Ball Corporation (BLL)

$91.01 (As of 04/16/21)

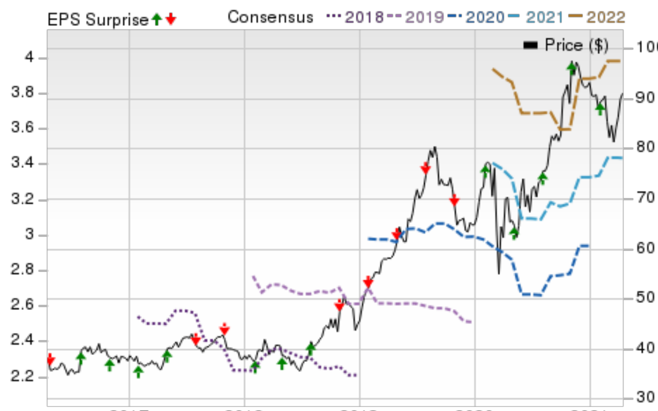
Price Target (6-12 Months): **$96.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/11/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: A | Momentum: D	

Summary

Ball Corp's earnings estimates for the first quarter and current year have been stable of late. The company's beverage-can demand has been surging globally as customers are preferring cans over glass and plastic packaging formats. It plans to invest significantly to expand aerospace facilities, beverage can production capacity in North America, EMEA and South America, while also investing in aluminum cups business. Robust backlog levels and business wins will continue to drive Ball Corp's Aerospace segment. The company's focus on launching new products and efforts to cut down costs will aid results. However, supply constraints and start-up costs related to the increased capacity coming on-line are likely to impact the company's near-term results. High debt levels, increased labor and freight costs also remain concerns.

Price, Consensus & Surprise

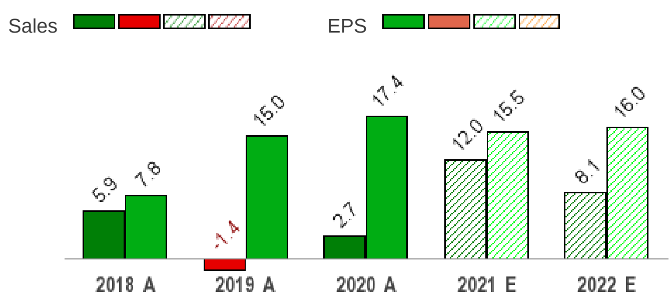


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$102.76 - $59.79**
20-Day Average Volume (Shares)	**2,195,339**
Market Cap	**$29.9 B**
Year-To-Date Price Change	**-2.3%**
Beta	**0.40**
Dividend / Dividend Yield	**$0.60 / 0.7%**
Industry	**Containers - Metal and Glass**
Zacks Industry Rank	**Top 22% (55 out of 254)**
Last EPS Surprise	**3.9%**
Last Sales Surprise	**5.0%**
EPS F1 Estimate 4-Week Change	**-0.1%**
Expected Report Date	**05/06/2021**
Earnings ESP	**-5.0%**
P/E TTM	**30.8**
P/E F1	**26.5**
PEG F1	**5.3**
P/S TTM	**2.5**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	3,292 E	3,405 E	3,603 E	3,529 E	14,263 E
2021	3,118 E	3,261 E	3,434 E	3,366 E	13,194 E
2020	2,785 A	2,801 A	3,093 A	3,102 A	11,781 A

EPS Estimates

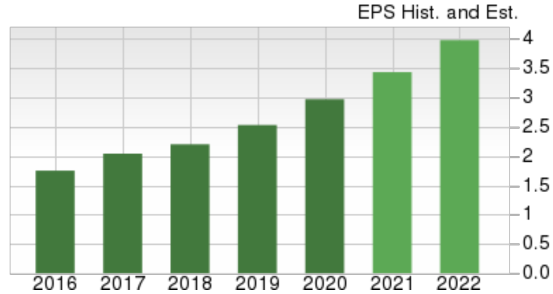
	Q1	Q2	Q3	Q4	Annual*
2022	$0.84 E	$0.98 E	$1.12 E	$1.04 E	$3.98 E
2021	$0.67 E	$0.85 E	$0.97 E	$0.93 E	$3.43 E
2020	$0.61 A	$0.65 A	$0.89 A	$0.81 A	$2.97 A

