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Mar 12, 2021

Generac Holdings Inc. (GNRC)

$331.76 (As of 03/11/21)

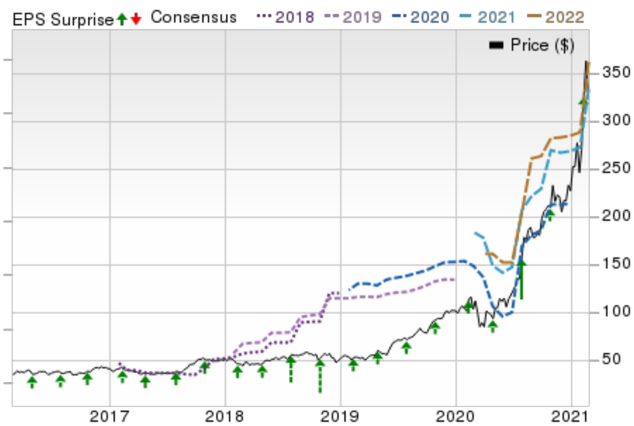
Price Target (6-12 Months): **$350.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/28/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: F | Growth: A | Momentum: C	**2-Buy** VGM:C

Summary

Generac announced plans to open new manufacturing, assembly and distribution operation in Trenton, SC. The company continues to see robust demand for its home standby generators due to higher power outages, while the 'Home as a Sanctuary' trend gains traction. It has established a new business organization, Energy Technology, as part of its 'Powering Our Future' strategy. A diversified distribution channel ensures that the products reach a global customer base. A strong balance sheet and significant liquidity enable Generac to capitalize on key trends and drive additional shareholder value. However, it faces stiff competition from large diversified industrial companies. High research and development expenses hurt its margins. Soft demand from industrial consumers due to the pandemic mars its growth potential to some extent.

Price, Consensus & Surprise



Source: Zacks Investment Research

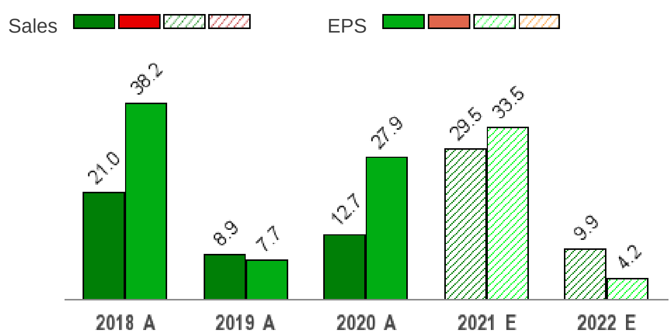
Data Overview

52-Week High-Low	**$363.72 - $75.50**
20-Day Average Volume (Shares)	**895,328**
Market Cap	**$20.9 B**
Year-To-Date Price Change	**45.9%**
Beta	**0.94**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Electronics - Power Generation**
Zacks Industry Rank	**Top 11% (28 out of 253)**

Last EPS Surprise	**8.2%**
Last Sales Surprise	**4.9%**
EPS F1 Estimate 4-Week Change	**17.1%**
Expected Report Date	**04/29/2021**
Earnings ESP	**0.0%**

P/E TTM	**51.3**
P/E F1	**38.4**
PEG F1	**5.9**
P/S TTM	**8.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	817 E	903 E	937 E	952 E	3,535 E
2021	734 E	797 E	830 E	855 E	3,217 E
2020	476 A	547 A	701 A	761 A	2,485 A

EPS Estimates

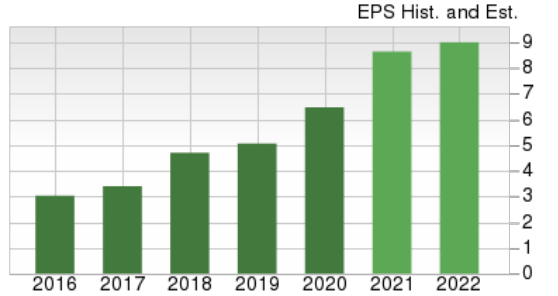
	Q1	Q2	Q3	Q4	Annual*
2022	$1.95 E	$2.30 E	$2.40 E	$2.49 E	$9.00 E
2021	$1.87 E	$2.16 E	$2.26 E	$2.36 E	$8.64 E
2020	$0.87 A	$1.40 A	$2.08 A	$2.12 A	$6.47 A

