

Amdocs Limited (DOX)

\$70.51 (As of 12/28/20)

Price Target (6-12 Months): **\$74.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/03/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

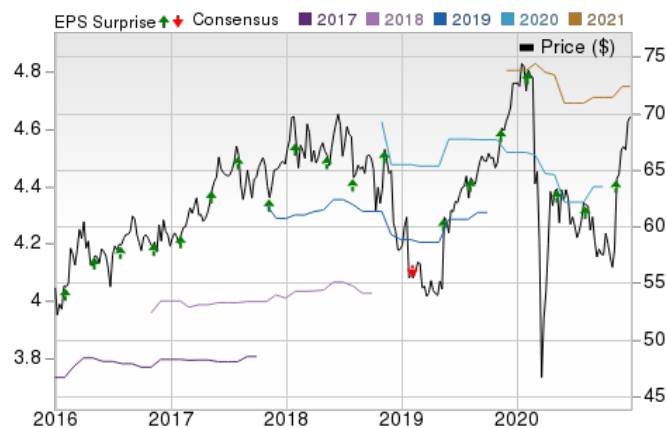
Growth: B

Momentum: D

Summary

Amdocs' fourth-quarter 2020 earnings and revenues increased year over year. Top-line growth reflected benefits of a recurring revenue business model. Moreover, solid growth at AT&T and solid contribution from acquisitions drove top-line growth. The momentum is expected to continue due to Amdocs' initiatives to aid digital, media, network and cloud transformations of its clients. Markedly, the acquisition of Openet will rapidly expand Amdocs' footprint in 5G. The company's solutions have been selected by the likes of AT&T and T-Mobile to bolster their 5G footprint. However, the consolidation trend in the U.S. telecom industry may significantly affect the company. Furthermore, disruptions caused by the coronavirus and stiff competition remain major concerns. Shares have underperformed the industry year to date.

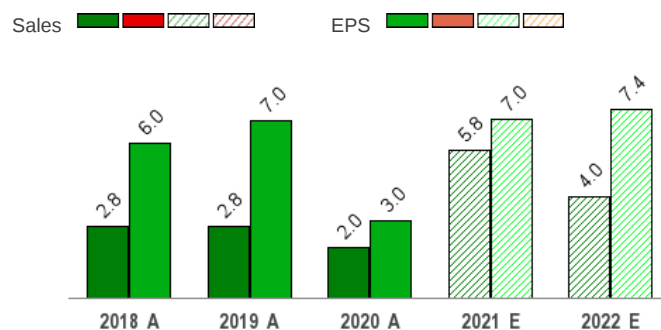
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$77.29 - \$44.05
20-Day Average Volume (Shares)	611,066
Market Cap	\$9.2 B
Year-To-Date Price Change	-2.3%
Beta	0.75
Dividend / Dividend Yield	\$1.31 / 1.9%
Industry	Computers - IT Services
Zacks Industry Rank	Bottom 31% (177 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.4%
Last Sales Surprise	1.8%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/02/2021
Earnings ESP	0.0%
P/E TTM	15.9
P/E F1	14.8
PEG F1	1.8
P/S TTM	2.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,130 E	1,140 E	1,155 E	1,175 E	4,588 E
2021	1,077 E	1,101 E	1,105 E	1,128 E	4,412 E
2020	1,042 A	1,048 A	1,026 A	1,053 A	4,169 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.24 E	\$1.27 E	\$1.29 E	\$1.32 E	\$5.10 E
2021	\$1.13 E	\$1.19 E	\$1.20 E	\$1.23 E	\$4.75 E
2020	\$1.06 A	\$1.08 A	\$1.07 A	\$1.23 A	\$4.44 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 12/28/2020. The reports text is as of 12/29/2020.

Overview

Amdocs Limited is one of the leading providers of customer care, billing and order management systems for communications and Internet services.

The company offers amdocsONE, a line of services designed for various stages of a service provider's lifecycle. Moreover, it provides advertising and media services for media publishers, TV networks, video streaming providers, advertising agencies and service providers.

It also provides managed, quality engineering, data and intelligence, cloud enablement, digital business operation, autonomous network service assurance and advisory services. Additionally, Amdocs offers mobile financial services to service providers and financial institutions; and the BriteBill — a multi-channel bill presentment platform — focused on contextual and personalized customer engagements.

