# First Solar, Inc. (FSLR)

**$107.53** (As of 01/21/21)

Price Target (6-12 Months): **$114.00**

| | | |
|---|---|---|
| Long Term: 6-12 Months | **Zacks Recommendation:** (Since: 08/10/20) Prior Recommendation: Outperform | **Neutral** |
| Short Term: 1-3 Months | **Zacks Rank:** (1-5) | **3-Hold** |
| | Zacks Style Scores: | VGM:D |
| | Value: D \| Growth: F \| Momentum: A | |

## Summary

First Solar continues to expand manufacturing capacity, given the growing demand for solar modules. It is undergoing a strategic transition that involves replacement of its legacy manufacturing fleet with the new Series 6 module. With solid demand worldwide, First Solar is investing heftily in production ramp up of this module. It expects the Series 6 production to reach 7.3 to 7.7 GW by 2021. Going ahead, it expects to make investments of $450-$550 million during the remaining of 2020. However, in certain markets, demand for its utility-scale offerings may be affected by specific regulations or policies of governmental bodies or utility regulators. The impacts caused by the COVID-19 pandemic have also adversely affected certain purchasers of modules and systems. Its shares have underperformed the industry in the past year.

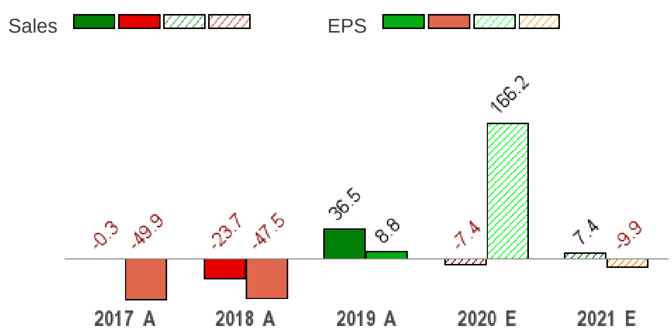
## Price, Consensus & Surprise


*Source: Zacks Investment Research*

## Data Overview

| | |
|---|---|
| 52-Week High-Low | **$109.62 - $28.47** |
| 20-Day Average Volume (Shares) | **2,683,098** |
| Market Cap | **$11.4 B** |
| Year-To-Date Price Change | **8.7%** |
| Beta | **1.27** |
| Dividend / Dividend Yield | **$0.00 / 0.0%** |
| Industry | **Solar** |
| Zacks Industry Rank | **Top 28% (71 out of 253)** |
| Last EPS Surprise | **141.7%** |
| Last Sales Surprise | **31.1%** |
| EPS F1 Estimate 4-Week Change | **0.7%** |
| Expected Report Date | **02/18/2021** |
| Earnings ESP | **3.9%** |
| P/E TTM | **23.0** |
| P/E F1 | **30.3** |
| PEG F1 | **1.3** |
| P/S TTM | **3.3** |

## Sales and EPS Growth Rates (Y/Y %)




## Sales Estimates (millions of $)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | 715 E | 783 E | 748 E | 817 E | 3,045 E |
| 2020 | 532 A | 642 A | 928 A | 713 E | 2,835 E |
| 2019 | 532 A | 585 A | 547 A | 1,399 A | 3,063 A |

## EPS Estimates

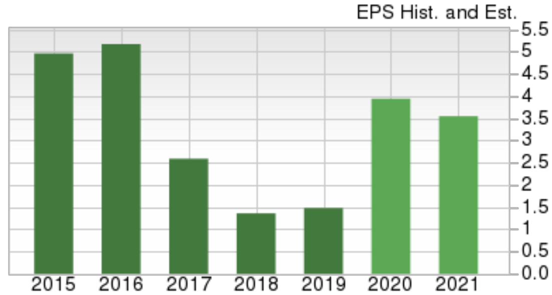
| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | $0.72 E | $0.83 E | $0.94 E | $1.12 E | $3.55 E |
| 2020 | $0.85 A | $0.35 A | $1.45 A | $1.26 E | $3.94 E |
| 2019 | -$0.64 A | -$0.18 A | $0.29 A | $2.02 A | $1.48 A |

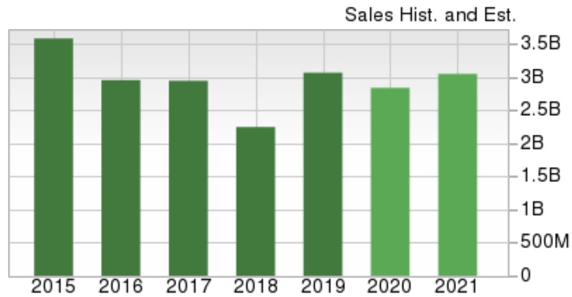
*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 01/21/2021. The reports text and the analyst-provided sales and EPS estimates are as of 01/22/2021.

