

Hormel Foods(HRL)

NA (As of)

Price Target (6-12 Months): **NA**

Long Term: 6-12 Months

Zacks Recommendation:

NA

(Since:)

Prior Recommendation: NA

Short Term: 1-3 Months

Zacks Rank: (1-5)

NA-NA

Zacks Style Scores:

VGM:NA

Value: NA

Growth: NA

Momentum: NA

Summary

Shares of Hormel Foods have underperformed the industry in the past six months. The company has been witnessing increased pandemic-induced expenses, as well as input cost inflation. Management expects the elevated-cost scenario to persist for the rest of the year, including high freight costs. Apart from this, the company commented that the labor environment remained difficult during the second quarter of fiscal 2021. Nevertheless, the company posted robust sales numbers in fiscal second-quarter, alongside pulling up its sales guidance. Results were backed by robust foodservice recovery, elevated retail, deli and international demand, and better supply-chain performance. Apart from these, the company is gaining on the pre-pandemic period's efforts to raise production. Moreover, management remains optimistic about the foodservice industry.

Price, Consensus & Surprise



Data Overview

52-Week High-Low **\$52.97 - \$43.45**

20-Day Average Volume (Shares) **1,988,892**

Market Cap **\$25.9 B**

Year-To-Date Price Change **2.6%**

Beta **-0.07**

Dividend / Dividend Yield **\$0.98 / 2.0%**

Industry **Food - Meat Products**

Zacks Industry Rank **Bottom 47% (133 out of 252)**

Last EPS Surprise **0.0%**

Last Sales Surprise **7.7%**

EPS F1 Estimate 4-Week Change **-0.2%**

Expected Report Date **08/24/2021**

Earnings ESP **1.9%**

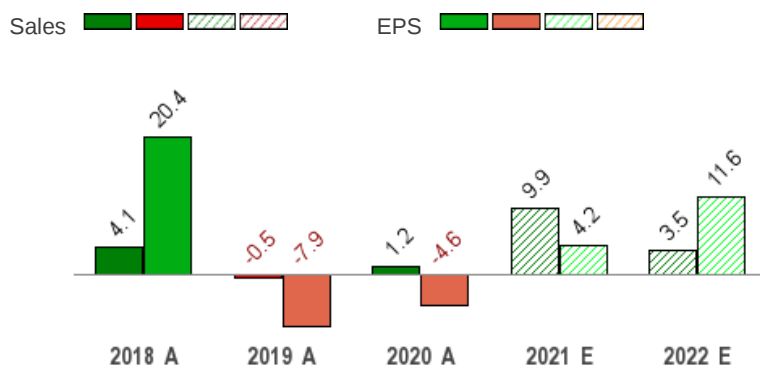
P/E TTM **29.3**

P/E F1 **27.6**

PEG F1 **4.4**

P/S TTM **2.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	2,555 E	2,700 E	2,634 E	2,720 E	10,932 E
2021	2,461 A	2,607 A	2,602 E	2,891 E	10,561 E
2020	2,384 A	2,422 A	2,381 A	2,420 A	9,608 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.47 E	\$0.50 E	\$0.49 E	\$0.52 E	\$1.93 E
2021	\$0.41 A	\$0.42 A	\$0.39 E	\$0.50 E	\$1.73 E
2020	\$0.45 A	\$0.42 A	\$0.37 A	\$0.43 A	\$1.66 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/21/2021. The report's text and the

analyst-provided price target are as of 06/22/2021.

Overview

Austin, MN-based Hormel Foods Corporation (HRL) is a leading manufacturer and marketer of various meat and food products in the U.S. and international markets. In fiscal 2017, Hormel Foods reported revenue results through five segments: On Nov 21, 2017, Hormel Foods declared that it has consolidated the Specialty Foods segment into the Grocery Products segment.

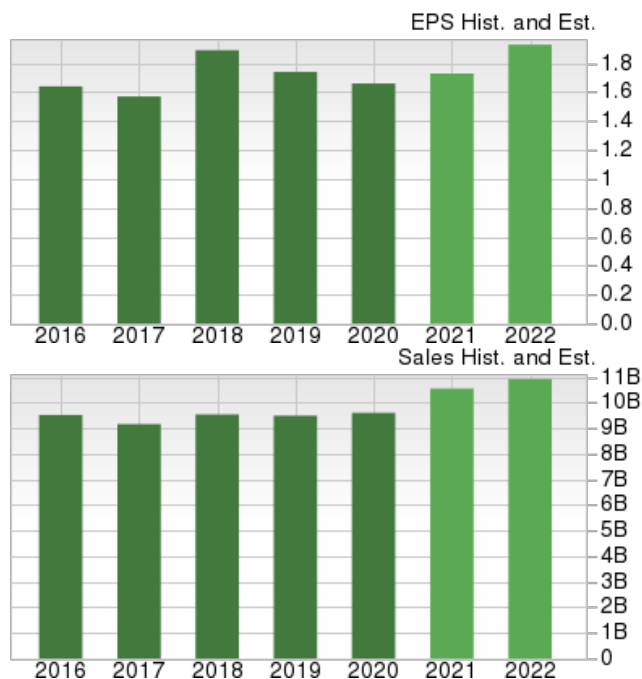
Grocery Products (24.8% of total revenues in fiscal 2020): This segment consists primarily of the processing, marketing and sale of shelf-stable food products sold predominantly in the retail market.

