

Theravance Biopharma (TBPH)

\$18.33 (As of 08/31/20)

Price Target (6-12 Months): **\$20.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/08/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: F

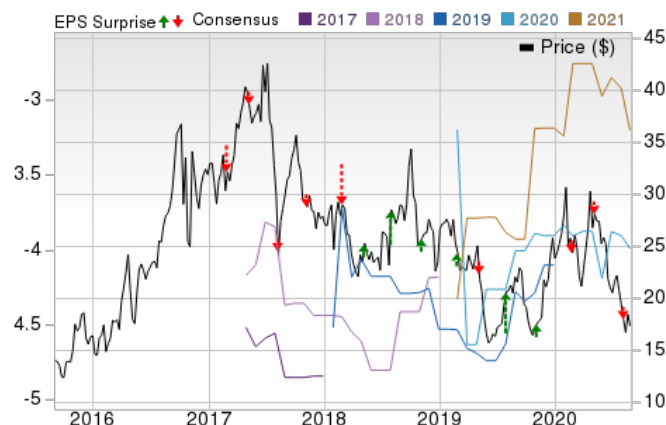
Growth: F

Momentum: F

Summary

Theravance has a collaboration agreement with Mylan for the development and marketing of Yupelri, the first once-daily nebulized LAMA option for COPD. Theravance and Mylan formally launched the sales and marketing efforts of Yupelri in early 2019 and the product has witnessed a strong initial sales uptake since then. Moreover, its collaboration agreements are a source of regular funds. Theravance's pipeline programs target highly competitive therapeutic areas and are progressing well. However, any agreement termination might be a huge setback for the company. Further, high dependence on Yupelri for profit-sharing revenues is a persistent concern. Shares of the company have also underperformed the industry so far this year.

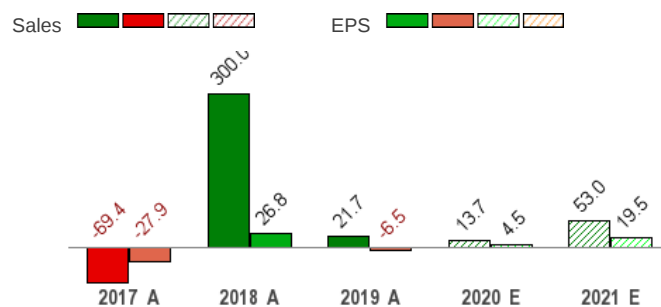
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$31.54 - \$15.72
20-Day Average Volume (Shares)	365,094
Market Cap	\$1.2 B
Year-To-Date Price Change	-29.2%
Beta	1.45
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Drugs
Zacks Industry Rank	Bottom 29% (179 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-5.3%
Last Sales Surprise	-28.7%
EPS F1 Estimate 4-Week Change	-2.0%
Expected Report Date	11/03/2020
Earnings ESP	0.0%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	15.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	40 E	35 E	39 E	40 E	127 E
2020	20 A	15 A	17 E	30 E	83 E
2019	5 A	26 A	12 A	30 A	73 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.72 E	-\$0.82 E	-\$0.83 E	-\$0.78 E	-\$3.27 E
2020	-\$1.14 A	-\$1.00 A	-\$0.98 E	-\$0.84 E	-\$4.06 E
2019	-\$1.32 A	-\$0.72 A	-\$1.05 A	-\$1.17 A	-\$4.25 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

Cayman Islands-based Theravance Biopharma was formed following the split of the erstwhile Theravance into two listed companies in June 2014 – Innoviva, Inc. (then Theravance, Inc.) and Theravance.

In November 2018, the FDA approved Yupelri, a long-acting muscarinic antagonist (LAMA), as a once-daily, nebulized treatment of chronic obstructive pulmonary disease (COPD).

