

Lockheed Martin(LMT)

\$382.20 (As of 05/28/21)

Price Target (6-12 Months): **\$405.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 06/27/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: A

Summary

Lockheed Martin enjoys strong demand for its high-end military equipment in domestic and international markets, being the world's largest defense contractor. Expansionary U.S. budgetary provisions will boost this defense prime's business. Its F-35 program continues to be a key growth program for the company's Aeronautics business segments, having delivered 17 production aircraft. Lockheed has a stable liquidity position. However, forced cost reduction initiatives for F-35 program might hamper its operating results in future. America and Turkey's tiff on the latter accepting Russian products may hurt Lockheed's component supply from Turkey. Moreover, the company is facing performance issues in relation to some of its products, which in turn may hurt its results. In the past year, the stock has underperformed the industry.

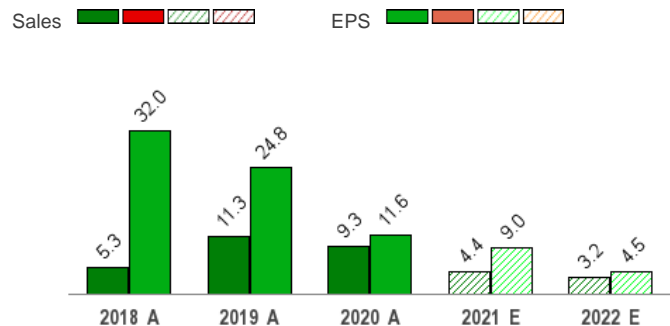
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$417.62 - \$319.81
20-Day Average Volume (Shares)	1,266,508
Market Cap	\$106.2 B
Year-To-Date Price Change	7.7%
Beta	0.99
Dividend / Dividend Yield	\$10.40 / 2.7%
Industry	Aerospace - Defense
Zacks Industry Rank	Bottom 12% (220 out of 249)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.8%
Last Sales Surprise	-0.5%
EPS F1 Estimate 4-Week Change	0.1%
Expected Report Date	07/20/2021
Earnings ESP	0.0%
P/E TTM	15.1
P/E F1	14.3
PEG F1	2.0
P/S TTM	1.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	17,142 E	17,511 E	17,754 E	18,010 E	70,450 E
2021	16,258 A	16,894 E	17,228 E	17,785 E	68,261 E
2020	15,651 A	16,220 A	16,495 A	17,032 A	65,398 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$6.86 E	\$6.91 E	\$7.13 E	\$7.31 E	\$27.89 E
2021	\$6.56 A	\$6.51 E	\$6.70 E	\$6.94 E	\$26.70 E
2020	\$6.08 A	\$6.13 A	\$6.25 A	\$6.38 A	\$24.50 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 05/28/2021. The report's text and the analyst-provided price target are as of 05/31/2021.

Overview

Lockheed Martin Corporation is the largest defense contractor in the world. Its main areas of focus are in defense, space, intelligence, homeland security and information technology including cyber security. In 2020, 71% of the company's net sales were from the U.S. Government (including 61% from the Department of Defense (DoD), 28% from international customers and 1% from U.S. commercial and other customers. Lockheed Martin currently operates through four businesses — Aeronautics, Missiles and Fire Control (MFC), Rotary and Missions Systems (RMS) and Space Systems.

