

## Kimberly-Clark(KMB)

**\$131.29** (As of 01/15/21)

Price Target (6-12 Months): **\$138.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 08/20/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: F

## Summary

Kimberly-Clark has lagged the industry in the past six months. The company's K-C Professional segment is bearing the brunt of the coronavirus outbreak. Soft volumes in the segment during third-quarter 2020 stemming from the pandemic were a drag on the company's performance. Further, higher marketing, research and general expenses along with unfavorable currency rates are concerns. Nevertheless, the company has been seeing higher demand amid COVID-19 which boosted its organic sales in third-quarter. Moreover, the top line surpassed the consensus mark and rose year over year. Further, management raised its revenues and earnings estimates for 2020. Notably, Kimberly-Clark has been gaining from robust cost-saving plans like 2018 Global Restructuring and FORCE programs. Additionally, the company's focus on its K-C Strategy bodes well.

## Data Overview

52-Week High-Low	<b>\$160.16 - \$110.66</b>
20-Day Average Volume (Shares)	<b>1,580,994</b>
Market Cap	<b>\$44.7 B</b>
Year-To-Date Price Change	<b>-2.6%</b>
Beta	<b>0.50</b>
Dividend / Dividend Yield	<b>\$4.28 / 3.3%</b>
Industry	<b>Consumer Products - Staples</b>
Zacks Industry Rank	<b>Top 48% (121 out of 253)</b>

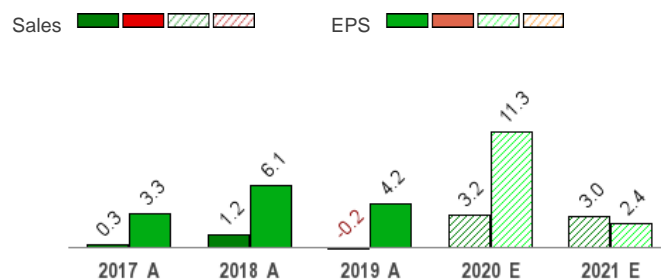
Last EPS Surprise	<b>-2.3%</b>
Last Sales Surprise	<b>1.0%</b>
EPS F1 Estimate 4-Week Change	<b>-0.1%</b>
Expected Report Date	<b>01/25/2021</b>
Earnings ESP	<b>3.5%</b>

P/E TTM	<b>16.9</b>
P/E F1	<b>16.8</b>
PEG F1	<b>3.1</b>
P/S TTM	<b>2.4</b>

## Price, Consensus & Surprise



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



## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,923 E	4,913 E	4,995 E	4,976 E	19,619 E
2020	5,009 A	4,612 A	4,683 A	4,736 E	19,047 E
2019	4,633 A	4,594 A	4,640 A	4,583 A	18,450 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.85 E	\$2.00 E	\$1.96 E	\$1.97 E	\$7.85 E
2020	\$2.13 A	\$2.20 A	\$1.72 A	\$1.61 E	\$7.67 E
2019	\$1.66 A	\$1.67 A	\$1.84 A	\$1.71 A	\$6.89 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 01/15/2021. The reports text is as of 01/18/2021.

## Overview

Incorporated in Delaware in 1928, Kimberly-Clark Corporation is principally engaged in the manufacture and marketing of a wide range of consumer products around the world. The company sells its products to supermarkets; mass merchandisers; drugstores; warehouse clubs; variety and department stores; retail outlets; manufacturing, lodging, office building, food service, and health care establishments; and high volume public facilities.

Based on product grouping, the company conducts its operations in three business segments namely Personal Care, Consumer Tissue, and K-C Professional.

The **Personal Care** segment includes products like disposable diapers, training and youth pants, swimpants, baby wipes, feminine and incontinence care products, and other related products. Products in this segment are sold under the Huggies, Pull-Ups, Little Swimmers, GoodNites, DryNites, Kotex, U by Kotex, Intimus, Depend, Plenitud, Poise and other brand names. Sales from this segment constituted 49% of the top line in full-year 2019.