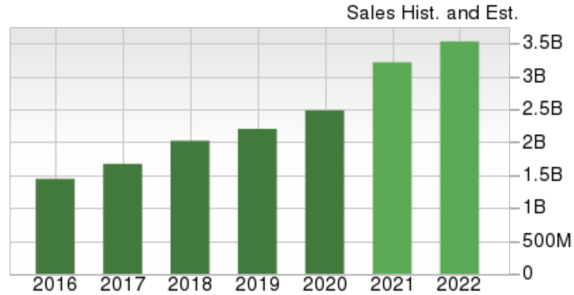
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/11/2021. The report's text and the analyst-provided price target are as of 03/12/2021.

Overview

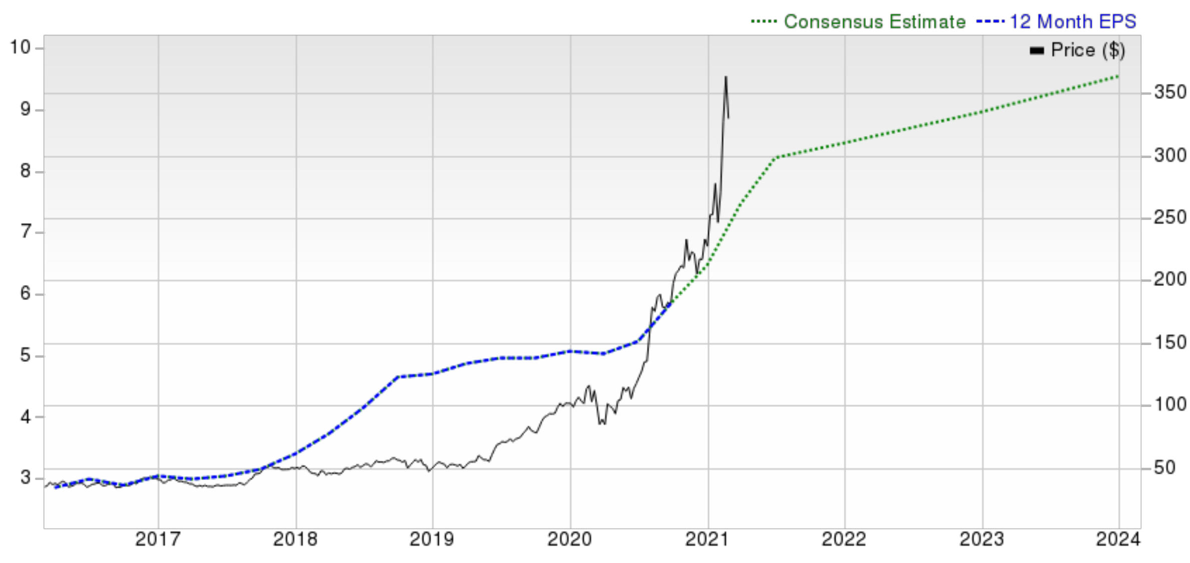
Headquartered in Waukesha, WI, and founded in 1959, Generac Holdings Inc. is a leading manufacturer of power generation equipment, energy storage systems and other power products including portable, residential, commercial and industrial generators. In addition, the company manufactures light towers, which provide temporary lighting solutions for various end markets, and commercial and industrial mobile heaters and pumps that are used in the oil & gas, construction and other industrial markets. Its product portfolio also includes engines, alternators, transfer switches, mobile heaters, power washers, water pumps, energy monitoring devices and other components of outdoor power equipment for residential and commercial use. The company has a wide distribution network spanning independent residential dealers, industrial distributors and dealers, national and regional retailers, e-commerce partners, wholesalers, equipment rental companies, equipment distributors, and solar installers. It also boasts a direct sales channel to various individual customers.





