

Crane Co. (CR)

\$91.03 (As of 06/09/21)

Price Target (6-12 Months): **\$96.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/29/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: B

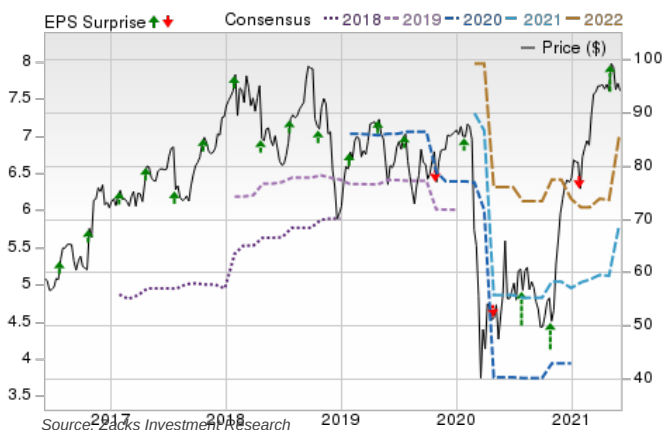
Growth: D

Momentum: C

Summary

Crane is experiencing improving order trends across its businesses, including engineered materials and commercial fluid handling. The company's buyout of CIRCOR's Instrumentation & Sampling business has been adding value to its process valve unit. For 2021, it believes that acquisitions will boost its sales by \$5 million. Also, for the year, net sales are expected to grow 8.4% year over year versus the previously mentioned 5%. In the past six months, its shares have outperformed the industry. However, the company remains wary of the lingering impacts of the pandemic on its near-term performance. High debts might affect profitability in the quarters ahead. Moreover, headwinds related to international exposure might affect its performance. In the past 60 days, its earnings estimates for the second quarter and 2021 have been raised.

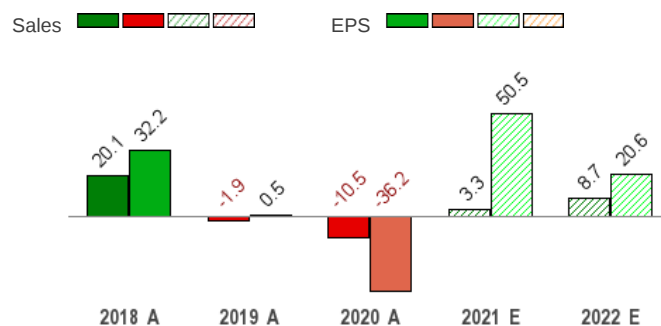
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$99.93 - \$48.19
20-Day Average Volume (Shares)	259,586
Market Cap	\$5.3 B
Year-To-Date Price Change	17.2%
Beta	1.71
Dividend / Dividend Yield	\$1.72 / 1.9%
Industry	Diversified Operations
Zacks Industry Rank	Top 18% (45 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	26.7%
Last Sales Surprise	7.3%
EPS F1 Estimate 4-Week Change	-0.4%
Expected Report Date	07/26/2021
Earnings ESP	-2.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					3,297 E
2021	834 A	737 E	759 E	757 E	3,033 E
2020	798 A	678 A	735 A	726 A	2,937 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$6.97 E
2021	\$1.66 A	\$1.40 E	\$1.45 E	\$1.37 E	\$5.78 E
2020	\$1.15 A	\$0.64 A	\$1.05 A	\$1.00 A	\$3.84 A

*Quarterly figures may not add up to annual.

P/E TTM	20.9
P/E F1	15.8
PEG F1	NA
P/S TTM	1.8

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/09/2021. The report's text and the analyst-provided price target are as of 06/10/2021.

Overview

Crane Co., founded in 1855, is currently headquartered in Stamford, CT. The company is recognized for its diversified product portfolio of engineered industrial products. It employs roughly 11,000 people (as of 2020-end) in the Americas, Australia, the Middle East, Europe and Asia.

Key end markets served by the company includes aerospace, electronics, chemical, power, non-residential construction, automated payment solutions and various general industrial as well as consumer related end markets. Products are either sold directly or through sales representatives and industrial distributors.

