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Sep 25, 2020

The Mosaic Company (MOS)

$18.82 (As of 09/24/20)

Price Target (6-12 Months): **$20.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 09/17/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: A | Momentum: C	

Summary

Earnings estimates for Mosaic for the third quarter have remained stable over the past month. The company is likely to gain from higher demand for fertilizers. Demand for phosphate and potash in North America is expected to be strong in the 2020 after three consecutive seasons of under-application of fertilizers. The acquisition of Brazil-based Vale Fertilizantes is also expected to deliver significant synergies. The company is also expected to benefit from cost-reduction initiatives. Its efforts to lower debt are also encouraging. Moreover, the company has outperformed the industry in the past year. However, Mosaic faces challenges from lower phosphate demand in China. The coronavirus outbreak is impacting fertilizer demand in China. Further, lower prices are impacting sales across all three segments.

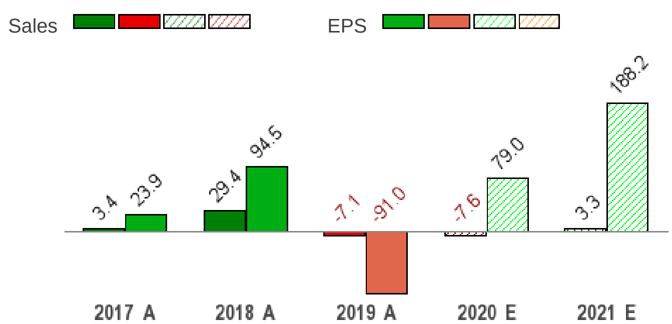
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$22.50 - $6.50**
20-Day Average Volume (Shares)	**5,001,575**
Market Cap	**$7.1 B**
Year-To-Date Price Change	**-13.0%**
Beta	**1.93**
Dividend / Dividend Yield	**$0.20 / 1.1%**
Industry	**Fertilizers**
Zacks Industry Rank	**Bottom 25% (188 out of 250)**
Last EPS Surprise	**375.0%**
Last Sales Surprise	**9.3%**
EPS F1 Estimate 4-Week Change	**9.2%**
Expected Report Date	**11/02/2020**
Earnings ESP	**-39.3%**
P/E TTM	**NA**
P/E F1	**55.4**
PEG F1	**7.9**
P/S TTM	**0.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	1,780 E	2,011 E	2,399 E	2,173 E	8,504 E
2020	1,798 A	2,045 A	2,341 E	1,965 E	8,232 E
2019	1,900 A	2,177 A	2,753 A	2,076 A	8,906 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.21 E	$0.36 E	$0.45 E	$0.42 E	$0.98 E
2020	-$0.06 A	$0.11 A	$0.21 E	$0.08 E	$0.34 E
2019	$0.25 A	$0.12 A	$0.08 A	-$0.29 A	$0.19 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/24/2020. The reports text is as of 09/25/2020.

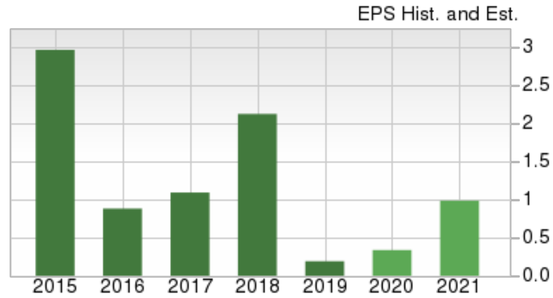
Overview

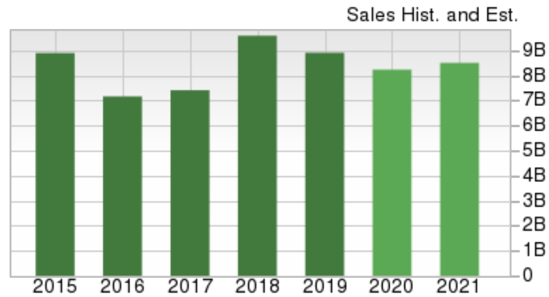
Minnesota-based The Mosaic Company is a leading producer and marketer of concentrated phosphate and potash for the global agriculture industry. It was formed through the combination of the fertilizer businesses of agribusiness giant Cargill Incorporated and IMC Global Inc. Mosaic is the biggest integrated 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 $8,906.3 million in 2019. Phosphates, Potash and Mosaic Fertilizantes segments accounted for around 36%, 24% and 40% of the company's total sales in 2019.

