

EMCOR Group Inc. (EME)

\$75.93 (As of 09/01/20)

Price Target (6-12 Months): **\$80.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/01/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: D

Summary

EMCOR's shares have outperformed the industry so far this year. Strong demand across geographies and end-markets served as well as disciplined project execution are driving the company. Its major segments, primarily the U.S. Mechanical and Electrical Construction segment, continued to display strength, backed by higher project activity. Notably, strength in healthcare and manufacturing markets also supports the growth. However, the Industrial Services business has been experiencing volatility in crude oil prices resulting from geopolitical tensions between OPEC and Russia, as well as dramatic reduction in demand for refined oil products due to COVID-19-related restrictions. The company does not anticipate any improvement of the segment's performance until first-quarter 2021.

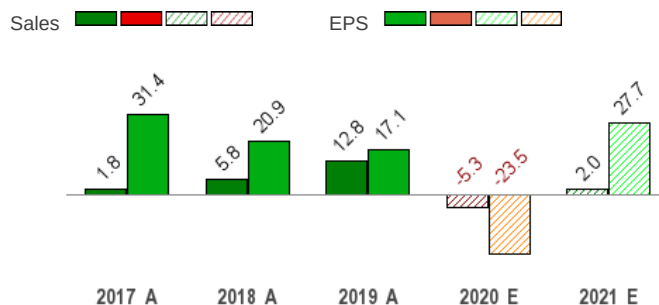
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$93.54 - \$41.85
20-Day Average Volume (Shares)	289,391
Market Cap	\$4.2 B
Year-To-Date Price Change	-12.0%
Beta	1.05
Dividend / Dividend Yield	\$0.32 / 0.4%
Industry	Building Products - Heavy Construction
Zacks Industry Rank	Top 12% (29 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	56.5%
Last Sales Surprise	-1.3%
EPS F1 Estimate 4-Week Change	-3.9%
Expected Report Date	11/03/2020
Earnings ESP	0.0%
P/E TTM	13.1
P/E F1	17.3
PEG F1	NA
P/S TTM	0.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					8,869 E
2020	2,300 A	2,014 A	2,121 E	2,257 E	8,691 E
2019	2,159 A	2,324 A	2,288 A	2,404 A	9,175 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$5.62 E
2020	\$1.35 A	\$1.44 A	\$1.28 E	\$1.33 E	\$4.40 E
2019	\$1.28 A	\$1.49 A	\$1.45 A	\$1.54 A	\$5.75 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 09/01/2020. The reports text is as of 09/02/2020.

Overview

EMCOR Group is one of the leading providers of mechanical and electrical construction, industrial and energy infrastructure, as well as building services for a diverse range of businesses. The company serves commercial, industrial, utility and institutional clients. The company currently operates under the following reportable segments:

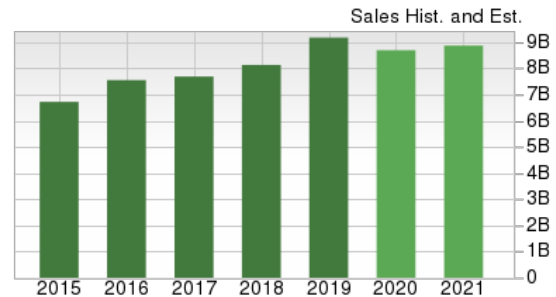
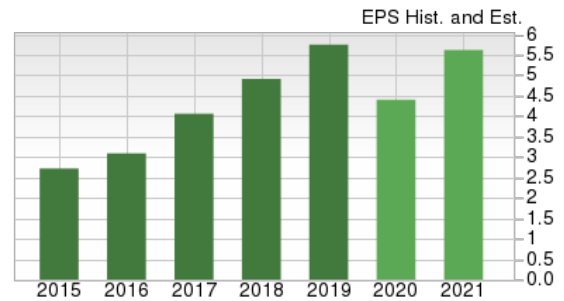
United States Electrical Construction and Facilities Services (contributing 24% to total revenues in 2019) – This comprises systems for premises electrical and lighting systems; electrical power transmission and distribution; roadway and transit lighting; fiber optic lines; voice and data communication; as well as low-voltage systems, such as fire alarm, security and process control.

