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Sep 09, 2020

Canadian Natural Ltd. (CNQ)

$17.84 (As of 09/08/20)

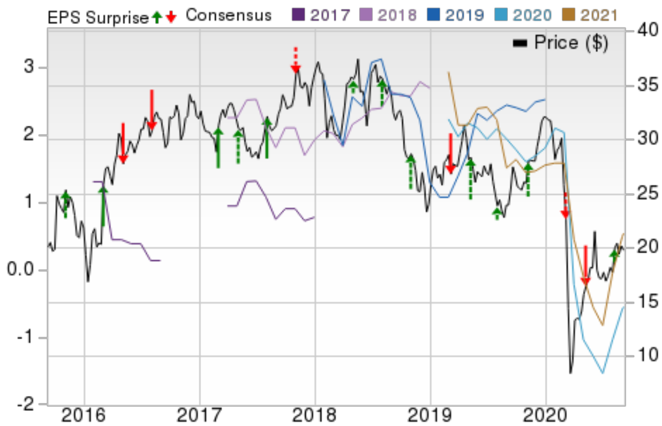
Price Target (6-12 Months): **$19.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 09/08/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: B | Growth: F | Momentum: A	

Summary

Canadian Natural Resources' balanced and diverse production mix facilitates long-term value and reduces the risk profile. Canadian Natural's acquisition of Athabasca Oil Sands project in 2017 has added significant value to its asset base and buoyed the production prospects. Notably, lower capital needs and improving operational efficiencies have enabled the company to generate significant free cash flow. What's more, the company remains committed to investor friendly moves by the way of dividend payouts and stock buybacks. However, discounted crude prices in Canada is a drag on the company's revenues. Further, the C$3.25-billion term loan to fund the Devon Energy asset buy has worsened the company's debt-to-capital ratio and lead to higher interest outgo. The interplay of these factors account for the cautious stance.

Price, Consensus & Surprise

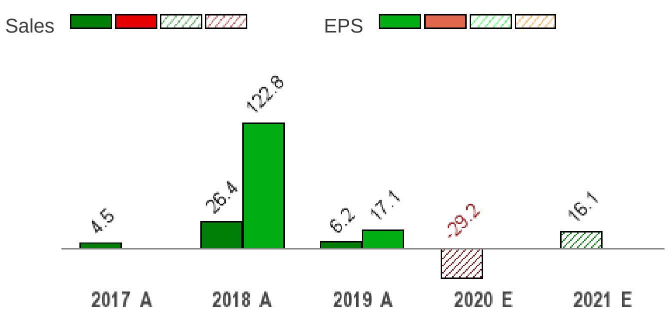


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$32.79 - $6.71**
20-Day Average Volume (Shares)	**2,315,913**
Market Cap	**$21.1 B**
Year-To-Date Price Change	**-44.9%**
Beta	**1.73**
Dividend / Dividend Yield	**$1.30 / 6.9%**
Industry	**Oil and Gas - Exploration and Production - Canadian**
Zacks Industry Rank	**Bottom 49% (127 out of 251)**
Last EPS Surprise	**16.1%**
Last Sales Surprise	**4.4%**
EPS F1 Estimate 4-Week Change	**19.4%**
Expected Report Date	**11/05/2020**
Earnings ESP	**1,600.0%**
P/E TTM	**31.3**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**1.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	3,426 E	3,493 E	3,536 E	3,525 E	14,170 E
2020	3,355 A	2,071 A	3,179 E	3,515 E	12,201 E
2019	3,947 A	4,158 A	4,666 A	4,471 A	17,236 A

