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Apr 26, 2021

Allegion plc (ALLE)

$138.35 (As of 04/23/21)

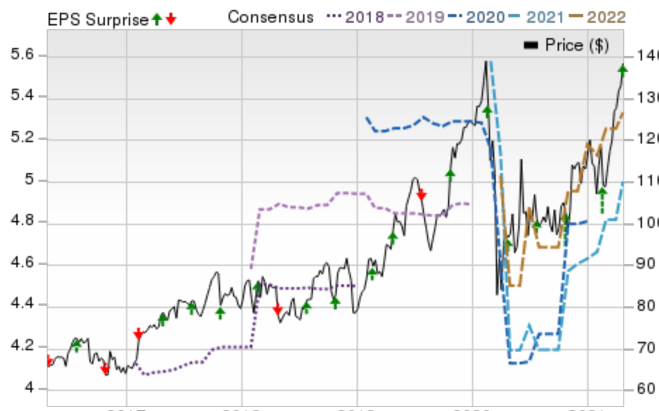
Price Target (6-12 Months): **$145.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/22/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: B | Momentum: A	

Summary

Allegion's first-quarter 2021 earnings and revenues surpassed the Zacks Consensus Estimate by 17.7% and 4.6%, respectively. The company is well poised to benefit from strength in the electronic products business, along with product development and a large customer base, in the long term. The company's several cost-control measures, together with pricing and productivity actions, are likely to boost margins. Its shareholder-friendly policies are expected to work in its favor. However, its shares have underperformed the industry over the past year. Low demand environment, on account of discretionary project delays in non-residential markets, is concerning. Further, owing to international exposure, the company's overseas business is exposed to forex woes. Rise in debt levels can increase its financial obligations and hurt profitability.

Price, Consensus & Surprise

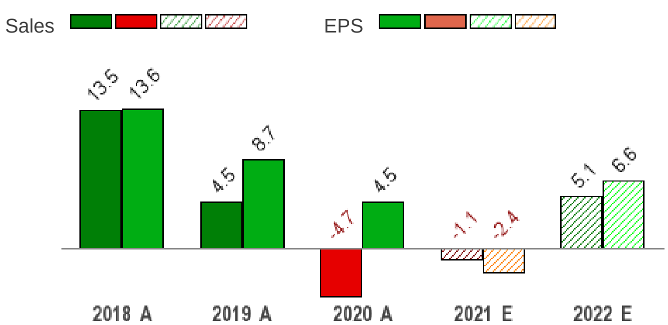


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$140.21 - $89.83**
20-Day Average Volume (Shares)	**621,711**
Market Cap	**$12.5 B**
Year-To-Date Price Change	**18.9%**
Beta	**1.19**
Dividend / Dividend Yield	**$1.44 / 1.0%**
Industry	**Security and Safety Services**
Zacks Industry Rank	**Bottom 28% (182 out of 254)**
Last EPS Surprise	**17.7%**
Last Sales Surprise	**4.6%**
EPS F1 Estimate 4-Week Change	**2.5%**
Expected Report Date	**NA**
Earnings ESP	**-0.1%**
P/E TTM	**26.2**
P/E F1	**27.7**
PEG F1	**NA**
P/S TTM	**4.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	639 E	704 E	701 E	702 E	2,825 E
2021	694 A	657 E	684 E	684 E	2,689 E
2020	675 A	590 A	728 A	727 A	2,720 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$1.11 E	$1.32 E	$1.52 E	$1.43 E	$5.32 E
2021	$1.20 A	$1.24 E	$1.39 E	$1.26 E	$4.99 E
2020	$1.04 A	$0.92 A	$1.67 A	$1.49 A	$5.11 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 04/23/2021. The report's text and the analyst-provided price target are as of 04/26/2021.

