Spectrum Brands (SPB)

$82.32 (As of 06/17/21)

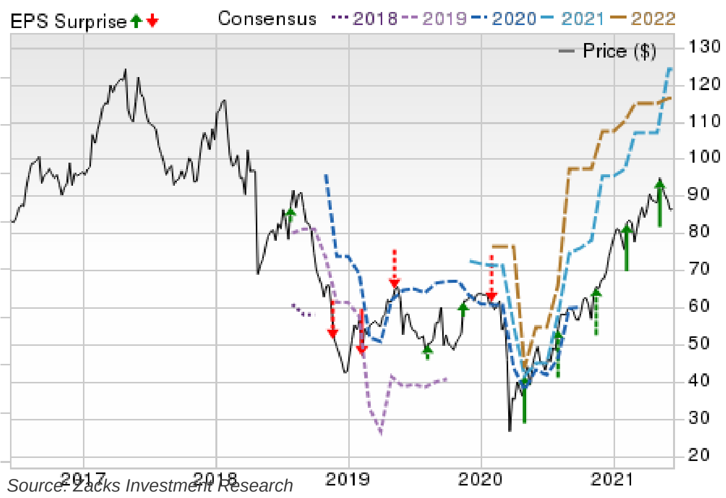
Price Target (6-12 Months): **$87.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/09/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: A | Growth: B | Momentum: A	**3-Hold** VGM:A

Summary

Shares of Spectrum Brands have outperformed the industry in the past six months, driven by better-than-expected results for second-quarter fiscal 2021. Despite inflation pressure and higher investments in marketing and advertising, results gained from product launches, which led to top-line growth and margin expansion, strong cash flow and improved profitability. Also, continued strength in global pet care category contributed to quarterly growth. Earnings gained from favorable volumes and productivity. Moreover, favorable pricing and productivity related to the Global Productivity Improvement Program aided gross margin. Management lifted the fiscal 2021 view. However, elevated SG&A expenses due to higher marketing investments remain a concern. Also, stiff competition and tough economic environment due to pandemic have been headwinds.

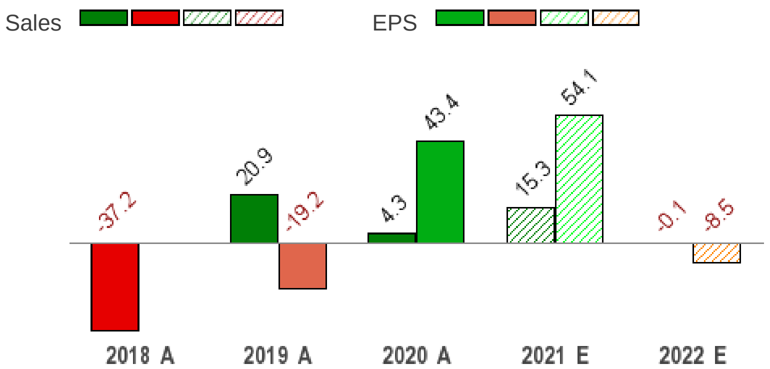
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$97.27 - $43.09**
20-Day Average Volume (Shares)	**234,133**
Market Cap	**$3.5 B**
Year-To-Date Price Change	**4.2%**
Beta	**1.90**
Dividend / Dividend Yield	**$1.68 / 2.0%**
Industry	**Consumer Products - Discretionary**
Zacks Industry Rank	**Bottom 49% (129 out of 252)**
Last EPS Surprise	**83.3%**
Last Sales Surprise	**11.6%**
EPS F1 Estimate 4-Week Change	**4.0%**
Expected Report Date	**07/30/2021**
Earnings ESP	**0.0%**
P/E TTM	**11.8**
P/E F1	**13.0**
PEG F1	**0.7**
P/S TTM	**0.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	993 E	1,098 E	1,194 E	1,201 E	4,568 E
2021	1,145 A	1,150 A	1,167 E	1,110 E	4,572 E
2020	872 A	938 A	984 A	1,171 A	3,964 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$1.20 E	$1.72 E	$1.95 E	$0.79 E	$5.78 E
2021	$2.13 A	$1.76 A	$1.54 E	$0.64 E	$6.32 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 06/17/2021. The report's text and the analyst-provided price target are as of 06/18/2021.

