Teva Pharmaceutical (TEVA)

$9.17 (As of 01/13/20)

Price Target (6-12 Months): **$11.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/21/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: A | Growth: D | Momentum: A	

Summary

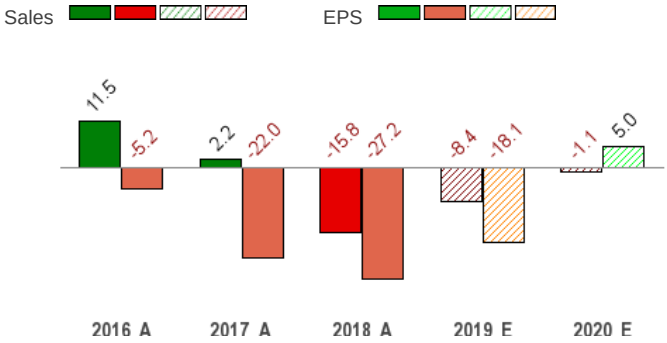
Teva faces challenges in the form of generic erosion of Copaxone, new competition for branded products, pricing erosion in the U.S. generics business and a massive debt load. Nonetheless, Teva is performing well on its restructuring plan to revive growth. Its newest drugs Austedo and Ajovy could emerge as significant drivers of long-term sales growth. Portfolio optimization and new product launches have stabilized its North American and European generics business. However, the opoid litigation and price-fixing investigations are an overhang on the stock. Shares have underperformed the industry in the past year. Estimates have remained stable ahead of Q4 earnings. Teva has a mixed record of earnings surprises.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$20.21 - $6.07**
20 Day Average Volume (sh)	**11,191,006**
Market Cap	**$10.0 B**
YTD Price Change	**-6.4%**
Beta	**1.81**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Medical - Generic Drugs**
Zacks Industry Rank	**Top 38% (97 out of 254)**
Last EPS Surprise	**-3.3%**
Last Sales Surprise	**0.3%**
EPS F1 Est- 4 week change	**0.0%**
Expected Report Date	**02/12/2020**
Earnings ESP	**0.0%**
P/E TTM	**4.0**
P/E F1	**3.7**
PEG F1	**1.0**
P/S TTM	**0.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2020	4,243 E	4,253 E	4,225 E	4,311 E	17,082 E
2019	4,295 A	4,337 A	4,264 A	4,377 E	17,279 E
2018	5,065 A	4,701 A	4,529 A	4,559 A	18,854 A

EPS Estimates

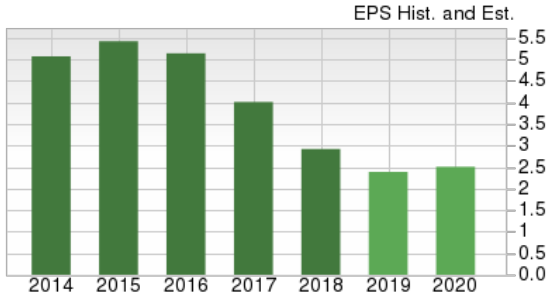
	Q1	Q2	Q3	Q4	Annual*
2020	$0.61 E	$0.62 E	$0.65 E	$0.65 E	$2.51 E
2019	$0.60 A	$0.60 A	$0.58 A	$0.63 E	$2.39 E
2018	$0.94 A	$0.78 A	$0.68 A	$0.53 A	$2.92 A

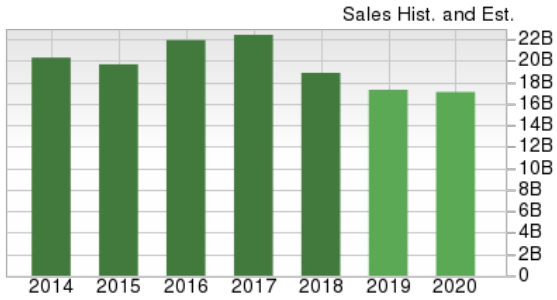
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/13/2020. The reports text is as of 01/14/2020.

Overview

Headquartered in Petach Tikva, Israel, Teva Pharmaceutical Industries Limited is a global pharmaceutical company that develops, manufactures, and markets both branded and generic drugs, as well as active pharmaceutical ingredients (APIs) in North America, Europe, Latin America, Asia, and Israel. Teva's generic product portfolio includes tablets, capsules, liquids, ointments, creams, liquids, injectables, and inhalants.





