Mattel, Inc. (MAT)

$14.27 (As of 10/27/20)

Price Target (6-12 Months): **$15.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/06/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: F | Growth: D | Momentum: D	**1-Strong Buy** VGM:F

Summary

Although shares of Mattel have underperformed the industry so far this year, the company remains well positioned for growth courtesy of strong product line-up, which includes core brands, licensed brands and lucrative product associations. It reported third-quarter 2020 results, wherein both earnings and revenues not only surpassed the Zacks Consensus Estimate but also improved year over year. Despite the coronavirus pandemic, both the top and bottom lines increased year over year owing to robust e-commerce growth, which surged 50% year over year. Moreover, increase in in worldwide gross sales for Dolls, Vehicles, Barbie and Hot Wheels aided the company's results. Moreover, initiatives like product innovation, promotional strategies, digital efforts, and increased focus on structural simplification are likely to drive results.

Price, Consensus & Surprise

Source: Zacks Investment Research

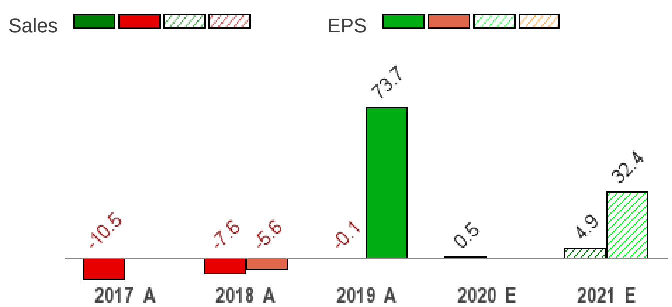
Data Overview

52-Week High-Low	$14.83 - $6.53
20-Day Average Volume (Shares)	6,493,982
Market Cap	$5.0 B
Year-To-Date Price Change	5.3%
Beta	1.51
Dividend / Dividend Yield	$0.00 / 0.0%
Industry	Toys - Games - Hobbies
Zacks Industry Rank	Top 28% (70 out of 254)

Last EPS Surprise	150.0%
Last Sales Surprise	11.6%
EPS F1 Estimate 4-Week Change	353.4%
Expected Report Date	02/11/2021
Earnings ESP	0.0%

P/E TTM	59.5
P/E F1	38.6
PEG F1	4.1
P/S TTM	1.1

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	648 E	829 E	1,634 E	1,613 E	4,747 E
2020	594 A	732 A	1,632 A	1,569 E	4,527 E
2019	689 A	860 A	1,482 A	1,474 A	4,505 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-$0.42 E	-$0.19 E	$0.60 E	$0.42 E	$0.49 E
2020	-$0.56 A	-$0.26 A	$0.95 A	$0.22 E	$0.37 E
2019	-$0.44 A	-$0.25 A	$0.26 A	$0.11 A	-$0.30 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 10/27/2020. The reports text is as of 10/28/2020.

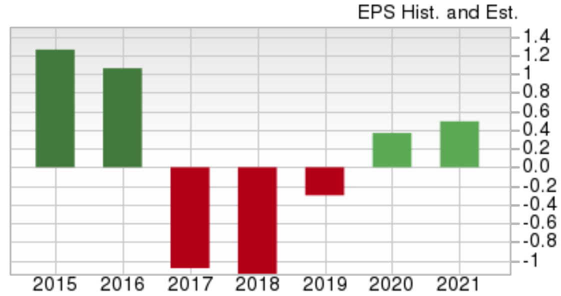
Overview

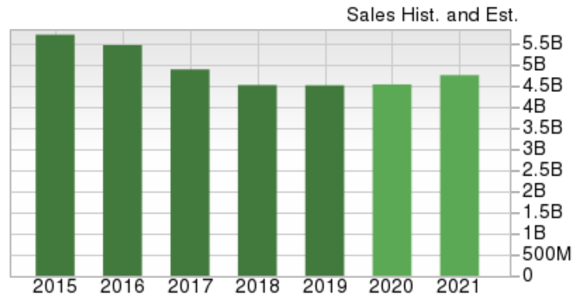
Headquartered in El Segundo, CA, Mattel Inc. is the world's largest manufacturer of toys. The company's products are sold directly to retailers and wholesalers in most European, Latin American and Asian countries as well as in Australia, Canada and New Zealand through the Mattel Girls & Boys Brands, Fisher-Price Brands, American Girl Brands, and Construction and Arts & Crafts Brands. The products are sold through agents as well as distributors in countries where Mattel has no direct presence.

