

Carlisle Companies (CSL)

\$144.83 (As of 11/30/20)

Price Target (6-12 Months): **\$152.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/30/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: B

Summary

Carlisle is poised to benefit from strength in the U.S. reroofing and medical end markets along with acquired assets. Cost savings from the Carlisle Operating System and enhanced operational efficiencies are expected to boost its competency. Also, the company remains committed toward increasing wealth of its shareholders through share repurchase programs and dividends. However, low demand forecast, stemming from the coronavirus outbreak, along with softness in commercial aerospace and automotive end-markets remains a major concern. The company has not provided earnings and revenue guidance for 2020 on end-market uncertainties due to the pandemic. Owing to international exposure, its overseas business is exposed to geopolitical issues and currency fluctuations. In the past six months, the company's shares have underperformed the industry.

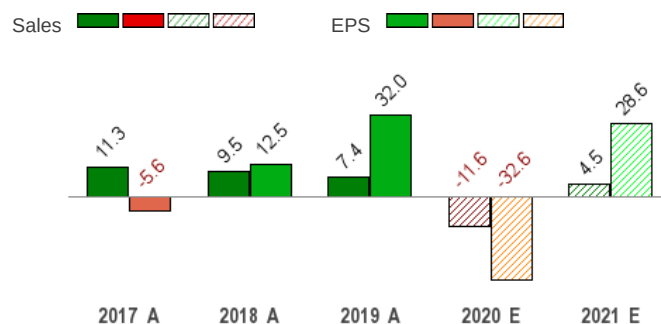
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$169.86 - \$97.55
20-Day Average Volume (Shares)	298,934
Market Cap	\$7.7 B
Year-To-Date Price Change	-10.5%
Beta	0.95
Dividend / Dividend Yield	\$2.10 / 1.5%
Industry	Diversified Operations
Zacks Industry Rank	Top 49% (125 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.5%
Last Sales Surprise	-0.4%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/04/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	978 E	1,147 E	1,176 E	1,113 E	4,446 E
2020	1,030 A	1,024 A	1,127 A	1,073 E	4,253 E
2019	1,072 A	1,315 A	1,281 A	1,144 A	4,812 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.03 E	\$2.02 E	\$2.24 E	\$1.75 E	\$7.11 E
2020	\$1.29 A	\$1.61 A	\$1.94 A	\$1.20 E	\$5.53 E
2019	\$1.41 A	\$2.62 A	\$2.42 A	\$1.78 A	\$8.21 A

*Quarterly figures may not add up to annual.

P/E TTM	21.9
P/E F1	26.2
PEG F1	1.8
P/S TTM	1.8

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 11/30/2020. The reports text is as of 12/01/2020.

Overview

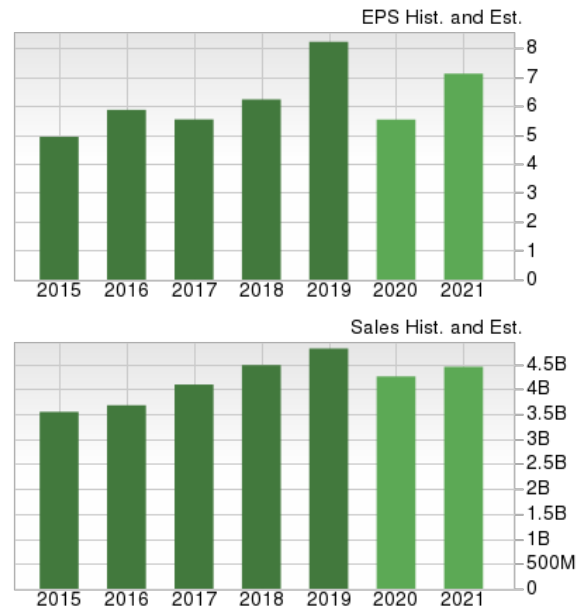
Headquartered in the Scottsdale, AZ, Carlisle Companies Incorporated is a diversified, global portfolio of niche brands and businesses with highly engineered and high margin products. It engages in the design, manufacture and sale of a wide range of roofing and waterproofing products, engineered products, finishing equipment and brake as well as friction system solutions. The company sells its products in the United States, Europe, Asia, Canada, Mexico, Latin America, the Middle East and Africa. Carlisle has restructured its business into four segments, which are discussed below:

