Mar 03, 2021

Air Products (APD)

$262.34 (As of 03/03/21)

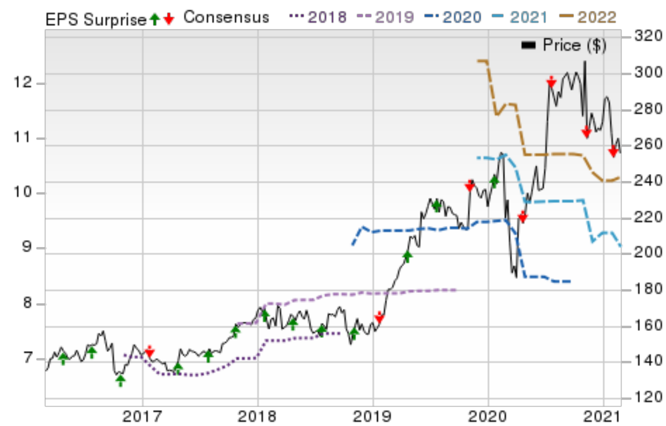
Price Target (6-12 Months): **$279.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/13/21) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: B | Momentum: C	**4-Sell** VGM:C

Summary

Air Products' earnings for the fiscal first quarter missed the Zacks Consensus Estimate while sales beat. Strategic investments in high-return projects, new business deals and acquisitions are expected to drive the company's results in fiscal 2021. Also, Air Products is committed to maximize returns to shareholders. It will also benefit from productivity actions. The acquisition of PBF Energy plants is also contributing to its results. However, it faces challenges from lower merchant volumes in the Americas. Lower demand due to the impacts of the coronavirus pandemic are exerting pressure on volumes. Air Products also faces headwind from weakness in its packaged gas business in Europe. Its high debt level and stretched valuation are other concerns. Moreover, the company has underperformed the industry over the past year.

Price, Consensus & Surprise

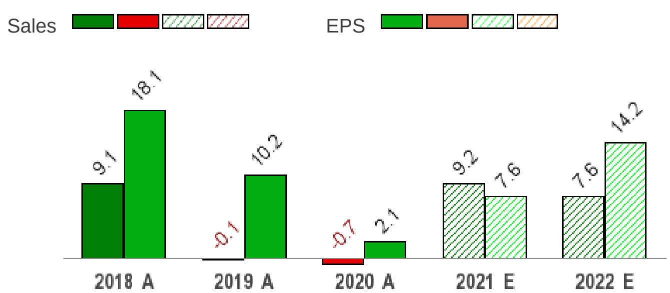


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$327.89 - $167.43**
20-Day Average Volume (Shares)	**1,462,364**
Market Cap	**$58.9 B**
Year-To-Date Price Change	**-2.6%**
Beta	**0.77**
Dividend / Dividend Yield	**$6.00 / 2.0%**
Industry	**Chemical - Diversified**
Zacks Industry Rank	**Top 25% (63 out of 254)**
Last EPS Surprise	**-3.2%**
Last Sales Surprise	**2.3%**
EPS F1 Estimate 4-Week Change	**-2.7%**
Expected Report Date	**04/22/2021**
Earnings ESP	**0.0%**
P/E TTM	**31.8**
P/E F1	**29.1**
PEG F1	**4.6**
P/S TTM	**6.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	2,570 E	2,590 E	2,578 E	2,688 E	10,402 E
2021	2,375 A	2,369 E	2,428 E	2,547 E	9,670 E
2020	2,255 A	2,216 A	2,065 A	2,320 A	8,856 A

EPS Estimates

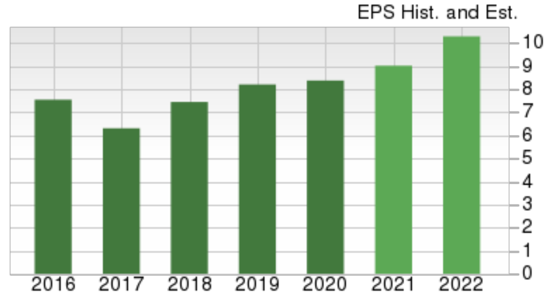
	Q1	Q2	Q3	Q4	Annual*
2022	$2.60 E	$2.59 E	$2.64 E	$2.78 E	$10.30 E
2021	$2.12 A	$2.14 E	$2.32 E	$2.45 E	$9.02 E
2020	$2.14 A	$2.04 A	$2.01 A	$2.19 A	$8.38 A