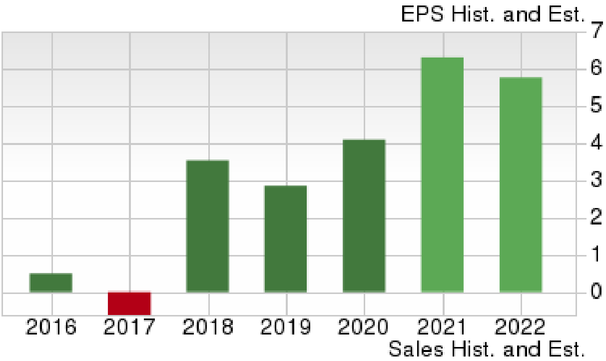
Overview

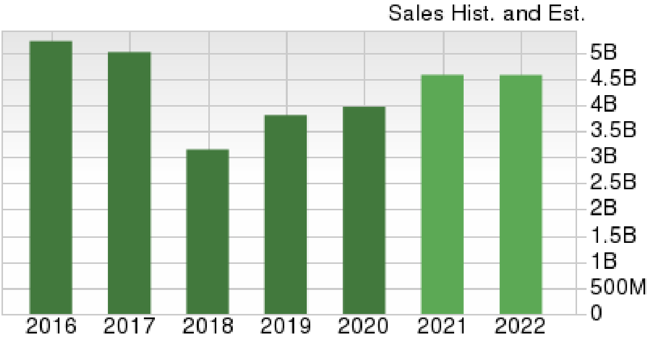
Spectrum Brands Holdings, Inc. is a global consumer products company. It offers a portfolio of leading brands in several product categories like residential locksets, plumbing, electric shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn and 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 35.7% to the company's overall net sales in first-quarter fiscal 2021.

Home & Personal Care: This segment includes Personal Care and Small Appliances businesses. The segment contributed 33.1% to overall net sales in the fiscal first 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 24.1% to overall net sales in the fiscal first quarter.

Home and Garden: This segment includes controls product category, household product category and repellents product category. The segment contributed 7.1% to overall net sales in the fiscal first quarter.

Source: Zacks Investment Research

Reasons To Buy:

> Spectrum Brands' impressive Q2 results were driven by sturdy sales growth due to solid demand for its products. Also, global productivity improvement plan savings contributed to growth.

- **Robust Q2 Results & Outlook**: Shares of Spectrum Brands have gained 10.8% in the past six months against the industry's decline of 8.5%. The the company reported better-than-expected results in second-quarter fiscal 2021, wherein both top and bottom lines improved year over year. Despite inflation pressure and higher investments in marketing and advertising, results gained from product launches, which led to top-line growth and margin expansion, strong cash flow and improved profitability. The bottom line gained from favorable volumes and productivity. Moreover, gross margin remained flat year over year at 35%, primarily driven by a rise in volumes across all segments, positive mix and better productivity related to the Global Productivity Improvement Program, which offset elevated freight and raw-material costs. Encouragingly, management lifted the fiscal 2021 view. The company now anticipates sales growth in mid-teens, up from the earlier view of high-single-digit growth. This includes a favorable impact of foreign currency. Further, adjusted EBITDA is likely to rise in mid-teens, up from the prior view of high-single-digit growth.

- **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 second-quarter fiscal 2021 results reflected gains from the plan. Encouragingly, it raised its savings target for the global productivity improvement plan to $200 million by the end of fiscal 2022. 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 17.8%, courtesy of growth in all four segments. Notably, sales for the Global Pet Care business improved 23.9%, driven by growth in aquatic and companion animal categories along with solid online sales. Excluding the favorable impacts of foreign currency and sales from acquisitions, organic sales rose 10%. 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 the U.K. and offers products such as dog chews, cat chews, treats and toys. Cumulatively, the pet segment remains poised for growth in 2021 backed by its pipeline of robust innovation and growth strategy.

- **Home & Personal Care Segment**: During second-quarter fiscal 2021, sales at the Home & Personal Care segment increased 28%, backed by growth in small appliances and personal care. Also, strength in sales across all regions as well as continued momentum in the online channel, particularly pure-play and retailer.com, acted as upsides. Excluding the positive impacts of foreign currency, organic net sales for the segment increased 24.3%.

