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Jun 25, 2021

EMCOR Group Inc. (EME)

$125.51 (As of 06/24/21)

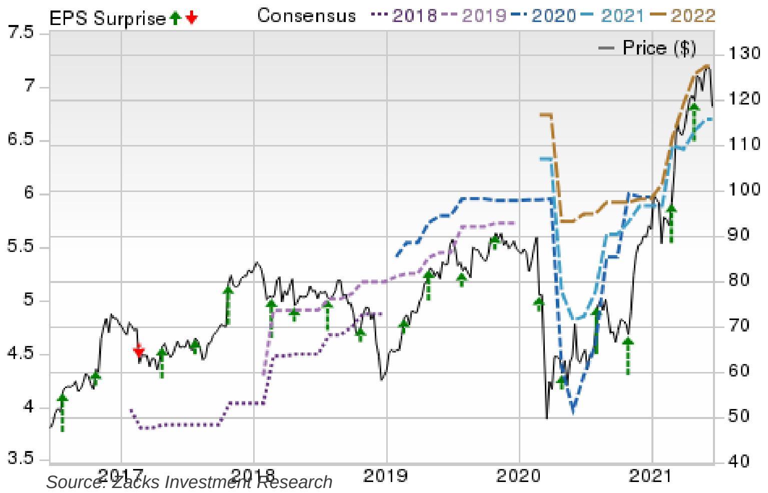
Price Target (6-12 Months): **$132.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/24/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: B | Growth: B | Momentum: A	

Summary

Shares of EMCOR have outperformed the industry in the past three months. The uptrend was mainly driven by solid execution in the U.S. Mechanical Construction segment and disciplined cost control amid the COVID-19 pandemic. EMCOR remains encouraged by its robust performance, accretive acquisitions and demand for services. Buoyed by favorable project mix and the assumption that the current market conditions will improve, EMCOR lifted its 2021 earnings guidance. Earnings estimates for the current year have moved up over the past seven days, depicting analysts' optimism over its bottom-line growth potential. However, headwinds related to the pandemic hurt the U.S. Industrial Services segment. It expects these headwinds to persist until the fourth quarter as demand for refined products will continue to be challenged till early 2021.

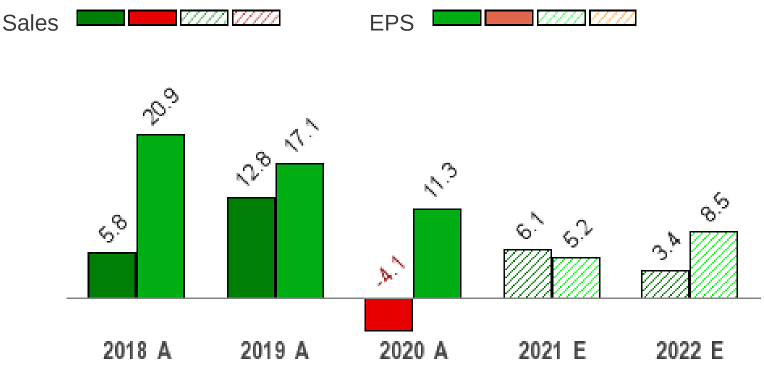
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$129.45 - $58.72**
20-Day Average Volume (Shares)	**273,332**
Market Cap	**$6.8 B**
Year-To-Date Price Change	**37.2%**
Beta	**1.24**
Dividend / Dividend Yield	**$0.52 / 0.4%**
Industry	**Building Products - Heavy Construction**
Zacks Industry Rank	**Top 49% (123 out of 252)**
Last EPS Surprise	**31.6%**
Last Sales Surprise	**5.6%**
EPS F1 Estimate 4-Week Change	**0.4%**
Expected Report Date	**08/02/2021**
Earnings ESP	**0.0%**
P/E TTM	**19.0**
P/E F1	**18.7**
PEG F1	**NA**
P/S TTM	**0.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022					9,652 E
2021	2,304 A	2,282 E	2,335 E	2,417 E	9,337 E
2020	2,300 A	2,014 A	2,202 A	2,281 A	8,797 A

EPS Estimates

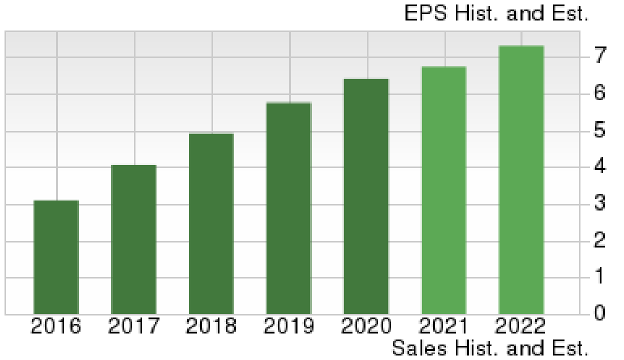
	Q1	Q2	Q3	Q4	Annual*
2022					$7.30 E
2021	$1.54 A	$1.59 E	$1.82 E	$1.75 E	$6.73 E
2020	$1.35 A	$1.44 A	$1.76 A	$1.86 A	$6.40 A