Source: Zacks Investment Research

Reasons To Buy:

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

- Mosaic's shares have lost 8.4% in the past year, outperforming the 12.7% decline recorded by the industry. Mosaic is positioned to leverage higher global demand for fertilizers. Demand for phosphate and potash in North America is expected to be strong in the 2020. Unfavorable weather led to under-application of fertilizers in the region for three consecutive seasons. This is driving higher demand in North America. The company expects U.S. farmers to plant 10-15 million more acres in 2020 compared with 2019. Mosaic also expects strong global demand for fertilizers in 2020 based on solid worldwide demand for grains and oilseeds. The company also expects higher demand for phosphate and potash in Brazil this year on healthy farm economics. Globally, fertilizer inventories have been utilized over the first half of 2020 and key fertilizer markets such as India and Brazil are experiencing strong year-over-year growth heading into their peak application seasons. Further, tightening Chinese corn market is driving domestic demand and consumption of all fertilizers.

- 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 that integration of the acquired business. It plans to drive an additional $200 million in annual operating earnings at Mosaic Fertilizantes through business transformation actions by the end of 2022. It expects to achieve $50 million in Mosaic Fertilizantes' transformational savings in 2020.

- 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 SG&A expenses. The company also expects $1 billion of cumulative cash flow improvement by end-2020. 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. 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 $5,197 million at the end of the second quarter of 2020, sequentially down from $5,580 million at the end of the first quarter. Moreover, its cash and cash equivalents surged 167% year over year to $1.1 billion as of Jun 30, 2020. It also has a strong liquidity position of more than $3 billion, which appears to be adequate to meet its short-term debt obligations.

Reasons To Sell:

- Declining prices of fertilizers is a concern. Lower prices affected sales in all three segments segment in the last reported quarter. Further, margins in the Potash segment declined 27% year over year due to lower prices. Persistent pressure on pricing due to an oversupplied market may exert on the company's margins.

- Mosaic is seeing lower phosphate demand in China. Chinese phosphate shipments declined year over year in 2019 to around 17.6 million tons and is expected to further fall in 2020. Supply and logistics disruptions due to the coronavirus outbreak is expected to impact consumption in China over the near term. The company expects phosphate demand in China to be flat this year. It also expects potash shipments in China to fall year over year in 2020.

Mosaic faces challenges from lower phosphate demand in China. Margins in the company's Phosphates unit also remains under pressure due to weak pricing.

- The overall business environment in agriculture still remain soft. The coronavirus outbreak has exerted pressure on agricultural commodity prices, particularly for corn and soybean. Moreover, disruptions associated with the outbreak are likely to hurt demand in China, a top consumer of agricultural commodities. Weaker expected demand in China due to the impact of coronavirus is likely to put pressure on crop commodity prices in the near term, which will affect demand for fertilizers.

Last Earnings Report

Mosaic's Earnings and Sales Surpass Estimates in Q2

Quarter Ending	06/2020
Report Date	Aug 03, 2020
Sales Surprise	9.25%
EPS Surprise	375.00%
Quarterly EPS	0.11
Annual EPS (TTM)	-0.16

Mosaic logged net income of $47.4 million or 12 cents per share in second-quarter 2020 against a net loss of $233.1 million or 60 cents in the year-ago quarter.

Barring one-time items, adjusted earnings per share were 11 cents that beat the Zacks Consensus Estimate of a loss of 4 cents.

Net sales fell 6.1% year over year to $2,044.7 million in the quarter. However, the figure beat the Zacks Consensus Estimate of $1,871.5 million.

Segment Highlights

Net sales in the Phosphates segment were $763 million in the quarter, down 16.8% year over year due to lower sales prices. The segment's gross margin improved to $7 from a loss of $7 million in the year-ago quarter as lower raw material costs, strong volumes and production cost improvement overcame price declines.

Potash division's net sales dropped 7.3% year over year to $555 million mainly due to lower prices, which was partly offset by higher sales volumes during the North America spring planting season. Gross margin in the quarter was $132 million, down 27.1% year over year, as lower prices more than offset lower production costs and higher sales volumes.