Generac broadly classifies its products into three categories depending on the end user types, namely Residential, Commercial & Industrial (C&I), and Other products and services. The Residential business includes automatic standby generators that run on natural gas, liquid propane, diesel, air-cooled engine generators for emergency backup in small to medium-sized homes, and liquid-cooled engine generators for larger homes and small businesses. It also provides remote monitoring system for home standby generators called Mobile Link, offering Wi-Fi-enabled feature to conveniently check the status of generator online, while receiving maintenance and service alerts. The C&I generators that run on diesel, natural gas, liquid propane and Bi-Fuel cater to small and mid-sized businesses. The Other products and services category primarily comprise aftermarket service parts and product accessories.

Generac has two operating segments — Domestic and International. The **Domestic** segment (84.8% of fourth-quarter 2020 revenues) includes the legacy Generac business and operations that are based in the United States and Canada. The **International** segment (15.2%) includes the Latin American export operations, and other business units that generate revenues from outside the United States and Canada.



Source: Zacks Investment Research

Reasons To Buy:

Generac continues to see unprecedented demand for its home standby generators due to higher power outages, while the ‘Home as a Sanctuary’ trend gains traction.

- Generac delivered a trailing four-quarter positive earnings surprise of 24.2%, on average. With more than six decades of industry experience, it is one of the leading manufacturers of home backup generators, offering the widest range of power products in the marketplace. The company boasts a unique ability to expand the power range for certain stationary generator solutions to much larger multi-megawatt systems through an integrated parallel configuration called Modular Power Systems (MPS). The MPS technology combines the power of several smaller generators to produce the output of a larger generator, providing customers with redundancy and scalability in a cost-effective manner. For larger industrial applications, products backed by MPS technology allow individual units to be taken off-line for routine maintenance while retaining coverage for critical circuits. These markets are characterized by low penetration and offer a significant untapped potential to capture more market share.

- Significant changes in the energy landscape, drastic climate change, abundance of natural gas, aging power infrastructure and deployment of super-fast 5G technology are likely to spur secular growth opportunities for Generac. The company aims to capitalize on these key growth drivers by generating more sales through higher market penetration and continued focus on research and development in order to foster innovation. A diversified distribution channel further ensures that the products reach a broad global customer base. Notably, the company has the largest network of factory direct independent generator dealers in the industry in North America. Moreover, Generac intends to leverage its profound experience and core competencies to strengthen its position in the emerging residential energy storage and monitoring markets. While its Mobile Link remote monitoring capability offers a Wi-Fi-enabled feature to conveniently check the status of a generator online and receive maintenance and service alerts, the “Fleet” feature enables its distribution partners to monitor the installed base of customers for a more proactive service experience. Such a comprehensive product portfolio and service capabilities augur well for the long-term growth of the company.

- Generac intends to diversify its business model from being solely ‘‘equipment centric’’ to a systems and services provider through connectivity solutions and subscription-based applications, with emphasis on improving the end-user experience and helping customers lower utility costs. This, in turn, is likely to help unlock new business opportunities and generate steady revenues from subscriptions and spare parts. The company leverages data obtained from connected devices by developing predictive analytics that helps in continuously improving product quality, sales processes and tools, energy optimization, aftermarket penetration, customer experience and alignment with dealers. In addition, the company pursues potential acquisition opportunities to monetize an ecosystem of devices that relate to energy use, storage, generation, control and optimization to further strengthen its leading market position. This holistic growth strategy offers a competitive advantage to Generac against other firms.

- Generac’s products are well suited to accelerate the transition from traditional fossil fuel to clean environment-friendly natural gas. The emergence of low cost, environment-friendly natural gas generators has helped to increase the penetration of standby generators over the past decade in the light commercial market. Moreover, low and stable natural gas prices offer an enticing opportunity to end users to reduce the utility bills by utilizing renewable energy solutions. An aging demographic population and increased cases of power outages due to inclement weather conditions and catastrophic events like wildfires have amplified the importance of backup power for critical infrastructure facilities. In addition, large installed base of backup power for essential telecommunications infrastructure for the rollout of next-generation 5G wireless networks has enabled the uninterrupted flow of critical communications and other voice and data services.

