

## Ingersoll Rand Inc. (IR)

**\$49.14** (As of 06/03/21)

Price Target (6-12 Months): **\$52.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/14/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**4-Sell**

Zacks Style Scores:

VGM:B

Value: C

Growth: A

Momentum: C

### Summary

Ingersoll Rand is poised to gain from solid product portfolio, innovation capabilities and healthy liquidity position in the quarters ahead. Its exposure in various end markets and gains from accelerated synergy actions related to the business combination of Gardner Denver and the Industrial segment of Ingersoll Rand are likely to aid the company. It is likely to benefit from acquisitions it made over time. For 2021, the company now anticipates year-over-year revenue growth in low-double digits versus high-single to low-double-digit growth mentioned earlier. However, a high cost of \$450 million associated with the business combination and risks related to international exposure are other woes. Also, high debts might be concerning as it might inflate financial obligations. In the past three months, its shares have underperformed the industry.

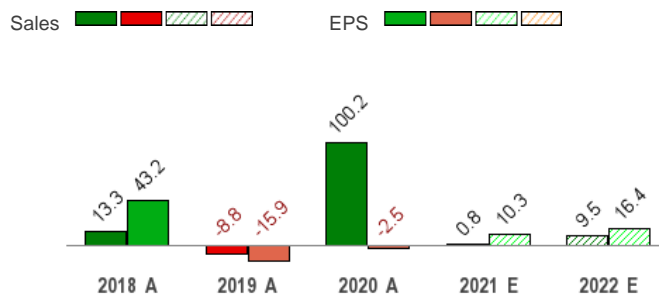
### Price, Consensus & Surprise



### Data Overview

52-Week High-Low	<b>\$52.12 - \$26.72</b>
20-Day Average Volume (Shares)	<b>2,302,694</b>
Market Cap	<b>\$20.6 B</b>
Year-To-Date Price Change	<b>7.9%</b>
Beta	<b>1.52</b>
Dividend / Dividend Yield	<b>\$0.00 / 0.0%</b>
Industry	<b>Manufacturing - General Industrial</b>
Zacks Industry Rank	<b>Top 28% (69 out of 249)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>25.0%</b>
Last Sales Surprise	<b>4.2%</b>
EPS F1 Estimate 4-Week Change	<b>0.0%</b>
Expected Report Date	<b>08/02/2021</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>29.1</b>
P/E F1	<b>28.7</b>
PEG F1	<b>NA</b>
P/S TTM	<b>3.8</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,223 E	1,272 E	1,336 E	1,447 E	5,422 E
2021	1,370 A	1,242 E	1,280 E	1,402 E	4,951 E
2020	1,270 A	1,264 A	1,335 A	1,511 A	4,910 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.44 E	\$0.48 E	\$0.53 E	\$0.63 E	\$1.99 E
2021	\$0.45 A	\$0.39 E	\$0.44 E	\$0.53 E	\$1.71 E
2020	\$0.27 A	\$0.31 A	\$0.40 A	\$0.53 A	\$1.55 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 06/03/2021. The report's text and the analyst-provided price target are as of 06/04/2021.

## Overview

Headquartered in Davidson, NC, Ingersoll Rand Inc. is a global industrial company, with expertise in industrial and mission-critical flow creation technologies. It came into existence when Gardner Denver Holdings, Inc. acquired the Industrial segment of Ingersoll-Rand plc in February 2020.

It is worth noting here that Ingersoll Rand completed the divestment of a majority stake in its High Pressure Solutions ("HPS") business on Apr 1, 2021. In first-quarter 2021, the company reported revenues under three segments. A brief discussion of the quarterly results is provided below:

Industrial Technologies & Services (accounting for 66.7% of first-quarter 2021 revenues) segment engages in manufacturing products, including air compressors, couplers, vacuum pumps, power tools, blowers and others. Key brands are ComAir, Emco Wheaton, Garo, Ingersoll Rand, Nash, Gardner Denver and others.

