

General Mills Inc.(GIS)

\$59.90 (As of 09/28/20)

Price Target (6-12 Months): **\$63.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/20/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: B

Momentum: D

Summary

General Mills' shares have outpaced the industry year to date. The company has been benefiting from burgeoning demand owing to coronavirus-led increased at-home consumption. This was witnessed in first-quarter fiscal 2021, wherein top and bottom lines surged year over year and beat the consensus mark. Management expects at-home food demand to remain high in the second quarter, especially in the North America Retail unit. However, declines in away-from-home food demand weighed on the Convenience Stores & Foodservice unit in the quarter and are likely to remain a headwind. Apart from this, high input costs, COVID-19-related expenses and increased growth investments pose threat to margins. Nonetheless, savings from the HMM program are likely to aid in fiscal 2021. Focus on other key priorities and gains from the Pet segment are also noteworthy.

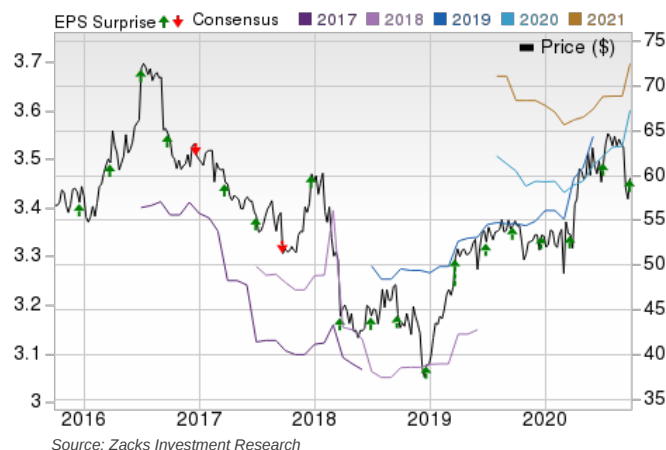
Data Overview

52-Week High-Low	\$66.14 - \$46.59
20-Day Average Volume (Shares)	3,568,051
Market Cap	\$36.6 B
Year-To-Date Price Change	11.8%
Beta	0.59
Dividend / Dividend Yield	\$2.04 / 3.3%
Industry	Food - Miscellaneous
Zacks Industry Rank	Top 47% (117 out of 250)

Last EPS Surprise	14.9%
Last Sales Surprise	4.5%
EPS F1 Estimate 4-Week Change	2.1%
Expected Report Date	12/16/2020
Earnings ESP	0.0%

P/E TTM	15.7
P/E F1	16.6
PEG F1	2.4
P/S TTM	2.0

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	4,253 E	4,595 E	4,355 E	4,329 E	17,404 E
2021	4,364 A	4,643 E	4,322 E	4,214 E	17,534 E
2020	4,003 A	4,421 A	4,180 A	5,023 A	17,627 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.95 E	\$1.01 E	\$0.87 E	\$0.89 E	\$3.70 E
2021	\$1.00 A	\$0.95 E	\$0.81 E	\$0.84 E	\$3.60 E
2020	\$0.79 A	\$0.95 A	\$0.77 A	\$1.10 A	\$3.61 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 09/28/2020. The reports text is as of 09/29/2020.

Overview

Based in Minneapolis, MN, General Mills Inc. is a global manufacturer and marketer of branded consumer foods sold through retail stores. The company also serves the foodservice and commercial baking industries. Its principal product categories include ready-to-eat cereals, convenient meals, snacks (including grain, fruit and savory snacks, nutrition bars, and frozen hot snacks), yogurt, super-premium ice creams, baking mixes and ingredients, and refrigerated and frozen dough.

General Mills acquired Blue Buffalo in April 2018, and its consolidated results form part of a newly formed "Pet" segment following the first quarter of fiscal 2019. The company now reports under the following groups:

