

Netflix Inc. (NFLX)

\$480.24 (As of 11/10/20)

Price Target (6-12 Months): **\$494.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/11/18)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: C

Value: D

Growth: B

Momentum: C

Summary

Netflix, in third-quarter 2020, witnessed decline in paid-user addition rate, reflecting lower demand for content. Additionally, rising competition from Apple, Amazon, HBO Max, Disney+, Peacock and TikTok is a major headwind. Netflix's leveraged balance sheet and higher streaming obligation is also a concern. Nevertheless, the company is dominating the streaming space, courtesy of its diversified content portfolio, which is attributable to heavy investments in the production and distribution of localized, foreign-language content and an expanding international footprint. Third-quarter results reflected that Netflix's low-priced mobile plans in India, Indonesia, Malaysia, Philippines and Thailand is helping it win users in Asia-Pacific, which is a positive for its prospects. Notably, shares have outperformed the industry year to date.

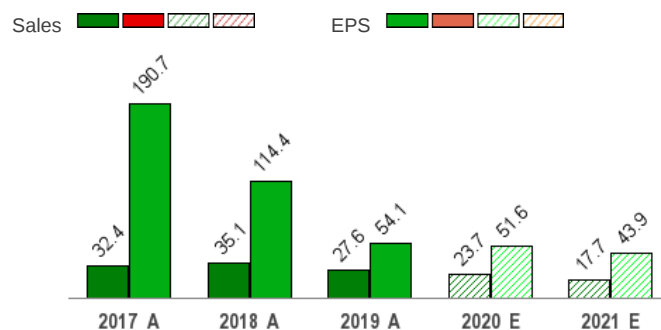
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$575.37 - \$281.14
20-Day Average Volume (Shares)	7,076,151
Market Cap	\$207.9 B
Year-To-Date Price Change	45.4%
Beta	1.00
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Broadcast Radio and Television
Zacks Industry Rank	Top 29% (72 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-18.3%
Last Sales Surprise	0.8%
EPS F1 Estimate 4-Week Change	-0.1%
Expected Report Date	01/19/2021
Earnings ESP	1.3%

P/E TTM	75.9
P/E F1	76.7
PEG F1	2.6
P/S TTM	8.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	6,872 E	7,143 E	7,501 E	7,799 E	29,347 E
2020	5,768 A	6,148 A	6,436 A	6,595 E	24,937 E
2019	4,521 A	4,923 A	5,245 A	5,467 A	20,156 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.05 E	\$2.44 E	\$2.51 E	\$1.82 E	\$9.01 E
2020	\$1.57 A	\$1.59 A	\$1.74 A	\$1.36 E	\$6.26 E
2019	\$0.76 A	\$0.60 A	\$1.47 A	\$1.30 A	\$4.13 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 11/10/2020. The reports text is as of 11/10/2020.

Overview

Netflix is considered a pioneer in the streaming space. The company evolved from a small DVD-rental provider to a dominant streaming service provider, courtesy of its wide-ranging content portfolio and a fortified international footprint. At the end of first-quarter 2020, the company had 182.86 million paid subscribers globally.

Netflix has been spending aggressively on building its original show portfolio. This is helping it sustain its leading position despite the launch of new services like Disney+ and Apple TV+ as well as the existing services like Amazon prime video.

Netflix streams movies, television shows and documentaries across a wide variety of genres and languages. Subscribers, both domestic and international, can watch them on a host of internet-connected devices, including television sets, computers and mobile devices.

The Los Gatos, CA-based company reported revenues of \$20.16 billion in 2019.

Beginning fourth-quarter 2019, Netflix started disclosing revenues and membership data by regions — the Asia Pacific (APAC); Europe, Middle East & Africa (EMEA); Latin America (LATAM); and the United States and Canada (UCAN).

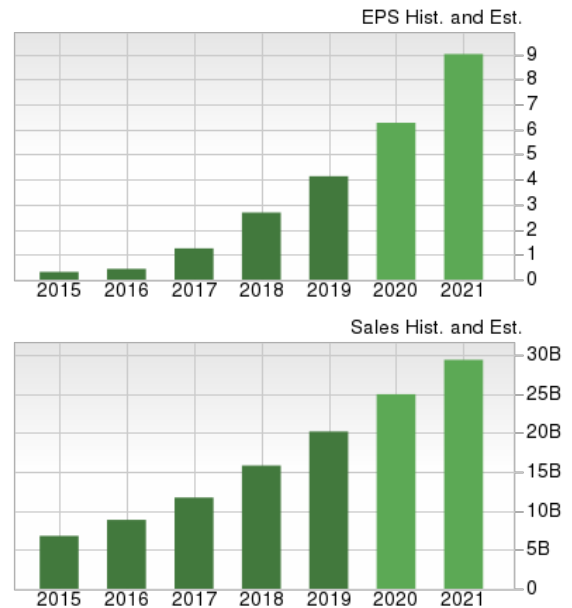
UCAN accounted for 48.9% of total revenues in 2019. At the end of first-quarter 2020, the company had 69.97 million paid subscribers.

