

Gibraltar Industries (ROCK)

\$60.81 (As of 09/23/20)

Price Target (6-12 Months): **\$70.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 08/07/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: C

Growth: A

Momentum: F

Summary

Shares of Gibraltar have outperformed the industry in the year-to-date period. The company has been benefiting from the three-pillar value creation strategy, strengthening housing market and strong Renewable Energy & Conservation business. Also, improvement in Residential Products, product and service mix, better price material cost management and operational excellence added to the bliss. The company has impressed investors with better-than-expected results in the past several quarters. Its earnings surpassed analysts' expectations in 10 of the trailing 13 quarters. Net sales also topped the same in seven of the last 11 quarters. That said, softness in the Industrial business and higher acquisition-related cost have been hurting its performance to some extent.

Price, Consensus & Surprise

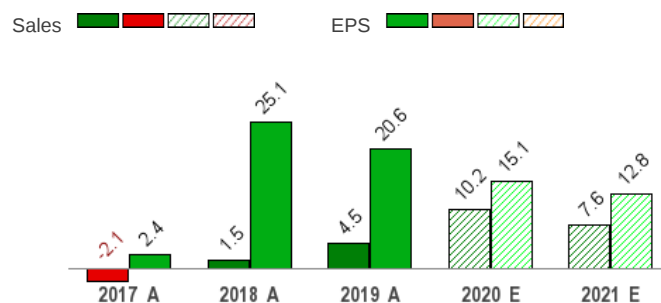


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$69.64 - \$30.60
20-Day Average Volume (Shares)	175,384
Market Cap	\$2.0 B
Year-To-Date Price Change	20.6%
Beta	1.38
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Building Products - Miscellaneous
Zacks Industry Rank	Top 10% (25 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	110.0%
Last Sales Surprise	25.7%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	10/23/2020
Earnings ESP	0.0%
P/E TTM	21.1
P/E F1	20.5
PEG F1	NA
P/S TTM	1.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	271 E	304 E	356 E	306 E	1,242 E
2020	249 A	286 A	329 E	290 E	1,154 E
2019	227 A	263 A	299 A	258 A	1,047 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.51 E	\$0.97 E	\$1.13 E	\$0.65 E	\$3.35 E
2020	\$0.47 A	\$0.84 A	\$1.00 E	\$0.63 E	\$2.97 E
2019	\$0.28 A	\$0.73 A	\$0.95 A	\$0.62 A	\$2.58 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/23/2020. The reports text is as of 09/24/2020.

Overview

Gibraltar Industries Inc. manufactures and distributes products to the industrial and buildings market. The products range from ventilation and expanded metal to mail storage solutions and rain dispersion products and solutions.

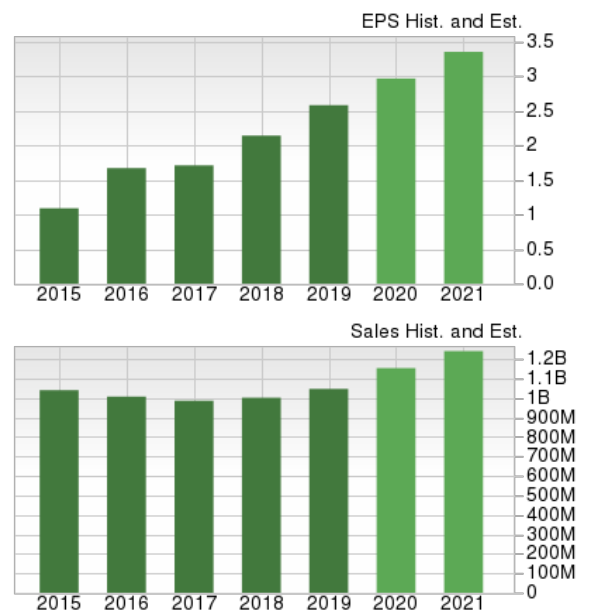
Gibraltar Industries has a leading presence in the industry due to its diversified product offering, through different market players like wholesalers, retail home centers, residential, commercial and transportation contractors, among others. Home Depot, other big box retailers and national building products wholesalers are some of its major customers. As of Jun 30, 2020, the company had 44 facilities in 19 states, Canada, China and Japan, including 32 manufacturing facilities and five distribution centers.

