Square, Inc. (SQ)

$164.81 (As of 09/29/20)

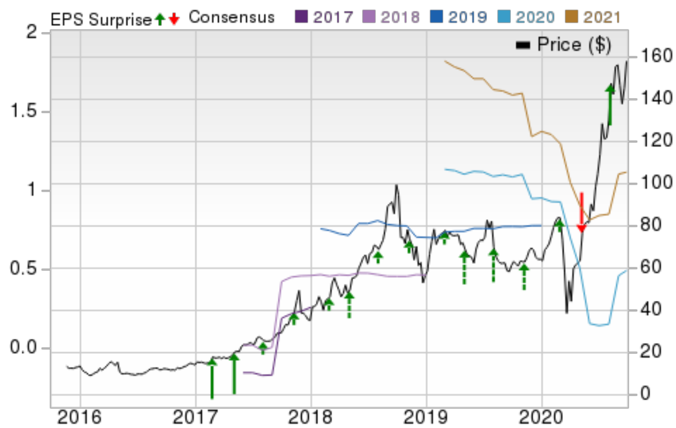
Price Target (6-12 Months): **$173.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 08/05/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:F
	Value: F | Growth: F	Momentum: A

Summary

Square is gaining on strong Cash App engagement and its growing active customer base. Further, growing bitcoin revenues owing to robust Cash App are contributing well to the top-line. Furthermore, strong adoption of Cash Card is a major positive. Additionally, the company's strengthening momentum in online channels and growing card-not-present GPV are expected to remain tailwinds. Moreover, robust online products, such as Square Online Store, Invoices, Virtual Terminal and eCommerce API are expected to accelerate the GPV growth in the near term. The stock has outperformed its industry on a year-to-date basis. However, weak momentum across seller ecosystem owing to COVID-19 led shelter-in-place restrictions is a major concern. Further, declining unit sales of hardware devices is an overhang. Also, rising product development expenses are risks.

Price, Consensus & Surprise

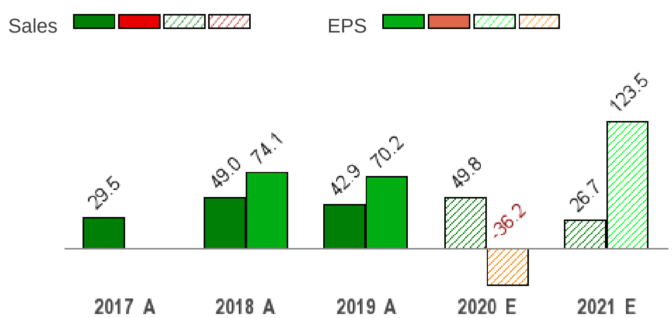


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$170.61 - $32.33**
20-Day Average Volume (Shares)	**10,768,889**
Market Cap	**$73.1 B**
Year-To-Date Price Change	**163.4%**
Beta	**2.72**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Internet - Software**
Zacks Industry Rank	**Bottom 25% (188 out of 251)**
Last EPS Surprise	**357.1%**
Last Sales Surprise	**68.7%**
EPS F1 Estimate 4-Week Change	**10.5%**
Expected Report Date	**11/04/2020**
Earnings ESP	**-76.6%**
P/E TTM	**257.5**
P/E F1	**323.2**
PEG F1	**8.9**
P/S TTM	**12.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,056 E	2,210 E	2,437 E	2,563 E	8,951 E
2020	1,381 A	1,924 A	1,993 E	2,064 E	7,062 E
2019	959 A	1,174 A	1,266 A	1,313 A	4,714 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.22 E	$0.28 E	$0.27 E	$0.34 E	$1.14 E
2020	-$0.02 A	$0.18 A	$0.13 E	$0.20 E	$0.51 E
2019	$0.11 A	$0.21 A	$0.25 A	$0.23 A	$0.80 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/29/2020. The reports text is as of 09/30/2020.

