Astec Industries, Inc. (ASTE)

$66.01 (As of 01/07/21)

Price Target (6-12 Months): **$70.00**

Long Term: 6-12 Months	**Zacks Recommendation:**	**Neutral**
	(Since: 10/05/20)	
	Prior Recommendation: Outperform	
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: B | Growth: A | Momentum: C	

Summary

Astec is making steady progress toward its strategy — Simplify, Focus and Grow, which will continue to drive earnings. However, weak demand for equipment in all of its segments, particularly in domestic markets amid the pandemic, remains a woe. With low debt levels, Astec seems well poised to tide over the crisis. Focus on growing part sales volume, international business and launch of new products will aid results. Its cost-reduction actions and restructuring moves will also contribute to earnings. The buyouts of CON-E-CO and BMH, will augment the Infrastructure Solutions group portfolio. The earnings estimates for Astec's ongoing quarter and current fiscal year have been stable of late. Global population growth, increased urbanization and the need to repair the ageing infrastructure will drive growth in the long term.

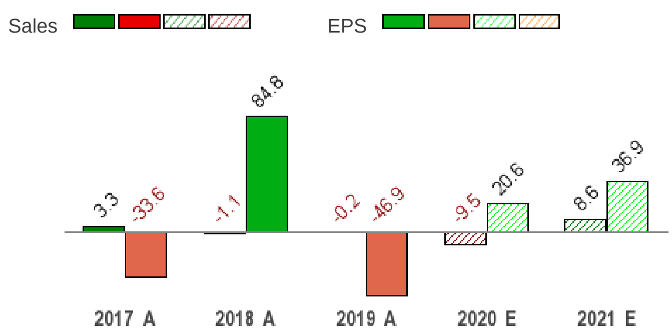
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$66.49 - $25.17**
20-Day Average Volume (Shares)	**117,877**
Market Cap	**$1.5 B**
Year-To-Date Price Change	**14.1%**
Beta	**1.35**
Dividend / Dividend Yield	**$0.44 / 0.7%**
Industry	**Manufacturing - Construction and Mining**
Zacks Industry Rank	**Top 14% (35 out of 254)**
Last EPS Surprise	**81.8%**
Last Sales Surprise	**1.5%**
EPS F1 Estimate 4-Week Change	**0.7%**
Expected Report Date	**03/16/2021**
Earnings ESP	**0.0%**
P/E TTM	**29.6**
P/E F1	**25.8**
PEG F1	**NA**
P/S TTM	**1.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	304 E	307 E	256 E	299 E	1,150 E
2020	289 A	265 A	231 A	273 E	1,059 E
2019	326 A	305 A	256 A	283 A	1,170 A

EPS Estimates

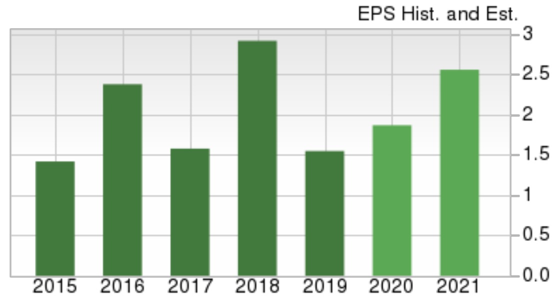
	Q1	Q2	Q3	Q4	Annual*
2021	$0.85 E	$0.91 E	$0.28 E	$0.56 E	$2.56 E
2020	$1.00 A	$0.67 A	$0.20 A	$0.42 E	$1.87 E
2019	$0.63 A	$0.36 A	$0.17 A	$0.36 A	$1.55 A

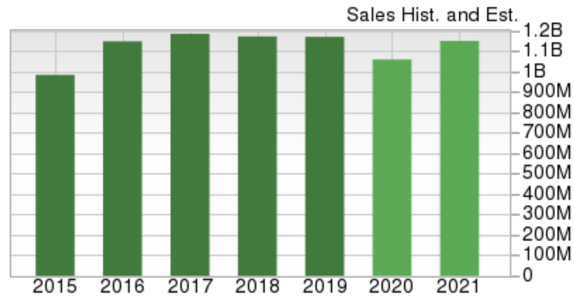
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/07/2021. The reports text is as of 01/07/2021.