The company reports its results in three operating segments, which are discussed below:

Residential Products (accounting for 44.1% of 2019 total revenues): This segment deals with a range of products including rain dispersion, roof and ventilation products, both single and cluster units, trims and flashings for single and multifamily residences, mail storage and low rise commercial buildings. These products are offered for residential housing.

Industrial and Infrastructure Products (20.3%): In the segment, Gibraltar Industries offers products including bridge bearings and roadway expansion joints, bar grating and expanded and perforated metals. These products are sold to end markets including transportation infrastructure, discrete and process manufacturing and energy.

Renewable Energy and Conservation (35.6%): The segment focuses on installation, manufacture and design of solar racking systems and specialized greenhouse structures. Services and products offered under this segment are directly available to end users through various distribution networks.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Strong Quarterly Performance:** Gibraltar has impressed investors with better-than-expected results in the past several months. Its earnings surpassed analysts' expectations in 10 of the trailing 13 quarters. Net sales also topped the same in seven of the last 11 quarters. In first-half 2020, the company's earnings and sales gained 29.7% and 9.2%, following an increase of 31.9% and 7.1%, respectively, in 2019. Solid contribution from Thermo, Delta Separations and Apeks buyouts, as well as increased volume for both Renewable Energy and Conservation and Residential Products segments supported the growth. Adjusted operating margin also improved 140 basis points in first half from the prior year driven by the above-mentioned tailwinds, product and service mix, better price material cost management and operational excellence.

The four-pillar value creation strategy, and strong Renewable Energy and Conservation unit will likely boost Gibraltar's results in the quarters ahead.

Despite being impacted by the COVID-19 outbreak in April, it witnessed positive end-market demand in May, which stretched into June, as people were more inclined toward repair and remodel projects while staying at home.

▲ **Three-Pillar Value Creation Strategy:** Gibraltar is progressing well operationally as well as financially on the back of its growth strategy. Over the past 12 months, the company has migrated from a Four-Pillar strategy to a Three-Pillar Strategy, with the operating foundation focused on three core tenets: Business Systems, Portfolio Management and Organizational Development.

The first pillar, i.e. Business Systems combines two of its previous strategic pillars - namely operational excellence and product innovation. The pillar primarily reviews Gibraltar's monthly business performance, implementation of key investments, IT operating and digital systems performance, as well as new product and services innovation. During the pandemic, it invested more in digital and IT processes and tools like SAP implementations, CRM initiatives, along with a variety of e-commerce platforms.

The second strategic pillar comprises Portfolio Management and Acquisitions. Through this pillar, the company remains focused on optimizing the business portfolio, and ensures sustainable investment of human and financial capital to provide profitable growth, while expanding customer relations and market reach. During the second quarter, it sold the Tour24 business, a multifamily service offering in the Residential Products segment, for \$2 million.

In first quarter, it acquired a California-based Delta Separations — a privately-held ethanol-based extraction systems manufacturer and training and laboratory design and operations consultative partner, and a Canada-based Thermo Energy Systems — a privately held provider of commercial greenhouse solutions in North America that supports the biologically grown organic food market.

Lastly, the third pillar of the strategy is Organizational Development. The Organizational Development primarily focuses on talent development, design and structure of organization. In a nutshell, these above-mentioned strategies have helped the company to generate strong financial results, make more efficient use of capital and deliver higher shareholder returns.

▲ **Strong Renewable/Conservation Markets Potential:** The company remains encouraged by the long-term market growth prospects of both Renewable Energy and Conservation businesses. U.S. solar growth has remained undeterred by the solar panel tariffs. A study by the Solar Energy Industries Association and GTM Research reveals that solar energy has become a cost-effective option for most part of the United States, despite the tariffs being levied on imported PV panels that worried the industry.

