

Adtalem Global Edu (ATGE)

\$33.64 (As of 12/15/20)

Price Target (6-12 Months): **\$35.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/19/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

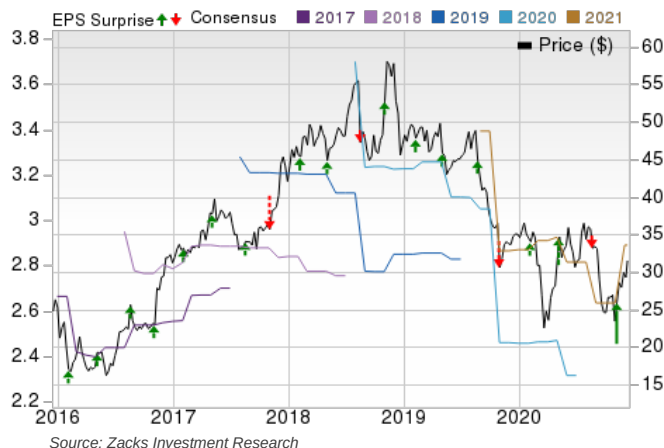
Growth: A

Momentum: F

Summary

Although Adtalem's shares have underperformed the industry so far this year, its cost-saving initiatives, transformation strategy, solid enrollment growth at Chamberlain, along with increased focus on OnCourse learning bodes well. During the fiscal first quarter, Chamberlain revenues increased 14.8% owing to a rise in total student enrollment along with a hike in non-tuition fee price. Notably, the company has increased focus on virtual technology capabilities as well as adjusted offerings for students, customers and employer partners. However, coronavirus-related woes persist. Despite the operational changes, variable expenses are likely to surge on account of the additional costs related to providing a safe environment amid the pandemic.

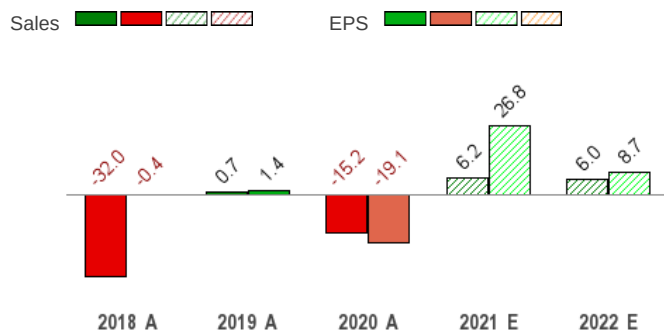
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$38.47 - \$19.76
20-Day Average Volume (Shares)	548,506
Market Cap	\$1.8 B
Year-To-Date Price Change	-3.8%
Beta	1.31
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Schools
Zacks Industry Rank	Bottom 19% (207 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	116.7%
Last Sales Surprise	4.7%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/02/2021
Earnings ESP	0.0%
P/E TTM	12.3
P/E F1	11.6
PEG F1	0.9
P/S TTM	1.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					1,184 E
2021	268 A	280 E	288 E	280 E	1,117 E
2020	255 A	266 A	271 A	260 A	1,052 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$3.14 E
2021	\$0.78 A	\$0.69 E	\$0.79 E	\$0.64 E	\$2.89 E
2020	\$0.34 A	\$0.57 A	\$0.81 A	\$0.58 A	\$2.28 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 12/15/2020. The reports text is as of 12/16/2020.

Overview

Adtalem Global Education Inc. is a leading global education provider and the parent organization of Adtalem Educacional do Brasil, American University of the Caribbean School of Medicine, Becker Professional Education, Carrington College, Chamberlain University, DeVry University and its Keller Graduate School of Management, Ross University School of Medicine and Ross University School of Veterinary Medicine. These institutions offer a wide array of programs across medical and healthcare, financial services, and business and law.

