Church & Dwight(CHD)

$85.31 (As of 05/27/21)

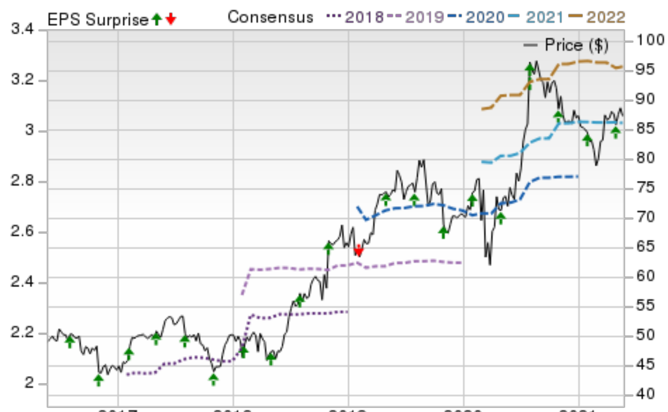
Price Target (6-12 Months): **$90.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 03/27/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: C | Growth: C | Momentum: C	

Summary

Church & Dwight has outpaced the industry in the past year. The company has been gaining on rising consumer demand amid the pandemic. This fueled first-quarter 2021 sales, which grew year over year and beat the Zacks Consensus Estimate. Results gained from solid consumption trends in categories like gummy vitamins, women's grooming products and pregnancy kits. Further, strength in online and organic sales remained a driver. Notably, management raised its 2021 sales view. However, costs related to COVID-19, high tariffs and elevated marketing costs affected the bottom line. Management stated that the cost of raw materials and transportation started to rise in the first quarter and it expects additional input costs of $90 million in 2021. Nonetheless, this is likely to be partly negated by lower coupons and promotions, along with price hikes.

Price, Consensus & Surprise

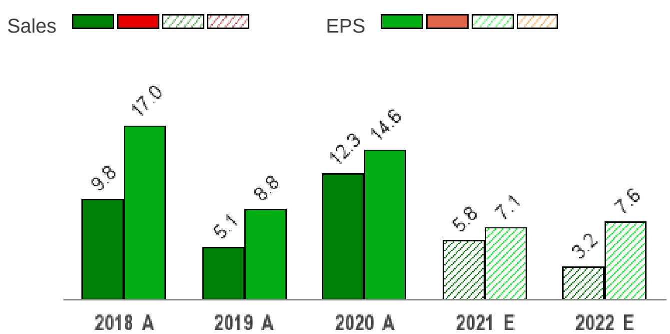


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$98.96 - $72.03**
20-Day Average Volume (Shares)	**1,271,444**
Market Cap	**$20.9 B**
Year-To-Date Price Change	**-2.2%**
Beta	**0.38**
Dividend / Dividend Yield	**$1.01 / 1.2%**
Industry	**Soap and Cleaning Materials**
Zacks Industry Rank	**Bottom 14% (215 out of 250)**
Last EPS Surprise	**3.8%**
Last Sales Surprise	**2.5%**
EPS F1 Estimate 4-Week Change	**0.2%**
Expected Report Date	**07/30/2021**
Earnings ESP	**-0.6%**
P/E TTM	**30.2**
P/E F1	**28.2**
PEG F1	**3.3**
P/S TTM	**4.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,278 E	1,290 E	1,351 E	1,413 E	5,346 E
2021	1,239 A	1,251 E	1,317 E	1,368 E	5,178 E
2020	1,165 A	1,194 A	1,241 A	1,295 A	4,896 A