EMEA accounted for 28.6% of total revenues in 2019. At the end of first-quarter 2020, the company had 58.73 million paid subscribers.

LATAM contributed 13.6% of total revenues in 2019. The company had 34.32 million paid subscribers in the region at the end of the first-quarter 2020.

APAC accounted for 7.6% of total revenues in 2019. The company had 19.84 million paid subscribers in the region at the end of the first-quarter 2020.

In the Domestic DVD segment, Netflix delivers DVDs through the U.S. postal service from distribution centers located in major U.S. cities. Revenues from the DVD segment accounted for 1.5% of total revenues in 2019.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Netflix's solid content portfolio is a major growth driver. Courtesy of its diversified content portfolio, which is attributable to its heavy investments in the production and distribution of localized, foreign-language content and an expanding international footprint the company is dominating streaming space despite the launch of new services like Disney+ and Apple TV+ as well as the existing services like Amazon prime video.
- ▲ Netflix's efforts to attract viewers through investing in more regional programming have added significantly to its user base. Moreover, partnerships with telcos like Telefonica in Spain, KDDI in Japan, AT&T, Comcast, DISH, Verizon, Charter, Altice and T-Mobile in the United States, Canal+ in France and Sky in the U.K., Germany and Italy are expected to enhance subscriber base in international markets.
- ▲ Netflix's focus on originals — both movies and TV shows — has been the major growth driver behind the company's surging subscriber base. Further, the company's endeavor to offer content catering to various genres has been a key catalyst in driving user engagement. The impressive content quality has helped the company win awards and accolades. The company's change in strategy to give its original movies more theatrical exposure is expected to boost its chances for winning the much-coveted Oscar.
- ▲ The success of *Roma*, *Bird Box*, *Triple Frontier*, *Murder Mystery* and *The Irishman* surely validates the company's evolution as a major movie studio. Netflix views Oscar contention as a selling point to A-list talent. A dominant year at the Academy Awards is expected to be a strong recruiting tool while competition intensifies in the streaming space. The growing involvement of well-known Hollywood stars definitely makes the movies and shows more attractive.
- ▲ Rapid international expansion has paid off for Netflix. The company's focus on streaming regional content has been leading to international growth. Netflix is diversifying its content portfolio and also working on projects across India, Mexico, Spain, Italy, Germany, Brazil, France, Turkey and the entire Middle East. In fact, Netflix stated that local originals were the most popular titles in many countries, including India, Korea, Japan, Turkey, Thailand, Sweden and the United Kingdom in 2019. Notably, the company has launched low-priced mobile plans in India, Indonesia, Malaysia, Philippines and Thailand. This is expected to further boost its subscriber base in APAC.

Netflix's growing subscriber base, driven by content strength, focus on originals across various genres and languages, rapid international expansion and partnerships with telcos are key drivers.

Reasons To Sell:

- ▼ Subscriber growth is expected to decline once the coronavirus-related lockdowns and movement restrictions are lifted. Lower demand for content and comparatively weak slate of releases hurt third-quarter 2020 results. The company also expects the halt in content production due to lockdowns to delay releases of new titles, at least by a quarter. The absence of new seasons for popular shows like Stranger Things is expected to affect subscriber growth in fourth-quarter 2020.
- ▼ Netflix faces stiff competition from Apple TV+, Disney+, Amazon prime video, Hulu, YouTube and HBO. New entrants like Comcast's Peacock and AT&T's HBO Max further intensified competition. Given the scope for growth in the market, all players are ramping up their efforts to expand subscriber base. Most players are investing heavily to develop original content, which has become a differentiator for attracting new subscribers. Competition is heating up further with players like Facebook, Snapchat and Twitter making efforts to improve video viewing on their platform. Additionally, Disney's and ViacomCBS' organizational restructuring reflects an expanding focus on streaming. This is expected to further intensify competition for Netflix.
- ▼ International expansion and content additions resulted in cost escalations in the form of technology investments and marketing expenses. The company is estimated to spend around \$17 billion on total content in 2020. In order to sustain market share amid intensifying competition, content strength is the primary focus, which requires significant investments in 2020 and beyond. We believe that Netflix's ability to effectively manage costs will dictate its future prospects.
- ▼ Cash flow burn is here to stay. Although the company now expects 2020 free cash flow to be roughly \$2 billion, higher cash burn in 2021 does not augur well for investors. Markedly, the company expects free cash flow for 2021 to be between -\$1 billion and break even. Long-term debt was \$15.5 billion as of Sep 30, 2020, up from \$15.3 billion as of Jun 30, 2020. In April, Netflix raised \$1 billion of debt at a blended rate of roughly 3.3% across both the U.S. dollar and Euro tranches. Streaming content obligations were \$19.1 billion at the end of third quarter.

