

Dycom Industries Inc. (DY)

\$57.52 (As of 08/28/20)

Price Target (6-12 Months): **\$66.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 08/28/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:C

Value: D

Growth: D

Momentum: A

Summary

Shares of Dycom have broadly outperformed the industry so far this year. The trend is likely to continue, given impressive second-quarter fiscal 2021 earnings, which topped analysts' expectation by a whopping 71% and grew 8.3% from the prior year. Gross and adjusted EBITDA margins also improved 160 and 120 basis points (bps), respectively. The uptrend was mainly driven by increased demand for network bandwidth and mobile broadband, along with extensive deployment of 1-gigabit wireline networks. Also, improved operating leverage and lower-than-expected disruptions from the COVID-19 pandemic added to the positives. However, it projects contract revenues and margins to range from in line to modestly lower sequentially for the fiscal third quarter, owing to uncertain market conditions.

Price, Consensus & Surprise

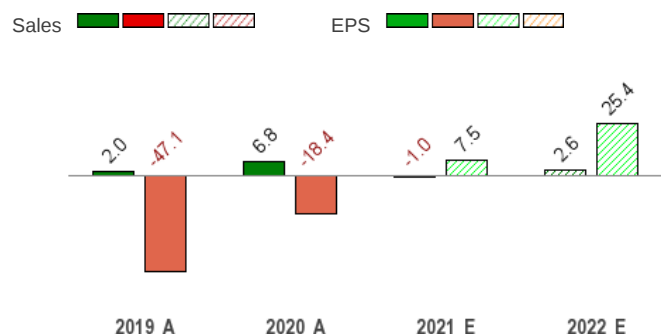


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$58.99 - \$12.24
20-Day Average Volume (Shares)	358,146
Market Cap	\$1.8 B
Year-To-Date Price Change	22.0%
Beta	1.48
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Building Products - Heavy Construction
Zacks Industry Rank	Top 12% (29 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	71.0%
Last Sales Surprise	-2.0%
EPS F1 Estimate 4-Week Change	1.3%
Expected Report Date	NA
Earnings ESP	6.3%
P/E TTM	26.3
P/E F1	23.6
PEG F1	NA
P/S TTM	0.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					3,392 E
2021	814 A	824 A	866 E	785 E	3,305 E
2020	834 A	884 A	884 A	738 A	3,340 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$3.06 E
2021	\$0.36 A	\$1.18 A	\$0.96 E	\$0.17 E	\$2.44 E
2020	\$0.53 A	\$1.09 A	\$0.88 A	-\$0.23 A	\$2.27 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 08/28/2020. The reports text is as of 08/31/2020.

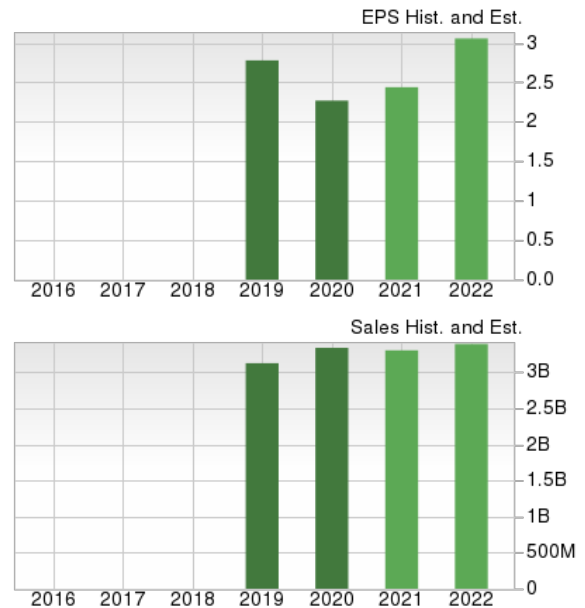
Overview

Based in North America, Dycom Industries Inc. is a specialty contracting firm operating in the telecom industry. The company provides diverse services such as engineering, construction, maintenance and installation services for the cable and telephone companies. Dycom provides specialty constructing services to the following customers:

Telecommunications (accounting for 90.8% of fiscal 2020 contract revenues): Dycom provides integrated services for designing aerial, underground and buried fiber optic, copper, and coaxial cable systems for telecom, cable and multiple system operators. It also equips telecom providers with engineering services for designing concept boxes and terminals for various activities. For the wireless network, the company's service package comprises tower construction, installation of lines and antenna, constructing foundation and equipment pad, fabrication for required equipment and materials as well as testing services at the site.

Underground Facility Locating (6.1%): The company provides underground facility-locating services to a number of utility companies to avoid damage of the underground facilities like telephone, cable television, power, water, sewer and gas lines. Dycom's expertise in these not only minimizes the damage but also controls its impact on people in the surrounding areas.

