jun 30, 2020. Its cash of \$22.8 billion is sufficient to meet its short term debt obligations. As of Jun 30, 2020, the company's debt to total capital stands at 43.9%, which is higher than 35.7% as of Mar 31, 2020. However, the company carries an A1 rating from Moody's (as of Jun 30, 2020) for its long term debt which indicates low credit risk. For its short term debt (commercial paper) Moody's has assigned a P-1 rating which means the company has a high ability to repay short term debt. Overall, Pfizer is in good financial health.

Reasons To Sell:

▼ **Shares Underperforming Industry:** Pfizer's shares have lost 3.5% this year so far compared with the industry's increase of 1.4%.

▼ **Generics Remain a Headwind:** We are concerned about the patent expiration faced by several products in Pfizer's portfolio over the next few years. Pristiq and Viagra lost patent exclusivity in the United States in 2017 and are facing generic competition. In 2019, Pfizer's sales were significantly hurt by the loss of Lyrica exclusivity in June 2019 (multi-source generic competition began in July 2019) in the United States. Loss of exclusivities (LOEs) is expected to hurt 2020 sales by \$2.4 billion mainly due to Lyrica generic erosion.

Some other products like Chantix and Sutent will lose exclusivity in the country in 2020 (November) and 2021, respectively. Meanwhile, many companies are seeking approval for generic versions of other key products like Ibrance and Xeljanz. Generic competition not only puts pressure on the company's pricing, it will also impact gross margins.

▼ **Rising Competition in Immuno-Oncology Market:** Although Pfizer is among the major players in immunotherapy, there are several other companies, big as well as small, looking to develop and bring immunotherapy treatments to market. Rising competition in the immuno-oncology market is a significant concern.

In the breast cancer market, competition for Ibrance has increased with launches for Eli Lilly's Verzenio and Novartis' Kisqali. Xtandi faces competition from J&J's new prostate cancer drug Erleada as well as generic versions of Zytiga.

▼ **Pipeline Setbacks:** Pfizer has faced high profile pipeline failures in the CNS category including insomnia drug Indiplon and antipsychotic asenapine. Pfizer's CNS franchise has been significantly impacted by the loss of exclusivity on Zoloft and the failure of these two candidates. The category remains a significant need for Pfizer, which we believe was part of the interest in Wyeth. Pfizer's other high-profile pipeline failures include bapineuzumab IV for Alzheimer's disease, torcetrapib for high cholesterol, dalbavancin (Zeven), an antibiotic for the treatment of skin infections, inhaled insulin drug Exubera, Sutent for liver cancer, melanoma candidate tremelimumab, bococizumab (a PCSK9 inhibitor for the treatment of elevated cholesterol) and OTC Lipitor.

▼ **Global Pricing Pressure:** Global efforts toward health care cost containment are creating pricing pressure on drugs and market access. While many of the company's drugs face pricing pressure in the United States, in many markets outside the United States, government-mandated pricing actions have led to lowering of generic and patented drug prices. All these factors are creating pressure on sales and profits of pharma companies. Also changes in the U.S. healthcare system as part of the health care reforms could further create pricing pressure.

This pricing pressure is expected to continue and hurt the top line in the future quarters.

Currency headwinds and pricing pressure are top-line headwinds.

Last Earnings Report

Pfizer Q2 Earnings Top, Sales Hurt by Coronavirus, View Up

Pfizer reported second-quarter 2020 adjusted earnings per share of 78 cents, which beat the Zacks Consensus Estimate of 64 cents. Earnings however declined 2% year over year due to lower revenues and higher R&D costs.

Revenues came in \$11.80 billion, which marginally missed the Zacks Consensus Estimate of \$11.88 billion. Sales declined 11% from the year-ago quarter on a reported basis. On an operational basis, excluding the 2% negative impact of currency, revenues declined 9% year over year hurt by business disruption and reduced doctor visits in the United States amid the coronavirus pandemic. Second-quarter revenues included a net negative impact of approximately \$500 million, or 4%, due to COVID-19.

Overall, higher sales of some key brands in Pfizer's Biopharmaceuticals group were offset by revenue decline in the Upjohn segment and sales lost due to the spin-off of the Consumer Healthcare (CHC) unit.

Importantly, excluding the spin-off of the Consumer Healthcare (CHC) unit, second-quarter revenues declined 3% operationally.