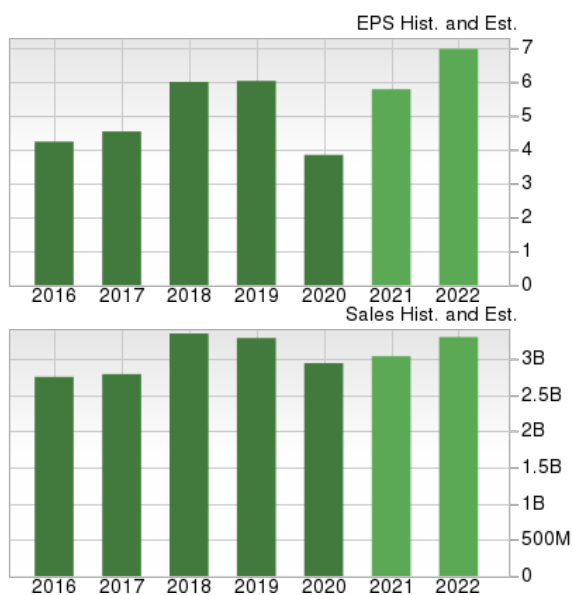
The company operates through four reporting segments, briefly discussed below:

Fluid Handling (34.6% of total revenues in the first quarter of 2021): This segment manufactures and services valves for industrial usage as well as makes pumps and water treatment equipment for a variety of applications. The segment comprises businesses, including Pumps and Systems, Process Valves and Related Products, and Commercial Valves.

Payment & Merchandising Technologies (40.5%): This segment deals with Crane Payment Innovations, Crane Merchandising Systems and Crane Currency businesses. Crane Payment Innovations offers coin accepters and dispensers, coin hoppers, coin recyclers, bill validators, and bill recyclers. Crane Merchandising Systems specializes in providing vending equipment and related solutions comprising food, snack, and beverage-vending machines, as well as vending machine software and online solutions. Crane Currency is engaged in supplying highly-engineered banknotes for central banks throughout the world.

Aerospace & Electronics (18.4%): This segment's Aerospace group designs, manufactures, and supports critical aircraft systems and components; while the Electronic group provides high-density, high-reliability electronics for aerospace, space, military, industrial, and commercial applications.

Engineered Materials (6.5%): This segment produces fiberglass-reinforced plastic panels. These products are mainly used in truck trailer and recreational vehicle markets, industrial markets, and the commercial construction industry.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ In the past six months, shares of Crane have gained 19.5% compared with the industry's growth of 12.5%. The company is poised to benefit from its diverse portfolio and efficient management team. It has exposure in many end markets like non-residential construction, aerospace, electronics, automated payment solutions, chemical, power and various general industrial. Weakness in one or more markets can be offset by gains in others. Notably, the company is experiencing improving order trends across several of its businesses, including engineered materials, nuclear service, core process and commercial fluid handling. Also, the company expects to witness robust growth prospects in certain end markets like chemical, pharmaceutical and general industrial, backed by improvement in order rates and strong pipeline of new product development programs. The company revised upward its net sales projections for 2021. It now predicts sales of \$3,185 million, up from the previously mentioned \$3,080 million. The new expectation reflects year-over-year growth of 8.4% or 4-6% organically. Further, its focus on growth investments, acquired assets, repositioning and cost-reduction initiatives are likely to aid it in the years ahead. The company's earnings estimates have increased 12.9% for the second quarter of 2021 and 12.7% for 2021 in the past 60 days.
- ▲ Crane initiated certain proactive repositioning actions in the second quarter of 2020. These include reduction of global workforce in response to the coronavirus-led market downturn and integrating activities related to the Cummins-Allison buyout. Also, in the fourth quarter of 2019, the company made certain repositioning actions for Fluid Handling segment like consolidation of manufacturing operations and workforce reduction. These actions are in addition to the company's repositioning activities for Payment & Merchandising, Fluid Handling, and Aerospace & Electronics segments started in the fourth quarter of 2017. The initiatives — including facility consolidations, especially in Europe and North America, and 3% reduction in the global workforce — might benefit it, going forward. In first-quarter 2021, it recorded a net restructuring gain of \$13.1 million, related to the repositioning actions made in 2017.
- ▲ Strong cash flows allow Crane to effectively deploy capital for making acquisitions, repurchasing shares and paying out dividend. Notably, in 2020 and first-quarter 2021, the company generated strong free cash flow of \$275.4 million and \$45.3 million, respectively. For 2021, it predicts free cash flow to be \$300-\$330 million. Also, in 2020, the company used \$100.4 million for paying dividends, reflecting a 7.7% increase from a year ago, and repurchased shares worth \$70 million. In the first quarter, it paid out dividends worth \$25 million to shareholders and refrained from buying back any shares. It is worth noting here that it hiked the quarterly dividend rate by 10% in January 2020. In addition, the company has been steadily strengthening business through acquisitions. In 2020, its investment in buyouts (net of acquired cash) totaled \$169.5 million. Acquired assets boosted its sales by 6.8% and 1% year over year in 2020 and first-quarter 2021, respectively. In January 2020, Crane acquired CIRCOR International's Instrumentation & Sampling business. The buyout has been adding value to Crane's process valve business. For 2021, the company believes that acquisitions will boost its sales by \$5 million.