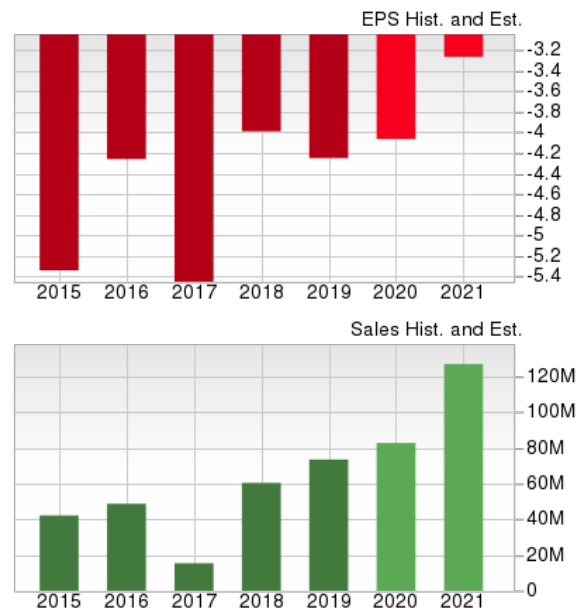
Theravance and Mylan have a collaboration for the development and commercialization of the drug. Mylan and Theravance are sharing US profits and losses received in connection with the commercialization of Yupelri. While Mylan gets 65% of the profits, Theravance gets 35%. Meanwhile, Theravance is entitled to low double-digit royalties on ex-US net sales. Mylan recognizes the product sales from Yupelri. Mylan also owns a stake in Theravance.

The company also has a collaboration agreement with J&J's subsidiary, Janssen, for developing its JAK inhibitor, TD-1473, for the treatment of inflammatory intestinal diseases. Theravance has an economic interest in GlaxoSmithKline's COPD drug, Trelegy Ellipta, and earns royalties on its sales.

Theravance has several candidates in pipeline targeting therapeutic areas, such as infectious, respiratory, gastrointestinal, inflammation and immunology diseases. Some are being developed in collaboration with other companies.

Theravance's sole marketed product was Vibativ (telavancin), a once-daily dual-mechanism antibiotic to treat certain difficult-to-treat infections. In November 2018, Theravance sold Vibativ to Cumberland Pharmaceuticals.

In 2019, the company generated revenues worth \$73.4 million, up 21.5% year over year.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Collaboration Agreements – A Consistent Source of Funds:** Theravance has been very active in pursuing collaboration deals with big healthcare companies. Its collaboration with Mylan for Yupelri is expected to be beneficial for the former based on the latter's expertise in manufacturing and selling nebulized respiratory therapies. Theravance entered into a global collaboration agreement with J&J subsidiary Janssen to jointly develop and commercialize TD-1473 in February 2018. Theravance received an upfront payment of \$100 million and is eligible for additional \$900 million in milestone payments under the deal.

Theravance inked a worldwide deal with Takeda for TD-8954 (post-operative gastrointestinal dysfunction; phase II) in June 2016. Per the deal, Theravance received an upfront cash payment of \$15 million and is eligible to earn other development, regulatory and sales milestone fees in addition to tiered royalties on global net sales in the future.

Moreover, in December 2019, Theravance announced a deal to out-license rights to its skin-selective pan-JAK inhibitor program to Pfizer. Per the agreement, Theravance received an upfront payment of \$10 million in cash and is eligible for up to an additional \$240 million in development and sales-based milestone fees from Pfizer.

- ▲ **Continued Pipeline Progress:** The company's pipeline includes TD-1473, a JAK inhibitor, currently being evaluated in an ongoing phase II study for treating Crohn's disease and a phase IIb/III study for ulcerative colitis. Data from the phase IIb portion of the ulcerative colitis and phase II Crohn's disease studies are expected in 2021. Theravance is also evaluating ampreloxtine (TD-9855) in two phase III programs for treating patients with symptomatic neurogenic orthostatic hypotension (nOH). Theravance is also developing TD-5202 (gut-selective irreversible JAK3 inhibitor) in a phase I study for addressing inflammatory intestinal diseases.

Meanwhile, the company is developing the inhaled, lung-selective pan-Janus kinase (JAK) inhibitor, TD-8236, in a phase I study for treating inflammatory lung diseases with minimal systemic exposure. Data from the study is expected in the fourth quarter of 2020. In June 2020, Theravance initiated dosing in a phase II study evaluating its lung-selective, nebulized Janus kinase inhibitor (JAKi) TD-0903 for the potential treatment of hospitalized patients with acute lung injury (ALI) caused by COVID-19.

Successful development and subsequent approval of these candidates will be a huge boost to the company as each of these programs has the potential to offer transformational value to patients and healthcare providers.

