

Dover Corporation (DOV)

\$117.58 (As of 02/01/21)

Price Target (6-12 Months): **\$123.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 12/21/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: B

Momentum: A

Summary

Dover's fourth-quarter 2020 adjusted earnings and sales beat the respective Zacks Consensus Estimates and improved year over year. Backed by the company's productivity and cost initiatives, Dover expects to deliver robust top-line growth, margin expansion and earnings per share accretion in 2021. It expects adjusted earnings per share between \$6.25 and \$6.45 for 2021. The company is poised to gain from strong growth in biopharma, aerospace & defense, heat exchangers and marking & coding business for the current year. Dover's cost reduction initiatives, acquisitions, e-commerce, new product development, as well as inorganic investment in core business platforms will also drive growth. However, the company expects bleak demand across some of its end markets as well as pandemic induced uncertainties are likely to hinder growth.

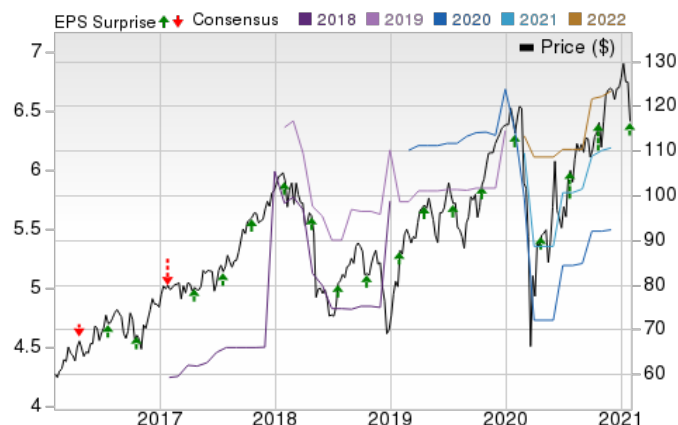
Data Overview

52-Week High-Low	\$130.41 - \$62.95
20-Day Average Volume (Shares)	736,922
Market Cap	\$16.8 B
Year-To-Date Price Change	-7.7%
Beta	1.30
Dividend / Dividend Yield	\$1.98 / 1.7%
Industry	Manufacturing - General Industrial
Zacks Industry Rank	Top 27% (68 out of 253)

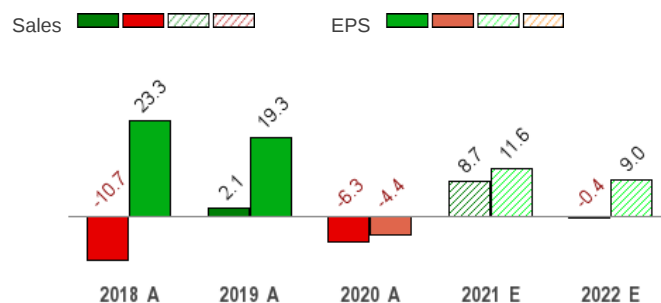
Last EPS Surprise	13.1%
Last Sales Surprise	3.3%
EPS F1 Estimate 4-Week Change	2.2%
Expected Report Date	NA
Earnings ESP	-0.9%

P/E TTM	20.6
P/E F1	18.6
PEG F1	1.6
P/S TTM	2.5

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,776 E	1,812 E	1,952 E	1,927 E	7,233 E
2021	1,697 E	1,749 E	1,883 E	1,865 E	7,265 E
2020	1,656 A	1,499 A	1,748 A	1,780 A	6,684 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.58 E	\$1.69 E	\$1.91 E	\$1.82 E	\$6.90 E
2021	\$1.43 E	\$1.51 E	\$1.74 E	\$1.63 E	\$6.33 E
2020	\$1.39 A	\$1.13 A	\$1.60 A	\$1.55 A	\$5.67 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 02/01/2021. The report's text and the analyst-provided price target are as of 02/01/2021.

Overview

Incorporated in 1955, New York-based Dover Corporation is an industrial conglomerate producing a wide range of specialized industrial products and manufacturing equipment.

Since Oct 1, 2019, the company has transitioned from a three-segment to a five-segment structure as a result of a change to its internal organization. These segments are Engineered Products, Fueling Solutions, Imaging & Identification, Pumps & Process Solutions and Refrigeration & Food Equipment.

