

Pinterest (PINS)

\$67.79 (As of 12/28/20)

Price Target (6-12 Months): **\$71.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/06/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

Growth: B

Momentum: B

Summary

Pinterest is benefiting from user base expansion boosted by coronavirus-led lockdown. Availability of features like Today and Shop tab for Pinners are key catalysts. Moreover, enhanced product offerings, wider Pinner and advertiser base, simplified ad systems through Verified Merchant Program and Pinterest Partners Program for small businesses are key catalysts. Growing Gen Z and millennial user base is a driver in the long haul. Additionally, partnership with Shopify is helping smaller merchants to get on Pinterest. Shares have outperformed the industry year to date. However, growing expenses to expand domestically and internationally will weigh on profits in the near term. Pinterest withdrew its 2020 revenue guidance, citing adverse impact of the coronavirus outbreak on its advertising revenues.

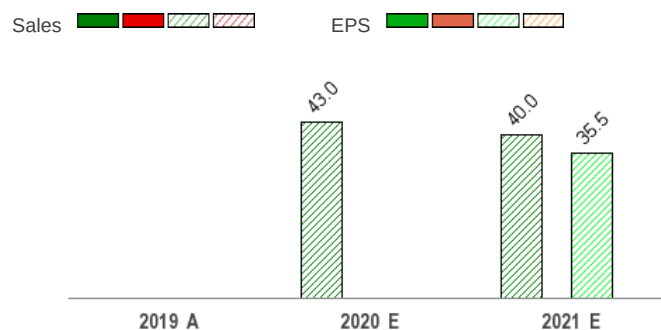
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$75.44 - \$10.10
20-Day Average Volume (Shares)	8,298,908
Market Cap	\$41.9 B
Year-To-Date Price Change	263.7%
Beta	1.45
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Internet - Software
Zacks Industry Rank	Bottom 25% (191 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1,200.0%
Last Sales Surprise	11.0%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/04/2021
Earnings ESP	0.0%

P/E TTM	847.4
P/E F1	218.7
PEG F1	NA
P/S TTM	30.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	420 E	473 E	563 E	787 E	2,288 E
2020	272 A	272 A	443 A	642 E	1,634 E
2019	202 A	261 A	280 A	400 A	1,143 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.08 E	-\$0.01 E	\$0.08 E	\$0.24 E	\$0.42 E
2020	-\$0.10 A	-\$0.07 A	\$0.13 A	\$0.30 E	\$0.31 E
2019	-\$0.32 A	-\$0.06 A	\$0.01 A	\$0.12 A	\$0.00 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 12/28/2020. The reports text is as of 12/29/2020.

Overview

Pinterest was incorporated in Delaware in 2008 and is headquartered in San Francisco. The company provides a platform to show its users (called Pinners) visual recommendations (called Pins) based on their personal taste and interests. Users then save and organize these recommendations into collections (called Boards).

Pinterest generates revenues by delivering ads on its website and mobile application. The company is helping advertisers reach millennials and Gen Z audience who are more active on immersive mobile platforms.

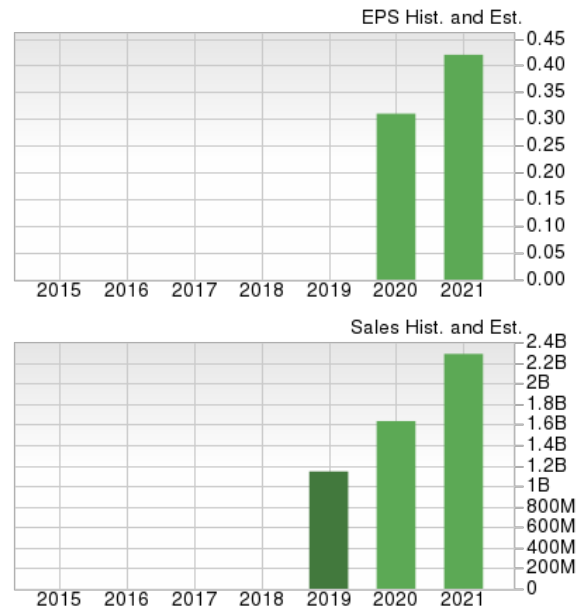
Pinterest went for an Initial Public Offering (IPO) on Apr 18, 2019. As of December 2019, the company's total audience includes 47% of internet users in the United States, according to data from Comscore based on total unique visitors to its platform. This includes eight out of 10 moms as well as more than half of all U.S. millennials aged 18-34.

Advertisers purchase ads directly or through their relationships with advertising agencies. The company recognizes revenues only after transferring control of promised goods or services to customers. This happens when a user clicks on an ad contracted on a cost per click (CPC) basis, views an ad contracted on a cost per thousand impressions (CPM) basis or views a video ad contracted on a cost per view (CPV) basis.

