

## DuPont de Nemours, Inc (DD)

**\$75.64** (As of 03/09/21)

Price Target (6-12 Months): **\$79.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 02/01/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:D

Value: C

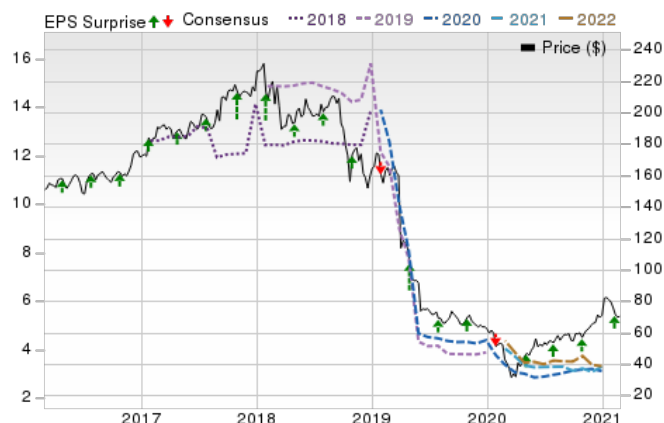
Growth: D

Momentum: D

## Summary

Earnings estimates for DuPont for the first quarter of 2021 have been going up over the past month. DuPont will benefit from its investment in innovation and new product development. New product launches across high growth markets will drive its top line. DuPont's cost and productivity improvement actions should also support its margins. The company also remains focused on driving cash flow and shareholder value. Actions to divest non-core assets and focus on growth areas should also boost its performance. DuPont has also outperformed the industry it belongs to over a year. However, soft demand across a number of markets is likely to hurt DuPont's volumes in the first quarter. Weak nylon pricing is also expected to weigh on its sales and margins. The company also faces headwinds from raw material cost inflation.

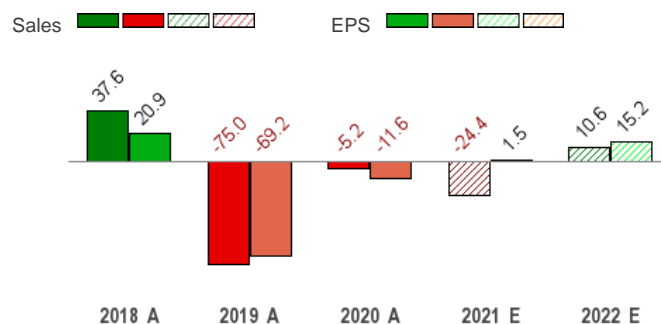
## Price, Consensus & Surprise



## Data Overview

52-Week High-Low	<b>\$87.27 - \$28.33</b>
20-Day Average Volume (Shares)	<b>6,180,175</b>
Market Cap	<b>\$40.7 B</b>
Year-To-Date Price Change	<b>6.4%</b>
Beta	<b>1.53</b>
Dividend / Dividend Yield	<b>\$1.20 / 1.6%</b>
Industry	<b>Chemical - Diversified</b>
Zacks Industry Rank	<b>Top 28% (71 out of 254)</b>

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



Last EPS Surprise	<b>3.3%</b>
Last Sales Surprise	<b>0.0%</b>
EPS F1 Estimate 4-Week Change	<b>8.8%</b>
Expected Report Date	<b>05/04/2021</b>
Earnings ESP	<b>0.0%</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					17,044 E
2021	3,824 E	3,846 E	3,835 E	3,810 E	15,411 E
2020	5,221 A	4,828 A	5,096 A	5,252 A	20,397 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$3.93 E
2021	\$0.77 E	\$0.82 E	\$0.94 E	\$0.87 E	\$3.41 E
2020	\$0.84 A	\$0.70 A	\$0.88 A	\$0.95 A	\$3.36 A

\*Quarterly figures may not add up to annual.

P/E TTM	<b>22.4</b>
P/E F1	<b>22.2</b>
PEG F1	<b>4.7</b>
P/S TTM	<b>2.0</b>

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/09/2021. The report's text and the analyst-provided price target are as of 03/10/2021.

## Overview

DuPont de Nemours, Inc., which was formerly known as DowDuPont Inc., started trading as a stand-alone company on Jun 3, 2019 following the separation of its Agriculture division through the spin-off of Corteva, Inc. Following the Corteva separation, DuPont now holds the specialty products business of the former DowDuPont.