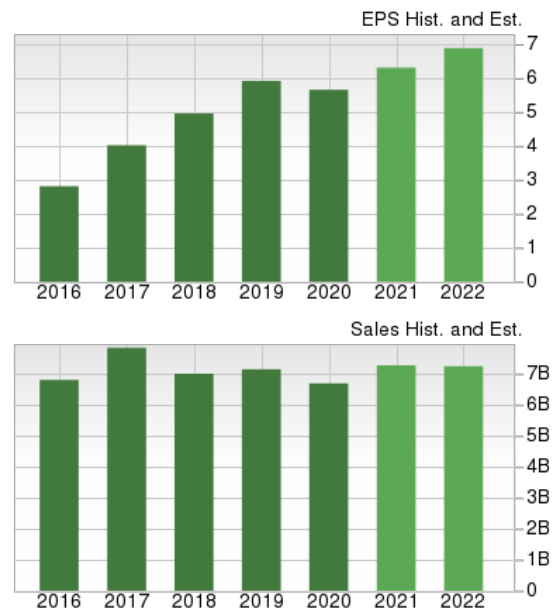
Engineered Products (23% of total revenues in 2020) segment is a provider of a wide range of products, software and services that have broad customer applications across a number of markets. These includes aftermarket vehicle service, solid waste handling, industrial automation, aerospace and defense, industrial winch and hoist, and fluid dispensing.

Fueling Solutions (6.1%) segment is focused on providing components, equipment and software and service solutions enabling safe transport of fuels and other hazardous fluids along the supply chain, as well as the safe and efficient operation of retail fueling and vehicle wash establishments.

Imaging & Identification (4.3%) segment supplies precision marking and coding, product traceability and digital textile printing equipment, as well as related consumables, software and services.

Pumps & Process Solutions (16%) segment manufactures specialty pumps, fluid handling components, plastics and polymer processing equipment, as well as highly engineered components for rotating and reciprocating machines.

Refrigeration & Food Equipment (19.7%) segment is a provider of innovative and energy-efficient equipment and systems that serve the commercial refrigeration, heating and cooling and food equipment markets. Brands include Anthony and Hillphonenix refrigeration cases, and Belvac Production Machinery.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Dover's backlog remains healthy across its segments. Its backlog increased 20.7% year over year to \$1.76 billion at the end of the fourth quarter of 2020 on solid recovery of market. Robust order backlog primarily driven by orders in can making business are likely to aid first-quarter 2021 performance. Backed by the company's ongoing progress in productivity and cost initiatives, Dover expects to record margin expansion and earnings per share accretion in 2021. For the current year, Dover projects adjusted earnings per share between \$6.25 and \$6.45. Revenue growth is estimated to be 8-10% (5-6% on an organic basis) for the full year. The company is well poised to grow on improving market scenario coupled with a robust demand backlog in the current year. Moreover, Dover is poised to gain from growth in biopharma, aerospace & defense, heat exchangers, food retail and marking & coding business for the current year. Recovery in the manufacturing sector over the past few months and improved demand environment also bode well for the company.
- ▲ In the Engineered Products, demand for engineered products, vehicle service, industrial automation and automotive Original Equipment Manufacturers (OEM) markets are showing signs of improvements, while structural cost actions will support the segment's margin in the current year. Fueling Solutions continues to grow in the current year on productivity and pricing actions as well as constructive demand trends. The Imaging & Identification segment will continue to gain from strong demand for consumables and fast-moving consumer goods solutions. In the Pumps & Process Solutions segment, strong demand for food and beverage, recovery in industrial pumps and strong growth in biopharma and hygiene market on account of the pandemic are likely to be conducive to the segment's performance in the current year. In Refrigeration & Food Equipment segment, recovery in volumes, along with cost-control actions, will drive the segment's margin and profitability in the current quarter.
- ▲ Dover will gain from product digitization, e-commerce, new product development, and inorganic investment in core business platforms. Dover's productivity and cost-control initiatives continues to drive top-line growth. Dover executed restructuring programs to better align the costs and operations with current market conditions through targeted facility consolidations, headcount reductions and other measures, which will support the company's margins in remaining part of the year. The company has initiated several growth and productivity capital projects and has started investments in can forming and heat exchanger businesses to capture growing volumes and upgrade competitive capabilities.
- ▲ Dover continues to lower its debt levels and strengthen the balance sheet. Its long-term debt was around \$3 billion at the end of fourth-quarter 2020, flat with the prior year quarter. Moreover, the company's times interest earned ratio came in at 8.5x at the end of the fourth quarter, up from 8.1x in the prior quarter. This indicates that the company will be able to meet debt obligations in the near future. Dover's strong financial position, prudent capital structure, refinancing efforts and momentum in operational execution poise it well to navigate through the current turbulent situation. The company expects robust cash flow this year on solid year-to-date cash-flow generation.
- ▲ Dover has a long tradition of making successful acquisitions in diverse end markets. In fourth-quarter 2020, the company acquired Innovation Control Systems (ICS) in a bid to expand its offerings in the growing vehicle wash market. In September, the company acquired XanTec in an effort to expand automation solutions offering for the polymer processing machines. In 2019, the company acquired three businesses for a total consideration of \$216.4 million. The company made these acquisitions to complement and expand upon the existing operations within the Fueling Solutions and Pumps & Process Solutions segments. In January 2020, Dover completed the acquisition of Systech International. The buyout supports Dover's marking and coding portfolio, and expand software and service revenues within Markem-Imaje segment. Dover is on track to integrate Systech which poise it well to increase backlog in the segment.