Electric and Gas Utilities (3.1%): Dycom also offers services to electric and gas utility companies for both construction and maintenance of gas pipelines and power distribution network. These services are generally provided on a stand-alone basis. However, at times the company is required to provide comprehensive services for deploying both telecom and electric infrastructure at new constructions. Dycom is also adept in installation and maintenance of natural gas transmission networks.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Strong Growth Prospects in Telecommunication Business:** Dycom's business primarily benefits from increased demand for network bandwidth and mobile broadband, given the proliferation of smart phones. As telecommunications networks face increased demand, customers need to expand the capacity and improve the performance of existing networks and in certain instances deploy new networks. Presently, a number of major industry participants are deploying significant wireline networks to offer bandwidth-enabling 1-gigabit speeds, thereby creating significant opportunities for Dycom.

In the past few quarters, the company's top line benefited immensely from extensive deployment of 1-gigabit wireline networks by major customers. Dycom remains optimistic about the strengthening industry environment, given strong end-market drivers. Although the recent market trend is a concern for the company, telecommunication networks that are crucial infrastructure for the country will gain momentum post pandemic.

Favorable industry trends like surging demand for 1 Gigabyte deployments, huge investment in wireline networks and cable capacity projects will continue to drive growth.

- ▲ **Continuous Contract Flows:** The company continues to book new contracts and renew existing ones. Dycom has secured new contracts from AT&T, Comcast, Verizon and Charter, which will boost the company's growth momentum. Over the last few years, Dycom has successfully increased the long-term value of its maintenance business, which is expected to complement its deployment of 1-gigabit and wireless-wireline converged-networks.

Further, Dycom continues to experience a stable 12-month backlog despite a challenging economic backdrop. This indicates persistent growth through the next calendar year. The company recorded backlog of \$6.441 billion at the end of second-quarter of fiscal 2021, almost in line sequentially. Of this backlog, 38.1% is expected to be completed over the next 12 months. Going forward, we expect the company's string of contract wins and strong customer relationships to act as growth drivers. The company remains positive about substantial opportunities across a broad array, despite prevailing market uncertainties.

- ▲ **Engineering & Construction Work Gains Momentum:** Dycom expects engineering and construction work to gain strong momentum in the coming quarters, given solid market prospects. Several large programs have gained momentum in recent times, and many new contracts have commenced meaningful activity, thus propelling Dycom's growth. Although it expects upcoming results to be impacted from uncertain economic conditions and challenges surrounding a large customer program, the business is likely to gain momentum post pandemic as most of its works are deemed essential for economy.

- ▲ **Enough Liquidity:** Dycom has a strong liquidity position to overcome near-term obligations. As of Jul 25, 2020, it had cash and equivalents of \$22.5 million, with more than \$451 million available under the \$750-million credit facility. At fiscal second quarter-end, its short-term obligations — including current portion of debt and operating lease liabilities — were \$49.7 million, down from the fiscal first quarter's \$51.9 million. Long-term debt (including non-current operating lease liabilities) totaled \$709 million, significantly down from \$1,407 million at fiscal first quarter-end. Notably, the company has no significant debt maturity until September 2021 and the available liquidity is more than enough to meet short-term obligations.

Risks

- **Coronavirus-led Disruptions to Weigh on Near-Term Results:** The novel coronavirus outbreak is hurting Dycom's business as macroeconomic uncertainty resulting from the same has been influencing some of its customer plans. In the last two quarters, the company witnessed increased demand from just two of the top five customers. Also, it witnessed uncertainty in the overall municipal environment due to COVID-19-led disruptions.

Its fiscal second-quarter revenues declined 6.8% organically. Also, backlog fell marginally from the fiscal first quarter and 3.7% year over year. Owing to the uncertainty, it expects contract revenues and margins to range from in line to modestly lower sequentially for the fiscal third quarter.

- **Cyclical Nature of Business:** Dycom's services are highly cyclical and remain vulnerable to economic downturns. During times of economic downturn volatility in credit and equity markets reduce the availability of debt or equity financing which in turn reduces capital spending on the part of clients. Other macroeconomic factors like currency exchange rates can impact the business as the company has considerable business presence in Canada. Although the foreign currency exchange rate risk did not have significant impact on Dycom's top line recently, it could hurt the company financial in coming quarters. Hence, such factors remain a matter of concern for Dycom.

Also, fluctuations in the price of oil can pose significant headwinds for the company as cost of conducting business is directly linked with increase in fuel price. As majority of contracts do not allow the company to adjust pricing for higher fuel costs during a contract term, Dycom's inability to accommodate price increases adds to its woes and directly hurts margins.