EPS Estimates

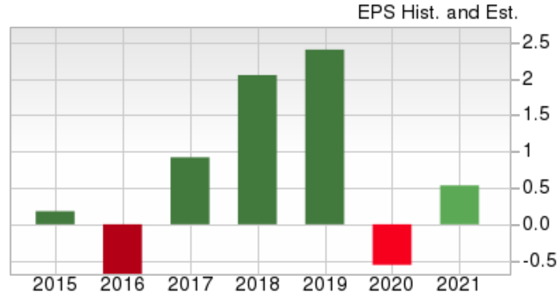
	Q1	Q2	Q3	Q4	Annual*
2021	$0.18 E	$0.20 E	$0.23 E	$0.24 E	$0.53 E
2020	-$0.19 A	-$0.47 A	-$0.01 E	$0.18 E	-$0.56 E
2019	$0.53 A	$0.65 A	$0.79 A	$0.44 A	$2.40 A

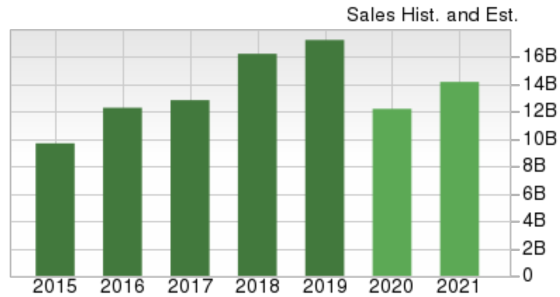
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/08/2020. The reports text is as of 09/09/2020.

Overview

Established in 1973, Calgary-based Canadian Natural Resources Limited is one of the largest independent energy companies in Canada engaged in the exploration, development and production of oil and natural gas. The company boasts of a diversified portfolio of crude oil (heavy as well as light), natural gas, bitumen and synthetic crude oil (SCO). Canadian Natural Resources' core operations are focused in Western Canada, the United Kingdom sector of the North Sea and offshore Africa, which includes Côte d'Ivoire, Gabon, and South Africa. The company reports its activities into two segments: Exploration & Production, and Oil Sands Mining and Upgrading.





Of particular significance is Canadian Natural's substantial world class oil sands mining assets - Horizon Oil Sands and the Athabasca Oil Sands Project (AOSP). Through these properties, the company holds leases that contain an estimated six billion barrels of proved and probable SCO reserves.

As of year-end 2019, the company had approximately 10.99 billion oil-equivalent barrels (BOE) in total proved reserves. About 86% of the reserves are liquids and 77% proved developed. Approximately 98% of the company's proves reserves are located in North America. In 2019, production averaged 1,098,957 barrels of oil equivalent per day (BOE/d) – the most in Canada – comprising 76% crude oil/ liquid hydrocarbons and 24% natural gas. Meanwhile, the SCO assets in Northern Alberta accounted for 39% of 2019 output.

Canadian Natural, which trades on both the TSX and NYSE, also has midstream operations through its two wholly owned crude oil pipelines (namely ECHO and Pelican Lake pipelines) via which the company transports over 50% of its heavy crude oil. Its midstream portfolio also comprises of 50% stake in both Primrose electricity co-generation system and the North West Redwater Partnership.

The company raised its quarterly dividend by 13% recently to 42.5 Canadian cents per share or C$1.50 per share annualized. This marks the 20th consecutive annual payout hike.

Source: Zacks Investment Research

Reasons To Buy:

Canadian Natural's accretive acquisitions, high-quality assets and surplus cash makes it a best in class stock.

- Canadian Natural Resources has a broad portfolio of low-risk exploration and development projects with a strong international exposure that yields long-term volume growth at above-average rates. The company's balanced and diverse production mix – 39% SCO, 24% heavy crude oil, 24% natural gas and 13% light crude oil – facilitates long-term value. This also significantly reduces Canadian Natural's risk profile and lends its results a high level of stability.

- Canadian Natural's prudent and well-timed acquisitions have allowed the company to improve its competitive edge apart from boosting revenues and earnings. In 2017, the company acquired 70% interests in the Athabasca Oil Sands project ('AOSP') for $8.5 billion, which has added significant value to its asset base and buoyed the cash flow prospects. The company's $807 million Pelican Lake heavy oil assets buy has further strengthened its operations. Very recently, the firm upped its oilsands game with the buyout of Devon Canada.