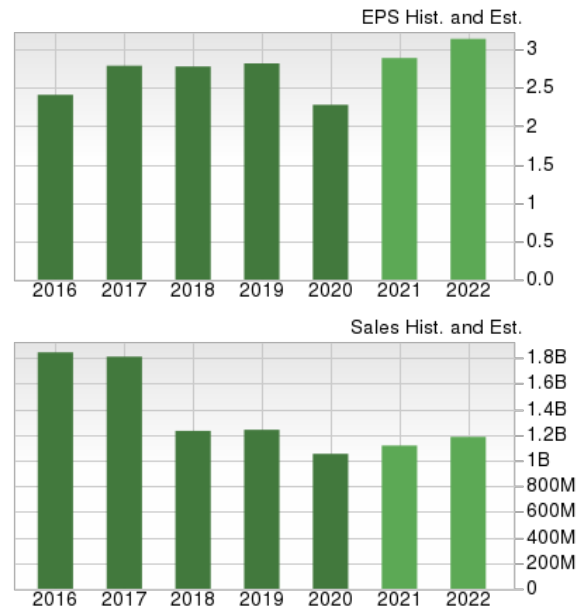
The company reports operating results under two segments:

Medical and Healthcare (contributing 81.6% to first-quarter fiscal 2021 total revenues): The segment includes operations of Chamberlain University, and the medical and veterinary schools (comprising American University of the Caribbean School of Medicine or AUC, Ross University School of Medicine or RUSM, and Ross University School of Veterinary Medicine or RUSVM).

Financial Services (18.4%): This segment includes operations of Association of Certified Anti-Money Laundering Specialists or ACAMS, Becker Professional Education or Becker, OnCourse Learning or OCL and EduPristine.

As of Sep 30, 2019, Adtalem eliminated the Business and Law segment that comprised Adtalem Education of Brazil ("Adtalem Brazil") and classified it as discontinued operations. On Apr 27, it announced the completion of Adtalem Educacional do Brasil sale to YDUQS.

Home Office and Other include activities, which are not related to any reportable segment and are required to reconcile segmental results.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Collaboration and Innovation to Drive Growth:** Adtalem laid out plans to ensure a balanced focus of investment initiatives to deliver direct returns to shareholders. Firstly, the company will be paying more emphasis on partnering with corporations, hospitals, government agencies and professional organizations to design education programs aimed at teaching new skills to employees. Also, increased number of short-term programs will be introduced which are more directly aimed at meeting student's preference and employer's needs. It keeps on collaborating with different institutions to boost student enrollment.

During the fiscal first quarter, ACAMS, in partnership with ElephantThink, rolled out a web-based compliance training program for Dutch banking group. The program focuses on customer relations and due diligence training. With similar training programs doing the rounds in other Dutch banks backed by positive feedback, the company is optimistic that this program will benefit other employer partners.

Meanwhile, ACAMS has been awarded contracts by the U.S. embassy in Panama and the European Bank of Reconstruction and Development to deliver training with respect to anti-money laundering. Also, they are in the process to launch and deliver products aimed for preventing criminal abuse in any country's financial system.

During the fiscal first quarter, Finance Against Slavery and Trafficking (FAST) in association with ACAMS launched a first of its kind modern-day slavery and human trafficking prevention certificate. Notably, the course was well accepted as more than 4000 professionals from over 120 countries enrolled as of the end of the fiscal first quarter.

Adtalem has started developing its hybrid BSN degree via utilizing online instruction and in-person intensive learning. This step will be crucial for addressing nursing shortage in the current market scenario. Adtalem is committed to working directly with a range of stakeholders that includes the administration in Congress to implement regulatory initiatives to strengthen its industry in addressing issues of access, affordability, quality and innovation.

- ▲ **Increased Focus on OnCourse Learning Bodes Well:** In the financial service segment, OnCourse learning has been a major growth driver. Owing to the pandemic-led disruptions in its business, the company has increased its focus on virtual technology capabilities as well as adjusted offerings for its students, customers and employer partners in order to mitigate the impact of the crisis. Notably, the company has expanded its B2C and B2B offerings. Also, it is continuing to invest and develop its training products for the banking and credit union sector.