- As of Dec 31, 2020, the company had $655 million in cash and cash equivalents with $842 million of long-term debt compared with the respective tallies of $514 million and $841 million at the end of the previous quarter. The company has a debt-to-capital ratio of 0.39 compared with 0.52 of the industry. The times interest earned (TIE) ratio has improved steadily over the past few quarters to 14.5 at present, compared with 4.6 of the industry. This indicates that the company is in a position to meet its debt obligations. It is to be seen whether Generac can maintain the momentum in the coming days amid disruptions stemming from the pandemic.

Reasons To Sell:

- Generac operates in an intensely competitive market, facing stiff competition from large diversified industrial companies as well as smaller generator manufacturers, engine powered tools, solar inverter and battery storage providers. Some of its rivals undercut themselves and offer products at low prices to garner market share. This, in turn, often forces Generac to keep the pricing at minimum margin levels, thereby affecting its profitability. In addition, high research and development costs to stay ahead in the race for upgraded products that have high technological obsolescence strain its margins.

Generac operates in an intensely competitive market, facing stiff competition from large diversified industrial companies and smaller generator manufacturers.

- Steel, copper and aluminum — the key raw materials that are being used to manufacture the products — are susceptible to significant price fluctuations due to macroeconomic trends in supply and demand, commodity prices, currencies, transportation costs, government regulations and tariffs. Generac does not have long-term supply contracts in place with its suppliers to ensure that raw materials and components are available at fixed prices. Furthermore, dearth of supply of essential items due to temporary closures triggered by the coronavirus pandemic has largely affected the production schedules of the company. Tense Sino-U.S. trade relations and export restrictions remain significant headwinds that further affect the manufacturing productivity of the company.

- Generac witnessed soft demand from commercial and industrial consumers due to the coronavirus-induced economic turmoil. Moreover, backup generators within the Residential business largely belong to the discretionary sector, whereby consumers usually tend to curtail their expenses in favor of essential items. The global market for commercial and industrial products is further affected by different capital investment cycles. These markets typically include non-residential building construction, durable goods and infrastructure spending, as well as investments in the exploration and production of oil & gas. These sectors have been affected by the virus outbreak, forcing some end users to shift toward renting rather than buying the equipment. All these have severely dented the growth potential of the company.

- Generac's products are susceptible to changes in federal and state emissions laws, which are likely to affect their attractiveness to end users relative to other solutions. In addition to air pollutant emissions, its sales are prone to changes in state and local regulations governing noise emissions in residential areas. In addition, its nascent clean energy business is concentrated in the U.S. solar market, which is partially dependent on favorable government policies and subsidies. This, in turn, hinders its growth potential to some extent. Moreover, if utility electricity prices fail to increase substantially, homeowners may not be adequately incentivized to purchase home storage solutions, likely affecting its overall sales.

Last Earnings Report

Generac Q4 Earnings & Revenues Top Estimates, Up Y/Y

Quarter Ending	12/2020
Report Date	Feb 11, 2021
Sales Surprise	4.87%
EPS Surprise	8.16%
Quarterly EPS	2.12
Annual EPS (TTM)	6.47

Generac reported impressive fourth-quarter 2020 results, wherein the top and the bottom lines beat the respective Zacks Consensus Estimate.

Net Income

On a GAAP basis, net income in the December quarter was $125 million or $1.97 per share compared with $69.6 million or $1.12 per share in the prior-year quarter. The improvement primarily resulted from higher operating income.

In 2020, net income was $350.6 million or $5.48 per share compared with $252 million or $4.03 per share in 2019.

Quarterly adjusted net income came in at $135.7 million or $2.12 per share compared with $96.5 million or $1.53 per share in the year-ago quarter. The bottom line beat the Zacks Consensus Estimate by 16 cents.

Revenues

Quarterly revenues were a record $761.1 million compared with $590.9 million in the year-ago quarter. The 28.8% improvement was primarily driven by strong demand for residential products. Generac continues to see unprecedented demand for its home standby generators due to higher power outage, while the 'Home as a Sanctuary' trend gains traction. The top line beat the consensus estimate of $726 million.