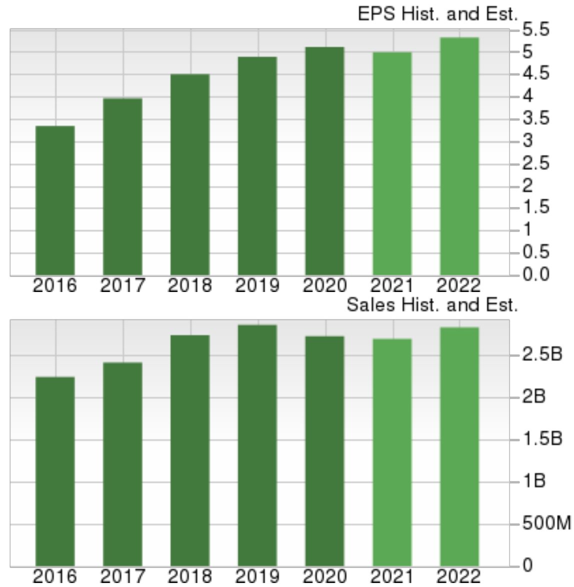
Overview

Headquartered in Dublin, Ireland, Allegion plc is a leading global provider of security products and solutions for business and domestic purposes. It came into existence on Dec 1, 2013, as a stand-alone public company, after Ingersoll-Rand plc separated its commercial and residential security businesses.

Allegion offers an extensive portfolio of mechanical and electronic security products — including doors and door systems, electronic security products, biometric and mobile access control systems, locks, locksets, exit devices, portable locks, and workforce productivity systems and other accessories. Comprising more than 30 brands, the company sells products in 125 countries in the world (as of 2020 end).

Market-leading brands offered by Allegion include CISA, DEXTER, FALCON, LCN, Interflex, Schlage, Von Duprin, SimonsVoss and many more. The company's products and solutions are sold to end users in residential, institutional and commercial facilities — including residential, government, education, healthcare and commercial office markets.

Notably, the company sells products through distribution and retail channels like specialty distribution, wholesalers, e-commerce and several retail channels — including online platforms and small specialty showroom outlets.



Effective Jan 1, 2021, the company's operating segments are Allegion Americas and Allegion International — combining the results of the previous Europe, Middle East, India and Africa (EMEIA) and Asia Pacific segments.

The company's Allegion Americas segment generated the largest share of revenues — roughly 71.9% — in the first quarter of 2021. The Allegion International segment generated 28.1% of the quarter's revenues.

Source: Zacks Investment Research

Reasons To Buy:

> Strength in electronic products business, pricing and productivity initiatives, the Yonomi buyout and several cost-control measures are expected to enhance Allegion's long-term performance.

- Allegion's organic revenues in first-quarter 2021 were 0.5% higher than the year-ago figure, backed by strength across the Americas residential businesses. The company expects its residential businesses to remain strong in the quarters ahead, backed by strength across the new home construction and retail end markets in the Americas segment. Of late, it has been witnessing improvement in demand across home builder markets and point-of-sales in the e-commerce channels. For the International segment, strength in the company's Germanic, Global Portable Security and SimonsVoss businesses is likely to be a tailwind. For the Americas segment, it projects organic revenues to be flat to 1% up, while the same for the International segment is projected to grow in the range of 7.5-8.5% for 2021. Moreover, the company expects its electronic products business to be a long-term growth driver, backed by a solid product portfolio, supply chain strength and a large customer base. Allegion expects 2021 overall revenues to grow 2-3% on organic basis. In the past seven days, the company's earnings estimates have been increased 6% for second-quarter 2021, 3.3% for 2021 and 1.1% for 2022.

- Allegion's pricing and productivity initiatives, along with its restructuring actions, will continue to act as tailwinds in the quarters ahead. Also, the company's several cost saving initiatives will help it maintain a healthy margin performance, going forward. Its adjusted operating margin in the first quarter increased 30 basis points, on a year-over-year basis, backed by benefits from restructuring and cost reduction actions. In addition, it remains focused on strengthening its competency on business acquisitions. For instance, in January 2021, Allegion closed the buyout of technology company — Yonomi. Notably, the buyout will allow Allegion to further develop its smart-home solutions through major brands like Schlage.

- Allegion continuously updates its products and develops new ones to keep up with the changing market sentiment toward electronic security products and solutions. In fact, over time, sales of such electronic security products have grown at a steady rate. Of late, growing popularity for its Schlage and Interflex branded products bodes well. In addition, in April 2019, it brought SimonsVoss and Interflex businesses under one management team, which has been enabling it to execute the decision-making process, investments, innovation development and marketing work more effectively. In addition, the company is committed toward increasing wealth of shareholders through share repurchase programs and dividend payments. In February 2021, the board of directors approved a 13% hike in the quarterly dividend rate. In 2020 and in the first quarter of 2021, it paid out dividends worth $117.3 million and $32.5 million, respectively. Moreover, the company repurchased shares worth $208.8 million and $149.7 million in 2020 and in the first quarter of 2021, respectively. Such diligent capital-deployment strategies are expected to boost shareholders' wealth.