- Lower capital expenditure needs, accretive acquisitions and improving operational efficiencies have enabled Canadian Natural to generate significant free cash flowbetter-than-anticipated second quarter results. Moreover, the company was able to minimize its Oil Sands Mining and Upgrading operating expenses from C$24.17 per barrel a year ago to a record low of C$17.74 in the most recent quarter.

- Canadian Natural Resources has decided to maintain its dividend despite the sudden drop in oil price, reflecting strength in its cash flows. The company is counted as a 'Canadian Dividend Aristocrat' with an attractive yield. What's more,Canadian Natural Resources has a solid track record of dividend hikes, recently increasing payout for the 20th consecutive year.

Reasons To Sell:

- Oil prices recently fell to its lowest in almost two decades as oversupply continued panic over the spreading coronavirus sent the commodity crashing. In conjunction with the crude collapse, Canadian Natural stock has been sold off together with a host of other energy sector names. Worryingly, the oil plunge has left the likes of Canadian Natural facing prices below their costs of production.

- In a bid to further solidify its position on its home turf, Canadian Natural Resources Limited inked a mega deal of C$3.8 billion to snap up Devon Energy Corporation's Canadian business in 2019. While the transaction is expected to have increased Canadian Natural's crude production capacity substantially, the company had to borrow C$3.25-billion three-year term loan to fund the deal. Apart from an increase in the debt-to-capital ratio, the loan lead to a higher interest outgo for Canadian Natural.

Limited pipeline infrastructure, and the resulting large discount for Canadian crude compared to the New York-traded WTI oil benchmark continue to plague Canadian Natural's earnings.

- Canadian Natural Resources' debt-to-capitalization as of the end of the second quarter was 41.6%, deteriorating from 40.5% three months ago. Further, the company is set to face debt maturities each year out till 2027, thereby exposing it to refinancing risk at a time of low commodity prices.

- While oil production is surging in Canada, the country's exploration and production companies remain out of favor, primarily due to the scarcity of pipelines. In short, pipeline construction in Canada has failed to keep pace with rising domestic crude volumes – the heavier sour variety churned out of the oil sands – resulting in infrastructural bottlenecks. This has forced producers to give away their products in the United States – Canada's major market – at a discounted rate. Canadian Natural is more exposed to the ill effects of discounted WCS pricing. This reduces the amount of money company earns and therefore makes it harder to generate profits.

Last Earnings Report

Canadian Natural Q2 Loss Narrower Than Expected, Revenues Top

Quarter Ending	06/2020
Report Date	Aug 06, 2020
Sales Surprise	4.42%
EPS Surprise	16.07%
Quarterly EPS	-0.47
Annual EPS (TTM)	0.57

Canadian Natural Resources Limited reported second-quarter 2020 adjusted loss per share of 47 cents, narrower than the Zacks Consensus Estimate of a loss of 56 cents, attributable to increased total production, lower costs and higher natural gas price realizations. However, in the year-ago period, the company posted an adjusted profit of 65 cents per share. The year-over-year underperformance is due to lower weak crude oil and NGLs price realizations.

Total revenues of $2.07 billion surpassed the Zacks Consensus Estimate of $1.98 billion. However, the top line declined from second-quarter 2019 revenues of $4.16 billion.

During the quarter under review, the company, which is committed to adding shareholder value, returned C$502 million via dividends.

Canadian Natural declared a quarterly dividend of 42.5 Canadian cents a share, payable Oct 5, 2020 to its shareholders of record as of Sep18, 2020.

Production & Prices

Canadian Natural reported quarterly production of 1,165,487 barrels of oil equivalent per day (BOE/d), up 13.6% from the prior-year quarter. Oil and natural gas liquids (NGLs) output (accounting for more than 79.1% of total volumes) increased to 921,895 barrels per day (Bbl/d) from 770,409Bbl/d a year ago. Crude oil and NGLs production from operations in North America including synthetic crude oil production of 464,318Bbl/d and bitumen output of 212,807Bbl/d totaled 677,125Bbl/d, comparing favorably with the year-ago quarter's 484,099Bbl/d owing to high utilization rates and operational enhancements at both Horizon and Athabasca Oil Sands projects.