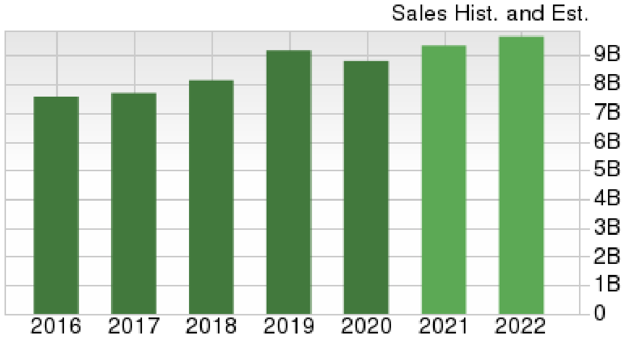
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/24/2021. The report's text and the analyst-provided price target are as of 06/25/2021.

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 22.4% to total revenues in 2020) – 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 (39.6%) – 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 (24%) – 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 (9.1%) – 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 (4.9%) – 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 activity and aggressive acquisitions will help EMCOR to drive profit.

▲ **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. The company's domestic construction segments experienced strong project growth in 2020 with total Remaining Performance Obligations or RPOs having increased $495 million or 15.2% since the end of 2019. The trend continued in first-quarter 2021 with RPOs of $4.77 billion, up from $4.59 billion at 2020-end and $4.42 billion a year ago. EMCOR continues to see demand for electrical mechanical systems, both in new construction and retrofit projects. Throughout the quarter, it experienced strong year-over-year growth in all sectors served, except hospitality. Commercial projects, which make up 44% of total RPOs, increased $314 million year over year and $216 million sequentially.

For first-quarter 2021, the U.S. Construction segment's operating margins improved 230 basis points (bps) from the last year, supported by a solid cost structure and productivity levels. Despite being impacted by COVID-19, the company sustains its stability on 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 first-quarter 2021, the company acquired two companies — one providing mechanical services within the Southern region and the other delivering electrical construction services in the Midwestern region — for a total consideration of $24 million.

Again in 2020, EMCOR completed three acquisitions that includes a company that provides building automation and controls solutions within the Northeastern region of the United States, a full-service provider of mechanical services within the Washington, D.C. metro area, and a company that provides mobile mechanical services in the Southern region of the United States. The results of operations for all three companies have been included within United States building services segment.

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

▲ **Stable Balance Sheet**: As of Mar 31, 2021, the company had cash and cash equivalents of $758.8 million compared with $902.9 million at 2020-end and $347.1 million at the end of the year-ago quarter. Meanwhile, EMCOR ended the first quarter with a long-term debt of $260 million, in line with the 2020-end level. Its debt to capitalization fell to 11.5% at first quarter 2021-end from 11.9% at the end of 2020.

Although the company's cash and cash equivalents were sequentially down, it is sufficient to meet its short-term debt of $17 million.

Reasons To Sell:

- **Coronavirus & Weather-Related Woes:** The company's U.S. Industrial Services unit, which focuses on downstream, petrochemical, and oil and gas refining has been facing the maximum COVID-related woes over time. Its Industrial Services segment had a tough 2020, with U.S. Industrial Services revenues decreasing 26.7%. For the first- quarter 2021 too, U.S. Industrial Services revenues decreased 35.3% year over year owing to depressed demand for its service offerings within the oil and gas and related industrial markets, given the negative impact of macroeconomic conditions on the markets served by the company.

  Additionally, the segment was negatively impacted by normal weather conditions and related power outages within the Gulf Coast region during the first-quarter 2021, which in turn resulted in the delay of active projects and deferral of the previously planned maintenance and turnaround activities with some customers. For the first quarter, the segment generated operating loss of $2.4 million against an operating income of $15.4 million a year ago.

  Moreover, the company expects these headwinds to persist until the fourth quarter as demand for refined products will continue to be challenged till early 2021, especially through the end of the second quarter.

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

- **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 Beats on Q1 Earnings & Revenues, Lifts 2021 View

Quarter Ending	03/2021
Report Date	Apr 29, 2021
Sales Surprise	5.62%
EPS Surprise	31.62%
Quarterly EPS	1.54
Annual EPS (TTM)	6.60

EMCOR Group Inc. reported better-than-expected results for first-quarter 2021. Its earnings and revenues surpassed the Zacks Consensus Estimate as well as increased from the prior-year levels. While earnings beat the consensus estimate in six of the trailing seven quarters, revenues outpaced the same for three consecutive quarters.

