Curtiss-Wright Corp. (CW)

$122.84 (As of 04/07/21)

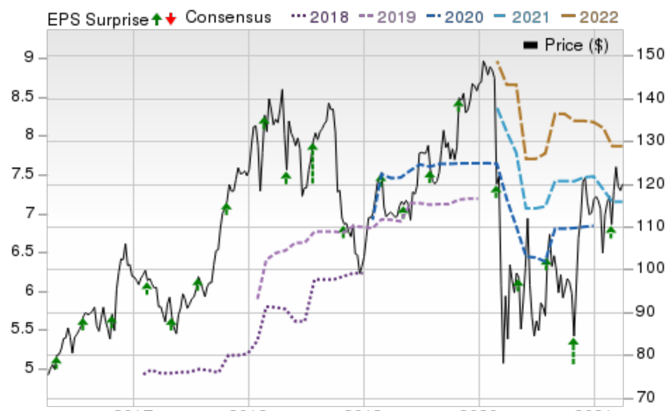
Price Target (6-12 Months): **$130.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 03/31/21) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: A | Momentum: C	

Summary

Curtiss-Wright's increasing demand for nuclear power should benefit stocks like Curtiss-Wright. The company's shares have outperformed the industry in the past year. Curtiss-Wright continues to expect to play a notable role in new build nuclear plant construction given opportunities for large-scale reactors in China and India, and worldwide, future construction of advanced and small modular reactors. However, the impact of the COVID-19 pandemic on worldwide demand in the commercial aerospace has been impacting its operating results. Reduction in purchases by the company's large commercial aircraft manufacturers and general industrial customers, due to continued travel restrictions worldwide, could have a material adverse effect on the stock. Further, the company's financial ratios have also been deteriorating.

Price, Consensus & Surprise

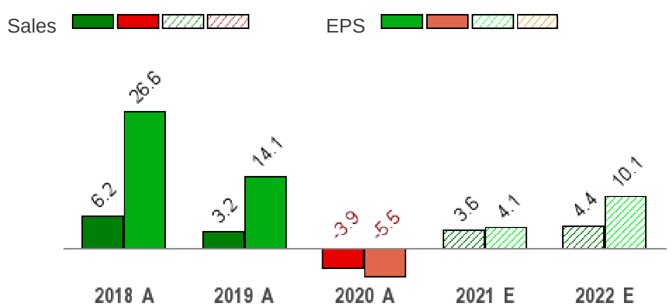


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$125.31 - $81.72**
20-Day Average Volume (Shares)	**248,789**
Market Cap	**$5.0 B**
Year-To-Date Price Change	**5.5%**
Beta	**1.62**
Dividend / Dividend Yield	**$0.68 / 0.6%**
Industry	**Aerospace - Defense Equipment**
Zacks Industry Rank	**Top 37% (93 out of 253)**
Last EPS Surprise	**2.1%**
Last Sales Surprise	**-0.5%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**05/05/2021**
Earnings ESP	**0.0%**
P/E TTM	**17.8**
P/E F1	**17.2**
PEG F1	**NA**
P/S TTM	**2.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022					2,585 E
2021	587 E	591 E	607 E	691 E	2,477 E
2020	601 A	550 A	572 A	668 A	2,391 A

EPS Estimates

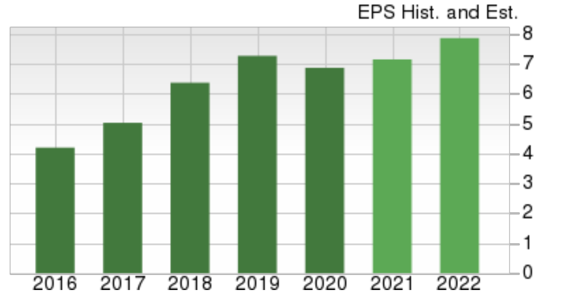
	Q1	Q2	Q3	Q4	Annual*
2022					$7.87 E
2021	$1.31 E	$1.57 E	$1.86 E	$2.41 E	$7.15 E
2020	$1.34 A	$1.31 A	$1.85 A	$2.39 A	$6.87 A

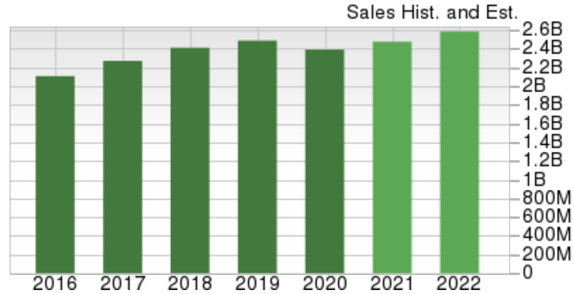
*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 04/07/2021. The report's text, and the analyst-provided sales estimates, EPS estimates and price target are as of 04/08/2021.

