Mondelez International (MDLZ)

$54.82 (As of 09/23/20)

Price Target (6-12 Months): **$58.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/30/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: C | Growth: B | Momentum: C	

Summary

Mondelez's shares have outperformed the industry on a year-to-date basis. The company has been benefitting from its efficient pricing strategy, which is driving organic revenues. This was witnessed in Mondelez's second-quarter 2020 results, wherein the top and the bottom line surpassed the Zacks Consensus Estimate. Also earnings increased year over year. Notably, balanced pricing aided organic revenues. Further, the company's focus on brand building through innovation and acquisitions bodes well. Apart from this, Mondelez is on track with its robust cost-saving efforts. The company has also been bolstering presence in the emerging regions. However, adjusted gross margin contracted 90 bps, due to higher coronavirus-induced expenses and raw material costs. Also, adverse currency rates and volume/mix were a deterrent in the quarter.

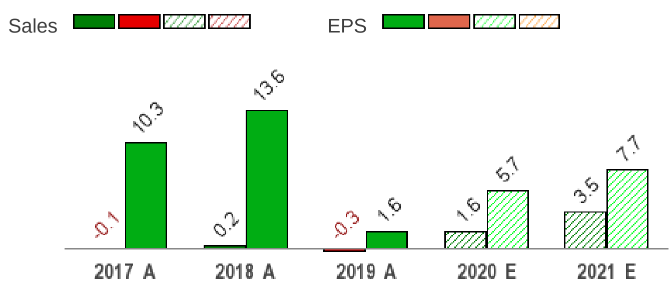
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$59.96 - $41.19**
20-Day Average Volume (Shares)	**6,429,515**
Market Cap	**$78.3 B**
Year-To-Date Price Change	**-0.5%**
Beta	**0.61**
Dividend / Dividend Yield	**$1.26 / 2.1%**
Industry	**Food - Miscellaneous**
Zacks Industry Rank	**Bottom 31% (173 out of 251)**
Last EPS Surprise	**12.5%**
Last Sales Surprise	**0.7%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**11/03/2020**
Earnings ESP	**0.0%**
P/E TTM	**21.3**
P/E F1	**21.0**
PEG F1	**2.8**
P/S TTM	**3.0**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	6,880 E	6,250 E	6,677 E	7,376 E	27,213 E
2020	6,707 A	5,911 A	6,486 E	7,132 E	26,285 E
2019	6,538 A	6,062 A	6,355 A	6,913 A	25,868 A

EPS Estimates

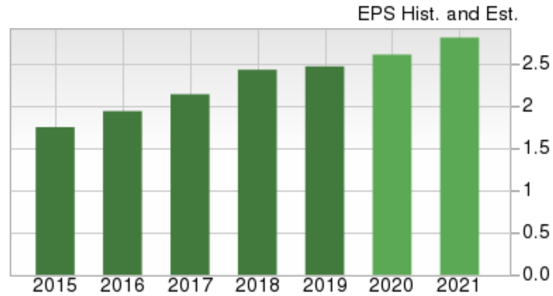
	Q1	Q2	Q3	Q4	Annual*
2021	$0.71 E	$0.65 E	$0.71 E	$0.75 E	$2.81 E
2020	$0.69 A	$0.63 A	$0.63 E	$0.67 E	$2.61 E
2019	$0.65 A	$0.57 A	$0.64 A	$0.61 A	$2.47 A

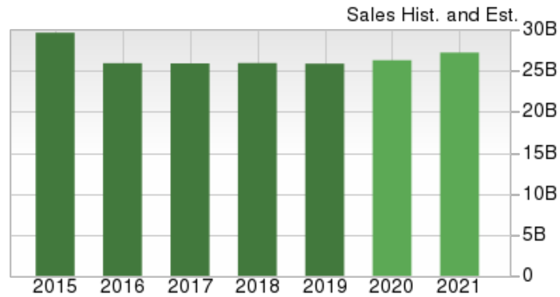
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/23/2020. The reports text is as of 09/24/2020.

