MercadoLibre, Inc. (MELI)

$1,437.80 (As of 11/05/20)

Price Target (6-12 Months): **$1,653.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 10/13/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:D
	Value: F | Growth: A | Momentum: D	

Summary

MercadoLibre reported impressive third quarter results wherein both earnings and revenues topped the estimates and grew year over year. Increasing commerce and fintech revenues benefited the results. Solid adoption of MercadoPago and robust mobile-point-of-sale business contributed well to the total payment volume growth. Rapid adoption of Mobile Wallet remained a tailwind. Also, strengthening online-to-offline offerings was positive. Additionally, robust shipments growth via MercadoEnvios and rising penetration of managed networks were also tailwinds. The company remains optimistic about its fintech and logistics businesses. Notably, the stock has outperformed the industry it belongs to on a year-to-date basis. However, rising expenses related to warehousing, free shipping subsidies and mPOS discounts do not bode well for margin expansion.

Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$1,460.00 - $422.22**
20-Day Average Volume (Shares)	**500,924**
Market Cap	**$71.5 B**
Year-To-Date Price Change	**151.4%**
Beta	**1.58**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Internet - Commerce**
Zacks Industry Rank	**Top 40% (99 out of 250)**
Last EPS Surprise	**250.0%**
Last Sales Surprise	**10.9%**
EPS F1 Estimate 4-Week Change	**101.8%**
Expected Report Date	**02/08/2021**
Earnings ESP	**2,185.7%**
P/E TTM	**NA**
P/E F1	**1,711.7**
PEG F1	**NA**
P/S TTM	**21.5**

Sales and EPS Growth Rates (Y/Y %)

Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	916 E	1,018 E	1,225 E	1,404 E	4,937 E
2020	652 A	878 A	1,116 A	1,084 E	3,635 E
2019	474 A	545 A	603 A	674 A	2,296 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.26 E	$0.50 E	$0.81 E	$1.07 E	$1.99 E
2020	-$0.44 A	$1.11 A	$0.28 A	-$0.02 E	$0.84 E
2019	$0.13 A	$0.31 A	-$0.97 A	-$1.11 A	-$3.71 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 11/05/2020. The reports text is as of 11/06/2020.

Overview

Buenos Aires, Argentina based MercadoLibre, Inc. is one of the largest e-commerce platforms in Latin America. The company is a market leader in e-commerce in Brazil, Argentina, Colombia, Chile, Ecuador, Costa Rica, Peru, Mexico, Venezuela and Uruguay based on unique visitors and page views.

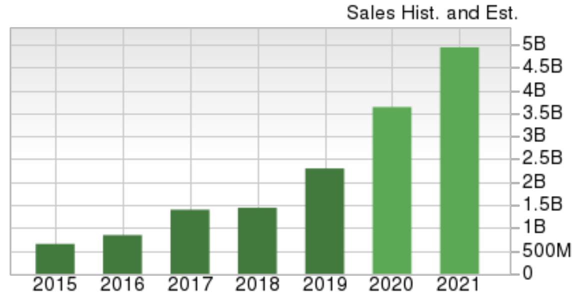
The company also operates e-commerce platform in Honduras, Nicaragua, Dominican Republic, Salvador, Panama, Guatemala, Paraguay, Bolivia, and Portugal.

MercadoLibre reported revenues of $2.3 billion in 2019. The company offers a bunch of six integrated e-commerce services:

MercadoLibre Marketplace enables businesses and individuals to conduct sales, purchase online and list their merchandise.

MercadoLibre Classifieds offers online classified listing services for motor vehicles, real estate and services. These listing charge only optional placement fees and hence they are different from Marketplace listings.

MercadoPago FinTech platform allows users to send and receive payments seamlessly within MercadoLibre's marketplace. Outside of this, merchants are allowed to process payments via websites, mobile apps and mobile point of sale.



MercadoLibre advertising program enables advertisers and seller to display their product ads on the company's webpages.

MercadoShops online webstores solution aids users in managing and promoting their online stores.

MercadoEnvios logistics service provides integration with third-party carriers and logistics service providers to the sellers on the company's platform.

MercadoLibre has four reportable geographic segments— Brazil, Argentina, Mexico and Other Countries. In 2019, Brazil generated 63.6% of the company's revenues. Argentina, Mexico and Other Countries generated 19.9%, 12% and 4.5% of revenues, respectively.

Effective Dec 1, 2017, MercadoLibre deconsolidated its Venezuelan subsidiaries. The company no longer includes the balances, results of operations and cash flows of the Venezuelan subsidiaries in its consolidated financial statements.

Source: Zacks Investment Research

Reasons To Buy:

> The company's integrated and synergized e-commerce services, growing user base, increasing monetization and strong financial position are positives.

