

Celanese Corporation(CE)

\$165.95 (As of 05/24/21)

Price Target (6-12 Months): **\$174.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/24/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

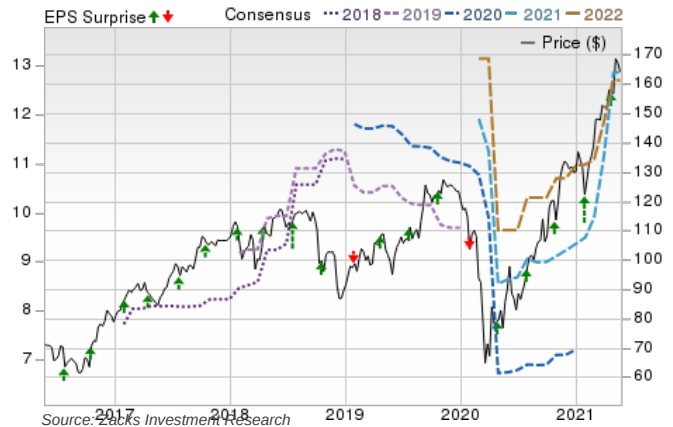
Growth: D

Momentum: B

Summary

Earnings estimates for Celanese for the second quarter have been stable of late. Cost savings through productivity actions and operational improvement are likely to support the company's bottom line in 2021. Acquisitions are also expected to drive results in its Engineered Materials unit this year. Moreover, the company is poised to gain from expansion in emerging regions. Its efforts to lower debt also bode well. Moreover, Celanese remains committed to returning value to its shareholders leveraging strong cash flows. The company has also outperformed the industry over the past year. However, the company faces headwinds from elevated raw material costs. Higher costs related to Uri are also expected to weigh on Acetyl Chain margins. Acetate tow volumes also remain under pressure due to low utilization rates.

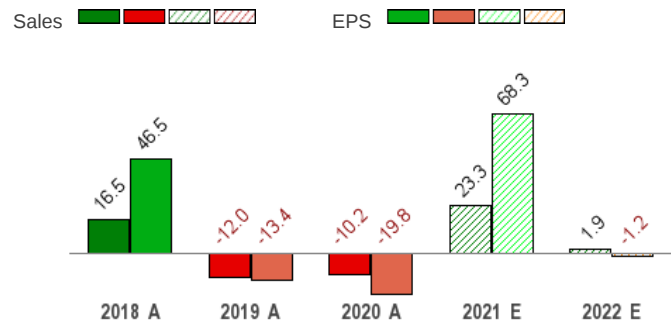
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$171.00 - \$81.63
20-Day Average Volume (Shares)	653,774
Market Cap	\$18.7 B
Year-To-Date Price Change	27.7%
Beta	1.24
Dividend / Dividend Yield	\$2.72 / 1.7%
Industry	Chemical - Specialty
Zacks Industry Rank	Top 44% (110 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	15.0%
Last Sales Surprise	3.0%
EPS F1 Estimate 4-Week Change	15.0%
Expected Report Date	07/27/2021
Earnings ESP	5.3%
P/E TTM	18.9
P/E F1	12.9
PEG F1	2.9
P/S TTM	3.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,782 E	1,766 E	1,715 E	1,795 E	7,101 E
2021	1,798 A	1,844 E	1,685 E	1,656 E	6,971 E
2020	1,460 A	1,193 A	1,411 A	1,591 A	5,655 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.91 E	\$2.96 E	\$2.97 E	\$3.00 E	\$12.70 E
2021	\$3.46 A	\$3.97 E	\$2.98 E	\$2.68 E	\$12.86 E
2020	\$2.29 A	\$1.30 A	\$1.95 A	\$2.09 A	\$7.64 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 05/24/2021. The report's text and the analyst-provided price target are as of 05/25/2021.

Overview

Texas-based Celanese Corporation is a global hybrid chemical company. The company produces chemical substances and materials. About 95% of Celanese's products rank either first or second in their respective markets, based on market shares.

Celanese makes high performance engineered polymers that are used in a range of high-value applications. It also produces acetyl products for most major industries.

The company's vast product portfolio caters a number of end-use applications including automotive, construction, consumer and industrial adhesives, performance industrial, textiles, chemical additives, consumer and medical, energy storage, filtration, paints and coatings, paper and packaging and food and beverage. The company generated revenues of \$5.7 billion in 2020.

