Mar 05, 2021

Logitech International (LOGI)

$94.40 (As of 03/04/21)

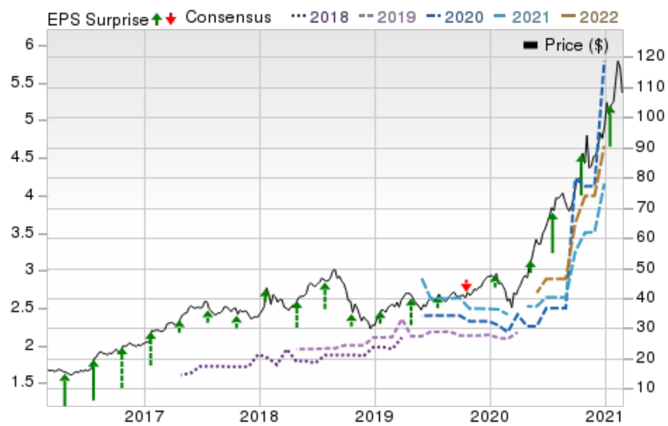
Price Target (6-12 Months): **$109.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/21/21) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:B
	Value: D | Growth: A | Momentum: D	

Summary

Logitech is benefiting from solid performance of Gaming and Video Collaboration units. Also, the thriving cloud-based video conferencing services will continue to be the key catalyst. Stay-at-home orders due to the coronavirus outbreak are boosting sales. Strong performance of the existing products and a growing momentum in new products are positives. Rising adoption of new mobile platforms in both mature and emerging markets is fueling demand for Logitech's peripherals and accessories. Logitech's partnerships with cloud providers like Zoom Video, Microsoft and Google are major positives. Shares have outperformed the industry in the past year. However, weakness in the Mobile Speaker and Smart Home units remains an overhang. Moreover, intense competitions from big and local players in the computer peripheral space are near-term headwinds.

Price, Consensus & Surprise

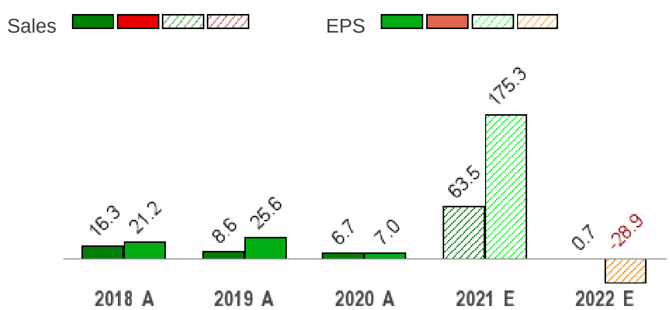


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$120.24 - $31.37**
20-Day Average Volume (Shares)	**933,956**
Market Cap	**$15.8 B**
Year-To-Date Price Change	**-2.9%**
Beta	**0.89**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Computer - Peripheral Equipment**
Zacks Industry Rank	**Top 44% (113 out of 254)**
Last EPS Surprise	**126.9%**
Last Sales Surprise	**35.9%**
EPS F1 Estimate 4-Week Change	**-0.2%**
Expected Report Date	**05/10/2021**
Earnings ESP	**-12.8%**
P/E TTM	**17.6**
P/E F1	**16.0**
PEG F1	**1.8**
P/S TTM	**3.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	965 E	1,202 E	1,514 E	1,265 E	4,898 E
2021	792 A	1,257 A	1,667 A	1,156 E	4,866 E
2020	644 A	720 A	903 A	709 A	2,976 A

EPS Estimates

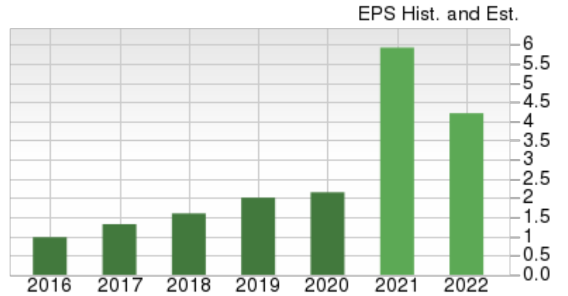
	Q1	Q2	Q3	Q4	Annual*
2022	$0.72 E	$1.16 E	$1.58 E	$0.82 E	$4.21 E
2021	$0.64 A	$1.87 A	$2.45 A	$0.96 E	$5.92 E
2020	$0.39 A	$0.50 A	$0.84 A	$0.42 A	$2.15 A

*Quarterly figures may not add up to annual.

