

## Teva Pharmaceutical (TEVA)

**\$9.83** (As of 12/24/20)

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

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/21/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:A

Value: A

Growth: C

Momentum: B

### 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, a high debt load and a sparse branded pipeline. Nonetheless, its newest drugs Austedo and Ajoyv could emerge as significant drivers of long-term sales. Management is working on reducing costs and debt. With encouraging progress in restructuring activities, stabilization in the United States and European generics business, and improvement in financials, we believe the company may return to growth in a couple of years. However, the opioid litigation and price-fixing investigations are an overhang on the stock. Teva's shares have underperformed the industry this year so far.

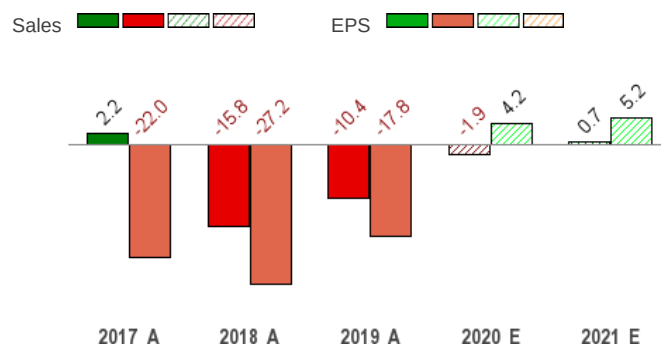
### Price, Consensus & Surprise



### Data Overview

|                                |                          |
|--------------------------------|--------------------------|
| 52-Week High-Low               | \$13.76 - \$6.25         |
| 20-Day Average Volume (Shares) | 7,491,037                |
| Market Cap                     | \$10.7 B                 |
| Year-To-Date Price Change      | 0.3%                     |
| Beta                           | 1.47                     |
| Dividend / Dividend Yield      | \$0.00 / 0.0%            |
| Industry                       | Medical - Generic Drugs  |
| Zacks Industry Rank            | Top 47% (121 out of 255) |

### Sales and EPS Growth Rates (Y/Y %)



|                               |            |
|-------------------------------|------------|
| Last EPS Surprise             | 0.0%       |
| Last Sales Surprise           | -1.8%      |
| EPS F1 Estimate 4-Week Change | 0.1%       |
| Expected Report Date          | 02/10/2021 |
| Earnings ESP                  | 3.7%       |
| P/E TTM                       | 3.9        |
| P/E F1                        | 3.9        |
| PEG F1                        | 1.1        |
| P/S TTM                       | 0.6        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 4,120 E | 4,182 E | 4,281 E | 4,348 E | 16,690 E |
| 2020 | 4,357 A | 3,870 A | 3,978 A | 4,345 E | 16,570 E |
| 2019 | 4,295 A | 4,337 A | 4,264 A | 4,468 A | 16,887 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$0.65 E | \$0.64 E | \$0.68 E | \$0.73 E | \$2.63 E |
| 2020 | \$0.76 A | \$0.55 A | \$0.58 A | \$0.61 E | \$2.50 E |
| 2019 | \$0.60 A | \$0.60 A | \$0.58 A | \$0.62 A | \$2.40 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 12/24/2020. The reports text is as of 12/28/2020.

## 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, India, and Israel. Teva's generic product portfolio includes tablets, capsules, liquids, ointments, creams, liquids, injectables, and inhalants.

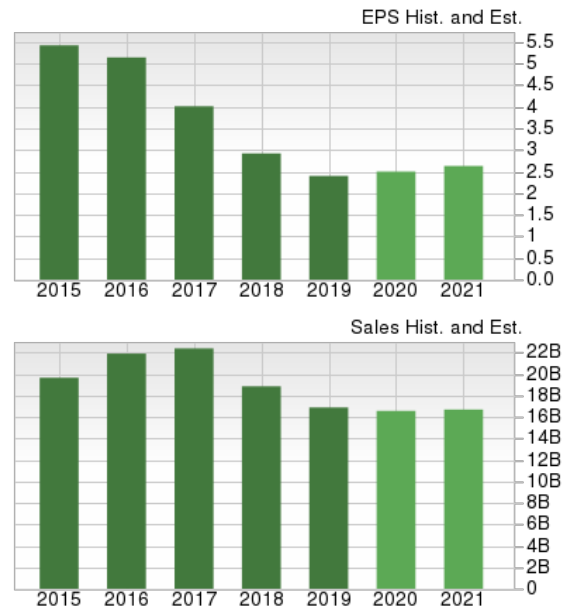
The company's branded products include Copaxone (multiple sclerosis - MS), Austedo (chorea associated with Huntington's disease and tardive dyskinesia), respiratory products like ProAir and Qvar and Ajovy (preventive treatment of migraine). Moreover, the company has several candidates in its pipeline,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

