

## Teleflex Incorporated (TFX)

**\$396.40** (As of 06/10/21)

Price Target (6-12 Months): **\$416.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 02/18/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:C

Value: C

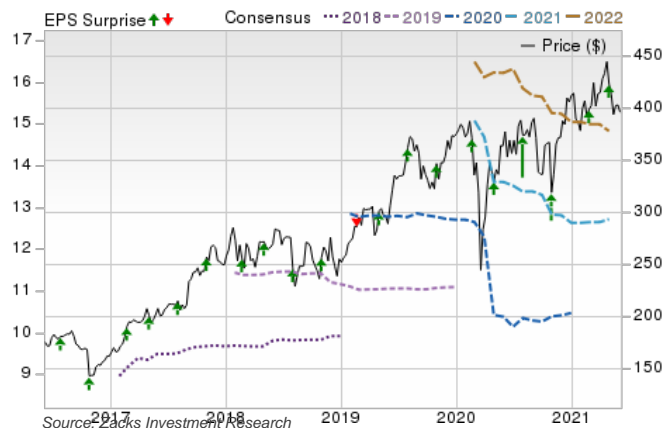
Growth: C

Momentum: D

### Summary

Teleflex reported better-than-expected first-quarter results. Earnings significantly exceeded the company's expectations reflecting recovery in monthly procedures throughout the quarter, coupled with prudent operating expense management. Geographically, the company's performance was strong in the Americas (driven by strong sales of Vascular Access and respiratory products, both of which saw coronavirus-led elevated demand) and Asia banking on improving sales volume. The raised guidance for 2021 buoys optimism. Over the past six months, Teleflex's stock has outperformed its industry. On the flip side, first-quarter revenues declined significantly on a year-over-year basis due to continued negative impact of the pandemic. Margin debacle along with continued operating loss is another major concern.

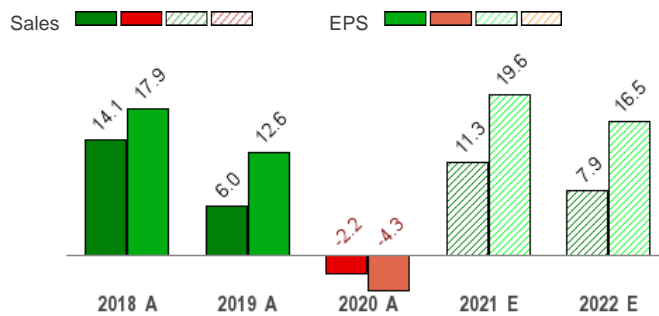
### Price, Consensus & Surprise



### Data Overview

52-Week High-Low	<b>\$449.38 - \$312.33</b>
20-Day Average Volume (Shares)	<b>187,367</b>
Market Cap	<b>\$18.5 B</b>
Year-To-Date Price Change	<b>-3.7%</b>
Beta	<b>1.18</b>
Dividend / Dividend Yield	<b>\$1.36 / 0.3%</b>
Industry	<b>Medical - Instruments</b>
Zacks Industry Rank	<b>Bottom 17% (208 out of 250)</b>

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



Last EPS Surprise	<b>17.6%</b>
Last Sales Surprise	<b>2.0%</b>
EPS F1 Estimate 4-Week Change	<b>-0.1%</b>
Expected Report Date	<b>07/29/2021</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>36.6</b>
P/E F1	<b>31.1</b>
PEG F1	<b>2.3</b>
P/S TTM	<b>7.3</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	692 E	733 E	766 E	851 E	3,048 E
2021	634 A	681 E	718 E	787 E	2,824 E
2020	631 A	567 A	628 A	711 A	2,537 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$3.27 E	\$3.52 E	\$3.78 E	\$4.33 E	\$14.86 E
2021	\$2.87 A	\$2.86 E	\$3.23 E	\$3.81 E	\$12.76 E
2020	\$2.72 A	\$1.93 A	\$2.77 A	\$3.25 A	\$10.67 A

\*Quarterly figures may not add up to annual.

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

## Overview

Teleflex is a global provider of medical technology products. The company primarily designs, develops, manufactures and supplies single-use medical devices used by hospitals and healthcare providers for common diagnostic and therapeutic procedures in critical care and surgical applications.

The company markets and sells its products to hospitals and healthcare providers worldwide through a combination of direct sales force and distributors. Teleflex has approximately 35 manufacturing sites with major manufacturing operations located in the Czech Republic, Germany, Malaysia, Mexico and the United States.