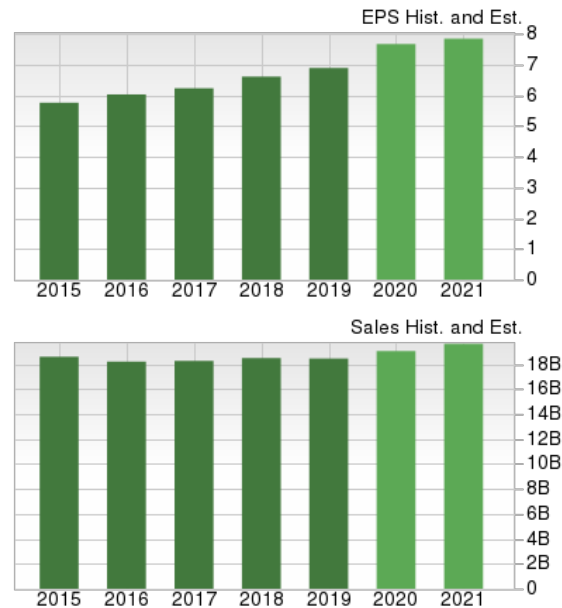
The **Consumer Tissue** segment includes facial and bathroom tissue, paper towels, napkins and related products, which are sold under the Kleenex, Scott, Cottonelle, Viva, Andrex, Scottex, Neve and other brand names. Sales from this segment constituted about 33% of the top line in full-year 2019.

The **K-C Professional** segment consists of apparel, wipers, soaps, sanitizers, tissue and towels. Key brands in this segment include Kleenex, Scott, WypAll, Kimtech and Jackson Safety. Sales from this segment formed 17.7% of the top line in full-year 2019.

The **Corporate and Other** segment contributed 0.3% of full-year 2019 sales.

The company's health care business was spun-off on Oct 31, 2014.

Notably, Kimberly-Clark's net sales to Walmart constituted around 14% of its consolidated sales in 2016, 2017 as well as 2018.



Source: Zacks Investment Research

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## Reasons To Buy:

▲ **Top-Line Growth Continues, Bright Outlook:** The company's sales have been rising year over year for the past few quarters now. In third-quarter 2020, sales came in at \$4,683 million, which surpassed the Zacks Consensus Estimate and inched up 1% year over year. Organic sales rose 3% driven by increased demand amid the coronavirus outbreak. Volumes in the quarter rose 2%. Also, combined effect of net selling prices and product mix inched up 1%. The quarterly performance reflected sales growth in the Consumer Tissue and Personal Care segment. Notably, sales in the Consumer Tissue and Personal Care segments rose 9% and 1%, respectively. Prior to this, sales improved slightly year over year during the second quarter of 2020.

Kimberly-Clark's organic sales rose 3% year over year driven by higher consumer demand amid coronavirus outbreak during third-quarter, 2020.

Impressively, management raised its sales and earnings outlook for 2020. The company forecasts 2020 net sales to grow 2-3% year over year. Earlier it anticipated the metric to increase 1-2%. Further, Kimberly-Clark now projects organic sales improvement of 5% compared with earlier assumption of 4-5% growth. The company now envisions 2020 adjusted EPS in the range of \$7.50-\$7.65, which indicates an increase from \$6.89 reported in 2019. Prior to this, management expected adjusted EPS in the band of \$7.40-\$7.60.

▲ **2018 Global Restructuring & FORCE Programs Drive Savings:** Kimberly-Clark has been taking robust steps to lower costs. This is highlighted by the 2018 Global Restructuring Program as well as the FORCE Program. The 2018 Global Restructuring Program marks the company's biggest restructuring in a long time now. This plan is likely to enhance the company's underlying profitability by simplifying supply chain and manufacturing structures and thereby help it compete better and provide greater flexibility to undertake growth-oriented investments. Until the end of third-quarter 2020, Kimberly-Clark generated cumulative savings worth \$395 million from the 2018 Global Restructuring Program. Management remains on track to generate pre-tax savings of \$500-\$550 million from this program by the end of 2021. Although some of these realizations could occur in 2022 due to uncertainties in regard to the coronavirus outbreak. As part of this initiative, the company plans to sell or exit some low-margin businesses that deliver about 1% of net sales.

Moreover, Kimberly-Clark is aggressively cutting costs and enhancing supply-chain productivity through its Focus on Reducing Costs Everywhere or FORCE Program. The program is generating solid cost savings for a while which are in turn driving its performance. During the third quarter, the company generated cost savings of \$125 million and \$15 million from the FORCE program and the 2018 Global Restructuring Program, respectively.

▲ **3 Growth Pillars:** Kimberly-Clark remains committed toward its three key strategic growth pillars. These include focus on improving its core business in the developed markets; speed up growth of Personal Care segment in developing and emerging markets and enhance digital and e-commerce capacities. The company expects to meet these objectives through product development across different categories and leveraging capabilities in marketing and sales. The company has been progressing well with these objectives, which have been aiding portfolio and expanding global business. Notably, Kimberly-Clark recently completed the acquisition of Softex Indonesia — a leading player in the Indonesian personal care market. The company expects the buyout to augment its market share in the personal care category in the Southeast Asia region.

