PHARMING GROUP (PHARM-AE)

Pharma. & Med. Research / Biotech & Med. Research / Biotech & Med. Research

Last Close	Avg Daily Vol	52-Week High	Trailing PE	Annual Div	ROE	LTG Forecast	1-Mo Return
0.76 (EUR)	**9.7M**	**1.62**	**--**	**--**	**-112.3%**	**--**	**-5.5%**

2019 January 04
AMSTERDAM Exchange

	Market Cap	52-Week Low	Forward PE	Dividend Yield	Annual Rev	Inst Own	3-Mo Return
	467M	**0.64**	**19.9**	**--**	**131M**	**12.5%**	**-22.5%**

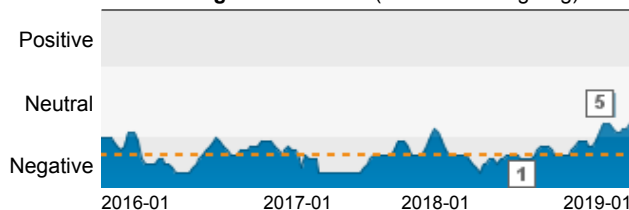## AVERAGE SCORE
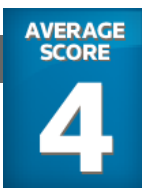
AVERAGE SCORE **4**

NEUTRAL OUTLOOK: PHARM's current score is relatively in-line with the market.

Score Averages

Biotech & Med. Research Group: **5.9**   Mid/Small Market Cap: **5.4**
Pharma. & Med. Research Sector: **5.9**   AEX Index: **6.5**

Average Score Trend (4-Week Moving Avg)

Positive — Neutral — Negative
2016-01   2017-01   2018-01   2019-01

| Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
GLPG	4	5	8	10	8	
PHARM	2	2	3	4	4	
PBD	3	3	5	4	3	
KDS	2	3	1	1	2	

HIGHLIGHTS

- The score for Pharming Group last changed from 3 to 4 on 2018-12-16.
- The recent change in the Average Score was primarily due to an improvement in the Earnings and Price Momentum component scores.
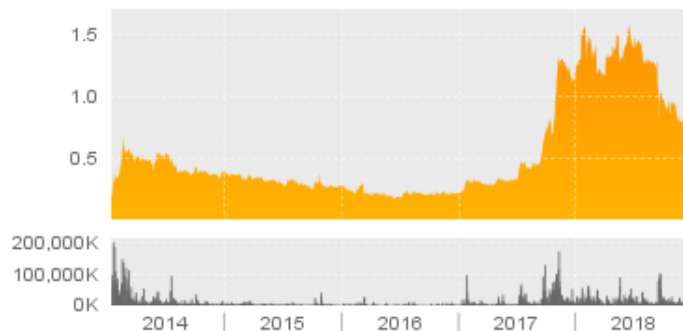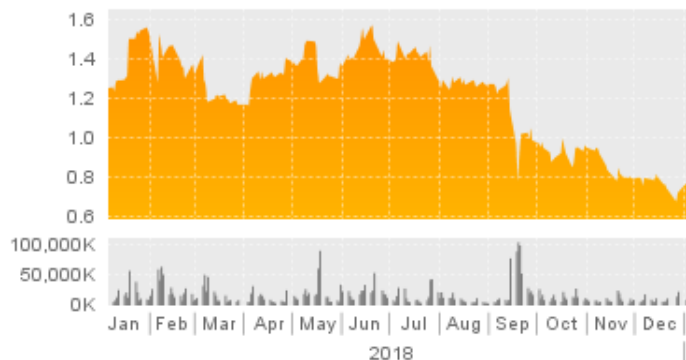
THOMSON REUTERS I/B/E/S MEAN

Buy
6 Analysts

Mean recommendation from all analysts covering the company on a standardized 5-point scale.

Sell	Reduce	Hold	Buy	Strong Buy
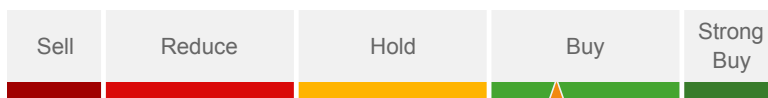
PRICE AND VOLUME CHARTS

1-Year Return: -37.8%

5-Year Return: 385.8%

BUSINESS SUMMARY

Pharming Group NV (Pharming) is a Netherlands-based biotechnology company. The Company operates through two business segments, including Recombinant proteins, and DNage. Pharming focuses on the development, production and commercialization of human therapeutic proteins to be used as innovative therapies. The Company's products are aimed at treatments for genetic disorders and surgical and traumatic bleeding. Pharming's technologies include novel transgenic platforms for the production of biopharmaceuticals, as well as technology and processes for the purification and formulation of these biopharmaceuticals. The Company's commercial partners are: Santarus, Sobi, MegaPharm, Eczacibasi, Transmedic and Hyupjin. The Company operates worldwide. In March 2014, it announced downsizing of the Dutch operations following from strategic re-emphasis on collaborative development efforts and out-sourcing of non-core activities.
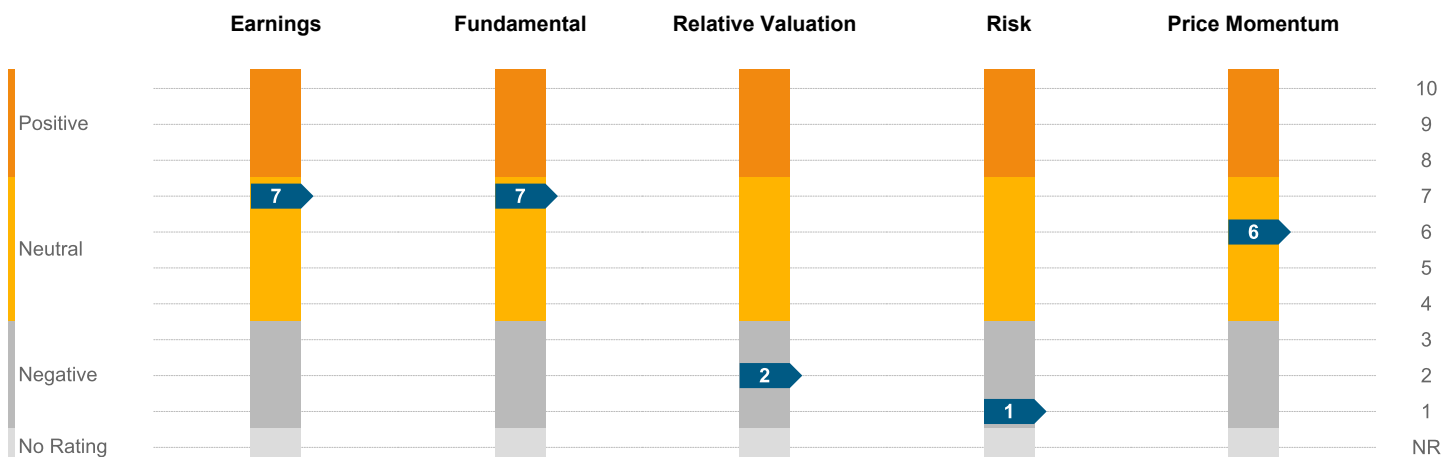
THOMSON REUTERS

INDICATOR COMPONENTS

AVERAGE SCORE 4

The **AVERAGE SCORE** combines the quantitative analysis of five widely-used investment decision making tools: Earnings, Fundamental, Relative Valuation, Risk, and Price Momentum. A simple average of the underlying component ratings is normally distributed to rank stocks on a 1-10 scale (10 being awarded to the most favorable). These factors may be evaluated differently using alternative methodologies and the importance of individual factors varies across industries, market capitalization and investment styles. Additional criteria should always by used to evaluate a stock.