Following the acquisition of Vascular Solutions in 2017, Teleflex currently has seven reportable segments:

**Vascular Access** (25.9% of total revenues in 2020, 9.4% growth at constant exchange rate or CER): Vascular access business which offers products that facilitate a variety of critical care therapies and other applications.

**Interventional** (15%; down 10.7%): This segment is comprised of the North American component of the company's acquired Vascular Solutions business, as well as interventional access and cardiac care businesses.

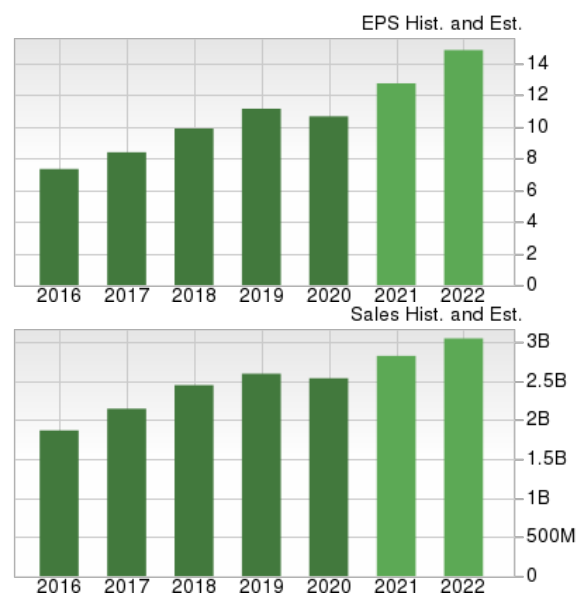
**Anesthesia** (11.9%; down 10.9%): This segment is comprised of North American pain management and airway management products and other products.

**Surgical** (12.5%; down 14.5%): a comprehensive range of devices for use in a variety of surgical procedures.

**Interventional Urology** (11.4%; down 0.2%): This segment provides medical devices primarily used in critical care, surgical applications and cardiac care and generally serves two end markets: hospitals/ healthcare providers, and home health.

**Original Equipment Manufacturer and Development Services (OEM)** (8.5%; up 8.7%; down 0.6%): This segment designs, manufactures and supplies devices and instruments for other medical device manufacturers.

**Other** (14.5%; up 5.3%): The segment includes single-use respiratory products and also has an operating segment, encompassing the company's Latin American business.



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## Reasons To Buy:

▲ **Share Price Performance:** Over the past six months, Teleflex's stock has outperformed its industry. The stock has gained 4.1% compared with the industry's 0.8% growth. Teleflex reported better-than-expected first-quarter results. Earnings significantly exceeded the company's expectations reflecting recovery in monthly procedures throughout the quarter, coupled with prudent operating expense management. Geographically, the company's performance was strong in the Americas (driven by strong sales of Vascular Access and respiratory products, both of which saw coronavirus-led elevated demand) and Asia banking on improving sales volume. The raised guidance for 2021 buoys optimism.

▲ **Urolift Gains Traction:** UroLift System is a minimally invasive technology for treating lower urinary tract symptoms due to benign prostatic hyperplasia (BPH). In the first quarter, adjusting for selling days, the UroLift product grew approximately 1.9%. The strong growth trends that occurred for UroLift in March continued in April banking on improvements in average daily sales trends. April's average daily sales for the first time reached pre-COVID daily rates on a consistent basis. With gradual improvement in COVID situation, the company expects to see UroLift as one of the first procedures to be performed. The company has trained 115 new urologists in the first quarter and is well on track in achieving annual target of training 450 to 500 new urologists during 2021.

Meanwhile, on the strength of a successful 2020 campaign, Teleflex has doubled the awareness for UroLift in the targeted population of men with BPH and also has decided to increase its investment in 2021 and run a national campaign for the full year.

▲ **Vascular Business Grows:** Following the \$976-million acquisition of Vascular Solutions, there has been accelerated growth within Teleflex' vascular and interventional access product portfolios. In the first quarter, within Vascular Access, revenue increased by 5.8% or 9.3% adjusting for selling days banking on strong contributions from central venous catheters, EZ-IO and PICC product lines.

In terms of new products, within the Vascular business, the company's Project Phoenix, a new ergo pack is gaining huge traction. Within the Interventional group, the company is soon going to launch the Wattson Guidewire, which is a 2-in-2 combination product.

▲ **Business in Americas Stable:** Geographically, the pace of recovery in the United States during the first quarter was encouraging. Revenues were up 4.7% or 8.3% on a day sales adjusted basis. Growth in the quarter was driven by strength in Vascular, Anesthesia, Surgical and Interventional Urology on a day's adjusted basis.