Teva operates through three segments, North America, Europe and International Markets, each of which includes generics, specialty and over-the-counter ("OTC") products. In 2019, North America accounted for 51.5% of Teva's sales while Europe and International Markets accounted for 28.4% and 13.3% of total sales, respectively.

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 Andia 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 2019 total revenues declined 8% to \$16.9 billion.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ **Restructuring & Strategic Initiatives:** In 2019, Teva completed its two-year restructuring plan announced in December 2017, reducing its cost base by more than \$3 billion and net debt by more than \$9 billion.

Under the plan, Teva reduced its workforce by more than 13,000 employees, closed down or divested 23 manufacturing sites and 40 offices and laboratories. It achieved this by reducing its cost base, simplifying organization and improving business performance, profitability, cash flow generation and productivity. The plan also included optimization of the global generics portfolio, especially in the United States, through price adjustments and/or product discontinuation.

As far as the pipeline was concerned, all R&D programs were reviewed to identify core projects while other projects were terminated. The company also suspended dividend payments and annual bonus and divested non-core assets. Teva continues to consolidate manufacturing sites in 2020 while optimizing each and every manufacturing site for better efficiency. Teva targets to achieve adjusted operating margin of 28% by the end of 2023 through initiatives like further improving procurement cost and increasing supply chain integration.

- ▲ **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 share of around 10% in the U.S. generic market. As of Sep 30 2020, Teva had 228 abbreviated new drug applications (ANDAs) pending FDA approval, including around 84 first-to-file (FTF) opportunities. In Europe, the company has more than 1,000 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.

- ▲ **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 Andabio 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.

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, neurology and neuropsychiatry fields. Important pipeline candidates include TV-46000 (schizophrenia – phase III) and fasinumab for osteoarthritis pain (phase III). Ajovy (fremanezumab), for prevention of chronic/episodic migraine, was approved by the FDA in September 2018 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 in March 2020. Meanwhile, Teva has a pipeline with 10 biosimilars in development including five in partnership with Alvotech.

- ▲ **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.

With encouraging progress on restructuring activities, stabilization in U.S. and European generics business and improvement in financials, Teva may return to growth in a couple of years.

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## Reasons To Sell:

- ▼ **Shares Underperform Industry:** Though Teva's shares have risen 0.4% this year so far, it has underperformed the industry's increase of 10.9%.
- ▼ **Opioid/Criminal Investigations – An Overhang:** Teva is involved in an opioid litigation and faces DOJ investigations on allegations of price fixing, which are overhangs on its stock.

Teva's opioid litigation and price-fixing investigations are an overhang on the 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 litigations. The New York state opioid litigation could be an important catalyst for the stock as there is uncertainty around the final settlement terms. The trial, which was scheduled to start in March 2020, has been postponed due to COVID-19 and is rescheduled to begin in the first quarter of 2021.

Meanwhile, The Department of Justice (DOJ) has charged Teva for conspiring to fix prices, rig bids and allocate customers for generic drugs in the United States. An indictment has been filed in the U.S. District Court for the Eastern District of Pennsylvania which states that Teva was involved in three conspiracies with other drugmakers from May 2013 to December 2015 which have led to substantially higher prices for generic drugs. The DOJ Antitrust Division has long been investigating generic companies indulged in a widespread illegal conspiracy to reduce competition and artificially hike and manipulate prices of generic prescription drugs.

Though Teva believes that it has not participated in any price fixing, if convicted, it will have to pay criminal charges and could have a material adverse impact on the its business.