EPS Estimates

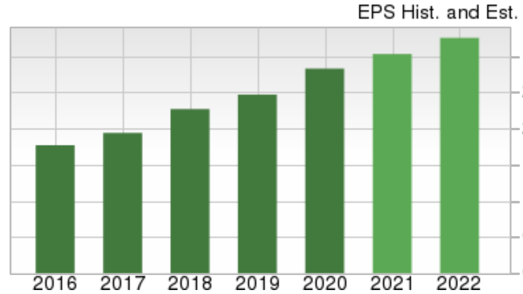
	Q1	Q2	Q3	Q4	Annual*
2022	$0.89 E	$0.76 E	$0.86 E	$0.73 E	$3.26 E
2021	$0.83 A	$0.70 E	$0.83 E	$0.67 E	$3.03 E
2020	$0.83 A	$0.77 A	$0.70 A	$0.53 A	$2.83 A

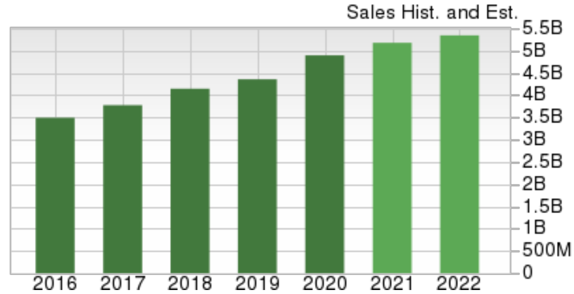
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 05/27/2021. The report's text and the analyst-provided price target are as of 05/28/2021.

Overview

Founded in 1846 and based in Ewing, NJ , Church & Dwight Co., Inc. develops, manufactures and markets a broad range of household, personal care and specialty products. It is the leading U.S. producer of sodium bicarbonate, popularly known as baking soda, a natural product that cleans, deodorized, leavens and buffers.





The company operates in six countries (Canada, Mexico, U.K., France, Australia and Brazil) and exports to over 90 other countries. Approximately 17% of the company's net sales came from outside the United States in 2020.

The company has 13 power brands, including ARM & HAMMER, Trojan, OxiClean, Spinbrush, First Response, Nair, Orajel, Xtra, L'IL CRITTERS and VITAFUSION, Batiste, Waterpik, FLAWLESS and Zicam. The company's ARM & HAMMER brand is one of the nation's most trusted trademarks for a broad range of consumer and specialty products and its products are sold under ARM & HAMMER liquid and powder laundry detergent, ARM & HAMMER cat litter, ARM & HAMMER dental care and ARM & HAMMER baking soda. Markedly, 12 out of 13 power brands were acquired by the company and added to its portfolio since 2001.

The company's business is divided into three primary segments, Consumer Domestic, Consumer International and Specialty Products.

The Consumer Domestic segment (77% of 2020 sales) includes eight power brands, ARM & HAMMER, Trojan, First Response, Nair, Spinbrush, OxiClean, Orajel and XTRA and other household and personal care products.

The Consumer International segment (17% of 2020 sales) sells a variety of household and personal care products in international markets, including Canada, Europe, Australia, Mexico and Brazil.

The Specialty Products segment (6% of 2020 sales) is the largest U.S. producer of sodium bicarbonate, which it sells together with other specialty inorganic chemicals for a variety of industrial, institutional, medical and food applications. This segment also sells a range of animal nutrition and specialty cleaning products.

Source: Zacks Investment Research

Reasons To Buy:

Church & Dwight with a strong brand portfolio and constant innovation is well-positioned for growth. Moreover, the company's strategic buyouts are encouraging.

▲ **Coronavirus-Led Demand Boosts Q1 Sales, Stock Gains:** Shares of Church & Dwight have gained 15% in the past year compared with the industry's growth of 4.5%. The company has been gaining from rising consumer demand for its products amid the coronavirus-led crisis. This also boosted first-quarter 2021 results, wherein earnings and sales surpassed the Zacks Consensus Estimate and the latter increased year over year. Net sales of $1,238.9 million advanced 6.3% year over year and surpassed the Zacks Consensus Estimate of $1,208.3 million.

