# Snap-on Inc. (SNA)

**$240.58** (As of 06/10/21)

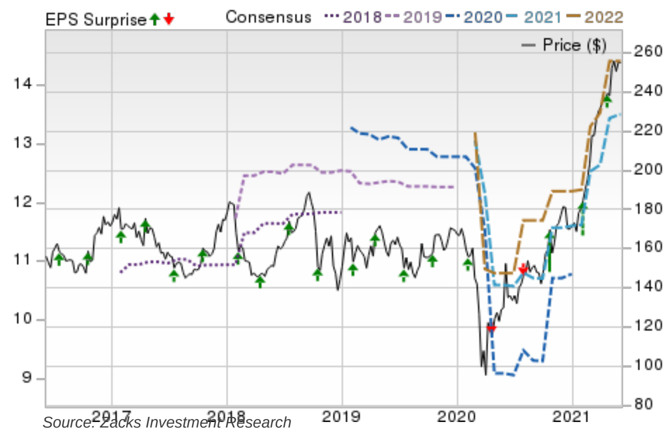
Price Target (6-12 Months): **$277.00**

| | | |
|---|---|---|
| Long Term: 6-12 Months | **Zacks Recommendation:** (Since: 04/27/21) Prior Recommendation: Neutral | **Outperform** |
| Short Term: 1-3 Months | **Zacks Rank:** (1-5) | **2-Buy** |
| | Zacks Style Scores: | VGM:A |
| | Value: C \| Growth: B | Momentum: A |

## Summary

Shares of Snap-on have outpaced the industry in the past three months attributable to its robust surprise trend. The company reported its third straight earnings beat and fourth consecutive sales surprise in first-quarter 2021. Additionally, both the top and bottom lines increased year over year. Results gained from robust sales across all segments. Notably, Snap-on remains on track with its Value Creation model and other cost-reduction initiatives. Its RCI program, designed to enhance organizational effectiveness and minimize costs, bodes well. A solid cash position is likely to help it stay afloat. However, higher costs have been a headwind. The company's operating income included $7.5 million of restructuring costs, while gross margin included 60 bps of incremental costs in the first quarter. Also, the pandemic-related costs remain a concern.

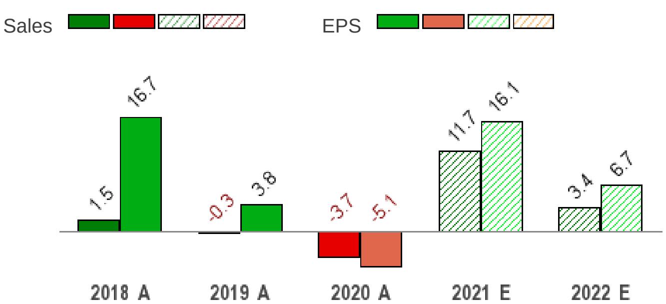
## Price, Consensus & Surprise




## Data Overview

| | |
|---|---|
| 52-Week High-Low | **$259.99 - $128.10** |
| 20-Day Average Volume (Shares) | **305,377** |
| Market Cap | **$13.0 B** |
| Year-To-Date Price Change | **40.6%** |
| Beta | **1.29** |
| Dividend / Dividend Yield | **$4.92 / 2.0%** |
| Industry | **Tools - Handheld** |
| Zacks Industry Rank | **Top 31% (77 out of 250)** |
| | |
| Last EPS Surprise | **16.3%** |
| Last Sales Surprise | **10.5%** |
| EPS F1 Estimate 4-Week Change | **0.5%** |
| Expected Report Date | **07/30/2021** |
| Earnings ESP | **0.0%** |
| | |
| P/E TTM | **19.2** |
| P/E F1 | **17.8** |
| PEG F1 | **2.2** |
| P/S TTM | **3.5** |

## Sales and EPS Growth Rates (Y/Y %)




## Sales Estimates (millions of $)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2022 | 1,045 E | 988 E | 990 E | 1,124 E | 4,149 E |
| 2021 | 1,025 A | 971 E | 964 E | 1,062 E | 4,013 E |
| 2020 | 852 A | 724 A | 942 A | 1,074 A | 3,593 A |