▲ **K-C Strategy to Boost Growth:** Kimberly-Clark introduced a K-C Strategy 2022 in January 2019. The strategy is focused on generating balanced and sustainable growth to return value to shareholders in a tough environment. The program also concentrates on strengthening the company's brand portfolio, undertaking efficient capital allocation and executing robust cost discipline. In extension, the strategy is aimed toward successfully meeting the aforementioned goals pertaining to FORCE and Global Restructuring as well as the company's three main strategic pillars.

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## Reasons To Sell:

- ▼ **Softness in K-C Professional:** In third-quarter 2020, sales in the K-C Professional segment decreased 16% year over year. Volumes were down 21% owing to coronavirus-led woes. Also, currency woes hurt sales slightly. Sales fell 15% in North America while volumes in the region declined 21% in the region owing to major sales reduction in washroom products. Moving on, revenue decreased 28% in developing and emerging markets and was down 8% in developed markets outside North America. Additionally, operating profit in the segment slumped 51%. Clearly, sluggishness in the K-C Professional segment is a threat to the company's performance. Notably, shares of Kimberly-Clark have lost 8% in the past six months against the industry's growth of 6.3%.

Kimberly-Clark witnessed a 13% increase in marketing, research and general expenses in the third quarter of 2020. Also, weakness in K-C Professional is a woe.
  - ▼ **Rising Costs:** Kimberly-Clark has been seeing a rise in marketing, research and general expenses for the last few quarters. In the third quarter of 2020, the metric rose 13% to \$919 million. Prior to this, marketing, research and general expenses rose 4% in the second quarter of 2020. We believe that persistence of such trends is a threat to the company's performance in the future.
  - ▼ **Currency Headwinds:** The company remains exposed to unfavorable foreign currency translations as it has a considerable international presence. In the third quarter of 2020, unfavorable currency movements dented sales by 2%. Further, unfavorable currency translations negatively impacted adjusted operating profit in the said quarter. Management expects currency headwinds to impact net sales by 2-3% in 2020. Clearly, volatility in exchange rates is a threat to the company's performance.
  - ▼ **Debt Analysis:** Kimberly-Clark's long-term debt of \$7,851 million as on Sep 30, 2020 was up 8.7% sequentially. Further, the company's times-interest-earned ratio stands at 12.5 at the end of the third quarter, lower than the previous quarter's ratio of 13.4. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet its debt obligations based on its current income.
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## Last Earnings Report

### Kimberly-Clark Q3 Earnings Miss Estimates, Sales Up Y/Y

Kimberly-Clark reported third-quarter 2020 results, with the top line surpassing the Zacks Consensus Estimate and increasing year over year. However, the bottom line missed the consensus mark and declined from the year-ago quarter's levels. The quarterly performance reflected sales growth in the Consumer Tissue and Personal Care segment. Also, savings from restructuring plans contributed to the results. However, softness in the K-C Professional unit was a drag.

Quarter Ending 09/2020

Report Date	Oct 22, 2020
Sales Surprise	0.97%
EPS Surprise	-2.27%
Quarterly EPS	1.72
Annual EPS (TTM)	7.76

#### Quarter in Detail

Adjusted earnings came in at \$1.72 per share, which lagged the Zacks Consensus Estimate of \$1.76 and decreased 6.5% from \$1.84 the year-ago quarter's figure.

Kimberly-Clark's sales came in at \$4,683 million, which surpassed the Zacks Consensus Estimate of \$4,638 million. The top line inched up 1% from \$4,640 reported in the year-ago quarter. Unfavorable currency movements put pressure on sales by 2%. Organic sales rose 3% year over year. Volumes rose 2% year over year. Also, combined effect of net selling prices and product mix inched up 1%.

In North America, organic sales in consumer products increased 8% but were down 15% in K-C Professional segment. Internationally, organic sales increased 3% across developed markets and 2% in developing and emerging markets.

Adjusted operating profit came in at \$806 million, down from \$859 million in the year-ago quarter thanks to rise in other manufacturing costs including coronavirus-related expenses. Also, increase in advertising expenses, escalated general and administrative costs, higher incentive compensation and adverse impacts of unfavorable foreign currency translations caused the downside. Nevertheless, these were somewhat offset by higher organic sales and cost savings of \$125 million and \$15 million from the FORCE (Focused On Reducing Costs Everywhere) program and the 2018 Global Restructuring Program, respectively. Further, lower input costs stemming from decline in pulp and other raw material costs benefited results.

