

Pfizer Inc.(PFE)

\$36.74 (As of 12/22/20)

Price Target (6-12 Months): **\$39.00**

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:C

Value: A

Growth: D

Momentum: F

Summary

The Consumer Healthcare joint venture with Glaxo and the merger of Upjohn unit with Mylan has made Pfizer a smaller company with a diversified portfolio of innovative drugs and vaccines which should see better revenue growth. Pfizer expects strong growth of key brands like Ibrance, Inlyta and Eliquis to drive sales. It has a strong portfolio of new drugs, which will accelerate growth. It has progressed rapidly with development/regulatory plans of its COVID-19 vaccine candidate which is now approved for emergency use in several countries. However, coronavirus-related business disruption hurt sales in Q2 and Q3. The pace of recovery of COVID-19 impact is slower than expected. Meanwhile, currency headwinds and pricing pressure are other top-line headwinds. Shares have underperformed the industry this year so far.

Data Overview

52-Week High-Low	\$43.08 - \$27.88
20-Day Average Volume (Shares)	56,156,120
Market Cap	\$204.2 B
Year-To-Date Price Change	-6.2%
Beta	0.72
Dividend / Dividend Yield	\$1.56 / 4.1%
Industry	Large Cap Pharmaceuticals
Zacks Industry Rank	Top 49% (126 out of 255)

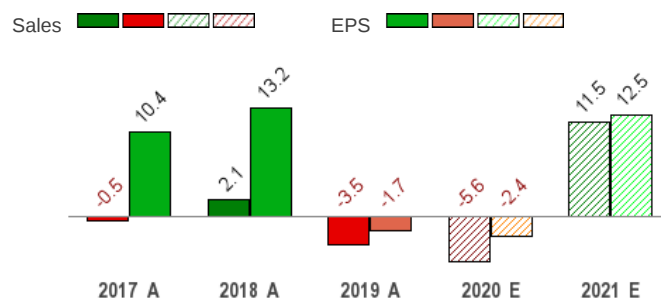
Last EPS Surprise	2.9%
Last Sales Surprise	-0.8%
EPS F1 Estimate 4-Week Change	-0.5%
Expected Report Date	01/26/2021
Earnings ESP	-10.4%

P/E TTM	12.9
P/E F1	12.8
PEG F1	2.1
P/S TTM	4.2

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	12,580 E	13,482 E	13,374 E	12,424 E	54,431 E
2020	12,028 A	11,801 A	12,131 A	12,877 E	48,830 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	\$0.90 E	\$0.97 E	\$0.95 E	\$0.65 E	\$3.24 E
2020	\$0.80 A	\$0.78 A	\$0.72 A	\$0.52 E	\$2.88 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 12/22/2020. The reports text is as of 12/23/2020.

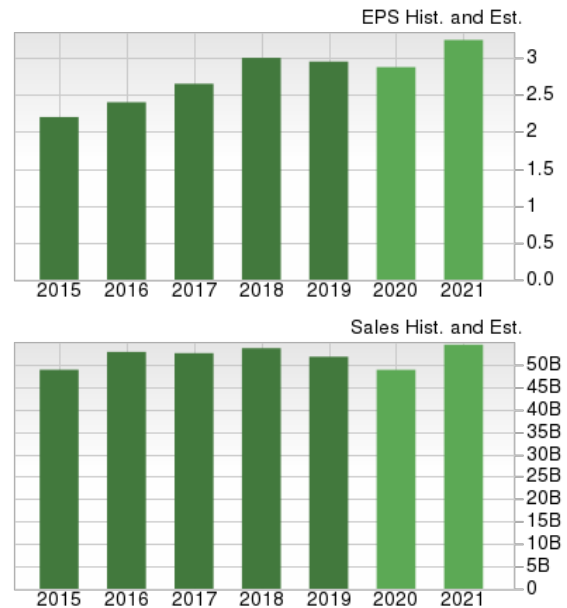
Overview

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 closed in November 2020. The Consumer Healthcare (CHC) segment, an over-the-counter (OTC) 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 merger of Upjohn unit with Mylan, has made 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 cancer treatments, Xtandi, and Talzenna to Pfizer's portfolio, which further strengthened its cancer franchise.