Stiff competition from the likes of Apple TV+, Disney+, Amazon prime video, Hulu, YouTube and HBO into the streaming space along with higher marketing expenses and cash flow burn are major concerns.

Last Earnings Report

Netflix Q3 Earnings Miss, Subscriber Addition Disappoints

Netflix reported third-quarter 2020 earnings of \$1.74 per share, missing the Zacks Consensus Estimate by 18.3% and the company's guidance of \$2.09. However, the figure increased 18.4% year over year.

Revenues of \$6.44 billion increased 22.7% year over year and also beat the consensus mark by 0.8%. Excluding an unfavorable forex impact of \$158 million, streaming ARPU grew 1% year over year.

The streaming giant added 2.2 million paid subscribers globally, which declined 67.5% year over year and missed its guidance of 2.50 million paid-subscriber addition.

At the end of the third quarter, Netflix had 195.15 million paid subscribers globally, up 23.3% from the year-ago quarter, but missed management's expectation of 195.45 million paid subscribers.

The company now expects paid net additions to be 6 million compared with the year-ago quarter's 8.8 million. This means Netflix will add 34 million paid net additions in 2020, much better than the historical high of 28.6 million it achieved in 2018.

Moreover, Netflix expects paid net additions to be down year over year in the first half of 2021 as compared with the big spike in paid net additions in the first half of 2020.

Segment Revenue Details

United States and Canada (UCAN) reported revenues of \$2.93 billion, which rose 11.9% year over year and accounted for 45.6% of total revenues. ARPU grew 3% from the year-ago quarter on a foreign-exchange neutral basis.

Paid-subscriber base increased 8.9% from the year-ago quarter to 73.08 million. The company added 0.18 million paid subscribers, down 70.5% year over year.

Europe, Middle East & Africa (EMEA) reported revenues of \$2.02 billion, which surged 41.4% year over year and accounted for 31.4% of total revenues. ARPU grew 3% from the year-ago quarter on a foreign-exchange neutral basis.

Paid-subscriber base increased 31.4% from the year-ago quarter to 62.24 million. The company added 0.76 million paid subscribers, down 75.7% year over year.

Latin America's (LATAM) revenues of \$789 million increased 6.5% year over year, contributing 12.3% of total revenues. ARPU grew 5% from the year-ago quarter on a foreign-exchange neutral basis.

Paid-subscriber base rose 23.6% from the year-ago quarter to 36.32 million. The company added 0.26 million paid subscribers, down 82.6% year over year.

Asia Pacific's (APAC) revenues of \$635 million soared 66.2% year over year and accounted for 9.3% of total revenues. ARPU declined 1% year over year on a foreign-exchange neutral basis.

Paid-subscriber base jumped 62.2% from the year-ago quarter to 23.50 million. The company added 1.01 million paid subscribers, down 34.4% year over year.

Content Details

Netflix's third-quarter content slate included new seasons of *The Umbrella Academy* and *Lucifer*. Apart from Ryan Murphy's *Ratched* in mid-September the company also premiered documentaries *American Murder: The Family Next Door* and *The Social Dilemma* in the reported quarter.

Netflix continued its heavy investments on developing regional content. Mexican show *Oscuro Deseo (Dark Desire)* season 1 was the company's biggest local-language original globally in the third quarter. *Indian Matchmaking* also witnessed healthy viewership.

The Old Guard, *The Kissing Booth 2*, *Project Power* and *Enola Holmes* were the original films released by Netflix in the reported quarter.

Content slate for the fourth quarter of 2020 includes *The Haunting of Bly Manor*, *Emily in Paris* season 1, Adam Sandler's latest film *Hubie Halloween*, animated family film *Over the Moon*, *The Crown* season 4 and the first season of *Selena*.

Other noteworthy films include *The Midnight Sky*, *Hillbilly Elegy*, *Ma Rainey's Black Bottom*, *The Christmas Chronicles 2*, *Jingle Jangle: A Christmas Journey*, *MANK* and *The Prom*.