	Earnings	Fundamental	Relative Valuation	Risk	Price Momentum	
Positive						10 9 8
	7	7			6	7 6 5
Neutral						4
Negative			2			3 2
				1		1
No Rating						NR

PEER ANALYSIS

Currency in EUR

Average Score	Ticker	Price (2019-01-04)	1-Mo Return	3-Mo Return	1-Yr Return	Market Cap	Trailing PE	Forward PE	Dividend Yield	Net Margin	LTG Forecast	I/B/E/S Mean	# of Analysts
		PRICE MOMENTUM					**VALUATION**		**FUNDAMENTAL**		**ANALYSTS**		
8	GLPG	84.50	-8.3%	-8.7%	4.9%	4.6B	--	--	--	-29.1%	--	Buy	11
4	PHARM	0.76	-5.5%	-22.5%	-37.8%	467M	--	19.9	--	-23.3%	--	Buy	6
2	KDS	9.80	14.8%	-29.3%	24.1%	239M	--	--	--	--	--	Strong Buy	7
3	PBD	2.35	-20.3%	-27.5%	-77.9%	19M	--	--	--	--	--	Buy	3
4.3	Average	24.35	-4.8%	-22.0%	-21.7%	1.3B	--	19.9	--	-26.2%	--	Buy	6.8

PEER COMPANIES

GLPG	Galapagos	PBD	Probiodrug
KDS	Kiadis Pharma		

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EARNINGS

EARNINGS 7

Currency in EUR

NEUTRAL OUTLOOK: Mixed earnings expectations and performance.

Earnings Score Averages

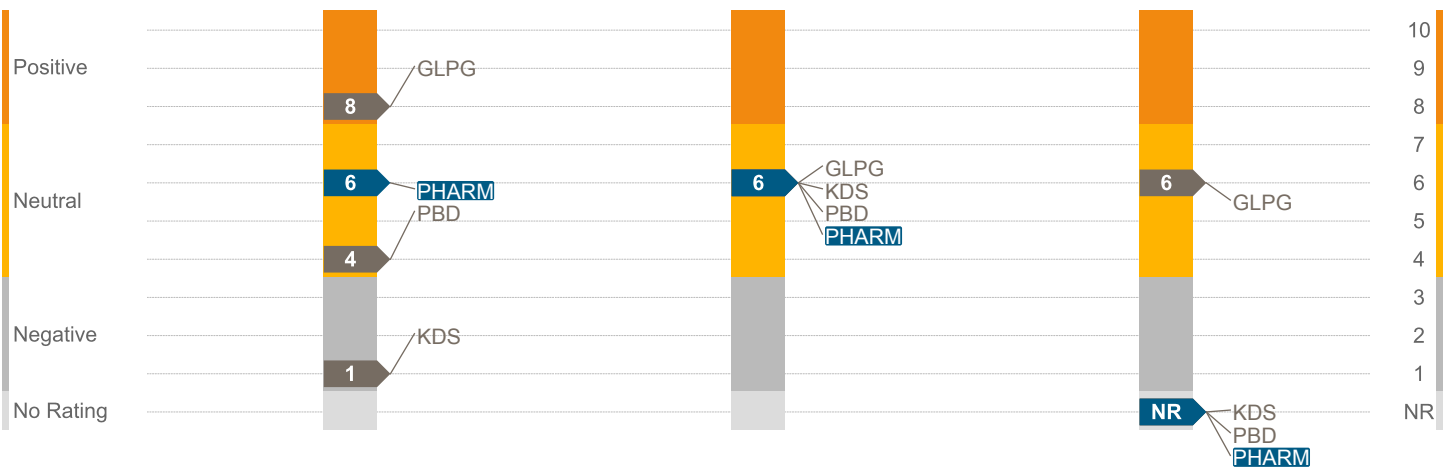|			
Biotech & Med. Research Group:	6.0	Mid/Small Market Cap:	5.4
Pharma. & Med. Research Sector:	6.0	AEX Index:	6.2

Earnings Score Trend (4-Week Moving Avg)

Positive / Neutral / Negative
2016-01   2017-01   2018-01   2019-01
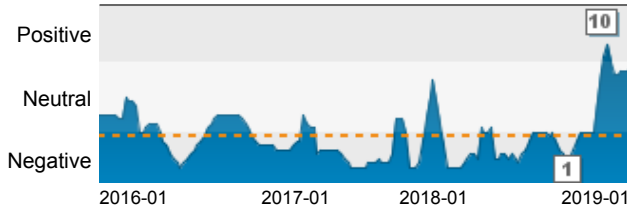
Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
GLPG	3	4	8	8	8	
PHARM	3	3	6	7	7	
PBD	5	5	9	9	5	
KDS	2	2	2	2	2	

EARNINGS INDICATORS

Earnings Surprises
(33.3% weight)

Estimate Revisions
(33.3% weight)

Recommendation Changes
(33.3% weight)

Positive / Neutral / Negative / No Rating

Earnings Surprises: 8 GLPG, 6 PHARM, PBD, 4, 1 KDS
Estimate Revisions: 6 GLPG, KDS, PBD, PHARM
Recommendation Changes: 6 GLPG, NR KDS, PBD, PHARM

Scale: 10 9 8 7 6 5 4 3 2 1 NR

Last 4 Quarters

# Positive Surprises (> 2%)	2
# Negative Surprises (< -2%)	0
# In-Line Surprises (within 2%)	1
Avg Surprise	-1.3%

Last 4 Weeks

|	
# Up Revisions	0
# Down Revisions	0
Avg Up Revisions	0.0%
Avg Down Revisions	0.0%

Last 120 Days

# Broker Upgrades	0
# Broker Downgrades	0

HIGHLIGHTS

- Pharming Group currently has an Earnings Rating of 7. The average Earnings Rating for its Biotech & Med Research industry is 5.5 and the AMSTERDAM EXCHANGE index average is 6.6.