Reasons To Sell:

Weakness across the non-residential markets, high long-term debt level and costs related to restructuring actions might hurt Allegion's near-term results.

- Allegion has been witnessing persistent challenged demand environment across the non-residential markets in the Americas, owing to softness in new construction and discretionary project delays. In the first quarter, revenues from the company's non-residential business were down by low-double digits percent on a year-over-year basis. For 2021, the company expects weakness across the business to persist and have a bearing on the company's results. Over the past year, Allegion's shares have gained 39.6% compared with the industry's growth of 71.2%.

- High-debt levels are concerning for Allegion as it raises financial obligations and might prove detrimental to its profitability. The company's long-term debt in the last seven years (2014-2020) increased 2.4% (CAGR). At the end of first-quarter 2021, its long-term debt was $1,429.8 million, marginally up on a sequential basis. Also, compared with the industry, the company seems more leveraged than the industry. The stock's long-term debt-to-capital ratio was 66.2% at the end of first-quarter 2021, higher than the industry's 45.3%.

- Allegion intends to expand its business in new overseas markets. However, this exposes it to social and environmental risks as well as forex woes. A stronger U.S. dollar might further depress the company's overseas business results in the quarters ahead. Moreover, Allegion's businesses are subject to seasonality, depending on the product line. Any uncertainties or adversities can be a huge drag on the company's sales, going forward. Although its restructuring initiatives, integration activities for acquired assets and investments for product development are promising for its long-term growth, it negatively impacts its short-term earnings. Notably, for 2021, the company expects investments related to restructuring actions and integration of acquired asset activities to have an adverse impact of 10-15 cents on earnings.

Last Earnings Report

Allegion Q1 Earnings & Revenues Surpass Estimates

Quarter Ending	03/2021
Report Date	Apr 22, 2021
Sales Surprise	4.62%
EPS Surprise	17.65%
Quarterly EPS	1.20
Annual EPS (TTM)	5.28

Allegion reported impressive first-quarter 2021 results, with earnings surpassing estimates by 17.7%. This marks the fifth consecutive quarter of better-than-expected bottom-line results. Also, sales surpassed estimates by 4.6%.

The company's adjusted earnings for the quarter were $1.20 per share, surpassing the Zacks Consensus Estimate of $1.02. On a year-over-year basis, the bottom line jumped 15.4%.

Revenue Details

For the reported quarter, Allegion's net revenues were $694.3 million, up 2.9% year over year. The results were positively impacted by a 0.5% increase in organic sales and 0.4% impact from divestitures, partially offset by a 2.8% positive impact of foreign currency translation.

Also, the company's top line surpassed the Zacks Consensus Estimate of $664 million.

The company reported revenues under two segments. A brief discussion of the quarterly results is provided below:

Revenues in the **Allegion Americas** segment fell 2.6% year over year to $498.9 million owing to softness in the non-residential business, partially offset by gains in the residential business.

Organic sales fell 2.9% year over year. However, foreign currency translation had a positive impact of 0.3% on the same.

Revenues in the **Allegion International** segment increased 20.2% year over year to $195.4 million for the quarter, reflecting growth across all major geographies and businesses.

Organic sales increased 11% year over year. Divestitures had a negative impact of 1.5% and foreign currency translation had a positive impact of 10.7% on sales.

Margin Profile

For the reported quarter, Allegion's cost of sales grew 4% year over year to $396.9 million. Cost of sales was 57.2% of the quarter's net sales. Gross profit increased 1.5% year over year to $297.4 million, while gross margin fell 60 basis points (bps) to 42.8%.

Selling and administrative expenses decreased 1.1% year over year to $166.1 million. It represented 23.9% of net sales for the reported quarter versus 24.9% in the year-ago period. Adjusted earnings before interest, tax, depreciation and amortization were $154 million, reflecting an increase of 4.7% from the prior-year quarter. Margin increased 40 bps year over year to 22.2%.

Adjusted operating income for the quarter increased 4.5% year over year to $134 million. Also, adjusted margin was 19.3%, up from 19% a year ago. Interest expense was $12.3 million, down 4.7% from the year-ago quarter.