The company's branded products include Copaxone (multiple sclerosis - MS), Austedo (chorea associated with Huntington's disease and tardive dyskinesia), respiratory products like ProAir and Qvar and Ajovy (preventive treatment of migraine). Moreover, the company has several candidates in its pipeline, which are in different stages of development mainly in the fields of pain, CNS and neurology.

Teva operates through three segments, North America, Europe and International Markets, each of which includes generics, specialty and over-the-counter ("OTC") products. In 2018, North America accounted for more than 49% of Teva's sales while Europe and International Markets accounted for 27.5% and 18% of the total sales. In 2018, Teva's sales from generic medicines in all business segments accounted for 51.3% of total revenues while its key branded drug Copaxone represented approximately 12.5% of total 2018 revenues.

In early August 2016, Teva acquired Allergan's generics business – Actavis Generics – for $33.43 billion in cash and about 100 million Teva shares. The company also acquired Allergan's Anda Inc., the 4th largest distributor of generic pharmaceuticals in the U.S., for $500 million in October 2016. In May 2015, Teva acquired Auspex Pharmaceuticals, which strengthened its core CNS franchise. The Dec 2008 Barr acquisition boosted Teva's product portfolio significantly. The acquisition enhanced Teva's leadership position in the U.S. and allowed it to expand its presence in Europe. In Oct 2011, Teva acquired Cephalon for $6.8 billion. Teva has strengthened its position in Europe through its acquisition of Germany's second largest generics producer, ratiopharm.

In July 2018, Teva terminated its partnership with P&G - PGT Healthcare- which marketed OTC medicines.

Teva's 2018 total revenues declined 15.8% to $18.85 billion.

Reasons To Buy:

> Teva is progressing well on its restructuring plan to revive growth. Teva expects 2019 to be a tough year followed by return to growth in 2020 based on product launches.

▲ **Restructuring & Strategic Initiatives:** In December 2017, Teva announced a restructuring plan and has reduced its workforce by more than 10,000 employees since then.

Teva is working toward reducing its cost base, simplifying the organization and improving business performance, profitability, cash flow generation and productivity. The plan also called for the optimization of the global generics portfolio, especially in the United States, through price adjustments and/or product discontinuation.

Several manufacturing plants in the United States, Europe, Israel as well as R&D facilities, headquarters and other office locations across all geographies were shut down or divested in 2018/2019. As far as the pipeline was concerned, all R&D programs are being reviewed so that core projects can be identified while other projects are terminated immediately. The company expects its restructuring plan to achieve $3 billion in savings by the end of 2019 with $2.9 billion already achieved since initiation of the restructuring plan.

The company also suspended dividend payments and annual bonus and said it will continue to look for opportunities to divest non-core assets. In 2017, the company divested many non-core assets, mainly in the women's health portfolio to support repayment of debt. In 2018, Teva pledged that it will neither buy any late-stage pipeline candidates nor acquire any company. Instead, it will spend the cash to reduce its debt and to improve the generics business.

▲ **Solid Generic Drugs Pipeline:** Teva is the world's largest generic drug company in terms of both total and new prescriptions. The company enjoys a leading position in the United States, which is the world's largest generic market. Teva commands a market share of almost 11% in the U.S. generic market. As of September 2019, Teva had 244 abbreviated new drug applications (ANDAs) pending an FDA approval including around 100 first-to-file (FTF) opportunities. In Europe, the company has more than 1,100 regulatory filings pending approvals. Teva intends to pursue FTF and first-to-market opportunities and seek approval for complex generics which are likely to face less competition. This should help the company maintain its strong position in the global generics market.

Teva is also working on strengthening its position in key emerging generic markets, where generics penetration is low and growth and profitability potential high. Meanwhile, the company is strengthening its presence in Japan, the world's second-largest pharmaceutical market. Teva has set up a business venture with Takeda to provide generic medicines in Japan.

▲ **Settlement of Patent Disputes:** Teva has been very active in entering into settlement agreements. The company's record of successfully resolving patent challenges has contributed to its growth, and challenging patents continues to be an important part of its generic product selection and development strategy. Active patent challenges require litigation, thereby leading to higher general and administration expenses. Therefore, the settlement of these challenges accelerates the availability of low cost generic products and also removes uncertainties associated with litigation. Important challenges settled by the company include the Effexor dispute (Effexor XR launched in the U.S. in July 2010), the Combivir dispute, the Avandia, Avandamet and Avandaryl dispute, the Actos/Actoplus dispute (authorized generics of Actos and Actoplus Met launched in August 2012), the Nexium dispute and the Entocort EC dispute among others.