Refrigerated Foods (54.9% of total revenues in fiscal 2020): This segment includes the Hormel Refrigerated, Burke Corporation (Burke) and Dan's Prize operating segments. It consists primarily of the processing, marketing and sale of branded and unbranded pork and beef products for retail, food service and fresh-product customers.

Jennie-O Turkey Store (13.9% of total revenues in fiscal 2020): This segment consists primarily of the processing, marketing and sale of branded and unbranded turkey products for retail, food service and fresh product customers.

International & Other (6.4% of total revenues in fiscal 2020): This segment includes the Hormel Foods International ('HFI') operating segment, which manufactures markets and sells the company's various miscellaneous corporate products internationally.

The company concluded the divestiture of CytoSport business to PepsiCo. The transaction was valued at nearly \$465 million.



Reasons To Buy:

▲ **Robust Q2 Sales & Raised View:** The company posted robust sales numbers in second-quarter fiscal 2021, alongside pulling up its sales view. Results were backed by robust foodservice recovery, elevated retail, deli and international demand, and better supply-chain performance. Net sales in the quarter were \$2,606.6 million, which surpassed the Zacks Consensus Estimate of \$2,420 million. Moreover, the top line increased 8% year over year. Sales grew across all segments, except Grocery Products. On its second-quarter call, management said that e-commerce sales increased in double-digits in the last 12 weeks (according to IRI) and that the company is seeing increased share in key categories.

Hormel Foods' second-quarter results were backed by robust foodservice recovery, elevated retail, deli and international demand, and better supply-chain performance. Management ups sales view.

We note that the retail and deli channel demand was mainly backed by brands like SPAM, Jennie-O, Hormel Gatherings, Hormel Black Label, Applegate, Columbus, Herdez and Wholly. Also, international business was driven by solid growth in China as well as branded exports.

Apart from these, the company is now gaining on the pre-pandemic period's efforts to raise production, mainly for the pizza toppings and dry sausage categories. Management remains optimistic about the foodservice industry. Also, it expects to keep witnessing high demand in the retail, deli and international channels. All said, Hormel Foods pulled up its sales guidance and now projects fiscal 2021 net sales in the range of \$10.2-\$10.8 billion, up from \$9.70-\$10.30 billion projected before.

▲ **Robust International & Other Unit:** Hormel Foods' International & Other segment has been performing well for a while now. During the second quarter of fiscal 2021, International & Other sales increased 16.8% to \$173.8 million, while volumes were flat. Sales were backed by continued strength in China, as well as solid sales of branded exports. Incidentally, foodservice sales in China have reverted to pre-pandemic periods. Segment profit rose 6% on growth in China and the Philippines, along with increased fresh pork export margins. In fact, management expects continued strength in the International channel in fiscal 2021. Prior to this, sales in the segment increased 13% and 8% during the first quarter of fiscal 2021 and the fourth quarter of fiscal 2020, respectively. We believe that continuation of this trend is likely to keep driving the company's performance in the future.

▲ **Focus on Buyouts:** Hormel Foods intends to strengthen its business on the back of strategic acquisitions. Recently, the company acquired Planters snacking portfolio from The Kraft Heinz Company. We note that, the transaction was priced at \$3.35 billion on a cash basis. The buyout includes the Planters, NUT-rition, Planters Cheez Balls and Corn Nuts brands along with three manufacturing units. Further, the company acquired a Texas-based pit-smoked meats company, Sadler's Smokehouse (March 2020). The buyout is in sync with Hormel Foods' initiatives to strengthen position in the foodservice space. Further, the Columbus (November 2017) and Fontanini (August 2017) buyouts have been aiding performance. Notably, through the inclusion of Columbus, the company has been able to develop the new Hormel deli solutions division, which is included within refrigerated foods, and is helping meet retailer needs. Also, the Ceratti acquisition (Aug 2017) is aiding the International segment. These buyouts are expected to continue boosting performance in the forthcoming periods.