- **Financial Flexibility**: Although Spectrum Brands' debt of $2,552 million rose 2.8% during second-quarter fiscal 2021, its debt to capitalization ratio remains flat at 0.63 on a sequential basis. The company had a strong liquidity position, with a cash balance of $290 million and roughly $577 million available under its $600-million cash flow revolver. Further, it sold the remaining shares of Energizer common stock worth $12.6 million. Also, the company announced a new three-year share repurchase program worth $1 billion. The company boasts liquidity of more than $860 million, which is likely to help it stay afloat amid this ongoing pandemic.

Reasons To Sell:

- **High Costs & Tariffs Remain Concerns**: Spectrum Brands witnessed elevated expenses in second-quarter fiscal 2021. Although SG&A expenses, as a percentage of sales, contracted 190 bps at 22.8%, SG&A expenses rose 13.1% to $262.2 million in the said quarter. This can be mainly attributable to higher volumes along with a rise in advertising and marketing costs and elevated incentive and distribution expenses. 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. Also, elevated freight and raw-material costs remain woes. Persistence of these downsides may weigh on the company's bottom line in the near term.

Spectrum Brands witnessed elevated SG&A expenses in Q2 on higher volumes and increased marketing investments. It is on track with plans to invest $20 million in advertising and promotion.

- **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.

Last Earnings Report

Spectrum Brands' Q2 Earnings & Sales Top Estimates, View Up

Quarter Ending	03/2021
Report Date	May 07, 2021
Sales Surprise	11.58%
EPS Surprise	83.33%
Quarterly EPS	1.76
Annual EPS (TTM)	6.97

Spectrum Brands reported better-than-expected results in second-quarter fiscal 2021, wherein both top and bottom lines improved year over year. Despite inflation pressure and higher investments in marketing and advertising, results gained from product launches, which led to top-line growth and margin expansion, strong cash flow and improved profitability. Encouragingly, management lifted the fiscal 2021 view.

Adjusted earnings from continuing operations of $1.76 per share surpassed the Zacks Consensus Estimate of 96 cents. The bottom line surged 93.4% from 91 cents in the prior-year quarter on the back of favorable volumes and productivity.

Spectrum Brands' net sales grew 22.6% year over year to $1,149.8 million and exceeded the Zacks Consensus Estimate of $1,030 million. Excluding the positive impacts of currency and sales from buyouts, organic net sales advanced 17.8%, courtesy of growth in all four segments. Favorable currency of $18 million and acquisitions-related gains of $26.8 million, also contributed to quarterly sales growth. Moreover, its e-commerce unit continued to witness significant growth across all categories. E-commerce sales rose 43% year over year, accounting for more than 16% of net sales.

Gross profit increased 22.8% year over year to $404 million. Moreover, gross margin remained flat year over year at 35%, primarily driven by a rise in volumes across all segments, positive mix and better productivity related to the Global Productivity Improvement Program, which offset elevated freight and raw-material costs. SG&A expense rose 13.1% to $262.2 million. Meanwhile, as a percentage of sales, SG&A expense contracted 190 bps to 22.8%. This can be mainly attributable to higher volumes along with a rise in advertising and marketing costs and elevated incentive and distribution expenses.

The company reported an operating income of $116.8 million, up 72.5% year over year. The upside was led by higher volumes, better productivity and reduced restructuring costs, which more than offset elevated freight and raw-material costs as well as higher marketing and advertising investments. Adjusted EBITDA from continuing operations advanced 28.8% to $180.9 million in the fiscal second quarter. The metric benefited from sturdy volume growth and improved productivity. Also, solid performance in all segments contributed to quarterly growth. Adjusted EBITDA margin expanded 70 bps to 15.7%.

Segmental Performance

Sales in the **Hardware & Home Improvement** segment increased 18.4% to $389.5 million, mainly driven by growth in all categories, particularly security, owing to strong demand and new product launches. The segment's organic sales rallied 17.4% year over year. Also, adjusted EBITDA in the segment grew 5.6% to $73.4 million on the back of higher volumes, and better productivity, which more than offset COVID-related costs, higher freight and raw-material expenses, and the rise in marketing investments.