Carlisle Construction Materials (CCM: 73.1% of third-quarter 2020 revenues): The segment manufactures a comprehensive range of roofing and waterproofing products for commercial and industrial buildings. Notably, through acquisitions in Netherland and Germany, the business has become the leading manufacturer and supplier of ethylene propylene diene monomer (EPDM) roofing systems in Europe.

Carlisle Interconnect Technologies (CIT: 15%): This segment is engaged in designing and manufacturing high-performance wire and cable, fiber optic cable, avionics trays, integrated systems as well as complex cable assemblies for applications in the aerospace industry. Also, it provides engineered products for the defense industry that include applications for radar systems, missiles and electronic warfare systems as well as test and measurement solutions. This apart, the segment offers medical interconnect products for the surgical, electrosurgical, patient monitoring and wire harness applications.

Carlisle Fluid Technologies (CFT: 5.8%): The segment is engaged in providing a comprehensive range of finishing equipment products for the automotive, refinishing, aerospace, construction, agriculture, marine and rail industries.

Carlisle Brake & Friction (CBF: 6.1%): The segment is engaged in offering innovative brake and friction system solutions for a wide range of motion control applications. The products manufactured by the segment include industrial brake assemblies, hydraulic control products, clutch and transmission applications as well as aftermarket replacement kits.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Carlisle's diversified business structure enables it to tap opportunities and neutralize operating risks associated with a single market. The company believes that one of its major segments, CCM, will benefit from robust and strengthening reroofing market in the United States, with positive trends continuing through 2025. Also, growing small to medium-sized reroofing market in Europe bodes well for the segment. Encouraged by the strength in the U.S infrastructure market and growth in the polyurethane and architectural metals platform, management expects the segment's revenues to grow in the low single digit on a year-over-year basis in the fourth quarter. In addition, strength in medical end markets and the company's initiatives to enhance capabilities at the medical technologies platform have set the tone for long-term growth for the CIT segment. Also, positive trends in Carlisle's medical technologies business, driven by surge in demand for COVID-19 outbreak-related patient monitoring equipment will act as tailwinds in the near term. In the long run, for the CFT segment, product launches, technology initiatives, acquisitions in the company's sealants and adhesives business along with improving end markets, particularly in Asia and Europe are likely to be beneficial. Moreover, under the Vision 2025 program, it seeks to achieve above-market organic growth, pursue synergistic acquisitions and further leverage its COS culture to drive efficiencies through business processes apart from returning cash to shareholders. Notably, COS successfully generated savings and efficiency gains of 1% of the company's sales in the third quarter.
- ▲ Carlisle's global footprint, solid product portfolio and the ability to penetrate different markets through acquisitions are commendable. The company has become one of the major European manufacturers and suppliers of EPDM roofing systems with the acquisitions in Germany and the Netherlands. Notably, in 2019, the company deployed more than \$615 million on eight acquisitions. In this regard, Carlisle's acquisition of Petersen (in January 2019) expanded the CCM segment's product offerings in the metal roofing platform. Also, the takeover enabled Carlisle to easily penetrate the markets of Arizona, Texas, the Midwest and Georgia. In addition, the acquired MicroConnex business (May 2019) has strengthened the medical technologies platform at the CIT segment. Apart from this, the company's acquisition of Ecco Finishing (July 2019) has been boosting growth opportunities in CFT's Sealants and Adhesives platforms. Moreover, Carlisle's acquisition of Providien (November 2019) has been strengthening its medical technologies platform in the CIT segment. Notably, acquisitions had a positive contribution of 1.9% of revenue growth in both the second and third quarters of 2020.
- ▲ Carlisle remains highly committed toward increasing the wealth of its shareholders through share repurchase programs and dividends. In this regard, in the third quarter of 2020, the company repurchased \$149.9 million of shares and distributed dividends totaling \$28.5 million. It is worth noting that the quarterly dividend rate was hiked 5% in August 2020.

