

Nu Skin(NUS)

\$48.24 (As of 09/02/20)

Price Target (6-12 Months): **\$58.00**

Long Term: 6-12 Months

Zacks Recommendation: **Outperform**

(Since: 07/15/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: B

Summary

Shares of Nu Skin have outperformed the industry in the past three months. The company is optimistic about the strength in its sales leaders, which is driving customer base expansion. Also, management expects its solid product pipe line that includes ageLOC Boost device and Nutricentials Bioadaptive Skin Care to boost growth in the second half of 2020. Incidentally, the company raised its 2020 outlook. Moreover, Nu Skin's efforts to boost customer base are yielding. Notably, the company's customer base increased 29% in second-quarter 2020. However, Nu Skin reported musky results for second-quarter, with sales and earnings falling year over year. Also, gross margin contracted 50 basis points in the quarter due to incremental freight costs and coronavirus related expenses. Apart from this, volatile currency movements are a concern.

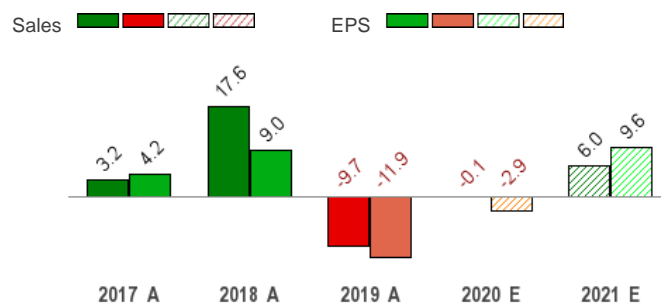
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$48.95 - \$12.31
20-Day Average Volume (Shares)	457,760
Market Cap	\$2.5 B
Year-To-Date Price Change	17.7%
Beta	1.39
Dividend / Dividend Yield	\$1.50 / 3.1%
Industry	Cosmetics
Zacks Industry Rank	Bottom 18% (207 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	20.9%
Last Sales Surprise	1.1%
EPS F1 Estimate 4-Week Change	20.8%
Expected Report Date	11/03/2020
Earnings ESP	0.0%
P/E TTM	18.0
P/E F1	16.0
PEG F1	1.7
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	608 E	649 E	654 E	680 E	2,562 E
2020	518 A	612 A	621 E	666 E	2,418 E
2019	624 A	624 A	590 A	583 A	2,420 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.63 E	\$0.81 E	\$0.91 E	\$0.94 E	\$3.30 E
2020	\$0.36 A	\$0.81 A	\$0.87 E	\$0.98 E	\$3.01 E
2019	\$0.77 A	\$0.83 A	\$0.79 A	\$0.72 A	\$3.10 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 09/02/2020. The reports text is as of 09/03/2020.

Overview

Nu Skin, which was founded more than 30 years ago, develops and distributes a wide range of premium cosmetics, beauty, personal care and wellness products. While the company specializes in beauty and personal care, it also provides a wide range of nutritional products. Nu Skin's products are available in more than 50 markets worldwide.

From a product perspective, the company operates through two brand categories namely, Nu Skin and Pharmanex. The company offers premium quality personal care products under the Nu Skin brand banner, while nutritional supplements are marketed under Pharmanex. Both these brand categories have been yielding well.

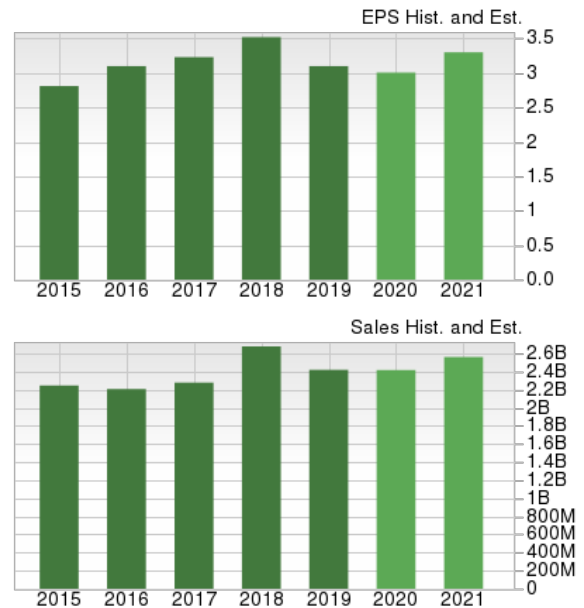
The company has evolved strongly in the skin care treatments arena, more particularly in anti-aging products. Some of the renowned brands of the company in skin care includes ageLOC and Epoch. The company also provides a wide range of hair care and other personal care items.