- PHARM's current quarter consensus estimate has increased notably over the past 90 days from -0.00 to 0.01, a gain of 500.0%. This improvement is significantly greater than its industry average of 48.0% during the same time period.

- During the past four weeks, analysts covering PHARM have made no upward or downward EPS estimate revisions for the current quarter.

PRICE TARGET

The chart indicates where analysts predict the stock price will be within the next 12 months, as compared to the current price.


5.00 / 4.00 / 3.00 / 2.00 / 1.00 / 0.00
0.76
HIGH / MEAN / LOW
Current Price (EUR) / Price Target
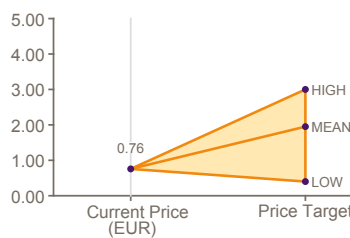
12-Month Price Target

|	
Mean (EUR)	1.95
High	3.00
Low	0.40
Target vs. Current	157.6%
# of Analysts	6

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EARNINGS PER SHARE

Earnings per share (EPS) is calculated by dividing a company's earnings by the number of shares outstanding. Analysts tend to interpret a pattern of increasing earnings as a sign of strength and flat or falling earnings as a sign of weakness.

The charts provide a comparison between a company's actual and estimated EPS, including the high and low forecasts.
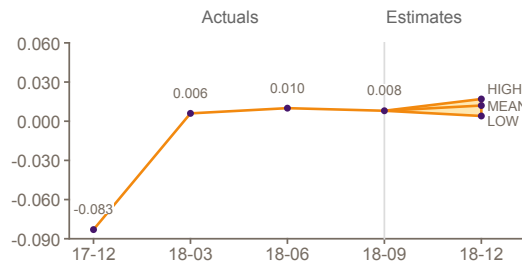
Quarterly	18-12	NA
Mean	0.012	--
High	0.017	--
Low	0.004	--
# of Analysts	3	--
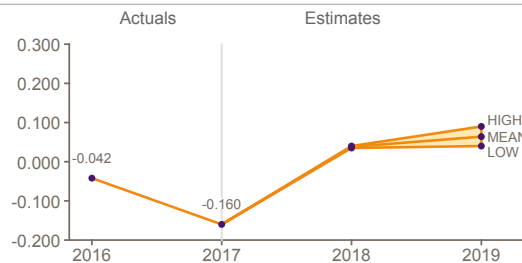
Annual	2018	2019
Mean	0.038	0.064
High	0.040	0.090
Low	0.035	0.040
# of Analysts	3	5

MEAN ESTIMATE TREND

	Q 18-12	Q --	Y 2018	Y 2019	Price Target
Current	0.012	--	0.038	0.064	1.95
30 Days Ago	0.001	--	0.023	0.064	1.95
90 Days Ago	-0.003	--	0.025	0.072	1.93
% Change (90 Days)	500.0%	--	52.0%	-11.1%	1.0%

Current Fiscal Year End: 18-12
Next Expected Report Date: 2019-03-11

ANALYST RECOMMENDATIONS

Thomson Reuters I/B/E/S Mean: **Buy** (6 Analysts)

Strong Buy	2
Buy	3
Hold	0
Reduce	0
Sell	1

EARNINGS SURPRISES

Comparing a company's actual earnings to the mean expectation of analysts results in a difference referred to as a 'positive' or 'negative' surprise. Research has shown that when a company reports a surprise, it is often followed by more of the same surprise type.

Surprise Summary (Last 12 Quarters)

Surprise Type	Amount	Percent
Positive Quarters (> 2%)	4	36.4%
Negative Quarters (< -2%)	6	54.5%
In-Line Quarters (within 2%)	1	9.1%

Surprise Detail (Last 6 Periods)

| Surprise Type	Announce Date	Period End Date	Actual EPS	Mean EPS	Surprise (%)
In-Line	2018-10-25	2018-09-30	0.008	0.008	0.0%
Positive	2018-07-26	2018-06-30	0.010	0.008	25.0%
Positive	2018-05-18	2018-03-31	0.006	0.005	20.0%
--	2018-03-07	2017-12-31	-0.083	0.000	--
Negative	2017-10-31	2017-09-30	-0.015	-0.009	-66.7%
Negative	2017-09-11	2017-06-30	-0.051	-0.026	-96.2%

ANNUAL REVENUE

A pattern of increasing sales in conjunction with a rising EPS may influence a buy recommendation, while flat or falling sales and faltering earnings may explain a sell recommendation. A rising EPS with flat or falling sales may result from increased cost efficiency and margins, rather than market expansion. This chart shows the sales forecast trend of all analysts and the highest and lowest projections for the current and next fiscal year.
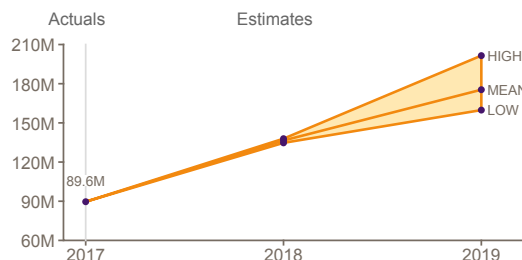
	2018	2019
Mean	136.5M	175.4M
High	137.9M	201.5M
Low	134.7M	159.8M
Forecasted Growth	52.3%	95.7%
# of Analysts	4	6

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FUNDAMENTAL
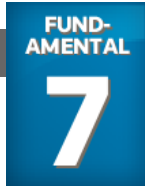
FUND-AMENTAL
7

NEUTRAL OUTLOOK: Fundamentals relatively in-line with the market.

Fundamental Score Averages

Biotech & Med. Research Group:	**7.4**	Mid/Small Market Cap:	**5.3**
Pharma. & Med. Research Sector:	**7.4**	AEX Index:	**5.2**

Fundamental Score Trend

Positive / Neutral / Negative

Scores: 1, 1, 3, 4, 8, 8, 10, 8, 10, 10, 10, 5

Q1 Q2 Q3 Q4 (2016) Q1 Q2 Q3 Q4 (2017) Q1 Q2 Q3 Q4 (2018)
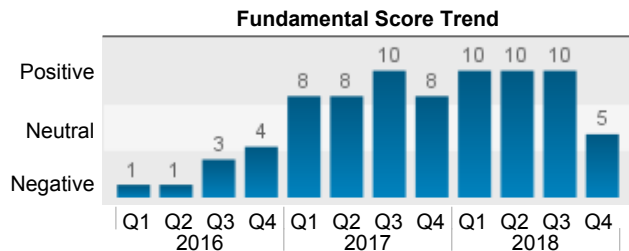
Peers	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Current	3Y Trend
PBD	NR	NR	NR	NR	9	
GLPG	4	4	4	5	8	
PHARM	**10**	**10**	**10**	**5**	**7**	
KDS	NR	NR	NR	NR	4	