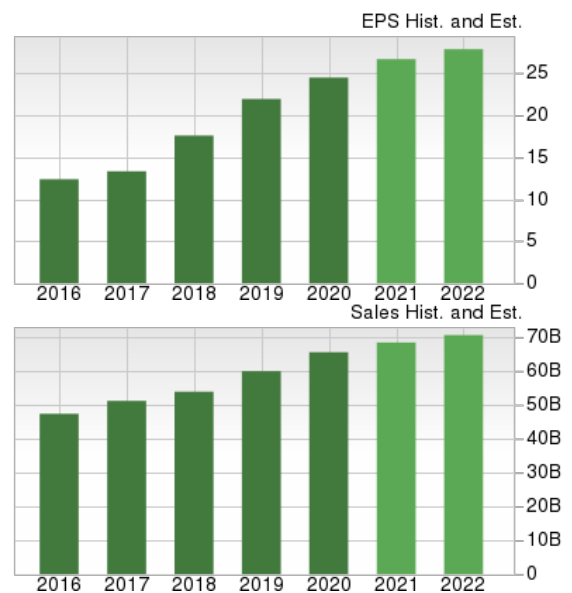
The company's Aeronautics is engaged in the design, research and development, systems integration, production and support of advanced military aircraft and related technologies. This segment includes programs like F-35 Lightning II Joint Strike Fighter; C-130 Hercules; F-16 Fighting Falcon; F-22 Raptor; and C-5M Super Galaxy. It generated sales of \$26.27 billion in 2020, accounting for 40.2% of the total sales.

In Lockheed Martin's MFC business, headquartered in Dallas, some of its high-profile programs include the Terminal High Altitude Area Defense System, Joint Light Tactical Vehicle, PAC-3 Missiles, as well as logistics and other technical services from GTL. It generated sales of \$11.26 billion in 2020, constituting 17.2% of total sales.

In its RMS business, headquartered in Washington, DC, some of its high-profile programs include the Aegis Combat System, Littoral Combat Ship, MH-60 helicopter avionics, as well as military and commercial orders. It generated sales of \$16 billion in 2020, comprising 24.5% of the total sales.

The company's Space Systems is engaged in the design, development, engineering, and production of commercial and military space systems. It generated sales of \$11.88 billion in 2020 or 18.2% of the total sales.

Lockheed Martin ended 2020 (on Dec 31, 2020) with \$147.1 billion in backlog.



Reasons To Buy:

▲ **Solid Order Growth:** Keeping up with its trend of securing big contracts from the Pentagon, Lockheed Martin was successful in clinching several notable deals during the first quarter. These include a \$4.93-billion modification contract for manufacturing and delivery of three Next-Generation Geosynchronous (NKG) Earth-orbiting space vehicles (SVs) and a \$3.7 billion contract for designing the next-generation interceptor for the U.S. missile defense network. It also clinched a \$2.8 billion contract for delivering rocket pods for Guided Multiple Launch Rocket Systems (GMLRS) alternative warhead. The company also won a \$904 million contract for procurement of long lead materials, parts, components and support to maintain on-time production and delivery of 133 F-35 jets of the 16th Lot along with a \$254.7-million follow-on foreign military sales (FMS) contract for providing maintenance and sustainment services for two Terminal High Altitude Area Defense batteries. Moreover, its Sikorsky Aircraft unit secured a \$100 million worth modification contract for supplying 25 UH-60M Black Hawk aircraft to the Saudi Arabian National Guard. Consequently, the company's total backlog of \$147.4 billion during the first quarter reached a record level for the tenth consecutive quarter, registering growth of 0.2% from 2020-end level. Such consistent level of contract flows and subsequent backlog growth bolster long-term revenue growth prospects for the company, which, in turn, must boost investors' confidence in the stock. Looking ahead, Lockheed expects to recognize approximately 39% of its backlog over the next 12 months and approximately 61% over the next 24 months thereafter.

Lockheed Martin is the largest U.S. defense contractor with a platform-centric focus that guarantees a steady inflow of follow-on orders from a leveraged presence in the Army, Air Force, Navy and IT program

▲ **F-35 - A Prime Program:** Lockheed Martin is the largest U.S. defense contractor with a platform-centric focus that guarantees a steady inflow of follow-on orders from a leveraged presence in the Army, Air Force, Navy and IT programs. Notably, the F-35 program continues to be a key growth program for the company's Aeronautics business segments, having delivered 17 production aircraft during the first quarter. As of Mar 28, 2021, Lockheed Martin delivered 628 F-35 airplanes since the program's inception with 339 jets still in backlog. This surely boosts sales expectation for the Aeronautics business segment. In 2021, the company expects production rate for F-35 program to improve from its 2020 levels.

