Coty, Inc. (COTY)

$3.05 (As of 09/18/20)

Price Target (6-12 Months): **$3.50**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 03/11/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**4-Sell**
	Zacks Style Scores:	VGM:C
	Value: B | Growth: F | Momentum: A	

Summary

Shares of Coty have underperformed the industry on a year-to-date basis. The company has been witnessing softness in its Consumer Beauty segment. Also, coronavirus-led concerns put pressure on its fourth-quarter fiscal 2020 results. During the quarter, the top and the bottom line slumped year over year and fell significantly short of the respective Zacks Consensus Estimate. Results were marred by broad-based channel shutdowns caused by coronavirus-induced restrictions. Nevertheless, the company's e-commerce business continued to be impressive in EMEA and Americas business. Apart from this, Coty is committed toward its turnaround plans. This is evident from its strategic partnership with KKR. The company is on track to generate about one-third savings from its fixed cost-reduction program of $600 million by the end of fiscal 2021.

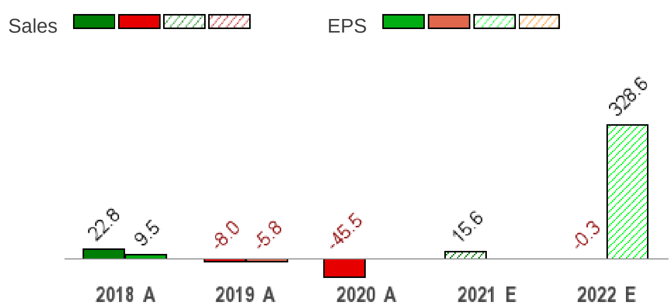
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$13.42 - $3.02**
20-Day Average Volume (Shares)	**13,256,358**
Market Cap	**$2.3 B**
Year-To-Date Price Change	**-72.9%**
Beta	**1.08**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Cosmetics**
Zacks Industry Rank	**Bottom 21% (199 out of 251)**
Last EPS Surprise	**-475.0%**
Last Sales Surprise	**-59.8%**
EPS F1 Estimate 4-Week Change	**-81.0%**
Expected Report Date	**11/04/2020**
Earnings ESP	**-94.4%**
P/E TTM	**NA**
P/E F1	**43.6**
PEG F1	**6.4**
P/S TTM	**0.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,257 E	1,708 E	1,337 E	1,398 E	5,438 E
2021	1,152 E	1,560 E	1,224 E	1,102 E	5,456 E
2020	1,943 A	2,345 A	1,528 A	560 A	4,718 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.07 E	$0.21 E	$0.04 E	$0.15 E	$0.30 E
2021	-$0.03 E	$0.11 E	$0.02 E	-$0.01 E	$0.07 E
2020	$0.07 A	$0.27 A	-$0.08 A	-$0.46 A	-$0.48 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 09/18/2020. The reports text is as of 09/21/2020.

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

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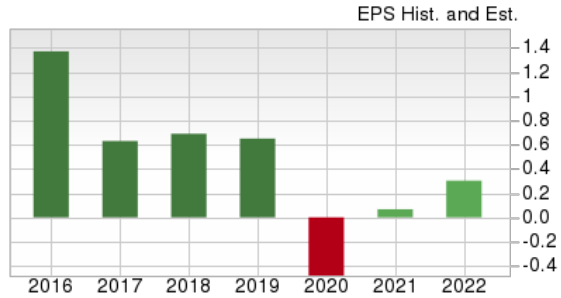
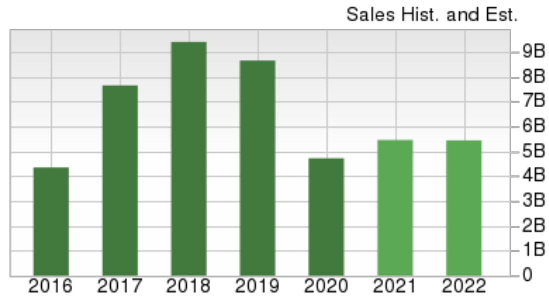
Overview

New York-based **Coty Inc.**, along with its subsidiaries, manufactures, markets, and distributes beauty products worldwide. The company sells its products through retailers, including hypermarkets, supermarkets, independent and chain drug stores and pharmacies, upscale perfumeries, upscale and mid-tier department stores, nail salons, specialty retailers, duty-free shops and traditional food, and drug and mass retailers. It also markets products under the Astor, Coty, Joop!, Jovan, Manhattan, and N.Y.C. New York Color brands.