▲ **Active on the Deal-Making Front:** With the acquisition of Allergan's generics business, Actavis Generics, Teva has secured a place in the top three in more than 30 markets and is a market leader in the United States. Meanwhile, Allergan's Anda business was a natural fit in Teva's business model.

The Auspex acquisition was a smart strategic move as it allowed Teva to strengthen its position in the CNS market and expand its presence in the underserved movement disorder markets. Auspex's lead product, Austedo (SD-809) was launched for the treatment of chorea associated with Huntington's disease and tardive dyskinesia in the United States in 2017. The drug is also being developed for the treatment of Tourette syndrome in pediatric patients (phase III) by partner Nuvelution.

Meanwhile, the December 2008 acquisition of Barr helped Teva strengthen its position as a leading generic player not only in the U.S. but also in Europe. This acquisition boosted Teva's product portfolio, which now includes several generic pharmaceutical products. The combined company also has greater resources and expertise in biogenerics. Additionally, Teva's acquisition of ratiopharm helped the company strengthen its position in Europe further. The Rimsa acquisition positions Teva as one of the leading pharmaceutical companies in Mexico, which is the second largest market in Latin America and one of the top five emerging markets across the world.

▲ **Branded Pipeline Progress:** Teva has several programs ranging from phase I to registration stage in its pipeline. Many of these pipeline products are in the pain, CNS and neurology fields. Important pipeline candidates include Austedo for Tourette syndrome, TV-46000 (dyskinesia in cerebral palsy and schizophrenia – phase III) and fasinumab for osteoarthritis pain (phase III) and chronic low back pain (phase II). Ajovy (fremanezumab), for prevention of chronic/episodic migraine, was approved by the FDA in September and in the EU in April 2019. Fremanezumab is also being evaluated for post traumatic headache (phase II) and fibromyalgia (phase II). The two new products Austedo and Ajovy could emerge as significant contributors to long-term sales growth.

Moreover, the company is also looking to strengthen its biosimilars pipeline. Biosimilar versions of Roche's cancer drugs Rituxan (Truxima) and Herceptin (Herzuma) were approved by the FDA in late 2018. Truxima was launched in November 2019 while Herzuma is expected to be unveiled in the first quarter of 2020.

Reasons To Sell:

> Teva is facing significant challenges in the form of accelerated generic competition for Copaxone, new competition for branded products, pricing erosion in the U.S. generics business and a massive debt load.

- **Shares Underperform Industry:** Teva's shares have declined 51.3% in the past one year, underperforming the industry's decrease of 7.4%.

- **U.S. Generic Industry Challenges:** The U.S. generics industry is facing significant competitive and pricing pressure, thereby affecting the company's top-line performance. An increase in FDA generic drug approvals and ongoing customer consolidation are resulting in additional competitive pressure in the industry. The ongoing consolidation of customers in the generics industry led to increasing price erosion. It has increased the ability to negotiate lower prices for generic drugs.

  We are also concerned about the company's dependence, primarily on its generics business for growth. The segment accounted for about 51.3% of total revenues in 2018.

- **Copaxone Sales Eroding Rapidly:** Teva has been facing generic competition for the 20 mg version of Copaxone since 2015 while two generic versions of the 40 mg thrice-weekly formulation were launched in 2017/early 2018, much earlier than expected. Ever since, there has been rapid erosion in sales of Copaxone. Copaxone 40 mg is seeing incremental erosion from new generic entrants in 2019. Meanwhile, Copaxone generics have also been launched in Europe.

  In 2017, Copaxone generated sales of $3.8 billion, down 10% from 2016 levels. In 2018, Copaxone sales of $2.4 billion declined almost 37% as the franchise eroded rapidly following generic competition for both the 20 mg and 40 mg doses. Moreover, Teva expects Copaxone sales to decline by around 45% per year, going forward.

  A generic version of Azilect was launched in the United States in January 2017 and sales have declined sharply thereafter. ProAir sales also declined significantly in 2019 as generic versions were launched following its patent expiration in 2018.