DuPont provides technology-based materials, ingredients and solutions. It serves markets including electronics, transportation, construction, health and wellness, food and worker safety. The company, which recorded revenues of around \$20.4 billion in 2020, has strong geographic, customer and end-market diversification and leading positions in core markets with businesses aligned with high-growth market trends. The company operates in five segments:

**Electronics & Imaging:** The segment provides the industry's broadest portfolio of semiconductor and advanced packaging materials. It offers differentiated materials and systems for a vast range of consumer electronics. The segment accounted for 19% of 2020 sales.

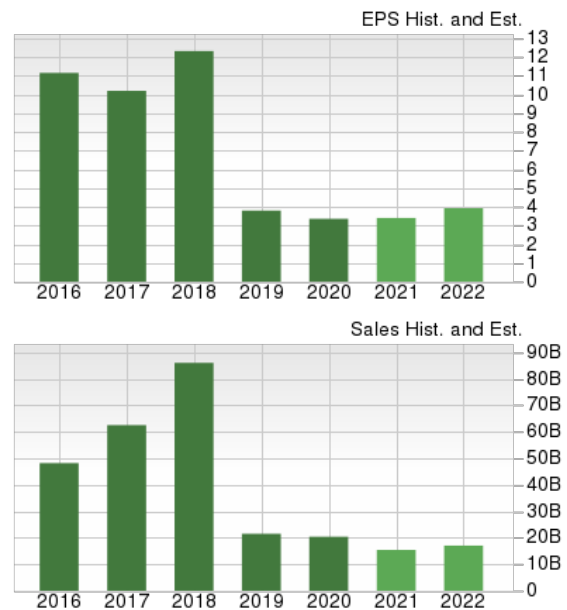
**Nutrition & Biosciences:** The unit is among the biggest producers of specialty ingredients globally. DuPont, on Feb 1, 2021, completed the merger of this unit with International Flavors & Fragrances. The division accounted for 30% of 2020 sales.

**Transportation & Industrial:** The segment provides high-performance engineering resins, silicones, lubricants, adhesives and parts in transportation, electronics, healthcare, industrial and consumer end-markets. It accounted for 20% of 2020 sales.

**Safety & Construction:** The unit is a leading provider of engineered products and integrated systems for industries including construction, energy and transportation. It accounted for 24% of 2020 sales.

**Non-Core:** The segment supplies key materials for the production of photovoltaics and solar cells, and components and films for consumer electronics, automotive and aerospace markets. It accounted for 7% of 2020 sales.

Effective first-quarter 2021, the company has realigned its businesses to three segments — Electronics & Industrial, Mobility & Materials, and Water & Protection.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ DuPont's shares are up 106.3% over a year, outperforming the industry's rise of 73.5%. DuPont remains focused on driving top-line growth through innovation and new product development. New product launches are driving growth in a number of areas including automotive electrification and water. The company's innovation-driven investment is focused on several high-growth areas. It remains committed to drive returns from its research and development (R&D) investment. The company plans to invest roughly 4% of its sales on R&D (\$600-\$650 million) in 2021.
- ▲ The company is gaining from cost synergy savings and productivity actions. DuPont achieved roughly \$500 million in productivity and cost synergy savings in 2019. It also delivered \$280 million of savings from additional cost actions in 2020. A significant portion of this was targeted at reducing functional general and administrative costs. DuPont also delivered \$130 million in manufacturing cost savings in the last reported quarter. Benefits of its structural cost actions are also expected to be realized in 2021. The company's cost actions are expected to contribute to its adjusted earnings per share in 2021.
- ▲ The company remains focused on driving cash flow and shareholder value. It looks to boost cash flow through working capital productivity and earnings growth. The company sees around \$1 billion in multi-year working capital productivity opportunity. It took actions to deliver \$850 million of working capital improvement in 2020. DuPont also remains committed to effective capital allocation. The company returned \$882 million in dividends to shareholders in 2020. It expects to increase dividend payout ratio to 35-45% in 2021 and raise dividend annually. The company expects to return roughly \$640 million in dividends this year.
- ▲ DuPont is actively managing its portfolio with an aim for value creation. The company is divesting non-core assets to focus more on high-growth, high-margin businesses. It is making significant progress in its divestiture actions. In sync with its portfolio strategy, DuPont has completed the merger of its Nutrition & Biosciences unit with IFF to form a new entity with 55.4% shareholding. Upon the deal's closure, DuPont received a one-time cash payment of \$7.3 billion, which will allow the company to boost shareholders' returns, repay debts and focus on growth through potential merger and acquisitions. The company has also concluded the strategic review of its non-core businesses. It has entered into a definitive deal with an international private equity consortium to divest the Clean Technologies business for \$510 million. The deal is expected to conclude in mid-2021. The company has made a substantial progress with non-core divestitures. DuPont expects its portfolio actions to boost its underlying performance.
- ▲ The company's efforts to manage its debt load appear encouraging. The company, in April 2020, issued \$2 billion bond offering to satisfy the debt maturities due in November this year. During the first quarter of 2020, it also strengthened its liquidity position with \$1 billion revolving credit facility. The company also ended 2020 with a strong cash position (of around \$2.5 billion). The company also significantly reduced its net debt position with the reduction of commercial paper balances by around \$1.4 billion at the end of the third quarter of 2020. DuPont expects to use \$5 billion of proceeds from the IFF transaction to deleverage its balance sheet in first-half 2021. It has already repaid term loan worth \$3 billion in February 2021. It has no debt maturities until the fourth quarter of 2023.

