CF Industries (CF)

$51.99 (As of 05/26/21)

Price Target (6-12 Months): **$60.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/17/21) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:A
	Value: C | Growth: B	Momentum: A

Summary

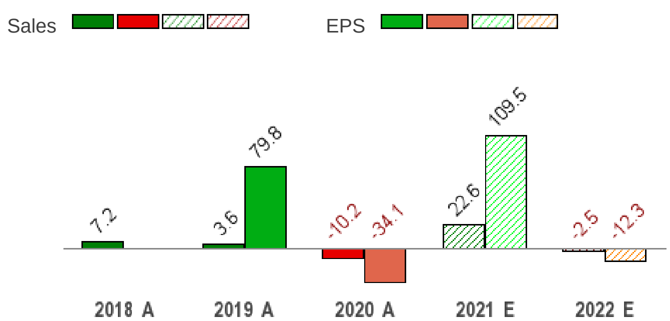
CF Industries' earnings for the first quarter of 2021 beat the Zacks Consensus Estimate while sales missed the same. The company is well placed to benefit from higher nitrogen demand in major markets in 2021. Demand for nitrogen is expected to be strong in North America, driven by healthy corn acres in the United States. Moreover, lower domestic urea production is likely to drive demand in Brazil. The company is also seeing a rebound in industrial demand from the pandemic-led disruptions. The company will also gain from the strength in nitrogen prices on the back of lower global supply availability. Higher nitrogen prices will lend support to its bottom line. CF Industries is also committed to boost shareholders' value leveraging strong cash flows. It is also taking actions to de-leverage its balance sheet.

Price, Consensus & Surprise

Data Overview

52-Week High-Low	**$57.19 - $25.32**
20-Day Average Volume (Shares)	**2,237,165**
Market Cap	**$11.2 B**
Year-To-Date Price Change	**34.3%**
Beta	**1.29**
Dividend / Dividend Yield	**$1.20 / 2.3%**
Industry	**Fertilizers**
Zacks Industry Rank	**Top 7% (17 out of 250)**
Last EPS Surprise	**22.8%**
Last Sales Surprise	**-4.3%**
EPS F1 Estimate 4-Week Change	**39.4%**
Expected Report Date	**08/04/2021**
Earnings ESP	**0.0%**
P/E TTM	**28.0**
P/E F1	**16.9**
PEG F1	**2.8**
P/S TTM	**2.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,187 E	1,347 E	1,085 E	1,297 E	4,928 E
2021	1,048 A	1,618 E	1,209 E	1,280 E	5,056 E
2020	971 A	1,204 A	847 A	1,102 A	4,124 A

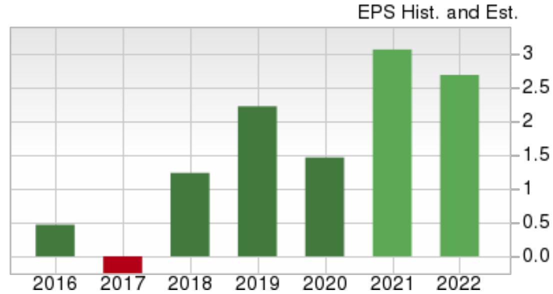
EPS Estimates

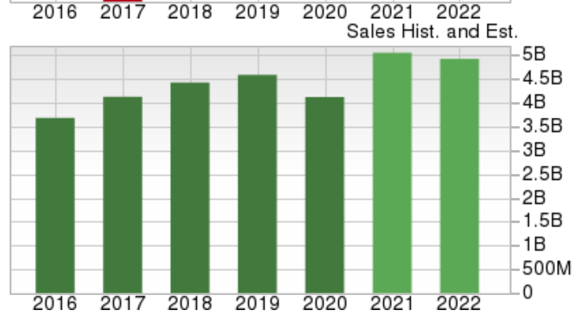
	Q1	Q2	Q3	Q4	Annual*
2022	$0.75 E	$0.91 E	$0.58 E	$0.84 E	$2.70 E
2021	$0.70 A	$1.47 E	$0.59 E	$0.61 E	$3.08 E
2020	$0.31 A	$0.89 A	-$0.13 A	$0.40 A	$1.47 A

*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 05/26/2021. The report's text and the analyst-provided price target are as of 05/27/2021.