Natural gas volumes recorded a 4.56% year-over-year decline from 1,532 million cubic feet per day (MMcf/d) to 1,462MMcf/d in the quarter under review. Production in North America summed 1,431MMcf/d compared with 1,482MMcf/d in the prior year.

Canadian Natural's realized natural gas price was C$2.03 per thousand cubic feet compared with the year-ago level of C$1.98. Realized oil and NGLs price plummeted 70.1% to C$18.97 per barrel from C$63.45 in the second quarter of 2019.

Costs & Capital Expenditure

Total expenses incurred in the quarter were C$3,479 million, lower than C$4,012 million recorded a year ago. Lowered transportation costs and production expenses along with higher foreign exchange gain reduced the overall costs. Particularly, Canadian Natural has been focusing on disciplined cost management owing to which the company could minimize its Oil Sands Mining and Upgrading operating expenses from C$24.17 per barrel a year ago to a record low of C$17.74 in the quarter under discussion.

In the reported quarter, capital expenditure came in at C$421 million.

Balance Sheet

As of Jun 30, the company had C$233 million in cash and cash equivalents, and a long-term debt of C$21,177 million, representing total debt to total capital of 39.6%.

2020 Guidance

Canadian Natural reiterates its 2020 capex to be C$2.7 billion.

Recent News

Canadian Natural Inks Acquisition Deal With Painted Pony

On **Aug 10** Canadian Naturalreached an agreement to acquire Calgary-based natural gas producer Painted Pony Energy in an all-stock deal worth C$461 million. Further, the company is expected to assume Painted Pony's total debt of approximately C$350 million.

Painted Pony will hold a special meeting in September, this year for seeking approval of the deal by its shareholders.

Rationale Behind the Deal

Painted Pony's assets are said to well complement Canadian Natural's diversified portfolio. Moreover, the integration between the two companies is expected to make a significant contiguous impression on Canadian Natural's natural gas assets and production base in its core operating areas as Painted Pony's land and production are located within those areas.

The takeover deal, wherein Canadian Natural will acquire Painted Pony's outstanding shares worth 69 Canadian cents per share in cash, will comprise latter company's properties in Northeast British Columbia areas of Blair, Daiber, Kobes and Townsend. These areas jointly produce nearly 270 million cubic feet of natural gas and 4,600 barrels of natural gas liquids per day.

The transaction is expected to close by the end of third quarter or the beginning of the fourth quarter of 2020 and is contingent on pending approvals and customary conditions.

Valuation

Canadian Natural Resources shares are down 44.9% in the year-to-date period and 30.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 49.2% and 40.8%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry and sector are down 38.9% and 38.6%, respectively.

The S&P 500 index is up 3.5% in the year-to-date period and 12.5% in the past year.

The stock is currently trading at 5.97X trailing 12-month EV/EBITDA, which compares to 3.92X for the Zacks sub-industry, 4.19X for the Zacks sector and 14.42X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.74X and as low as 3.43X, with a 5-year median of 8.92X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $19 price target reflects 1.65X F12M sales.

The table below shows summary valuation data for CNQ

Valuation Multiples - CNQ

		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	5.97	3.92	4.19	14.42
	5-Year High	25.74	17.93	10.48	15.6
	5-Year Low	3.43	2.72	3.05	9.51
	5-Year Median	8.92	7.53	6.5	13
P/S F12M	Current	1.55	0.97	0.67	4.08
	5-Year High	3.9	2.8	1.47	4.29
	5-Year Low	0.63	0.66	0.6	3.11
	5-Year Median	2.32	1.74	0.99	3.66
P/B TTM	Current	0.9	0.61	0.93	5.73
	5-Year High	1.96	1.58	1.55	6.17
	5-Year Low	0.35	0.21	0.52	3.75
	5-Year Median	1.5	1.13	1.32	4.83