On Jun 1, 2020 Coty entered into a definitive deal with KKR for the Professional and Retail Hair business of the former, which includes Wella, OPI, Clairol and ghd brands (collectively known as Wella). Per the deal, KKR will have a 60% stake in the separately managed business, whereas Coty will hold the remaining 40%.

The company recognizes its business into three divisions:

- **Luxury division** (39.2% of fiscal 2020 sales) is focused on prestige fragrances, premium skin care and premium cosmetics. Some of the brands under this segment include Burberry, Hugo Boss, Escada, Gucci, Chloe, BottegaVeneta, Marc Jacobs, MiuMiu, Tiffany, Davidoff, Alexander McQueen, Balenciaga, Lacoste and Calvin Klein among others.

- **Consumer Beauty division** (60.8% of fiscal 2020 sales) is focused on color cosmetics, retail hair coloring and styling products, mass fragrance, mass skin care and body care. The segment includes brands such as Nautica, Jovan, Enrique, Cover Girl, Clairol, Max Factor, Mexx, Risque, Stetson, Sally Hansen, Adidas, Beckham and Beyonce among others.

- **Corporate division**

Additionally, in connection with the company's acquisition of the P&G Beauty Business, Coty reorganized its geographical structure into three regions: North America (Canada and the United States), Europe and ALMEA (Asia, Latin America, the Middle East, Africa and Australia).

Source: Zacks Investment Research

Reasons To Buy:

Coty is on track with transformation efforts. The company's latest move in this regard includes its strategic alliance with KKR.

- **Transformation Plans on Track**: Coty is on course to turn around its operations. Coty's latest move in this regard is its strategic alliance with KKR, including an immediate investment of $750 million by KKR. On Jun 1, Coty entered into a definitive deal with KKR for the Professional and Retail Hair business of the former, which includes Wella, OPI, Clairol and ghd brands (collectively known as Wella) valuing the business for an enterprise value of $4.3 billion. Per the deal, KKR will have a 60% stake in the separately managed business, whereas Coty will hold the remaining 40%. The deal is expected to be closed by the end of 2020. This is likely to boost the company's balance sheet.

  The company is on track with building and streamlining operations, upgrading systems, optimizing manufacturing and logistics, and simplifying overall operations. Simultaneously, it is focused on investing in brands and transforming digital capabilities to drive sustainable growth. Prudent promotional tactics are an important part of the company's efforts to build brands. Coty has eliminated many of the supply-chain hurdles that limited its performance in the past. Further, the company is on track with efforts to revive the Consumer Beauty business. In this context, it divested its 60% stake in Younique in September 2019. Also, the company had earlier unveiled plans to explore alternatives for its Brazilian operations. The review process also includes intentions of a divestiture. Apart from these, Coty is on track to balance and strengthen its portfolio by staying tuned to the evolving consumer demand. Toward this end, it is making efforts to expand its exposure toward skincare, Northern Asia and e-commerce, while seeking scope for more brand-building investments.

- **Cost-Saving Efforts**: Management is committed to optimizing the overall cost structure. Incidentally, with its fourth-quarter fiscal 2020 results, management announced that it expects to generate about one-third savings from its fixed cost-reduction program of $600 million by the end of fiscal 2021. Notably, the company has lowered its third-party costs, people on people expenses as well as non-working advertising and consumer promotion spends. Also, Coty is on track with reducing its capital expenditures. In fact, management anticipates returning to profit in the first quarter of fiscal 2021, in terms of adjusted operating income from continuing operations.

- **Strategic Acquisitions Aid Top Line**: Coty has made several strategic acquisitions to enhance its brand portfolio. On Jun 29, the company announced partnership with one of the most influential celebrity—Kim Kardashian West. Per the deal, Coty will buy a 20% ownership stake in Kim Kardashian's beauty business for $200 million. The partnership is aimed at introducing new beauty categories and expanding into new product lines for the beauty business. The agreement is expected to be closed in third-quarter fiscal 2021. Further, Coty acquired a 51% stake in King Kylie this January and entered into a deal to produce, promote, distribute and sell certain products of King Kylie. Apart from this, the company's buyout of the iconic Burberry brand, in the second quarter of fiscal 2018, has been yielding favorably. This acquisition has been supporting growth in the Luxury segment. Additionally, the company's buyout of Procter & Gamble Company's global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the P&G Beauty Business) in 2016 bodes well.

- **E-Commerce Strength**: While Coty saw soft sales in the fiscal fourth quarter due to coronavirus-led concerns, the company's e-commerce business was quite impressive. In fact the company is witnessing strong momentum as well as market share gains for its ecommerce business. In Americas segment the company saw solid e-commerce sell-out for both mass and prestige brands. Even in the EMEA segment Coty witnessed double to triple digit e-commerce sell-out growth in its prestige and mass businesses. Persistence of such trends is likely to aid the company's performance.