Looking ahead, production of the F-35 jets is expected to continue for many years ahead, given the U.S. government's current inventory target of 2,456 aircraft for the Air Force, Marine Corps and Navy. Consequently, we may expect Lockheed Martin to witness more order inflows for F-35, in coming days, which in turn should significantly bolster this defense contractor's top line.

▲ **Impressive Budgetary Attributes:** As part of the fiscal 2021 defense budget, \$740.5 billion is being kept as funding for the Pentagon, reflecting 3% growth from the fiscal 2020 budget. This increased spending provision highlights the U.S. government's decision to spend more on defense primes like Lockheed Martin. Notably, the budget has allotted \$11.4 billion for the procurement of 79 F-35 Joint Strike Fighters. The financial plan also includes an investment of \$1.1 billion for the procurement of AEGIS Ballistic Missile Defense system and \$0.92 billion for THAAD missiles. All these expansionary budgetary provisions tend to immensely boost this defense prime's business. Moreover, in April 2021, the fiscal 2022 discretionary budgetary request was submitted, which requests \$753 billion for national defense programs, reflecting a 1.7% increase over fiscal 2021's enacted level. If approved, this should benefit prominent defense contractors like Lockheed.

▲ **International Foray:** Apart from enjoying a strong forte in the domestic front, Lockheed Martin's products are also well acclaimed in the international market. In recent times, the company is consistently witnessing strong international demand for its tactical missile and fire control products, having received orders for precision fires systems from Poland and Romania. The company also secured awards involving Apache and Low Altitude Navigation and Targeting Infrared for Night (LANTIRN) systems for Qatar. Also, Lockheed has been witnessing increased demand for its THAAD missiles from the Kingdom of Saudi Arabia (KSA). Moreover, PAC-3 programs are undergoing production and sustainment activities in the KSA, UAE, Qatar, the Republic of Korea, Japan and Taiwan. Moreover, the company is witnessing increased growth opportunities for F-35 jets in Finland, Switzerland and Spain. Further, in December, the Royal Australian Air Force declared initial operating capability (IOC) for its F-35 fleet, thereby making Australia the seventh country to declare IOC for its F-35 fleet. Such developments should boost the company's international sales in the days ahead and aid long-term growth, with more and more nations strengthening their defense arsenals across the world.

▲ **Stable Liquidity Position:** Lockheed Martin's cash and cash equivalent at the end of first-quarter 2021 was \$2.93 billion. The company's long-term debt as of Mar 28, 2021 was \$11.66 billion, which declined slightly sequentially. Although the long-term debt level lies much above the company's cash reserve, its current debt worth \$0.51 billion as of Mar 28, 2021 was much lower than the cash reserve. This reflects the company's capability to duly meet its obligations over the short run.

Moreover, the company's current ratio as of Mar 28, 2021, was 1.38, which being more than 1, indicates that this defense major has sufficient capital on hand to meet its short-term obligations. Further, Lockheed's times interest earned ratio improved sequentially from 14.9 to 15.4 at the end of first-quarter 2021. All these favorable ratio levels make us optimistic about the company's ability to meet debt obligations in the near future. Such stable liquidity position enables Lockheed Martin to take important cash deployment decisions. During the first quarter of 2021, the company bought back 1.9 million shares for \$1 billion and paid out dividends worth \$739 million to its shareholders, an increase of 6.6% year over year.