## Overview

Headquartered in Tempe, AZ **First Solar, Inc.** is a leading global provider of comprehensive PV solar energy solutions and specializes in designing, manufacturing, and selling solar electric power modules using a proprietary thin-film semiconductor technology. The company's solar modules employ a thin layer of cadmium telluride semiconductor material to convert sunlight into electricity. It sells its products to project developers, system integrators and renewable energy project operators primarily in Europe and Germany in particular. First Solar also engages in designing and deploying commercial solar projects for utilities. The company also develops and sells PV solar power systems that primarily use the modules it manufactures. Additionally, it provides operations and maintenance ("O&M") services to system owners.




The company was founded in 1999 and incorporated in 2006. Formerly known as First Solar Holdings, LLC, the company changed its name to First Solar Holdings, Inc. and subsequently to First Solar, Inc. in 2006. First Solar operates through two operating segments:

**Modules Segment**: The segment is involved in the design, manufacturing and sale of solar modules. In April 2018, we commenced commercial production of our Series 6 module technology, which represents the latest generation of our flagship module. During 2019, it sold the majority of its solar modules to integrators and operators of systems in the United States and France, and such third-party module sales represented approximately 48% of its total net sales.

**Systems Segment**: The segment provides comprehensive PV solar power system solutions, which include project development, engineering, procurement and construction (EPC) services, operation & maintenance (O&M) services and, when required, project financing. As of December 31, 2019, the company owned and operated a number of systems in various geographic markets, including Chile, India, the United States, and the Asia Pacific region.


*Source: Zacks Investment Research*

## Reasons To Buy:

> First Solar's transition to Series 6 module will continue to attract customers and expand its revenue stream. Its expanding market share across the globe should benefit the stock

- First Solar has been undergoing a strategic transition that involves replacement of its legacy manufacturing fleet, over the next several years, with the new Series 6 module. Notably, this new technology possesses the capacity to reduce the number of electrical connections and hardware required for solar system installation. As of Sep 30, 2020, First Solar produced 4.9 gigawatts (GW) of modules including 4.7 GW of Series 6 modules. Backed by production commencement at its second Perrysburg factory, the company expects to produce 5.9 GWDC of solar modules during 2020, including 5.7 GWDC of Series 6 and 0.2 GWDC of Series 4. To further ramp up its production rate and capture increased market share, the company expects to start production at its second Series 6 factory in Malaysia in the first quarter of 2021. Taking this into consideration along with anticipated increased nameplate capacity in Perrysburg, management expects its Series 6 production to reach 7.3 to 7.7 GW by 2021. Such production ramp-up expectations should enable First Solar to maintain its position as the largest U.S. solar module manufacturer.

- With the Series 6 modules enjoying solid demand worldwide, First Solar is investing heftily in production ramp up of this module. In fact, the company's prior capital expenditures have enabled it to end 2019 with net bookings of 6.1 gigawatts and the current contracted backlog of 12.4 gigawatts. Going ahead, the company expects to make investments of $450-$550 million in 2020, as it converts one of its remaining two Series 4 factories in Malaysia into six Series 6 factories. Its opportunity pipeline continues to grow in 2020, with global opportunity set of 18.1 gigawatts including mid-to-late stage opportunities of 8.2 gigawatts.

  Given the growing demand for solar modules, the company continues to expand manufacturing capacity. As of Sep 30, 2020, the company had 5.5 GWDC of total installed Series 6 nameplate production capacity across all its facilities. It expects to increase its nameplate Series 6 manufacturing capacity to 6 gigawatts by 2020-end and 8 gigawatts by 2021-end. We believe the aforementioned investment plans will enable the company to fulfill its expanded manufacturing capacity targets, which, in turn, should bolster its long-term growth trajectory.

- Although North America remains First Solar's largest geography at over 40% of the total, it has a diversified geographic mix of potential booking opportunities, particularly from the Asia-Pacific. First Solar continues to strengthen its presence in the Middle East, Australia, Japan and India. It is venturing into countries like France, Israel, Indonesia, Malaysia, Thailand and the Philippines. First Solar expects to ship 12.4 GW of modules by 2023 compared with 12.1 GW projected earlier.