Meanwhile, on the Conservation front, the company remains optimistic about the legal cannabis market, which is expected to grow to \$57 billion worldwide over the next ten years (per a report by Arcview Market Research). Notably, the segment's first-quarter net sales increased 17.5% on an organic basis, followed by a 4.2% rise in second quarter. Apeks, Thermo and Delta acquisitions contributed 22.8% and 25.1% to top-line growth, respectively, in the first and second quarters. The uptick can be attributed to strong demand in the renewable energy market. Adjusted operating margins expanded 450 and 120 basis points (bps), respectively, for the first and second quarters. The upside was driven by volume leverage, strong execution, continuing productivity improvements, and the mix of products and services.

In June, the company launched a second-generation tracker solution, Sunflower, and acquired intellectual property that will support the solar canopy business. Further, it expects the processing market to recover in the second half and build momentum within 2021. Strong demand from both domestic renewable energy and conservation markets, along with continued traction of innovative products are likely to fuel growth of the company.

▲ **Enough Liquidity to Tide Over Coronavirus Woes:** Gibraltar has been maintaining a strong liquidity position to navigate through this uncertain environment. The company ended the second quarter with \$521 million liquidity, including \$121 million cash and cash equivalents, and an undrawn \$400-million revolving credit facility. Its current cash level is sufficient to meet the long-term obligation of \$24 million, down \$0.6 million sequentially.

The debt to total capital at June-end decreased to 3.3% from 3.6% at first quarter-end. Meanwhile, the company's times interest earned ratio stands at 1,106, up from 948.3 in the first quarter. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet debt obligations based on the current income.

Risks

- **Coronavirus Impacts on Business:** Owing to persistent economic uncertainty owing to coronavirus-led shutdowns, Gibraltar suspended its quantitative guidance for 2020. Although its businesses were deemed essential, it witnessed a pronounced pause in the processing market when government issued stay-at-home orders. The cannabis growing and processing markets continued to remain slow in the second quarter due to various restrictions.

In the Industrial business, it has seen persistent softness in the demand for core products and a pause on shipments to automotive customers. Notably, segment's revenues declined 14.4% year over year in the second quarter. The company expects this business to remain soft for the rest of 2020, particularly for core products.

- **Higher Costs:** Incremental costs related to the recent acquisitions have weighed on its bottom-line. In first-half 2020, selling, general and administrative expenses — as a percentage of sales — increased 40 bps year over year, largely due to \$7.3 million of acquisition-related costs. Moreover, its Renewable Energy & Conservation segment witnessed lower margins from the recent acquisitions, mainly due to weak demand in the cannabis processing market.

Gibraltar has been investing in new products and pursuing innovation of the existing ones in order to better serve customers. To this end, it has introduced single-axis solar tracker solutions that provide flexibility to adapt to a variety of site conditions and potentially reduces the costs associated with civil work on projects. However, the company has been incurring incremental costs for design refinements and field enhancements of the said solution.

- **Seasonal Influence on the Business:** Gibraltar's business has been historically subjected to seasonal influences, with higher sales typically realized in the second and third quarters. During the first-quarter 2020, its Renewable Energy and Conservation segment's operating margin was somewhat impacted by the inclusion of the expected modest losses from acquisitions, and seasonally low volumes and lower-margin products.
 - **Dependence on Government Funding:** Gibraltar prepares complex designing components for elevated highways and bridges. Construction of these projects involves long gestation periods and hence, is generally funded by the government authorities. As a result, demand in the company's construction market is highly dependent on government funding. Moreover, the company is exposed to customer concentration risks as it derives a large portion of its sales from only a handful of customers. Moreover, Gibraltar does not have long-term contracts with its clients. This leads to a possibility of termination of the purchase, leading to a severe loss.
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Last Earnings Report

Gibraltar Q2 Earnings & Revenues Beat Estimates, Up Y/Y

Gibraltar Industries, Inc. reported better-than-expected results for second-quarter 2020. The company's earnings and sales not only topped analysts' expectations but also improved year over year on persistent strength across the business, particularly in the Renewable Energy & Conservation and Residential Products units.