Dover is poised to gain from solid order backlog, cost-reduction initiatives and execution of margin targets. Further, product digitization, e-commerce, new product development will boost growth.

Reasons To Sell:

- ▼ Demand environment across the company's business remains uncertain. Even though activity across most markets improving, it remains below the pre-pandemic levels. Moreover, surging coronavirus cases and renewed lockdown across various parts of the United States and Europe might impede the company's growth.
- ▼ In the Fueling Solutions, Dover expects headwind from EMV roll-off in the United States. In Imaging & ID, digital textile printing will be affected as apparel markets have been hit hard by the shutdown of Apparel Retail globally. However, it will recover from the second half of the current year. In Pumps & Process Solutions, precision components might have a slower start to the year. It will continue to be impacted by deferral of capital expenditure and refurbishment spending in refining and pipelined operators.
- ▼ Dover is facing near-term demand headwind due to weak food and retail construction markets in the Refrigeration & Food Equipment segment. Commercial food service market is adversely impacted by restaurant and school closures in the United States. Decline in order trends and postponing construction projects due to peak traffic volumes are contributing to lower demand in the segment. These factors are likely to impact the segment's results in the near term.

Dover's results is likely be hurt by the pandemic as well as weak demand across some of its end-markets. Also, challenging market conditions in retail refrigeration remain a headwind.

Last Earnings Report

Dover's Earnings and Sales Surpass Estimates in Q4

Dover reported fourth-quarter 2020 adjusted earnings per share from continuing operations of \$1.55, which beat the Zacks Consensus Estimate of \$1.37. The figure was up 1% year over year. The company's productivity and cost initiatives drove top-line improvement in the quarter despite lower revenues.

On a reported basis, Dover delivered earnings per share of \$1.25 in the December-end quarter, reflecting year-over-year growth of 9%.

Total revenues in the fourth quarter inched up 0.3% year over year to \$1,780 million. The top line surpassed the Zacks Consensus Estimate of \$1,724 million.

Costs and Margins

Cost of sales rose 0.4% year over year to \$1,129 million in the reported quarter. Gross profit remained flat at \$651 million compared with the prior-year quarter. Gross margin came in at 36.6% compared with the year-ago quarter's 36.7%.

Selling, general and administrative expenses were up 0.6% to \$406 million from the prior-year quarter. Adjusted operating profit increased to \$305 million from the year-ago quarter's \$304 million. Operating margin was 17.1%, flat with the final quarter of 2019.

Adjusted EBITDA increased 0.5% year over year to \$372.7 million. Adjusted EBITDA margin was 20.9% in fourth-quarter 2020, flat compared with the last-year quarter.

Segmental Performance

The Engineered Products segment revenues were down 7% year over year to \$394 million in fourth-quarter 2020. The segment's adjusted operating income decreased 18% year over year to \$61 million.

The Fueling Solutions segment revenues declined 8% to \$409 million from the year-earlier quarter's \$445 million. The segment's adjusted operating income was down 4% year over year to \$72 million.

The Imaging & Identification segment revenues increased 5% year over year to \$288 million. The segment's adjusted operating income fell 6% year over year to \$58 million.

The Pumps & Process Solutions revenues climbed 6% year over year to \$348 million in the fourth quarter. The adjusted operating income for the segment came in at \$84.8 million compared with the year-ago quarter's \$75.2 million.

The Refrigeration & Food Equipment segment's revenues increased to \$342 million from the year-earlier quarter's \$306 million. The segment's adjusted operating income totaled \$28 million indicating year-over-year improvement of 71%.

