FLEETCOR Technologies(FLT)

$255.00 (As of 08/28/20)

Price Target (6-12 Months): **$270.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/08/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: C	Momentum: D

Summary

FLEETCOR's top line continues to grow organically driven by increase in volume and revenues per transaction from certain of its payment programs. Acquisitions have been significantly contributing to FLEETCOR's top line growth. Consistency in share repurchases not only boost investors' confidence but also positively impact earnings per share. However, the company continues to witness higher interest expense due to increase in LIBOR rate and additional borrowings for share repurchases. This is likely to weigh on the company's bottom line. Multiple acquisitions results in some integration risk. Risks associated with foreign currency exchange rate fluctuations is a concern. Partly due to these negatives, the company's shares have underperformed its industry in the past year.

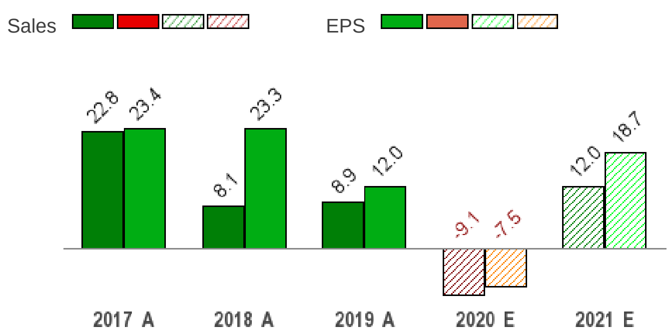
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$329.85 - $168.51**
20-Day Average Volume (Shares)	**786,228**
Market Cap	**$21.4 B**
Year-To-Date Price Change	**-11.4%**
Beta	**1.47**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Financial Transaction Services**
Zacks Industry Rank	**Top 31% (77 out of 252)**
Last EPS Surprise	**5.6%**
Last Sales Surprise	**-0.1%**
EPS F1 Estimate 4-Week Change	**2.5%**
Expected Report Date	**NA**
Earnings ESP	**0.0%**
P/E TTM	**22.1**
P/E F1	**23.4**
PEG F1	**1.5**
P/S TTM	**8.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates **(millions of $)**

	Q1	Q2	Q3	Q4	Annual*
2021	653 E	648 E	679 E	715 E	2,699 E
2020	661 A	525 A	588 E	630 E	2,409 E
2019	622 A	647 A	681 A	699 A	2,649 A

EPS Estimates

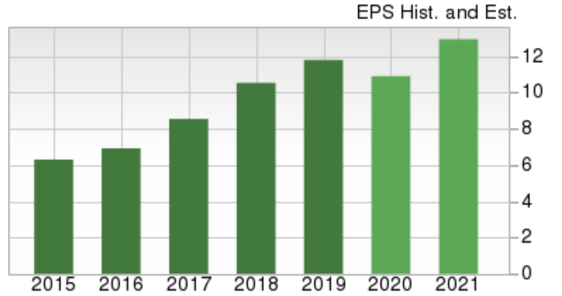
	Q1	Q2	Q3	Q4	Annual*
2021	$3.10 E	$3.03 E	$3.34 E	$3.53 E	$12.94 E
2020	$3.00 A	$2.28 A	$2.69 E	$2.95 E	$10.90 E
2019	$2.67 A	$2.85 A	$3.10 A	$3.17 A	$11.79 A

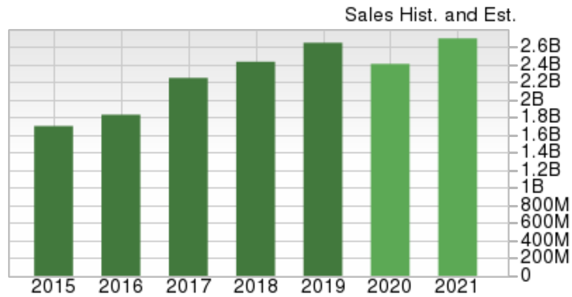
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/28/2020. The reports text is as of 08/31/2020.

