

## Canadian Solar Inc. (CSIQ)

**\$30.30** (As of 09/04/20)

Price Target (6-12 Months): **\$32.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 08/11/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: A

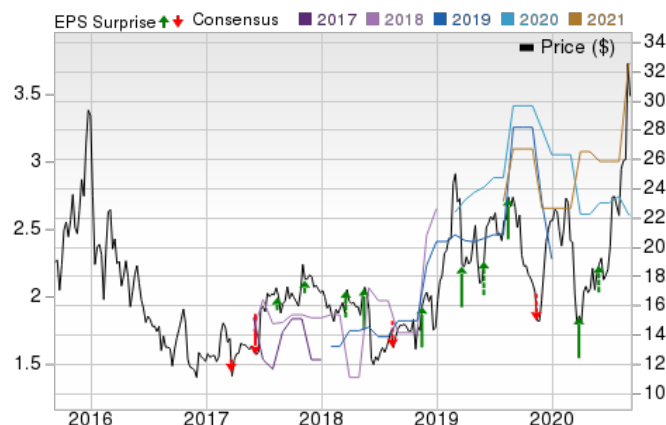
Growth: C

Momentum: F

## Summary

Canadian Solar ended the second quarter of 2020, with both earnings and revenues exceeding the Zacks Consensus Estimate. It has one of the world's largest utility-scale solar project development platforms, with commercial operations of more than 5.6 GWP of solar power plants. The company has a strong project pipeline and continues to identify attractive development opportunities to redeploy capital and ensure future success. Its shares outperformed the industry in the past month. However, as a result of the prevailing market uncertainty, courtesy of the coronavirus outbreak, it expects to witness poor results in second half of 2020. During the June-end quarter, its project execution and sales schedules were delayed due to the impact of the COVID-19 pandemic. Moreover, some of the projects are also highly expected to move into the next year.

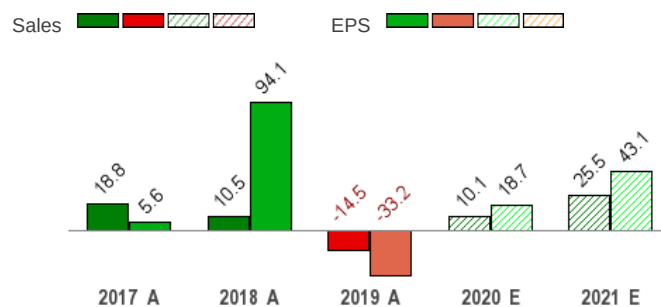
## Price, Consensus & Surprise



## Data Overview

|                                |                          |
|--------------------------------|--------------------------|
| 52-Week High-Low               | \$34.87 - \$12.00        |
| 20-Day Average Volume (Shares) | 2,027,327                |
| Market Cap                     | \$1.8 B                  |
| Year-To-Date Price Change      | 37.1%                    |
| Beta                           | 1.68                     |
| Dividend / Dividend Yield      | \$0.00 / 0.0%            |
| Industry                       | Solar                    |
| Zacks Industry Rank            | Top 43% (108 out of 251) |

## Sales and EPS Growth Rates (Y/Y %)



|                               |        |
|-------------------------------|--------|
| Last EPS Surprise             | 20.7%  |
| Last Sales Surprise           | 5.3%   |
| EPS F1 Estimate 4-Week Change | -16.8% |
| Expected Report Date          | NA     |
| Earnings ESP                  | 0.0%   |

## Sales Estimates (millions of \$)

|      | Q1    | Q2      | Q3      | Q4      | Annual* |
|------|-------|---------|---------|---------|---------|
| 2021 | 911 E | 1,261 E | 1,318 E | 1,532 E | 4,422 E |
| 2020 | 826 A | 696 A   | 861 E   | 1,142 E | 3,524 E |
| 2019 | 485 A | 1,036 A | 760 A   | 920 A   | 3,201 A |

## EPS Estimates

|      | Q1        | Q2       | Q3        | Q4       | Annual*  |
|------|-----------|----------|-----------|----------|----------|
| 2021 | -\$0.30 E | \$1.39 E | \$1.56 E  | \$2.01 E | \$3.72 E |
| 2020 | \$1.40 A  | \$0.09 A | -\$0.04 E | \$0.69 E | \$2.60 E |
| 2019 | -\$0.29 A | \$0.77 A | \$0.66 A  | \$1.04 A | \$2.19 A |

\*Quarterly figures may not add up to annual.