Overview

Chattanooga, TN-based Astec Industries Inc. is a leading manufacturer and marketer of road building equipment. The company sells equipment used in each phase of road building, from quarrying and crushing the aggregate to applying the asphalt.





Astec also manufactures equipment and components unrelated to road construction, including equipment for the mining, quarrying, construction and demolition industries and port and rail yard operators; gas and oil drilling rigs; water well and geothermal drilling rigs; industrial heat transfer equipment; commercial whole-tree pulpwood chippers; horizontal grinders; blower trucks; concrete plants; commercial and industrial burners; and combustion control systems.

In the first quarter of 2020, Astec completed an internal reorganization into two segments —

Infrastructure Solutions (approximately 69% of the total revenues) comprises 15 business units. The products include road building, asphalt and concrete plant equipment, thermal and storage solutions as well as wood grinding equipment. The purchasers of the segment's products are asphalt producers, highway and heavy equipment contractors, foreign and domestic governmental agencies, processors of oil, gas and biomass for energy production, ready mix concrete producers and contractors in the construction and demolition recycling markets.

Materials Solutions (approximately 31% of the total revenues) comprises 10 business units. Its products include crushing and screening, washing and classifying, plants and systems and material handling equipment. The purchasers of the segment's products are distributors, open mine operators, quarry operators, port and inland terminal operators, highway and heavy equipment contractors, and foreign and domestic governmental agencies.

Source: Zacks Investment Research

Reasons To Buy:

Astec will gain from Simplify, Focus and Grow strategy and recent acquisitions. Launch of new products, efforts to grow part sales volumes and international business will also aid growth.

- The company is making steady progress toward its strategy for profitable growth – Simplify, Focus and Grow. The company's transition to a two-segment organizational structure ensures that its products are better aligned to end markets and customers. This move helps streamline the company's reporting structure. The company has sold its GEFCO business that effectively eliminates Astec's exposure to the energy industry. Astec is in the process of closing its Mequon, WI location, which will enable the company to leverage its presence more efficiently. On Oct 5, 2020, Astec sold the remaining of water well assets of its Enid business unit.

- Astec also recently announced the acquisition of two premier full-line concrete batch plant manufacturers — CON-E-CO and BMH. Both the buyouts will significantly strengthen the Infrastructure Solutions group portfolio and provide customers with access to the most robust line of concrete products in the infrastructure industry. Astec is looking for avenues to grow regionally in attractive markets. The company has acquired certain assets of Grathwol Automation, LLC which is engaged in the business of developing and providing advanced telematics and remote diagnostics for construction equipment and related products and services. Grathwol Automation has been partnering with Astec for a decade. In fact, the company has developed the Guardian system for Astec's Roadtec equipment and a jobsite management system.

- Astec has sold its Hazlehurst, GA, wood pellet plant, which marks an end to its involvement in the wood pellet plant business. The company had forayed into the wood pellet industry in 2012 in order to diversify into new areas at a time when road building and aggregate industries were at a low. However, it was not a good fit for the pellet industry owing to size, complexity and time frames associated with fabrication, installation and commissioning of wood pellet plants. Consequently, it was a prudent move to exit from the industry. It intends to make investments in projects that generate more than 14% returns.

- Astec remains committed toward improvement of its part sales volume over the long term. It also intends to improve competitive part sales and service sales. Majority of its customers in the United States have been experiencing a stable product market, and the company remains focused on selling existing and new products. The company also continues to focus on growing its international sales through the establishment of new regional international sales offices and the new products for international customers. Astec remains well poised in the long term backed by the global population growth, increased urbanization and the need to repair the ageing infrastructure.