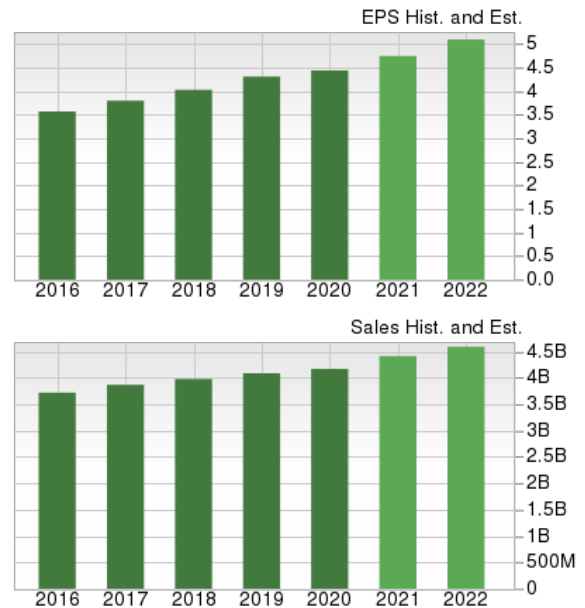
The company's technology is built on the following principles:

Design-led, API-enabled, Cloud flexibility, Microservices, Scalability, Reliability, Modularity, Upgradability and Backwards Compatibility, Virtualization, and Open Source software.

In fiscal 2020, the company generated revenues of \$4.17 billion. Region wise, the company generated 65.3% of revenues from North America, 14.7% from Europe and 20% from Rest of the World.

Amdocs has its registered office in St. Peter Port, Guernsey with operating subsidiaries in Canada, Cyprus, India, Ireland, Israel, Switzerland, the United Kingdom and the United States.

The company faces competition from business and operational support systems (BSS/OSS) providers like Oracle, Salesforce and SAP; system integrators and providers of IT services, such as Accenture, Cognizant, HPE, IBM Global Services, Infosys, Tata Consultancy Services, Tech Mahindra and Wipro. Network equipment providers such as Cisco, Ericsson, Huawei and Nokia Networks, among others, also pose significant threat.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Amdocs is benefiting from well-timed acquisitions which complement its original business line. Most importantly, successful combination of its core billing and rating technology with Clarify's customer relationship management software helped it emerge as a leader in the market of business support systems. In the last reported quarter, the company revealed that its recent acquisition of Vubiquity has proven to be successful among media clients. It is also encouraging to see that communications giant Verizon has selected Vubiquity's services and technology to handle the processing and packaging of Verizon's vast video on-demand and pay-TV pay-per-view portfolio. These acquisitions are expected to aid Amdocs' long-term growth.
- ▲ Amdocs continues to expand its global client base by signing long-term contracts and collaborating with major telecom industry players worldwide. In fiscal 2020, Amdocs reported a 12-month backlog of \$3.62 billion. These include key transformations project with global service providers such as Comcast, T-Mobile, Altice and DISH in North America; Vodafone British Telecom, Orange in Europe; AméricaMóvil, Airtel, Telefónica, Telstra, SingTel and Globe in the rest of the world. Such deals are expected to boost the company's top line.
- ▲ The company's Network Function Virtualization (NFV) area is also witnessing positive developments which will ultimately aid the company's growth. The company recently signed a deal with Comcast on the latter's SD-WAN offering, which will leverage Amdocs' leading energy portfolio, bringing orchestration, fulfilment and automation capabilities to service providers. This deal is expected lead to a delivery of significant value to our customers. The number of global service providers that are evaluating NFV are also on the rise. Amdocs' constant efforts to enhance its capabilities in this front is likely to help it cash in on this opportunity.
- ▲ Amdocs continues to win important deals. Growth areas within AT&T Mobile, such as Cricket prepaid in Mexico, saw significant value addition by Amdocs recently. Deal wins, including the one with Veon and a Tier 1 service provider in Spain, are driving revenue growth. Extension of managed services agreements with several customers, including Vodafone Hungary, and partnerships with Capita plc to provide digital business systems are tailwinds.
- ▲ Amdocs has a strong balance sheet with ample liquidity position. The company had cash and cash equivalents of \$983.9 million as of Sep 30, 2020, down from \$1.19 billion on Jun 30, 2020. Cash flow from operating activities was \$204.7 million, up from \$186.7 million recorded in the previous quarter and \$213.6 million in the year-ago quarter. Free cash flow was \$145.1 million compared with the previous quarter's \$145.4 million and \$179.3 million reported in the year-ago quarter.
- ▲ Amdocs continues to boost shareholders' value by continuously repurchasing shares and paying regular dividends to its shareholders. During the last-reported quarter, the company repurchased shares worth \$91 million. The company's board also approved a 10% increase in quarterly cash dividend payment to 36 cents per share.