Overview

Peachtree Corners, GA based FLEETCOR Technologies, Inc. is a global commercial payments solution provider. Through its portfolio of brands, FLEETCOR helps companies automate, secure, digitize and control payments to, or on behalf of, their employees and suppliers. FLEETCOR serves businesses, partners and merchants in North America, Latin America, Europe, and Asia Pacific.





FLEETCOR's predecessor company was organized in the United States in 1986, and FLEETCOR had its initial public offering in 2010.

FLEETCOR uses both proprietary and third-party networks to deliver its payment solutions. The company owns and operates proprietary networks with well-established brands throughout the world, bringing incremental sales and loyalty to affiliated merchants. Third-party networks are used to broaden payment product acceptance and use. In 2018, the company processed approximately 2.9 billion transactions within these networks, of which approximately 1.4 billion were related to its gift product line.

The company capitalizes on its products' specialization with sales and marketing efforts by deploying product-dedicated sales forces to target specific customer segments. The company promotes its products directly through multiple sales channels which includes field sales, telesales and digital marketing, and indirectly through its partners which include major oil companies, leasing companies, petroleum marketers, value-added resellers (VARs) and referral partners

The company has presence in 100 countries, with the United States, Brazil and the United Kingdom being its primary operating regions. These countries contributed nearly 87% of revenues in 2018.

FLEETCOR operates in five categories — fuel, lodging, tolls, corporate payments and gift. It also provides payment products including fleet maintenance, employee benefits and long-haul transportation-related services.

In 2019, FLEETCOR generated $2.65 billion in revenues, up 8.9% year over year. The company has two reportable segments — **North America (65% of revenues in 2018)** and **International (35%)**.

As of Dec 31, 2019, the company had approximately 8,700 employees worldwide.

Source: Zacks Investment Research

Reasons To Buy:

FLEETCOR looks strong on the back of organic growth and strategic acquisitions.

- FLEETCOR's **top line continues to grow organically** driven by increase in both volume and revenues per transaction in certain of its payment programs. The company continues to witness solid organic revenue growth, driven by robust double-digit growth across its product categories – fuel, corporate payments, tolls and lodging. Notably, organic revenue growth was 11%, 10%, 9% and 8% respectively in 2019, 2018, 2017 and 2016.

- **Acquisitions** are contributing significantly to FLEETCOR's top line. The company has been continuously acquiring and investing in companies both in the United States as well as internationally to expand customer base, headcount and operations and diversify its service offerings across industries. In 2019, FLEETCOR acquired Nvoicepay, SOLE Financial, Travelliance and a tuck–in acquisition in its lodging business. While Nvoicepay should expand FLEETCOR's corporate payments business with full disbursement accounts payable cloud platform, SOLE Financial is expected to extend FLEETCOR's payroll and card portfolios and expand its addressable market, thus enabling it better serve small and medium-sized as well as larger businesses. Travelliance is expected to expand its lodging business across new international markets and the tuck–in acquisition will expand its presence into the airline segment and add international hotel coverage and capabilities. In 2018, the company made a $21.2 million worth acquisition. In 2017, FLEETCOR completed three acquisitions - Creative Lodging Solutions ("CLS") to strengthen its hotel network through increased room nights; Cambridge Global Payments ("Cambridge") to expand its corporate payments footprint; and a fuel card provider in Russia. Since 2002, the company has acquired more than 75 companies and commercial account portfolios. During 2019, the company witnessed $40 million of additional revenues from acquisitions completed in the year. In 2018, the company witnessed $97 million of additional revenues from the acquisitions completed in 2017. In 2017, additional revenues of $212 million were generated from acquisitions completed in 2016 and 2017.