In the quarter, new prescriptions for some drugs and of vaccination rates for most vaccines slowed in certain markets, including the United States due to reduced patient visits to doctors amid COVID-19-related mobility restrictions & limitations. Its sales and marketing activities were hurt significantly in the United States in the quarter due to widespread restrictions on in-person meetings with doctors. However, some of Pfizer's medicines — Prevnar 13/Prevenar 13 in international markets and certain sterile injectable products — saw increased demand due to COVID-19.

International revenues declined 8% to \$6.4 billion. On an operational basis, international sales declined 4% in the quarter. U.S. revenues declined 15% to \$5.4 billion.

Adjusted selling, informational and administrative (SI&A) expenses declined 17% (operationally) in the quarter to \$2.8 billion due to decreased sales and marketing activities due to the COVID-19. Adjusted R&D expenses rose 4% to \$1.9 billion.

Segment Discussion

Pfizer Biopharma sales grew 4% on a reported basis (up 6% on an operational basis) from the year-ago period to \$9.8 billion. In the Biopharma group, the revenue growth was led by higher volumes as net price had a negative impact of 2% on the segment's growth. Higher sales of brands like Eliquis, Ibrance, Inlyta and Vyndaqel/Vyndamax and higher biosimilars revenues drove this segment's sales growth. Weaker sales of Prevnar 13/Prevenar 13 in the United States, Chantix in the United States and Enbrel internationally offset the increase.

Within the Biopharma group, Oncology revenues increased 20% (on an operational basis) to \$2.65 billion. Vaccine revenues however declined 6% to \$1.25 billion. Internal Medicine rose 4% to \$2.3 billion. The Inflammation & Immunology franchise declined 3% to \$1.15 billion. The portfolio of Rare Disease rose 34% to \$681 million. Hospital sub-segment's sales were flat at \$1.8 billion. The Hospital segment comprises Pfizer's global portfolio of sterile injectable and anti-infective medicines.

Pfizer's Upjohn group's sales declined 32% on a reported basis (31% on an operational basis) to \$2 billion mainly due to U.S. loss of exclusivity of Lyrica.

Performance of Key Drugs

Ibrance revenues rose 9% year over year to \$1.35 billion as consistent CDK class market share growth in the United States offset the impact of pricing pressure in certain European markets. The pricing pressure will continue to hurt international Ibrance revenues in the second half of 2020.

Xeljanz sales rose 5% to \$635 million as higher volumes were offset by higher rebating from new commercial contract, which resulted in a lower net price. While U.S. revenues were flat, international sales rose 20%.

Inlyta revenues were \$195 million in the quarter, up 89% driven mainly by 120% growth in the United States. U.S. sales gained from increased uptake, resulting from FDA approvals granted in 2019 for the combination of Inlyta plus Bavencio and Inlyta plus Keytruda in first-line treatment of advanced renal cell carcinoma patients

Global Prevnar 13/Prevenar 13 revenues declined 2% to \$1.12 billion. Prevnar 13 revenues declined 22% in the United States due to slowdown in vaccination rates amid COVID-19-related mobility restrictions & limitations. Prevenar 13 revenues rose 18% in international markets driven by significantly increased adult uptake as people developed more vaccine awareness amid the COVID-19 pandemic.

Enbrel revenues declined 16% to \$337 million due to continued biosimilar competition in key European markets as well as in Japan and Brazil. Eliquis alliance revenues and direct sales rose 19% to \$1.27 billion driven by continued increased adoption in nonvalvular atrial fibrillation as well as oral anticoagulant market share gains. However, lower prices and COVID-19-related unfavorable wholesaler buying patterns hurt Eliquis' sales somewhat in the second quarter. Xalkori sales rose 7% to \$138 million. Xtandi recorded alliance revenues of \$266 million in the quarter, up 32% year over year. Sutent sales declined 13% to \$209 million. Chantix sales declined 14% to \$235 million in the quarter due to expected lower demand from infrequent patient visits to doctors.

Importantly, new drug Vyndaqel/Vyndamax recorded sales of \$277 million in the quarter compared with \$231 million in the previous quarter, driven by strong performance in the United States. However, Pfizer saw a slowdown in new diagnosis in the quarter as fewer patients visited doctors amid the mobility restrictions.

Quarter Ending 06/2020

Report Date	Jul 28, 2020
Sales Surprise	-0.63%
EPS Surprise	21.88%
Quarterly EPS	0.78
Annual EPS (TTM)	2.88

Braftovi and Mektovi, which Pfizer acquired following its acquisition of Array BioPharma in 2019, recorded sales of \$36 million and \$32 million, respectively in the second quarter of 2020.