The company's operating segments are as follows:

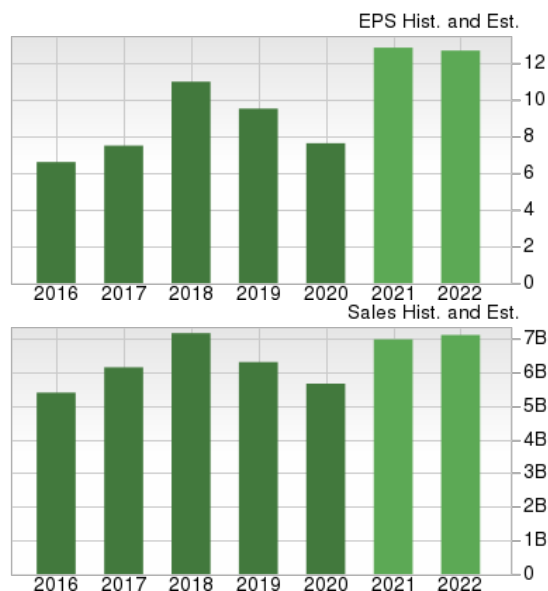
Engineered Materials/EM (37% of 2020 sales): The segment develops, produces and supplies high performance technical polymers for application in automotive and electronics products and in other consumer and industrial applications. The primary products of Advanced Engineered Materials are Polyacetal products and ultra-high molecular weight polyethylene (GUR).

Acetate Tow (9%): The segment consists of Acetate Products businesses. The Acetate Products business primarily produces and supplies acetate tow and acetate flake, which are used in the production of filter products.

Acetyl Chain (54%): This segment includes the results of Celanese's Industrial Specialties and Acetyl Intermediates. The Industrial Specialties business includes the Emulsions and AT Plastics businesses. The Emulsions business produces vinyl acetate/ethylene emulsions. AT Plastics offers a complete line of low-density polyethylene and specialty ethylene vinyl acetate resins and compounds.

The Acetyl Intermediates business produces and supplies acetyl products including acetic acid, vinyl acetate monomer (VAM), acetic anhydride and acetate esters. Acetic acid is a key intermediate chemical used in the production of VAM, purified terephthalic acid and acetic anhydride.

Other chemicals produced in this segment are organic solvents and intermediates for pharmaceutical, agricultural and chemical products.



Reasons To Buy:

- ▲ Shares of Celanese are up 81.6% over the past year, outperforming the industry's decline of 15.6%. Celanese remains focused on growth through acquisitions. The purchase of Italy-based SO.F.TER. Group has strengthened Celanese's solutions capability and project pipeline. SO.F.TER. Group's modern manufacturing facilities and product portfolio offer opportunities for additional growth, investment and synergies. Moreover, the acquisition of Nilit's nylon compounding unit is in sync with Celanese's plans to become a leading nylon compound supplier. The buyout allows Celanese to extend its global leadership position in the engineered materials business as nylon continues to be adopted in automotive, consumer and industrial applications. The buyout of Omni Plastics also reinforces Celanese's global asset base by adding compounding capacity in the Americas, which will allow the company to continue supporting a diverse and growing customer base. The acquisition of Elotex will also boost the company's position in the vinyl acetate ethylene (VAE) emulsions space.
- ▲ Celanese is committed to execute its productivity programs that include implementation of a number of cost reduction capital projects. The company's strategic initiatives including cost savings through productivity actions and efficiency enhancement are expected to continue to support its earnings. Its margins are expected to be driven by productivity actions, price hike actions and operational improvement. Global supply chain improvements and other productivity initiatives at the Engineered Materials segment are expected to contribute to earnings growth. Notably, the company achieved gross savings of \$214 million from its productivity actions in 2020.
- ▲ The company continues to accelerate growth in emerging regions, including Asia. Its integrated chemical complex in Nanjing, China serves as a foundation for expansion in Asia, supporting the region's increasing demand. Celanese has doubled the capacity of VAE unit in Nanjing, which will meet the increased global demand for innovative specialty solutions in vinyl-based emulsions. Celanese and Pertamina are also jointly developing synthetic fuel ethanol in Indonesia by deploying Celanese's proprietary TCX ethanol process technology. Celanese has also started production at the new VAE production unit in Singapore that will support the rising demand in Southeast Asia. The company is also investing in a number of capital efficient VAE expansion and debottlenecking projects to strengthen its acetyls business. Celanese and Mitsubishi Gas are also focused toward increasing Korea Engineering Plastics Co.'s production capacity, enhancing the long-term security of supply to its consumers as well as support growth. The rise in volumes is expected to reflect in a series of steps in the years to come. The company also recently announced its plans to expand engineered materials compounding capacities in Asia.
- ▲ Celanese continues to generate strong cash flows, lower debt levels and remains focused on returning value to its shareholders. The company, in January 2021, raised its quarterly cash dividend by 10% to 68 cents a share. During 2020, the company returned \$943 million to shareholders through dividends and share repurchases. It returned \$650 million to shareholders through share repurchases in 2020. It expects to complete \$500 million in share buybacks in first-half 2021. The company also returned \$328 million to shareholders through dividends and share repurchases during the most recent quarter.
- ▲ The company's efforts to lower debt are also encouraging. The company repaid bilateral term loans worth \$300 million during the third quarter of 2020. Its long-term debt also fell to \$3,135 million at the end of first-quarter 2021 from \$3,227 million in the fourth quarter of 2020. The company also generated free cash flows of \$950 million in 2020 and expects to generate more than \$900 million in 2021. It has roughly \$1.1 billion in available cash balances (including short-term investments), which appears to be sufficient to meet its short-term debt obligations. Further, the company's time-interest-earned ratio of 23.3 at the end of first-quarter 2021 rose from 21.7 in the prior quarter, indicating lower default risk.