Product development initiatives, repositioning activities, acquisitions and shareholder-friendly policies bode well for Crane in the quarters ahead.

Reasons To Sell:

- ▼ Crane is witnessing persistent weakness across its Aerospace & Electronics segment owing to headwinds across the commercial aerospace end markets amid the coronavirus outbreak. Notably, the segment's sales were down 20.1% in the first quarter, on a year-over-year basis. The company expects the weakness to persist in the near-term and have a bearing on the segment's results.
- ▼ With operations across the Americas, Australia, the Middle East, Europe and Asia, Crane's performance is exposed to the adverse impacts of macroeconomic cycles in the United States and international markets. Also, it faces headwinds from unfavorable foreign currency movements. As a result, an increase in the value of the U.S. dollar relative to the local currencies of foreign markets might affect the company's top line in the quarters ahead.
- ▼ A highly leveraged balance sheet can inflate Crane's financial obligations and subsequently hurt profitability. In the last five years (2016-2020), the company's long-term debt rose 2.5% (CAGR). Notably, the metric was \$843.2 million at the end of first-quarter 2021, suggesting a marginal increase on a sequential basis. Also, interest expenses in the quarter increased 8.8% on a year-over-year basis. Any further increase in debt levels can raise the company's financial obligations.

Near-term challenges related to the pandemic might be detrimental to Crane in the quarters ahead. Also, high debts might impact near-term profitability.

Last Earnings Report

Crane Beats Q1 Earnings and Sales Estimates, Ups View

Crane delivered impressive results for the first quarter of 2021. Its earnings surpassed the Zacks Consensus Estimate by 26.72%, whereas sales exceeded the same by 7.29%.

Adjusted earnings in the reported quarter were \$1.66 per share, surpassing the Zacks Consensus Estimate of \$1.31. On a year-over-year basis, the bottom line expanded 44.3% from the year-ago quarter figure of \$1.15 on the back of sales growth and improved margin.

Quarter Ending **03/2021**

Report Date	May 03, 2021
Sales Surprise	7.29%
EPS Surprise	26.72%
Quarterly EPS	1.66
Annual EPS (TTM)	4.35

Revenues Details

In the quarter under review, Crane's net sales were \$833.5 million, reflecting growth of 4.5% from the year-ago quarter. Results benefited from core sales growth of 1%, contribution of 3% from movements in foreign currencies and 1% gain from acquired assets.

Also, Crane's net sales surpassed the Zacks Consensus Estimate of \$777 million.

The company reports net sales under four segments — Fluid Handling, Payment & Merchandising Technologies, Aerospace & Electronics, and Engineered Materials. The segmental information is briefly discussed below:

Revenues from the **Fluid Handling** segment were \$288 million, reflecting growth of 12.2% from the year-ago quarter figure. The results benefited from a 6% gain from organic sales, 5% from movements in foreign currencies and 2% from acquisitions. The segment's order backlog was \$325.4 million in the reported quarter, reflecting sequential growth of 3.8%.

Revenues from **Payment & Merchandising Technologies** totaled \$337.5 million, increasing 13.5% year over year. Organic sales in the quarter grew 9%, while foreign currency translation had a positive impact of 4%. Order backlog at the end of the reported quarter was \$337 million, down 3% sequentially.

Revenues from the **Aerospace & Electronics** segment were \$154.1 million, down 20.1% year over year. Order backlog at the end of the quarter under review was \$481.6 million, down 2% sequentially.

Revenues from the **Engineered Materials** segment increased 5.9% year over year to \$53.9 million. Order backlog at the end of the reported quarter was \$17 million, up 32.8% sequentially.

Margin Profile

In the first quarter, Crane's cost of sales at \$513.6 million represented a marginal increase from the year-ago quarter. It represented 61.6% of net sales compared with 64.3% in the year-ago quarter. Selling, general and administrative expenses decreased 11.5% year over year to \$173.4 million. It represented 20.8% of net sales versus 24.6% in the year-ago quarter.

Adjusted operating income in the quarter under review increased 39.7% year over year to \$134.7 million. Moreover, adjusted operating margin grew 420 basis points to 16.2%. Interest expenses, net, in the reported quarter were \$13.2 million, up 9.1% year over year.