Markedly, the company has restarted production on season four of *Stranger Things*, action film *Red Notice* and *The Witcher* season two. The company expects total number of originals in 2021 to be higher than 2020.

Operating Details

Quarter Ending	09/2020
Report Date	Oct 20, 2020
Sales Surprise	0.75%
EPS Surprise	-18.31%
Quarterly EPS	1.74
Annual EPS (TTM)	6.20

Marketing expenses declined 4.7% year over year to \$527.6 million. As a percentage of revenues, marketing expenses decreased 240 basis points (bps) to 8.2%.

Moreover, consolidated operating income increased 34.1% year over year to \$1.31 billion, driven by higher-than-expected revenue and subscriber growth. Consolidated operating margin expanded 170 bps on a year-over-year basis to 20.4%.

Balance Sheet & Free Cash Flow

Netflix had \$8.39 billion of cash and cash equivalents as of Sep 30, 2020, compared with \$7.15 billion as of Jun 30, 2020. The company also has an undrawn credit facility worth \$750 million, providing it with ample liquidity.

Long-term debt was \$15.5 billion as of Sep 30, 2020, up from \$15.3 billion as of Jun 30, 2020. Streaming content obligations were \$19.1 billion unchanged sequentially and year over year.

Netflix reported free cash flow of \$1.15 billion against free cash outflow of \$551 million in the year-ago quarter.

Guidance

For the fourth quarter of 2020, Netflix forecasts earnings of \$1.35 per share, indicating year-over-year growth of 3.8%.

Netflix expects to end the fourth quarter of 2020 with 201.15 million paid subscribers globally, indicating growth of 20.4% from the year-ago quarter.

Total revenues are anticipated to be \$6.57 billion, suggesting growth of 20.2% year over year.

Operating margin is projected at 13.5%, indicating growth of 510 bps on a year-over-year basis.

For 2020, the company now expects operating margin of 18% (indicating expansion of 500 bps year over year) better than original expectation of 16%. For 2021, Netflix still targets operating margin of 19%.

Moreover, Netflix now expects 2020 free cash flow to be roughly \$2 billion up from its previous expectation of break even to positive.

Further, the company expects free cash outflow for 2021 to be -\$1 billion to break even.

Recent News

On Oct 20, Netflix announced that Jamie Foxx, along with Datari Turner and Peter Baxter are the executive producers of *Day Shift* movie. Jami Foxx will also star in this JJ Perry directorial.

Moreover, Netflix unveiled 10 new projects to be produced in Turkey.

On Oct 5, Netflix announced that Sabrina Carpenter is set to produce and star in *ALICE*, a contemporary re-imagining of *ALICE IN WONDERLAND*.

On Sep 13, Netflix announced that it has acquired the worldwide rights of Sam Levinson's *MALCOLM & MARIE* that stars Zendaya and John David Washington.

On Sep 8, Netflix announced its first K-pop documentary, *BLACKPINK: Light Up the Sky*, which charts the meteoric rise of the South Korean four-member superstar girl group, BLACKPINK.

The company also confirmed the casting of Bae Doona, Gong Yoo and Lee Joon for the new Korean sci-fi mystery thriller, *The Silent Sea*.

On Sep 3, Netflix announced the production of the first fictional drama about Ayrton Senna da Silva, the three-time Formula 1 champion.

On Aug 26, Netflix announced that Indonesian film *Bucin* will premiere on Sep 18.

The company also announced that it has acquired the rights to The New York Times' bestselling novel *The Noel Diary* by Richard Paul Evans. Netflix will adapt it into a feature film to be directed by Charles Shyer.

On Aug 25, Netflix announced Norwegian action-adventure film *Troll*, which will be directed by Roar Uthaug and will release on the streaming platform in 2022.

The company also confirmed the international premiere of *#Alive* on Sep 8, 2020, following its theatrical run in Korea.

Valuation

Netflix shares are up 45.4% in the year-to-date period and 59.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 13.1%, while the same in the Zacks Consumer Discretionary sector are up 1.6% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 19.9% and 7.5%, respectively.

The S&P 500 index is up 10.6% in the year-to-date period and 15.5% in the past year.

The stock is currently trading at 7.24X forward 12-month sales, which compares to 8.46X for the Zacks sub-industry, 2.4X for the Zacks sector and 4.12X for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.05X and as low as 3.69X, with a 5-year median of 6X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$494 price target reflects 7.60X forward 12-month sales.