  First Solar recently intensified its focus on the growing Indian solar market among foreign nations. The company believes that it has significant growth opportunities for PV solar energy in India owing to its rising energy needs, substantial population centers, lack of electrification in many parts of the country, high energy costs, strong irradiance and aggressive renewable energy targets set by the government. First Solar has committed to support India's plan to install 100 GW of solar electricity by 2022.

- First Solar's cash equivalents in the third quarter of 2020 remained much higher compared to its long-term and current debt levels. As of Sep 30, 2020, its cash equivalents were $1,631 million, which increased sequentially from $1,547 million. The company's long-term debt stood at $220 million and current debt stood at $40 million, respectively, as of Sep 30, 2020. A comparative analysis of these figures reflects the strength of First Solar's cash reserve against its long-term and current debt value. This reflects the company's strong solvency position at a time, when major companies are struggling with cash crunch caused by the COVID-19-led production halt.

  Moreover, the company's current ratio as of Sep 30, 2020, is 3.83, up sequentially from 3.66 and which being more than 1, indicates that the company possesses sufficient capital in hand to meet its short-term obligations. Further, the company's interest coverage ratio of 7.3 as of Sep 30, 2020, significantly improved from 1.2, sequentially. All these favorable factors make us optimistic about First Solar's ability to meet debt obligations in the near future.

## Reasons To Sell:

Unfavorble cost per watt, regulations on import of solar modules in foreign nations and intense competition remian major headwinds for First Solar

- With the start to Series 6 commercial manufacturing, the company faced challenges with regard to certain aspects of the overall cost per watt, particularly glass and frame cost, which was compounded by tariff related uncertainty. Particularly, First Solar is witnessing a cost per watt drag largely associated with Perrysburg, which together with the challenges related to build materials, labor and sales freight costs created significant headwinds. Although throughout 2020, the module cost per watt at Perrysburg is expected to improve, First Solar does not expect to fully overcome the cost challenges that it experienced in 2019. Perrysburg, representing one-third of the production, will create a headwind of approximately a penny per watt for First Solar across the fleet in 2020.

- In certain markets, demand for the company's utility-scale offerings may be affected by specific regulations or policies of governmental bodies or utility regulators. For example, in June 2020, the Japanese legislature enacted an amendment to the Electricity Business Law Enforcement Order for the Ministry of Economy, Trade and Industry (METI) of Japan, which is expected to invalidate the feed-in-tariff certificates for projects that fail to achieve construction plan acceptance or commercial operation within a set period of time, following dates specified in their respective certificates. Following this legislature, any deadlines that precede the expected construction plan acceptance or commercial operation dates of the company's various projects in Japan could adversely impact the value of such projects and First Solar's ability to secure any related project financing.

- The impacts caused by the COVID-19 pandemic have affected certain purchasers of modules and systems, which may result in additional pressure on demand and average selling prices of modules, going ahead. To this end, it is imperative to mention that First Solar's results for the third quarter of 2020 were affected due to COVID-19-related delays.

  Looking ahead, in Europe, the company expects to witness a contraction in new installed capacity as countries like France are extending project deadlines to accommodate for COVID-19 related delays. In India, project delays caused by a combination of the pandemic and the seasonal monsoons are expected to take a toll on the country's aggregate installed capacity this year, which in turn might affect the pending projects that First Solar had invested in. This in turn must have caused investors to lose confidence in this stock. Notably, its shares increased 106.8% in the past year, underperforming the industry's growth of 228.8%.

- A comparative analysis of First Solar's historical P/S ratio reflects a relatively gloomy picture that might be a cause of investors' concern. The stock currently has a trailing 12-month P/S ratio of 3.28. This level compares unfavorably with what the stock saw in the past 12 months. The ratio is higher than the industry's average of 2.39.

## Last Earnings Report

**First Solar Q3 Earnings & Revenues Beat Estimates**

| Quarter Ending | 09/2020 |
|---|---|
| Report Date | Oct 27, 2020 |
| Sales Surprise | 31.07% |
| EPS Surprise | 141.67% |
| Quarterly EPS | 1.45 |
| Annual EPS (TTM) | 4.67 |

First Solar reported third-quarter 2020 adjusted earnings of $1.45 per share, which surpassed the Zacks Consensus Estimate of 60 cents by 141.7%. The reported figure also improved significantly from the prior-year quarter's earnings of 35 cents.

The year-over-year improvement can be attributed to growth in net sales and favorable module segment gross margin.

**Sales Update**

First Solar's sales of $927.6 million in the reported quarter exceeded the Zacks Consensus Estimate of $708 million by 31.1%. Moreover, the top line witnessed a 44.4% surge from the year-ago quarter's $642.4 million, primarily due to international project sales and an increase in the volume of modules sold to third parties.