Balance Sheet and Cash Flow

Exiting the first quarter, Crane had cash and cash equivalents of \$578.4 million, up 5% from \$551 million at the end of the last reported quarter. Long-term debt balance was flat sequentially at \$843.2 million.

In the reported quarter, the company repaid \$27.1 million worth of commercial paper (maturity >90 days).

In the first quarter of 2021, it generated net cash of \$50.2 million from operating activities as compared with \$35.5 million net cash used in the year-ago quarter. Capital expenditure was \$4.9 million, down 37.2% year over year. Free cash flow in the reported quarter was \$45.3 million versus an outflow of \$43.3 million in the year-ago quarter.

Shareholder-Friendly Policy

In the first quarter, Crane used \$25 million for paying dividends, decreasing 2% from the year-ago quarter. Notably, no share was repurchased in the reported quarter.

Outlook

Based on the first quarter's impressive results and strengthening end-market business, Crane increased its projections for 2021.

It now anticipates adjusted earnings per share of \$5.65-\$5.85 for the year, higher than \$5.00-\$5.20 mentioned previously.

Sales are predicted to be \$3,185 million as compared with the previously stated \$3,080 million. Acquired assets will likely benefit sales by \$5 million (guidance maintained), whereas movements in foreign currencies are expected to boost sales by 2.5% versus 1.5% stated previously. Core sales are expected to increase 4-6% year over year, marking an increase from 2-4% stated earlier.

Corporate expenses in the year are expected to be \$77 million, up from \$65 million mentioned earlier. Adjusted tax rate will likely be 21% versus 21.5% in the year-ago quarter. The company anticipates operating cash flow of \$375-\$405 million and capital expenditure of \$75 million for 2021. Free cash flow is projected to be \$300-\$330 million.

Recent News

On **Jun 9, 2021**, Crane paid out a quarterly cash dividend of 43 cents per share to shareholders of record as of May 28.

On **Feb 25, 2021**, Crane at its annual investor day communicated that solid recovery in markets, organic growth investments, and mergers and acquisitions will be important for its prospects. It also revised key projections upward for 2021.

Talking about end markets, the company believes that its Aerospace and Electronics segment will benefit from growth in power conversion, electrification, thermal management, sensing and space markets. The Fluid Handling segment's performance will get a boost from improvements in general industrial, chemical and pharmaceutical markets. The Payment and Merchandising Technologies will gain from a recovery in the security, productivity and automation business. Investments in organic growth too are priorities for the company. Important areas of investment include product development, technology, innovation, commercial excellence and localization.

As regard to the projections for 2021, net sales are now expected to be \$3,080 million, marking a rise from \$3,055 million mentioned previously. On a year-over-year basis, the revised sales projection reflects growth of 5% (or 2-4% organically) as compared with the earlier expectation of an increase of 4% (or 1-3% organically).

On a segmental basis, organic sales of Fluid Handling are expected to grow 0.5% from the previous year, while the same for Payment and Merchandising Technologies is likely to advance 6%. Organic sales for Aerospace and Electronics are expected to decline 8% and that for Engineered Materials is expected to increase 20%.

Earnings per share are anticipated to be \$5.00-\$5.20, up from \$4.90-\$5.10 mentioned previously. Notably, the revised projection reflects year-over-year growth of 33% versus the earlier expectation of a 30% increase. Free cash flow is now expected to be \$265-\$295 million, up \$5 million from the earlier expectation. Then again, the company maintained a few projections that it provided along with the fourth-quarter 2020 results. Acquisitions are expected to contribute \$5 million to sales, while movements in foreign currencies are projected to boost the top line by 1.5%. Adjusted tax rate had been maintained at 21.5%, corporate expenses at \$65 million, and capital expenditure at \$75 million.

Over the long term, Crane anticipates average core growth of 2-4% for Fluid Handling, 3-5% for Payment and Merchandising Technologies, 3-5% for Aerospace and Electronics and that for Engineered Materials to be in line with GDP. Core earnings before interest and tax are predicted to increase 6-8% in the long term.

Valuation

Crane's shares have moved up 17.3% in the year-to-date period and 70.6% over the trailing 12 months. Stocks in both the Zacks sub-industry and the Zacks Conglomerates sector are up 13.5% in the year-to-date period. Over the past year, both the Zacks sub-industry and sector are up 54.1%.

The S&P 500 Index has moved up 13.1% in the year-to-date period and 42.6% in the past year.