Mattel's portfolio of global brands has vast intellectual property potential. The brands and products are widely classified as Power Brands and Toy Box.

The company's Power Brands include Barbie, Hot Wheels, Fisher-Price, Thomas & Friends, and American Girl.

Toy Box includes new and innovative products as well as time-tested classics from Mattel-owned and licensed entertainment properties. Under Toy Box, Mattel has owned brands such as MEGA, Polly Pocket, Uno, Enchantimals, Fireman Sam and Matchbox. The company's partner brands include Disney (CARS, Mickey Mouse Clubhouse), WWE Wrestling, Nickelodeon (Shimmer and Shine, Blaze, and the Monster Machines), Warner Bros. Consumer Products (DC Comics — Batman, DC Comics Superhero Girls), NBCUniversal (Jurassic World, and Fast and Furious), and Mojang (Minecraft).





The company's operating segments are separately managed business units, consisting North America (48% to total net sales in first-quarter 2020), which includes the U.S. and Canada; International (45%); and American Girl (7%). The North America and International segments sell products under the Mattel Girls & Boys Brands, Fisher-Price Brands, and Construction and Arts & Crafts Brands categories.

Source: Zacks Investment Research

Reasons To Buy:

> Mattel's aggressive efforts to improve its point of sale while managing its costs coupled with strategic partnerships and expansion in international markets bode well

▲ **Increased Focus on Key Brands:** Given a strong product line-up, which includes core brands, licensed brands and lucrative product associations, Mattel remains well positioned for growth. Owing to its popularity among young boys and girls, the company's premier brand like Hot Wheels has been the category leader in multiple product segments for several years. Continued strategic investments in the brand are likely to keep widening the depth of fun kids can have with Hot Wheels. Mattel has also forayed into other consumer product categories such as apparel, fashion and accessories to build the brands. In fact, in 2018, worldwide gross sales for Hot Wheels were up 9% and reached the highest annual sales in its 50-year history. In 2019, gross sales at the Hot Wheels brand improved 12% on a reported basis and 17% at constant currency. It also marked the sixth consecutive year of POS growth both in the U.S. and globally.

Meanwhile, the company has been undertaking efforts on the digital front and focusing on better execution of marketing and promotional initiatives to bring back its flagship brands, Barbie and Fisher-Price, to their former positions. In fact, the company has formed a brand development framework to unlock the scale and profitability of its brands and modernize them for the digital world. Notably, the company is making significant progress to transform Mattel into an IP-driven high-performing toy company.

▲ **Cost-Control & Other Efforts to Drive Growth:** Through its current cost-saving program, Mattel remains focused on achieving cumulative cost savings, thus, enhancing margins. Basically, the company is simplifying its organization structure, optimizing processes and supply chain to generate savings across operations. In fact, Mattel already achieved $875 million of structural simplification run-rate savings in 2019, which exceeds its target of $650 million. By the end of this year, the company anticipates to reduce structural costs by more than $1 billion.

The company is focused on strong cost and productivity initiatives to support growth, operate more efficiently and rebuild margins. For 2020, Mattel now targets gross margin to increase 350-400 basis points primarily backed by structural simplification program and incremental savings from its capital light program. Cost saving initiatives have been helping the company in driving margin growth. In first, second and third-quarter 2020, adjusted gross margin expanded 450, 410 and 410 basis points to 43.5%, 44% and 51%, respectively, on the back of savings from the Structural Simplification program and capital light. The company witnessed highest gross margin growth in the first quarter since 2016.

▲ **Sales Growth in North America:** Although the company's total sales declined due to the pandemic, it surpassed the company's expectation. However, the major take away from this quarter is sales growth in North America Barbie and games. In North America, gross sales increased 13% year over year. This can primarily be attributed to increase in sales in Dolls, Action Figures, Building Sets, Games, and Other (comprising Star Wars: The Child plush, card games, including UNO, Jurassic World, and Pictionary, partially offset by Toy Story 4), and Vehicles (including Hot Wheels and CARS). The improvement was marginally negated by decline in Infant, Toddler, and Preschool (comprising Fisher-Price Friends and Fisher-Price and Thomas & Friends).

