Jun 25, 2021

First Solar, Inc. (FSLR)

$84.51 (As of 06/24/21)

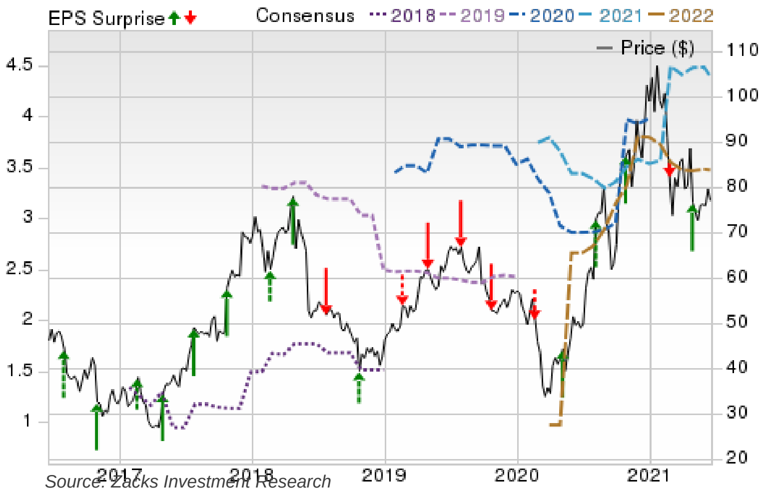
Price Target (6-12 Months): **$87.00**

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:F
	Value: D | Growth: F | Momentum: F	

Summary

First Solar is investing heftily in production ramp up of its Series 6 solar modules. Going ahead, the company expects to make investments of $425-$475 million in 2021. It currently expects the Series 6 production to reach 7.4-7.6 GW by 2021 and aims to increase its nameplate Series 6 manufacturing capacity to 9.4 GWDC by 2022-end. It holds a solid financial position. The company's shares have outperformed the industry year-to-date. However, in certain markets, demand for its utility-scale offerings may be affected by specific regulations or policies of governmental bodies or utility regulators. First Solar's sales performance in the first quarter of 2021 was impacted by delayed module deliveries caused by the prolonged COVID-19 pandemic's impact. Unfavorable changes in tariff on import of solar products might hurt the stock.

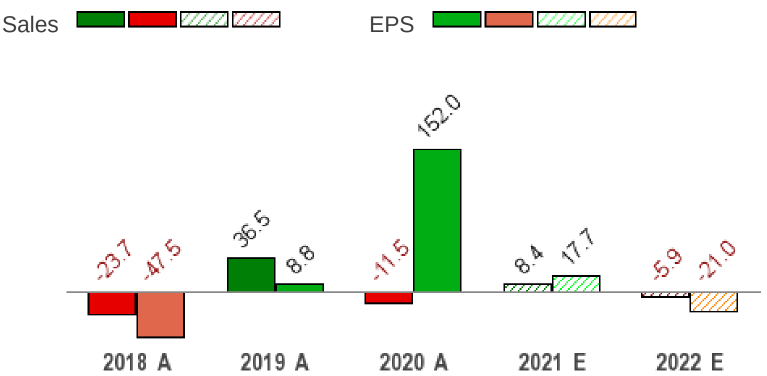
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$112.50 - $48.30**
20-Day Average Volume (Shares)	**1,820,844**
Market Cap	**$9.0 B**
Year-To-Date Price Change	**-14.6%**
Beta	**1.29**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Solar**
Zacks Industry Rank	**Bottom 12% (221 out of 252)**
Last EPS Surprise	**96.0%**
Last Sales Surprise	**15.6%**
EPS F1 Estimate 4-Week Change	**-2.2%**
Expected Report Date	**08/05/2021**
Earnings ESP	**0.0%**
P/E TTM	**17.5**
P/E F1	**19.3**
PEG F1	**0.8**
P/S TTM	**3.0**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	649 E	692 E	719 E	742 E	2,768 E
2021	803 A	643 E	700 E	782 E	2,940 E
2020	532 A	642 A	928 A	609 A	2,711 A

EPS Estimates

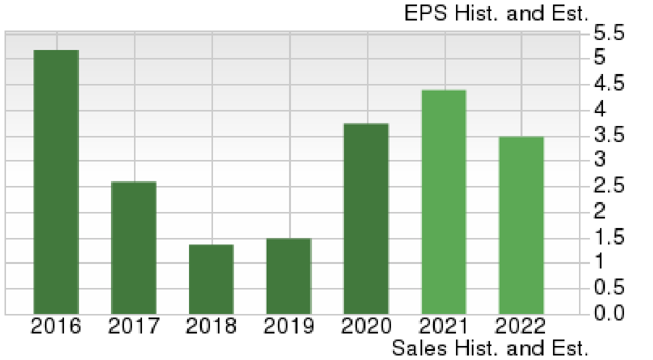
	Q1	Q2	Q3	Q4	Annual*
2022	$0.74 E	$0.81 E	$0.89 E	$0.94 E	$3.47 E
2021	$1.96 A	$0.74 E	$0.85 E	$1.04 E	$4.39 E
2020	$0.85 A	$0.35 A	$1.45 A	$1.08 A	$3.73 A

