

Ford Motor Company(F)

\$11.19 (As of 01/26/21)

Price Target (6-12 Months): **\$12.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/01/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: A

Summary

Strong vehicle mix supported by F-series trucks and SUV models is expected to bolster the company's long-term revenues. Ford's big push toward the development of electric and autonomous vehicles will drive profitability. The firm's alliance with Volkswagen is likely to accelerate execution of EV strategy and boost Argo AI prospects. Operational efficiency and auto market recovery in China—which happens to be Ford's second-largest market—also bode well. However, South American and European markets are expected to remain weak in the near future. Further, elevated leverage of the company restricts its financial flexibility. Moreover, dividend suspension and bleak outlook for the fourth quarter of 2020 are likely to dampen investors' confidence. As such, the stock warrants a cautious stance at the moment.

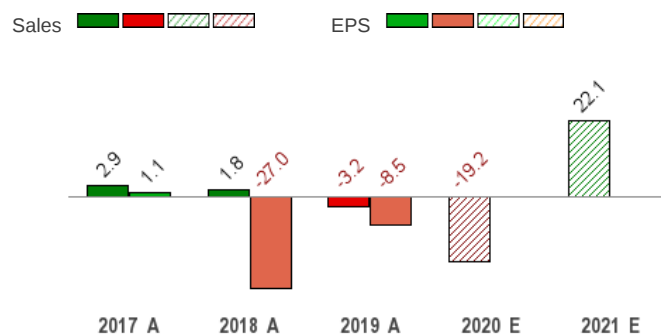
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$12.15 - \$3.96
20-Day Average Volume (Shares)	86,986,640
Market Cap	\$44.9 B
Year-To-Date Price Change	28.4%
Beta	1.27
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Automotive - Domestic
Zacks Industry Rank	Top 15% (37 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	195.5%
Last Sales Surprise	6.1%
EPS F1 Estimate 4-Week Change	7.5%
Expected Report Date	02/04/2021
Earnings ESP	11.1%
P/E TTM	59.4
P/E F1	11.8
PEG F1	1.5
P/S TTM	0.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					141,684 E
2020	31,340 A	16,622 A	34,707 A	32,887 E	116,014 E
2019	37,239 A	35,758 A	33,931 A	36,671 A	143,599 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$0.95 E
2020	-\$0.23 A	-\$0.35 A	\$0.65 A	-\$0.08 E	-\$0.03 E
2019	\$0.44 A	\$0.32 A	\$0.34 A	\$0.12 A	\$1.19 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 01/26/2021. The reports text is as of 01/27/2021.

Overview

Dearborn, MI-based Ford Motor Company designs, manufactures, markets and services cars, trucks, sport utility vehicles, electrified vehicles, and Lincoln luxury vehicles. Apart from vehicles, the company provides financial services through Ford Motor Credit Company LLC ("Ford Credit"). It employs approximately 199,000 employees worldwide.

Ford has three reportable operating segments:

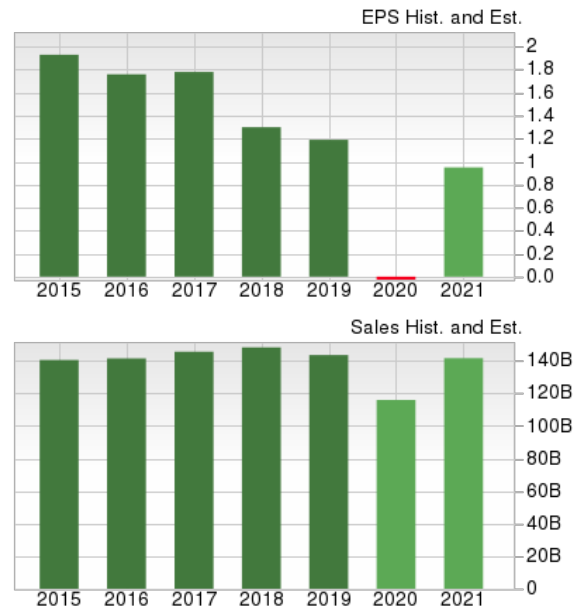
The **Automotive** segment (contributed 92.1% to company's total revenues in 2019) is engaged in the design, development, manufacture, sale and service of Ford and Lincoln vehicles as well as service parts, and accessories. The segment covers five regional business units: North America, South America, Europe, Middle East & Africa, and the Asia Pacific (including China).

The company's wholesales primarily consisted of vehicles sold to dealerships. In 2019, it sold roughly 5,386,000 vehicles at wholesale throughout the world. Beside retail sales, Ford's dealerships sell vehicles to fleet customers, including commercial fleet customers, daily rental car companies and governments. It also sells parts and accessories to authorized parts distributors and offers extended service contracts. At the end of 2019, the company's retail segment held 13.2% market share in North America, 7.2% in South America, 6.8% in Europe, 3.2% in Middle East & Africa and 2.2% in China.

