

Apogee Enterprises (APOG)

\$36.02 (As of 04/13/21)

Price Target (6-12 Months): **\$38.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/19/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:A

Value: A

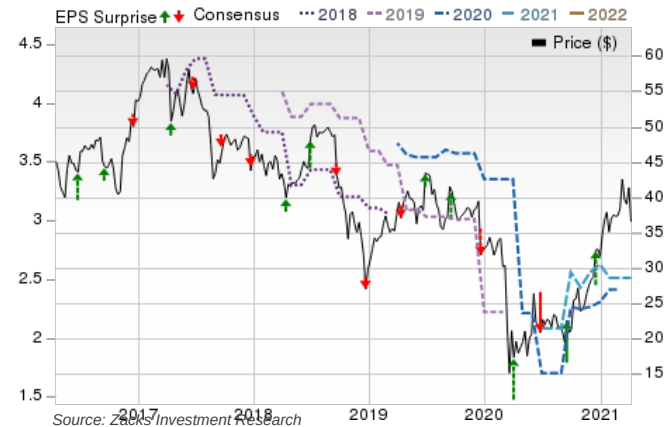
Growth: A

Momentum: B

Summary

Apogee's fourth-quarter fiscal 2021 earnings improved year over year, while revenues declined. The company projects fiscal 2022 earnings per share in between \$2.10 and \$2.35 per share. Apogee expects Architectural services segment to gain from new projects and strong project backlog in fiscal 2022. Demand for the Large-Scale Optical segment will return to the pre-pandemic levels in fiscal 2022. The Architectural Glass and Framing Systems segments will bear the brunt of project delays and softness in the non-residential construction markets. Meanwhile, Apogee will gain from its efforts to increase market share, expand into new geographies, introduction of new products and steady demand from new construction activities. Moreover, Apogee's cost-reduction initiatives are likely to deliver more than \$20-million savings during fiscal 2022.

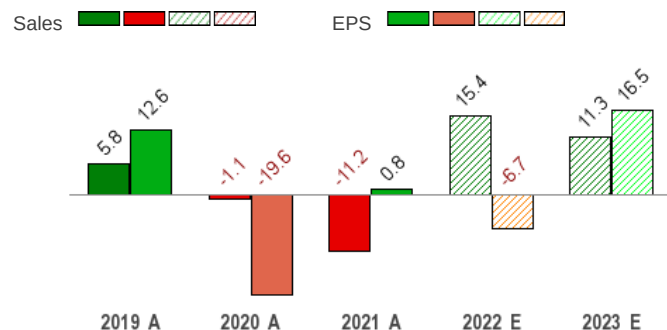
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$42.70 - \$15.82
20-Day Average Volume (Shares)	215,397
Market Cap	\$936.8 M
Year-To-Date Price Change	13.7%
Beta	1.19
Dividend / Dividend Yield	\$0.80 / 2.2%
Industry	Glass Products
Zacks Industry Rank	Bottom 7% (235 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	34.3%
Last Sales Surprise	NA
EPS F1 Estimate 4-Week Change	-10.8%
Expected Report Date	06/25/2021
Earnings ESP	0.0%
P/E TTM	15.0
P/E F1	16.1
PEG F1	1.6
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023					1,580 E
2022					1,420 E
2021	289 A	319 A	314 A	309 A	1,231 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023					\$2.61 E
2022	\$0.40 E				\$2.24 E
2021	\$0.15 A	\$0.73 A	\$0.90 A	\$0.63 A	\$2.40 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 04/13/2021. The report's text, and the analyst-provided sales estimates, EPS estimates and price target are as of 04/14/2021.

Overview

Apogee Enterprises is a leader in technologies for the design and development of value-added glass products, services, and systems. The company operates under four segments, with three of the segments serving the commercial construction market: 1231

The Architectural Glass segment (26% of total revenues in fiscal 2021) fabricates glass used in customized window and wall systems forming the outside skin of commercial and institutional buildings. The segment consists of Viracon, a fabricator of coated, high-performance architectural glass for global markets. Its markets include the U.S. government, offices, education, health care and hotels.