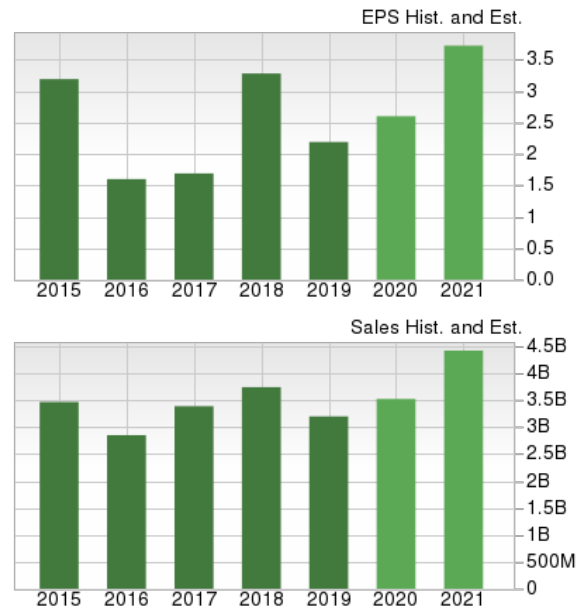
The data in the charts and tables, except sales and EPS estimates, is as of 09/04/2020. The reports text and the analyst-provided sales and EPS estimates are as of 09/07/2020.

## Overview

Ontario, Canada-based Canadian Solar Inc. (CSIQ) is a vertically integrated manufacturer of silicon ingots, wafers, cells, solar modules (panels) and custom-designed solar power applications. The company designs, manufactures and delivers solar products and solar system solutions for both on-grid and off-grid use to customers worldwide. The company was incorporated in Canada in 2001. Subsequently, in Nov 2006, the company came out with its maiden public offering.

Canadian Solar's production facilities in Canada, China, Indonesia, Vietnam and Brazil are structured for the manufacturing of ingots, wafers, solar cells, solar PV modules, solar power systems and specialized solar products. A huge number of the company's manufacturing facilities are located in Canada and China. The company's products include a range of solar modules built to general specifications for use in a wide range of residential, commercial and industrial solar power generation systems. Specialty solar products consist of customized solar modules that its customers incorporate into their own products and complete specialty products, such as portable solar home systems.

Canadian Solar operates through eight wholly-owned manufacturing subsidiaries. The company sells its products to customers worldwide, with operations spread across Australia, Brazil, China, Germany, Japan, South Korea, South Africa, Spain, Singapore, Turkey, the United Arab Emirates and the United States. The company has active solar projects in the states of California, North Carolina and Massachusetts. The company also implements solar power development projects, primarily in conjunction with government organizations, to provide solar power generation in rural areas of China. Over the past 19 years, Canadian Solar has successfully delivered over 43 GW of premium quality modules to customers in over 150 countries around the world



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ Canadian Solar caters to a geographically-diverse customer base spread across key markets in the United States, China, Japan, the U.K. and Canada as well as emerging markets in Brazil, India, Mexico, Italy, Germany, South Africa and the Middle East. Of late, the company has further expanded its global late-stage project pipeline into nations like Argentina, Australia and South Korea, considering these as the markets where the next phase of industrial growth is expected. Canadian Solar has one of the world's largest utility-scale solar project development platforms, with a track record of bringing into commercial operation more than 5.6 GWp of solar power plants across six continents, as of Jun 30, 2020. Impressively, during the second quarter, the company shipped around 2,905 MW of solar modules globally, which increased 35.6% on a year-over-year basis. This surely reflects the expanding global footprint of the company. Notably, revenues earned from solar module shipments enable the company to further recycle capital into attractive project opportunities.

