

Vail Resorts, Inc. (MTN)

\$286.54 (As of 11/24/20)

Price Target (6-12 Months): **\$301.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/24/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: F

Summary

Shares of Vail Resorts have outperformed the industry so far this year. Despite coronavirus-related woes, it is worth noting that its season pass sales for the upcoming 2020/21 North American ski season through Sep 18, 2020 increased approximately 18% in units. Although two of its Australian ski areas, Mount Hotham and Falls Creek, had reopened on Jul 6, for their winter season, the resorts were shut after four days due to a rise in Covid-19 cases. Notably, this was followed by stay-at-home restrictions by the Victorian government. Moreover, owing to the uncertainty revolving around the crisis, future outbreaks and prolonged shutdowns cannot be ruled out. Meanwhile, the company has refrained from providing the fiscal 2021 guidance. Notably, earning estimates for current quarter and year have been stable over the past 30 days.

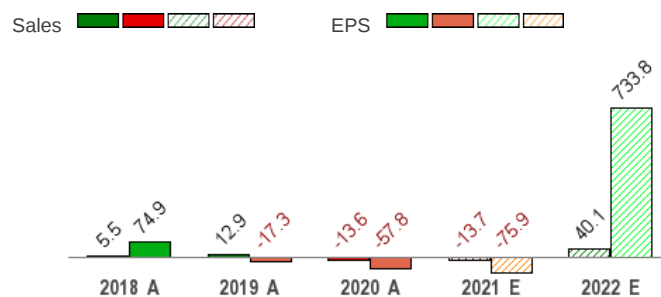
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$300.00 - \$129.52
20-Day Average Volume (Shares)	457,987
Market Cap	\$11.5 B
Year-To-Date Price Change	19.5%
Beta	1.20
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Leisure and Recreation Services
Zacks Industry Rank	Bottom 9% (232 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-7.3%
Last Sales Surprise	-43.1%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	12/10/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	252 E	940 E	1,022 E	233 E	2,373 E
2021	140 E	672 E	720 E	164 E	1,694 E
2020	268 A	925 A	694 A	77 A	1,964 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$3.43 E	\$5.73 E	\$7.28 E	-\$2.63 E	\$6.42 E
2021	-\$3.59 E	\$2.69 E	\$4.12 E	-\$2.75 E	\$0.77 E
2020	-\$2.23 A	\$5.07 A	\$3.74 A	-\$3.82 A	\$3.19 A

*Quarterly figures may not add up to annual.

P/E TTM	103.8
P/E F1	372.1
PEG F1	24.8
P/S TTM	5.9

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 11/24/2020. The reports text is as of 11/25/2020.

Overview

Vail Resorts, Inc. is a Delaware-based holding company founded in 1997. Its operations are carried out by several subsidiaries and are clustered into three segments namely Mountain, Lodging and Real Estate.

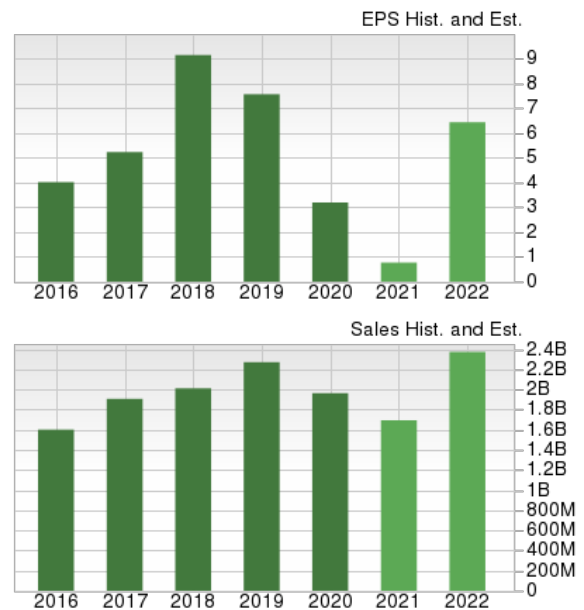
The Mountain segment (87% of net revenues for fourth-quarter fiscal 2020) operates mountain resort properties and urban ski areas as well as ancillary services like ski school, dining and retail/rental operations.