- ▲ **Yupelri has Significant Potential:** With the approval, Yupelri became the first once daily nebulized long-acting muscarinic antagonist (LAMA) option for COPD patients. Yupelri provides COPD patients with access to a nebulized LAMA therapy offering a consistent 24-hour lung function improvement with the convenience of a once-daily dosing delivered through any standard jet nebulizer. Theravance and Mylan formally launched the sales and marketing efforts of Yupelri in early 2019 and the product witnessed a strong initial sales uptake. Yupelri commands more than 90% share of the nebulized LAMA market and a 16% stake in the long-acting nebulized market. On second-quarter 2020 conference call, management stated that despite the pandemic woes, which dwindled overall market demand, Yupelri expanded its market share and witnessed a strong customer acceptance and brand performance across the key market metrics.

- ▲ **Favorable Debt Profile:** Theravance has a favorable debt profile. As of Jun 30, 2020, the company's total debt (current and long-term debt) was approximately \$658 million. The company's cash, cash equivalents and marketable securities were approximately \$438 million as of the end of June 2020. Hence, the company has enough resources to pay off its short-term debt (\$9 million) but might fall short of clearing the long-term debt in case of insolvency.

We are positive on Theravance's efforts related to Yupelri's commercialization. The company's partnership deals with companies like Mylan & J&J are also encouraging.

Reasons To Sell:

- ▼ **Share Price Underperformance:** Shares of Theravance have underperformed its industry so far this year.
- ▼ **Dependence on Collaboration/Profit Sharing Revenues for Future Growth:** With the sale of Vibativ to Cumberland Pharmaceuticals in November 2018, Theravance is now solely dependent on profit-sharing revenue from Mylan for Yupelri and collaboration revenues from J&J for funds.
- ▼ **Stiff Competition:** Theravance's pipeline development programs targeting the four therapeutic areas of infectious disease, respiratory, gastrointestinal disease and inflammatory disease operate in a highly competitive space.

Yupelri, competes predominantly with short-acting nebulized bronchodilators, which are used three to four times per day compared with the nebulized LAMA Lonhala Magnair (SUN-101/eFlow), developed by Pari Pharma, which is used twice per day.

Dependence on Yupelri as the sole product for profits is a concern. Stiff competition remains a threat as well.

Last Earnings Report

Theravance Earnings & Revenues Miss Estimates in Q2

Theravance Biopharma incurred a loss of \$1 per share in second-quarter 2020, wider than the Zacks Consensus Estimate of a loss of 95 cents and the year-ago loss of 72 cents as well.

Total revenues of \$15 million in the quarter also missed the Zacks Consensus Estimate of \$21 million. Revenues declined year over year too, mainly due to lower revenues from the collaboration agreement with J&J and the absence of licensing revenues.

Total revenues in the second quarter comprised collaboration revenues worth \$5.5 million from Janssen and \$9.5 million from the collaboration agreement with Mylan in relation to Yupelri.

Quarterly Details

Research & development expenses were \$62.4 million, up 34.4% from the year-ago quarter, primarily due to higher external cost pertaining to pipeline development.

Selling, general & administrative expenses rose 11.7% to \$24.8 million due to higher share-based compensation and employee-related expenses.

As of Jun 30, 2020, Theravance had cash, cash equivalents, marketable securities worth \$438.3 million compared with \$492.1 million as of Mar 31, 2020.

2020 Outlook

Theravance maintained its financial guidance for 2020. For the full year, the company anticipates operating loss (excluding non-cash share-based compensation) in the range of \$205-\$225 million.

Quarter Ending	06/2020
Report Date	Aug 06, 2020
Sales Surprise	-28.72%
EPS Surprise	-5.26%
Quarterly EPS	-1.00
Annual EPS (TTM)	-4.36

Recent News

Appoints Board of Director – Jul 2

Theravance announced that it has appointed Dr. Deepika R. Pakianathan to its board of directors.

Begins Dosing in Phase II Study on TD-0903 – Jun 25

Theravance announced that it has dosed the first patient in a phase II study evaluating its lung-selective nebulized Janus kinase inhibitor, TD-0903 for the potential treatment of hospitalized patients with Acute Lung Injury (ALI) caused by COVID-19.

The initiation of the above-mentioned phase II study in patients in the United Kingdom follows the successful completion of dosing in the phase I study in healthy volunteers at the same clinical unit.

Valuation

Theravance's shares are down 29.2% in the year-to-date period and 16.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Medical sector are down 5.3% and up 1.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 0.2% while the sector is up 9.5%.

The S&P 500 index is up 3.1% in the year-to-date period and up 13.8% in the past year.

The stock is currently trading at 15.00X trailing 12-month sales per share, which compares to 2.25X for the Zacks sub-industry, 3.14X for the Zacks sector and 3.67X for the S&P 500 index.

