

NextEra Energy, Inc. (NEE)

\$77.56 (As of 04/06/21)

Price Target (6-12 Months): **\$82.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/23/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: C

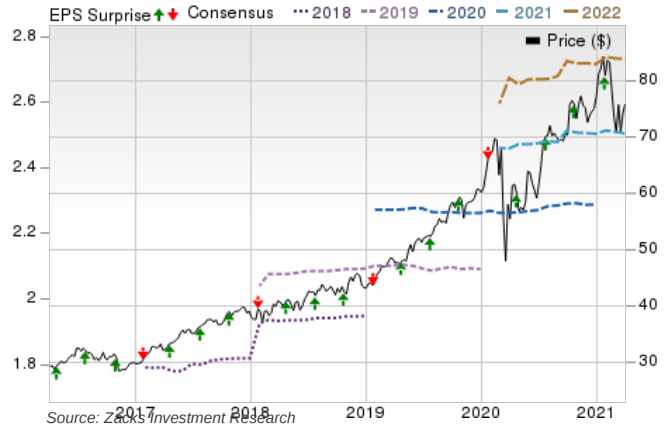
Growth: D

Momentum: D

Summary

NextEra Energy has a well-chalked out \$50-\$55 billion capital investment plan to strengthen infrastructure and add more clean assets to the generation portfolio. NextEra, through solid execution of organic expansion plans, is on course to achieve the long-term growth goal despite disruptions caused by the pandemic outbreak. The company carried strategic acquisitions and its capital growth projects amid this crisis, and has ample liquidity to meet its current debt obligations. Shares of the company have outperformed the industry in the past year. However, its nature of business is subject to complex and comprehensive federal, state, as well as other regulations. If the planned nuclear plant outages last longer or an unplanned outage occurs, the company's operations and profitability might be hampered.

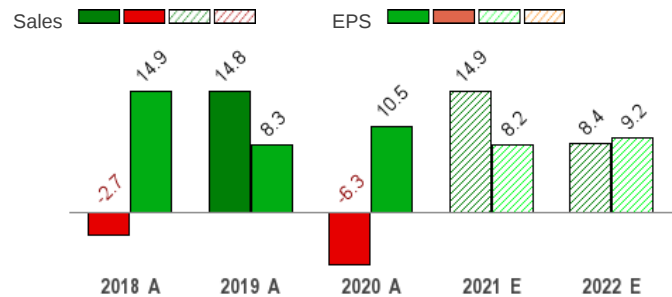
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$87.69 - \$55.66
20-Day Average Volume (Shares)	9,074,222
Market Cap	\$150.6 B
Year-To-Date Price Change	-0.5%
Beta	0.17
Dividend / Dividend Yield	\$1.54 / 2.0%
Industry	Utility - Electric Power
Zacks Industry Rank	Bottom 26% (188 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.6%
Last Sales Surprise	-11.0%
EPS F1 Estimate 4-Week Change	-0.2%
Expected Report Date	04/28/2021
Earnings ESP	-3.5%

P/E TTM	9.5
P/E F1	31.0
PEG F1	4.0
P/S TTM	8.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					22,417 E
2021	4,712 E	5,101 E	5,811 E	5,116 E	20,678 E
2020	4,613 A	4,204 A	4,785 A	4,395 A	17,997 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.66 E	\$0.67 E	\$0.76 E	\$0.67 E	\$2.73 E
2021	\$0.61 E	\$0.68 E	\$0.72 E	\$0.50 E	\$2.50 E
2020	\$0.60 A	\$0.65 A	\$0.67 A	\$0.40 A	\$2.31 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/06/2021. The report's text and the analyst-provided price target are as of 04/07/2021.

Overview

Juno Beach, FL-based NextEra Energy Inc. (previously known as FPL Group Inc.) is a public utility holding company engaged in the generation, transmission, distribution, and sale of electric energy. The company has both regulated and non-regulated energy-related products and services, with operations in 27 states in the U.S. and four provinces in Canada. NextEra Energy was founded in 1925. The company serves nearly 10 million people through approximately 5 million customer accounts.

