

Spectrum Brands (SPB)

\$75.57 (As of 01/29/21)

Price Target (6-12 Months): **\$80.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/12/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: B

Summary

Shares of Spectrum Brands have outperformed the industry in the past six months, driven by better-than-expected fourth-quarter fiscal 2020 results. Despite demand and supply-related disruptions stemming from the COVID-19, results gained from solid demand for its products, which drove growth in all business categories. Management noted that fiscal 2021 started on a solid note on the back of continued demand. Growth in all four segments contributed to quarterly growth. Additionally, favorable pricing and productivity related to the Global Productivity Improvement Program aided gross margin. However, the company witnessed rising SG&A expenses in the fiscal fourth quarter mainly due to increased marketing investments. Also, stiff competition and tough economic environment due to pandemic remain concerns.

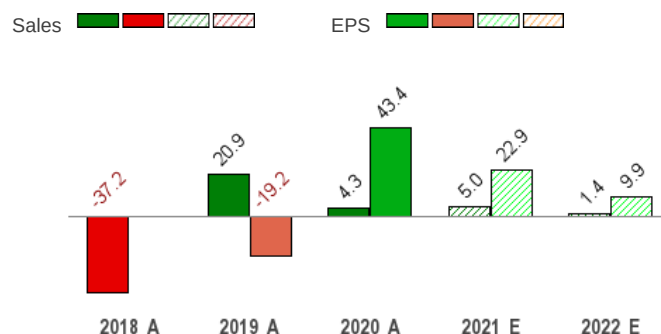
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$84.80 - \$19.59
20-Day Average Volume (Shares)	287,550
Market Cap	\$3.2 B
Year-To-Date Price Change	-4.3%
Beta	1.94
Dividend / Dividend Yield	\$1.68 / 2.2%
Industry	Consumer Products - Discretionary
Zacks Industry Rank	Top 37% (94 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	44.5%
Last Sales Surprise	15.1%
EPS F1 Estimate 4-Week Change	1.5%
Expected Report Date	02/05/2021
Earnings ESP	-5.2%
P/E TTM	18.0
P/E F1	15.0
PEG F1	0.8
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	954 E	1,024 E	1,135 E	1,095 E	4,219 E
2021	998 E	1,015 E	1,097 E	1,053 E	4,162 E
2020	872 A	938 A	984 A	1,171 A	3,964 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.68 E	\$1.15 E	\$1.95 E	\$1.58 E	\$5.54 E
2021	\$0.81 E	\$1.17 E	\$1.80 E	\$1.30 E	\$5.04 E
2020	\$0.20 A	\$0.91 A	\$1.36 A	\$1.72 A	\$4.10 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 01/29/2021. The report's text and the analyst-provided price target are as of 02/01/2021.

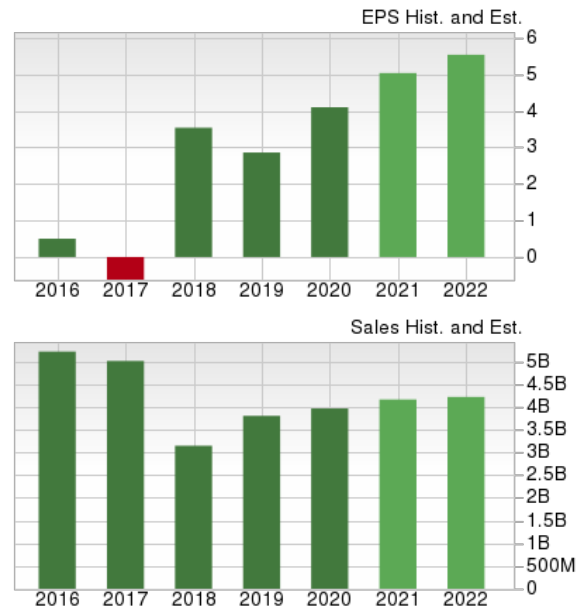
Overview

Spectrum Brands Holdings, Inc. is a global consumer products company. It offers a portfolio of leading brands in several product categories like residential locksets, plumbing, electric shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn and garden and home pest control products and repellents.