FUNDAMENTAL INDICATORS

Profitability (25% weight): PHARM 8, GLPG 7, PBD 7, 4, KDS 1

Debt (25% weight): GLPG 10, PBD 7, KDS 5, PHARM 1

Earnings Quality (25% weight): PBD 10, PHARM 10, KDS 9, GLPG 3

Dividend (25% weight): PHARM NR, GLPG NR, KDS NR, PBD NR
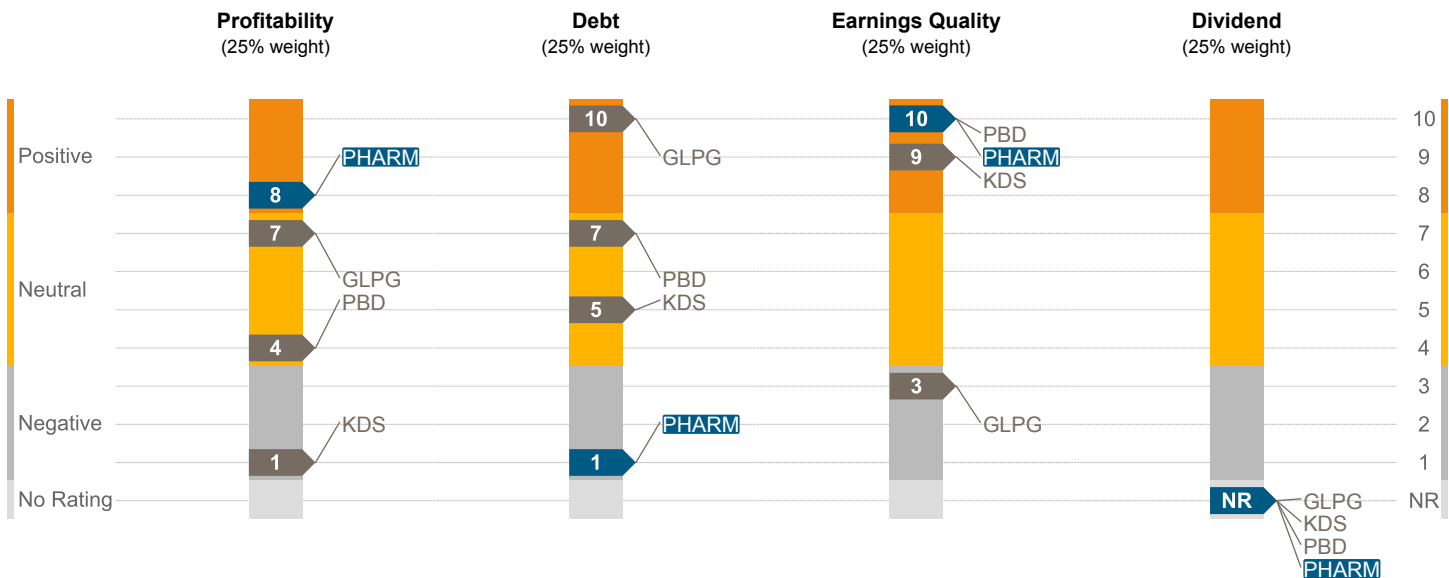
Revenue Growth	105.2%	**Current Ratio**	1.3	**Oper. Cash Yield**	252.1%	**Dividend Growth**	--
For year over year ending 2018-09		For interim period ending 2018-09		For latest 12 months ending 2018-09		For year over year ending --	
Gross Margin	84.5%	**Debt-to-Capital**	75.9%	**Accruals**	-199.7%	**Dividend Payout**	--
For latest 12 months ending 2018-09		For annual period ending 2017-12		For latest 12 months ending 2017-12		For latest 12 months ending --	
Return On Equity	-112.3%	**Interest Funding**	39.6%	**Days Sales In Inv.**	733.1	**Dividend Coverage**	--
For interim period ending 2018-09		For interim period ending 2018-03		For annual period ending 2017-12		For annual period ending --	
Net Margin	-23.3%	**Interest Coverage**	1.4	**Days Sales In Rec.**	43.9	**Current Div. Yield**	--
For latest 12 months ending 2018-09		For interim period ending 2018-09		For annual period ending 2017-12		For latest 12 months ending --	

HIGHLIGHTS

- The Fundamental Rating for Pharming Group declined significantly over the last quarter from 10 to 7. The average Fundamental Rating for its Biotech & Med. Research industry group is 7.2 and the AMSTERDAM EXCHANGE index average is 5.2.

- For year-over-year dividend growth, PHARM's rate of 105.2% is substantially above the Biotech & Med. Research industry group average of 32.0%.

- PHARM's current ratio of 1.3 is substantially below the Biotech & Med. Research industry group average of 5.0.

- PHARM's accruals ratio of -199.7% is substantially below the Biotech & Med. Research industry group average of -61.8%.

- Pharming Group does not currently pay a dividend. Of 4 firms within the Biotech & Med. Research industry group, it is among the 4 companies without a dividend.
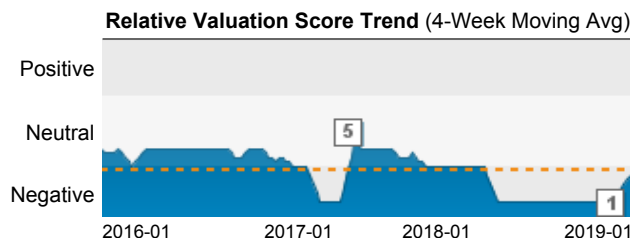
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RELATIVE VALUATION

RELATIVE VALUATION

2

NEGATIVE OUTLOOK: Multiples significantly above the market or the stock's historic norms.

Relative Valuation Score Averages

Biotech & Med. Research Group:	**2.8**	Mid/Small Market Cap:	**5.8**
Pharma. & Med. Research Sector:	**2.8**	AEX Index:	**5.1**

Relative Valuation Score Trend (4-Week Moving Avg)

Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
GLPG	3	3	2	NR	**3**	
PHARM	1	1	2	3	**2**	
KDS	NR	NR	NR	NR	**NR**	
PBD	NR	NR	NR	NR	**NR**	