Amdocs is collaborating with major telecom players across the globe to strengthen its position in the market, while improving its operating portfolio with innovative products.

Reasons To Sell:

- ▼ Amdocs is highly exposed to foreign currency exchange rate risk. Economic and political uncertainty is an overhang on the company's financials. The company expects that foreign-exchange fluctuations will continue to impact net interest and other expense lines on a quarterly basis.
- ▼ Amdocs is investing heavily in the emerging markets in order to boost sales, which may lead to a drop in margins. Even in the developed markets, management has decided to undertake a series of programs including training, knowledge transfer, and productivity enhancement to cope with recessionary situations. All these activities will result in bottom-line shrinkage.
- ▼ Continued drag in the directory systems market remains a headwind. This downtrend, which has been persistent for the past couple of years, is expected to continue.
- ▼ Amdocs is experiencing high customer concentration. AT&T, the company's largest client, accounts for a sizable chunk of revenues. However, revenues from AT&T dropped significantly in fiscal 2020. Approximately 65% of Amdocs' total revenues in fiscal 2020 came from the top 10 clients. Loss of any of these customers will result in significant erosion of the top line.
- ▼ Amdocs is a relatively minor supplier of billing systems for the cable industry. The company's entry into other business segments, such as financial services outsourcing and non-telecom customer relationship management software, may not be as successful as anticipated. Moreover, the consolidation trend in the U.S. telecom industry may significantly affect the company going forward.

High concentration risks, significant consolidation in the U.S. telecom industry, adverse currency exchange risks and heavy investments in emerging markets remain headwinds for Amdocs.

Last Earnings Report

Amdocs Q4 Earnings Beat Estimates, Revenues Up Y/Y

Amdocs Limited reported fourth-quarter fiscal 2020 non-GAAP earnings of \$1.23 per share that beat the Zacks Consensus Estimate by 3.4% and increased 13.9% year over year.

Revenues of \$1.05 billion also surpassed the consensus mark by 1.8% and were up 2.2% year over year. At constant currency (cc), revenues increased 1.8%.

Quarterly Details

North America revenues (64.7% of total revenues) grew 5.8% year over year to \$681.6 million in the reported quarter. Moreover, Europe revenues (15.7% of total revenues) of \$165.3 million increased 5.9% year over year.

However, Rest of the World revenues (19.6% of total revenues) declined 10.4% year over year to \$206 million.

Managed services revenues (58% of total revenues) climbed 4.7% year over year to \$610.5 million.

The company ended the quarter with a 12-month backlog of \$3.62 billion, up 3.7% year over year.

Meanwhile, research & development expenses as percentage of revenues increased 40 basis points (bps) on a year-over-year basis to 7.1%.

However, selling, general & administrative expenses as percentage of revenues decreased 220 bps year over year to 9.7%.

Operating margin contracted 10 bps year over year to 17.2%.

Balance Sheet and Cash Flow

Amdocs had cash and cash equivalents of \$983.9 million as of Sep 30, 2020, up from \$1.19 billion on Jun 30, 2020.

Cash flow from operating activities was \$204.7 million, up from \$186.7 million recorded in the previous quarter and \$213.6 million in the year-ago quarter.

Free cash flow was \$145.1 million compared with the previous quarter's \$145.4 million and \$179.3 million reported in the year-ago quarter.

During fiscal fourth quarter, the company repurchased shares worth \$91 million. Amdocs' board of directors approved the payment of a quarterly dividend of \$0.3275 per share. The dividends will be paid out on Jan 22, 2021.

Amdocs' board also approved a 10% increase in quarterly cash dividend payment to 36 cents per share.

Key Developments

Amdocs completed the acquisition of Openet during the reported quarter. The company also won a contract from AT&T which selected Openet's 5G solution to quickly launch and monetize new 5G services on the cloud.

Moreover, it signed a new multi-year strategic agreement with Amazon's cloud arm AWS to bring its cloud-native BSS offerings and wide range of services to jointly address the rapidly growing cloud market.

Moreover, Amdocs announced the divestiture of OpenMarket for approximately \$300 million cash with Infobip.

Guidance

For the first quarter of fiscal 2021, revenues are expected between \$1.055 billion and \$1.095 billion.

Non-GAAP earnings are projected to be \$1.09-\$1.15 per share.

Amdocs expects fiscal 2021 revenues to grow between 4% and 8% year over year. At cc, revenues are expected to grow in the 3.5-7.5% range. Openet is expected to contribute 1.5% growth, while favorable forex is likely to add 0.5%.

Adjusted earnings are estimated to grow between 5% and 9%.

The company expects free cash flow to be roughly \$470 million.

