

Motorola Solutions (MSI)

\$191.34 (As of 04/05/21)

Price Target (6-12 Months): **\$200.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/11/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: B

Summary

Motorola aims to augment its position in the public safety domain by forging strategic alliances with other players in the ecosystem. It is well positioned to benefit from organic growth and acquisition initiatives, disciplined capital distribution as well as the favorable macroeconomic environment. The integration of Command Central Aware software with Avigilon Blue is likely to facilitate it to better manage and monitor camera networks through the latest software-as-a-service offering. However, adverse currency translations remain a headwind as Motorola generates significant revenues outside the United States. Debt-laden balance sheet and lower cash flow indicate lapses in sound financial management. Further, the coronavirus pandemic is expected to dent overall demand, undermining its long-term growth potential to some extent.

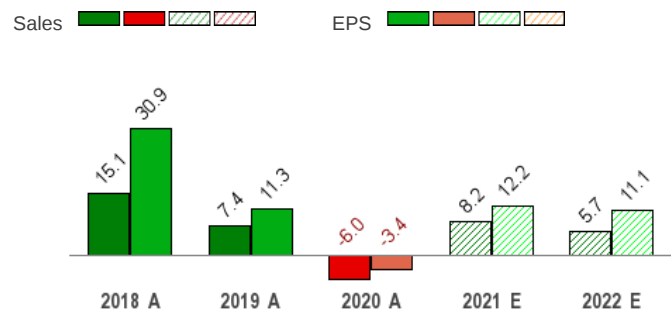
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$192.84 - \$124.36
20-Day Average Volume (Shares)	694,842
Market Cap	\$31.8 B
Year-To-Date Price Change	10.8%
Beta	0.78
Dividend / Dividend Yield	\$2.84 / 1.5%
Industry	Wireless Equipment
Zacks Industry Rank	Top 27% (69 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.4%
Last Sales Surprise	1.5%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	05/06/2021
Earnings ESP	0.0%
P/E TTM	24.5
P/E F1	22.2
PEG F1	2.5
P/S TTM	4.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,870 E	1,999 E	2,150 E	2,509 E	8,484 E
2021	1,750 E	1,831 E	2,026 E	2,415 E	8,022 E
2020	1,655 A	1,618 A	1,868 A	2,273 A	7,414 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.78 E	\$2.07 E	\$2.41 E	\$3.32 E	\$9.59 E
2021	\$1.62 E	\$1.72 E	\$2.17 E	\$3.13 E	\$8.63 E
2020	\$1.49 A	\$1.39 A	\$1.95 A	\$2.86 A	\$7.69 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 04/05/2021. The report's text and the analyst-provided price target are as of 04/06/2021.

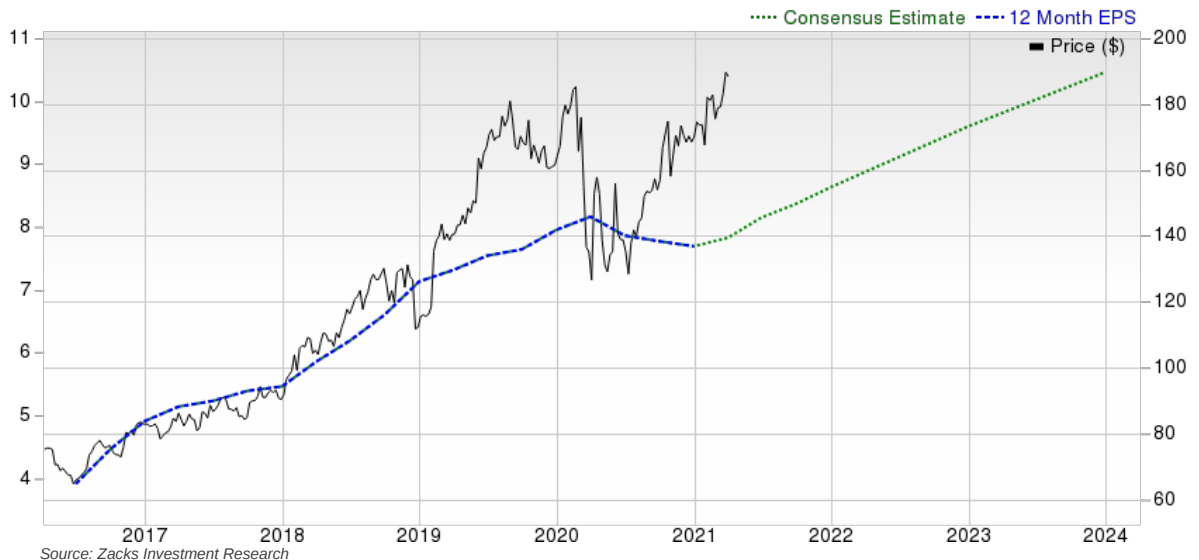
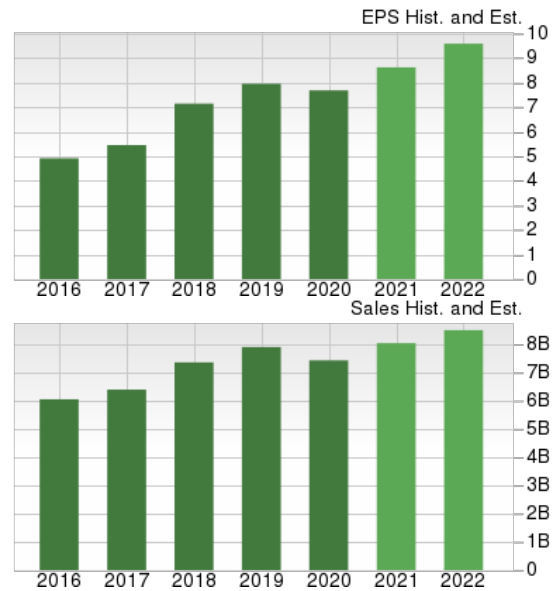
Overview