The Lodging segment (13%) owns and manages luxury hotels under the RockResorts brand and condominiums around mountain resorts. The segment also operates concessionaire properties like the Grand Teton Lodge Company and mountain resort golf courses.

The Real Estate segment (0%) owns, develops and sells real estate in and around the company's resort communities.

Vail Resorts generates revenues from two segments — Resort (accounting for 99.9% of net revenues in fourth-quarter fiscal 2020) and Real Estate (0.1%). Under the Resort segment, the company has Mountain and Lodging services, and other (constituting 80% of net revenues in the fiscal fourth quarter), and Mountain and Lodging retail and dining (19.9%).

Vail Resorts had completed the acquisition of Peak Resorts for \$11 per share on Sep 24, 2019. With the completion of this buyout, the company added 17 U.S. ski areas to its portfolio. The newly acquired resorts are located in the Northeast, Mid-Atlantic and the Midwest. The company has a notable presence in Park City in Utah. It also operates resorts in the Heavenly, Northstar and Kirkwood in the Lake Tahoe area of California and Nevada. As of Jul31, 2020, the company's Mountain segment operated 37 world-class mountain resort properties.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Robust Season Pass Program:** Vail Resorts has a season pass program under which the company offers a variety of season pass products for all the mountain resorts and urban ski areas in both domestic, and international markets. Increased demand for skiing has led the company to witness higher season pass sales lately.

A strong season pass program along with efficient marketing efforts bode well for Vail Resorts.

Despite coronavirus-related woes, it is worth noting that its season pass sales for the upcoming 2020/21 North American ski season through Sep 18, 2020 increased approximately 18% in units and decreased approximately 4% in sales dollars, compared to the prior-year period. The decline in sales dollars was primarily due to the redemption of credits used by the 2019/20 North American pass holders. However, keeping aside the redemption, sales dollars increased approximately 24% year over year. Notably, 850,000 passes for the upcoming North American ski season were sold through Sep 18, compared with 1.14 million passes sold through Dec 2, 2019. Markedly, the company has been benefiting from its offerings such as Epic Pass, Epic Day Pass and Epic Coverage, along with the introduction of Epic Mountain Rewards.

Meanwhile, the company witnessed solid unit growth in Colorado, Utah, Northern California, Whistler and the Northeast markets. Notably, renewal of passes owing to credit deadlines clearly benefited the company.

- ▲ **Marketing Efforts Drive Guest Loyalty:** Robust growth in the season pass sales reflects Vail Resorts' efficient guest focused marketing efforts. The company orients its strategy with data analytics to drive targeted and personalized marketing toward guests. Guest data is captured through season pass programs; e-commerce platforms, including mobile lift ticket sales; the EpicMix application and operational processes at the lift ticket windows. Additionally, Vail Resorts involves in digital marketing, and media advertising to drive traffic and sales.

Meanwhile, the company has spent more than \$1.2 billion over the last decade to drive guest loyalty. The company has also made significant investments in Colorado for its snowmaking systems at Vail, Beaver Creek and Keystone. Additionally, Vail Resorts has completed its full renovation of the Beaver Creek Children's Ski School facilities and the Peak eight base area at Breckenridge, with new ski school and childcare facilities. It has also completed one of its final stage of modernization project and has invested in technology to program its data-driven marketing efforts. Notably, its ability to leverage guest data, targeted digital marketing efforts, broad product offering (including the introduction of Epic Mountain Rewards), along with associated discounts, is likely to benefit the company going forward.

- ▲ **Geographic Diversification to Counter Weather-Related Woes:** Vail Resorts have widespread geographical boundaries. Apart from operations in the United States, the company has expanse in North America, Japan and Europe. By widely diversifying its geographical locations, Vail Resorts aims to cushion the business from weather inconsistencies.