In 2019, Pinterest reported revenues of \$1.14billion. The company serves ads in 28 countries and had a headcount of 2,217 at the end of the fourth-quarter 2019.

Pinterest uses metrics like monthly active users (MAUs) to measure its user base. At the end of second-quarter 2020, MAUs were 416 million. While United States MAUs increased 13% to 96 million, International MAUs increased 49% to 321 million.

Pinterest faces significant competition from the likes of Amazon, Facebook (including Instagram), Google, Snap and Twitter and smaller companies including Allrecipes, Houzz and Tastemade.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Pinterest is different from other social media platforms and popular digital advertising channels. Google and Amazon offer advertisers an audience that already knows what it wants. Pinterest, on the other hand, caters to discovery. People turn to the platform to get more information on a variety of subjects like weddings, fashion, or fitness but they're not necessarily looking for a specific item. They're there to discover, or to be inspired, and that presents an appealing opportunity to advertisers as users or Pinners, are often very open to purchasing. According to a survey firm Statista, 71% of global Pinterest users are female. In the United States, Pinterest reaches 83% of women between ages 25-54. That same group makes 80% of the buying decisions in U.S. households.
- ▲ Pinterest is increasingly establishing a unique value prop to advertisers that could provide a competitive advantage in the long haul. Through various innovations, Pinterest continues to dramatically improve its advertising platform, which presently appears to be one of the best ad platforms for consumer discretionary brands looking for new ways to reach customers and stretch smaller ad budgets. Pinterest's Verified Merchants Program allows brands to create a catalog of shoppable products on the app and use special re-targeting capabilities in their ads.
- ▲ Pinterest's initiative to improve user engagement by infusing visual search technology even in offline mode on its platform and introducing Pinterest Lite, especially in countries such as Peru, Argentina, Colombia, Chile and Mexico among others have accelerated conversion of searches into product purchases. Additionally, the company's global expansion in countries, including the UK, Ireland, Canada, Australia, Singapore, India, the Philippines, Hong Kong and New Zealand, is expected to have contributed to international user base growth in the near term, thus boosting the top line. In the second quarter of 2020, Global MAUs increased 39% year over year to 416 million.
- ▲ Pinterest has a strong balance sheet and generates significant cash flow, which makes it an attractive stock for investors. The company has cash and cash equivalents (including marketable securities) worth \$1.7 billion as of Jun 30, 2020 compared with \$1.74 billion as of Mar 31, 2020. Moreover, it has no financial debt and an undrawn \$500 million revolving credit facility. We believe Pinterest's strong liquidity position will enable it to make further investments in product development and acquisitions in the future.

Pinterest has been benefiting from its growing popularity among teenagers driven by the diverse content that the platform provides, growing adoption of its advertising platform and efforts to improve user engagement.

Reasons To Sell:

- ▼ Pinterest has experienced net losses and negative cash flows from operations for all annual periods of operating history. The company generated net losses of \$1 billion in the second quarter of 2020. Notably, the company had an accumulated deficit of \$2.44 billion in the same period against cash, cash equivalents and marketable securities of \$1.7 billion.
- ▼ The company anticipates operating expenses to increase substantially in the near term to expand operations domestically and internationally, enhance product offerings, broaden Pinner and advertiser base, expand marketing channels, hire additional employees and develop technology. These efforts may prove more expensive than currently anticipated, and are likely to weigh on the company's top-line growth in the near term.
- ▼ Pinterest faces significant competition from larger, more established companies such as Amazon, Facebook (including Instagram), Google, Snap and Twitter, which provide their users with a variety of online products, services, content (including video) and advertising offerings, including web search engines, social networks and other means of discovering, using or acquiring goods and services. In addition, the company also faces competition from smaller companies including Allrecipes, Houzz and Tastemade that offer users engaging content and commerce opportunities through similar technology, products, and features or services.

Negative cash flow, higher operating expenses amid increasing competition from web search engines and social networks are major concerns.

Last Earnings Report

Pinterest's Q2 Loss Widens Y/Y, Revenues Increase

Pinterest reported second-quarter 2020 non-GAAP loss of 7 cents per share, narrower than the Zacks Consensus Estimate of a loss of 15 cents per share. However, the figure was wider than loss of 6 cents reported in the year-ago quarter.

Revenues increased 4.3% year over year to \$272.4 million and beat the Zacks Consensus Estimate by 6.4%.

While revenues from the United States declined 2.5% to \$232 million, international revenues soared 70.8% year over year to \$41 million.