The results were mainly driven by solid execution in the U.S. Mechanical Construction segment and disciplined cost control amid the COVID-19 pandemic.

Earnings & Revenues

EMCOR reported adjusted earnings per share of $1.54 per share, which topped the consensus mark of $1.17 by 31.6% and increased 14.1% from the year-ago level.

Revenues totaled $2,304 million, which beat the consensus mark by 5.6%. Revenues grew just 0.2% year over year, mainly due to tepid performance of the U.S. Industrial Services segment.

Segment Details

For first-quarter 2021, the U.S. Construction segment's revenues increased 5% year over year to $1,360.1 million. Segment operating margin improved 110 basis points (bps) year over year to 7.7%. The upside was primarily driven by solid performance of its U.S. Mechanical Construction segment in commercial, healthcare and institutional markets.

Within the U.S. Construction umbrella, the U.S. Electrical Construction and facilities services segment revenues declined 1.2% year over year to $456.2 million. Operating margin, however, expanded 10 bps year over year. The U.S. Mechanical Construction and Facilities Services segment revenues grew 8.4% from the prior-year quarter to $903.4 million. Its operating margin improved 180 bps.

For the quarter, revenues in the U.S. Building Services segment grew 10.8% year over year to $581.8 million. The upside was primarily driven by commercial site-based and mobile mechanical services businesses. Meanwhile, operating margin of 5% was up 100 bps from the prior-year level.

The U.S. Industrial Services unit's first-quarter revenues plunged 35.3% year over year to $235.4 million. The segment was significantly impacted by the Texas Freeze, which, in many cases, pushed the company's turnaround schedule to second-quarter 2021. This business reported operating margin of (1%) against 4.2% a year ago due to the above-mentioned headwind.

The U.K. Building Services segment's revenues for the quarter increased 12.8% year over year to $126.7 million. The upside was backed by strong resumption in project work during the quarter as the U.K. market approaches the conclusion of COVID-19 lockdown mandates. The business reported operating margin of 7.4%, up 230 bps from the prior-year level.

Operating Highlights

Selling, general and administrative expenses — as a percentage of revenues — were 9.7%, which decreased 20 bps from the prior-year quarter.

Adjusted operating margin of 5.1% was up 50 bps, supported by strong cost-containment measures.

Liquidity & Cash Flow

As of Mar 31, 2021, the company had cash and cash equivalents of $758.8 million compared with $902.9 million at 2020-end. Long-term debt and finance lease obligations totaled $259.7 million, which remained unchanged from 2020-end.

In the first quarter, EMCOR used $89 million cash for operating activities compared with $78.8 million in the year-ago period.

2021 Guidance Raised

Buoyed by favorable project mix and the assumption that the current market conditions will improve, EMCOR lifted its 2021earnings guidance.

The company now expects earnings within $6.35-$6.75 versus $6.20-$6.70 per share projected earlier. The Zacks Consensus Estimate for the same is currently pegged at $6.43 per share.

It reaffirmed its revenue guidance for 2021 in the range of $9.2-$9.4 billion. The consensus estimate for 2021 revenues is currently pegged at $9.24 billion.

Valuation

EMCOR shares are up 37.6% in the year-to-date period and up 98.2% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 35% and the Zacks Construction sector is up 18.9% in the year-to-date period. Over the past year, the Zacks sub-industry is up 110.5% and sector is up 60.4%.

The S&P 500 index is up 15.3% in the year-to-date period and 46.4% in the past year.

The stock is currently trading at 18.09X forward 12-month earnings, which compares to 17.11X for the Zacks sub-industry, 15.1X for the Zacks sector and 21.78X 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 16.04X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $132 price target reflects 19.03X forward 12-month earnings.

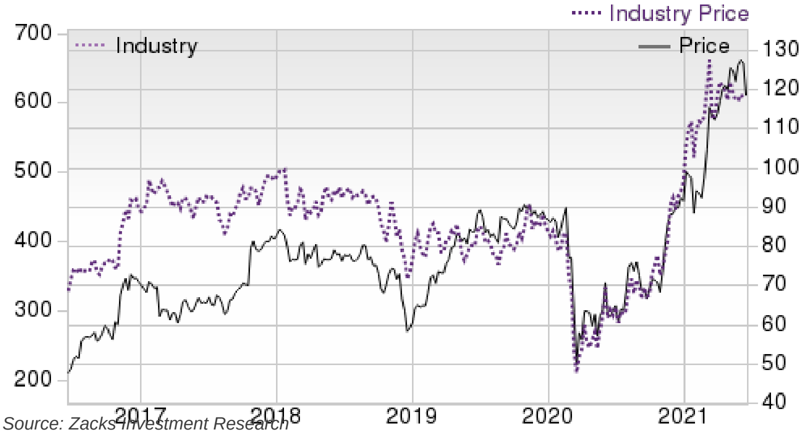
The table below shows summary valuation data for EME