Reasons To Sell:

- ▼ **Tiff with Turkey:** On July 17, 2019, the U.S. Government suspended Turkey's participation in the F-35 program and initiated the process to formally remove Turkey from the program, since Turkey accepted delivery of the Russian S-400 air and missile defense system. In December 2020, the U.S. government imposed sanctions on Turkey's defense procurement agency (SSB) and certain of the agency's officers under the Countering America's Adversaries Through Sanctions Act (CAATSA). The effects of the U.S. government sanctions on the SSB on the F-35 program and Turkey's removal from the F-35 program do not appear to be significant for Lockheed, at this time. However, unforeseen actions could impact the timing of orders, disrupt the production of aircraft, delay delivery of aircraft, and disrupt delivery of sustainment components produced in Turkey, thereby impacting fund for the F-35 program.

Loss incurring programs, issues with Turkey and COVID-19 impacts might hurt the company's growth trajectory.

Moreover, any future sanctions or reciprocal actions by Turkey could result in further restrictions on exports or imports, losses of future sales, reductions in backlog, return of advance payments, costs to develop alternate supply sources, restrictions on payments, or contract terminations for Lockheed.

- ▼ **COVID-19 Impacts:** Although Lockheed Martin has claimed that the pandemic did not have a material impact on its operating results or business in first quarter 2021, the ongoing and prolonged impacts of the outbreak may be a cause of concern and might dent the company's performance in the coming days. Notably, the company has been experiencing impacts in each of its business areas related to COVID-19, primarily in the form of increased coronavirus-related costs, delays in supplier deliveries, impacts of travel restrictions and the impacts of remote work and adjusted work schedules, to some extent. Moreover, it earlier had to adjust its operations in response to the pandemic, including, a reduction in the F-35 production rate primarily owing to supplier delays and a temporary schedule adjustment for the F-35 production workforce in Fort Worth, TX. Considering the fact that the pandemic is still prevailing across the globe, additional production delays, facility closures, work slowdown, or temporary stoppages might occur, thereby affecting Lockheed.

Flight test operations and training have also been impacted by travel restrictions as a result of COVID-19, which has delayed some deliveries to customers. Further, other milestones of affected programs could face the impact of the extended period of global supply-chain disruption. Since the pandemic is unlikely to die out anytime soon, the growth of the stock could be hampered. This might hurt the stock in the near future and may have hurt investors' confidence in this stock. Over the past year, shares of Lockheed Martin have lost 1.8% against the industry's surge of 21.8%.

- ▼ **Program Issues:** Lockheed's EADGE-T program, used to design, integrate, and install an air missile defense command, control, communications, computers-intelligence (C4I) system, has been experiencing performance issues. As of Mar 28, 2021, cumulative losses related to this remained at approximately \$260 million. On Mar 22, 2021, Lockheed received a notification from its customer that it has made a decision to not proceed with the Warrior Capability Sustainment Program (WCSP) demonstration and manufacturing phases of the program, and the company has been directed to suspend work on the program. The company is currently evaluating the financial impact of this decision. As of Mar 28, 2021, cumulative losses remained at approximately \$140 million on this program. If no positive developments are made on these loss-incurring programs, it might weigh on the company's operating results.
- ▼ **Chinese Sanction:** On Jul 14, 2020 and again on Oct 26, 2020, the People's Republic of China (China) announced it may impose sanctions against Lockheed Martin in response to Congressional Notifications of potential Foreign Military Sales to Taiwan. To this end, Lockheed aims to continue to follow U.S. government guidance and does not see a material impact on its sales at this time. However, the company fears that China might look to restrict its commercial sales or supply chain, including its supply of rare earth or other raw materials, and could also impose sanctions on its suppliers, teammates or partners. The nature, timing and potential impact of any sanctions remains uncertain and might impact Lockheed.

Last Earnings Report

Lockheed Martin Q1 Earnings Beat Estimates, Sales Up Y/Y

Lockheed Martin reported first-quarter 2021 earnings of \$6.56 per share, which surpassed the Zacks Consensus Estimate of \$6.32 by 3.8%. The bottom line also improved 7.9% from the year-ago quarter's \$6.08. This year-over-year upside can be attributed to higher sales.