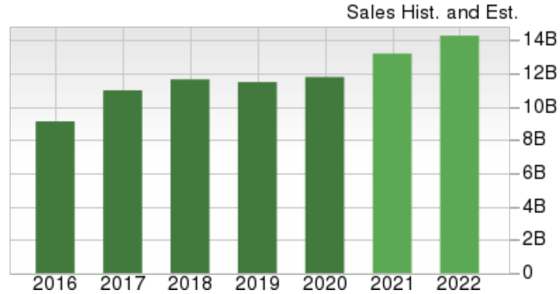
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/16/2021. The report's text and the analyst-provided price target are as of 04/19/2021.

Overview

Headquartered at Broomfield, CO, Ball Corporation is one of the world's leading suppliers of metal packaging to the beverage, personal care and household products industries. Its packaging products compete with plastics and glass and are produced for a variety of end uses to large, multinational beverage, personal care and household products companies. The company also provides aerospace and other technologies and services to governmental and commercial customers.





Effective Jan 1, 2020, the company implemented changes to its management and internal reporting structure for cost reduction and operational efficiency purposes. The company's operations are presented in the four reportable segments –

Beverage packaging, North and Central America (44% of 2020 sales) - Consists of operations in the United States, Canada and Mexico that manufacture and sell metal beverage containers throughout those countries.

Beverage packaging, South America (15%) - Consists of operations in Brazil, Argentina, Paraguay and Chile that manufacture and sell metal beverage containers throughout most of South America.

Beverage packaging, EMEA (26%) - Consists of operations in several countries in Europe, including Russia, Egypt and Turkey that manufacture and sell metal beverage containers throughout most of Europe.

Aerospace (15%) - Consists of operations that manufacture and sell aerospace and other related products and provide services to the defense, civil space and commercial space industries.

In October 2019, the company sold its Argentine steel aerosol packaging business, which included facilities in Garin and San Luis, Argentina. In September 2019, the company completed the sale of its metal beverage packaging business in China.

Source: Zacks Investment Research

Reasons To Buy:

Ball Corporation will benefit from growing preference for aluminium packaging globally, strong aerospace backlog, launching innovative products and focus on cost-cutting actions.

- As the coronavirus pandemic spread in North America, the company witnessed significant demand for beverage can demand. Higher at-home consumption is anticipated to sustain demand in 2021 as well. Overall global beverage can demand continues to grow as customers are now preferring cans over glass and plastic. The company is investing in capacity to meet this demand. In the Beverage packaging, North and Central America segment, multi-line can manufacturing facilities in Glendale, AZ, and Pittston, PA are expected to be online in the first and second quarters of 2021.

  Meanwhile, production from recently commissioned can manufacturing lines in Rome, GA, and Fort Worth, TX will help the company meet demand. Ball Corp recently announced construction of a new aluminum end manufacturing facility in Bowling Green, KY, which is scheduled to begin production in 2022. The segment is also expected to gain on operational efficiency. The company envisions volume growth of more than 6% over the next three to five years, which will fuel growth in the segment over the said time frame.

- The Beverage Packaging, EMEA segment will gain from multiple beverage can line additions that will be executed across the U.K., Czech Republic and Russia in order to meet demand. European beverage can volumes is anticipated to be up mid-single digits in 2021 and beyond. In the Beverage Packaging, South America segment, the company expects can growth in the mid to high teens. In mid-2021, multiple new Brazilian production lines will come on line to support the expected growth across the region.

- The Aerospace segment's contracted backlog remains strong at $2.4 billion as of 2020 end. Contracts already won, but not yet booked into current contracted backlog, was $5.5 billion – indicating a 30% increase. Program execution remains at a high level across the business. The segment continues to win and provide mission-critical programs and technologies to U.S. government, defense, intelligence, reconnaissance and surveillance customers. Multiple projects to expand manufacturing capacity, test capabilities and engineering and support workspace are on track.