- Astec ended third-quarter 2020 with total available liquidity of $260 million, which includes cash and cash equivalents of $108.5 million. The company's total debt stood at $0.9 million as of Sep 30, 2020. Its total debt is 0.1% of total capital, much lower than its industry's 71.8%. Its times interest earned ratio is at 1.6. Thus, with a strong balance sheet and liquidity position, Astec seems well poised to sail through these turbulent times. In the wake of the coronavirus pandemic, the company continues to implement actions to reduce expenses and conserve cash. These actions include hiring suspension (except for critical positions), reduction in workforce and cutting down discretionary spending.

- Astec has a dominant share of the asphalt plant market in North America. It also remains focused on introducing new paving equipment for both the domestic and international markets. The launch of new products from infrastructure group will drive the segment's revenues. In December 2015, the U.S. government enacted the Fixing America's Surface Transportation (FAST) Act, a five-year $305-billion highway-funding bill to fund highway and bridge projects. It expired in September 2020 and has been extended for one year. The FAST Act extension includes $13.6 billion to maintain the Highway Trust Fund's solvency at current funding levels ($47.1 billion for highway programs and $12.3 billion for transit programs) through fiscal year 2021. This extension will provide much-needed funding certainty to state and local governments navigating significant revenue shortfalls due to the COVID-19 pandemic. This bodes well for the infrastructure solutions segment.

Reasons To Sell:

> Astec's results will bear the brunt of weak domestic markets, impact of the coronavirus pandemic, competitive pricing pressures and input-cost inflation due to tariffs on imported steel.

- Astec's backlog as of Sep 30, 2020 was $218.5 million, down 10.4% year over year. While domestic backlog declined 4.3%, international backlog plunged 21.8% driven by COVID-19 uncertainties. Astec had been witnessing weakening of demand for equipment and parts in all of its segments, particularly in domestic markets. The coronavirus outbreak also adds to the concerns. This is likely to continue in the current year, which is concerning given that 80% of Astec's sales are generated from domestic markets. This will likely impact results in the current year.

- The coronavirus pandemic has led to travel restrictions and extended shutdown of businesses globally. This might disrupt the company's supply chain. Further, demand in mining industries is likely to be lower due to reduced operations amid the government enforced restrictions as well as low commodity prices. Spending in the construction sector also remains restrained. This is likely to impact Astec's results in the near term.

- Astec utilizes steel as a major raw material to manufacture products. The company is facing input cost inflation, particularly of steel owing to the imposition of tariffs. This is denting the company's margins. Given the competition, it might not be possible for Astec to raise prices to combat the raw material cost inflation. In addition to higher raw material prices, lower volume and competitive pricing pressures are also weighing on Astec's margins.

- The highway reauthorization bill, America's Transportation Infrastructure Act of 2019, was advanced by a Senate committee in July last year. The bill authorizes $287 billion over a span of five years to maintain and repair America's roads and bridges. It would increase spending by 27% over FAST Act. There remains an uncertainty till it is passed.

Last Earnings Report

Astec Q3 Earnings and Revenues Surpass Estimates

Quarter Ending	09/2020
Report Date	Nov 04, 2020
Sales Surprise	1.50%
EPS Surprise	81.82%
Quarterly EPS	0.20
Annual EPS (TTM)	2.23

Astec Industries' third-quarter 2020 adjusted earnings per share of 20 cents beat the Zacks Consensus Estimate of 11 cents by margin of 82%. The bottom line also improved 18% from the prior-year quarter. The better-than-expected results were driven by the company's transformation initiatives taken in 2019 and 2020, which offset the impact of lower revenues amid the coronavirus crisis.

Including one-time items, the company reported earnings per share of 7 cents in the quarter under review, down 46% from 13 cents in the year-ago quarter.

Revenues & Backlog

Astec reported revenues of $231 million in the quarter, down 9.5% from the year-ago quarter's figure of $256 million. However, the top line surpassed the Zacks Consensus Estimate of $228 million. Net sales decreased 8.5%, excluding the impact of foreign currency. Owing to COVID-19-related disruptions, domestic and international sales declined 4.5% and 24%, respectively, on a year-over-year basis.