Operational Highlights

In the reported quarter, net sales amounted to \$16,258 million, which missed the Zacks Consensus Estimate of \$16,345 million by 0.5%. The reported figure, however, increased 3.9% from \$15,651 million a year ago. Each of the company's segments registered year-over-year growth in sales.

Backlog

Lockheed Martin ended the first quarter (on Mar 28, 2021) with \$147.4 billion in backlog, up 0.2% from \$147.1 billion at the end of 2020. Of this, the Aeronautics segment accounted for \$53.3 billion, while Rotary and Mission Systems contributed \$35.4 billion. Also, \$28.8 billion came from Space Systems and \$29.9 billion from the Missiles and Fire Control segment.

Segmental Performance

Aeronautics: Sales increased 0.3% year over year to \$6,387 million, primarily driven by higher net sales from the F-16 program.

The segment's operating profit improved 3% year over year to \$693 million, whereas the operating margin expanded 30 basis points (bps) to 10.9%.

Missiles and Fire Control: Quarterly sales improved 11.4% year over year to \$2,749 million owing to higher sales from tactical and strike missile programs as well as integrated air and missile defense programs.

The segment's operating profit was \$396 million, unchanged year over year, whereas the operating margin contracted 70 bps to 14.4%.

Rotary and Mission Systems: Quarterly sales of \$4,107 million improved 10% from the prior-year quarter on account of higher sales for Sikorsky helicopter programs and training and logistics solutions programs.

The segment's operating profit improved 15% year over year to \$433 million, while the operating margin expanded 50 bps to 10.5%.

Space: Sales rose 3% year over year to about \$3,105 million in the first quarter. The uptick was driven by higher net sales for the Atomic Weapons Establishment (AWE) program and Commercial Civil Space programs.

The segment's operating profit declined 19% to \$227 million, while its operating margin contracted 210 bps to 7.5% in the reported quarter.

Financial Condition

Lockheed Martin's cash and cash equivalents totaled \$2.93 billion as of Mar 28, 2021, compared with \$3.16 billion at the end of 2020.

Long-term debt summed \$11.66 billion, slightly lower than the long-term debt of \$11.67 billion as of Dec 31, 2020.

Cash from operations at the end of first-quarter 2021 amounted to \$1.75 billion compared with \$2.3 billion a year ago.

During the reported quarter, the company repurchased 1.9 million shares for \$1 billion compared with the buyback of 1.7 million shares for \$756 million in the year-ago quarter.

Lockheed Martin paid out dividends worth \$739 million to its shareholders in the first quarter compared with the year-ago quarter's \$693 million.

Guidance

For 2021, Lockheed Martin has updated its financial guidance. The company currently expects to generate revenues of \$67.30-\$68.70 billion compared with \$67.10-\$68.50 billion projected earlier. The Zacks Consensus Estimate for full-year revenues, pegged at \$68.14 billion, lies above the midpoint of the company's updated guidance range.

Earnings per share are anticipated to be in the \$26.40-\$26.70 range for 2021. The Zacks Consensus Estimate for the company's full-year earnings, pegged at \$26.33 per share, lies below the company's guidance range.

Quarter Ending	03/2021
Report Date	Apr 20, 2021
Sales Surprise	-0.53%
EPS Surprise	3.80%
Quarterly EPS	6.56
Annual EPS (TTM)	25.32

Recent News

On **May 27, 2021**, Lockheed Martin declared that along with Northrop Grumman, it has conducted a significant live fire hypersonic strike system test in support of the U.S. Navy's Conventional Prompt Strike (CPS) and U.S. Army's Long Range Hypersonic Weapon (LRHW) programs.

On **May 12, 2021**, Lockheed Martin announced that its Precision Strike Missile (PrSM) has successfully completed its fourth consecutive flight test with the U.S. Army today in a 400-kilometer demonstration at White Sands Missile Range, New Mexico. The PrSM was fired from a HIMARS launcher and flew with expected precision to the target area where it once again demonstrated a highly accurate and effective warhead event.