User Base & Advertising Business Details

Monthly active users (MAUs) Global increased 39% to 416 million. Users who began engaging in Pinterest during COVID-19 continued to have high levels of engagement even after shelter-in-place restrictions were eased in the reported quarter.

Moreover, overall engagement including saves, board creation and searches that peaked in mid-April and early May partially subsided as lockdowns ended but remained stable well above pre-COVID-19 levels for the rest of the quarter.

While United States MAUs increased 13% to 96 million, International MAUs increased 49% to 321 million.

In the United States, user growth was driven by strength coming from resurrected users (many who returned to Pinterest after a lapse of several years) as well as from users under age 25, who grew twice as fast as users 25 years old and above.

However, average revenue per user (ARPU) Global decreased 21% to 70 cents. This contraction in global ARPU was driven by the increase in MAUs and a decrease in advertising demand due to the COVID-19 pandemic.

While ARPU United States declined 11% year over year to \$2.5, ARPU International increased 21% on a year-over-year basis to 14 cents.

Key Q2 Developments

During the second quarter, total organic and paid daily video views grew over 150% year over year, while unique video uploads grew more than 600% year over year.

Catalog feed uploads increased 350% sequentially in the second quarter and grew 10X in the first half of 2020, boosted in part by the Shopify (SHOP) integration, which became available in early May, and also by infrastructure improvements to feed uploader.

Additionally, the company's partnership with Shopify is helping smaller merchants to get on Pinterest. Currently, the integration is live to all Shopify merchants in the United States and Canada.

With just a few clicks on the Shopify merchant dashboard, merchants can seamlessly set up their Pinterest Tag, upload their Product Catalogs to Pinterest and create Pinterest ad campaigns. However, the company does not expect this integration to significantly impact near-term revenues.

Moreover, features like the Shop tab and the ability to shop from boards have improved Pinners' ability to quickly discover the products in Pinterest's expanding inventory. Users who visited 'shopping only' surfaces grew more than 50% in the first half of 2020, and product-only searches grew 8X in the same period.

During second quarter, revenues from both conversion optimization (oCPM) and shopping ads continued to grow faster than the overall revenues while attributed conversions grew 2.7X year over year. The rapid progress in delivering conversions was driven by improved conversion capture (accelerated Pinterest Tag adoption and tag health) as well as consumer behavior (adoption of new shopping surfaces and increased online transactions due to shelter-in-place).

Operating Details

Pinterest's second-quarter 2020 total expenses declined 73.6% year over year to \$377 million, which includes \$62 million of share-based compensation (SBC) following its April 2019 IPO.

In the reported quarter, research and development expenses declined 83% to \$136 million. Sales and marketing expenses decreased 70.9% year over year to \$86.4 million due to COVID-19-related expense reductions, partially offset by higher headcount.

General and administrative expenses declined 79.6% year over year to \$45.6 million.

Adjusted EBITDA loss was \$34 million in second-quarter 2020. The company had reported adjusted EBITDA loss of \$26 million in the year-ago quarter.

Non-GAAP costs and expenses grew 7.2% year over year to \$314.6 million, attributable to headcount growth.

Loss from operations was \$104.5 million compared with loss of \$1.16 billion in the year-ago quarter.

Balance Sheet

Quarter Ending	09/2020
Report Date	Oct 28, 2020
Sales Surprise	11.01%
EPS Surprise	1,200.00%
Quarterly EPS	0.13
Annual EPS (TTM)	0.08

The company ended Jun 30, 2020 with cash, cash equivalents, and marketable securities of \$1.7 billion compared with \$1.74 billion in the previous quarter and an undrawn \$500 million revolving credit facility.

Guidance

Given the uncertainties related to the ongoing COVID-19 pandemic and the rapidly shifting macroeconomic conditions, the company did not provide guidance for 2020 revenues and adjusted EBITDA.

Pinterest expects revenue growth for the month of July to be more than 50% year over year through July 29 in third-quarter 2020. The company expects overall growth in the mid-30% range year over year.

Recent News

On Dec 10, Pinterest announced the launch of board features to make home, wellness, and gifting plans as quarantine-driven projects increase. The company stated that there has been a 35% year-over-year increase in the number of monthly boards created, including a 44% increase in beauty, a 95% increase in women's fashion and a 36% increase in home decor categories.

On Oct 27, Pinterest announced the launch of a suite of merchant tools to help retailers reach customers this holiday season and beyond, including a new storefront profile, faster Catalogs feed ingestion, collections as a shopping ad format, video for collections, automatic bidding, conversion insights and analysis, and an improved product tagging test.

On Oct 26, Pinterest announced the launch of Pinterest widget for iOS 14 to make it possible for Pinners to feature a board of their own or one they follow, and see daily inspiration right from their iPhone home screen.