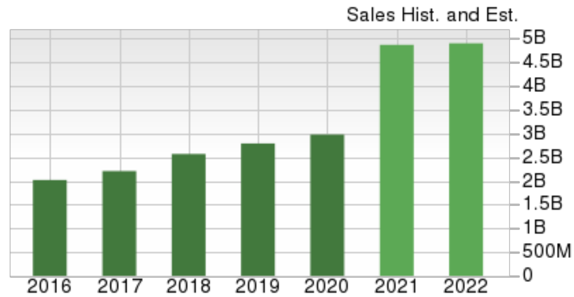
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/04/2021. The report's text and the analyst-provided price target are as of 03/05/2021.

Overview

Based in Switzerland, Logitech International S.A. is the parent holding company of Logitech. The company is a global leader in peripherals for personal computers and other digital platforms. It develops and markets innovative products in PC navigation, Internet communications, digital music, home-entertainment control, video security, interactive gaming and wireless devices.



The company conducts its business through subsidiaries located throughout the world. Logitech's brands include Logitech, Logitech G, ASTRO Gaming, Streamlabs, Ultimate Ears, Jaybird, and Blue Microphones.



Logitech operate in a single operating segment, Peripherals, which consists of the design, manufacturing and marketing of peripherals for PCs and other digital platforms. For the PC, the company's products include trackballs, interactive gaming controllers, multimedia speakers, headsets, webcams, 3D control devices and lapdesks. Tablet & Other Accessories products include keyboard and covers.

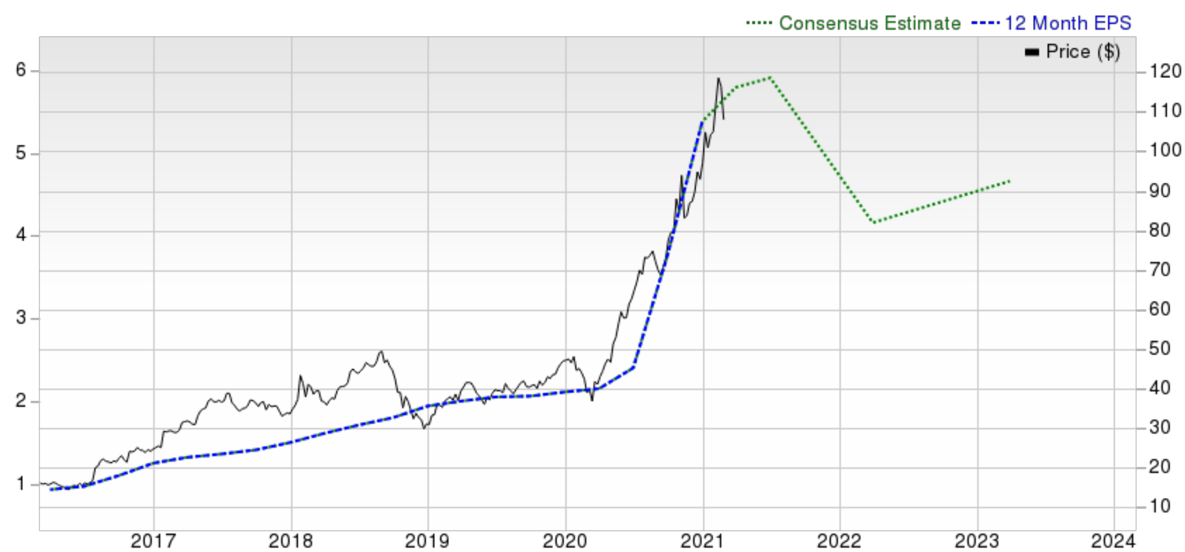
Internet communications products comprise webcams, headsets, video communications services and digital video security systems for a home or small business.

