

Haemonetics (HAE)

\$89.50 (As of 09/14/20)

Price Target (6-12 Months): **\$84.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 08/06/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:F

Value: D

Growth: D

Momentum: D

Summary

Haemonetics exited the first quarter of fiscal 2021 with better-than-expected results. However, sluggish Plasma and Hospital businesses due to the pandemic-led business disruptions are concerning. Contraction of both margins is worrying. The company's inability to provide guidance for fiscal 2021 raises apprehensions. Over the past six months, Haemonetics has underperformed its industry. On a positive note, the company's Blood Center business was robust along with uptick in Hemostasis Management product line. Gross productivity savings from the Operational Excellence Program and cost-containment actions partially offset the contraction of gross margin, raising optimism. The acquisition of enicor GmbH (on Apr 1) augments the Haemonetics' portfolio of hemostasis analyzers within the Hospital business unit.

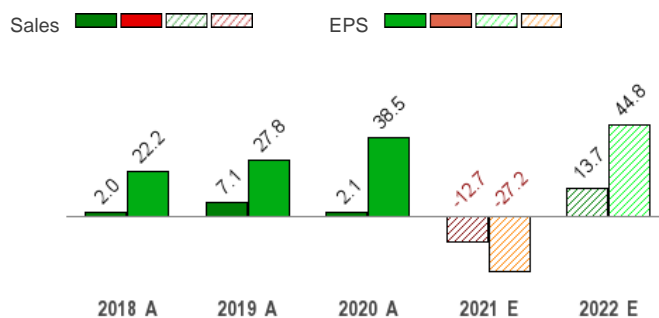
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$132.73 - \$63.41
20-Day Average Volume (Shares)	463,393
Market Cap	\$4.5 B
Year-To-Date Price Change	-22.1%
Beta	0.60
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Products
Zacks Industry Rank	Bottom 31% (174 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.2%
Last Sales Surprise	1.4%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	11/06/2020
Earnings ESP	-9.6%

P/E TTM	30.2
P/E F1	37.1
PEG F1	2.8
P/S TTM	4.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	242 E	233 E	243 E	242 E	960 E
2021	196 A	204 E	226 E	231 E	857 E
2020	238 A	253 A	259 A	238 A	988 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.81 E	\$0.76 E	\$0.83 E	\$0.84 E	\$3.24 E
2021	\$0.46 A	\$0.50 E	\$0.70 E	\$0.75 E	\$2.41 E
2020	\$0.81 A	\$0.87 A	\$0.94 A	\$0.69 A	\$3.31 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/14/2020. The reports text is as of 09/15/2020.

Overview

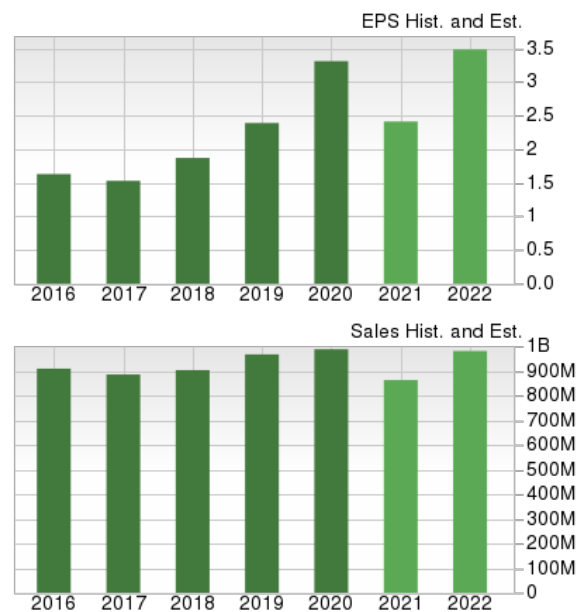
Haemonetics Corporation provides blood management solutions to customers encompassing blood and plasma collectors, hospitals and health care providers globally. The company's portfolio of integrated devices, information management, and consulting services offers blood management solutions for each facet of the blood supply chain, helping better clinical outcomes. Blood and its components (plasma, platelets, and red cells) have several vital and frequently life-saving clinical applications.