Overview

North Carolina-based Curtiss-Wright Corporation, incorporated in July 1929, is a diversified multinational company that designs and overhauls precision components. It provides highly engineered products and services for high-performance platforms, and critical applications in key areas such as commercial aerospace and defense electronics, reactor coolant pumps for next-generation nuclear reactors as well as advanced surface treatment technologies. The company's products and services are offered to the aerospace, defense, general industrial and power generation markets.





Curtiss-Wright operates through three business segments namely — Commercial/Industrial, Defense and Power.

Commercial/Industrial: This business segment offers industrial vehicle products such as electronic throttle control devices, joysticks and transmission shifters; sensors, controls and electro-mechanical actuation components and utility systems used on commercial aircraft; valves to both the industrial and naval defense markets; and surface technology services such as shot peening, laser peening, coatings and advanced analytical testing. It generated sales of $949.8 million in 2020, representing 39.7% of total sales.

Defense: This segment provides commercial off-the-shelf (COTS) embedded computing board level modules, integrated subsystems, flight test equipment, instrumentation and control systems, turret aiming and stabilization products, and weapons handling systems. The unit also offers avionics and electronics, flight test equipment, and aircraft data management solutions to the commercial aerospace market. It generated sales of $733.9 million in 2020, representing 30.7% of total sales.

Power: This unit offers a wide range of hardware, pumps, valves, fastening systems, specialized containment doors, airlock hatches, spent fuel management products, and fluid sealing technologies. It provides Reactor Coolant Pump (RCP) technology, pump seals, and control rod drive mechanisms for commercial nuclear power plants, primarily to support the Westinghouse AP1000 reactor design. Sales from this division totaled $707.7 million in 2020, representing 29.6% of total sales.

Source: Zacks Investment Research

Reasons To Buy:

> Increased adoption of nuclear power, especially in China, bodes well for the company. Its impressive financial position should have encouraged its investors

- Worldwide, a historical shift toward adopting alternative energy sources is on the rise, to reduce emission of greenhouse gases. Hence, long-term growth prospects of nuclear power market seem constructive. According to the World Nuclear Association, as of the end of February 2021, nuclear energy provided about 10% of the world's electricity from about 440 power reactors. In the United States, about one-fifth of electricity comes from nuclear. Nuclear is the world's second largest source of low-carbon power. With continued growth in its global demand, especially in developing countries with limited power supply such as China and India, increased capacity of nuclear power will be needed. About 50 more reactors are under construction worldwide, equivalent to approximately 15% of existing capacity. This indicates ample scope for increased nuclear power adoption worldwide, which, in turn, should boost Curtiss-Wright's power segment that serves the nuclear power market. This may have boosted investor confidence in the stock. Notably, the stock has gained 24.2% in the past year, outperforming the industry's 4.4% rise.

- Currently, China plans to expand its nuclear power capabilities significantly through the construction of new nuclear power plants. The strong impetus for developing new nuclear power in China comes from the need to improve urban air quality and reduce greenhouse gas emissions. China aims to expand its nuclear power capabilities significantly through the construction of new nuclear power plants over the next few decades, led by the successful start-up and operation of the first two AP1000 plants (four reactors) in late 2018 and early 2019, which are the first Generation III+ reactors in operation worldwide. Interestingly, Curtiss-Wright provides Reactor Coolant Pumps (RCPs) and control rod drive mechanisms that support the Westinghouse AP1000 reactor design. Curtiss-Wright continues to expect to play a notable role in new build nuclear plant construction given opportunities for large-scale reactors in China and India, and worldwide, future construction of advanced and small modular reactors.

- Since 2013, Curtiss-Wright has returned more than $1 billion to its shareholders through share repurchase and dividend payouts. The company completed its second opportunistic share repurchase program of 2020 in the fourth quarter, which raised the full-year buyback to $200 million and reduced its shares outstanding by 2.5%. Moreover, it generated a record $394 million in adjusted free cash flow, equating to 137% free cash flow conversion. This is better than the company's earlier projection of 100% cash flow conversion, amid the ongoing uncertainties.

