

Royal Gold, Inc. (RGLD)

\$106.80 (As of 03/22/21)

Price Target (6-12 Months): **\$112.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 08/12/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: C

Summary

Royal Gold's earnings estimates for fiscal 2021 have undergone upward revisions lately. The company is gaining from strong performance across its operating mines and solid metal prices. Royal Gold's Peñasquito property will continue to be a significant revenue generator over the long term. Moreover, ramping up of new projects and addition of the high-quality long-life Khoemacau development project to its stream portfolio will drive growth in near term. The resolution of the Voisey's Bay Royalty dispute exposes the company to a world-class operating asset ensuring steady stream of royalty revenues. Moreover, Royal Gold remains focused on utilizing strong cash flow for dividend payments, debt reduction and making investments. However, further escalation of coronavirus cases might impact the company's mining operations.

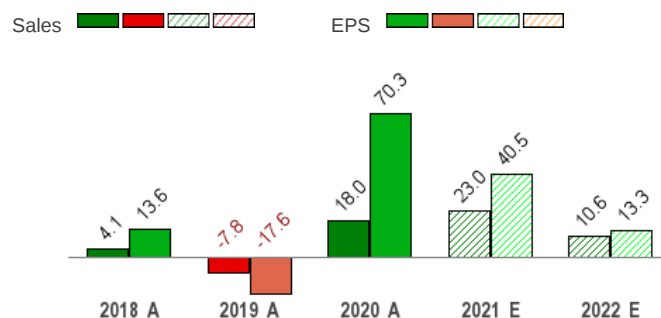
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$147.64 - \$82.87
20-Day Average Volume (Shares)	541,137
Market Cap	\$7.0 B
Year-To-Date Price Change	0.4%
Beta	0.66
Dividend / Dividend Yield	\$1.20 / 1.1%
Industry	Mining - Gold
Zacks Industry Rank	Bottom 34% (167 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	3.4%
Last Sales Surprise	NA
EPS F1 Estimate 4-Week Change	1.2%
Expected Report Date	05/05/2021
Earnings ESP	4.7%
P/E TTM	36.2
P/E F1	30.8
PEG F1	3.1
P/S TTM	12.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					679 E
2021	147 A	158 A	153 E	169 E	614 E
2020	119 A	124 A	136 A	120 A	499 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$3.93 E
2021	\$0.82 A	\$0.92 A	\$0.86 E	\$0.99 E	\$3.47 E
2020	\$0.60 A	\$0.63 A	\$0.68 A	\$0.53 A	\$2.47 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 03/22/2021. The report's text and the analyst-provided price target are as of 03/23/2021.

Overview

Based in Denver, CO, Royal Gold, together with its subsidiaries, acquires and manages precious metals stream and royalty interests, with a primary focus on gold.

Royal Gold manages its business under two segments:

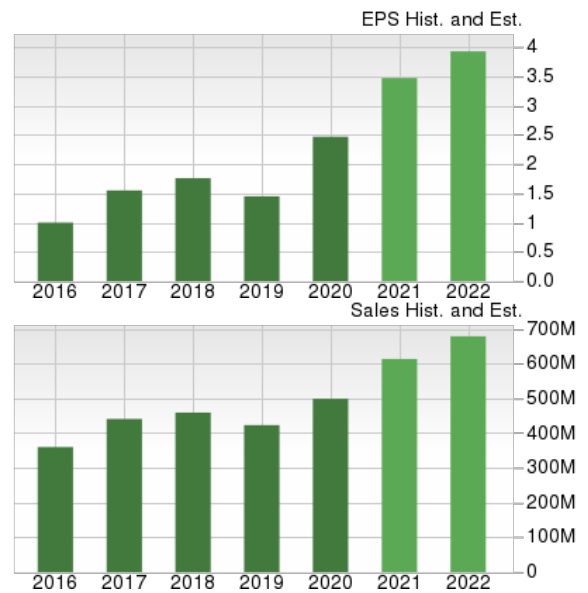
Acquisition and Management of Stream Interests — A metal stream is a purchase agreement that provides, in exchange for an upfront deposit payment, the right to purchase all or a portion of one or more metals produced from a mine, at a price determined for the life of the transaction by the purchase agreement. As of Sep 30 2020, Royal Gold owned eight stream interests, which are on six producing properties and two development stage properties. Stream interests accounted for approximately 73% of total revenues for first quarter fiscal 2021.