DuPont will gain from its investment in innovation and portfolio actions. Its cost and productivity initiatives should also support margins. DuPont also remains focused on driving shareholder value.

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## Reasons To Sell:

- ▼ The company faces headwind from weak demand across some of its businesses. It saw softness across certain markets such as aerospace, industrial and oil & gas in the last reported quarter. DuPont is seeing lower demand in commercial construction, industrial and aerospace & defense markets due to the coronavirus outbreak. Oil and gas industry dynamics also remain challenging. While the company is seeing some recovery in automotive, demand weakness across other end-markets is expected to continue to affect the company's organic sales in the first quarter of 2021. The company expects softness in aerospace, oil & gas and select industrial markets to continue, leading to a decline in its Safety Solutions business in the first quarter.
- ▼ Weaker pricing is affecting the company's Transportation & Industrial unit (renamed Mobility & Materials). The company is facing pressure from lower nylon prices as witnessed in the most recent quarter. Nylon prices remain under pressure partly due to the supply-demand imbalance. Nylon pricing weakness is expected to continue to hurt first-quarter sales as reflected in the company's guidance. DuPont expects overall prices to be down low-single digits year over year in the first quarter.
- ▼ DuPont is also facing headwind related to raw material cost inflation in its Mobility & Materials business, partly associated with its automotive business. The company lost some volumes in the fourth quarter of 2020 due to raw material constraints. It expects to lose some more volumes in the first quarter due to those constraints. DuPont anticipates to lose around \$60-\$80 million in sales in Mobility & Materials in the first quarter due to the constraints. It sees roughly \$100 million of headwinds from raw material inflation in 2021.
- ▼ The ongoing semiconductor shortage is affecting automotive production globally. The shortage, partly caused by the impacts of the coronavirus pandemic, is disrupting production of parts and vehicles and affecting all major automotive original equipment manufacturers (OEMs). Some of the OEMs are adjusting their production and taking actions to minimize the impact of the chip shortage. The disruptions are hurting automotive builds around the world in the first quarter. As such, weaker automotive production is likely to affect DuPont's Mobility & Materials business in the first quarter.

Weak demand in certain end-use markets will hurt DuPont's volumes and organic sales. The company also faces headwinds from weak nylon pricing and raw material cost inflation.

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## Last Earnings Report

### DuPont's Earnings and Revenues Surpass Estimates in Q4

DuPont recorded earnings (on a reported basis) from continuing operations of 37 cents per share for fourth-quarter 2020, up from earnings of 24 cents per share in the year-ago quarter.

Barring one-time items, earnings came in at 95 cents per share for the reported quarter, topping the Zacks Consensus Estimate of 92 cents.

DuPont raked in net sales of \$5,252 million, up 1% from the year-ago quarter. It also beat the Zacks Consensus Estimate of \$5,251 million. Growth in the Electronics & Imaging unit along with continued recovery in automotive markets more than offset softness in oil & gas, aerospace and select industrial markets.

The company saw strong demand in semiconductors, smartphones technologies and Tyvek protective garments in the reported quarter. It also achieved \$130 million in non-manufacturing costs savings in the quarter.

**Quarter Ending** **12/2020**

Report Date	Feb 09, 2021
Sales Surprise	0.02%
EPS Surprise	3.26%
Quarterly EPS	0.95
Annual EPS (TTM)	3.37

### Segment Highlights

The company's Electronics & Imaging segment recorded net sales of \$1 billion in the reported quarter, up 9% on a year-over-year comparison basis. Organic sales rose 8% on 10% higher volumes. The growth was driven by Interconnect Solutions and Semiconductor Technologies. Growth was also witnessed in Image Solutions.