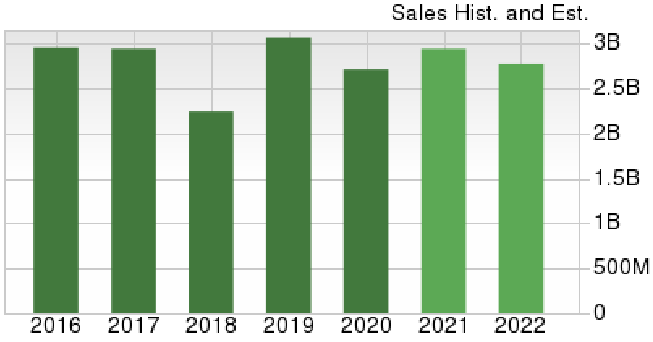
*Quarterly figures may not add up to annual.

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

Overview

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, this unit commenced commercial production of Series 6 module technology, which represents the latest generation of its flagship module. During 2020, net sales from this segment amounted to $1.74 billion, comprising 64% of total 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. During 2020, net sales from this segment amounted to $0.98 billion, comprising 36% of total sales.

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 solid financial position 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. During the first quarter, the company commenced commercial production of Series 6 modules at its second facility in Malaysia. First Solar produced 1.7 GW of solar modules during the first quarter 2021, which represented a 32% increase in Series 6 module production from the same period in 2020. The increase in Series 6 production was primarily driven by the incremental Series 6 production capacity added in Malaysia. By the end of the year, First Solar anticipates its Malaysia factories to have a nameplate capacity of 3 GW. Taking this into consideration, management now expects its Series 6 production to reach 7.4-7.6 GWDC in 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 2020 with net bookings of 5.5 GW and the current contracted backlog of 13.7 gigawatts, which improved 10.4%. Going ahead, the company expects to make investments of $425-$475 million in 2021, as it aims at expanding its module wattage as well as capacity and throughput at its manufacturing facilities. Its opportunity pipeline continues to grow in 2021, with global opportunity set of 19.7 GWDC, including mid-to-late-stage opportunities of 12.6 GWDC.

  Given the growing demand for solar modules, the company continues to expand its manufacturing capacity. As of Mar 31, 2021, the company had 7.9 GWDC of total installed Series 6 nameplate production capacity across all its facilities. It expects to increase its nameplate Series 6 manufacturing capacity to 9.4 GWDC by 2022-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. This must have boosted investors' confidence in this stock. Notably, its shares have lost 14.6% in the year-to-date period, outperforming the industry's decline of 25.5%.

- First Solar's cash equivalents at the end of first quarter 2021 were much higher compared to its long-term and current debt levels. As of Mar 31, 2021, its cash equivalents were $1,536 million, while its long-term debt stood at $254 million and current debt stood at $2 million. 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.

Reasons To Sell:

> Unfavorble regulations on import of solar modules in foreign nations and COVID-19 impacts remian major headwinds for First Solar

- The United States currently imposes different types of tariffs on certain imported crystalline silicon photovoltaic modules and cells from various countries. These tariffs include a global safeguard measure imposed pursuant to Section 201 of the Trade Act of 1974 that provides for tariffs on imported crystalline silicon solar modules and a tariff-rate quota on imported crystalline silicon solar cells. Between February 2021 and February 2022, the tariff rate is 18% for imported crystalline silicon photovoltaic modules and imported crystalline silicon solar cells above the tariff rate quota. Notably, the positive impact of this measure on First Solar's operating results was reduced by a tariff exclusion for imports of bifacial modules that the U.S. Trade Representative granted in June 2019 and that the former U.S. President withdrew in October 2020.

  Further, changes to the measure, including as a result of pending litigation challenging the withdrawal of the exclusion, could further impact its operating results. In addition, the United States currently imposes antidumping and countervailing duties on certain imported crystalline silicon photovoltaic cells and modules from China and Taiwan. Such antidumping and countervailing duties can change over time pursuant to annual reviews conducted by the U.S. Department of Commerce, and a decline in duty rates could have an adverse impact on the company's operating results.

