

MasTec, Inc. (MTZ)

\$119.33 (As of 06/03/21)

Price Target (6-12 Months): **\$137.00**

Long Term: 6-12 Months

Zacks Recommendation:
Outperform

(Since: 06/03/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: D

Summary

MasTec reported first-quarter 2021 results, wherein earnings and revenues topped the Zacks Consensus Estimate and grew on a year-over-year basis. With a significant presence in the telecommunications market, which includes significant 5G build out capabilities, exposure in the clean energy market including wind, solar, biofuels, hydrogen and storage, and the recent expansion into heavy infrastructure, including road and heavy civil, MasTec is well positioned to benefit from the anticipated infrastructure spending for 2021 despite uncertain market conditions. Also, strong balance sheet, solid FCF profile, raised 2021 view and INTREN buyout are encouraging. Also, strong backlog level provides it with solid visibility for growth in 2021 and beyond. However, COVID-related disruptions and volatility in the energy market remain potent headwinds.

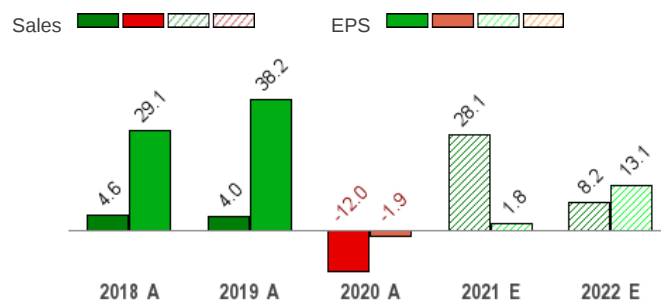
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$121.05 - \$36.81
20-Day Average Volume (Shares)	882,070
Market Cap	\$8.9 B
Year-To-Date Price Change	75.0%
Beta	1.32
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Building Products - Heavy Construction
Zacks Industry Rank	Top 36% (89 out of 249)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	42.9%
Last Sales Surprise	8.8%
EPS F1 Estimate 4-Week Change	9.8%
Expected Report Date	07/29/2021
Earnings ESP	2.7%
P/E TTM	21.2
P/E F1	23.0
PEG F1	2.9
P/S TTM	1.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,822 E	1,936 E	2,220 E	2,300 E	8,765 E
2021	1,775 A	2,093 E	2,231 E	2,084 E	8,097 E
2020	1,417 A	1,569 A	1,698 A	1,637 A	6,321 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$5.88 E
2021	\$1.10 A	\$1.22 E	\$1.61 E	\$1.45 E	\$5.20 E
2020	\$0.60 A	\$0.95 A	\$1.83 A	\$1.75 A	\$5.11 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 06/03/2021. The report's text and the analyst-provided price target are as of 06/04/2021.

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 –

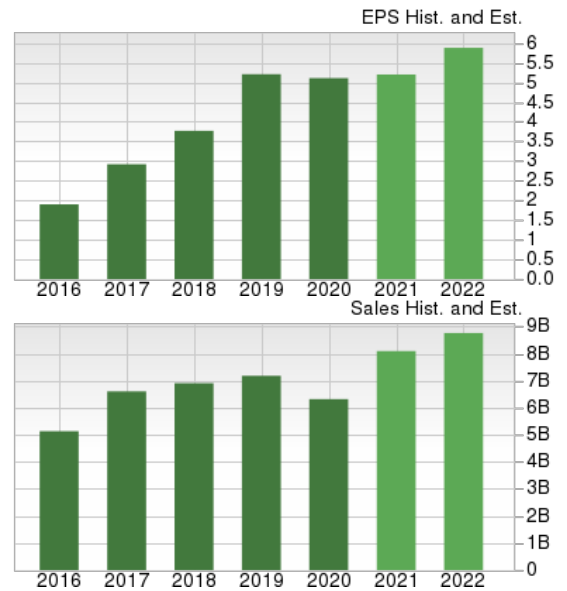
Communications (accounting for 39.7% of total 2020 revenues): The segment performs engineering, construction and maintenance of communications infrastructure mainly related to wireless and wireline communications and install-to-the-home.

Oil and Gas (28.2%): 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 (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) (24.1%): 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.