- ▲ **Enough Liquidity to Tide Over Coronavirus Crisis:** Vail Resorts has enough liquidity to survive the coronavirus pandemic for some time. As of Aug 31, 2020, the company had \$360 million of cash on hand, \$419 million of U.S. revolver availability under the Vail Holdings Credit Agreement and \$174 million of revolver availability under the Whistler Credit Agreement. Although, Vail Resorts' long-term debt at the end of fiscal third quarter stood at \$2.4 billion, the company stated that it has sufficient liquidity to fund its operations through at least the 2021-2022 ski season, even in case of a prolonged shut-down scenario. At the end of fourth-quarter fiscal 2020, the company had a debt-to-capital ratio of 0.6, which indicates manageable debt levels.

Reasons To Sell:

- ▼ **Coronavirus Impact:** The coronavirus pandemic has negatively impacted the company's operations for fiscal 2020. Although two of its Australian ski areas, Mount Hotham and Falls Creek, had reopened on Jul 6, for their winter season, the resorts were shut after four days due to a rise in Covid-19 cases. Notably, this was followed by stay-at-home restrictions by the Victorian government. Moreover, owing to the uncertainty revolving around the crisis, future outbreaks and prolonged shutdowns cannot be ruled out. Meanwhile, the company has refrained from providing the fiscal 2021 guidance.
- ▼ **Dismal Q4 Results:** The company's results in the quarter were negatively impacted by the coronavirus pandemic. In fourth-quarter fiscal 2020, both top and bottom lines declined 68.4% and 72.1% year over year, respectively. Moreover, the company might delay entry into new markets due to the pandemic.
- ▼ **Competition Ails:** The ski resort and lodging industries are highly competitive. There are roughly 470 ski areas in the United States that serve local, and destination guests. Resultantly, Vail Resorts face intense competition from other ski providers. Coming to the lodging industry, it is already known how an oversupply of hotels in the United States has given rise to a stiff competitive environment. Subsequently, the company faces heightened competition in its lodging business segment.
- ▼ **Weather-Related Woes:** Vail Resorts' business is highly dependent on weather conditions. Particularly, the ski business directly depends on the amount and timing of snowfall. Unfavorable weather conditions can adversely affect skiers' visits and in turn hurt the company's revenues and profits. Unseasonably warm weather may also result in inadequate natural snowfall and reduce skiable terrain, which increases costs of snowmaking. During the fourth quarter of fiscal 2020, operations in Perisher were negatively impacted by poor snowfall, resulting in limited terrain, thereby resulting in limited guest capacity in July.

The coronavirus pandemic, along with competition and weather-related woes, continue to hurt Vail Resorts.

Last Earnings Report

Vail Resorts Q4 Earnings & Revenues Miss Estimates

Vail Resorts reported fourth-quarter fiscal 2020 results, wherein the top and the bottom line not only missed the Zacks Consensus Estimate but also declined on a year-over-year basis.

In the quarter under review, the company's reported loss of \$3.82 per share was wider than the Zacks Consensus Estimate of a loss of \$3.56. In the prior-year quarter, the company had reported a loss of \$2.22 per share.

Quarterly revenues came in at \$77.2 million missed the consensus mark of \$136 million by 43%.

Moreover, the top line fell 68.4% on a year-over-year basis. The downside can be attributed to dismal performance by the Mountain segment and Lodging segments.

Segment Results

Vail Resorts generates revenues from two segments — Resort (99.9% to net revenues in fourth-quarter fiscal 2020) and Real Estate (0.1%). Under the Resort segment, the company has Mountain and Lodging services, and other (contributing 80% to net revenues in fiscal fourth quarter) as well as Mountain and Lodging retail and dining (19.9%).

Meanwhile, Vail Resorts has two reporting segments — Mountain and Lodging.

The Mountain segment reported revenues of \$48.8 million in the quarter under review, down 69% year over year due to lower visitation associated with the closure of its North American destination mountain resorts and regional ski areas because of the COVID-19 outbreak, partially offset by incremental revenues from Peak Resorts.

