

FedEx Corporation (FDX)

\$279.22 (As of 03/29/21)

Price Target (6-12 Months): **\$293.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 02/08/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: A

Summary

Repeating the last few quarters' trend, surging e-commerce demand aided FedEx's results in the third quarter of fiscal 2021. The company beat on revenues as well as earnings per share. Both metrics also improved year over year. Revenues at the FedEx Ground segment, which handles e-commerce deliveries for many retailers, jumped 37% on higher residential volumes. This outperformance was also led by an uptick in volumes at FedEx International Priority services and favorable pricing-related initiatives. We are further pleased with the company's efforts to reward its shareholders through dividends and buybacks despite the present turbulent scenario. However, high operating expenses (up 20% in the third quarter of fiscal 2021) are concerning. Increased forecast for fiscal 2021 capital expenses also might prove to be a spoilsport.

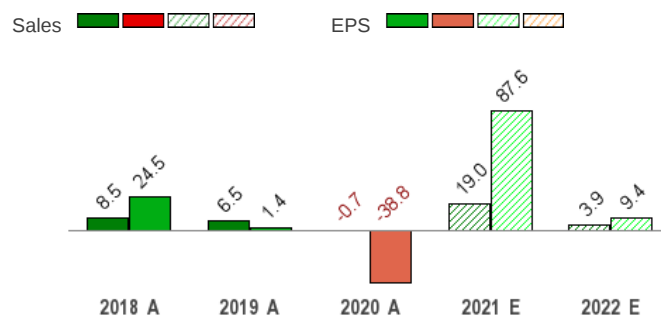
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$305.66 - \$103.40
20-Day Average Volume (Shares)	2,881,308
Market Cap	\$74.1 B
Year-To-Date Price Change	7.6%
Beta	1.31
Dividend / Dividend Yield	\$2.60 / 0.9%
Industry	Transportation - Air Freight and Cargo
Zacks Industry Rank	Bottom 24% (194 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.1%
Last Sales Surprise	7.7%
EPS F1 Estimate 4-Week Change	3.8%
Expected Report Date	06/29/2021
Earnings ESP	0.0%
P/E TTM	17.8
P/E F1	15.7
PEG F1	1.3
P/S TTM	0.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	21,074 E	21,957 E	22,593 E	22,949 E	85,599 E
2021	19,321 A	20,563 A	21,510 A	21,086 E	82,387 E
2020	17,048 A	17,324 A	17,487 A	17,358 A	69,217 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$4.28 E	\$4.66 E	\$4.24 E	\$6.07 E	\$19.50 E
2021	\$4.87 A	\$4.83 A	\$3.47 A	\$4.74 E	\$17.82 E
2020	\$3.05 A	\$2.51 A	\$1.41 A	\$2.53 A	\$9.50 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 03/29/2021. The report's text and the analyst-provided price target are as of 03/30/2021.

Overview

Based in Memphis, TN, FedEx Corporation is the leader in global express delivery services. The company, founded in 1971, provides a broad portfolio of transportation, e-commerce and business services through companies competing collectively, operating independently and managed collaboratively, under the FedEx brand.

The company is currently reporting, primarily through the FedEx Express (including TNT Express acquired in 2016), FedEx Ground and FedEx Freight segments. These segments contributed 51.3%, 32.8% and 10.3% respectively to the company's total revenues in fiscal 2020.

FedEx Express offers time-definite delivery to more than 220 countries and territories, connecting markets that comprise almost the entire gross domestic product of the world.

FedEx Express employs approximately 245,000 employees and has approximately 98,000 drop-off locations (including FedEx Office stores and FedEx OnSite locations), 679 aircraft and approximately 79,000 vehicles across the globe.