Overview

Headquartered in Deerfield, IL, **Mondelez International, Inc.** (MDLZ) is one of the leading global snacks company. Mondelez was previously known as Kraft Foods, Inc. and changed its name to Mondelez following the spin-off of its North American grocery business into a separate independent company, Kraft Foods Group, Inc. in Oct 2012. Kraft has, however, merged with H.J. Heinz Company to form The Kraft Heinz Company.





Mondelez makes snack food products. Its product categories include chocolates; biscuits (cookies, crackers and salted snacks); gum and candy, beverages and cheese & grocery products.

In July 2018, the company completed the acquisition of 13.8% ownership in the Keurig Dr Pepper business. Prior to this, in June 2018, Mondelez concluded the buyout of Tate's Bake Shop. Also, in January 2018, the company teamed up with Post Consumer Brands, a business unit of Post Holdings, to create two new cookie-inspired breakfast cereals. Additionally, Mondelez's two major acquisitions of the LU biscuit business in 2007 and Cadbury in 2010 significantly expanded its routes-to-market around the globe, especially in Europe and emerging markets.

On the other hand, In July 2017, the company completed the sale of a major part of its grocery business in Australia and New Zealand to Bega Cheese Limited. In April 2017, the company completed the sale of several manufacturing facilities in France and the sale of several local confectionery brands.

In Mar 2016, Mondelez exchanged of a portion of its investment in JDE for an interest in Keurig Green Mountain. As a result, the company holds a 26.5% equity interest in JDE. In Jul 2015, Mondelez contributed its global coffee businesses to a new company, Jacobs Douwe Egberts (JDE), in which it holds an equity interest.

Mondelez has operations in more than 80 countries outside the United States and offers its products in 165 countries. Mondelez's operating segments include — **Latin America** (11.7% of 2019 sales); **Asia, Middle East & Africa** or **AMEA** (22.3% of 2019 sales); **Europe** (38.5% of 2019 sales) and **North America** (27.5% of 2019 sales).

Source: Zacks Investment Research

Reasons To Buy:

▲ **Solid Pricing & Organic Sales**: Mondelez's strategic pricing initiatives have been yielding results. In fact, during the second quarter of 2020, favorable pricing drove the company's organic revenues. Organic net revenues inched up 0.7% year over year during the quarter. Notably, organic net revenue growth in the developed markets was higher compared with the pre-pandemic level. Although, organic net sales in the emerging markets declined year over year, the metric improved sequentially. A strong brand position combined with yielding strategies has been boosting organic sales for the past few quarters. During the first quarter of 2020 and the fourth quarter of 2019, organic sales went up 6.4% and 4.1%, respectively. The stock has gained 0.7% year to date against the industry's decline of 4.9%.

Mondelez's strategic pricing efforts have been fueling organic sales. It is also progressing well with saving initiatives.

▲ **Accretive Acquisitions and Partnerships**: Mondelez has always been keen on expanding its business through acquisitions. To this end, it acquired majority interest in Give & Go (in April 2020), which is a pioneer in fully-finished sweet baked goods. In previous developments, the company made investments in Hu Master Holdings and Uplift Foods (in April 2019) as part of the SnackFutures platform. In July last year, it acquired minority stakes in Perfect Snacks. These investments indicate management's efforts to boost offerings. In fact, management earlier stated that Mondelez plans to offer more good-for-you snacks and expects 50% of its product portfolio to comprise 'well-being' items by 2020. Also, in January 2018, the company teamed up with Post Consumer Brands, a business unit of Post Holdings, to create two new cookie-inspired breakfast cereals.

Further, some notable buyouts of the company include 13.8% ownership in the KeurigDr Pepper business (in July 2018), acquisition of Tate's Bake Shop (June 2018), LU biscuit business in 2007 and Cadbury in 2010. These buyouts significantly expanded Mondelez's routes-to-market around the globe, especially in emerging markets. The company's focus on undertaking acquisitions to gain scale in its categories and distribution capabilities bode well.

