

The Cooper Companies (COO)

\$309.40 (As of 09/01/20)

Price Target (6-12 Months): **\$325.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 08/31/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: B

Summary

Management at Cooper Companies remains optimistic about the Clarity, MyDay and Biofinity suite of products and the portfolio of daily silicone hydrogel lenses, which make the company one of the leaders in the soft contact lens market. Moreover, with respect to MiSight, the quarter witnessed 52% growth resulting in revenues of \$1.4 million. The company has experienced a significant increase in interest from optometrists as they look for value added ways to increase patient flow as their practices reopen. However, Cooper Companies witnessed sluggish performance across core CVI and CSI units in the fiscal first quarter. Also, the contraction in margins raises concern. Non single-use sphere sales were soft, and CVI revenues declined in the Americas, EMEA and APAC. Year-to-date, the stock has underperformed the industry.

Data Overview

52-Week High-Low	\$365.68 - \$236.68
20-Day Average Volume (Shares)	287,600
Market Cap	\$16.5 B
Year-To-Date Price Change	-3.7%
Beta	0.89
Dividend / Dividend Yield	\$0.06 / 0.0%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Top 27% (68 out of 251)

Last EPS Surprise	-29.1%
Last Sales Surprise	-10.0%
EPS F1 Estimate 4-Week Change	0.3%
Expected Report Date	09/03/2020
Earnings ESP	1.7%

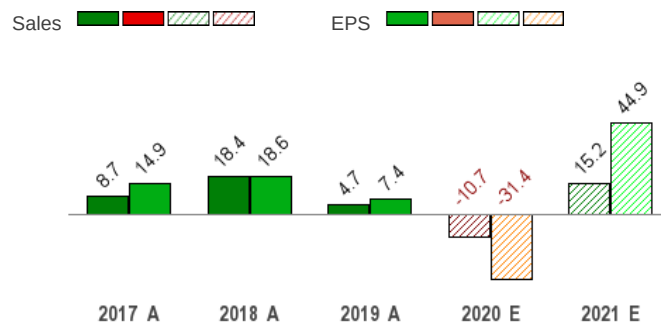
P/E TTM	28.8
P/E F1	36.5
PEG F1	3.4
P/S TTM	6.5

Price, Consensus & Surprise



Source: Zacks Investment Research

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	675 E	666 E	692 E	730 E	2,730 E
2020	646 A	525 A	536 E	663 E	2,370 E
2019	628 A	654 A	679 A	692 A	2,653 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.96 E	\$3.00 E	\$3.28 E	\$3.61 E	\$12.27 E
2020	\$2.69 A	\$1.51 A	\$1.58 E	\$2.86 E	\$8.47 E
2019	\$2.88 A	\$2.94 A	\$3.23 A	\$3.30 A	\$12.35 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 09/01/2020. The reports text is as of 09/02/2020.

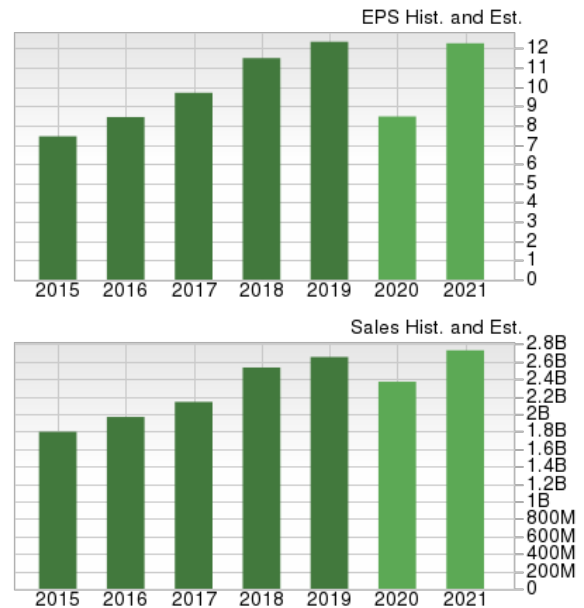
Overview

The Cooper Companies Inc (COO), based in Pleasanton, CA, is a specialty medical device company operating on a global basis. Cooper has two business segments- CooperVision (CVI) and CooperSurgical (CSI).

