

The Mosaic Company (MOS)

\$31.08 (As of 06/22/21)

Price Target (6-12 Months): **\$33.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/20/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: A

Summary

Earnings estimates for Mosaic for the second quarter have been going down over the past month. The company is likely to gain from higher demand for fertilizers. Demand for phosphate and potash in North America has been strong in 2020, and the momentum is likely to continue this year. Strong grower economics are driving fertilizer demand globally. The acquisition of Vale Fertilizantes is also expected to deliver significant synergies. The company is also expected to benefit from its cost-reduction initiatives. Its efforts to lower debt are also encouraging. Also, Mosaic has outperformed the industry in the past year. However, Mosaic faces challenges from lower phosphate demand in China and India and operational issues in the Fertilizantes unit. Further, the company faces headwind from higher raw material costs due to tight supply.

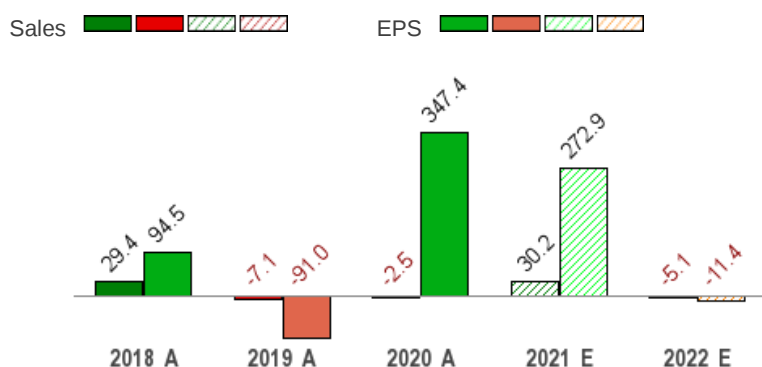
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$38.23 - \$11.51
20-Day Average Volume (Shares)	5,684,697
Market Cap	\$11.8 B
Year-To-Date Price Change	35.1%
Beta	1.86
Dividend / Dividend Yield	\$0.30 / 1.0%
Industry	Fertilizers
Zacks Industry Rank	Top 15% (37 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	14.0%
Last Sales Surprise	-0.7%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	08/02/2021
Earnings ESP	7.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	2,117 E	2,585 E	2,919 E	2,478 E	10,731 E
2021	2,297 A	2,944 E	3,314 E	2,829 E	11,308 E
2020	1,798 A	2,045 A	2,382 A	2,457 A	8,682 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.38 E	\$0.69 E	\$0.75 E	\$0.52 E	\$2.81 E
2021	\$0.57 A	\$0.94 E	\$0.92 E	\$0.73 E	\$3.17 E
2020	-\$0.06 A	\$0.11 A	\$0.23 A	\$0.57 A	\$0.85 A

*Quarterly figures may not add up to annual.

P/E TTM	21.0
P/E F1	9.8
PEG F1	1.4
P/S TTM	1.3

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/22/2021. The report's text and the

analyst-provided price target are as of 06/23/2021.

Overview

Minnesota-based The Mosaic Company is a leading producer and marketer of concentrated phosphate and potash for the global agriculture industry. It was formed through the combination of the fertilizer businesses of agribusiness giant Cargill Incorporated and IMC Global Inc. Mosaic is the biggest integrated phosphate producer globally and is also among the four largest potash producers in the world.

The company caters customers across roughly 40 countries. It accounts for roughly 13% of global annual phosphate production and around 11% of global annual potash production.