On **Apr 21, 2021**, Lockheed Martin announced that it has finalized a teaming agreement with Thales Australia for advancing the delivery of an Australian guided weapons manufacturing capability in support of a sovereign national guided weapons enterprise.

The agreement will see experienced strategic industry partners in Lockheed Martin and Thales Australia cooperate in the design, development and production of Lockheed Martin's Long Range Anti-Ship Missile – Surface Launch (LRASM SL) variant, with a specific focus on booster and rocket motor technologies.

On **Apr 6, 2021**, Lockheed Martin announced that the German Space Agency at DLR has selected Lockheed Martin's iSpace™ command and control system for space situational awareness. The iSpace system tracks thousands of objects orbiting the earth by collecting data from a worldwide network of government, commercial and scientific community surveillance sensors.

The German Space Agency at DLR is the national space agency for the Federal Republic of Germany and operates the German Space Situational Awareness Center (GSSAC) together with the German Air Force. iSpace is the newest upgrade of the experimental mission system and will interface to German sensors to include the Tracking and Imaging Radar, GSSAC Optical Sensor and German Experimental Surveillance and Tracking Radar. iSpace will be used to task German sensors to support monitoring of high interest objects and space events.

On **Mar 29, 2021**, Lockheed Martin announced that it has received a \$1.12 billion contract from the U.S. Army for Lot 16 production of Guided Multiple Launch Rocket System (GMLRS) rockets and associated equipment.

The contract calls for the production of more than 9,000 GMLRS Unitary and Alternative-Warhead (AW) rockets, more than 2,000 Low-Cost Reduced-Range Practice Rockets (RRPRs) and integrated logistics support for the U.S. Army, U.S. Marine Corps and international customers.

Work will be performed at the Lockheed Martin facilities in Camden, Arkansas; Dallas and Lufkin, Texas; and Ocala, Florida, and will be completed by September 2023.

On **Mar 23, 2021**, Lockheed declared that the Missile Defense Agency (MDA), in a competitive downselect phase, selected Lockheed and partner Aerojet Rocketdyne to deliver the nation's most advanced missile defense system, the Next Generation Interceptor (NGI). The \$3.7 billion contract for Next Generation Interceptor is the first step in the development and demonstration phase delivering on MDA's requirements to modernize the current Ground-based Midcourse Defense (GMD) system.

On **Mar 23, 2021**, Lockheed announced that it has entered into a strategic interest agreement with Omnispace to explore jointly developing 5G capability from space. The proposed global 5G standards-based non-terrestrial network (NTN) would offer commercial, enterprise and government devices ubiquitous communications worldwide. This type of network has the potential to redefine mobile communications, benefiting users requiring true mobility, regardless of environment or location.

On **Mar 15, 2021**, Lockheed Martin announced that it has received its first F-16 from the U.S. Air Force as part of the \$900 million indefinite delivery/indefinite quantity (IDIQ) contract the company received in December 2020 to provide sustainment support and depot-overflow services for F-16 aircraft.

The IDIQ contract also establishes the first ever U.S.-based F-16 industry depot to support government-owned depot facilities and includes depot-level maintenance activities, predefined programmatic work, aircraft modification and unplanned drop-in maintenance. As the F-16 Fighting Falcon's Original Equipment Manufacturer, Lockheed Martin is uniquely positioned to provide the most comprehensive knowledge of the aircraft and tailored sustainment solutions to optimize the F16 fleet for greater capability, readiness and performance.

On **Mar 4, 2021**, Lockheed Martin announced that it has successfully tested its next-generation Extended-Range Guided Multiple Launch Rocket System (ER GMLRS) munition in an 80-kilometer flight demonstration at White Sands Missile Range, New Mexico. The company has produced more than 50,000 GMLRS rounds and is under contract to produce more than 9,000 new GMLRS unitary and alternative-warhead rockets, more than 1,800 low-cost reduced-range practice rockets and integrated logistics support for the U.S. Army and international customers.