At the Nutrition & Biosciences unit, sales were up 3% year over year to \$1.5 billion. Organic sales rose 2% year over year on higher volumes and prices. The company recently completed the separation of the Nutrition & Biosciences business.

Net sales for the Transportation & Industrial division were \$1.2 billion in the reported quarter, up 1% year over year. Organic sales fell 1% on 4% lower pricing that offset 3% volume increase. The company saw sustained recovery in the automotive market.

Net sales in the Safety & Construction unit were \$1.2 billion, down 2% year over year. Organic sales fell 6% as 1% price improvement was more than offset by 7% lower volume. The company saw strong demand for Tyvek protective garments, offset by softness in aramid fibers across aerospace, oil & gas and certain industrial markets.

In the non-core reporting segment, net sales fell 17% year over year to \$337 million, affected by the divestiture of the trichlorosilane business. Organic sales were flat year over year.

### FY20 Results

Loss (as reported) from continuing operations for full-year 2020 was \$3.95 per share, compared with a loss of 86 cents per share a year ago. Revenues dropped around 5% year over year to \$20,397 million for the full year.

### Financials

DuPont had cash and cash equivalents of \$2,544 million at the end of 2020, up around 65% year over year. Long-term debt was \$21,806 million, up roughly 60% year over year.

The company also generated operating cash flow of \$4.1 billion and free cash flow of \$2.9 billion in 2020.

### Outlook

DuPont expects adjusted earnings per share for full-year 2021 in the band of \$3.30-\$3.45, a 68% increase at the mid-point versus 2020 adjusted earnings of \$2.01 per share.

Net sales for the year are forecast to be between \$15.4 billion and \$15.6 billion, reflecting an increase of 8% at the mid-point versus 2020 net sales of \$14.3 billion.

For the first quarter of 2021, DuPont sees net sales in the band of \$3.75-\$3.85 billion, a 4% rise at the mid-point versus \$3.7 billion in the prior-year quarter. Adjusted earnings is predicted in the range of 75-77 cents per share, indicating a 58% increase at the mid-point versus 48 cents per share in the prior-year quarter.

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## Recent News

### DuPont's Nutrition & Biosciences Unit Closes Merger with IFF

DuPont, on **Feb 1, 2021**, announced the completion of the merger of its Nutrition & Biosciences business with International Flavors & Fragrances. DuPont received a special cash payment of roughly \$7.3 billion in connection with the deal, around \$5 billion of which will be utilized to strengthen the balance sheet by retiring outstanding debt.

DuPont is now placed as a premier multi-industrial company and is equipped for organic growth and value creation. With the completion of the merger, DuPont is making certain adjustments to its reporting structure. It will have three business reporting segments — Electronics & Industrial, Mobility & Materials, and Water & Protection effective Feb 1, 2021.

The company has also concluded the strategic review of its non-core businesses. It has entered into a definitive deal with an international private equity consortium to divest the Clean Technologies business for \$510 million. The deal is expected to conclude in the second quarter of 2021.

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## Valuation

DuPont's shares are up 106.3% over the trailing 12-month period. Over the past year, the Zacks Chemical - Diversified industry and the Zacks Basic Materials sector are up 73.5% and up 77.1%, respectively.

The S&P 500 index is up 41.8% in the past year.

The stock is currently trading at 12.22X trailing 12-month enterprise value-to-EBITDA (EV/EBITDA) ratio, which compares to 13.09X for the Zacks sub-industry, 9.5X for the Zacks sector and 17.01X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.38X and as low as 3.94X, with a 5-year median of 9.18X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$79 price target reflects 22.51X forward 12-month earnings per share.