- 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 sales performance in the first quarter of 2021 was impacted by delayed module deliveries caused by the pandemic.

  Since the pandemic is still ongoing across the globe, its impact on the company's operating results may continue in the remaining of 2021. This in turn might cause some investors to lose confidence in this stock.

Last Earnings Report

First Solar Q1 Earnings Beat Estimates, Sales Up Y/Y

Quarter Ending	03/2021
Report Date	Apr 29, 2021
Sales Surprise	15.63%
EPS Surprise	96.00%
Quarterly EPS	1.96
Annual EPS (TTM)	4.84

First Solar Inc. reported first-quarter 2021 adjusted earnings of $1.96 per share, which handily surpassed the Zacks Consensus Estimate of $1.00. The reported figure also soared 130.6% from the prior-year quarter's earnings of 85 cents. This upside is primarily attributable to strong sales, coupled with impressive manufacturing execution.

Sales

First Solar's sales of $803.4 million in the reported quarter exceeded the Zacks Consensus Estimate of $695 million. Moreover, the top line surged 51% from the year-ago quarter's $532.1 million.

Operational Highlights

In the first quarter, gross profit totaled $184.8 million, which surged significantly from the $90.3 million reported in the year-ago quarter.

Total operating expenses declined 6.1% to $83.3 million due to lower selling, general and administrative expenses as well as reduced research and development expenses.

However, the company reported an operating income of $252.3 million compared with the operating income of $1.65 million reported in the year-ago quarter. This upside is mainly attributable to the significantly higher gross profit during the quarter.

Financial Performance

First Solar had $972.9 million of cash and cash equivalents as of Mar 31, 2021, down from $1,227 million as of Dec 31, 2020.

Long-term debt totaled $254.4 million at the end of the first quarter compared with $237.7 million as of Dec 31, 2020.

2021 Guidance

The company expects to maintain earnings of $4.05-$4.75 per share on updated sales of $2.85-3.025 billion in 2021.

The Zacks Consensus Estimate for 2021 earnings, pegged at $4.39 per share, lies near to the mid-point of the company's projected range. The Zacks Consensus Estimate for the ongoing-year sales, pegged at $2.92 billion, lies below the mid-point of the guided range.

Moreover, the company expects to incur operating expenses of $285-$300 million.

Meanwhile, First Solar forecasts shipments of 7.8-8.0 gigawatts.

Recent News

On **Jun 9, 2021**, First Solar announced that it will invest $680 million to expand America's domestic photovoltaic (PV) solar manufacturing capacity by 3.3 gigawatts (GW)DC annually, representing an implied capital expenditure of approximately $0.20 per watt. The company intends to fund construction of its third US manufacturing facility, in Lake Township, Ohio, with existing cash resources.

On **May 24, 2021**, First Solar revealed that it has joined the Responsible Business Alliance (RBA), the world's largest industry coalition dedicated to supporting the rights and well-being of workers and communities in the global supply chain. It is the first of the world's 10 largest photovoltaic (PV) solar manufacturers to join the RBA.

As a regular member of the RBA, First Solar has aligned itself with the organization's vision of creating a coalition of companies driving sustainable value for workers, the environment and business throughout the global supply chain. It has also pledged to support the RBA's mission to collaborate with other members, its suppliers, and stakeholders to improve working and environmental conditions and business performance through leading standards and practices.

On **Apr 13, 2021**, First Solar announced that its next-generation photovoltaic (PV) technology, Series 6 CuRe, has a warranted degradation rate of 0.2% per year, the lowest rate for any commercially available PV product today based on publicly available information. This unprecedented degradation rate is up to 60% lower than conventional crystalline silicon (c-Si) products, and ensures that the module will retain at least 92% of its original performance at the end of its 30-year warranty.

On **Apr 1, 2021**, First Solar completed the sale of its utility-scale solar project platform of nearly 10 gigawatts (GW)AC to Leeward Renewable Energy, LLC. More than 50 members of the First Solar project development team have joined Leeward as a part of this project sale.

As the transaction has now concluded, Leeward will acquire First Solar's project development platform, which includes 773 megawatts (MW)AC of projects that are expected to commence construction in the next two years, as well as the 30-MWAC Barilla Solar Project, which is already operational. The pipeline further includes projects in the California, Southwest and Southeast markets.

Valuation

First Solar's shares are down 14.6% in the year-to-date period but up 73.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 25.5% in the year-to-date period, while stocks in the Zacks Oils-Energy sector are up 27.3%. Over the past year, the Zacks sub-industry is up 95.8% whereas the sector is up 42.8%.

The S&P 500 index is up 13.7% in the year-to-date period and 43.3% in the past year.