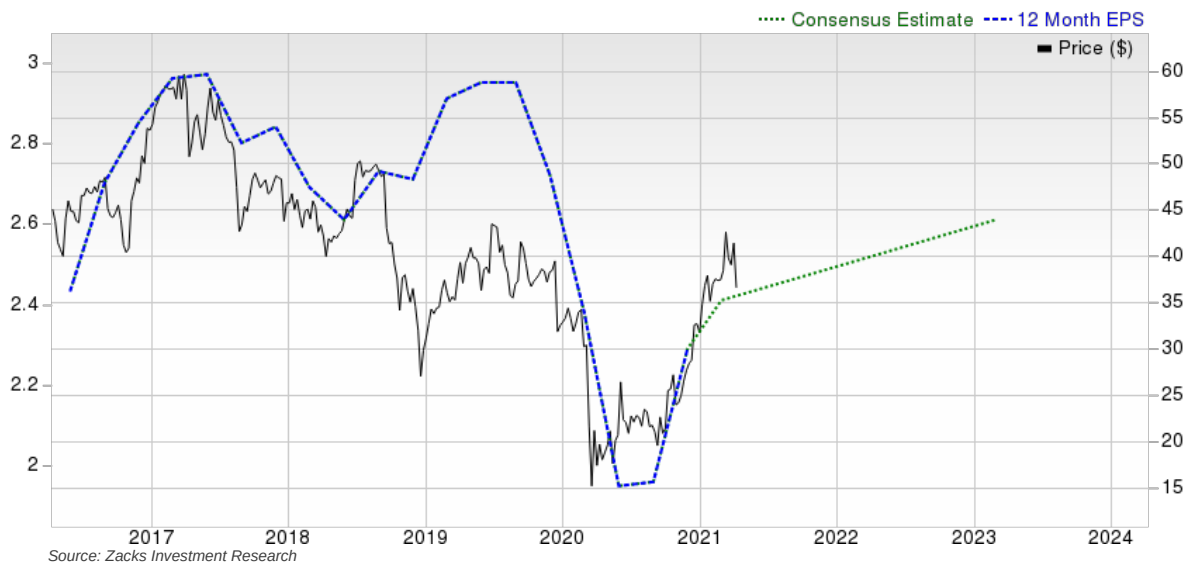
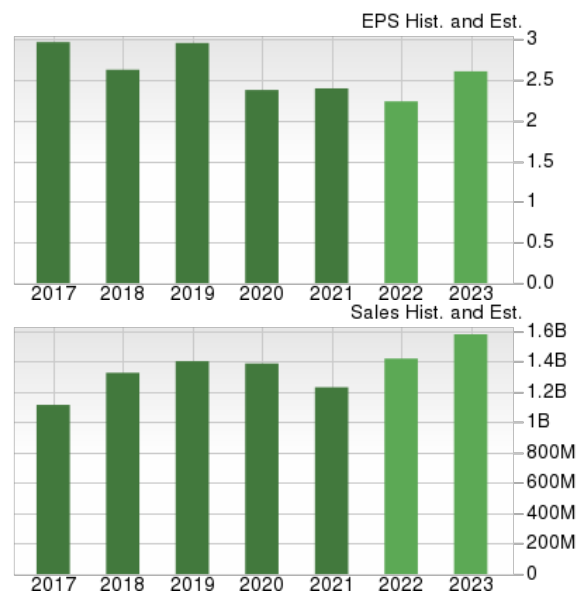
The Architectural Services segment (23%) is involved in designing, engineering, fabricating and installing walls and windows of glass constituting the outside skin of commercial and institutional buildings which are being constructed or renovated. The segment consists of Harmon, one of the largest U.S. full-service building glass installation and renovation companies. The Architectural Services segment operates mid to small-size complex projects in the U.S.

The Architectural Framing Systems (45%) designs, engineers, fabricates and finishes the aluminium frames used in customized aluminium and glass window, curtainwall, storefront and entrance systems structuring the outside skin and entrances of commercial and institutional buildings with features such as energy efficiency and hurricane protection. The segment comprises of Wausau Window and Wall Systems, Tubelite and Linetec.

The Large-Scale Optical (LSO) segment (6%) manufactures value-added glass and acrylic products for the picture framing market. The LSO segment consists of Tru Vue, a manufacturer of value-added glass and acrylic for the custom picture framing and fine art market.

On Jun 12, 2017, the company acquired the stock of EFCO Corporation (EFCO), a privately-held U.S. manufacturer of architectural aluminum window, curtainwall, storefront and entrance systems for commercial construction projects, for around \$190 million.

On Dec 14, 2016, Apogee acquired substantially all the assets of Sotawall, Inc., a privately-held Canadian designer and fabricator of high-performance, unitized curtainwall systems for commercial construction projects, for around \$138 million.



Reasons To Buy:

- ▲ Apogee projects fiscal 2022 earnings per share to lie between \$2.10 and \$2.35 per share. The Large-Scale Optical segment's demand will return to the pre-pandemic levels in fiscal 2022. Retail customers resumed operations as evident from positive orders and sales trend. Apogee's cost-reduction initiatives and procurement savings will deliver significant savings in fiscal 2022.