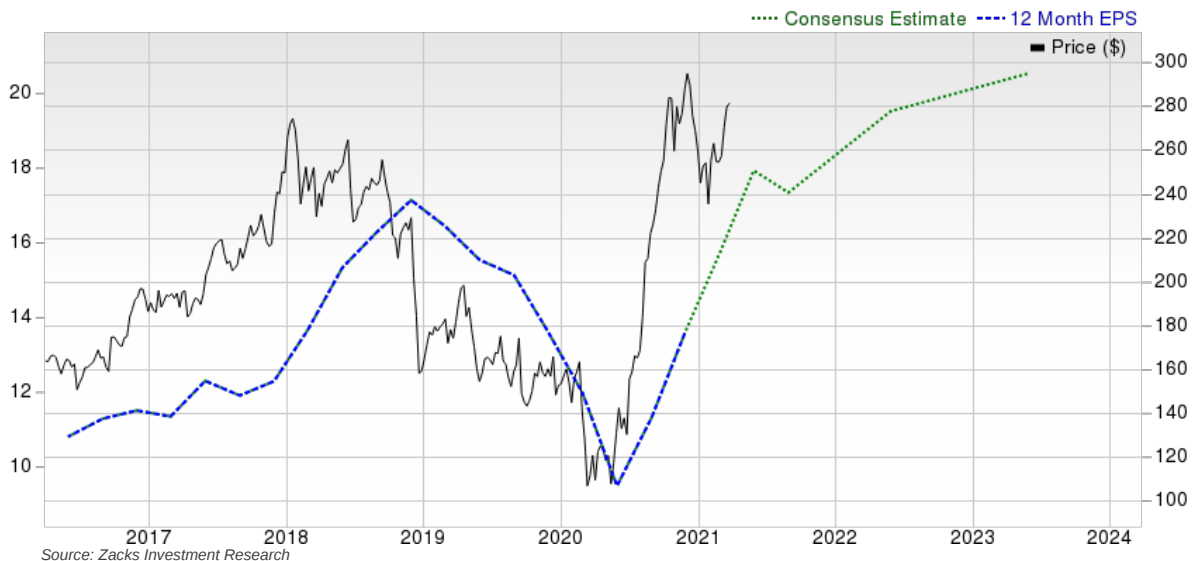
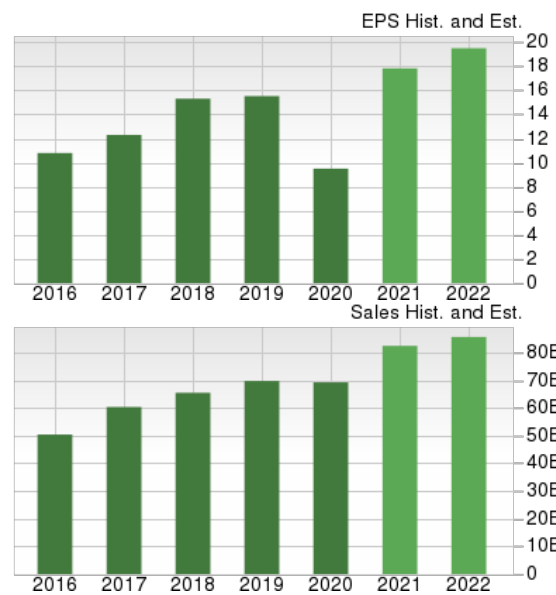
FedEx Ground offers low-cost, day-certain service to any business address in the United States and Canada, as well as residential delivery in the United States through its FedEx Home Delivery service.

FedEx SmartPost is also an offering of the FedEx Ground segment that focuses in the consolidation and delivery of high volumes of low-weight, less time-sensitive business-to-consumer packages.

Through the FedEx Freight segment, the company offers less-than-truckload ("LTL") freight services in the United States. The division also offers freight delivery service to destinations in Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. At the end of fiscal 2020 (ended May 31, 2020), the segment operated approximately 30,000 vehicles and 373 service centers.

Through the FedEx Services segment, which includes FedEx office and print services, the company offers various services like sales, marketing, information technology, billing and collection.

Moreover, the FedEx Logistics (formerly known as FedEx Trade Networks) operating segment offers services pertaining to customs brokerage, and global ocean and air freight forwarding through FedEx Trade Networks Transport & Brokerage. Notably, results of the FedEx Logistics unit are reported under "Corporate, other and eliminations."



Reasons To Buy:

- ▲ Akin to the past few quarters, FedEx's third-quarter fiscal 2021 results were aided by the surge in e-commerce demand. E-commerce, which already became part and parcel of daily lives in today's fast-paced world, is witnessing higher demand now amid the pandemic-induced social-distancing protocols and quarantines. The company's performance in the quarter was aided by higher Ground revenues (up 37%) on residential delivery volume growth. Quarterly results were also aided by an uptick in volumes at FedEx International Priority services and favorable pricing-related initiatives. Operating income (on an adjusted basis) soared more than 100% year over year to \$1.06 billion in third-quarter fiscal 2021 driven by holiday package strength. Notably, FedEx Ground revenues are up 37% in the first nine months of fiscal 2021. The same is likely to aid the company's results in the fourth quarter of fiscal 2021 as well.
- ▲ In December 2020, FedEx completed the acquisition of ShopRunner, a Chicago-based e-commerce platform connecting online shoppers with their favorite merchants and brands. With FedEx gaining significantly from the surge in e-commerce demand amid the coronavirus pandemic, the ShopRunner acquisition provides a further boost to the company's e-commerce offerings. ShopRunner will now operate as a subsidiary of FedEx Services. With the e-commerce market projected to grow further, the buyout is a prudent one. Notably, in 2020, e-commerce sales in the United States grew 44% year-over-year. E-commerce package volumes are expected to surge to 111 million packages per day by 2026, up from 35 million in 2019.
- ▲ We are also pleased with the company's efforts to reward its shareholders even in these difficult times. Notably, its dividends have increased at a 5-year CAGR of 26%. This reflects FedEx's shareholder-friendly approach. We are also positive on FedEx's acquisition of Cargex. The buyout has strengthened FedEx's Latin American footprint.
- ▲ FedEx's cash position is solid. Notably, FedEx exited the third quarter of fiscal 2021 with cash and cash equivalents of \$8,856 million, way above the debt load (current portion) of \$646 million. This indicates that the company has sufficient cash to meet its current debt obligations. Additionally, the company's current ratio, a measure of liquidity, was pegged at 1.60 at the end of the third quarter of fiscal 2021 higher than its industry's average of 1.29. This liquidity ratio measures a company's ability to pay short-term obligations.

We are pleased with the company's efforts to reward its shareholders even in these difficult times.

Reasons To Sell:

- ▼ We are concerned about the sharp rise in operating expenses. Notably, operating costs escalated 20% in the third quarter of fiscal 2021 due to factors like high variable compensation expense and increased labor rates. Notably, operating expenses have increased in double digits (15%) year over year in the first nine months of fiscal 2021. In the event of operating costs continuing to increase, bottom-line growth would be hampered.
- ▼ In March 2021, the company increased its forecast for fiscal 2021 capital expenditures. It expects capital expenditures of \$5.7 billion in fiscal 2021, compared with \$5.1 billion expected previously. The anticipated increase in capital spending is mainly due to the acceleration in capacity expansion initiatives at FedEx Ground. The company expects capital expenditures for fiscal 2022 to increase year over year. High capital expenditures might be a spoilsport as the same may hurt the bottom line.
- ▼ FedEx's operating income in the third quarter of fiscal 2021 was hurt to the tune of roughly \$350 million due to unfavorable weather during the quarter. Of the estimated negative impact of \$350 million on overall operating income, \$240 million, \$85 million and \$25 million were at the Express, Ground and Freight. units, respectively. Re-occurrence of such adverse events do not bode well for the stock.

The company expects capital expenditures for fiscal 2022 to increase year over year.

Last Earnings Report

FedEx Beats on Earnings in Q3

The company's earnings (excluding 17 cents from non-recurring items) of \$3.47 per share surpassed the Zacks Consensus Estimate of \$3.21. The bottom line surged more than 100% year over year, driven by increased volumes at FedEx International Priority and U.S. domestic residential package services, as well as pricing initiatives across all transportation segments.

Quarterly revenues of \$21,510 million outperformed the Zacks Consensus Estimate of \$19,970.9 million and increased 23% year over year, primarily owing to higher volumes, thanks to coronavirus-driven increased demand for e-commerce. Operating income (on an adjusted basis) soared more than 100% year over year to \$1.06 billion in the reported quarter due to pandemic-driven rise in demand for residential delivery services as well yield improvement. Operating margin (adjusted) also improved to 4.9% from 2.8% in the year-ago period.

Quarter Ending	02/2021
Report Date	Mar 18, 2021
Sales Surprise	7.71%
EPS Surprise	8.10%
Quarterly EPS	3.47
Annual EPS (TTM)	15.70

Segmental Performance

Quarterly revenues at FedEx Express (including TNT Express) ascended 20.9% to \$10.79 billion due to international export and U.S. domestic package volume growth. Segmental operating income increased to \$463 million from \$137 million in the year-ago period. Also, segmental operating margin improved to 4.3% from 1.5% in third-quarter fiscal 2020.

FedEx Ground revenues surged 36.5% year over year to \$7,980 million in the period under consideration, owing to residential delivery volume growth. Operating income came in at \$702 million, augmenting 97.7% year over year. Segmental operating margin also improved to 8.8% from 6.1% in the prior-year quarter.