CooperVision manufactures and sells a wide range of contact lenses. CooperVision develops manufactures and markets a broad range of single-use, two-week and monthly contact lenses, featuring advanced materials and optics. The company's products are primarily designed for solving vision challenges like astigmatism, presbyopia and ocular dryness.

This segment has gained from recent progress in optics and lens material to create proprietary lenses that can treat different kinds of visual defects. It specializes not only in toric lenses that correct astigmatism, but also cosmetic lenses that help reset the appearance of the color of the eye, multifocal lenses that correct presbyopia, and other types of lenses such as those managing ocular dryness. Its principal products include disposable toric lenses, planned replacement toric lenses, and spherical lenses.

CooperSurgical sells a variety of medical devices and surgical instruments that are primarily utilized by gynecologists and obstetricians. This strategic business unit has pursued a strategy of consolidation by acquiring critical treatment niches in a fragmented market.



FY19 At a Glance

For fiscal 2019, Cooper's revenues totaled \$2.65 billion.

Revenues at CVI totaled \$1.97 billion (74.4% of net sales), while that at CSI grossed \$680.5 million (25.6%).



Source: Zacks Investment Research

Reasons To Buy:

▲ **Prospects in CVI – Portfolio of Specialty Lenses:** Cooper Companies maintained its leading position in the markets of specialty lenses, supported by highly exclusive products of Biofinity and Clariti. In fact, the company's flagship silicone hydrogel lenses are also expected to deliver strong sales for in the coming quarters. The company's MyDay lenses are already available in Europe and has gained significant traction within a short span of time. Clariti lenses also holds significant growth prospects for the company. Per the fiscal second-quarter earnings call, the company expects to recoup some of its lost sales in the quarters ahead.

Earlier, CooperVision acquired Blanchard contact lenses, thereby strengthening its specialty segment. Further, CooperVision announced the nationwide availability of expanded parameters for its Avaira Vitality toric two-week contact lenses in the recent past. Last month, the company announced the FDA approval of its MiSight 1-day contact lens, indicated to slow the progression of myopia when initially prescribed for children aged 8-12 years.

Speaking of MiSight, the quarter witnessed 52% growth resulting in revenues worth \$1.4 million. The company has experienced a significant increase in interest from optometrists as they look for value added ways to increase patient flow as their practices reopen.

Although the segment displayed weak performance in the fiscal second quarter, the company is optimistic regarding the unveiling of its two new products. The company's Biofinity toric multifocal is now available in the United States and is being rolled out across the remaining parts of the world. Additionally, the company's extended toric range for Clariti has been released giving it the widest parameter range available in the market today for daily silicone torics. Moreover, the company has made substantial progress on MyDay manufacturing, and is now able to supply product to markets where they were earlier pulled back from.

▲ **Robust CSI Product Portfolio:** The Cooper Companies is well positioned to benefit from the expanding CSI product portfolio. In an initiative to bolster its CSI portfolio, CooperSurgical acquired Incisive Surgical which sells unique absorbable skin staple — INSORB. The company recently announced that it has signed an asset-purchase agreement to acquire the flagship contraception platform of Israel-based Teva Pharmaceutical Industries (TEVA) — PARAGARD Intrauterine Device. For fiscal 2020, the company expects mid-single digit growth from the PARAGARD acquisition.

Despite the weakness displayed in the fiscal second quarter, CooperSurgical remained committed toward making products in many other areas of the business, including continuing to develop and transferring of IVF production into the company's global manufacturing facility in Costa Rica. Moreover, the company has shown strength in completion of numerous sales and marketing virtual training sessions that have been incredibly popular. It has also been making meaningful advancements with product development and R&D. More importantly, the company's manufacturing and distribution teams kept the products available and shipping when several competitors were found struggling, thereby providing it the opportunity for future share gains.

▲ **Inorganic Expansion:** Cooper Companies is progressing well through inorganic expansion. Further, the market seems to be upbeat about two major investments made by the company in January. Notably, CooperSurgical acquired Incisive Surgical which sells unique absorbable skin staple — INSORB. Around that time, CooperVision acquired Blanchard contact lenses, thereby strengthening its specialty segment. Both of these acquisitions are expected to fuel growth for Cooper Companies.