RELATIVE VALUATION INDICATORS

Price to Sales (50% weight)   **Trailing PE** (25% weight)   **Forward PE** (25% weight)
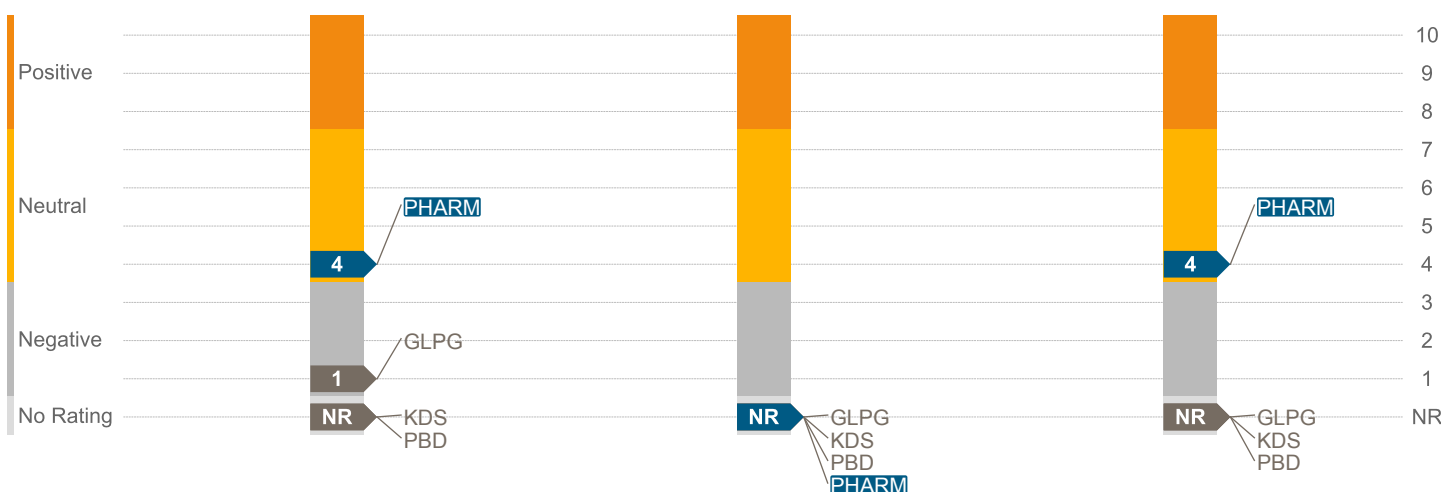
| Price to Sales	3.6	Trailing PE	--	Forward PE	19.9
5-Yr Average	10.2	5-Yr Average	16.4	5-Yr Average	38.0
Rel. to 5-Yr Avg.	65% Discount	Rel. to 5-Yr Avg.	--	Rel. to 5-Yr Avg.	48% Discount
AEX Index	0.9	AEX Index	12.4	AEX Index	13.2
Rel. to AEX	>100% Premium	Rel. to AEX	--	Rel. to AEX	51% Premium

HIGHLIGHTS

- Pharming Group currently has a Relative Valuation Rating of 2 which is significantly below the AMSTERDAM EXCHANGE index average rating of 5.0.

- The company's Price to Sales ratio and Forward P/E are both currently at or near their 5-year lows.

- PHARM's current Price to Sales ratio of 3.6 represents a 75% Discount to its Biotech & Med Research industry group average.

- At 19.9, PHARM's current Forward P/E is at a 51% Premium to the AMSTERDAM EXCHANGE index average of 13.2.

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PRICE TO SALES

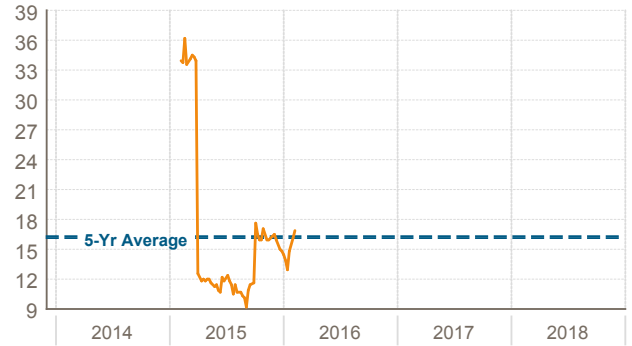The most recent week's close price divided by the revenue per share.

Price to Sales: 3.6
5-Year Average: 10.2
AEX Index Average: 0.9
Biotech & Med. Research Group Average: 14.4
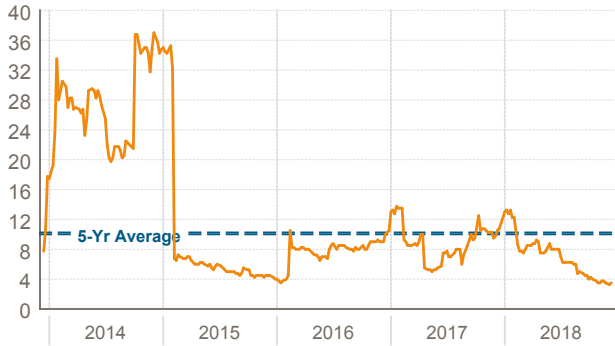
TRAILING PE

The most recent week's close price divided by the sum of the four most recently reported quarterly earnings.

Trailing PE: --
5-Year Average: 16.4
AEX Index Average: 12.4
Biotech & Med. Research Group Average: --

FORWARD PE

The most recent week's close price divided by the sum of the four upcoming quarterly consensus estimates.
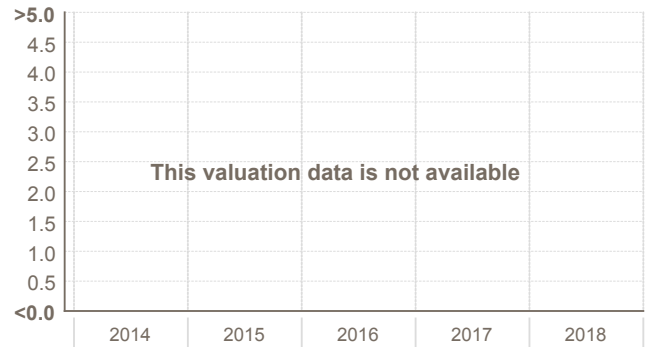
Forward PE: 19.9
5-Year Average: 38.0
AEX Index Average: 13.2
Biotech & Med. Research Group Average: --
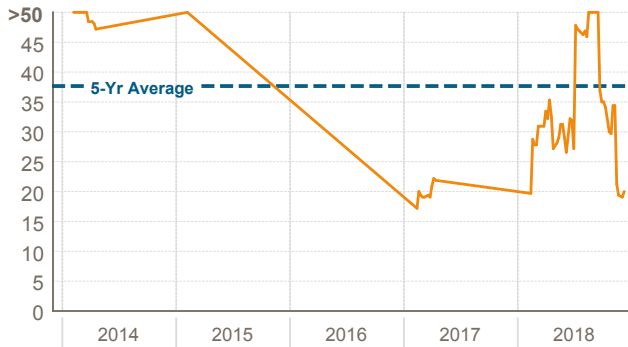
FORWARD PEG

The Forward P/E divided by the five-year forecasted growth rate.