▲ **Robust Barbie Brand Growth:** Barbie brand continues to impress investor with solid performance. In the third quarter, the Barbie brand witnessed an improvement of 29% on reported basis and 30% on constant-currency basis. Barbie point of sales increased 50%. Per NPD, Barbie gained market share in the dolls category in the third quarter and was the number one toy property in the United States, Europe and Latin America.

▲ **Enough Liquidity to Tide Over Coronavirus Pandemic:** Mattel, in its third-quarter 2020 earnings release, highlighted that it has enough liquidity to manage the ongoing crisis. As of Sep 30, 2020, the company had $2.9 billion debt, almost flat sequentially. The company ended the quarter with cash and cash equivalent of $452.2 million, compared with $461.6 at the end of second-quarter 2020. Although the company's cash is quite low in comparison to its debt, it has no debt maturing until March 2023. The company also has access to $1.6 billion senior secured revolving credit facilities.

▲ **Robust Hot Wheels Sales:** The company witnessed strong Hot Wheels sales in the third quarter after witnessing dismal performance in second-quarter 2020. In third-quarter 2020, gross sales at the Hot Wheels brand rose 7% on a reported basis and 9% on constant-currency basis. Moreover, Hot Wheels POS were up double digits in the quarter. The company has been witnessing improving sales trend for Hot Wheels and is quite confident about the brand's long-term prospect.

Reasons To Sell:

The coronavirus pandemic, high costs and stiff competition from an array of alternative modes of entertainment including video games, MP3 players, tablets, smartphones and other electronic devices remains a concern.

- **Coronavirus Pandemic Might Hurt Results:** The company reported robust results in third-quarter 2020 despite the pandemic. However, management announced that coronavirus pandemic and other macroeconomic uncertainties might negatively impact performance. By the end of the third quarter, nearly 2% of all retail outlets that sell the company's products, which represent nearly 1% of its revenue base, were closed due to the pandemic.

- **Traditional Toys and Age Compression Mar Top Line:** Toy manufacturers have to battle a broad array of alternative modes of entertainment including video games, MP3 players, tablets, smartphones and other electronic devices. Mattel's revenues have been under some pressure over the past few quarters due to lower demand for games as children are opting for electronic versions of games on smartphones and tablets. Another factor affecting demand for these brands is age compression. Kids are growing up and moving on much faster than they used to and also get bored easily. For instance, demand for some toys that were preferred by kids aged 3 to 9 years previously has narrowed down to the band of 3 to 6 years. This is tapering the demand for toys, thereby hurting revenues.

- **Currency Headwinds:** Mattel has considerable international presence and is therefore highly vulnerable to fluctuations in exchange rates. Foreign exchange translation has been hurting revenues and profits of the company over the past few quarters. If the U.S. dollar gains strength against other currencies, this might hurt revenues, going forward.

Last Earnings Report

Mattel Q3 Earnings & Sales Beat Estimates

Quarter Ending	09/2020
Report Date	Oct 22, 2020
Sales Surprise	11.62%
EPS Surprise	150.00%
Quarterly EPS	0.95
Annual EPS (TTM)	0.24

Mattel reported third-quarter 2020 results, wherein both earnings and revenues surpassed the Zacks Consensus Estimate. Both the metrics beat the consensus estimate for the second straight quarter.

The company reported adjusted earnings per share of 95 cents, comfortably beating the Zacks Consensus Estimate of 38 cents. In the prior-year quarter, the company reported adjusted earnings per share of 26 cents.

Sales Discussion

Net sales of $1,631.7 million surpassed the Zacks Consensus Estimate of $1,462 million. Moreover, the top line rose 10% year over year. On a constant-currency basis, sales increased 11% from the prior-year quarter.

In North America, gross sales were up 13%, both on a reported and constant-currency basis. This can primarily be attributed to increase in sales in Dolls, Action Figures, Building Sets, Games, and Other (comprising Star Wars: The Child plush, card games, including UNO, Jurassic World, and Pictionary, partially offset by Toy Story 4), and Vehicles (including Hot Wheels and CARS). The improvement was marginally negated by decline in Infant, Toddler, and Preschool (comprising Fisher-Price Friends and Fisher-Price and Thomas & Friends).