Reasons To Buy:

- ▲ **Strong Backlog Despite Market Uncertainty:** As of Mar 31, 2021, the company achieved an 18-month backlog of \$7.9 billion, unchanged from the December 2020-end level. This backlog provides it with strong visibility into 2021. First-quarter end backlog at Clean Energy and Infrastructure improved \$361 million sequentially, and a persistent focus on carbon neutrality is expected to drive growth of this segment. As one of the largest clean energy contractors in the country, MasTec's expertise in constructing wind farms, solar farms, biomass facilities, high-voltage transmission lines, substations, battery storage and hydrogen-enabled solutions uniquely position the company to take advantage of the growth in this market. The Clean Energy business is expected to grow in the high 30% range and approach \$2.1 billion in 2021, with adjusted EBITDA margin rate improvement of approximately 125-150 basis points from 2020 levels. It continues to see strong demand for renewables, with significant growth in solar activity and distributed generation.

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

In Communications, with the recent 5G spectrum auctions now complete, it expects revenue acceleration throughout 2021. 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. The communications segment continues to offer attractive upside opportunities, driven by 5G investment and accelerating spending by DISH and T-Mobile. Also, the Rural Digital Opportunity Fund, or RDOF, which is a follow-up to the Connect America Fund, will provide \$20 billion of funding over the next 10 years to build and connect gigabit broadband speeds in underserved rural areas.

For the Electric Transmission segment, MasTec expects to deliver strong revenue growth in 2021. MasTec also expects backlog to increase as the company has been awarded new MSA agreements and is in late stages of negotiations on a number of larger projects. For Oil & Gas, the company expects oil and gas revenues to increase in double digits in 2021. Over the past three years, only 6% of revenues have come from oil pipelines, as the majority of businesses are tied to natural gas. It expects strong demand for integrity services, gas distribution and line replacement activity.

- ▲ **Accretive Acquisitions:** During the first quarter 2021, MasTec made two acquisitions: a heavy civil infrastructure construction company (included within the Clean Energy and Infrastructure segment), and a pipeline integrity and gas distribution contractor (included within the Oil and Gas segment).

In 2020, MasTec acquired five 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. It has also acquired the assets of two entities, one that specializes in wireless telecommunications and another that focuses on install-to-the-home services (which accounted for 4% of 2020 revenues), both of which are included within the Communications segment. For 2020, acquisitions contributed approximately \$230 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:** As of Mar 31, 2021, MasTec had cash and cash equivalents of \$512.4 million compared with \$423.1 million at 2020-end. At first-quarter end, MasTec had ample liquidity totaling approximately \$1.7 billion, comprising \$1.2 billion of availability under the Credit Facility. Again, it has reduced net debt level by \$65 million from a year ago to \$815 million for the first quarter, despite funding \$90 million in acquisitions. This equates to a book leverage ratio of less than 1X.

The company expects to maintain a strong cash flow profile in 2021 and free cash flow to exceed adjusted net income, despite working capital requirements related to the planned \$1.9-billion revenue growth.

Meanwhile, there were no share repurchases under its share repurchase programs during the first quarter of 2021. As of Mar 31, 2021, \$158.6 million was available for future share repurchases under all open share-repurchase programs.

Risks

- **Project Delays:** Although MasTec has enough visibility throughout 2021, 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 large project activity led to revenue decline in the Oil & Gas segment in 2020. Meanwhile, the company's 2021 Oil & Gas segment's revenue expectation includes the assumption that some large project activity over the last half of 2021 will move into 2022 due to permitting approval delays, and thus, second-half 2021 segment revenues are expected to remain flat year over year. Greater level of project activity is expected during third-quarter 2021 and a lesser level in fourth-quarter 2021 due to the expected timing of project Winter Breakup activity.

- **High Competition:** 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.
 - **Customer Concentration:** MasTec derives a significant amount of revenues from a handful of large customers. The company's top 10 customers in 2020 accounted for 58% of total revenues, with AT&T contributing 18%. Customer concentration increases the risk of the company to individual customer capital budgets cuts, which might impact results.
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Last Earnings Report

MasTec Q1 Earnings Beat, Guidance Raised

MasTec, Inc. reported impressive first-quarter 2021 results. The top and bottom lines handily surpassed the Zacks Consensus Estimate as well as grew impressively on a year-over-year basis.

Backed by strong first-quarter results and the accretive INTREN acquisition, the company raised its 2021 guidance.