Balance Sheet & Cash Flow

Exiting the first quarter, Allegion had cash and cash equivalents of $394.3 million, down 17.9% from $480.4 million recorded in the last reported quarter. Long-term debt was relatively flat sequentially at $1,429.8 million.

It generated net cash of $111.8 million from operating activities in the first three months of 2021 compared with $30.8 million in the prior-year comparable period. Capital expenditure totaled $6.3 million compared with $11.8 million invested in the year-ago period. Free cash flow increased 455.3% from the prior-year figure to $105.5 million.

During the quarter, the company rewarded shareholders with a dividend payout of $32.5 million. The amount represents growth of 12.1% year over year. Amount spent on buying back shares totaled $149.7 million, up 59.1% from the year-ago figure.

Guidance

For 2021, the company predicts revenues to grow 3-4% year over year. The metric was predicted to decline 0.5-1.5% year over year earlier. Organic sales are expected to rise 2-3% from a year ago. On a segmental basis, organic sales in the residential business in Allegion Americas and Allegion International are likely to increase from the prior year. However, organic sales in the non-residential business of Allegion Americas are likely to decline on a year-over-year basis.

Adjusted earnings are now expected in the range of $5.00-$5.15 per share, higher than $4.70-$4.85 guided earlier. Free cash flow for the year is expected within $430-$450 million.

Recent News

Dividend

On **Apr 8, 2021**, Allegion's board of directors approved payment of a quarterly dividend of 36 cents per share to shareholders on record as of Jun 16, 2021. The payment will be made on Jun 30.

Divestiture

On **Mar 4, 2021**, Allegion announced that it has completed the divestment of its Qatar Metal Industries business to the HLD Group of Companies, based in the U.K.

Allegion Buys Yonomi, Strengthens Product Offerings

On **Jan 6, 2021**, Allegion announced that it has completed the acquisition of technology company — Yonomi. The financial terms of the transaction were kept under wraps.

Yonomi, which specializes in IoT cloud platforms, is well known for its smart-home technology that facilitates in discovering and coordinating devices. The company's patented technology solutions are used by a strong customer base, spanning across more than 150 countries.

Yonomi's expertise in IoT solutions, coupled with its strong innovation capabilities, will enable Allegion to boost its smart-home solutions through its major brands like Schlage. It's worth mentioning that Allegion has a long-standing partnership with Yonomi, where the company leverages the latter's Thin Cloud infrastructure and cloud computing expertise to support its smart locks. As a matter fact, this buyout is likely to provide Allegion with added capacity and capital to further develop its technologies and platforms.

Valuation

Allegion's shares have increased 18.7% in the year-to-date period, while grew 39.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Industrial Products sector are up 20.1% and 35.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry increased 71.2%, while the sector grew 104.5%.

The S&P 500 index increased 12.1% in the year-to-date period and 48.2% in the past year.

The stock is currently trading at 27.14x forward 12-month earnings per share, which compares to 21.42x for the Zacks sub-industry, 25.06x for the Zacks sector and 22.99x for the S&P 500 Index.

Over the past five years, the stock has traded as high as 27.44x and as low as 15.12x, with a 5-year median of 19.81x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our price target of $145 reflects 28.45x forward 12-month earnings.

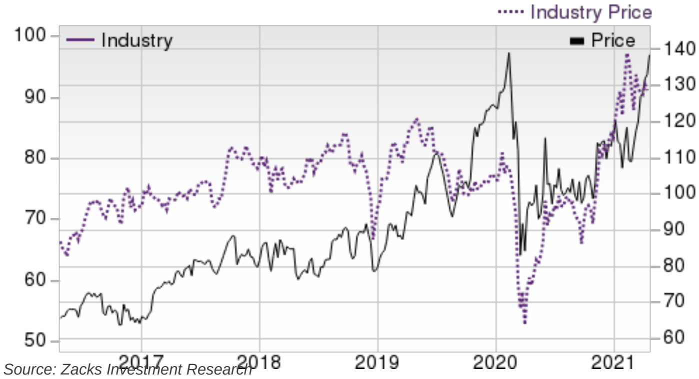
The table below shows summary valuation data for ALLE.