In addition to these, the company offers a diverse range of nutritional and weight management products such as ageLOC Youth nutritional supplement and LifePak nutritional supplements.

Nu Skin reaches out to customers through direct sales channels. In this respect, the company uses person-to-person marketing technique to sell as well as promote different brands.

A significant portion of the company's revenues are generated from overseas markets.

The company's revenues are reported under seven regional segments namely — Mainland China, EMEA regions, Americas/Pacific, South Korea, Southeast Asia, Japan and Hong Kong/Taiwan.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Impressive Outlook:** Nu Skin is optimistic about strength in its sales leaders, which are driving customer base expansion. Also, the company expects its solid product pipe line that includes ageLOC Boost device and Nutricentials Bioadaptive Skin Care to boost growth in the second half of 2020. Given an above expected year-to-date performance and the aforementioned upsides, management raised its 2020 outlook.

Management now expects 2020 revenues in the range of \$2.37-\$2.45 billion. Prior to this, the company had anticipated 2020 revenues in the band of \$2.17-\$2.26 billion. Further, 2020 earnings are projected in the range of \$2.85-\$3.10 per share. Earlier, Nu Skin had envisioned earnings in the range of \$2.05-\$2.35 per share. We note that shares of Nu Skin have gained 23.7% in the past three months compared with the industry's growth of 9.1%.

Sustained growth in customer base is expected to keep supporting Nu Skin. The company is on track with product launches and programs to bolster sales leaders.

- ▲ **Efforts to Enhance Customer Base:** Nu Skin sells and distributes products through a network of sales leaders and customers. The company remains focused on empowering those through product launches and engaging technology platforms among other initiatives. In fact, it rolled out online leadership, training and education programs in Mainland China for its sales leaders. Moreover, the company has been conducting a number of promotional seminars online. Also, Nu Skin's focus on enhancing customer experience across various digital platforms bode well. In this regard, the company plans to launch VERA, a digital tool during the second half of 2020. The tool is aimed at providing personalized recommendation for its products to the customers. During the second quarter of 2020, Nu Skin launched a new customer reward program called enJoy in Southeast Asia and Mainland China. Management expects to attain long-term loyalty via redeemable rewards points alongside improving customer relationships with the help of this program. In fact, the company expects to launch enJoy in the United States during the second half of 2020. Notably, Nu Skin's customer base increased 29% year over year to 1,499,900 in the second quarter of 2020.
- ▲ **Product Launches & Effective Programs Aid Growth:** With the help of advanced technology and well-strategized product programs, Nu Skin tries to capture greater market share and maintain growth momentum. In fact, the company's long-term strategies stand on three key pillars — Products, Programs and Platforms. Notably, the launch of the company's revolutionary ageLOC LumiSpa, along with the re-launch of Galvanic Spa device has been a success. Further, during the fourth quarter it plans preview a new at-home beauty device, ageLOC which aims to provide customers with an on-the-go treatment for youthful skin. Additionally, management expects to launch a new bioadaptive skincare line under the Nutricentials brand by the fourth quarter. Importantly, management has also put in place new leadership incentives system for to enhance productivity of sales leaders. Apart from product launches, Nu Skin's well-knit product strategies and customer retention programs have been driving growth in several market locations. Earlier, management stated that it is working toward the expansion of its sales compensation program Velocity across different nations.
- ▲ **Debt Analysis:** Nu Skin's long-term debt (including operating lease liabilities) of \$423 million as of Jun 30, 2020 reflected a decline of 2.8% on a sequential basis. Incidentally, the company's debt-to-capitalization ratio of 0.4 stood lower than the industry's ratio of 0.6 at the end of second-quarter 2020. Moreover, the company's total cash and cash equivalents stand at \$386 million as of Jun 30 while its current debt was \$95 million.
- ▲ **Shareholder-Friendly Moves:** At a juncture where many companies have suspended dividends due to the coronavirus outbreak, Nu Skin declared quarterly dividend of 37.5 cents per share on Aug 5. Moreover, during second-quarter 2020, it paid \$19.4 million in dividend payouts and repurchased stocks worth \$46.5 million. This indicates the company's commitment toward shareholders.