NextEra Energy's primary subsidiaries are Florida Power & Light Company (FPL), Gulf Power Company and NextEra Energy Resources LLC (NEER). NextEra Energy Capital Holdings, Inc. (NEECH) is a wholly owned subsidiary of NextEra, which owns and provides funds for NEER and other operating subsidiaries apart from FPL and its subsidiaries. In 2014, NextEra Energy formed NextEra Energy Partners, LP to own, manage and acquire contracted clean energy projects. As of Mar 31, 2020, the company had 45,500 megawatts of net generating capacity.

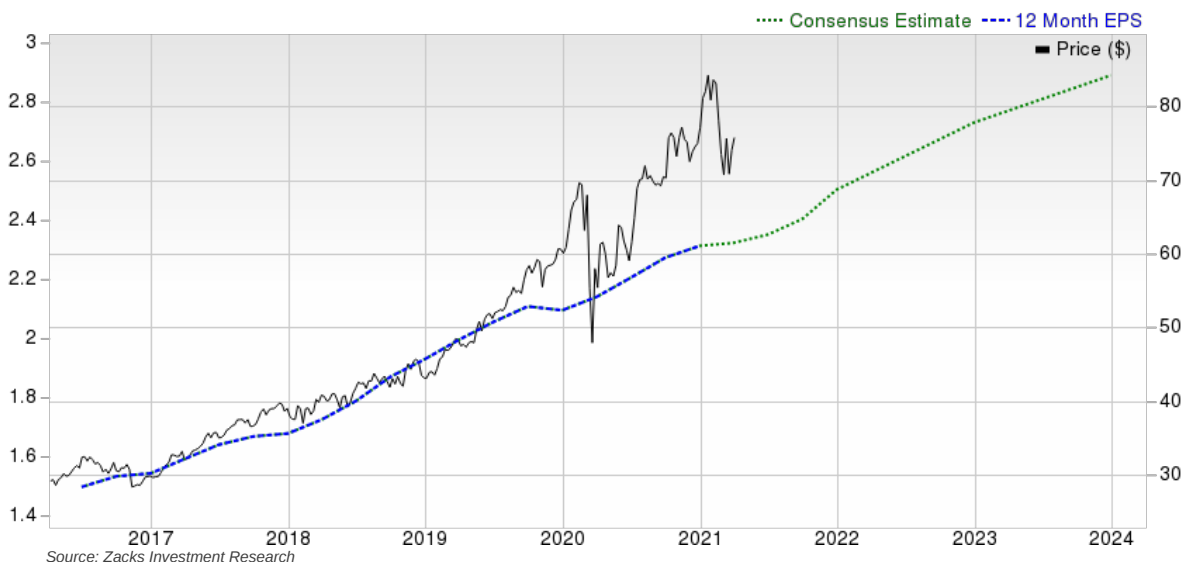
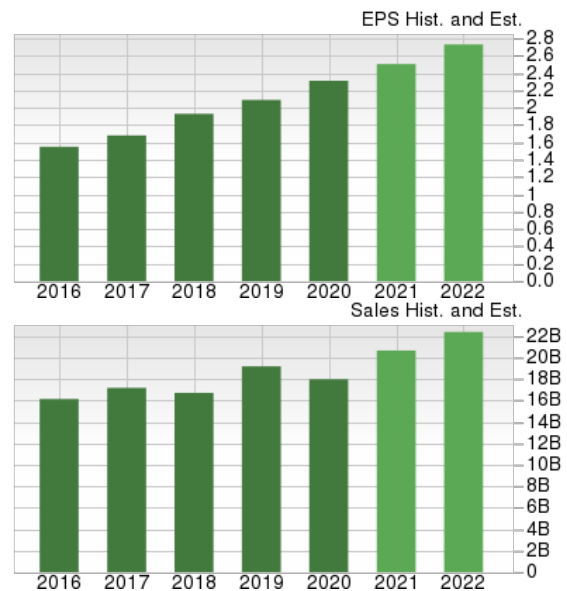
NextEra Energy produces a large volume of electricity from wind and solar energy. The company, through its subsidiaries, is advocating higher usage of clean fuel sources to generate electricity and aiming to reduce total carbon emissions by 67% within 2025 from 2005 base. The company aims to invest in the range of \$50-\$55 billion through 2022 to strengthen the existing operations.