## EPS Estimates

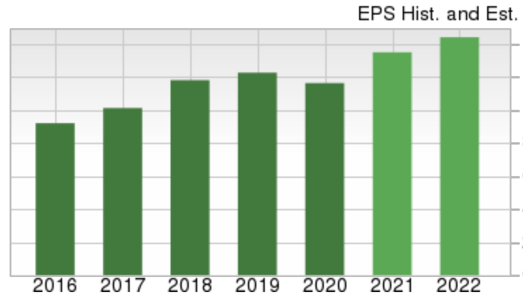
| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2022 | $3.62 E | $3.40 E | $3.48 E | $3.86 E | $14.41 E |
| 2021 | $3.50 A | $3.22 E | $3.30 E | $3.61 E | $13.50 E |
| 2020 | $2.60 A | $1.91 A | $3.28 A | $3.84 A | $11.63 A |

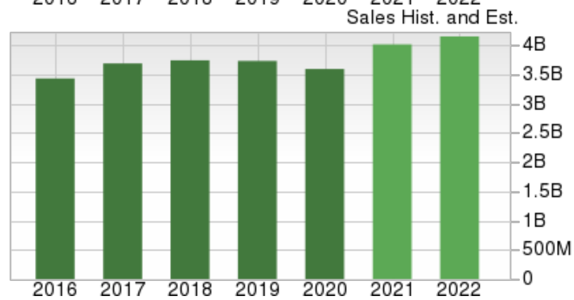
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/10/2021. The report's text and the analyst-provided price target are as of 06/11/2021.

## Overview

Headquartered in Kenosha, WI, Snap-on Incorporated is a global provider of professional tools, equipment, and related solutions for technicians, vehicle service centers, original equipment manufacturers (OEMs) and other industrial users. Products include a broad range of professional hand and power tools; vehicle diagnostics and service equipment; business management systems; and other tool and equipment solutions.




The company offers its products and brands via multiple sales distribution channels across over 130 countries. Snap-on's major geographic markets comprises the United States, Mexico, Argentina, India, the United Kingdom, China, Brazil, Canada, Germany, Australia and Japan.

Notably, Snap-on operates under the following segments:

Snap-on Tools Group (40% of 2020 Total Revenues): The segment consists of the business operations serving the worldwide franchise van channel.

Commercial & Industrial Group (30%): This segment comprises business operations providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchise distribution channels.

Repair Systems & Information Group (30%): The segment consists of business operations providing diagnostics equipment, vehicle service information, business management systems, electronic parts catalogs and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace.

Financial Services: This segment offers financing options, such as loans to franchisees' customers and Snap-on's industrial and other customers for the purchase or lease of tools, equipment and diagnostic products on an extended term payment plan. In addition, the segment provides business loans and vehicle leases to franchisees.


*Source: Zacks Investment Research*

## Reasons To Buy:

▲ **Robust Q1 Results**: Shares of Snap-On have gained 11.2% in the past three months compared with the industry's 9% growth. The stock's bullish run on the bourses can be attributable to its robust surprise trend. In first-quarter 2021, both top and bottom lines beat the Zacks Consensus Estimate, marking the third straight earnings beat and fourth consecutive sales surprise. Also, earnings and sales improved year over year. The company's positive sales momentum can be attributed to organic sales growth of 16.3%, a $19.2-million positive impact of foreign currency translations and $11.3 million in contributions from acquisitions. Moreover, it witnessed improved performance in all three segments. Apart from these, it remains on track with its Value Creation model and other cost-reduction initiatives.

Snap-on's Q1 results gained from robust sales across all segments. Management remains on track with its Value Creation model.

▲ **Improved Margins Aids Bottom Line in Q1**: During the first quarter, Snap-on's adjusted gross profit grew 21.8% year over year to $513.6 million while gross margin advanced 60 basis points (bps) to 50%. The metric was backed by higher sales volume and gains from RCI initiatives. Further, the company's adjusted operating earnings before financial services totaled $200.9 million, up 37% year over year. Additionally, the adjusted operating earnings margin expanded 240 bps to 19.6% in the quarter under review. Driven by improved margins, adjusted earnings of $3.50 per share grew 34.6% year over year in the reported quarter.