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

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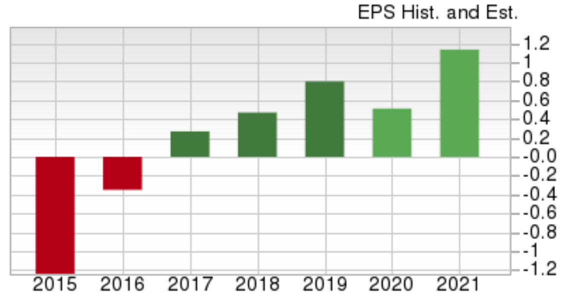
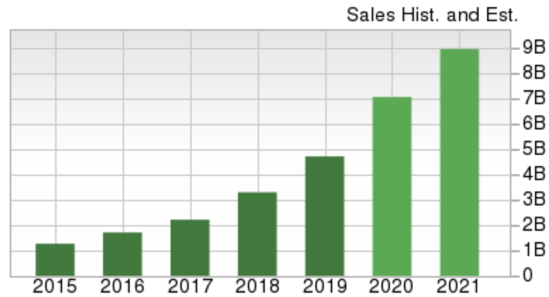
Overview

Headquartered in San Francisco, CA, Square, Inc. was incorporated in 2015. The company offers financial and marketing services through its comprehensive commerce ecosystem that helps sellers to start, run and grow their businesses.





We combine sophisticated software with affordable hardware to provide sellers powerful payment and point-of-sale solutions. The company provides payment and point-of-sale (POS) services, which include hardware and software to accept payments, streamline operations and analyze business information.

Square's payments and POS services include In-Person Payments, Online Payments, Square Cash, Square Register, Square Analytics, Square Appointments and Square App Marketplace. The company's financial services include Square Capital and Square Payroll.

Square reported total revenues of $4.7 billion in 2019. The company earns revenues from transactions, subscription and services, hardware and bitcoin.

Transaction-based revenues (65.4% of total revenues in 2019) include transaction fees that sellers pay for managed payment solutions and services.

Subscription and services-based revenues (21.9%) include fees that sellers pay for a range of paid services-based products including Square Appointments, Gift Cards, Customer Engagement, Employee Management, Payroll, Instant Deposit, and other subscription and services-based products offered through Square Marketplace. A significant portion of the revenues comes from Square Capital that provides loans to pre-qualified sellers and Caviar, Square's food ordering service.

Hardware revenues (1.8%) are generated from sales of contactless readers, chip card readers and third-party peripherals which include cash drawers, receipt printers and barcode scanners. Square's hardware portfolio is comprised of Square Stand, Magstripe reader, Square Register and Square Terminal, and chip readers.

Bitcoin revenues (10.9%) are derived from total sales of bitcoin to customers. Cash App users can buy and sell bitcoins.

Geographically, the United States contributed almost 94.9% of revenues, while the rest came from International markets.

The company had approximately 3,835 employees worldwide as of Dec 31, 2019.

Source: Zacks Investment Research

Reasons To Buy:

> Square's comprehensive commerce ecosystem, accelerated business growth and entry into bitcoin space remain major positives.

- Square differentiates itself by offering a **comprehensive commerce ecosystem** enabling sellers to combine software, hardware and payments services from several vendors. The company's managed payment solutions allow sellers to accept payment through a range of media such as magnetic stripe (a swipe), Near Field Communication (NFC), EMV (Europay, MasterCard, and Visa), online through Square Invoices, Square Virtual Terminal, or the seller's website. Square's powerful point-of-sale software and services help sellers manage locations, orders, inventory, employees, and payroll. It helps sellers grow their sales with customers; and gain access to business loans. The Square Capital service offers loans to sellers on the basis of their payment processing history. Caviar, the company's food ordering service, helps restaurants gain access to new customers and enhance sales without additional overhead. A technology focused approach has enabled the company to develop products and services that are unified, fast, self-serve, and reliable and we expect this to continue in the coming years. We believe the company's strong efforts toward expansion of its payment solutions portfolio will continue to drive its top-line growth and aid momentum in the growing market for online payment solutions.