- ▲ **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 Steglato, 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.

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 – under priority review in United States and EU; FDA's decision expected in April 2021), 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), somatogon (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) and giroctocogene fitelparovect (gene therapy for hemophilia A – 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 and partner BioNTech have successfully developed a vaccine for COVID-19 which is now approved for emergency/temporary use in more than 40 countries.

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

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

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 has transformed 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 \$49.8 billion in long term debt and \$13.4 billion in short term debt as of Sep 30, 2020. Its cash of \$21.9 billion is sufficient to meet its short term debt obligations. As of Sep 30, 2020, the company's debt to total capital stands at 43.2%, which is lower than 43.9% as of Jun 30, 2020. A lower ratio indicates lower financial risk. The company carries an A1 rating from Moody's (as of Sep 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 6.3% this year so far compared with the industry's increase of 1.5%.

▼ **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 central nervous system (CNS) category including insomnia drug Indiplon and antipsychotic asenapine. Pfizer's CNS franchise has been significantly impacted by the loss of exclusivity on Zolof 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 Q3 Earnings Top, Sales Miss, View Narrowed

Pfizer beat estimates for earnings while missing the same for sales. It narrowed its financial outlook for the year.

Pfizer reported third-quarter 2020 adjusted earnings per share of 72 cents, which beat the Zacks Consensus Estimate of 70 cents. Earnings however declined 3% year over year due to lower revenues and higher R&D costs.

Revenues came in at \$12.13 billion, which marginally missed the Zacks Consensus Estimate of \$12.23 billion. Sales declined 4% from the year-ago quarter, both on a reported and an operational basis. Excluding the spin-off of the Consumer Healthcare (CHC) unit, third-quarter revenues declined 1% operationally.

Sales were hurt by business disruption and reduced doctor visits in the United States and lower demand for certain products in China amid the coronavirus pandemic. Third-quarter revenues included a net negative impact of approximately \$500 million, or 4%, due to COVID-19.

Pfizer had expected new prescription trends for certain key medicines and vaccination rates to improve in the third quarter from the second-quarter levels. However, the pace of improvement was slower than management expectations.

International revenues declined 6% to \$6.42 billion. On an operational basis, international sales declined 5% in the quarter. U.S. revenues declined 2% to \$5.72 billion.

Adjusted selling, informational and administrative (SI&A) expenses declined 10% (operationally) in the quarter to \$2.87 billion due to lower selling expenses due to coronavirus and planned reduction in spending associated with corporate-enabling functions. Adjusted R&D expenses rose 21% to \$2.35 billion due to costs related to development of COVID-19 vaccines.

Segment Discussion

Pfizer Biopharma sales grew 3% on a reported basis (up 4% on an operational basis) from the year-ago period to \$10.2 billion. Higher sales of brands like Eliquis, Ibrance, Inlyta and Xeljanz and significant contribution from new drug 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, Enbrel internationally and lower demand for certain anti-infective products in China offset the increase.

The COVID-19 pandemic hurt Pfizer's Biopharma segment sales by approximately 2% in the first nine months of 2020. Though the impact of the pandemic at peak was less severe than originally anticipated, management believes the pace of recovery has been slower than expected.

Within the Biopharma group, Oncology revenues increased 18% (on an operational basis) to \$2.76 billion. Vaccine revenues however declined 4% to \$1.72 billion. Internal Medicine declined 1% to \$2.09 billion. The Inflammation & Immunology franchise declined 3% to \$1.17 billion. The portfolio of Rare Disease rose 26% to \$752 million. Hospital sub-segment's sales declined 5% to \$1.73 billion. The Hospital segment comprises Pfizer's global portfolio of sterile injectable and anti-infective medicines.

