

Medifast, Inc.(MED)

\$307.20 (As of 05/17/21)

Price Target (6-12 Months): **\$353.00**

Long Term: 6-12 Months

Zacks Recommendation: **Outperform**

(Since: 05/06/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:B

Value: D

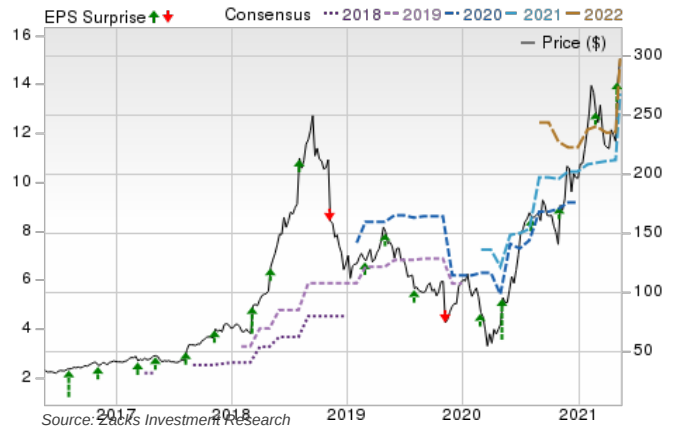
Growth: A

Momentum: D

Summary

Medifast has outpaced the industry in the past six months. The company has been gaining on strength in its OPTAVIA lifestyle solution and coaching support system, which is set to benefit from consumers' rising inclination toward health. This was evident in first-quarter 2021, wherein earnings and sales grew year over year and beat the Zacks Consensus Estimate. Strength in OPTAVIA remained a driver, with average revenue per active earning OPTAVIA coach up year over year. Certainly, Medifast's focus on developing tools and programs to increase efficiency of coaches has been working well. Encouragingly, the company's 2021 view suggests earnings and sales growth. However, higher SG&A costs due to increased OPTAVIA commission costs have been a concern. Also, the gross margin is likely to be under pressure in the second quarter.

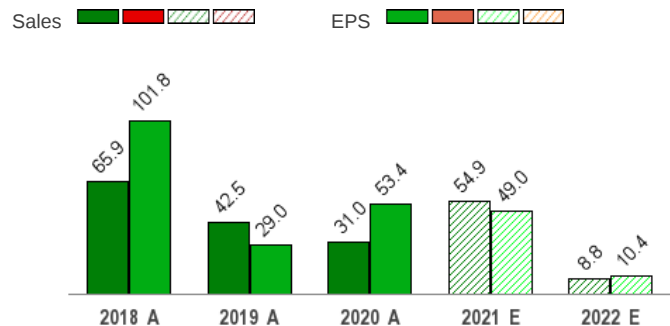
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$308.44 - \$89.50
20-Day Average Volume (Shares)	125,509
Market Cap	\$3.6 B
Year-To-Date Price Change	56.5%
Beta	1.47
Dividend / Dividend Yield	\$5.68 / 1.8%
Industry	Food - Miscellaneous
Zacks Industry Rank	Bottom 37% (158 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	27.2%
Last Sales Surprise	18.7%
EPS F1 Estimate 4-Week Change	25.0%
Expected Report Date	08/04/2021
Earnings ESP	0.0%
P/E TTM	28.7
P/E F1	22.6
PEG F1	NA
P/S TTM	3.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	386 E	392 E	398 E	399 E	1,575 E
2021	341 A	358 E	373 E	377 E	1,448 E
2020	178 A	220 A	271 A	265 A	935 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$3.93 E	\$3.97 E	\$3.46 E	\$3.64 E	\$15.04 E
2021	\$3.46 A	\$3.37 E	\$3.23 E	\$3.48 E	\$13.62 E
2020	\$1.93 A	\$1.96 A	\$2.91 A	\$2.36 A	\$9.14 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 05/17/2021. The report's text and the analyst-provided price target are as of 05/18/2021.