Segment-wise, Domestic revenues increased 37.2% year over year to $645.1 million. The growth was driven by a significant increase in shipments of home standby generators and the ramp up of PWRcell energy storage systems. International revenues declined 4.1% to $116 million. This was due to weakness in global Commercial & Industrial (C&I) product demand in several regions caused by the pandemic.

Product-wise, revenues from Residential products improved 54.6% to $498.7 million. Revenues from C&I products were $198.6 million, down from $217.1 million in the year-ago quarter. Revenues from other product classes came in at $63.8 million, up 24.4%.

In 2020, revenues increased 12.7% year over year to $2,485.2 million.

Other Quarterly Details

Costs of goods sold increased 25% year over year to $460.9 million. Gross profit was $300.2 million, up from $222.2 million with respective margins of 39.4% and 37.6%. The increase was driven by a favorable sales mix from higher shipments of residential products and a lower mix of C&I products.

Total operating expenses were $129.1 million compared with $117.7 million in the prior-year quarter. This was due to higher variable expenses from an increase in sales volumes, incremental spend related to clean energy products and the impact of acquisitions. Operating income came in at $171.1 million, up 63.7%. Adjusted EBITDA was a record $195.8 million compared with $129.1 million in the year-ago quarter.

Cash Flow & Liquidity

In 2020, Generac generated a record $486.5 million of net cash from operations compared with $308.9 million in 2019. Free cash flow was $427.1 million, up from $250.7 million.

As of Dec 31, 2020, the company had $655.1 million in cash and cash equivalents with $841.8 million of long-term borrowings. This compares with the respective tallies of $322.9 million and $837.8 million a year ago.

2021 Outlook

For 2021, Generac expects revenue growth between 25% and 30% year over year. Net income margin (before deducting for non-controlling interests) is expected to be 15-16%, while adjusted EBITDA margin is estimated to be 24-25%.

Recent News

On Feb 10, 2021, Generac announced plans to open a new manufacturing, assembly and distribution operation in Trenton, SC. The facility will support increased demand for home standby generators and related energy technologies. It will also serve as a distribution center to customers in the southeast part of the country.

On Jan 19, 2021, Generac announced that it established a new business organization as part of its 'Powering Our Future' strategy. The company has appointed three executives to new positions. Named Energy Technology ("ET"), the new organization will comprise all Generac's businesses, which mainly focuses on products or services related to storage and energy management products. These consist of Generac's acquired Pika Energy, Neurio Technologies and Enbala Power Networks as well as its existing connectivity business. The combination of these teams into one operating group will help position the company as an emerging leader in the energy storage and management industry. It will also align business priorities and accelerate Generac's go-to-market efforts. The ET organization will serve as the operating platform for future potential acquisitions in the energy technology industry.

Valuation

Generac's shares are up 233.4% in the trailing 12-month period, and up 80.2% in the past six months. Stocks in the Zacks sub-industry are up 188.6% in the past year, and up 75.4% in the past six months. Stocks in the Zacks Computer and Technology sector are up 66% in the past year, and up 21% in the past six months.

The S&P 500 Index is up 46.3% in the past year, and up 16.2% in the past six months.

The stock is currently trading at 34.25X trailing 12-month EV/EBITDA, which compares to 28.05X for the Zacks sub-industry, 16.11X for the Zacks sector and 17.37X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 37.49X and as low as 8.15X, with a 5-year median of 10.45X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $350 price target reflects 9.19X forward 12-month earnings.

The table below shows summary valuation data for GNRC

Valuation Multiples - GNRC

		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	34.25	28.05	16.11	17.37
	5-Year High	37.49	30.75	17.09	17.55
	5-Year Low	8.15	6.07	9.04	9.62
	5-Year Median	10.45	9.42	12.28	13.32
P/E F12M	Current	38.09	24.7	27.39	22.35
	5-Year High	47.16	25.08	28.38	23.8
	5-Year Low	9.97	6.38	16.95	15.3
	5-Year Median	13.35	9.32	20.04	17.9
P/S F12M	Current	6.37	4.39	4.74	4.52
	5-Year High	7.53	4.39	4.74	4.52
	5-Year Low	1.39	0.94	2.78	3.21
	5-Year Median	1.76	1.23	3.5	3.69

