

## Mettler-Toledo (MTD)

**\$1,133.88** (As of 12/30/20)

Price Target (6-12 Months): **\$1,304.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 12/30/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**1-Strong Buy**

Zacks Style Scores:

VGM:F

Value: F

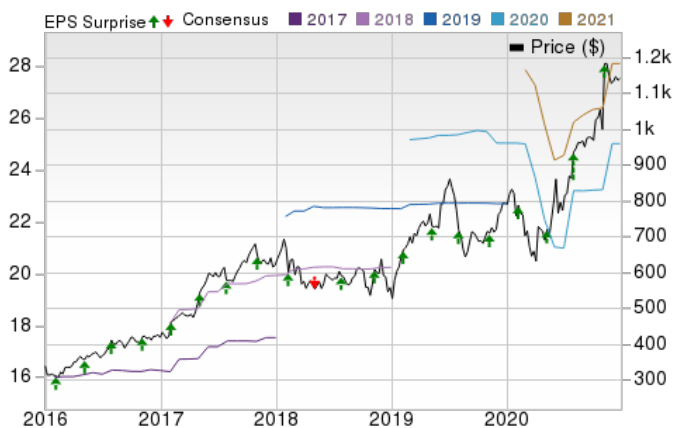
Growth: C

Momentum: F

## Summary

Mettler-Toledo continues to ride on its solid momentum across its laboratory segment. Solid demand across pharmaceutical and life science markets is a tailwind. Further, growing food retail segment is contributing well. Also, strengthening presence in Americas, Europe, Asia and Rest of the World (ROW) regions remains positive. Furthermore, portfolio strength, cost-cutting efforts, robust sales and marketing strategies, benefits from investments in Spinnaker sales, and field resources are contributing well. Additionally, strong core industrial business is another positive. Also, strengthening momentum in China is a tailwind. The company stays optimistic about its productivity and margin initiatives. The stock has outperformed its industry over a year. However, market uncertainties due to the ongoing pandemic are likely to linger in the near term.

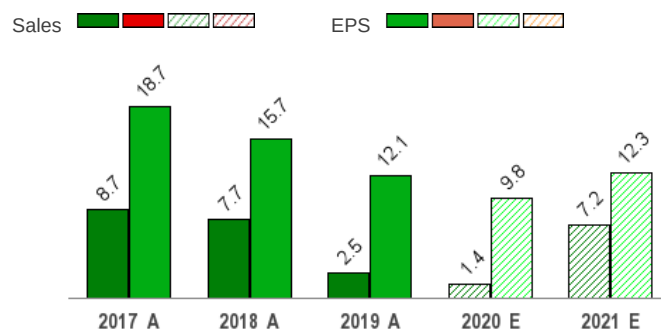
## Price, Consensus & Surprise



## Data Overview

|                                |                                 |
|--------------------------------|---------------------------------|
| 52-Week High-Low               | <b>\$1,228.41 - \$579.40</b>    |
| 20-Day Average Volume (Shares) | <b>119,570</b>                  |
| Market Cap                     | <b>\$27.0 B</b>                 |
| Year-To-Date Price Change      | <b>42.9%</b>                    |
| Beta                           | <b>1.05</b>                     |
| Dividend / Dividend Yield      | <b>\$0.00 / 0.0%</b>            |
| Industry                       | <b>Instruments - Scientific</b> |
| Zacks Industry Rank            | <b>Top 8% (20 out of 255)</b>   |

## Sales and EPS Growth Rates (Y/Y %)



|                               |                   |
|-------------------------------|-------------------|
| Last EPS Surprise             | <b>16.6%</b>      |
| Last Sales Surprise           | <b>8.0%</b>       |
| EPS F1 Estimate 4-Week Change | <b>0.0%</b>       |
| Expected Report Date          | <b>02/04/2021</b> |
| Earnings ESP                  | <b>0.0%</b>       |
| P/E TTM                       | <b>47.1</b>       |
| P/E F1                        | <b>45.4</b>       |
| PEG F1                        | <b>3.3</b>        |
| P/S TTM                       | <b>9.0</b>        |

## Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | 718 E | 771 E | 850 E | 930 E | 3,271 E |
| 2020 | 649 A | 691 A | 807 A | 904 E | 3,051 E |
| 2019 | 679 A | 731 A | 754 A | 844 A | 3,009 A |

## EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*   |
|------|----------|----------|----------|----------|-----------|
| 2021 | \$6.01 E | \$6.52 E | \$7.33 E | \$8.16 E | \$28.08 E |
| 2020 | \$4.00 A | \$5.29 A | \$7.02 A | \$8.72 E | \$25.00 E |
| 2019 | \$4.10 A | \$5.16 A | \$5.77 A | \$7.78 A | \$22.77 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 12/30/2020. The reports text is as of 12/31/2020.

## Overview

Headquartered in Polaris Parkway, Columbus, Mettler-Toledo International Inc. is the world's largest manufacturer and marketer of weighing instruments for use in laboratory, industrial and food retailing applications. The company focuses on the high value-added segments of the weighing instruments market by providing solutions for specific applications.

Mettler-Toledo is also a leading provider of analytical instruments for use in life science, reaction engineering and real-time analytic systems used in drug and chemical compound development, and process analytics instruments used for in-line measurement in production processes.

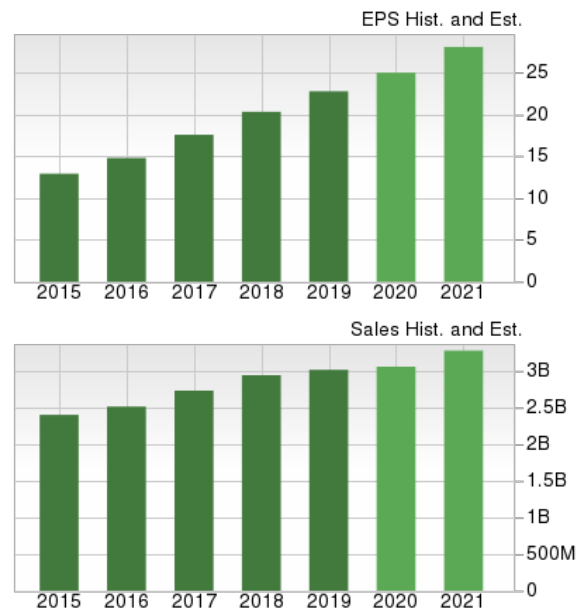
Mettler-Toledo reported revenues of \$3.01 billion in 2019. The company has three reportable segments— Laboratory Instruments, Industrial Instruments and Retail Weighing Solutions, which generated 52%, 41% and 7% of 2019 revenues, respectively.

Laboratory Instruments offering includes laboratory balances, automated laboratory reactors, liquid pipetting solutions, titrators, physical value analyzers, UV/VIS spectrophotometers, thermalanalysis systems and moisture analyzers, to name a few. The company with these products caters to the needs of pharmaceutical, food chemical, academia, cosmetics and food industries. Further, these products are used in testing labs, life science research labs, environment research labs and drug discovery process.

The Industrial segment offers industrial weighing instruments, industrial terminals, transportation and logistics, value scale systems, industrial software and product inspection systems. Mettler-Toledo also develops x-rays and metal detection required in production and packaging. Notably, this segment meets the needs of food, discrete manufacturing, chemical and pharmaceutical industries.

The Food Retail segment offers automated, weighing, packaging and labeling solutions. This segment operates in food and beverages, pharmaceutical, cosmetics, chemicals and biotechnology end-markets.