Valuation Multiples - EME

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.09	17.11	15.1	21.78
	5-Year High	22.64	18.31	18.98	23.83
	5-Year Low	8.02	7.52	10.81	15.31
	5-Year Median	16.04	14.25	16.11	18.05
P/S F12M	Current	0.72	0.61	2.27	4.73
	5-Year High	0.74	0.62	2.37	4.74
	5-Year Low	0.28	0.22	1.22	3.21
	5-Year Median	0.52	0.44	1.68	3.72
EV/EBITDA TTM	Current	10.64	8.21	21.61	17.53
	5-Year High	11.17	13.3	24.84	17.74
	5-Year Low	4.81	3.62	11.51	9.63
	5-Year Median	9.18	8.35	17.67	13.48

As of 06/24/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 49% (123 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Granite Construction Incorporated **(GVA)**	Outperform	2
MasTec, Inc. **(MTZ)**	Outperform	1
Atlantia SpA **(ATASY)**	Neutral	4
Great Lakes Dredge & Dock Corporation **(GLDD)**	Neutral	3
Orion Group Holdings, Inc. **(ORN)**	Neutral	2
Primoris Services Corporation **(PRIM)**	Neutral	3
Tutor Perini Corporation **(TPC)**	Neutral	3
Dycom Industries, Inc. **(DY)**	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	ATASY	GVA	MTZ
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	3	-	-	4	2	1
VGM Score	B	-	-	A	B	B
Market Cap	6.85 B	1.78 B	29.99 B	15.47 B	1.91 B	7.96 B
# of Analysts	3	2.5	12	1	1	4
Dividend Yield	0.41%	0.00%	1.35%	0.00%	1.25%	0.00%
Value Score	B	-	-	A	C	C
Cash/Price	0.12	0.13	0.06	NA	0.26	0.07
EV/EBITDA	17.25	7.95	17.12	NA	-86.89	11.01
PEG F1	NA	0.64	2.06	NA	NA	NA
P/B	3.23	2.40	4.11	1.02	2.05	3.80
P/CF	14.94	9.02	17.50	3.41	10.74	12.04
P/E F1	18.65	16.11	21.14	49.29	24.86	20.58
P/S TTM	0.78	0.77	3.40	NA	0.53	1.19
Earnings Yield	5.36%	6.25%	4.66%	2.03%	4.02%	4.86%
Debt/Equity	0.12	0.56	0.66	NA	0.36	0.56
Cash Flow ($/share)	8.40	2.81	6.86	2.75	3.89	8.89
Growth Score	B	-	-	B	A	B
Historical EPS Growth (3-5 Years)	19.25%	24.50%	9.59%	NA	-10.83%	35.31%
Projected EPS Growth (F1/F0)	5.10%	12.68%	21.79%	123.17%	29.23%	1.81%
Current Cash Flow Growth	10.55%	10.55%	1.02%	76.96%	88.83%	4.77%
Historical Cash Flow Growth (3-5 Years)	13.35%	13.35%	7.28%	19.78%	7.80%	17.58%
Current Ratio	1.48	1.39	1.39	NA	1.45	1.56
Debt/Capital	10.91%	35.91%	41.51%	NA	26.26%	35.91%
Net Margin	1.61%	3.08%	12.06%	NA	-4.06%	5.27%
Return on Equity	17.90%	10.07%	16.59%	NA	5.83%	20.48%
Sales/Assets	1.80	1.26	0.51	NA	1.48	1.27
Projected Sales Growth (F1/F0)	6.14%	3.74%	9.56%	11.82%	0.00%	26.00%
Momentum Score	A	-	-	D	F	D
Daily Price Change	2.97%	2.66%	0.58%	2.35%	4.95%	3.58%
1-Week Price Change	-6.56%	-4.83%	1.06%	-1.58%	-5.26%	-14.51%
4-Week Price Change	0.17%	-0.97%	1.56%	0.16%	2.23%	-8.58%
12-Week Price Change	10.43%	0.04%	6.14%	0.32%	4.50%	12.93%
52-Week Price Change	99.29%	92.66%	38.35%	16.92%	125.12%	146.26%
20-Day Average Volume (Shares)	273,332	160,367	1,811,241	4,770	296,477	982,418
EPS F1 Estimate 1-Week Change	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.40%	0.00%	0.01%	0.00%	0.00%	0.00%

EPS F1 Estimate 12-Week Change	4.86%	2.08%	3.54%	-38.71%	NA	10.41%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	NA	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

Disclosures

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

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

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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