The Architectural Services segment continues to win new projects and focus on building strong order backlogs. Backed by its strong projects pipeline, the company expects backlog growth in fiscal 2022 as well. This is likely to drive top and bottom line for at least the next two years. The company's segments have the potential to increase market share, expand into new geographies and markets, and introduce new products. Framing Systems will continue to benefit from the optimization of operations, solid execution and cost removal in fiscal 2022. Significant efforts to integrate and optimize Framing Systems segment expect to deliver cost savings through fiscal 2022.

Apogee will benefit from new project wins and solid backlog in its Architectural Services segment, improving efficiency and productivity of operations, roll out of new products as well as cost control.

- ▲ Apogee has broader exposure in various projects across different sectors, including healthcare, education, and government and multifamily housing, as well as a growing renovation business. The company is witnessing strong demand from new construction activities. Employment growth, as well as pick up in industrial activity instill hope for the company's business in the near term. Apart from this, the various government stimulus measures provide support for the company's construction end markets.
- ▲ Apogee continues to focus on strategy to diversify revenue streams, explore growth opportunities, and improve efficiency and productivity of operations to deliver stable growth and profitability. The company has initiated several operational and commercial improvements, including cost reductions, integrated product management and pricing strategies, as well as supply chain and operational efficiencies. Apogee has made significant progress identifying procurement cost savings opportunities across the enterprise. The company achieved target of more than \$40 million cost savings in fiscal 2021, improving its margins. In fiscal 2022, Apogee expects to deliver incremental savings of around \$20 million. Additionally, the company expects the cost reduction plan will significantly improve working capital and cash flow performance. Apart from this, Apogee will invest in enterprise strategy project as well as systems and tools to improve core business processes. The company projects capital expenditures of approximately \$45 million in fiscal 2022.
- ▲ The company's solid liquidity position coupled with strong free cash flow place it well to sail through the current turbulent situation. The company generated record free cash flow of more than \$116 million in fiscal 2021, strengthening the company's financial position. During the fiscal fourth quarter, Apogee hiked its dividend by 7% and repurchased 1.2 million shares in fiscal 2021. The company ended the fiscal year in a very strong financial position with reduced leverage, no significant debt maturities until 2024, and no outstanding borrowings under its revolving credit facility of \$235 million. This provides ample opportunity to invest in business and return cash to shareholders. At the end of fiscal 2021, the company's total debt stood at \$165 million from \$218 million at the end of fiscal 2020. The company's total debt to total equity stands at a healthy 77.2%. This suggests Apogee's ability to meet debt obligations.

Reasons To Sell:

- ▼ The company will continue to bear the brunt of pandemic-induced end market headwinds. In the Architectural Framing Systems and Architectural Glass segments, the company will continue to witness project delays and softness in non-residential construction markets in fiscal 2022. Lower demand in the Architectural Framing Systems and Architectural Glass will strain the company's operating margins in fiscal 2022. Moreover, raw material cost inflation, primarily in the Framing and Glass segments, might impede margins.
- ▼ The Large-Scale Optical segment had been bearing the brunt of the coronavirus pandemic. It had witnessed a complete shutdown of its customer base to comply with government's stay-at-home orders. The segment depends on the strength of the retail picture framing market, which, in turn, is dependent on consumer confidence and the U.S. economy. Despite the recovery in retail lately, the segment's volume will remain below owing to prevailing impact of pandemic.
- ▼ The Large-Scale Optical segment's sales are highly dependent on a small number of customers. Consequently, loss of a significant customer base or a substantial reduction in pricing or the shift of certain customers to a less favorable mix of value-added picture framing glass products could materially reduce the segment's sales and operating results.

Apogee's Architectural Framing Systems and Glass segments will be hurt by project delays and softness in the non-residential construction markets. Material cost inflation is also a concern.

Last Earnings Report

Apogee Q4 Earnings Up Y/Y on Cost-Cutting Actions

Apogee reported fourth-quarter fiscal 2021 adjusted earnings per share of 63 cents. The bottom line improved 26% year over year. The company's continued focus on cost reduction was instrumental in driving this improved performance despite the pandemic-induced challenges, and weak conditions in the architectural end markets.

Including one-time items, the company delivered loss per share of \$1.65 as against the earnings per share of 45 cents earned in the year-ago quarter.