FPL, Gulf Power and NEER contributed \$11,662 million, \$1,398 million and \$5,046 million to its top line, respectively, in 2020. Corporate and Other negatively impacted its top line by \$109 million in 2019.

On Jan 1, 2021, Gulf Power legally merged into FPL. Gulf Power will continue as a separate operating division during 2021, serving the existing customers under separate retail rates.

NEER is the competitive energy business of NextEra and plans to add 22,675-30,000 MW of clean power generation assets across the United States over the 2021-2024 time frame.

Amid the challenges posed by outbreak of COVID-19, the company ensured that its major capital projects continue to proceed without any hindrances.



Reasons To Buy:

- ▲ Shares of NextEra Energy have returned 32.8% in the past 12 months compared with the Utility-Electric Power industry's 8.7% growth. NextEra Energy is a premier U.S. utility service provider, offering efficient power and energy services across various states. Nearly 89% of its customers were residential and 11% were commercial. Despite unprecedented economic crisis due to the novel coronavirus outbreak, the company still expects to achieve the targeted compound annual earnings growth rate.

It has extended the long-term growth outlook through 2023, courtesy of persistent renewable asset additions to the generation portfolio and execution across all business segments. For 2022 and 2023, NextEra Energy expects earnings per share to improve in the range of 6-8% from 2021 adjusted EPS.

- ▲ NextEra Energy has well-chalked plans to invest in the range of \$50-\$55 billion in different projects during the 2019-2022 time period. These investments will be directed to modernize and strengthen the existing infrastructure of the company, enabling it to serve the expanding customer base more effectively. These investments are also helping the company to produce more electricity from clean sources and lower carbon emissions from the production process. These initiatives will also help the company achieve the plan of reducing carbon dioxide emissions rate to 67% by 2025 from a 2005 base.

The regulated investment is helping the company generate adequate cash flow, which was utilized to strengthen existing operation and increase its shareholders' value. In May 2017, NextEra Energy's Board of Directors authorized common stock repurchases of up to 45 million over an unspecified period. Subject to approval of the board, management intends to hike dividend in excess of 10% annually at least through 2022 from a 2020 base.

- ▲ NextEra Energy has been managing its debt quite effectively and has top-tier credit ratings from all major rating agencies ranging from A- to Baa1. It had a long-term debt of \$41,944 million as of Dec 31, 2020, higher than \$37,543 million on Dec 31, 2019. The increase in debt level was primarily due to \$4-billion long-term financing secured by the company to preserve liquidity amid disruptions caused by the COVID-19 pandemic. NextEra Energy issued \$2.5 billion of equity units to further strengthen liquidity position amid this liquidity crunch. The company's times interest earned ratio at the end of the fourth quarter was 2.2, up from 2.1 at first quarter 2020 end. The ratio of greater than 1 and consistent performance indicate that the firm will be able to meet debt obligations in the near future without any difficulties.

- ▲ Florida Power & Light Company has planned capital deployment in the range of \$23-\$25 billion from 2019 through 2022 in various projects. The new investments in natural gas fueled projects to lower its carbon footprint. NextEra Energy's 1,200-MW FPL Dania Beach Clean Energy Center, expected to come online in 2022, will be fueled by clean-burning natural gas that will boost clean generation. In addition, its 409-MW Manatee Energy Storage Center — which will be one of the world's largest battery 3 storage plants — is on track to be completed by 2021-end. The company has been taking initiatives to shut down 2,700 MW of coal fired generation and cut emissions since 2015. During the fourth quarter, it completed the conversion of Plant Crist to natural gas from coal.

FPL's focus is on clean, efficient, modernized generation, as well as a stronger and smarter grid, and the company recently announced "30-by-30" plan to install more than 30 million solar panels in Florida by 2030. FPL's strategy continues to result in typical residential bills below both Florida and National averages. Courtesy of such an initiative and improving Florida economy, FPL added 76,000 more customers in the fourth quarter than the year-ago period. FPL and Gulf Power have taken steps to help customers counter the challenges created by the COVID-19 pandemic and have suspended electrical disconnections during the state of emergency. Gulf Power merged into FPL and will continue as a separate operating division during 2021, serving its existing customers under separate retail rates. The intention behind the merger was to provide operational and financial benefits to customers in Florida. The combination of the two businesses will result in nearly \$2.8 billion of savings for customers through these operational savings and overall system benefits.