Carlisle is set to benefit from its strength in the U.S. infrastructure market apart from its initiatives to enhance capabilities at the medical technologies platform and meaningful inorganic moves.

Reasons To Sell:

- ▼ In the third quarter of 2020, Carlisle's revenues declined 12% (down 14.3% on an organic basis) year over year. The decline was attributable to persistent weak demand environment in most of its end-markets on account of the coronavirus outbreak. In the third quarter, the CIT segment's organic revenues declined 39.1% on a year-over-year basis. The segment's performance was adversely impacted by persistent weakness in the commercial aerospace business, owing to lower global air transport operations. For the fourth quarter, the company expects the CIT segment's revenues to fall approximately 35% on a year-over-year basis, due to limited new orders and reduced production rates. CBF segment's organic revenues declined 10.8% year over year due to continued lower demand from its vehicle end markets. Notably, the company estimates the CBF segment's revenues to fall in the low single digits in the fourth quarter due to weak global demand outlook for its products. Moreover, softness in the transportation and automotive refinish end-markets remains concerning for the CFT segment in the near term. The company expects the CFT segment's revenues to decline in the mid-teens range on a year-over-year basis in the fourth quarter. For the fourth quarter, Carlisle expects its overall revenues to decline in high single digit range. However, it has not provided revenue guidance for 2020 on end-market uncertainties due to the outbreak.
- ▼ Carlisle's long-term debt in the last five years (2015-2019) increased 22.5% (CAGR – compound annual growth rate). Notably, its long-term debt balance (including current portion) at the end of third-quarter 2020 was \$2,080.3 million, reflecting a marginal increase sequentially and a surge of 30.7% from the 2019-end level. Also, the company's net interest expenses jumped 13.8% on a year-over-year basis in the third quarter. Further increase in debt levels can raise the company's financial obligations. Moreover, Carlisle's ability to meet its debt obligations based on its current income has declined over the past quarter. Notably, its times interest earned ratio was 6.8 at the end of the third quarter, lower than 7.6 recorded at the end of the previous quarter. High debt levels, if unchecked, can increase the company's financial obligations and prove detrimental to its profitability in the quarters ahead.
- ▼ Given its strong international presence, Carlisle's financial performance is subject to various risks, including interest rate and currency exchange rate fluctuations as well as economic conditions of the places where it operates. Foreign exchange headwinds had an adverse impact of \$2.4 million on the company's cash and cash equivalents in the first nine months of 2020. In the past six months, Carlisle shares have gained 19.7% compared with the industry's growth of 34.2%. It seems that analysts have become increasingly bearish about the company over the past 60 days. The company's earnings estimates have been lowered by 15.5%, 1.3% and 4.3% for the fourth quarter of 2020, 2020 and 2021, respectively.

Weak near-term prospects across its CIT, CBF and CFT segments due to coronavirus outbreak, unfavorable movements in foreign currencies, and high debt levels might affect Carlisle's performance.

Last Earnings Report

Carlisle Q3 Earnings Surpass Estimates, Revenues Miss

Carlisle reported mixed third-quarter 2020 results wherein earnings beat the Zacks Consensus Estimate but revenues missed the same.

The company's adjusted earnings were \$1.94 per share, beating the consensus estimate of \$1.74 by 11.5%. However, the bottom line declined 19.8% on a year-over-year basis due to lower revenues.

Quarter Ending	09/2020
Report Date	Oct 20, 2020
Sales Surprise	-0.36%
EPS Surprise	11.49%
Quarterly EPS	1.94
Annual EPS (TTM)	6.62

Inside the Headlines

In the reported quarter, Carlisle's revenues were \$1,126.7 million, down 12% year over year. The decline was attributable to a 14.3% fall in organic revenues, partially offset by 1.9% benefit from acquired assets and a positive impact of 0.4% from changes in foreign exchange rates.

The top line missed the Zacks Consensus Estimate of \$1,131 million by 0.4%.