Total biosimilar revenues were \$289 million, up 36% year over year driven by 120% growth in oncology biosimilars. Inflectra/Remsima recorded sales of \$150 million globally, up 1% year over year. New biosimilar product, Retacrit, a biosimilar of Epogen and Procrit, recorded \$87 million of revenues in the quarter versus \$89 million in the previous quarter.

In sterile injectables, global revenues increased 4% operationally to \$1.24 billion and U.S. revenues increased 14% operationally driven by increasing demand due to the COVID-19 pandemic and as Pfizer's manufacturing recovery efforts started taking shape. Pfizer saw an increase in demand for its sterile injectable products utilized in the intubation and ongoing treatment of mechanically ventilated COVID-19 patients.

In the Upjohn segment, sales of key drug Lyrica declined 70% to \$349 million due to multi-source generic erosion. Viagra sales declined 15% to \$94 million due to generic competition. However, sales were strong in China in the second quarter. Upjohn revenues in China grew 17% operationally driven primarily by Lipitor and Norvasc.

2020 Guidance

Pfizer expects trends of patient visit to doctors, vaccinations and elective surgical procedures to improve from third-quarter onward. Meanwhile, new prescription trends for certain key medicines are also expected to improve from the third quarter onward. Enrollment in clinical studies and new study starts resumed in the quarter after a brief pause in April and are expected to continue through the rest of the year. Pfizer's manufacturing and supply chain activities were not materially disrupted by COVID-19.

Pfizer slightly raised its financial guidance for 2020 for the present Pfizer as well as for the "New Pfizer", after the Upjohn divestiture. Revenue guidance range was slightly upped from \$48.5 billion to \$50.5 billion to \$48.6 billion to \$50.6 billion. Adjusted earnings per share guidance was upped from a range of \$2.82-\$2.92 to \$2.85-\$2.95.

Research and development expense guidance for present Pfizer was maintained in the range of \$8.6 - \$9.0 billion. SI&A spending guidance was maintained in the range of \$11.5 - \$12.5 billion. Adjusted tax rate is expected to be approximately 15% in 2020.

The "New Pfizer" is expected to record revenues in the range of \$40.8 billion to \$42.4 billion (previously \$40.7 billion to \$42.3 billion). Adjusted EPS guidance for the "New Pfizer" is in the range of \$2.28-\$2.38, up from the previous expectation of \$2.25-\$2.35. Pfizer's Biopharma unit will become the "New Pfizer" following the expected separation of Upjohn.

Recent News

Additional Data from Phase I Study on BNT162b2 – Aug 20

Pfizer announced additional safety and immunogenicity data from the ongoing phase I U.S. study on BNT162 mRNA-based COVID-19 vaccine candidate. The data showed that at 7 days after a second dose of 30 μ g, BNT162b2 elicited SARS-CoV-2-neutralizing geometric mean titers (GMTs) in younger adults (18-55 years of age) that were 3.8 times the GMT of a panel of 38 sera of SARS-CoV2 convalescent patients. In older adults (65-85 years of age), BNT162b2 elicited a neutralizing GMT 1.6 times the GMT of the same panel. The data, thus demonstrates strong immunogenicity in younger and older adults. Across all populations, BNT162b2 administration was well tolerated with mild to moderate fever in fewer than 20% of the participants.

To Help Manufacture Gilead's Remdesivir – Aug 7

Pfizer announced a multi-year deal to manufacture and supply Gilead's investigational treatment for COVID-19, remdesivir. Per the deal, remdesivir will be manufactured at Pfizer's McPherson, KS facility on a contract manufacturing basis.

Supply Deal for Coronavirus Vaccine in Canada – Aug 5

Pfizer and BioNTech announced a deal with the Canadian government to supply 100 million doses of BNT162 mRNA-based vaccine candidate beginning in 2021, subject to regulatory approval by Health Canada. The vaccines will be supplied over the course of 2021.

Lorbrena Study Meets Endpoint – Aug 5

Pfizer announced that a phase III study (CROWN) evaluating Lorbrena in people with previously untreated advanced ALK-positive NSCLC met its primary endpoint. The data demonstrated that Lorbrena significantly improved progression-free survival compared to Xalkori, thereby meeting the study's primary endpoint.

Supply Deal for Coronavirus Vaccine to Japan Government – July 31

Pfizer and BioNTech announced a deal with the U.K. government to supply 120 million doses of BNT162 mRNA-based vaccine candidate beginning in 2021, subject to regulatory approval or authorization.