In August, the U.S. Justice Department filed a complaint against Teva, which stated that Teva used independent charitable foundations to illegally pay millions of dollars in kickbacks to cover Medicare co-payment obligations for its multiple sclerosis drug, Copaxone. The illicit payments were made to cover up for price increases of the drug and boost profits, which is in violation of the Anti-Kickback Statute.

In the third quarter of 2020, Teva took a \$4.6B goodwill impairment charge to reflect the uncertainty around the timing of litigation resolution.

- ▼ **Some Branded Drugs Face Generic Competition:** 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. Meanwhile, Copaxone generics have also been launched in Europe.

ProAir sales are also declining as generic versions of a competing product, Glaxo's albuterol inhaler Ventolin HFA have been launched following patent loss. Meanwhile, Perrigo and Lupin have launched generic versions of ProAir HFA.

- ▼ **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 has resulted in additional competitive pressure in the industry. Meanwhile, delays in the launch of some new generic products and supply discontinuities due to regulatory actions and approval delays also hurt the performance of Teva's generics business in 2019.

We are also concerned about the company's dependence, primarily on its generics business for growth. The segment accounted for about 55% of total revenues in 2019.

- ▼ **Unfavorable Debt Profile:** The company took approximately \$27 billion in debt to finance the Actavis Generics acquisition. Teva's consolidated debt was approximately \$25.6 billion at the end of Sep 2020, much higher than approximately \$10 billion at the end of 2015 (i.e. before acquiring Actavis Generics). Though the company is consistently paying down its debt, it still is highly leveraged. Its cash and cash equivalents at the end of Sep 30, 2020 were \$1.83 billion, which is inadequate to cover its short-term debt of \$2.1 billion, in case of insolvency. As of Sep 30, 2020, the company's debt-to-total capital ratio was 70.8%, higher than 63.9% at the end of Jun 2020. A higher ratio indicates greater financial risk.

## Last Earnings Report

### Teva Posts In-Line Q3 Earnings, Lowers Sales View

Teva's third-quarter results were rather weak as its earnings matched estimates while sales missed the same. The company also lowered its sales outlook for the year.

Teva reported third-quarter 2020 earnings of 58 cents per share, which were in line with the Zacks Consensus Estimate. Earnings were flat year over year.

Revenues came in at \$3.98 billion, which missed the consensus estimate of \$4.06 billion. Sales declined 3% on a reported as well as constant currency terms year over year due to lower sales of OTC products and Copaxone in all regions and lower demand for some products due to the pandemic.

Sales in North America as well as Europe were hurt by disruptions in physician patient interactions and reduced doctor visits amid the pandemic. However, demand for some products related to the treatment of COVID-19 symptoms increased.

### Segment Discussion

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

North America segment sales were \$2.02 billion, down 2% year over year due to lower sales of branded drugs, Copaxone and Bendeka/Treanda, which offset higher sales of generic products.

In the United States, sales declined 1% to \$1.89 billion.

Copaxone posted sales of \$236 million in North America, down 13% year over year due to generic erosion.

Combined sales of Bendeka and Treanda declined 15% to \$105 million due to competitive pressure. The launch of a competing bendamustine solution called Belrapzo by Eagle Pharmaceuticals in June 2019 has been hurting sales of Bendeka/Treanda. Also, the launch of alternative novel therapies hurt sales.

ProAir sales declined 30% to \$50 million. Qvar sales were \$42 million in the quarter, down 29% due to lower volume and increased competition.

Austedo recorded sales of \$168 million in the quarter in North America, up 60% year over year, driven by higher volumes

Ajovy recorded sales of \$35 million in the quarter compared with \$34 million in the previous quarter. While the launch of Teva's auto injector device for Ajovy in May boosted sales, the company lost new prescription share in the quarter. Before the auto-injector device was launched, Ajovy was losing new prescription share as its two other competing products both had an auto-injector. With the launch of the auto-injector in May, its market share has gone up from 11% to 25%.

Generic products (including biosimilars) revenues rose 2% at \$928 million in the North America segment as higher sales from the launch of generic products including Truxima and ProAir authorized generic offset lower volume of other generic products. Generic versions of Gilead's HIV-1 treatments, Truvada and Atripla tablets in the United States were launched on Sep 30. These should bring in additional sales in the fourth quarter.