Forward PEG: --
5-Year Average: --
AEX Index Average: 1.9
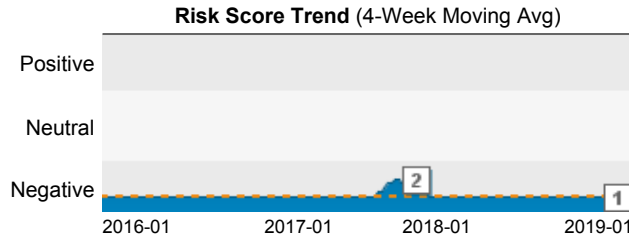Biotech & Med. Research Group Average: --

This valuation data is not available

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RISK

RISK
1

NEGATIVE OUTLOOK: Variable return patterns (high volatility).

Risk Score Averages

Biotech & Med. Research Group:	**3.6**	Mid/Small Market Cap:	**5.0**
Pharma. & Med. Research Sector:	**3.6**	AEX Index:	**7.2**

Risk Score Trend (4-Week Moving Avg)

Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
GLPG	3	4	3	5	**5**	
PBD	2	1	1	1	**3**	
KDS	2	1	1	1	**1**	
PHARM	**1**	**1**	**1**	**1**	**1**	

RISK INDICATORS

Magnitude of Returns (25% weight)	Volatility (25% weight)	Beta (1-year) (25% weight)	Correlation (25% weight)
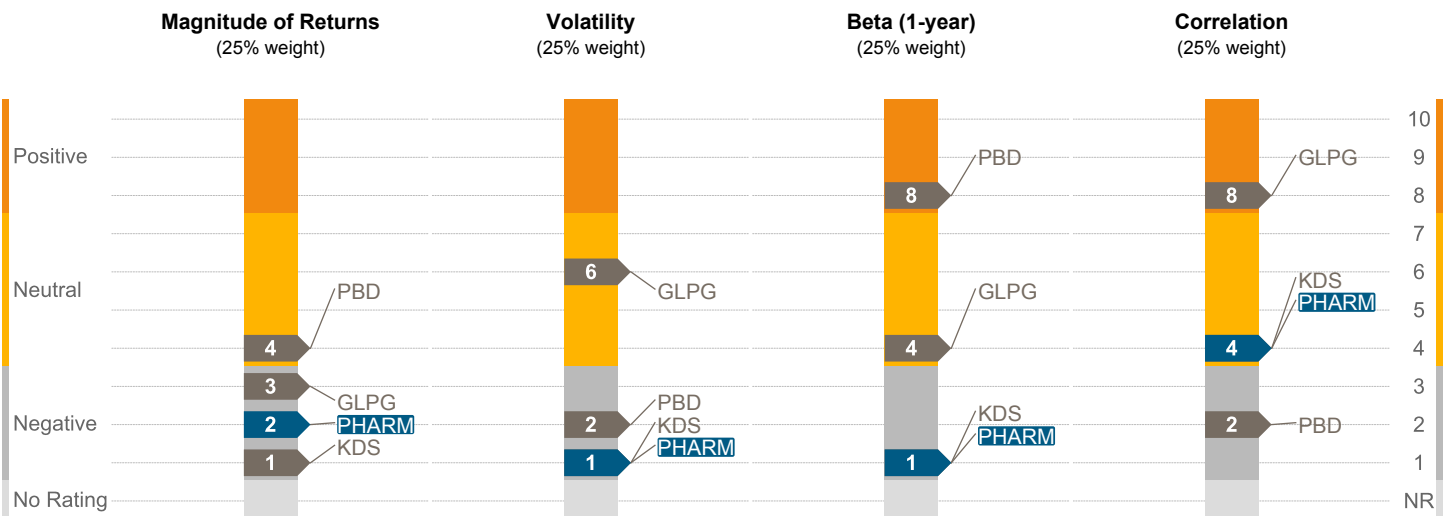
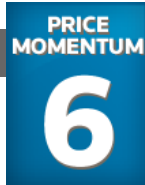| **Daily Returns** (Last 90 Days)		**Standard Deviation**		**Beta vs. AEX**	1.68	**Correlation vs. AEX**	
Best	8.9%	Last 90 Days	3.57	Positive Days Only	2.98	Last 90 Days	51%
Worst	-8.3%	Last 60 Months	25.60	Negative Days Only	1.39	Last 60 Months	8%
Monthly Returns (Last 60 Months)		**Intra-Day Swing** (Last 90 Days)		**Beta vs. Group**	0.84	**Correlation vs. Group**	
Best	141.3%	Average	5.1%	Positive Days Only	0.52	Last 90 Days	67%
Worst	-23.6%	Largest	13.4%	Negative Days Only	0.92	Last 60 Months	83%

HIGHLIGHTS

- Pharming Group currently has a Risk Rating of 1, which is significantly below the AMSTERDAM EXCHANGE index average rating of 7.3.

- On days when the market is up, PHARM shares tends to outperform the AMSTERDAM EXCHANGE index. However, on days when the market is down, the shares generally decrease by more than the index.

- In the short term, PHARM has shown high correlation (> 0.4) with the AMSTERDAM EXCHANGE index. The stock has, however, shown low correlation (>= -0.1 and < 0.2) with the market in the long term.

- Over the last 90 days, PHARM shares have been more volatile than the overall market, as the stock's daily price fluctuations have exceeded that of 96% of AMSTERDAM EXCHANGE index firms.

RISK ANALYSIS

	Last 90 Days					Last 60 Months	
Peers	Best Daily Return	Worst Daily Return	# Days Up	# Days Down	Largest Intra-Day Swing	Best Monthly Return	Worst Monthly Return
PHARM	8.9%	-8.3%	23	40	13.4%	141.3%	-23.6%
GLPG	6.6%	-5.5%	19	24	5.7%	67.4%	-32.3%
KDS	17.0%	-15.4%	27	35	23.2%	82.4%	-36.3%
PBD	5.7%	-6.0%	20	26	13.6%	30.6%	-51.2%
AEX	**1.7%**	**-3.3%**	**28**	**34**	**3.0%**	**9.7%**	**-10.1%**

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PHARMING GROUP (PHARM-AE)

Pharma. & Med. Research / Biotech & Med. Research / Biotech & Med. Research

PRICE MOMENTUM

PRICE MOMENTUM **6**

Currency in EUR

NEUTRAL OUTLOOK: Performance relatively in-line with the market.