In the International region, gross sales rose 7% (as reported), owing to increase in sales in Dolls (including Barbie), Action Figures, Building Sets, Games, and Other (including Scrabble, card games, including UNO, and Jurassic World, partially offset by Toy Story 4), and Vehicles (including Hot Wheels). Moreover, gross sales increased 10% in constant currency.

Brand-Wise Worldwide Sales

Mattel, through its subsidiaries, sells a broad range of toys. These items are grouped under different brands — Barbie, Hot Wheels, Fisher-Price and Thomas & Friends and Other.

As reported, worldwide gross sales at Mattel Power Brands were up 11% to $1,818.4 million year over year. The metric rose 11% on a constant-currency basis. Moreover, the Barbie brand witnessed an improvement of 29% on reported basis and 30% on constant-currency basis. Gross sales at the Hot Wheels brand rose 7% on a reported basis and 9% on constant-currency basis. However, gross sales were down 2% on reported basis and 1% on constant-currency basis at the Fisher-Price and Thomas & Friends brands. Gross sales at Other increased 6% on reported basis and 7% on constant-currency basis.

Operating Results

Adjusted gross margin expanded 410 basis points to 51%, driven by the incremental realized savings from cost savings programs and decline in royalty expense and favorable category mix.

Adjusted other selling and administrative expenses declined 6% to $345.7 million. The improvement can primarily be attributed to benefits from Structural Simplification savings.

Balance Sheet

As of Sep 30, 2020, the company's cash and equivalents were $452.2 million compared with $630 million as of Dec 31, 2019. Total inventories as of the end of the third quarter were down 5.4% year over year to $663.6 million.

The company's long-term debt was $2,852.8 million as of Sep 30, 2020, higher than $2,846.8 million as of Dec 31, 2019. Shareholder's equity was $404.5 million.

Valuation

Mattel's shares are up 5.4% in year-to-date period and 35.2% in the trailing 12-month period. Stocks in the Zacks sub-industry is up by 21.3%, but the Zacks Consumer Discretionary sector is down by 4% in the year-to-date period. Over the past year, the Zacks sub-industry and sector is up by 33.4% and 4.1%, respectively.

The S&P 500 index is up by 5.2% in the year-to-date period and 11.8% in the past year.

The stock is currently trading at 1.09X forward 12-month sales, which compares to 5.61X for the Zacks sub-industry, 2.28X for the Zacks sector and 4.03X for the S&P 500 index.

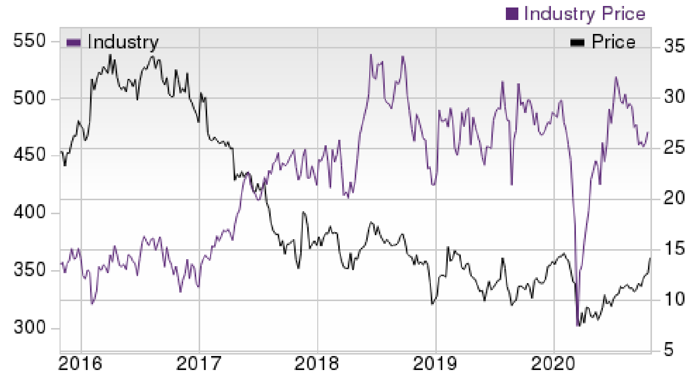
Over the past five years, the stock has traded as high as 2.08X and as low as 0.54X, with a 5-year median of 1.08X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $15 price target reflects 1.17X forward 12-month sales.

The table below shows summary valuation data for MAT.

Valuation Multiples - MAT					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.09	5.61	2.28	4.03
	5-Year High	2.08	6.16	2.96	4.31
	5-Year Low	0.54	3.5	1.7	3.18
	5-Year Median	1.08	4.85	2.48	3.67
EV/EBITDA TTM	Current	13.57	19.24	10.91	14.81
	5-Year High	33.04	26	17.86	15.68
	5-Year Low	NA	11.2	8.3	9.55
	5-Year Median	14.33	15.17	12.22	13.12
P/B TTM	Current	12.14	4.58	3.32	5.88
	5-Year High	47.76	6.64	4.84	6.2
	5-Year Low	2.41	3.11	2.23	3.75
	5-Year Median	5.01	4.26	4.19	4.91