- ▲ NextEra Energy also invests in natural gas pipeline operations. The acquisition of Gulf Power Company, Florida City Gas and ownership stakes in two natural gas power plants from Southern Company will further expand regulated natural gas operation of NextEra Energy and be accretive to its earnings over the long term. These acquisitions were accretive to NextEra's earnings. This is expected to add 15-20 cents to earnings in 2021.

NextEra Energy announced that its subsidiary, NextEra Energy Transmission, LLC will acquire GridLiance Holdco, LP and GridLiance GP, LLC (GridLiance) for nearly \$660 million, including the assumption of debt from The Blackstone Group. Through this acquisition, NextEra's unit will be able to have control over 700 miles of high-voltage transmission lines and related equipment, with utility rates set by the Federal Energy Regulatory Commission.

- ▲ NextEra Energy Resources continues to work on its strategy of making a long-term investment in clean energy assets. The company now expects that it will be able to add 23-30 gigawatts of new renewables in the 2021-2024 time frame to the generation portfolio via clean energy investments. In the course of 2020, the company added more than 7,000 MW renewables to its backlog. At present, NextEra Energy Resources has more than 13,500 MW in the backlog of signed contracts, which provides a clear visibility into the ongoing expansion of its clean power generation.

Well-chalked capital investment plan, natural gas pipeline projects, robust renewable backlog, addition of renewable generation assets, acquisitions and adequate liquidity will boost its performance.

Reasons To Sell:

- ▼ NextEra Energy's financial performance primarily depends on its ability to manage the operations of its transmission and distribution businesses. The transmission and distribution operations sometimes face natural disaster, several operational risks, including breakdown, failure or damage of equipment's or processes, accidents and labor disputes.
- ▼ NextEra Energy's nature of business is subject to complex and comprehensive federal, state and other regulations. The company's regulated entity, FPL, depends on the Florida Public Service Commission for timely rate relief and cost recovery approvals. Any denial of such applications could materially affect the company's operational results. At present, NextEra Energy is working on a few capital projects. If the projects are delayed due to some uncontrollable events, it could result in cost overruns and adversely impact the company's profitability.
- ▼ The operation and maintenance of NEE's and FPL's nuclear generation facilities involve environmental, health and financial risks that could result in fines or closure of the facilities, as well as increased costs and capital expenditures. If a scheduled outage of the nuclear units lasts longer than anticipated, it will adversely impact production and profitability of the company. Also, these nuclear operations carry the risk of unplanned outages for maintenance and safety issues, which could adversely impact production and profitability of the company.
- ▼ Unfavorable supply costs necessary to provide full energy and capacity requirement services could have an undesirable impact on NextEra's earnings outcome. Increasing indirect input costs is also a headwind for the company.

Stringent regulations, inherent risk of operating nuclear generation facilities and unfavorable supply costs could adversely impact earnings

Last Earnings Report

NextEra Q4 Earnings Beat, Revenues Miss Estimates

NextEra Energy, Inc. reported fourth-quarter 2020 adjusted earnings of 40 cents per share, which beat the Zacks Consensus Estimate of 39 cents by 2.6%. The bottom line was also up 11.1% from 36 cents per share in the prior-year quarter.

This year-over-year improvement was owing to the company's proper execution of its growth plans as well as the expansion of its customer base.

On a GAAP basis, the company recorded net losses of \$5 million against a net income of \$975 million in the year-ago quarter.

Total Revenues

For the fourth quarter, NextEra Energy's operating revenues were \$4,395 million, which lagged the Zacks Consensus Estimate of \$4,940 million by 11%. The top line also dipped 4.2% year over year.

Segment Results

Florida Power & Light Company (FPL): Revenues amounted to \$2,842 million, down 2.8% from the prior-year figure of \$2,925 million. Segmental earnings came in at 25 cents per share, up 25% from 20 cents recorded a year ago.

Gulf Power Company (Gulf Power): Total revenues came in at \$333 million, down 5.7% from the year-earlier figure. Earnings per share totaled 3 cents for the reported quarter, up 200% from the year-ago level.