The segment's EBITDA amounted to (\$94.4) million, down 44.5% from (\$65.3) million in the prior-year quarter. Meanwhile, operating expenses at the Mountain segment totaled \$143.6 million, down 35.6% year over year.

Lodging net revenues in the reported quarter were \$28.4 million, down 67.2% year over year primarily due to the closure of North American lodging properties as a result of the pandemic. Under the segment, EBITDA declined 241.2% to (\$8.2) million from the prior-year quarter.

Meanwhile, operating expenses at the Lodging segment contracted 54.7% year over year to \$36.6 million.

Operating Results

Vail Resorts reported EBITDA of (\$103.8) million in the quarter under review compared with (\$60.5) million in the prior-year quarter. The decline was primarily attributed to the closure of its destination mountain resorts and regional ski areas due the coronavirus pandemic.

Resort operating expenses totaled \$180.1 million, down 40.7% year over year. Meanwhile, total segmental operating expenses contracted 40.6% year over year to \$181.4 million.

Balance Sheet

Cash and cash equivalents as of Jul 31, 2020, totaled \$391 million, up from \$108.9 million in the year-ago period.

Net long-term debt amounted to \$2,387.1 million at the end of the quarter, up from \$1,527.7 million at the end of the prior-year quarter.

As of Aug 31, 2020, the company had total cash and revolver availability of approximately \$953 million. This includes \$360 million of cash in hand, \$419 million of U.S. revolver availability under the Vail Holdings Credit Agreement and \$174 million of revolver availability under the Whistler Credit Agreement.

Nonetheless, the company stated that it has sufficient liquidity to fund its operations for up to 2021/22 ski season, even if resort shutdowns are extended.

Fiscal 2020 Highlights

Fiscal 2020 diluted earnings per share came in at \$2.42 compared with \$7.32 reported in the prior year.

Total revenues for fiscal 2020 came in at \$1,963.7 million compared with \$2,271.6 million in fiscal 2019.

Total segment operating expenses for fiscal 2020 was reported at \$1,466.4 million, compared with \$1,571.7 million in fiscal 2019.

Fiscal 2021 Guidance

Owing to the uncertainties revolving around the coronavirus pandemic, the company has refrained from providing the fiscal 2021 guidance.

Quarter Ending	07/2020
Report Date	Sep 24, 2020
Sales Surprise	-43.11%
EPS Surprise	-7.30%
Quarterly EPS	-3.82
Annual EPS (TTM)	2.76

Valuation

Vail Resorts shares are up 19.5% in the year-to-date period and 17% over the trailing 12-month period. Stocks in the Zacks sub-industry are down by 28.8%, but the Zacks Consumer Discretionary sector is up by 8.8% in the year-to-date period. Over the past year, the Zacks sub-industry was down by 24.1%, while sector was up by 12.1%.

The S&P 500 index is up by 13.1% in the year-to-date period and 16.1% in the past year.

The stock is currently trading at 6.02X forward 12-month sales, which compares to 2.57X for the Zacks sub-industry, 2.62X for the Zacks sector and 4.25X for the S&P 500 index.

Over the past five years, the stock has traded as high as 6.02X and as low as 2.22X, with a 5-year median of 3.76X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$301 price target reflects 6.32X forward 12-month sales.

The table below shows summary valuation data for MTN.

Valuation Multiples - MTN					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	6.02	2.57	2.62	4.25
	5-Year High	6.02	2.57	2.9	4.3
	5-Year Low	2.22	0.7	1.7	3.17
	5-Year Median	3.76	1.72	2.48	3.67
P/B TTM	Current	7.52	1.56	3.38	6.17
	5-Year High	7.52	1.71	4.86	6.17
	5-Year Low	3.22	0.43	2.24	3.74
	5-Year Median	5.26	1.38	4.18	4.91
EV/EBITDA TTM	Current	28.22	NA	12.29	16.2
	5-Year High	29.76	15.43	17.93	16.2
	5-Year Low	9.96	NA	8.32	9.54
	5-Year Median	17.03	8.81	12.28	13.12