Canadian Solar has a strong pipeline of projects spread across the globe. Its strong financial position should attract investors to choose this stock

- ▲ Canadian Solar has a strong pipeline of projects and carries out various acquisitions and strategies to further consolidate its position. The company continues to identify attractive development opportunities to redeploy capital and ensure future success. At the end of second-quarter 2020, the company's utility-scale solar power plants in operation totaled 956 megawatts peak (MWp), with an estimated resale value of approximately \$773 million. The company witnessed a 31% sequential increase in total module shipments to 2.9 GW in the April-June quarter and also ended with a total project pipeline of 10.9 GWp. Such project pipelines reflect solid growth prospects for this stock through monetization of its global solar project assets.

Going ahead, Canadian Solar believes there are significant growth opportunities in the solar plus storage market, given the declining battery storage costs, higher capacity demand and the rising retirements of fossil fuel power plants. The company further believes it is uniquely positioned to deliver solar plus storage solutions to its customers, given the integrated business model as a top-tier module technology manufacturer and global project developer, and is committed to expanding its presence in this space.

- ▲ Canadian Solar's cash and cash equivalents were \$984 million at the end of second-quarter 2020, while its long-term debt of \$580 million as of Jun 30, 2020 reduced sequentially from \$666 million and was much lower than its cash reserve. This reflects a strong solvency position on the company's part, which is further evident from the sequential improvement in its financial ratios. Notably, the company's debt-to-capital ratio of 0.53 as of Jun 30, 2020 decreased sequentially from 0.54 and also marked the lowest in the last eight quarters.

Moreover, Canadian Solar's current ratio of 1.15 as of the end of second-quarter 2020, being more than 1, reflects that the company holds sufficient cash in hand to meet its obligations. Furthermore, the company's interest coverage stands at 4.5 as of Jun 30, 2020, which was one of the highest in the last eight quarters. Such stellar financial ratios of Canadian Solar make us optimistic about the company's ability to duly pay off its debt obligations. This also comes as good news from the stock's viability as a lucrative investment opportunity, since investors have been preferring solvent stocks amid the pandemic-induced economic crisis. Remarkably, Canadian Solar has outperformed the industry in a month's time. Shares of the company have gained 23.9%, as against the industry's 3.2% decline.

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## Risks

- The Chinese government's announcement of a sudden policy makeover on Jun 1, 2019 involving a significant cut down in subsidies offered to the nation's solar projects, dealt a major blow to the solar industry worldwide. Analysts across the globe have expressed their skepticism regarding the latest policy changes through reduction in expectations for the nation's solar projects. Asia Europe Clean Energy (Solar) Advisory (AECEA) lowered its forecast for China's solar capacity addition for 2018 from 40-45 GW to 30-35 GW in response to these policy changes. This policy change is anticipated to be detrimental for international solar stocks like Canadian Solar, as it has increased commitments to ship modules and construct new projects in China.
  - Although COVID-19's impact on the demand for Canadian Solar's products and services was limited in the first quarter, given the prevailing market uncertainty, it expects to witness poor results in the second half of 2020. Regionally, the United States and the Latin America market have been the most volatile. In the United States, the biggest impact has been on reduction in the availability of tax equity financing and increase in cost of capital for certain project buyers. This sets up potential delays in the company's 2020 project sales. In Latin America, the company observed sharp depreciation of local currency, which prompted the local market to delay purchases and installations of U.S.dollar priced solar module. Moreover, the company was affected by manufacturing disruptions in China.
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## Last Earnings Report

### Canadian Solar Q2 Earnings & Revenues Beat Estimates

Canadian Solar reported adjusted second-quarter 2020 earnings of 9 cents per share, which surpassed the Zacks Consensus Estimate of break-even earnings. In the year-ago quarter, the company had reported adjusted earnings of 77 cents per share.