Overview

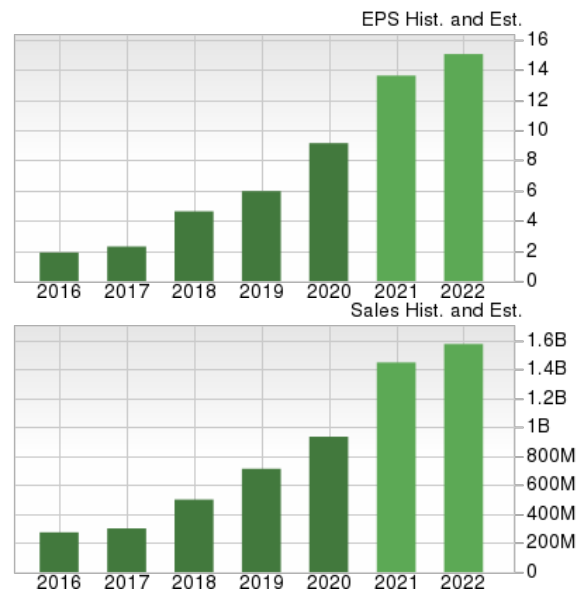
With more than 40 years of experience in the health and wellness space, Medifast, Inc. (MED) has become a remarkable direct-selling company in the industry. The company is also known for its leading health and wellness community—OPTAVIA — which provides Lifelong Transformation, One Healthy Habit at a Time lifestyle solutions. Given consumers' rising inclination toward health, the OPTAVIA lifestyle solution and coaching support system bode well. Notably, OPTAVIA-branded products contributed 87.2% of the total consumable units sold in fourth-quarter 2020.

Incorporated in 1989, Medifast is a leading manufacturer and distributor of clinically-proven healthy living products and programs. The company produces, distributes and sells weight loss, weight management and healthy living products through direct online channels as well as franchise weight control centers.

The Baltimore, MD— based company boasts of a diversified portfolio of more than 170 consumable product options, which include bars, bites, pretzels, puffs, cereal crunch, drinks, hearty choices, oatmeal, pancakes, pudding, soft serve, shakes, smoothies, soft bakes and soups.

Medifast's manufacturing plant, which is approved by the United States Food and Drug Administration, is situated in Owings Mills, MD. The company sells different types of products, which are formed on the basis of its proprietary formulas across the United States and the Asia-Pacific. The products are sold under brands such as the Medifast, OPTAVIA, Thrive by Medifast, Optimal Health by Take Shape for Life and Flavors of Home.

OPTAVIA product line is sold through its community of independent coaches who offer support and guidance to their clients. In partnership with OPTAVIA coaches, franchise partners, resellers and its Scientific Advisory Board, Medifast offers comprehensive wellness products and programs that focus on creating sustainable change by helping people learn to incorporate healthy habits into their lives.



Reasons To Buy:

- ▲ **Impressive Q1 Performance:** Shares of Medifast have gained 79.7% in the past six months compared with the industry's growth of 39.7%. The company has been benefiting from strength in OPTAVIA for quite some time. This was evident in first-quarter 2020, wherein both earnings and sales saw significant year-over-year growth. Also, both metrics cruised past their respective Zacks Consensus Estimate. Strength in OPTAVIA remained a strong driver, with average revenue per active earning OPTAVIA coach increasing year over year. The company posted earnings of \$3.46 per share, which crushed the Zacks Consensus Estimate of \$2.72 and surged a whopping 121.8% on a year-over-year basis. Net revenues of \$340.7 million soared 90.9% year over year and beat the Zacks Consensus Estimate of \$287 million.

Medifast has been benefiting from strength in OPTAVIA. First-quarter results were backed by a rise in total active earning OPTAVIA coaches as well as average revenue per active earning OPTAVIA coach.

