

MasTec, Inc. (MTZ)

\$46.21 (As of 08/31/20)

Price Target (6-12 Months): **\$49.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/03/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: D

Summary

MasTec's business has been benefiting from strong Communications business and Electrical Transmission, as well as Clean Energy and Infrastructure units. Strong backlog and prospects across segments are also adding to the positives. Despite uncertain market conditions, MasTec's performance in 2021 is expected to be resilient, given strong backlog and accelerating growth potential, especially across communications, transmission, and power generation as well as oil and gas segments. A strong balance sheet and resilient FCF profile are also encouraging. However, COVID-19-related disruptions, ramp-up costs due to wireless and wireline fiber initiatives, along with volatility in the energy market are pressing concerns. Shares of MasTec have underperformed the industry in the year-to-date period.

Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$73.71 - \$22.51
20-Day Average Volume (Shares)	630,800
Market Cap	\$3.4 B
Year-To-Date Price Change	-28.0%
Beta	1.40
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Building Products - Heavy Construction
Zacks Industry Rank	Top 13% (33 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	18.8%
Last Sales Surprise	1.8%
EPS F1 Estimate 4-Week Change	0.3%
Expected Report Date	10/29/2020
Earnings ESP	2.0%
P/E TTM	10.1
P/E F1	9.5
PEG F1	1.2
P/S TTM	0.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,552 E	1,785 E	2,088 E	2,251 E	7,519 E
2020	1,417 A	1,569 A	1,910 E	2,115 E	6,978 E
2019	1,518 A	1,939 A	2,017 A	1,709 A	7,183 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.50 E	\$1.02 E	\$1.39 E	\$1.35 E	\$4.65 E
2020	\$0.60 A	\$0.95 A	\$1.64 E	\$1.71 E	\$4.85 E
2019	\$0.58 A	\$1.60 A	\$1.73 A	\$1.30 A	\$5.21 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 08/31/2020. The reports text is as of 09/01/2020.

Overview

MasTec, Inc. is a leading infrastructure construction company operating mainly throughout North America. The company engages in the engineering, building, installation, maintenance and upgrade of energy, communication and utility and other infrastructure.

MasTec reports its results under five segments focused on broad end-user markets –

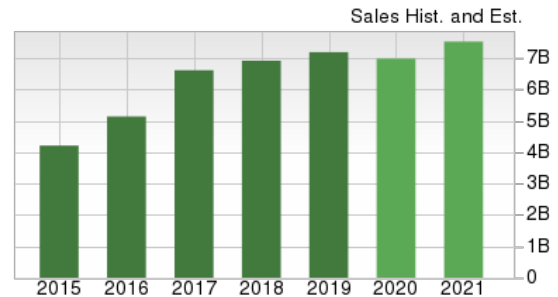
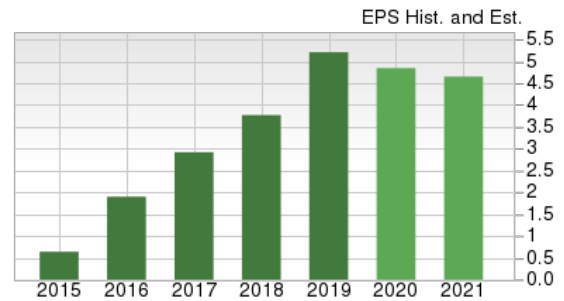
Communications (accounting for 36.5% of total 2019 revenues): The segment performs engineering, construction and maintenance of communications infrastructure mainly related to wireless and wireline communications and install-to-the-home.

Oil and Gas (43.4%): The segment performs engineering, construction and maintenance services on oil and natural gas pipelines and processing facilities for the energy and utilities industries.

Electrical Transmission (5.8%): The segment primarily serves the energy and utility industries through the engineering, construction and maintenance of electrical transmission lines and substations.

Clean Energy and Infrastructure (primarily known as Power Generation and Industrial) (14.4%): The segment primarily serves the energy and utility end-markets and other end-markets through the installation and construction of conventional and renewable power plants, related electrical transmission infrastructure, ethanol facilities and various types of industrial infrastructure.

Other: It primarily includes small business units that perform construction services for a variety of end markets in Mexico and elsewhere internationally.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Strong Backlog Despite Market Uncertainty:** As of Jun 30, 2020, the company achieved a record 18-month backlog of \$8.2 billion, up \$398 million year over year. This backlog provides strong visibility for 2020 and 2021. Backlog in Oil & Gas was up 5.7% year over year, while that of Electrical Transmission, and Clean Energy and Infrastructure increased 12.7% and 61.6%, respectively. MasTec is poised to gain from significant amounts of project awards across multiple segments.