At third quarter-end, the company's total backlog was $218.5 million, reflecting a decline of 10% year over year thanks to the impact of the COVID-19 pandemic. Orders in both Materials and Infrastructure Solutions segments were down 8.5% and 11.3%, respectively. While domestic backlog dipped 4% year over year to $151.3 million, international backlog plunged 22% to $67.2 million.

Operating Performance

Adjusted cost of sales declined 12.5% year over year to $178 million. Adjusted gross profit was $53 million, up 2% from the year-ago quarter figure of $52 million. Gross margin expanded 260 basis points year over year to 22.9% in the reported quarter.

Selling, general, administrative and engineering (SG&A) increased 2.5% year over year to around $49 million, due to the acquisitions of BMH Systems and CON-E-CO. Adjusted operating profit for the quarter under review was $4.1 million, which declined around 2% from the prior-year quarter. Adjusted operating margin was 1.8% compared with 1.6% in the prior-year quarter courtesy of operational efficiencies that helped offset the impact of lower sales.

Adjusted EBITDA was $11 million in the reported quarter, up 2% from the year ago quarter. Adjusted EBITDA margin was 4.8%, a 60 basis point expansion from the prior-year quarter. Despite lower sales, the company's restructuring initiatives benefited margins in the quarter.

Segment Performance

Revenues for the Infrastructure Solutions segment decreased 3% to $151 million from the year-ago quarter. The segment reported an adjusted gross profit of $32 million compared with $31 million in the prior-year quarter.

Materials Solutions segment's total revenues decreased 19% year over year to $80 million. The segment reported an adjusted gross profit of around $21 million, reflecting a year-over-year decrease of 1%.

Financial Position

Astec's cash and cash equivalents were around $109 million as of Sep 30, 2020, up from $49 million as of Dec 31, 2019. As of third-quarter 2020-end, the company's long-term debt was $1.4 million. It has available liquidity of more than $260 million as of Sep 30, 2020.

The company acquired two premier full-line concrete batch plant manufacturers — CON-E-CO and BMH in the reported quarter. Both the buyouts will significantly strengthen the Infrastructure Solutions group portfolio and provide customers with access to the most robust line of concrete products in the infrastructure industry.

Astec is undertaking initiatives to counter the financial and operational impacts of COVID-19. These steps include reducing expenses, conserving cash, suspending hiring except for critical positions, cutting down discretionary spending and overall headcount reduction.

Valuation

Astec's shares are up 49.2% in the trailing-six month period and 53.8% over the trailing 12-month period. Stocks in the Zacks Manufacturing – Construction and Mining industry and the Zacks Industrial Products sector are up 52.6% and 38.9% in the trailing six-month period, respectively. Over the past year, the Zacks sub-industry and the sector are up 31.0% and 21.8%, respectively.

The S&P 500 index is up 19.1% in the the trailing six-month period and 17.1% in the past year.

The stock is currently trading at 25.64X forward 12-month earnings, which compares with 25.56X for the Zacks sub-industry, 23.64X for the Zacks sector and 22.98X for the S&P 500 index.

Over the past five years, the stock has traded as high as 49.50X and as low as 9.01X, with a 5-year median of 19.05X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $70 price target reflects 27.17X forward 12-month earnings.

The table below shows summary valuation data for ASTE:

Valuation Multiples - ASTE

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.64	25.56	23.64	22.98
	5-Year High	49.5	30.83	23.64	23.79
	5-Year Low	9.01	9.47	12.64	15.3
	5-Year Median	19.05	19.08	17.86	17.82
P/S F12M	Current	1.3	1.91	3.49	4.46
	5-Year High	1.47	1.91	3.49	4.46
	5-Year Low	0.49	0.75	1.61	3.21
	5-Year Median	0.96	1.23	2.12	3.67
EV/EBITDA TTM	Current	21.98	13.72	23.32	16.98
	5-Year High	21.92	13.72	23.32	17.02
	5-Year Low	6.87	5.95	11.11	9.56
	5-Year Median	13.51	8.97	15.22	13.21