- MercadoLibre is well positioned to take advantage of the changing ways in which people buy and sell. Being a well-established e-commerce player in Latin America, the company is well poised to take advantage of increasing Internet penetration. With its advanced technological and commercial solutions, MercadoLibre is capable of addressing typical cultural and geographic challenges associated with operating an online commerce platform in this part of the world.

- The company has designed its services in a manner that it can take advantage of synergies between them. MercadoLibre Marketplace is a fully-automated, user-friendly online commerce service that allows both businesses and individuals to list products and buy and sell online in both fixed-price and auction-based format. To complement this service, the company developed MercadoPago, an integrated online payments solution that provides merchants smooth checkout and payment processes on their websites and also allows users to transfer money to each other with ease through the website or MercadoPago App. Additionally, the company launched MercadoCredito in Argentina in 2016 designed to extend loans to specific merchants. Further, to improve its non-marketplace unit, the company developed MercadoLibre Classifieds Service, MercadoLibre advertising solution, MercadoShops and MercadoEnvios shipping program. MercadoLibre Classifieds Service is an online classified listing service that allows list and purchase vessels, aircraft, motor vehicles, real estate and services in all countries where the company operates. This service is a major source of traffic to the company's website. The advertising program allows businesses to promote their products and services on the company's webpages and associated vertical sites. MercadoShops is an online store solution that allows users to run their own online stores. MercadoEnvios is a shipping program that enables sellers to use the company's existing distribution chain to sell their products in a cost-efficient manner. These integrated services offer better cross-usage and gives users a strong reason to stick to the company's platform. The result is a growing user base which is positively impacting top-line growth. Additionally, the strengthening mobile wallet initiatives of the company are aiding its performance in all the major regions like Brazil, Argentina and Mexico.

- The company's focus on increasing monetization of transactions is a big positive. Its initiatives are helping it to maximize revenues it receives from transactions. These initiatives include increasing fee structure, selling advertising on its platform, offering other e-commerce services and expanding fee-based features.

- MercadoLibre had a strong balance sheet with cash and investments balance of $3.34 billion at the end of the third-quarter 2020 compared to $3.27 billion at the end of the second-quarter 2020. Further, the company has no current as well as long-term debt at present. The strong liquidity position will help the company pursue any strategic initiatives including acquisitions.

Risks

- Margins are currently under pressure due to increased investments toward free shipping, loyalty programs and improvement in customer services, marketing, chargebacks, as well as higher maintenance, hosting and fraud prevention cost. Especially, free shipping and loyalty programs are currently at initial stages of deployment and will increasingly put pressure on margins as its deployment speeds up.

- MercadoLibre is exposed to high foreign exchange risk. The company operates in 18 different countries with different currencies and has to convert the money earned into dollars as required by the Securities and Exchange Commission (SEC). Thus, appreciation or depreciation of the U.S. dollar versus foreign currencies could severely impact the company's financial results.

- E-commerce, with a large user base worldwide, has turned out to be a sweet spot with more and more companies jumping on the bandwagon and further intensifying the competitive scenario. MercadoLibre faces tough competition from Amazon, Rakuten, Cnova, Aliexpress to name a few. Competition from brick-and-mortar stores such as Wal-Mart, Casas Bahia, Garbarino and Falabella are also increasing at a considerable rate. Lack of appropriate counter strategies could be a matter of worry in the long run.

- MercadoLibre's business segments experience seasonality. Fewer listings after Christmas, summer vacation and other holidays result in weaker demand in the first quarter. Year-end shopping season causes stronger demand in the fourth quarter. But the first quarter remains the weakest for the company in a year. The seasonality causes considerable fluctuations in revenues and profits and makes forecasting difficult.

Last Earnings Report

MercadoLibre's Q3 Earnings & Revenues Beat Estimates

Quarter Ending	09/2020
Report Date	Nov 04, 2020
Sales Surprise	10.85%
EPS Surprise	250.00%
Quarterly EPS	0.28
Annual EPS (TTM)	-0.16

MercadoLibre reported third-quarter 2020 earnings of 28 cents per share, beating the Zacks Consensus Estimate of 8 cents. Further, the bottom line came against the loss of 97 cents per share in the year-ago quarter.

Revenues surged 85% on a year-over-year basis (148.5% on an FX-neutral basis) to $1.12 billion. Moreover, the top line surpassed the Zacks Consensus Estimate of $1.01billion.

Revenues were driven by accelerating commerce and fintech revenues, which grew 109.3% and 52.3% each year over year to $724.5 million and $391.2 million, respectively.

Notably, the boom in e-commerce space owing to the coronavirus-induced social distancing and stay-at-home restrictions remained a tailwind. Increasing traffic on the company's online platform was a positive.