▲ **Business in Asia Holds Long-Term Potential:** Observing strong demand for the company's wide product line in emerging economies, Teleflex is currently focusing on expansion in densely populated geographies like Asia. The company has a solid market base for its Interventional Access and Anesthesia products in this region.

During the first quarter of 2021, Teleflex reported 10.3% growth, with no selling day impact in this region. The company saw solid double-digit recovery in China, along with double-digit growth in India and Korea. This more than offset declines in Japan and Australia.

▲ **Strong Solvency With High Leverage:** Teleflex exited the first quarter of 2021 with cash and cash equivalents of \$325 million compared with \$376 million at the end of the fourth quarter of 2020. Meanwhile, total debt rose to \$2.38 billion for the period from sequentially-last quarter's \$2.5 billion. This figure is much higher than the quarter-end cash and cash equivalent level, indicating weak solvency.

However, if we go by the company's debt payable in the near term, it stands at \$84 million, insignificant compared to the current cash holding. This shows that the company has sufficient cash for debt repayment despite the pandemic.

Debt comparison with the industry is favorable as, the industry's total debt of \$2.85 billion is higher than the company's debt level.

The quarter's total debt-to-capital ratio of 0.41 indicates a leveraged balance sheet. This compares to the fourth-quarter 2020-end ratio of 0.43. This compares unfavorably with the total debt-to-capital ratio of the industry which stands at a lower level of 0.30.

Meanwhile, the times interest earned for the company stands at a 5.5%, reflecting an increase from 6.4% at the end of the fourth quarter. The times interest earned for the industry stands at 10.7%.

The current payout ratio stands at a moderately low level of 12.6%, representing a sequential rise from 12.7% at the end of 2020. The payout rate of the industry stands at a lower level of 4.7%.

Teleflex continues to report improvement in revenues banking on balanced growth across all segments and geographies. The acquired NeoTract business has been contributing to the company's topline quite handsomely.

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## Reasons To Sell:

- ▼ **Escalating Expenses Put Pressure on Bottom Line:** Teleflex' research and development expenses rose 9.3% in the first quarter of 2021. The company is on track with investments in research and development in order to accelerate growth from new products between 2019 and 2021. Selling, general and administrative expenses too rose 3.3% in the quarter.

Apart from this, over the past Teleflex has implemented a number of restructuring, realignment and cost reduction initiatives, including facility consolidations, organizational realignments and reductions in workforce. While the company has historically realized some efficiencies from these initiatives, it may fail to realize the benefits of these or future initiatives to the expected extent. This may also put pressure on bottom line.

Escalating operating expenses are putting immense pressure on bottom line. Tough competition and pricing pressure also weigh on the stock.

- ▼ **Coronavirus Impact Pronounced:** The ongoing coronavirus pandemic is wreaking havoc on the economy as a whole, with Teleflex facing the impact since the second half of March 2020. In the first quarter, revenue were down 2.6% on a constant currency basis, driven by lingering COVID-19 headwinds.

Within EMEA, the company reported a 16.9% decline (down 14.4% on a days adjusted basis) in revenues. EMEA was impacted by a difficult year-over-year comparable. The prior year period saw a bolus of ordering ahead of the initial COVID surge as well as a higher level of COVID-related restrictions and elective procedure deferrals that occurred during the first quarter of 2021. Further, the OEM business continued to see a lagged impact related to COVID recovery.

- ▼ **Competitive Landscape Tough:** Teleflex competes with companies, ranging from small start-up enterprises to larger and more established companies who have access to significantly greater financial resources. Furthermore, extensive product research and development and rapid technological advances characterize the market in which we compete. According to Teleflex, it competes primarily on the basis of clinical superiority and innovative features that enhance patient benefit, product reliability, performance, customer and sales support and cost-effectiveness. Its major competitors include Medtronic and Becton, Dickinson and Company.

- ▼ **Foreign Exchange Translation Impacts Sales:** Foreign exchange is a major headwind for Teleflex due to considerable percentage of its revenues coming from outside the United States. The strengthening of Euro and some other developed market currencies has been constantly hampering the company's performance in the international markets.
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## Last Earnings Report

### Teleflex Beats on Q1 Earnings and Revenues, Gross Margin Up

Teleflex's adjusted earnings per share (EPS) from continuing operations of \$2.87 for the first quarter of 2021 were up 5.5% year over year. The bottom line surpassed the Zacks Consensus Estimate by 17.6%.

GAAP EPS for the first quarter was \$1.58, reflecting a 43.2% plunge from the year-ago \$2.78.

#### Revenues in Detail

Net revenues in the first quarter rose 0.5% year over year to \$633.9 million but declined 2.6% on a constant exchange rate or CER. The top line surpassed the Zacks Consensus Estimate by 2%.