Based in Chicago, IL Motorola Solutions, Inc. is a leading communications equipment manufacturer and has strong market positions in bar code scanning, wireless infrastructure gear, and government communications. The company was formed following the split-off from its parent company Motorola, Inc. on Jan 4, 2011. Motorola Solutions generally provides services and solutions to the government segments and public safety programs together with large enterprises and wireless infrastructure service providers. It develops and services both analog and digital two-way radio, voice and data communications products and systems for private networks, wireless broadband systems and end-to-end enterprise mobility solutions to a wide range of enterprise markets.

Motorola reorganized its operating segments during second-quarter 2018. The new segments of the company are Products and Systems Integration, and Services and Software. The change reflects moving Systems Integration business from the erstwhile Services segment into the newly formed Products and Systems Integration segment and moving Software from the former Products segment into the new Services and Software segment.

Products and Systems Integration (66.4% of fourth-quarter 2020 net sales): The segment comprises of a wide portfolio of infrastructure, devices and accessories along with systems integration. The segment's primary customers are government, public safety and first-responder agencies, municipalities, and commercial and industrial customers who operate private communications networks and manage a mobile workforce.

Services and Software (33.6%): The segment offers a wide range of services and software to government, public safety and commercial communication networks. These include: (i) Software, (ii) Lifecycle Support services, (iii) Managed services, (iv) Smart Public Safety Solutions, and (v) Integrated Digital Enhanced Network (iDEN) services.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ As a leading provider of mission-critical communication products and services worldwide, Motorola has ensured a steady revenue stream from this niche market. The communications equipment maker intends to boost its position in the public safety domain by entering into strategic alliances with other players in the ecosystem. Despite coronavirus-induced adversities, Motorola witnessed a healthy demand for video security products and services during the quarter and remains well poised to tide over the storm with a diversified portfolio.
- ▲ Motorola expects to record strong demand across video security and services, land mobile radio products, and related software while benefiting from a solid foundation. The acquisition of WatchGuard, Inc., which manufactures in-car video systems and body-worn cameras along with evidence management software, has added new capabilities to Motorola's video security solutions portfolio. It has further expanded its video security product line with advanced analytics from Avigilon as well as license plate recognition cameras and software from Vigilant Solutions. Markedly, the company also completed the acquisition of Fresno, CA-based video security solutions provider, Pelco, in an all-cash transaction worth \$110 million. The deal is likely to be a win-win solution for both the companies, while bolstering operational efficiencies, public safety and geographical footprint with an accretive customer base.
- ▲ The company has launched the WAVE PTX solution, which is considered the perfect solution for on-the-go workforce that enables employees to experience the perks of push-to-talk workgroup communications with best-in-class network capabilities without the need of expensive infrastructure expansion. In addition, Motorola has unveiled CirrusCentral Core, a cloud-based secondary core for ASTRO 25 P25 land mobile radio systems, which enables system managers to access their secondary core virtually and eliminates the need for public safety agencies to maintain a physical backup core-site. Notably, the successful integration of CommandCentral Aware software with Avigilon Blue – its cloud video security platform – has enabled public safety agencies to better manage and monitor video feeds and camera networks through the latest software-as-a-service offering. Such innovative products are likely to generate a steady revenue stream for the company.