Products are manufactured at its China, Germany, Switzerland, the U.S. and the U.K. facilities. They are sold through a variety of distribution channels with Americas, Europe and Asia/Rest of the World (ROW) contributing 39%, 30% and 31% of 2019 revenues, respectively.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ Mettler-Toledo is the world's **largest manufacturer and marketer of weighing instruments** for use in laboratory, industrial and food retailing applications. The company's manufacturing, product development and research activities are divided into a number of producing organizations that help to reduce the time of product development, lower cost and enhance customer focus. The company integrates an extensive quality control system into its manufacturing process. All major manufacturing facilities are ISO 9001 certified. With continued focus on productivity and efficiency, supported by a huge manufacturing capacity and a wide range of suppliers, we believe that the company is well positioned to grow and maintain its leadership position.
- ▲ Mettler-Toledo's **sales and service efforts offer significant revenue opportunities**. The company's geographically focused market organizations spread across the world that takes care of all aspects of its sales and service. It has one of the largest global sales and service organizations among precision instrument manufacturers. Its sales and service group comprises around 8,150 employees across sales, marketing, customer service and post-sales technical service, placed in 40 countries, and provides service and support to customers and distributors in major markets. The company's service business continues to grow with the global service network promoting expansion to emerging markets. Service (service contracts, on demand services, and replacement parts) contributed roughly 22% of net sales in 2019, 2018 and 2017. We believe that Mettler-Toledo is well positioned to leverage on its strong global network of sales and service organizations to expand.
- ▲ The company continues to focus on **development of advanced products and cost reductions** by making prudent investments in research and development. On the technological advancement front, the focus is on new or enhanced functionality, new applications, more accurate or reliable measurement, automation through robotics and additional software capability. On the cost reduction front, the focus is on reduction of manufacturing cost through design and serviceability enhancements. The company has invested \$413 million in research and development over the last three years (\$144 million in 2019, \$141 million in 2018 and \$128 million in 2017), which is roughly 5% of net sales for each year. We believe the focus on technology development and cost management will continue to impact margins positively.
- ▲ Mettler-Toledo has a long-term focus on operational excellence through the **Blue Ocean program**. The program is aimed at setting up a global operating model and includes new enterprise architecture, with a global, single instance ERP system. The model features standardized, automated and integrated processes, and high levels of global data transparency. The company's Chinese, Swiss, U.K. and certain U.S. and German operations have already implemented the program. Using this platform, Mettler-Toledo has established global and regional shared service centers for a range of activities, which allows it to better leverage scale and technology. The program has also enabled the company to augment its e-commerce capabilities. The company has already completed the execution of two-thirds of the program and will continue to implement it in other locations over the coming years.
- ▲ The company is currently working on a new program which it calls **Stern Drive** aimed at operational improvement through material cost reductions, shop floor productivity and back office productivity. The preliminary goal is to achieve reduction in material, variable manufacturing and fixed labor cost. This program is expected to complement existing Spinnaker and Blue Ocean programs and enhance supply chain and manufacturing efficiencies going forward.

Mettler-Toledo's leading market position, focus on product development and cost reduction, sales and marketing efforts and the Blue Ocean program bode well.

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## Risks

- Mettler-Toledo's business segments, especially the high-end laboratory instruments business experiences **seasonality**. This segment experiences stronger demand in the fourth quarter and weaker demand in the first quarter, relative to second and third quarters. The seasonality causes considerable fluctuations in revenues and profits and makes forecasting difficult. Also, the company's core industrial business suffers from the seasonality during the first quarter. Further, retail business' lumpy nature of project remains a concern.
  - The nature of business makes Mettler-Toledo vulnerable to **foreign exchange risk**. The company operates in many countries and derives a significant part of its sales and earnings from emerging markets such as Asia, Latin America and Eastern Europe. Thus, appreciation or depreciation of the U.S. dollar versus foreign currencies could impact the company's financial results.
  - **Volatility in emerging markets** is a matter of concern. China is Mettler-Toledo's largest emerging market and it has a significant concentration of business there. In 2019, Chinese operations contributed more than 25.6% of revenues. Overcapacity in certain industries and continuing volatility in credit availability remain major concerns in China.
  - The company's capacity to make payments on debt and fund share repurchase program, capital expenditures and research and development efforts are subjected to its ability to generate and repatriate cash in the future. This in turn depends on factors such as **general economic, financial, legislative, regulatory, governmental and competitive factors** that are beyond the company's control. Therefore, there remains uncertainty about Mettler-Toledo's capacity to generate sufficient cash flows from operations or arrange adequate borrowings to pay debt or fund other liquidity needs in the future.
  - Mettler-Toledo has a **substantially leveraged balance sheet**. As of Sep 2020, the company had around \$1.2 billion of outstanding long-term debt. Such high debt levels may impede sufficient cash flow generation, which is needed to meet future debt obligations. Moreover, this may keep the company from accessing the debt market and refinancing at suitable rates.
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## Last Earnings Report