▲ **Focus on Innovation and Brand Building**: The company is refreshing its brand portfolio through product innovation and extending its brands to newer geographies and platforms. In 2018, the company introduced an innovation platform — Joy Fills. This platform, which was launched in Europe, is designed to meet growth across brands such as Oreo, Cadbury and Milka. Further, the company's continued product innovation under the SnackFutures platform bodes well. In fact, management plans to focus on enhancing the snacking portfolio, an area which growing rapidly across the globe.

Speaking of brand building efforts, Mondelez has been increasing investments in in-store execution and advertising to support the Power Brands and innovation funded by cost savings. Such investments are helping the company to witness growth in key brands. In fact, management expects to invest significantly in working media during the second half of 2020 to enhance its brands.

The company focuses on boosting brand popularity through advertising campaigns across different media platforms. Additionally, to strengthen its brand presence across digital media, Mondelez had earlier formed a global strategic partnership with Facebook, Google and Amazon in the United States. Also, the company is proving its presence in high-growth channels like e-commerce, discounters, convenience stores and traditional trade.

▲ **Dividend on Track**: At a juncture where companies are suspending dividends to maintain financial flexibility, Mondelez recently announced an 11% hike from previous dividend taking it to 31.5 cents per share. Notably, Mondelez has a dividend payout of 44.4%, dividend yield of 2.1% and free cash flow yield of 4.6%. With an annual free cash flow return on investment of 9%, ahead of the industry's 8.5%; the dividend payment is likely to be sustainable.

▲ **Strong Emerging Market Presence**: The company generates significant amount of its revenues from outside the United States with around 32% coming from the emerging markets including Brazil, China, India, Mexico, Russia and Southeast Asia. Food/beverage companies are increasingly investing in developing and emerging markets like India, China and Brazil which boast significant growth potential due to relatively low per-capita consumption. Another reason is the burgeoning middle-class population with rising income levels which in turn is increasing the demand for convenience food and beverages. Mondelez is also been making investments in other emerging regions such as Africa, Mexico, Russia and Southeast Asia, which are aiding results. Management explores brand growth opportunities in these regions based on local consumer preferences.

Although organic net sales in the emerging markets declined year over year during the second quarter of 2020 owing to coronavirus-induced restrictions, the metric improved sequentially. Further, strong growth in developed markets like Europe and North America are likely to set the base for the company's future growth in emerging markets.

▲ **Savings & Restructuring Plans On-Track**: Mondelez has been undertaking some major steps to enhance savings, which aid fueling margins and cash flow. Moreover, such savings are being invested in brand-building endeavors. Management is on track with savings initiatives such as zero-based budgeting. It is also on track with eliminating other unnecessary costs from supply chain. During its second-quarter 2020 earnings call, management stated that it expects to remove 25% of SKUs with an aim to simplify supply chain, lower costs as well as inventory. Also, the company expects to improve its revenues and enhance its customer service by this move.

Further, the company is on track with its restructuring program, called the Simplify to Grow Program. This program is aimed at reducing Mondelez's operating costs that includes supply chain and overhead costs. We believe that, Mondelez is likely to keep gaining from such well-chalked saving plans.

Reasons To Sell:

> Volatile currency rates and reduced margins dented Mondelez's second-quarter 2020 performance.

- **Currency Headwinds**: Due to exposure in international markets, Mondelez is prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside the United States. An increase in price may have an adverse impact on the demand for the products. Adverse currency movements have been hurting the company's performance for a while. During the second quarter of 2020, adverse impacts from currency rates dented the company's top line. Moreover, management expects unfavorable currency rates to reduce net sales by nearly 3% and lower adjusted earnings by 5 cents per share in 2020. Clearly, volatility in exchange rates is a threat to the company's performance.