Motorola is poised to benefit from organic growth and acquisition initiatives by entering into strategic alliances with other players in the ecosystem and strengthen its market position.

Reasons To Sell:

- ▼ The company's debt-laden balance sheet is a concern. As of Dec 31, 2020, it had \$1,254 million in cash and cash equivalents with \$5,163 million of long-term debt compared with the respective tallies of \$1,007 million and \$5,162 million at the end of the previous quarter. Although Motorola has no near-term debt maturities and no pension debt obligations until 2023, the stock looks relatively more leveraged than the industry. Motorola currently has a debt-to-capital ratio of 1.12 compared with 0.35 of the industry. A highly leveraged balance sheet can inflate the company's financial obligations and hurt profitability. The times interest earned has decreased over the past few quarters but has improved sequentially to 6.3 at present, relative to 8.8 of the industry. Motorola has a dividend payout rate of 36.9% compared with 37.1% of the industry. The rate has increased sequentially, indicating that the company is sharing more of its earnings with stockholders. It is to be seen whether Motorola can maintain this momentum in the coming days amid disruptions caused by the pandemic.
- ▼ Although we remain optimistic on Motorola's growth-by-acquisition strategy, costs associated with the mergers are limiting bottom-line growth. Gross margin has decreased at a CAGR of 5.1% from 2013 to 2020, reflecting higher operating expenses. Higher working capital requirement due to the implementation of new Enterprise Resource Planning (ERP) system is hurting the company's cash from operations. Motorola's cash flow yield has declined from 9.52% at year-end 2014 to 4.6% at year-end 2020, indicating under-utilization of resources and lapses in sound financial management.
- ▼ Headwinds in currency translation could add to the woes as Motorola generates significant revenues outside the United States. The global coronavirus pandemic is likely to dent its overall demand as the world grapples with an adverse economic effect. Management expects year-over-year revenues to be impacted in its professional commercial radio business and delay engagement and deployments in certain cases. All these are likely to undermine its growth potential to some extent.

Costs associated with mergers are limiting bottom-line growth and affecting margins.

Last Earnings Report

Motorola Beats on Q4 Earnings Despite Soft Revenues

Motorola reported relatively modest fourth-quarter 2020 results, driven by diligent execution of operational plans. Despite surpassing the respective Zacks Consensus Estimate, revenues and adjusted earnings decreased year over year due to coronavirus-induced adversities.

Net Earnings

On a GAAP basis, net earnings in the reported quarter were \$412 million or \$2.37 per share compared with \$244 million or \$1.39 in the year-earlier quarter. The improvement, despite top-line contraction, was primarily due to higher non-cash charges in fourth-quarter 2019.

Excluding non-recurring items, non-GAAP earnings in the quarter were \$2.86 per share compared with \$2.94 in the year-ago quarter. The bottom line beat the Zacks Consensus Estimate by 12 cents.

In full-year 2020, GAAP earnings improved to \$949 million or \$5.45 per share from \$868 million or \$4.95 in 2019, while non-GAAP earnings per share declined to \$7.69 from \$7.96 in 2019 largely due to lower sales.

Revenues

Quarterly net sales fell 4.4% year over year to \$2,273 million due to lower demand in the Americas and the International business owing to the continued downturn in business led by the virus outbreak. The top line, however, exceeded the Zacks Consensus Estimate of \$2,239 million.

Organic revenues decreased 6.9% year over year to \$2,213 million. Acquisitions contributed \$60 million to incremental revenues. Region wise, revenues were down 3.6% in North America to \$1,548 million due to lower sales of public safety land mobile radio and professional and commercial radio products, partially offset by growth in video security and services. International revenues were down 6.1% to \$725 million due to a decline in professional and commercial radio as well as public safety land mobile radio products.

Segmental Performance

Net sales from **Products and Systems Integration** fell 9.7% year over year to \$1,510 million, largely due to a significant decline in demand for professional and commercial radio products across all regions. However, the segment witnessed solid demand for video security solutions from utility firms and government sectors. The segment's backlog was down \$38 million to \$3.1 billion, primarily due to lower order trends owing to the virus outbreak.

Net sales from **Services and Software** were up to \$763 million from \$704 million a year ago, with solid performance across Command Center Software and services along with growth in land mobile radio services. The segment's backlog increased \$213 million to \$8.3 billion, primarily due to multi-year agreements in the Americas and favorable foreign exchange effects, partially offset by revenue recognition for Airwave and ESN (Emergency Services Network).