On Aug 1, 2012, Haemonetics acquired Pall Corporation's blood collection, filtration and processing product lines. Haemonetics entered into a long-term supply agreement with Pall in May 2018, under which Pall will continue to supply media to Haemonetics for use in leukoreduction filters. As a condition of the supply agreement, Haemonetics agreed to accept the HDC line and make a final payment of \$9 million to Pall for the same.

Further, in May 2013, the company acquired Hemerus Medical, a Minnesota-based company that develops innovative technologies for the collection of whole blood and processing and storage of blood components, including SOLX storage solutions.

Earlier, the company reported its operating results in 4 business franchises: Plasma, Hemostasis Management, Cell Processing and Blood Center. However, as the annual report released in May 2019, the reporting segments for the company's products have been reduced to three, namely, Plasma, Blood Center, and Hospital.

- **Plasma** (47.3% of revenues in fiscal 2020) includes plasma collection devices and disposables, plasma donor management software, anticoagulant and saline sold to plasma customers. In fiscal 2019, this segment registered 15.1% revenue growth compared with fiscal 2018.
- **Blood Center** (32.8%) includes blood collection and processing devices and disposables for red cells, platelets and whole blood as well as related donor management software. In fiscal 2019, this segment registered 5.5% revenue decline from fiscal 2018.
- **Hospital** (19.9%) includes three product lines, namely, Hemostasis Management, Cell Salvage and Transfusion Management.



Source: Zacks Investment Research

Reasons To Sell:

▼ **Share Price Movement:** Over the past six months, Haemonetics has underperformed its industry. The stock has lost 33.8% compared with the industry's 0.8% fall. The company's sluggish Plasma and Hospital businesses due to the pandemic-led business disruptions are concerning. Contraction of both margins due to lower revenues and higher operational costs associated with the pandemic is worrying. The company's inability to provide guidance for fiscal 2021 raises apprehensions.

Price and utilization rates pose further challenges for this segment apart from previously discontinued customer contracts and ongoing declines in blood utilization rates. Hospital segment saw declines in procedures due to COVID-19, restricted access for sales teams and reallocation of funds to critical ICU needs within hospitals. The uncertain economic scenario and a tough competitive landscape are other concerns for the company.

▼ **Coronavirus Impact Remains Major in Q1:** In the reported quarter, Plasma revenue declined 35% in the quarter, primarily due to a 38% decrease in North American collections compared with the prior year. Factors negatively influencing collection volumes throughout the quarter included coronavirus-led stay-at-home orders, limited public transportation and college campus closures.

Although, as the quarter progressed stay-at-home orders were lifted, however, depressed collection volumes have still persisted.

Within Hospital business, revenue declined 4% in the quarter primarily due to COVID-19 related procedure declines. Also, hospital resources being diverted to critical ICU needs and restricted access for sales teams impacted quarterly sales. The impact was felt mostly in China and North America with some recovery in both markets during the quarter as restrictions in China eased compared with the prior quarter and U.S. hospitals began to resume procedures.

▼ **Expensive Valuation:** Haemonetics' P/S (F12M) ratio is expensive in comparison to the broader industry. The company is currently trading at a forward P/S (F12M basis) ratio of 4.5 for the past year, whereas the current P/S ratio (F12 basis) for the industry it belongs to is 3.9.

▼ **Economic Uncertainty a Concern:** The uncertain economic scenario continues to pose a challenge for Haemonetics. The company has been progressing with blood management solutions even though the attempt is negatively impacted by economic challenges. Moreover, a stronger dollar, causing significant currency fluctuations, has been affecting the company's outcome over the past few quarters and no respite is expected in the near term. Unstable macroeconomic conditions due to coronavirus outbreak is another headwind trailing the company.

▼ **Competitive Landscape:** Haemonetics operates in a very competitive environment, both for manual and automated systems, which includes companies like MAK Systems, ROTEM analyzers, Medtronic, e Fresenius, MacoPharma and Terumo, among others. Slower-than-expected product adoption by customers, especially the American Red Cross, might reduce the company's revenues and profit.

The weakness in the Blood center franchise significantly affected Haemonetics' results in the reported quarter. Moreover, tough competitive environment also weighed on the stock.