- **High Debt Burden & Opoid/Criminal Investigations:** The company incurred approximately $27 billion in debt to finance the Actavis Generics acquisition. Teva's consolidated debt was approximately $26.9 billion at the end of September 2019, much higher than approximately $10 billion at the end of 2015 (i.e. before acquiring Actavis Generics). However, cash and cash equivalents at the end of September 2019 were $1.24 billion. With increased debt, the company's borrowing costs have increased significantly, which is hurting profits. Meanwhile, accelerated erosion in Copaxone sales can further reduce the company's cash flow.

  Teva is also involved in an opioid litigation and faces DOJ investigations on allocations of price fixing, which are overhangs on its stock. Teva faces several lawsuits, which claim that it is one of the several companies whose opioid-based drugs are responsible for fueling nationwide opioid epidemic.

  There is uncertainty related to the ultimate liability Teva could face in these litigations/investigations. The company may have to pay huge amounts to settle the opoid litigations. It took approximately $1 billion legal settlement charge in the second/third quarter related to opioids.

- **Competition & Pipeline/Regulatory Setbacks:** The generic market is highly crowded and Teva faces competition from players like Mylan, Dr. Reddy's, and Sandoz among others. Competition is fierce as generic companies strive to be the first to launch a generic version once a brand product loses exclusivity so that they can capture significant market share. Once additional generic companies enter the market, market share, revenues and gross profit typically decline. Therefore, it is very important for generic companies to develop and introduce new products in a timely and cost-effective manner to maintain revenues and gross profit. In addition to competition from other generic players, brand name companies also provide competition by marketing their own generic version (authorized generics) of their brand products. Teva also faces competition in the brand product market from other pharmaceutical players depending on product categories. Copaxone faces intense competition from existing products such as Avonex, Betaseron, Rebif, Extavia and Tysabri. Competition in the MS market has intensified with the launch of oral drugs like Biogen's Tecfidera, Novartis' Gilenya, and Sanofi's Aubagio.

  Importantly, Ajovy faces intense competition from Amgen and Lilly's CGRPs, Aimovig and Emgality, respectively. Both were approved by the FDA in mid-2018.

  We note that clinical development involves a high degree of risk. Gaining approval for pipeline candidates has become more difficult, given the tough regulatory environment. Development and regulatory setbacks for late-stage pipeline candidates would be a major disappointment for the company. Custirsen did not fare well in a phase III study. We were also disappointed with the phase III BRAVO results on MS candidate, laquinimod. Teva also halted the evaluation of higher doses of laquinimod in ongoing studies. Meanwhile, Teva is no longer evaluating laquinimod for lupus and Crohn's. Laquinimod failed to meet the primary endpoint in the CONCERTO study for relapsing-remitting multiple sclerosis (RRMS) and no longer plans to evaluate laquinimod for the indication.

  In 2010, Teva faced a pipeline setback when talampanel failed to meet its primary endpoint in a phase II study that was being conducted with patients suffering from amyotrophic lateral sclerosis (ALS). Teva has also been unsuccessful in its attempts to expand Nuvigil's label and terminated the development of albutropin (TV-1106) and all ongoing clinical activities in the area of growth hormones.

  In October 2016, the FDA placed a clinical hold on a phase IIb study evaluating fasinumab for chronic low back pain. Teva discontinued a late-stage study evaluating fremanezumab for chronic cluster headache in June 2018 and for episodic cluster headache in April 2019.

Last Earnings Report

Teva Misses on Q3 Earnings Miss, Beats on Sales, Ups View

Quarter Ending	09/2019
Report Date	Nov 07, 2019
Sales Surprise	0.27%
EPS Surprise	-3.33%
Quarterly EPS	0.58
Annual EPS (TTM)	2.31

Teva's third-quarter results were mixed as it missed on earnings but beat on sales. However, despite the lower-than-expected earnings, the company raised the lower end of its 2019 sales and earnings guidance.

Teva reported third-quarter 2019 earnings of 58 cents per share, lagging the Zacks Consensus Estimate of 60 cents. Earnings per share also declined 14.7% year over year due to lower sales and operating profit and higher taxes.

Adjusted earnings excluded a $468-provision for legal settlements and loss contingencies, mainly related to Teva's opoid litigation, impairment of intangible assets and product rights and amortization/ restructuring charges.

Revenues came in at $4.26 billion, surpassing the consensus estimate of $4.24 billion. Sales, however, declined 6% (down 5% in constant currency) year over year.