**Operational Highlights**

In the third quarter, gross profit totaled $293 million, which increased from $137.5 million reported in the year-ago quarter.

Total operating expenses slipped 0.8% to $85.9 million due to lower selling, general and administrative expenses along with absence of litigation losses.

Consequently, the company reported an operating income of $207.2 million compared with $50.9 million generated in the year-ago quarter. The upside can be primarily attributed to significantly higher net sales and gross profit in the quarter.

**Financial Performance**

First Solar had $1.28 billion of cash and cash equivalents as of Sep 30, 2020, down from $1.35 billion as of Dec 31, 2019.

Long-term debt totaled $220.5 million at the end of the third quarter compared with $454.2 million as of Dec 31, 2019.

**2020 Outlook**

First Solar earlier withdrew its 2020 guidance, given the uncertainty regarding the severity and duration of the COVID-19 pandemic. However, along with the third-quarter earnings press release, the company reinstated financial guidance for the fourth quarter of 2020 and provided full-year 2020 guidance based on its financial results through the third quarter 2020.

During the fourth quarter, the company aims to generate earnings in the range of $1.00-$1.50 per share on revenues worth $540-$790 million. The Zacks Consensus Estimate for earnings, pegged at $1.05 per share, lies below the mid-point of the company guided range. The Zacks Consensus Estimate for revenues, pegged at $818 million, lies above the company guided range.

For 2020, the company aims to generate earnings in the range of $3.65-$4.15 on revenues worth $2.6-$2.9 billion. The Zacks Consensus Estimate for earnings, pegged at $2.89 per share, lies below the company guided range. The consensus estimate for revenues, pegged at $2.69 billion, lies below the mid-point of the company guided range.

Moreover, First Solar expects 2020 module shipments to be 5.5-5.7 gigawatts (GW).

## Valuation

First Solar's shares are up 72.1% in the past six months period and 106.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 112.8% in the past six months period, while stocks in the Zacks Oils-Energy sector are up 20.7%. Over the past year, the Zacks sub-industry is up 228.8% whereas the sector is down 19.5%.

The S&P 500 index is up 20.2% in the past six months period and 17.9% in the past year.

The stock is currently trading at 3.8X of forward 12-month sales, which compares to 5.7X for the Zacks sub-industry, 0.9X for the Zacks sector and 4.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 3.7X and as low as 1X, with a 5-year median of 1.8X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $114 price target reflects 4.00X forward 12-month sales.

The table below shows summary valuation data for FSLR

**Valuation Multiples - FSLR**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| P/S F12M | Current | 3.75 | 5.68 | 0.87 | 4.59 |
| | 5-Year High | 3.75 | 5.68 | 1.47 | 4.59 |
| | 5-Year Low | 1.03 | 0.54 | 0.6 | 3.2 |
| | 5-Year Median | 1.77 | 0.98 | 0.98 | 3.68 |
| EV/SALES F12M | Current | 2.92 | 5.01 | 1.14 | 4.12 |
| | 5-Year High | 3.14 | 5.01 | 2.18 | 4.13 |
| | 5-Year Low | 0.24 | 0.4 | 0.73 | 2.69 |
| | 5-Year Median | 1.16 | 0.92 | 1.33 | 3.54 |

*As of 01/21/2020* *Source: Zacks Investment Research*

## Industry Analysis **Zacks Industry Rank:** Top 28% (71 out of 253)


*Source: Zacks Investment Research*

## Top Peers

| Company (Ticker) | Rec | Rank |
|---|---|---|
| SolarEdge Technologies, Inc. **(SEDG)** | Outperform | 1 |
| Azure Power Global Ltd. **(AZRE)** | Neutral | 3 |
| Canadian Solar Inc. **(CSIQ)** | Neutral | 2 |
| Enphase Energy, Inc. **(ENPH)** | Neutral | 3 |
| JinkoSolar Holding Company Limited **(JKS)** | Neutral | 4 |
| Sunrun Inc. **(RUN)** | Neutral | 3 |
| Renesola Ltd. **(SOL)** | Neutral | 2 |
| SunPower Corporation **(SPWR)** | Neutral | 3 |