▲ **Strategies to Boost Growth**: Snap-on's robust business model helps in enhancing value-creation processes, which in turn improves safety, quality of service, customer satisfaction and innovation. The company's growth strategy focuses on three critical areas, namely enhancing the franchise network, improving relationship with repair shop owners and managers, and expanding critical industries in emerging markets. Moreover, Snap-on is dedicated toward various strategic principles and processes aimed at creating value in areas like Rapid Continuous Improvement (RCI). The RCI process is designed to enhance organizational effectiveness and minimize costs besides helping Snap-on to boost sales and margins, and generate savings. Savings from the RCI initiative reflect gains from the continuous productivity and process improvement plans. Management intends to boost customer services along with enhancing manufacturing and supply chain capabilities through the RCI initiatives and further investments. This apart, Snap-on's its ability to innovate bodes well. The company has been investing in new products and increasing brand awareness across the world as well.

▲ **Financial Flexibility**: Snap-on boasts a healthy balance sheet that offers it the financial flexibility to enhance shareholder returns and drive future development through value-added investments aimed at accelerating growth. The company ended the first quarter with cash and cash equivalents of $904.6 million. The company ended first-quarter 2020 with long-term debt of $1,182.3 million, up marginally from $1,182.1 million reported in the prior quarter. However, its net debt to capital ratio of 0.23 at the end of the first quarter reflects a sequential improvement from 0.24.

Further, management remains focused on leveraging capabilities in the automotive repair space and expanding the customer base, particularly in automotive repair and critical industries. Backed by these initiatives, the company expects capital expenditure of $90-$100 million for 2021. Also, it has more than $800 million in credit facilities, which is likely to help Snap-on stay afloat amid the pandemic.

▲ **Shareholder Friendly Moves**: Snap-on's commitment toward enhancing shareholder value is evident from its constant dividend payment and share repurchase programs. In the reported quarter, it repurchased 722,000 shares and paid out cash dividends of $66.7 million. At the end of the quarter, the company had an additional $268.7 million remaining under its current share repurchase authorization. Notably, management has a dividend payout ratio of 39.3%, annualized dividend yield of 2.1% and free cash flow yield of 25.9%.

## Risks

- **Currency Headwinds**: Snap-on's cross-border presence exposes it to the adversities of fluctuations in currency rates. During first-quarter 2021, the company's operating income in the Commercial & Industrial Group and Repair Systems & Information Group segments included $1.4 million and $1.5 million of negative impacts of foreign currency, respectively. Unfavorable currency also hurt gross margin by 40 basis points. Unfavorable currency might continue to be a deterrent for the company's performance in the coming quarters.

- **Higher Cost**: Snap-on has been witnessing direct costs including direct labor, temporary factory closures, wages for quarantines associates, event cancellation fees as well as health and safety related expenses stemming from the COVID-19 crisis, which continued in the first quarter. Also, the company's operating income included $7.5 million of restructuring costs while gross margin included 60 bps of costs. That said, we believe that persistence of such expenses or any rise in it may weigh on the company's profitability in the near term.

- **Drop in Consumer Sentiment May Impact Sales**: Any drop in consumer confidence — a key determinant of the economy's health — may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors, including unemployment levels and high household debt levels, which may negatively impact their sentiments. For now, the novel coronavirus has wreaked havoc. Again, job losses and lower disposable income due to this catastrophe are making things worse. Consumers are avoiding discretionary spending and focusing on necessities for the time being.

- **Raw Material Price Volatility**: Snap-on remains exposed to major volatility in raw-material prices, with steel being one of the key raw materials and the steel market being cyclical in nature. Moreover, unexpected rise in the price of raw materials might force Snap-on to increase product prices, which in turn, is likely to exert pressure on margins. Also, the company is heavily dependent on energy sources to transport, produce and distribute products, and some of its products have petroleum-based components. Fluctuations in the raw material and energy prices might adversely hurt the company's financial performance adding to its woes. In addition, unsuccessful distribution of products and services can materially impact the company's financials.