Price Momentum Score Averages

Biotech & Med. Research Group:	**8.0**	Mid/Small Market Cap:	**5.5**
Pharma. & Med. Research Sector:	**8.0**	AEX Index:	**5.8**

Price Momentum Score Trend (4-Week Moving Avg)
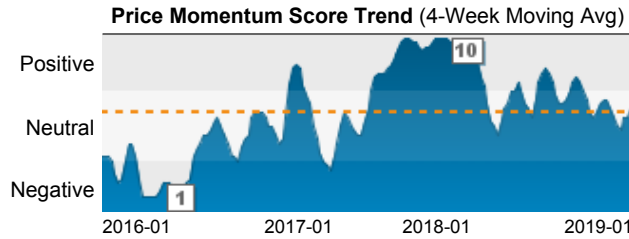
Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
GLPG	8	9	10	9	10	
KDS	6	8	5	3	9	
PHARM	8	5	5	6	6	
PBD	1	1	3	1	1	

PRICE MOMENTUM INDICATORS

Relative Strength
(70% weight)

Seasonality
(30% weight)
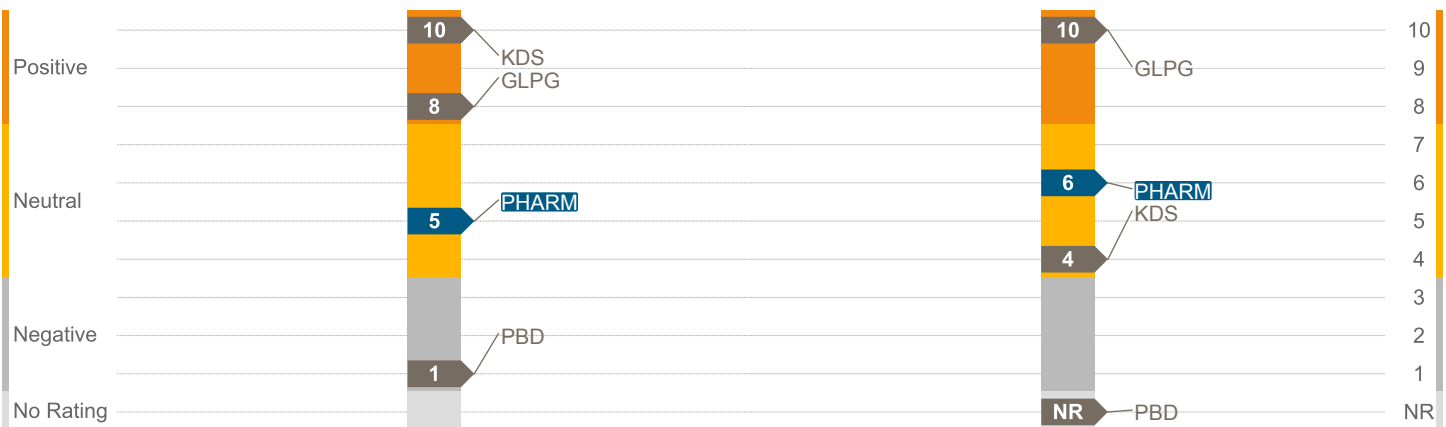
Relative Strength Indicator (Scale from 1 to 100)

	PHARM	Industry Avg
Last 1 Month	45	46
Last 3 Months	44	45
Last 6 Months	47	47

Average Monthly Return (Last 10 Years)

	JAN	FEB	MAR
Company Avg	15.0%	2.2%	-11.9%
Industry Avg	--	--	--
Industry Rank	--	--	--

PRICE PERFORMANCE

Daily close prices are used to calculate the performance of the stock as compared to a relevant index over five time periods.

■ PHARM
■ ASX Small
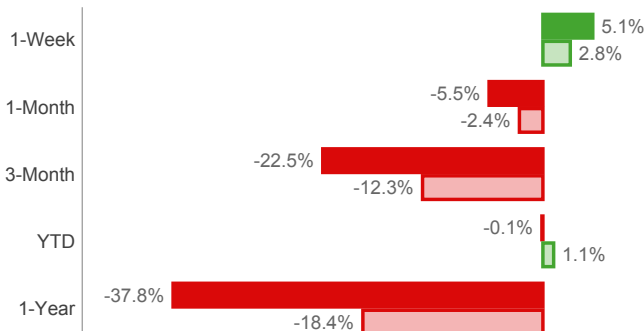
	PHARM	ASX Small
Close Price (2019-01-04)	0.76	893
52-Week High	1.62	1,122
52-Week Low	0.64	850

- On 2019-01-04, PHARM closed at 0.76, 53.4% below its 52-week high and 18.3% above its 52-week low.

- PHARM shares are currently trading 6.7% below their 50-day moving average of 0.81, and 34.6% below their 200-day moving average of 1.16.

- The AMSTERDAM SMALL CAP index is currently 20.4% below its 52-week high and 5.1% above its 52-week low.

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DETAILED STOCK REPORT TIPS

The Thomson Reuters Stock Report is a comprehensive, company-specific analysis that includes a proprietary Stock Rating along with underlying component indicators and supportive data elements. The report is updated daily, although some of the data elements and the ratings are updated weekly.

Average Score

The Average Score combines a quantitative analysis of five widely-used investment decision making tools - Earnings, Fundamental, Relative Valuation, Risk, and Price Momentum. First, a simple average of the five underlying component ratings is calculated. Then, a normal distribution is used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A score of 8 to 10 is considered positive, 4 to 7 is neutral, and 1 to 3 is negative. These five factors may be evaluated differently using alternative methodologies, and the importance of individual factors varies across industry groups, market capitalization and investment styles. Additional criteria should always be used to evaluate a stock.

A company must have sufficient data available for at least three of the five component indicators in order to receive an overall Average Score. Approximately 85% of the stocks within the coverage universe meet the criteria to generate a score.

Indicator Components

The five indicators that comprise the stock rating are displayed. Like the stock rating, the component rating scale is 1 to 10, with 10 being best. A company will receive an 'NR' for No Rating if the required data elements or criteria are not met. A detailed section for each component is included in the report.

Indicator Trends

Within each component section, historical score trends are displayed, typically using a 4-week moving average over a timeframe of the past three years. The dotted orange line indicates the average of the scores over those three years. The most recent occurrences of the best and worst scores are also displayed on the chart in grey boxes to put the current score into historical context.

Next to the trend chart for the company, current score averages are included, along with peer company comparisons of values from 6 months ago, 3 months ago, 1 month ago, the most recent value from 1 week ago, and the current score. The four closest industry peers are presented based on similar market capitalization.

Peer Analysis

- The Thomson Reuters Business Classification (TRBC) system is used for industry comparisons. It is designed to track and display the primary business of a corporation by grouping together correlated companies that offer products and services into similar end markets. The system includes 10 Economic Sectors, 28 Business Sectors, 54 Industry Groups, and 136 Industries.
- The Peer Analysis section of the report compares the company to its ten closest peers. The peers are selected from the industry based on similar market capitalization. The peer listing may have fewer than ten companies if there are fewer than ten companies within that industry classification.

Highlights

The Thomson Reuters proprietary automated text-generation system creates highlights summarizing the most noteworthy data. The bullets will vary by company and will change from week to week as different criteria are met.

