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Dec 28, 2020

Danaher Corporation (DHR)

$221.49 (As of 12/24/20)

Price Target (6-12 Months): **$255.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/27/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:F
	Value: F | Growth: D	Momentum: F

Summary

In the past year, Danaher's shares have outperformed the industry. In the quarters ahead, the company is poised to benefit from Danaher Business System ("DBS"), policy of rewarding shareholders through dividend payments and investment in product innovation. Also, its inorganic activities, including acquisitions and divestments, are boon. For the fourth quarter of 2020, the company anticipates core revenues to grow in low-double digits. Growth opportunities within the Life Sciences and Diagnostics segments will be beneficial for the company's top-line performance. Cytiva is expected to boost core sales by 300-400 basis points (bps) in the quarter. In the past 60 days, the company's earnings estimates have been revised upward for the fourth quarter and 2020, and 2021.

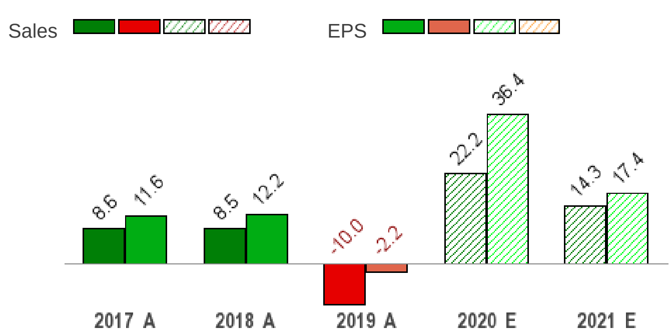
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$248.32 - $119.60**
20-Day Average Volume (Shares)	**2,293,470**
Market Cap	**$157.3 B**
Year-To-Date Price Change	**44.3%**
Beta	**0.74**
Dividend / Dividend Yield	**$0.72 / 0.3%**
Industry	**Diversified Operations**
Zacks Industry Rank	**Bottom 29% (181 out of 255)**
Last EPS Surprise	**25.6%**
Last Sales Surprise	**6.6%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**02/04/2021**
Earnings ESP	**0.0%**
P/E TTM	**40.3**
P/E F1	**36.7**
PEG F1	**3.4**
P/S TTM	**7.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	5,742 E	5,863 E	6,302 E	6,778 E	25,026 E
2020	4,343 A	5,297 A	5,883 A	6,370 E	21,893 E
2019	4,880 A	5,157 A	5,037 A	4,868 A	17,911 A

EPS Estimates

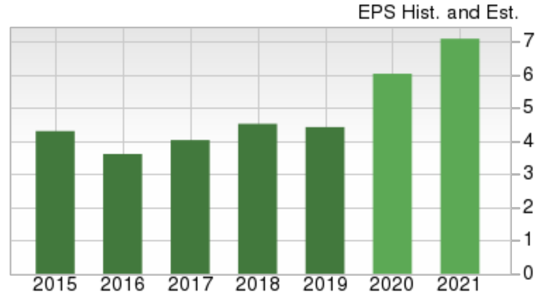
	Q1	Q2	Q3	Q4	Annual*
2021	$1.56 E	$1.66 E	$1.79 E	$2.00 E	$7.08 E
2020	$1.05 A	$1.44 A	$1.72 A	$1.81 E	$6.03 E
2019	$1.07 A	$1.19 A	$1.16 A	$1.28 A	$4.42 A

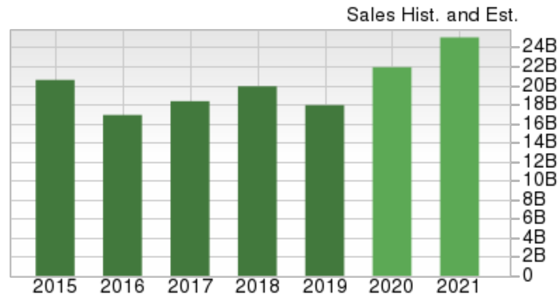
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 12/24/2020. The reports text is as of 12/28/2020.

Overview

Danaher Corporation is a global conglomerate that designs, manufactures and markets diverse lines of professional, industrial, commercial and consumer products. It is headquartered in Washington, DC. The company’s segmental details are provided below:





- **Life Sciences** (49.7% of revenues generated in third-quarter 2020) segment offers a broad range of research tools used to analyze a range of critical areas — including genes, proteins, metabolites and cells — to understand the causes of diseases, identify new therapies, and test new drugs and vaccines. It also provides filtration, separation and purification technologies to a range of industries, such as biopharmaceutical, food and beverage, medical, aerospace, microelectronics, and general industrial.