- Square's rate of **growth has been impressive** since it started operations eight years back. The company serves millions of sellers across various industries such as food, retail and services, and geographies including the U.S., Japan, Australia and Canada. It processed $106.2 billion of Gross Payment Volume (GPV) in 2019. The company has been doing well with larger and midmarket sellers. In second-quarter 2020, larger sellers contributed 52% to total GPV. The company's robust product portfolio is the key catalyst behind its improving GPV. The newly launched Square Reader SDK is a major positive. Additionally, API Platforms, Build with Square, Virtual Terminal, Instant Deposit and especially Square for Restaurants will continue to drive the GPV growth further.

- The company is **deeply focused on integration and automation**. On the integration front, Square aims to make its services more cohesive. It focuses on integration with the customer directory to give sellers an advanced client base. It also helps to build customer profiles and provides purchasing history directly from the point of sale. On the automation front, Square is trying to make its services more self-serve. It focuses on machine learning to automate internal as well as customer-facing experiences.

- Square's **entry into bitcoin market** with CashApp product, is contributing well to the company's quarterly results. Further, Square's expanding global presence will continue to benefit its top-line growth. The intoduction of CashApp and Instant Deposit in U.K. bodes well for the company's market position and it will continue to generate revenues.

- Square has a **strong balance sheet**. As of Jun 30, 2020, the company's net cash amounted to $194.3 million compared with $201.5 million as of Mar 31, 2019. Further, debt-to-total capital was 53.2% as of Jun 30, 2020 which increased from 49.3% as of Dec 31, 2019. However, given the strong liquidity position this is not a concern. Further, the company has no short-term debt currently. Additionally, Square entered into a new revolving credit agreement with certain lenders in May 2020, which now provides a $500 million senior unsecured revolving credit facility maturing in May 2023.

Reasons To Sell:

- Growth will continue to depend on the company's ability to differentiate. Square is **vulnerable to intense competition and changing technology, industry standards and seller and buyer needs**. Competition is tough as the likes of PayPal are encroaching on its turf. Also, increasing competition from Shopify remains a headwind. These call for frequent changes in product and service offerings, which in turn require heavy investments, putting pressure on its earning capacity.

> Square is vulnerable to intense competition and changing technology, industry standards and seller and buyer needs.

- The nature of its business makes Square vulnerable to **foreign exchange risk**. Apart from the U.S., the company operates in Canada, Australia and Japan and derives a significant part of its sales and earnings from there. Thus, appreciation or depreciation of the U.S. dollar versus foreign currencies could impact the company's results.

- Moreover, the company is trading at premium in terms of Price/Book (P/B). Square currently has a trailing 12-month P/B ratio of 35.48X. This level compares unfavorably with what the industry witnessed in the last year. Additionally, the ratio is nearing the high end of the valuation range in this period. Consequently, the **valuation looks slightly stretched** from P/B perspective.

Last Earnings Report

Square Reports Q2 Earnings

Quarter Ending	06/2020
Report Date	Aug 04, 2020
Sales Surprise	68.69%
EPS Surprise	357.14%
Quarterly EPS	0.18
Annual EPS (TTM)	0.64

Square reported second-quarter 2020 adjusted earnings of 18 cents per share, against the Zacks Consensus Estimate of a loss of 8 cents per share. Notably, the company had reported earnings of 21 cents in the year-ago quarter and a loss of 2 cents in the prior quarter.

Net revenues of $1.92 billion surpassed the Zacks Consensus Estimate of $1.14 billion. Further, the figure improved 63.8% from the year-ago quarter and 39.3% sequentially.

The top line was driven by strong momentum across Cash App ecosystem that contributed $1.2 billion to net revenues during the reported quarter, up 361% year over year. Cash App was used by above 30 million monthly transacting active customers in June 2020. Further, disbursements of the CARES Act stimulus programs and unemployment benefits aided growth in the Cash App engagement.