The stock is currently trading at 14.45x forward 12-month earnings, which compares to 25.67x for the Zacks sub-industry, 25.67x for the Zacks sector and 21.75x for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.1x and as low as 5.9x, with a 5-year median of 14.37x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$96 price target reflects 15.23x forward 12-month earnings per share.

The table below shows summary valuation data for CR.

Valuation Multiples - CR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.45	25.67	25.67	21.75
	5-Year High	20.1	27.43	27.43	23.83
	5-Year Low	5.9	15.67	15.67	15.31
	5-Year Median	14.37	18.77	18.77	18.05
P/Sales F12M	Current	1.69	5.24	5.24	4.7
	5-Year High	2.04	5.24	5.24	4.74
	5-Year Low	0.65	2.26	2.26	3.21
	5-Year Median	1.51	3.04	3.04	3.72

As of 06/09/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 18% (45 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Carlisle Companies Incorporated (CSL)	Outperform	1
Griffon Corporation (GFF)	Outperform	2
Barloworld Ltd. (BRRAY)	Neutral	3
Danaher Corporation (DHR)	Neutral	2
General Electric Company (GE)	Neutral	3
Honeywell International Inc. (HON)	Neutral	3
ITT Inc. (ITT)	Neutral	2
3M Company (MMM)	Neutral	3

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

Industry Comparison Industry: Diversified Operations				Industry Peers		
	CR	X Industry	S&P 500	BRRAY	GFF	ITT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	2
VGM Score	C	-	-	A	C	C
Market Cap	5.32 B	2.61 B	30.22 B	1.71 B	1.47 B	8.00 B
# of Analysts	2	3	12	1	3	8
Dividend Yield	1.89%	0.00%	1.29%	0.00%	1.24%	0.95%
Value Score	B	-	-	A	B	D
Cash/Price	0.11	0.18	0.06	0.25	0.12	0.10
EV/EBITDA	13.70	9.80	17.40	-14.56	10.84	36.72
PEG F1	NA	1.58	2.13	0.44	NA	1.60
P/B	3.31	1.61	4.17	1.46	1.92	3.81
P/CF	14.97	11.13	17.80	NA	10.31	20.52
P/E F1	15.75	20.59	21.56	14.17	13.55	23.89
P/S TTM	1.79	1.51	3.51	NA	0.58	3.19
Earnings Yield	6.35%	4.73%	4.55%	7.06%	7.38%	4.18%
Debt/Equity	0.53	0.55	0.66	0.10	1.37	0.00
Cash Flow (\$/share)	6.08	2.01	6.83	-0.16	2.51	4.53
Growth Score	D	-	-	B	F	C
Historical EPS Growth (3-5 Years)	3.09%	8.73%	9.44%	NA	20.82%	10.57%
Projected EPS Growth (F1/F0)	50.39%	24.31%	21.30%	452.94%	17.90%	21.60%
Current Cash Flow Growth	-26.11%	-0.64%	0.98%	-126.08%	22.49%	-13.16%
Historical Cash Flow Growth (3-5 Years)	2.68%	8.40%	7.28%	NA	9.83%	4.00%
Current Ratio	1.59	1.74	1.39	1.62	2.60	2.29
Debt/Capital	34.54%	40.13%	41.53%	9.10%	57.73%	0.00%
Net Margin	7.62%	2.94%	11.95%	NA	3.49%	2.94%
Return on Equity	16.81%	11.17%	16.36%	NA	15.13%	14.48%
Sales/Assets	0.65	0.73	0.51	NA	1.04	0.60
Projected Sales Growth (F1/F0)	3.26%	0.00%	9.37%	0.00%	3.50%	8.92%
Momentum Score	C	-	-	A	A	D
Daily Price Change	-2.43%	0.00%	-0.44%	0.00%	-1.67%	-1.13%
1-Week Price Change	-1.45%	0.09%	0.58%	5.20%	-0.99%	0.50%
4-Week Price Change	-2.80%	3.90%	2.80%	15.88%	0.47%	-0.72%
12-Week Price Change	-3.50%	5.09%	7.24%	38.66%	-6.71%	4.37%
52-Week Price Change	52.51%	38.22%	36.87%	77.27%	39.37%	55.14%
20-Day Average Volume (Shares)	259,586	73,876	1,770,532	174	192,409	398,972
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.43%	0.15%	0.03%	7.14%	4.23%	0.89%
EPS F1 Estimate 12-Week Change	12.65%	10.00%	3.39%	39.53%	10.09%	6.60%
EPS Q1 Estimate Monthly Change	-1.17%	0.00%	0.00%	NA	1.25%	0.72%

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	D
Momentum Score	C
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.