Mobile Speakers products include wireless speakers, earphones and custom in-ear monitors. For home entertainment systems, Logitech offers the Harmony line of advanced remote controls and Squeezebox wireless music solutions.

In fiscal 2020, Logitech reported net sales of $2.98 billion. Americas, Europe, Middle East and Africa (EMEA) and Asia Pacific accounted for 43.2%, 31.6% and 25.1% of net sales, respectively.

Moreover, in terms of principal markets, Switzerland, the United States and Germany represented 4%, 36% and 15% of sales in fiscal 2020.

Major distributors in North America include Ingram Micro, Tech Data Corporation, D&H Distributing Company, and Synnex. Major pan-European distributors include Ingram Micro, Tech Data, ALSO Group and DCC PLC. In Asia, apart from Ingram Micro, other major distributors include Wincheers International Trading and Beijing Digital China Limited in China, Daiwabo in Japan, and Synnex in Australia.



Source: Zacks Investment Research

Reasons To Buy:

> The bullish momentum in Gaming and Video Collaboration businesses, along with the thriving cloud-based video conferencing services, will continue to be catalysts for the company's growth.

- Growing adoption of new mobile platforms in both mature and emerging markets are fueling the demand for Logitech's peripherals and accessories. Robust sales across product categories and strong momentum in Video Collaboration, Gaming, and Creativity & Productivity businesses, are helping the company boost its top-line. Logitech has been able to leverage its software and go-to-market capabilities to drive market share gains and growth. The company's cloud-based video conferencing services is also a key growth driver. Apart from this, growth in its tablet business has proved conducive to its top-line.

- Logitech is intending to tap the high potential market for accessories by pursuing innovation and expanding its product lines. The company has manufactured innovative offerings like fastest performing mouse and keyboard switches, wireless mouse with longest battery, and multi-device keyboards among others. Over the last one year, Logitech has introduced a number of offerings to grab a greater market share. This apart, the acquisition of earbud manufacturer Jaybird has helped Logitech expand its current product portfolio to address customers who prefer headphones over speakers. With such a strong product roster and excellent demand, Logitech is optimistic about the market traction of its offerings in coming times. Moreover, Logitech's recent acquisition of Blue Headphones is also expected to be a key growth driver.

- The acquisition of ASTRO Gaming — a popular console gaming headset maker — in second-quarter fiscal 2018 is helping Logitech carve a deeper niche in the gaming peripheral market. This acquisition is a strategic move on Logitech's part to get a jumpstart on the console market, as it has historically targeted PCs, tablets and phones. Moreover, the Streamlabs acquisition has strengthened the company's gaming portfolio.

- Logitech has been making efforts to increase returns to its investors through share repurchases and dividend hikes. We believe such initiatives boost shareholders' confidence in the stock. This apart, Logitech's solid financial health also allows it to take up acquisitions to boost core business areas.

- Logitech has a strong balance sheet with ample liquidity position and no debt obligations. Cash and cash equivalents were $1.39 billion as of Dec 31, 2020, significantly higher than $917.2 million as of Sep 30, 2020. Since it carries no long-term debt, the cash is available for pursuing strategic acquisitions, investment in growth initiatives and distribution to shareholders.

- Logitech generates solid cash flow, which allows management the opportunity to invest in product innovations, acquisitions and business development. At the same time, the company has historically returned significant cash through a combination of share repurchases and dividend to reward shareholders with risk-adjusted returns. The company generated cash flow from operations of $425 million in the fiscal 2020. In the first-three months of fiscal 2021, Logitech has generated operating cash flow of $928.4 million. The company's solid cash flow generating ability is expected to help it sustain current dividend payout level, at least in the near term.