- **Diagnostics** (32.1%) segment offers analytical instruments, reagents, consumables, software and services that are deployed in hospitals, physicians' offices, reference laboratories and other critical care settings. It helps to diagnose diseases and take suitable treatment decisions.

- **Environmental & Applied Solutions** (18.2%) segment offers products and services to keep global food and water supplies safe. It offers instrumentation, consumables, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, waste, ground, source and ocean water. Moreover, the product identification businesses develop and manufacture equipment, consumables and software for various printing, marking, coding, packaging, design and color management applications.

It is worth noting here that Danaher completed the divestment of its dental assets and transferred those to Envista Holdings Corporation in September 2019. Further, Danaher completed the divestiture of its stake in Envista Holdings in December 2019. Envista trades on the NYSE under the ticker symbol “NVST”. Also, in March, Danaher acquired the BioPharma business of General Electric Company.

Source: Zacks Investment Research

Reasons To Buy:

- In the past year, Danaher's shares have gained 45% compared with the industry's growth of 12.7%. In third-quarter 2020, the company's earnings surpassed estimates by 25.5%, while sales exceeded the same by 6.6%. On a year-over-year basis, earnings expanded 62.3% on sales growth of 34.5%. DBS' initiatives — which enabled the company to focus more on product innovation, superior product quality, building an efficient workforce and enhancing shareholder value — might be beneficial. In the past 60 days, earnings estimates for Danaher have moved 1.1% north for the fourth quarter, 1.3% for 2020, and 2.6% for 2021.

Danaher is expected to benefit from its DBS initiatives, inorganic moves and shareholder-friendly policies. Also, strength across Life Sciences and Diagnostics segments might be growth drivers.

- Based on the market trends, Danaher sees healthy demand for bioprocessing products to be beneficial for the Life Sciences segment. Production capacity at Cytiva and Pall Biotech has been expanded to benefit from the demand increase owing to the pandemic. Similarly, for the Diagnostics segment, the company believes healthy demand for products related to molecular testing will be beneficial. Notably, the company anticipates supplying as many as 8 million Cepheid tests in the fourth quarter. Also, investment in product development is a priority for the segments. For fourth-quarter 2020, the company anticipates core revenue growth in high-single digits. Including Cytiva, core sales growth in the quarter will be in low-double digits.

- Over time, Danaher has relied on inorganic activities to boost its competency. The company acquired Labcyte Corporation in January 2019 and then added General Electric's BioPharma business to its portfolio in March 2020. The BioPharma buyout complements Danaher's biologics workflow solutions of the Life Sciences segment. It works as an operating company (stand-alone) — Cytiva. Talking about divestments, Danaher divested its dental business to Envista in September 2019 and closed the disposition of its stake in Envista in December 2019. Also, this April, the company completed the divestment of certain assets belonging to its Life Sciences segment to Sartorius AG. In third-quarter 2020, acquisitions/divestments boosted the company's sales by 24.5%. Cytiva's contribution to sales growth was 5% in the quarter. For fourth-quarter 2020, Danaher anticipates Cytiva to boost core sales by 300-400 bps.

- Danaher remains committed to rewarding its shareholders handsomely through dividend payments. In the first nine months of 2020, the company used $445.4 million of funds to pay out dividends, reflecting growth of 15.7% from the year-ago period. It is worth mentioning here that the company announced a hike of one cent per share in the quarterly dividend rate in February 2020.

Risks

- On a Price (P)/Earnings (E) (trailing 12 months - TTM) basis, Danaher's stock looks overvalued compared with the industry, with respective tallies of 40.34X and 37.18X. Furthermore, the company's current multiple are higher than the industry's last 12-month highest level of 37.18X. Though the company provided an impressive view for the fourth quarter of 2020, it still refrained from issuing projections for 2020 due to the uncertainties caused by the pandemic. In addition, rising cost of sales has been a major cause of concern for the company. Its cost of sales increased 5.1% on a year-over-year basis in 2019, while the same expanded 21.5% in the first three quarters of 2020. Notably, the metric increased 37.2% year over year in the third quarter Also, operating expenses (including selling, general and administrative, and research and development expenses) flared up 18.5% year over year in the first three quarters of 2020 and 28.4% in the third quarter of 2020. Talking about margins, the company's gross margin the third quarter of 2020 contracted 100 bps year over year, while the same shrunk 210 bps in the second quarter. Escalating costs, if unchecked, might have adverse impacts on the company's margins and profitability in the quarters ahead.