Apogee generated revenues of \$309 million during the quarter, down 8% year over year on pandemic-induced volume declines in Architectural Framing Systems and Architectural Glass, partly offset by growth in Architectural Services.

Operational Update

Cost of sales in the fiscal fourth quarter was down 8% year on year to \$239 million. Gross profit declined 10% year over year to \$69.7 million. Gross margin came in at 22.5% during the quarter compared with the prior-year quarter's 22.8%.

Selling, general and administrative (SG&A) expenses flared up 100% year over year to \$124 million. Adjusted operating income climbed 22.2% year over year to \$22 million. Operating margin in the reported quarter was 7.1% compared with the prior-year quarter's 5.2%.

Segment Performance

In the fiscal fourth quarter, revenues in the Architectural Framing Systems segment slid 14% year over year to \$131 million on lower order volume for short lead-time products and COVID-related project delays. The segment incurred an operating loss of \$71 million, as against the operating profit of \$2 million registered in the prior-year quarter.

Revenues in the Architectural Glass Systems segment dropped 17% year on year to \$82 million, due to the pandemic and market-related project delays. The segment reported an operating profit of \$3.4 million compared with the year-ago quarter's \$3.8 million.

Revenues in the Architectural Services segment increased 12% year over year to \$82 million, driven by increased volume from executing projects in backlog. The segment's operating profit jumped 26% year over year to \$11 million on increased volume and continued solid project execution.

Revenues in the Large-Scale Optical Technologies segment inched up 1% year over year to \$22 million. The segment reported an operating profit of \$6 million during the fiscal fourth quarter, down 14% year over year. This downside resulted from higher manufacturing costs and increased lease expense from the sale-leaseback transaction completed in the fiscal third quarter.

Backlog

The Architectural Services segment's backlog decreased to \$571 million from the \$597 million witnessed at the end of third-quarter fiscal 2021. Backlog in the Architectural Framing segment amounted to \$411 million, up from \$408 million at the end of third-quarter fiscal 2021.

Financial Position

Apogee had cash and cash equivalents of \$47.3 million at the end of fiscal 2021 compared with \$15 million at the end of fiscal 2020. Cash generated from operating activities were \$142 million in fiscal 2021 compared with \$107 million in fiscal 2020.

Long-term debt was around \$163 million as of Feb 27, 2021, compared with \$212.5 million as of Feb 29, 2020.

During the fiscal fourth quarter, Apogee repurchased 326,000 shares for \$12.1 million. In fiscal 2021, Apogee returned \$52.5 million of cash to shareholders through dividends and share repurchases.

Fiscal 2021 Results

Apogee reported adjusted earnings per share of \$2.40 for fiscal 2021 compared with the \$2.38 reported in the prior fiscal year. Including one-time items, the bottom line came in at 59 cents per share, down 74.5% from the \$2.32 reported in fiscal 2020. Sales were down 11% year over year to \$1.23 billion in fiscal 2021.

Fiscal 2022 Guidance

Apogee projects fiscal 2022 earnings per share to lie between \$2.10 and \$2.35 per share. The company expects capital expenditures of \$45 million.

The company continues to aggressively manage costs and improve execution across the business. Apogee has initiated an effort to reduce its fixed cost base, which will lead to incremental cost savings in fiscal 2022.

Quarter Ending	02/2021
Report Date	Apr 08, 2021
Sales Surprise	NA
EPS Surprise	34.33%
Quarterly EPS	0.63
Annual EPS (TTM)	2.41

Valuation

Apogee's shares are up 40.4% in the trailing six-month period and 109.3% over the trailing 12-month period. Stocks in the Zacks Glass Products industry and Zacks Industrial Products sector are up 48.2% and 10.8% in the trailing six-month period, respectively. Over the past year, the Zacks sub-industry and sector are up 78.7% and 114.5%, respectively.

The S&P 500 index is up 20.2% in the trailing six-month period and 51.7% in the past year.

The stock is currently trading at 15.85X forward 12-month earnings, which compares with 17.88X for the Zacks sub-industry, 22.74X for the Zacks sector and 23.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.67X and as low as 4.92X, with a 5-year median of 12.08X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$38 price target reflects 16.72X forward 12-month earnings.