### Mettler-Toledo Q3 Earnings & Revenues Beat Estimates

Mettler-Toledo International reported third-quarter 2020 adjusted earnings of \$7.02 per share, which beat the Zacks Consensus Estimate by 16.6%. The bottom line also improved 22% on a year-over-year basis and 32.7%, sequentially.

Net sales of \$807.4 million were up 7% on reported basis and 6% on currency neutral basis from the respective year-ago quarter's levels. Further, the top line rose 16.9% from the prior quarter. Also, the same surpassed the Zacks Consensus Estimate of \$747.9 million.

Solid momentum across Laboratory and Food Retail segments during the reported quarter drove the the topline. Further, a strong performance delivered by the company across all geographies, especially in China, remained a major positive.

However, headwinds related to the coronanvirus persistently posed challenges to the company during the reported quarter. Moreover, uncertainties due to the ongoing pandemic are likely to linger in the near term, which is a concern.

Nevertheless, the company's portfolio strength, cost-cutting efforts, robust sales, marketing strategies, and margin and productivity initiatives are expected to aid its near-term performance.

### Top Line in Detail

By Segments: The company reports under three segments, namely Laboratory Instruments, Industrial Instruments and Food Retail, which accounted for 53%, 40% and 7% of the net sales in the thirdquarter, respectively. Further, Laboratory, Industrial and Food Retail segments witnessed year-over-year growth of 9%, 1% and 5% each in the quarter under review.

By Geography: The company reports total sales from the Americas, Europe and Asia/Rest of the World. All these regions contributed 38%, 29% and 33% to the net sales in the third quarter, respectively. Further, sales in these regions went up 3%, 4% and 10% each on a year-over-year basis.

### Operating Results

Gross margin was 58.2%, expanding 50 bps year over year.

Research & development (R&D) expenses were \$34.7 million, down3.8% from the year-ago quarter. Selling, general & administrative (SG&A) expenses increased 1.1% year over year to \$204.9 million.

As a percentage of sales, R&D expenses contracted 50 bps year over year to 4.3%. Further, SG&A expenses contracted 150 bps year over year to 25.4%.

Adjusted operating margin was 28.5%, which expanded 250 bps from the prior-year quarter.

### Balance Sheet & Cash Flow

As of Sep 30, 2020, the company's cash and cash equivalent balance was \$153.7 million, up from \$127.3 million on Jun 30, 2020.

Long-term debt was \$1.2 billion at the end of the third quarter, increasing from \$1.1 billion at the end of second quarter.

Mettler-Toledo generated \$225.1 million of cash from operating activities in the reported quarter, up from \$183.2 million in the previousquarter. Free cash flow was \$211.7 million during the reported quarter.

### Guidance

For fourth-quarter 2020, Mettler-Toledo anticipates sales to decline between 4% and 5% on a year-over-year basis in local currency.

Adjusted December-quarter earnings are anticipated in the range of \$8.60-\$8.70 per share, implying an 11-12% rise from the year-ago quarter's reported figure.

For the full year, the company anticipates sales to grow 1%, suggesting an upside in local currency from the year-earlier reported number.

Adjusted 2020 earnings are anticipated in the range of \$24.87-\$24.97 per share.

| Quarter Ending   | 09/2020      |
|------------------|--------------|
| Report Date      | Nov 05, 2020 |
| Sales Surprise   | 7.96%        |
| EPS Surprise     | 16.61%       |
| Quarterly EPS    | 7.02         |
| Annual EPS (TTM) | 24.09        |

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## Recent News

On **Dec 15, 2020**, Mettler-Toledo announced that Patrick Kaltenbach will be the new Chief Executive Officer (CEO) in effect from April 2021 in the place of Olivier Filliol who has decided to step down.