Risks

- **Blood Center Business Gains Traction:** In the fiscal first quarter, blood center revenue was up 2% on favorable order timing as blood collectors and distributors made large stocking in response to the pandemic particularly in Europe and the Middle East. Blood is a collection based business that differs from commercial plasma because of lower dependence in the United States. Gradual recovery is visible on improved COVID-19 trends and reopenings in the EU and Asia coupled with the population's willingness to donate altruistically in times of crisis.
- **Potential Upsides of Plasma Franchise:** Haemonetics has been witnessing strong growth in Plasma franchise for quite some time. In the global plasma market, Haemonetics holds 80% share approximately. The company has completed 11 million YES procedures to date, resulting in more than 250,000 incremental liters of plasma collected. Haemonetics is currently witnessing plasma market growth above historic rates driven by an industry striving to double collections by 2025 and the rising demand for plasma-based medicines. The company continued to benefit from the NexSys device and NexLynk donor management software (DMS) backed by increased customer adoptions.
- **Huge Potential of Hemostasis Management Franchise:** Under Hospital business, Hemostasis Management saw strong growth in the past few quarters. Although Hospital business witnessed a fall in segmental revenues, organic revenue growth in the Hemostasis Management product line was 2%. There were record capital sales primarily in the U.K., Italy and North America. The high-volume of capital sales was primarily due to strong selling activity that occurred in the fiscal fourth quarter as well as sales to hospitals to research coagulation in COVID-19 patients. The European business delivered double-digit growth on the strength of TEG capital sales, which helped to offset lower disposable usage due to procedure volume declines in China and North America.
- **Strong Solvency and Balance Sheet Position:** Haemonetics exited the first quarter of fiscal 2021 with cash and cash equivalents of \$276 million compared with \$137 million at the end of fiscal 2020. Meanwhile, total debt came up to \$528 million for the period, compared with \$383 million in the last-reported quarter. This figure is much higher than the quarter-end cash and cash equivalent, apparently indicating weak solvency. However, if we go by the company's current-year debt level of \$231 million, it is low compared to the cash in hand. This is good news in terms of the solvency position of the company, at least during a year of economic downturn, implying that the company is holding sufficient cash for debt repayment.

The quarter's total debt-to-capital ratio of 0.33 stands at a moderately high level, indicating a leveraged balance sheet. However, it represents a sequential drop from 0.34 at the end of the fiscal fourth quarter. The times interest earned for the company stands at 8.3%, representing a sequential rise from 6.4% at the end of the fiscal fourth quarter.

Currently, the company has a remaining share repurchase authorization of \$500 million.

Last Earnings Report

Haemonetics Q1 Earnings and Revenues Beat Estimates

Haemonetics delivered adjusted earnings per share (EPS) of 46 cents in the first quarter of fiscal 2021, reflecting a 43.2% year-over-year decline. The bottom line, however, exceeded the Zacks Consensus Estimate by 12.2%.

On a GAAP basis, net income was 21 cents per share, improving from the year-ago loss per share of 17 cents.

Total Revenues

Revenues declined 18% (down 15.6% on an organic basis) to \$195.6 million in the first quarter of fiscal 2021. However, the top line surpassed the Zacks Consensus Estimate by 1.4%.

The plunge in revenues was primarily due to the negative impact of the pandemic.

Quarterly Revenues by Product Categories

At Plasma, revenues of \$68.2 million (accounting for 34.9% of total revenues) decreased 38.2% year over year (down 34.8% on an organic basis) in the reported quarter. Plasma revenue decline in North America was 35.8%, including 33.9% fall in disposables.

Revenues at Blood Center (39.8%) rose 2.6% (up 1.7% on an organic basis) to \$77.8 million.

Hospital revenues (22.9%) were down 6% (down 3.9% on an organic basis) to \$44.8 million. Under the Hospital segment, organic revenue growth in the Hemostasis Management product line was 2.2% in the first quarter of fiscal 2020 driven by increased equipment sales.

Service revenues (2.4%) were up 4.6% (up 4.5% on an organic basis) to \$4.7 million.

Margins

Per the company, adjusted gross margin was 47.2%, down 400 basis points (bps) year over year on lower revenue and higher operational costs related to COVID-19. However, this was partially offset by gross productivity savings from the Operational Excellence Program and cost-containment actions.

