

Prestige Consumer (PBH)

\$45.77 (As of 03/08/21)

Price Target (6-12 Months): **\$48.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/09/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: B

Growth: D

Momentum: F

Summary

Shares of Prestige Consumer have outperformed the industry year to date. The stock got a boost when the company retained its sturdy surprise trend in the third-quarter fiscal 2021 results, wherein the top and bottom lines beat the consensus mark. Results were backed by solid cost management, which also aided the adjusted EBITDA margin in the quarter. Apart from this, the company continued to see strength in the e-commerce channel amid the pandemic. Further, Prestige Consumer benefited from robust consumption trends in most products, though lower consumption for certain product categories due to coronavirus hurt revenues, which fell 1.1% in the third quarter. Nonetheless, robust operating results and performance to date encouraged management to raised fiscal 2021 sales and earnings view, though the guidance suggests a sales decline from fiscal 2020.

Data Overview

52-Week High-Low	\$45.93 - \$27.40
20-Day Average Volume (Shares)	397,204
Market Cap	\$2.3 B
Year-To-Date Price Change	31.3%
Beta	0.71
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Consumer Products - Discretionary
Zacks Industry Rank	Top 25% (63 out of 254)

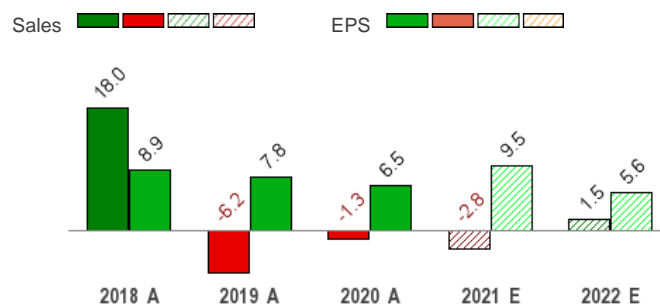
Last EPS Surprise	5.2%
Last Sales Surprise	2.9%
EPS F1 Estimate 4-Week Change	0.2%
Expected Report Date	05/06/2021
Earnings ESP	1.5%
P/E TTM	14.0
P/E F1	14.1
PEG F1	2.2
P/S TTM	2.4

Price, Consensus & Surprise



Source: Zacks Investment Research

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	230 E	240 E	243 E	244 E	950 E
2021	229 A	237 A	239 A	230 E	936 E
2020	232 A	238 A	242 A	251 A	963 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.85 E	\$0.87 E	\$0.95 E	\$0.91 E	\$3.42 E
2021	\$0.86 A	\$0.78 A	\$0.81 A	\$0.79 E	\$3.24 E
2020	\$0.65 A	\$0.68 A	\$0.81 A	\$0.82 A	\$2.96 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 03/08/2021. The report's text and the analyst-provided price target are as of 03/09/2021.