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## Valuation

Mettler-Toledo shares are up 40.9% in the six-month period and 42.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 40.5% and 25.8% in the six-month period, respectively. Over the past year, the Zacks sub-industry and the sector are up 24.4% and 39.8%, respectively.

The S&P 500 index is up 21.1% in the six-month period and 17.8% in the past year.

The stock is currently trading at 40.38X forward 12-month earnings, which compares to 25.9X for the Zacks sub-industry, 28.18X for the Zacks sector and 23X for the S&P 500 index.

Over the past five years, the stock has traded as high as 43.04X and as low as 20.72X, with a 5-year median of 28.55X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$1,304 price target reflects 46.44X forward 12-month earnings.

The table below shows summary valuation data for MTD

| Valuation Multiples - MTD |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 40.38 | 25.9         | 28.18  | 23      |
|                           | 5-Year High   | 43.04 | 26.74        | 28.18  | 23.79   |
|                           | 5-Year Low    | 20.72 | 19.45        | 16.93  | 15.30   |
|                           | 5-Year Median | 28.55 | 23.28        | 19.95  | 17.82   |
| P/S F12M                  | Current       | 8.25  | 5.06         | 4.54   | 4.38    |
|                           | 5-Year High   | 9.02  | 5.92         | 4.54   | 4.38    |
|                           | 5-Year Low    | 3.34  | 3.85         | 2.77   | 3.17    |
|                           | 5-Year Median | 5.32  | 5.05         | 3.47   | 3.67    |
| EV/Sales TTM              | Current       | 9.36  | 7.76         | 5.42   | 4.43    |
|                           | 5-Year High   | 9.83  | 7.87         | 5.45   | 4.43    |
|                           | 5-Year Low    | 3.6   | 3.9          | 2.85   | 2.62    |
|                           | 5-Year Median | 5.95  | 5.81         | 3.89   | 3.59    |

As of 12/30/2020

Source: Zacks Investment Research

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## Industry Analysis Zacks Industry Rank: Top 8% (20 out of 255)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                    | Rec        | Rank |
|-------------------------------------|------------|------|
| Danaher Corporation (DHR)           | Outperform | 2    |
| PerkinElmer, Inc. (PKI)             | Outperform | 1    |
| Agilent Technologies, Inc. (A)      | Neutral    | 3    |
| BioRad Laboratories, Inc. (BIO)     | Neutral    | 3    |
| Bruker Corporation (BRKR)           | Neutral    | 3    |
| Illumina, Inc. (ILMN)               | Neutral    | 3    |
| Thermo Fisher Scientific Inc. (TMO) | Neutral    | 3    |
| Waters Corporation (WAT)            | Neutral    | 3    |