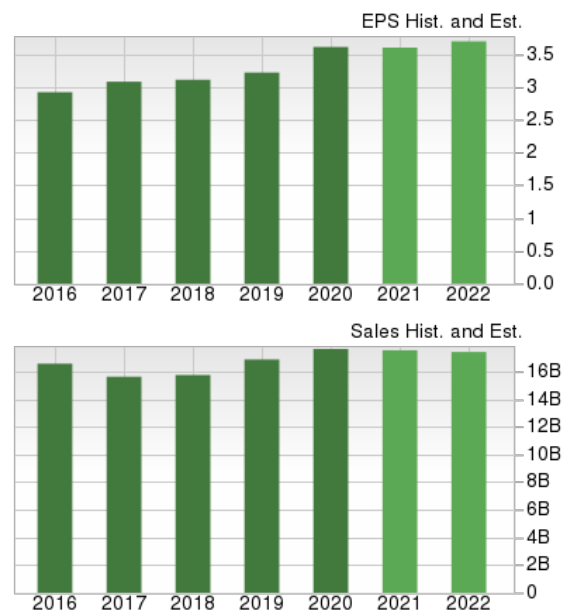
North America Retail (62% of total revenues in Q1): This segment consists of U.S. Meals & Baking and reflects business with wide variety of grocery stores, mass merchandisers, membership stores, natural food chains, and drug, dollar and discount chains operating throughout the United States. The product categories within the segment include ready-to-eat cereals, refrigerated yogurt, soup, meal kits, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza and pizza snacks, grain, fruit and savory snacks, and a wide variety of organic products including meal kits, granola bars, and ready-to-eat cereal.

Convenience Stores & Foodservice (9% of total revenues in Q1): The segment sells ready-to-eat cereals, snacks, refrigerated yogurt, frozen meals, unbaked and fully baked frozen dough products and baking mixes to foodservice, convenience stores, vending, and supermarket bakeries.

Europe & Australia (11.3% of total revenues in Q1): This segment reflects retail and foodservice businesses in the greater Europe & Australia regions.

Asia & Latin America (8.7% of total revenues in Q1): This segment consists of retail and foodservice businesses in the greater Asia and South America regions.

Pet (9% of total revenues in Q1): This segment consists of the consolidated results of the recently acquired Blue Buffalo Pet Products.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Solid Demand Aids Q1 Results:** Shares of General Mills have gained 11.8% so far this year against the industry's decline of 5.4%. The company posted robust first-quarter fiscal 2021 results, wherein both top and bottom lines surged year over year and beat the Zacks Consensus Estimate. Results benefited from broad-based market share gains from rising demand due to increased at-home consumption amid the coronavirus pandemic. Adjusted earnings increased 27% year over year on a constant-currency (cc) basis. Further, net sales of \$4,364 million advanced 9% year over year and surpassed the Zacks Consensus Estimate of \$4,176 million. Also, organic sales increased 10% on the back of higher pound volumes stemming from increased at-home demand amid the pandemic, favorable net price realization and mix. Notably, revenues in the North America Retail segment came in at \$2,707 million, up 14% year over year, courtesy of solid demand from higher at-home consumption amid the pandemic.

In first-quarter fiscal 2021, General Mills' gained from robust sales growth owing to coronavirus-led elevated at-home consumption. Second-quarter at-home food demand is expected to remain high.

During its earnings call, the company stated that at-home demand remained higher than pre-pandemic levels through the first quarter, though the trend has moderated sequentially owing to the gradual easing of restrictions and elevated restaurant reopening. Nonetheless, second-quarter at-home food demand is expected to remain high compared with pre-pandemic levels. This includes expectations of high-single-digit total retail sales growth in the North America Retail categories.

- ▲ **Focus on Key Priorities:** General Mills is on track with its three core priorities for fiscal 2021, which include competing efficiently, boosting efficiency to fuel investments and reducing leverage. With regard to the first priority, the company expects fiscal 2021 sales growth to be backed by elevated demand and the company's solid execution. However, sales comparisons are likely to reflect adverse impacts from an additional week and an extra month of Pet segment results in fiscal 2020. As part of boosting efficiency, management expects adjusted operating profit margin in fiscal 2021 to be roughly in-line with fiscal 2020. It expects full-year margins to benefit from Holistic Margin Management savings as well as volume leverage. Finally, management expects to reduce its net-debt-to-adjusted-EBITDA ratio to less than 3.2x by the end of fiscal 2021.
- ▲ **Gains From Blue Buffalo Aid Pet Segment:** General Mills acquired Blue Buffalo Pet Products, Inc. in fiscal 2018, which now forms its Pet segment. Following this acquisition, the company became one of the leading players in the pet food arena. Blue Buffalo manufactures and markets wholesome natural pet food items and is contributing to General Mills' top line. In first-quarter fiscal 2021, the company witnessed sales growth in the Pet segment. Revenues in the segment were up 6% year over year on the back of solid volume growth, with continued household penetration and market share gains. Net sales were driven by Food, Drug and Mass (FDM) as well as e-commerce strength. Prior to this, sales rose 37% and 11% year over year in the fourth and third quarters of fiscal 2020, respectively, on the back of volume growth.
- ▲ **Saving Initiatives:** General Mills is currently pursuing many initiatives focused on improving operational efficiency to generate cost savings and support its key growth strategies. The company expects to achieve cost savings through increased efficiency, reduced complexity through SKU optimization, further supply chain optimization and continued expansion of zero-based budgeting across the business, which will result in accelerated margin expansion. Also, the company remains on track with its Holistic Margin Management (HMM), which is expected to continue generate greater savings. Notably, savings from this initiative are expected to boost adjusted operating profit margin in fiscal 2021.
- ▲ **Financial Profile & Sustainable Shareholder Returns:** General Mills generated \$584 million as net cash from operating activities in the first quarter. During the same time frame, the company made capital investments worth \$117 million and paid out dividends of \$303 million. Further, the company's long-term debt of \$10,832.9 million decreased 0.9% sequentially at the end of the first quarter of fiscal 2021 (Aug 30, 2020). The company's debt-to-capitalization ratio of roughly 0.61 as of Aug 30 dipped marginally on a quarter-over-quarter basis.