Quarter Ending	09/2020
Report Date	Nov 10, 2020
Sales Surprise	1.79%
EPS Surprise	3.36%
Quarterly EPS	1.23
Annual EPS (TTM)	4.44

Recent News

On Dec 10, Amdocs announced that it recognized as a leader by prominent global industry analyst firms in their latest reports and awards programs covering the industry's vendor landscape.

On Dec 7, Amdocs announced that its partnership with Vodafone Romania to jointly develop the Digital Experience platform for digitalizing the retail experience.

On Dec 1, Amdocs announced that it was recognized for its sustainability commitment on the S&P Dow Jones Sustainability Index (DJSI) for North America, for two years in row.

Further, Amdocs announced that Telefónica Movistar Chile, subsidiary of Spanish telecom Telefónica, has expanded its strategic partnership with the company by extending their multi-year deal.

On Nov 10, Amdocs announced that it has extended its strategic partnership with CTM, Macau's leading telecom operator, to power 5G monetization with Amdocs' robust cloud-based digital business system.

Moreover, the company announced that Globe Telecom, Philippines' telecommunications Provider, has expanded its partnership with Amdocs to revolutionize the online retail experience for its customers.

Amdocs also announced that its Openet G Solution was selected by AT&T to enable 5G monetization. The company announced its agreement with Sky U.K. to jointly enable modernization and expansion of its mobile network.

Further, Amdocs announced that it has entered into a multi-year agreement with Amazon Web Services to enable Communications Service Providers adopt to cloud services faster.

Additionally, Amdocs announced that it has extended its partnership with Bharti-Airtel, India's integrated telecom operator, to deliver enhanced customer experience to Airtel's postpaid mobile and broadband customers.

Moreover, the company has been assisting Comcast Business to implement its business and operation support systems to enhance efficiency and speed time-to-market.

Amdocs also announced that Vubiquity, part of the Amdocs Media Division, has signed a multi-year extension to its current partnership with Cellcom Israel Ltd. to provide content licensing and content processing services.

Further, Amdocs announced that KT Corporation, quad-play service provider in South Korea, has successfully implemented Amdocs CatalogONE to KT Private Cloud. Moreover, it was chosen by A1 Bulgaria, part of A1 Telekom Austria Group, for the implementation of contract management process and digitization of its document lifecycle.

On Oct 5, Amdocs announced that AIA Thailand, a part of AIA Group, the largest independent publicly listed pan-Asian life insurance groups, has chosen its DataONE privacy solution.

On Oct 1, Amdocs announced the integration of its SmartRAN optimization solution with Intel's FlexRAN software reference architecture, which serves as a blueprint to help speed development of virtualized RAN (vRAN) solutions. SmartRAN, the vRAN optimization solution from Amdocs, enables mobile operators to better fulfill service level objectives and deliver exceptional user experiences across their 5G vRAN by embedding intelligence in every layer of the RAN.

On Sep 22, Amdocs' media division Vubiquity announced a long-term content services partnership with the Liberty Global group and its affiliates across Europe.

On Sep 2, Amdocs announced that Telefonica Vivo has extended its partnership with the signing of a multi-year managed service-extension agreement in support of VIVO NEXT postpaid and FTTH consumer business.

On Aug 11, Amdocs announced that it has completed the acquisition of Openet. Markedly, on Jul 23, the company had announced its plan to take over Openet. The integration of Openet would facilitate Amdocs' service provider clients to accelerate their technological transition in a 5G environment.

On Aug 5, Amdocs announced that Orange Liberia has partnered with it to upgrade latter's end-to-end digital enablement platform to reduce time-to-market and easily enable launching more innovative, personalized offers and bundles, including mobile, internet and Orange Money services to its customers.

Amdocs also announced an expanded agreement with SES to provide an end-to-end service orchestration solution based on the cloud-native Amdocs Service & Network Automation platform, which supports all aspects of service design, service inventory and orchestration across hybrid networks.

Valuation

Amdocs shares are down 0.7% in the year-to-date (YTD) period and 0.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and

the Zacks Computer & Technology sector have gained 44.8% and 41.2%, respectively, YTD. Over the past year, the Zacks sub-industry and the sector have gained 45% and 41.1%, respectively.

The S&P 500 Index is up 19% YTD while has gained 19.2% in the past year.

The stock is currently trading at 14.59X forward 12-month earnings, which compares to 32.24X for the Zacks sub-industry, 28.17X for the Zacks sector and 22.85X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 18.44X and as low as 10.72X, with a 5-year median of 16.4X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$74 price target reflects 15.32X forward 12-month earnings.