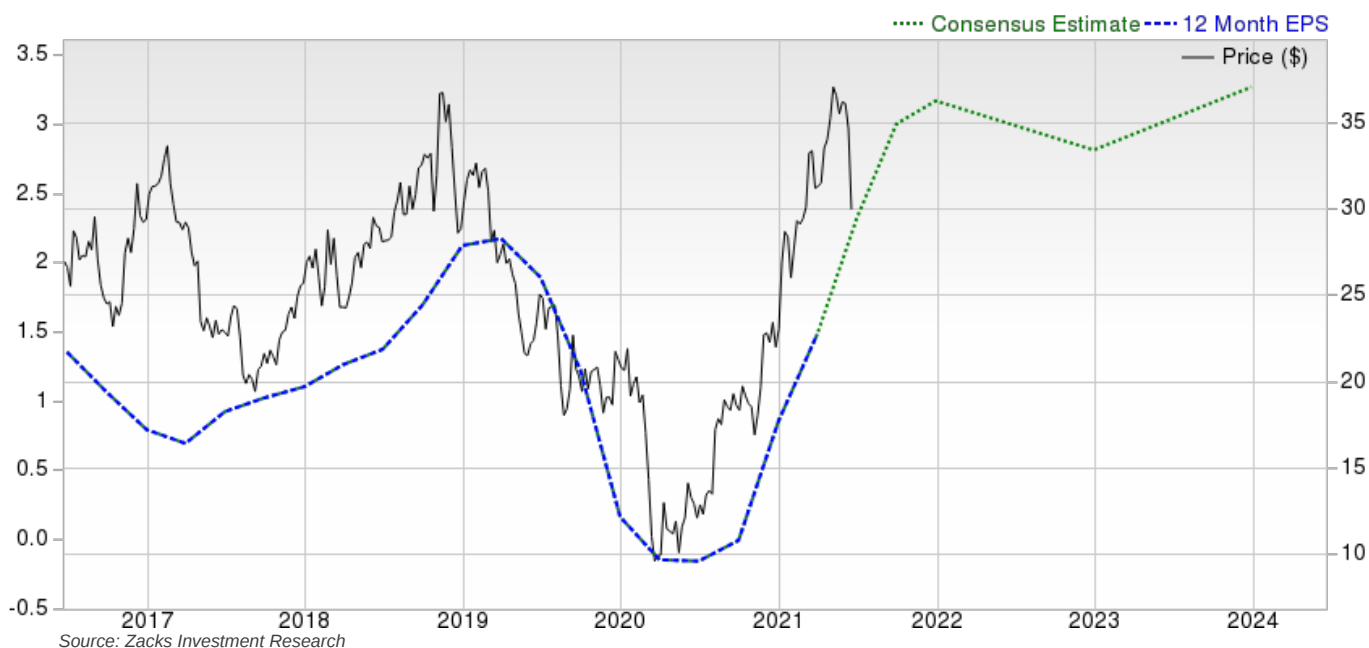
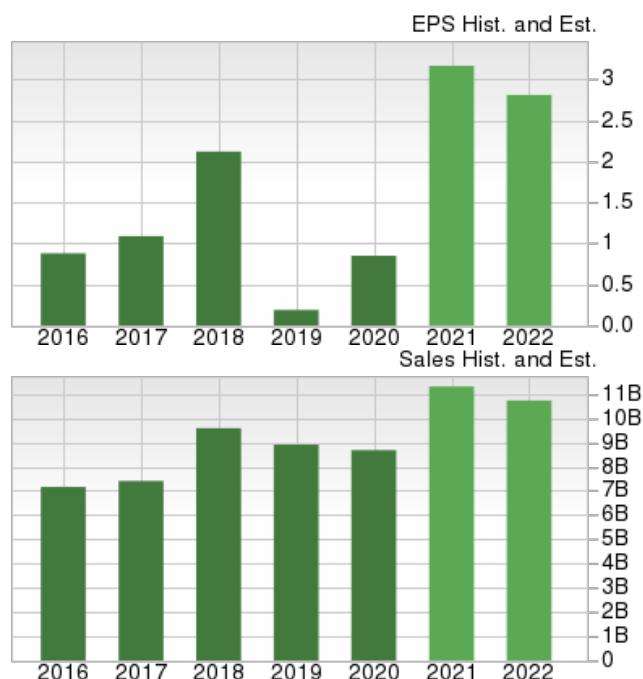
Mosaic also accounts for roughly 74% of North American annual phosphate crop nutrients production. Its North American potash business also represents around 11% of global annual output and roughly 34% of North American annual production.