Encouragingly, General Mills looks well placed on the dividend-payout front. Along with its first-quarter earnings release, management raised its quarterly dividend by 4%, taking it from 49 cents per share to 51 cents. Management informed that a major rise in General Mills' earnings as well as a reduction in net debt since Blue Buffalo's buyout in April 2018 encouraged it to announce the dividend hike. Notably, General Mills has a dividend payout of 51.3%, dividend yield of almost 2% and free cash flow yield of 8.6%. With an annual free cash flow return on investment of 16.5%, ahead of the industry's 8.5%; the dividend payment is likely to be sustainable.

Reasons To Sell:

- ▼ **COVID-19 Hurts Convenience Stores & Foodservice:** Sales in this segment have been declining for a while now. During first-quarter fiscal 2021, revenues in the Convenience Stores & Foodservice business declined 12% to \$391.6 million due to a significant reduction in demand for away-from-home food amid the coronavirus outbreak. Though results improved from the previous quarter, traffic remained below the year-ago period levels in core channels such as restaurants, convenience stores and lodging. In fiscal 2021, management expects declines in away-from-home food demand, together with other pandemic-led macroeconomic hurdles, to negatively impact fiscal 2021 results.
- ▼ **High Costs:** General Mills' SG&A expenses increased 6% in the first quarter of fiscal 2021. Further, it saw input cost inflation of 3% and incurred additional costs to cater to the elevated demand, including external manufacturing. Also, the company saw high coronavirus-related costs like health, safety and costs associated with additional capacity. We believe that, persistence of these factors is a threat to the company's profits. In fact, the company intends to undertake greater investments to enhance brands, supply chain and shift toward digital marketing and e-commerce in order to tap the rising demand. Management expects adjusted operating profit margin to decline year over year in the second quarter, while the same is likely to be in line with the year-ago period in fiscal 2021.
- ▼ **Intense Competition:** General Mills operates in the highly competitive food industry. The company mainly competed with other major players on grounds of pricing, product innovation, brand recognition and loyalty, product quality, effectiveness of marketing and promotional activity, and responsiveness to consumers' changing preferences. Such competitive pressures may compel the company to lower prices, which remains a threat to its profits.
- ▼ **Currency Volatility a Worry:** The company is exposed to volatile foreign currency translations, as it has a widespread global business and undertakes business expansion efforts frequently. Thus, volatility in exchange rates is a threat to the company's performance.

Escalated SG&A expenses are a hurdle for General Mills. Moreover, weakness in Convenience Stores & Foodservice unit is a headwind.

Last Earnings Report

General Mills Q1 Earnings & Sales Top Estimates, Up Y/Y

General Mills released robust first-quarter fiscal 2021 results, which benefited from broad-based market share gains from rising demand due to increased at-home consumption amid the coronavirus pandemic. Given the current situation and uncertainty surrounding the pandemic, the company is not offering fiscal 2021 guidance.

The company's adjusted earnings per share of \$1.00 increased 27% year over year on a constant-currency (cc) basis. Moreover, the bottom line beat the Zacks Consensus Estimate of 87 cents. The uptick can be attributed to improved adjusted operating profit and higher after-tax earnings from joint ventures. This was somewhat countered by elevated adjusted effective tax rate and a rise in the number of shares outstanding.

Net sales of \$4,364 million advanced 9% year over year and surpassed the Zacks Consensus Estimate of \$4,176 million. Also, organic sales increased 10% on the back of higher pound volumes stemming from increased at-home demand amid the pandemic, favorable net price realization and mix.