The **Mobility** segment (0.01%) focuses on designing, building, growing and investing in mobility services, and autonomous technology businesses for the company. The segment works as a subsidiary of Ford under the name Ford Smart Mobility LLC ("FSM").

The **Financial Services** segment (7.8%) deals with vehicle-related financing and leasing activities at Ford Credit.

Ford expects extensive product introductions, featuring electric commercial and passenger vehicles, and investments in smart-vehicle capabilities throughout 2020. Apart from Mustang Mach-E, the company plans to launch F-150 — featuring a first-ever hybrid-electric version, a small off-road utility vehicle, the first of 30 market-specific Ford and Lincoln vehicles in China, and Electrified versions of the Lincoln Corsair and Ford Escape/Kuga.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Strong vehicle mix supported by F-series trucks and SUV models, including Escape, Explorer, Expedition, EcoSport and Edge, among others, all of which offer hybrid and electric options, is expected to bolster the company's long-term revenues. Auto market recovery in China—which happens to be Ford's second-largest market—positions the firm well. The company's efforts to strengthen product line-up with more customer-centric products are likely to have yielded results. These measures along with improving economic conditions in China are likely to continue the sales growth in the country, going forward.
- ▲ Ford's focus on cost-containment efforts — lowering operating costs, reducing capital expenditures and deferring portions of executive salaries — are likely to enable the firm to navigate through the coronavirus-induced financial crisis. Ford had cash and cash equivalents of \$24,263 million as of Sep 30, 2020 compared with \$17,504 million on Dec 31, 2019. The company anticipates its 2020 capex to lie between \$1.2 billion and \$1.7 billion, much lower than \$7.6 billion in 2019. Strong capital discipline and operational efficiency helped the firm to turn to FCF positive in the third quarter (\$6.3 billion) as against negative FCF of \$5.3 billion in the second quarter of 2020.
- ▲ Ford is accelerating its efforts to develop electric and autonomous vehicles. The company has several electric vehicles coming up, including Mustang Mach-E sports SUV and the F-150 pick-up. These vehicles are likely to enhance the profitability of the firm, which will help pay back the heavy investments Ford has made in the technology. The company's alliance with Volkswagen is likely to accelerate execution of its commercial vehicles and EV strategy. The partnership also enhances Argo AI prospects, wherein both firms will collaborate to create highly capable autonomous vehicle businesses based on the self-driving technology of Argo AI.

Ford's focus on SUVs and trucks along with upcoming EV launches are likely to boost its long-term prospects.

Reasons To Sell:

- ▼ Bleak outlook for the fourth quarter of 2020 remains a concern. Ford anticipates fourth-quarter adjusted EBIT to be between break-even and a \$500-million loss, down from both the third quarter and the year-ago period. High structural and other costs from the manufacturing launch activities along with reduction in wholesale volumes of about 100,000 units associated with the F 150 changeover are likely to result in EBIT decline. Profits from Ford Credit are also expected to be lower from the third quarter of 2020 due to lower auction volumes.
- ▼ Spike in coronavirus infections, another round of lockdown and supply distortions may way on the near term prospects of Ford. Importantly, markets in Europe and South America are likely to lag behind in the near term. Amid the coronavirus uncertainty, Ford has suspended its dividend, dampening investors' confidence. Further, it has no intention to reinstate the dividend anytime soon.
- ▼ As of Sep 30, 2020, the company's automotive long-term debt increased to \$22,363 million from 13,233 billion as of Dec 31, 2019. Its total long-term debt-to-capital ratio stands at 0.83, higher than its industry's 0.78. The elevated leverage of the company restricts its financial flexibility. Ford's credit ratings are non-investment grade by Moody's and S&P. The firm's weak financial position is likely to increase its credit cost. High funding costs may weigh on Ford's ability to invest in programs which would benefit the firm over the long term.

High leverage and bleak outlook for the fourth quarter of 2020 are major headwinds.

Last Earnings Report

Ford Posts Earnings Beat in Q3

Ford reported reported third-quarter 2020 adjusted diluted earnings of 65 cents per share, comfortably outpacing the Zacks Consensus Estimate of 22 cents.

This outperformance resulted from higher-than-anticipated automotive sales in North America and Europe. Revenues from automotive sales in North America and Europe came in at \$25,300 million and \$5,700 million, respectively, beating the Zacks Consensus Estimate of \$24,307 million and \$5,562 million. Moreover, the bottom line surged 91.2% year on year from the year-ago quarter's profit of 34 cents per share.

The Dearborn-based automaker delivered solid financial results in the third quarter through a combination of robust operating execution and focus on its strengths in high-demand, profitable vehicles, along with a reversal of the adverse impact of the coronavirus pandemic.