Mosaic mines phosphate rock from around 200,000 acres of company-owned land in Central Florida. It also mines potash from five mines in North America, mainly in Saskatchewan. It processes rock into finished phosphate products at facilities in Florida, Louisiana and Brazil. Its products are processed into crop nutrients, and then shipped thorough rail, barge and ocean-going vessel to customers in major agricultural centers globally.

Mosaic, in early 2018, completed the purchase of Brazil-based Vale S.A.'s Vale Fertilizantes business for \$2.5 billion. Following the acquisition, Mosaic is now the leading fertilizer production and distribution company in Brazil. As part of the buyout, the company purchased an additional 40% interest in the Miski Mayo phosphate mine in Peru, results of which are now included in the Phosphates segment.

Following the Vale Fertilizantes acquisition, the company realigned its business segments, effective first-quarter 2018. The company has combined Vale Fertilizantes operations with its legacy distribution business in Brazil to create a new segment called Mosaic Fertilizantes. Moreover, the results of the existing distribution businesses in India and China has now been reflected with "Corporate and Other".

Mosaic generated net sales of \$8,681.7 million in 2020. Phosphates, Potash and Mosaic Fertilizantes segments accounted for around 36%, 23% and 41% of the company's total sales in 2020.



Reasons To Buy:

- ▲ Mosaic's shares are up 159.7% over a year, outperforming the industry's rise of 82.8%. Mosaic is witnessing strong demand in all of its key markets. Demand for phosphate and potash in North America is expected to be strong over the near term. Mosaic expects strong global demand for fertilizers in 2021 based on solid worldwide demand for grains and oilseeds. Demand for grains and oilseeds remains high along with strong farm economics. Strong demand has also fueled rapid price increases in the United States and globally. Demand for phosphate and potash in Brazil is also expected to remain firm on healthy farm economics. The phosphate market is benefiting from higher global demand and low producer and channel inventories. Demand for potash is also expected to remain strong in 2021. Strong grower economics and crop commodity prices are driving potash demand globally.
- ▲ The \$2.5 billion buyout of Brazil-based Vale S.A.'s Vale Fertilizantes business has made Mosaic the leading fertilizer manufacturing and distribution company in Brazil. The acquisition helps the company to capitalize on the rapidly growing Brazilian agricultural market and the improving business conditions. The buyout generated around \$330 million in annual net synergies in 2019, in excess of the company's target of \$275 million. It also provides considerable leverage to improvements in the crop nutrient business cycle to the company. The company has completed the integration of the acquired business. It achieved \$115 million in Mosaic Fertilizantes' transformational savings in 2020. Moreover, Mosaic plans to drive an additional \$230 million in annual operating earnings benefit at Mosaic Fertilizantes through business transformation actions by the end of 2023.
- ▲ Mosaic is taking actions to cut costs amid a still challenging operating environment through its cost-cutting program, leading to an improvement in its operating cost structure. It is making progress in controlling its per ton selling, general and administrative (SG&A) expenses. Mosaic continues to benefit from its extensive cost transformation work. Also, Mosaic continues to drive down cash costs of production in the Potash business. The transition of production from Colonsay to lower cost K3 will reduce the company's cash cost of production. Mosaic realized around \$100 million of benefits from this move in 2020. Mosaic is seeing lower brine management costs as the development K3 approaches completion. The company's efforts to streamline processes, centralize mining operations and automation is also helping to reduce costs.
- ▲ The company's effort to lower debt is encouraging. Its total debt was \$3,970.8 million at the end of the first quarter of 2021, sequentially down from \$4,073.8 million at the end of the fourth quarter. Moreover, its cash and cash equivalents rose around 21% year over year to \$692 million as of Mar 31, 2021. It also has a strong liquidity position of more than \$3.4 billion, which appears to be adequate to meet its short-term debt obligations.