## Last Earnings Report

### Snap-on's Earnings & Sales Surpass Estimates in Q1

| Quarter Ending | 03/2021 |
|---|---|
| Report Date | Apr 22, 2021 |
| Sales Surprise | 10.52% |
| EPS Surprise | 16.28% |
| Quarterly EPS | 3.50 |
| Annual EPS (TTM) | 12.53 |

Snap-on Incorporated posted solid first-quarter 2021 results, wherein both top and bottom lines increased year over year. Strength in Snap-on Tools Group aided quarterly results. Also, the company successfully concluded the buyout of Dealer-FX Group, Inc. in a bid to expand its technological capabilities and strengthen its foothold in the dealership service and repair operations space. Further, management remains on track with its Rapid Continuous Improvement (RCI) process and other cost-reduction initiatives.

### Q1 in Detail

Snap-on's adjusted earnings of $3.50 per share in first-quarter 2021 surpassed the Zacks Consensus Estimate of $3.01. Moreover, the figure was up 34.6% from the year-ago quarter's adjusted earnings of $2.60 per share.

Net sales grew 20.2% to $1,024.6 million and beat the Zacks Consensus Estimate of $927 million. The uptick can be attributed to organic sales growth of 16.3%, a $19.2 million positive impact of foreign currency translations and $11.3 million in contributions from acquisitions.

Adjusted gross profit was $513.6 million, up 21.8% year over year, while gross margin advanced 60 basis points (bps) to 50% in the reported quarter.

Further, the company's adjusted operating earnings before financial services totaled $200.9 million, up 37% year over year. Additionally, the adjusted operating earnings margin expanded 240 bps to 19.6% in the quarter under review.

### Segmental Details

Sales in **Commercial & Industrial Group** increased 15.2% from the prior-year quarter to $345.7 million, driven by organic sales growth of 9.5%, a positive impact of $9.2 million from foreign currency and $7.3 million in gains from acquisitions. Solid sales in the Europe-based hand tools business and the Asia Pacific region acted as upsides.

The **Tools Group** segment's sales rose 27.2% year over year to $478.3 million, driven by organic sales growth of 25% and a $6.7-million positive impact of foreign currency. Solid sales performance for both U.S. and international operations aided results.

Sales in **Repair Systems & Information Group** grew 10.5% year over year to $347.6 million. Moreover, organic sales in the segment rose 7.6% from the year-ago quarter, with a $4.8-million positive impact from foreign currency and $4 million in gains from acquisitions. Higher sales in OEM dealerships, strength in diagnostics and repair information products to independent repair shop owners and a rise in volumes of undercar equipment contributed to segment growth.

Also, the **Financial Services** business reported revenues of $88.6 million, up from $85.9 million in the year-ago quarter.

### Financials

During the quarter, Snap-on's cash and cash equivalents totaled $904.6 million, with long-term debt of $1,182.3 million and $3,897.9 million in shareholder's equity.

### Looking Ahead

As the world continues to adjust to the changing economic landscape, Snap-on remains optimistic about the ongoing advancement related to the COVID-19 situation in the near term. Further, management remains focused on leveraging capabilities in the automotive repair space and expanding the customer base, particularly in automotive repair and critical industries. As a result, capital expenditures for 2021 is projected to be $90-$100 million, out of which $19.3 million is likely to be incurred in the first three months.

## Recent News

**Snap-on Approves Quarterly Dividend - Apr 29, 2021**

Snap-on's board has declared a quarterly dividend of of $1.23 per share, which will be paid out on Jun 10, 2021, to stockholders of record as of May 21.

**Snap-on Expands Repair Solutions by Dealer-FX Buyout – Mar 8, 2021**

In a bid to expand its capabilities in the Repair Information and Software Solutions space, Snap-on recently acquired Dealer-FX in a deal worth roughly $200 million in cash. Based in Ontario, Dealer-FX offers digital solutions that lead to higher dealership productivity with an improved vehicle service experience. Given the increasing complexity of vehicle repair, this buyout is expected to aid Snap-on's growth through its end-to-end dealership software solutions.

From now-on, Dealer-FX will be reported as part of the Repair Systems & Information (RS&I) segment. Management noted that Dealer-FX, which boasts fiscal 2020 revenues of nearly $37 million, is likely to have no significant impact on Snap-on's bottom line in 2021.