Overview





CF Industries Holdings, Inc., headquartered in Deerfield, IL, is one of the largest manufacturers and distributors of nitrogenous fertilizer and other nitrogen products globally. The company's principal nitrogenous fertilizer products are ammonia, granular urea, urea ammonium nitrate solution (UAN) and ammonium nitrate (AN).

CF Industries is a leading nitrogen fertilizer producer in North America. The company operates two of the largest fertilizer complexes in North America, one in Donaldsonville, Louisiana, United States and the other in Medicine Hat, Alberta, Canada.

Roughly 25%, 30%, 26% and 11% of its total sales in 2020 came from its Ammonia, Granular Urea and UAN and AN segments, respectively, while the "Other" segment accounted for the balance. The company completed the divestment of its phosphate unit to The Mosaic Company in March 2014.

In April 2010, CF Industries acquired rival Terra Industries for $4.7 billion. With the acquisition, the company has become the global leader in the nitrogen fertilizer industry and has expanded geographically.

CF Industries, in October 2013, signed a definitive agreement to sell its phosphate mining and manufacturing business to fertilizer producer Mosaic for $1.4 billion in cash (including $200 million to fund CF Industries' asset retirement obligation escrow). The transaction was closed in March 2014.

Under the deal, CF Industries disposed the Hardee County phosphate rock mine, the Plant City phosphate complex, an ammonia terminal, phosphate warehouse and dock at the Port of Tampa and the site of the former Bartow phosphate complex to Mosaic.

CF Industries and Mosaic also entered into a long-term ammonia supply agreement, under which, the former agreed to supply ammonia to Mosaic from its Donaldsonville, LA, nitrogen complex and its 50% owned Point Lisas Nitrogen Ltd. (PLNL) facility in the Republic of Trinidad and Tobago.

In 2016, the company completed its capacity expansion projects at Donaldsonville and Port Neal. The projects involved the building of new urea, ammonia and UAN facilities at Donaldsonville complex along with new urea and ammonia facilities at the Port Neal complex. The facilities have boosted the company's overall production capacity by roughly 25%.

Source: Zacks Investment Research

Reasons To Buy:

CF Industries is well placed to benefit from higher nitrogen demand in major markets. It should also gain from a recovery in nitrogen prices. The company is also committed to cut debt and boost shareholders' value.

- CF Industries should benefit from higher expected global demand for nitrogen fertilizers. The company expects demand for nitrogen to remain strong this year. Strong crop commodity prices are contributing to higher demand globally. Industrial demand has also recovered from the pandemic-related disruptions in April and May. In 2021, demand for nitrogen is expected to be driven by higher corn acres in the United States. The company projects around 90-92 million planted corn acres in the United States in 2021. Demand in Canada is also expected to be fueled by increased canola plantings. CF Industries also sees continued strong demand for urea imports from Brazil and India. Lack of active domestic urea production and improved farm economics are likely to increase demand in Brazil this year. Urea tender volumes are also expected remain healthy in India in 2021.

- While CF Industries bore the brunt of lower nitrogen prices in 2020, it is expected to benefit from higher prices this year. Nitrogen prices, in 2020, were affected by greater global supply availability due to increased global operating rates. Moreover, lower global energy prices put pressure on prices last year. However, the company expects a recovery in nitrogen pricing in 2021 on the back of lower supply resulting from reduced operating rates across Europe and Asia. Prices are also expected to gain support from higher commodity crop futures prices. Notably, higher nitrogen prices boosted the company's sales and bottom line in the last reported quarter.