- In order to finance buyout activities and working capital needs, sometimes Danaher generates funds through the issuance of long-term debt instruments and equities. This, in turn, could affect its cost of funds, liquidity and access to capital markets in case of a downgrade in investment grade ratings. To fund the acquisition of the BioPharma business, the company raised funds through the issuance of common and preferred shares. It is worth mentioning here that Danaher's long-term debt at the end of the third quarter of 2020 stood at $21.8 billion. During the first three quarters of 2020, the company raised $7,691.3 million through borrowings, with maturity of more than 90 days, and its repayments amounted to $5,000 million. Its total-debt to total capital stood at 36.5% at the third-quarter end. Times interest earned — suggesting the company's ability to fund financial obligations — weakened from 20.0X at the end of second-quarter 2020 to 16.9X at the end of third-quarter 2020. In October, the company issued $1 billion worth of senior notes and also redeemed its previously floated Euro-denominated senior notes maturing in 2022.

- International operations have exposed Danaher to risks arising from unfavorable movements in foreign currencies and geopolitical issues. Sales in the first nine months of 2020 edged down 1% on forex woes. It is noteworthy here that the impact of movements in foreign currencies was a positive 1% on sales growth in the third quarter. Depsite this, we believe, any unfavorable movement in foreign currencies in the future might be detrimental to Danaher in the quarters ahead. Also, the company's business is overseen by a number of U.S. and non-U.S. governmental and self-regulatory entities. The entities ensure Danaher's compliance with multiple regulations related to import laws, export control and economic sanctions laws, restricting its scope. Further, any change in governmental regulations may curb the demand for the company's product or service portfolio and elevate expenses.

Last Earnings Report

Danaher Q3 Earnings Beat, Rise Y/Y on Sales Growth

Quarter Ending	09/2020
Report Date	Oct 22, 2020
Sales Surprise	6.57%
EPS Surprise	25.55%
Quarterly EPS	1.72
Annual EPS (TTM)	5.49

Danaher has reported better-than-expected results for the third quarter of 2020, with earnings surpassing estimates by 25.5%. Also, the company's sales surpassed the consensus estimate by 6.6%.

The company's adjusted earnings were $1.72 per share in the reported quarter, which outpaced the Zacks Consensus Estimate of $1.37. The bottom line increased 62.3% from the year-ago quarter's figure of $1.06 mainly on sales growth and improved operating margin.

Revenue Details

In the quarter under review, the company's net sales were $5,883.2 million, reflecting year-over-year growth of 34.5%. The results were driven by solid performance in Life Sciences and Diagnostics segments.

Organic sales in the quarter increased 9% and foreign-currency translations had a positive impact of 1%. Also, acquisitions/divestments boosted sales by 24.5%. As noted, Cytiva had a 5% positive contribution on sales growth in the quarter. Organic sales, including the impact of Cytiva, increased 14% year over year.

Also, the company's top line surpassed the Zacks Consensus Estimate of $5,520 million.

On a geographical basis, its sales increased 39.5% year over year to $2,379 million in North America, while the same expanded 43.9% to $1,374 million in Western Europe. Also, sales in high-growth markets were $1,803.6 million, up 26.3% year over year, and that in other developed markets increased 12.4% to $326.2 million.

It reports net sales under three segments — Life Sciences, Diagnostics, and Environmental & Applied Solutions. The segmental information is briefly discussed below:

Revenues for the **Life Sciences** segment totaled $2,922.5 million, rising 72.5% year over year. Acquisitions/divestments had a positive contribution of 63% to sales growth, while foreign-currency translations boosted sales by 1%. Core sales grew 8.5% year over year.

However, Cytiva had a positive impact of 10% and including this, organic sales in the quarter increased 18.5% year over year.

Revenues in the **Diagnostics** segment grossed $1,889.1 million, increasing 18% year over year. The improvement came on the back of a 17.5% rise in core sales and a 0.5% gain from foreign-currency translations.

Revenues in the **Environmental & Applied Solutions** segment totaled $1,071.6 million, decreasing 1% year over year. The decline was due to a 1% fall in core sales.

Margin Profile

In the quarter under review, Danaher's cost of sales increased 37.2% year over year to $2,657.7 million. It represented 45.2% of net sales compared with 44.2% in the year-ago quarter. Gross profit increased 32.1% year over year to $3,225.5 million, while margin decreased 100 basis points (bps) year over year to 54.8%.