Americas registered net revenues of \$375.5 million, an increase of 4.7% year over year at CER. The acquisition of Z-Medica, LLC and an increase in sales of new products contributed to the revenue growth. However this was partially offset by a net decrease in sales volumes of existing products caused by the pandemic.

EMEA net revenues of \$141.2 million dropped 16.9% at CER due to a net decrease in sales volumes of existing products caused by the COVID-19 pandemic.

Revenues in Asia registered an increase of 10.3% at CER to \$63.7 million primarily attributable to increased sales of new products and increased sales volumes of existing products.

#### Segmental Revenues

In the first quarter, the Vascular Access segment reported net revenues of \$164 million, up 5.8% year over year at CER. The Interventional business registered net revenues of \$96.2 million, down 6.4% on a year-over-year basis at CER.

Within the Anesthesia segment, net revenues improved 7% to \$84.9 million. The Surgical segment recorded net revenues of \$80.4 million, reflecting 2.3% rise at CER. Revenues of \$73.4 million in the Interventional Urology segment declined 1.3% on a year-over-year basis at CER.

Meanwhile, OEM recorded revenue growth of \$53.5 million, down 17.1%. The Other product segment (consisting of the company's respiratory and urology care products) registered net revenues of \$81.7 million, down 15.3% at CER.

#### Margins

In the reported quarter, gross profit totaled \$344.5 million, up 3.3% year over year. Gross margin expanded 145 basis points (bps) to 54.3%.

Overall adjusted operating loss was \$61.8 million against adjusted operating profit of \$38 million in the year-ago period.

#### Liquidity Position

Teleflex exited the first quarter of 2021 with cash and cash equivalents of \$324.6 million, down from \$375.9 million at the end of fourth quarter of 2020.

Cumulative cash flow provided by operating activities from continuing operations at the end of the first quarter was \$110.8 million compared with operating cash outflow of \$11.5 million in the year-ago period.

#### 2021 View

Teleflex has raised its financial guidance for 2021 revenues and adjusted earnings.

Revenue growth for 2021 is expected to be in the range of 10.5-11.75% (up 8.5-9.75% at CER). This compares to the earlier guidance of revenue growth expectation of 10-11.5% (up 8-9.5% at CER). The current Zacks Consensus Estimate remains at \$2.81 billion.

The company currently projects its adjusted EPS from continuing operations for 2021 to be between \$12.65 and \$12.85 (earlier expectation was \$12.50-\$12.70). The Zacks Consensus Estimate for the same is currently pegged at \$12.63.

Quarter Ending 03/2021	
Report Date	Apr 29, 2021
Sales Surprise	2.04%
EPS Surprise	17.62%
Quarterly EPS	2.87
Annual EPS (TTM)	10.82

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## Recent News

### Teleflex Signs Definitive Agreement to Sell Certain Respiratory Assets: May 18, 2021

Teleflex entered into a definitive agreement with Medline Industries to sell a significant portion of its Respiratory business, including oxygen and aerosol therapy, active humidification, non-invasive ventilation and incentive spirometers.

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## Valuation

Teleflex shares are down 3.7% over the year-to-date period and up 12.5% in the trailing 12-month period. Stocks in the Zacks sub-industry are down 1.1% and Zacks Medical sector is up 1.9% over the year-to-date period. Over the past year, the Zacks sub-industry is up 21% and Zacks Medical sector is up 8.8%.

The S&P 500 index is up 13.6% over the year-to-date period and up 41.6% in the past year.

The stock is currently trading at 28.9X Forward 12-months earnings, which compares to 38.1X for the Zacks sub-industry, 23.5X for the Zacks sector and 21.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 34.1X and as low as 17.1X, with a 5-year median 25.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$416 price target reflects 30.4X forward 12-months earnings.

The table below shows summary valuation data for TFX

Valuation Multiples -TFX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	28.94	38.11	23.53	21.84
	5-Year High	34.14	42.15	23.53	23.83
	5-Year Low	17.10	22.81	15.82	15.31
	5-Year Median	25.89	30.51	19.34	18.05
P/S F12M	Current	6.34	4.67	2.73	4.72
	5-Year High	7.19	4.77	3.17	4.74
	5-Year Low	3.13	2.56	2.27	3.21
	5-Year Median	4.89	3.57	2.78	3.72
P/B TTM	Current	5.49	4.52	4.50	7.05
	5-Year High	6.45	5.18	5.05	7.05
	5-Year Low	2.83	2.82	3.03	3.84
	5-Year Median	4.92	4.20	4.35	5.02