On a year-over-year basis, generic erosion in sales of Copaxone, lower sales of other branded drugs Bendeka/Treanda and soft performance in markets like Russia and Japan hurt the top line.

Also, a negative currency impact due to the strengthening of the dollar dented sales by $55 million and operating profits by $19 million in the quarter.

Segment Discussion

Teva reports under segments based on three regions, namely North America (United States and Canada), Europe and International Markets.

North America sales were $2.05 billion, down 9% year over year due to lower sales of Copaxone as well as Bendeka/Treanda. In the United States, revenues declined 10% year over year to $1.91 billion.

Copaxone posted sales of $271 million in North America, down 41% year over year due to generic erosion. Copaxone revenues in the United States were $257 million. On the conference call, management stated that it saw a slow erosion in total prescription share of Copaxone in North America.

Combined sales of Bendeka and Treanda declined 23% to $124 million due to lower volumes and lower pricing. The launch of a competing bendamustine solution by Eagle Pharmaceuticals in June hurt volumes of Bendeka/Treanda.

Qvar sales surged 68% to $60 million in the quarter. ProAir sales plunged 34% year over year to $71 million due to lower volumes and price. Teva unveiled its own ProAir HFA authorized generic for select customers in January 2019 following the introduction of generic versions of Glaxo's albuterol inhaler Ventolin HFA. Sales of the authorized generic are included in Teva's Generics revenues.

Austedo recorded sales of $105 million in the quarter in North America compared with $96 million in the previous quarter. Teva expects Austedo to record $350 million in revenues for 2019. Teva expects to achieve sales slightly above the guided range.

Ajovy recorded sales of $25 million in the reported quarter compared with $23 million in the previous quarter. Management informed that Ajovy captured about 19% share of total prescription in the United States. However, it saw a decline in new prescription share, which it said was due to preference of patients for auto injectors while Ajovy is available as a subcutaneous injection. Management expects approval of an auto-injector for Ajovy in 2019, which could re-ignite growth in 2020.

Generic products revenues were almost flat at $914 million in the quarter as additional sales from the launch of generic products were offset by price erosion in the U.S. business and an unfavorable product mix.

Teva launched 39 new generic products this year so far including generic version of EpiPen Jr auto-injector (0.15 mg) allergy treatment. Regarding some important upcoming generic launches, Teva expects generic Forteo in the second half of 2020 while generic Nuvaring has been pushed out to 2020 and Restasis could be approved by the FDA anytime.

On the conference call, the authorities reiterated that they saw stabilization of the generic pricing environment in the United States and Europe, which coupled with new generic launches, is strengthening these businesses. Teva expects its North American generics business to generate $4 billion in annual sales over time.

Distribution revenues, generated by Anda, rose 5% in the quarter to $351 million.

The Europe segment recorded revenues of $1.16 billion, down 4% (flat in constant currency) year over year as higher sales of generic products were offset by lower Copaxone revenues.

Generic products revenues in Europe dipped 1% to $836 million due to currency headwinds. Excluding the impact of currency, sales rose 4% due to higher sales of OTC products and new generic launches

Copaxone sales declined 10% in constant currency to $106 million due to price reductions following the entry of generics.

Respiratory products sales in Europe segment slipped 2% on constant currency (cc) basis to $87 million, mainly due to lower sales in the United Kingdom.

In the International Markets, sales inched up 1% (same in constant currency) to $736 million as lower sales in Japan and Russia were offset by higher distribution activities in Israel.

Generic products revenues declined 5% in constant currency to $474 million. Copaxone sales dropped 46% to $20 million. Distribution revenues increased 15% at cc to $176 million in the quarter.

The Other segment (API manufacturing business and certain contract manufacturing services) recorded revenues of $314 million, down 2% year over year in constant currency.

Profits Decline

Adjusted gross margin declined 60 basis points (bps) to 49.3% in the quarter. Adjusted research & development expenses were flat year over year at $242 million as pipeline optimization and project terminations and resultant workforce reductions were offset by increased investment in early-stage pipeline projects. Selling and marketing (S&M) expenditure decreased 13.1% from the year-ago level to $551 million owing to cost-cutting and re-structuring activities. General and administrative (G&A) expenses fell 4.9% year over year to $270 million. Adjusted operating income declined 5% to $1.05 billion due to lower profits in North America segment.