United States Mechanical Construction and Facilities Services (36%) – This involves systems for fire protection; heating, ventilation, air conditioning, refrigeration and clean-room process ventilation; water and wastewater treatment and central plant heating and cooling; plumbing, process and high-purity piping; millwrighting; steel fabrication, erection and welding; as well as controls and filtration.

United States Building Services (23%) – This segment provides various types of support services related to operation and maintenance of clients' facilities in the U.S. These include commercial and government site-based operations and maintenance; military base operations support services; infrastructure and building projects for federal, state and local governmental agencies.

United States Industrial Services (12%) – This segment comprises industrial maintenance and services that are needed for refineries and petrochemical plants such as designing, manufacturing, repairing and hydro blast cleaning of shell and tube heat exchangers and related equipment; overhaul and maintenance of critical process units in refineries and petrochemical plants.

United Kingdom Building Services (5%) – This segment provides support services related to operation and maintenance of commercial and government client facilities in the U.K.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Robust Construction Business to Boost Profitability:** The U.S. Construction segment has been maintaining strong momentum. The company's major segments, primarily the U.S. Mechanical and Electrical Construction segments, continued to display significant strength. It is witnessing higher demand for services and in the markets served, as is evident from a 13.8% increase in remaining performance obligation or RPOs as of Jun 30, 2020. Domestic RPOs grew 8.4% year over year, primarily driven by the Mechanical Construction segment. Also, it continues to experience stable demand for some electrical construction projects, especially in semiconductor and datacenter markets.

Robust construction activity, mainly in the non-residential markets, along with aggressive acquisitions will help EMCOR to drive profit

For second-quarter 2020, the U.S. Construction segment's operating profit grew 1.4% year over year. Operating margins also improved 100 bps from the last year. Despite being impacted by COVID-19, the company remains encouraged by its robust performance, accretive acquisitions and demand for services.

▲ **Aggressive Acquisition Broadens Footprint:** The company is keen on acquisition of assets and businesses. The company's acquisition strategies are directed toward buying small private firms with proven management and expansion potential.

In January, EMCOR acquired a building automation and controls solutions company within the building services segment. Also, it executed the acquisition of seven companies in 2019. On Nov 1, 2019, it acquired Batchelor & Kimball, Inc. ("BKI") — a leading full service provider of mechanical construction and maintenance services. The acquisition strengthened its position, and broadened capabilities in the Southern and Southeastern regions of the United States.

These buyouts strengthened its overall results by adding new markets, opportunities and capabilities. The company plans to acquire more such companies in the future.

▲ **Non-Residential Markets Strong:** Ongoing industry trends hold tremendous potential for EMCOR, going forward. Currently, the commercial market represents lucrative opportunities, given an increasing tendency among clients to upgrade buildings and other infrastructure-related services. The company is also expanding the ambit of its Industrial business line beyond traditional shop-related operations to explore other profitable works in areas like food processing and power.

EMCOR is currently in the process of completing some major food processing projects as the demand for the same is growing. In second-quarter 2020, commercial project RPOs increased 19% from 2019-end. Other active markets including healthcare, water and wastewater were up 25% and 49%, respectively, from 2019-end.

This apart, surging number of bus depots, tunnels, bridges & airports, coupled with business prospects in the water market, imply that EMCOR's future in the transportation market shines bright. Also, under the Trump administration, industry players hold a more positive view on potential business investment.

▲ **Stable Balance Sheet:** EMCOR ended second-quarter 2020 with a total debt (including borrowings under the revolving credit facility, long-term debt, and finance and operating lease liabilities) of \$598.5 million, down from \$692.7 million on Mar 31, 2020. The company's existing credit facility of \$1.3 billion is providing additional flexibility in the unprecedented scenario. EMCOR has the option of increasing the size of the facility to a maximum of \$1.9 billion. It had more than \$1.2 billion of available credit as of Jun 30, 2020. Evidently, its debt to capitalization reduced to 13.5% at second quarter-end from 19.9% in the first quarter.