Celanese's strategic actions including acquisitions and operational cost savings should lend support to its earnings. The company should also gain from expansion in emerging regions.

Reasons To Sell:

- ▼ The company faces headwinds from elevated raw material costs due to supply constraints as witnessed in the last reported quarter. It is expected to face sustained inflation across many key raw materials as well as energy and supply chain costs associated with winter storm Uri in the second quarter of 2021. Tight availability of resins including nylon is expected to lead to raw material cost inflation in the second quarter. As such, higher input costs are expected to hurt margins in the second quarter. The company also sees a \$30 million headwind in the second quarter from Uri, associated with higher product costs.
- ▼ The Acetyl Chain segment faces challenges from incremental costs related to Uri. The storm significantly impacted the global acetyls supply chain. The company witnessed a \$30 million headwind in the segment due to higher costs related to Uri in the first quarter. It expects sustained cost headwind related to the storm in the second quarter. As such, higher costs may impact Acetyl Chain margins.
- ▼ The ongoing semiconductor shortage is affecting automotive production globally. The shortage, partly caused by the impacts of the coronavirus pandemic, is disrupting production of parts and vehicles and affecting all major automotive original equipment manufacturers (OEMs). Some of the OEMs are adjusting their production and taking actions to minimize the impact of the chip shortage. The disruptions are hurting automotive builds around the world. Weaker automotive production is likely to affect the company's automotive order patterns starting the second quarter of 2021.
- ▼ The company is exposed to challenges in its Acetate Tow unit. Low utilization rates across the tow industry are hurting volumes of acetate tow. Net sales in the Acetate Tow segment declined 8% year over year in the first quarter on lower volumes. Demand and utilization rates remain subdued across the tow industry. As such, sales for the Acetate Tow unit are expected to remain under pressure in the quarters ahead.

Celanese faces headwinds from higher raw material costs, weaker automotive production and lower acetate tow volumes. Higher costs related to Uri may also impact Acetyl Chain margins.

Last Earnings Report

Celanese Surpasses Earnings and Sales Estimates in Q1

Celanese logged earnings from continuing operations of \$2.83 per share in first-quarter 2021, up from \$1.88 in the year-ago quarter.

Barring one-time items, adjusted earnings were \$3.46 per share, up from \$2.29 in the year-ago quarter. The figure surpassed the Zacks Consensus Estimate of \$3.01.

Revenues of \$1,798 million increased 23% year over year and beat the Zacks Consensus Estimate of \$1,745.8 million. A 15% rise in pricing more than offset a 3% decline in volumes. The company faced disruptions from the winter storm Uri in the first quarter. However, it benefited from continued improvement in demand.