As of 01/06/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 14% (35 out of 254)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
CNH Industrial N.V. **(CNHI)**	Outperform	3
Deere & Company **(DE)**	Outperform	1
Lindsay Corporation **(LNN)**	Outperform	2
The Manitowoc Company, Inc. **(MTW)**	Outperform	1
Caterpillar Inc. **(CAT)**	Neutral	3
Cummins Inc. **(CMI)**	Neutral	2
John Bean Technologies Corporation **(JBT)**	Neutral	3
Terex Corporation **(TEX)**	Neutral	3

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

Industry Comparison Industry: Manufacturing - Construction And Mining

	ASTE	X Industry	S&P 500	CAT	HEES	MTW
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	3	-	-	3	1	1
VGM Score	A	-	-	C	C	F
Market Cap	1.49 B	2.07 B	26.57 B	105.32 B	1.16 B	509.74 M
# of Analysts	3	4.5	13	11	2	6
Dividend Yield	0.67%	0.57%	1.44%	2.13%	3.43%	0.00%
Value Score	B	-	-	B	B	C
Cash/Price	0.09	0.12	0.06	0.09	0.01	0.22
EV/EBITDA	26.19	8.61	14.91	10.56	4.41	5.57
PEG F1	NA	3.24	2.65	2.15	10.74	3.43
P/B	2.40	1.99	3.70	7.02	4.42	0.81
P/CF	24.25	8.56	14.31	12.04	2.97	5.00
P/E F1	25.79	25.78	20.47	25.76	19.55	34.30
P/S TTM	1.40	0.96	2.96	2.41	0.96	0.35
Earnings Yield	3.88%	3.88%	4.77%	3.88%	5.12%	2.92%
Debt/Equity	0.00	0.40	0.70	1.74	3.62	0.49
Cash Flow ($/share)	2.72	3.46	6.93	16.10	10.78	2.95
Growth Score	A	-	-	F	D	F
Historical EPS Growth (3-5 Years)	3.78%	9.42%	9.71%	29.69%	21.31%	-16.81%
Projected EPS Growth (F1/F0)	36.90%	36.22%	12.15%	38.88%	35.54%	197.36%
Current Cash Flow Growth	-35.51%	-0.57%	5.22%	-6.65%	22.89%	71.04%
Historical Cash Flow Growth (3-5 Years)	0.86%	2.40%	8.33%	4.31%	11.66%	-13.41%
Current Ratio	3.31	1.87	1.38	1.54	1.50	1.96
Debt/Capital	0.06%	28.55%	41.97%	63.52%	78.34%	32.76%
Net Margin	1.24%	1.24%	10.40%	7.60%	0.32%	-0.79%
Return on Equity	8.27%	5.40%	15.07%	25.24%	22.55%	-1.02%
Sales/Assets	1.33	0.69	0.50	0.57	0.65	0.92
Projected Sales Growth (F1/F0)	8.57%	6.96%	5.91%	9.45%	2.47%	6.51%
Momentum Score	C	-	-	A	C	F
Daily Price Change	12.02%	7.14%	2.11%	5.57%	8.71%	12.77%
1-Week Price Change	-1.28%	0.00%	1.16%	1.37%	-1.45%	0.00%
4-Week Price Change	4.30%	7.48%	2.33%	7.66%	11.24%	14.16%
12-Week Price Change	16.47%	20.73%	12.27%	18.49%	42.87%	71.51%
52-Week Price Change	53.78%	10.29%	7.29%	31.27%	1.46%	-12.46%
20-Day Average Volume (Shares)	117,877	191,119	1,691,401	2,488,382	209,900	298,864
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.66%	0.42%	0.05%	0.18%	6.15%	0.00%
EPS F1 Estimate 12-Week Change	-2.29%	9.13%	2.53%	5.54%	12.72%	92.54%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.61%	12.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	B
Growth Score	A
Momentum Score	C
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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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.