

Barrick Gold Corp (GOLD)

\$25.94 (As of 11/10/20)

Price Target (6-12 Months): **\$31.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 11/04/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:B

Value: C

Growth: C

Momentum: B

Summary

Barrick's profits declined year over year in the third quarter of 2020. Nevertheless, adjusted earnings and sales beat their respective Zacks Consensus Estimate. Barrick has extensive regional presence across many of the world's most prolific gold districts. The company is expected to gain from progress of its key growth projects that are expected to contribute to its production. Barrick's debt-reduction actions are also expected to lower interest expenses. It also has a strong liquidity position and generates healthy cash flows. Moreover, its merger with Randgold and joint venture with Newmont provide additional upside. Higher gold prices are also likely to support margins. Concerns over the coronavirus pandemic and geopolitical tensions are supporting gold prices. Also, it has outperformed the industry over the past year.

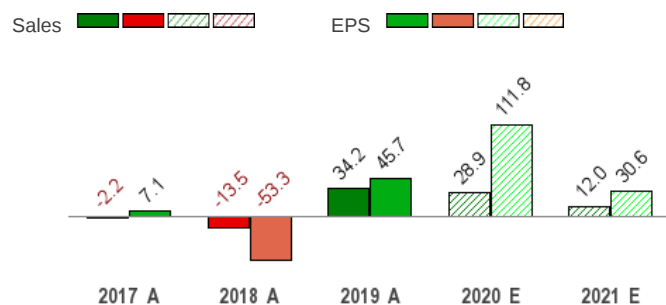
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$31.22 - \$12.65
20-Day Average Volume (Shares)	15,575,949
Market Cap	\$47.8 B
Year-To-Date Price Change	44.7%
Beta	0.15
Dividend / Dividend Yield	\$0.36 / 1.2%
Industry	Mining - Gold
Zacks Industry Rank	Top 49% (122 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	28.1%
Last Sales Surprise	5.6%
EPS F1 Estimate 4-Week Change	9.3%
Expected Report Date	02/10/2021
Earnings ESP	-5.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,372 E	3,486 E	3,456 E	3,441 E	14,031 E
2020	2,721 A	3,055 A	3,540 A	3,263 E	12,530 E
2019	2,093 A	2,063 A	2,678 A	2,883 A	9,717 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.35 E	\$0.37 E	\$0.37 E	\$0.41 E	\$1.41 E
2020	\$0.16 A	\$0.23 A	\$0.41 A	\$0.36 E	\$1.08 E
2019	\$0.11 A	\$0.09 A	\$0.15 A	\$0.17 A	\$0.51 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 11/10/2020. The reports text is as of 11/10/2020.

Overview

Barrick Gold Corporation, based in Toronto, Canada, is the largest gold mining company in the world. The company has many advanced exploration and development projects located across five continents.

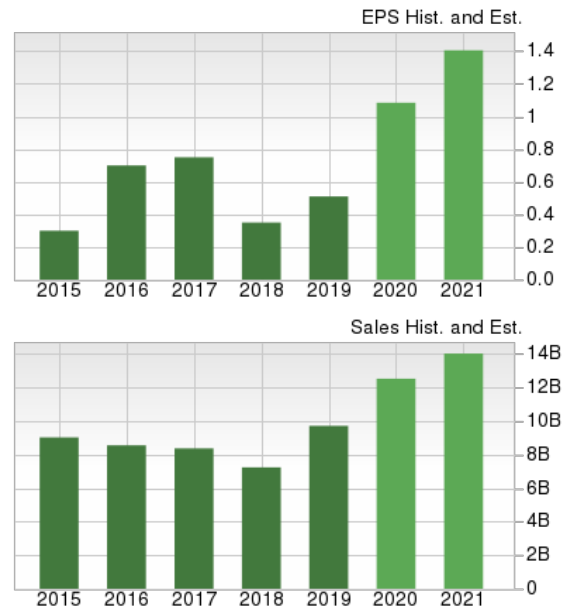
Barrick is placed amongst the top gold producers with peers, such as Newmont (based in the United States) and AngloGold Ashanti (based in South Africa). The company produced 5.5 million ounces of gold and 432 million pounds of copper in 2019. Barrick had 71 million ounces (oz) of proven and probable gold reserves and 13 billion pounds of copper reserves at the end of 2019. The company generated total revenues of \$9,717 million in 2019, up 34% year over year.

The company's strategy to create value for its shareholders is focused on the following key areas:

- Maximizing the benefits of rising metal prices by meeting operational and financial targets.
- Increasing gold and copper reserves and production through exploration and selective acquisitions.
- Maximizing the value of its existing mines and properties by leveraging its expertise and regional infrastructure.
- Growing production by investing in and developing high return projects.
- Continuing to improve corporate social responsibility practices to maintain and strengthen its license to operate.
- By executing on this strategy, the company expects to increase earnings and cash flow and enhance its shareholders' leverage to metal prices.