MasTec will benefit from strong backlog and growth prospects of the segments, along with the recent acquisitions.

In Communications, it expects growth for the current year to be driven by continued expansion of fiber optic networks, investments in wireless network capacity and 5G-related work. 5G significantly enhances the number of opportunities for MasTec based on the total number of network elements involved. As the largest wireless contractor in North America, MasTec is uniquely positioned to tap these opportunities. Now that the T-Mobile/Sprint merger has closed, the company expects activity levels to significantly increase in second-half 2020. The communications segment continues to offer attractive upside opportunities, driven by 5G investment and accelerating spending by DISH and T-Mobile. The most notable near-term dislocation has been witnessed in the install-to-the home business (which accounted for 4.4% of 2019 revenues) in the Communications segment.

For the Electric Transmission segment, despite COVID-19 related disruptions, MasTec expects revenues and earnings in 2020 to exceed 2019 levels, and believes that the segment is well positioned for 2021 and beyond. Catalysts driving the business include aging infrastructure, reliability, renewables and system hardening.

For Oil & Gas, the segment backlog — which mostly consists of gas pipeline work — grew sequentially in first-quarter 2020 despite lower oil prices. The company did acknowledge the risks to oil pipeline projects if oil prices remain at sub-\$20/bbl for long. However, it is to be noted that its current bookings are weighted toward natural gas and replacement projects than to oil pipelines.

MasTec will witness strong broad-based performance across its midstream projects, integrity work, utility main replacements and facility construction. The Power Generation business is expected to grow 30-50% in 2020 and margins are likely to improve more than 100 basis points from 2019. It continues to see strong demand for renewables, with significant growth in solar activity and distributed generation.

- ▲ **Accretive Acquisitions:** In first-half 2020, MasTec acquired four businesses, including 96%-owned consolidated subsidiary of a heavy civil infrastructure construction company within the Clean Energy and Infrastructure segment; a utility service and telecommunications construction contractor and a wireless telecommunications business in the Communications segment; along with an electrical transmission services company.

During 2019, MasTec completed six acquisitions. One of them specializes in water infrastructure for pipeline companies and is included within the Oil and Gas segment. Four of them, including a wireline/fiber deployment construction contractor and a telecommunications company specializing in a broad range of end-to-end wireless telecommunications solutions, are added to the Communications segment. Another one specializes in construction projects in the power industry, and is included in Power Generation and Industrial segment.

For the first six months of 2020, acquisitions contributed approximately \$113 million to total consolidated revenues.

- ▲ **Wireline & Wireless Businesses Unlock Significant Opportunities:** MasTec's wireless business has significant potential given that substantial investments are expected in wireless infrastructure related to the densification associated with 5G deployment. Every major carrier has publicly disclosed plans and initiatives for 5G. Also, AT&T was awarded FirstNet, a nationwide public safety wireless network. Both 5G and FirstNet will be catalyst for MasTec's revenues. 5G significantly enhances the number of opportunities for MasTec, based on the total number of network elements involved. Each of those elements added require significant construction activity.

In its wireline markets, fiber expansion continues to be a major growth driver. The company believes that it is just the beginning of the most aggressive fiber build cycles in its history. A number of customers are aggressively deploying fiber assets. A considerable ramp up is expected in 2021. The company expects strong nationwide fiber deployment projects from both telephone companies and cable TV companies that will provide it with significant opportunities over the coming years.

- ▲ **Strong Balance Sheet & Resilient FCF Outlook:** MasTec ended the second quarter with a long-term debt obligation (including long-term operating lease) of \$1.25 billion, down 13.3% sequentially. Its total debt to total capitalization decreased to 45.4% for the second quarter from 49.3% in the prior quarter. The company has ample liquidity, including cash position of \$48.6 million in the quarter and \$1.04 billion availability under the credit facility. Meanwhile, it has no significant near-term maturities until 2023. MasTec expects 2020 cash flow from operations to be nearly \$600 million.

- ▲ **Driving Shareholder Value:** MasTec intends to opportunistically invest in this program if conditions permit. In first-half 2020, the company repurchased \$120.2 million worth of common stock. As of Jun 30, 2020, \$158.6 million was available for future share buybacks under its open share repurchase programs, which included \$8.6 million under the company's December 2018 share repurchase program and \$150 million under a new share repurchase program that was authorized in March 2020. Notably, during 2019, share repurchases — which were completed under the company's \$150-million share repurchase program in September 2018 — totaled \$0.6 million. In 2019, it generated a record level of \$550 million in cash flow from operations and ended the year with net debt, defined as total debt less cash of \$1.36 billion, which equates to a book leverage ratio of 1.6.