- The company remains committed to boost shareholders' value by leveraging strong cash flows. CF Industries generated operating cash flows of roughly $1.2 billion and free cash flow of $748 million in 2020. The company also paid dividend worth $258 million in 2020. Moreover, the company is currently executing a $1 billion share repurchase program that is authorized through 2021. It repurchased 2.6 million shares worth $100 million in 2020. It has bought back around 10.2 million shares for $437 million since the announcement of the current share repurchase authorization in February 2019.

- CF Industries is taking actions to de-leverage its balance sheet. Its long-term debt of $3,713 million at the end of the first quarter of 2021 was stable on a sequential comparison basis. Also, its cash and cash equivalents rose around 7% year over year to $804 million at the end of the first quarter. The company has also decided to repay the $250 million of Senior Secured Notes due December 2021, which will lower its interest expenses. Further, its time-interest-earned ratio of 4 at the end of the first quarter rose from 3.6 in the prior quarter. As such, the company appears to have lower default risk.

Risks

- CF Industries has underperformed the industry it belongs to over a year. The company's shares are up 77.8% compared with the 82.4% rise of the industry. The company saw higher sales volumes in 2020 on increased supply availability from higher starting inventories and higher production. However, volumes are expected to decline in 2021 on a year-over-year basis due to reduced year-end inventory and lower expected production. The company expects sales volumes to decline to 19-19.5 million tons in 2021 from 20.3 million tons in 2020. This may impact the company's top line. Notably, CF Industries witnessed lower sales volumes in the last reported quarter due to lower supply availability.

- Higher expected natural gas cost in 2021 is a concern for the company. CF Industries benefited from lower year over year natural gas costs for full-year 2020. However, it witnessed higher year over year costs in the fourth quarter of 2020 as well as first-quarter 2021. Natural gas cost was $3.22 per million British thermal units (MMBtu) in the first quarter, up from $2.61 per MMBtu in the year-ago quarter. The increase was driven by higher natural gas costs in the United Kingdom and increased gas prices in North America stemming from the severe winter weather. The company expects natural gas costs to increase year over year in 2021. As such, higher natural gas costs may increase its cost of sales and hurt margins.

- The company faces headwind from maintenance turnarounds in 2021, which is expected to hurt its production. CF Industries expects its gross ammonia production to be around 9.5-10 million tons in 2021 compared with a record 10.4 million tons it produced in 2020. Production is expected to be impacted by planned maintenance and turnaround activities and natural gas-driven curtailments. In addition to normal turnarounds this year, the company will also execute those that were deferred from 2020.

Last Earnings Report

CF Industries' Q1 Earnings Beat Estimates, Sales Lag

Quarter Ending	03/2021
Report Date	May 05, 2021
Sales Surprise	-4.32%
EPS Surprise	22.81%
Quarterly EPS	0.70
Annual EPS (TTM)	1.86

CF Industries reported a profit of $151 million or 70 cents per share in the first quarter of 2021 compared with profits of $68 million or 31 cents in the year-ago quarter. Also, earnings per share surpassed the Zacks Consensus Estimate of 57 cents.

Net sales increased 8% year over year to $1,048 million in the quarter. However, the figure missed the Zacks Consensus Estimate of $1,095.3 million.

Per the company, average selling prices in the reported quarter were higher on a year-over-year basis across most segments due to lower global supply availability. But, sales volume in the first quarter was lower than the prior-year quarter's levels due to lower supply availability.

Segment Review

Net sales in the Ammonia segment increased 6.7% year over year to $206 million in the reported quarter. In the first quarter, sales volume declined from the prior-year quarter's levels owing to lower supply availability stemming from reduced production. Average selling prices in the first quarter increased year over year due to lower global supply availability.

Sales in the Granular Urea segment increased 18.4% year over year to $399 million. Average selling prices for urea increased in the first quarter due to lower global supply availability, while sales volume fell due to lower supply availability.