FedEx Freight revenues climbed 5.6% year over year to \$1,836 million due to higher revenues per shipment and average daily shipments. The segment's operating income ascended 5.3% to \$119 million, thanks to focus on revenue qualitative initiatives. Operating margin was flat at 6.5%.

Outlook

For fiscal 2021, FedEx anticipates earnings per share, before the year-end MTM retirement plan accounting adjustment and debt-refinancing costs, in the band of \$16.80-\$17.40. Additionally, the company estimates fiscal 2021 earnings per share in the range of \$17.60-\$18.20, before the year-end MTM retirement plan accounting adjustment and debt-refinancing costs, and excluding TNT Express integration expenses, costs associated with business realignment activities and the second-quarter fiscal 2021 MTM TNT Express retirement plan accounting adjustment.

Effective tax rate, before the year-end MTM retirement plan accounting adjustment, is expected between 21-22%. Meanwhile, capital expenditures are predicted to be \$5.7 billion in fiscal 2021, higher than \$5.1 billion anticipated previously, due to acceleration in FedEx Ground capacity expansion initiatives among other factors.

Recent News

Goal of Carbon-Neutral Operations by 2040 — Mar 3, 2021

FedEx aims to make its operations carbon-neutral globally by 2040. To this end, the company intends to make an initial investment of more than \$2 billion for vehicle electrification, sustainable energy and carbon sequestration.

As part of this goal, FedEx will provide a funding of \$100 million to Yale University to help establish the Yale Center for Natural Carbon Capture. The company plans to transform its entire fleet of parcel pickup and delivery ("PUD") to zero-emission electric vehicles by 2040. It expects to achieve this goal in phases. For instance, 50% of FedEx Express global PUD vehicle purchases will be electric by 2025. This will rise to 100% of all purchases by 2030. Additionally, FedEx will continue to invest in alternative fuels to reduce aircraft and vehicle emissions. It will also continue to make investments in efficient facilities, renewable energy and other energy management programs to make its facilities across the globe more sustainable.

Probable Job cuts In Europe — Jan 19, 2021

FedEx has announced proposals to resize its European workforce as it nears the completion of the network integration of TNT. The company intends to trim its workforce by upto 6,300 jobs in Europe. The job-cuts will happen over the next 18 months. The move will cost between \$300 million and \$575 million through 2023. However, the job cuts will save the company between \$275 million and \$350 million a year from 2024.

Valuation

FedEx shares are up 124.6% in a year's time. In the year-to-date period, the stock has gained 7.6%. In the past year, the Zacks sub-industry and sector are up 107.4% and 9.7%, respectively. So far this year, the Zacks sub-industry and sector are up 2.2% and 71.7%, respectively. The S&P 500 Index is up 53.4% in the past year and 6% so far this year.

The stock is currently trading at 0.87X forward 12-month price to sales, which compares to 1.45X for the Zacks sub-industry, 1.66X for the Zacks sector and 4.59X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 1.1X and as low as 0.33X, with a 5-year median of 0.81X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$293 price target reflects 0.91X forward 12-month sales.

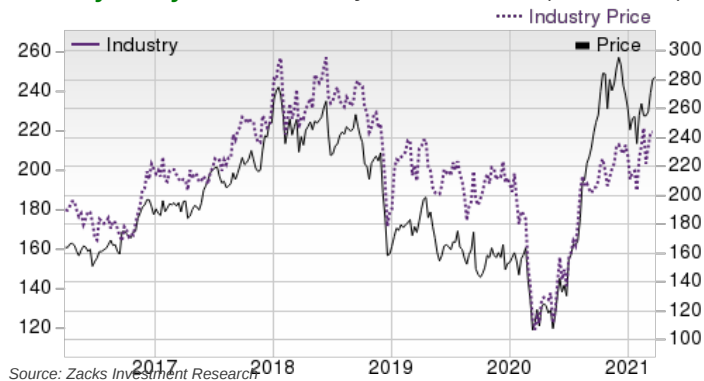
The table below shows summary valuation data for FDX