Reasons To Sell:

> Increased tariff imposition on import of aluminum and impact of the coronovirus pandemic may hurt this stock's growth

- Curtiss-Wright has experienced and expects to continue to experience unpredictable volatility in demand within its commercial aerospace and general industrial end markets. Approximately 14% of Curtiss-Wright's net sales for 2020 were derived from sales to commercial aerospace customers. Current travel restrictions, as well as changes in the propensity for the general public to travel by air as a result of the COVID-19 pandemic, have caused reductions in demand for commercial aircraft, which will adversely impact the company's net sales and operating results and may continue to do so for an extended period of time.

- In addition, an overall reduction in business activity as a result of the disruption caused by COVID-19 has led to a decrease in sales in its general industrial market, which primarily includes industrial vehicle and industrial valve products. Approximately 20% of Curtiss-Wright's net sales for 2020 were derived from sales to general industrial market. Therefore, the loss of, or significant reduction in purchases by the company's large commercial aircraft manufacturers and general industrial customers could have a material adverse effect on business, financial condition, and results of operations. In fact, during 2020, sales from its Commercial/Industrial segment declined 17% from 2019. With the pandemic still prevalent across the globe, this segment might continue to perform poorly in the near term.

- Curtiss-Wright's cash and cash equivalents were $198 million at the end of fourth- quarter 2020, which declined from $427 million as of Sep 30, 2020. Its long-term debt was $958 million as of Dec 31, 2020, while its current debt was $100 million, which increased significantly sequentially. So, the stock's long-term debt came in much higher than its cash reserve, whereas current debt increased substantially. This reflects a weak solvency position for the company.

  Moreover, the company's financial ratios have been deteriorating. Evidently, the company's current ratio of 1.61 at the end of fourth-quarter 2020 declined sequentially from 2.37. Moreover, the ratio was the lowest over the past four consecutive quarters. Further its interest coverage ratio of 8.4 declined sequentially from 10.4. Such worsening financial ratios indicate that the company will might face difficulties in paying off its debt obligations in the near term.

Last Earnings Report

Curtiss-Wright Q4 Earnings Top Estimates, Revenues Miss

Quarter Ending	12/2020
Report Date	Feb 24, 2021
Sales Surprise	-0.54%
EPS Surprise	2.14%
Quarterly EPS	2.39
Annual EPS (TTM)	6.89

Curtiss-Wright reported fourth-quarter 2020 adjusted earnings of $2.39 per share, which surpassed the Zacks Consensus Estimate of $2.34 by 2.1%. The bottom line also improved 12.7% from the prior-year quarter's earnings of $2.12.

Including one-time items, GAAP earnings came in at $1.30 per share compared with $2.08 recorded in the year-ago quarter.

For 2020, the company reported adjusted earnings of $6.87 per share, which missed the Zacks Consensus Estimate of $7.31 by 6%. The full-year bottom line also declined 5.5% from the prior-year figure.

Operational Performance

In the quarter under review, the company's total sales of $668.4 million inched up 2% year over year, led by strong 15% organic growth in defense markets. The top line, however, missed the Zacks Consensus Estimate of $672 million by 0.5%.

In 2020, the company's total sales of $2.39 billion declined 4% from the year-ago figure. The top line, also, missed the Zacks Consensus Estimate of $2.55 billion by 6.3%.

Gross profit declined 2% year over year to $241.8 million in the reported quarter. Operating income of $76.5 million plunged 37% from $120.7 million a year ago.

Curtiss-Wright's total backlog at the end of 2020 was $2.2 billion. New orders of $573 million decreased 2% compared with the prior-year period.

Segmental Performance

Commercial/Industrial: Sales in this segment declined 16% year over year to $249.2 million. This can be attributed to reduced OEM sales of actuation and sensors equipment as well as surface treatment services.

While operating income declined 4% to $47.3 million, operating margin expanded 230 basis points (bps) to 19%.

Defense: Sales in this segment grew 26% year over year to $217.5 million. This can be attributed to higher sales of embedded computing and flight test instrumentation equipment on various fighter jet programs.

Meanwhile, adjusted operating income improved 20% to $52.9 million and adjusted operating margin contracted 130 bps to 24.2%.

Power: Sales in this segment improved 8% year over year to $201.8 million on account of higher production revenues on Virginia and Columbia class submarines, CVN-80 and CVN-81 aircraft carriers and higher service center sales.