- FLEETCOR's **debt level has decreased quarter over quarter.** Total debt at the end of second-quarter 2020 was $3.79 billion, down from the $4.34 billion recorded at the end of the prior quarter. The total debt to total capital ratio of 0.52 was lower than the previous quarter's 0.54. Lower debt to capitalization ratio indicates that the proportion of debt to finance the company's assets is declining and so is the risk of insolvency. Further, cash and cash equivalent balance of $1.19 billion at the end of the second quarter was enough to meet the short-term debt of $591 million.

- We are impressed with FLEETCOR Technologies' endeavors in **rewarding its shareholders** through share repurchases. In 2019, 2018 and 2017, the company had repurchased shares worth $694.9 million, $958.7 million and $402.4 million, respectively. Such moves indicate the company's commitment to create value for shareholders and underline its confidence in its business. These shareholder-friendly initiatives not only instill investors' confidence but also positively impact earnings per share.

Reasons To Sell:

Higher interest expense, integration risks, foreign currency exchange rate fluctuations and seasonality act as headwinds.

- FLEETCOR is seeing **higher interest expense** due to increase in LIBOR rate and additional borrowings for shares repurchase and to fund Cambridge acquisition (completed in 2017). During 2019, interest expense of $150.05 million increased 8.3% year over year. The same rose 29.3% year over year in 2018. For 2020, the company expects interest expense to be between $130-$140 million. Hence, the bottom line is likely to remain under pressure going forward. This may weigh on its share price which has underperformed the industry in the past year, declining 14.6% compared with the industry's growth of 12.8%.

- FLEETCOR's fuel card, workforce payment solutions and gift card **businesses are affected by seasonality**. The company's fuel card and workforce payment solutions businesses are hampered during the first and fourth quarters as a result of the prevailing weather conditions, U.S. holidays, Christmas celebration in Russia in January, lower business activities in Brazil due to summer break and the Carnival celebration. The gift card business witnesses higher revenues during the third and fourth quarters, primarily due to the holiday season, and lower revenues in the first and second quarters due to fluctuating consumer spending patterns.

- FLEETCOR's global presence makes it vulnerable to the risks associated with **foreign currency exchange rate fluctuations**. Outside the United States, the company transacts in currencies like British pound, Brazilian real, Canadian dollar, Russian ruble, Mexican peso, Czech koruna, Euro, Australian dollar and New Zealand dollar. Notably, foreign exchange rates unfavorably impacted the company's revenues by $56 million during the first half of 2020. In 2019 and 2018, foreign exchange rates had unfavorably impacted the company's revenues by $61 million and $49 million, respectively.

- FLEETCOR's policy of acquiring a large number of companies results in some **integration risk**. Acquisitions can negatively impact its balance sheet in the form of a high level of goodwill and intangible assets, which totaled $6.9 billion or 62.2% of total assets at the end of 2018. Moreover, frequent acquisitions are a distraction for management, which could impact organic growth.

Last Earnings Report

FLEETCOR Surpasses Q2 Earnings Estimates, Revenues Lag

Quarter Ending	06/2020
Report Date	Aug 06, 2020
Sales Surprise	-0.12%
EPS Surprise	5.56%
Quarterly EPS	2.28
Annual EPS (TTM)	11.55

FLEETCOR Technologies reported mixed second-quarter 2020 results wherein earnings surpassed the Zacks Consensus Estimate but revenues missed the same.

Adjusted earnings of $2.28 per share outpaced the consensus estimate by 5.6% but decreased 20% year over year. Revenues of $525.1 million missed the consensus mark by 0.1% and decreased 19% year over year on a reported basis and 17% on a pro-forma and macro-adjusted basis.

The quarterly performance was significantly impacted by coronavirus-related shutdowns across the globe. Volumes reduced initially in the second quarter with most businesses' volumes starting to recover as the quarter progressed. The macro-economic environment unfavorably impacted revenues during the reported quarter by almost $22 million, thanks to unfavorable foreign-exchange rates.

Revenues in Detail

Segment wise, revenues from North America came in at $357.43 million, down 14.5% year over year. Internationally, revenues of $92.57 million decreased 26.3% year over year. Revenues from Brazil declined 27.5% to $75.15 million.