Results continued to gain from strong demand for household and personal care products owing amid the pandemic-led higher at-home consumption. Church & Dwight continued to witness robust consumption in the first quarter. The company saw double-digit consumption gains in several domestic categories, particularly gummy vitamins, pregnancy test kits, women's electric grooming, battery toothbrush and toothache, amid the pandemic. Further, the company's international business saw organic sales growth despite a number of countries undergoing lockdowns. The company began 2021 on a robust note and expects it to be another solid year. Management raised its sales outlook and now expects reported sales growth of 5-6% compared with a 4.5% rise anticipated earlier. For the second quarter of 2021, the company expects roughly a 4.5% increase in reported sales. In 2021, the company continues to expect elevated demand for categories like vitamins, laundry additives and cat litter. Also, condoms, dry shampoo, power flossers and women's grooming items are likely to witness growth from the year-ago period level.

▲ **Impressive Organic & Online Sales Trend:** Church & Dwight has been witnessing organic sales growth for a while now. In the first quarter of 2021, organic sales rose 4.9%, fueled by volume gains of 3.1% and a favorable price and product mix of 1.8%. Organic sales growth surpassed management's guidance of nearly 2% growth. Prior to this, organic sales improved 10.8%, 9.9%, 8.4% and 9.2% in the fourth third, second and first quarters of 2020, respectively. Organic sales are now expected to rise nearly 4-5% in 2021, up from about 3% growth projected earlier. For the second quarter of 2021, organic sales are expected to rise nearly 4%. Further, Church & Dwight's e-commerce sales have been playing a strong role amid the pandemic, backed by consumers accelerated online shopping preferences. During first-quarter 2021, online sales surged 54% and formed 14.8% of quarterly sales. For 2021, the company expects online sales to form 15% of total sales.

▲ **Robust Acquisitions Strengthen Portfolio:** Church & Dwight has a long history of acquisitions. The company started with only one brand, i.e. ARM & HAMMER and since then it has acquired a number of brands which are generally number-one or number-two brands with high margin and have been contributing significantly toward top-line growth. Progressing along these lines, we note that the buyout of FLAWLESS and WATERPIK have been prudent additions to Church & Dwight's portfolio, which are also key subsidiaries of the company. WATERPIK consumption jumped 15% in the first quarter, on the back of consumers' rising focus on health and wellness. Moving on, sales in the FLAWLESS brand contributed to the company's Consumer Domestic segment results in the first quarter of 2021. Increased at-home grooming trends amid the pandemic have been working well for the brand. Another noteworthy acquisition of the company includes Batiste. Also, in December 2020, the company took over Matrixx Initiatives, which owns the ZICAM brand. Markedly, Zicam is a leading zinc supplement in the United States in the vitamins, minerals, and supplements (VMS) cough/cold shortening category. Management earlier said that this buyout is likely to boost Church & Dwight's cash earnings in 2021 by nearly 3%.

▲ **Impressive Brand Portfolio and Innovation Aids Market Share:** Church & Dwight develops, manufactures and markets a broad range of household, personal care and specialty products. It is the leading U.S. producer of sodium bicarbonate, popularly known as baking soda. The company, which was started in 1846 with just one brand, is now diversified with dozens of brands. It boasts power brands, including ARM & HAMMER, Trojan, OxiClean, Spinbrush, First Response, Nair, Orajel, Xtra, L'IL CRITTERS and VITAFUSION, WATERPIK, FLAWLESS and Batiste, which represents majority of its consumer sales. We note that the company has been witnessing a significant increase in demand for its products, especially household and personal care amid the pandemic. Also, the demand for brands like FLAWLESS is benefiting from elevated at-home grooming sessions. During the first quarter of 2021, the company's Consumer Domestic segment's organic sales were led by brands like VITAFUSION and L'IL CRITTERS gummy vitamins, FLAWLESS beauty products, WATERPIK oral care products, ARM & HAMMER clumping cat litter, VIVISCAL hair thinning, and KABOOM bathroom cleaners. In the Consumer International segment, organic sales gained from the strength in WATERPIK, ARM & HAMMER liquid laundry detergent, OXICLEAN stain fighter, and FEMFRESH intimate wash in the Global Markets Group; WATERPIK in Germany, as well as ANUSOL hemorrhoidal products in the U.K.