Quarter Ending 03/2021

Report Date	Apr 22, 2021
Sales Surprise	2.99%
EPS Surprise	14.95%
Quarterly EPS	3.46
Annual EPS (TTM)	8.80

Segment Review

Net sales in the Engineered Materials unit were \$645 million in the first quarter, up around 15% year over year. The segment benefited from continued strength in automotive, electronics, and industrial end markets. Volumes rose sequentially in the quarter on the back of higher demand while prices increased on the company's pricing actions in the wake of raw material inflation.

The Acetyl Chain segment posted net sales of \$1,056 million, up roughly 32% year over year. Volumes declined sequentially due to the impacts of Uri, Chinese New Year and typical winter seasonality. Prices rose on the back of record Chinese acetic acid pricing and tight industry conditions.

Net sales in the Acetate Tow segment were \$119 million, down around 8% year over year. Volume decreased sequentially on lower raw material and logistics availability.

Financials

Celanese ended the quarter with cash and cash equivalents of \$791 million, up around 39% year over year. Long-term debt fell around 7% year over year to \$3,135 million.

Celanese generated operating cash flow of \$116 million and free cash flow of \$19 million in the first quarter. Capital expenditures amounted to \$92 million.

Outlook

Celanese stated that demand for its Engineered Materials and Acetyl Chain products remains strong in most end markets. The company expects adjusted earnings for the second quarter of roughly \$4.00 per share factoring in current industry dynamics, higher inventory costs from Uri, and minimal turnaround requirements. Moreover, Celanese now expects adjusted earnings of \$12.50-\$13.50 per share for 2021.

Recent News

Celanese To Beef up Engineered Materials Capacity in Asia

Celanese, on **Mar 25, 2021**, announced its plans to commence a three-year plan to expand engineered materials compounding capacities in Asia. The expansion will take place at the company's Asia sites including the locations of Nanjing and Suzhou in China and Silvassa, India.

It is expected that the expansion will add roughly 52KT of compounding and long-fiber thermoplastics capacity at the company's Nanjing integrated chemical complex by the second half of 2023. It would also add roughly 7KT of nylon compounding capacity at the company's Suzhou facility by the second quarter of 2022 and roughly 7KT of annual compounding capacity at the company's Silvassa facility by early 2022.

Celanese is adapting to local customer needs and gaining competitive advantage by continuing to boost its Asia presence in the engineered materials market. It is focused on expanding its leadership position in the region by increasing both compounding and polymer manufacturing capacities as well as capabilities through greater investments and additions in its network in Asia, the company noted.

The financial details of this project have not been released yet. Additional details of the project will follow later.

Celanese to Expand Capacity and Utilize Recycled CO2

Celanese, on **Mar 25, 2021**, announced that its Texas facility will utilize carbon dioxide (CO2), as an alternate feedstock in methanol production. Methanol is an integral raw material in the production of various acetyls products, including acetic acid, vinyl acetate monomer, ethyl acetate and other derivatives.

Sustainable methanol is expected to be produced using the carbon capture and reuse process with a high capital efficiency at competitive pricing through the expansion of the company's Fairway joint venture. Fairway Methanol LLC, the methanol production unit at the Clear Lake facility, is a manufacturing joint venture between Celanese and Mitsui & Co., Ltd., and will contribute to the sustainability targets of both companies.

Carbon dioxide capture and reuse reflects on the company's dedication toward sustainability.

Celanese is committed toward protecting the Earth's natural resources and helping its partners and customers do the same. The work it is doing with recycled CO2 at its Clear Lake facility is a significant step for Celanese to preserve the environment as well as be a responsible community partner in the reduction of carbon waste and emissions, the company noted.

Valuation

Celanese's shares are up 81.6% over the trailing 12-month period. Over the past year, the Zacks Chemicals-Specialty industry and the Zacks Basic Materials sector are down 15.6% and up 60.2%, respectively.

The S&P 500 index is up 40.8% in the past year.

The stock is currently trading at 12.83X forward 12-month earnings, which compares to 24.75X for the Zacks sub-industry, 10.43X for the Zacks sector and 21.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.33X and as low as 5.39X, with a 5-year median of 11.41X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$174 price target reflects 13.46X forward 12-month earnings per share.