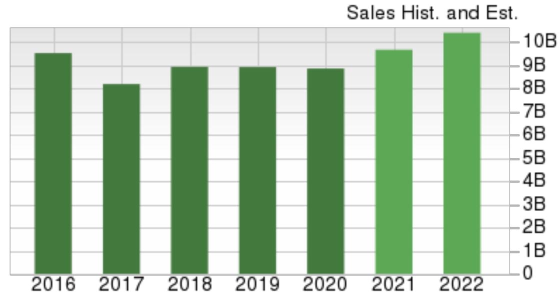
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/03/2021. The report's text and the analyst-provided price target are as of 03/03/2021.

Overview

Pennsylvania-based Air Products and Chemicals Inc. makes industrial gases as well as a variety of polymer and performance chemicals. It also supplies processing equipment. Air Products' reporting segments are as follows:





Industrial Gases – Americas (41% of fiscal 2020 sales), Industrial Gases – Europe, Middle East, and Africa/EMEA (22%) and Industrial Gases – Asia (31%) segments include the results of the company's regional industrial gases businesses. These businesses sell atmospheric gases such as oxygen, nitrogen and argon and processes gases to a number of industries. Process gases such as carbon di oxide, helium, hydrogen, etc. are produced by other methods that exclude air separation. The largest cost component of the atmospheric gases is electricity.

The Americas segment operates through more than 400 distribution and production facilities in the South and North America. The EMEA division operates through 180 distribution and production facilities in the Europe, Middle East and Africa. The Asia unit operates from more than 170 facilities in the region.

The Industrial Gases – Global (4%) division designs and manufactures cryogenic and gas-processing equipment for air separation. It has majority or fully-owned subsidiaries in Canada, Asian countries, European countries, Latin American countries, African countries and in the Middle East.

The Corporate and other (2%) segment includes Air Products' liquefied natural gas (LNG) sale of equipment business and helium storage and distribution vessel sale of equipment business, the polyurethane intermediates (PUI) business which the company exited in early fiscal 2014 as well as corporate support functions that benefit all the divisions.

In February 2019, the company successfully achieved the mechanical completion of the world's largest industrial gas complex in Jazan, Saudi Arabia. The industrial gas complex is expected to be onstream in phases in 2019. Notably, this is one of the largest projects executed by Air Products till date and demonstrates its engineering capabilities and expertise.

Source: Zacks Investment Research

Reasons To Buy:

> Air Products has a strong project backlog. Moreover, strategic investments in high-return projects, new business deals, cost cuts and acquisitions should drive its results.

- The spin-off of the Materials Technologies unit has allowed Air Products to direct resources to grow its core and stable industrial gases business. These actions (part of the company's strategic five-point plan) are expected to enable the company to achieve its goal of becoming the safest and most profitable industrial gas company globally. The company has built a strong project backlog. These projects are expected to be accretive to earnings and cash flow as they come on stream over the next few years. The company has total available capacity to deploy (over fiscal 2018-2022) $17.5 billion in high-return investments, aimed at creating significant shareholder value. The company has spent or committed around 95% of this capacity. These projects include the $12-billion Jazan project in Saudi Arabia and the Lu'An syngas joint venture project in China. Moreover, the company's latest project in the United States, which is worth $500 million, marks its largest investment so far in the country. The project will likely boost the size and supply capacity of Air Products' extensive hydrogen pipeline system in the Gulf Coast. Additionally, it has acquired five operating hydrogen plants and inked a long-term hydrogen supply agreement with PBF Energy in California and Delaware. The company also has multiple onsite projects for electronics manufacturers in China and Malaysia.

- Air Products remains committed to boost productivity to improve its cost structure. The company is seeing positive impact of its productivity actions as witnessed in the last reported quarter and expects to continue to benefit from additional productivity and cost improvement programs in fiscal 2021. The company's cost reduction actions are expected to drive cost synergies within the Industrial Gases – EMEA unit as well as the Industrial Gases – Americas unit.