Free cash flow for the quarter was $551 million, significantly up from $168 million in the second quarter of 2019, driven by more favorable working capital dynamics.

2019 View Narrowed

Teva lifted the lower end of its previously issued guidance for sales and earnings in 2019. The company expects revenues in the range of $17.2-$17.4 billion compared with $17-$17.4 billion expected previously. Earnings are expected in the band of $2.30-2.50 per share compared with $2.20-2.50 projected earlier. The earnings and sales guidance, however, indicates a decline from 2018-levels.

Adjusted operating income is expected between $4 billion and $4.2 billion in 2019 (previously: $3.8 billion and $4.2 billion). Free cash flow was guided in the range of $1.7-$2 billion (previously $1.6-$2 billion).

Update on Opioid Litigation

Teva faces several lawsuits, which claim that its opioid-based drugs among other companies' products were responsible for fueling nationwide opioid epidemic. In May, Teva agreed to pay $85 million to the state of Oklahoma in this regard. Last month, it settled with two counties of Ohio, Cuyahoga and Summit, thereby resolving the counties' opioid claims, which removed Teva from the Track 1 opioid litigation.

Importantly, Teva entered into a proposed nationwide settlement with attorneys general of the four states, which requires it to supply $23 billion worth of generic Suboxone and pay $250 million in cash over 10 years. During third-quarter conference call, management stated that the nationwide settlement is the best way to address the opioid crisis and even if it has to pay for these settlements over time, it will not affect its ability to reduce debt.

Recent News

Collaborations with Leading Universities – Nov 25

Teva announced that it has entered into a collaboration with Weizmann Institute of Science to identify the next generation of innovative antibodies for the treatment of various types of cancer. Teva also announced the expansion of its scientific collaboration with Tel Aviv University for advancing innovative R&D research in the fields of cancer and brain studies.

Rituxan Biosimilar Now Available in United States — Nov 7

Teva and partner Celltrion announced that Truxima (CT-P10), their biosimilar version of Roche's Rituxan, is now available in the United States. The Wholesale Acquisition Cost (WAC) of the list price of Truxima will be 10% lower than the branded product. The WAC of Truxima is $845.55 for 100mg vial and $4227.75 for 500mg vial.

Truxima is the first Rituxan biosimilar to be launched in the United States for non-Hodgkin's Lymphoma (NHL) and Chronic Lymphocytic Leukemia (CLL).

New CFO — Nov 7

Teva named Eli Kalif as its new executive vice president and chief financial officer effective Dec 22. Eli Kalif, who previously served at Flex, a technology design and manufacturing company, will replace Michael (Mike) McClellan, who resigned in August due to personal reasons.

Teva Settles With Ohio Counties in Opioid Litigation – Oct 21

Teva announced that it has settled with two counties of Ohio, Cuyahoga and Summit. This resolved the counties' opioid claims and removed Teva from the Track 1 opioid litigation.

Per the settlement terms, Teva will make a cash payment of $20 million, to be paid over three years. In addition, it will donate opioid treatment medication buprenorphine naloxone, a generic version of Suboxone, to the two counties worth $25 million, also over a period of three years

Teva also said that it has entered into a proposed settlement with attorneys general of the four states (North Carolina, Pennsylvania, Tennessee, and Texas), which requires it to supply $23 billion worth of generic Suboxone and pay $250 million in cash over 10 years.

Valuation

Teva's shares are down 51.3% over the trailing 12-month period. While stocks in the Zacks sub-industry are down 7.4%, those in the sector are up 4.6% over the past year. The S&P 500 Index is up 24.2% in the past year.

The stock is currently trading at 3.79X forward 12-month earnings per share, which compares with 8.71X for the Zacks sub-industry, 21.5X for the Zacks sector and 18.87X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 13.94X and as low as 2.61X, with a 5-year median of 7.68x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $11.0 price target reflects 4.5X forward 12-month earnings per share.