Adjusted operating expenses as provided by the company in the first quarter of fiscal 2021 were \$63.7 million, down 10.9% from \$71.5 million in the year-ago quarter. The reduction in operating expenses resulted from productivity savings and cost-containment actions taken to offset the negative effects related to COVID-19 which were partially offset by continued investments.

Adjusted operating income was \$28.5 million in the quarter under discussion, down 44.5% from \$51.4 million in the year-ago quarter. Meanwhile, adjusted operating margin contracted 680 bps year over year to 14.6%.

Financial Position

Haemonetics exited the first quarter of fiscal 2021 with cash and cash equivalents of \$275.7 million compared with \$137.3 million at the end of fiscal 2020. Long-term debt at the end of the first quarter of fiscal 2021 was \$296.9 million, marking a reduction of 2.8% from \$305.5 million at the end of fiscal 2020.

At the end of the first quarter of fiscal 2021, net cash flow from operating activities was \$11.8 million compared with \$2.6 million in the year-ago period (up 349.5%).

Capital expenses incurred by the company was \$7.3 million, down from the year-ago \$7.9 million. It also reported free cash flow (before restructuring and turnaround costs) of \$10.9 million during the same period, which recorded an increase of 106.7% from \$5.3 million a year ago.

2021 Guidance

The company is currently unable to ascertain the scope and duration of the pandemic as well as quantify the actual impact and timing of the associated economic recovery. It is currently in the process of assessing the potential scenarios for the economic impact of COVID-19 and the related effect on healthcare in the coming period. The company intends to issue its full-year guidance later in the fiscal year.

Quarter Ending	06/2020
Report Date	Aug 04, 2020
Sales Surprise	1.35%
EPS Surprise	12.20%
Quarterly EPS	0.46
Annual EPS (TTM)	2.96

Recent News

To Present Study Outcome: Aug 7, 2020

Haemonetics will present results of its IMPACT (IMproving Plasma CollecTion) study at the 2020 AABB Annual Meeting in a Plenary Oral Abstract Session on Oct 4.

Sells Off Asset in France: Jul 23, 2020

Haemonetics has entered into a definitive agreement to sell its wholly-owned subsidiary Inlog Holdings France SAS to Abénex, a France-based private equity firm. Inlog Holdings France SAS, through its subsidiary In Log SAS, develops and sells blood bank and hospital software solutions used predominantly in France and in several other countries outside of the U.S.

Sells Off Asset in Puerto Rico: Jun 3, 2020

Haemonetics announced entering into a definitive agreement to sell its Fajardo, Puerto Rico, manufacturing operations to GVS, S.p.A, a provider of advanced filtration solutions for critical applications.

Sells Off Asset: May 28, 2020

Haemonetics announced entering into a definitive agreement to sell certain blood donor management software solution assets within its Blood Center business unit to the GPI Group.

Valuation

Haemonetics shares are down 22.1% in the year-to-date period and down 29% in the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Medical sector are down 1.7% and up 0.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 1.9% and up 8.2%, respectively.

The S&P 500 index is down 5.1% in the year-to-date period and up 13.3% in the past year.

The stock is currently trading at 30.8X Forward 12-months earnings, which compares to 28.6X for the Zacks sub-industry, 21.7X for the Zacks sector and 22.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.5X and as low as 14.6X, with a 5-year median 29.1X. Our Underperform recommendation indicates that the stock will perform below the market. Our \$84 price target reflects 28.9X forward 12-months earnings.