- ▲ **Cost-Saving Initiatives Progressing Steadily:** In order to address increasing cost pressure, Adtalem undertook cost-saving initiatives like workforce reduction and curbing discretionary spending. The company is following a strict cost-control routine, with special emphasis on controlling and escalating costs at some of its institutions. Also, tie-ups and collaboration with different organizations are allowing Adtalem to reduce exposure to Title IV funding.

The company believes that its portfolio management approach and effective cost management will help drive sustainability in revenues and EPS growth over the long term.

- ▲ **Healthcare Institutions Driving Sales/Earnings:** Adtalem's health care and international institutions have shown significant improvement in revenues and profitability since fiscal 2013.

In particular, health care institution Chamberlain's new and total student enrollment was solid in the fiscal first quarter of 2021, improving 13.2% and 11.9% in the September session, and 15.5% and 12.2% in the July session, respectively, from a year ago.

This university remains well positioned to gain from growing demand for nurses, and the increasing roles they play in the healthcare industry. The company has plans of capitalizing this supply-demand imbalance in nursing and the broader healthcare industry by investing in new programs in markets where it sees the maximum demand. The company is optimistic about the demand trend in the medical and healthcare segment from both students and employees.

Adtalem has undertaken various initiatives to drive the segment's performance going forward. The company implemented modification in its pricing model in certain markets to better align advertised credit hour price. Also, it introduced evening and weekend classes to attract more students. These initiatives are likely to drive the segment's revenues in the future.

During the first quarter of fiscal 2021, Chamberlain revenues increased 14.8% (or \$17.2 million), to \$133.8 million. The increase was primarily attributed to a rise in total student enrollment during each fiscal year 2021 enrollment session along with a hike in non-tuition fee price.

- ▲ **Enough Liquidity to Overcome Coronavirus Woes:** At the end of the first quarter fiscal of 2021, Adtalem's long-term debt (including operating lease liabilities) came in at \$475.2 million compared with \$462.1 million in the previous quarter. However, as of Sep 30, 2020 the company had cash and cash equivalents of \$561.2 million compared with \$500.5 million as on Jun 30. Notably, the company has ample liquidity to manage the ongoing crisis.

Also, it has sufficient cash to meet its short-term obligation of \$54.6 million. Nonetheless, the company maintained a healthy liquidity profile and produced \$152.6 million of free cash flow in the fiscal first quarter (on a trailing 12-month basis).

The company's cost-saving initiatives, transformation strategy and continued focus on stackable programs that are aligned with key growth areas should drive growth

Reasons To Sell:

▼ **Coronavirus-Led Impacts Weighed on Performance:** The company's top and bottom lines were significantly impacted by the coronavirus pandemic in the fiscal first quarter. Notably, the pandemic resulted in estimated revenue losses of approximately \$14 million, operating income losses of approximately \$7 million, and loss of earnings per share of around 11 cents in the first quarter of fiscal 2021. Although management has initiated several changes to its operations and administrative functions to protect the health of employees and customers as well as to mitigate the financial impact of the pandemic, variable expenses are likely to surge on account of the additional costs related to providing a safe environment as the company plans to move back to in-person instruction across its segments.

COVID-19 impacts, higher marketing and advertising costs, as well as stringent regulations are likely to put pressure on its results.

▼ **Highly-Regulated Industry:** Adtalem is subject to risks related to Title IV program integrity regulations. Adtalem derives a significant portion of its revenues from federal student financial aid programs, referred to as the Title IV programs, which are administered by the Department of Education (DoE). The Title IV programs include loans given directly to students at lower than market interest rates by the DoE. In order to remain eligible to participate in the Title IV funds, the company has to follow certain extensive rules/regulations.

These include maximum student loan default rates, maximum debt-to-earnings ratios of its graduates, limitations on the proportion of its revenues that can be derived from federal student aid programs, elimination of incentive compensation to admissions advisors, standards of financial responsibility and administrative capabilities. If the company fails to comply with these rules, its institutions may lose eligibility to participate in Title IV funds.