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

| Industry Comparison Industry: Instruments - Scientific |            |            |           | Industry Peers |         |          |
|--------------------------------------------------------|------------|------------|-----------|----------------|---------|----------|
|                                                        | MTD        | X Industry | S&P 500   | A              | BRKR    | WAT      |
| Zacks Recommendation (Long Term)                       | Outperform | -          | -         | Neutral        | Neutral | Neutral  |
| Zacks Rank (Short Term)                                | 1          | -          | -         | 3              | 3       | 3        |
| VGM Score                                              | F          | -          | -         | B              | D       | C        |
| Market Cap                                             | 26.98 B    | 204.19 M   | 25.87 B   | 36.02 B        | 8.19 B  | 15.24 B  |
| # of Analysts                                          | 5          | 5          | 13        | 8              | 6       | 8        |
| Dividend Yield                                         | 0.00%      | 0.00%      | 1.49%     | 0.61%          | 0.30%   | 0.00%    |
| Value Score                                            | F          | -          | -         | D              | D       | D        |
| Cash/Price                                             | 0.01       | 0.07       | 0.06      | 0.04           | 0.07    | 0.03     |
| EV/EBITDA                                              | 34.67      | 19.54      | 14.64     | 30.02          | 23.60   | 19.54    |
| PEG F1                                                 | 3.31       | 4.88       | 2.81      | 3.57           | 7.86    | 6.01     |
| P/B                                                    | 60.89      | 4.86       | 3.64      | 7.43           | 8.51    | NA       |
| P/CF                                                   | 42.01      | 22.04      | 13.90     | 27.19          | 25.64   | 22.04    |
| P/E F1                                                 | 45.36      | 30.50      | 22.04     | 32.10          | 40.54   | 29.80    |
| P/S TTM                                                | 9.02       | 2.32       | 2.84      | 6.75           | 4.18    | 6.64     |
| Earnings Yield                                         | 2.20%      | 2.87%      | 4.38%     | 3.12%          | 2.47%   | 3.36%    |
| Debt/Equity                                            | 2.64       | 0.53       | 0.70      | 0.47           | 0.86    | -34.18   |
| Cash Flow (\$/share)                                   | 26.99      | 0.71       | 6.93      | 4.32           | 2.09    | 11.14    |
| Growth Score                                           | C          | -          | -         | B              | C       | B        |
| Historical EPS Growth (3-5 Years)                      | 14.44%     | 9.50%      | 9.71%     | 14.68%         | 9.53%   | 9.46%    |
| Projected EPS Growth (F1/F0)                           | 9.78%      | -6.47%     | 1.26%     | 11.51%         | -15.92% | -8.34%   |
| Current Cash Flow Growth                               | 7.99%      | 7.99%      | 5.23%     | 8.48%          | 12.63%  | -4.57%   |
| Historical Cash Flow Growth (3-5 Years)                | 9.94%      | 7.95%      | 8.33%     | 9.80%          | 11.39%  | 5.07%    |
| Current Ratio                                          | 1.37       | 1.79       | 1.38      | 2.33           | 2.67    | 1.79     |
| Debt/Capital                                           | 72.52%     | 33.05%     | 41.97%    | 31.91%         | 46.24%  | NA       |
| Net Margin                                             | 19.36%     | -2.61%     | 10.40%    | 13.47%         | 8.04%   | 21.96%   |
| Return on Equity                                       | 144.89%    | -9.52%     | 14.99%    | 21.02%         | 21.78%  | -275.89% |
| Sales/Assets                                           | 1.08       | 0.68       | 0.50      | 0.56           | 0.68    | 0.87     |
| Projected Sales Growth (F1/F0)                         | 1.41%      | 0.00%      | 0.35%     | 6.69%          | -6.14%  | -5.03%   |
| Momentum Score                                         | F          | -          | -         | B              | B       | C        |
| Daily Price Change                                     | -0.36%     | -0.06%     | 0.52%     | 0.14%          | 0.13%   | -0.13%   |
| 1-Week Price Change                                    | 0.47%      | -1.68%     | -0.44%    | -1.67%         | -2.07%  | -1.31%   |
| 4-Week Price Change                                    | -0.52%     | 1.72%      | 1.34%     | 2.46%          | 3.46%   | 4.44%    |
| 12-Week Price Change                                   | 12.12%     | 10.87%     | 12.07%    | 13.01%         | 31.38%  | 22.73%   |
| 52-Week Price Change                                   | 42.94%     | 5.04%      | 6.26%     | 37.60%         | 4.98%   | 5.10%    |
| 20-Day Average Volume (Shares)                         | 119,570    | 109,749    | 1,776,892 | 1,537,371      | 396,600 | 303,158  |
| 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%     | 0.21%          | 0.00%   | 0.00%    |
| EPS F1 Estimate 12-Week Change                         | 7.72%      | 6.87%      | 3.68%     | 0.88%          | 6.02%   | 3.50%    |
| EPS Q1 Estimate Monthly Change                         | 0.00%      | 0.00%      | 0.00%     | 0.00%          | 0.00%   | 0.00%    |

Source: Zacks Investment Research

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## 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.

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### Zacks Style Scores

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

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

|                |   |
|----------------|---|
| Value Score    | F |
| Growth Score   | C |
| Momentum Score | F |
| VGM Score      | F |

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.

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## Disclosures

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## Additional Disclosure

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

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**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.

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**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.

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**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.