Moreover, strengthening momentum across Bitcoin and strong adoption of Cash Card benefited the results. Notably, Cash Card was used by 7 million customers in June 2020, which doubled compared to June 2019.

Additionally, accelerating subscription revenues remained a major positive.

However, weak momentum across seller ecosystem owing to coronavirus-led shelter-in-place restrictions remained a major negative, which impacted the company's gross payments volume (GPV) negatively in the second quarter. Revenues from seller ecosystem were $$723 million, down 17% year over year.

Square has refrained from providing guidance for the ongoing quarter and the full year 2020. This can be attributed to the uncertainties related to the COVID-19 pandemic.

Nevertheless, the company's strengthening momentum in online channels and growing card-not-present GPV are expected to act as tailwinds in the upcoming quarters.

Further, strong acquisition of net-new transacting active Cash App customers is likely to continue driving the company's top line.

Gross Payment Volume

GPV in the second quarter amounted to $22.8 billion beating the Zacks Consensus Estimate of $19.2 billion. However, the figure declined 15% year over year, which can primarily be attributed to sluggishness in the seller ecosystem during the reported quarter owing to coronavirus pandemic.

Slowdown in GPV across the company's largest U.S. metropolitan areas was a concern. Further, decreasing GPV for the sellers across beauty, personal care, and food and drink verticals among others acted as a headwind during the reported quarter.

Nevertheless, gradual reopening of the economies and relaxation of COVID-19 restrictions remained positives as it led to quarter-over-quarter improvement in GPV.

Growing proliferation of online sales was also a positive backed by which GPV from online channels were up 50% year over year. Further, it contributed more than 25% of the company's seller GPV.

Additionally, the company's robust product portfolio and comprehensive ecosystem, which aidsit in attracting new sellers to its platform while retaining the existing ones, sustained momentum across larger sellers who contributed 52% to the total GPV.

Notably, Square defines larger sellers as those that make more than $125,000 of annualized GPV and mid-market sellers as those with annualized revenues of more than $500,000.

Moreover, year-over-year growth of 16% in the card-not-present GPV in the second quarter was a tailwind. Robust online products, such as Square Online Store, Invoices, Virtual Terminal and eCommerce API contributed to the performance.

Notably, card-present GPV declined 38% from the year-ago quarter.

Top-Line Details

Transaction (35.5% of net revenues): The company generated transaction revenues of $682.6 million, down 12% year over year. This was primarily attributed to sluggish GPV from in the second quarter.

Nevertheless, growing proliferation of contactless transactions was a tailwind. Also, strong momentum across business accounts using Cash App, which generated $54 million of transaction revenues, up 216% year over, remained a positive.

Subscription and services (18% of revenues): The company generated $346.3million revenues from this category, surging 38% from the year-ago quarter. This improvement can be attributed to strong performance by Cash App, which contributed $271 million to the category's top line. The figure was up 129% from the year-ago quarter. This was driven by robust Cash Card spending and growing Instant Deposit volume in the reported quarter. Additionally, strong performance by Square Capital on the back of PPP loans remained positive. Notably, it facilitated more than 80,000 PPP loans worth $873 million.

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However, weak seller ecosystem, which generated $75 million of subscription and services revenues, down 16% year over year, remained a concern.

Hardware (1% of revenues): Square generated revenues of $19.3 million from this business, down13% year over year. This was due to declining unit sales of hardware devices.

Nevertheless, the company witnessed improved sales of contactless devices like Square Register and Square Terminal in the reported quarter.

Bitcoin (45.5% of revenues): The company generated revenues of $875.5 million from this category, up a whopping 600% on a year-over-year basis. Square continued to benefit in the bitcoin space driven by growing adoption of Cash App. Further, the company witnessed strong customer demand and growth in bitcoin actives in the second quarter.