The table below shows summary valuation data for DD:

Valuation Multiples - DD					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	12.22	13.09	9.5	17.01
	5-Year High	22.38	13.51	17.76	17.55
	5-Year Low	3.94	5.19	6.41	9.62
	5-Year Median	9.18	7.7	9.84	13.31
P/E F 12M	Current	21.58	17.16	11.15	21.96
	5-Year High	27.91	19.24	21.05	23.8
	5-Year Low	7.61	8.97	10.24	15.3
	5-Year Median	15.08	13.34	13.17	17.9
P/B TTM	Current	1.42	2.13	2.46	6.46
	5-Year High	2.91	2.82	3.08	6.67
	5-Year Low	0.51	0.87	1.22	3.83
	5-Year Median	1.49	1.75	2.26	4.97

As of 03/09/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 28% (71 out of 254)



Source: Zacks Investment Research

## Top Peers

Company (Ticker)	Rec	Rank
BASF SE (BASFY)	Outperform	2
LyondellBasell Industries N.V. (LYB)	Outperform	2
PPG Industries, Inc. (PPG)	Outperform	2
Air Products and Chemicals, Inc. (APD)	Neutral	4
The Chemours Company (CC)	Neutral	3
Celanese Corporation (CE)	Neutral	3
Dow Inc. (DOW)	Neutral	2
Eastman Chemical Company (EMN)	Neutral	2

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

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	DD	X Industry	S&P 500	BASFY	DOW	LYB
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	2	2	2
VGM Score	D	-	-	B	A	B
Market Cap	40.70 B	4.05 B	27.82 B	78.40 B	46.40 B	35.81 B
# of Analysts	7	3	13	3	8	8
Dividend Yield	1.59%	1.28%	1.39%	3.12%	4.50%	3.92%
Value Score	C	-	-	B	A	A
Cash/Price	0.06	0.11	0.06	0.09	0.11	0.07
EV/EBITDA	62.20	10.87	15.63	9.93	10.01	14.66
PEG F1	4.79	1.59	2.32	1.68	0.86	1.24
P/B	1.42	2.27	3.88	1.94	3.55	4.48
P/CF	9.97	11.12	15.92	8.95	11.24	10.87
P/E F1	22.52	19.30	20.94	16.80	16.60	9.91
P/S TTM	2.00	1.18	3.26	1.16	1.20	1.29
Earnings Yield	4.51%	5.16%	4.72%	5.95%	6.02%	10.10%
Debt/Equity	0.56	0.56	0.67	0.48	1.27	1.91
Cash Flow (\$/share)	7.59	2.86	6.78	2.38	5.54	9.86
Growth Score	D	-	-	C	C	D
Historical EPS Growth (3-5 Years)	-23.18%	2.37%	9.34%	-10.14%	NA	-7.67%
Projected EPS Growth (F1/F0)	1.36%	21.29%	14.41%	38.04%	125.90%	92.80%
Current Cash Flow Growth	-11.37%	-11.37%	0.74%	-19.09%	-25.42%	-30.42%
Historical Cash Flow Growth (3-5 Years)	-4.24%	0.15%	7.37%	-3.10%	NA	-10.99%
Current Ratio	2.31	1.95	1.39	1.66	1.72	2.11
Debt/Capital	35.82%	37.03%	41.42%	32.28%	55.91%	65.85%
Net Margin	-14.47%	4.18%	10.59%	-1.79%	3.18%	5.14%
Return on Equity	6.39%	9.59%	14.75%	7.94%	9.44%	25.44%
Sales/Assets	0.29	0.68	0.51	0.67	0.64	0.85
Projected Sales Growth (F1/F0)	-19.01%	9.17%	6.93%	12.24%	11.12%	22.53%
Momentum Score	D	-	-	B	B	C
Daily Price Change	0.59%	0.00%	-0.04%	-0.68%	-1.86%	-1.46%
1-Week Price Change	5.28%	1.91%	2.46%	3.32%	6.07%	4.66%
4-Week Price Change	2.95%	1.99%	2.26%	5.02%	10.00%	13.16%
12-Week Price Change	11.19%	11.19%	6.56%	8.09%	15.02%	20.40%
52-Week Price Change	98.43%	59.28%	34.46%	58.57%	98.28%	79.39%
20-Day Average Volume (Shares)	6,180,175	141,093	2,194,985	183,288	4,169,443	1,829,047
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	3.45%	-0.97%
EPS F1 Estimate 4-Week Change	8.81%	0.00%	0.00%	2.70%	10.24%	12.77%
EPS F1 Estimate 12-Week Change	5.40%	5.40%	2.02%	17.59%	38.35%	47.28%
EPS Q1 Estimate Monthly Change	21.43%	0.11%	0.00%	12.19%	1.15%	11.05%

Source: Zacks Investment Research

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## Zacks Stock Rating System

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

### Zacks Recommendation

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

### Zacks Rank

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

### 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	C
Growth Score	D
Momentum Score	D
VGM Score	D

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

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## Disclosures

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## Additional Disclosure

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 forward-looking 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 medium-term price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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