We note that the company's current annualized dividend rate of \$1.50 a share reflects a 1.4% increase from the year-ago period's figure. Nu Skin has a dividend payout of 56%, dividend yield of 3.1% and free cash flow yield of 8.1%. With an annual free cash flow return on investment of 17.3%, ahead of the industry's 2.1%; the dividend payment is likely to be sustainable.

Risks

- **Q2 Results Soft:** Nu Skin continued with its murky performance in second-quarter 2020, wherein the top and bottom lines declined year over year for the fifth straight time. Notably, earnings declined 2.5% to 81 cents during second-quarter. Moreover, revenues of \$612.4 million fell 1.8% year over year. We believe that lower sales leader count due to declines across several regions hurt revenues.

Apart from these, gross profit declined 2.4% while gross margin contracted 50 basis points year over year in the quarter. Incremental freight costs stemming from higher demand along with coronavirus related costs caused the downside.

- **Adverse Currency Impacts:** A major share of Nu Skin's revenues is sourced from international markets, thereby exposing the company to significant currency risks. During the second quarter of 2020, the company's top line was hurt by 3% (or \$19.8 million) due to foreign-currency fluctuations. Nu Skin has been battling currency headwinds for quite some time. Moreover, management expects foreign currency fluctuations to affect the company's revenues for 2020 by 2-3% and that for the third quarter by 1-2%.
 - **Stiff Competition:** The cosmetics and beauty segment is rife with competition, thanks to the existence of strong peers as well as abundant product alternatives. Cheaper alternatives may hinder customers' loyalty, thus impacting the sale of the company's products.
 - **Changing Consumer Preferences:** The cosmetics industry is highly prone to changes along with consumers' changing lifestyle and preferences. Hence, Nu Skin's ability to generate profits depends largely on its ability to develop products that suit consumers' need and respond in a timely manner to fulfill the same. Also, shifts in market demand for a product for any reason may result in increased inventory levels, which may lead to selling goods at lower prices. This can hurt the company's overall performance.
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Last Earnings Report

Nu Skin's Q2 Earnings Beat Estimates, Sales Decline Y/Y

Nu Skin released second-quarter 2020 results, with the top and the bottom line declining year over year. Nevertheless, both the metrics surpassed the Zacks Consensus Estimate.

Management is impressed with its performance so far this year. Incidentally, the company raised its guidance for 2020.

Q2 Highlights

Nu Skin delivered quarterly earnings of 81 cents a share, which beat the Zacks Consensus Estimate of 67 cents. However, the bottom line decreased 2.5% from earnings of 83 cents reported in the year-ago quarter.

Revenues of \$612.4 million fell 1.8% year over year. Nevertheless, the metric surpassed the Zacks Consensus Estimate of \$606 million. Second-quarter revenues included a negative impact of 3% (or \$19.8 million) from foreign currency fluctuations. On a constant-currency basis, sales inched up 1% driven by increase in customer base.

Sales leaders were 56,036, down 9% year over year, with Mainland China and Hong Kong/Taiwan accounting for majority of the decline. Nonetheless, Nu Skin's customer base increased 29% year over year to 1,499,900 with rise in all regions except South Korea, Japan and Hong Kong/Taiwan.

Gross profit came in at \$458.3 million, down 2.4% from the year-ago quarter's figure. Gross margin contracted 50 basis points (bps) year over year to 74.8%. Nu Skin's base business gross margin declined 20 bps on a year-over-year basis to 77.6%. The downside was caused by incremental freight costs stemming from higher demand and coronavirus related costs.

Selling expenses amounted to \$248.6 million, which accounted for 40.6% of revenues compared with 39.4% in the year-ago quarter. Meanwhile, general and administrative expenses of \$151.6 million accounted for 24.7% of revenues, up from 24% in the year-ago quarter.