The company manufactures, markets and distributes products in roughly 160 countries of North America, Europe, Middle East & Africa (EMEA), Latin America and Asia-Pacific regions. It markets its products through various trade channels, which include retailers, wholesalers and distributors, original equipment manufacturers ("OEMs") and construction companies.

In July 2018, Spectrum Brands merged with its controlling shareholder HRG Group, Inc. The combined company is named Spectrum Brands Holdings, Inc. and is currently headquartered in Middleton, WI.

In January 2019, Spectrum Brands completed the divestitures of its Global Auto Care business as well as Global Battery and Lighting Businesses to Energizer. Further, the company has four reporting segments, namely, Hardware & Home Improvement (HHI), Home & Personal Care (HPC), Global Pet Care (GPC) and Home & Garden (H&G).



Hardware & Home Improvement: This segment includes security product category, plumbing product category and hardware product category. The segment contributed nearly 28.6% to the company's overall net sales in third-quarter fiscal 2020.

Home & Personal Care: This segment includes Personal Care and Small Appliances businesses. The segment contributed about 25.5% to overall net sales in the fiscal third quarter.

Global Pet Care: This segment includes animal food, products and accessories; pet health and grooming products as well as aquatic supplies. The segment contributed about 24.5% to overall net sales in the fiscal third quarter.

Home and Garden: This segment includes controls product category, household product category and repellents product category. The segment contributed about 21.4% to overall net sales in the fiscal third quarter.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Robust Q4 Results:** Shares of Spectrum Brands have gained 31.6% in the past six months against the industry's growth of 25.9%. The stock benefited from the better-than-expected results in fourth-quarter fiscal 2020. Despite demand and supply-related disruptions stemming from the COVID-19 situation, results gained from solid demand for its products, which drove growth in all business categories. Further, management noted that fiscal 2021 started on a solid note on the back of continued demand. Growth in all four segments contributed to quarterly growth. The bottom line gained from positive product mix, favorable volumes and productivity. Moreover, gross margin expanded 240 basis points (bps) to 36.1%, primarily driven by favorable pricing and better productivity related to the Global Productivity Improvement Program. Driven by an impressive fourth-quarter fiscal 2020 view, management issued an upbeat guidance for fiscal 2021. Spectrum Brands anticipates net sales to grow 3-5% with favorable currency impact. Adjusted EBITDA is expected to rise mid-single digits.
- ▲ **Strategic Initiatives on Track:** Spectrum Brands is progressing well with its Global Productivity Improvement Plan (GPIP) which aims at improving the company's operating efficiency and effectiveness, while focusing on consumer insights, and growth-enabling functions including technology, marketing, and research and development. The company's fourth-quarter fiscal 2020 results reflected gains from the plan. Encouragingly, the company raised its savings target for the global productivity improvement plan to \$100-\$150 million. Also, it foresees achieving full run-rate savings over the next nine to 12 months. Notably, majority of these savings are expected to be reinvested into the growth initiatives and consumer insights, R&D and marketing across each of the businesses. This plan will also enable the company to deliver value creation and sustainable growth in the long term.
- ▲ **Global Pet Care Business Reflects Strength:** Spectrum Brands' organic net sales advanced 17.1%, courtesy of growth in all four segments. Notably, sales for the Global Pet Care business improved 21.6%, driven by growth in aquatic and companion animal categories. Excluding the favorable impacts of foreign currency and sales from acquisitions, organic sales rose 18.5%. Also, strong e-commerce sales along with a spike in demand for aquatics and reptile kits and equipment contributed to segment growth. In sync with its Global Productivity Improvement Plan, the pet business is on track with exiting non-core assets and activities to focus on core brands. Also, the company is on track with its plans to tap into the aquatics and reptile space. In this context, Spectrum Brands is progressing well with the integration process of its newly acquired Omega Sea, which is now part of its Global Pet Care portfolio of aquatic brands. Moreover, the company is making efforts to strengthen its leadership in the dog chews category via the acquisition of Armitage Pet Care. This move will help it expand the chews business as Armitage is a well-known grocery brand in U.K. and offers products such as dog chews, cat chews, treats and toys. Cumulatively, the pet segment remains poised for growth backed by its pipeline of robust innovation and growth strategy.
- ▲ **Home & Personal Care Segment:** Sales at the Home & Personal Care segment increased 5.8% year over year, backed by growth in small appliances and personal care. Also, strength in sales, particularly in the online and mass channels, and high demand for convenience cooking favored segment sales. Excluding the positive impacts of foreign currency, organic net sales for the segment increased 5.6%. This marked the fourth straight quarter of growth for the segment in a year.
- ▲ **Financial Flexibility:** Spectrum Brands ended fourth-quarter fiscal 2020 with a total debt of \$2,461 million, down 8.1% from \$2,677 million in the prior quarter. Moreover, its debt to capitalization ratio is at a respectable 0.64 as compared to 0.66 reported in the prior quarter. The company had a strong liquidity position with cash balance of \$531.6 million and roughly \$579 million available under its \$600-million cash flow revolver. Further, it sold 1.5 million shares of Energizer common stock worth \$67.4 million in the fiscal fourth quarter. The company's intends to resume dividend payments and share repurchases in fiscal 2021. That said, with such well-chalked efforts and a liquidity of \$1.1 billion, Spectrum Brands is likely to stay afloat amid this ongoing pandemic.