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

## Industry Comparison Industry: Solar

| | | | | Industry Peers | | |
|---|---|---|---|---|---|---|
| | **FSLR** | **X Industry** | **S&P 500** | **JKS** | **SEDG** | **SPWR** |
| **Zacks Recommendation (Long Term)** | Neutral | - | - | Neutral | Outperform | Neutral |
| **Zacks Rank (Short Term)** | 3 | - | - | 4 | 1 | 3 |
| **VGM Score** | D | - | - | D | D | F |
| Market Cap | 11.40 B | 773.29 M | 27.31 B | 3.01 B | 16.24 B | 7.45 B |
| # of Analysts | 10 | 4 | 13 | 1 | 7 | 3 |
| Dividend Yield | 0.00% | 0.00% | 1.42% | 0.00% | 0.00% | 0.00% |
| **Value Score** | D | - | - | B | F | F |
| Cash/Price | 0.16 | 0.03 | 0.06 | 0.74 | 0.08 | 0.06 |
| EV/EBITDA | 88.83 | 18.51 | 14.84 | 5.02 | 72.06 | 47.67 |
| PEG F1 | 1.28 | 2.32 | 2.56 | NA | 2.32 | NA |
| P/B | 2.11 | 6.74 | 3.81 | 1.66 | 15.74 | NA |
| P/CF | 31.25 | 49.47 | 14.61 | 10.96 | 88.85 | 669.43 |
| P/E F1 | 29.68 | 69.60 | 20.74 | 19.36 | 69.60 | 103.89 |
| P/S TTM | 3.25 | 8.99 | 2.99 | 0.60 | 10.69 | 4.43 |
| Earnings Yield | 3.30% | 0.96% | 4.70% | 5.16% | 1.44% | 0.96% |
| Debt/Equity | 0.04 | 0.45 | 0.70 | 0.43 | 0.55 | -69.42 |
| Cash Flow ($/share) | 3.44 | 0.03 | 6.93 | 6.24 | 3.57 | 0.07 |
| **Growth Score** | F | - | - | F | C | D |
| Historical EPS Growth (3-5 Years) | -24.68% | -17.75% | 9.72% | -17.75% | 22.27% | NA |
| Projected EPS Growth (F1/F0) | -9.99% | 70.24% | 12.61% | 6.65% | 13.64% | 288.70% |
| Current Cash Flow Growth | 31.84% | 19.25% | 5.05% | 49.75% | 21.61% | 209.28% |
| Historical Cash Flow Growth (3-5 Years) | -10.06% | 10.04% | 8.36% | 15.10% | 60.15% | -47.08% |
| Current Ratio | 3.83 | 1.14 | 1.38 | 1.04 | 4.56 | 1.14 |
| Debt/Capital | 3.93% | 34.05% | 41.88% | 30.29% | 35.59% | 92.57% |
| Net Margin | 6.38% | 2.75% | 10.40% | 2.75% | 11.55% | 4.05% |
| Return on Equity | 9.49% | -4.47% | 15.37% | 7.53% | 19.31% | -256.87% |
| Sales/Assets | 0.49 | 0.60 | 0.50 | 0.72 | 0.88 | 0.89 |
| Projected Sales Growth (F1/F0) | 7.30% | 30.72% | 6.15% | 30.72% | 18.60% | 13.05% |
| **Momentum Score** | A | - | - | D | A | C |
| Daily Price Change | 5.68% | 6.66% | -0.49% | 1.97% | 6.73% | 17.15% |
| 1-Week Price Change | -7.22% | 3.28% | -0.33% | -12.67% | -20.74% | 9.08% |
| 4-Week Price Change | 5.01% | 45.69% | 3.53% | -5.35% | -2.13% | 46.57% |
| 12-Week Price Change | 22.95% | 167.11% | 18.73% | 12.01% | 17.43% | 167.11% |
| 52-Week Price Change | 106.71% | 315.03% | 6.82% | 229.88% | 191.71% | 383.22% |
| 20-Day Average Volume (Shares) | 2,683,098 | 1,496,618 | 1,623,841 | 3,086,500 | 1,231,111 | 8,772,830 |
| EPS F1 Estimate 1-Week Change | 0.00% | 0.00% | 0.00% | 0.00% | -0.30% | 0.00% |
| EPS F1 Estimate 4-Week Change | 0.70% | 0.00% | 0.13% | 0.00% | 2.58% | 0.00% |
| EPS F1 Estimate 12-Week Change | 5.83% | -1.78% | 2.09% | -3.55% | -27.78% | 2,340.00% |
| EPS Q1 Estimate Monthly Change | 0.42% | 0.42% | 0.00% | 0.00% | 1.09% | 100.00% |

*Source: Zacks Investment Research*

## Zacks Stock Rating System

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

## Zacks Recommendation

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

## Zacks Rank

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

## Zacks Style Scores

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

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

| | |
|---|---|
| Value Score | D |
| Growth Score | F |
| Momentum Score | A |
| 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

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

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

## Additional Disclosure

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

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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