- Ball Corp continues to execute its strategies of achieving better value for standard products and higher growth for specialty products. The company is focused on pursuing cost-control, completing growth capital projects and commercializing on the inherent sustainability attributes of metal packaging, which will benefit it in the foreseeable future. The company maintains its expectation to deliver long-term diluted earnings per share growth of at least 10% to 15% and achieve EVA (economic value added) dollars growth of 4% to 8% per year in 2021 and beyond.

- In 2020, the company invested around $1.1 billion in capital expenditures. It plans to invest significantly to expand aerospace facilities, beverage can production capacity in North America, EMEA and South America, while also investing in aluminum cups business. It projects capital expenditure of more than $1.5 billion in 2021. Beyond 2021, the company will continue to engage in multi-year internal investments to serve organic growth and returns above its 9% after-tax rate. The company constructed and started its first dedicated aluminum cups manufacturing facility in preparation for an expanded 2021 retail launch. Following the company's investment of more than $20 million in the business, it is expected to generate profit starting in 2022.

  By 2025, the global beverage can industry is projected to grow by approximately 100 billion units. Of this, the company sees an opportunity to add as much as 45 billion units. It is on track to add at least 25 billion units of capacity by 2023 end.

Reasons To Sell:

Ball Corp's near-term performance is likely to be impacted by headwinds stemming from the pandemic, supply constraints, labor costs and higher startup costs. High debt also remains a concern

- Despite new capacity coming online, demand continues to outstrip supply across North America, South America and EMEA business. Due to these supply constraints, Ball Corp is importing cans to meet demand until its new plants ramp up. Further, it will also lead to higher freight costs. The company might incur higher-than-expected start-up costs due to the ongoing capacity expansion efforts to meet growing demand for cans. In 2021, start-up costs are anticipated to be around $50 million. Further, incremental costs related to the COVID-19 pandemic may dampen near-term price/mix. Increased labor costs will also remain a headwind. These factors will impact margins in the near term.

- The current global business environment is being impacted directly and indirectly by the effects the coronavirus. In line with other companies in the packaging and aerospace industries, Ball Corp makes majority of its sales and significant purchases to or from a relatively small number of global, or large regional, customers and suppliers. Furthermore, the company makes majority of its sales from a small number of product lines. Thus, the impact of COVID-19 on a significant customer or supplier, or on demand for certain of its products could negatively impact the company's results.

- Despite the company's efforts to lower its debt levels, its total debt to total capital ratio remains high at 0.70 as of Dec 31, 2020 – which is concerning. Further, its times interest earned ratio was 3.2 at the end of 2020, lower than the industry's 3.5. High debt levels and the consequent higher interest expense remains a headwind.

Last Earnings Report

Ball Corp Q4 Earnings & Sales Top Estimates, Up Y/Y

Quarter Ending	12/2020
Report Date	Feb 04, 2021
Sales Surprise	4.97%
EPS Surprise	3.85%
Quarterly EPS	0.81
Annual EPS (TTM)	2.96

Ball Corporation reported fourth-quarter 2020 adjusted earnings of 81 cents per share, beating the Zacks Consensus Estimate of 78 cents. The bottom line also improved 14% on a year-over-year basis. The quarterly results reflect solid global beverage-can volume growth and aerospace backlog.

On a reported basis, the company posted earnings of 68 cents per share compared with the prior-year quarter's 48 cents.

Total sales were $3,102 million in the reported quarter, up 14% from the year-ago quarter. The top line surpassed the Zacks Consensus Estimate of $2,955 million. Global beverage-can volumes were up 12% in the quarter.

Operational Update

Cost of sales amounted to $2,448 million in fourth-quarter 2020, up 13.4% from the year-ago quarter. Gross profit totaled $654 million compared with the year-ago quarter's $560 million. Gross margin came in at 21% during the reported quarter, flat year over year.

Selling, general and administrative expenses soared 82% year over year to $162 million. Adjusted operating profit improved 6.5% year over year to $362 million. Adjusted operating margin came in at 11.7% compared with the prior-year quarter's 12.5%.

Segment Performance

The Beverage packaging North and Central America segment revenues increased to $1,301 million during fourth-quarter 2020 from the year-ago quarter's $1,111 million. Operating earnings came in at $139 million during the reported quarter, flat year over year.