- **Strained Margins**: During second-quarter 2020, adjusted gross profit margin contracted 90 basis points (bps) to 39.7% due to higher coronavirus-induced expenses and raw material costs. Also, unfavorable currency rates and volume/mix were a deterrent. The company's adjusted operating margin fell 80 bps to 15.9% due to lower adjusted gross profit margin, adverse impacts from acquisition as well as unfavorable volume/mix. Persistence of such headwinds is a threat to profitability, if not cushioned by adequate revenue growth.

- **Debt Analysis**: Mondelez's long-term debt (including operating lease liabilities) amounted to $16,483 million as of Jun 30, 2020, up 19.6% on a sequential basis. The company's debt-to-capitalization ratio of 0.40 at the end of second-quarter 2020 stood higher than the previous quarter's ratio of 0.38. Moreover, the company's times interest earned ratio of 6.3 has fallen from 6.6 reported in the previous quarter. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet its debt obligations based on its current income. As of the end of the second quarter 2020 (Jun 30, 2020), Mondelez had current debt of $3,700 million, while its cash and cash equivalents stood at $1,602 million.

- **Macroeconomic Headwinds**: Mondelez is dependent on consumer discretionary spending environment which is affected by the general macroeconomic conditions, consumer confidence, employment levels and other macro factors. Despite improvement in economic growth, consumers are increasing their spending only modestly. High healthcare costs and tightened credit availability remain concerns for consumer discretionary spending in the United States.

- **Stiff Competition**: The food and snacking industry is highly competitive. Mondelez's principal competitors are major international food, snack and beverage companies that operate in multiple geographic areas and numerous local and regional companies. Competitor and customer pressures restrict the company to increase prices in response to commodity and other cost hikes. Moreover, the rapid emergence of new distribution channels, such as e-commerce, may create consumer price deflation and affect retail customer relationships.

Last Earnings Report

Mondelez Beats Q2 Earnings Estimates, Hikes Dividend

Quarter Ending	06/2020
Report Date	**Jul 28, 2020**
Sales Surprise	**0.67%**
EPS Surprise	**12.50%**
Quarterly EPS	**0.63**
Annual EPS (TTM)	**2.57**

Mondelez reported second-quarter 2020 results, with earnings and sales surpassing the Zacks Consensus Estimate for the fourth and seventh successive time, respectively. Moreover, the bottom line increased year over year. Also, organic sales increased on a year-over-year basis.

Moreover, the company witnessed growth in developed markets along with robust market share gains across all major markets. Further, performances in the emerging markets improved in the second quarter as coronavirus-induced restrictions are being lifted.

Given the current situation related to the coronavirus outbreak and its unpredictable impact on economic activities, Mondelez refrained from providing any update on its full-year 2020 guidance. That said, management expects unfavorable currency rates to reduce net sales by nearly 3% and lower adjusted earnings by 5 cents per share in 2020.

Q2 Performance

Adjusted earnings came in at 63 cents per share, up 12.5% on year over year. The metric surpassed the Zacks Consensus Estimate of 56 cents. On a constant-currency (cc) basis, adjusted earnings increased 16.1% year over year. The upside can be attributed to reduced taxes, higher benefit from plan non-service income and lower interest expense. Also, higher equity method investment earnings and fall in the number of shares outstanding contributed to the bottom line.

Net revenues declined 2.5% year over year to $5,911 million, thanks to unfavorable foreign currency rates as well as adverse impacts of divestiture. Organic net revenues inched up 0.7% year over year. The upside was backed by improved pricing. Notably, organic net revenue growth in the developed markets was higher compared with the pre-pandemic level. Although, organic net sales in the emerging markets declined year over year, the metric improved sequentially. Also, favorable impact from acquisitions contributed to the upside. Further, sales surpassed the Zacks Consensus Estimate of $5,874 million.