Reasons To Sell:

- ▼ **High Competition/Project Delays:** MasTec operates in a highly competitive and fragmented industry. With only few barriers to entry in the markets, any organization that has adequate financial resources and access to technical expertise may become a competitor.

Although MasTec has enough visibility throughout the remainder of 2020, the biggest risks to its guidance are around governmental permitting, crew social distancing mitigation and the impact they may have on project schedules, along with any potential project delays. MasTec faces execution risk, if the company fails to properly manage projects or face project delays, it could result in additional costs or claims to the company. Its Oil & Gas pipeline segment's top line has been witnessing a negative impact over the last few quarters, due to regulatory-imposed work delays on a few large project activities. Notably, regulatory disruptions in selected long-haul pipeline construction activity led to revenue decline in the Oil & Gas segment in 2019.

Project delays and continued weakness in the fulfillment and installation business within the Communications segment poses risks. Also, rising start-up and ramp-up costs raise concerns.

- ▼ **Customer Concentration:** MasTec derives a significant amount of revenues from a handful of large customers. The company's top 10 customers in 2019 accounted for 64% of total revenues, with AT&T contributing 20%. In second-quarter 2020, the same contributed 66% to total revenues. Customer concentration increases the risk of the company to individual customer capital budgets cuts, which might impact results.
 - ▼ **Headwinds in Communications Business:** In the Communications segment, the company continues to suffer a decline in home installation and customer fulfillment markets. In first-quarter 2020, wireline and wireless business revenues were up 10% year over year, offset by a 20% decline in the installation business. The company expects growth in the wireline and wireless business to be affected by decline in the fulfillment and installation business going forward.
 - ▼ **Rising Start-Up/Ramp-Up Costs:** Many of the company's new initiatives such as 5G, FirstNet and Verizon One Fiber will be in various stages of ramping during 2020. Various multi-year initiatives are anticipated to accelerate in size and scope through 2020, which includes significant costs. The company's 2020 guidance includes the impact of expected ramp-up costs from the Communications segment, related to wireless and wireline fiber initiatives in the near future.
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Last Earnings Report

MasTec Beats Q2 Earnings Estimates, Updates Guidance

MasTec, Inc. reported impressive results for second-quarter 2020 wherein both the top and the bottom line surpassed the Zacks Consensus Estimate. Also, its adjusted earnings exceeded management's expectations on the back of solid segmental performances (barring Oil and Gas).

George Pita, MasTec's executive vice president and chief financial officer, said: "We continue to monitor current conditions and prudently manage our cash flow and liquidity, and our strong first half 2020 cash flow performance supports our expectations that annual 2020 cash flow from operations will reach new record levels, further strengthening our capital structure, liquidity levels and leverage profile."

Quarter Ending **06/2020**

Report Date	Jul 30, 2020
Sales Surprise	1.80%
EPS Surprise	18.75%
Quarterly EPS	0.95
Annual EPS (TTM)	4.58

Inside the Headlines

During the quarter, MasTec reported adjusted earnings per share of 95 cents, which surpassed the Zacks Consensus Estimate of 80 cents by 18.8% and also outpaced the upper end of its expectation of 89 cents by 6.7%. However, the metric fell 42.4% on a year-over-year basis from \$1.65 per share.

Revenues of \$1.57 billion topped the consensus mark of \$1.54 billion by 1.8% but decreased 6.7% year over year.

At the end of the reported quarter, the company had an 18-month backlog of \$8.2 billion, up 5.1% from the last-year level.

Segment Update

Revenues from Communications inched up 0.3% year over year to \$654.3 million. Adjusted EBITDA margin also rose 370 basis points (bps) to 11.7%.

Electrical Transmission segment's revenues came in at \$124.1 million, up 23.6% from the year-ago quarter. Adjusted EBITDA margin came in at a negative 2.6% against 8.6% reported in the year-ago period.

Clean Energy and Infrastructure's (primarily known as Power Generation and Industrial) revenues surged a notable 70.3% year over year to \$426.1 million. Adjusted EBITDA margin of 7.1% more than doubled the year-ago figure.