While adjusted operating income rose 12% to $42.6 million, operating margin expanded 70 bps to 21.1%.

Financial Update

Curtiss-Wright ended 2020 with cash and cash equivalents of $198.2 million, down 49% from $391 million as of Dec 31, 2019.

Long-term debt as of Dec 31, 2020, was $958.3 million compared with $760.6 million as of Dec 31, 2019.

Operating cash inflow from continuing operations totaled $261.2 million at the end of 2020 compared with $421.4 million at the end of 2019.

Guidance

Curtiss-Wright issued its financial guidance for 2021. The company currently expects adjusted earnings of $7.00-$7.20 per share.

The Zacks Consensus Estimate for the company's full-year earnings is pegged at $7.91 per share, higher than the company's guided range.

The company currently expects to generate sales of $2,445-$2,495 million. The Zacks Consensus Estimate for the company's full-year sales is pegged at $2,670 million, above the company's guided range.

Apart from these, Curtiss-Wright currently expects its adjusted free cash flow in the range of $330-$360 million.

Recent News

On **Apr 7, 2021**, Curtiss-Wright Corporation announced that it was awarded a contract by Lockheed Martin Aeronautics, a Lockheed Martin company, to provide its industry-leading rugged commercial-off-the-shelf (COTS) processor module technology to upgrade the F-22 Raptor, the world's preeminent tactical fighter aircraft. The selection of Curtiss-Wright's COTS technology is in alignment with the United States Air Force's (USAF) Digital Trinity for e-systems: digital engineering; agile software development; and open architecture.

On **Jan 19, 2021**, Curtiss-Wright Corporation announced that 25-hour Cockpit Voice Recorder (CVR) developed for the air transport market has received European Aviation Safety Agency (EASA) Technical Standard Order (TSO) certification. Based on Curtiss-Wright's compact, lightweight Fortress CVR technology, the new Honeywell Connected Recorder-25 (HCR-25) surpasses the requirements of the upcoming 2021 EASA minimum 25-hour cockpit voice recording mandate for aircraft weighing over 27,000 kilograms.

Valuation

Curtiss Wright's shares are up 5.6% in the year to date period and 21.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 4.9% in the year to date period and the Zacks Aerospace sector, 10.1%. Over the past year, the Zacks sub-industry is up 36% while the sector is up 20.4%.

The S&P 500 index is up 9% in the year to date period and 49% in the past year.

The stock is currently trading at 16.7X of forward 12-month earnings, which compares to 26.2X for the Zacks sub-industry, 23.2X for the Zacks sector and 22.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.9X and as low as 10X, with a 5-year median of 18.8X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $130 price target reflects 17.7X earnings value.

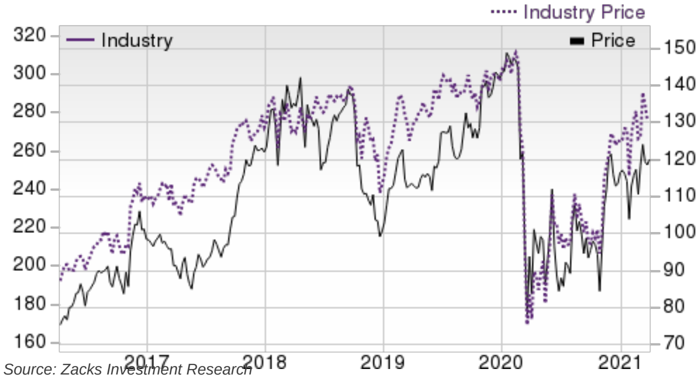
The table below shows summary valuation data for CW

Valuation Multiples - CW

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.74	26.18	23.16	22.9
	5-Year High	25.89	27.12	23.16	23.83
	5-Year Low	9.96	13.36	14.38	15.3
	5-Year Median	18.79	17.54	18.08	18
P/S F12M	Current	2	1.77	1.95	4.71
	5-Year High	2.59	1.77	1.95	4.71
	5-Year Low	1.25	0.78	0.96	3.21
	5-Year Median	1.92	1.08	1.27	3.71
EV/EBITDA TTM	Current	11.96	13.21	26.88	18.2
	5-Year High	15.1	13.5	27.03	18.2
	5-Year Low	7.11	6.54	8.46	9.62
	5-Year Median	11.81	9.3	11.12	13.35