Mosaic should gain higher demand for fertilizers. The Vale Fertilizantes acquisition will also deliver significant synergies. Mosaic should also benefit from cost reduction actions.

Reasons To Sell:

- ▼ Mosaic has been witnessing reduced phosphate demand in China over the past several years. Moreover, China government's move to change the application rate more in favor of potash is likely to affect demand for phosphate in that country. The change in the application rate is expected hurt import demand in China for phosphates in 2021. Moreover, higher retail prices for fertilizers (factoring in subsidies) as well as disruptions associated with a surge in coronavirus cases may negatively impact demand for nutrients in India this year.
- ▼ An uptick in key raw material prices poses a headwind to the company. Mosaic uses sulfur and ammonia as key inputs for the production of phosphate. Prices of both sulfur and ammonia are on an upswing. Plant shutdowns and maintenances have led to tight supply of these raw materials, which coupled with strong demand, has pushed up their prices. As such, the company is likely to face margin pressure associated higher input costs. It sees incremental costs of \$30-\$35 per ton due to raw material price inflation in the second quarter of 2021.
- ▼ Mosaic faces some challenges in its Fertilizantes unit. The company witnessed pressure on volumes in the last reported quarter due to mix shifts towards lower priced products. Moreover, the segment is witnessing headwind from higher production costs. The company witnessed higher cash costs of mined rock due to lower mined volumes in the first quarter. Operational headwinds in this segment are likely to continue over the near term.

Mosaic faces challenges from lower phosphate demand in China and India and operational issues in the Fertilizantes unit. Higher raw material costs may also hurt margins.

Last Earnings Report

Mosaic's Q1 Earnings Beat Estimates, Revenues Lag

Mosaic logged profits of \$157 million or 41 cents per share in first-quarter 2021 against a loss of \$203 million or 54 cents in the year-ago quarter.

Barring one-time items, adjusted earnings per share were 57 cents that beat the Zacks Consensus Estimate of 50 cents.

Net sales rose roughly 28% year over year to \$2,297.1 million in the quarter. The figure missed the Zacks Consensus Estimate of \$2,314.1 million. Sales were driven by gains in all segments and higher year-over-year prices for phosphates.

Segment Highlights

Net sales in the Phosphates segment rose roughly 61.6% year over year to \$1 billion in the quarter, driven by higher volumes and prices. Sales volumes in the segment increased 10.5% year over year. The segment's gross margin per ton improved to \$84 from a loss of \$43 in the year-ago quarter, owing to lower conversion costs as well as higher volumes and realized prices.

Potash division's net sales climbed around 8% year over year to \$477 million driven by higher volumes. Sales volumes in the segment rose 5.2% year over year. Gross margin per ton in the quarter was \$71, up around 25% year over year.

Net sales in the Mosaic Fertilizantes segment were \$763 million, up around 4.4% year over year driven by higher year-over-year prices. Sales volume remained constant year over year at 2.1 million tons. Gross margin per ton in the quarter was \$50, up around 56.2% year over year.

Financials

At the end of the quarter, Mosaic had cash and cash equivalents of \$692 million, up around 20.6% year over year. Long-term debt fell roughly 2.5% year over year to \$3,970.8 million.

Net cash provided by operating activities increased roughly 68% year over year to \$318.8 million in the reported quarter.

Outlook

Moving ahead, the company noted that it expects strong fundamental trends witnessed in the last three quarters to continue through 2021. Strong crop demand, affordable inputs and favorable weather indicate strong grower economics.

Chinese phosphate exports are expected to remain low in 2021 due to high domestic demand and recent industry restructuring limit supplies available for export.