In September 2018, Barrick entered into a share-for-share merger agreement with Randgold Resources Limited. The merger was successfully completed on Jan 1, 2019. The deal formed an industry-leading gold company and strengthened Barrick's position.

Post-merger, Barrick has the ability to generate strong cash flow to support robust investment and return cash to shareholders. Higher operating metrics, including lowest total cash cost position as well as highest adjusted EBITDA margin are likely to support sustainable investment in growth and shareholder returns.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Barrick's shares have rallied 64.3% in the past year, outperforming the industry's rise of 61.1%. Barrick remains committed to de-leverage its balance sheet. The company has cut its total debt by more than 50% over the past three years. Its long-term debt was \$5,140 million at the end of the third quarter, down around 6% year over year. The company's debt reduction actions should further lower its interest expenses. Also, Barrick has a strong liquidity position and generates healthy cash flows, which positions it well to take advantage of attractive development, exploration and acquisition opportunities. At the end of 2019, Barrick's cash and cash equivalents surged 111% year over year to \$3.3 billion and the same climbed around 97% year over year in third-quarter 2020. The company also announced a 12.5% dividend hike for third-quarter 2020 to 9 cents per share.
- ▲ Gold has been the bright spot this year as mounting fears over the coronavirus pandemic made it the most attractive safe-haven asset. A slump in crude oil prices, a low interest rate environment and geopolitical tensions also triggered demand for gold. Concerns over supply crunch arising from suspensions of operations by miners per government mandates also contributed to the gain in gold prices. Gold prices surged past the \$1,900 an ounce mark in July and even attained an all-time high of \$2,089.20 an ounce on Aug 7. Meanwhile, Barrick's averaged realized price of gold also rose 30.5% year over year in the last reported quarter and boosted margins. Higher gold prices are expected to continue to drive earnings in 2020 amid market volatility and economic uncertainties.
- ▲ The company continues to make high return investments in its businesses. Barrick is expected to benefit from major exploration programs. The company maintains a significant focus on Nevada for growth opportunities. A significant portion of its exploration budget has been allocated to the Americas. The company's growth projects across Turquoise Ridge, Goldrush, and Cortez Deep South in Nevada are now in execution and are expected to start contributing to production starting 2021. Moreover, these growth projects are advancing as per schedule as well as within budget, which underpins the next generation of profitable production from the core region. Also, the combination of Turquoise Ridge and Twin Creeks delivers a tier one asset with another in the making at Goldrush. Presently, Nevada Gold Mines boasts 10 underground mines and 12 open pit mines, which have proven and probable reserves of more than 48 million ounces.
- ▲ Barrick should gain from its merger with Randgold, which formed an industry-leading gold company and fortified Barrick's position among senior gold peers such as Newmont and Agnico Eagle. Barrick now owns five of the industry's top 10 tier one gold assets, including the Cortez and Goldstrike in Nevada. Also, it has the lowest total cash cost position among senior gold peers along with high-quality gold reserves. Barrick also has extensive regional presence across many of the world's most prolific gold districts. These factors are likely to support the company's sustainable growth and create long-term value. Moreover, Barrick and Newmont inked an implementation deal to form a joint venture (JV) in Nevada. Barrick is the operator of the JV and own 61.5% and Newmont owns the remaining 38.5%. The JV combines their respective mining operations, assets, reserves and resources. The Nevada Gold Mines joint venture is expected to deliver synergies of \$450-\$500 million per year over the first five years of the full production of the project. This is projected to capture total pre-tax net present value of \$5 billion over a period of 20 years. Following the completion of the JV, the Nevada complex is expected to become the single-largest gold producer globally.

Barrick should gain from actions to cut debt and progress of its key projects. It also has a strong liquidity position. Moreover, the merger with Randgold and JV with Newmont provides additional upside.

Risks

- The company faces headwinds from declining gold production and higher expected costs on a year-over-year basis in 2020. Its gold production fell nearly 12% year over year in the third quarter. Also, expected higher costs on year-over-year basis mainly reflects the impact of lower recoveries and grades, higher energy costs along with higher mine site sustaining capital expenditures. The company projects all-in sustaining costs (AISC) in the range of \$920-\$970 per ounce for 2020. The projected figure is much higher than \$894 per ounce recorded in 2019. Moreover, the company expects cost of sales for 2020 in the range \$980-\$1,030 per ounce, higher than \$924 per ounce recorded in 2019. Also, cost of sales per ounce rose around 13% year over year in 2019. As such, higher mining costs may continue to exert pressure the company's margins.
 - The company's stretched valuation is another concern. In case of Barrick, the trailing 12-month EV/EBITDA multiple (a preferred valuation metric for cyclical industries like mining) is 37 whereas its industry's trailing 12-month EV/EBITDA multiple is lower at 23.1. As such, investors might not want to pay more for Barrick's stock.
 - The outbreak of deadly coronavirus in China may hurt gold demand in the short term. While the companies operating in this space are seeing a spike in gold prices, Chinese demand for gold could be in doldrums. China is the largest consumer of gold in the world and the outbreak could have a cascading effect globally. Moreover, gold demand in India, another key market, is expected to witness a considerable fall in 2020. As such, an expected slowdown in demand may have an impact on the company's production and sales.
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Last Earnings Report