Clearly, Medifast began 2021 on a solid note, with the first quarter witnessing exceptional growth and productivity, thanks to strength in its independent OPTAVIA Coaches as well as employees. We note that consumers' increased inclination toward health, together with a solid OPTAVIA coach-based model, has been helping Medifast draw new clients. Notably, the company remains committed to making further investments to improve its infrastructure in order to aid growth. Markedly, Medifast offered 2021 guidance, which suggests year-over-year earnings and sales growth. Management anticipates revenues for the full year 2021 to come in the range of \$1.4-\$1.475 billion. Full-year earnings per share are envisioned to be \$12.69-\$14.14. In full-year 2020, revenues and earnings per share came in at \$934.8 million and \$9.14, respectively.

- ▲ **Growth-Oriented Efforts:** Medifast has been undertaking a number of measures to drive growth, even amid the coronavirus outbreak. The company has been speeding up its long-term supply-chain efforts to ensure that it is able to manage the expected growth in the next few years. To this end, Medifast is focused on optimizing and increasing capacity by strengthening its network of co-manufacturers. This is likely to help the company meet 2021 demand, and provide it a manufacturing capacity of \$2 billion. Further, the company is expanding its distribution network via expansions in existing facilities, along with building on current 3PL relationships and alliances to set up a distribution system, which is in line with its manufacturing capacity. Most of the expansion in distribution capacity is likely to be witnessed in the third-quarter end.

Apart from this, Medifast is focused on making technological investments, as part of which it opened a new technology center in Utah in 2020 beginning. We note that OPTAVIA Coaches have been focused on utilizing technology, including the company's own app-based platforms, along with social media channels and field-led training platforms. Gains from these efforts were witnessed in the first quarter. Certainly, Medifast's focus on the development of a digital-first approach seems to be yielding results. The company's constant investments in digital tools, as well as in its new, fully integrated mobile apps are likely to enhance the connection between clients and coaches. Also, it is likely to result in increased efficiencies, which will help OPTAVIA Coaches to cater to more clients.

- ▲ **Strength in OPTAVIA:** Given the evolving consumer interests in health and wellness, Medifast's OPTAVIA lifestyle solution and coaching support system bodes well. OPTAVIA follows a holistic approach by focusing on six key areas of a human being, namely weight, eating and hydration, motion, sleep, mind and surroundings. Further, OPTAVIA combines scientifically-proven programs, effective products as well as guidance from its coaches to help consumers lead a healthier lifestyle. The OPTAVIA product line is sold through its community of independent coaches who offer support and guidance to their clients. In partnership with OPTAVIA coaches, franchise partners, resellers and its Scientific Advisory Board, Medifast offers comprehensive wellness products and programs that focus on creating.

Markedly, OPTAVIA-branded products formed 88.9% of consumable units sold in the first quarter of 2021, up from 79% in the preceding quarter. Incidentally, total active earning OPTAVIA coaches jumped 61% to 52,500. Further, average revenue per active earning OPTAVIA coach came in at \$6,454, up from \$5,333 in the same period last year. Certainly, the relevance of the company's offerings amid an environment where consumers are choosing health and wellness options has been an upside. We note that the company's constant focus on developing tools and programs to increase the efficiency of coaches has been yielding results.

- ▲ **Financial Flexibility:** The company concluded the first quarter of 2021 with cash, cash equivalents and investment securities of \$212.9 million and total shareholders' equity of \$174.9 million. Notably, management did not have any interest-bearing debt on its balance sheet as of Mar 31, 2021. The company, on Apr 13, 2021, entered a credit agreement that provides for a senior secured revolving credit facility worth \$125 million, along with a letter of credit sublimit worth \$20 million. Apart from these, the credit agreement provides for an additional facility, which allows the company to escalate its senior secured revolving credit facility by up to \$100 million. No amounts were used under the credit agreement as of May 4, 2021.

Apart from these, management paid out a quarterly cash dividend of \$1.13 per share on Feb 5, 2021. Moreover, it unveiled a 26% hike in the quarterly dividend on Mar 18, 2021, taking it to \$1.42 per share. Additionally, the company used \$7.5 million for share buybacks during the first quarter. It has shares worth roughly 2.3 million remaining under its buyback plan. Notably, the company has a dividend payout of 53.1%, a dividend yield of 2.1% and a free cash flow yield of 4.4%.