Revenues from the Oil and Gas segment plunged 60.7% from the year-ago number to \$368.5 million. Nonetheless, adjusted EBITDA margin improved an impressive 260 bps to 21.7%.

Operational Update

General and administrative expenses, as a percentage of revenues, increased 180 bps from the prior-year quarter to 5.4%. The company reported adjusted EBITDA of \$165.7 million, down 31.2% from the prior-year period. Adjusted EBITDA margin also contracted 180 bps to 10.6%.

Financial Details

As of Jun 30, 2020, MasTec had cash and cash equivalents of \$48.6 million compared with \$71.4 million at 2019-end. The company provided \$496.5 million of cash from operating activities in the first half of 2020 compared with \$351.5 million in the comparable period a year ago.

2020 Guidance Revised

MasTec noted that most of its construction services are deemed essential under the state and local pandemic mitigation orders. It anticipates the business to be persistently impacted by the COVID-19 outbreak in the remaining quarters of 2020. The company may witness lost productivity from governmental permitting delays, reduced crew productivity due to social distancing, lower levels of overhead cost absorption and a delay or shutdown of projects.

Based on these headwinds, MasTec expects to generate revenues worth approximately \$7 billion in the ongoing year, down from \$7.3-\$7.7 billion projected earlier. This reduced projection mainly stemmed from lower-than-expected third and fourth quarter Oil & Gas segment's revenues. Notably, the company has been witnessing regulatory deferments of two large projects, which is expected to hit the project activity.

Adjusted EBITDA is expected to be \$800 million compared with \$775-\$825 million expected earlier. This, however, indicates a decline from the adjusted EBITDA of \$843.2 million reported in 2019. Adjusted EBITDA margin is likely to be 11.4% compared with 10.6-10.7% predicted earlier, indicating a 11.7% deterioration from the prior-year recorded figure. Adjusted earnings are anticipated to be \$4.93 per share (compared with \$4.50-\$5 envisioned earlier). Adjusted earnings in 2019 were \$5.46 per share.

Third-Quarter View

MasTec forecasts revenues of \$1.9 billion, indicating a decrease from \$2.02 billion registered a year ago. Adjusted EBITDA is estimated to be \$254 million with margin projection of 3.4%. Adjusted EBITDA in the year-ago period was \$252.1 million, with a margin of 12.5%. Adjusted earnings per share are assumed to be \$1.67, suggesting a significant decline from the year-ago reported figure of \$1.73.

Valuation

MasTec shares are down 28% in the year-to-date period and 26.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 16.9% but the Zacks Construction sector is up 6.1% in the year-to-date period. Over the past year, the Zacks sub-industry is down 14.3% but sector is up 18.4%.

The S&P 500 index is up 3.1% in the year-to-date period and 13.8% in the past year.

The stock is currently trading at 9.8X forward 12-month earnings, which compares to 10.86X for the Zacks sub-industry, 18.16X for the Zacks sector and 23.04X for the S&P 500 index.

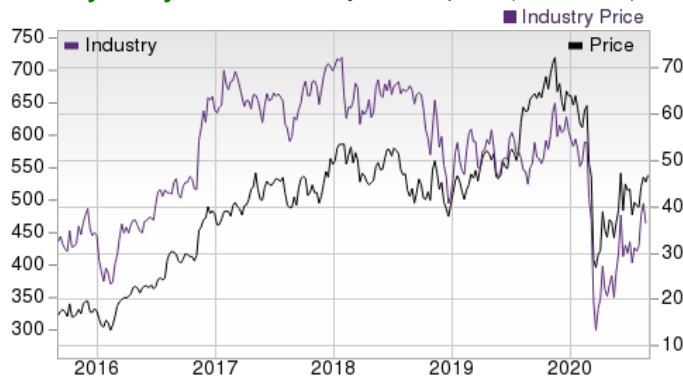
Over the past five years, the stock has traded as high as 23.8X and as low as 4.43X, with a 5-year median of 13.32X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$49 price target reflects 10.39X forward 12-month earnings.