Acquisition and Management of Royalty Interests — Royalties are non-operating interests in mining projects which provide the right to revenues or metals produced from the project after deducting specified costs, if any. As of Sep 30, 2020, the company owned royalty interests on 34 producing properties, 15 development stage properties and 131 exploration stage properties. Royalties accounted for approximately 27% of total revenues in fiscal first quarter.

In February 2019, Royal Gold entered into a silver mine life purchase agreement with Khoemacau Copper Mining Limited (KCM), subsidiary of Cupric Canyon Capital LP. The agreement highlights the purchase and sale of silver, produced from the Khoemacau Copper Project in Botswana. Khoemacau is expected to produce approximately 62,000 tons of copper and 1.9 million ounces of silver annually over a 21-year mine life.

So far Royal Gold has made a total contribution of \$179.3 million. The company has a remaining commitment of \$33.2-\$86 million. KCM expects the first shipment of concentrate late in the third calendar quarter of 2021.

On Jan 29, 2020, Royal Gold's subsidiary entered into an agreement for the acquisition of a net smelter return royalty of up to 1.06% on gold and up to 1.59% on copper on mining concessions located in the Coquimbo Region of Chile held by Compañía Minera Salitrales Limitada ("CMSL"), a wholly owned subsidiary of Barrick Gold Corporation.



Reasons To Buy:

- ▲ Royal Gold reported record revenues in second-quarter fiscal 2021 on continued performance across its operating mines coupled with solid metal prices and robust contribution from royalty segment. Gold continues to be the most significant revenue driver and accounted for 76% of total revenues for the fiscal second quarter. Royal Gold expects stream segment sales to range between 48,000 and 53,000 GEOs for the third quarter fiscal 2021.
- ▲ On Dec 13, 2019, Newmont which operates the Peñasquito mine, reported that the Peñasquito mine and the San Juan de Cedros community had agreed to a 30-year infrastructure solution securing sustainable water availability for the community's domestic and agricultural uses, which represents a significant milestone. The Peñasquito property will continue to be a significant revenue generator.

Royal Gold is likely to benefit from improving metal prices and ramping up of new projects. Focus on acquisitions, new business investments aided by a deleveraged strong balance sheet bode well.

Barrick Gold continues to advance feasibility study for the process plant expansion and proposed tailings storage facility for extension of the mine life at Pueblo Viejo mine. Barrick Gold estimates that process plant and tailings expansion project is likely to significantly increase throughput and allow the mine to maintain average annual gold production of approximately 800,000 ounces after calendar-year 2022, while the increase in tailings storage capacity has the potential to convert approximately 11 million ounces of mineralized material to reserves.

