

The TJX Companies (TJX)

\$66.72 (As of 01/05/21)

Price Target (6-12 Months): **\$77.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 01/05/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:C

Value: D

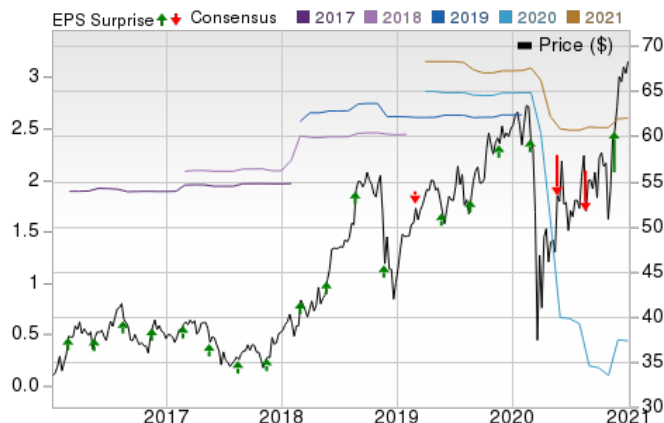
Growth: A

Momentum: F

Summary

TJX Companies' shares have outperformed the industry in the past three months. The company is benefiting from its solid e-commerce business, especially amid the coronavirus pandemic. To this end, management is undertaking efforts like adding new categories and brands to its online businesses. Additionally, the company's aggressive expansion of HomeGoods category in the last five years has positioned it to capture outsized home market share. Incidentally, management plans to roll out e-commerce services on HomeGoods.com during the end of the next year. However, in the wake of rising coronavirus infections, TJX Companies had to temporarily shut 470 stores. Also, the company's open-only comp sales declined in the third quarter of fiscal 2021. Apart from this, elevated pandemic-induced expenses like higher payroll costs are a threat.

Price, Consensus & Surprise

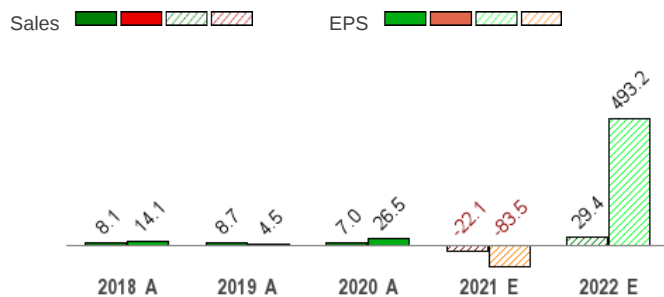


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$69.53 - \$32.72
20-Day Average Volume (Shares)	5,639,203
Market Cap	\$80.1 B
Year-To-Date Price Change	-2.3%
Beta	0.93
Dividend / Dividend Yield	\$1.04 / 0.0%
Industry	Retail - Discount Stores
Zacks Industry Rank	Top 29% (73 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	73.2%
Last Sales Surprise	8.3%
EPS F1 Estimate 4-Week Change	-2.0%
Expected Report Date	02/24/2021
Earnings ESP	-8.7%
P/E TTM	111.2
P/E F1	151.6
PEG F1	13.9
P/S TTM	2.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	8,460 E	9,421 E	11,002 E	12,773 E	42,042 E
2021	4,409 A	6,668 A	10,117 A	11,489 E	32,502 E
2020	9,278 A	9,782 A	10,451 A	12,206 A	41,717 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.43 E	\$0.57 E	\$0.74 E	\$0.83 E	\$2.61 E
2021	-\$0.74 A	-\$0.18 A	\$0.71 A	\$0.61 E	\$0.44 E
2020	\$0.57 A	\$0.62 A	\$0.68 A	\$0.81 A	\$2.67 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 01/05/2021. The reports text is as of 01/06/2021.

Overview

Based in Framingham, MA, The TJX Companies, Inc. is a leading off-price retailer of apparel and home fashions in the U.S. and worldwide. It has more than 4,300 stores across the globe, which are well known for their unique value proposition of brand, fashion, price and quality. The company's broad range of assortments at varying prices helps it to reach out to a broad range of consumers. In addition to these, TJX Companies tries to attract consumers through rapid turn of inventories.