- **Debt Analysis**: Coty's net debt of $7,848 million as of Jun 30, 2020, declined $299.4 million on a sequential basis. Notably, this net debt reduction reflects $750 million of proceeds from the floating of convertible preferred equity to KKR. The company's cash and cash equivalents as of Jun 30 amounted to $308.3 million, while its short-term debt (including current portion of long-term debt) stood at $188.3. During the fiscal fourth quarter, it repaid $1,300 million of its revolving credit facility worth $2,750 million.

Reasons To Sell:

Coty's Consumer Beauty segment has been sluggish. Also, the company is reeling under coronavirus-led concerns.

- **COVID-19 Hurts Q4 Results**: Shares of Coty have slumped 72.9% year to date compared with the industry's decline of 26.7%. The company posted dismal fourth-quarter fiscal 2020 results, with both top and bottom lines deteriorating year over year and falling significantly short of the respective Zacks Consensus Estimate. In fact, the company reported adjusted loss in the quarter. Results were battered by the impacts of the coronavirus pandemic.

  Notably, Coty generated revenues from continuing operations of $560.4 million which slumped 62.8%. Like for Like or LFL revenues tanked 59.7%. LFL revenues were down in all regions, with mass business seeing a 39% decline and the prestige business being down more than 70%. Results were marred by broad-based channel shutdowns in the fourth quarter. Further, adjusted loss from continuing operations came in at 46 cents per share, which compared unfavorably from earnings of 3 cents recorded in the year-ago period.

- **Soft Consumer Beauty Unit**: Coty's Consumer Beauty segment has been posting drab sales since the last few quarters. The segment continued to be under pressure in the fiscal fourth quarter of 2020, wherein revenues declined 55% year over year while LFL sales fell 48%. Revenues in the segment were hurt by absence of Younique's sales, which were included in the prior-year quarter. Also, reduced traffic in drugstores and mass retailers globally hampered results. Consumers' shifting preference for more important personal care products put pressure on the color cosmetic category.We believe that, persistence of this trend is likely to remain a concern for the company.

- **Currency Headwinds**: Coty is exposed to unfavorable foreign currency translations owing to the company's exposure to international markets. The weakening of foreign currencies against the U.S. dollar may compel the company to either raise prices or lower profit margins in locations outside the country. During the fourth quarter of fiscal 2020, currency translations negatively impacted revenues to the tune of 2%. Therefore, volatility in exchange rates pose formidable risks for the periods ahead.

- **Stiff Competition**: Coty faces competition from various products and product lines, in both domestic and international markets. The beauty and beauty-related products industry is highly competitive with the number of competitors and degree of competition varying widely from country to country. Worldwide, Coty competes against products sold to consumers by other direct-selling and direct-sales companies and through the Internet, and against products sold through the mass market and prestige retail channels.

Last Earnings Report

Coty Posts Wider-Than-Expected Q4 Loss & Drab Sales

Quarter Ending	06/2020
Report Date	**Aug 27, 2020**
Sales Surprise	**-59.80%**
EPS Surprise	**-475.00%**
Quarterly EPS	**-0.46**
Annual EPS (TTM)	**-0.20**

Coty came out with dismal fourth-quarter fiscal 2020 results, wherein both top and bottom lines slumped year over year and fell significantly short of the respective Zacks Consensus Estimate. In fact, the company reported adjusted loss in the quarter. Results were battered by the impacts of the COVID-19 pandemic.

Nonetheless, management noted that it has been witnessing considerable business improvements over the last two months and expects such trends to continue. Coty anticipates returning to profit in the first quarter of fiscal 2021, in terms of adjusted operating income from continuing operations. The company remains on track to balance and strengthen its portfolio by staying tuned to the evolving consumer demand. Toward this end, it is making efforts to expand its exposure toward skincare, Northern Asia and e-commerce, alongside keeping scope for more brand-building investments.

Coty is also taking robust steps to enhance financial leverage and on track to generate about one-third savings from its fixed cost-reduction program of $600 million by the end of fiscal 2021.

Quarter in Detail

Results from continuing operations reflect the total company results, excluding revenues and costs that are directly associated with the Wella business, which will be offloaded soon. Ongoing Coty results reflect the performance from continuing operations, together with some cost recovery anticipated under the Wella transitional service agreement (or Wella TSA).

Adjusted loss from continuing operations came in at 46 cents per share, which was significantly wider than the Zacks Consensus Estimate of a loss of 8 cents. Moreover, the bottom line deteriorated from earnings of 3 cents recorded in the year-ago period.