Sales in the **Home & Personal Care** segment increased 28% to $297.9 million, backed by growth in small appliances and personal care. Also, strength in sales across all regions as well as continued momentum in the online channel, particularly pure-play and retailer.com, acted as upsides. Excluding the positive impacts of foreign currency, organic net sales for the segment increased 24.3%. Moreover, the segment's adjusted EBITDA of $25.4 million skyrocketed 217.5%, driven by better volumes and improved productivity.

The **Global Pet Care** segment's sales grew 23.9% year over year to $293.6 million, primarily driven by strength in aquatic and companion animal categories. Excluding the favorable impacts of foreign currency and sales from acquisitions, organic sales rose 10%. Further, the segment's adjusted EBITDA grew 39% to $55.6 million.

The **Home & Garden** segment's sales advanced 21.4% to $168.8 million, primarily on growth in three major categories — controls, household insecticides and repellents. Also, early reorders across mass and online channels aided growth. Further, the segment's adjusted EBITDA was $34.8 million, up 22.5% from $28.4 million in the prior-year quarter.

Other Financials

Spectrum Brands ended the quarter with cash and cash equivalents of $290 million and roughly $577 million available under its $600-million cash flow revolver. Further, it sold the remaining shares of Energizer common stock worth $12.6 million. As of Apr 4, 2021, the company's outstanding debt was nearly $2,610 million. During the quarter under review, capital expenditure amounted to $16.2 million. For fiscal 2021, capital expenditure is still estimated to be $85-$95 million. Also, the company announced a new three-year share repurchase program worth $1 billion. The company boasts liquidity of more than $860 million, which is likely to help it stay afloat amid this ongoing pandemic.

Guidance

Driven by impressive quarterly results, management raised its 2021 view. The company now anticipates sales growth in mid-teens, up from the earlier guided view of high-single-digit growth. This includes a favorable impact of foreign currency. Further, adjusted EBITDA is likely to rise in mid-teens, up from the prior view of high-single-digit growth. Additionally, it expects adjusted free cash flow to be $260-$280 million, which reflects an improvement from $250-$270 million guided earlier. Also, savings from the Global Productivity Improvement Program are envisioned to be $200 million by the end of fiscal 2022.

Recent News

Spectrum Brands Approves Dividend - May 4, 2021

Spectrum Brands's board has declared a quarterly dividend of 42 cents per share to be paid on Jun 10 as of shareholders record on May 20, 2021

Spectrum Brands Inks Deal to Acquire Rejuvenate – Apr 21, 2021

Spectrum Brands has announced to acquire a Household Cleaning, Maintenance and Restoration Products Company namely Rejuvenate, in a deal worth nearly $300 million. The deal is likely to be completed by the first half of fiscal 2021.

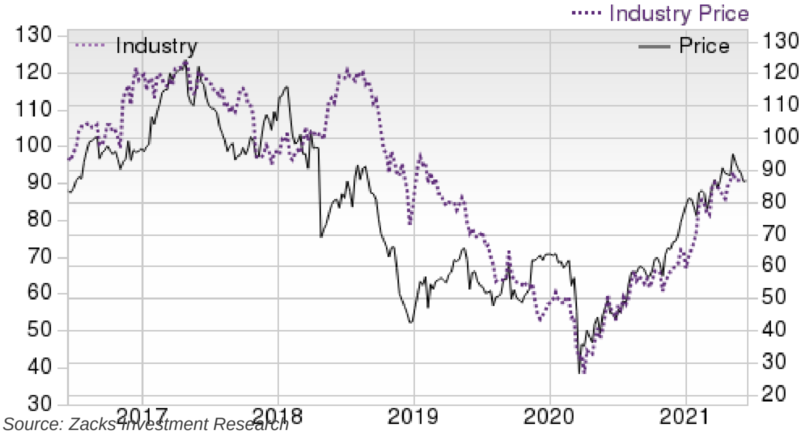
Valuation

Spectrum Brands shares are up 4.3% in the year-to-date period and nearly 82.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 17.5% and 1.5%, in the year-to-date period, respectively. Over the past year, the Zacks sub-industry are down 15.7% but the sector is up 28.9%.