Spectrum Brands' impressive Q4 results were driven by sturdy sales growth due to solid demand for its products. Also, global productivity improvement plan savings contributed to growth.

Reasons To Sell:

- ▼ **High Costs & Tariffs Remain Concerns:** Spectrum Brands has witnessed elevated expenses in fourth-quarter fiscal 2020. Notably, SG&A expenses rose 15.9% to \$269.3 million and the metric, as a percentage of sales, expanded 40 bps to 23%. This can be mainly attributable to higher volumes and increased marketing investments. It remains on track with plans to invest \$20 million in advertising and promotion. The company witnessed demand and supply related disruptions stemming from the COVID-19 pandemic along with gross tariff headwinds of more than \$120 million. Persistence of these downsides may weigh on the company's bottom line in the near term.
- ▼ **Competitive Pressure May Result in Loss of Market Share:** Spectrum Brands faces intense competition from numerous well-established players and distributors of consumer and commercial products. In such a competitive environment, a pricing lag, non-availability of big consumer brands, lack of innovations with regard to product features and enhancements as well as inefficient customer service may restrict market share growth.
- ▼ **Risks related to Global Economic Conditions:** Any sluggishness in the economy may lower the demand for products. A slowdown in the economy compels consumers to either curtail discretionary spending or shift purchasing patterns to lower cost options. This shift has the potential to drive the market toward lower margin products or force the company to reduce prices for their products in order to be more competitive. This is likely to show on the company's top and bottom lines. In addition, disruptions in financial markets also reduce access to debt and equity capital markets, negatively affecting its ability to implement business strategy.

Spectrum Brands witnessed elevated SG&A expenses in Q4 on higher volumes and increased marketing investments. It is on track with plans to invest \$20 million in advertising and promotion.

Last Earnings Report

Spectrum Brands Q4 Earnings & Sales Beat Estimates

Spectrum Brands reported better-than-expected results in fourth-quarter fiscal 2020. Despite demand and supply related disruptions stemming from the COVID-19 situation, results gained from solid demand for its products, which drove growth in all business categories.

Further, management noted that fiscal 2021 started on a solid note on the back of continued demand. It also anticipates the COVID-19 related supply chain disruptions to no longer remain a hindrance for fiscal 2021. The company raised its savings target for global productivity improvement plan to \$100-\$150 million. Apart from these, it issued an encouraging fiscal 2021.

Adjusted earnings from continuing operations of \$1.72 per share surpassed the Zacks Consensus Estimate of \$1.19. The bottom line surged 52.2% year over year on the back of positive product mix, favorable volumes and productivity.

Spectrum Brands' net sales grew 17.9% year over year to \$1,170.6 million and exceeded the Zacks Consensus Estimate of \$1,017 million. Excluding the negative impacts of currency and sales from buyouts, organic net sales advanced 17.1% courtesy of growth in all four segments. Favorable currency and gains from acquisition to the tune of \$4.2 million and \$3.8 million, respectively, also contributed to quarterly sales growth.