- ▲ Royal Gold has settled its long-standing litigation with Vale on their world-class Voisey's Bay mine in Newfoundland and Labrador. The royalty on production of nickel, copper, cobalt and other minerals from the Voisey's Bay mine is directly owned by the Labrador Nickel Royalty Limited Partnership ("LNRLP"), in which the company's wholly-owned indirect subsidiary is the general partner and 90% owner. Vale will be investing \$1.7 billion to develop the underground resources which will extend the mine life from 2023 to 2034. The resolution of the dispute gives Royal Gold the exposure to a world-class operating asset that ensures its shareholders a steady stream of royalty revenue. The company expects Voisey's Bay will once again be among its top 10 revenue generators.
- ▲ Royal Gold added the high-quality long-life Khoemacau development project to its stream portfolio in February 2019. Royal Gold's silver mine life-purchase agreement with KCM, highlights the purchase and sale of silver, produced from the Khoemacau Copper Project in Botswana. Royal Gold will receive 80% of the silver production from the Khoemacau project, which may be increased to 100% at Cupric's choice. Construction continues to advance well with 85% of construction has been completed as of Dec 31, 2020. KCM expects to commence mining activities in the second quarter of calendar-year 2021, with the first shipment of concentrate to occur in the later part of the third quarter of calendar-year 2021. So far, Royal Gold has made a total contribution of \$212 million toward this project. The company has completed funding of advance payment for the 80% base silver stream. The company expects that up to \$50 million of additional funding is required to complete construction and ramp up of Khoemacau commercial production.
- ▲ Royal Gold remains focused on allocating its strong cash flow to dividends, debt reduction and new business. As of Jan 4, 2021 the company had \$850 million available and \$150 million outstanding under the revolving credit facility. Working capital, combined with available capacity under the revolving credit facility, resulted in approximately \$1.2 billion of total liquidity as of Dec 31, 2020. The company has a low total debt-to-total capital of 7.5%. Its times interest earned is healthy at 34.6, higher than prior quarter's 29.4. Royal Gold's strong balance sheet and liquidity position poise it well to navigate through the coronavirus-induced crisis while returning value to shareholders. Last November, Royal Gold's board increased annual dividend by 7% to \$1.20 per share for calendar-year 2020. This dividend is payable on a quarterly basis of 30 cents per share.
- ▲ On Sep 30, 2020, Royal Gold entered into an agreement with Kinross Gold Corporation to sell its interest in the Peak Gold Project and its shareholding in Contango Ore, Inc. for cash proceeds of \$61.3 million and increased royal interests. Additionally, Royal Gold will receive net smelter return (NSR) royalty on silver produced from the current resource area and as well as on certain State of Alaska mining, owned by Contango. The deal will enable Royal Gold to focus on its core royalty and streaming business.

Reasons To Sell:

- ▼ The company's revenues are derived entirely from stream and royalty interests in properties owned and operated by third parties. Royal Gold's several operating counterparties had to temporarily suspend mine operations in adherence to government mandates owing to the pandemic. Even though the mines have resumed operations lately, considering the resurgence of cases and the uncertainty of the situation, they may have to be cease operations again. Further, extension of production curtailment at mining properties is likely to have a material impact on its revenues and financials until the situation stabilizes.
- ▼ The pandemic could disrupt operators' supply or distribution chains or access to workers, which in turn could adversely impact their production or sales. In addition, development and exploration activities at some properties may be delayed or suspended. Any of these events could have a material adverse impact on Royal Gold's results of operations and financial condition in the days ahead.
- ▼ Approximately 70% of Royal Gold's revenues for the six-month period ended Dec 31, 2020 came from six properties — Mount Milligan, Andacollo, Pueblo Viejo, Wassa, Peñasquito, and Cortez. This concentration of revenues could mean that adverse developments, including any adverse decisions made by the operators, at one or more of these properties could have a more significant or longer-term impact on the company's results.
- ▼ In March, the government of Botswana declared six-month state of emergency to help prevent the spread of COVID-19 which has been further extended through March 2021. Mining has been designated an "essential service" and general development activity at Khoemacau is continuing. However, due to the impacts experienced from travel restrictions, some activities related to the process plant refurbishment and upgradation have been slowed or rescheduled. Barring any further impact stemming from COVID-19, KCM continues to expect the first shipment of concentrate to occur late in the third calendar quarter of 2021.

Suspension of mining operations and production curtailment owing to the coronavirus pandemic is likely to impact the company's results in the forthcoming quarters.

Last Earnings Report

Royal Gold Q2 Earnings Surpass Estimates, Up Y/Y

Royal Gold reported adjusted earnings per share of 92 cents in second-quarter fiscal 2021 (ended Dec 31, 2020), beating the Zacks Consensus Estimate of 89 cents. The bottom line also improved 46% year over year aided by excellent performance by the company's operating portfolio and continued robust metal prices.

Including one-time items, the company reported earnings per share of 91 cents compared with the prior-year quarter's 63 cents.

The company generated record revenues of \$158 million, reflecting year-over-year growth of 28%. Stream revenues increased 20% year over year to \$108 million, while royalty revenues surged 49% to \$51 million year over year. Gains from higher gold, silver and copper prices, and an increase in production within the royalty segment led to improved revenues in the quarter.