The company reports results under four segments — **Carlisle Construction Materials**, **Carlisle Interconnect Technologies**, **Carlisle Fluid Technologies**, and **Carlisle Brake & Friction**. The quarterly segmental results are briefly discussed below.

Revenues from CCM totaled \$823.5 million, decreasing 7.8% year over year. It represented 73.1% of the company's revenues. Organic revenues declined 8.1% due to a fall in sales volume across product categories.

CIT revenues, representing 15% of total revenues, were \$168.5 million, down 30.3% year over year. The decline was primarily attributable to a 39.1% fall in organic revenues on account of the significant decrease in orders from Aerospace customers amid the coronavirus outbreak, partially offset by benefits from acquisitions.

CFT revenues, representing 5.8% of total revenues, were \$65 million, down 5.1% year over year. In the third quarter, organic revenues declined 10.8% on account of lower sales volume, particularly in the transportation and automotive refinish markets, partially offset by benefits from acquisitions.

CBF revenues were \$69.7 million, decreasing 9.1% year over year. It represented 6.1% of revenues. Organic revenues in the quarter declined 10.8%. Softness in vehicle end markets had an adverse impact.

Operating Margin Details

In the reported quarter, Carlisle's cost of sales declined 11.6% to \$796.4 million. It represented 70.7% of net sales compared with 70.3% a year ago.

Selling and administrative expenses decreased 7.3% to \$162.3 million. It represented 14.4% of net sales compared with 13.7% in the year-ago quarter. R&D expenses totaled \$13.7 million, down 9.9% year over year.

Operating profit was \$155.7 million, down 18.5% year over year, while margin contracted 110 basis points to 13.8%. Margin was adversely impacted by lower sales volumes, wage inflation, higher raw material costs and higher restructuring costs. These were partially offset by benefits from Carlisle Operating System and lower expenses.

Balance Sheet and Cash Flow

Exiting the third quarter, Carlisle had cash and cash equivalents of \$719 million compared with \$351.2 million as of Dec 31, 2019. Long-term debt (including current portion) was \$2,080.3 million compared with \$1,591.6 million at the end of 2019.

In the first nine months of 2020, the company generated net cash of \$440.2 million from operating activities compared with \$489.5 million in the year-ago comparable period.

Outlook

Due to uncertainties regarding the impact of the coronavirus outbreak on financial and operating results, Carlisle has not provided its earnings and revenue guidance for 2020.

However, given its solid balance sheet and cash flow generating capabilities, the company anticipates generating free cash flow conversion of 150% in 2020. For the year, Carlisle anticipates incurring capital expenditure of \$100-\$110 million. Its net interest expenses are expected to be \$75 million.

For the fourth quarter, the company anticipates its revenues to decline in high single digit range on a year-over-year basis.

Recent News

Dividend

On **Dec 1, 2020**, Carlisle paid out a quarterly dividend of 52.5 cents per share to shareholders on record as of Nov 17, 2020.

Valuation

Carlisle's shares are down 9.1% in the year-to-date period and decreased 4.5% over the trailing 12-month period. Stocks in both the Zacks sub-industry and the Zacks Conglomerates sector are up 13.3% in the year-to-date period. Over the past year, both the Zacks sub-industry and sector are up 16.5%.

The S&P 500 Index has moved up 14.6% year to date and increased 18.9% in the past year.

The stock is currently trading at 20.62x forward 12-month earnings per share, which compares to 27.46x for both the Zacks sub-industry and the Zacks sector and 22.51x for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.99x and as low as 10.94x, with a 5-year median of 17.15x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$152 price target reflects 21.64x forward 12-month earnings per share.

The table below shows summary valuation data for CSL.