- Acquisitions and new business wins are expected to continue to drive results in the near term. The acquisition of a 67% stake in Chilean industrial gas company, Indura S.A. has ushered in substantial growth opportunity for Air Product, placing it as Latin America's second largest industrial gas producer. Moreover, the EPCO acquisition has allowed Air Products expand its market share by offering an extended product portfolio. The buyout of ACP Europe SA, the biggest independent carbon dioxide business in Continental Europe, also enabled Air Products to tap new industrial gas growth opportunities. The company also recently completed the buyout of five steam methane reformer hydrogen production plants for $530 million from PBF Energy. The acquisition is contributing to its results.

- Air Products remains committed to maximize returns to shareholders leveraging strong balance sheet and cash flows. The company generated more than $2.6 billion of distributable cash flow during fiscal 2020. This distributable cash flow enabled it to pay roughly $1.1 billion or more than 40% as dividends to shareholders. Air Products' board, earlier this year, also increased its quarterly dividend by 12% to $1.50 per share from $1.34 per share. This marked the 39th straight year of dividend increase. The company expects to deliver $1.3 billion in dividends in fiscal 2021. Strong cash flow enables the company to boost shareholders' value by increasing dividends and capital deployment. As such, the company's dividend is perceived to be safe and reliable.

Reasons To Sell:

- Air Products' shares are up 12.2% over a year, underperforming the industry's rise of 37.3%. Air Products faces headwind from lower merchant volumes in the Americas. Disruptions due to coronavirus hurt merchant volumes across these regions in the last reported quarter. Revenues in the Industrial Gases - America segment were impacted by in the fiscal first quarter due to lower volumes stemming from the impacts of the pandemic. Volumes fell 5% year over year in the quarter. Weak industrial production is hurting merchant volumes. The company is seeing continued volume pressure in the fiscal second quarter. As such, depressed volumes are expected to continue to hurt its sales in the Americas.

Air Products faces headwinds from lower merchant volumes in the Americas and weakness in the packaged gas business in Europe. Its stretched valuation and high debt level are other concerns.

- The company high debt level is a concern. It had long-term debt of $6,779.1 million at the end of first-quarter fiscal 2021, up around 131% year over year. Also, its time-interest-earned ratio fell to 19.9% as of Dec 31, 2020 from 23.2% as of Sep 30, 2020. As such, the company appears to have a higher default risk.
- Air Products is exposed to headwind in its packaged gas business in Europe from demand weakness stemming from the pandemic. It witnessed pandemic-related volume pressure in this business in the most recent quarter. Air Products continues to see significant impact on packaged gases in the fiscal second quarter. Moreover, lower contribution from the Lu'An gasification project is hurting volumes in Asia.
- The company's stretched valuation is another concern. In case of Air Products, the trailing 12-month EV/EBITDA multiple (a preferred valuation metric for cyclical industries) is 18.05 while its industry's trailing 12-month EV/EBITDA multiple is lower at 12.97. As such, investors might not want to pay more for the stock at present.

Last Earnings Report

Air Products' Earnings Lag, Sales Top Estimates in Q1

Quarter Ending	12/2020
Report Date	Feb 04, 2021
Sales Surprise	2.32%
EPS Surprise	-3.20%
Quarterly EPS	2.12
Annual EPS (TTM)	8.36

Air Products logged earnings from continuing operations of $2.12 per share in first-quarter fiscal 2021 (ended Dec 31, 2020), down 1% from $2.14 recorded in the year-ago quarter. The bottom line was hurt by the impact of the coronavirus outbreak. Earnings per share in the reported quarter also missed the Zacks Consensus Estimate of $2.19.

In the quarter under review, the company delivered revenues of $2,375.2 billion, up around 5.3% year over year. The figure beat the Zacks Consensus Estimate of $2,321.3 million.

Pricing increased 2%, which along with 3% favorable currency and 1% higher energy pass-through, offset 1% decline in volumes on reduced demand and lower contribution from the Lu'An gasification project in Asia.

Segment Highlights

Revenues in the Industrial Gases - America segment were flat year over year at $933 million due to lower volumes, offset by higher pricing and energy pass-through.

Revenues in the Industrial Gases - EMEA segment rose 13% year over year to $563 million. Increased volumes driven by acquisitions and higher onsite volumes were partly offset by lower packaged gas demand. Higher pricing and favorable currency more than offset lower energy pass-through.

Revenues in the Industrial Gases - Asia segment increased 4% year over year to $718 million. The upside can be attributed to favorable currency and higher pricing and energy pass-through.

Financials

Air Products ended fiscal first quarter with cash and cash equivalents of around $5.8 billion, up 140.6% year over year. Long-term debt was up 130.8% year over year to $6,779.1 million.