Revenues from emerging markets declined 15.6% to $1,917 million, while the same fell 5.1% on an organic basis. Revenues from developed markets increased 5.4% to $3,994 million, while the same rose 4.1% on an organic basis.

Regional-wise, revenues in Latin America, Europe, and Asia, Middle East & Africa dropped 30.7%, 4.9% and 8.5% year over year, respectively. Nevertheless, the same moved up 17.3% North America. On an organic basis, revenues declined 11.3%, 3.1% and 1.2% in Latin America; Asia, Middle East & Africa and Europe, respectively. Nevertheless, the metric improved 11% in North America.

Adjusted gross profit declined $9 million at cc. Also, adjusted gross margin contracted 90 basis points (bps) to 39.7% due to higher coronavirus-induced expenses and raw material costs. Also, unfavorable currency rates and volume/mix were a deterrent.

The company's adjusted operating income fell $38 million (at cc) from the prior-year quarter's figure. Also, adjusted operating margin fell 80 bps to 15.9% due to lower adjusted gross profit margin, adverse impacts from acquisition as well as unfavorable volume/mix.

Other Financials

Mondelez ended the quarter with cash and cash equivalents of $1,602 million, long-term debt of $16,004 million and total equity of $26,018 million.

At the end of the quarter, the company generated cash from operating activities of nearly $1,558 million. Free cash flow was $1,113 million during the same time period.

During the quarter, the company distributed around $410 million to shareholders through dividend payouts. Also, management declared quarterly dividend of 31.5 cents per share, up 11% from the previous dividend. This will be payable on Oct 14, 2020 to shareholders of record as on Sep 30.

Moreover, management had decided to suspend its share buyback plans due to the coronavirus outbreak in March.

Valuation

Mondelez shares are up 0.7% in the year-to-date period and 1.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 4.9% in the year-to-date period, while the Zacks Consumer Staples sector has dipped 6.3%. Over the past year, the Zacks sub-industry is 0.0%, while the sector dipped 3.9%.

The S&P 500 index is up 4.3% in the year-to-date period and 13.5% in the past year.

The stock is currently trading at 19.88X forward 12-month earnings, which compares to 18.32X for the Zacks sub-industry, 19.39X for the Zacks sector and 21.79X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.78X and as low as 14.8X, with a 5-year median of 20.12X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $58 price target reflects 21.03X forward 12-month earnings.

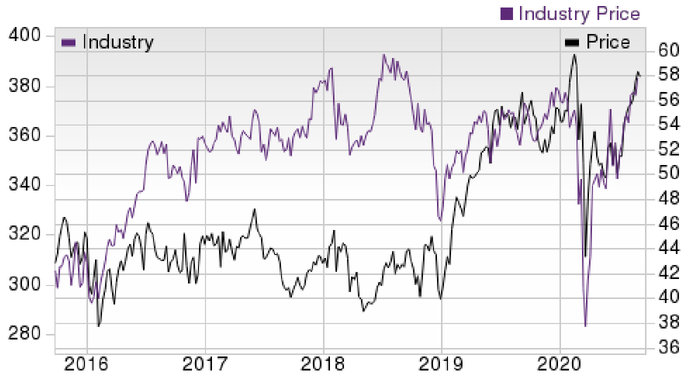
The table below shows summary valuation data for MDLZ

Valuation Multiples - MDLZ

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.88	18.32	19.39	21.79
	5-Year High	23.78	22.9	22.37	23.44
	5-Year Low	14.8	14.74	16.62	15.26
	5-Year Median	20.12	18.52	19.56	17.63
P/S F12M	Current	2.95	1.65	9.25	4.04
	5-Year High	3.21	2.05	11.15	4.29
	5-Year Low	2.04	1.4	8.12	3.11
	5-Year Median	2.54	1.74	9.89	3.66
EV/EBITDA F12M	Current	16.64	13.27	34.18	14.27
	5-Year High	18.02	14.68	37.28	19.68
	5-Year Low	11.79	10.79	25.83	13.54
	5-Year Median	15.53	13.1	33.73	16.52