Over the past five years, the stock has traded as high as 113.27X and as low as 9.33X, with a 5-year median of 24.90X. Our Neutral recommendation indicates that the stock will perform better than the market. Our \$20.00 price target reflects 16.36X trailing 12-month sales per share.

Industry Analysis Zacks Industry Rank: Bottom 29% (179 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AbbVie Inc. (ABBV)	Neutral	3
AcelRx Pharmaceuticals, Inc. (ACRX)	Neutral	3
Adamas Pharmaceuticals, Inc. (ADMS)	Neutral	3
Arena Pharmaceuticals, Inc. (ARNA)	Neutral	3
AstraZeneca PLC (AZN)	Neutral	3
GlaxoSmithKline plc (GSK)	Neutral	3
Novartis AG (NVS)	Neutral	3
Accelaron Pharma Inc. (XLRN)	Neutral	3

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

Industry Comparison Industry: Medical - Drugs				Industry Peers		
	TBPH	X Industry	S&P 500	ABBV	ACRX	ARNA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	B	F	C
Market Cap	1.16 B	151.43 M	23.72 B	169.02 B	112.90 M	4.02 B
# of Analysts	7	3	14	6	4	5
Dividend Yield	0.00%	0.00%	1.65%	4.93%	0.00%	0.00%
Value Score	F	-	-	B	F	C
Cash/Price	0.40	0.27	0.07	0.04	0.39	0.29
EV/EBITDA	-6.65	-2.38	13.28	20.50	-1.78	5.68
PEG F1	NA	1.20	3.03	1.54	NA	NA
P/B	NA	3.13	3.17	11.47	NA	2.83
P/CF	NA	11.09	12.87	9.27	NA	8.85
P/E F1	NA	17.43	21.63	9.16	NA	NA
P/S TTM	15.16	6.08	2.53	4.67	25.70	714.14
Earnings Yield	-22.15%	-15.98%	4.39%	10.92%	-34.40%	-10.77%
Debt/Equity	-3.21	0.02	0.70	5.57	-0.34	0.04
Cash Flow (\$/share)	-4.11	-0.53	6.93	10.33	-0.65	7.89
Growth Score	F	-	-	C	F	D
Historical EPS Growth (3-5 Years)	NA%	6.78%	10.41%	21.34%	NA	NA
Projected EPS Growth (F1/F0)	4.37%	18.69%	-4.75%	16.98%	36.57%	-197.82%
Current Cash Flow Growth	9.94%	2.60%	5.22%	8.78%	10.73%	-391.34%
Historical Cash Flow Growth (3-5 Years)	0.03%	5.94%	8.49%	19.92%	-13.70%	46.33%
Current Ratio	4.68	3.83	1.35	0.86	2.96	28.75
Debt/Capital	NA%	4.15%	42.92%	84.78%	NA	3.38%
Net Margin	-351.55%	-115.25%	10.25%	19.20%	-1,131.00%	-5,727.22%
Return on Equity	NA%	-63.10%	14.66%	-628.57%	NA	-31.14%
Sales/Assets	0.15	0.29	0.50	0.37	0.05	0.00
Projected Sales Growth (F1/F0)	12.61%	0.00%	-1.40%	36.62%	811.97%	-99.88%
Momentum Score	F	-	-	B	B	B
Daily Price Change	5.83%	0.00%	-0.82%	1.70%	1.63%	-0.80%
1-Week Price Change	-6.15%	-1.82%	2.59%	-0.73%	-10.22%	5.38%
4-Week Price Change	-7.94%	-4.56%	3.55%	-0.18%	11.61%	10.20%
12-Week Price Change	-29.80%	-6.34%	-0.44%	1.25%	-19.61%	6.16%
52-Week Price Change	-16.80%	-5.93%	2.80%	45.68%	-46.35%	32.01%
20-Day Average Volume (Shares)	365,094	323,444	1,839,384	6,475,466	1,217,928	473,426
EPS F1 Estimate 1-Week Change	-3.72%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-2.00%	0.00%	0.20%	0.27%	17.87%	11.86%
EPS F1 Estimate 12-Week Change	-1.65%	2.74%	3.87%	-0.96%	27.35%	14.38%
EPS Q1 Estimate Monthly Change	-10.67%	0.00%	0.00%	-0.36%	33.33%	13.55%

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	F
Growth Score	F
Momentum Score	F
VGM Score	F

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.