Overview

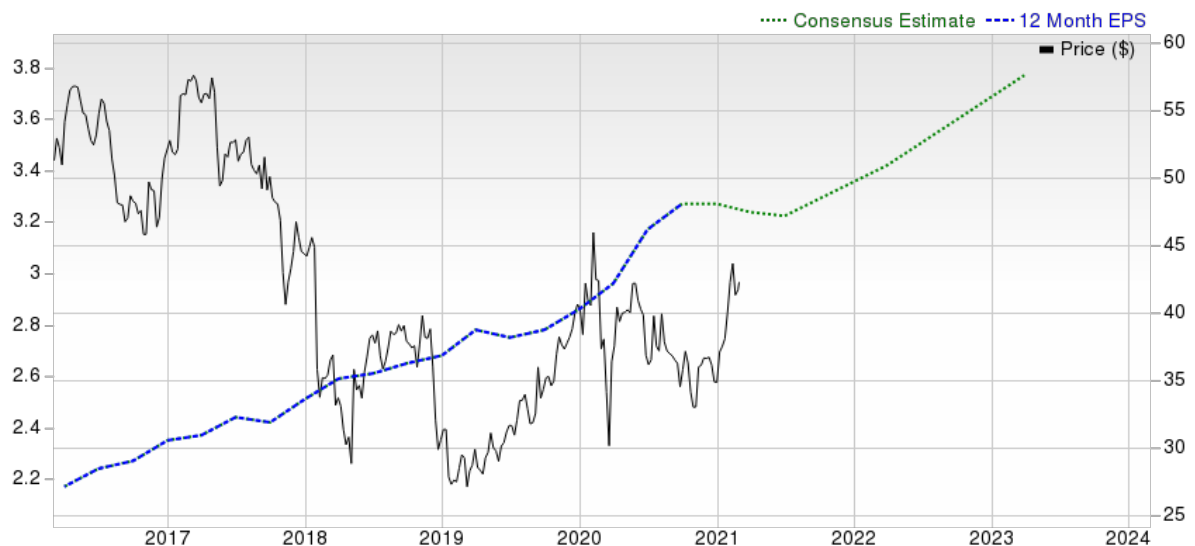
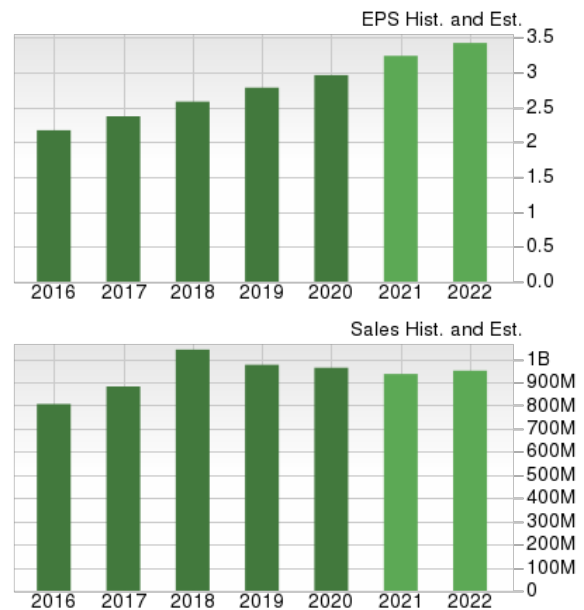
Based in New York, Prestige Consumer Healthcare Inc. and its subsidiaries develop, manufacture, market, sell and distributes over-the-counter ("OTC") healthcare and household cleaning products in United States, Canada, Australia and certain other international markets. The company provides its products to mass merchandisers as well as drug, food, dollar, convenience, and club stores. Also, Prestige Consumer Healthcare operates through the e-commerce channel.

Following the divestiture of Household Cleaning segment in July 2018, Prestige Consumer reports operating results through two segments: North American OTC Healthcare and International OTC Healthcare. As of fiscal 2019, revenues in these segments were \$862 million and \$93.5 million, respectively.

Some of the major brands under North American and International OTC Healthcare include products like BC/Goody's analgesic powders, Boudreaux's Butt Paste baby ointments, Chloraseptic sore throat treatments and mouth pain products, Clear Eyes eye care products, Compound W wart removers, Dramamine Non-Drowsy naturals, Pedia-Lax pediatric laxatives, Efferdent denture cleansers, Luden's throat drops, Debrox for ear wax removal, Hydralyte for oral rehydration, Fess nasal saline spray and Gaviscon for upset stomach remedies.

Prestige Consumer Healthcare remains focused on certain core strategies to achieve success. These include developing efficient sales, marketing and advertising plans; undertaking successful integration of acquired brands; launching innovative products; setting up third-party production and distributions; keeping pace with the advanced technology and competitive moves; and continuing with geographic expansions (both domestic and international).

Prestige Consumer Healthcare's well-known acquisitions include BC & Goody's in 2012, Hydralyte in 2015, DenTek Holdings, Inc in 2016 and Fleet in January 2017. Fleet is one of the largest transactions made by Healthcare. Such buyouts are expected to radically enhance the company's growth prospects.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Solid Q3 Earnings:** Shares of Prestige Consumer have gained 31.3% year to date compared with the industry's growth of 1.2%. The stock got a boost when the company retained its impressive surprise trend in the recently reported third-quarter fiscal 2021 results, wherein it also raised the fiscal 2021 view. During the quarter, both earnings and sales surpassed the Zacks Consensus Estimate. This marks the company's eighth straight beat (on a combined basis). Notably, adjusted earnings of 81 cents per share surpassed the Zacks Consensus Estimate of 77 cents. This marked its twelfth consecutive quarter of earnings beat.

Though sales were hurt by lower consumption for certain product categories amid the pandemic, the company benefited from stable consumption trends in most parts of the portfolio. Also, adjusted gross margin and adjusted EBITDA margin improved year over year. Management remains impressed with its first nine-month performance of fiscal 2021. The company said that its long-term brand as well as channel investments, together with its diversified portfolio helped it win market share in several key categories, alongside driving triple-digit e-commerce growth. Such investments also helped the company largely counter pandemic-induced unfavorable demand in certain categories such as head lice, cough & cold and motion sickness. Management further stated that its robust financial status and strong capital allocation strategy aided the bottom line, EBITDA and free cash flow growth, year to date, even amid the crisis.