Bookings and Backlog

Dover's bookings at the end of the fourth quarter were worth \$1.94 billion compared with prior-year quarter's \$1.84 billion. Backlog increased 20.7% year over year to \$1.76 billion at the end of the reported quarter.

Financial Position

Dover had cash and cash equivalents of \$513 million at the end of 2020 compared with \$397 million at the end of 2019. The company generated free cash flow of \$939 million in 2020 compared with \$758 million in 2019. Cash flow from operations amounted to \$1.1 billion in 2020 compared with the year-ago figure of \$0.9 billion.

2020 Results

Dover reported adjusted earnings per share of \$5.67 in 2020, down 4% from the prior year's \$5.93. Earnings beat the Zacks Consensus Estimate of \$5.49 and came ahead of the management's guidance of adjusted earnings per share between \$5.40 and \$5.45. Including one-time items, the bottom line was \$4.70, up 2% year over year.

Sales declined 6% year over year to \$6.68 billion in fiscal 2020. However, the top-line figure outpaced the Zacks Consensus Estimate of \$6.62 billion.

Outlook

Backed by its ongoing progress in productivity and cost initiatives, the company expected to deliver robust top-line growth, margin expansion and earnings per share accretion in 2021. In 2021, Dover expects adjusted earnings per share between \$6.25 and \$6.45. Revenue growth is expected to be 8-10% (5% to 6% on an organic basis) for the full year.

Quarter Ending	12/2020
Report Date	Jan 28, 2021
Sales Surprise	3.28%
EPS Surprise	13.14%
Quarterly EPS	1.55
Annual EPS (TTM)	5.67

Recent News

Dover Acquires ICS, Eyes Growth in Vehicle Wash Market

On **Jan 6, 2021**, Dover acquired Innovative Control Systems, Inc. ("ICS") in a bid to expand its offerings in the growing vehicle wash market. Based-in Bethlehem, PA, ICS is a leading provider of car wash controllers, payment terminals, point-of-sale, and car wash site management software solutions. ICS is well known for its solid engineering and reliability, advance customer services, and innovative solutions with more than three decades of experience in the carwash industry.

ICS has now become part of Dover's Fueling Solutions segment. The vehicle wash solutions market is an attractive growth prospect for Dover's Fueling Solutions business as it is gaining popularity on the increasing demand for automatic car washes among convenience retailers and independent operators. ICS's high-value hardware and software solutions enhance Dover's vehicle wash business mix and recurring revenue stream. Together, the companies' vehicle wash go-to-market channels, convenience retail markets as well as aftermarket support services will fuel growth in the vehicle wash market.

Dover Acquires XanTec, Expands Automation Solutions Offering

On **Sep 2, 2020**, Dover has completed the acquisition of XanTec Steuerungs- und EDV-Technik GmbH ("XanTec") in an effort to expand automation solutions offering for the polymer processing machines. XanTec is a German manufacturer and provider of automation and control solutions for all kinds of industrial machinery, particularly focused on plastic and polymer processing machinery across the globe.

Following the buyout, XanTec has now become part of the Maag Group within Dover's Pumps & Process Solutions segment. Maag provides integrated and customizable process technology solutions for the chemical, polymer, pharmaceutical, petrochemical and food industries globally.

XanTec has historically cooperated with Maag to deliver best-in-class integrated solutions to end customers with its state-of-the-art planning and design, programming and manufacturing processes. XanTec also offers technical monitoring of installations, start-up assistance, precautionary maintenance and remote access as well as diagnostics of systems.

Notably, the acquisition boosts Maag's offering for automation solutions with an Internet of Things (IoT) enabled technology, while positioning it to expand presence in monitoring solutions and aftermarket remote service for the polymer processing and related markets.

Valuation

Dover shares are up 12.9% in the six-months period and 2.5% over the trailing 12-month period. Stocks in the Zacks Manufacturing – General Industrial industry and the Zacks Industrial Products sector are up 14.6% and 25% in the six-months period, respectively. Over the past year, the Zacks sub industry and sector are up 4.6% and 22.4% respectively.

The S&P 500 index is up 13.8% in the six-months period and 16% in the past year.

The stock is currently trading at 18.27X forward 12-month earnings, which compares to 25.42X for the Zacks sub-industry, 18.27X for the Zacks sector and 25.42X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.75X and as low as 10.47X, with a 5-year median of 18.34X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$123 price target reflects 19.29X forward 12-month earnings per share.