Moreover, budget constraints in states that provide state financial aid to Adtalem students could reduce the amount of such aid, which would affect enrollment growth and adversely affect the 90/10 Rule percentage.

Last Earnings Report

Adtalem Q1 Earnings & Revenue Beat Estimates

Adtalem reported solid results for first-quarter fiscal 2021, wherein earnings and revenues surpassed the Zacks Consensus Estimate, as well as improved year over year.

For the quarter under review, adjusted earnings came in at 78 cents per share, which handily beat the consensus mark of 36 cents by 116.7%. The metric also increased 129% year over year.

Revenues & Operating Discussion

Revenues of \$268.2 million beat the consensus mark by 4.7% and increased 5.4% year over year owing to enrollment growth at Chamberlain, as well as solid revenue improvement in Financial Services. For the fiscal first quarter, enrollment of new and total students grew 12.2% and 10.8% year over year, respectively.

Adjusted operating income from continuing operations of \$54.4 million increased 97.7% year over year, given increased revenues across the organization, cost efficiencies and lower variable expenses.

Segment Details

Medical and Healthcare: Revenues in the segment grew 5.5% from the year-ago figure to \$218.8 million.

In Chamberlain, revenues grew 14.8% year over year. New and total student enrollment for the September session increased 13.2% and 11.9% year over year, respectively.

Medical and Veterinary schools' revenues decreased 6.5% year over year, mostly due to COVID-19-led reduced clinical weeks at the medical schools and the loss of housing revenues. Enrollment of new students grew 5.5%, while that of total students was up 4.3% year over year. Adjusted operating income in the segment was \$53 million, up 85.2% from the prior-year level on strong enrollment trends at Chamberlain, lower campus-related variable costs and efficiency measures.

Financial Services: Revenues in the segment totaled \$49.4 million, up 4.9% year over year, given higher revenues at OnCourse Learning. Revenues at Becker increased year over year due to growth in both CPA and continuing education program offerings. However, ACAMS revenues decreased from the prior-year quarter due to lower revenues from virtual conferences than in-person conferences. Adjusted operating income increased 111.5% from the prior-year quarter to \$8.7 million.

Liquidity & Cash Flow

As of Sep 30, 2020, Adtalem had cash and cash equivalents of \$561.2 million compared with \$500.5 million at fiscal 2020-end. For the fiscal first quarter, cash provided by operating activities totaled \$79.9 million compared with \$47.5 million in the year-ago period.

Guidance

For fiscal 2021, Adtalem expects revenue growth of 5-7% and earnings per share from continuing operations (excluding special items) within 25-30%.

Quarter Ending	09/2020
Report Date	Nov 05, 2020
Sales Surprise	4.74%
EPS Surprise	116.67%
Quarterly EPS	0.78
Annual EPS (TTM)	2.74

Valuation

Adtalem's shares are down 3.8% in the year-to-date period and 1.7% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 14.5% and the Zacks Consumer Discretionary sector is up by 11.5% in the year-to-date period. Over the past year, the Zacks sub-industry and sector is up 15.3% and 13%, respectively.

The S&P 500 index is up 13.4% in the year-to-date period and 14.5% in the past year.

The stock is currently trading at 11.19X forward 12-month earnings, which compares to 36.32X for the Zacks sub-industry, 34.44X for the Zacks sector and 22.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.46X and as low as 6.5X, with a 5-year median of 12.5X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$35 price target reflects 11.67X forward 12-month earnings.