During the September-end quarter, the company reported adjusted EBIT of \$3,644 million, as against the \$1,793 million recorded in the corresponding period of 2019. Also, the U.S. auto giant reported net profit of \$2,385 million, significantly increasing from the prior-year level of \$425 million.

Ford registered revenues of \$37,501 million in the third quarter, up from the year-ago period's \$36,990 million.

During the reported quarter, the company generated automotive revenues of \$34,707 million. The figure outpaced the Zacks Consensus Estimate of \$32,700 million as well as came in higher than the prior-year quarter's \$33,931 million.

Segmental Performance

For the third quarter, revenues from Ford Credit declined 8.9% year over year to \$2,774 million. Revenues from Ford Mobility came in at \$20 million, up from the \$14 million recorded in the third quarter of 2019.

During the July-September quarter, wholesale volume in the Ford Automotive segment slid 5% from the prior-year period to 1,178,000. The segment recorded EBIT of \$2,644 million, higher than the year-ago profit of \$1,329 million.

In North America, revenues increased 8% year on year to \$25.3 billion during the reported quarter. Wholesale volume rose 2% from the year-earlier quarter to 651,000 units. Further, EBIT was \$3,178 million compared with the EBIT of \$2,011 million witnessed in the year-ago quarter.

In South America, revenues plunged 39% year over year to \$0.6 billion during the third quarter. Wholesale volume plummeted 39% from the year-ago quarter to 48,000 units. The region reported a negative EBIT of \$108 million, narrower than the prior-year loss of \$165 million.

In Europe, revenues fell 10% year on year to \$5.7 billion during the September-end quarter. Wholesale volume slipped 20% from the year-ago period to 239,000 units. The region registered a negative EBIT of \$440 million, wider than the prior-year loss of \$143 million.

In China, revenues climbed 15% year over year to \$1 billion during the reported quarter. Further, wholesale volume increased 22% from the prior-year figure to 164,000 units. The region reported a negative EBIT of \$58 million, narrower than the year-ago loss of \$281 million.

In the International Markets Group, revenues dropped 11% from the year-ago figure to \$2 billion. Wholesale volume dipped 18% from the prior-year level to 76,000 units. However, the region reported EBIT of \$72 million comparing favorably with the loss of \$93 million witnessed in the prior-year quarter.

Financial Position

The company reported third-quarter adjusted free cash flow of \$6,302 million. Ford had cash and cash equivalents of \$24,263 million as of Sep 30, 2020, compared with \$17,504 million on Dec 31, 2019. Automotive long-term debt increased to \$22,363 million as of Sep 30, 2020 compared with \$13,233 million on Dec 31, 2019.

Outlook

Ford has issued the fourth-quarter guidance. The company plans to launch three anticipated, all-new game-changing vehicles in the ongoing quarter. The models slated to be rolled out are 2021 F-150, all electric Mustang Mach-E, and Bronco Sport — first of new Bronco family of products. For this, the company will temporarily lower wholesale shipments of F-150 to about 100,000 units. Also, it expects to incur sequentially higher structural and other costs related to the manufacturing launches of Mustang Mach-E and Bronco Sport. Ford also expects to generate sequentially lower EBT from Ford Credit.

Ford anticipates fourth-quarter adjusted EBIT to be between break-even and a \$500-million loss, down from both the third quarter and the year-ago period. Based on this guidance, the company now expects a positive adjusted company EBIT for full-year 2020.

Quarter Ending	09/2020
Report Date	Oct 28, 2020
Sales Surprise	6.14%
EPS Surprise	195.45%
Quarterly EPS	0.65
Annual EPS (TTM)	0.19

Recent News

Ford Recalls 286 Ford Explorer Police Interceptor and Lincoln Aviator

On **Jan 20**, Ford announced that it has issued a safety recall over contaminated windshield washer fluid, which does not comply with the Federal Motor Vehicle Safety Standards. The recall affects 286 vehicles, including 283 in the United States and three in Canada. Reference number for this recall is 21C01.

Valuation

Ford's shares are up 59.7% and up 24.7% over the past six months and in the trailing 12-month period, respectively. Stocks in the Zacks Automotive - Domestic industry and the Zacks Auto-Tires-Trucks sector are up 149.8% and 79.7%, respectively, over the past six months. Over the past year, the Zacks sub industry and sector are up 313.4% and 110.6%, respectively.

The S&P 500 index is up 21% and 19.9% over the past 6 months and in the past year, respectively.

The stock is currently trading at 0.31X forward 12-month sales, which compares to 3.13X for the Zacks sub-industry, 1.43X for the Zacks sector and 4.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.39X and as low as 0.12X, with a 5-year median of 0.28X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$12 price target reflects 0.33X forward 12-months sales.