Product-category wise, fuel revenues of $249.8 million went down 15% year over year on a reported basis and 16% on a pro-forma and macro-adjusted basis.

Corporate Payments revenues of $92.6 million decreased 18% year over year on a reported basis and 17% on a pro-forma and macro-adjusted basis.

Tolls revenues of $64.8 million declined 25% year over year on a reported basis but improved 3% on a pro-forma and macro-adjusted basis.

Lodging revenues of $40.6 million decreased 19% year over year on a reported basis and 37% on a pro-forma and macro-adjusted basis.

Gift revenues of $26.5 million decreased 26% year over year on a reported as well as a pro-forma and macro-adjusted basis.

Other revenues of $50.8 million decreased 25% year over year on a reported as well as a pro-forma and macro-adjusted basis.

Operating Results

Operating income decreased 28.4% from the prior-year quarter to $212.81 million. Operating income margin declined to 40.5% from 45.9% in the prior-year quarter.

Balance Sheet & Cash Flow

FLEETCOR exited second-quarter 2020 with cash, cash equivalents and restricted cash of $1.19 billion compared with $1.55 billion at the end of the prior quarter. The company generated $382.14 million of net cash from operating activities. Capital expenditures totaled $18.61 million. In the reported quarter, FLEETCOR repurchased shares worth $27.12 million.

2020 Guidance

Considering the uncertainty in market recoveries due to the coronavirus outbreak, FLEETCOR has not updated its full-year 2020 guidance. The company expects volume in the second half of the year to improve as the economy improves. However, revenues in the second half of the year are anticipated to recover more slowly than volume, since bigger enterprise accounts with lower rates will recover faster than the company's SMB portfolio. Also, lower-than-expected fuel prices and foreign-exchange rates are expected to weigh on revenues.

Recent News

On **Aug 07, 2020**, FLEETCOR announced that Charles Freund, executive vice president for strategy, has been promoted as chief financial officer effective Sep 1, 2020.

On **Jul 14, 2020**, FLEETCOR's unit, Comdata Inc., announced that it is expanding the available offerings of its National Tire Discount Program to include light truck and passenger tires from leading tire manufacturer, Goodyear.

On **Apr 29, 2020**, FLEETCOR announced that in connecton with BlueVine, it is helping small business customers apply for government relief funding through the Small Business Administration's (SBA) Paycheck Protection Program.

Valuation

FLEETCOR shares are down 11.4% in the year-to-date period and 14.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 10.7% and 4.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 12.8% and 5.8%, respectively.

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

The stock is currently trading at 20.8X forward 12-month price-to-earnings, which compares to 33.44X for the Zacks sub-industry, 31.53X for the Zacks sector and 23.49X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.85X and as low as 12.92X, with a 5-year median of 20.97X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $270.00 price target reflects 22.02X price-to-earnings.

The table below shows summary valuation data for FLT

Valuation Multiples - FLT

		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	20.8	33.44	31.53	23.49
	5-Year High	25.85	33.44	31.53	23.49
	5-Year Low	12.92	20.78	18.68	15.25
	5-Year Median	20.97	23.31	20.95	17.6
P/S F 12M	Current	8.24	12.1	4.4	3.84
	5-Year High	10.91	12.1	4.4	3.84
	5-Year Low	4.96	7.18	3.06	2.53
	5-Year Median	7.54	8.78	3.6	3.05
P/B TTM	Current	7.34	8.33	4.94	4.76
	5-Year High	8.63	12.78	6.71	4.76
	5-Year Low	3.61	5.22	3.28	2.83
	5-Year Median	4.97	8.09	5.22	3.76