As of 10/27/2020 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Top 28% (70 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Activision Blizzard, Inc **(ATVI)**	Outperform	2
Nintendo Co. **(NTDOY)**	Outperform	1
Electronic Arts Inc. **(EA)**	Neutral	3
Callaway Golf Company **(ELY)**	Neutral	3
Hasbro, Inc. **(HAS)**	Neutral	3
TakeTwo Interactive Software, Inc. **(TTWO)**	Neutral	3
Glu Mobile Inc. **(GLUU)**	Underperform	4
JAKKS Pacific, Inc. **(JAKK)**	Underperform	5

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

Industry Comparison Industry: Toys - Games - Hobbies

	MAT	X Industry	S&P 500	EA	HAS	TTWO
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	F	-	-	C	C	C
Market Cap	4.95 B	8.31 B	23.55 B	36.57 B	11.66 B	19.14 B
# of Analysts	4	6.5	13	13	7	19
Dividend Yield	0.00%	0.00%	1.68%	0.00%	3.20%	0.00%
Value Score	F	-	-	D	C	D
Cash/Price	0.09	0.16	0.07	0.16	0.08	0.15
EV/EBITDA	25.59	18.70	13.09	18.70	16.00	23.57
PEG F1	4.02	2.03	2.67	1.85	2.20	3.00
P/B	12.24	4.64	3.35	4.70	4.15	7.22
P/CF	35.80	28.85	12.78	23.59	13.58	29.04
P/E F1	37.51	24.67	20.70	22.87	24.95	35.50
P/S TTM	1.12	4.05	2.55	6.32	2.26	5.66
Earnings Yield	2.59%	4.03%	4.54%	4.38%	4.01%	2.81%
Debt/Equity	7.05	0.00	0.70	0.05	1.70	0.00
Cash Flow ($/share)	0.40	2.34	6.92	5.37	6.27	5.76
Growth Score	D	-	-	A	D	A
Historical EPS Growth (3-5 Years)	NA%	14.93%	10.10%	14.93%	2.05%	34.56%
Projected EPS Growth (F1/F0)	222.50%	24.25%	-1.78%	-3.21%	-16.39%	-14.74%
Current Cash Flow Growth	-214.17%	-3.32%	5.49%	15.43%	-3.32%	-8.18%
Historical Cash Flow Growth (3-5 Years)	-28.91%	6.23%	8.50%	7.26%	5.21%	12.57%
Current Ratio	1.57	2.09	1.37	2.61	1.62	1.72
Debt/Capital	87.58%	2.43%	42.02%	4.85%	63.09%	0.00%
Net Margin	-0.08%	10.33%	10.41%	34.27%	7.44%	13.22%
Return on Equity	30.41%	19.66%	14.92%	21.32%	17.99%	28.26%
Sales/Assets	0.86	0.72	0.50	0.52	0.51	0.68
Projected Sales Growth (F1/F0)	0.49%	10.39%	-0.46%	14.51%	16.02%	-0.72%
Momentum Score	D	-	-	F	B	F
Daily Price Change	3.78%	0.00%	-1.23%	-0.05%	2.04%	1.40%
1-Week Price Change	12.34%	2.15%	0.01%	-3.90%	5.02%	-2.25%
4-Week Price Change	24.09%	1.81%	1.76%	-2.62%	4.75%	1.84%
12-Week Price Change	25.51%	-3.57%	1.86%	-13.46%	13.68%	-5.72%
52-Week Price Change	35.13%	9.17%	-0.11%	34.12%	-13.73%	38.21%
20-Day Average Volume (Shares)	6,493,982	532,847	1,803,058	2,056,058	1,058,460	1,061,789
EPS F1 Estimate 1-Week Change	400.00%	0.25%	0.00%	-0.25%	1.06%	0.00%
EPS F1 Estimate 4-Week Change	353.45%	1.97%	0.28%	1.41%	2.45%	-1.07%
EPS F1 Estimate 12-Week Change	353.45%	15.02%	3.06%	9.54%	2.45%	42.00%
EPS Q1 Estimate Monthly Change	-22.38%	0.00%	0.12%	-0.62%	-1.58%	0.00%

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	F
Growth Score	D
Momentum Score	D
VGM Score	F

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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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.