Pfizer Begins Late-Stage Study of Coronavirus Vaccine Candidate – July 27

Pfizer and its Germany-based partner, BioNTech began a large, global phase IIb/III safety and efficacy study, which will include up to 30,000 participants on its coronavirus vaccine candidate. Out of the four experimental mRNA-based vaccines, being evaluated under BioNTech's BNT162 program, to prevent COVID-19, the companies selected nucleoside-modified messenger RNA (modRNA) candidate, BNT162b2 (at a 30 μ g dose level in a 2 dose regimen) as the lead candidate for the late-stage study. The selection of the candidate and the dose level was done after careful evaluation of the preclinical and clinical data from phase I/II studies conducted in the United States and Germany. Pfizer expects to file regulatory applications for a COVID-19 vaccine candidate by October. Eventually, if the vaccine is approved this year, Pfizer plans to manufacture up to 100 million doses by the end of this year and potentially more than 1.3 billion doses by the end of 2021.

Supply Deal for Coronavirus Vaccine With U.K. Government – July 22

Pfizer announced that the U.S. government placed an initial order of 100 million doses of BNT162 vaccine for \$1.95 billion, if it is successfully developed and gets FDA's approval or emergency use authorization. Meanwhile, the U.S. government has an option to acquire up to 500 million doses of the vaccine from Pfizer/BioNTech.

Supply Deal for Coronavirus Vaccine With U.K. Government – July 20

Pfizer and BioNTech announced a deal with the U.K. government to supply 30 million doses of their mRNA-based vaccines. The 30 million doses are expected to be delivered in 2020 and 2021, subject to regulatory approval or authorization.

Positive Data from German Study on Coronavirus Vaccine – July 20

Pfizer/BioNTech announced initial positive data from the phase I/II German study on the most advanced (BNT162b1) of their four experimental mRNA-based vaccines.

The data showed that BNT162b1 vaccine elicited high, dose level-dependent SARS-CoV-2-neutralizing titers after the second dose was administered. Importantly, the data showed that BNT162b1 elicited high level CD4+ and CD8+ T cell responses against the SARS-CoV-2 receptor-binding domain (RBD). The data were very much in line with the early positive data from the I/II U.S. clinical study of BNT162b1, which was announced earlier in July. Overall, the data showed that BNT162b1 can be administered safely, with a manageable tolerability profile. The preliminary data from the U.S. and German studies along with the preclinical data and other clinical data, when available, will be used by the companies to select the lead candidate and dose level for a larger, global phase IIb/III safety and efficacy study that may begin later this month. Pfizer expects to file regulatory applications for a COVID-19 vaccine candidate by October. Eventually, if the vaccine is approved this year, Pfizer plans to manufacture up to 100 million doses by the end of this year and potentially more than 1.3 billion doses by the end of 2021.

Coronavirus Vaccine Gets FDA Fast Track Tag – July 13

Pfizer and BioNTech announced that the FDA has granted fast track designation to two out of four of their experimental vaccines to prevent COVID-19.

Pfizer and BioNTech are currently evaluating four different vaccine candidates in phase I/II studies in United States and Germany as part of their BNT162 mRNA-based vaccine program, Project Lightspeed, against SARS-CoV-2, the virus that causes COVID-19. The fast track designation

was assigned to BNT162b1 and BNT162b2 which are the most advanced in the program. The designation was based on preliminary data from the phase I/II studies as pre-clinical data.

Valuation

Pfizer's shares are down 3.5% in the year-to-date period but up 6.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 1.4% while those in the sector are up 0.7% in the year-to-date period. Over the past year, stocks in the Zacks sub-industry and sector are 13.6% and 8.9%, respectively.

The S&P 500 Index is up 9.0% in the year-to-date period and 20.2% in the past year.

The stock is currently trading at 13.35X forward 12-month earnings per share which compares to 14.89X for the Zacks sub-industry, 22.18X for the Zacks sector and 23.47X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 15.69X and as low as 10.25X, with a 5-year median of 13.38X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$40 price target reflects 14.1X forward 12-month earnings per share.

The table below shows summary valuation data for PFE.