NextEra Energy Resources: Revenues summed \$1,243 million, down 7.1% from the prior-year quarter. Quarterly earnings came in at 17 cents per share, in line with the year-ago quarter.

Corporate and Other: Operating loss for the reported quarter was 5 cents per share from this segment, wider than a loss of 2 cents in the year-ago period.

Highlights of the Release

During the quarter, NextEra Energy's arm Gulf Power completed its Plant Crist's coal-to-natural gas conversion and associated natural gas lateral, thereby supporting the accelerated shut down of the plant's coal units. Per prior plans, Gulf Power legally merged with FPL on Jan 1, 2021. It will continue as a separate operating division in 2021, thus serving its existing customers under separate retail rates.

During fourth-quarter 2020, FPL's average number of customers increased nearly 76,000 from the prior-year period.

Last year, the company invested more than \$14 billion in strengthening its infrastructure and clean energy generation, which also increased resilience of its operation.

Interest expenses in the quarter were \$111 million, down 40.9% from the year-ago period.

NextEra Energy Resources expanded the contracted renewables backlog by adding 2,000 megawatts of renewable projects during the December quarter.

Financial Update

The company had cash and cash equivalents of \$1,105 million as of Dec 31, 2020 compared with \$600 million on Dec 31, 2019.

Long-term debt as of Dec 31, 2020 was \$41.94 billion, up from \$37.54 billion on Dec 31, 2019.

Cash flow from operating activities for 2020 was \$7.98 billion compared with \$8.15 billion in the prior year.

Guidance

NextEra Energy expects 2021 earnings in the range of \$2.40-\$2.54. The metric is projected to see a CAGR of 6-8% per year through 2023, off a 2021 base. As a result, its earnings per share guidance for 2022 and 2023 is estimated in the bands of \$2.55-\$2.75 and \$2.77-\$2.97, respectively.

The company's unit Energy Resources currently aims to add 22,675-30,000 MW of renewable power projects to its portfolio within the 2021-2024 time frame.

Quarter Ending	12/2020
Report Date	Jan 26, 2021
Sales Surprise	-11.03%
EPS Surprise	2.56%
Quarterly EPS	0.40
Annual EPS (TTM)	2.31

Recent News

NextEra Energy Arm Buys eIQ Mobility, Enters Mobility Space - Dec 8, 2020

NextEra Energy's arm NextEra Energy Resources, LLC has acquired Oakland CA-based eIQ Mobility to enter into the expanding market of electric or hydrogen mobility. To reduce transportation-related emissions, a transition is expected to take place in the United States in the next few decades, with fleets following passenger vehicles in this trend.

This acquisition will allow NextEra Energy Resources to assist customers identify economic operational and sustainable pathways for fleet vehicle conversions. It will be able to provide vehicle and energy analytics for fleets ranging from package delivery, auto manufacturing, technology services, and facility management to pharmaceutical and utilities industries.

Valuation

NextEra Energy Inc., shares are up 0.5% in the year-to-date period, and up 35.7% over the trailing 12-month period. Stocks in the Zacks sub-industry was up 2.4% and the Zacks Utility sector was up 3.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry was up 14.2% and sector was up 13.6%.

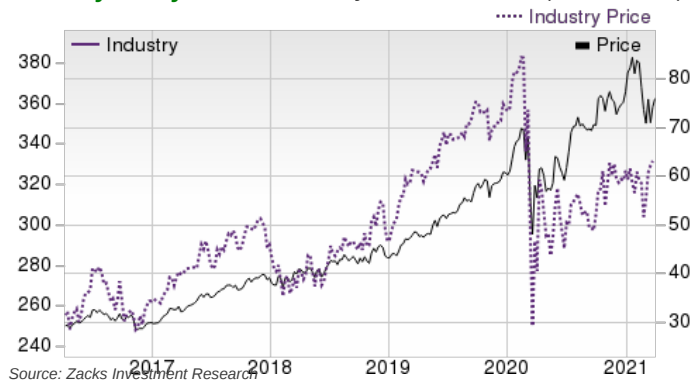
The S&P 500 index is up 9.1% in the year-to-date period but up 51.2% in the past year.

The stock is currently trading at 30.26X of forward 12 months earnings, which compares to 15.61X for the Zacks sub-industry, 13.92X for the Zacks sector and 22.97X for the S&P 500 index.