▲ **Capacity Expansion Endeavors:** Hormel Foods is on track with strategic investments for boosting capacity. Notably, the company incurred capital expenditures of \$45 million in the second quarter of fiscal 2021. The company stated that it has been making investments in plant-based offerings and is witnessing growth in its plant-based pepperoni and crumbles products. Management is encouraged about utilizing its expertise in the pizza toppings category to aid growth in plant-based toppings. The company has seen robust growth in the pizza topping space and is well placed to see further gains, thanks to its new capacity expansion endeavor and its additional pepperoni capacity – which is set to open in fiscal 2022 beginning. Markedly, during the first quarter of fiscal 2021, management commenced its Burke pizza toppings plant expansion. Further, Hormel Foods opened its new dry sausage manufacturing unit in Omaha, NE in the first quarter of fiscal 2021, to produce products for Columbus charcuterie.

Management expects capital expenditures of \$260 million for fiscal 2021, which includes major projects like Project Orion and pepperoni capacity expansion in Nebraska, among others. These are aimed at supporting the growth of branded products. Apart from this, management remains focused on making continued investments in the e-commerce channel, which is significant for the company.

▲ **Financial Analysis:** Hormel Foods ended the quarter with cash and cash equivalents of \$1,484.5 million, while current maturities of its long-term debt stood at \$9.3 million. Further, total debt declined to \$1 billion compared with \$1.3 billion at the beginning of the year. For the 13-weeks ended Apr 25, 2021, Hormel Foods generated cash of \$155.6 million from operating activities. Recently, Hormel Foods announced a quarterly dividend of 24.50 cents per share. This is payable on Aug 16, 2021, to shareholders of record as on Jul 12. We note that, this is the company's 372nd straight quarterly dividend. Notably, Hormel Foods has a dividend payout of 60.1%, a dividend yield of 2% and a free cash flow yield of 2.4%. Further, the company made share buybacks of \$1 million during the second quarter.

Last Earnings Report

Hormel Foods' Q2 Earnings Match Estimates, Sales Grow Y/Y

Hormel Foods posted second-quarter fiscal 2021 results. Quarterly earnings of 42 cents per share came in line with the Zacks Consensus Estimate, as well as the year-ago period's reported figure.

Net sales in the quarter were \$2,606.6 million, which surpassed the Zacks Consensus Estimate of \$2,420 million. Moreover, the top line increased 8% year over year. Sales grew across all segments, except Grocery Products. However, volumes were 1.2 billion lbs, down 3% year on year. Channel-wise, net sales across U.S. foodservice, U.S. deli and International increased 28%, 4% and 11%, respectively. Meanwhile, net sales in the U.S. retail channel remained flat year over year.

Selling, general and administrative expenses rose 3% to nearly \$200 million owing to employee-related costs. Advertising expenditure amounted to \$31 million. Operating margin in the quarter stood at 11.1%, down from 12.1% reported in the year-ago quarter. The downside was a result of increased raw material and feed costs.

Net sales in the Grocery Products unit fell 8.1% to \$628.2 million. Also, volumes were down 14%. Sales and volumes were affected by tough comparisons with exceptionally high demand last year. Nonetheless, demand for branded retail products remained higher than pre-pandemic periods, buoyed by increases in Wholly guacamole and Herdez salsas and sauces. Profits in the unit dropped 23% due to soft sales.

Net sales in the Jennie-O Turkey Store segment inched up 2.4% to \$351.2 million, while volumes declined 3%. Upside in sales was backed by a revival in foodservice sales and increased whole bird shipments. While retail sales declined year over year, it was higher than pre-COVID19 levels. Segment profit tanked 54% due to a major rise in feed costs.

The company's Refrigerated Foods generated sales of \$1,453.4 million, up 16.5% year over year. Further, volumes grew 3%. Sales were backed by growth in retail and deli brands, elevated commodity sales and considerable foodservice recovery. Almost all foodservice categories witnessed growth, steered by pizza toppings, as well as brands like Fontanini and Hormel Bacon 1. Hormel Black Label, Hormel Gatherings, Sadlers and Applegate brands boosted retail and deli sales growth. Segment profit jumped 32%, thanks to strength in foodservice, reduced operational costs and higher retail fresh pork profits.

International & Other sales increased 16.8% to \$173.8 million, while volumes were flat. Sales were backed by continued strength in China, as well as solid sales of branded exports. Incidentally, foodservice sales in China have reverted to pre-pandemic periods. Segment profit rose 6% on growth in China and the Philippines, along with increased fresh pork export margins.