On **Feb 8, 2021**, Lockheed Martin announced that it has contracted ABL Space Systems, of El Segundo, California, a developer of low-cost launch vehicles and launch systems for the small satellite industry, to supply a rocket and associated launch services for the company's first UK vertical satellite launch.

The project known as UK Pathfinder Launch is planned to be the first ever vertical small satellite launch from UK soil, from Scotland in 2022. It will also be the first UK commercial launch for U.S.-based ABL Space Systems' new RS1 rocket.

On **Feb 2, 2021**, Lockheed Martin secured a Foreign Military Sales (FMS) contract worth \$64.3 million involving the F-16 aircraft. The contract was awarded by the Air Force Life Cycle Management Center, Hanscom Air Force Base, MA.

Per the deal terms, the company will conduct development, integration, test and delivery of the Joint Mission Planning System Unique Planning Component/Mission Planning Environment software updates for the F-16 jets. Work related to this contract will be carried out in Owego, NY, and is expected to be completed by January 2029.

On **Jan 11, 2021**, Lockheed Martin announced that it has delivered Helios Laser Weapons System to the U.S. Navy for Ship testing and Integration. The company also stated that this year, the U.S. Navy will field the first acquisition program to deploy the High Energy Laser with Integrated Optical-dazzler and Surveillance, or HELIOS, a laser weapon system with high-energy fiber lasers for permanent fielding by the U.S. Department of Defense. This will be the only deployed laser system integrated into an operational Flight IIA DDG.

Valuation

Lockheed Martin's shares are up 7.7% in the year-to-date period and down 1.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Aerospace sector are up 15.8% and 14.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 21.8% while the sector is up 19.8%.

The S&P 500 index is up 12.8% in the year to date period and 39.5% in the past year.

The stock is currently trading at 14.1X of forward 12-month earnings, which compares to 21.9X for the Zacks sub-industry, 23.2X for the Zacks sector and 21.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.4X and as low as 11.2X, with a 5-year median of 17.3X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$405 price target reflects 14.9X forward 12-month earnings.

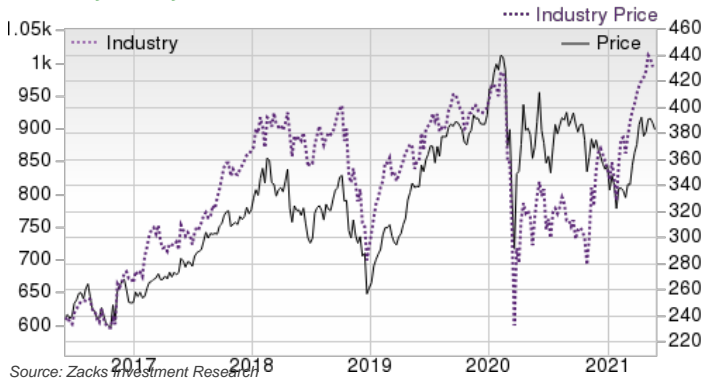
The table below shows summary valuation data for LMT

Valuation Multiples - LMT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.06	21.93	23.22	21.85
	5-Year High	25.36	22.54	23.22	23.83
	5-Year Low	11.22	14.52	14.31	15.3
	5-Year Median	17.27	18.9	18.08	18.03
P/S F12M	Current	1.54	1.46	2.03	4.7
	5-Year High	2.01	1.64	2.03	4.74
	5-Year Low	1.21	0.99	0.97	3.21
	5-Year Median	1.61	1.29	1.29	3.71
EV/SALES TTM	Current	1.74	2.2	2.84	4.81
	5-Year High	2.3	2.22	3.01	4.85
	5-Year Low	1.47	1.04	1.16	2.64
	5-Year Median	1.95	1.59	1.74	3.63

As of 05/28/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 12% (220 out of 249)