The company's cash and cash equivalents of \$481.4 million were sufficient to meet its short-term debt of \$10.2 million.

Reasons To Sell:

- ▼ **Coronavirus-Related Woes:** The recent economic slowdown resulting from shutdowns due to the coronavirus outbreak is a concern for the company. All EMCOR's segments experienced revenue declines as a result of containment and mitigation measures undertaken in response to the COVID-19 pandemic, which in turn resulted in the closure of facilities and project delays. Although it didn't face much impact from the pandemic as its business was deemed essential, its future results are likely to remain under pressure due to uncertainty of the second wave of COVID-19.

Coronavirus-led shutdowns, cyclical nature of oil & gas markets, and dependence on government spending pose risks.

Given the uncertainty, EMCOR expects revenues to be \$8.6-\$8.7 billion and adjusted earnings per share of \$5.00-\$5.50 for 2020. In 2019, the company registered revenues of \$9.17 billion and adjusted earnings of \$5.75 per share.

- ▼ **Lower Operating Profit:** The company's U.S. Electrical Construction segment has been experiencing lower profits due to significant decrease in revenues and the impact of favorable projects closeout in second-quarter 2019. Its second-quarter 2020 operating profit declined 56.3% and margin contracted 50 bps year over year.

The building services business witnessed higher selling, general, and administrative expenses, under-absorption of certain overhead costs within commercial site-based services operations due to COVID-19, an increase in the provision for credit losses, as well as reduced gross margin as a result of a change in the mix of work.

- ▼ **Volatility in Commodity Prices:** Volatility in oil prices remains a primary challenge for EMCOR's future growth. Near-term prospects for the oil and gas industry look grim and are expected to influence other industries associated with it. The company believes that coronavirus impact on the oil and gas market will in turn hurt the industrial services segment.

Apart from this, EMCOR is vulnerable to changes in the Federal decisions. Notably, other than the Facilities Services divisions, all other segments witness a significant proportion of fixed-price contracts. Such factors expose the company's business to higher risks.

- ▼ **Cyclical Nature of the Markets:** EMCOR's business, which is susceptible to the cyclical nature of the markets in which its clients operate, is dependent upon the timing and funding of new awards. The company provides construction and maintenance services to customers operating in a variety of markets, which have been cyclical and will continue to be so, subject to significant fluctuations, including economic conditions and changes in client spending.

Investment decisions of the customers may vary in terms of location or as a result of factors like the availability of labor, relative construction costs or competitive conditions in their industries. As EMCOR is dependent on the timing and funding of new awards, it is therefore vulnerable to changes in clients' markets and investment decisions.

Again, EMCOR's business may be largely affected by significant reductions in government spending or delays/disruptions in the government appropriations process. Certain businesses derive a major portion of their revenues from federal, state and local governmental agencies. As a result, reduced or delayed spending by the federal government, and/or state and local governments may have a material and significant impact on business.

Last Earnings Report

EMCOR's Q2 Earnings Beat Estimates, Margin Rise Y/Y

EMCOR Group Inc. reported impressive earnings for second-quarter 2020. Adjusted earnings surpassed the Zacks Consensus Estimate, mainly driven by cost discipline amid the COVID-19 pandemic.

Earnings & Revenues

The company reported adjusted earnings of \$1.44 per share, which topped the consensus mark of 92 cents by 56.5% but decreased 3.4% from the year-ago quarter.

Revenues totaled \$2,014 million, missing the consensus mark of \$2,040 million by 1.3% and declining 13.3% year over year due to tepid segmental performance.

Segment Details

The U.S. Construction segment revenues decreased 11.2% year over year to \$1.24 billion. Segment operating income grew 1.4% and operating margin improved 100 basis points (bps) year over year, supported by strong performance across businesses.