Valuation Multiples - PFE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.35	14.89	22.18	23.47
	5-Year High	15.69	16.62	23.2	23.47
	5-Year Low	10.25	13.61	15.89	15.25
	5-Year Median	13.38	15.31	18.99	17.6
P/S F12M	Current	4.46	4.74	2.81	3.84
	5-Year High	4.96	4.85	3.25	3.84
	5-Year Low	3.31	3.88	2.23	2.53
	5-Year Median	4.01	4.41	2.89	3.07
P/B TTM	Current	3.25	5.43	3.88	4.76
	5-Year High	4.12	7.37	5.07	4.76
	5-Year Low	2.49	3.69	2.94	2.83
	5-Year Median	3.3	5.26	4.29	3.76

As of 8/31/2020

Industry Analysis Zacks Industry Rank: Top 43% (109 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. (ABBV)	Neutral	3
Bristol Myers Squibb Company (BMY)	Neutral	3
GlaxoSmithKline plc (GSK)	Neutral	3
JohnsonJohnson (JNJ)	Neutral	3
Eli Lilly and Company (LLY)	Neutral	3
MerckCo., Inc. (MRK)	Neutral	2
Novartis AG (NVS)	Neutral	3
Roche Holding AG (RHHBY)	Neutral	3

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

Industry Comparison Industry: Large Cap Pharmaceuticals				Industry Peers		
	PFE	X Industry	S&P 500	BMJ	MRK	NVS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	A	C	A
Market Cap	209.99 B	151.24 B	23.72 B	140.74 B	215.67 B	196.97 B
# of Analysts	4	2	14	7	6	5
Dividend Yield	4.02%	2.33%	1.65%	2.89%	2.86%	2.33%
Value Score	B	-	-	B	B	B
Cash/Price	0.11	0.05	0.07	0.15	0.05	0.03
EV/EBITDA	10.03	14.40	13.28	23.94	15.26	13.89
PEG F1	2.18	2.03	3.03	1.16	2.22	1.84
P/B	3.25	5.20	3.17	2.86	7.76	3.66
P/CF	9.20	11.82	12.87	14.17	12.74	10.90
P/E F1	13.08	14.69	21.63	9.97	14.97	15.05
P/S TTM	4.27	4.27	2.53	4.04	4.57	4.09
Earnings Yield	7.65%	6.81%	4.39%	10.03%	6.68%	6.65%
Debt/Equity	0.78	0.78	0.70	0.85	0.94	0.48
Cash Flow (\$/share)	4.11	4.22	6.93	4.39	6.69	7.90
Growth Score	D	-	-	A	C	B
Historical EPS Growth (3-5 Years)	7.38%	7.34%	10.41%	23.36%	9.70%	2.64%
Projected EPS Growth (F1/F0)	-1.95%	7.54%	-4.75%	32.99%	9.73%	9.12%
Current Cash Flow Growth	-6.57%	2.90%	5.22%	36.74%	5.54%	4.27%
Historical Cash Flow Growth (3-5 Years)	2.54%	7.37%	8.49%	22.46%	0.15%	7.11%
Current Ratio	1.42	1.24	1.35	1.47	1.32	0.81
Debt/Capital	43.90%	43.67%	42.92%	45.99%	48.53%	32.25%
Net Margin	28.80%	19.20%	10.25%	-1.61%	22.20%	14.96%
Return on Equity	25.11%	31.21%	14.66%	28.47%	52.94%	24.14%
Sales/Assets	0.29	0.43	0.50	0.31	0.55	0.40
Projected Sales Growth (F1/F0)	-10.17%	5.05%	-1.40%	60.20%	2.07%	5.28%
Momentum Score	B	-	-	B	F	A
Daily Price Change	-0.32%	0.37%	-0.82%	-0.27%	-0.44%	-0.62%
1-Week Price Change	-2.49%	-1.14%	2.59%	0.29%	0.79%	0.23%
4-Week Price Change	-1.46%	-1.45%	3.55%	5.25%	3.31%	2.88%
12-Week Price Change	3.28%	0.85%	-0.44%	1.25%	2.86%	0.46%
52-Week Price Change	6.30%	12.03%	2.80%	29.40%	-1.39%	-4.49%
20-Day Average Volume (Shares)	20,840,686	2,010,111	1,839,384	8,972,086	6,927,159	1,591,967
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	-0.19%	0.00%
EPS F1 Estimate 4-Week Change	-0.17%	0.24%	0.20%	0.85%	-0.52%	0.78%
EPS F1 Estimate 12-Week Change	1.25%	1.95%	3.87%	1.42%	7.22%	1.45%
EPS Q1 Estimate Monthly Change	-0.48%	0.00%	0.00%	-3.25%	0.47%	0.00%

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	D
Momentum Score	B
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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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 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.