The table below shows summary valuation data for NFLX

Valuation Multiples - NFLX					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	7.24	8.46	2.4	4.12
	5-Year High	10.05	12.39	2.9	4.3
	5-Year Low	3.69	6.39	1.7	3.17
	5-Year Median	6	9.52	2.48	3.67
EV/Sales TTM	Current	9.03	9.36	3.24	4.07
	5-Year High	14.51	14.93	3.74	4.12
	5-Year Low	4.9	6.9	2.27	2.61
	5-Year Median	8.05	10.49	3.35	3.56
EV/EBITDA TTM	Current	14.75	23.26	11.54	15.52
	5-Year High	41.06	33.17	17.88	15.63
	5-Year Low	7.98	17.87	8.28	9.52
	5-Year Median	13.52	23.71	12.26	13.09

As of 11/09/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 29% (72 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Apple Inc. (AAPL)	Neutral	3
Amazon.com, Inc. (AMZN)	Neutral	3
Comcast Corporation (CMCSA)	Neutral	3
The Walt Disney Company (DIS)	Neutral	4
Discovery, Inc. (DISCA)	Neutral	3
Alphabet Inc. (GOOGL)	Neutral	2
Sirius XM Holdings Inc. (SIRI)	Neutral	3
ATT Inc. (T)	Neutral	3

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

Industry Comparison Industry: Broadcast Radio And Television				Industry Peers		
	NFLX	X Industry	S&P 500	AAPL	AMZN	DIS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	C	-	-	D	B	F
Market Cap	207.86 B	506.49 M	24.57 B	1,977.65 B	1,577.38 B	257.67 B
# of Analysts	15	2	13	12	17	10
Dividend Yield	0.00%	0.00%	1.51%	0.70%	0.00%	0.00%
Value Score	D	-	-	D	D	D
Cash/Price	0.04	0.34	0.07	0.05	0.04	0.10
EV/EBITDA	17.91	4.52	14.21	25.41	41.27	15.13
PEG F1	2.56	0.67	2.73	2.63	3.24	7.22
P/B	20.12	1.07	3.52	30.27	19.06	2.85
P/CF	18.46	4.06	13.46	28.89	46.89	18.03
P/E F1	76.72	7.30	21.50	28.94	93.50	48.31
P/S TTM	8.73	0.64	2.74	7.20	4.53	3.69
Earnings Yield	1.33%	-0.48%	4.43%	3.46%	1.07%	2.07%
Debt/Equity	1.50	1.07	0.70	1.51	0.40	0.60
Cash Flow (\$/share)	25.49	1.76	6.92	4.03	67.05	7.91
Growth Score	B	-	-	B	A	D
Historical EPS Growth (3-5 Years)	102.39%	14.88%	9.77%	11.10%	85.35%	-1.85%
Projected EPS Growth (F1/F0)	51.61%	-18.05%	0.37%	22.54%	46.12%	82.30%
Current Cash Flow Growth	26.74%	-3.98%	5.29%	0.98%	31.33%	4.37%
Historical Cash Flow Growth (3-5 Years)	30.03%	13.08%	8.33%	1.15%	49.26%	7.57%
Current Ratio	1.24	1.99	1.38	1.36	1.11	1.34
Debt/Capital	60.07%	57.08%	41.97%	60.16%	28.46%	41.19%
Net Margin	11.78%	-4.19%	10.44%	20.91%	4.99%	-1.58%
Return on Equity	31.48%	-0.66%	14.92%	75.15%	24.49%	6.58%
Sales/Assets	0.66	0.39	0.50	0.84	1.41	0.34
Projected Sales Growth (F1/F0)	23.72%	0.00%	0.14%	16.69%	34.97%	10.15%
Momentum Score	C	-	-	F	D	D
Daily Price Change	-8.59%	3.46%	2.76%	-2.00%	-5.06%	11.87%
1-Week Price Change	8.20%	5.07%	5.72%	9.03%	9.06%	5.12%
4-Week Price Change	-12.84%	0.53%	3.51%	-6.50%	-8.69%	14.10%
12-Week Price Change	-2.46%	0.07%	7.01%	1.49%	-1.22%	10.22%
52-Week Price Change	59.94%	-27.28%	5.23%	77.45%	77.45%	4.28%
20-Day Average Volume (Shares)	7,076,151	326,795	2,079,064	130,482,160	5,633,286	9,850,586
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.04%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.12%	0.00%	1.67%	0.35%	6.35%	-0.70%
EPS F1 Estimate 12-Week Change	-0.05%	1.37%	3.62%	0.50%	5.54%	-4.45%
EPS Q1 Estimate Monthly Change	38.47%	0.00%	0.81%	1.37%	-18.50%	7.51%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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