Additionally, the company's regular innovation helps in improving brand positions and market share in the consumer categories. Management considers innovation to be a major growth driver, and remains encouraged about its 2021 product launches. Incidentally, the company is launching OXICLEAN Laundry and Home Sanitizer, which will boost the company's household products portfolio. In its personal care products space, VITAFUSION has introduced VITAFUSION POWER ZINC, Elderberry gummies in both adult and kids' options, along with Super Immune Support to make the most of consumers' growing inclination toward boosting in immunity. Additionally, WATERPIK came up with WATERPIK ION, which is a water flosser. FLAWLESS is also set to capitalize on increased at-home beauty and selfcare trends — with a facial cleanser, a full body exfoliator, together with mani-pedi nail and foot care solutions.

▲ **Financial Position:** Church & Dwight's long-term debt of $1,813.1 million as of the end of the first quarter of 2021 (Mar 31, 2021) remained almost in line with the previous quarter's level. Apart from this, Church & Dwight has been committed to regular dividend payments. On Apr 28, the company announced a dividend of 25.25 cents per share, which is payable on Jun 1, 2021. Notably, this marks the company's 481st straight regular dividend payment. The company has a dividend payout ratio of 35.8%, a dividend yield of 1.1% and a free cash flow yield of 3.3%. With an annual free cash flow return on investment of 15.2%, ahead of the industry's 10.9%, the dividend payment is likely to be sustainable.

Reasons To Sell:

- **Stock Appears Overvalued:** Considering price-to-earnings (P/E) ratio, Church & Dwight looks pretty overvalued when compared with the industry as well as the S&P 500. This indicates limited room for upside potential. The stock has a trailing 12-month P/E ratio of 30.15, which is below the high level of 34.93 scaled in the past year. On the contrary, the trailing 12-month P/E ratio for the industry and the S&P 500 is 19.04 and 27.73, respectively.

- **High Costs & Margin Concerns:** Rising costs associated with the COVID-19 pandemic as well as high tariffs pose concerns for the company. During first-quarter 2021, the company's gross margin declined 120 basis points to 44.5% due to elevated distribution costs and increased manufacturing costs, largely owing to commodities, pandemic-led expenses and elevated tariffs. Also, marketing expenses increased 2.4% to $98.7 million. As a percentage of sales, it fell 30 bps to 8%. Adjusted SG&A expenses, as a percentage of sales, increased 60 bps on account of buyout-related intangible amortization.

Rising costs associated with the COVID-19 pandemic as well as high tariffs pose concerns for the company. Management expects additional input costs of $90 million for full-year 2021.

Management stated that costs of raw materials and transportation started to escalate in the first quarter of 2021 due to the Texas freeze. Consequently, it expects additional input costs of $90 million for full-year 2021. However, this is likely to be partly negated by reduced coupons and promotions, along with the planned price hikes. As a result, gross margin is expected to be flat in 2021 compared with 2020 levels. Further, management expects gross margin to contract 350 bps in the second quarter, owing to comparisons with low promotional levels last year.

- **Q2 Earnings View:** For the second quarter of 2021, adjusted earnings per share are expected to be 69 cents, indicating a decline of 10.4% from the year-ago quarter's figure. The downside includes an adverse impact related to a voluntary product recall. Also, it reflects increased marketing spend to support product introductions.

- **Competitive Pressure:** Church & Dwight faces intense competition from other well-established players in the consumer products industry, such as Colgate-Palmolive, Clorox, and Proctor & Gamble on the basis of pricing, promotional activities and new product introductions. The failure to offer exclusive high-quality products at competitive prices may hamper the company's market share.