GAAP earnings came in at 34 cents per share in the quarter under review compared with \$1.04 in second-quarter 2019.

Quarter Ending 06/2020

| Report Date      | Aug 07, 2020 |
|------------------|--------------|
| Sales Surprise   | 5.34%        |
| EPS Surprise     | 20.69%       |
| Quarterly EPS    | 0.09         |
| Annual EPS (TTM) | 3.19         |

### Total Revenues

Canadian Solar's total revenues of \$695.8 million outpaced the Zacks Consensus Estimate of \$661 million by 5.2%. Net revenues of \$695.8 million exceeded the guidance of \$630-\$680 million.

The top line, however, plunged 32.9% from \$1,036.3 million reported in second-quarter 2019. The year-over-year decline can be attributed to lower average module selling prices and limited project sales in the reported quarter.

### Operational Update

Solar module shipments in the quarter totaled 2,905 megawatts (MW), up from 2,214 MW in the first quarter of 2020 and 2,143 MW in the second quarter of 2019. Growth in shipments was driven by moderate market share gains.

Gross profit amounted to \$147 million, down 19.7% from the year-ago quarter's \$183 million. Gross margin was 18.2% in the quarter (excluding the AD and CVD benefits). Including the benefits, gross margin was 21.2% compared with 17.6% in the second quarter of 2019.

Total operating expenses were \$101.7 million, down 16.5% year over year. Selling expenses summed \$53.5 million, up 17.9% year over year. General and administrative expenses summed \$46.4 million, down 29.5% year over year. Research and development expenses were \$10.9 million compared with \$12.1 million in the year-ago period.

Income tax expenses in the second quarter of 2020 were \$9 million compared with the income tax expenses of \$14 million in the second quarter of 2019.

Interest expenses were \$17 million, down from \$20.7 million recorded in the year-ago period.

### Financial Update

As of Jun 30, 2020, cash and cash equivalents totaled \$578.8 million, down from \$668.8 million as of Dec 31, 2019.

Long-term debt as of Jun 30, 2020, was \$580.4 million, down from \$619.5 million as of Dec 31, 2019.

### Guidance

For third-quarter 2020, Canadian Solar expects shipments of 2.9-3.1 GW. This guidance includes approximately 300 MW of shipments to its utility-scale solar power projects that may not be recognized as revenues. Total revenues are projected within \$840-\$890 million, while gross margin is expected in the band of 14-16%.

The Zacks Consensus Estimate for the company's third-quarter revenues is pegged at \$816.3 million, lower than the company's guided range.

For 2020, Canadian Solar still expects total module shipments in the range of 11-12 GW.

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## Recent News

On **August 17, 2020**, Canadian Solar announced that it has commenced construction on one of the largest commercial and industrial ("C&I") rooftop solar projects in Malaysia, in collaboration with Antah Solar Sdn. Bhd. and Eleaps Sdn. Bhd. The 5 MWp project will span an area of over 26,000 m<sup>2</sup>, and is located in Penang, Malaysia. The 5 MWp power purchase agreement was signed with Muda Paper Mills Sdn Bhd.

On **July 1, 2020**, Canadian Solar launched its super-high power Series 5 and Series 6 PV modules to celebrate Canada Day. These new modules will join the HiKu, BiHiKu and HiDM portfolios, expanding the range of high-power, high-efficiency monofacial and bifacial solar modules.

On **June 23, 2020**, Canadian Solar announced a couple of power purchase agreements signed with Brazilian corporations - Braskem BAK and COPEL Energia. The agreements authorize Canadian Solar to build two solar projects, with a total capacity of 274 megawatt-peak (MWp), and consequently supply the solar energy to Braskem and COPEL Energia.

These two corporate PPAs will expand Canadian Solar's Brazilian portfolio, which has more than 1.9 gigawatt-peak (GWp) of contracted PPAs since the company entered this market.