Operating income came in at \$58.1 million, while operating margin fell year over year from 11.9% to 9.5%.

Regional Results

Revenues across Mainland China declined 21% the prior-year quarter's level. Further, revenues fell 9% in South Korea, 11% in Southeast Asia and 15% from Hong Kong/Taiwan region. Nevertheless, sales across Americas/Pacific, Japan and EMEA region increased 38%, 5% and 17%, respectively.

Other Financial Details

Nu Skin ended the quarter with cash and cash equivalents of \$375.5 million, long-term debt of \$319.9 million and stockholders' equity of \$792 million. During the quarter, the company paid out dividends of \$19.4 million.

In a separate press release, Nu Skin announced a dividend of 37.5 cents per share payable on Sep 9 to shareholders of record as of Aug 29.

Guidance

Nu Skin continues to remain optimistic about its sales leaders, which is driving customer base expansion. Also, the company expects its solid product pipe line that includes ageLOC Boost device and Nutricentials Bioadaptive Skin Care to boost growth in the second half of 2020. Given an above expected year-to-date performance and the aforementioned upsides, management is raising full year 2020 outlook.

Management now expects 2020 revenues in the range of \$2.37-\$2.45 billion, including currency headwinds of 2-3%. In 2019, Nu Skin's revenues amounted to \$2.42 billion. Prior to this, the company had anticipated 2020 revenues of \$2.17-\$2.26 billion.

Further, 2020 earnings are projected in the range of \$2.85-\$3.10 per share. The company delivered earnings of \$3.10 in 2019. Earlier, Nu Skin had envisioned earnings in the range of \$2.05-\$2.35 per share.

For the third quarter, the company projects revenues in the band of \$605-\$635 million that includes adverse currency impacts of 1-2%. Earnings are anticipated between 78 cents and 88 cents.

Quarter Ending	06/2020
Report Date	Aug 05, 2020
Sales Surprise	1.05%
EPS Surprise	20.90%
Quarterly EPS	0.81
Annual EPS (TTM)	2.68

Recent News

Nu Skin Declares Dividend – Aug 5, 2020

Nu Skin has declared quarterly cash dividend of 37.5 cents per share. This will be payable on Sep 9, 2020 to shareholders of record as on Aug 28.

Nu Skin Raises Sales Guidance for Q2 - Jul 1, 2020

Nu Skin Enterprises raised its sales guidance for the second quarter of fiscal 2020. The company now expects revenues in the range of \$603-\$608 million in the quarter. Management had earlier projected sales in the band of \$520-\$550 million in the second quarter.

The uptick can be attributed to higher consumer growth globally, primarily driven by strength in Europe and the Americas business. Moreover, the company's investments in enhancing its technological and digital abilities contributed to second-quarter growth. Notably, Nu Skin's e-commerce business represented more than 80% of volumes in the quarter.

Valuation

Nu Skin shares are up 21.7% in the year-to-date period and 23.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 23.7% and the Zacks Consumer Staples sector is down 4% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are down 20.5% and 2.6%, respectively.

The S&P 500 index is up 5% in the year-to-date period and 16.2% in the past year.

The stock is currently trading at 15.06X forward 12-month earnings, which compares to 44.42X for the Zacks sub-industry, 20.27X for the Zacks sector and 23.18X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.61X and as low as 5.57X, with a 5-year median of 16.07X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$58 price target reflects 18.11X forward 12-month earnings.

The table below shows summary valuation data for NUS

Valuation Multiples - NUS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.06	44.42	20.27	23.18
	5-Year High	22.61	44.42	22.37	23.18
	5-Year Low	5.57	19.65	16.63	15.25
	5-Year Median	16.07	24.89	19.62	17.6
P/S F12M	Current	0.99	5.32	9.63	3.95
	5-Year High	1.85	5.32	11.15	3.95
	5-Year Low	0.31	1.53	8.12	2.53
	5-Year Median	1.19	2.87	9.89	3.07
EV/EBITDA F12M	Current	7.82	31.94	35.62	13.9
	5-Year High	12.17	32.49	37.28	14.11
	5-Year Low	2.84	8.68	25.87	9.15
	5-Year Median	7.93	18.03	33.72	11.04