The company has been able to distinguish itself from traditional retailers on the grounds of opportunistic buying strategies and flexible business model. In fact, TJX Companies' low-cost structure sets it apart from other traditional retailers. In order to maintain control on costs, the company engages in the promotion of retail banners, rather than specific brands. The company's distribution network is also designed in a manner such that helps curtailing costs. Moreover, the company emphasizes on creating strong relations with vendors across different countries, in order leverage buying power.

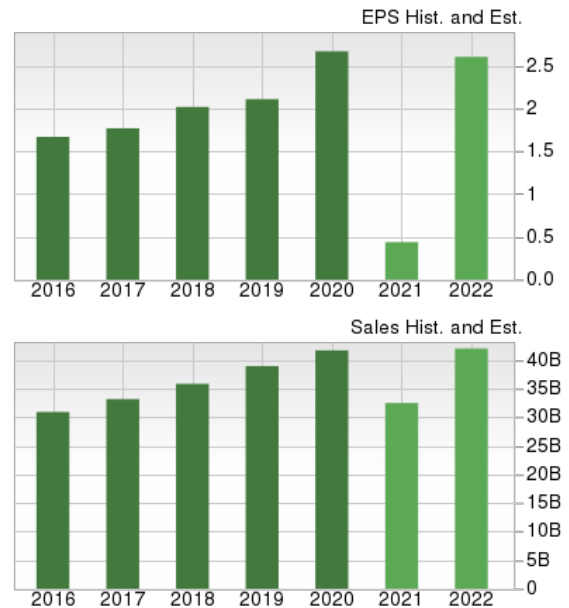
The TJX Companies operates through four business segments:

In the U.S., it operates through two segments, namely, Marmaxx (through stores under the names of T.J. Maxx and Marshalls) and HomeGoods.

Marmaxx divisions (62% of FY19 Sales) sell family apparel (including footwear and accessories), home fashions (including home basics, accent furniture, lamps, rugs, wall décor, decorative accessories and giftware) and other merchandise.

HomeGoods (15% of FY19 Sales) chain offers home basics, giftware, accent furniture, lamps, rugs, wall décor and decorative accessories from around the world, seasonal and other merchandise.

In Canada, it operates through TJX Canada (9% of FY19 Sales) through stores under the names of Winners, Marshalls and HomeSense and in Europe, it operates through TJX International (14% of FY19 Sales) through stores under the names of T.K. Maxx and HomeSense.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Store & E-commerce Efforts:** Shares of TJX Companies have gained 14.4% in the past three months, compared with the industry's growth of 8.8%. The company has been benefiting from its solid store and e-commerce growth efforts. The company regularly opens stores and expands fast across the U.S., Europe, Canada and Australia. Notably, TJX Companies opened 17 new stores in the third quarter of fiscal 2021, taking the total count to 4,574.

Further, with increasing number of consumers resorting to online shopping, TJX Companies has undertaken several initiatives to boost online sales and strengthen its e-commerce business. Notably, management is on track to add new categories and brands to its U.S. and UK online businesses. In fact, the company is planning to offer a wider range of gifts online during the holiday season. We believe that TJX Companies' off-price model, along with its strategic store locations, impressive brands and fashion products, are likely to aid its performance, both in stores and online.

Strength in HomeGoods category aided TJX Companies' third-quarter fiscal 2021 results. Also, solid e-commerce efforts bode well.

- ▲ **Strength in HomeGoods Category:** Lately, TJX Companies' HomeGoods segment has been seeing robust demand. During the third quarter of fiscal 2021, open-only comp store sales were up 15% in the HomeGoods (U.S.) segment. The company's aggressive expansion of HomeGoods in the last five years has positioned it to capture outsized home market share. Incidentally, management plans to rollout e-commerce services on HomeGoods.com during the end of the next year to leverage its strength in the home category and capitalize on market share growth. Prior to this, open-only comp store sales increased 20% in the HomeGoods (U.S.) segment during the fiscal second quarter. We believe that continuation of this trend is likely to keep aiding the company's performance in the future.