The table below shows summary valuation data for ATGE

Valuation Multiples - ATGE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	11.19	36.32	34.44	22.4
	5-Year High	19.46	38.01	35.28	23.47
	5-Year Low	6.5	15.52	16.19	15.27
	5-Year Median	12.5	29.48	19.96	17.77
P/B TTM	Current	1.32	7.41	3.76	6.18
	5-Year High	2.37	11.19	4.86	6.28
	5-Year Low	0.64	5.14	2.24	3.74
	5-Year Median	1.4	7.89	4.17	4.92
P/S F12M	Current	1.53	1.68	2.67	4.22
	5-Year High	2.66	6.49	2.9	4.29
	5-Year Low	0.55	1.68	1.7	3.17
	5-Year Median	1.5	3.87	2.5	3.68

As of 12/15/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 19% (207 out of 255)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
American Public Education, Inc. (APEI)	Outperform	2
Bright Horizons Family Solutions Inc. (BFAM)	Neutral	3
Laureate Education Inc. (LAUR)	Neutral	4
Grand Canyon Education, Inc. (LOPE)	Neutral	3
K12 Inc (LRN)	Neutral	3
OneSmart International Education Group Limited (ONE)	Neutral	4
Career Education Corporation (PRDO)	Neutral	4
Strategic Education Inc. (STRA)	Neutral	4

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

Industry Comparison Industry: Schools				Industry Peers		
	ATGE	X Industry	S&P 500	LOPE	LRN	STRA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	A	-	-	D	D	A
Market Cap	1.75 B	358.00 M	26.16 B	4.39 B	990.22 M	2.41 B
# of Analysts	2	2	14	2	2	3
Dividend Yield	0.00%	0.00%	1.5%	0.00%	0.00%	2.43%
Value Score	A	-	-	C	B	B
Cash/Price	0.35	0.32	0.06	0.04	0.33	0.32
EV/EBITDA	4.10	6.02	14.38	12.08	9.36	7.28
PEG F1	0.93	1.41	2.80	1.14	0.91	1.45
P/B	1.32	1.74	3.64	2.92	1.38	1.41
P/CF	7.76	9.94	13.92	15.28	10.12	8.57
P/E F1	11.60	23.05	22.02	17.05	18.13	14.51
P/S TTM	1.64	1.28	2.80	5.37	0.86	2.35
Earnings Yield	8.59%	3.83%	4.39%	5.86%	5.54%	6.89%
Debt/Equity	0.21	0.05	0.70	0.05	0.43	0.00
Cash Flow (\$/share)	4.33	0.66	6.94	6.14	2.36	11.51
Growth Score	A	-	-	F	D	B
Historical EPS Growth (3-5 Years)	1.85%	10.90%	9.69%	17.74%	20.64%	22.13%
Projected EPS Growth (F1/F0)	26.75%	24.84%	1.00%	-1.43%	119.17%	1.85%
Current Cash Flow Growth	7.18%	6.06%	5.22%	4.94%	-11.06%	94.13%
Historical Cash Flow Growth (3-5 Years)	-2.50%	13.37%	8.33%	16.00%	-2.51%	31.70%
Current Ratio	1.87	1.43	1.38	2.38	3.41	4.13
Debt/Capital	17.81%	14.76%	42.00%	5.17%	29.85%	0.00%
Net Margin	-7.49%	2.28%	10.40%	30.17%	4.06%	10.63%
Return on Equity	11.15%	4.43%	14.99%	17.20%	6.92%	10.88%
Sales/Assets	0.45	0.50	0.50	0.47	1.06	0.55
Projected Sales Growth (F1/F0)	6.15%	0.00%	0.35%	8.13%	41.87%	2.15%
Momentum Score	F	-	-	D	F	B
Daily Price Change	4.70%	1.45%	1.52%	3.65%	1.62%	5.14%
1-Week Price Change	7.52%	-1.26%	-1.29%	4.83%	1.75%	1.70%
4-Week Price Change	17.58%	1.55%	1.90%	9.35%	7.44%	8.94%
12-Week Price Change	34.35%	4.84%	16.55%	11.80%	-12.55%	4.68%
52-Week Price Change	-1.78%	-2.53%	6.06%	-1.34%	16.92%	-34.57%
20-Day Average Volume (Shares)	548,506	89,403	1,983,356	219,173	892,658	172,441
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	-2.23%	0.49%
EPS F1 Estimate 12-Week Change	9.68%	0.23%	3.95%	0.46%	15.86%	1.39%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	-4.90%	2.78%

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	F
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.

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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.