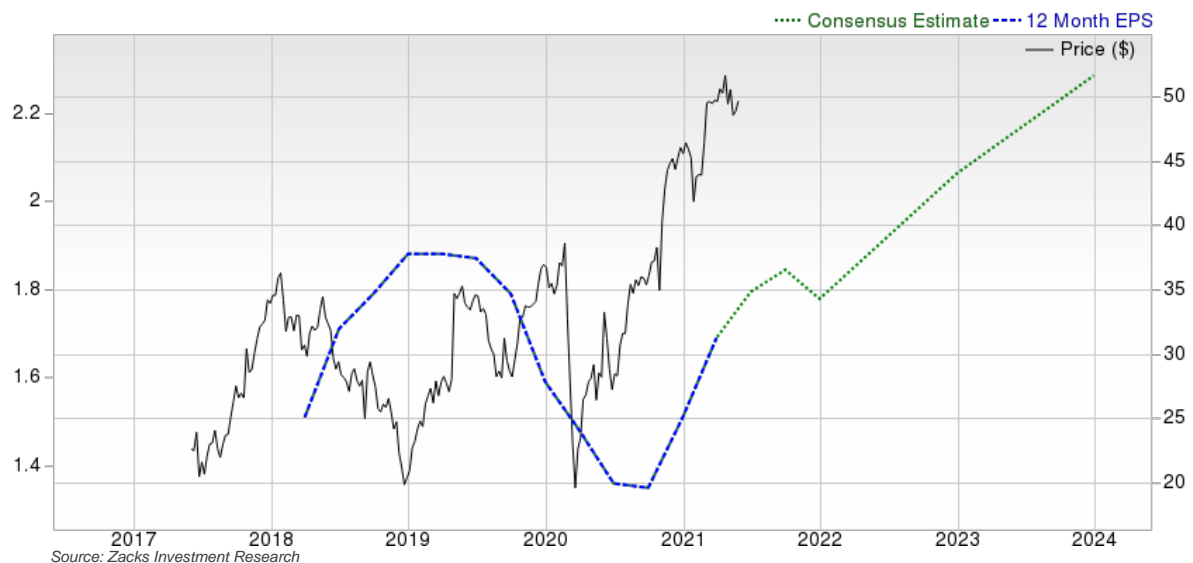
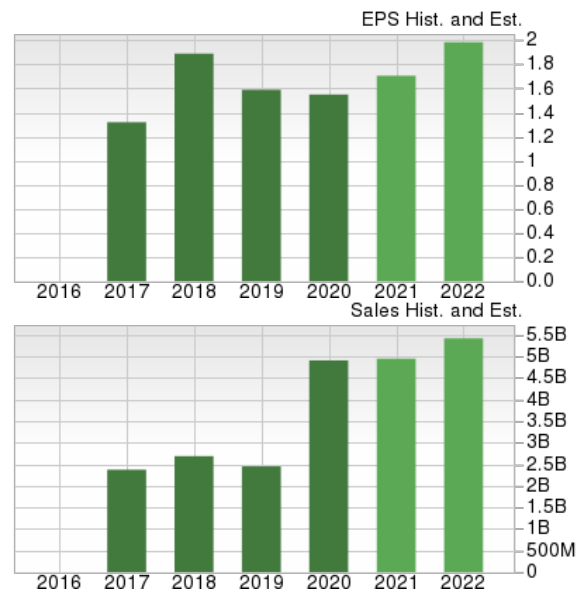
The segment comprises the Industrials business of Gardner Denver, and Compression Technologies and Services business of Ingersoll Rand. The combined business will operate through three units — the Asia Pacific, Americas, and Europe, Middle East, India and Africa (EMEIA). Also, the segment will include the Power Tools and Lifting business unit and the Pressure and Vacuum Solutions business unit.

Precision & Science Technologies (15.7%) segment engages in manufacturing products, including doing and metering pumps (for use in multiple industries) and liquid and gas pumps for use in life sciences, lab and medical markets. Key brands are Hartell, Welch, ARO, Dosatron and others.

The segment comprises the Industrial Precision Flow Systems business of Ingersoll Rand as well as Medical and Specialty Pumps business units of Gardner Denver.

Specialty Vehicle Technologies (17.6%) segment comprises the Industrial Club Car business of Ingersoll Rand. The vehicles manufactured are used for utility, golf and consumer applications. The segment also engages in providing aftermarket services.