Risks

- **Stock Appears Stretched:** Medifast's stock looks quite stretched when compared to peers and the S&P 500, which means the stock has limited room to run in the days ahead. A comparative analysis of the company's forward P/E ratio over the past year reflects a relatively gloomy picture that might be a concern for investors. The ratio currently stands at 29.15, which looks stretched when compared with the industry's ratio of 23.02.
- **Escalated Cost Concerns:** Medifast has been seeing high SG&A expenses for a while now, mainly owing to higher OPTAVIA commission costs. In the first quarter of 2021, SG&A expenses flared up 75.2% from \$111.7 million to \$195.7 million in the quarter, mainly accountable to escalated OPTAVIA commission costs, elevated credit card fees and greater salaries and benefits for employees stemming from increased sales. Also, the gross margin contracted 280 basis points year over year to 73%. The gross margin was hurt by the burgeoning demand for OPTAVIA-branded products, as it resulted in high use of co-manufacturers and led to the need for accelerated shipments to cater well to customers before the company's fulfillment capacity goes completely online. Costs associated with these factors, along with inventory write-offs associated with the sunset of the Medifast-branded product line, weighed on the company's gross margin. Incidentally, management intends to sunset its Medifast-branded product line by the second-quarter end, as part of its brand and business strategy.

Management expects second-quarter gross margin to witness pressure from continued accelerated shipments, as the company expands distribution capacity in the coming months. Further, it intends to continue using an increased level of co-manufacturers owing to increased demand for OPTAVIA branded products. This remains a threat to the gross margin as well.

- **Intense Competition:** Medifast is not immune to the competitive landscape in the evolving health and wellness industry. The company operates in a highly competitive market with a number of other players providing products and services that include weight management programs, surgical procedures, dietary supplements and other healthy lifestyle services. Moreover, companies have to constantly engage in innovation to keep pace with the rapidly changing customer dynamics related to weight-loss management and supplement formulations.
 - **International Exposure:** In 2019, Medifast had ventured into the Asia-Pacific region. This exposes the company to volatile foreign currency translations. Moreover, its entry into foreign land exposes it to a number of other potential risk factors, including tariffs, taxes, foreign regulations as well as political and social unrest.
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Last Earnings Report

Medifast Q1 Earnings & Revenue Beat Estimates

Medifast delivered splendid first-quarter 2021 results. The company posted earnings of \$3.46 per share, which crushed the Zacks Consensus Estimate of \$2.72 and surged a whopping 121.8% on a year-over-year basis. Net revenues of \$340.7 million soared 90.9% year over year and beat the Zacks Consensus Estimate of \$287 million. Markedly, OPTAVIA-branded products formed 88.9% of consumable units sold in the quarter, up from 79% in the preceding quarter. Incidentally, total active earning OPTAVIA coaches jumped 61% to 52,500.

Quarter Ending **03/2021**

Report Date	May 04, 2021
Sales Surprise	18.71%
EPS Surprise	27.21%
Quarterly EPS	3.46
Annual EPS (TTM)	10.69

Further, average revenue per active earning OPTAVIA coach came in at \$6,454, up from \$5,333 in the same period last year. Certainly, the relevance of the company's offerings amid an environment where consumers are choosing health and wellness options has been an upside. We note that management intends to sunset its Medifast-branded product line by the second-quarter end, as part of its brand and business strategy.

Gross profit jumped 83.8% to \$248.5 million, while the gross margin contracted 280 basis points year over year to 73%. The gross margin was hurt by the burgeoning demand for OPTAVIA-branded products, as it resulted in high use of co-manufacturers and led to the need for accelerated shipments to cater well to customers before the company's fulfillment capacity goes completely online. We note that costs associated with these factors, along with inventory write-offs associated with the sunset of the Medifast-branded product line, weighed on the company's gross margin.