As of 03/11/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 11% (28 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Littelfuse, Inc. **(LFUS)**	Outperform	2
Vicor Corporation **(VICR)**	Outperform	1
American Superconductor Corporation **(AMSC)**	Neutral	3
Ballard Power Systems, Inc. **(BLDP)**	Neutral	3
CTS Corporation **(CTS)**	Neutral	2
Fabrinet **(FN)**	Neutral	2
Rogers Corporation **(ROG)**	Neutral	2
Novanta Inc. **(NOVT)**	Underperform	5

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

Industry Comparison Industry: Electronics - Power Generation

Industry Peers

	GNRC	X Industry	S&P 500	CTS	LFUS	ROG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	2	-	-	2	2	2
VGM Score	C	-	-	A	D	B
Market Cap	20.85 B	627.19 M	28.65 B	1.08 B	6.56 B	3.62 B
# of Analysts	10	5	13	1	4	2
Dividend Yield	0.00%	0.00%	1.38%	0.48%	0.72%	0.00%
Value Score	F	-	-	C	D	D
Cash/Price	0.03	0.03	0.06	0.09	0.11	0.06
EV/EBITDA	38.22	17.31	16.04	13.85	23.55	23.46
PEG F1	5.91	5.34	2.36	NA	2.86	NA
P/B	15.00	15.00	3.89	2.55	4.05	3.54
P/CF	43.11	17.66	16.10	17.04	25.70	21.71
P/E F1	38.40	38.40	20.98	22.29	34.28	25.29
P/S TTM	8.39	8.39	3.28	2.55	4.54	4.51
Earnings Yield	2.60%	2.60%	4.63%	4.49%	2.92%	3.95%
Debt/Equity	0.61	0.30	0.67	0.13	0.43	0.02
Cash Flow ($/share)	7.70	1.31	6.78	1.96	10.40	8.91
Growth Score	A	-	-	B	C	A
Historical EPS Growth (3-5 Years)	19.24%	19.24%	9.34%	4.92%	0.81%	9.64%
Projected EPS Growth (F1/F0)	33.54%	37.21%	14.75%	33.93%	21.84%	50.59%
Current Cash Flow Growth	26.11%	-68.73%	0.74%	-12.89%	-3.11%	1.34%
Historical Cash Flow Growth (3-5 Years)	14.64%	9.39%	7.37%	6.00%	10.26%	9.49%
Current Ratio	2.60	1.17	1.39	2.22	4.42	4.25
Debt/Capital	39.51%	39.51%	41.42%	11.42%	29.93%	2.39%
Net Margin	14.11%	-1.82%	10.59%	8.18%	8.99%	6.23%
Return on Equity	34.78%	-8.45%	14.70%	8.88%	10.35%	9.72%
Sales/Assets	0.85	0.85	0.51	0.64	0.54	0.60
Projected Sales Growth (F1/F0)	29.43%	29.43%	6.93%	0.00%	18.97%	13.45%
Momentum Score	C	-	-	A	F	B
Daily Price Change	5.49%	4.22%	0.33%	1.46%	1.70%	5.04%
1-Week Price Change	-6.84%	-6.88%	2.46%	1.71%	-1.13%	0.20%
4-Week Price Change	4.95%	-4.01%	3.52%	2.04%	-2.24%	7.01%
12-Week Price Change	51.77%	7.68%	7.54%	-0.39%	6.60%	25.47%
52-Week Price Change	251.44%	183.13%	62.04%	57.51%	106.44%	126.65%
20-Day Average Volume (Shares)	895,328	576,779	2,210,456	161,962	90,674	78,256
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	17.12%	9.11%	0.00%	11.11%	0.00%	13.50%
EPS F1 Estimate 12-Week Change	18.55%	9.55%	2.01%	15.39%	11.71%	13.50%
EPS Q1 Estimate Monthly Change	18.00%	18.00%	0.00%	NA	0.00%	28.78%

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	F
Growth Score	A
Momentum Score	C
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.

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.