It is worth mentioning here that Ingersoll Rand completed the divestment of its Specialty Vehicle Technologies segment to Platinum Equity — a global private equity firm on Jun 1, 2021. The transaction was valued at \$1.68 billion.



---

## Reasons To Buy:

- ▲ In first-quarter 2021, Ingersoll Rand's earnings and sales surpassed estimates by 25% and 4.22%, respectively. In the quarters ahead, the company's talented workforce, solid product portfolio and innovation capabilities along with focus on boosting aftermarket businesses will be beneficial. Also, investments in digital, IoT and the e-commerce space remain a priority. Further, its exposure in various end markets — including industrial manufacturing, mining & construction, chemical, upstream energy, midstream energy, transportation, downstream energy, and other — is a boon. Such diversification helps it deal with difficult times effectively. For 2021, the company revised its projections upward. It now anticipates year-over-year revenue growth in low-double digits for the year, as compared with high-single to low-double-digit growth mentioned earlier. Notably, the revised projection excludes sales contribution from the Specialty Vehicle Technologies segment. The company also noted that revenues will likely increase in mid-teens in the first half of 2021 and high-single digits in the second half of the year.
- ▲ The company, formed by combining Ingersoll Rand's Industrial segment and Gardner Denver in February 2020, has expertise in industrial and mission-critical flow creation technologies. It has executed \$175 million of cost reduction (annualized) — including \$110 million of structural reductions and \$65 million of procurement savings. The savings are part of \$300-million savings expected from the transaction in the first three years of the completion. Notably, the company realized \$115 million savings in 2020 (including structural cost reductions of \$85 million and \$30 million of procurement savings) and anticipates realizing savings in 2021 as well. In addition to this, a healthy liquidity position of \$2.6 billion — including cash of \$1.64 billion and credit available under revolving credit facilities of \$995 million — will help the company to effectively deal with its financial obligations.
- ▲ Ingersoll Rand believes in expanding market presence, solidifying customer base and enhancing product offerings through acquisitions. In first-quarter 2021, buyouts positively impacted the company's revenues by 1.4%. Notably, it acquired Albin Pump SAS — a manufacturer of electric peristaltic pumps based in France — in September 2020. The buyout is part of the company's Precision & Science Technologies segment. In February 2021, it acquired Tuthill Vacuum and Blower Systems. The buyout is anticipated to enhance Ingersoll Rand's existing vacuum and blower product offerings. For 2021, Ingersoll Rand anticipates revenue contribution of \$60 million from the buyout. In addition, the company believes in divesting its non-profitable/non-core assets or businesses. In April 2021, the company completed the sale of the majority stake of its High Pressure Solutions segment. Also, in June 2021, it divested its Specialty Vehicle Technologies Segment. While High Pressure Solutions transaction will likely help in lowering exposure in the upstream oil & gas market, the Specialty Vehicle Technologies transaction will likely help Ingersoll Rand to focus on and efficiently direct resources to its core mission-critical flow creation technologies and industrial solutions.

Integration-related synergies, solid product portfolio and innovation capabilities might be beneficial for the company in the quarters ahead. Diversification benefits and synergistic gains from acquired assets are also expected to aid.

---

### Reasons To Sell:

- ▼ In the past three months, Ingersoll Rand's shares have declined 0.7%, against the industry's increase of 10.2%. The company expects to incur a one-time cost of \$350 million in order to realize cost savings of \$300 million in the first three years of its formation. In addition, another \$100 million of expenses are expected to be incurred in connection with the associated stand-up of the new company (formed by combining Ingersoll Rand's Industrial segment and Gardner Denver).
- ▼ Despite healthy liquidity position, a highly leveraged balance sheet can prove detrimental to Ingersoll Rand as it raises financial obligations and might hurt profitability. Exiting first-quarter 2021, the company's long-term debts were \$3.8 billion. Then again, the company's liquidity position was just \$2.6 billion, including \$1.6 billion of cash, exiting the first quarter.
- ▼ Ingersoll Rand has considerable operations in geographies outside the United States. Its significant international presence exposes it to political and economic disruptions, all of which can directly affect profits. Also, the company is exposed to headwinds arising from movements in foreign currencies, which might have an adverse impact on revenues.

Woes related to high debt levels as well as expenses related to the combination of former Ingersoll Rand's Industrial segment and Gardner Denver might be concerning in the quarter ahead.