Barrick's Earnings and Sales Beat Estimates in Q3

Barrick recorded net earnings (on a reported basis) of \$882 million or 50 cents per share in third-quarter 2020, down from \$2,277 million or \$1.30 in the year-ago quarter.

Barring one-time items, adjusted earnings per share surged 173.3% year over year to 41 cents. The figure also beat the Zacks Consensus Estimate of 32 cents.

Barrick recorded total sales of \$3,540 million, up 32.2% year over year. The figure topped the Zacks Consensus Estimate of \$3,353.3 million.

Quarter Ending **09/2020**

Report Date	Nov 05, 2020
Sales Surprise	5.57%
EPS Surprise	28.13%
Quarterly EPS	0.41
Annual EPS (TTM)	0.97

Operational Highlights

Total gold production amounted to around 1.16 million ounces in the third quarter, down 11.6% year over year from 1.3 million ounces. Average realized price of gold was \$1,926 per ounce in the quarter, up 30.5% year over year.

Cost of sales remained unchanged year over year at \$1,065 per ounce. All-in sustaining costs fell 1.8% year over year to \$966 per ounce in the quarter.

Copper production declined 8.4% year over year to 103 million pounds. Average realized copper price was \$3.28 per pound, up 28.6% year over year.

Financial Position

At the end of the third quarter, Barrick had cash and cash equivalents of \$4,744 million, up 97.3% year over year. The company's long-term debt was \$5,140 million at the end of the quarter, down 6.4% year over year.

Net cash provided by operating activities surged 85.2% year over year to \$1,859 million.

The company's board also raised its quarterly dividend payout by 12.5% to 9 cents a share. The dividend is payable on Dec 15 to shareholders of record at the close of business as of Nov 30.

Guidance

For 2020, Barrick retained its annual production guidance. It continues to anticipate attributable gold production in the range of 4.6-5 million ounces. AISC is expected in the range of \$920-\$970 per ounce, unchanged from the prior view. Cost of sales is expected in the range of \$980-\$1,030 per ounce, unchanged from the previous guidance.

The company continues to expect copper production in the range of 440-500 million pounds at AISC of \$2.20-\$2.50 per pound and cost of sales of \$2.10-\$2.40 per pound.

Capital expenditures are projected between \$1,600 million and \$1,900 million.

Recent News

Barrick Wraps Up Transaction for Eskay Creek Project

On **Oct 5, 2020**, Barrick stated that it has wrapped the earlier-announced deal with Skeena Resources Ltd. Pursuant to the transaction, Skeena exercised its option to acquire the Eskay Creek project and Barrick waived its back-in right on the project. The move is in line with Barrick's strategy of focusing with Tier One assets.

The consideration for the transaction consisted of the issuance of 22,500,000 units by Skeena. Each unit issued comprised one common share of Skeena and one-half of a warrant. Each full warrant entitles Barrick to acquire one additional common share of Skeena at an exercise price of C\$2.70 each, until the second anniversary of the closing date. The transaction also included a grant of 1% net smelter return (NSR) royalty on the entire Eskay Creek land package and a contingent payment of C\$15 million, which is payable in a two-year period post deal closure.

Barrick now holds 24,075,000 Skeena common shares that represent around 12.4% of Skeena's issued and outstanding common shares on non-diluted basis. Based on the assumption that all of the warrants are exercised in full pursuant to the transaction, Barrick will hold around 17.2% of Skeena's issued and outstanding common shares.

Valuation

Barrick's shares are up 44.7% in the year-to-date period and up 64.3% over the trailing 12-month period. Stocks in the Zacks Mining - Gold industry and the Zacks Basic Materials sector are up 45% and 5.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 61.1% and 10.3%, respectively.

The S&P 500 index is up 9.4% in the year-to-date period and up 14.3% in the past year.

The stock is currently trading at 1.56X trailing 12-month tangible book value, which compares to 2.11X for the Zacks sub-industry, 2.93X for the Zacks sector and 6.21X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.79X and as low as 0.65X, with a 5-year median of 1.55X.

Our Outperform recommendation indicates that the stock will perform better than the market. Our \$31 price target reflects 1.8X tangible book value.