The table below shows summary valuation data for DOX

Valuation Multiples - DOX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.59	32.24	28.17	22.85
	5-Year High	18.44	32.37	28.17	23.79
	5-Year Low	10.72	15.29	16.93	15.30
	5-Year Median	16.40	23.00	19.95	17.81
P/S F12M	Current	2.08	6.67	4.53	4.34
	5-Year High	2.53	10.11	4.53	4.34
	5-Year Low	1.45	3.90	2.77	3.17
	5-Year Median	2.25	6.67	3.47	3.67
EV/Sales TTM	Current	2.20	7.22	5.41	4.39
	5-Year High	2.40	7.44	5.42	4.41
	5-Year Low	1.40	3.59	2.85	2.62
	5-Year Median	2.07	5.77	3.89	3.58

As of 12/28/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 31% (177 out of 255)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
CDW Corporation (CDW)	Outperform	2
ASGN Incorporated (ASGN)	Neutral	3
CDK Global, Inc. (CDK)	Neutral	5
EPAM Systems, Inc. (EPAM)	Neutral	3
ServiceNow, Inc. (NOW)	Neutral	3
PERSPECTA INC (PRSP)	Neutral	4
Science Applications International Corporation (SAIC)	Neutral	3
Amadeus IT Group SA (AMADY)	Underperform	4

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

Industry Comparison Industry: Computers - It Services				Industry Peers		
	DOX	X Industry	S&P 500	ASGN	PRSP	SAIC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	B	-	-	A	A	A
Market Cap	9.24 B	3.88 B	26.16 B	4.49 B	3.88 B	5.68 B
# of Analysts	5	5	13	4	4	7
Dividend Yield	1.86%	0.00%	1.48%	0.00%	1.16%	1.52%
Value Score	A	-	-	A	A	A
Cash/Price	0.11	0.07	0.06	0.05	0.06	0.03
EV/EBITDA	11.51	9.18	14.71	13.91	-27.25	15.45
PEG F1	1.73	1.99	2.81	2.34	NA	NA
P/B	2.59	4.06	3.65	2.93	2.84	3.76
P/CF	12.49	13.29	13.91	13.29	5.50	11.92
P/E F1	14.75	28.32	22.17	18.17	11.75	16.01
P/S TTM	2.22	2.57	2.84	1.13	0.87	0.83
Earnings Yield	6.74%	1.83%	4.37%	5.51%	8.50%	6.25%
Debt/Equity	0.24	0.20	0.70	0.68	1.68	1.62
Cash Flow (\$/share)	5.64	0.95	6.93	6.39	4.38	8.18
Growth Score	B	-	-	B	A	A
Historical EPS Growth (3-5 Years)	6.36%	18.05%	9.71%	20.89%	NA	18.14%
Projected EPS Growth (F1/F0)	6.94%	7.83%	1.26%	1.41%	-4.98%	7.57%
Current Cash Flow Growth	-0.92%	8.73%	5.23%	3.13%	8.73%	74.09%
Historical Cash Flow Growth (3-5 Years)	2.67%	16.04%	8.33%	16.83%	NA	23.85%
Current Ratio	1.71	1.73	1.38	2.40	0.83	0.98
Debt/Capital	19.26%	21.79%	41.97%	40.40%	62.70%	61.83%
Net Margin	11.94%	2.81%	10.40%	4.65%	-16.16%	2.99%
Return on Equity	15.57%	9.57%	14.99%	17.70%	23.57%	25.09%
Sales/Assets	0.70	0.70	0.50	1.30	0.83	1.22
Projected Sales Growth (F1/F0)	5.82%	0.00%	0.35%	-0.04%	-1.27%	11.83%
Momentum Score	D	-	-	D	D	B
Daily Price Change	1.21%	-0.30%	0.26%	0.96%	0.33%	0.70%
1-Week Price Change	0.62%	0.10%	-0.44%	-0.97%	1.78%	-1.43%
4-Week Price Change	7.14%	4.72%	2.25%	8.66%	7.58%	5.35%
12-Week Price Change	21.82%	15.87%	12.66%	25.55%	25.89%	22.01%
52-Week Price Change	-2.50%	14.78%	6.46%	18.53%	-9.90%	11.11%
20-Day Average Volume (Shares)	611,066	535,654	1,838,365	223,482	679,679	331,612
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.05%	0.00%	0.33%
EPS F1 Estimate 12-Week Change	1.44%	6.29%	3.72%	5.25%	-1.05%	0.05%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.22%	0.00%	-4.11%

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	A
Growth Score	B
Momentum Score	D
VGM Score	B

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

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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.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.