The company's cost of sales was up 18% year over year to \$25 million in the fiscal second quarter, primarily on year-over-year increases in gold, silver and copper prices.

General and administrative expenses amounted to \$7 million, up 2% year on year. Adjusted EBITDA was \$127 million in the reported quarter and adjusted EBITDA margin was 80%.

Financial Position

Net cash from operating activities was around \$100 million in the fiscal second quarter compared with the prior-year quarter's \$78 million. Royal Gold ended the reported quarter with \$382 million cash in hand, up from the \$319 million held at the end of fiscal 2020.

At the end of the reported quarter, the company's total debt was \$196 million, down from the \$300 million recorded at the end of fiscal 2020. As of Dec 31, 2020, Royal Gold had \$800 million available and \$200 million outstanding under the revolving credit facility. Working capital, combined with available capacity under the revolving credit facility, resulted in approximately \$1.2 billion of total liquidity as of Dec 31, 2020.

Subsequently, on Jan 4, 2021, the company repaid \$50 million of the outstanding borrowings under the revolving credit facility. After this repayment, the amount available under the revolving credit facility was \$850 million.

During the reported quarter, the company hiked its annual dividend by 7% to 1.20 per share — the 20th consecutive annual increase.

Other Updates

The company stated that the Khoemacau Project ("Khoemacau") reached approximately 85% of construction completion as of Dec 31, 2020. On Jan 6, 2021, Royal Gold made the sixth advance payment of \$32.6 million. This brings the total contribution to \$212 million and completes the advance payment required to earn the full base silver stream.

Outlook

For third-quarter fiscal 2021 Royal Gold expects stream segment sales between 48,000 and 53,000 GEOs (Gold Equivalent Ounces). Inventory at the end of the quarter is expected to range between 26,000 and 31,000 GEOs.

For fiscal 2021, depreciation, depletion and amortization expense is expected to be \$590-\$640 per GEO, and the effective tax rate is expected to range between 19% and 23%.

Quarter Ending	12/2020
Report Date	Feb 03, 2021
Sales Surprise	NA
EPS Surprise	3.37%
Quarterly EPS	0.92
Annual EPS (TTM)	2.95

Recent News

Royal Gold Reward Shareholders with 7% Dividend Hike

On **Nov 18, 2020** Royal Gold's board increased dividend by 7% to \$1.20 per share for calendar year 2020. This marks 20th consecutive annual dividend hike. The first quarterly dividend of 30 cents per share was paid on Jan 22 to shareholders of record at the close of business on Jan 8, 2021.

Valuation

Royal Gold's shares are down 10.7% in the trailing six-months period and up 12% over the trailing 12-month period. Stocks in the Zacks Mining-Gold industry and the Zacks Basic Materials sector are down 19.5% and up 30.2% in the six months time frame, respectively. Over the past year, the Zacks sub-industry and sector are up 23.1% and 92.1% respectively.

The S&P 500 index has gained 22.2% in the six months period and 62.8% in the past year.

The stock is currently trading at 28.06X forward 12-month earnings, which compares with 14.32X for the Zacks sub-industry, 10.74X for the Zacks sector and 22.31X for the S&P 500 index.

Over the past five years, the stock has traded as high as 68.49X and as low as 25.25X, with a 5-year median of 44.35X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$112 price target reflects 29.42X forward 12-month earnings.

The table below shows summary valuation data for RGLD:

Valuation Multiples - RGLD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	28.06	14.32	10.74	22.31
	5-Year High	68.49	56.42	21.08	23.8
	5-Year Low	25.25	12.04	10.23	15.3
	5-Year Median	44.35	22.75	13.16	17.9
EV/EBITDA TTM	Current	16.73	6.45	9.67	17.51
	5-Year High	28.23	29.12	18.46	17.68
	5-Year Low	12.91	5.81	6.47	9.62
	5-Year Median	18.48	7.69	9.68	13.33
P/B TTM	Current	2.91	1.47	2.57	6.65
	5-Year High	4.19	2.42	3.09	6.71
	5-Year Low	1.36	1.06	1.22	3.83
	5-Year Median	2.56	1.58	2.26	4.97