- ▲ **Marketing Strategy & Loyalty Programs:** The company remains committed toward boosting growth, through effective marketing initiatives and loyalty programs. Incidentally, TJX Companies' aggressive marketing and advertising campaigns through multiple mediums (TV, radio and social media) have been adding growth. In fact, the company's marketing campaigns aided top-line growth in the third quarter of fiscal 2021. Moreover, management expects its holiday marketing campaigns to drive customer traffic.

Apart from this, TJX Companies' gift-giving initiatives, unique among off-price retailers and loyalty card program (which offers consumers a non-credit card choice and soft benefits such as early shopping hours) have been helpful in improving customer engagement.

- ▲ **Financial Analysis:** TJX Companies' long-term debt (including long-term operating lease liabilities) totaled \$13,243 million at the end of third-quarter fiscal 2021 (as of Oct 31, 2020), down from \$13,320.5 million reported in the fiscal second quarter. During the fiscal third quarter, the company generated operating cash flow of \$4.1 billion and raised its liquidity position. Recently, the company announced a dividend hike. It will now pay out a quarterly dividend of 26 cents per share, up 13% from the dividend paid in March 2020. The hiked dividend will be paid out on Mar 4, 2021 to shareholders of record as of Feb 11. Notably, TJX Companies currently has a free cash flow yield of 7.2%. With an annual free cash flow return on investment of 56.3%, which is ahead of the industry's nearly 36%; the increased dividend is likely to be sustainable. Also, the company ended fiscal third-quarter with cash and cash equivalents of \$10,582 million and current portion of long-term debt (including current portion of operating lease liabilities) of \$2,399.6 million.
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Risks

- **Open-Only Comps Soft:** The company highlighted that owing to temporary store closures amid the pandemic, the comp store sales definition was not applicable in the third quarter of fiscal 2021. Thus, to offer a performance indicator for the stores as they reopen, TJX Companies has come up with a temporary new sales measure — open-only comp store sales. This includes stores that were initially classified as comp stores (in the beginning of fiscal 2021), with sales reporting done for the number of days these stores were open in the quarter. Markedly, open-only comp store sales for the company fell 5% year over year in the fiscal third quarter. The metric declined 10%, 7% and 6% at the Marmaxx (U.S.), TJX Canada and TJX International divisions, respectively. For the first two weeks of the fiscal fourth quarter, total open-only comp store sales were down 7%.

- **Coronavirus-Induced Hurdles:** In the wake of rising coronavirus infections, the company had to temporarily shut stores. Currently, TJX Companies has nearly 470 stores that are temporarily shut owing to local government mandates amid the coronavirus pandemic. Most of these closed stores are situated in Europe.

TJX Companies saw nearly \$270 million in additional costs related to COVID-19 in the third quarter of fiscal 2021. These included higher payroll investments in stores for better cleaning, additional expenses related to the appreciation bonus paid in the quarter and personal protective equipment for employees. These costs put pressure on the company's bottom line. During the fiscal fourth quarter, management expects to witness increase in the incremental pandemic-related costs compared with the fiscal third quarter.

- **Currency Headwinds:** TJX Companies' is exposed to unfavorable foreign currency translations owing to the company's significant exposure to international markets. The weakening of foreign currencies against the U.S. dollar may compel the company to either raise prices or lower profit margins in locations outside the country. Therefore, volatility in exchange rates pose formidable risks for the periods ahead.
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Last Earnings Report

TJX Companies' Q3 Earnings Beat Estimates, Sales Down

TJX Companies reported third-quarter fiscal 2021 numbers, with the top and the bottom line surpassing the Zacks Consensus Estimate. Moreover, earnings increased year over year. However, sales fell from the year-ago quarter's levels.

For the first two weeks of the fiscal fourth quarter, total open-only comp store sales were down 7%. Moreover, owing to the rising uncertainty surrounding the pandemic management refrained from providing guidance.

Quarter Ending	10/2020
Report Date	Nov 18, 2020
Sales Surprise	8.26%
EPS Surprise	73.17%
Quarterly EPS	0.71
Annual EPS (TTM)	0.60

Quarterly Details

The company reported earnings of 71 cents per share, which surpassed the Zacks Consensus Estimate of 41 cents. The quarterly earnings compares favorably with earnings of 68 cents reported in the year-ago quarter.