Pfizer's Upjohn group's sales declined 18%, both on a reported and an operational basis to \$1.92 billion mainly due to U.S. loss of exclusivity of Lyrica, lower revenues for Lipitor and Norvasc in China and lower volume for Celebrex in Japan resulting from generic competition.

Performance of Key Drugs

Ibrance revenues rose 6% year over year to \$1.36 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 fourth quarter as well.

Inlyta revenues were \$195 million in the quarter, up 41% driven mainly by demand growth in the United States driven by recent FDA approvals for the combination use of Inlyta in first-line treatment of advanced renal cell carcinoma patients. The international markets also contributed to the performance of Inlyta with 55% operational growth.

Global Prevnar 13/Prevenar 13 revenues declined 3% to \$1.53 billion. Prevnar 13 revenues declined 14% in the United States due to the unfavorable timing of government purchases and the negative impact of the revised Advisory Committee on Immunization Practices (ACIP) recommendations in 2019 (shared decision making). However, U.S. sales improved sequentially due to recovery of a portion of missed doses from the second quarter. Prevenar 13 revenues rose 14% in international markets driven by increased adult uptake as people developed more vaccine awareness for respiratory illnesses amid the COVID-19 pandemic.

Enbrel revenues declined 21% to \$321 million due to continued biosimilar competition in key European markets as well as in Japan and Brazil.

Eliquis alliance revenues and direct sales rose 9% to \$1.11 billion driven by continued increased adoption in nonvalvular atrial fibrillation as well as oral anticoagulant market share gains. However, lower prices, increased impact from the Medicare donut hole, and unfavorable channel mix hurt Eliquis' sales in the third quarter. Xalkori sales declined 5% to \$122 million. Xtandi recorded alliance revenues of \$266 million in the quarter, up 18% year over year. Sutent sales declined 8% to \$202 million. Chantix sales declined 19% to \$223 million in the quarter due to expected lower demand from infrequent patient visits to doctors.

Xeljanz sales rose 10% to \$654 million driven by growth in both the United States and international developed markets.

Quarter Ending 09/2020

Report Date	Oct 27, 2020
Sales Surprise	-0.83%
EPS Surprise	2.86%
Quarterly EPS	0.72
Annual EPS (TTM)	2.85

Importantly, new drug Vyndaqel/Vyndamax recorded sales of \$351 million in the quarter compared with \$277 million in the previous quarter driven by growing demand. In Q3, the slowdown in new diagnosis witnessed in the second quarter amid the mobility restrictions began to rebound.

Braftovi and Mektovi, which Pfizer acquired following its acquisition of Array BioPharma in 2019, recorded sales of \$42 million and \$34 million, respectively in the third quarter of 2020.

Total biosimilar revenues were \$424 million, up 80% year over year driven by launches of oncology biosimilars (Trazimera, Zirabev and Ruxience) this year and as well as continued growth from Retacrit (a biosimilar of Epogen and Procrit) in the United States. Retacrit recorded \$102 million of revenues in the quarter versus \$87 million in the previous quarter. Inflectra/Remsima recorded sales of \$162 million globally, up 5% year over year. The oncology biosimilars generated revenue of \$261 million in the quarter.

Sterile injectables global revenues declined 3% operationally to \$1.19 billion due to lower sales in China.

In the Upjohn segment, sales of key drug Lyrica declined 33% to \$352 million due to multi-source generic erosion. Viagra sales rose 3% to \$121 million despite generic competition.

2020 Guidance

Pfizer slightly lowered the top end of the 2020 financial guidance for the present Pfizer while maintaining the guidance for the "New Pfizer". Pfizer's Biopharma unit will become the "New Pfizer" following the expected separation of Upjohn. The guidance assumes no revenue contributions from a potential COVID-19 vaccine but includes spending on the vaccine candidate.

The revenue guidance range was lowered from a range of \$48.6 billion to \$50.6 billion to \$48.8 billion to \$49.5 billion. Adjusted earnings per share guidance was tightened from a range of \$2.85-\$2.95 to \$2.88-\$2.93.