As of 04/07/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 37% (93 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AAR Corp. **(AIR)**	Outperform	1
CAE Inc **(CAE)**	Outperform	2
Aerojet Rocketdyne Holdings, Inc. **(AJRD)**	Neutral	3
Ducommun Incorporated **(DCO)**	Neutral	2
Heico Corporation **(HEI)**	Neutral	3
Moog Inc. **(MOG.A)**	Neutral	2
Teledyne Technologies Incorporated **(TDY)**	Neutral	2
Triumph Group, Inc. **(TGI)**	Neutral	3

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

Industry Comparison Industry: Aerospace - Defense Equipment

	CW	X Industry	S&P 500	CAE	HEI	MOG.A
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	2
VGM Score	A	-	-	F	D	A
Market Cap	5.02 B	2.69 B	29.90 B	8.59 B	17.59 B	2.74 B
# of Analysts	4	2	12	3	4	2
Dividend Yield	0.55%	0.00%	1.3%	0.00%	0.12%	1.17%
Value Score	A	-	-	D	D	B
Cash/Price	0.04	0.08	0.06	0.06	0.02	0.04
EV/EBITDA	13.96	13.80	16.78	15.40	37.72	26.56
PEG F1	NA	4.17	2.38	4.46	7.68	NA
P/B	2.85	2.56	4.00	3.77	8.45	2.10
P/CF	12.61	15.65	16.82	15.65	43.01	11.03
P/E F1	16.97	31.30	21.96	35.71	60.90	19.35
P/S TTM	2.10	1.86	3.43	3.74	10.35	0.97
Earnings Yield	5.82%	2.93%	4.46%	2.80%	1.64%	5.17%
Debt/Equity	0.54	0.25	0.66	0.75	0.32	0.69
Cash Flow ($/share)	9.74	2.10	6.78	1.87	2.98	7.57
Growth Score	A	-	-	D	C	B
Historical EPS Growth (3-5 Years)	15.94%	8.67%	9.39%	1.39%	20.84%	8.67%
Projected EPS Growth (F1/F0)	4.08%	9.85%	15.29%	125.69%	-6.77%	-8.42%
Current Cash Flow Growth	-2.59%	-0.19%	0.44%	25.12%	0.76%	-8.07%
Historical Cash Flow Growth (3-5 Years)	7.00%	7.00%	7.37%	9.68%	17.30%	-0.92%
Current Ratio	1.61	2.62	1.39	1.24	4.90	2.05
Debt/Capital	34.90%	28.88%	41.26%	42.96%	29.98%	40.80%
Net Margin	8.42%	2.11%	10.59%	0.53%	15.47%	-0.17%
Return on Equity	16.57%	7.86%	14.86%	7.44%	13.25%	11.47%
Sales/Assets	0.63	0.64	0.51	0.39	0.49	0.85
Projected Sales Growth (F1/F0)	3.57%	0.00%	7.36%	22.12%	3.96%	-2.60%
Momentum Score	C	-	-	F	D	A
Daily Price Change	0.07%	-0.17%	-0.22%	0.17%	-1.45%	-1.96%
1-Week Price Change	1.28%	2.59%	0.35%	2.34%	3.66%	1.22%
4-Week Price Change	2.46%	1.18%	3.66%	5.47%	1.80%	-0.10%
12-Week Price Change	4.41%	8.29%	8.52%	6.23%	-7.17%	1.89%
52-Week Price Change	25.72%	53.46%	54.42%	120.86%	51.29%	50.17%
20-Day Average Volume (Shares)	248,789	160,824	2,089,350	654,527	306,237	122,330
EPS F1 Estimate 1-Week Change	0.03%	0.00%	0.00%	0.00%	0.00%	2.84%
EPS F1 Estimate 4-Week Change	0.03%	0.00%	0.00%	-0.61%	0.00%	2.84%
EPS F1 Estimate 12-Week Change	-3.38%	2.19%	2.27%	10.07%	-2.51%	10.62%
EPS Q1 Estimate Monthly Change	-0.16%	0.00%	0.00%	NA	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

Value Score	A
Growth Score	A
Momentum Score	C
VGM Score	A

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.

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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Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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 mediumterm price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at $35 and expected to earn $3 per share in the current fiscal year (F1), would be 0.0857 (3/35 = 0.0857) or 8.57%. In other words, for $1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow ($/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every $1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every $1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated $2.50 in sales for every $1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is $1.10 now versus $1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from $1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.