Balance Sheet & Cash Flow

The company ended the quarter with cash and cash equivalents of \$1,484.5 million. Total debt declined to \$1 billion compared with \$1.3 billion at the beginning of the year. For the 13-weeks ended Apr 25, 2021, Hormel Foods generated cash of \$155.6 million from operating activities. Capital expenditures in the second quarter amounted to \$45 million. Management expects capital expenditures of \$260 million for fiscal 2021, which includes major projects like Project Orion and pepperoni capacity expansion in Nebraska, among others. These are aimed at supporting the growth of branded products.

Other Details & View

During the quarter, the company absorbed nearly \$15 million in direct incremental supply-chain costs mainly related to better safety measures in its manufacturing facilities amid the pandemic. In the year-to-date period, these costs amounted to \$19 million. Management expects these temporary costs to minimize after COVID-19 subsidies. In February 2021, the company inked a deal to buy the Planters snack nuts business, which is expected to conclude in June. Management anticipates financing the deal through cash, short-term and long-term debt.

Management remains optimistic about the foodservice industry. Also, it expects to keep witnessing high demand in the retail, deli and international channels. While the company is witnessing inflation, it expects to combat margin pressure with supply-chain enhancements and pricing. All said, Hormel Foods pulled up its sales guidance while reaffirming its earnings per share view. Both views do not include impacts from the pending buyout of Planters' snacks nuts business. Management now projects fiscal 2021 net sales in the range of \$10.2-\$10.8 billion, up from \$9.70-\$10.30 billion projected before. Earnings per share are still envisioned in a band of \$1.70-\$1.82.

Quarter Ending 04/2021

Report Date	May 20, 2021
Sales Surprise	7.73%
EPS Surprise	0.00%
Quarterly EPS	0.42
Annual EPS (TTM)	1.63

Recent News

Hormel Foods Acquires Planters Snacking Business – Jun 7, 2021

Hormel Foods concluded the previously-announced acquisition of the Planters snacking portfolio from The Kraft Heinz Company. We note that, the transaction was priced at \$3.35 billion on a cash basis. The buyout includes the Planters, NUT-rition, Planters Cheez Balls and Corn Nuts brands along with three manufacturing units.

Hormel Foods Declares Dividend – May 24, 2021

Hormel Foods announced a quarterly dividend of 24.50 cents per share. This is payable on Aug 16, 2021, to shareholders of record as on Jul 12. We note that, this is the company's 372nd straight quarterly dividend.

Valuation

Hormel Foods shares are up 2.6% in the year-to-date period and 0.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 8% in the year-to-date period, while the Zacks Consumer Staples sector increased 4.1%. Over the past year, the Zacks sub-industry is up 8.2%, while the sector gained 19.2%.

The S&P 500 index is up 11.8% in the year-to-date period and 35.1% in the past year.

The stock is currently trading at 25.75X forward 12-month earnings, which compares to 16.07X for the Zacks sub-industry, 20.17X for the Zacks sector and 21.35X for the S&P 500 index.

Over the past five years, the stock has traded as high as 29.83X and as low as 17.63X, with a 5-year median of 22.97X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$51 price target reflects 27.46X forward 12-month earnings.

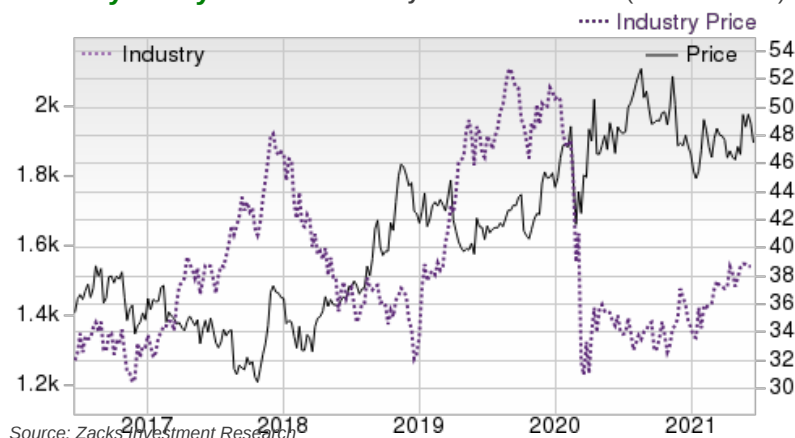
The table below shows summary valuation data for HRL