Top Peers

Company (Ticker)	Rec	Rank
The Boeing Company (BA)	Neutral	3
General Dynamics Corporation (GD)	Neutral	3
Huntington Ingalls Industries, Inc. (HII)	Neutral	3
Leidos Holdings, Inc. (LDOS)	Neutral	3
L3Harris Technologies Inc (LHX)	Neutral	3
Northrop Grumman Corporation (NOC)	Neutral	3
Safran SA (SAFRY)	Neutral	4
Textron Inc. (TXT)	Neutral	2

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

Industry Comparison Industry: Aerospace - Defense				Industry Peers		
	LMT	X Industry	S&P 500	BA	GD	NOC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	F	C	B
Market Cap	106.23 B	14.23 B	30.52 B	144.46 B	53.67 B	58.89 B
# of Analysts	9	7	12	7	9	7
Dividend Yield	2.72%	0.12%	1.29%	0.00%	2.51%	1.72%
Value Score	A	-	-	F	A	A
Cash/Price	0.03	0.07	0.06	0.15	0.03	0.06
EV/EBITDA	11.36	11.36	17.26	-17.95	12.14	12.19
PEG F1	2.02	1.86	2.18	NA	2.37	NA
P/B	16.77	3.65	4.18	NA	3.50	5.60
P/CF	12.94	13.27	17.54	NA	13.47	11.66
P/E F1	14.31	16.95	21.80	NA	17.00	15.07
P/S TTM	1.61	1.35	3.49	2.56	1.39	1.58
Earnings Yield	6.99%	4.48%	4.50%	-0.12%	5.88%	6.63%
Debt/Equity	1.84	0.73	0.66	-3.23	0.65	1.21
Cash Flow (\$/share)	29.54	1.52	6.82	-18.83	14.10	31.37
Growth Score	A	-	-	F	D	D
Historical EPS Growth (3-5 Years)	19.38%	15.19%	9.49%	-13.99%	4.17%	22.23%
Projected EPS Growth (F1/F0)	8.98%	12.97%	21.44%	98.72%	1.53%	2.62%
Current Cash Flow Growth	11.52%	-11.78%	0.74%	-3,699.87%	-6.21%	7.37%
Historical Cash Flow Growth (3-5 Years)	12.19%	3.26%	7.32%	NA	3.26%	18.58%
Current Ratio	1.38	1.37	1.39	1.33	1.35	1.46
Debt/Capital	64.80%	42.20%	41.55%	NA	39.45%	54.81%
Net Margin	10.53%	2.98%	11.79%	-20.87%	8.22%	12.10%
Return on Equity	134.40%	9.37%	16.10%	NA	21.27%	40.40%
Sales/Assets	1.30	0.76	0.51	0.36	0.76	0.86
Projected Sales Growth (F1/F0)	4.38%	4.38%	9.23%	38.85%	2.82%	-3.15%
Momentum Score	A	-	-	F	C	B
Daily Price Change	-1.34%	-0.04%	0.11%	-1.47%	-0.40%	-1.24%
1-Week Price Change	-1.30%	2.36%	1.01%	5.20%	0.02%	-1.24%
4-Week Price Change	0.43%	3.47%	1.74%	5.42%	-0.17%	3.22%
12-Week Price Change	12.27%	12.77%	10.80%	10.66%	11.37%	21.59%
52-Week Price Change	-1.61%	35.84%	43.34%	69.37%	29.34%	9.15%
20-Day Average Volume (Shares)	1,266,508	601,717	1,955,929	12,602,754	1,051,888	827,550
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.10%	0.10%	0.71%	-122.34%	0.65%	3.97%
EPS F1 Estimate 12-Week Change	1.62%	1.62%	3.16%	-100.96%	0.92%	3.93%
EPS Q1 Estimate Monthly Change	0.16%	-0.63%	0.16%	-652.38%	-2.12%	-1.26%

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	A
Growth Score	A
Momentum Score	A
VGM Score	A

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.