- **Macroeconomic Headwinds:** Church & Dwight remains vulnerable to global economic challenges, which may impact its revenues, profits and cash flows. A global economic slowdown can reduce the personal disposable income of consumers, which in turn, will decrease the company's sales volumes as consumers move toward cheaper alternatives. Further, it may force the company to shift its product mix to lower margin products, thereby impacting margins.

Last Earnings Report

Church & Dwight Q1 Earnings Top Estimates, Sales Up

Quarter Ending	03/2021
Report Date	Apr 29, 2021
Sales Surprise	2.53%
EPS Surprise	3.75%
Quarterly EPS	0.83
Annual EPS (TTM)	2.83

Church & Dwight reported first-quarter 2021 results, wherein adjusted earnings of 83 cents per share topped the Zacks Consensus Estimate of 80 cents, and remained in line with the year-ago quarter level. Net sales of $1,238.9 million advanced 6.3% year over year and surpassed the Zacks Consensus Estimate of $1,208.3 million. Results were backed by continued increase in pandemic-led demand for a number of the company's products. Further, online sales surged 54% and formed 14.8% of quarterly sales.

Church & Dwight continued to witness robust consumption in the first quarter. The company saw double-digit consumption gains in several domestic categories, particularly gummy vitamins, pregnancy test kits, women's electric grooming, battery toothbrush and toothache, amid the pandemic. Further, the company's international business saw organic sales growth despite a number of countries undergoing lockdowns. International organic sales growth was backed by Global Markets Group. Organic sales rose 4.9%, fueled by volume gains of 3.1% and a favorable price and product mix of 1.8%.

Gross margin declined 120 basis points (bps) to 44.5% due to elevated distribution costs and increased manufacturing costs — largely owing to commodities, pandemic-led expenses and elevated tariffs. This was partly offset by productivity and improved price and volumes. Marketing expenses increased 2.4% to $98.7 million. As a percentage of sales, it fell 30 bps to 8%. Adjusted SG&A expenses, as a percentage of sales, increased 60 bps on account of buyout-related intangible amortization.

Segment Details

Consumer Domestic: Net sales in the segment rose 5.8% to $942.4 million owing to higher household and personal care sales, as well as gains from buyouts. Organic sales improved 5.1%, driven by volume growth and higher price and product mix. The upside was fueled by VITAFUSION and L'IL CRITTERS gummy vitamins, FLAWLESS beauty products, WATERPIK oral care products, ARM & HAMMER clumping cat litter, VIVISCAL hair thinning, and KABOOM bathroom cleaners.

Consumer International: Net sales in the segment increased 9% to $216.4 million, mainly on the back of the Global Markets Group and positive currency impacts. Even amid lockdowns in Europe, organic sales improved 3.2% on higher volumes, partly negated by unfavorable price and mix. Organic sales gained from the strength in WATERPIK, ARM & HAMMER liquid laundry detergent, OXICLEAN stain fighter, and FEMFRESH intimate wash in the Global Markets Group; WATERPIK in Germany, as well as ANUSOL hemorrhoidal products in the U.K.

Specialty Products: Sales in the segment rose 6% to $80.1 million, mainly on the back of the dairy market. Organic sales increased on better pricing, partially countered by reduced volumes. Meanwhile, milk prices have been stable.

Other Financial Updates & Outlook

Church & Dwight ended the quarter with cash on hand of $127.5 million and total debt of $2,095.3 million. During the first three months of 2021, cash from operating activities was $100.2 million and the company incurred capital expenditures of $26.3 million. Additionally, on Apr 28, the company announced dividend of 25.25 cents per share, which is payable on Jun 1, 2021 to shareholders of record as on May 14. Notably, this marks the company's 481St straight regular dividend payment.