The table below shows summary valuation data for TEVA

Valuation Multiples - TEVA

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	3.79	8.71	21.5	18.87
	5-Year High	13.94	16.24	21.5	19.34
	5-Year Low	2.61	6.55	15.88	15.17
	5-Year Median	7.58	9.87	18.95	17.44
P/S F12M	Current	0.59	1.54	2.83	3.5
	5-Year High	3.19	4.31	3.81	3.5
	5-Year Low	0.39	1.14	2.42	2.54
	5-Year Median	1.34	1.93	2.93	3
P/B TTM	Current	0.67	1.28	4.52	4.46
	5-Year High	2.65	3.7	5.02	4.47
	5-Year Low	0.43	0.86	3.42	2.85
	5-Year Median	1.3	1.32	4.28	3.61

As of 1/13/2020

Industry Analysis **Zacks Industry Rank:** Top 38% (97 out of 254)

Top Peers

Eli Lilly and Company **(LLY)**	Outperform
Pfizer Inc. **(PFE)**	Outperform
Bausch Health Cos Inc. **(BHC)**	Neutral
Biogen Inc. **(BIIB)**	Neutral
Mylan N.V. **(MYL)**	Neutral
Novartis AG **(NVS)**	Neutral
Dr. Reddys Laboratories Ltd **(RDY)**	Neutral
Sanofi **(SNY)**	Neutral

Industry Comparison Industry: Medical - Generic Drugs

Industry Peers

	TEVA Neutral	X Industry	S&P 500	BHC Neutral	MYL Neutral	RDY Neutral
VGM Score	B	-	-	B	A	B
Market Cap	10.01 B	335.45 M	24.31 B	9.91 B	10.73 B	6.90 B
# of Analysts	13	4	13	9	9	1
Dividend Yield	0.00%	0.00%	1.76%	0.00%	0.00%	0.63%
Value Score	A	-	-	A	A	C
Cash/Price	0.13	0.18	0.04	0.08	0.03	0.06
EV/EBITDA	-43.74	-1.44	14.12	75.87	8.05	12.94
PEG Ratio	1.04	0.88	2.05	0.58	1.07	NA
Price/Book (P/B)	0.67	2.96	3.34	3.87	0.94	3.17
Price/Cash Flow (P/CF)	1.98	4.82	13.66	2.28	2.39	15.42
P/E (F1)	3.80	7.52	18.82	6.26	4.63	29.93
Price/Sales (P/S)	0.57	2.95	2.64	1.17	0.94	2.93
Earnings Yield	27.37%	-8.49%	5.29%	15.97%	21.61%	3.34%
Debt/Equity	1.62	0.08	0.72	9.17	1.17	0.10
Cash Flow ($/share)	4.63	-0.17	6.94	12.32	8.68	2.70
Growth Score	D	-	-	C	D	A
Hist. EPS Growth (3-5 yrs)	-17.10%	3.58%	10.56%	-19.56%	3.79%	-5.32%
Proj. EPS Growth (F1/F0)	4.99%	2.24%	7.49%	2.61%	4.05%	-15.24%
Curr. Cash Flow Growth	-26.03%	-0.81%	14.83%	-1.15%	5.27%	29.21%
Hist. Cash Flow Growth (3-5 yrs)	-4.41%	4.21%	9.00%	0.85%	22.00%	-0.91%
Current Ratio	0.89	2.91	1.23	1.15	1.43	1.96
Debt/Capital	61.86%	8.22%	42.99%	90.16%	53.87%	9.03%
Net Margin	-22.88%	-56.06%	11.08%	-7.25%	0.42%	16.20%
Return on Equity	15.41%	-42.85%	17.16%	56.19%	18.80%	18.44%
Sales/Assets	0.29	0.29	0.55	0.26	0.36	0.72
Proj. Sales Growth (F1/F0)	-1.01%	2.73%	4.23%	3.08%	3.94%	9.63%
Momentum Score	A	-	-	D	A	F
Daily Price Chg	1.78%	-0.08%	0.73%	1.70%	-0.34%	1.34%
1 Week Price Chg	-0.88%	0.00%	0.39%	-6.02%	3.22%	1.99%
4 Week Price Chg	-7.00%	0.00%	1.84%	-7.26%	9.20%	3.43%
12 Week Price Chg	12.52%	11.03%	6.48%	23.01%	14.49%	7.33%
52 Week Price Chg	-50.35%	-11.83%	23.15%	26.38%	-29.58%	14.56%
20 Day Average Volume	11,191,006	499,060	1,578,594	2,485,949	6,142,611	122,759
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.25%	0.26%	-7.95%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-0.74%	0.29%	-7.95%
(F1) EPS Est 12 week change	0.41%	-3.86%	-0.48%	2.15%	0.29%	-32.52%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.17%	5.75%	NA

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

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