As of 08/28/2020

Industry Analysis Zacks Industry Rank: Top 31% (77 out of 252)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Envestnet, Inc (**ENV**)	Outperform	1
Cardtronics PLC (**CATM**)	Neutral	3
EVO Payments, Inc. (**EVOP**)	Neutral	3
Evertec, Inc. (**EVTC**)	Neutral	2
Fiserv, Inc. (**FISV**)	Neutral	3
Green Dot Corporation (**GDOT**)	Neutral	3
Global Payments Inc. (**GPN**)	Neutral	3
WEX Inc. (**WEX**)	Neutral	3

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

Industry Comparison Industry: Financial Transaction Services

				Industry Peers		
	FLT	X Industry	S&P 500	FISV	GPN	WEX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	C	D	C
Market Cap	21.43 B	2.87 B	23.71 B	67.07 B	53.05 B	7.23 B
# of Analysts	11	6	14	14	15	11
Dividend Yield	0.00%	0.00%	1.63%	0.00%	0.44%	0.00%
Value Score	C	-	-	C	D	C
Cash/Price	0.06	0.08	0.07	0.01	0.04	0.22
EV/EBITDA	15.56	16.68	13.37	26.31	33.76	14.34
PEG F1	1.50	1.63	3.08	1.39	1.38	1.62
P/B	7.23	5.07	3.22	2.03	1.92	3.64
P/CF	17.11	15.45	12.90	14.96	25.22	11.79
P/E F1	23.43	28.02	21.82	22.65	28.11	24.31
P/S TTM	8.35	4.94	2.52	4.66	7.95	4.31
Earnings Yield	4.27%	3.56%	4.41%	4.41%	3.56%	4.11%
Debt/Equity	1.08	0.45	0.74	0.65	0.31	1.34
Cash Flow ($/share)	14.90	2.39	6.94	6.70	7.03	13.91
Growth Score	C	-	-	B	C	B
Historical EPS Growth (3-5 Years)	19.47%	17.88%	10.41%	17.88%	20.99%	18.54%
Projected EPS Growth (F1/F0)	-7.54%	-6.86%	-4.94%	10.57%	1.37%	-26.64%
Current Cash Flow Growth	8.28%	13.06%	5.22%	147.85%	50.80%	13.00%
Historical Cash Flow Growth (3-5 Years)	19.24%	14.80%	8.50%	29.38%	39.74%	18.68%
Current Ratio	0.96	1.28	1.35	1.04	1.03	1.38
Debt/Capital	51.91%	36.58%	43.86%	39.73%	23.40%	58.08%
Net Margin	29.88%	6.22%	10.25%	5.82%	5.68%	7.47%
Return on Equity	29.52%	16.87%	14.66%	8.34%	5.61%	16.87%
Sales/Assets	0.22	0.47	0.50	0.19	0.15	0.21
Projected Sales Growth (F1/F0)	-9.06%	-2.99%	-1.43%	37.55%	28.15%	-8.20%
Momentum Score	D	-	-	F	D	F
Daily Price Change	2.82%	0.57%	0.71%	1.17%	1.51%	1.09%
1-Week Price Change	-0.67%	-0.63%	-1.45%	-4.15%	-2.50%	-5.70%
4-Week Price Change	-1.73%	5.01%	4.59%	-0.29%	0.68%	2.51%
12-Week Price Change	-0.90%	11.64%	4.86%	-5.29%	-3.40%	0.98%
52-Week Price Change	-14.80%	2.18%	3.09%	-6.95%	7.05%	-19.47%
20-Day Average Volume (Shares)	786,228	538,691	1,887,168	5,009,394	2,035,281	319,360
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	2.51%	2.31%	0.79%	0.22%	6.23%	-8.26%
EPS F1 Estimate 12-Week Change	4.08%	4.08%	3.43%	1.39%	6.54%	-8.12%
EPS Q1 Estimate Monthly Change	4.54%	6.59%	0.00%	3.12%	10.74%	-9.09%

Source: Zacks Investment Research

Zacks Style Scores

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

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

Value Score	C
Growth Score	C
Momentum Score	D
VGM Score	D

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

Disclosures

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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.