Canadian Solar's high-efficiency bifacial BiHiKu modules will be installed in both the solar power projects, situated in Brazil. Once operational, the combined projects are expected to generate 610 GWh of clean energy annually.

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## Valuation

Canadian Solar's shares are up 37.1% in the year-to-date period and 41.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Oils-Energy sector are up 94% and down 38.8% respectively in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 91.6% whereas the sector is down 36%.

The S&P 500 index is down 6.6% in the year-to-date period but up 15.7% in the past year.

The stock is currently trading at 0.4X of forward 12-month sales, which compares to 2.8X for the Zacks sub-industry, 0.7X for the Zacks sector and 4.2 X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.5X and as low as 0.2X, with a 5-year median of 0.3X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$32 price target reflects 0.46X forward 12-month sales.

The table below shows summary valuation data for CSIQ

| Valuation Multiples - CSIQ |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/S F12M                   | Current       | 0.44  | 2.79         | 0.7    | 4.19    |
|                            | 5-Year High   | 0.49  | 3.12         | 1.47   | 4.29    |
|                            | 5-Year Low    | 0.16  | 0.57         | 0.6    | 3.11    |
|                            | 5-Year Median | 0.26  | 1.01         | 0.99   | 3.66    |
| P/B TTM                    | Current       | 1.16  | 3.99         | 0.96   | 5.9     |
|                            | 5-Year High   | 2.11  | 4.55         | 1.55   | 6.17    |
|                            | 5-Year Low    | 0.55  | 0.6          | 0.52   | 3.75    |
|                            | 5-Year Median | 0.89  | 1.3          | 1.32   | 4.83    |

As of 09/04/2020

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## Industry Analysis Zacks Industry Rank: Top 43% (108 out of 251)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                         | Rec     | Rank |
|------------------------------------------|---------|------|
| Enphase Energy, Inc. (ENPH)              | Neutral | 3    |
| First Solar, Inc. (FSLR)                 | Neutral | 3    |
| JinkoSolar Holding Company Limited (JKS) | Neutral | 3    |
| Sunrun Inc. (RUN)                        | Neutral | 4    |
| SolarEdge Technologies, Inc. (SEDG)      | Neutral | 3    |
| Renesola Ltd. (SOL)                      | Neutral | 2    |
| SunPower Corporation (SPWR)              | Neutral | 3    |
| Vivint Solar, Inc. (VSLR)                | Neutral | 3    |