Outlook

Air Products' is confident in its profitable growth strategy of delivering innovative solutions for energy and environmental challenges despite the global economic uncertainty. It expects to meet customers' and countries' target for achieving cleaner and more sustainable solutions with its strong portfolio.

The company is expecting good opportunities in gasification, carbon capture and hydrogen for mobility. It expects to continue to develop and invest in strategic opportunities to drive growth for decades to come.

Recent News

Air Products' LNG Technology Selected for ECA Project

Air Products, on **Feb 1, 2021**, entered into an agreement to provide its proprietary LNG technology, equipment and related process license and advisory services to the Energia Costa Azul ("ECA") LNG Export Terminal Project. Notably, ECA LNG is a joint venture between Sempra LNG, IEnova and Total.

Air Products' manufacturing facility in Port Manatee, FL will manufacture the coil wound heat exchangers for its AP-DMR LNG Process technology. This will be shipped to the project export site in Ensenada, Mexico.

Air Products' LNG equipment will be producing roughly three million tons per annum at the Mexico site. As per the agreement, Air Products' DMR process technology and engineering, design and manufacturing of the heat exchanger equipment for the liquefaction section will be provided for the single production train.

The company's LNG technology is critical to meet the world's rising energy needs and demand for clean energy, processes and cryogenically liquefies valuable natural gas for consumer and industrial use.

Air Products and Shandong Binhua Sign Gas Supply Contract

Air Products, on **Jan 5, 2021**, announced its long-term gas supply contract with Shandong Binhua New Material Co. Ltd. (Binhua). The latter is a subsidiary of Befar Group, a leading petroleum and chemical enterprise in China.

Per the deal, Air Products will build, own and operate several onsite gas production facilities in the Binzhou Port-Centered Chemical Industry Park in phases, including an energy-efficient air separation unit (ASU), to meet Binhua's gaseous oxygen and nitrogen demand. Liquid Products will also be given to other customers in the park and the growing merchant market in Shandong Province. All these facilities will be fully functional in the next year.

The investment of Air Products will help strengthen the integrated gases supply position to enable the rapid development of the world-class park in Binzhou and the transformation and upgrade of the chemical industry under China's 14th Five-Year Plan.

Air Products' highly energy-efficient facilities will provide reliable gases to this project for producing a range of chemical materials for use in high-growth new materials and new energy products.

Valuation

Air Products' shares are up 12.2% over the trailing 12-month period. Over the past year, the Zacks Chemical - Diversified industry and the Zacks Basic Materials sector are up 37.3% and 45%, respectively.

The S&P 500 index is up 26.9% in the past year.

The stock is currently trading at 18.05X trailing 12-month enterprise value-to EBITDA (EV/EBITDA) ratio, which compares to 12.97X for the Zacks sub-industry, 11.45X for the Zacks sector and 17.38X for the S&P 500 index.

Over the past five years, the stock has traded as high as 21.15X and as low as 10.65X, with a 5-year median of 13.05X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $279 price target reflects 29.18X forward 12-month earnings per share.

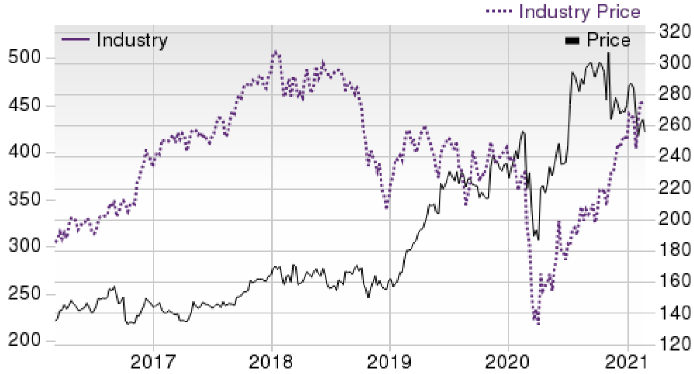
The table below shows summary valuation data for APD:

Valuation Multiples - APD

		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	18.05	12.97	11.45	17.38
	5-Year High	21.15	13.57	18.38	17.54
	5-Year Low	10.65	5.19	6.46	9.63
	5-Year Median	13.05	7.7	9.71	13.3
P/E F 12M	Current	27.83	16.92	11.41	22.51
	5-Year High	35.09	19.24	21.06	23.8
	5-Year Low	16.89	8.97	10.24	15.3
	5-Year Median	22.07	13.31	13.2	17.87
P/B TTM	Current	4.5	2.03	3.36	7.01
	5-Year High	5.7	2.82	3.46	7.07
	5-Year Low	2.92	0.87	1.22	3.84
	5-Year Median	4.09	1.75	2.25	4.97

As of 03/02/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 25% (63 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
BASF SE **(BASFY)**	Outperform	2
LyondellBasell Industries N.V. **(LYB)**	Outperform	1
Air Liquide **(AIQUY)**	Neutral	3
Albemarle Corporation **(ALB)**	Neutral	3
Brenntag AG **(BNTGY)**	Neutral	2
The Chemours Company **(CC)**	Neutral	3
Dow Inc. **(DOW)**	Neutral	2
Linde plc **(LIN)**	Neutral	3

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

Industry Comparison Industry: Chemical - Diversified

	APD	X Industry	S&P 500	AIQUY	BASFY	LIN
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	4	-	-	3	2	3
VGM Score	C	-	-	B	B	B
Market Cap	58.86 B	3.62 B	27.65 B	72.55 B	77.89 B	132.81 B
# of Analysts	6	3	13	3	3	7
Dividend Yield	2.02%	1.30%	1.4%	1.43%	3.15%	1.52%
Value Score	C	-	-	C	B	C
Cash/Price	0.11	0.11	0.06	0.03	0.09	0.03
EV/EBITDA	16.07	11.91	15.61	NA	9.87	17.38
PEG F1	4.59	1.74	2.34	4.60	1.67	2.47
P/B	4.50	2.28	3.83	3.34	1.92	2.69
P/CF	19.28	11.14	15.50	13.89	8.89	14.82
P/E F1	29.08	18.56	20.73	24.80	16.69	27.22
P/S TTM	6.56	1.15	3.18	NA	1.15	4.87
Earnings Yield	3.39%	5.35%	4.73%	4.04%	5.99%	3.67%
Debt/Equity	0.54	0.56	0.67	0.54	0.48	0.25
Cash Flow ($/share)	13.79	2.86	6.77	2.21	2.38	17.14
Growth Score	B	-	-	B	C	B
Historical EPS Growth (3-5 Years)	5.12%	2.37%	9.32%	NA	-10.14%	NA
Projected EPS Growth (F1/F0)	7.68%	23.74%	14.54%	4.81%	38.04%	13.38%
Current Cash Flow Growth	4.97%	-11.63%	0.86%	6.49%	-19.09%	3.54%
Historical Cash Flow Growth (3-5 Years)	5.92%	0.15%	7.37%	8.50%	-3.10%	26.45%
Current Ratio	2.95	1.95	1.39	0.87	1.66	0.80
Debt/Capital	35.17%	37.03%	41.42%	34.97%	32.28%	19.71%
Net Margin	21.09%	4.18%	10.59%	NA	-1.79%	9.18%
Return on Equity	15.09%	9.59%	14.75%	NA	7.94%	9.05%
Sales/Assets	0.38	0.68	0.51	NA	0.67	0.32
Projected Sales Growth (F1/F0)	9.18%	9.85%	7.02%	11.19%	12.65%	5.27%
Momentum Score	C	-	-	B	A	A
Daily Price Change	1.84%	-0.08%	-0.34%	-0.07%	2.08%	1.00%
1-Week Price Change	-3.13%	-0.55%	-1.51%	-6.01%	-0.49%	-2.63%
4-Week Price Change	-2.90%	3.19%	3.38%	-6.58%	7.61%	0.70%
12-Week Price Change	-0.83%	9.24%	5.67%	-6.47%	13.49%	1.91%
52-Week Price Change	17.00%	38.70%	24.18%	9.38%	44.02%	30.00%
20-Day Average Volume (Shares)	1,462,364	149,522	1,998,609	149,220	194,161	1,922,172
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	2.70%	0.00%
EPS F1 Estimate 4-Week Change	-2.75%	0.63%	0.32%	0.00%	2.70%	1.90%
EPS F1 Estimate 12-Week Change	-1.10%	4.83%	2.13%	1.37%	20.95%	1.82%
EPS Q1 Estimate Monthly Change	-5.27%	2.40%	0.00%	NA	12.19%	8.98%

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	C
VGM Score	C

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

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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.