This move will support Snap-on's RS&I segment by expanding the OEM and dealership business. The segment already offers electronic parts, essential equipment and diagnostics programs as well as custom analytics to OEMs and more than 50,000 dealerships globally.

## Valuation

Snap-on shares are up 42.1% in the year-to-date period and nearly 82.8% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 27.6% but the Zacks Consumer Discretionary sector is down 0.1% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector is up 72.6% and 33.3%, respectively.

The S&P 500 index is up 14.3% each in the year-to-date period and 43.8% in the past year.

The stock is currently trading at 17.31X forward 12-month earnings, which compares to 20.13X for the Zacks sub-industry, 29.77X for the Zacks sector and 21.74X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.95X and as low as 7.66X, with a 5-year median of 14.22X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $277 price target reflects 19.93X of forward 12-month earnings.

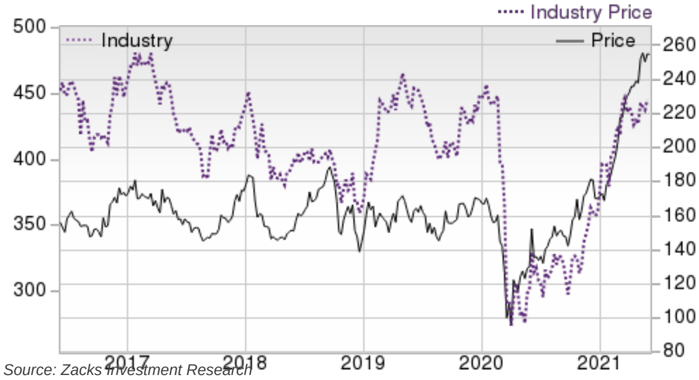
The table below shows summary valuation data for SNA

**Valuation Multiples - SNA**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| P/E F12M | Current | 17.31 | 20.13 | 29.77 | 21.74 |
| | 5-Year High | 18.95 | 21 | 35.4 | 23.83 |
| | 5-Year Low | 7.66 | 12.03 | 16.24 | 15.31 |
| | 5-Year Median | 14.22 | 16.42 | 20.33 | 18.05 |
| P/S F12M | Current | 3.19 | 3.27 | 2.7 | 4.7 |
| | 5-Year High | 3.4 | 3.27 | 2.94 | 4.74 |
| | 5-Year Low | 1.36 | 1.74 | 1.73 | 3.21 |
| | 5-Year Median | 2.4 | 2.42 | 2.52 | 3.72 |
| EV/EBITDA TTM | Current | 12.85 | 18.34 | 14.37 | 17.32 |
| | 5-Year High | 13.64 | 19.53 | 18.08 | 17.74 |
| | 5-Year Low | 5.83 | 9.64 | 8.34 | 9.63 |
| | 5-Year Median | 9.77 | 14.1 | 12.37 | 13.46 |

As of 06/10/2021 *Source: Zacks Investment Research*

## Industry Analysis **Zacks Industry Rank:** Top 31% (77 out of 250)




*Source: Zacks Investment Research*

## Top Peers

| Company (Ticker) | Rec | Rank |
|---|---|---|
| MarineMax, Inc. **(HZO)** | Outperform | 1 |
| Eaton Corporation, PLC **(ETN)** | Neutral | 2 |
| Flowserve Corporation **(FLS)** | Neutral | 3 |
| ITT Inc. **(ITT)** | Neutral | 2 |
| Makita Corp. **(MKTAY)** | Neutral | 3 |
| Terex Corporation **(TEX)** | Neutral | 3 |
| Tractor Supply Company **(TSCO)** | Neutral | 2 |
| Toro Company The **(TTC)** | Neutral | 3 |