As of 09/02/2020

Industry Analysis Zacks Industry Rank: Bottom 18% (207 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Helen of Troy Limited (HELE)	Outperform	2
Coty Inc. (COTY)	Neutral	4
e.l.f. Beauty Inc. (ELF)	Neutral	3
Inter Parfums, Inc. (IPAR)	Neutral	3
MANDOM CORP (MDOMF)	Neutral	3
POLA ORBIS (PORBF)	Neutral	4
Symrise AG Unsponsored ADR (SYIEY)	Neutral	3
Revlon, Inc. (REV)	Underperform	5

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

Industry Comparison Industry: Cosmetics				Industry Peers		
	NUS	X Industry	S&P 500	PORBF	REV	SYIEY
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	2	-	-	4	5	3
VGM Score	A	-	-	B	D	C
Market Cap	2.48 B	1.43 B	24.30 B	3.96 B	426.16 M	18.92 B
# of Analysts	5	3	14	2	1	1
Dividend Yield	3.11%	0.00%	1.6%	0.00%	0.00%	0.49%
Value Score	B	-	-	C	D	D
Cash/Price	0.16	0.06	0.07	NA	0.77	0.03
EV/EBITDA	7.27	14.75	13.46	NA	14.00	25.79
PEG F1	1.73	3.47	3.09	NA	NA	NA
P/B	3.14	2.94	3.25	2.27	NA	6.57
P/CF	10.72	20.62	13.12	11.32	7.34	30.85
P/E F1	16.03	42.86	22.15	60.63	NA	40.62
P/S TTM	1.08	2.53	2.57	1.89	0.20	NA
Earnings Yield	6.24%	2.27%	4.29%	1.62%	-42.52%	2.46%
Debt/Equity	0.40	0.36	0.70	NA	-1.92	0.62
Cash Flow (\$/share)	4.50	1.36	6.93	1.58	1.04	1.13
Growth Score	A	-	-	A	C	A
Historical EPS Growth (3-5 Years)	3.24%	5.98%	10.41%	NA	NA	NA
Projected EPS Growth (F1/F0)	-3.03%	-11.34%	-4.75%	-65.50%	-32.24%	40.98%
Current Cash Flow Growth	-11.19%	5.51%	5.22%	NA	306.43%	5.51%
Historical Cash Flow Growth (3-5 Years)	-3.17%	7.97%	8.49%	NA	-20.60%	NA
Current Ratio	1.62	1.67	1.35	NA	1.02	1.83
Debt/Capital	28.77%	31.90%	42.92%	NA	NA	38.43%
Net Margin	6.33%	2.38%	10.25%	NA	-17.15%	NA
Return on Equity	17.60%	8.63%	14.66%	NA	NA	NA
Sales/Assets	1.31	0.82	0.50	NA	0.71	NA
Projected Sales Growth (F1/F0)	-0.10%	-1.74%	-1.42%	-16.81%	-14.62%	9.40%
Momentum Score	B	-	-	B	D	C
Daily Price Change	0.54%	0.13%	1.82%	0.00%	0.93%	1.93%
1-Week Price Change	0.27%	1.20%	2.59%	0.00%	17.09%	0.86%
4-Week Price Change	1.99%	0.71%	4.80%	14.87%	-1.80%	9.50%
12-Week Price Change	25.33%	10.27%	6.31%	-4.56%	-31.48%	27.25%
52-Week Price Change	17.98%	0.00%	5.43%	-26.22%	-53.85%	47.57%
20-Day Average Volume (Shares)	457,760	57,917	1,788,967	72	195,866	33,840
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	20.84%	0.00%	0.00%	0.00%	-33.33%	6.17%
EPS F1 Estimate 12-Week Change	35.16%	-8.91%	3.89%	-45.37%	-35.57%	10.26%
EPS Q1 Estimate Monthly Change	27.02%	0.00%	0.00%	0.00%	-32.61%	NA

Source: Zacks Investment Research

Zacks Style Scores

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

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

Value Score	B
Growth Score	A
Momentum Score	B
VGM Score	A

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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