Adjusted gross margin expanded 100 basis points (bps) to 36.2% owing to gains from fixed cost leverage in the supply-chain network. This was partly countered by coronavirus-related costs like health, safety and costs associated with additional capacity. Adjusted operating profit increased 22% at cc on the back of higher net sales and adjusted gross margin, partly negated by a rise in SG&A expenses. Adjusted operating margin expanded 210 bps to 19.1%.

Segmental Performance

North America Retail: Revenues in the segment came in at \$2,707 million, up 14% year over year, courtesy of solid demand from higher at-home consumption amid the pandemic. Organic sales also rose 14%.

Convenience Stores & Foodservice: Revenues dropped 12% to \$391.6 million due to a significant reduction in demand for away-from-home food amid the coronavirus outbreak. Though results improved from the previous quarter, traffic remained below the year-ago period levels in core channels such as restaurants, convenience stores and lodging.

Europe & Australia: The segment's revenues rose 8% to \$491 million, including favorable currency impacts of 3 points. Also, sales were backed by elevated demand due to increased at-home consumption amid the pandemic. Further, sales increased 7% year over year on an organic basis.

Asia & Latin America: Revenues rose 6% from the year-ago quarter's figure to \$382.7 million on higher volumes, partly countered by currency woes, adverse net price realization and mix.

Pet Segment: Revenues came in at \$391.7 million, up 6% year over year on the back of solid volume growth, somewhat offset by adverse net price realization and mix.

Other Financial Aspects

The company ended the quarter with cash and cash equivalents of \$1,796.7 million, long-term debt of \$10,832.9 million and total shareholders' equity of \$8,444.6 million. General Mills generated \$584 million as net cash from operating activities in the first quarter. During the same time frame, the company made capital investments worth \$117 million and paid out dividends of \$303 million.

Concurrently, the company raised its quarterly dividend by 4%, taking it from 49 cents per share to 51 cents, which is payable on Nov 2, 2020, to shareholders of record as on Oct 9.

Other Developments & Outlook

Constant-currency sales from joint ventures of Cereal Partners Worldwide increased 9% in the quarter on elevated pandemic-led demand. In Haagen-Dazs Japan, sales declined 1% at cc from the prior-year quarter's figure.

The company continues to expect pandemic-related trends to be the main factor driving its fiscal 2021 performance. To this end, it expects increased at-home consumption and declines in away-from-home food demand, together with other pandemic-led macroeconomic hurdles, to impact fiscal 2021 results. The company stated that at-home demand remained higher than pre-pandemic levels through the first quarter, though the trend has moderated sequentially owing to the gradual easing of restrictions and elevated restaurant reopening. Nonetheless, second-quarter at-home food demand is expected to remain high compared with pre-pandemic levels. This includes expectations of high-single-digit total retail sales growth in the North America Retail categories.

Quarter Ending	08/2020
Report Date	Sep 23, 2020
Sales Surprise	4.49%
EPS Surprise	14.94%
Quarterly EPS	1.00
Annual EPS (TTM)	3.82

Recent News

General Mills Provides Business Update - Sep 8, 2020

General Mills is on Track with its three core priorities for fiscal 2021. In this regard, management expects adjusted operating profit margin in fiscal 2021 to be roughly in-line with fiscal 2020. Also, it expects margins to benefit from Holistic Margin Management savings as well as volume leverage. However, higher input costs and elevated brand investments among others are likely to act as a deterrent. Incidentally, adjusted operating profit margin is likely to expand in the first quarter of fiscal 2021. Following this, the metric is expected to decline in the second quarter. Apart from these, management expects to reduce its net-debt-to-adjusted-EBITDA ratio to less than 3.2x in fiscal 2021.

We note that General Mills' at-home food demand is higher than per-pandemic levels in the year-to-date period for fiscal 2021. However, the demand has moderated from the fourth quarter of fiscal 2020.

General Mills Declares Dividend – Jun 30, 2020

General Mills has declared quarterly cash dividend of 49 cents per share. This will be payable on Aug 3 to shareholders of record as on Jul 10.

Valuation

General Mills shares are up 11.8% in the year-to-date period and 8.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 6.6% in the year-to-date period, while the Zacks Consumer Staples sector is down 8.5%. Over the past year, the Zacks sub-industry is down 2.4%, while the sector declined 7.4%.

The S&P 500 index is up 2.4% in the year-to-date period and 11.1% in the past year.

The stock is currently trading at 16.49X forward 12-month earnings, which compares to 18.18X for the Zacks sub-industry, 19.27X for the Zacks sector and 21.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.31X and as low as 11.53X, with a 5-year median of 17.16X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$63 price target reflects 17.34X forward 12-month earnings.