Research and development expense guidance for the present Pfizer was increased from a range of \$8.6 - \$9.0 billion to \$8.8 - \$9.1 billion. S&A spending guidance was tightened from a range of \$11.5-\$12.5 billion to \$11.5-\$12.0 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. Adjusted EPS guidance for the "New Pfizer" is in the range of \$2.28-\$2.38. The company expects to achieve at least 6% compound annual revenue growth rate through 2025 for the "New Pfizer"

Update on Coronavirus Vaccine

Pfizer and BioNTech selected BNT162b2, out of four mRNA-based coronavirus vaccine candidates, for late-stage development as it demonstrated better results in early-stage studies. They began global phase III development in July. Along with the earnings release, the company said that the phase II/III study has now enrolled more than 42,000 participants, with nearly 36,000 having received their second vaccination, as of Oct 26. The company however did not mention when it plans to reveal phase III data,

For emergency use authorization in the United States for a potential COVID-19 vaccine, the FDA requires that companies provide two months of safety data on half of the trial participants, after the final dose of the vaccine is administered. Pfizer estimates that it will reach this safety milestone in the third week of November and expects to file for EUA as soon as this milestone is reached.

Recent News

COVID-19 Vaccine Gets Authorization in Europe – Dec 21

Pfizer/BioNTech announced that the European Commission has granted conditional marketing authorization (CMA) to their mRNA-based coronavirus vaccine candidate, BNT162b2, making it the first COVID-19 vaccine to be approved in Europe. BNT162b2 will be marketed by the trade name of Comirnaty in 27 EU member states for people 16 years of age and older. The companies will initiate delivery of the first vaccine doses immediately across Europe.

The authorization came the same day the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion recommending CMA of the vaccine. Pfizer/BioNTech had filed the CMA on Dec 1. A CMA allows companies to seek approval for medicines/vaccines that fulfil an unmet medical need based on less complete data than needed. Pfizer/BioNTech had initiated a rolling submission for the vaccine in October. The formal CMA submission completed the rolling review process.

With the approval in EU, the vaccine is now approved for emergency/temporary use in more than 40 countries including United Kingdom, Bahrain, Mexico, Singapore, Switzerland and Canada.

CDC Recommendation for COVID-19 Vaccine – Dec 12

Pfizer and BioNTech announced that the U.S. Centers for Disease Control and Prevention's (CDC) Advisory Committee on Immunization Practices (ACIP) has recommended vaccination with their COVID-19 vaccine in people 16 years of age and older under FDA's EUA.

FDA Grants Emergency Approval for COVID-19 Vaccine – Dec 11

Pfizer announced that the FDA has granted emergency use authorization (EUA) to BNT162b2. The FDA's EUA approval came just a day after the FDA's Vaccines and Related Biological Products Advisory Committee (VRBPAC) voted 17-4, recommending that the FDA grant the EUA. Pfizer and BioNTech have plans to file a biologics license application for possible full regulatory approval in 2021 as it gathers additional data from ongoing studies on BNT162b2.

The EUA was based on data from a phase III study announced last month, which showed that BNT162b2, a two-shot vaccine, was 95% effective in preventing COVID-19 after two doses were given three weeks apart. Pfizer/BioNTech had filed the EUA on Nov 20.

CHMP Nod to Bavencio for First-Line UC – Dec 11

Pfizer announced that the CHMP of the EMA has recommended approving Bavencio for first-line maintenance treatment of locally advanced or metastatic urothelial carcinoma. The European Commission's decision is expected in early 2021. The CHMP opinion was based on positive data from the phase III JAVELIN Bladder 100 study.

FDA Panel Recommends Emergency Use of COVID-19 Vaccine – Dec 10

Pfizer announced that the FDA's Vaccines and Related Biological Products Advisory Committee (VRBPAC) voted 17-4 recommending FDA grant EUA to BNT162b2.