Risks

- The rising trend of smaller, mobile computing devices with touch interfaces and the declining popularity of desktop PCs can be a headwind for the company. Moreover, the company's sales are impacted by end-user consumer demand and therefore, the business can be negatively impacted by unanticipated shifts in consumer buying patterns.

- The market where Logitech operates is highly competitive and characterized by short product life cycles, constant new product introductions, rapidly changing technology, evolving customer demands and aggressive promotional and pricing practices. Strong competitors like Microsoft, Bose, Philips and Cisco Systems as well as increasing new entrants in Logitech's operating markets pose a threat. Therefore, in a dynamic market such as this, Logitech needs to bring in newer products that match the trend, in order to survive the competition. Consequently, the company has been experiencing significant surges in R&D expenses, which is likely to remain an overhang on the upcoming quarters.

- Logitech's business is prone to be affected by the negative impact of currency translation as the company derives highest portion of its revenues from outside the Americas. Adverse currency impact also significantly hurt the company's operating cash flow. Apart from currency fluctuations, weaknesses in political and macroeconomic conditions are adding to the company's woes. In particular, political tensions between Russia and Ukraine are posing risks for Logitech. Such external factors create unpredictability and are beyond the control of the company.

Last Earnings Report

Logitech Beats on Q3 Earnings, Raises FY21 Outlook

Quarter Ending	12/2020
Report Date	Jan 18, 2021
Sales Surprise	35.90%
EPS Surprise	126.85%
Quarterly EPS	2.45
Annual EPS (TTM)	5.38

Logitech reported third-quarter fiscal 2021 results, wherein both bottom and top lines surpassed estimates. Non-GAAP earnings came in at $2.45 per share, surpassing the Zacks Consensus Estimate by a whopping 126.9%. The bottom line also improved from the year-ago quarter's earnings of 84 cents per share.

Net sales of $1.67 billion outpaced the consensus mark of $1.23 billion, and surged 85% year over year in dollars and 80% at constant currency.

Logitech has been benefiting from increased demand for its Video Collaboration tools, mainly driven by the rising work-from-home and learn-from-home trends. Also, the PC peripheral market is witnessing strong traction, which is aiding top-line growth. Additionally, demand for gaming products has shot up on the growing popularity of online video games and eSports amid the pandemic-led stay-at-home environment.

Segmental Details

Logitech's Gaming segment sales soared 78% year over year to $436.4 million. Video Collaboration sales skyrocketed 218% year on year to $292.5 million. The Audio & Wearables segment sales jumped 87% year over year to $153 million.

Revenues from Pointing Devices increased 38% year over year to $213.6 million. Keyboards & Combos sales grew 40% to $218.3 million. Revenues from PC Webcams were up a whopping 309% to $131.7 million, while Tablet and Other Accessories sales surged 342% to $138.1 million.

However, Mobile Speakers' sales fell 22% to $72.6 million. The Smart Home segment sales declined 33% year over year to $10.6 million. The Other segment revenues came in at $0.61 million during the fiscal third quarter.

Margins & Operating Metrics

Non-GAAP gross profit jumped more than two folds to $754.2 million from the year-ago quarter's figure of $339.6 million. Non-GAAP gross margin expanded 760 basis points (bps) from the prior-year quarter to 45.2%.

Non-GAAP operating expenses flared up 47.8% to $277.9 million. Nonetheless, as a percentage of revenues, non-GAAP operating expenses decreased to 16.7% from the year-ago quarter's figure of 20.8%.

Non-GAAP operating income soared more than three-fold to $476.3 million from the $151.6 million reported in the year-ago quarter. Operating margin advanced 11.8 percentage points to 28.6%.

Liquidity

As of Dec 31, 2020, Logitech's cash and cash equivalents were $1.39 billion compared with the $917.2 million recorded in the previous quarter.

Additionally, the company generated operating cash flow of $529.9 million during the fiscal third quarter. During the first nine months of fiscal 2021, the company generated $928.4 million.

Guidance

Logitech has raised its view for fiscal 2021. The company now expects non-GAAP operating income of $1.05 billion compared with the previously-guided range of $700-$725 million.