The company forecasts roughly \$80-\$90 per ton improvement in realized prices in the Phosphates segment sequentially in the second quarter. For the Potash segment, \$20-\$30 per ton improvement in realized prices is expected in the second quarter.

Quarter Ending 03/2021

Report Date	May 03, 2021
Sales Surprise	-0.73%
EPS Surprise	14.00%
Quarterly EPS	0.57
Annual EPS (TTM)	1.48

Recent News

Mosaic Announces Early Shut Down of Potash Mine Shafts

Mosaic, on **Jun 4, 2021**, announced that it is immediately shutting down the K1 and K2 potash mine shafts at Esterhazy. The closure of K1 and K2 are key pieces of the transition to K3. However, the timeline for the shutdown has been preponed by nine months due to recent acceleration of brine inflows.

The company also intends to resume production at the Colonsay potash mine and recalling workers as soon as practical. This restart is expected to offset a part of the production lost by the early closure of the K1 and K2 shafts. It will also position Mosaic to take advantage of the anticipated strong potash markets in 2022 and beyond.

By end of Mar 2022, the company's annualized potash production could increase by two million tons from the previous year's levels, as Esterhazy K3 reaches full capacity and Colonsay returns to service.

Mosaic expects to eliminate brine management expenses after July 2021 due to these operational changes. It also intends to materially increase potash capacity for 2022 to take advantage of the expected potash market strength. During the expected transition period of Jul 2021 to Mar 2022, Mosaic expects its potash production to be reduced by roughly one million tons. Available annualized operational MOP capacity is anticipated to be 10.5 million tons by mid-2022.

Mosaic Announces Revenues and Volumes for April 2021

Mosaic, on **May 14, 2021**, announced its sales volumes and revenues for Apr 2021 by business unit.

The Potash Segment recorded sales volume of 741,000 tons in April, down from 914,000 tons in the year-ago period. Sales revenues were \$198 million, down from \$200 million in the prior-year quarter.

The Mosaic Fertilizantes segment witnessed a decline in sales volume to 459,000 tons from 592,000 tons last year. Sales revenues increased to \$205 million from \$173 million recorded last year.

The Phosphates segment recorded sales volume of 744,000 tons, down from 751,000 tons in 2020. Sales revenues in the segment were \$407 million, up around 58% year over year.

Valuation

Mosaic's shares are up 159.7% over the trailing 12-month period. Over the past year, the Zacks Fertilizers industry and the Zacks Basic Materials sector are up 82.8% and 48.7%, respectively.

The S&P 500 index is up 40.6% in the past year.

The stock is currently trading at 13.49X trailing 12-month enterprise value-to EBITDA (EV/EBITDA) ratio, which compares to 12.96X for the Zacks sub-industry, 8.22X for the Zacks sector and 17.35X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.95X and as low as 4.41X, with a 5-year median of 7.85X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$33 price target reflects 11.04X forward 12-month earnings per share.

The table below shows summary valuation data for MOS:

Valuation Multiples - MOS					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	13.49	12.96	8.22	17.35
	5-Year High	18.95	21.98	17.87	17.74
	5-Year Low	4.41	6.04	6.54	9.63
	5-Year Median	7.85	12.44	9.33	13.47
P/E F 12M	Current	10.38	16.59	9.66	21.61
	5-Year High	61.79	40.88	18	23.83
	5-Year Low	9.8	14.86	9.66	15.31
	5-Year Median	19.69	21.44	12.85	18.05
P/B TTM	Current	1.21	1.71	3.39	7.03
	5-Year High	1.46	2.14	3.73	7.08
	5-Year Low	0.28	0.65	1.22	3.84
	5-Year Median	0.91	1.45	2.27	5.02