The table below shows summary valuation data for GIS

Valuation Multiples - GIS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.49	18.18	19.27	21.6
	5-Year High	23.31	22.9	22.37	23.46
	5-Year Low	11.53	14.74	16.62	15.26
	5-Year Median	17.16	18.52	19.56	17.63
P/S F12M	Current	2.09	1.67	9.21	4.02
	5-Year High	2.68	2.05	11.15	4.3
	5-Year Low	1.27	1.4	8.12	3.11
	5-Year Median	2	1.74	9.89	3.66
EV/EBITDA F12M	Current	13.04	12.95	35.43	17.19
	5-Year High	14.03	14.65	37.49	18.84
	5-Year Low	8.69	10.81	25.75	12.97
	5-Year Median	11.94	13.09	33.84	15.73

As of 09/28/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 47% (117 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Flowers Foods, Inc. (FLO)	Outperform	2
TreeHouse Foods, Inc. (THS)	Outperform	2
United Natural Foods, Inc. (UNFI)	Outperform	1
BG Foods, Inc. (BGS)	Neutral	3
Conagra Brands Inc. (CAG)	Neutral	3
Campbell Soup Company (CPB)	Neutral	3
Kellogg Company (K)	Neutral	2
Nomad Foods Limited (NOMD)	Neutral	2

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

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	GIS	X Industry	S&P 500	CAG	K	THS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	2	2
VGM Score	C	-	-	A	C	B
Market Cap	36.62 B	3.36 B	23.11 B	17.32 B	21.73 B	2.28 B
# of Analysts	8	3	14	8	7	6
Dividend Yield	3.27%	0.00%	1.66%	2.40%	3.60%	0.00%
Value Score	C	-	-	C	C	B
Cash/Price	0.05	0.08	0.08	0.03	0.06	0.13
EV/EBITDA	12.47	12.57	13.15	13.91	13.23	25.92
PEG F1	2.38	5.44	2.88	2.12	2.68	1.96
P/B	4.18	2.28	3.29	2.17	6.38	1.26
P/CF	13.05	11.82	12.83	11.48	11.81	6.58
P/E F1	16.64	18.00	21.32	14.81	16.05	15.12
P/S TTM	2.04	1.25	2.49	1.57	1.61	0.53
Earnings Yield	6.01%	5.08%	4.44%	6.74%	6.23%	6.61%
Debt/Equity	1.24	0.54	0.70	1.12	2.03	1.16
Cash Flow (\$/share)	4.59	2.68	6.92	3.09	5.36	6.13
Growth Score	B	-	-	A	B	C
Historical EPS Growth (3-5 Years)	4.24%	5.17%	10.43%	-2.26%	3.36%	-8.24%
Projected EPS Growth (F1/F0)	-0.28%	2.45%	-4.22%	4.99%	0.22%	11.72%
Current Cash Flow Growth	9.11%	4.49%	5.47%	22.57%	-9.43%	-1.33%
Historical Cash Flow Growth (3-5 Years)	3.48%	6.08%	8.52%	4.34%	-0.49%	5.96%
Current Ratio	0.70	1.62	1.35	0.88	0.77	1.48
Debt/Capital	55.30%	35.90%	42.91%	52.82%	67.04%	53.64%
Net Margin	12.78%	2.97%	10.28%	7.60%	8.09%	-4.51%
Return on Equity	28.46%	9.73%	14.73%	14.38%	43.36%	8.12%
Sales/Assets	0.59	1.02	0.50	0.49	0.75	0.83
Projected Sales Growth (F1/F0)	-0.53%	0.00%	-1.38%	-2.92%	0.57%	-8.61%
Momentum Score	D	-	-	D	F	D
Daily Price Change	0.39%	0.88%	1.85%	0.97%	0.48%	1.61%
1-Week Price Change	4.10%	-1.81%	-2.32%	1.65%	0.25%	1.22%
4-Week Price Change	-6.33%	-2.41%	-2.53%	-7.56%	-10.62%	-5.68%
12-Week Price Change	-3.68%	4.08%	4.17%	-0.23%	-4.26%	-6.66%
52-Week Price Change	8.67%	-2.41%	0.12%	15.58%	-1.51%	-27.18%
20-Day Average Volume (Shares)	3,568,051	145,378	2,098,704	2,940,686	2,502,414	522,774
EPS F1 Estimate 1-Week Change	2.09%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	2.09%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	2.71%	2.28%	4.22%	1.92%	3.86%	3.49%
EPS Q1 Estimate Monthly Change	-3.77%	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	C
Growth Score	B
Momentum Score	D
VGM Score	C

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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