Inside the Headlines

Gibraltar reported adjusted earnings of 84 cents per share, which handily topped the Zacks Consensus Estimate of 40 cents by 110%. The bottom line increased 15.1% year over year, supported by growth in Renewable Energy & Conservation, as well as Residential Products segments.

Net sales surpassed the consensus mark by 25.7% and increased 8.8% year over year to \$285.8 million, owing to 1.6% organic growth driven by its Renewable Energy & Conservation segment. Acquisitions contributed 7.2% to top-line growth.

The company's backlog was \$277 million (at quarter-end), up 14% year over year owing to increased participation in Renewable Energy and Conservation, as well as Residential Products.

Segmental Details

Residential Products: Net sales in the segment grew 7% from the year-ago period to \$139.5 million for the quarter. The upside was mainly due to solid repair and remodel activity. Adjusted operating margins improved 400 basis points (bps) to 20.2%. Strong execution, product mix, improved material cost alignment and 80/20 simplification initiatives aided the margins.

Industrial and Infrastructure Products: Sales in the segment decreased 14.4% year over year to \$48.1 million owing to lower demand for core industrial products during the pandemic. Nonetheless, adjusted operating margins expanded 490 bps to 14.5%, backed by a more favorable mix of higher-margin products and solid execution of 80/20 profit improvement efforts.

Renewable Energy and Conservation: Quarterly net sales in the segment rose 29.3% year over year (4.2% on an organic basis) to \$98.3 million. Apeks Supercritical, Thermo Energy Solutions and Delta Separations acquisitions contributed 25.1% to top-line growth. The uptick can be attributed to core business strength, driven by participation gains, volume leverage, productivity improvements and favorable price/material cost alignment. Segment backlog grew 18% year over year owing to healthy market dynamics, participation gains and the recent acquisitions. However, adjusted operating margins of 10.9% in the segment were down 170 bps.

Costs & Margin

Selling, general and administrative expenses increased 1.9% year over year to \$37.7 million. As a percentage of sales, the metric decreased 90 bps year over year to 13.2%. Adjusted operating margin of 12.9% expanded 130 bps year over year.

Balance Sheet & Cash Flow

As of Jun 30, 2020, Gibraltar had cash and cash equivalents worth \$120.9 million compared with \$191.4 million at 2019-end. The company used \$7.3 million cash in operations for the first six months of 2020 versus \$6.5 million cash provided by operating activities a year ago.

Quarter Ending	06/2020
Report Date	Aug 05, 2020
Sales Surprise	25.74%
EPS Surprise	110.00%
Quarterly EPS	0.84
Annual EPS (TTM)	2.88

Valuation

Gibraltar's shares are up 20.6% in the year-to-date period and 30.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Construction sector are up 8.4% and 5.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 21.4% and 12.6%, respectively.

The S&P 500 index is up 2.9% in the year-to-date period and 11.5% in the past year.

The stock is currently trading at 18.73X forward 12-month earnings, which compares to 16.92X for the Zacks sub-industry, 17.34X for the Zacks sector and 21.79X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.83X and as low as 10.29X, with a 5-year median of 18.5X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$70 price target reflects 21.5X forward 12-month earnings.

The table below shows summary valuation data for ROCK

Valuation Multiples - ROCK					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.73	16.92	17.34	21.79
	5-Year High	27.83	19.31	18.98	23.44
	5-Year Low	10.29	7.16	10.75	15.26
	5-Year Median	18.5	13.84	15.88	17.63
P/S F12M	Current	1.62	1.33	2.02	4.04
	5-Year High	1.87	3.59	2.12	4.29
	5-Year Low	0.51	0.69	1.17	3.11
	5-Year Median	1.15	0.91	1.65	3.66
EV/EBITDA TTM	Current	13.58	21.54	17.92	14.32
	5-Year High	15.45	30.68	21.49	15.61
	5-Year Low	6.64	13.63	12.46	9.51
	5-Year Median	10.7	22.68	17.77	13.02