## Last Earnings Report

### Ingersoll Rand Tops Q1 Earnings Estimates, Raises View

Ingersoll reported better-than-expected results for first-quarter 2021. Its earnings surpassed estimates by 25%, whereas sales beat the same by 4.22%.

It is worth mentioning here that the company came into existence when Gardner Denver Holdings, Inc. acquired the Industrial segment of Ingersoll-Rand plc in February 2020. It is a global industrial company, with expertise in mission-critical flow creation and industrial technologies. For comparison purposes, the company provided supplemental data, assuming the above-mentioned transaction was complete in January 2018.

**Quarter Ending** **03/2021**

Report Date	Apr 28, 2021
Sales Surprise	4.22%
EPS Surprise	25.00%
Quarterly EPS	0.45
Annual EPS (TTM)	1.69

Its adjusted earnings in the quarter under review were 45 cents per share, reflecting growth of 104.5% from the supplemental number of 22 cents in the year-ago quarter. The bottom line gained from revenue growth and margin expansion. Further, the bottom line surpassed the Zacks Consensus Estimate of 36 cents.

### Revenue Details

Ingersoll Rand's revenues of \$1,369.8 million in the first quarter reflected growth of 17% from the year-ago quarter's supplemental number. Organic sales in the quarter expanded 11.6% year over year, while acquisition had a positive 1.4% impact. Also, movements in foreign currencies had a positive impact of 4%.

Also, the company's revenues surpassed the Zacks Consensus Estimate of \$1,314 million.

Orders in the quarter totaled \$1,705 million, increasing 29% from the year-ago quarter's supplemental number.

It is worth noting here that Ingersoll Rand completed the divestment of a majority stake in its High Pressure Solutions business on Apr 1, 2021. The other party to the transaction was American Industrial Partners. The HPS business has been classified as discontinued operations beginning the first quarter of 2021.

The company now reports revenues under three segments. A brief discussion of the quarterly results is provided below:

Industrial Technologies & Services generated revenues of \$913.8 million, accounting for 66.7% of net revenues in the reported quarter. Sales increased 14.8% year over year on 8.9% growth in organic sales. Movements in foreign currencies had a positive impact of 4.2% and acquisitions contributed 1.7%. The segment's orders in the quarter grew 17.2%.

Precision & Science Technologies' revenues totaled \$215.7 million, representing 15.7% of net revenues in the first quarter. On a year-over-year basis, the segment's revenues increased 12.2%. Organic sales grew 6.7%, while movements in foreign currencies contributed 4.4%. Also, acquisitions had a positive impact of 1.1%. The segment's orders were up 18.3%.

The Specialty Vehicle Technologies generated revenues of \$240.3 million, accounting for 17.6% of net revenues in the reported quarter. Sales increased 29.6% year over year on a 28.7% hike in organic sales and a 0.9% benefit from foreign currency movements. The segment's orders in the quarter increased 89.8%.

### Margin Profile

Adjusted earnings before interest, tax, depreciation and amortization (EBITDA) in the quarter increased 57.5% year over year to \$293 million. Also, margins increased 550 basis points (bps) to 21.4%.

On a segmental basis, supplemental adjusted EBITDA margin increased 610 bps year over year to 23.1% for Industrial Technologies & Services and jumped 350 bps to 31.2% for Precision & Science Technologies. Also, margin for the Specialty Vehicle Technologies segment grew 1,020 bps to 20.1%.

### Balance Sheet & Cash Flow

Exiting the first quarter of 2021, Ingersoll Rand had cash and cash equivalents of \$1,639.6 million, down 6.4% from \$1,750.9 million recorded in the last reported quarter. Long-term debt decreased 0.9% sequentially to \$3,823.2 million.

The company's liquidity of \$2.6 billion at the end of the first quarter of 2021 comprised cash of \$1.64 billion and credit under revolving facilities of \$995 million.

In the first quarter, it generated net cash of \$122.6 million from operating activities, increasing from \$38 million generated in the year-ago quarter. Capital expenditure totaled \$15 million versus \$7.6 million in the previous year's comparable quarter. Free cash flow rose 253.9% to \$107.6 million.