The table below shows summary valuation data for CE:

Valuation Multiples - CE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	12.83	24.75	10.43	21.7
	5-Year High	15.33	35.9	18	23.83
	5-Year Low	5.39	15.22	10.23	15.3
	5-Year Median	11.41	18.05	13.03	18.02
P/S TTM	Current	3.12	5.59	3.18	5.12
	5-Year High	3.22	7.44	3.37	5.22
	5-Year Low	1.14	2.77	1.4	2.82
	5-Year Median	2.24	4.49	2.68	3.92
P/B TTM	Current	4.73	8.9	3.65	6.89
	5-Year High	5.57	11.39	3.81	7.02
	5-Year Low	2.44	4.32	1.22	3.83
	5-Year Median	4.09	7.7	2.27	5.01

As of 05/24/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 44% (110 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Huntsman Corporation (HUN)	Outperform	2
Asahi Kasei Corp. (AHKSY)	Neutral	4
Air Products and Chemicals, Inc. (APD)	Neutral	2
Ashland Global Holdings Inc. (ASH)	Neutral	3
BASF SE (BASFY)	Neutral	3
Eastman Chemical Company (EMN)	Neutral	2
LyondellBasell Industries N.V. (LYB)	Neutral	3
Koninklijke DSM NV (RDSMY)	Neutral	3

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

Industry Comparison Industry: Chemical - Specialty				Industry Peers		
	CE	X Industry	S&P 500	APD	BASFY	EMN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	2
VGM Score	B	-	-	F	B	C
Market Cap	18.69 B	3.47 B	30.19 B	66.30 B	76.93 B	17.21 B
# of Analysts	10	3	12	7	3	8
Dividend Yield	1.64%	0.43%	1.3%	2.00%	3.39%	2.19%
Value Score	A	-	-	F	B	B
Cash/Price	0.06	0.04	0.06	0.09	0.07	0.03
EV/EBITDA	7.55	13.98	17.47	18.00	13.69	16.50
PEG F1	2.90	2.10	2.19	2.90	1.21	0.82
P/B	4.78	2.65	4.16	5.05	1.63	2.72
P/CF	14.86	13.37	17.45	21.62	6.85	12.00
P/E F1	12.94	18.49	21.83	32.91	15.67	14.58
P/S TTM	3.12	2.34	3.51	7.16	1.06	1.99
Earnings Yield	7.75%	5.26%	4.49%	3.04%	6.40%	6.86%
Debt/Equity	0.80	0.59	0.66	0.54	0.40	0.82
Cash Flow (\$/share)	11.05	2.52	6.82	13.79	3.02	10.40
Growth Score	D	-	-	D	C	D
Historical EPS Growth (3-5 Years)	7.46%	3.90%	9.39%	5.39%	-10.68%	-2.43%
Projected EPS Growth (F1/F0)	68.31%	39.29%	20.29%	8.63%	45.29%	40.77%
Current Cash Flow Growth	-18.38%	-2.42%	0.74%	4.97%	26.76%	-11.63%
Historical Cash Flow Growth (3-5 Years)	-0.29%	4.85%	7.37%	5.92%	2.01%	-3.19%
Current Ratio	1.92	2.16	1.39	2.91	1.81	1.88
Debt/Capital	44.52%	37.24%	41.55%	35.14%	28.53%	45.14%
Net Margin	34.86%	6.46%	11.70%	20.39%	-0.16%	5.72%
Return on Equity	30.19%	12.19%	16.07%	14.75%	10.23%	13.86%
Sales/Assets	0.59	0.61	0.51	0.36	0.73	0.54
Projected Sales Growth (F1/F0)	23.27%	9.98%	9.14%	12.62%	10.44%	11.94%
Momentum Score	B	-	-	C	C	B
Daily Price Change	-0.08%	0.07%	0.09%	0.38%	0.05%	1.65%
1-Week Price Change	-1.82%	0.00%	-0.49%	-0.95%	-1.62%	-3.23%
4-Week Price Change	4.35%	-0.38%	0.85%	2.72%	-2.64%	9.89%
12-Week Price Change	18.17%	8.35%	12.34%	16.65%	0.98%	14.25%
52-Week Price Change	92.03%	83.02%	46.29%	27.24%	67.23%	90.70%
20-Day Average Volume (Shares)	653,774	173,732	1,936,476	844,624	138,499	750,352
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	14.97%	4.25%	1.65%	0.97%	3.89%	9.38%
EPS F1 Estimate 12-Week Change	31.95%	4.14%	2.64%	0.88%	8.09%	9.90%
EPS Q1 Estimate Monthly Change	44.29%	1.34%	0.83%	3.24%	0.00%	16.01%

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	D
Momentum Score	B
VGM Score	B

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 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.