Operating Details

Per management, gross profit grew 28.1% from the year-ago quarter to $596.8 million. As a percentage of net revenues, the figure came in 31%, contracting 870 basis points (bps) year over year. While Transaction, Subscription and services and Bitcoin generated profit, Hardware category reported loss during the reported quarter.

Further, the coronavirus pandemic remained a woe

Adjusted EBITDA as a percentage of net revenues was 5.1%, contracting 380 bps from the year-ago quarter due to slowdown in seller revenues.

Operating expenses came in $619.8 million, surging 32.8% from prior-year quarter.

Product development expenses were $206.8 million, up 19% year over year, primarily owing to growing engineering, data science and design personnel costs.

General and administrative expenses were $136.4 million, up 36% from prior-year quarter. This was primarily due to finance, legal and support personnel costs.

Further, sales and marketing costs were $238.1 million, up 52% year over year, due to increase in Cash App peer-to-peer payment transfer and Cash Card issuances.

Balance Sheet

As of Jun 30, 2020, cash and cash equivalents balance was $1.97 billion, up from $1.96 billion as of Mar 31, 2020.

Short-term investments were $714.3 million in the reported quarter, up from $521.8 million in the previous quarter.

Long-term debt was $1.77 billion, increasing from $1.76 billion in previous quarter.

Recent News

On **Sep 16, 2020**, Square introduced Talking Squarely, its first official podcast which allows sellers to ask questions and talk freely among each other about the new challenges they are facing.

On **Sep 15, 2020**, Square added two new features to Square Payroll namely On-Demand Pay for employees and Instant Payments for employers. These features are expected to simplify the payroll process.

On **Jun 24, 2020**, Square rolled out On-Demand Delivery which will allow sellers in Square Online Store to dispatch the courier for orders placed driectly on their websites with the help of delivery partners.

On **Jun 15, 2020**, Square revealed Square Capital is gaining strong traction among the small businesses on the back of Paycheck Protection Program (PPP). Notably, Square Capital has facilitated PPP loans worth more than $820 million as of Jun 10 since Apr 29.

On **Mar 18, 2020**, Square received conditional approval to operate a bank from the Federal Deposit Insurance Corporation (FDIC) Board. Following this approval, the company is aiming to launch Square Financial Services as a bank by 2021. Square Financial Services will be headquartered in Salt Lake City, UT and operate as a direct subsidiary of Square.

Valuation

Square shares are up 163.5% in the year-to-date period and 167.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 75.2% and 21.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector is up 80% and 37%, respectively.

The S&P 500 index is up 3.6% in the year-to-date period and 13.7% in the past year.

The stock is currently trading at 8.63X forward 12-month sales, which compares to 9.33X for the Zacks sub-industry, 4.23X for the Zacks sector and 4.07X for the S&P 500 index.

Over the past three years, the stock has traded as high as 11.34X and as low as 2.66X, with a 3-year median of 6.22X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $173 price target reflects 9.06X forward 12-month sales.

The table below shows summary valuation data for SQ

Valuation Multiples - SQ

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	8.63	9.33	4.23	4.07
	3-Year High	11.34	9.33	4.49	4.3
	3-Year Low	2.66	4.91	2.77	3.21
	3-Year Median	6.22	5.95	3.51	3.78
P/B TTM	Current	37.85	11.58	7.61	5.75
	3-Year High	38.28	12.05	8.33	6.19
	3-Year Low	9.61	4.68	4.58	3.84
	3-Year Median	23.93	6.62	5.88	5.09
EV/Sales TTM	Current	12.24	11.45	4.79	3.8
	3-Year High	14.79	11.93	5.24	4.15
	3-Year Low	3.39	4.55	3.11	2.61
	3-Year Median	7.96	6.55	4.02	3.67