Sales at the Beverage packaging, EMEA segment were $768 million in the fourth quarter, up 19.6% year over year. Operating earnings increased 43.2% year over year to $106 million.

The Beverage packaging South America segment's revenues increased to $529 million in the fourth quarter from the prior-year period's $460 million. Operating earnings rose to $107 million from the year-earlier quarter's $95 million.

In the Aerospace segment, sales were up 5.5% year over year to $420 million. Operating earnings increased to $39 million from the year-ago quarter figure of $37 million. At the end of 2020, the segment's contracted backlog was $2.4 billion. Contracts already won but not yet booked into current contracted backlog was $5.5 billion.

Financial Condition

Ball Corporation reported cash and cash equivalents of $1,366 million at the end of 2020, down from the $1,798 million witnessed at the end of the 2019. Cash flow from operating activities was $1,432 million in 2020 compared with $1,548 million in 2019. The company's long-term debt increased to $7.8 billion at the end of 2020 from $6.3 billion at the end of 2019.

2020 Results

Ball Corporation reported adjusted earnings per share of $2.97 in 2020, up 17.4% from the prior-year reported figure of $2.53. Earnings beat the Zacks Consensus Estimate of $2.93. Including one-time items, the bottom line came in at $1.76, up 6% from the $1.66 reported in 2019.

Sales rose 2.7% year over year to $11.8 billion from the prior-year figure of $11.5 billion. The top line surpassed the Zacks Consensus Estimate of $11.6 billion.

Outlook

Given the significant rise in contracted volumes and backlog, the company anticipates current-year capital expenditures to exceed $1.5 billion. Ball Corporation continues to expect long-term diluted earnings per share growth goal of at least 10-15%.

Valuation

Ball Corp's shares are down 0.4% over the trailing 6-month period and up 32.7% over the trailing 12-month period. Stocks in the Zacks Containers - Metal and Glass industry and the Zacks Industrial Products sector are up 7.5% and 49.5% in the trailing 6-month period, respectively. Over the past year, the Zacks sub-industry and the sector are up 43.9% and 112.1%, respectively.

The S&P 500 index is up 23.0% in the trailing 6-month period and up 51.1% in the past year.

The stock is currently trading at 25.31X forward 12-month earnings, which compares with 19.61X for the Zacks sub-industry, 23.1X for the Zacks sector and 23.29X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.25X and as low as 14.16X, with a 5-year median of 19.38X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $96 price target reflects 26.70X forward 12-month earnings.

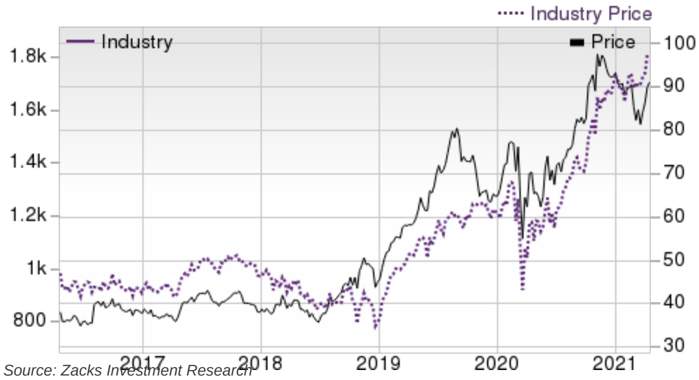
The table below shows summary valuation data for BLL:

Valuation Multiples - BLL

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.31	19.61	23.1	23.29
	5-Year High	33.25	21.13	23.1	23.83
	5-Year Low	14.16	11.41	12.7	15.3
	5-Year Median	19.38	16.18	18.15	18.01
P/S F12M	Current	2.21	1.76	4.67	4.83
	5-Year High	2.63	1.83	4.67	4.83
	5-Year Low	0.91	0.89	1.9	3.21
	5-Year Median	1.38	1.21	2.48	3.71
EV/EBITDA TTM	Current	17.53	14.99	33.71	18.78
	5-Year High	20.63	16.66	34.03	18.78
	5-Year Low	9.6	8.9	12.88	9.62
	5-Year Median	15.16	12.9	18.7	13.37