Jose Mas, MasTec's CEO, said, "We are pleased with our strong first quarter results and to be in position to significantly raise our annual 2021 revenue guidance expectation to \$8.2 billion, a 30%, or \$1.9 billion dollar increase over last year, with approximately \$1.2 billion of this increase in our non-Oil & Gas segments. Our recent acquisition of INTREN substantially expands our operations in the electrical distribution and transmission market."

"With this acquisition, our Electrical Transmission segment is expected to approach annualized revenue of approximately \$1.2 billion, with sizeable growth opportunities in 2022 and beyond. We also continue to have strong visibility into significant growth opportunities in our Communications and Clean Energy and Infrastructure segments."

Quarter Ending	03/2021
Report Date	May 06, 2021
Sales Surprise	8.84%
EPS Surprise	42.86%
Quarterly EPS	1.10
Annual EPS (TTM)	5.63

Inside the Headlines

MasTec reported adjusted earnings of \$1.10 per share, which surpassed the Zacks Consensus Estimate of 77 cents by 42.9% and outpaced its expectation of 80 cents by 37.5%. Encouragingly, the metric grew 83.3% from 60 cents per share in the prior-year quarter.

Revenues of \$1.78 billion topped the consensus mark of \$1.63 billion by 8.8% and increased 25% year over year. Also, the reported figure outpaced MasTec's expectation of \$1.65 billion by 7.9%.

At quarter-end, the company had an 18-month backlog of \$7.9 billion, flat sequentially.

Segment Update

Revenues from Communications fell 11.7% year over year to \$568.6 million. Adjusted EBITDA margin rose 70 basis points (bps) to 8.6%.

Electrical Transmission segment's revenues came in at \$133.5 million, up 4.2% from the year-ago quarter. Adjusted EBITDA margin came in at 2.7%, down 380 bps from the year-ago period.

Clean Energy and Infrastructure's revenues increased 22.4% year over year to \$350.4 million. Adjusted EBITDA margin of 3.1% improved 140 bps from the year-ago figure.

Revenues from the Oil and Gas segment rose a notable 102% from the year-ago figure to \$725.5 million. Adjusted EBITDA margin also improved an impressive 240 bps to 23.1%.

Operational Update

The company reported adjusted EBITDA of \$203.9 million, up 72.8% from the prior-year period. Adjusted EBITDA margin also improved 320 bps to 11.5%.

Financial Details

As of Dec 31, 2020, MasTec had cash and cash equivalents of \$512.4 million compared with \$423.1 million at 2020-end. In the first quarter, the company provided \$257.2 million of cash from operating activities compared with \$203.3 million a year ago.

2021 Guidance

Its 2021 guidance indicates a 30% year-over-year improvement in revenues. It also expects non-Oil & Gas segments' revenues to improve \$1.2 billion from a year ago.

The company now expects to generate record revenues of \$8.2 billion in 2021, up \$400 million from the previous projection of \$7.8 billion. Adjusted EBITDA is now expected to be \$930 million (up from \$875 million projected earlier). Adjusted earnings are anticipated to be \$5.40 per share, reflecting an increase from the prior projection of \$5. The estimated figure indicates an increase from \$5.11 reported in 2020.

Second-Quarter View

MasTec expects second-quarter revenues of \$2.1 billion. Adjusted EBITDA is estimated to be \$229 million, suggesting growth from \$165.7 million reported a year ago. Adjusted EBITDA is anticipated to be 10.9%, implying a rise of 30 bps year over year. Adjusted earnings per share for the second quarter are expected to be \$1.25, pointing to growth from 30 cents in the prior-year period.

Valuation

MasTec shares are up 75% in the year-to-date period and 153.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 39.6% and the Zacks Construction sector is up 22.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 94.6% and sector is up 51.4%.

The S&P 500 index is up 13.4% in the year-to-date period and 36.1% in the past year.