As of 09/29/2020 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Bottom 25% (188 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Covetrus, Inc. **(CVET)**	Neutral	3
F5 Networks, Inc. **(FFIV)**	Neutral	3
LINE Corporation **(LN)**	Neutral	3
Micro Focus International PLC Sponsored ADR **(MFGP)**	Neutral	2
PayPal Holdings, Inc. **(PYPL)**	Neutral	3
Splunk Inc. **(SPLK)**	Neutral	3
Twitter, Inc. **(TWTR)**	Neutral	4
Workday, Inc. **(WDAY)**	Neutral	3

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

Industry Comparison Industry: Internet - Software

Industry Peers

	SQ	X Industry	S&P 500	CVET	PYPL	WDAY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	A	C	C
Market Cap	73.10 B	1.10 B	22.94 B	2.77 B	228.21 B	52.32 B
# of Analysts	11	6	14	4	16	32
Dividend Yield	0.00%	0.00%	1.66%	0.00%	0.00%	0.00%
Value Score	F	-	-	B	D	F
Cash/Price	0.04	0.10	0.08	0.16	0.06	0.05
EV/EBITDA	151.87	-1.05	13.09	23.67	57.31	-834.61
PEG F1	8.92	6.41	2.88	1.17	2.42	3.63
P/B	37.85	6.31	3.23	2.16	12.90	18.43
P/CF	443.31	28.53	12.78	2.30	59.74	490.96
P/E F1	324.67	78.58	21.16	36.84	52.00	87.04
P/S TTM	12.42	5.44	2.46	0.67	11.87	13.10
Earnings Yield	0.31%	0.14%	4.47%	2.72%	1.92%	1.15%
Debt/Equity	0.92	0.04	0.70	0.86	0.51	0.62
Cash Flow ($/share)	0.37	-0.01	6.92	10.71	3.26	0.45
Growth Score	F	-	-	A	A	A
Historical EPS Growth (3-5 Years)	NA%	16.77%	10.43%	NA	19.67%	NA
Projected EPS Growth (F1/F0)	-36.02%	-0.93%	-4.22%	-15.51%	20.66%	34.93%
Current Cash Flow Growth	130.71%	4.37%	5.47%	602.34%	30.28%	10.10%
Historical Cash Flow Growth (3-5 Years)	26.09%	21.50%	8.52%	NA	18.18%	23.82%
Current Ratio	1.70	1.56	1.35	2.06	1.38	1.45
Debt/Capital	48.00%	15.99%	42.91%	51.37%	33.56%	38.17%
Net Margin	5.15%	-19.29%	10.28%	-22.40%	13.44%	-10.77%
Return on Equity	-1.20%	-13.21%	14.73%	7.03%	16.17%	-10.56%
Sales/Assets	1.05	0.60	0.50	1.20	0.35	0.58
Projected Sales Growth (F1/F0)	49.83%	7.75%	-1.38%	4.62%	20.21%	17.62%
Momentum Score	A	-	-	C	C	D
Daily Price Change	2.52%	0.00%	-0.65%	0.86%	1.29%	0.20%
1-Week Price Change	8.76%	0.00%	-2.32%	7.06%	6.35%	7.65%
4-Week Price Change	-1.11%	-6.63%	-3.62%	11.37%	-6.91%	-8.67%
12-Week Price Change	31.22%	0.00%	5.10%	29.90%	9.71%	15.23%
52-Week Price Change	167.42%	14.10%	0.81%	106.99%	89.70%	30.84%
20-Day Average Volume (Shares)	10,768,889	447,022	2,111,139	756,010	8,999,423	1,942,811
EPS F1 Estimate 1-Week Change	8.47%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	10.53%	0.00%	0.00%	0.00%	1.14%	0.00%
EPS F1 Estimate 12-Week Change	57.17%	3.93%	4.21%	17.36%	16.16%	33.10%
EPS Q1 Estimate Monthly Change	-27.03%	0.00%	0.00%	0.00%	0.62%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	F
Momentum Score	A
VGM Score	F

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

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a 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.