The table below shows summary valuation data for F:

Valuation Multiples - F					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.31	3.13	1.43	4.58
	5-Year High	0.39	3.13	1.43	4.58
	5-Year Low	0.12	0.49	0.47	3.2
	5-Year Median	0.28	0.6	0.6	3.67
EV/EBITDA TTM	Current	24.82	53.33	21.59	17.54
	5-Year High	25.03	53.33	21.59	17.54
	5-Year Low	4.72	6.16	6.87	9.53
	5-Year Median	11.5	11.9	9.37	13.23
P/E F12M	Current	11.36	57.71	27.26	23.19
	5-Year High	81.99	76.32	27.65	23.8
	5-Year Low	NA	7.95	8.22	15.3
	5-Year Median	7.13	11.07	10.22	17.82

As of 01/26/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 15% (37 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Fox Factory Holding Corp. (FOXF)	Outperform	2
IAA, Inc. (IAA)	Outperform	2
Tesla, Inc. (TSLA)	Outperform	1
Blue Bird Corporation (BLBD)	Neutral	3
General Motors Company (GM)	Neutral	3
HarleyDavidson, Inc. (HOG)	Neutral	1
PACCAR Inc. (PCAR)	Neutral	3
Polaris Inc. (PII)	Neutral	2

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

Industry Comparison Industry: Automotive - Domestic				Industry Peers		
	F	X Industry	S&P 500	GM	PCAR	TSLA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	1	-	-	3	3	1
VGM Score	A	-	-	A	B	D
Market Cap	44.92 B	5.76 B	27.04 B	76.42 B	33.93 B	834.91 B
# of Analysts	5	4	13	6	8	11
Dividend Yield	0.00%	0.00%	1.42%	0.00%	1.31%	0.00%
Value Score	A	-	-	A	B	F
Cash/Price	0.98	0.12	0.06	0.47	0.13	0.02
EV/EBITDA	11.95	18.25	14.85	5.67	8.50	352.73
PEG F1	1.51	2.37	2.52	0.92	1.72	6.15
P/B	1.35	5.43	3.88	1.59	3.33	49.43
P/CF	3.46	20.41	14.57	3.51	14.44	537.74
P/E F1	11.78	17.23	20.63	9.05	17.23	230.68
P/S TTM	0.34	1.26	2.95	0.66	1.76	29.63
Earnings Yield	8.41%	2.97%	4.74%	11.05%	5.80%	0.43%
Debt/Equity	3.20	0.04	0.70	1.70	0.75	0.63
Cash Flow (\$/share)	3.24	1.97	6.88	14.84	6.78	1.64
Growth Score	A	-	-	A	C	A
Historical EPS Growth (3-5 Years)	-24.91%	5.92%	9.69%	-10.54%	9.77%	NA
Projected EPS Growth (F1/F0)	3,753.85%	45.19%	12.61%	27.86%	49.31%	63.30%
Current Cash Flow Growth	-2.64%	9.32%	4.97%	-8.62%	-32.26%	36.54%
Historical Cash Flow Growth (3-5 Years)	1.90%	9.37%	8.07%	9.37%	11.72%	54.29%
Current Ratio	1.20	1.36	1.38	1.11	3.14	1.63
Debt/Capital	76.22%	37.79%	41.88%	63.01%	43.30%	39.90%
Net Margin	-0.12%	2.25%	10.44%	2.92%	7.39%	1.97%
Return on Equity	2.48%	3.71%	15.37%	9.78%	14.49%	4.93%
Sales/Assets	0.50	0.72	0.50	0.49	0.71	0.73
Projected Sales Growth (F1/F0)	22.13%	20.93%	6.13%	11.70%	22.73%	44.08%
Momentum Score	A	-	-	A	A	D
Daily Price Change	-0.89%	0.26%	-0.63%	-2.53%	-0.13%	0.26%
1-Week Price Change	17.19%	1.80%	-0.02%	10.87%	12.13%	2.48%
4-Week Price Change	26.87%	17.82%	3.06%	25.19%	14.64%	32.60%
12-Week Price Change	42.01%	36.09%	13.23%	47.21%	6.57%	108.32%
52-Week Price Change	24.75%	52.64%	8.52%	54.70%	27.41%	678.88%
20-Day Average Volume (Shares)	86,986,640	1,690,630	1,805,457	26,524,020	1,690,630	35,479,836
EPS F1 Estimate 1-Week Change	4.59%	0.00%	0.00%	1.73%	1.50%	0.11%
EPS F1 Estimate 4-Week Change	7.55%	0.00%	0.15%	2.46%	3.53%	8.64%
EPS F1 Estimate 12-Week Change	26.95%	6.60%	2.10%	31.38%	5.72%	12.82%
EPS Q1 Estimate Monthly Change	NA%	0.00%	0.00%	NA	3.28%	9.32%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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