Valuation Multiples - ALLE

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	27.14	21.42	25.06	22.99
	5-Year High	27.44	21.42	25.06	23.83
	5-Year Low	15.12	11.09	12.7	15.3
	5-Year Median	19.81	16.84	18.15	18.01
P/Sales F12M	Current	4.53	2.29	3.92	4.53
	5-Year High	4.53	2.88	4.52	4.53
	5-Year Low	2.46	1.02	1.9	2.46
	5-Year Median	3.07	1.52	2.48	3.07

As of 04/23/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 28% (182 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Resideo Technologies, Inc. **(REZI)**	Outperform	1
Alarm.com Holdings, Inc. **(ALRM)**	Neutral	4
Axon Enterprise, Inc **(AXON)**	Neutral	3
Brady Corporation **(BRC)**	Neutral	3
HALMA PLC **(HLMAF)**	Neutral	2
Johnson Controls International plc **(JCI)**	Neutral	3
MSA Safety Incorporporated **(MSA)**	Neutral	4
NortonLifeLock Inc. **(NLOK)**	Neutral	3

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

Industry Comparison Industry: Security And Safety Services

	ALLE	X Industry	S&P 500	Industry Peers HLMAF	MSA	NLOK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	4	3
VGM Score	B	-	-	D	C	B
Market Cap	12.45 B	253.87 M	30.46 B	NA	6.32 B	12.95 B
# of Analysts	4	2	12	3	3	4
Dividend Yield	1.04%	0.00%	1.25%	0.00%	1.06%	2.25%
Value Score	C	-	-	F	C	B
Cash/Price	0.04	0.06	0.06	0.01	0.04	0.09
EV/EBITDA	22.37	10.60	17.18	NA	30.04	11.20
PEG F1	NA	2.94	2.41	NA	NA	1.97
P/B	17.04	4.79	4.13	9.49	7.81	NA
P/CF	19.39	18.66	17.29	35.83	29.11	15.86
P/E F1	27.39	24.45	22.45	43.53	33.98	13.76
P/S TTM	4.55	4.03	3.40	NA	4.69	5.19
Earnings Yield	3.61%	3.66%	4.40%	2.29%	2.94%	7.28%
Debt/Equity	1.96	0.03	0.66	0.27	0.36	-7.20
Cash Flow ($/share)	7.14	0.69	6.78	1.01	5.55	1.40
Growth Score	B	-	-	B	B	B
Historical EPS Growth (3-5 Years)	11.06%	11.06%	9.39%	NA	15.83%	7.90%
Projected EPS Growth (F1/F0)	-2.30%	11.07%	16.46%	8.22%	5.70%	13.71%
Current Cash Flow Growth	19.48%	-0.25%	0.72%	10.65%	-4.29%	-39.28%
Historical Cash Flow Growth (3-5 Years)	13.60%	8.35%	7.37%	NA	11.30%	-11.36%
Current Ratio	2.07	2.78	1.39	1.91	2.43	1.01
Debt/Capital	66.17%	10.41%	41.19%	21.08%	26.17%	NA
Net Margin	15.40%	0.73%	11.06%	NA	8.91%	23.71%
Return on Equity	63.36%	4.82%	15.32%	NA	23.21%	-197.13%
Sales/Assets	0.92	0.67	0.51	NA	0.75	0.37
Projected Sales Growth (F1/F0)	-0.16%	4.48%	7.53%	5.19%	3.25%	6.75%
Momentum Score	A	-	-	C	F	D
Daily Price Change	2.11%	1.04%	1.07%	1.33%	1.90%	1.14%
1-Week Price Change	1.00%	-0.75%	1.43%	-2.11%	2.05%	-1.41%
4-Week Price Change	12.04%	3.32%	5.81%	12.38%	5.83%	5.70%
12-Week Price Change	25.23%	2.36%	14.32%	4.63%	1.82%	4.46%
52-Week Price Change	45.43%	85.10%	60.09%	39.41%	67.08%	10.09%
20-Day Average Volume (Shares)	621,711	186,010	1,772,423	1,063	103,775	3,685,395
EPS F1 Estimate 1-Week Change	2.18%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	2.55%	0.00%	0.09%	6.16%	-2.13%	0.00%
EPS F1 Estimate 12-Week Change	5.96%	0.46%	1.97%	7.30%	-0.70%	8.38%
EPS Q1 Estimate Monthly Change	1.44%	0.00%	0.00%	NA	-3.13%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	B
Momentum Score	A
VGM Score	B

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

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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 mediumterm 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 mostrecent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.

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.