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

| Industry Comparison Industry: Solar     |           |            |           | Industry Peers |           |           |
|-----------------------------------------|-----------|------------|-----------|----------------|-----------|-----------|
|                                         | CSIQ      | X Industry | S&P 500   | FSLR           | JKS       | SPWR      |
| Zacks Recommendation (Long Term)        | Neutral   | -          | -         | Neutral        | Neutral   | Neutral   |
| Zacks Rank (Short Term)                 | 3         | -          | -         | 3              | 3         | 3         |
| VGM Score                               | B         | -          | -         | B              | C         | B         |
| Market Cap                              | 1.80 B    | 71.33 M    | 23.38 B   | 7.64 B         | 885.10 M  | 1.89 B    |
| # of Analysts                           | 2         | 3.5        | 14        | 10             | 1         | 6         |
| Dividend Yield                          | 0.00%     | 0.00%      | 1.62%     | 0.00%          | 0.00%     | 0.00%     |
| Value Score                             | A         | -          | -         | C              | C         | D         |
| Cash/Price                              | 0.51      | 0.07       | 0.07      | 0.18           | 1.66      | 0.14      |
| EV/EBITDA                               | 3.32      | 0.91       | 13.13     | 57.62          | -1.18     | 13.67     |
| PEG F1                                  | 0.36      | 0.89       | 2.96      | 1.42           | 0.33      | NA        |
| P/B                                     | 1.16      | 5.68       | 3.22      | 1.46           | 0.49      | 45.67     |
| P/CF                                    | 6.16      | 20.95      | 12.65     | 20.95          | 3.22      | 169.57    |
| P/E F1                                  | 11.65     | 42.50      | 21.59     | 24.94          | 6.64      | NA        |
| P/S TTM                                 | 0.56      | 1.00       | 2.44      | 2.45           | 0.19      | 1.00      |
| Earnings Yield                          | 8.58%     | -0.11%     | 4.42%     | 4.01%          | 15.07%    | -5.23%    |
| Debt/Equity                             | 0.37      | 0.22       | 0.70      | 0.07           | 0.20      | 13.69     |
| Cash Flow (\$/share)                    | 4.92      | -0.02      | 6.93      | 3.44           | 6.24      | 0.07      |
| Growth Score                            | C         | -          | -         | B              | C         | A         |
| Historical EPS Growth (3-5 Years)       | 10.66%    | -21.42%    | 10.41%    | -31.09%        | -21.42%   | NA        |
| Projected EPS Growth (F1/F0)            | 18.72%    | 10.67%     | -4.75%    | 95.20%         | 8.60%     | -98.85%   |
| Current Cash Flow Growth                | -11.15%   | 23.77%     | 5.22%     | 31.84%         | 49.75%    | 209.28%   |
| Historical Cash Flow Growth (3-5 Years) | -1.95%    | 10.04%     | 8.49%     | -10.06%        | 15.10%    | -47.08%   |
| Current Ratio                           | 1.15      | 1.29       | 1.35      | 3.66           | 1.00      | 1.03      |
| Debt/Capital                            | 27.26%    | 27.69%     | 42.95%    | 6.91%          | 16.66%    | 93.19%    |
| Net Margin                              | 8.04%     | 0.22%      | 10.25%    | 3.17%          | 3.51%     | 0.44%     |
| Return on Equity                        | 13.22%    | -5.40%     | 14.59%    | 7.18%          | 9.86%     | NA        |
| Sales/Assets                            | 0.60      | 0.65       | 0.50      | 0.44           | 0.71      | 0.94      |
| Projected Sales Growth (F1/F0)          | 10.12%    | 0.00%      | -1.42%    | -13.12%        | 9.60%     | -15.85%   |
| Momentum Score                          | F         | -          | -         | C              | C         | A         |
| Daily Price Change                      | -1.72%    | -0.43%     | -0.30%    | -0.61%         | -1.47%    | -1.16%    |
| 1-Week Price Change                     | 25.27%    | 3.88%      | 2.59%     | 7.96%          | 8.04%     | -2.31%    |
| 4-Week Price Change                     | 28.28%    | -2.32%     | 2.00%     | 11.79%         | -4.01%    | -0.63%    |
| 12-Week Price Change                    | 78.76%    | 41.59%     | 10.57%    | 47.24%         | 18.57%    | 58.43%    |
| 52-Week Price Change                    | 31.40%    | 17.35%     | 1.69%     | 14.69%         | -10.42%   | -17.11%   |
| 20-Day Average Volume (Shares)          | 2,027,327 | 358,620    | 1,827,096 | 1,752,067      | 1,175,395 | 6,029,834 |
| EPS F1 Estimate 1-Week Change           | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 15.52%    |
| EPS F1 Estimate 4-Week Change           | -16.84%   | 0.00%      | 0.00%     | 0.91%          | 0.00%     | 33.07%    |
| EPS F1 Estimate 12-Week Change          | -15.11%   | -1.44%     | 3.89%     | 1.05%          | -2.88%    | 31.74%    |
| EPS Q1 Estimate Monthly Change          | -121.31%  | 0.00%      | 0.00%     | -8.02%         | 0.00%     | 3.84%     |

Source: Zacks Investment Research

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## 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.

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### 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>A</b> |
| Growth Score   | <b>C</b> |
| Momentum Score | <b>F</b> |
| VGM Score      | <b>B</b> |

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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## Disclosures

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## Additional Disclosure

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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.

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**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.

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**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.

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**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.