Distribution revenues, generated by Anda, declined 3% in the quarter to \$341 million due to lower demand.

The Europe segment recorded revenues of \$1.12 billion, down 4% (down 7% in constant currency terms) year over year due to fewer patient visits to doctors amid the pandemic, which hurt prescription trends. Meanwhile, lower sales of Copaxone and oncology products due to generic competition also hurt sales.

Generic products revenues in Europe declined 1% to \$824 million (down 6% in constant currency terms). Copaxone sales declined 9% on a constant-currency basis to 101 million. Respiratory products sales in Europe segment declined 15% on a constant-currency basis to \$77 million. Ajovy recorded sales of \$8 million in Europe compared with \$5 million in the previous quarter.

In the International Markets segment, sales declined 6% (down 1% in constant currency terms) to \$529 million due to lower sales in Japan and reduced demand for some products due to COVID-19 pandemic. Meanwhile, loss of revenues from the sale of certain assets in the Israeli market also hurt this segment's sales.

Generic products revenues decreased 4% in constant-currency terms to \$429 million. Copaxone sales declined 14% to \$14 million.

The Other segment (API manufacturing business and certain contract manufacturing services) recorded revenues of \$316 million, down 1% year over year, in constant currency terms.

### Costs Decline

Adjusted gross margin rose 100 basis points (bps) to 52.4% in the quarter. Adjusted research & development expenses declined 3.7% year over year to \$233 million. Selling and marketing (S&M) expenditure declined 2.7% from the year-ago level to \$566 million due to cost-cutting activities. General and administrative (G&A) expenses were almost flat at \$269 million. Adjusted operating income declined 3% in the quarter to \$1.03 billion. However, adjusted operating margin was flat at 25.8% in the quarter.

Quarter Ending 09/2020

| Report Date      | Nov 05, 2020 |
|------------------|--------------|
| Sales Surprise   | -1.75%       |
| EPS Surprise     | 0.00%        |
| Quarterly EPS    | 0.58         |
| Annual EPS (TTM) | 2.51         |

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Free cash flow was \$506 million compared with \$582 million in the second quarter of 2020.

### **2020 Guidance**

Teva slightly lowered its previously issued sales guidance for 2020 to reflect the impact of COVID-19. It expects revenues to be in the range of \$16.5-\$16.8 billion versus \$16.6-\$17.0 billion previously. Earnings guidance was tightened from a band of \$2.30-2.55 per share to \$2.40-2.55 per share. Adjusted gross margin is expected to be 52.5%. Operating margin is expected to be in the range of 25.5% to 26%.

For 2020, Teva expects global Copaxone sales of approximately \$1.3 billion, higher than \$1.2 billion expected previously. While Austedo is expected to record U.S. sales of \$650 million (maintained), Ajovy is likely to bring in \$200 million in global sales, less than \$250 million expected previously.

### **Update on Opioid/Price Fixing Litigations**

Chief executive officer (CEO) Kåre Schultz said on the conference call that the opioid and price fixing issues developed to be more complex than the company had assumed and the timeframe for resolution will be significantly longer than expected.

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## Recent News

### Launches Generic Truvada & Atripla for HIV – Oct 2

eva announced that it has launched the first generic versions of HIV-1 treatments, Truvada and Atripla tablets in the United States.

### Launches Two Digihalers in United States for Asthma – Sep 21

Teva announced that it has launched two digitally connected inhalers in the United States. The first one is ArmonAir Digihaler (fluticasone propionate) Inhalation Powder for the maintenance treatment of asthma in patients 12 years and older. The second inhaler is AirDuo Digihaler Inhalation Powder to control symptoms of asthma and to prevent symptoms such as wheezing in patients aged 12 years and older.

### Statement in Response to TEVA USA Indictment – August 25

Teva responded to the charges filed by the Department of Justice (DOJ) that it has conspired to fix prices, rig bids and allocate customers for generic drugs in the United States. An indictment has been filed in the U.S. District Court for the Eastern District of Pennsylvania against Teva USA which states that Teva was involved in three conspiracies with other drugmakers from May 2013 to December 2015 which have led to substantially higher prices for generic drugs.