As of 06/10/2021

Source: Zacks Investment Research

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## Industry Analysis Zacks Industry Rank: Bottom 17% (208 out of 250)



## Top Peers

Company (Ticker)	Rec	Rank
Abbott Laboratories (ABT)	Neutral	4
AngioDynamics, Inc. (ANGO)	Neutral	3
Becton, Dickinson and Company (BDX)	Neutral	3
Boston Scientific Corporation (BSX)	Neutral	3
Cardiovascular Systems, Inc. (CSII)	Neutral	4
Masimo Corporation (MASI)	Neutral	3
Medtronic PLC (MDT)	Neutral	3
ABIOMED, Inc. (ABMD)	Underperform	5

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

Industry Comparison Industry: Medical - Instruments				Industry Peers		
	TFX	X Industry	S&P 500	ABMD	ANGO	BSX
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	5	3	3
VGM Score	C	-	-	C	D	C
Market Cap	18.52 B	426.23 M	30.26 B	13.50 B	965.64 M	60.87 B
# of Analysts	6	2	12	7	2	13
Dividend Yield	0.34%	0.00%	1.28%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	D	C
Cash/Price	0.02	0.13	0.06	0.04	0.06	0.03
EV/EBITDA	31.25	-4.36	17.41	41.37	-6.56	35.06
PEG F1	2.28	3.30	2.14	4.52	NA	2.91
P/B	5.49	5.07	4.16	10.14	2.12	3.87
P/CF	25.07	30.58	17.71	54.02	34.84	20.01
P/E F1	30.76	40.50	21.55	67.85	220.17	27.11
P/S TTM	7.29	6.78	3.49	15.93	3.54	6.01
Earnings Yield	3.22%	-1.55%	4.55%	1.47%	0.47%	3.69%
Debt/Equity	0.68	0.06	0.66	0.00	0.07	0.58
Cash Flow (\$/share)	15.81	-0.17	6.83	5.52	0.73	2.14
Growth Score	C	-	-	B	C	C
Historical EPS Growth (3-5 Years)	11.17%	9.01%	9.44%	41.23%	-30.40%	2.19%
Projected EPS Growth (F1/F0)	19.57%	29.89%	21.30%	-11.05%	130.00%	64.58%
Current Cash Flow Growth	-0.96%	0.99%	0.98%	5.04%	-52.40%	-9.43%
Historical Cash Flow Growth (3-5 Years)	12.50%	5.50%	7.28%	43.23%	-13.80%	8.10%
Current Ratio	2.71	4.06	1.39	6.11	2.90	1.80
Debt/Capital	40.47%	7.75%	41.53%	0.00%	6.19%	36.62%
Net Margin	10.98%	-24.16%	11.95%	26.61%	-61.71%	1.69%
Return on Equity	15.71%	-21.97%	16.36%	14.99%	-0.05%	9.80%
Sales/Assets	0.37	0.46	0.51	0.62	0.46	0.33
Projected Sales Growth (F1/F0)	11.30%	17.21%	9.37%	19.62%	3.77%	18.36%
Momentum Score	D	-	-	C	F	D
Daily Price Change	0.79%	0.00%	0.21%	1.47%	-1.25%	1.20%
1-Week Price Change	-1.73%	0.00%	0.58%	1.73%	0.91%	-1.22%
4-Week Price Change	1.09%	8.34%	1.55%	13.48%	11.10%	2.96%
12-Week Price Change	-2.59%	-2.59%	7.72%	-0.24%	15.83%	12.18%
52-Week Price Change	12.96%	39.76%	46.01%	26.54%	164.58%	22.23%
20-Day Average Volume (Shares)	187,367	182,506	1,775,554	252,824	151,130	5,967,567
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.10%	0.00%	0.03%	-2.32%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	0.96%	0.00%	3.52%	-8.67%	-34.29%	3.11%
EPS Q1 Estimate Monthly Change	-0.14%	0.00%	0.00%	0.00%	NA	0.00%

Source: Zacks Investment Research



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## Zacks Stock Rating System

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

### Zacks Recommendation

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

### Zacks Rank

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

### Zacks Style Scores

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

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

Value Score	C
Growth Score	C
Momentum Score	D
VGM Score	C

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

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## Disclosures

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## Additional Disclosure

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

**4-Week Price Change:** This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

**12-Week Price Change:** This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

**52-Week Price Change:** This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

**Market Cap:** The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

**Year-To-Date Price Change:** Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

**# of Analysts:** Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

**Beta:** A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

**Dividend:** The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

**Dividend Yield:** The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

**S&P 500 Index:** The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

**Industry:** One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

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**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.

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**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.

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**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.