As of 09/23/2020 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Bottom 31% (173 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The Hain Celestial Group, Inc. **(HAIN)**	Outperform	2
Conagra Brands Inc. **(CAG)**	Neutral	3
Campbell Soup Company **(CPB)**	Neutral	3
General Mills, Inc. **(GIS)**	Neutral	3
Hershey Company The **(HSY)**	Neutral	3
Kellogg Company **(K)**	Neutral	3
The Kraft Heinz Company **(KHC)**	Neutral	3
The J. M. Smucker Company **(SJM)**	Neutral	3

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

Industry Comparison Industry: Food - Miscellaneous

	MDLZ	X Industry	S&P 500	K	KHC	SJM
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	B	A	B
Market Cap	78.30 B	3.33 B	23.08 B	20.96 B	35.17 B	12.35 B
# of Analysts	9	3	13.5	7	8	7
Dividend Yield	2.08%	0.00%	1.7%	3.73%	5.56%	3.32%
Value Score	C	-	-	B	B	C
Cash/Price	0.02	0.08	0.07	0.06	0.08	0.03
EV/EBITDA	18.73	12.14	12.95	12.85	12.84	10.00
PEG F1	2.76	4.87	2.94	2.58	2.15	5.79
P/B	3.00	2.23	3.19	6.15	0.72	1.48
P/CF	16.93	11.24	12.56	11.40	8.41	8.54
P/E F1	21.00	17.78	21.07	15.48	10.73	12.50
P/S TTM	3.02	1.21	2.39	1.56	1.38	1.55
Earnings Yield	4.76%	5.31%	4.51%	6.46%	9.32%	8.01%
Debt/Equity	0.61	0.54	0.70	2.03	0.57	0.56
Cash Flow ($/share)	3.24	2.68	6.93	5.36	3.42	12.68
Growth Score	B	-	-	A	B	A
Historical EPS Growth (3-5 Years)	9.37%	5.17%	10.41%	3.36%	-0.23%	8.16%
Projected EPS Growth (F1/F0)	5.67%	2.45%	-4.56%	0.22%	-5.96%	-1.08%
Current Cash Flow Growth	4.99%	4.49%	5.26%	-9.43%	-15.53%	-2.78%
Historical Cash Flow Growth (3-5 Years)	2.73%	6.08%	8.49%	-0.49%	11.14%	11.88%
Current Ratio	0.55	1.62	1.35	0.77	1.09	0.96
Debt/Capital	38.01%	35.90%	42.95%	67.04%	36.37%	35.90%
Net Margin	13.31%	2.97%	10.25%	8.09%	-0.76%	10.78%
Return on Equity	14.02%	9.73%	14.66%	43.36%	6.68%	13.28%
Sales/Assets	0.40	1.02	0.50	0.75	0.25	0.48
Projected Sales Growth (F1/F0)	1.61%	0.00%	-1.48%	0.57%	3.17%	0.81%
Momentum Score	C	-	-	F	A	C
Daily Price Change	-1.77%	-1.57%	0.59%	-2.46%	-1.57%	-1.45%
1-Week Price Change	-1.79%	0.15%	0.79%	-3.85%	-6.21%	-3.46%
4-Week Price Change	-6.07%	-3.73%	-3.10%	-13.14%	-18.52%	-11.04%
12-Week Price Change	7.32%	2.76%	4.54%	-7.28%	-9.16%	2.92%
52-Week Price Change	-0.67%	-3.09%	-0.53%	-4.57%	2.24%	0.30%
20-Day Average Volume (Shares)	6,429,515	159,618	2,077,549	2,466,590	7,239,666	818,064
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	2.96%	5.83%
EPS F1 Estimate 12-Week Change	2.20%	2.23%	4.08%	3.86%	11.78%	5.40%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	12.50%	0.95%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	B
Momentum Score	C
VGM Score	C

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.