Management raised its sales outlook and now expects reported sales growth of 5-6% compared with 4.5% rise anticipated earlier. Organic sales are now expected to rise nearly 4-5%, up from about 3% growth projected earlier. Adjusted earnings per share for 2021 are still envisioned in a band of $3-$3.06, suggesting growth of 6-8% on the back of higher operating income. The sales growth is likely to be countered by reduced anticipations for gross margin growth.

Management stated that costs of raw materials and transportation started to escalate in the first quarter of 2021 due to the Texas freeze. Consequently, it expects additional input costs of $90 million for full-year 2021. However, this is likely to be partly negated by reduced coupons and promotions, along with the planned price hikes. As a result, gross margin is expected to be flat in 2021 compared with 2020 levels. Also, the company expects adjusted operating margin to expand 80 bps compared with 100 bps increase anticipated before.

For the second quarter of 2021, the company expects roughly a 4.5% increase in reported sales, and organic sales are expected to rise nearly 4%. Further, management expects gross margin to contract 350 bps owing to comparisons with low promotional levels last year. Management further stated that its planned price hike actions are likely to help counter commodity and transport costs in the third quarter. Adjusted earnings per share are expected to be 69 cents in the second quarter, indicating a decline of 10.4% from the year-ago quarter's figure. The downside includes an adverse impact related to a voluntary product recall. Also, it reflects increased marketing spend to support product introductions.

Valuation

Church & Dwight shares are down 1.7% year to date period and 15% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 11.82% and the Zacks Consumer Staples sector gained 7.4% in the year-to-date period. Over the past year, the Zacks sub-industry is up 4.5% and the sector gained 28.8%.

The S&P 500 index is up 13.1% in the year-to-date period and 42.2% in the past year.

The stock is currently trading at 27.32X forward 12-month earnings, which compares to 22.24X for the Zacks sub-industry, 20.8X for the Zacks sector and 21.87X for the S&P 500 index.

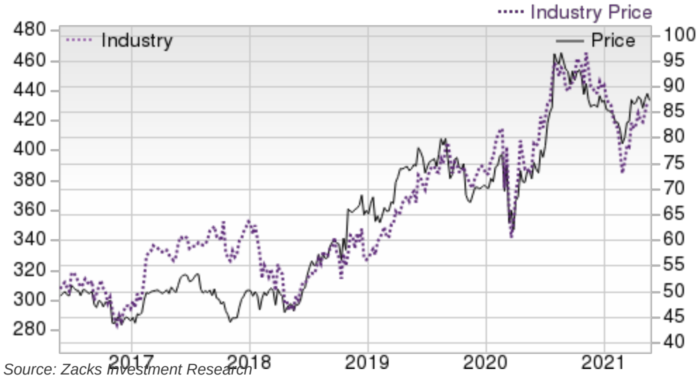
Over the past five years, the stock has traded as high as 33.64X and as low as 19.58X, with a 5-year median of 26.23X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $90 price target reflects 28.69X forward 12-month earnings.

The table below shows summary valuation data for CHD

Valuation Multiples - CHD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	27.32	22.24	20.8	21.87
	5-Year High	33.64	25.08	22.4	23.83
	5-Year Low	19.58	17.53	16.53	15.3
	5-Year Median	26.23	22	19.54	18.02
P/S F12M	Current	3.99	3.54	10.45	4.7
	5-Year High	4.99	3.54	11.96	4.74
	5-Year Low	2.69	2.34	8.6	3.21
	5-Year Median	3.62	2.8	10.36	3.71
EV/EBITDA F12M	Current	18.58	13.09	35.62	17.21
	5-Year High	22	13.48	37.89	18.81
	5-Year Low	13.48	9.7	25.85	13.02
	5-Year Median	16.99	11.8	34.08	15.86