Coty generated revenues from continuing operations of $560.4 million, which fell considerably short of the Zacks Consensus Estimate of $1,394 million. Moreover, the top line slumped 62.8% year over year. Currency translations negatively impacted revenues to the tune of 2%. Like for Like or LFL revenues tanked 59.7%. LFL revenues were down in all regions, with mass business seeing a 39% decline and the prestige business being down more than 70%. Results were marred by broad-based channel shutdowns in the fourth quarter.

Adjusted gross margin from continuing operations nosedived from 60.8% to 40.6%, thanks to reduced volumes induced by the coronavirus outbreak. Also, higher excess and obsolescence expenses due to the soft demand, along with underutilization costs resulting from manufacturing plant closures, were deterrents.

Adjusted operating loss from continuing operations came in at $335.3 million against adjusted operating income of $126.2 million reported in the year-ago quarter. Adjusted operating loss for Ongoing Coty came in at $322 million against income of $139 million in the year-ago period.

Channel-Wise Details (From Continuing Operations)

Luxury: Net revenues in the segment fell 71% to $219.4 million, while LFL revenues declined 73%. Segment sales saw considerable pressure from several channel closures, such as departmental stores, specialty retailers, travel retail and perfumeries, for a significant part of the quarter. Though retailers have reopened stores, sales are still under pressure. Nevertheless, e-commerce accounted for about 30% of Luxury segment revenues in the quarter, given consumers' growing shift toward this mode of shopping amid the pandemic. Further, segment revenues were aided by Kylie Beauty sales inclusion.

Consumer Beauty: Consumer Beauty revenues declined 55% year over year to $340.7 million while LFL sales fell 48%. Revenues were hurt by absence of Younique's revenues, which were included in the prior-year quarter. Also, reduced traffic in drugstores and mass retailers globally hampered results. Also, consumers' shifting preference for more important personal care products put pressure on the color cosmetic category. On the brighter side, e-commerce sell-out saw solid growth across brick & click as well as e-retailers, especially at Amazon. Markedly, e-commerce formed for about 10% of Consumer Beauty segment revenues in the quarter.

Corporate: Net revenues in the segment amounted to $0.3 million compared with $0.2 million in the year-ago period.

Segment Results

Net revenues in Americas plunged 52.2% (down 51.5% on an LFL basis) year on year to $264.8 million. Sales in EMEA dropped 68.2% (down 67.2% at LFL) year over year to $211 million. Sales in the Asia Pacific region declined 59% (down 57.5% at LFL) year on year to $84.6 million.

Other Financial Updates

Coty ended fiscal 2020 with cash and cash equivalents of $308.3 million. Notably, during the fourth quarter, the company repaid $1,300 million of its revolving credit facility worth $2,750 million. In fiscal 2020, Coty used net cash in operating activities of $50.9 million. Free cash outflow during the same time frame was $318.3 million. Markedly, Coty's net debt of $7,848 million as of Jun 30, 2020, declined $299.4 million on a sequential basis.

Recent News

Coty to Buy Stake in Kim Kardashian's Beauty Business – Jun 29, 2020

Coty announced partnership with one of the most influential celebrity with nearly 300 million followers on social media platforms—Kim Kardashian West. Per the deal, Coty will buy a 20% ownership stake in Kim Kardashian's beauty business for $200 million. The partnership is aimed at introducing new beauty categories and expanding into new product lines for the beauty business. The agreement is expected to be closed in third-quarter fiscal 2021.

Per the agreement, Coty will focus on developing new products for the beauty business in skincare, personal care, hair care as well as nail categories. Meanwhile, Kim Kardashian and her team will assume creative responsibilities like product as well as communications initiatives. The products will be sold via renowned luxury beauty retailers as well as various online channels.

Valuation

Coty shares are down 72.9% in the year-to-date period and 70.5% for the trailing 12-month period. Stocks in the Zacks sub-industry are down 26.7% and the Zacks Consumer Staples sector is down 7.3% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are down 22.2% and 5.6%, respectively.

The S&P 500 index is up 3.3% in the year-to-date period and 11.7% in the past year.

The stock is currently trading at 25.26X forward 12-month earnings, which compares to 29.47X for the Zacks sub-industry, 19.58X for the Zacks sector and 21.92X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.49X and as low as 5.34X, with a 5-year median of 19.01X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $3.50 price target reflects 28.99X forward 12-month earnings.