On Oct 8, Pinterest announced collaboration with Microsoft Edge. Now, Microsoft Edge users can discover relevant Pins in Microsoft Collections and even export back to Pinterest. Pinners using Microsoft Edge can opt to see suggestions from Pinterest that are related to their collection. Clicking on a suggestion will open a board of similar, trending Pins so users can continue discovering Pins related to the topic.

On Sep 23, Pinterest announced the launch of creator-first features including Story Pins in beta, a new creator profile and analytics tools to track performance. These new publishing and measurement tools will give creators ways to easily publish immersive and expansive stories directly on Pinterest.

Valuation

Pinterest shares are up 274.3% in the past year. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 111.4% and 40.6% over the same period, respectively. Moreover, the S&P 500 index is up 18.2%.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$71 price target reflects 31.69X trailing 12-month (TTM) sales.

Industry Analysis Zacks Industry Rank: Bottom 25% (191 out of 255)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Facebook, Inc. (FB)	Neutral	3
Sina Corporation (SINA)	Neutral	4
Sogou Inc. Sponsored ADR (SOGO)	Neutral	4
Tencent Holding Ltd. (TCEHY)	Neutral	2
Atlassian Corporation PLC (TEAM)	Neutral	4
Twitter, Inc. (TWTR)	Neutral	3
Weibo Corporation (WB)	Neutral	3
Twilio Inc. (TWLO)	Underperform	3

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

Industry Comparison Industry: Internet - Software				Industry Peers		
	PINS	X Industry	S&P 500	FB	TWTR	WB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	B	D	C
Market Cap	41.90 B	1.75 B	26.16 B	788.98 B	43.29 B	8.63 B
# of Analysts	3	5	13	15	6	2
Dividend Yield	0.00%	0.00%	1.48%	0.00%	0.00%	0.00%
Value Score	F	-	-	C	D	B
Cash/Price	0.04	0.07	0.06	0.07	0.18	0.23
EV/EBITDA	-30.24	-0.65	14.71	24.00	34.47	12.70
PEG F1	NA	6.07	2.81	1.60	NA	2.88
P/B	21.66	9.32	3.65	6.70	5.54	3.41
P/CF	NA	32.19	13.91	32.61	19.75	16.57
P/E F1	218.45	81.87	22.17	29.50	NA	18.74
P/S TTM	30.21	7.34	2.84	9.99	12.60	5.24
Earnings Yield	0.46%	0.22%	4.37%	3.39%	-1.34%	5.35%
Debt/Equity	0.00	0.02	0.70	0.00	0.33	0.67
Cash Flow (\$/share)	-2.34	-0.00	6.93	8.49	2.76	2.31
Growth Score	B	-	-	B	C	F
Historical EPS Growth (3-5 Years)	NA%	17.57%	9.71%	36.42%	NA	89.82%
Projected EPS Growth (F1/F0)	NA%	4.87%	1.26%	46.02%	-130.94%	-26.44%
Current Cash Flow Growth	3,062.97%	4.17%	5.23%	-8.33%	123.58%	-12.04%
Historical Cash Flow Growth (3-5 Years)	NA%	19.75%	8.33%	38.21%	55.36%	133.19%
Current Ratio	10.72	1.91	1.38	5.51	4.44	4.87
Debt/Capital	0.00%	7.22%	41.97%	0.00%	24.62%	39.96%
Net Margin	-26.81%	-17.56%	10.40%	32.00%	-31.71%	23.07%
Return on Equity	-14.42%	-6.53%	14.99%	23.27%	-12.42%	15.97%
Sales/Assets	0.60	0.57	0.50	0.57	0.26	0.34
Projected Sales Growth (F1/F0)	42.97%	8.16%	0.35%	19.09%	4.34%	-5.85%
Momentum Score	B	-	-	B	C	A
Daily Price Change	-4.57%	-1.01%	0.26%	3.59%	0.85%	-13.50%
1-Week Price Change	0.97%	1.01%	-0.44%	-3.26%	-3.40%	-4.15%
4-Week Price Change	-3.18%	8.72%	2.25%	0.01%	17.03%	-9.28%
12-Week Price Change	53.82%	25.60%	12.66%	4.67%	15.05%	-4.89%
52-Week Price Change	274.32%	50.60%	6.46%	35.51%	69.93%	-17.29%
20-Day Average Volume (Shares)	8,298,908	559,778	1,838,365	16,143,750	11,254,044	1,304,915
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	22.64%	6.24%	3.72%	15.69%	20.41%	-0.85%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	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	F
Growth Score	B
Momentum Score	B
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.