Recently, the company acquired the assets of The LifeGlobal Group and its affiliates, a leading global provider of in-vitro fertilization (IVF) devices. Per management, the acquisition perfectly fits into the company's fertility solutions portfolio.

The acquisitions of Genesis and Recombine have expanded the company's presence in the women healthcare market, in our view. Notably, both the partnerships have exclusively strengthened Cooper Companies' IVF genetic testing platform as the deal supports the company's leading IVF products. The earlier takeover of Sauflon significantly expanded the company's product portfolio. Sauflon's material formulation and manufacturing expertise is expected to drive down cost per unit, which will eventually benefit margins. Given the success of its previous acquisitions, we believe the company will continue to pursue strategic acquisitions, which will expand its product line and market share over the long term.

▲ **Focus on Generic Testing:** Cooper Companies recently decided to increase focus on core genomics offerings such as PGS and PGD and move away from carrier screening and NIPT owing to significant pricing pressure. Notably, PGS and PGD are key parts of the IVF process within the United States and also gaining recognition, globally. They also fit well within the company's best-in-class fertility solutions portfolio.

The Cooper Companies is poised to gain from an expanding product portfolio and increasing penetration in International markets. Accretive acquisition is also a key catalyst in the long haul.

Reasons To Sell:

▼ **Shares Down:** Year-to-date, shares of Cooper Companies have lost 3.7% compared with the industry's rise of 3.2%. The company witnessed sluggish performance across core CVI and CSI units. Also, the contraction in margins raises concern. Non single-use sphere sales were soft, and CVI revenues declined in the Americas, EMEA and APAC.

▼ **Global Headwinds:** In the fiscal second quarter, Cooper Companies witnessed decline in revenues at both CVI and CSI segments. At CSI, revenues totaled \$402.2 million, down 15% at constant currency (cc) and 17% on a reported basis. While at CVI, revenues of \$122.7 million were down 27% at cc and 28% on a year-over-year basis. Moreover, the company saw softer CVI revenues across EMEA, Americas and APAC. Geographically, the segment witnessed a deterioration in revenues in the Americas (38% of CVI), down 22% at cc and 23% year over year to \$149.6 million. EMEA revenues (38% of CVI) totaled \$154.1 million, down 11% at cc and 15% from the prior-year quarter. Asia Pacific sales (24% of CVI) declined 10% at cc and 10% year over year to \$98.5 million.

Moreover, the coronavirus pandemic is likely to weigh on the company's fiscal third-quarter results. Management anticipates sales at CVI to be down in the range of 15-20% in fiscal third quarter. For CSI, revenues are estimated to fall between 30% and 35%.

▼ **Margins Dented:** In the fiscal second quarter, Cooper Companies' gross margin was 61.6% of net revenues, down 450 basis points (bps) year over year. Meanwhile, operating margin was 5.4%, down 1710 bps from the prior-year quarter.

▼ **Immense Volatility in Distributor Base:** The Cooper Companies continues to face immense volatility in its distributor base, which has impacted the company's top-line growth. Due to an insufficient distribution network in the United States, the company faced softness with Sauflon products.

▼ **Cutthroat Competition in Contact Lens Industry:** The Cooper Companies operates in a highly competitive contact lens industry. Both the business segments face considerable competition from peers. CooperVision's primary competitors in the spherical, toric and multifocal lens categories are Johnson & Johnson Vision Care, CIBA Vision owned by Novartis AG, and Bausch & Lomb owned by Valeant Pharmaceuticals. CooperSurgical also faces competition from Johnson & Johnson's Ethicon Endo-Surgery, Boston Scientific, Gyrus ACMI and Covidien. We believe that intensifying competition will continue to increase pricing pressure.

▼ **Foreign Currency Fluctuation:** The company generates a significant part of its revenues in foreign currencies. Fluctuations in foreign exchange rates may significantly mar the company's overseas revenues. Per the fiscal first-quarter earnings call, revenues are expected to be impacted by \$11 million in fiscal 2020.

▼ **Weak Liquidity Position:** Cooper Companies exited fiscal second-quarter 2020 with cash of \$80 million, up from \$77 million sequentially. Meanwhile, the company's long-term debt for the fiscal first quarter was \$1.35 billion, up from \$1.23 billion sequentially. Further, the current debt for the quarter under review amounted to \$555 million, up from \$543 million sequentially. So, we can see that both the long-term debt level and current debt level are significantly higher than the company's short-term cash level, which is not particularly good when it comes to company's solvency position as at least during the year of economic downturn, the company is not holding sufficient cash for debt repayment.