Teva said that it has fully cooperated with DOJ and tried to reach a resolution to the matter which would be in the best interest of the company. It believes that it has not participated in any price fixing. However, if convicted, Teva will have to pay criminal charges and could have a material adverse impact on the its business.

## Valuation

Teva's shares are up 0.4% in the year-to-date period. Stocks in the Zacks sub-industry are up 10.9% in the year-to-date period. Over the past year, stocks in the Zacks sub-industry are up 5.5%.

The S&P 500 Index is up 17.0% in the year-to-date period.

The stock is currently trading at 3.74X forward 12-month earnings per share, which compares to 9.59X for the Zacks sub-industry, 22.25X for the Zacks sector and 22.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 11.7X and as low as 2.61X, with a 5-year median of 6.69. Our Neutral recommendation indicates that the stock will perform in-line with the market.

Our \$11.00 price target reflects 4.2X 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       | 3.74  | 9.59         | 22.25  | 22.87   |
|                            | 5-Year High   | 11.7  | 10.44        | 22.91  | 23.79   |
|                            | 5-Year Low    | 2.61  | 5.83         | 15.89  | 15.3    |
|                            | 5-Year Median | 6.69  | 8            | 19     | 17.81   |
| P/S F12M                   | Current       | 0.64  | 1.01         | 2.84   | 4.34    |
|                            | 5-Year High   | 2.57  | 2.29         | 3.16   | 4.34    |
|                            | 5-Year Low    | 0.39  | 0.74         | 2.25   | 3.17    |
|                            | 5-Year Median | 1.02  | 1.16         | 2.84   | 3.67    |
| P/B TTM                    | Current       | 1.01  | 1.69         | 4.49   | 6.25    |
|                            | 5-Year High   | 2.46  | 2.61         | 5.1    | 6.27    |
|                            | 5-Year Low    | 0.43  | 0.76         | 3.01   | 3.65    |
|                            | 5-Year Median | 1.06  | 1.26         | 4.32   | 4.95    |

As of 12/24/2020 Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 47% (121 out of 255)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                  | Rec     | Rank |
|-----------------------------------|---------|------|
| Amgen Inc. (AMGN)                 | Neutral | 3    |
| Bausch Health Cos Inc. (BHC)      | Neutral | 3    |
| Biogen Inc. (BIIB)                | Neutral | 4    |
| Eli Lilly and Company (LLY)       | Neutral | 3    |
| Novartis AG (NVS)                 | Neutral | 3    |
| Pfizer Inc. (PFE)                 | Neutral | 3    |
| Dr. Reddys Laboratories Ltd (RDY) | Neutral | 3    |
| Sanofi (SNY)                      | Neutral | 3    |