The table below shows summary valuation data for DOV:

Valuation Multiples - DOV					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.27	25.42	18.27	25.42
	5-Year High	26.75	28.11	26.75	28.11
	5-Year Low	10.47	15.83	10.47	15.83
	5-Year Median	18.34	20.45	18.34	20.45
P/S F12M	Current	2.37	3.57	3.38	4.33
	5-Year High	2.66	3.77	3.38	4.34
	5-Year Low	1.26	1.72	1.62	3.2
	5-Year Median	1.78	2.34	2.12	3.68
EV/ EBITDA TTM	Current	14.33	21.67	22.56	16.7
	5-Year High	17.35	23.59	23.93	17.38
	5-Year Low	8.38	9.29	11.08	9.55
	5-Year Median	12.88	12.69	15.21	13.24

As of 01/29/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 27% (68 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Danaher Corporation (DHR)	Outperform	2
Colfax Corporation (CFX)	Neutral	3
Carlisle Companies Incorporated (CSL)	Neutral	3
Emerson Electric Co. (EMR)	Neutral	2
Eaton Corporation, PLC (ETN)	Neutral	3
Honeywell International Inc. (HON)	Neutral	3
3M Company (MMM)	Neutral	3
John Bean Technologies Corporation (JBT)	Underperform	5

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

Industry Comparison Industry: Manufacturing - General Industrial				Industry Peers		
	DOV	X Industry	S&P 500	GEAGY	ROP	SOHVV
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	D	A
Market Cap	16.79 B	1.79 B	26.06 B	6.30 B	41.21 B	3.62 B
# of Analysts	8	3	13	1	6	1
Dividend Yield	1.70%	0.00%	1.48%	2.67%	0.57%	0.40%
Value Score	B	-	-	B	D	A
Cash/Price	0.02	0.08	0.06	0.14	0.01	0.25
EV/EBITDA	15.69	14.55	14.72	13.62	17.62	4.70
PEG F1	1.64	2.11	2.42	NA	2.58	NA
P/B	4.96	2.60	3.60	2.62	4.06	0.80
P/CF	15.21	13.45	14.66	18.94	22.77	6.49
P/E F1	18.60	23.43	19.64	23.43	27.07	15.06
P/S TTM	2.51	1.66	2.86	1.18	7.46	0.46
Earnings Yield	5.43%	3.95%	4.98%	4.27%	3.69%	6.64%
Debt/Equity	0.92	0.44	0.69	0.24	0.90	0.18
Cash Flow (\$/share)	7.66	2.74	6.85	1.84	17.25	1.14
Growth Score	B	-	-	B	F	B
Historical EPS Growth (3-5 Years)	17.24%	8.80%	9.69%	NA	19.83%	NA
Projected EPS Growth (F1/F0)	11.55%	17.64%	12.80%	0.00%	13.92%	-19.67%
Current Cash Flow Growth	-3.59%	-1.68%	4.88%	-1.68%	11.79%	-19.86%
Historical Cash Flow Growth (3-5 Years)	1.28%	5.59%	8.07%	NA	16.15%	NA
Current Ratio	1.51	2.06	1.38	1.38	0.73	1.74
Debt/Capital	47.87%	31.96%	41.57%	19.51%	47.25%	15.00%
Net Margin	10.23%	3.82%	10.56%	-3.52%	28.89%	3.27%
Return on Equity	25.96%	9.35%	15.23%	-8.39%	13.53%	5.75%
Sales/Assets	0.74	0.74	0.51	0.83	0.27	0.84
Projected Sales Growth (F1/F0)	5.03%	5.03%	5.92%	-4.92%	12.45%	-2.13%
Momentum Score	A	-	-	A	C	C
Daily Price Change	-1.28%	-1.60%	-1.88%	0.03%	-7.08%	0.00%
1-Week Price Change	-0.05%	1.19%	-0.02%	1.83%	1.85%	6.33%
4-Week Price Change	-7.73%	-2.20%	-1.48%	-2.32%	-8.86%	28.80%
12-Week Price Change	-0.75%	17.12%	6.91%	2.74%	1.79%	32.97%
52-Week Price Change	-2.04%	6.38%	5.65%	12.93%	0.91%	4.24%
20-Day Average Volume (Shares)	736,922	77,533	1,962,643	11,947	484,447	268
EPS F1 Estimate 1-Week Change	2.10%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	2.25%	0.00%	0.26%	1.36%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	3.42%	4.37%	1.63%	7.97%	-0.48%	44.12%
EPS Q1 Estimate Monthly Change	0.54%	0.00%	0.05%	NA	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	B
Growth Score	B
Momentum Score	A
VGM Score	A

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

Disclosures

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.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

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.

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 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.