Prestige Consumer's earnings and sales beat the Zacks Consensus Estimate in the third quarter. Robust operating results and performance to date encouraged management to raise guidance.

- ▲ **Strong Guidance:** Robust operating results and performance to date encouraged management to raise its top- and bottom-line guidance for fiscal 2021. Management expects to continue witnessing the domestic trends, which it has seen year to date. Also, it expects continued enhancements in the International unit. Management projects its solid operating structure to aid high-single-digit earnings growth in fiscal 2021. In fiscal 2021, adjusted earnings per share are envisioned to be \$3.22 compared with the previous view of \$3.18. In fiscal 2020, Prestige Consumer's bottom line came in at \$2.96 per share. The company remains well placed for an even stronger performance in fiscal 2022. Notably, management remains focused on strengthening its brand portfolio to drive sales. These efforts, together with a strong financial status and efficient capital allocation, are expected to drive shareholder value in the long term.

- ▲ **Reduced Costs:** The company has been looking to reduce its advertising and marketing (A&M) costs, which as a percentage of sales came in at 15.9% in the third quarter of fiscal 2021, down from 16.1% in the second quarter. Management expects this metric to be just under 15% for fiscal 2021, as it remains committed to a normalized spending rate. Apart from this, the company expects G&A expenses for the full fiscal to be lower than the year-ago levels (in dollar terms). Certainly, the company's saving efforts have been yielding as its adjusted EBITDA margin expanded 10 bps to 34.1% in the quarter under review.

- ▲ **E-Commerce Strength:** The company has been making e-commerce investments for a while now, which continued to yield results in the third quarter of fiscal 2021. Management, in its third-quarter earnings call, said that e-commerce consumption for Prestige Consumer grew in strong triple digits year to date, given consumers continued shift to online shopping. Incidentally, a number of the company's brands have a greater share in the e-commerce channel, compared with brick and mortar. With more consumers shifting to the online mode of shopping, especially amid the pandemic-led social distancing, the e-commerce channel is likely to remain strong.

- ▲ **Financial Profile:** As of Dec 31, 2020, the company's net debt position was \$1.5 billion, in line with the preceding quarter level. As of the third-quarter end, Prestige Consumer's times interest earned ratio improved to 3.5 times from 3.3 times in the preceding quarter. Also, the total debt to equity ratio stood at 0.54 as of the end of the third quarter compared with 0.55 at the end of the second quarter.

Apart from this, the company had cash and cash equivalents of \$62.1 million as of Dec 31, while its current lease liabilities stood at \$8.2 million. Net cash provided by operating activities in the nine-month period ended Dec 31, 2020, was \$176.5 million. Adjusted free cash flow for the same time frame was \$159.2 million. Free cash flow is anticipated to be \$207 million or more in fiscal 2021. We note that Prestige Consumer repurchased shares worth \$9 million in the third quarter. Management expects its strong financial status, efficient capital allocation and focus on strengthening brand portfolio to drive shareholder value in the long term.

Reasons To Sell:

▼ **Soft Revenues:** The company has been witnessing a year-over-year decline in its top line for the past two quarters. Revenues in the first nine months of fiscal 2021 were affected by pandemic-led reduced consumption in certain categories — especially head lice, cough & cold and motion sickness. In the third quarter of fiscal 2021, total revenues edged down 1.1% to \$238.8 million, mainly due to the North American OTC Healthcare unit. Excluding currency effects, revenues dropped 1.6%. The year-over-year downside resulted from lower consumption for some brands amid the pandemic, though it was partly countered by stable consumption trends in most other parts of the portfolio.

Lower consumption for certain product categories, stemming from ongoing COVID-19 pandemic, hurt Prestige Consumer's revenues in third-quarter fiscal 2021.

Though management raised its top-line guidance for fiscal 2021, it still suggests a decline from the year-ago period. In fiscal 2021, the company now anticipates revenues of nearly \$935 million, up from the roughly \$925 million expected before. However, it indicates a decline from \$963 million recorded in fiscal 2020.