The table below shows summary valuation data for GOLD:

Valuation Multiples - GOLD					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	1.56	2.11	2.93	6.21
	5-Year High	2.79	2.42	3.07	6.22
	5-Year Low	0.65	0.79	1.23	3.74
	5-Year Median	1.55	1.58	2.2	4.9
P/E F12M	Current	19.41	17.03	13.37	22.23
	5-Year High	46.73	80.97	21.04	23.47
	5-Year Low	13.12	15.57	10.25	15.27
	5-Year Median	23.69	24.22	13.49	17.72
P/S TTM	Current	3.92	4.51	2.93	4.54
	5-Year High	4.85	5.27	3.08	4.55
	5-Year Low	0.87	1.25	1.38	2.81
	5-Year Median	2.28	2.74	2.49	3.85

As of 11/09/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 49% (122 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Agnico Eagle Mines Limited (AEM)	Outperform	1
AngloGold Ashanti Limited (AU)	Neutral	3
Yamana Gold Inc. (AUY)	Neutral	3
B2Gold Corp (BTG)	Neutral	3
Eldorado Gold Corporation (EGO)	Neutral	3
Gold Fields Limited (GFI)	Neutral	3
Iamgold Corporation (IAG)	Neutral	3
Kinross Gold Corporation (KGC)	Neutral	3

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

Industry Comparison Industry: Mining - Gold				Industry Peers		
	GOLD	X Industry	S&P 500	AEM	IAG	KGC
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	1	3	3
VGM Score	B	-	-	C	A	A
Market Cap	47.83 B	428.00 M	24.57 B	18.45 B	1.71 B	10.14 B
# of Analysts	7	2	13	4	6	7
Dividend Yield	1.19%	0.00%	1.51%	1.05%	0.00%	1.49%
Value Score	C	-	-	F	B	A
Cash/Price	0.07	0.06	0.07	0.02	0.49	0.09
EV/EBITDA	7.21	-1.99	14.21	14.24	-34.11	5.89
PEG F1	12.01	2.14	2.73	38.73	4.24	NA
P/B	1.51	2.52	3.52	3.36	0.70	1.72
P/CF	53.02	13.39	13.46	23.51	6.54	8.76
P/E F1	24.02	17.54	21.50	38.73	12.71	11.00
P/S TTM	3.92	3.92	2.74	6.23	1.44	2.53
Earnings Yield	4.01%	2.93%	4.43%	2.59%	7.78%	9.06%
Debt/Equity	0.16	0.01	0.70	0.30	0.19	0.24
Cash Flow (\$/share)	0.51	0.17	6.92	3.24	0.55	0.92
Growth Score	C	-	-	B	A	A
Historical EPS Growth (3-5 Years)	4.03%	24.96%	9.77%	36.55%	-6.27%	70.83%
Projected EPS Growth (F1/F0)	112.61%	55.00%	0.37%	102.58%	808.33%	115.55%
Current Cash Flow Growth	120.54%	6.60%	5.29%	241.35%	-12.74%	28.17%
Historical Cash Flow Growth (3-5 Years)	-18.05%	4.97%	8.33%	6.80%	-0.44%	2.79%
Current Ratio	4.49	2.91	1.38	2.37	4.43	1.76
Debt/Capital	13.97%	0.85%	41.97%	23.26%	16.05%	19.49%
Net Margin	24.81%	16.89%	10.44%	21.54%	-31.53%	26.92%
Return on Equity	5.63%	1.50%	14.92%	7.22%	2.79%	14.20%
Sales/Assets	0.27	0.29	0.50	0.32	0.30	0.41
Projected Sales Growth (F1/F0)	28.95%	18.15%	0.14%	28.02%	18.15%	20.26%
Momentum Score	B	-	-	C	A	A
Daily Price Change	-6.82%	-4.39%	2.76%	-9.57%	-6.25%	-7.78%
1-Week Price Change	8.01%	8.09%	5.72%	6.14%	4.63%	9.66%
4-Week Price Change	-4.07%	-7.82%	3.51%	-7.95%	-13.46%	-11.91%
12-Week Price Change	-10.72%	-14.52%	7.01%	-7.71%	-19.82%	-13.33%
52-Week Price Change	64.22%	57.65%	5.23%	31.61%	7.46%	95.16%
20-Day Average Volume (Shares)	15,575,949	321,013	2,079,064	1,030,758	3,884,413	11,515,278
EPS F1 Estimate 1-Week Change	6.65%	0.00%	0.00%	0.00%	8.28%	0.59%
EPS F1 Estimate 4-Week Change	9.34%	2.19%	1.67%	8.26%	8.28%	4.27%
EPS F1 Estimate 12-Week Change	18.41%	10.52%	3.62%	17.67%	4.94%	8.23%
EPS Q1 Estimate Monthly Change	-2.36%	8.86%	0.81%	13.33%	12.00%	8.86%

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	C
Momentum Score	B
VGM Score	B

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.