Net sales in the Mosaic Fertilizantes segment were $787 million, down 5.5% year over year. Results were affected from lower prices that more than offset stronger sales volumes. Gross margin increased to $101 million from $35 million in the year-ago quarter due to lower turnaround and idle costs as well as considerable currency tailwinds.

Financials

At the end of first six months, Mosaic had cash and cash equivalents of $1,073.3 million, up 167.1% year over year. Long-term debt fell 0.3% year over year to $4,527.9 million.

Net cash provided by operating activities rose 62% year over year to $813.7 million in the reported quarter. The company's capital expenditures were $257 million in the quarter.

Outlook

For 2020, Mosaic now expects depreciation, depletion and amortization of $860-$910 million compared with $910-$920 million expected earlier. The company continues to anticipate net interest expenses of $180-$190 million for 2020. Capital expenditure is expected to be around $1.2 billion for 2020.

The company also stated that phosphate fertilizer products prices have strengthened globally. This reflects tightening supply and demand balance. Further, it expects potash prices to be stable. The risk of coronavirus is also expected to persist throughout the remainder of 2020.

Recent News

Mosaic Issues August Sales Volumes & Revenues of Units

On **Sep 14, 2020**, Mosaic released August 2020 sales volume and revenue figures for its segments.

In the Potash unit, the company recorded sales volume of 741,000 tons in August, down 1.9% year over year. Revenues in the segment fell 22.2% year over year to $154 million.

In the Mosaic Fertilizantes unit, sales volume rose 2% year over year to 1,266,000 tons. Revenues in the segment declined 21.2% year over year to $393 million.

In Phosphates, the company reported 6.4% year-over-year rise in sales volume to 743,000 tons. Revenues in the segment fell 0.4% year over year to $261 million.

Mosaic Announces Quarterly Dividend

On **Aug 13, 2020**, Mosaic's board declared a quarterly dividend of 5 cents per share on its common stock. The dividend was paid on Sep 17, 2020, to stockholders of record as of the close of business as of Sep 3, 2020.

Mosaic Declares July Sales Volumes & Revenues of Units

Mosaic, on **Aug 13, 2020**, released July 2020 sales volume and revenue figures for its segments.

In the Potash unit, the company recorded sales volume of 743,000 tons in July, down 5.7% year over year. Revenues in the segment fell 27.4% year over year to $154 million.

In the Mosaic Fertilizantes unit, sales volume rose 16.7% year over year to 1,201,000 tons. Revenues in the segment fell 11.9% year over year to $385 million.

Valuation

Mosaic's shares are down 13% in the year-to-date period and down 8.4% over the trailing 12-month period. Stocks in the Zacks Fertilizers industry and Zacks Basic Materials sector are down 11.7% and 2.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 12.7% and up 3.2%, respectively.

The S&P 500 index is up 0.8% in the year-to-date period and up 8.8% in the past year.

The stock is currently trading at 7.56X trailing 12-month enterprise value-to EBITDA (EV/EBITDA) ratio, which compares to 8.98X for the Zacks sub-industry, 7.34X for the Zacks sector and 13.95X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.6X and as low as 4.41X, with a 5-year median of 7.37X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $20 price target reflects 24.64X forward 12-month earnings per share.

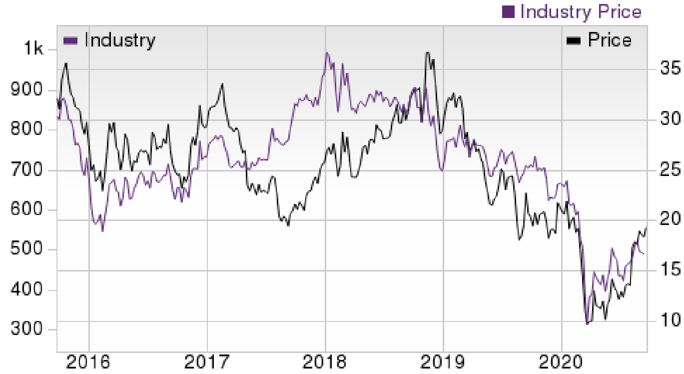
The table below shows summary valuation data for MOS:

Valuation Multiples - MOS

		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	7.56	8.98	7.34	13.95
	5-Year High	14.6	21.47	18.55	15.61
	5-Year Low	4.41	5.88	6.51	9.51
	5-Year Median	7.37	9.63	10.25	13.02
P/E F12M	Current	23.19	19.67	13.04	21.25
	5-Year High	61.79	41	21.06	23.44
	5-Year Low	8.46	10.16	9.84	15.26
	5-Year Median	18.97	19.67	13.48	17.63
P/B TTM	Current	0.82	1.08	2.15	5.56
	5-Year High	1.34	2.03	3.07	6.17
	5-Year Low	0.28	0.62	1.23	3.75
	5-Year Median	0.91	1.38	2.21	4.85

As of 09/24/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 25% (188 out of 250)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The Scotts MiracleGro Company **(SMG)**	Outperform	1
BASF SE **(BASFY)**	Neutral	3
Bunge Limited **(BG)**	Neutral	3
CF Industries Holdings, Inc. **(CF)**	Neutral	3
Israel Chemicals Shs **(ICL)**	Neutral	3
Nutrien Ltd. **(NTR)**	Neutral	3
Sociedad Quimica y Minera S.A. **(SQM)**	Neutral	4
Intrepid Potash, Inc **(IPI)**	Underperform	5

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	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	3
VGM Score	B	-	-	B	C	A
Market Cap	7.13 B	6.56 B	22.77 B	6.56 B	118.19 M	22.66 B
# of Analysts	6	4	14	4	2	7
Dividend Yield	1.06%	0.00%	1.72%	3.91%	0.00%	4.52%
Value Score	C	-	-	B	A	B
Cash/Price	0.15	0.08	0.07	0.08	0.25	0.06
EV/EBITDA	23.27	6.17	12.78	5.29	1.92	8.77
PEG F1	7.72	3.12	2.82	3.35	NA	2.89
P/B	0.82	0.91	3.12	1.18	0.28	0.99
P/CF	4.45	5.43	12.37	5.12	2.43	7.44
P/E F1	54.06	21.67	20.56	20.09	NA	23.11
P/S TTM	0.82	0.83	2.34	1.54	0.56	1.12
Earnings Yield	1.81%	4.32%	4.60%	4.99%	-10.35%	4.32%
Debt/Equity	0.52	0.48	0.70	0.71	0.04	0.48
Cash Flow ($/share)	4.23	3.66	6.93	5.99	3.66	5.35
Growth Score	A	-	-	C	D	B
Historical EPS Growth (3-5 Years)	-17.18%	-2.52%	10.41%	-2.52%	NA	NA
Projected EPS Growth (F1/F0)	77.19%	-20.85%	-4.56%	-31.50%	-191.50%	-20.60%
Current Cash Flow Growth	-5.87%	6.78%	5.26%	10.61%	6.78%	-6.24%
Historical Cash Flow Growth (3-5 Years)	-2.99%	-0.94%	8.49%	-0.27%	-11.59%	15.09%
Current Ratio	1.30	1.86	1.35	1.85	1.86	1.34
Debt/Capital	34.32%	33.31%	42.92%	41.52%	3.43%	32.30%
Net Margin	-12.92%	3.10%	10.25%	8.87%	-6.84%	4.08%
Return on Equity	-0.64%	4.26%	14.59%	6.76%	-2.05%	4.26%
Sales/Assets	0.45	0.43	0.50	0.34	0.36	0.43
Projected Sales Growth (F1/F0)	-7.57%	-3.37%	-1.44%	-9.63%	-12.88%	0.71%
Momentum Score	C	-	-	C	D	D
Daily Price Change	3.07%	0.80%	0.21%	-0.74%	2.77%	0.78%
1-Week Price Change	5.19%	0.01%	0.79%	1.92%	13.12%	4.63%
4-Week Price Change	2.17%	-2.81%	-5.64%	-7.67%	-5.63%	6.30%
12-Week Price Change	46.46%	4.25%	1.89%	4.46%	-6.37%	22.27%
52-Week Price Change	-5.66%	-10.32%	-2.71%	-37.65%	-72.39%	-18.52%
20-Day Average Volume (Shares)	5,001,575	58,590	2,095,310	2,122,988	116,225	1,484,473
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	9.19%	1.38%	0.00%	0.00%	-112.79%	1.38%
EPS F1 Estimate 12-Week Change	1,302.78%	21.42%	4.08%	21.42%	-103.33%	3.85%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

Disclosures

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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