Moreover, its e-commerce unit continued to witness significant growth across all categories. E-commerce sales rose more than 36% year over year, accounting for more than 12% of net sales.

Gross profit increased 26.4% year over year to \$423 million. Moreover, gross margin expanded 240 basis points (bps) to 36.1%, primarily driven by favorable pricing and better productivity related to Global Productivity Improvement Program. While SG&A expenses rose 15.9% to \$269.3 million, SG&A as a percentage of sales expanded 40 bps at 23%. This can be mainly attributable to higher volumes and increased marketing investments.

Furthermore, the company reported operating income of \$126.7 million against an operating loss of \$87.5 million in the prior-year quarter. The upside was owing to higher volumes, improved margins and reduced restructuring costs.

Adjusted EBITDA from continuing operations grew 6.3% to \$173.3 million in the fiscal fourth quarter. The metric benefited from sturdy volume growth, favorable pricing and improved productivity. Also, solid performances in Hardware & Home Improvement, Global Pet Care and Home & Garden contributed to quarterly growth. Meanwhile, adjusted EBITDA margin contracted 160 bps to 14.8%.

Segmental Performance

Sales at the **Hardware & Home Improvement** segment increased 18.9% to \$433.7 million mainly driven by growth in the security category owing to strong demand and higher shipments. Further, robust demand in repair and remodel channel led to solid performance in Builders hardware and plumbing category. The segment's organic sales rallied 18.7% year over year. Also, adjusted EBITDA at the segment grew 29% to \$100.4 million.

Sales at the **Home & Personal Care** segment increased 5.8% to \$302.3 million, backed by growth in small appliances and personal care. Also, strength in sales particularly in the online and mass channels, and high demand for convenience cooking favored segment sales. Excluding the positive impacts of foreign currency, organic net sales for the segment increased 5.6%. However, the segment's adjusted EBITDA of \$22.7 million declined 22.8%.

The **Global Pet Care** segment's sales grew 21.6% year over year to \$278.3 million, primarily driven by growth in aquatic and companion animal categories. Excluding the favorable impacts of foreign currency and sales from acquisitions, organic sales rose 18.5%. Further, the segment's adjusted EBITDA grew 19.7% to \$49.9 million.

The **Home & Garden** segment's sales advanced 37.8% to \$156.3 million primarily on growth in three major categories including controls, household insecticides and repellents. Also, sturdy point of sale and replenishment owing to extended selling season aided growth. Further, the segment's adjusted EBITDA was up 60.7% year over year to \$31.5 million from the prior-year quarter.

Other Financials

Spectrum Brands ended the quarter with cash and cash equivalents of \$531.6 million and roughly \$579 million available under its \$600-million cash flow revolver. Further, it sold 1.5 million shares of Energizer common stock worth \$67.4 million. As of Sep 30, 2020, the company's outstanding debt was nearly \$2,512.8 million. During the quarter under review, capital expenditure amounted to \$16.5 million, down from \$18.1 million last year. For fiscal 2021, capital expenditure is estimated to be \$85-\$95 million. The company boasts liquidity of \$1.1 billion, which is likely to help it stay afloat amid this ongoing pandemic.

Guidance

Driven by impressive fourth quarter fiscal 2020 view, management issued an upbeat view for fiscal 2021. Spectrum Brands anticipates net sales to grow 3-5% with favorable currency impact. Adjusted EBITDA is expected to rise mid-single digits. Adjusted free cash flow is likely to be \$250-\$270 million.

Quarter Ending	09/2020
Report Date	Nov 13, 2020
Sales Surprise	15.10%
EPS Surprise	44.54%
Quarterly EPS	1.72
Annual EPS (TTM)	4.19

Recent News

Spectrum Brands Approves Dividend - Nov 10, 2020

Spectrum Brands's board has declared a quarterly dividend of 42 cents per share to be paid on Dec 15 as of shareholders record on Nov 23, 2020.

Valuation

Spectrum Brands shares are down 4.3% in the year-to-date period and nearly 25.7% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 4.5% but the Zacks Consumer Discretionary sector is down 4.2%, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 24.8% and 12.3%, respectively.