Further, increasing total payments volume (TPV), courtesy of a robust Mercado Pago and mobile-point-of-sale (MPOS) business contributed well. Moreover, a solid momentum across Mobile Wallet benefited the results.

Moreover, the company's rising gross merchandise volume (GMV), led by an accelerating mobile GMV, contributed 70% to total GMV. Also, mobile GMV soared 283.8% year over year.

Also, strong shipmentgrowth via MercadoEnvios during the reported quarter was another positive. Growing penetration of managed networks was also a tailwind.

Quarter in Detail

Brazil: Net revenues in the third quarter were $610.7 million (54.7% of total revenues), up 57% year over year. This can be attributed to GMV in the country, which improved 74% year over year. Notably, the company witnessed a growing penetration of its Mecado Envios' managed network and a strong uptrend across fast delivery services contributed to the top-line growth in the country. Also, the surge in online payments was beneficial.

Argentina: This market generated revenues of $284.7 million (25.5% of the top line), which soared 145% year over year. The company witnessed solid growth in GMV across the country, which skyrocketed 242% year over year.Growing adoption of managed networks remained a boon. Solid growth in online payments along with a strong momentum across MPOS payments contributed well.

Mexico: Net revenues in the reported quarter were $150.4 million (13.5% of revenues), up 111% year over year. This primarily came on the back of a robust GMV, which improved more than 100% from the prior-year quarter.

Other countries: These markets generated revenues worth$69.8 million (6.3% of total revenues), climbing 173.7% on a year-over-year basis. Notably, the combined GMV of Colombia and Chile surged 200% from the year-ago quarter.

Key Metrics

GMV of $5.9 billion jumped 62.1% year over year and 117.1% on FX-neutral basis.

New confirmed registered users during the period were 16.8 million, increasing 21.7% on a year-over-year basis.

The number of successful items sold was 205.7 million, up 109.9% year over year. Moreover, the number of successful items shipped surged 131% year over year to 187.6 million. This can be attributed to a sturdy performance of MercadoEnvios.

Total payment volume (TPV) was up 91.7% on a year-over-year basis to $14.5 billion, driven by a strong performance of MercadoPago. Further, off-platform payments volume (online-to-offline) that grew 114.3% from the year-ago quarter remained a positive.

Additionally, MPOS business witnessed TPV growth of 85% year over year.Further, a rapid adoption of MercadoLibre's Mobile Wallet generated $3.2billion in transactions, up 380.5% year over year. Additionally, the user base of mobile wallet climbed 125.2% from the year-ago quarter.

TPV on marketplace was $5.6 billion, up 67.2% year over year. Further, total payments transactions skyrocketed 146.6% year over year to 559.7 million.

Unique active users totaled 76.1 million, up 92.2% year over year.

Operating Details

For the third quarter, gross margin was 43%, contracting 420 basis points (bps) year over year.

Operating expenses as a percentage of total revenues were 35.6%, contracting significantly from 60.7% in the prior-year quarter.

The company generated $83.1 million of income from operations in the third quarter against the year-ago quarter's loss of $81.9 million.

Balance Sheet

As of Sep 30, 2020, cash and cash equivalents were $1.14 billion compared with$1.17 billion as of Jun 30, 2020.

Short-term investments were $2.2 billion in the third quarter, up from $2.1 billion in the previous quarter.

Accounts receivable amounted to $40.9 million, down from $42.4 million in the second quarter. Further, the inventory level at the end of the third quarter was $46.6 million, up from $20.8 million at the end of the prior quarter.

Recent News

On **Aug 27, 2019**, MercadoLibre joined forces with a Mexico-based technology company, Uniko, and introduced a joint platform – Mercado Libre. Notably, the platform combines MercadoLibre's e-commerce platform with Uniko's superior mastery of the gift registry space.

Valuation

MercadoLibre shares are up 154% in the year-to-date period and 195.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail And Wholesale sector are up 66.2% and 36.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 77.5% and 41.4%, respectively.

The S&P 500 index is up 9.6% in the year-to-date period and 14.5% in the past year.

The stock is currently trading at 15.08X forward 12-month sales, which compares to 4.87X for the Zacks sub-industry, 1.32X for the Zacks sector and 4.14X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.28X and as low as 5.28X, with a 5-year median of 7.8X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $1,653 price target reflects 17.34X forward 12-month sales.