Revenues in the fiscal year are now anticipated to be up 57-60% year on year at constant currency, instead of the earlier forecast of a 35-40% increase.

Recent News

On Jan 15, Logitech unveiled new Logitech Rally Bar, purpose-built for mid-sized rooms, and Logitech Rally Bar Mini for small rooms, transform meetings with cinema-quality video and crisp, clear audio in an all-in-one design.

On Dec 21, Logitech announced that it was named to the Dow Jones Sustainability Index (DJSI) Europe for the first time.

On Dec 8, Logitech unveils Circle View Doorbell, the first wired video doorbell developed exclusively for Apple HomeKit.

On Nov 18, Logitech launched Logitech G PRO X SUPERLIGHT, its lightest wireless esports gaming mouse.

On Oct 30, Logitech brand Logitech G announced that it has entered into a multi-year partnership with Riot Games, per which, the former will introduce a portfolio of officially licensed League of Legends gaming products.

On Oct 28, Logitech introduced ERGO M575 Wireless Trackball, a wireless trackball mouse which will enable easy thumb control.

On Oct 1, Logitech studio ASTRO Gaming unveiled the A03 In-Ear Monitor (IEM) for console and mobile gaming.

Valuation

Logitech's shares have increased 34.6% in the 6-month period and 137.2% over the trailing 12 months. Stocks in the Zacks sub-industry have increased 41.6% in the 6-month period, while the Zacks Computer & Technology sector has increased 15.9%. Over the past year, while the Zacks sub-industry increased 84.1%, the sector gained 50.4%.

The S&P 500 Index has increased 12.3% over the last six months and 30.9% in the past year.

The stock is currently trading at 3.48X forward 12-month sales, which compares to 0.78X for the Zacks sub-industry, 4.68X for the Zacks sector and 4.45X for the S&P 500 index.

Over the past five years, the stock has traded as high as 4.52X and as low as 1.15X, with a 5-year median of 2.23X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $109 price target reflects 4X forward 12-month sales.

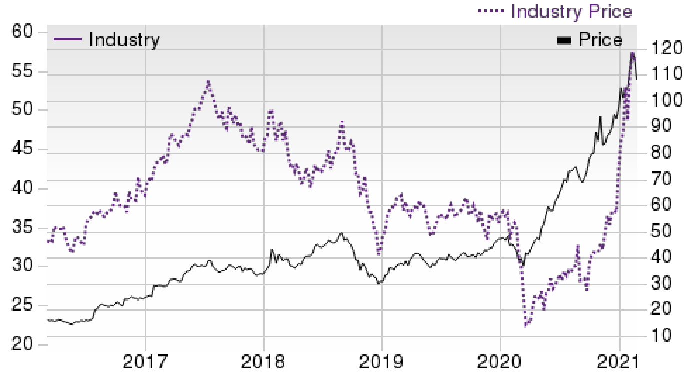
The table below shows summary valuation data for LOGI

Valuation Multiples - LOGI

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	3.48	0.78	4.68	4.45
	5-Year High	4.52	7.05	4.68	4.45
	5-Year Low	1.15	0.52	2.79	3.21
	5-Year Median	2.23	5.06	3.50	3.68
P/B TTM	Current	7.50	2.07	9.24	6.86
	5-Year High	9.52	2.44	10.03	7.07
	5-Year Low	3.09	0.72	4.42	3.84
	5-Year Median	6.07	1.01	5.77	4.97
EV/EBITDA TTM	Current	16.36	12.31	15.83	16.99
	5-Year High	44.76	24.50	17.16	17.54
	5-Year Low	6.82	2.23	8.92	9.63
	5-Year Median	18.36	4.73	12.29	13.31

As of 03/04/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 44% (113 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Apple Inc. **(AAPL)**	Outperform	2
Lenovo Group Ltd. **(LNVGY)**	Outperform	2
Dell Technologies Inc. **(DELL)**	Neutral	3
HP Inc. **(HPQ)**	Neutral	2
Immersion Corporation **(IMMR)**	Neutral	3
LG Display Co., Ltd. **(LPL)**	Neutral	2
Microsoft Corporation **(MSFT)**	Neutral	2
Stratasys, Ltd. **(SSYS)**	Neutral	4