Valuation Multiples - CSL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.62	27.46	27.46	22.51
	5-Year High	23.99	27.46	27.46	23.47
	5-Year Low	10.94	15.76	15.76	15.27
	5-Year Median	17.15	18.54	18.54	17.75
P/Sales F12M	Current	1.75	4.67	4.67	4.23
	5-Year High	1.95	4.67	4.67	4.3
	5-Year Low	1.11	2.29	2.29	3.17
	5-Year Median	1.58	3.05	3.05	3.67

As of 11/30/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 49% (125 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
ITT Inc. (ITT)	Outperform	2
RPM International Inc. (RPM)	Outperform	2
Crane Co. (CR)	Neutral	2
H. B. Fuller Company (FUL)	Neutral	3
General Electric Company (GE)	Neutral	3
Honeywell International Inc. (HON)	Neutral	3
Macquarie Infrastructure Company (MIC)	Neutral	4
3M Company (MMM)	Neutral	2

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

Industry Comparison Industry: Diversified Operations				Industry Peers		
	CSL	X Industry	S&P 500	CR	HON	ITT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	2	3	2
VGM Score	A	-	-	B	D	B
Market Cap	7.73 B	5.06 B	25.55 B	4.04 B	143.09 B	6.28 B
# of Analysts	4	3	13	3	10	8
Dividend Yield	1.45%	0.97%	1.48%	2.47%	1.82%	0.93%
Value Score	B	-	-	B	C	C
Cash/Price	0.09	0.20	0.06	0.13	0.10	0.12
EV/EBITDA	10.49	10.49	14.57	13.11	16.19	10.47
PEG F1	1.77	2.35	2.76	NA	3.76	2.35
P/B	3.12	1.26	3.49	2.68	7.81	3.10
P/CF	12.01	8.31	13.64	8.72	20.62	14.13
P/E F1	26.53	21.06	21.68	17.66	29.00	23.49
P/S TTM	1.79	1.33	2.76	1.33	4.31	2.52
Earnings Yield	3.82%	3.82%	4.45%	5.67%	3.45%	4.25%
Debt/Equity	0.84	0.72	0.70	0.56	0.97	0.00
Cash Flow (\$/share)	12.06	2.28	6.93	7.97	9.89	5.14
Growth Score	A	-	-	C	F	C
Historical EPS Growth (3-5 Years)	8.77%	10.73%	9.72%	7.55%	6.09%	10.73%
Projected EPS Growth (F1/F0)	-32.70%	-13.58%	0.14%	-34.61%	-13.84%	-18.83%
Current Cash Flow Growth	19.98%	6.22%	5.22%	-1.40%	-1.43%	13.73%
Historical Cash Flow Growth (3-5 Years)	13.96%	7.02%	8.33%	7.00%	5.69%	7.28%
Current Ratio	3.31	1.58	1.38	1.42	1.64	2.10
Debt/Capital	45.65%	41.71%	42.00%	35.83%	49.14%	0.00%
Net Margin	7.91%	2.27%	10.44%	0.71%	14.99%	6.20%
Return on Equity	14.60%	7.98%	14.99%	18.09%	27.69%	13.64%
Sales/Assets	0.74	0.72	0.50	0.67	0.55	0.60
Projected Sales Growth (F1/F0)	-11.62%	-0.36%	0.17%	-10.00%	-12.55%	-14.93%
Momentum Score	B	-	-	C	C	B
Daily Price Change	-2.55%	-0.95%	-0.83%	-2.07%	-2.62%	-3.17%
1-Week Price Change	0.72%	1.15%	2.18%	7.67%	3.67%	4.28%
4-Week Price Change	12.83%	12.04%	10.14%	32.36%	17.46%	16.54%
12-Week Price Change	13.45%	13.16%	9.59%	21.90%	22.33%	15.36%
52-Week Price Change	-6.02%	-11.68%	6.28%	-15.68%	16.98%	4.16%
20-Day Average Volume (Shares)	298,934	55,475	2,163,247	399,111	3,658,189	449,340
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.15%	0.09%	0.00%	-0.22%	4.30%
EPS F1 Estimate 12-Week Change	-0.08%	3.92%	3.81%	5.26%	1.81%	12.05%
EPS Q1 Estimate Monthly Change	0.00%	-0.30%	0.00%	0.00%	-0.61%	8.67%

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	A
Momentum Score	B
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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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.