As of 11/24/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 9% (232 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Choice Hotels International, Inc. (CHH)	Neutral	4
Camping World Holdings Inc. (CWH)	Neutral	3
Cedar Fair, L.P. (FUN)	Neutral	3
MGM Resorts International (MGM)	Neutral	3
Extended Stay America, Inc. (STAY)	Neutral	3
Las Vegas Sands Corp. (LVS)	Underperform	4
Six Flags Entertainment Corporation New (SIX)	Underperform	4
Wynn Resorts, Limited (WYNN)	Underperform	4

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

Industry Comparison Industry: Leisure And Recreation Services				Industry Peers		
	MTN	X Industry	S&P 500	LVS	MGM	WYNN
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	4	3	4
VGM Score	F	-	-	D	F	D
Market Cap	11.52 B	770.66 M	26.32 B	44.36 B	14.05 B	11.08 B
# of Analysts	7	3	14	5	2	4
Dividend Yield	0.00%	0.00%	1.46%	0.00%	0.04%	0.00%
Value Score	D	-	-	D	B	D
Cash/Price	0.04	0.27	0.07	0.06	0.35	0.35
EV/EBITDA	28.56	8.14	14.86	10.02	4.14	12.91
PEG F1	24.81	1.12	2.79	NA	NA	NA
P/B	7.53	1.52	3.68	11.55	1.20	NA
P/CF	30.34	7.44	13.94	11.87	8.47	11.82
P/E F1	372.13	28.25	21.92	NA	NA	NA
P/S TTM	5.86	1.45	2.87	7.42	2.05	3.62
Earnings Yield	0.27%	-14.32%	4.33%	-3.48%	-6.92%	-18.55%
Debt/Equity	1.56	0.54	0.70	3.60	0.98	-22.98
Cash Flow (\$/share)	9.44	2.48	6.93	4.89	3.36	8.69
Growth Score	F	-	-	F	F	F
Historical EPS Growth (3-5 Years)	11.02%	10.73%	9.72%	-3.92%	-8.35%	9.72%
Projected EPS Growth (F1/F0)	-75.95%	-204.68%	0.45%	-162.09%	-150.64%	-830.38%
Current Cash Flow Growth	-28.15%	-0.39%	5.29%	-0.77%	-1.74%	-27.48%
Historical Cash Flow Growth (3-5 Years)	7.94%	8.45%	8.33%	-1.30%	9.93%	-3.64%
Current Ratio	1.10	1.02	1.38	1.31	2.24	2.29
Debt/Capital	60.92%	54.12%	41.99%	78.28%	49.50%	97.85%
Net Margin	5.03%	-15.77%	10.44%	-12.67%	20.81%	-61.07%
Return on Equity	7.37%	-17.08%	14.99%	-12.97%	-12.08%	-327.32%
Sales/Assets	0.38	0.37	0.50	0.27	0.19	0.21
Projected Sales Growth (F1/F0)	-13.72%	-38.57%	0.23%	-72.75%	-59.12%	-67.59%
Momentum Score	F	-	-	A	D	B
Daily Price Change	3.87%	3.23%	1.91%	2.45%	8.80%	7.62%
1-Week Price Change	-0.97%	0.30%	0.21%	-4.08%	1.20%	3.36%
4-Week Price Change	18.69%	28.14%	11.71%	20.27%	35.22%	43.06%
12-Week Price Change	30.07%	9.51%	11.69%	16.98%	24.94%	19.10%
52-Week Price Change	17.01%	-43.24%	6.61%	-7.78%	-10.96%	-15.46%
20-Day Average Volume (Shares)	457,987	144,576	2,311,168	6,128,987	12,244,158	4,837,315
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.22%
EPS F1 Estimate 4-Week Change	0.00%	-0.49%	0.98%	0.30%	-1.11%	-30.32%
EPS F1 Estimate 12-Week Change	-84.78%	-1.85%	3.48%	-36.57%	1.28%	-35.75%
EPS Q1 Estimate Monthly Change	0.00%	-9.68%	0.00%	19.76%	-9.49%	-20.53%

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	D
Growth Score	F
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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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.