### Outlook

Ingersoll Rand hiked its projections for 2021. It now anticipates revenue growth in low-double digits (on a year-over-year basis) for the year. The projection, excluding sales contribution from the Specialty Vehicle Technologies segment, represents an improvement from high-single to low-double-digit sales growth mentioned earlier.

---

Notably, revenues are predicted to increase in mid-teens in the first half of 2021 and high-single digits in the second half of the year. Foreign currency translation is anticipated to boost sales by low-single digits for the year, including a mid-single-digit range for the first half and a low-single-digit range for the second half.

Adjusted EBITDA is anticipated to be \$1.12-\$1.15 billion for the year. The projection, excluding \$150-\$160 million contribution from the Specialty Vehicle Technologies segment, reflects improvement from \$1.23-\$1.26 billion mentioned earlier.

---

---

## Recent News

### Divestment of Club Car

On **Jun 1, 2021**, Ingersoll Rand announced that it has completed the divestment of its Specialty Vehicle Technologies (Club Car) segment for \$1.68 billion in cash. The other party to the transaction was the private equity investment firm, Platinum Equity. Ingersoll Rand had announced the deal on Apr 12.

Club Car is engaged in manufacturing golf, consumer and commercial low-speed vehicles, which are used primarily for commercial utility and personal transportation purpose. The segment also provides aftermarket services.

The divestment is in line with Ingersoll Rand's strategy of restructuring its business portfolio. Notably, it will enable the company to better focus on and efficiently direct resources to its core mission-critical flow creation technologies and industrial solutions. Also, the deal will improve the company's financial flexibility apart from reducing its net leverage to less than 1.0x, thus offering value to its shareholders. Ingersoll Rand will report the segment's results in discontinued operations for second-quarter 2021.

### Divestment of Stake in High Pressure Solutions

On **Apr 1, 2021**, Ingersoll Rand announced that it completed the sale of the majority stake of its High Pressure Solutions segment. The other party to the transaction was American Industrial Partners and the divestment value was fixed at \$300 million. The divestment agreement was signed by the parties on Feb 16, 2021.

Private equity firm, American Industrial invests in industrial businesses that are actively serving the U.S. and international markets. Notably, this New York-based firm is managing assets worth more than \$7 billion for many of its clients (including financial, pension and endowment institutions).

As part of the agreement between the parties, Ingersoll will retain 45% common equity interest in the divested business.

The stake sale helped Ingersoll to reduce its exposure to the upstream oil & gas market. Revenues sourced from this end now will be less than 2% for the company. However, the company now stands to focus on its higher-growth markets like life sciences, renewable energy and water.

In the first quarter of 2021, the High Pressure Solutions segment's results will be considered as discontinued operations. Equity method earnings will be used for the segment, going forward.

---

## Valuation

Ingersoll Rand's shares are up 7.9% and 47.8% in the year-to-date period and trailing 12-month period, respectively. Stocks in the Zacks sub-industry are up 12.9% in the year-to-date period, while stocks in the Zacks Industrial Products sector are up 14.8% in the same period. Over the past year, the Zacks sub-industry and sector are up 38.6% and 43.4%, respectively.

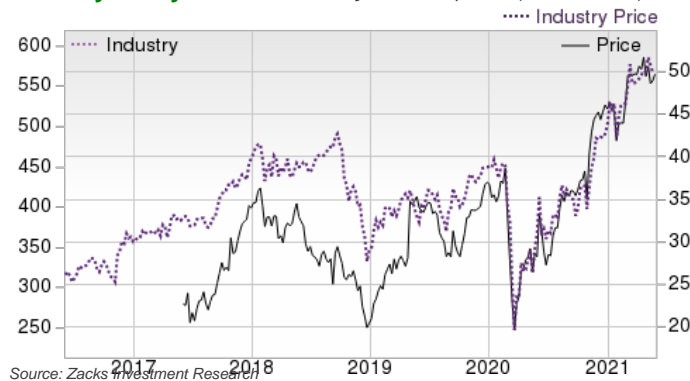
The S&P 500 Index is up 12.3% in the year-to-date period and 33.5% in the past year.

The stock is currently trading at 3.94x forward 12-month sales per share, which compares with 3.39x for the Zacks sub-industry, 3.6x for the Zacks sector and 4.68x for the S&P 500 index.