FDA's Priority Review to Pneumococcal Conjugate Vaccine – Dec 8

Pfizer announced that the FDA accepted and granted priority review to its biologics license application (BLA) seeking approval for its 20-valent pneumococcal conjugate vaccine candidate, 20vPnC, for adults. The FDA's decision is expected in June 2021. The candidate helps protect against 20 serotypes responsible for the majority of invasive pneumococcal disease and pneumonia.

Phase I Data on BCMA-CD3 Antibody in Multiple Myeloma – Dec 7

Pfizer announced positive data from the ongoing phase I study on its BCMA-CD3 bispecific antibody PF-06863135 in patients with relapsed or refractory multiple myeloma. The data showed that subcutaneous administration led to manageable safety with no dose-limiting toxicities. 83% of patients achieved a clinical response at the highest dose level. The results were presented at the annual meeting of the American Society of Hematology (ASH) which was held virtually.

BNT162b2 Gets Approved in United Kingdom – Dec 2

Pfizer and partner BioNTech's mRNA-based coronavirus vaccine, BNT162b2 got its first approval in the world. The U.K. regulatory agency, Medicines & Healthcare Products Regulatory Agency (MHRA) granted it a temporary authorization for emergency use. The companies are ready to distribute the first doses in the U.K. immediately. Earlier, the companies had signed an agreement to supply a total of 40 million doses to the U.K. in 2020/2021.

Seeks Marketing Nod for COVID-19 Vaccine in EU – Dec 1

Pfizer and partner BioNTech submitted an application for conditional marketing authorization (CMA) to the European Medicines Agency (EMA) for their mRNA-based coronavirus vaccine candidate, BNT162b2. Pfizer had initiated a rolling submission for BNT162b2 to the EMA on Oct 6. The formal CMA submission completes the rolling review process. If EMA, after reviewing the data, concludes that the benefits of the vaccine candidate outweigh its risks in protecting against COVID-19, it may recommend granting a CMA.

In response to the CMA filing, the EMA said that its Committee for Human Medicines (CHMP) will review the quality, safety and effectiveness of the vaccine and will conclude its assessment by a meeting scheduled for Dec 29. The European Commission, the EU executive body, will give its final decision days after a recommendation by the EMA.

Begins Phase III Study on Hemophilia Candidate – Nov 23

Pfizer began patient dosing in a phase III study on anti-TFPI investigational therapy, marstacimab, for people with severe hemophilia A and B with or without inhibitors.

This open-label BASIS study will investigate the annualized bleed rate (ABR) through 12 months on prophylaxis treatment with marstacimab in adolescents and adult patients with hemophilia A or B. In the study, marstacimab will be compared to replacement therapy with essential blood-clotting proteins FVIII or FIX, respectively, or bypass therapy.

The primary endpoint of the study is to see the impact on ABR following prophylaxis treatment with marstacimab through 12 months of treatment. The study will also assess the incidence and severity of thrombotic events or blood clots.

Seeks FDA's Emergency Use Tag for COVID-19 Vaccine – Nov 20

Pfizer & BioNTech submitted a request to the FDA to grant emergency use authorization (EUA) for their mRNA-based coronavirus vaccine candidate, BNT162b2. Pfizer believes it can start vaccinating high-risk populations by end of December if granted EUA.

Valuation

Pfizer's shares are down 6.3% in the year-to-date period. Stocks in the Zacks sub-industry and sector are up 1.5% and 5.2%, respectively, in the year-to-date period. The S&P 500 Index is up 16.6% in the year-to-date period.

The stock is currently trading at 11.36X forward 12-month earnings per share which compares with 14.19X for the Zacks sub-industry, 22.38X for the Zacks sector and 22.94X 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 13.23X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$39 price target reflects 12.1X 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	11.36	14.19	22.38	22.94
	5-Year High	15.69	16.62	22.91	23.79
	5-Year Low	10.25	13.18	15.89	15.3
	5-Year Median	13.23	15.09	19	17.81
P/S F12M	Current	3.76	4.49	2.84	4.34
	5-Year High	4.96	4.85	3.16	4.34
	5-Year Low	3.31	3.88	2.25	3.17
	5-Year Median	4.03	4.42	2.84	3.67
P/B TTM	Current	3.12	6.39	4.49	6.36
	5-Year High	4.12	7.37	5.1	6.4
	5-Year Low	2.49	3.69	3.01	3.74
	5-Year Median	3.3	5.35	4.32	4.93