The S&P 500 index is down 0.9% in the year-to-date period but 16% in the past year.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$80 price target reflects 15.36X forward 12-month earnings.

Industry Analysis Zacks Industry Rank: Top 37% (94 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
B&M European Value Retail SA Unsponsored ADR (BMRRY)	Outperform	3
Vista Outdoor Inc. (VSTO)	Outperform	2
Central Garden & Pet Company (CENT)	Neutral	2
Central Garden & Pet Company (CENTA)	Neutral	2
Alto Ingredients, Inc. (PEIX)	Neutral	3
Party City Holdco Inc. (PRTY)	Neutral	3
Reynolds Consumer Products Inc. (REYN)	Neutral	3
Swedish Match AB Unsponsored ADR (SWMAY)	Neutral	2

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

Industry Comparison Industry: Consumer Products - Discretionary				Industry Peers		
	SPB	X Industry	S&P 500	BMRRY	REYN	VSTO
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	A	-	-	A	C	A
Market Cap	3.22 B	302.58 M	26.06 B	7.36 B	6.29 B	1.70 B
# of Analysts	3	3	13	2	3	8
Dividend Yield	2.22%	0.00%	1.48%	6.20%	2.93%	0.00%
Value Score	A	-	-	B	B	A
Cash/Price	0.16	0.10	0.06	0.08	0.06	0.03
EV/EBITDA	10.75	8.52	14.72	NA	NA	20.46
PEG F1	0.81	1.43	2.42	NA	NA	NA
P/B	2.30	3.88	3.60	5.73	4.06	2.96
P/CF	8.96	11.72	14.66	21.53	NA	6.93
P/E F1	15.17	16.68	19.64	15.31	15.02	10.66
P/S TTM	0.81	0.84	2.86	NA	1.96	0.89
Earnings Yield	6.67%	5.42%	4.98%	6.53%	6.67%	9.39%
Debt/Equity	1.74	0.49	0.69	1.86	1.49	0.60
Cash Flow (\$/share)	8.43	0.90	6.85	1.37	NA	4.21
Growth Score	A	-	-	A	C	A
Historical EPS Growth (3-5 Years)	NA%	2.72%	9.69%	NA	NA	-45.42%
Projected EPS Growth (F1/F0)	22.85%	13.47%	12.80%	86.41%	1.53%	1,040.63%
Current Cash Flow Growth	-25.49%	2.91%	4.88%	5.46%	NA	-61.51%
Historical Cash Flow Growth (3-5 Years)	55.21%	13.95%	8.07%	NA	NA	-2.12%
Current Ratio	1.83	1.58	1.38	1.53	2.69	2.46
Debt/Capital	63.48%	38.72%	41.57%	65.05%	59.86%	37.54%
Net Margin	2.46%	1.50%	10.56%	NA	10.62%	-0.34%
Return on Equity	13.35%	1.25%	15.23%	NA	25.37%	21.64%
Sales/Assets	0.78	0.99	0.51	NA	0.68	1.32
Projected Sales Growth (F1/F0)	4.99%	1.46%	5.92%	23.69%	-0.32%	18.44%
Momentum Score	B	-	-	C	F	C
Daily Price Change	-2.17%	-0.82%	-1.88%	-2.58%	-1.15%	2.82%
1-Week Price Change	-3.09%	0.06%	-0.02%	3.84%	2.04%	4.08%
4-Week Price Change	-4.32%	7.83%	-1.48%	3.57%	-0.13%	22.77%
12-Week Price Change	19.33%	14.48%	6.91%	7.01%	1.15%	32.23%
52-Week Price Change	24.87%	37.35%	5.65%	50.68%	NA	295.26%
20-Day Average Volume (Shares)	287,550	79,168	1,962,643	29,694	439,004	1,201,593
EPS F1 Estimate 1-Week Change	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.48%	0.00%	0.26%	0.00%	0.17%	0.71%
EPS F1 Estimate 12-Week Change	17.31%	3.23%	1.63%	3.23%	2.03%	38.72%
EPS Q1 Estimate Monthly Change	-5.28%	0.00%	0.05%	NA	-10.29%	9.43%

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	A
Growth Score	A
Momentum Score	B
VGM Score	A

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.