Over the past five years, the stock has traded as high as 34.52X and as low as 17.27X, with a 5-year median of 21.33X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$82 price target reflects 31.99X of our forward 12 months earnings.

The table below shows summary valuation data for NEE

Industry Analysis Zacks Industry Rank: Bottom 26% (188 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
American Electric Power Company, Inc. (AEP)	Neutral	3
Dominion Energy Inc. (D)	Neutral	4
Duke Energy Corporation (DUK)	Neutral	3
Exelon Corporation (EXC)	Neutral	3
FirstEnergy Corporation (FE)	Neutral	4
National Grid Transco, PLC (NGG)	Neutral	2
Pacific Gas & Electric Co. (PCG)	Neutral	3
Southern Company The (SO)	Neutral	3

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

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	NEE	X Industry	S&P 500	D	DUK	EXC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	3	3
VGM Score	D	-	-	D	C	D
Market Cap	150.60 B	9.82 B	29.96 B	61.59 B	74.56 B	43.45 B
# of Analysts	6	3	12	5	6	6
Dividend Yield	2.01%	2.89%	1.29%	3.30%	3.98%	3.44%
Value Score	C	-	-	B	C	B
Cash/Price	0.01	0.06	0.06	0.00	0.00	0.03
EV/EBITDA	22.24	10.96	16.88	17.38	15.60	7.42
PEG F1	3.97	3.34	2.38	2.95	3.56	6.67
P/B	3.35	1.65	3.99	2.59	1.51	1.24
P/CF	17.14	7.99	16.85	10.67	7.67	4.49
P/E F1	31.02	18.61	22.08	19.83	18.61	15.41
P/S TTM	8.37	2.10	3.42	4.05	3.12	1.31
Earnings Yield	3.26%	5.34%	4.45%	5.04%	5.38%	6.50%
Debt/Equity	0.93	1.10	0.66	1.41	1.18	1.02
Cash Flow (\$/share)	4.53	4.22	6.78	7.16	12.72	9.91
Growth Score	D	-	-	D	C	F
Historical EPS Growth (3-5 Years)	10.57%	5.55%	9.39%	3.85%	2.50%	6.32%
Projected EPS Growth (F1/F0)	8.37%	6.21%	15.29%	8.87%	1.72%	-10.35%
Current Cash Flow Growth	3.83%	5.59%	0.44%	-9.06%	4.93%	8.43%
Historical Cash Flow Growth (3-5 Years)	8.85%	5.85%	7.37%	9.51%	6.66%	9.20%
Current Ratio	0.47	0.79	1.39	0.64	0.53	0.98
Debt/Capital	48.28%	52.08%	41.26%	56.20%	53.07%	50.44%
Net Margin	16.23%	7.77%	10.59%	-2.64%	5.77%	5.94%
Return on Equity	10.75%	9.18%	14.86%	11.88%	8.46%	9.02%
Sales/Assets	0.14	0.21	0.51	0.15	0.15	0.26
Projected Sales Growth (F1/F0)	14.90%	3.00%	7.36%	3.15%	6.68%	-9.46%
Momentum Score	D	-	-	C	B	F
Daily Price Change	1.02%	0.01%	0.05%	-0.04%	0.66%	0.18%
1-Week Price Change	2.31%	0.61%	0.35%	-0.08%	0.47%	0.87%
4-Week Price Change	4.78%	6.29%	5.11%	4.72%	7.28%	7.30%
12-Week Price Change	-2.75%	5.71%	8.79%	6.78%	9.72%	5.89%
52-Week Price Change	35.78%	16.78%	60.17%	4.00%	21.80%	24.50%
20-Day Average Volume (Shares)	9,074,222	417,688	2,103,543	3,679,465	3,891,667	5,091,849
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.36%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.20%	0.00%	0.00%	-0.36%	0.10%	-0.52%
EPS F1 Estimate 12-Week Change	0.05%	0.00%	2.24%	-0.87%	-0.06%	-1.21%
EPS Q1 Estimate Monthly Change	0.49%	0.00%	0.00%	3.60%	-1.05%	1.56%

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	D
Momentum Score	D
VGM Score	D

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 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.