#### Segment Details

**Personal Care:** Sales of \$2,339 million increased 1% year over year. Volumes improved 4% while product mix inched up 1%. Also, unfavorable currency rates hurt sales by 4%. Further, sales increased 6% in North America but declined 4% in developing and emerging markets. The metric grew 1% across developed markets outside North America.

**Consumer Tissue:** Segment sales of \$1,623 million rose 9% year over year. Net selling prices were up slightly while volumes increased 10% owing to higher consumer and customer demand amid coronavirus pandemic. However, product mix was unfavorable by 1%. Also, adverse currency movements hurt sales slightly. Sales rose 11% in North America but declined 4% in developing and emerging markets. The metric increased 17% in developed markets outside North America.

**K-C Professional (KCP):** Segment sales fell 16% to \$705 million. Volumes were down 21% owing to coronavirus-led woes. Net selling prices and product mix increased 3% each. Also, currency woes hurt sales slightly. Sales fell 15% in North America and 28% in developing and emerging markets. The metric declined 8% in developed markets outside North America.

#### Other Financial Updates

The company ended the quarter with cash and cash equivalents of \$1,518 million, long-term debt of \$7,851 million and stockholders' equity of \$577 million.

Further, Kimberly-Clark generated cash from operating activities of \$559 million during the quarter under review. Management incurred capital expenditures of \$258 million. Kimberly-Clark repurchased 1.3 million shares for \$194 million in the quarter.

#### 2020 Outlook

Management updated its fiscal 2020 outlook. The company forecasts 2020 net sales to grow 2-3% year over year. Earlier it anticipated the metric to increase 1-2% year over year. Further, Kimberly-Clark now projects organic sales improvement of 5% compared with earlier assumption of 4-5% growth. However, currency headwinds are likely to impact net sales by 2-3%. Also, the company expects the net impact of Softex Indonesia acquisition and business exits related to the 2018 Global Restructuring Program to slightly improve sales.

Management anticipates adjusted operating profit growth of 8-10% for the year. Earlier it forecasted the metric to grow 6-9%. The company is on track with the 2018 Global Restructuring Program, which is aimed at lowering the company's structural costs and improving financial flexibility. Management remains on track to generate pre-tax savings of \$500-\$550 million from this program by the end of 2021. Although some of these realizations could occur in 2022 due to uncertainties in regard to the coronavirus outbreak. As part of this initiative, the company plans to sell or exit some low-margin businesses that deliver about 1% of net sales.

The company now envisions 2020 adjusted EPS of \$7.50-\$7.65, which indicates an increase from \$6.89 reported in 2019. Prior to this, management expected adjusted EPS in the band of \$7.40-\$7.60.

## Recent News

### Kimberly Clark Declares Dividend – Nov 19, 2020

Kimberly Clark has declared quarterly dividend of \$1.07 per share. This will be payable on Jan 5, 2021 to shareholders of record as on Dec 4, 2020.

## Valuation

Kimberly Clark shares are down 8% in the past six months and 9.2% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 6.3% in the past six months, while the Zacks Consumer Staples sector has gained 11%. Over the past year, the Zacks sub-industry is down 2.9%, while the sector declined 2.4%.

The S&P 500 index is up 16.4% in the past six months and 14.9% in the past year.

The stock is currently trading at 16.68X forward 12-month earnings, which compares to 25.6X for the Zacks sub-industry, 19.67X for the Zacks sector and 22.86X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.12X and as low as 13.93X, with a 5-year median of 18.64X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$138 price target reflects 17.53X forward 12-month earnings.

The table below shows summary valuation data for KMB

Valuation Multiples - KMB					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.68	25.6	19.67	22.86
	5-Year High	22.12	25.6	22.42	23.79
	5-Year Low	13.93	13.32	16.5	15.3
	5-Year Median	18.64	18.11	19.58	17.83
P/S F12M	Current	2.27	0.97	10.44	4.48
	5-Year High	2.86	2.06	11.97	4.48
	5-Year Low	1.84	0.67	8.59	3.2
	5-Year Median	2.39	1.76	10.5	3.68
EV/EBITDA F12M	Current	11.09	12.97	35.59	17.2
	5-Year High	13.03	13.06	38.25	18.81
	5-Year Low	9.55	8.88	25.83	12.96
	5-Year Median	11.71	11.59	34.16	15.7