The table below shows summary valuation data for HAE

Valuation Multiples -HAE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	30.8	28.57	21.74	22.4
	5-Year High	44.54	31.01	23.19	23.44
	5-Year Low	14.6	17.09	15.89	15.26
	5-Year Median	29.07	20.34	19.01	17.63
P/S F 12M	Current	4.94	3.87	2.8	4.13
	5-Year High	6.77	3.92	3.25	4.29
	5-Year Low	1.48	2.9	2.23	3.11
	5-Year Median	4.07	3.3	2.89	3.66
P/B TTM	Current	7.4	3.17	3.9	5.82
	5-Year High	12.02	3.48	5.07	6.17
	5-Year Low	1.84	2.2	2.95	3.75
	5-Year Median	4.7	2.83	4.29	4.84

As of 09/14/2020

Industry Analysis Zacks Industry Rank: Bottom 31% (174 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Fresenius Medical Care AGCo. KGaA (FMS)	Outperform	2
ABIOMED, Inc. (ABMD)	Neutral	3
Anika Therapeutics Inc. (ANIK)	Neutral	2
Accuray Incorporated (ARRAY)	Neutral	3
Alphatec Holdings, Inc. (ATEC)	Neutral	3
Boston Scientific Corporation (BSX)	Neutral	3
3M Company (MMM)	Neutral	3
AngioDynamics, Inc. (ANGO)	Underperform	4

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

Industry Comparison Industry: Medical - Products				Industry Peers		
	HAE	X Industry	S&P 500	ABMD	ARRAY	MMM
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	3	3	3
VGM Score	F	-	-	C	A	B
Market Cap	4.54 B	338.62 M	23.63 B	12.42 B	207.02 M	97.04 B
# of Analysts	4	3	13	4	3	7
Dividend Yield	0.00%	0.00%	1.61%	0.00%	0.00%	3.49%
Value Score	D	-	-	D	A	B
Cash/Price	0.06	0.13	0.07	0.04	0.53	0.05
EV/EBITDA	21.34	-0.24	13.23	43.25	19.74	15.31
PEG F1	2.69	4.19	2.98	3.10	NA	2.15
P/B	7.40	3.27	3.24	11.27	3.23	8.89
P/CF	15.99	17.94	12.74	52.28	113.96	14.01
P/E F1	36.37	38.78	21.70	63.60	NA	20.42
P/S TTM	4.80	5.47	2.48	15.56	0.54	3.09
Earnings Yield	2.69%	-0.55%	4.46%	1.57%	-4.41%	4.90%
Debt/Equity	0.49	0.08	0.70	0.00	2.97	1.77
Cash Flow (\$/share)	5.60	-0.00	6.93	5.27	0.02	12.02
Growth Score	D	-	-	D	B	B
Historical EPS Growth (3-5 Years)	17.53%	10.79%	10.41%	50.30%	NA	4.06%
Projected EPS Growth (F1/F0)	-27.11%	3.31%	-4.75%	-8.54%	-433.33%	-9.34%
Current Cash Flow Growth	19.21%	4.10%	5.26%	31.85%	-353.59%	-11.15%
Historical Cash Flow Growth (3-5 Years)	9.09%	7.74%	8.49%	51.31%	15.99%	1.67%
Current Ratio	1.86	2.97	1.35	5.61	1.96	1.94
Debt/Capital	32.79%	13.90%	42.95%	0.00%	74.84%	63.85%
Net Margin	10.10%	-23.64%	10.25%	19.88%	0.82%	16.38%
Return on Equity	25.98%	-8.55%	14.59%	16.17%	-12.86%	46.86%
Sales/Assets	0.74	0.51	0.50	0.67	0.80	0.70
Projected Sales Growth (F1/F0)	-12.65%	0.00%	-1.43%	-0.94%	-2.36%	-1.43%
Momentum Score	D	-	-	A	B	C
Daily Price Change	0.85%	0.73%	1.47%	2.20%	0.44%	1.38%
1-Week Price Change	-0.87%	0.00%	-1.87%	-2.22%	0.44%	0.24%
4-Week Price Change	4.78%	-2.88%	-0.20%	-10.94%	-6.20%	2.28%
12-Week Price Change	5.34%	-0.96%	6.74%	8.26%	-2.99%	7.51%
52-Week Price Change	-28.93%	0.00%	0.79%	44.69%	-27.48%	-0.71%
20-Day Average Volume (Shares)	463,393	177,181	1,845,187	288,136	424,811	2,401,269
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	1.97%	16.67%	0.26%
EPS F1 Estimate 12-Week Change	-21.10%	4.73%	4.00%	19.83%	-100.00%	4.32%
EPS Q1 Estimate Monthly Change	-1.00%	0.00%	0.00%	0.00%	-9.52%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

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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 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.