- ▼ **Intense Competition:** The company faces stiff competition in OTC Healthcare from its peers, on the grounds of brand recognition, product quality, performance, value to customers, price and product availability. Its private label products, introduced by major supply chains, are highly competitive due to unpredictable consumer trends.
- ▼ **Currency Volatility:** The company is exposed to volatile foreign currency translations, as it has a significant presence in international markets and undertakes business expansion efforts frequently. Volatility in exchange rates remains a threat to the company's performance.
- ▼ **Dependence on Few Customers:** The company faces the risk of a limited number of customers. Moreover, Prestige Consumer does not have any long-term sales agreements with any of these customers. Further, management expects top ten customers to continue to contribute a substantial amount to the sales of the company in the future. Consequently, the loss of any of these customers or reduction in transactions with them could have an adverse impact on the company's performance.
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Last Earnings Report

Prestige Consumer Q3 Earnings & Revenues Top Estimates

Prestige Consumer Healthcare posted third-quarter fiscal 2021 results, wherein earnings and sales surpassed the Zacks Consensus Estimate. The company posted earnings of 81 cents per share, which surpassed the Zacks Consensus Estimate of 77 cents. This marks its 12th consecutive quarter of earnings beat. The company's adjusted earnings per share in the year-ago period were 81 cents, while its reported earnings were 75 cents.

Total revenues edged down 1.1% to \$238.8 million but surpassed the Zacks Consensus Estimate of \$232 million. Excluding currency effects, revenues dropped 1.6%. The year-over-year downside resulted from lower consumption for some brands amid the pandemic. This was largely compensated by stable consumption trends in most parts of the portfolio.

Adjusted gross profit came in at \$138.9 million, down 0.8% from the prior-year quarter's figure. Adjusted gross margin advanced 20 basis points to 58.2%. Adjusted EBITDA was \$81.4 million, down almost 1% year over year. Adjusted EBITDA margin expanded 10 bps to 34.1%.

Segment Performance

Revenues in the **North American OTC Healthcare** segment came in at \$210.6 million, down from the year-ago quarter's \$214.9 million. Results were affected by reduced consumption for certain brands wherein category consumption has been hurt by the pandemic, somewhat compensated by gains in most of the segment's key brands.

Revenues in the **International OTC Healthcare** segment were \$28.2 million, up 5.6% from the year-ago quarter's figure. The upside can be accountable to higher demand for Hydralyte in Australia, thanks to the relaxation of stay at-home limitations. Also, currency gains of roughly \$1 million contributed to this uptick.

Other Financial Updates

The company exited the quarter with cash and cash equivalents of \$62.1 million, long-term debt (net) of \$1,548.7 million and total shareholders' equity of \$1,323.2 million. Net cash provided by operating activities in the nine-month period ended Dec 31, 2020 was \$176.5 million. Adjusted free cash flow for the same time frame was \$159.2 million. As of Dec 31, the company's net debt position was \$1.5 billion. In the quarter under review, Prestige Consumer repurchased shares worth \$9 million.

Guidance

Robust operating results and performance to date have encouraged management to raise its top- and bottom-line guidance for fiscal 2021. Management expects to continue witnessing domestic trends, which it has seen year to date. Also, it expects continued enhancements in the International unit. Management projects its solid operating structure to aid high-single-digit earnings growth in fiscal 2021.

In fiscal 2021, the company now anticipates revenues of nearly \$935 million, up from the roughly \$925 million expected before. Adjusted earnings per share are envisioned to be \$3.22 compared with the previous view of \$3.18. In fiscal 2020, Prestige Consumer's top and bottom lines came in at \$963 million and \$2.96 per share, respectively. Free cash flow is still anticipated to be \$207 million or more in fiscal 2021.

The company remains well placed for an even stronger performance in fiscal 2022. Notably, management remains focused on strengthening its brand portfolio to drive sales. These efforts, together with a strong financial status and efficient capital allocation, are expected to drive shareholder value in the long term.

Quarter Ending 12/2020	
Report Date	Feb 04, 2021
Sales Surprise	2.90%
EPS Surprise	5.19%
Quarterly EPS	0.81
Annual EPS (TTM)	3.27

Valuation

Prestige Consumer Healthcare shares are up 31.3% in the year-to-date period and 22.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are up 1.2% and 4.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector gained 19% and 48.7%, respectively.

The S&P 500 index is up 2.1% in the year-to-date period and 34.9% in the past year.

The stock is currently trading at 13.43X forward 12-month earnings, which compares to 21.16X for the Zacks sub-industry, 34.12X for the Zacks sector and 22.13X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.32X and as low as 9.25X, with a 5-year median of 13.04X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$48 price target reflects 14.08X forward 12-month earnings.