- **Sales Concentrated Around Few Customers:** A significant portion of Dycom's sales comes from its top five customers. During fiscal second quarter, Dycom's largest customer Verizon accounted for 19.8% of the total revenues. While CenturyLink (the second-largest customer) added 19.2% to total revenues, AT&T made up 16.3% of revenues. Comcast accounted for 15.9% while Windstream represented 5.3% of the total revenues. Notably, on Feb 25, 2019, Windstream filed a petition for reorganization. Bankruptcy of a major customer is expected to weigh on the company's results going forward.
 - **Competitive Pressure in Telecommunications Industry:** The U.S. telecommunications industry is facing intense pricing competition. Severe spectrum crunch, coupled with gradual Smartphone and tablet adoption, are compelling wireless operators to seek other options for raising revenues. Massive promotional expenditure and cut-throat pricing competition are major concerns presently plaguing the industry. Moreover, the telecommunication industry is highly dynamic in nature which continues to experience rapid technological, structural and competitive changes and may reduce the service requirements from Dycom thereby impacting financial performance adversely.
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Last Earnings Report

Dycom Q2 Earnings Beat Estimates, Margins Up Y/Y

Dycom Industries Inc. reported impressive earnings for second-quarter fiscal 2021 (ended Jul 25, 2020). Notably, the bottom line not only surpassed the Zacks Consensus Estimate but also grew on a year-over-year basis.

Earnings & Revenue Discussion

Dycom reported adjusted earnings of \$1.18 per share, surpassing the Zacks Consensus Estimate of 69 cents by a whopping 71%. Notably, the metric increased 8.3% from the year-ago earnings of \$1.09 per share. Dycom experienced broad-based improvement in the services performed despite the complexity of a large customer program. Also, improved operating leverage and lower-than-expected disruptions from the COVID-19 pandemic helped it record higher year-over-year earnings.

Contract revenues of \$823.9 million dipped 6.8% year over year and missed the consensus mark of \$884.2 million by 2%. Organically, revenues fell 6.8% year over year. The company witnessed stable demand despite a challenging economic backdrop. Moreover, it witnessed solid growth from two of the top five customers.

The company's top five customers contributed 76.6% to total contract revenues, which decreased 9.2% organically. Revenues from all other customers grew 2% organically for the quarter.

Dycom's largest customer Verizon accounted for 19.8% of the total revenues. While CenturyLink (the second-largest customer) added 19.2% to total revenues, surging 14.2% on an organic basis, AT&T made up 16.3% of revenues. Comcast accounted for 15.9%, while Windstream — representing 5.3% of the total revenues — climbed 25.2% organically.

Dycom's backlog at the end of the reported quarter totaled \$6.441 billion, comparing unfavorably with \$7.314 billion at fiscal 2020-end and \$6.691 billion in the year-ago comparable period. Of the backlog, \$2.455 billion is projected to be completed in the next 12 months.

Operating Highlights

Gross margin for the quarter was 20.1%, up 160 basis points (bps) from the year-ago level. Adjusted EBITDA margin of 12.5% expanded 120 bps from the year-ago level.

Financials

As of Jul 25, 2020, Dycom had cash and cash equivalents worth \$22.5 million compared with \$54.6 million on Jan 25, 2020. Long-term debt was \$665.5 million at the end of the reported quarter compared with \$844.4 million at fiscal 2020-end.

Fiscal Third-Quarter 2021 View

For the fiscal third quarter (ended Oct 24, 2020), it expects contract revenues and margins to range from in line to modestly lower sequentially.

Quarter Ending	07/2020
Report Date	Aug 26, 2020
Sales Surprise	-1.97%
EPS Surprise	71.01%
Quarterly EPS	1.18
Annual EPS (TTM)	2.19

Valuation

Dycom's shares are up 22% in the year-to-date period and 29.2% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 16.9% but the Zacks Construction sector is up 7.6% in the year-to-date period. Over the past year, the Zacks sub-industry is down 14.4% but sector is up 20.1%.

The S&P 500 index is up 9% in the year-to-date period and 20.2% in the past year.

The stock is currently trading at 20.54X forward 12-month earnings, which compares to 10.92X for the Zacks sub-industry, 18.39X for the Zacks sector and 23.49X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30X and as low as 6.74X, with a 5-year median of 17.02X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$66 price target reflects 23.57X forward 12-month earnings.