The quarter's total debt-to-capital of 34.4% stands at a moderately high level and has increased on a sequential basis. The overall data concludes that the company's solvency level is not very encouraging.

A highly competitive medical device industry and foreign exchange vulnerability prevail as major headwinds.

Last Earnings Report

Cooper Companies Misses on Q2 Earnings and Revenues

The Cooper Companies, Inc. reported second-quarter fiscal 2020 adjusted earnings per share of \$1.51, which lagged the Zacks Consensus Estimate of \$2.13 by 29.1%. The bottom line also deteriorated 48.6% on a year-over-year basis.

Revenues of the company came in at \$524.9 million, missing the Zacks Consensus Estimate by 10%. Also, on a year-over-year basis, the top line declined 19.8%.

Quarter Ending	04/2020
Report Date	Jun 04, 2020
Sales Surprise	-10.02%
EPS Surprise	-29.11%
Quarterly EPS	1.51
Annual EPS (TTM)	10.73

Q2 Segment Details

CooperVision (CVI)

This segment's revenues totaled \$402.2 million, down 15% at constant currency (cc) and 17% on a reported basis.

Per management, the segment saw a noticeable decline in revenues from Single-use sphere lenses (29% of CVI), reflecting a decrease of 13% at cc. Single-use sphere lenses revenues totaled \$116.1 million.

Toric (33% of CVI) revenues totaled \$133.6 million, down 13% at cc.

Multifocal (11% of CVI) generated revenues of \$45.1 million, down 7% at cc.

Non single-use sphere (27% of CVI) revenues came in at \$107.4 million, down 24% at cc and 25% from the year-ago quarter.

Geographically, the segment witnessed a deterioration in revenues in the Americas (38% of CVI), down 22% at cc and 23% year over year to \$149.6 million.

EMEA revenues (38% of CVI) totaled \$154.1 million, down 11% at cc and 15% from the prior-year quarter.

Asia Pacific sales (24% of CVI) declined 10% at cc and 10% year over year to \$98.5 million.

CooperSurgical (CSI)

This segment posted revenues of \$122.7 million, down 27% at cc and 28% on a year-over-year basis.

Sub-segment Office and Surgical products (57% of CSI) accounted for \$69.6 million revenues, down 34% at cc and on a year-over-year basis.

Fertility (43% of CSI) revenues were \$53.1 million, down 17% year over year and 15% at cc.

Margin Analysis

In the fiscal second quarter, gross profit was \$323.5 million, down 25.2% year over year. Gross margin was 61.6% of net revenues, down 450 basis points (bps) year over year.

Operating income in the quarter totaled \$28.6 million, which plunged 80.5% year over year. Operating margin was 5.4%, down 1710 bps from the prior-year quarter.

Fiscal 2020 Guidance

Given uncertainty surrounding the COVID-19 pandemic and its impact on near-term financial results, the company is no longer issuing fiscal 2020 outlook.

Valuation

Cooper's shares are down 3.7% in the year-to-date period while up 3.3% in the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Medical sector are up 3.3% and 1.2% in the year-to-date period, respectively. Over the past year, stocks in the Zacks sub-industry are down 2.7% while that in the sector up 10%, respectively.

The S&P 500 index is up 3.1% in the year-to-date period and 14.6% in the past year.

The stock is currently trading at 26.7X Forward 12-months earnings, which compares to 18.3X for the Zacks sub-industry, 22.3X for the Zacks sector and 23X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.4X and as low as 15.1X, with a 5-year median 20.8X.

Our Underperform recommendation indicates that the stock will perform below the market. Our \$325 price target reflects 28X forward 12-months earnings.

The table below shows summary valuation data for COO.