The table below shows summary valuation data for PBH

Valuation Multiples - PBH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.43	21.16	34.12	22.13
	5-Year High	24.32	27.45	35.24	23.8
	5-Year Low	9.25	10.31	16.19	15.3
	5-Year Median	13.04	16.13	20.22	17.87
P/S F12M	Current	2.4	8.12	2.95	4.48
	5-Year High	3.54	10.38	2.95	4.48
	5-Year Low	1.43	0.57	1.7	3.21
	5-Year Median	2.05	0.96	2.49	3.68
EV/EBITDA F12M	Current	11.53	9.39	11.67	17.25
	5-Year High	16.47	13.21	12.59	18.85
	5-Year Low	9.49	6.26	8.24	13.05
	5-Year Median	11.25	9.66	11.01	15.8

As of 03/08/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 25% (63 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Spectrum Brands Holdings Inc. (SPB)	Outperform	1
Central Garden & Pet Company (CENT)	Neutral	2
Church & Dwight Co., Inc. (CHD)	Neutral	3
The Clorox Company (CLX)	Neutral	3
Funko, Inc. (FNKO)	Neutral	3
Procter & Gamble Company The (PG)	Neutral	3
Rite Aid Corporation (RAD)	Neutral	3
Container Store The (TCS)	Neutral	3

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

Industry Comparison Industry: Consumer Products - Discretionary				Industry Peers		
	PBH	X Industry	S&P 500	FNKO	SPB	TCS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	2	-	-	3	1	3
VGM Score	D	-	-	A	C	A
Market Cap	2.28 B	332.85 M	27.55 B	690.16 M	3.50 B	782.07 M
# of Analysts	5	2	13	5	2	1
Dividend Yield	0.00%	0.00%	1.36%	0.00%	2.04%	0.00%
Value Score	B	-	-	B	C	A
Cash/Price	0.03	0.10	0.06	0.05	0.07	0.04
EV/EBITDA	11.78	8.85	15.74	9.14	12.03	11.59
PEG F1	2.17	3.08	2.32	2.61	NA	NA
P/B	1.72	3.31	3.87	2.27	2.43	2.42
P/CF	12.49	12.82	15.96	8.00	9.75	14.40
P/E F1	14.13	14.52	20.75	23.17	15.18	14.21
P/S TTM	2.39	0.95	3.29	1.08	0.83	0.85
Earnings Yield	7.08%	6.73%	4.71%	4.32%	6.58%	7.04%
Debt/Equity	1.18	0.60	0.67	0.61	1.72	0.59
Cash Flow (\$/share)	3.66	0.95	6.78	1.74	8.43	1.08
Growth Score	D	-	-	B	C	B
Historical EPS Growth (3-5 Years)	8.46%	4.59%	9.34%	NA	NA	NA
Projected EPS Growth (F1/F0)	9.32%	19.42%	14.41%	210.35%	32.07%	172.50%
Current Cash Flow Growth	0.35%	5.46%	0.74%	13.56%	-25.49%	-6.37%
Historical Cash Flow Growth (3-5 Years)	8.12%	13.92%	7.37%	NA	55.21%	2.26%
Current Ratio	2.39	1.58	1.39	1.66	1.77	0.95
Debt/Capital	54.04%	42.06%	41.42%	38.02%	63.22%	36.93%
Net Margin	17.37%	2.63%	10.59%	-1.43%	4.85%	3.90%
Return on Equity	13.28%	1.25%	14.75%	1.25%	19.43%	13.48%
Sales/Assets	0.28	1.00	0.51	0.84	0.82	0.82
Projected Sales Growth (F1/F0)	-2.82%	4.27%	6.93%	19.35%	8.95%	6.57%
Momentum Score	F	-	-	A	F	C
Daily Price Change	5.15%	0.00%	0.98%	3.27%	1.47%	1.98%
1-Week Price Change	4.36%	-0.88%	2.46%	-0.88%	4.46%	-0.91%
4-Week Price Change	6.94%	-2.79%	2.20%	0.65%	-1.37%	0.52%
12-Week Price Change	26.12%	21.06%	7.91%	33.01%	18.38%	48.37%
52-Week Price Change	32.51%	73.64%	41.93%	120.64%	58.14%	441.61%
20-Day Average Volume (Shares)	397,204	199,737	2,120,225	359,638	291,643	1,585,427
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	15.08%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.25%	0.00%	0.00%	15.08%	5.62%	0.00%
EPS F1 Estimate 12-Week Change	1.76%	1.76%	2.11%	35.94%	9.10%	51.39%
EPS Q1 Estimate Monthly Change	1.03%	0.00%	0.00%	23.08%	-8.13%	0.00%

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	B
Growth Score	D
Momentum Score	F
VGM Score	D

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

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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.