As of 06/22/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 15% (37 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Bunge Limited (BG)	Outperform	2
CF Industries Holdings, Inc. (CF)	Outperform	1
Nutrien Ltd. (NTR)	Outperform	1
BASF SE (BASFY)	Neutral	3
Israel Chemicals Shs (ICL)	Neutral	2
Intrepid Potash, Inc (IPI)	Neutral	3
The Scotts MiracleGro Company (SMG)	Neutral	3
Sociedad Quimica y Minera S.A. (SQM)	Neutral	3

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

Industry Comparison Industry: Fertilizers				Industry Peers		
	MOS	X Industry	S&P 500	CF	IPI	NTR
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	1	3	1
VGM Score	A	-	-	A	B	D
Market Cap	11.80 B	5.80 B	30.14 B	11.01 B	407.54 M	34.95 B
# of Analysts	6	3	12	6	3	8
Dividend Yield	0.97%	0.48%	1.35%	2.34%	0.00%	2.20%
Value Score	A	-	-	B	B	D
Cash/Price	0.06	0.06	0.06	0.08	0.09	0.02
EV/EBITDA	11.81	11.81	17.08	9.07	28.26	15.32
PEG F1	1.41	1.78	2.05	2.16	NA	2.19
P/B	1.20	1.72	4.08	1.94	0.98	1.56
P/CF	9.51	10.42	17.37	9.09	24.08	11.57
P/E F1	9.88	17.55	20.93	12.96	35.80	17.55
P/S TTM	1.29	1.78	3.37	2.62	1.99	1.64
Earnings Yield	10.17%	5.69%	4.67%	7.71%	2.80%	5.69%
Debt/Equity	0.41	0.43	0.66	0.65	0.04	0.45
Cash Flow (\$/share)	3.27	3.25	6.83	5.65	1.26	5.30
Growth Score	B	-	-	B	A	F
Historical EPS Growth (3-5 Years)	-0.52%	8.45%	9.59%	26.50%	NA	NA
Projected EPS Growth (F1/F0)	272.35%	107.34%	21.62%	169.50%	155.70%	94.10%
Current Cash Flow Growth	-22.63%	-7.21%	0.99%	-7.21%	-65.34%	-1.66%
Historical Cash Flow Growth (3-5 Years)	-7.59%	-2.12%	7.28%	-2.83%	-23.80%	9.06%
Current Ratio	1.11	1.72	1.39	1.67	1.99	1.35
Debt/Capital	28.84%	31.01%	41.51%	39.57%	3.47%	31.01%
Net Margin	11.17%	6.83%	11.95%	9.52%	-8.47%	2.91%
Return on Equity	6.14%	6.14%	16.48%	7.17%	-4.12%	5.62%
Sales/Assets	0.47	0.45	0.51	0.35	0.37	0.45
Projected Sales Growth (F1/F0)	30.25%	17.90%	9.48%	30.79%	25.77%	15.00%
Momentum Score	A	-	-	A	D	A
Daily Price Change	0.78%	0.39%	0.51%	-0.18%	2.02%	2.85%
1-Week Price Change	-13.50%	-7.77%	0.00%	-9.29%	-0.25%	-10.59%
4-Week Price Change	-10.61%	-0.44%	1.39%	-0.89%	17.34%	1.49%
12-Week Price Change	-0.83%	-0.41%	7.27%	12.99%	-4.05%	12.52%
52-Week Price Change	140.56%	107.55%	35.61%	72.25%	178.07%	74.25%
20-Day Average Volume (Shares)	5,684,697	86,743	1,876,146	1,925,016	119,014	2,613,238
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-1.28%	0.00%	5.73%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.03%	15.67%	0.00%	10.30%
EPS F1 Estimate 12-Week Change	24.36%	24.36%	3.59%	75.15%	182.22%	27.28%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS Q1 Estimate Monthly Change	-0.42%	:	0.00%	0.00%	:	3.95%	0.00%	3.30%
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	A
Growth Score	B
Momentum Score	A
VGM Score	A

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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

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 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.