The table below shows summary valuation data for MELI

Valuation Multiples - MELI

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	15.08	4.87	1.32	4.14
	5-Year High	16.28	6	1.32	4.3
	5-Year Low	5.28	3.21	0.84	3.17
	5-Year Median	7.8	4.74	1.01	3.67
P/B TTM	Current	39.53	9.7	6.4	5.83
	5-Year High	109.69	11.22	6.57	6.17
	5-Year Low	10.79	4.9	3.7	3.74
	5-Year Median	21.59	8.09	5.07	4.90
EV/Sales TTM	Current	24.32	7.36	1.59	3.77
	5-Year High	24.32	8.55	1.61	4.11
	5-Year Low	5.7	3.94	0.9	2.59
	5-Year Median	11.1	6.28	1.17	3.53

As of 11/05/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 40% (99 out of 250)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Walmart Inc. **(WMT)**	Outperform	3
Amazon.com, Inc. **(AMZN)**	Neutral	3
Alibaba Group Holding Limited **(BABA)**	Neutral	2
Etsy, Inc. **(ETSY)**	Neutral	3
Fiverr International Lt. **(FVRR)**	Neutral	2
JD.com, Inc. **(JD)**	Neutral	3
Wayfair Inc. **(W)**	Neutral	3
eBay Inc. **(EBAY)**	Underperform	4

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

Industry Comparison Industry: Internet - Commerce

Industry Peers

	MELI	X Industry	S&P 500	AMZN	BABA	EBAY
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	1	-	-	3	2	4
VGM Score	D	-	-	B	D	C
Market Cap	71.47 B	3.38 B	24.11 B	1,666.82 B	778.55 B	34.06 B
# of Analysts	4	3	13	17	7	11
Dividend Yield	0.00%	0.00%	1.57%	0.00%	0.00%	1.30%
Value Score	F	-	-	D	D	C
Cash/Price	0.06	0.12	0.07	0.04	0.07	0.11
EV/EBITDA	2,137.58	8.43	13.73	43.66	24.42	13.21
PEG F1	NA	3.14	2.75	3.44	1.59	1.09
P/B	39.53	6.74	3.35	20.14	5.62	11.66
P/CF	3,404,124.50	20.85	13.19	49.55	34.60	14.80
P/E F1	1,716.78	51.36	21.16	99.21	31.36	14.50
P/S TTM	21.53	2.71	2.64	4.79	9.28	3.19
Earnings Yield	0.06%	0.98%	4.53%	1.01%	3.19%	6.90%
Debt/Equity	0.34	0.13	0.70	0.40	0.13	2.65
Cash Flow ($/share)	0.00	0.40	6.92	67.05	8.32	3.34
Growth Score	A	-	-	A	D	C
Historical EPS Growth (3-5 Years)	-50.41%	7.86%	10.07%	85.35%	35.01%	10.29%
Projected EPS Growth (F1/F0)	122.57%	20.93%	0.26%	45.52%	22.67%	20.43%
Current Cash Flow Growth	-99.77%	2.96%	5.29%	31.33%	41.50%	8.64%
Historical Cash Flow Growth (3-5 Years)	-83.10%	11.28%	8.38%	49.26%	37.90%	-6.76%
Current Ratio	1.79	1.73	1.38	1.11	1.98	1.75
Debt/Capital	28.19%	17.46%	41.97%	28.46%	12.27%	72.60%
Net Margin	-0.12%	-0.12%	10.44%	4.99%	22.56%	50.42%
Return on Equity	-0.22%	7.39%	14.96%	24.49%	13.19%	82.73%
Sales/Assets	0.68	1.11	0.50	1.41	0.44	0.56
Projected Sales Growth (F1/F0)	58.29%	0.00%	0.00%	34.97%	37.97%	-6.31%
Momentum Score	D	-	-	B	C	F
Daily Price Change	9.28%	2.55%	1.91%	2.49%	-2.69%	3.33%
1-Week Price Change	-7.48%	-6.90%	-5.63%	-5.25%	-1.69%	-11.45%
4-Week Price Change	23.91%	0.00%	0.43%	4.12%	-4.26%	-5.13%
12-Week Price Change	24.26%	-1.26%	3.34%	5.09%	13.41%	-12.21%
52-Week Price Change	192.24%	41.62%	1.98%	85.77%	54.16%	41.62%
20-Day Average Volume (Shares)	500,924	314,251	1,955,785	5,705,246	16,679,858	9,066,263
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	3.11%	-1.26%	-0.11%
EPS F1 Estimate 4-Week Change	101.81%	0.00%	1.27%	5.91%	-0.95%	-4.69%
EPS F1 Estimate 12-Week Change	188.31%	6.95%	3.13%	5.10%	6.95%	-4.79%
EPS Q1 Estimate Monthly Change	-216.67%	0.00%	0.51%	-15.23%	0.31%	-6.71%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	F
Growth Score	A
Momentum Score	D
VGM Score	D

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

Disclosures

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Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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