Other Quarterly Details

GAAP operating earnings decreased to \$555 million from \$590 million in the prior-year quarter, while non-GAAP operating earnings were down 5.6% to \$667 million. The company ended the quarter with a record backlog of \$11.4 billion, up \$175 million year over year. Overall GAAP operating margin was 24.4%, down from 24.8% due to lower revenues. Non-GAAP operating margin was 29.3% compared with 29.7% in the year-ago quarter.

Non-GAAP operating earnings for Products and Systems Integration were down 16% to \$408 million for the corresponding margin of 27%. Non-GAAP operating earnings for Services and Software were \$259 million, up 16% year over year, driven by gross margin expansion and higher sales led by strong demand for Command Center Software solutions and continued growth in the services business. This resulted in non-GAAP operating margin of 33.9% for the segment, up from 31.7%.

Cash Flow and Liquidity

Motorola generated \$1,613 million of cash from operating activities in 2020 compared with \$1,823 million a year ago. Free cash flow for the year was \$1,396 million. The company repurchased \$171 million worth of stock during the fourth quarter. As of Dec 31, 2020, the company had \$1,254 million of cash and cash equivalents with \$5,163 million of long-term debt compared with respective tallies of \$1,001 million and \$5,113 million a year ago. Motorola repaid \$200 million of its unsecured revolving credit facility during the quarter.

Guidance

Despite the lack of clarity regarding the impact of the coronavirus pandemic on the business, the company offered guidance for the first quarter of 2021. Quarterly non-GAAP earnings are expected in the range of \$1.58-\$1.64 per share on year-over-year revenue growth of 5.5-6%.

For 2021, non-GAAP earnings are expected in the \$8.50-\$8.62 per share range on year-over-year revenue improvement of 7.3-8% with growth in both the segments as pent up demand picks up pace.

Quarter Ending **12/2020**

Report Date	Feb 04, 2021
Sales Surprise	1.53%
EPS Surprise	4.38%
Quarterly EPS	2.86
Annual EPS (TTM)	7.69

Recent News

On Mar 17, 2021, Motorola announced its collaboration with Adecoagro for the deployment of its new digital radio communications system on the latter's facilities in Mato Grosso do Sul. This innovative system is expected to streamline day-to-day operations like ensuring safety in the transportation of cargos, enhancing productivity and optimizing resources, thereby driving digital transformation.

On Mar 2, 2021, Motorola announced that it has been awarded a contract by Helsetjenestens Driftsorganisasjon for Nødnett HF to provide the Norwegian Health Emergency Service with a new CommandCentral Control Room Solution.

On Jan 5, 2021, Motorola announced the inclusion of additional services to its cybersecurity services portfolio to curb the rising incidences of cyber threats. The expansion is aimed at safeguarding mission-critical operations of various public safety agencies and enterprises against malicious activities like data breaches.

Valuation

Motorola's shares are up 19.4% over the past six months, and up 34.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 18.4% over the past six months, while stocks in the Zacks Computer and Technology sector are up 20% in the same period. Over the past year, the Zacks sub-industry and sector are up 69.9% and 68.9%, respectively.

The S&P 500 Index is up 18.6% in the past six months, and up 56.2% in the past year.

The stock is currently trading at 17.42X trailing 12-month EV/EBITDA, which compares to 18.25X for the Zacks sub-industry, 16.18X for the Zacks sector and 17.89X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 17.44X and as low as 6.73X, with a 5-year median of 11.8X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$200 price target reflects 9.29X forward 12-month earnings.

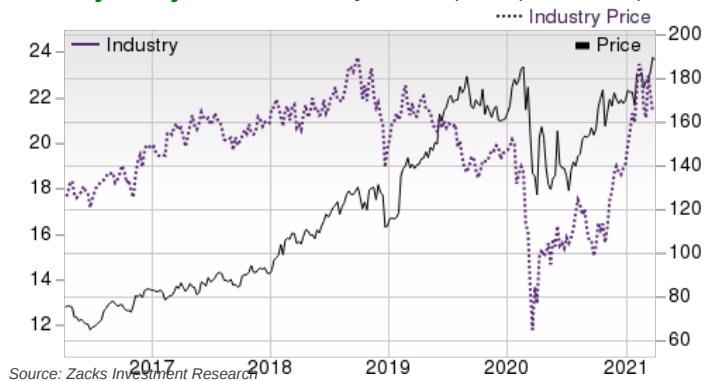
The table below shows summary valuation data for MSI