As of 03/22/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 34% (167 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Alamos Gold Inc. (AGI)	Neutral	3
B2Gold Corp (BTG)	Neutral	3
Eldorado Gold Corporation (EGO)	Neutral	3
Barrick Gold Corporation (GOLD)	Neutral	3
Golden Star Resources, Ltd (GSS)	Neutral	3
New Gold Inc. (NGD)	Neutral	3
Osisko Gold Royalties Ltd (OR)	Neutral	4
Pretium Resources, Inc. (PVG)	Neutral	1

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

Industry Comparison Industry: Mining - Gold				Industry Peers		
	RGLD	X Industry	S&P 500	EGO	OR	PVG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	1
VGM Score	D	-	-	A	D	B
Market Cap	7.01 B	380.38 M	28.72 B	2.04 B	1.94 B	2.11 B
# of Analysts	4	2	13	4	5	4
Dividend Yield	1.12%	0.00%	1.39%	0.00%	1.33%	0.00%
Value Score	D	-	-	A	C	B
Cash/Price	0.06	0.09	0.06	0.24	0.12	0.08
EV/EBITDA	18.00	3.13	15.94	4.13	26.33	11.45
PEG F1	3.01	2.85	2.35	2.74	1.08	NA
P/B	2.91	2.25	3.89	0.56	1.41	2.26
P/CF	20.67	8.41	15.85	4.86	28.21	7.14
P/E F1	30.15	11.06	21.46	13.69	31.44	12.30
P/S TTM	12.48	2.82	3.28	1.99	12.10	3.41
Earnings Yield	3.25%	4.36%	4.58%	7.28%	3.20%	8.11%
Debt/Equity	0.08	0.00	0.67	0.12	0.19	0.21
Cash Flow (\$/share)	5.17	0.20	6.78	2.40	0.41	1.57
Growth Score	C	-	-	A	D	B
Historical EPS Growth (3-5 Years)	19.56%	23.13%	9.32%	26.70%	-7.85%	76.61%
Projected EPS Growth (F1/F0)	40.59%	19.27%	14.75%	-14.75%	75.24%	-3.95%
Current Cash Flow Growth	23.91%	22.41%	0.61%	160.79%	0.89%	60.47%
Historical Cash Flow Growth (3-5 Years)	14.49%	13.36%	7.32%	32.56%	16.14%	88.64%
Current Ratio	7.88	3.55	1.39	2.92	3.06	1.58
Debt/Capital	7.54%	0.61%	41.42%	10.62%	16.00%	17.41%
Net Margin	45.29%	17.38%	10.59%	10.18%	7.77%	-6.22%
Return on Equity	8.24%	2.25%	14.75%	4.76%	2.64%	18.10%
Sales/Assets	0.21	0.29	0.51	0.21	0.10	0.39
Projected Sales Growth (F1/F0)	23.00%	7.99%	7.15%	-5.91%	18.09%	12.44%
Momentum Score	C	-	-	F	F	F
Daily Price Change	0.94%	-0.27%	0.23%	-2.75%	0.35%	1.17%
1-Week Price Change	-3.40%	2.66%	-0.30%	4.62%	2.13%	5.02%
4-Week Price Change	-3.19%	-3.19%	3.47%	-7.23%	1.40%	4.86%
12-Week Price Change	0.00%	-5.17%	8.23%	-11.66%	-6.24%	-0.97%
52-Week Price Change	38.76%	74.75%	87.53%	107.65%	70.15%	97.54%
20-Day Average Volume (Shares)	541,137	499,253	2,475,557	2,253,489	1,105,320	1,648,249
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.24%	0.00%	0.00%	-9.07%	-23.33%	1.11%
EPS F1 Estimate 12-Week Change	-2.27%	-2.90%	2.10%	-16.42%	-16.36%	-15.25%
EPS Q1 Estimate Monthly Change	4.88%	0.00%	0.00%	-22.00%	-5.56%	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	D
Growth Score	C
Momentum Score	C
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.