Selling, general and administrative expenses of $1,795.3 million reflect a year-over-year increase of 29.9%. As a percentage of net sales, it represented 30.5% versus 31.6% in the year-ago quarter. Research and development expenses were $342.6 million, which rose 21.2% year over year. It represented 5.8% of net sales versus 6.5% in the year-ago quarter.

Operating income in the quarter under review increased 40% year over year to $1,087.6 million. Operating margin increased 80 bps to 18.5% in the quarter. Interest expenses in the quarter totaled $76.7 million, higher than $24 million reported in the year-ago quarter.

Balance Sheet and Cash Flow

Exiting the third quarter, Danaher had cash and cash equivalents of $5,687.7 million, up 2.7% from $5,539.3 million at the end of the last reported quarter. Long-term debt balance decreased 2.5% sequentially to $21,806.1 million.

During the first three quarters of 2020, the company raised $7,691.3 million through borrowings, with a maturity of more than 90 days. It also repaid $5,000 million borrowings, with a maturity of more than 90 days.

In the third quarter of 2020, the company generated net cash of $1,722.7 million from operating activities, reflecting a year-over-year increase of 93%. Capital used for purchasing property, plant and equipment totaled $187.3 million versus $162.1 million in the year-ago comparable period. Free cash flow (non-GAAP) in the quarter improved 110% year over year to $1,536 million.

The company paid out dividends worth $445.4 million to its shareholders in the first three quarters of 2020, reflecting an increase of 15.7% from the year-ago period.

Outlook

In the quarters ahead, Danaher expects to benefit from a solid product portfolio, operational execution, dedicated workforce and a strong balance sheet.

For the fourth quarter, the company expects core revenue growth in high-single digits. In addition, it believes Cytiva's impact on core sales will be 300-400 bps and including this contribution, core sales growth in the quarter will be in low-double digits.

Recent News

Dividend

On **Dec 8, 2020,** Danaher's board of directors approved payment of a quarterly cash dividend of 18 cents per share to shareholders of record as of Dec 28. The disbursement will be made on Jan 29, 2021.

Danaher Restructure Debt With Senior Notes Issue & Redemption

On **Oct 6, 2020**, Danaher announced the completion of its $1 billion worth of senior notes offering. Concurrently, the conglomerate communicated its plans to redeem its previously floated Euro-denominated senior notes maturing in 2022.

As mentioned previously, the notes offered carries a coupon rate of 2.600% and will mature on Oct 1, 2050. Interest on these notes will be paid semi-annually, each on Apr 1 and Oct 1. The first interest payment is due on Apr 1, 2021.

It is worth mentioning here that the issuer has the option to redeem the 2.600% senior notes before Apr 1, 2050, at a redemption price, which is greater than the principal value of the notes, and the present value of the pending payments as well as any accrued and unpaid interests, if applicable. The notes can be redeemed on or after Apr 1, 2050, for a value equal to par value plus accrued and unpaid interest.

The notes were offered to the public at 98.970% of the principal amount and generated net proceeds (after deduction of underwriting discounts and issuance-related costs) of $980.1 million for Danaher. The proceeds will be used for satisfying general corporate purposes, including funding for working capital and capital expenditure needs, the redemption of Euro-denominated senior notes maturing in 2022, refinancing of other indebtedness (outstanding), and other purposes.

The above-mentioned redemption is applicable for €800 million worth of senior notes maturing in 2022. The notes — guaranteed by Danaher — were previously issued by DH Europe Finance S.À R.L.

Danaher expects to redeem the Euro-denominated senior notes on Nov 5, 2020. The redemption value will be higher of the principal amount of the to-be-redeemed notes and the present value of any remaining payments plus accrued and unpaid interest, if applicable.

Valuation

Danaher shares are up 45% in the trailing 12-month period. Stocks in both the Zacks sub-industry and the Zacks Conglomerates sector have moved up 12.7% over the past year.

The S&P 500 index has increased 17.1% in the past year.

The stock is currently trading at 31.3x forward 12-month earnings, which compares to 27.1x for both the Zacks sub-industry and the Zacks sector, and 22.87x for the S&P 500 index.

Over the past five years, the stock has traded as high as 37.87x and as low as 15.64x, with a 5-year median of 21.92x. Our Outperform recommendation indicates the stock to perform better than the market. Our $255 price target reflects 36x forward 12-month earnings per share.