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

## Industry Comparison Industry: Tools - Handheld

| | SNA | X Industry | S&P 500 | ETN | MKTAY | TTC |
|---|---|---|---|---|---|---|
| | | | | **Industry Peers** | | |
| **Zacks Recommendation (Long Term)** | Outperform | - | - | Neutral | Neutral | Neutral |
| **Zacks Rank (Short Term)** | 2 | - | - | 2 | 3 | 3 |
| **VGM Score** | A | - | - | C | B | A |
| Market Cap | 13.01 B | 5.74 B | 30.26 B | 58.51 B | 12.53 B | 11.36 B |
| # of Analysts | 8 | 6 | 12 | 8 | 1 | 5 |
| Dividend Yield | 2.05% | 0.08% | 1.28% | 2.07% | 0.15% | 0.99% |
| **Value Score** | C | - | - | D | B | C |
| Cash/Price | 0.07 | 0.07 | 0.06 | 0.02 | 0.12 | 0.04 |
| EV/EBITDA | 13.48 | 10.92 | 17.41 | 24.35 | 10.92 | 21.38 |
| PEG F1 | 2.15 | 2.40 | 2.14 | 2.14 | NA | 2.91 |
| P/B | 3.34 | 1.92 | 4.16 | 3.89 | 2.01 | 9.24 |
| P/CF | 17.77 | 22.33 | 17.71 | 23.19 | 16.93 | 26.90 |
| P/E F1 | 17.82 | 19.23 | 21.55 | 23.49 | 19.23 | 30.18 |
| P/S TTM | 3.46 | 1.38 | 3.49 | 3.29 | 2.32 | 3.07 |
| Earnings Yield | 5.61% | 5.20% | 4.55% | 4.26% | 5.20% | 3.32% |
| Debt/Equity | 0.30 | 0.30 | 0.66 | 0.58 | 0.00 | 0.48 |
| Cash Flow ($/share) | 13.54 | 1.42 | 6.83 | 6.33 | 2.73 | 3.95 |
| **Growth Score** | B | - | - | C | C | A |
| Historical EPS Growth (3-5 Years) | 6.75% | 6.75% | 9.44% | 3.37% | -1.40% | 10.52% |
| Projected EPS Growth (F1/F0) | 16.04% | 21.35% | 21.30% | 47.41% | 11.63% | 16.42% |
| Current Cash Flow Growth | -5.56% | -50.72% | 0.98% | -22.79% | 29.84% | 2.77% |
| Historical Cash Flow Growth (3-5 Years) | 5.52% | 7.68% | 7.28% | -2.97% | 11.78% | 9.85% |
| Current Ratio | 2.47 | 2.90 | 1.39 | 1.51 | 4.44 | 1.58 |
| Debt/Capital | 23.27% | 23.27% | 41.53% | 36.60% | 0.00% | 32.48% |
| Net Margin | 18.13% | 4.06% | 11.95% | 8.05% | 9.99% | 11.19% |
| Return on Equity | 18.44% | 2.23% | 16.36% | 12.55% | 9.29% | 34.20% |
| Sales/Assets | 0.59 | 1.02 | 0.51 | 0.56 | 0.77 | 1.28 |
| Projected Sales Growth (F1/F0) | 11.71% | 11.26% | 9.37% | 5.71% | 13.18% | 11.26% |
| **Momentum Score** | A | - | - | B | B | B |
| Daily Price Change | -1.57% | -0.09% | 0.21% | 0.28% | -0.12% | -0.07% |
| 1-Week Price Change | -0.11% | -0.86% | 0.58% | 2.24% | -1.60% | -5.25% |
| 4-Week Price Change | -4.90% | 6.41% | 1.55% | 0.70% | 5.22% | -5.80% |
| 12-Week Price Change | 6.68% | 8.52% | 7.72% | 7.20% | 7.60% | 1.33% |
| 52-Week Price Change | 80.44% | 69.85% | 46.01% | 72.47% | 34.35% | 59.26% |
| 20-Day Average Volume (Shares) | 305,377 | 22,632 | 1,775,554 | 1,531,097 | 21,971 | 467,310 |
| EPS F1 Estimate 1-Week Change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.17% |
| EPS F1 Estimate 4-Week Change | 0.47% | 1.03% | 0.03% | 0.40% | 3.90% | 1.03% |
| EPS F1 Estimate 12-Week Change | 7.58% | 3.90% | 3.52% | 10.25% | 3.90% | 1.03% |
| EPS Q1 Estimate Monthly Change | 0.00% | -3.04% | 0.00% | 0.33% | NA | -6.09% |

*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

| | |
|---|---|
| Value Score | C |
| Growth Score | B |
| Momentum Score | A |
| VGM Score | A |

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.

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

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

## Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

**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 mediumterm 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 mostrecent 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.