As of 05/27/2021

Industry Analysis **Zacks Industry Rank:** Bottom 14% (215 out of 250)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
ColgatePalmolive Company **(CL)**	Neutral	3
Henkel AG & Co. **(HENKY)**	Neutral	3
Newell Brands Inc. **(NWL)**	Neutral	2
Procter & Gamble Company The **(PG)**	Neutral	3
Reckitt Benckiser Group PLC **(RBGLY)**	Neutral	4
Unilever PLC **(UL)**	Neutral	3
The Clorox Company **(CLX)**	Underperform	4
KimberlyClark Corporation **(KMB)**	Underperform	4

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

Industry Comparison Industry: Soap And Cleaning Materials

	CHD	X Industry	S&P 500	Industry Peers CL	CLX	PG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	C	-	-	B	B	C
Market Cap	20.92 B	55.24 B	30.19 B	70.80 B	21.95 B	330.46 B
# of Analysts	10	6.5	12	7	6	8
Dividend Yield	1.18%	2.14%	1.3%	2.15%	2.52%	2.58%
Value Score	C	-	-	C	B	C
Cash/Price	0.01	0.03	0.06	0.01	0.02	0.03
EV/EBITDA	18.84	16.51	17.47	17.89	16.51	18.11
PEG F1	3.31	3.52	2.18	4.25	3.32	3.43
P/B	6.52	6.05	4.19	106.79	23.40	7.18
P/CF	24.00	16.95	17.45	22.76	20.12	20.76
P/E F1	28.41	23.27	21.77	25.50	23.27	24.00
P/S TTM	4.21	4.21	3.48	4.23	2.92	4.41
Earnings Yield	3.55%	4.30%	4.52%	3.92%	4.30%	4.16%
Debt/Equity	0.56	0.51	0.66	11.42	2.65	0.46
Cash Flow ($/share)	3.63	3.67	6.82	3.70	8.87	6.65
Growth Score	C	-	-	A	C	C
Historical EPS Growth (3-5 Years)	12.70%	12.70%	9.39%	1.42%	13.36%	9.70%
Projected EPS Growth (F1/F0)	7.14%	7.55%	20.29%	7.24%	3.06%	9.84%
Current Cash Flow Growth	12.83%	9.55%	0.74%	7.20%	11.90%	11.93%
Historical Cash Flow Growth (3-5 Years)	11.02%	8.31%	7.37%	1.09%	7.62%	2.25%
Current Ratio	0.87	0.94	1.39	1.01	1.08	0.71
Debt/Capital	36.09%	33.53%	41.55%	91.95%	72.58%	30.97%
Net Margin	15.63%	15.92%	11.79%	15.92%	12.27%	18.97%
Return on Equity	23.00%	31.71%	16.10%	298.80%	104.74%	31.71%
Sales/Assets	0.69	1.07	0.51	1.07	1.14	0.63
Projected Sales Growth (F1/F0)	5.76%	6.20%	9.23%	6.17%	10.89%	6.24%
Momentum Score	C	-	-	C	B	B
Daily Price Change	-0.22%	-0.22%	0.09%	0.17%	-1.46%	0.00%
1-Week Price Change	-1.54%	0.16%	-0.49%	0.80%	-1.64%	-0.01%
4-Week Price Change	-0.42%	0.60%	0.85%	5.56%	-5.40%	3.03%
12-Week Price Change	10.72%	12.01%	12.34%	12.01%	-1.49%	11.71%
52-Week Price Change	21.22%	20.19%	46.29%	19.05%	-10.19%	22.56%
20-Day Average Volume (Shares)	1,271,444	1,488,619	1,936,476	3,869,698	1,488,619	9,703,484
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.23%	0.23%	1.65%	0.44%	-8.02%	0.00%
EPS F1 Estimate 12-Week Change	-0.11%	-0.34%	2.64%	-0.34%	-8.60%	-0.66%
EPS Q1 Estimate Monthly Change	-4.85%	-2.42%	0.83%	0.00%	-16.92%	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	C
Momentum Score	C
VGM Score	C

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.

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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 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.