As of 01/15/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 48% (121 out of 253)



Source: Zacks Investment Research

## Top Peers

Company (Ticker)	Rec	Rank
Newell Brands Inc. (NWL)	Outperform	1
Albertsons Companies, Inc. (ACI)	Neutral	2
CHEWY INC (CHWY)	Neutral	3
Energizer Holdings, Inc. (ENR)	Neutral	3
Edgewell Personal Care Company (EPC)	Neutral	3
Grocery Outlet Holding Corp. (GO)	Neutral	3
LION CORP (LIOFP)	Neutral	3
International Flavors & Fragrances Inc. (IFF)	Underperform	4

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

Industry Comparison Industry: Consumer Products - Staples				Industry Peers		
	KMB	X Industry	S&P 500	CHWY	IFF	NWL
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Outperform
Zacks Rank (Short Term)	3	-	-	3	4	1
VGM Score	B	-	-	C	C	B
Market Cap	44.66 B	3.45 B	27.23 B	44.61 B	12.59 B	10.24 B
# of Analysts	6	3.5	13	7	5	7
Dividend Yield	3.26%	0.00%	1.44%	0.00%	2.62%	3.81%
Value Score	B	-	-	F	C	C
Cash/Price	0.03	0.07	0.06	0.01	0.04	0.09
EV/EBITDA	13.32	11.94	14.76	-198.92	15.70	12.31
PEG F1	3.10	2.46	2.58	NA	5.57	4.96
P/B	77.39	4.21	3.73	NA	2.07	2.73
P/CF	13.65	18.64	14.32	NA	12.29	4.08
P/E F1	16.75	19.43	20.57	NA	19.43	14.19
P/S TTM	2.36	1.65	2.98	6.91	2.47	1.10
Earnings Yield	5.97%	3.95%	4.78%	-0.31%	5.15%	7.04%
Debt/Equity	13.61	0.41	0.70	0.00	0.64	1.55
Cash Flow (\$/share)	9.62	1.15	6.92	-0.55	9.58	5.91
Growth Score	B	-	-	A	C	A
Historical EPS Growth (3-5 Years)	5.80%	1.98%	9.72%	NA	2.50%	-10.02%
Projected EPS Growth (F1/F0)	2.28%	13.66%	12.26%	-17.73%	8.57%	-0.33%
Current Cash Flow Growth	3.32%	8.58%	5.20%	-5.57%	40.43%	-76.91%
Historical Cash Flow Growth (3-5 Years)	2.19%	5.94%	8.37%	NA	15.13%	28.55%
Current Ratio	1.00	1.51	1.38	0.86	1.82	1.51
Debt/Capital	93.15%	39.59%	41.97%	NA	39.59%	60.71%
Net Margin	12.49%	1.53%	10.44%	-2.70%	7.44%	-1.11%
Return on Equity	812.50%	16.64%	15.40%	NA	11.00%	17.83%
Sales/Assets	1.19	1.18	0.50	5.33	0.39	0.64
Projected Sales Growth (F1/F0)	3.00%	5.79%	6.01%	45.77%	3.96%	4.49%
Momentum Score	F	-	-	F	A	D
Daily Price Change	-0.21%	-0.97%	-0.59%	-5.69%	-1.85%	-1.07%
1-Week Price Change	-2.28%	3.48%	2.23%	7.77%	9.33%	8.67%
4-Week Price Change	-3.69%	5.31%	2.58%	7.92%	3.65%	20.16%
12-Week Price Change	-4.92%	17.26%	11.96%	69.93%	5.25%	35.09%
52-Week Price Change	-8.46%	32.30%	5.71%	269.35%	-11.58%	19.45%
20-Day Average Volume (Shares)	1,580,994	855,728	1,749,628	3,736,652	3,592,447	2,569,218
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	1.10%
EPS F1 Estimate 4-Week Change	-0.08%	0.00%	0.06%	0.00%	-0.39%	5.21%
EPS F1 Estimate 12-Week Change	-1.19%	0.31%	2.44%	18.06%	-2.32%	15.86%
EPS Q1 Estimate Monthly Change	3.01%	0.00%	0.00%	0.00%	0.00%	4.35%

Source: Zacks Investment Research



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## 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.

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### 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	<b>B</b>
Growth Score	<b>B</b>
Momentum Score	<b>F</b>
VGM Score	<b>B</b>

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

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## 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.

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**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.

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**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.

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**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.