The table below shows summary valuation data for COTY

Valuation Multiples - COTY

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.26	29.47	19.58	21.92
	5-Year High	32.49	43.3	22.37	23.44
	5-Year Low	5.34	19.65	16.62	15.26
	5-Year Median	19.01	24.92	19.58	17.63
P/S F12M	Current	0.43	3.76	9.34	4.06
	5-Year High	2.41	5.2	11.15	4.29
	5-Year Low	0.35	1.53	8.12	3.11
	5-Year Median	1.12	2.88	9.89	3.66
EV/EBITDA F12M	Current	13.12	26.67	35.43	17.1
	5-Year High	16.26	32.48	37.49	18.75
	5-Year Low	6.7	8.72	25.75	12.92
	5-Year Median	11.22	17.96	33.84	15.67

As of 09/18/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 21% (199 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Nu Skin Enterprises, Inc. **(NUS)**	Outperform	2
The Estee Lauder Companies Inc. **(EL)**	Neutral	4
e.l.f. Beauty Inc. **(ELF)**	Neutral	3
Helen of Troy Limited **(HELE)**	Neutral	2
Inter Parfums, Inc. **(IPAR)**	Neutral	3
LOreal SA **(LRLCY)**	Neutral	3
Shiseido Co. **(SSDOY)**	Neutral	3
Revlon, Inc. **(REV)**	Underperform	5

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

Industry Comparison Industry: Cosmetics

	COTY	X Industry	S&P 500	EL	HELE	SSDOY
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	2	3
VGM Score	C	-	-	D	C	D
Market Cap	2.33 B	1.24 B	23.70 B	76.63 B	4.93 B	23.79 B
# of Analysts	7	3	13	12	3	2
Dividend Yield	0.00%	0.00%	1.63%	0.90%	0.00%	0.47%
Value Score	B	-	-	D	D	D
Cash/Price	0.13	0.06	0.07	0.06	0.02	0.04
EV/EBITDA	-19.42	14.63	13.12	42.09	23.74	15.50
PEG F1	6.51	3.32	2.93	3.50	3.04	NA
P/B	0.72	3.83	3.26	19.33	4.04	5.13
P/CF	6.62	19.34	12.78	36.10	19.34	19.42
P/E F1	44.14	40.98	21.44	44.46	19.84	80.50
P/S TTM	0.37	2.20	2.49	5.36	2.82	2.61
Earnings Yield	2.30%	2.37%	4.44%	2.25%	5.04%	1.24%
Debt/Equity	2.44	0.33	0.70	1.24	0.26	0.24
Cash Flow ($/share)	0.46	1.36	6.94	5.88	10.07	3.07
Growth Score	F	-	-	C	B	C
Historical EPS Growth (3-5 Years)	-16.46%	5.98%	10.42%	14.73%	8.72%	11.72%
Projected EPS Growth (F1/F0)	113.99%	-8.13%	-4.74%	15.96%	5.56%	-56.98%
Current Cash Flow Growth	-71.21%	5.51%	5.29%	-16.30%	13.99%	22.67%
Historical Cash Flow Growth (3-5 Years)	-9.44%	6.03%	8.50%	6.03%	4.22%	57.54%
Current Ratio	1.81	1.67	1.35	1.72	2.07	1.10
Debt/Capital	71.17%	30.90%	42.92%	55.36%	20.91%	19.64%
Net Margin	-15.89%	2.38%	10.26%	4.79%	9.81%	-0.03%
Return on Equity	-3.96%	8.63%	14.69%	34.57%	20.17%	3.17%
Sales/Assets	0.37	0.82	0.51	0.82	0.94	0.85
Projected Sales Growth (F1/F0)	-14.43%	-1.74%	-1.42%	6.14%	7.44%	-20.34%
Momentum Score	A	-	-	C	C	F
Daily Price Change	-5.28%	0.00%	-1.15%	-1.54%	-0.82%	0.75%
1-Week Price Change	-9.30%	0.00%	-1.90%	-0.71%	-1.11%	1.28%
4-Week Price Change	-19.74%	0.00%	0.06%	7.12%	-5.20%	9.10%
12-Week Price Change	-30.05%	0.00%	7.27%	13.61%	6.51%	-9.89%
52-Week Price Change	-70.30%	0.00%	0.33%	10.09%	25.68%	-26.22%
20-Day Average Volume (Shares)	13,256,358	45,466	1,916,343	1,273,802	120,521	30,958
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-81.05%	0.00%	0.00%	-8.26%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	-80.34%	-14.98%	4.12%	-8.91%	12.47%	-24.87%
EPS Q1 Estimate Monthly Change	-185.71%	0.00%	0.00%	-24.43%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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.

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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.