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

| Industry Comparison Industry: Medical - Generic Drugs |           |            |           | Industry Peers |           |         |
|-------------------------------------------------------|-----------|------------|-----------|----------------|-----------|---------|
|                                                       | TEVA      | X Industry | S&P 500   | BHC            | NVS       | RDY     |
| Zacks Recommendation (Long Term)                      | Neutral   | -          | -         | Neutral        | Neutral   | Neutral |
| Zacks Rank (Short Term)                               | 3         | -          | -         | 3              | 3         | 3       |
| VGM Score                                             | A         | -          | -         | A              | A         | B       |
| Market Cap                                            | 10.74 B   | 351.79 M   | 26.20 B   | 7.20 B         | 202.66 B  | 11.67 B |
| # of Analysts                                         | 11        | 4          | 13        | 8              | 5         | 2       |
| Dividend Yield                                        | 0.00%     | 0.00%      | 1.48%     | 0.00%          | 2.27%     | 0.39%   |
| Value Score                                           | A         | -          | -         | A              | A         | C       |
| Cash/Price                                            | 0.17      | 0.23       | 0.06      | 0.27           | 0.05      | 0.03    |
| EV/EBITDA                                             | 70.95     | -1.15      | 14.57     | 15.45          | 14.01     | 27.36   |
| PEG F1                                                | 1.07      | 0.75       | 2.83      | 0.51           | 1.87      | NA      |
| P/B                                                   | 1.01      | 3.38       | 3.64      | 10.99          | 3.71      | 5.19    |
| P/CF                                                  | 2.53      | 2.53       | 13.90     | 1.93           | 11.21     | 18.57   |
| P/E F1                                                | 3.93      | 8.12       | 22.12     | 5.45           | 15.24     | 34.11   |
| P/S TTM                                               | 0.64      | 1.83       | 2.85      | 0.90           | 4.20      | 4.76    |
| Earnings Yield                                        | 25.43%    | -9.50%     | 4.36%     | 18.35%         | 6.56%     | 2.94%   |
| Debt/Equity                                           | 2.22      | 0.00       | 0.70      | 37.16          | 0.49      | 0.04    |
| Cash Flow (\$/share)                                  | 3.89      | -0.30      | 6.93      | 10.49          | 7.90      | 3.79    |
| Growth Score                                          | C         | -          | -         | C              | C         | B       |
| Historical EPS Growth (3-5 Years)                     | -19.46%   | 1.53%      | 9.71%     | -17.09%        | 3.57%     | 14.92%  |
| Projected EPS Growth (F1/F0)                          | 4.17%     | -1.84%     | 1.26%     | -16.05%        | 10.92%    | -25.99% |
| Current Cash Flow Growth                              | -9.67%    | 2.22%      | 5.23%     | -14.18%        | 4.27%     | 40.31%  |
| Historical Cash Flow Growth (3-5 Years)               | -6.21%    | 7.89%      | 8.33%     | -4.00%         | 7.11%     | 5.28%   |
| Current Ratio                                         | 1.00      | 2.86       | 1.38      | 1.20           | 0.91      | 1.72    |
| Debt/Capital                                          | 68.94%    | 0.00%      | 41.97%    | 97.38%         | 32.69%    | 3.89%   |
| Net Margin                                            | -24.17%   | -45.13%    | 10.40%    | -23.92%        | 14.71%    | 8.23%   |
| Return on Equity                                      | 19.32%    | -27.53%    | 14.99%    | 173.20%        | 24.39%    | 16.33%  |
| Sales/Assets                                          | 0.31      | 0.38       | 0.50      | 0.25           | 0.39      | 0.76    |
| Projected Sales Growth (F1/F0)                        | -4.58%    | 0.00%      | 0.35%     | -7.68%         | 4.13%     | 5.36%   |
| Momentum Score                                        | B         | -          | -         | C              | B         | C       |
| Daily Price Change                                    | 0.61%     | -0.60%     | 0.29%     | 0.45%          | 0.19%     | 0.07%   |
| 1-Week Price Change                                   | -3.10%    | 0.99%      | 0.87%     | 0.88%          | -1.85%    | 3.37%   |
| 4-Week Price Change                                   | 0.82%     | 6.42%      | 0.99%     | 5.74%          | -0.71%    | 9.48%   |
| 12-Week Price Change                                  | 8.38%     | 11.42%     | 14.77%    | 27.57%         | 1.43%     | 0.95%   |
| 52-Week Price Change                                  | -3.06%    | 0.00%      | 5.47%     | -31.73%        | -6.60%    | 73.86%  |
| 20-Day Average Volume (Shares)                        | 7,491,037 | 290,796    | 2,028,114 | 2,500,062      | 1,898,608 | 132,990 |
| EPS F1 Estimate 1-Week Change                         | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 0.00%   |
| EPS F1 Estimate 4-Week Change                         | 0.10%     | 0.00%      | 0.00%     | 0.00%          | 0.62%     | 0.00%   |
| EPS F1 Estimate 12-Week Change                        | 1.11%     | 4.24%      | 3.68%     | 2.69%          | 1.75%     | 8.68%   |
| EPS Q1 Estimate Monthly Change                        | 0.55%     | 0.00%      | 0.00%     | 0.00%          | 1.82%     | NA      |

Source: Zacks Investment Research



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## 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.

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### Zacks Style Scores

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

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

|                |          |
|----------------|----------|
| Value Score    | <b>A</b> |
| Growth Score   | <b>C</b> |
| Momentum Score | <b>B</b> |
| VGM Score      | <b>A</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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## Disclosures

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## Additional Disclosure

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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.

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**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**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.