Sales in the UAN segment inched down 1% year over year to $232 million. Sales volume in the first quarter increased from the prior-year quarter's levels owing to higher supply availability from increased production. Average selling prices declined due to higher global supply availability.

Sales in the AN segment declined 9.5% year over year to $105 million. In the first quarter, sales volumes fell year over year due to lower supply availability. Average selling prices increased due to lower global supply availability.

Financials

CF Industries' cash and cash equivalents increased 6.7% year over year to $804 million at the end of first quarter. Long-term debt was $3,713 million at the end of the quarter, down 6.2% year over year.

Cash flow from operations amounted to $578 million in the reported quarter, up 98% year over year.

Outlook

CF Industries expects nitrogen pricing to be positive in 2021 as global nitrogen supply and demand balance has been significantly tightened by low global coarse grains stocks-to-use ratios as well as higher energy prices in Asia and Europe. The company projects around 90-92 million planted corn acres in the United States in 2021. It also expects higher canola plantings in Canada to support nitrogen demand. Moreover, CF Industries projects higher nitrogen demand in North America for industrial uses. The company anticipates nitrogen requirements in other regions to remain strong this year, which is likely to be driven by strong demand for urea imports from India and Brazil.

Recent News

CF Industries Declares Dividend

On **Apr 29, 2021**, CF Industries' board declared a quarterly dividend payout of 30 cents per share on its common stock. The dividend is payable on May 28, 2021 to shareholders of record as of May 17, 2021.

Valuation

CF Industries' shares are up 77.8% over the trailing 12-month period. Over the past year, the Zacks Fertilizers industry and the Zacks Basic Materials sector are up 82.4% and 56.9%, respectively.

The S&P 500 index is up 40.4% in the past year.

The stock is currently trading at 9.42X trailing 12-month enterprise value-to EBITDA (EV/EBITDA) ratio, which compares to 12.88X for the Zacks sub-industry, 8.6X for the Zacks sector and 17.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.44X and as low as 4.88X, with a 5-year median of 9.12X.

Our Outperform recommendation indicates that the stock will perform above the market. Our $60 price target reflects 2.27X tangible book value.

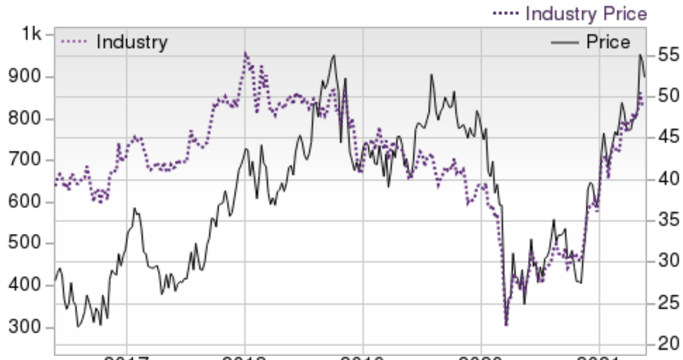
The table below shows summary valuation data for CF:

Valuation Multiples - CF

		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	9.42	12.88	8.6	17.16
	5-Year High	23.44	21.97	18.11	17.73
	5-Year Low	4.88	6.04	6.56	9.62
	5-Year Median	9.12	12.01	9.46	13.43
P/B TTM	Current	1.97	1.76	3.61	6.95
	5-Year High	2.1	2.14	3.81	7.02
	5-Year Low	0.7	0.65	1.22	3.83
	5-Year Median	1.43	1.44	2.27	5.01
P/S TTM	Current	2.67	1.86	3.15	5.17
	5-Year High	3.05	3.53	3.37	5.22
	5-Year Low	1.01	0.72	1.4	2.82
	5-Year Median	2.15	1.9	2.68	3.92