As of 09/23/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 10% (25 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
TopBuild Corp. (BLD)	Outperform	1
Builders FirstSource, Inc. (BLDR)	Outperform	1
Installed Building Products, Inc. (IBP)	Outperform	1
Masco Corporation (MAS)	Outperform	2
PGT, Inc. (PGTI)	Outperform	1
Simpson Manufacturing Company, Inc. (SSD)	Outperform	1
Quanex Building Products Corporation (NX)	Neutral	3
Armstrong World Industries, Inc. (AWI)	Underperform	5

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

Industry Comparison Industry: Building Products - Miscellaneous				Industry Peers		
	ROCK	X Industry	S&P 500	BECN	OC	SSD
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	2	-	-	3	2	1
VGM Score	C	-	-	A	A	D
Market Cap	1.97 B	1.24 B	23.08 B	1.98 B	7.13 B	4.04 B
# of Analysts	2	3	13.5	7	7	2
Dividend Yield	0.00%	0.00%	1.7%	0.00%	1.45%	0.99%
Value Score	C	-	-	A	B	F
Cash/Price	0.06	0.09	0.07	0.50	0.08	0.07
EV/EBITDA	17.31	8.37	12.95	10.99	8.37	17.75
PEG F1	NA	1.61	2.94	NA	3.99	NA
P/B	2.78	1.46	3.19	1.17	1.95	4.52
P/CF	18.82	7.91	12.56	4.31	7.51	23.91
P/E F1	20.54	19.16	21.07	13.94	16.83	25.94
P/S TTM	1.80	1.27	2.39	0.28	1.05	3.42
Earnings Yield	4.87%	4.92%	4.51%	7.18%	5.94%	3.86%
Debt/Equity	0.00	0.37	0.70	1.98	0.90	0.17
Cash Flow (\$/share)	3.23	2.31	6.93	6.66	8.80	3.89
Growth Score	A	-	-	A	B	C
Historical EPS Growth (3-5 Years)	22.73%	20.08%	10.41%	5.47%	12.75%	22.31%
Projected EPS Growth (F1/F0)	14.92%	-3.28%	-4.56%	-8.98%	-13.59%	20.30%
Current Cash Flow Growth	15.67%	-3.66%	5.26%	11.78%	-2.64%	-4.69%
Historical Cash Flow Growth (3-5 Years)	21.12%	15.36%	8.49%	40.23%	13.33%	13.26%
Current Ratio	1.73	2.05	1.35	2.25	1.87	4.32
Debt/Capital	0.00%	33.04%	42.95%	61.58%	47.50%	14.36%
Net Margin	7.16%	2.67%	10.25%	-1.80%	-8.79%	13.71%
Return on Equity	13.92%	10.76%	14.66%	9.45%	11.35%	18.50%
Sales/Assets	1.10	1.03	0.50	1.02	0.71	1.01
Projected Sales Growth (F1/F0)	10.21%	0.00%	-1.48%	-2.87%	-5.48%	3.79%
Momentum Score	F	-	-	A	B	C
Daily Price Change	-1.92%	-1.69%	0.59%	-4.06%	-3.28%	-2.06%
1-Week Price Change	0.77%	0.83%	0.79%	-0.80%	3.83%	-2.00%
4-Week Price Change	-7.79%	-2.40%	-3.10%	-11.77%	-5.59%	-7.15%
12-Week Price Change	30.63%	3.79%	4.54%	12.58%	23.47%	14.83%
52-Week Price Change	30.61%	2.22%	-0.53%	-15.63%	7.42%	35.40%
20-Day Average Volume (Shares)	175,384	177,098	2,077,549	614,792	812,486	210,340
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.91%	1.67%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	7.87%	1.67%	0.00%
EPS F1 Estimate 12-Week Change	24.84%	27.95%	4.08%	27.32%	44.16%	53.86%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	1.53%	1.46%	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	C
Growth Score	A
Momentum Score	F
VGM Score	C

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

Disclosures

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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.