The table below shows summary valuation data for MTZ

Valuation Multiples - MTZ					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.8	10.86	18.16	23.04
	5-Year High	23.8	18.31	19.19	23.04
	5-Year Low	4.43	7.52	10.74	15.25
	5-Year Median	13.32	14.42	15.86	17.6
P/S F12M	Current	0.46	0.32	2.08	3.93
	5-Year High	0.7	0.56	2.13	3.93
	5-Year Low	0.23	0.22	1.18	2.53
	5-Year Median	0.49	0.42	1.64	3.07
EV/EBITDA TTM	Current	6.88	6.29	19.05	12.5
	5-Year High	13.81	13.28	21.27	13.29
	5-Year Low	4.2	4.12	12.4	8.22
	5-Year Median	8.26	8.64	17.89	10.91

As of 08/31/2020

Industry Analysis Zacks Industry Rank: Top 13% (33 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Dycom Industries, Inc. (DY)	Outperform	1
EMCOR Group, Inc. (EME)	Outperform	3
North American Construction Group Ltd. (NOA)	Outperform	1
Primoris Services Corporation (PRIM)	Outperform	1
Sterling Construction Company Inc (STRL)	Outperform	1
Orion Group Holdings, Inc. (ORN)	Neutral	3
Tutor Perini Corporation (TPC)	Neutral	3
Granite Construction Incorporated (GVA)	Underperform	4

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

Industry Comparison Industry: Building Products - Heavy Construction				Industry Peers		
	MTZ	X Industry	S&P 500	DY	EME	NOA
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Outperform	Outperform
Zacks Rank (Short Term)	3	-	-	1	3	1
VGM Score	A	-	-	C	A	C
Market Cap	3.41 B	1.44 B	23.72 B	1.96 B	4.12 B	220.90 M
# of Analysts	5	2	14	4	3	3
Dividend Yield	0.00%	0.00%	1.65%	0.00%	0.43%	1.67%
Value Score	A	-	-	D	A	A
Cash/Price	0.01	0.17	0.07	0.01	0.12	0.13
EV/EBITDA	5.58	5.50	13.28	7.63	7.06	3.80
PEG F1	1.19	NA	3.03	NA	NA	NA
P/B	1.95	1.24	3.17	2.24	2.12	1.31
P/CF	5.63	5.70	12.87	6.84	10.10	1.77
P/E F1	9.52	10.65	21.63	23.23	17.03	5.67
P/S TTM	0.51	0.38	2.53	0.60	0.46	0.47
Earnings Yield	10.50%	9.25%	4.39%	4.31%	5.87%	17.67%
Debt/Equity	0.71	0.71	0.70	0.76	0.15	1.66
Cash Flow (\$/share)	8.21	3.11	6.93	8.99	7.43	4.03
Growth Score	A	-	-	D	A	C
Historical EPS Growth (3-5 Years)	58.74%	20.77%	10.41%	-14.31%	20.77%	281.52%
Projected EPS Growth (F1/F0)	-6.99%	5.57%	-4.75%	16.63%	-23.42%	11.21%
Current Cash Flow Growth	13.89%	14.43%	5.22%	-2.35%	13.47%	92.49%
Historical Cash Flow Growth (3-5 Years)	17.50%	12.12%	8.49%	9.31%	11.55%	20.79%
Current Ratio	1.40	1.23	1.35	3.18	1.48	0.96
Debt/Capital	41.64%	41.64%	42.92%	43.24%	13.14%	62.44%
Net Margin	4.81%	3.43%	10.25%	0.54%	1.78%	7.63%
Return on Equity	19.17%	12.08%	14.66%	8.12%	16.17%	26.47%
Sales/Assets	1.36	1.29	0.50	1.36	1.92	0.78
Projected Sales Growth (F1/F0)	-1.82%	0.00%	-1.40%	-2.18%	-5.27%	-29.92%
Momentum Score	D	-	-	A	F	F
Daily Price Change	-0.96%	-1.24%	-0.82%	6.94%	-1.24%	-1.25%
1-Week Price Change	3.28%	2.26%	2.59%	24.39%	3.24%	-0.96%
4-Week Price Change	8.17%	5.45%	3.55%	41.63%	5.45%	10.54%
12-Week Price Change	-0.06%	-6.92%	-0.44%	43.38%	4.54%	-6.92%
52-Week Price Change	-26.50%	-17.51%	2.80%	38.22%	-14.22%	-39.88%
20-Day Average Volume (Shares)	630,800	113,305	1,839,384	411,014	295,618	122,948
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	29.46%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.32%	0.00%	0.20%	31.19%	-3.86%	0.00%
EPS F1 Estimate 12-Week Change	3.59%	6.65%	3.87%	33.71%	11.01%	42.30%
EPS Q1 Estimate Monthly Change	-0.46%	0.00%	0.00%	25.83%	21.07%	0.00%

Source: Zacks Investment Research

Zacks Style Scores

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

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

Value Score	A
Growth Score	A
Momentum Score	D
VGM Score	A

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

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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 a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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