Valuation Multiples - FDX					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.87	1.45	1.66	4.59
	5-Year High	1.1	1.52	1.66	4.59
	5-Year Low	0.33	0.84	0.86	3.21
	5-Year Median	0.81	1.24	1.27	3.69
EV/EBITDA TTM	Current	8.93	10.65	18.7	17.67
	5-Year High	13.11	13.5	18.78	17.72
	5-Year Low	4	6.3	5.18	9.63
	5-Year Median	9.4	9.81	7.48	13.35
P/E F 12M	Current	14.52	16.93	27.68	22.43
	5-Year High	22.51	20.91	32.68	23.83
	5-Year Low	7.59	10.96	11.1	15.3
	5-Year Median	13.81	15.84	14.49	17.9

As of 3/29/2021

Source : Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 24% (194 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Atlas Air Worldwide Holdings (AAWW)	Neutral	4
Air Transport Services Group, Inc. (ATSG)	Neutral	3
C.H. Robinson Worldwide, Inc. (CHRW)	Neutral	3
Expeditors International of Washington, Inc. (EXPD)	Neutral	3
Norfolk Southern Corporation (NSC)	Neutral	3
Ryder System, Inc. (R)	Neutral	3
Union Pacific Corporation (UNP)	Neutral	3
United Parcel Service, Inc. (UPS)	Neutral	3

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

Industry Comparison Industry: Transportation - Air Freight And Cargo				Industry Peers		
	FDX	X Industry	S&P 500	AAWW	ATSG	UPS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	A	-	-	A	A	A
Market Cap	74.09 B	1.71 B	29.36 B	1.69 B	1.74 B	145.78 B
# of Analysts	10	8	13	1	3	11
Dividend Yield	0.93%	0.00%	1.34%	0.00%	0.00%	2.43%
Value Score	A	-	-	A	A	B
Cash/Price	0.12	0.08	0.06	0.51	0.02	0.04
EV/EBITDA	13.77	9.16	16.54	3.04	7.49	30.80
PEG F1	1.31	1.75	2.39	NA	NA	2.19
P/B	3.37	2.79	3.96	0.71	2.03	217.30
P/CF	11.15	9.59	16.53	2.28	3.95	14.74
P/E F1	15.67	16.60	21.88	7.50	17.54	19.08
P/S TTM	0.94	0.74	3.37	0.53	1.11	1.72
Earnings Yield	6.38%	6.04%	4.51%	13.34%	5.69%	5.24%
Debt/Equity	1.04	1.04	0.66	0.89	1.71	32.93
Cash Flow (\$/share)	25.05	7.39	6.78	25.70	7.39	11.41
Growth Score	A	-	-	A	B	A
Historical EPS Growth (3-5 Years)	3.36%	15.01%	9.36%	21.61%	31.24%	8.40%
Projected EPS Growth (F1/F0)	87.62%	7.95%	15.07%	-42.79%	-3.30%	7.05%
Current Cash Flow Growth	-12.37%	1.01%	0.44%	55.03%	10.84%	10.79%
Historical Cash Flow Growth (3-5 Years)	4.77%	9.73%	7.37%	21.38%	21.62%	7.10%
Current Ratio	1.60	1.19	1.39	1.06	0.90	1.19
Debt/Capital	50.91%	57.02%	41.42%	47.19%	63.14%	97.05%
Net Margin	3.85%	1.69%	10.59%	11.22%	2.04%	1.69%
Return on Equity	20.74%	19.53%	14.86%	18.85%	18.38%	205.27%
Sales/Assets	1.00	1.00	0.50	0.56	0.53	1.37
Projected Sales Growth (F1/F0)	19.03%	0.63%	7.28%	0.00%	6.18%	1.27%
Momentum Score	A	-	-	B	D	C
Daily Price Change	-0.75%	0.36%	-0.42%	0.62%	-0.34%	0.10%
1-Week Price Change	0.63%	-1.60%	2.12%	-1.59%	-6.22%	5.46%
4-Week Price Change	6.54%	5.06%	3.83%	5.98%	9.29%	4.13%
12-Week Price Change	10.28%	4.25%	11.63%	5.85%	-5.72%	2.65%
52-Week Price Change	124.62%	88.33%	59.04%	164.22%	62.69%	71.85%
20-Day Average Volume (Shares)	2,881,308	538,430	2,357,830	508,979	567,881	3,604,780
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	3.83%	-1.31%	0.00%	-4.75%	-2.73%	0.11%
EPS F1 Estimate 12-Week Change	5.19%	5.45%	2.19%	11.71%	-4.82%	5.71%
EPS Q1 Estimate Monthly Change	7.19%	0.29%	0.00%	NA	-22.73%	0.29%

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.