The S&P 500 index is up 13.3% in the year-to-date period and 38.5% in the past year.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our $87 price target reflects 14.85X forward 12-month earnings.

Industry Analysis **Zacks Industry Rank:** Bottom 49% (129 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Funko, Inc. **(FNKO)**	Outperform	2
Vista Outdoor Inc. **(VSTO)**	Outperform	1
Central Garden & Pet Company **(CENT)**	Neutral	3
Central Garden & Pet Company **(CENTA)**	Neutral	3
Party City Holdco Inc. **(PRTY)**	Neutral	2
Swedish Match AB Unsponsored ADR **(SWMAY)**	Neutral	3
UNICHARM CORP **(UNICY)**	Neutral	4
Reynolds Consumer Products Inc. **(REYN)**	Underperform	4

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

Industry Comparison Industry: Consumer Products - Discretionary

	SPB	X Industry	S&P 500	CENT	REYN	VSTO
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Outperform
Zacks Rank (Short Term)	3	-	-	3	4	1
VGM Score	A	-	-	D	C	B
Market Cap	3.51 B	524.41 M	29.66 B	3.06 B	6.25 B	2.32 B
# of Analysts	2	2	12	3	3	8
Dividend Yield	2.04%	0.00%	1.35%	0.00%	3.09%	0.00%
Value Score	A	-	-	B	B	B
Cash/Price	0.08	0.06	0.05	0.02	0.02	0.10
EV/EBITDA	12.05	12.05	16.95	15.65	11.98	7.30
PEG F1	0.69	3.66	2.09	NA	NA	NA
P/B	2.35	3.21	4.06	2.64	3.80	3.19
P/CF	9.76	12.79	17.27	16.67	12.20	8.20
P/E F1	12.97	15.82	20.99	21.16	15.76	11.42
P/S TTM	0.79	1.01	3.39	1.01	1.90	1.04
Earnings Yield	7.68%	5.51%	4.65%	4.72%	6.34%	8.75%
Debt/Equity	1.71	0.43	0.66	0.84	1.28	0.67
Cash Flow ($/share)	8.43	0.50	6.83	3.30	2.44	4.92
Growth Score	B	-	-	D	C	C
Historical EPS Growth (3-5 Years)	NA%	7.58%	9.44%	13.93%	NA	-21.97%
Projected EPS Growth (F1/F0)	54.02%	12.82%	21.49%	15.19%	-4.06%	-3.45%
Current Cash Flow Growth	-25.49%	-3.96%	0.99%	24.71%	62.03%	17.82%
Historical Cash Flow Growth (3-5 Years)	55.21%	18.76%	7.28%	20.10%	NA	4.40%
Current Ratio	1.94	1.74	1.39	2.62	2.29	2.87
Debt/Capital	63.06%	42.09%	41.51%	45.73%	56.13%	40.21%
Net Margin	6.72%	3.44%	11.95%	5.30%	12.49%	11.95%
Return on Equity	20.92%	12.65%	16.48%	15.85%	27.14%	35.61%
Sales/Assets	0.86	1.09	0.51	1.23	0.70	1.46
Projected Sales Growth (F1/F0)	15.32%	1.78%	9.41%	16.75%	7.07%	10.42%
Momentum Score	A	-	-	D	D	C
Daily Price Change	-2.89%	0.00%	-0.04%	-0.83%	-0.87%	-3.97%
1-Week Price Change	0.23%	1.52%	-0.41%	2.06%	1.19%	1.39%
4-Week Price Change	-8.48%	0.00%	1.51%	-1.08%	-3.97%	7.43%
12-Week Price Change	-0.81%	1.65%	7.99%	2.25%	-0.70%	35.04%
52-Week Price Change	77.41%	62.95%	35.52%	63.04%	-12.25%	219.73%
20-Day Average Volume (Shares)	234,133	77,761	1,771,802	48,601	379,571	813,035
EPS F1 Estimate 1-Week Change	3.95%	0.00%	0.00%	0.00%	0.00%	0.00%

EPS F1 Estimate 4-Week Change	3.95%	0.00%	0.03%	0.00%	0.00%	4.47%
EPS F1 Estimate 12-Week Change	16.62%	16.62%	3.37%	23.97%	-6.28%	28.91%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%

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	B
Momentum Score	A
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

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.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

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.