The table below shows summary valuation data for DHR.

Valuation Multiples - DHR

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	31.3	27.1	27.1	22.87
	5-Year High	37.87	27.48	27.48	23.79
	5-Year Low	15.64	15.76	15.76	15.3
	5-Year Median	21.92	18.58	18.58	17.81
P/S F12M	Current	6.29	4.71	4.71	4.34
	5-Year High	7.3	4.71	4.71	4.34
	5-Year Low	2.36	2.29	2.29	3.17
	5-Year Median	3.5	3.06	3.06	3.67

As of 12/24/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 29% (181 out of 255)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
ParkerHannifin Corporation **(PH)**	Outperform	2
Abbott Laboratories **(ABT)**	Neutral	3
Ecolab Inc. **(ECL)**	Neutral	3
General Electric Company **(GE)**	Neutral	3
3M Company **(MMM)**	Neutral	3
Stryker Corporation **(SYK)**	Neutral	3
Thermo Fisher Scientific Inc. **(TMO)**	Neutral	3
Xylem Inc. **(XYL)**	Neutral	3

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

Industry Comparison Industry: Diversified Operations

	DHR	X Industry	S&P 500	GE	MMM	PH
				Industry Peers		
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	2	-	-	3	3	2
VGM Score	F	-	-	D	C	A
Market Cap	157.34 B	4.76 B	26.20 B	93.29 B	100.67 B	34.71 B
# of Analysts	9	3	13	7	7	7
Dividend Yield	0.33%	0.93%	1.48%	0.38%	3.37%	1.31%
Value Score	F	-	-	C	B	C
Cash/Price	0.04	0.20	0.06	0.91	0.04	0.02
EV/EBITDA	38.39	11.17	14.57	7.32	15.68	17.38
PEG F1	3.38	2.84	2.83	60.49	2.15	1.88
P/B	4.53	1.28	3.64	2.68	8.43	5.30
P/CF	35.64	8.55	13.90	8.26	14.51	17.82
P/E F1	36.73	19.98	22.12	257.07	20.42	22.12
P/S TTM	7.72	1.47	2.85	1.11	3.17	2.55
Earnings Yield	2.72%	4.08%	4.36%	0.38%	4.90%	4.52%
Debt/Equity	0.63	0.72	0.70	2.10	1.54	1.08
Cash Flow ($/share)	6.21	2.28	6.93	1.29	12.02	15.12
Growth Score	D	-	-	F	B	B
Historical EPS Growth (3-5 Years)	3.60%	10.73%	9.71%	-30.57%	2.90%	16.55%
Projected EPS Growth (F1/F0)	36.40%	-10.36%	1.26%	-93.63%	-6.08%	12.88%
Current Cash Flow Growth	1.84%	6.22%	5.23%	-8.00%	-11.15%	-2.94%
Historical Cash Flow Growth (3-5 Years)	5.87%	7.02%	8.33%	-12.27%	1.67%	7.19%
Current Ratio	2.08	1.62	1.38	2.31	1.90	1.46
Debt/Capital	36.48%	41.71%	41.97%	67.73%	60.68%	51.89%
Net Margin	18.05%	2.27%	10.40%	4.52%	15.65%	8.75%
Return on Equity	12.94%	7.98%	14.99%	5.37%	44.77%	22.77%
Sales/Assets	0.30	0.72	0.50	0.32	0.70	0.67
Projected Sales Growth (F1/F0)	9.78%	0.00%	0.35%	-24.97%	-0.63%	-2.87%
Momentum Score	F	-	-	A	F	A
Daily Price Change	0.42%	0.00%	0.29%	-1.93%	0.30%	0.02%
1-Week Price Change	1.05%	1.22%	0.87%	-3.14%	1.38%	-0.98%
4-Week Price Change	1.97%	1.65%	0.99%	1.43%	-1.47%	-1.70%
12-Week Price Change	3.18%	15.60%	14.77%	70.67%	9.91%	34.24%
52-Week Price Change	44.94%	-5.49%	5.47%	-5.16%	-1.17%	29.77%
20-Day Average Volume (Shares)	2,293,470	118,939	2,028,114	86,951,016	2,516,036	739,900
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	-0.38%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	7.41%	-0.22%	0.53%
EPS F1 Estimate 12-Week Change	10.14%	3.75%	3.68%	190.63%	3.27%	15.55%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	5.41%	-3.55%	1.14%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	D
Momentum Score	F
VGM Score	F

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

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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.