Valuation Multiples - COO					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.67	18.28	22.29	23.04
	5-Year High	27.4	19.84	23.2	23.04
	5-Year Low	15.11	13.63	15.89	15.25
	5-Year Median	20.83	16.45	18.99	17.6
P/S F12M	Current	6.2	0.36	2.83	3.93
	5-Year High	6.35	0.38	3.25	3.93
	5-Year Low	3.08	0.23	2.23	2.53
	5-Year Median	4.72	0.28	2.89	3.07
P/B TTM	Current	4.55	4.15	3.91	4.5
	5-Year High	5.1	4.73	5.07	4.76
	5-Year Low	2.2	2.54	2.94	2.83
	5-Year Median	3.73	3.45	4.29	3.76

As of 09/01/2020

Industry Analysis Zacks Industry Rank: Top 27% (68 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
National Vision Holdings, Inc. (EYE)	Outperform	3
Hologic, Inc. (HOLX)	Outperform	1
Bausch Health Cos Inc. (BHC)	Neutral	3
Boston Scientific Corporation (BSX)	Neutral	3
JohnsonJohnson (JNJ)	Neutral	3
Medtronic PLC (MDT)	Neutral	3
Novartis AG (NVS)	Neutral	3
STAAR Surgical Company (STAA)	Neutral	3

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

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	COO	X Industry	S&P 500	BSX	JNJ	NVS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	F	C	A
Market Cap	16.50 B	2.61 B	23.95 B	59.33 B	398.93 B	198.82 B
# of Analysts	10	5	14	11	9	5
Dividend Yield	0.02%	0.00%	1.61%	0.00%	2.67%	2.31%
Value Score	C	-	-	C	B	B
Cash/Price	0.00	0.09	0.07	0.03	0.05	0.03
EV/EBITDA	21.50	15.25	13.32	29.39	16.42	14.01
PEG F1	3.40	3.23	3.05	4.29	3.36	1.86
P/B	4.55	4.70	3.21	3.72	6.33	3.69
P/CF	17.07	14.91	12.92	17.25	13.15	11.00
P/E F1	36.53	36.53	21.84	42.91	19.30	15.19
P/S TTM	6.49	2.85	2.52	5.84	4.96	4.12
Earnings Yield	2.74%	2.54%	4.39%	2.34%	5.18%	6.58%
Debt/Equity	0.37	0.43	0.70	0.59	0.40	0.48
Cash Flow (\$/share)	18.13	1.35	6.93	2.40	11.52	7.90
Growth Score	D	-	-	D	C	B
Historical EPS Growth (3-5 Years)	12.40%	9.48%	10.41%	11.21%	8.66%	2.64%
Projected EPS Growth (F1/F0)	-31.41%	1.47%	-4.75%	-38.84%	-9.55%	9.12%
Current Cash Flow Growth	6.09%	3.87%	5.22%	12.08%	3.68%	4.27%
Historical Cash Flow Growth (3-5 Years)	12.65%	12.65%	8.49%	10.33%	7.62%	7.11%
Current Ratio	1.14	1.53	1.35	1.87	1.25	0.81
Debt/Capital	27.05%	32.99%	42.92%	37.27%	28.47%	32.25%
Net Margin	13.50%	0.23%	10.25%	39.18%	22.69%	14.96%
Return on Equity	14.67%	11.36%	14.66%	12.86%	35.21%	24.14%
Sales/Assets	0.40	0.90	0.50	0.34	0.51	0.40
Projected Sales Growth (F1/F0)	-10.68%	0.00%	-1.40%	-6.50%	-1.46%	5.28%
Momentum Score	B	-	-	F	C	C
Daily Price Change	-1.58%	0.00%	0.29%	1.10%	-1.23%	0.94%
1-Week Price Change	4.74%	0.00%	2.59%	6.77%	0.58%	0.23%
4-Week Price Change	4.21%	-3.16%	3.53%	11.63%	2.92%	3.23%
12-Week Price Change	2.03%	-0.46%	2.09%	8.39%	3.81%	-1.76%
52-Week Price Change	3.29%	4.87%	4.31%	-0.48%	17.69%	-3.35%
20-Day Average Volume (Shares)	287,600	394,322	1,816,754	6,343,254	5,402,395	1,635,495
EPS F1 Estimate 1-Week Change	0.26%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.26%	1.37%	0.20%	-3.97%	0.00%	0.78%
EPS F1 Estimate 12-Week Change	-16.95%	5.46%	3.86%	7.59%	2.29%	1.45%
EPS Q1 Estimate Monthly Change	0.26%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

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	C
Growth Score	D
Momentum Score	B
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.

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.