As of 12/22/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 49% (126 out of 255)



Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. (ABBV)	Neutral	3
Bristol Myers Squibb Company (BMY)	Neutral	3
GlaxoSmithKline plc (GSK)	Neutral	3
Johnson & Johnson (JNJ)	Neutral	3
Eli Lilly and Company (LLY)	Neutral	3
Merck & Co., Inc. (MRK)	Neutral	3
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	3	3
VGM Score	C	-	-	A	B	B
Market Cap	204.22 B	162.89 B	26.07 B	139.00 B	200.94 B	201.82 B
# of Analysts	8	3	13	8	8	5
Dividend Yield	4.14%	2.37%	1.49%	2.93%	3.27%	2.28%
Value Score	A	-	-	A	B	A
Cash/Price	0.10	0.05	0.06	0.15	0.04	0.05
EV/EBITDA	9.80	14.55	14.52	23.69	14.55	13.96
PEG F1	2.13	2.19	2.81	1.06	1.88	1.87
P/B	3.12	4.97	3.62	2.77	6.86	3.70
P/CF	8.94	11.52	13.87	13.99	11.87	11.17
P/E F1	12.76	13.80	22.02	9.68	13.45	15.17
P/S TTM	4.20	4.20	2.83	3.53	4.24	4.18
Earnings Yield	7.84%	7.24%	4.36%	10.34%	7.43%	6.59%
Debt/Equity	0.76	0.77	0.70	0.82	0.90	0.49
Cash Flow (\$/share)	4.11	4.22	6.93	4.39	6.69	7.90
Growth Score	D	-	-	A	C	C
Historical EPS Growth (3-5 Years)	6.54%	6.69%	9.71%	24.43%	10.47%	3.57%
Projected EPS Growth (F1/F0)	-2.54%	9.22%	1.22%	35.37%	13.73%	10.92%
Current Cash Flow Growth	-6.57%	2.90%	5.23%	36.74%	5.54%	4.27%
Historical Cash Flow Growth (3-5 Years)	2.54%	7.37%	8.33%	22.46%	0.15%	7.11%
Current Ratio	1.40	1.17	1.39	1.67	1.30	0.91
Debt/Capital	43.19%	43.31%	41.97%	45.16%	47.35%	32.69%
Net Margin	17.85%	18.16%	10.40%	-0.11%	24.33%	14.71%
Return on Equity	24.88%	34.64%	14.99%	27.48%	53.83%	24.39%
Sales/Assets	0.28	0.43	0.50	0.31	0.54	0.39
Projected Sales Growth (F1/F0)	-6.49%	4.12%	0.39%	60.68%	2.66%	4.13%
Momentum Score	F	-	-	F	C	B
Daily Price Change	-1.71%	-0.34%	-0.77%	-0.94%	0.16%	-0.32%
1-Week Price Change	-8.37%	0.81%	0.87%	3.95%	-4.13%	-1.85%
4-Week Price Change	0.38%	0.83%	1.83%	-2.83%	-0.90%	-0.14%
12-Week Price Change	1.58%	0.94%	14.52%	2.55%	-3.03%	1.31%
52-Week Price Change	-6.49%	-5.82%	5.55%	-2.74%	-13.15%	-7.00%
20-Day Average Volume (Shares)	56,156,120	3,051,559	2,035,313	10,203,986	9,399,575	1,923,927
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.02%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.48%	0.01%	0.00%	-0.02%	-0.49%	0.52%
EPS F1 Estimate 12-Week Change	0.94%	1.14%	3.79%	1.67%	3.66%	1.57%
EPS Q1 Estimate Monthly Change	-8.47%	0.00%	0.00%	-0.12%	0.00%	1.82%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	A
Growth Score	D
Momentum Score	F
VGM Score	C

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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