Within the U.S. Construction umbrella, the U.S. Electrical Construction and facilities services segment revenues decreased 21.7% year over year to \$445.9 million. Revenue declines in most of the markets served were partially offset by improvement in the institutional and hospitality market. Operating income fell 56.3% and margin contracted 50 bps year over year. The U.S. Mechanical Construction and Facilities Services segment revenues fell almost 4% from a year ago to \$790.4 million due to softness in manufacturing and commercial market activities. Its operating income rose 24.1% and margin improved 190 bps year over year.

Revenues in the U.S. Building Services segment declined nearly 10% due to reduced project and control activities within its Mechanical Services division due to COVID-19 impacts, as well as decline in large project activity in the Energy Services unit. Additionally, reduction in IDIQ project activity within the Government Services business due to a smaller contract base and lower government spending added to the woes. Operating margin of 5.6% was up 30 bps from the prior year.

The U.S. Industrial Services unit's revenues declined 28.2% year over year to \$212.2 million. The segment was significantly impacted by volatility in crude oil prices resulting from geopolitical tensions between OPEC and Russia, as well as a dramatic reduction in demand for refined oil products due to COVID-19-related restrictions.

The U.K. Building Services segment's revenues decreased 17.3% but operating margin jumped 80 bps year over year, backed by proper execution across the company's diversified customer base. The decline was mainly attributable to a decrease in project activities and foreign currency headwinds.

Operating Highlights

Selling, general and administrative expenses — as a percentage of revenues — were 10.2%, which improved 50 bps from the prior-year period.

Non-GAAP operating income for the quarter was \$110.1 million, down 8.2% from the prior-year period. Yet, adjusted operating margin of 5.5% was up 30 bps from the prior-year period, supported by strong operating conversion within most of the segments.

Liquidity & Cash Flow

As of Jun 30, 2020, the company had cash and cash equivalents of \$481.4 million compared with \$358.8 million at 2019-end. Long-term debt and finance lease obligations totaled \$294.1 million, up from \$244.1 million recorded on Dec 31, 2019.

For the first six months of 2020, EMCOR provided \$276.7 million cash to operating activities versus \$42.2 million cash used in operations in the comparable year-ago period.

2020 Guidance

Backed by quarterly performance, current operating conditions and visibility into the remainder of the year, EMCOR expects revenues to be \$8.6-\$8.7 billion and adjusted earnings per share of \$5.00-\$5.50. In 2019, the company registered revenues of \$9.17 billion and adjusted earnings of \$5.75 per share.

Quarter Ending	06/2020
Report Date	Aug 03, 2020
Sales Surprise	-1.27%
EPS Surprise	56.52%
Quarterly EPS	1.44
Annual EPS (TTM)	5.78

Valuation

EMCOR shares are down 12% in the year-to-date period and 12.5% over the trailing 12-month period. Stocks in the Zacks sub-industry is down 15% but the Zacks Construction sector is up 8.6% in the year-to-date period. Over the past year, the Zacks sub-industry is down 11.1% but sector is up 22%.

The S&P 500 index is up 3.1% in the year-to-date period and 14.6% in the past year.

The stock is currently trading at 14.55X forward 12-month earnings, which compares to 11.09X for the Zacks sub-industry, 18.55X for the Zacks sector and 23.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.64X and as low as 8.02X, with a 5-year median of 15.81X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$80 price target reflects 15.33X forward 12-month earnings.