Earnings

The Earnings Rating is based on a combination of three factors: earnings surprise, estimate revision, and recommendation changes. Each factor is equally weighted. Then, equal deciles are used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A stock needs to have at least two of the three earnings factors in order to receive a score.

- Earnings Surprises - The number of positive and negative surprises within the last 4 periods (quarters or years).
- Estimate Revisions - The number of up and down revisions and the average percentage change of those revisions within a 4 week period.
- Recommendation Changes - The number of broker upgrades and downgrades in the last 120 days.

Price Target

The price target is based on the predictions of analysts covering the stock and shows the high, low and mean price expected within the next 12 months.

Earnings Per Share

The quarterly and annual earnings per share are presented when available, along with the mean, high and low. Quarterly data is displayed for the past 4 quarters (actual) and the next 2 quarters (estimated). Annual data is displayed for the past 2 years (actual) and the next 2 years (estimated).

Mean Estimate Trend

The mean estimates show how the consensus has changed over the past 30 days and 90 days for the upcoming two quarters (when available) and two years. The percentage change is calculated for the company as a means for comparison by measuring the difference between the current consensus estimate and that of 90 days ago.

Analyst Recommendations

The I/B/E/S Mean is the average recommendation of all analysts covering the stock, as provided by Thomson Reuters I/B/E/S (Institutional Brokers Estimate System). The recommendations are presented on a five-point standardized scale: strong buy, buy, hold, reduce, and sell.

Earnings Surprises

- The surprise summary includes the total number of time periods (and percentage) in the last 12 quarters (quarterly) or last 4 years (annual) in which earnings surprises were positive, negative, or in-line. In order to be recognized as a positive or negative surprise, the percent must be greater than 2% above or 2% below the consensus, respectively.
- The surprise detail section includes a listing of the company's quarterly earnings reported for the most recent 6 periods (quarters or years). The consensus analyst estimate is provided to determine if the actual earnings report represented a positive surprise, negative surprise, or in-line result.

Fundamental

The Fundamental Rating is based on a combination of four fundamental component factors: profitability, debt, earnings quality, and dividend. Companies that do not pay a dividend are not penalized. Each factor is equally weighted. Then, equal deciles are used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A stock needs to have at least two of the four fundamental factors present in order to receive a score.

- Profitability is comprised of four data elements.
  - Revenue Growth: (Net Sales – Previous Net Sales) / Previous Net Sales
  - Gross Margin: Gross Profit / Net Sales
  - Return on Equity: Net Income / Total Equity
  - Net Margin: Net Profit / Net Sales
- Debt is comprised of four data elements.
  - Current Ratio: Current Assets / Current Liabilities
  - Debt-to-Capital: Total Debt / Total Capital
  - Interest Funding: (Interest Expense on Debt + Preferred Cash Dividends) / Funds from Operations
  - Interest Coverage: Earnings before Interest and Taxes / (Interest Expense on Debt + Preferred Cash Dividends)
- Earnings Quality is comprised of four data elements.
  - Operating Cash Yield: (Operating Cash Flow – Net Income) / Net Income
  - Accruals: (Net Income – Operating Cash Flow – Investing Cash Flow) / Average Net Operating Assets
  - Days Sales in Inventory: 365 / (Cost of Goods Sold / Inventory)
  - Days Sales in Receivables: 365 / (Net Sales / Receivables)
- Dividend is comprised of four data elements. The company must have a current dividend yield.
  - Dividend Growth Rate: (Dividends per Share – Previous Dividends per Share) / Previous Dividends per Share
  - Dividend Payout: Dividends per Share / Earnings per Share
  - Dividend Coverage: Funds from Operations / Cash Dividends
  - Dividend Yield: Annual Dividends per Share / Current Market Price per Share

Indicator Trend

The fundamental indicator trend displays either quarterly scores over the past three years or annual scores over the past six years, depending on the reporting periods for the country. The best and worst scores can be easily determined from the values shown on the chart for each quarter or year.

Relative Valuation

The Relative Valuation Rating is based on a combination of three component factors: Price to Sales (50% weight), Trailing P/E (25% weight), and Forward P/E (25% weight). After the weightings are considered to combine individual factors, equal deciles are used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. These common valuation metrics are evaluated against the overall market, the index, and the company's own historic 5-year averages. A stock needs to have at least one of the three relative valuation factors in order to receive a score.

- Price to Sales: Close Price / (Sales for 4 Quarters or 1 Year / Shares Outstanding)
- Trailing P/E: Close Price / Most Recent 4 Quarters or 1 Year of Earnings
- Forward P/E: Close Price / Upcoming 4 Quarters or 1 Year of Earnings

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Valuation Averages

Negative values are excluded when calculating the averages. A maximum value of 100 is placed on Trailing P/E and Forward P/E, a maximum value of 5 is placed on Forward PEG, and a maximum value of 20 is placed on Price to Sales when calculating the averages. Higher values are rounded down to the maximum for the averages.

Valuation Multiples

The valuation multiples provide the Trailing P/E, Forward P/E, Forward PEG, and Price to Sales for the company and the S&P 500 index average. In addition, a comparison of the current company's values to its 5-year average and an industry average are presented. A discount occurs when the company's ratio is valued more favorably (lower) than that to which it is compared.

Risk

The Risk Rating displays stocks on a scale of 1 to 10 with 10 being awarded to the least risky stocks. It is derived by looking at a series of long-term (5-year) and short-term (90-day) stock performance measures including volatility, magnitude of returns, beta, and correlation. Each factor is equally weighted. Then, equal deciles are used to rank each stock across the market. A stock needs to have at least two of the four risk factors in order to receive a score.

- Magnitude of Returns – The best / worst daily returns in the past 90 days and the best / worst monthly returns in the past 60 months.
- Volatility – The standard deviation of the stock price over the last 90 days and last 60 months, along with the average and largest intra-day stock swing.
- Beta – Measures the tendency of a security's returns to respond to swings in the market, based on the beta of the company versus the relevant index.
- Correlation – Determines how closely the returns of the stock and the relevant index move together, measured over the last 90 days and last 60 months.

Risk Analysis

Price analysis for the company and the relevant index is provided over two time periods. Daily analysis is provided for the last 90 days, whereas monthly statistics are used for the last 60 months.

Price Momentum

The Price Momentum Rating is based on a combination of two technical performance factors: relative strength (70% weight) and seasonality (30% weight). After the weightings are considered to combine individual factors, equal deciles are used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A stock needs to have data for the relative strength factor in order to receive a score.

- Relative Strength – The relative strength of the company for the last 1 month, 3 months, and 6 months on a scale of 1 to 100.
- Seasonality – The average monthly return (price performance) for the current month and next 2 months for the company and industry, over the past 10 years. A lower industry rank indicates a higher return.

Price Performance

Daily close prices are used to calculate the price performance of the stock. The performance of the relevant index is also displayed as a means of comparison.

DISCLAIMER

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