Moving on, SG&A expenses flared up 75.2% from \$111.7 million to \$195.7 million in the quarter, mainly accountable to escalated OPTAVIA commission costs, elevated credit card fees and greater salaries and benefits for employees stemming from increased sales. As a percentage of revenues, SG&A expenses declined 510 basis points to 57.5%.

Income from operations jumped from \$23.5 million to \$52.8 million, thanks to higher gross profit and sales, along with a decline in SG&A expenses (as a percentage of sales). As a percentage of sales, income from operations expanded 230 bps to 15.5%.

Other Financial Updates & Outlook

The company concluded the quarter with cash, cash equivalents and investment securities of \$212.9 million and total shareholders' equity of \$174.9 million. Notably, management did not have any interest-bearing debt on its balance sheet as of Mar 31, 2021. The company, on Apr 13, 2021, entered a credit agreement that provides for a senior secured revolving credit facility worth \$125 million, along with a letter of credit sublimit worth \$20 million. Apart from these, the credit agreement provides for an additional facility, which allows the company to escalate its senior secured revolving credit facility by up to \$100 million. No amounts were used under the credit agreement as of May 4, 2021.

Management paid out a quarterly cash dividend of \$1.13 per share on Feb 5, 2021. Further, Medifast unveiled a 26% hike in the quarterly dividend on Mar 18, 2021, taking it to \$1.42 per share, which is payable on May 6. The company used \$7.5 million for share buybacks during the first quarter. It has shares worth roughly 2.3 million remaining under its buyback plan.

Management anticipates revenues for the full year 2021 to come in the range of \$1.4-\$1.475 billion. Full-year earnings per share are envisioned to be \$12.69-\$14.14.

Valuation

Medifast's shares are up 57.5% in the year to date period and 242% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 11.2%, while the Zacks Consumer Staples sector gained 7.4% in the year to date period. Over the past year, the Zacks sub-industry went up 32.8% while the sector gained 33.2%.

The S&P 500 index is up 12.2% in the year to date period and 47% in the past year.

The stock is currently trading at 21.7X forward 12-month earnings, which compares to 20.34X for the Zacks sub-industry, 20.9X for the Zacks sector and 21.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 47.02X and as low as 8.03X, with a 5-year median of 20.51X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$353 price target reflects 24.96X forward 12-month earnings.

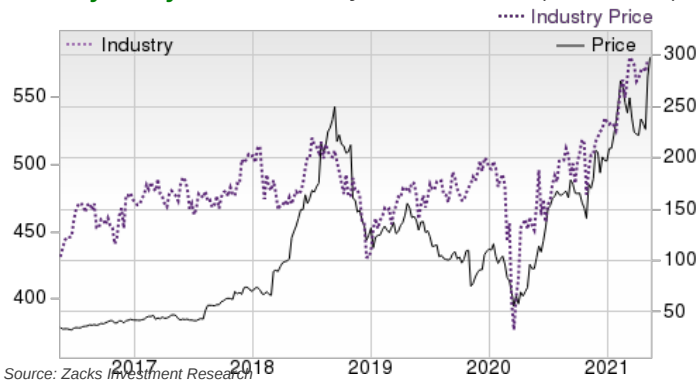
The table below shows summary valuation data for MED

Valuation Multiples - MED					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.7	20.34	20.9	21.87
	5-Year High	47.02	22.91	22.4	23.83
	5-Year Low	8.03	14.75	16.52	15.3
	5-Year Median	20.51	18.53	19.52	18.02
P/S F12M	Current	2.42	1.81	10.45	4.69
	5-Year High	5.69	2.03	11.96	4.74
	5-Year Low	0.83	1.38	8.59	3.21
	5-Year Median	2.03	1.69	10.34	3.71
EV/EBITDA TTM	Current	19.72	14.09	43.5	17.04
	5-Year High	51.94	23.37	46.56	17.71
	5-Year Low	5.65	11.3	28.34	9.62
	5-Year Median	14.62	14.86	40.17	13.41