As of 09/08/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 49% (127 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Crescent Point Energy Corporation **(CPG)**	Outperform	2
ConocoPhillips **(COP)**	Neutral	3
Cenovus Energy Inc **(CVE)**	Neutral	2
EOG Resources, Inc. **(EOG)**	Neutral	2
Imperial Oil Limited **(IMO)**	Neutral	3
Ovintiv Inc. **(OVV)**	Neutral	3
Occidental Petroleum Corporation **(OXY)**	Neutral	3
Suncor EnergyInc. **(SU)**	Neutral	4

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

Industry Comparison Industry: Oil And Gas - Exploration And Production - Canadian

Industry Peers

	CNQ	X Industry	S&P 500	CVE	IMO	SU
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	4
VGM Score	C	-	-	D	B	B
Market Cap	21.07 B	88.96 M	22.91 B	5.14 B	10.90 B	21.34 B
# of Analysts	5	3	14	4	3	4
Dividend Yield	6.92%	0.00%	1.66%	3.14%	4.42%	4.60%
Value Score	B	-	-	B	B	B
Cash/Price	0.02	0.02	0.07	0.02	0.01	0.06
EV/EBITDA	4.21	2.50	12.82	3.85	5.21	3.23
PEG F1	NA	NA	2.90	NA	NA	NA
P/B	0.90	0.30	3.15	0.41	0.66	0.81
P/CF	3.08	0.85	12.45	2.52	4.48	1.90
P/E F1	NA	28.80	21.08	NA	NA	NA
P/S TTM	1.37	0.36	2.43	0.43	0.53	0.90
Earnings Yield	-3.14%	-122.85%	4.52%	-25.36%	-8.82%	-6.43%
Debt/Equity	0.65	0.58	0.70	0.56	0.22	0.51
Cash Flow ($/share)	5.80	0.90	6.93	1.66	3.32	7.36
Growth Score	F	-	-	F	F	D
Historical EPS Growth (3-5 Years)	33.72%	10.28%	10.41%	NA	20.00%	6.28%
Projected EPS Growth (F1/F0)	-123.25%	-122.90%	-4.73%	-476.79%	-178.72%	-142.57%
Current Cash Flow Growth	4.07%	-16.99%	5.22%	-523.22%	-17.04%	46.54%
Historical Cash Flow Growth (3-5 Years)	-0.87%	-0.90%	8.49%	0.09%	-9.11%	4.04%
Current Ratio	0.83	0.67	1.35	1.23	1.20	1.02
Debt/Capital	39.58%	39.58%	42.95%	36.03%	17.81%	33.72%
Net Margin	0.33%	-151.68%	10.25%	-10.63%	0.03%	-17.17%
Return on Equity	1.56%	-7.75%	14.59%	-8.03%	1.03%	0.44%
Sales/Assets	0.27	0.26	0.50	0.47	0.67	0.36
Projected Sales Growth (F1/F0)	-29.24%	0.00%	-1.42%	-37.71%	-32.62%	-30.65%
Momentum Score	A	-	-	A	A	A
Daily Price Change	-9.58%	-5.82%	-1.95%	-10.11%	-7.13%	-9.86%
1-Week Price Change	-2.04%	-8.15%	-1.28%	-5.30%	-5.38%	-6.51%
4-Week Price Change	-13.19%	-8.98%	-1.93%	-17.23%	-12.08%	-17.51%
12-Week Price Change	-0.83%	-14.25%	3.73%	-14.87%	-14.95%	-24.62%
52-Week Price Change	-30.53%	-60.31%	-0.29%	-55.29%	-44.24%	-54.21%
20-Day Average Volume (Shares)	2,315,913	85,477	1,798,028	3,496,516	431,763	5,364,040
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	19.36%	0.00%	0.00%	7.25%	-3.50%	-1.69%
EPS F1 Estimate 12-Week Change	57.08%	-24.52%	3.98%	36.38%	7.82%	20.83%
EPS Q1 Estimate Monthly Change	93.19%	31.79%	0.00%	76.00%	-30.00%	73.47%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

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

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.