Valuation Multiples - MSI					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	17.42	18.25	16.18	17.89
	5-Year High	17.44	30	17.23	17.89
	5-Year Low	6.73	11.61	9.03	9.62
	5-Year Median	11.8	18.16	12.29	13.35
P/E F12M	Current	21.54	19.72	27.49	22.66
	5-Year High	23.35	33.47	28.33	23.83
	5-Year Low	14.27	14.68	16.96	15.3
	5-Year Median	17.63	19.37	20.1	18
P/S F12M	Current	3.97	4.1	4.68	4.64
	5-Year High	3.97	4.62	4.68	4.64
	5-Year Low	1.82	2.27	2.78	3.21
	5-Year Median	2.62	2.89	3.5	3.71

As of 04/05/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 27% (69 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Ubiquiti Inc. (UI)	Outperform	1
Clearfield, Inc. (CLFD)	Neutral	3
Comtech Telecommunications Corp. (CMTL)	Neutral	3
Ericsson (ERIC)	Neutral	3
InterDigital, Inc. (IDCC)	Neutral	4
Juniper Networks, Inc. (JNPR)	Neutral	3
Sierra Wireless, Inc. (SWIR)	Neutral	2
Viasat Inc. (VSAT)	Neutral	3

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

Industry Comparison Industry: Wireless Equipment				Industry Peers		
	MSI	X Industry	S&P 500	ERIC	JNPR	VSAT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	A	D	B
Market Cap	31.84 B	619.93 M	29.75 B	43.58 B	8.38 B	3.45 B
# of Analysts	7	2	13	4	7	4
Dividend Yield	1.51%	0.00%	1.31%	1.22%	3.12%	0.00%
Value Score	C	-	-	A	B	B
Cash/Price	0.04	0.17	0.06	0.13	0.21	0.09
EV/EBITDA	20.11	13.68	16.95	10.51	17.46	13.09
PEG F1	2.43	2.10	2.35	0.57	1.77	21.86
P/B	NA	1.95	3.95	4.69	1.86	1.47
P/CF	19.66	17.77	16.86	14.92	14.93	9.33
P/E F1	21.87	18.89	21.87	16.60	15.66	524.38
P/S TTM	4.29	1.67	3.39	1.71	1.89	1.53
Earnings Yield	4.58%	4.06%	4.49%	6.04%	6.40%	0.20%
Debt/Equity	-9.54	0.11	0.66	0.26	0.38	0.77
Cash Flow (\$/share)	9.73	0.71	6.78	0.90	1.72	5.50
Growth Score	B	-	-	B	F	B
Historical EPS Growth (3-5 Years)	17.04%	-1.47%	9.39%	-19.65%	-9.95%	NA
Projected EPS Growth (F1/F0)	12.21%	53.56%	15.24%	23.05%	5.53%	129.54%
Current Cash Flow Growth	-3.00%	3.17%	0.44%	124.87%	-10.25%	36.25%
Historical Cash Flow Growth (3-5 Years)	16.47%	7.40%	7.37%	-3.91%	-7.05%	5.53%
Current Ratio	1.24	1.87	1.39	1.31	1.51	1.51
Debt/Capital	NA%	16.02%	41.26%	20.69%	27.30%	43.45%
Net Margin	12.80%	4.39%	10.59%	7.68%	5.80%	-0.09%
Return on Equity	-164.26%	3.34%	14.86%	24.65%	8.04%	-0.09%
Sales/Assets	0.70	0.78	0.51	0.85	0.50	0.45
Projected Sales Growth (F1/F0)	8.20%	11.05%	7.36%	14.70%	3.37%	18.48%
Momentum Score	B	-	-	A	C	F
Daily Price Change	1.58%	0.75%	1.04%	2.52%	0.35%	2.05%
1-Week Price Change	-0.65%	0.05%	0.35%	-3.33%	-0.85%	1.39%
4-Week Price Change	6.77%	2.76%	5.47%	11.02%	7.30%	-0.91%
12-Week Price Change	10.16%	10.16%	9.17%	12.98%	7.98%	50.47%
52-Week Price Change	35.80%	68.13%	61.87%	68.13%	20.48%	35.51%
20-Day Average Volume (Shares)	694,842	166,015	2,120,273	6,026,758	3,752,267	652,439
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	-2.19%	3.77%	2.19%	3.96%	2.79%	-26.15%
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	B
Momentum Score	B
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.

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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.