As of 05/26/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 7% (17 out of 250)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Bunge Limited **(BG)**	Outperform	2
Sociedad Quimica y Minera S.A. **(SQM)**	Outperform	2
BASF SE **(BASFY)**	Neutral	3
Israel Chemicals Shs **(ICL)**	Neutral	2
Intrepid Potash, Inc **(IPI)**	Neutral	2
The Mosaic Company **(MOS)**	Neutral	3
Nutrien Ltd. **(NTR)**	Neutral	2
The Scotts MiracleGro Company **(SMG)**	Neutral	3

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

Industry Comparison Industry: Fertilizers

	CF	X Industry	S&P 500	IPI	MOS	SQM
				Industry Peers		
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	1	-	-	2	3	2
VGM Score	A	-	-	A	A	F
Market Cap	11.15 B	5.94 B	30.19 B	361.96 M	13.46 B	NA
# of Analysts	6	4	12	3	6	3
Dividend Yield	2.31%	0.15%	1.3%	0.00%	0.56%	0.30%
Value Score	C	-	-	C	A	D
Cash/Price	0.07	0.05	0.06	0.10	0.05	NA
EV/EBITDA	9.21	13.11	17.47	24.37	13.11	NA
PEG F1	2.86	2.05	2.17	NA	1.67	1.07
P/B	1.97	1.66	4.16	0.87	1.37	5.03
P/CF	9.27	10.85	17.45	20.94	10.85	47.14
P/E F1	17.17	19.34	21.73	31.80	11.69	34.66
P/S TTM	2.65	1.70	3.49	1.77	1.47	NA
Earnings Yield	5.92%	5.17%	4.52%	3.16%	8.55%	2.89%
Debt/Equity	0.65	0.43	0.66	0.04	0.41	0.86
Cash Flow ($/share)	5.65	3.25	6.82	1.26	3.27	0.89
Growth Score	B	-	-	B	B	F
Historical EPS Growth (3-5 Years)	26.50%	8.45%	9.39%	NA	-0.52%	-4.93%
Projected EPS Growth (F1/F0)	109.18%	85.56%	20.29%	155.70%	256.86%	34.08%
Current Cash Flow Growth	-7.21%	-7.21%	0.74%	-65.34%	-22.63%	-15.50%
Historical Cash Flow Growth (3-5 Years)	-2.83%	-2.12%	7.37%	-23.80%	-7.59%	-1.21%
Current Ratio	1.67	1.72	1.39	1.99	1.11	5.13
Debt/Capital	39.57%	31.01%	41.55%	3.47%	28.84%	46.31%
Net Margin	9.52%	6.83%	11.70%	-8.47%	11.17%	9.60%
Return on Equity	7.17%	6.14%	16.07%	-4.12%	6.14%	10.89%
Sales/Assets	0.35	0.45	0.51	0.37	0.47	0.41
Projected Sales Growth (F1/F0)	22.59%	15.34%	9.23%	25.77%	30.25%	21.70%
Momentum Score	A	-	-	A	A	D
Daily Price Change	0.48%	0.00%	0.09%	2.77%	1.46%	1.54%
1-Week Price Change	-3.70%	-3.19%	-0.49%	0.42%	-2.82%	-19.54%
4-Week Price Change	10.59%	3.20%	0.85%	-12.55%	4.45%	-21.36%
12-Week Price Change	15.57%	11.12%	12.34%	-11.25%	20.61%	-21.47%
52-Week Price Change	89.67%	116.83%	46.29%	143.98%	206.75%	81.27%
20-Day Average Volume (Shares)	2,237,165	117,490	1,936,476	224,139	5,916,548	1,640,357
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	39.35%	10.93%	1.65%	182.22%	15.34%	3.46%
EPS F1 Estimate 12-Week Change	58.13%	17.97%	2.64%	946.67%	48.33%	17.67%
EPS Q1 Estimate Monthly Change	33.86%	12.90%	0.83%	127.27%	13.19%	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	B
Momentum Score	A
VGM Score	A

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.