The table below shows summary valuation data for EME

Valuation Multiples - EME					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.55	11.09	18.55	23.2
	5-Year High	22.64	18.31	19.19	23.2
	5-Year Low	8.02	7.52	10.74	15.25
	5-Year Median	15.81	14.42	15.86	17.6
P/S F12M	Current	0.47	0.33	2.13	3.95
	5-Year High	0.65	0.56	2.13	3.95
	5-Year Low	0.28	0.22	1.18	2.53
	5-Year Median	0.5	0.42	1.64	3.07
EV/EBITDA TTM	Current	8.19	6.39	19.44	12.59
	5-Year High	11.17	13.28	21.27	13.29
	5-Year Low	4.81	4.12	12.4	8.22
	5-Year Median	9.08	8.64	17.89	10.91

As of 09/01/2020

Industry Analysis Zacks Industry Rank: Top 12% (29 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Dycom Industries, Inc. (DY)	Outperform	1
North American Construction Group Ltd. (NOA)	Outperform	1
Primoris Services Corporation (PRIM)	Outperform	1
Sterling Construction Company Inc (STRL)	Outperform	1
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		
	EME	X Industry	S&P 500	MTZ	NOA	PRIM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	3	-	-	3	1	1
VGM Score	A	-	-	A	B	A
Market Cap	4.17 B	1.46 B	23.95 B	3.50 B	220.28 M	937.53 M
# of Analysts	3	2	14	5	2	2
Dividend Yield	0.42%	0.00%	1.61%	0.00%	1.68%	1.24%
Value Score	A	-	-	A	A	A
Cash/Price	0.12	0.17	0.07	0.01	0.13	0.17
EV/EBITDA	7.15	5.52	13.32	5.52	3.79	5.58
PEG F1	NA	NA	3.05	NA	NA	NA
P/B	2.14	1.22	3.21	2.00	1.30	1.45
P/CF	10.22	5.73	12.92	5.77	1.77	5.91
P/E F1	17.43	10.78	21.84	9.78	5.83	11.43
P/S TTM	0.46	0.39	2.52	0.52	0.47	0.28
Earnings Yield	5.79%	9.11%	4.39%	10.23%	17.16%	8.75%
Debt/Equity	0.15	0.64	0.70	0.64	1.66	0.72
Cash Flow (\$/share)	7.43	3.11	6.93	8.21	4.03	3.29
Growth Score	A	-	-	A	D	A
Historical EPS Growth (3-5 Years)	20.77%	20.77%	10.41%	58.74%	281.52%	26.86%
Projected EPS Growth (F1/F0)	-23.42%	5.57%	-4.75%	-6.99%	7.96%	5.59%
Current Cash Flow Growth	13.47%	14.43%	5.22%	13.89%	92.49%	0.32%
Historical Cash Flow Growth (3-5 Years)	11.55%	12.12%	8.49%	17.50%	20.79%	6.65%
Current Ratio	1.48	1.23	1.35	1.40	0.96	1.38
Debt/Capital	13.14%	38.92%	42.92%	38.92%	62.44%	41.89%
Net Margin	1.78%	3.43%	10.25%	4.81%	7.63%	2.78%
Return on Equity	16.17%	12.08%	14.66%	19.17%	26.47%	15.06%
Sales/Assets	1.92	1.29	0.50	1.36	0.78	1.77
Projected Sales Growth (F1/F0)	-5.27%	0.00%	-1.40%	-1.82%	-29.92%	9.76%
Momentum Score	D	-	-	C	D	D
Daily Price Change	1.23%	0.34%	0.29%	2.55%	-0.28%	1.94%
1-Week Price Change	3.24%	2.26%	2.59%	3.28%	-0.96%	6.98%
4-Week Price Change	4.36%	0.36%	3.53%	13.37%	3.04%	12.64%
12-Week Price Change	8.38%	-7.21%	2.09%	6.78%	-3.66%	5.66%
52-Week Price Change	-12.51%	-23.15%	4.31%	-23.63%	-41.58%	3.19%
20-Day Average Volume (Shares)	289,391	105,308	1,816,754	610,587	116,502	542,542
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-3.86%	0.00%	0.20%	0.11%	0.00%	39.92%
EPS F1 Estimate 12-Week Change	11.01%	6.65%	3.86%	3.59%	38.01%	39.92%
EPS Q1 Estimate Monthly Change	21.07%	0.00%	0.00%	-0.15%	0.00%	27.89%

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	A
Growth Score	A
Momentum Score	D
VGM Score	A

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

Disclosures

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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.