The stock is currently trading at 22.42X forward 12-month earnings, which compares to 17.97X for the Zacks sub-industry, 16X for the Zacks sector and 21.77X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.25X and as low as 4.43X, with a 5-year median of 13.2X. Our Outperform recommendation indicates that the stock will perform better-than the market. Our \$137 price target reflects 25.78X 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	22.42	17.97	16	21.77
	5-Year High	24.25	18.31	19.03	23.83
	5-Year Low	4.43	7.52	10.81	15.3
	5-Year Median	13.2	14.11	16.14	18.03
P/S F12M	Current	1.07	0.63	2.37	4.7
	5-Year High	1.11	0.63	2.37	4.74
	5-Year Low	0.23	0.22	1.23	3.21
	5-Year Median	0.55	0.43	1.68	3.72
EV/EBITDA TTM	Current	11.68	8.47	22.13	17.25
	5-Year High	13.81	13.3	24.89	17.73
	5-Year Low	3.9	3.62	11.56	9.62
	5-Year Median	8.28	8.37	17.66	13.45

As of 06/03/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 36% (89 out of 249)



Top Peers

Company (Ticker)	Rec	Rank
EMCOR Group, Inc. (EME)	Outperform	2
Granite Construction Incorporated (GVA)	Outperform	1
North American Construction Group Ltd. (NOA)	Neutral	3
Orion Group Holdings, Inc. (ORN)	Neutral	2
Primoris Services Corporation (PRIM)	Neutral	3
Sterling Construction Company Inc (STRL)	Neutral	3
Tutor Perini Corporation (TPC)	Neutral	3
Dycom Industries, Inc. (DY)	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	EME	NOA	TPC
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	2	3	3
VGM Score	B	-	-	C	B	C
Market Cap	8.87 B	1.79 B	30.58 B	6.86 B	430.44 M	805.83 M
# of Analysts	4	2.5	12	3	4	2
Dividend Yield	0.00%	0.00%	1.3%	0.41%	0.42%	0.00%
Value Score	C	-	-	C	A	A
Cash/Price	0.06	0.12	0.06	0.11	0.06	0.60
EV/EBITDA	12.17	7.66	17.35	17.28	5.35	3.51
PEG F1	2.87	0.64	2.15	NA	NA	NA
P/B	4.24	2.17	4.17	3.23	2.17	0.51
P/CF	13.42	9.14	17.68	14.97	4.29	3.73
P/E F1	22.95	16.03	21.64	18.77	9.72	7.64
P/S TTM	1.33	0.78	3.48	0.78	1.20	0.15
Earnings Yield	4.36%	6.28%	4.51%	5.33%	10.28%	13.08%
Debt/Equity	0.56	0.56	0.66	0.12	1.37	0.59
Cash Flow (\$/share)	8.89	2.81	6.82	8.40	3.36	4.24
Growth Score	B	-	-	C	C	F
Historical EPS Growth (3-5 Years)	35.31%	24.50%	9.39%	19.25%	188.84%	-4.43%
Projected EPS Growth (F1/F0)	1.81%	12.23%	21.44%	4.69%	14.73%	-2.36%
Current Cash Flow Growth	4.77%	10.55%	0.86%	10.55%	-5.99%	-55.12%
Historical Cash Flow Growth (3-5 Years)	17.58%	13.35%	7.32%	13.35%	29.27%	16.43%
Current Ratio	1.56	1.39	1.39	1.48	1.08	1.88
Debt/Capital	35.91%	35.91%	41.51%	10.91%	57.83%	37.03%
Net Margin	5.27%	3.08%	11.92%	1.61%	10.49%	2.03%
Return on Equity	20.48%	10.07%	16.34%	17.90%	20.78%	7.03%
Sales/Assets	1.27	1.26	0.51	1.80	0.57	1.07
Projected Sales Growth (F1/F0)	26.00%	3.74%	9.37%	6.14%	49.16%	-6.47%
Momentum Score	D	-	-	F	F	C
Daily Price Change	1.58%	0.00%	-0.06%	-0.25%	2.35%	1.87%
1-Week Price Change	0.27%	0.13%	1.01%	3.41%	-1.65%	-2.21%
4-Week Price Change	9.13%	0.00%	0.48%	1.32%	4.28%	-3.60%
12-Week Price Change	24.32%	0.49%	8.62%	11.78%	20.92%	-19.57%
52-Week Price Change	167.68%	81.01%	36.86%	83.91%	109.77%	25.85%
20-Day Average Volume (Shares)	882,070	151,509	1,817,578	209,838	49,500	246,352
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	9.85%	0.83%	0.10%	1.67%	0.00%	2.22%
EPS F1 Estimate 12-Week Change	11.77%	2.08%	3.33%	3.88%	-5.45%	2.22%
EPS Q1 Estimate Monthly Change	24.61%	0.32%	0.00%	0.63%	0.00%	2.88%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	B
Momentum Score	D
VGM Score	B

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

Disclosures

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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.