The table below shows summary valuation data for APOG:

Valuation Multiples - APOG					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.85	17.88	22.74	23.15
	5-Year High	20.67	19.09	23.02	23.83
	5-Year Low	4.92	4.18	12.69	15.3
	5-Year Median	12.08	7.94	18.15	18
P/S F12M	Current	0.71	0.28	4.64	4.79
	5-Year High	1.56	0.69	4.64	4.79
	5-Year Low	0.25	0.28	1.89	3.21
	5-Year Median	0.83	0.53	2.48	3.71
EV/EBITDA TTM	Current	6.53	6.19	33.52	18.57
	5-Year High	11.06	7.5	33.98	18.57
	5-Year Low	4.3	2.33	12.85	9.62
	5-Year Median	8.27	5.98	18.68	13.36

As of 04/13/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 7% (235 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Comfort Systems USA, Inc. (FIX)	Outperform	1
Encore Wire Corporation (WIRE)	Outperform	1
AAON, Inc. (AAON)	Neutral	3
Armstrong World Industries, Inc. (AWI)	Neutral	3
Acuity Brands Inc (AYI)	Neutral	2
Hubbell Inc (HUBB)	Neutral	3
Lennox International, Inc. (LII)	Neutral	3
Gibraltar Industries, Inc. (ROCK)	Underperform	5

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

Industry Comparison Industry: 23				Industry Peers		
	APOG	X Industry	S&P 500	AWI	AYI	HUBB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	2	3
VGM Score	A	-	-	C	B	C
Market Cap	936.80 M	1.62 B	29.89 B	4.45 B	6.07 B	9.98 B
# of Analysts	1	2	12	4	5	5
Dividend Yield	2.22%	0.00%	1.32%	0.90%	0.31%	2.13%
Value Score	A	-	-	D	B	B
Cash/Price	0.05	0.14	0.06	0.03	0.08	0.03
EV/EBITDA	7.09	6.52	16.97	-270.15	13.51	16.61
PEG F1	1.65	0.53	2.38	6.62	1.87	2.35
P/B	1.90	3.94	4.02	9.89	3.14	4.80
P/CF	5.07	5.07	16.88	17.22	16.92	17.49
P/E F1	16.45	16.37	22.11	24.36	18.68	22.07
P/S TTM	0.76	0.77	3.45	4.75	1.88	2.39
Earnings Yield	6.22%	3.44%	4.47%	4.11%	5.35%	4.53%
Debt/Equity	0.33	0.40	0.66	1.57	0.26	0.69
Cash Flow (\$/share)	7.10	4.30	6.78	5.41	10.05	10.51
Growth Score	A	-	-	B	C	B
Historical EPS Growth (3-5 Years)	-5.20%	-7.56%	9.34%	20.11%	2.00%	10.64%
Projected EPS Growth (F1/F0)	-6.67%	44.86%	15.29%	5.37%	10.04%	9.95%
Current Cash Flow Growth	67.28%	-4.00%	0.61%	-16.93%	-10.88%	-4.19%
Historical Cash Flow Growth (3-5 Years)	13.84%	2.09%	7.37%	1.26%	7.26%	7.11%
Current Ratio	1.61	1.37	1.39	1.81	2.33	1.67
Debt/Capital	24.86%	28.59%	41.26%	61.14%	20.36%	40.79%
Net Margin	1.25%	2.33%	10.59%	-10.58%	7.93%	8.39%
Return on Equity	12.14%	12.14%	14.86%	42.72%	14.90%	20.62%
Sales/Assets	1.16	0.67	0.51	0.58	0.95	0.84
Projected Sales Growth (F1/F0)	0.00%	0.00%	7.37%	8.62%	-0.09%	7.00%
Momentum Score	B	-	-	B	A	F
Daily Price Change	-1.75%	-0.87%	-0.14%	-1.18%	-1.56%	-1.90%
1-Week Price Change	-11.65%	1.53%	1.54%	2.24%	0.76%	-1.55%
4-Week Price Change	-12.38%	0.00%	3.29%	-2.41%	18.35%	-2.74%
12-Week Price Change	-4.71%	12.96%	9.63%	11.37%	44.87%	11.09%
52-Week Price Change	92.72%	100.78%	51.26%	18.00%	90.70%	48.79%
20-Day Average Volume (Shares)	210,638	167,802	1,987,536	343,260	660,753	255,788
EPS F1 Estimate 1-Week Change	-10.76%	0.00%	0.00%	0.00%	0.00%	-0.26%
EPS F1 Estimate 4-Week Change	-10.76%	0.00%	0.00%	0.00%	13.97%	-0.26%
EPS F1 Estimate 12-Week Change	-14.72%	-8.65%	2.05%	0.13%	13.97%	4.91%
EPS Q1 Estimate Monthly Change	NA%	-0.32%	0.00%	0.00%	16.24%	-1.96%

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	A
Growth Score	A
Momentum Score	B
VGM Score	A

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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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

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

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

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.