The table below shows summary valuation data for DY

Valuation Multiples - DY					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.54	10.92	18.39	23.49
	5-Year High	30	18.31	19.19	23.49
	5-Year Low	6.74	7.52	10.74	15.25
	5-Year Median	17.02	14.45	15.86	17.6
P/S F12M	Current	0.54	0.32	2.1	3.84
	5-Year High	1.27	0.56	2.13	3.84
	5-Year Low	0.13	0.22	1.18	2.53
	5-Year Median	0.77	0.42	1.63	3.05
EV/EBITDA TTM	Current	6.77	6.29	19.29	13.29
	5-Year High	126	13.28	21.27	13.29
	5-Year Low	NA	4.12	12.4	8.22
	5-Year Median	8.71	8.64	17.89	10.91

As of 08/28/2020

Industry Analysis Zacks Industry Rank: Top 12% (29 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
North American Construction Group Ltd. (NOA)	Outperform	1
Primoris Services Corporation (PRIM)	Outperform	1
Sterling Construction Company Inc (STRL)	Outperform	1
Great Lakes DredgeDock Corporation (GLDD)	Neutral	3
MasTec, Inc. (MTZ)	Neutral	3
Orion Group Holdings, Inc. (ORN)	Neutral	3
Tutor Perini Corporation (TPC)	Neutral	3
Granite Construction Incorporated (GVA)	Underperform	4

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

Industry Comparison Industry: Building Products - Heavy Construction				Industry Peers		
	DY	X Industry	S&P 500	GVA	PRIM	TPC
Zacks Recommendation (Long Term)	Outperform	-	-	Underperform	Outperform	Neutral
Zacks Rank (Short Term)	1	-	-	4	1	3
VGM Score	C	-	-	A	A	A
Market Cap	1.83 B	1.37 B	23.71 B	882.47 M	913.41 M	646.82 M
# of Analysts	4	2	14	1	2	2
Dividend Yield	0.00%	0.00%	1.63%	2.75%	1.27%	0.00%
Value Score	D	-	-	A	A	A
Cash/Price	0.44	0.28	0.07	NA	0.18	0.43
EV/EBITDA	5.56	5.50	13.37	NA	5.47	10.35
PEG F1	NA	NA	3.08	NA	NA	NA
P/B	2.10	1.32	3.22	NA	1.42	0.44
P/CF	6.40	5.72	12.90	4.13	5.75	1.33
P/E F1	23.92	11.06	21.82	13.58	11.14	6.32
P/S TTM	0.56	0.39	2.52	0.26	0.28	0.13
Earnings Yield	4.24%	9.10%	4.41%	7.36%	8.98%	15.86%
Debt/Equity	0.81	0.71	0.74	NA	0.72	0.35
Cash Flow (\$/share)	8.99	3.11	6.94	4.57	3.29	9.55
Growth Score	D	-	-	C	A	A
Historical EPS Growth (3-5 Years)	-10.30%	20.77%	10.41%	NA	26.86%	-7.76%
Projected EPS Growth (F1/F0)	7.49%	2.84%	-4.94%	187.97%	5.59%	187.86%
Current Cash Flow Growth	-2.35%	14.43%	5.22%	62.71%	0.32%	234.73%
Historical Cash Flow Growth (3-5 Years)	9.31%	12.12%	8.50%	26.48%	6.65%	24.32%
Current Ratio	3.18	1.23	1.35	NA	1.38	1.50
Debt/Capital	44.79%	41.64%	43.86%	NA	41.89%	26.05%
Net Margin	0.54%	3.43%	10.25%	NA	2.78%	-0.63%
Return on Equity	8.12%	12.08%	14.66%	NA	15.06%	4.22%
Sales/Assets	1.36	1.29	0.50	NA	1.77	1.06
Projected Sales Growth (F1/F0)	-1.03%	0.00%	-1.43%	4.06%	9.76%	17.35%
Momentum Score	A	-	-	C	C	F
Daily Price Change	6.93%	0.39%	0.71%	0.37%	1.34%	1.76%
1-Week Price Change	-0.73%	-2.29%	-1.45%	-7.89%	-5.27%	-4.74%
4-Week Price Change	35.63%	4.44%	4.59%	8.51%	14.80%	3.41%
12-Week Price Change	35.66%	1.12%	4.86%	-5.60%	4.67%	1.35%
52-Week Price Change	31.65%	-17.51%	3.09%	-32.31%	-0.37%	30.67%
20-Day Average Volume (Shares)	358,146	113,779	1,887,168	335,035	537,721	350,379
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.34%	1.34%	0.79%	0.00%	39.92%	-0.49%
EPS F1 Estimate 12-Week Change	3.18%	3.46%	3.43%	-103.27%	39.92%	-0.49%
EPS Q1 Estimate Monthly Change	2.58%	4.59%	0.00%	0.00%	27.89%	3.97%

Source: Zacks Investment Research

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	D
Growth Score	D
Momentum Score	A
VGM Score	C

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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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 a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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