As of 05/17/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 37% (158 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
J & J Snack Foods Corp. (JJSF)	Outperform	1
Celsius Holdings Inc. (CELH)	Neutral	3
The Chefs Warehouse, Inc. (CHEF)	Neutral	3
Darling Ingredients Inc. (DAR)	Neutral	3
Lancaster Colony Corporation (LANC)	Neutral	3
Landec Corporation (LNDC)	Neutral	4
Premier Foods PLC. (PRRFY)	Neutral	3
SunOpta, Inc. (STKL)	Neutral	3

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

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	MED	X Industry	S&P 500	DAR	JJSF	PRRFY
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	1	-	-	3	1	3
VGM Score	B	-	-	B	F	C
Market Cap	3.61 B	4.06 B	30.53 B	12.20 B	3.22 B	1.16 B
# of Analysts	3	3	12	5	3	1
Dividend Yield	1.85%	0.00%	1.29%	0.00%	1.36%	0.00%
Value Score	D	-	-	C	F	A
Cash/Price	0.06	0.06	0.05	0.01	0.08	0.07
EV/EBITDA	23.97	15.34	17.66	17.32	39.55	NA
PEG F1	NA	3.36	2.23	NA	NA	NA
P/B	20.66	3.33	4.18	4.03	3.96	0.78
P/CF	31.21	14.17	17.55	17.75	42.92	8.89
P/E F1	22.56	22.56	21.93	30.39	70.91	9.93
P/S TTM	3.29	1.54	3.56	3.24	3.34	NA
Earnings Yield	4.43%	3.55%	4.49%	3.29%	1.41%	10.06%
Debt/Equity	0.00	0.48	0.66	0.47	0.00	0.39
Cash Flow (\$/share)	9.84	2.55	6.82	4.21	3.94	0.76
Growth Score	A	-	-	B	F	F
Historical EPS Growth (3-5 Years)	48.47%	1.85%	9.39%	34.14%	-27.34%	NA
Projected EPS Growth (F1/F0)	48.98%	8.55%	20.09%	25.51%	115.02%	-9.33%
Current Cash Flow Growth	44.96%	1.10%	0.61%	22.53%	-48.00%	-20.67%
Historical Cash Flow Growth (3-5 Years)	32.73%	5.85%	7.37%	10.26%	-7.25%	13.91%
Current Ratio	1.95	1.74	1.39	1.48	3.70	0.84
Debt/Capital	0.00%	34.21%	41.58%	31.87%	0.03%	28.12%
Net Margin	11.44%	5.55%	11.70%	9.64%	0.18%	NA
Return on Equity	85.97%	12.33%	15.91%	13.67%	0.85%	NA
Sales/Assets	4.01	0.91	0.50	0.69	0.91	NA
Projected Sales Growth (F1/F0)	54.87%	1.08%	8.96%	20.10%	8.41%	-5.08%
Momentum Score	D	-	-	B	F	F
Daily Price Change	3.43%	0.00%	-0.21%	-1.76%	-2.71%	0.00%
1-Week Price Change	6.71%	0.00%	-0.87%	4.65%	3.39%	0.00%
4-Week Price Change	30.74%	-0.03%	2.34%	3.68%	6.15%	0.97%
12-Week Price Change	17.90%	3.86%	11.31%	11.38%	12.21%	3.92%
52-Week Price Change	230.96%	34.06%	49.52%	243.68%	33.44%	177.70%
20-Day Average Volume (Shares)	125,509	314,939	1,915,901	1,440,120	119,771	1,621
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	25.04%	0.00%	1.85%	3.71%	14.01%	0.00%
EPS F1 Estimate 12-Week Change	27.06%	0.00%	2.63%	6.84%	16.23%	0.00%
EPS Q1 Estimate Monthly Change	17.42%	-1.07%	1.08%	9.50%	5.63%	NA

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	D
Growth Score	A
Momentum Score	D
VGM Score	B

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

Disclosures

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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 forward-looking 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 medium-term price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.