The stock is currently trading at 3.1X of forward 12-month sales, which compares to 4.4X for the Zacks sub-industry, 0.9X for the Zacks sector and 4.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 3.8X and as low as 1.0X, with a 5-year median of 1.9X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $87 price target reflects 3.2X 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	3.11	4.39	0.87	4.71
	5-Year High	3.75	5.17	1.46	4.74
	5-Year Low	1.03	0.54	0.6	3.21
	5-Year Median	1.88	1.01	0.94	3.72
P/B TTM	Current	1.58	3.49	1.33	7.06
	5-Year High	2.07	6.4	1.57	7.08
	5-Year Low	0.5	0.6	0.54	3.84
	5-Year Median	1.08	1.42	1.33	5.02

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

Industry Analysis **Zacks Industry Rank:** Bottom 12% (221 out of 252)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Azure Power Global Ltd. **(AZRE)**	Neutral	3
Enphase Energy, Inc. **(ENPH)**	Neutral	3
Sunrun Inc. **(RUN)**	Neutral	4
SolarEdge Technologies, Inc. **(SEDG)**	Neutral	3
Renesola Ltd. **(SOL)**	Neutral	3
SunPower Corporation **(SPWR)**	Neutral	3
Canadian Solar Inc. **(CSIQ)**	Underperform	5
JinkoSolar Holding Company Limited **(JKS)**	Underperform	4

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

Industry Comparison Industry: Solar

	FSLR	X Industry	S&P 500	JKS	SEDG	SPWR
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	F	-	-	A	D	D
Market Cap	8.98 B	480.24 M	29.99 B	1.67 B	13.89 B	4.79 B
# of Analysts	12	4	12	1	9	6
Dividend Yield	0.00%	0.00%	1.35%	0.00%	0.00%	0.00%
Value Score	D	-	-	A	D	D
Cash/Price	0.19	0.10	0.06	1.33	0.06	0.13
EV/EBITDA	14.00	6.46	17.12	1.55	76.45	6.46
PEG F1	0.87	2.25	2.06	NA	2.36	NA
P/B	1.58	2.63	4.11	0.84	12.63	13.26
P/CF	14.19	44.34	17.50	4.67	77.55	287.11
P/E F1	20.15	48.17	21.14	23.08	56.63	68.03
P/S TTM	3.01	5.54	3.40	0.32	9.69	3.76
Earnings Yield	5.19%	0.94%	4.66%	4.33%	1.77%	1.48%
Debt/Equity	0.04	0.09	0.66	0.61	0.59	1.41
Cash Flow ($/share)	5.96	-0.00	6.86	8.10	3.45	0.10
Growth Score	F	-	-	A	C	D
Historical EPS Growth (3-5 Years)	-11.04%	-11.04%	9.59%	-21.00%	16.91%	NA
Projected EPS Growth (F1/F0)	17.63%	45.34%	21.79%	-50.00%	14.84%	683.33%
Current Cash Flow Growth	74.08%	6.68%	1.02%	29.90%	1.71%	49.98%
Historical Cash Flow Growth (3-5 Years)	-3.70%	9.63%	7.28%	9.21%	44.37%	-47.64%
Current Ratio	4.69	1.67	1.39	1.08	3.99	2.20
Debt/Capital	4.28%	25.72%	41.51%	37.79%	36.94%	58.52%
Net Margin	17.34%	-5.61%	12.06%	0.55%	8.94%	33.55%
Return on Equity	9.48%	-7.31%	16.59%	4.80%	12.59%	-14.10%
Sales/Assets	0.42	0.62	0.51	0.70	0.65	0.77
Projected Sales Growth (F1/F0)	8.37%	29.02%	9.56%	27.91%	30.12%	5.88%
Momentum Score	F	-	-	A	F	D
Daily Price Change	5.39%	0.00%	0.58%	-1.33%	0.83%	2.70%
1-Week Price Change	-3.29%	0.37%	1.06%	-14.85%	8.66%	-2.05%
4-Week Price Change	9.85%	9.85%	1.56%	7.13%	4.18%	16.92%
12-Week Price Change	-1.90%	-18.64%	6.14%	-11.02%	-5.68%	-16.43%
52-Week Price Change	67.75%	165.79%	38.35%	114.14%	94.85%	260.78%
20-Day Average Volume (Shares)	1,820,844	781,433	1,811,241	2,224,769	676,443	4,412,125
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-2.25%	0.00%	0.01%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	-0.42%	-17.62%	3.54%	-53.54%	-8.58%	-3.88%

Industry Peers: JKS, SEDG, SPWR

EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	D
Growth Score	F
Momentum Score	F
VGM Score	F

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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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.