Over the past five years, the stock has traded as high as 4.92x and as low as 1.33x, with a 5-year median of 2.42x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$52 price target reflects 4.14x forward 12-month sales per share.

---

## Industry Analysis Zacks Industry Rank: Top 28% (69 out of 249)



## Top Peers

Company (Ticker)	Rec	Rank
Applied Industrial Technologies, Inc. (AIT)	Outperform	2
The Middleby Corporation (MIDD)	Outperform	2
Altra Industrial Motion Corp. (AIMC)	Neutral	3
Graco Inc. (GGG)	Neutral	2
Graham Corporation (GHM)	Neutral	3
IDEX Corporation (IEX)	Neutral	3
Nordson Corporation (NDSN)	Neutral	2
Welbilt, Inc. (WBT)	Neutral	2

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

Industry Comparison Industry: Manufacturing - General Industrial				Industry Peers		
	IR	X Industry	S&P 500	AIMC	IEX	NDSN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	2
VGM Score	B	-	-	B	C	C
Market Cap	20.61 B	2.25 B	30.58 B	4.22 B	16.95 B	12.81 B
# of Analysts	3	3	12	3	5	6
Dividend Yield	0.00%	0.00%	1.3%	0.37%	0.97%	0.71%
Value Score	C	-	-	B	D	D
Cash/Price	0.08	0.07	0.06	0.06	0.06	0.01
EV/EBITDA	37.22	17.72	17.35	15.05	28.38	30.04
PEG F1	NA	2.31	2.15	1.36	3.04	2.24
P/B	2.28	2.93	4.17	2.12	6.49	6.57
P/CF	42.10	16.30	17.68	9.03	35.08	29.50
P/E F1	28.82	26.80	21.64	20.43	36.47	29.17
P/S TTM	3.76	2.39	3.48	2.39	7.03	5.79
Earnings Yield	3.48%	3.66%	4.51%	4.89%	2.74%	3.43%
Debt/Equity	0.42	0.43	0.66	0.70	0.40	0.43
Cash Flow (\$/share)	1.17	2.50	6.82	7.22	6.36	7.47
Growth Score	A	-	-	C	B	C
Historical EPS Growth (3-5 Years)	NA%	5.33%	9.39%	15.99%	10.02%	NA
Projected EPS Growth (F1/F0)	10.11%	36.78%	21.44%	10.76%	17.92%	37.96%
Current Cash Flow Growth	44.57%	-4.04%	0.86%	46.98%	-7.79%	-4.04%
Historical Cash Flow Growth (3-5 Years)	15.97%	7.12%	7.32%	42.93%	6.18%	8.87%
Current Ratio	2.70	2.06	1.39	2.20	4.37	2.46
Debt/Capital	29.75%	30.52%	41.51%	41.07%	28.58%	30.23%
Net Margin	-1.59%	3.93%	11.92%	7.39%	16.13%	13.88%
Return on Equity	1.29%	9.38%	16.34%	10.46%	16.70%	20.60%
Sales/Assets	0.35	0.70	0.51	0.42	0.56	0.60
Projected Sales Growth (F1/F0)	-5.19%	7.69%	9.37%	7.06%	13.28%	9.84%
Momentum Score	C	-	-	D	D	A
Daily Price Change	-1.19%	0.00%	-0.06%	-0.97%	-0.09%	-0.46%
1-Week Price Change	1.58%	0.15%	1.01%	2.08%	1.23%	9.84%
4-Week Price Change	-0.79%	0.00%	0.48%	-0.11%	-1.39%	5.72%
12-Week Price Change	0.24%	1.86%	8.62%	2.28%	12.14%	9.78%
52-Week Price Change	60.17%	52.96%	36.86%	94.92%	36.13%	15.74%
20-Day Average Volume (Shares)	2,302,694	50,658	1,817,578	282,129	296,400	231,130
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.24%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.10%	0.00%	0.00%	14.08%
EPS F1 Estimate 12-Week Change	-48.72%	6.10%	3.33%	2.08%	4.70%	14.52%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	16.64%

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	A
Momentum Score	C
VGM Score	B

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

---

## Disclosures

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

---

## Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

**4-Week Price Change:** This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a 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.