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

Industry Comparison Industry: Computer - Peripheral Equipment

Industry Peers

	LOGI	X Industry	S&P 500	AAPL	HPQ	MSFT
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	2	2	2
VGM Score	B	-	-	C	A	F
Market Cap	15.76 B	172.58 M	26.64 B	2,016.75 B	34.99 B	1,710.05 B
# of Analysts	3	2	13	12	6	15
Dividend Yield	0.00%	0.00%	1.43%	0.68%	2.76%	0.99%
Value Score	D	-	-	D	A	F
Cash/Price	0.08	0.13	0.06	0.04	0.12	0.08
EV/EBITDA	36.11	4.83	15.34	26.09	8.41	23.87
PEG F1	1.77	1.05	2.27	2.34	1.09	2.59
P/B	7.50	3.35	3.76	30.45	NA	13.13
P/CF	39.89	39.89	15.31	29.83	9.58	30.06
P/E F1	15.95	15.95	20.37	26.88	8.64	30.90
P/S TTM	3.56	2.66	3.15	6.86	0.61	11.16
Earnings Yield	6.27%	1.18%	4.82%	3.72%	11.58%	3.24%
Debt/Equity	0.00	0.03	0.67	1.50	-1.53	0.42
Cash Flow ($/share)	2.37	0.20	6.78	4.03	2.93	7.54
Growth Score	A	-	-	A	A	C
Historical EPS Growth (3-5 Years)	31.15%	9.71%	9.32%	12.55%	6.41%	21.45%
Projected EPS Growth (F1/F0)	175.35%	61.29%	14.54%	36.28%	42.47%	27.41%
Current Cash Flow Growth	9.67%	-10.46%	0.74%	0.98%	-3.13%	17.66%
Historical Cash Flow Growth (3-5 Years)	3.78%	2.22%	7.37%	1.15%	-17.70%	10.19%
Current Ratio	1.90	2.40	1.39	1.16	0.73	2.58
Debt/Capital	0.00%	2.87%	41.42%	59.99%	NA	29.74%
Net Margin	21.14%	-0.87%	10.59%	21.74%	5.61%	33.47%
Return on Equity	49.50%	-2.63%	14.75%	90.59%	-169.24%	42.19%
Sales/Assets	1.49	0.89	0.51	0.89	1.68	0.51
Projected Sales Growth (F1/F0)	63.51%	14.02%	7.02%	22.60%	5.93%	14.33%
Momentum Score	D	-	-	F	A	F
Daily Price Change	-6.31%	-2.67%	-1.49%	-1.58%	-5.87%	-0.36%
1-Week Price Change	-7.19%	-3.31%	-1.51%	-6.63%	6.90%	-3.56%
4-Week Price Change	-13.95%	1.16%	0.04%	-12.56%	8.17%	-6.31%
12-Week Price Change	5.36%	28.12%	3.94%	-2.52%	21.15%	7.70%
52-Week Price Change	134.30%	50.00%	22.81%	64.04%	30.32%	36.36%
20-Day Average Volume (Shares)	933,956	289,919	2,051,279	99,005,192	9,910,272	25,309,988
EPS F1 Estimate 1-Week Change	-0.17%	0.00%	0.00%	-0.09%	-0.81%	-0.01%
EPS F1 Estimate 4-Week Change	-0.17%	-0.17%	0.04%	-0.09%	21.51%	-0.01%
EPS F1 Estimate 12-Week Change	43.36%	8.76%	2.17%	11.38%	22.50%	8.90%
EPS Q1 Estimate Monthly Change	-4.55%	0.00%	0.00%	-0.28%	46.29%	0.02%

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

Value Score	D
Growth Score	A
Momentum Score	D
VGM Score	B

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.

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

Disclosures

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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