As of 04/16/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 22% (55 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Berry Global Group, Inc. **(BERY)**	Neutral	3
Crown Holdings, Inc. **(CCK)**	Neutral	2
Graphic Packaging Holding Company **(GPK)**	Neutral	3
OI Glass, Inc. **(OI)**	Neutral	4
Packaging Corporation of America **(PKG)**	Neutral	3
Sealed Air Corporation **(SEE)**	Neutral	3
Silgan Holdings Inc. **(SLGN)**	Neutral	3
Sonoco Products Company **(SON)**	Neutral	3

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

Industry Comparison Industry: Containers - Metal And Glass

Industry Peers

	BLL	X Industry	S&P 500	AMCR	CCK	SLGN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	B	A	A
Market Cap	29.86 B	14.72 B	30.15 B	18.67 B	14.72 B	4.79 B
# of Analysts	9	8	12	6	8	7
Dividend Yield	0.66%	0.73%	1.28%	3.93%	0.73%	1.29%
Value Score	C	-	-	B	A	A
Cash/Price	0.05	0.08	0.06	0.04	0.08	0.09
EV/EBITDA	21.71	12.63	17.10	14.39	12.63	10.36
PEG F1	5.28	3.17	2.40	1.92	3.17	2.57
P/B	8.92	5.65	4.08	3.87	5.65	3.84
P/CF	17.99	11.50	17.07	11.36	11.50	8.53
P/E F1	26.40	15.85	22.39	16.56	15.85	12.87
P/S TTM	2.53	1.27	3.46	1.50	1.27	0.97
Earnings Yield	3.77%	6.31%	4.41%	6.03%	6.31%	7.76%
Debt/Equity	2.33	2.57	0.66	1.33	3.08	2.57
Cash Flow ($/share)	5.06	5.11	6.78	1.05	9.48	5.11
Growth Score	A	-	-	A	A	A
Historical EPS Growth (3-5 Years)	12.41%	12.41%	9.34%	NA	9.76%	17.43%
Projected EPS Growth (F1/F0)	15.56%	17.01%	15.70%	12.76%	16.28%	10.60%
Current Cash Flow Growth	7.54%	7.54%	0.61%	42.95%	6.15%	25.32%
Historical Cash Flow Growth (3-5 Years)	16.35%	11.67%	7.37%	32.85%	11.67%	11.44%
Current Ratio	1.05	1.15	1.39	1.28	1.15	1.51
Debt/Capital	69.99%	72.01%	41.26%	57.02%	75.50%	72.01%
Net Margin	4.97%	5.00%	10.59%	6.23%	5.00%	6.27%
Return on Equity	33.40%	33.40%	14.98%	19.80%	34.67%	29.78%
Sales/Assets	0.69	0.73	0.51	0.76	0.73	0.79
Projected Sales Growth (F1/F0)	11.99%	9.69%	7.43%	2.46%	9.69%	8.23%
Momentum Score	D	-	-	F	F	F
Daily Price Change	0.51%	0.64%	0.49%	0.50%	0.64%	2.54%
1-Week Price Change	4.16%	4.16%	1.54%	0.60%	4.47%	0.29%
4-Week Price Change	10.14%	10.14%	5.18%	5.19%	13.47%	3.27%
12-Week Price Change	-0.32%	15.34%	11.23%	6.22%	15.34%	17.96%
52-Week Price Change	34.23%	34.23%	59.10%	41.25%	79.99%	30.39%
20-Day Average Volume (Shares)	2,195,339	912,321	1,960,937	6,592,266	912,321	321,762
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.06%	-0.06%	0.04%	0.00%	0.00%	-0.21%
EPS F1 Estimate 12-Week Change	3.24%	8.09%	1.93%	1.64%	8.09%	10.66%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	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

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

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.

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

Disclosures

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

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at $35 and expected to earn $3 per share in the current fiscal year (F1), would be 0.0857 (3/35 = 0.0857) or 8.57%. In other words, for $1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow ($/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every $1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every $1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated $2.50 in sales for every $1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is $1.10 now versus $1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from $1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.