Valuation Multiples - HRL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.75	16.07	20.17	21.35
	5-Year High	29.83	19.1	22.4	23.83
	5-Year Low	17.63	11.48	16.52	15.31
	5-Year Median	22.97	15.48	19.51	18.05
P/S F12M	Current	2.4	0.94	10.11	4.63
	5-Year High	2.86	1.11	11.95	4.74
	5-Year Low	1.7	0.8	8.58	3.21
	5-Year Median	2.23	0.95	10.32	3.72
EV/EBITDA F12M	Current	17.39	9.85	36.13	15.51
	5-Year High	20	19.91	38.68	16.53
	5-Year Low	11.3	8.35	26.62	10.79
	5-Year Median	15.49	9.91	34.99	13.6

As of 06/21/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 47% (133 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
CONAGRA BRANDS (CAG)	Neutral	3
General Mills, Inc. (GIS)	Neutral	3
Post Holdings, Inc. (POST)	Neutral	4
Pilgrims Pride Corporation (PPC)	Neutral	3
Red River Bancshares, Inc. (RRBI)	Neutral	2
Sanderson Farms, Inc. (SAFM)	Neutral	3
Tyson Foods, Inc. (TSN)	Neutral	3
Beyond Meat, Inc. (BYND)	Underperform	4

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

Industry Comparison Industry: Food - Meat Products				Industry Peers		
	HRL	X Industry	S&P 500	PPC	SAFM	TSN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	A	A	A
Market Cap	25.92 B	5.29 B	29.97 B	5.29 B	3.72 B	26.84 B
# of Analysts	7	4	12	1	1	5
Dividend Yield	2.05%	0.00%	1.35%	0.00%	1.06%	2.42%
Value Score	C	-	-	A	A	A
Cash/Price	0.06	0.06	0.06	0.08	0.04	0.03
EV/EBITDA	18.98	9.86	17.02	11.48	23.48	8.23
PEG F1	4.36	1.79	2.08	0.39	0.30	3.18
P/B	3.87	2.01	4.11	1.93	2.46	1.67
P/CF	23.18	8.59	17.39	8.93	23.52	8.26
P/E F1	27.73	10.83	20.94	10.43	10.83	11.95
P/S TTM	2.63	0.64	3.39	0.43	0.94	0.62
Earnings Yield	3.62%	8.80%	4.67%	9.59%	9.23%	8.37%
Debt/Equity	0.16	0.16	0.66	0.86	0.04	0.61
Cash Flow (\$/share)	2.06	2.34	6.83	2.43	7.08	8.91
Growth Score	C	-	-	B	A	C
Historical EPS Growth (3-5 Years)	1.30%	-7.16%	9.59%	-14.19%	-29.21%	5.22%
Projected EPS Growth (F1/F0)	4.13%	36.79%	21.57%	103.92%	3,851.22%	9.18%
Current Cash Flow Growth	0.30%	-7.37%	0.99%	-15.04%	-22.60%	4.96%
Historical Cash Flow Growth (3-5 Years)	5.08%	-0.92%	7.28%	-6.93%	-12.48%	10.06%
Current Ratio	2.99	2.81	1.39	1.68	2.81	1.74
Debt/Capital	13.43%	13.43%	41.51%	46.21%	3.51%	37.84%
Net Margin	8.99%	4.24%	11.95%	1.04%	4.24%	5.00%
Return on Equity	13.68%	12.83%	16.48%	12.83%	11.43%	15.26%
Sales/Assets	1.00	1.26	0.51	1.66	2.06	1.24
Projected Sales Growth (F1/F0)	9.91%	9.91%	9.41%	0.00%	26.15%	3.47%
Momentum Score	F	-	-	A	B	A
Daily Price Change	0.84%	1.32%	1.40%	2.07%	6.96%	1.11%
1-Week Price Change	-2.79%	-4.00%	-0.71%	-7.93%	-6.43%	-5.96%
4-Week Price Change	-2.92%	-1.60%	0.66%	-12.61%	-1.60%	-8.68%
12-Week Price Change	-1.75%	6.56%	6.39%	-10.83%	6.56%	-3.70%
52-Week Price Change	-1.18%	20.76%	35.50%	21.31%	37.84%	19.78%
20-Day Average Volume (Shares)	1,988,892	206,314	1,885,424	473,148	206,314	1,662,383
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	3.23%	0.00%	0.92%
EPS F1 Estimate 4-Week Change	-0.17%	0.46%	0.01%	1.96%	80.23%	0.92%
EPS F1 Estimate 12-Week Change	-0.74%	6.35%	3.59%	6.12%	103.47%	6.58%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS Q1 Estimate Monthly Change	-5.39%	:	0.00%	0.00%	:	NA	70.22%	4.80%
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	F
VGM Score	D

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

Disclosures

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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Additional Disclosure

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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.