Net sales came in at \$10,117.3 million, lower than \$10,451.3 million reported in the year-ago quarter. Nevertheless, the metric surpassed the Zacks Consensus Estimate of \$9,345.4 million.

Management stated that owing to temporary store closures amid the pandemic, the comp store sales definition was not applicable in the quarter under review. Thus, to offer a performance indicator for the stores as they reopen, TJX Companies has come up with a temporary new sales measure — open-only comp store sales. This includes stores that were initially classified as comp stores (in the beginning of fiscal 2021), with sales reporting done for the number of days these stores were open in the quarter under review.

Markedly, open-only comp store sales for the company fell 5% year over year. The metric declined 10%, 7% and 6% at the Marmaxx (U.S.), TJX Canada and TJX International divisions, respectively, whereas the same was up 15% in the HomeGoods (U.S.) segment.

HomeGoods segment remained strong during the fiscal third quarter. Incidentally, management plans to rollout e-commerce services on HomeGoods.com during the end of the next year to leverage its strength in the home category and capitalize on market share growth.

Other Financial Updates

The company ended the quarter with cash and cash equivalents of \$10,582 million, long-term debt of \$5,447.2 million and shareholders' equity of \$5,566.8 million.

During the fiscal third quarter, the company generated operating cash flow of \$4.1 billion. The company expects to reinstate a quarterly dividend in the fourth quarter of fiscal 2021. It expects to announce a dividend of 26 cents per share, which suggests 13% increase from previous dividend paid in March, 2020.

Total inventories as of Oct 31, 2020, were \$5 billion, down from \$6.3 billion in the year-ago period. The decline can be attributed to reduced planned store inventory levels, better-than-expected sales in the quarter as well as delay in merchandise delivery owing to continued bottlenecks in the supply chain. The company is concentrating its inventory purchases on categories that are witnessing higher demand since store reopening. In fact, management is optimistic about its capabilities to ship a fresh assortment of gifts to its stores and online all along the holiday season.

Store & More Updates

During the fiscal third quarter, the company opened 17 new stores in the reported quarter, taking the total count to 4,574.

Currently, the company has nearly 470 stores that are temporarily shut owing to local government mandates amid the coronavirus pandemic. Most of these closed stores are situated in Europe. Nevertheless, its online business via tkmaxx.com in the U.K. is operational amid such closures.

Recent News

TJX Companies Hikes Dividend – Dec 8, 2020

TJX Companies announced a dividend hike. It will now pay out a quarterly dividend of 26 cents per share, up 13% from the dividend paid in March 2020. The hiked dividend will be paid out on Mar 4, 2021 to shareholders of record as of Feb 11, 2021.

Valuation

TJX Companies shares are up 31.5% in the past six months and 8.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 27.5% and the Zacks Retail-Wholesale sector gained 11.8% in the past six months. Over the past year, the Zacks sub-industry went up 24% and the sector gained 31.2%.

The S&P 500 index is up 18.5% in the past six months and 16.3% in the past year.

The stock is currently trading at 27.24X forward 12-month earnings, which compares to 26.19X for the Zacks sub-industry, 29.93X for the Zacks sector and 22.76X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.17X and as low as 13.01X, with a 5-year median of 20.09X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$77 price target reflects 31.33X forward 12-month earnings.

The table below shows summary valuation data for TJX

Valuation Multiples - TJX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	27.24	26.19	29.93	22.76
	5-Year High	44.17	29.98	34.11	23.79
	5-Year Low	13.01	17.93	13.98	10.57
	5-Year Median	20.09	20.26	21.5	16.94
P/S F12M	Current	1.94	1.61	1.3	4.43
	5-Year High	1.99	1.62	1.33	4.43
	5-Year Low	0.99	0.96	0.83	3.21
	5-Year Median	1.49	1.18	1.01	3.67
EV/EBITDA TTM	Current	39.05	27.08	18.4	16.76
	5-Year High	40.05	28.29	20.75	17.02
	5-Year Low	8.19	10.96	11.15	9.56
	5-Year Median	11.73	14.59	13.08	13.2

As of 01/05/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 29% (73 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Target Corporation (TGT)	Outperform	1
Big Lots, Inc. (BIG)	Neutral	3
Burlington Stores, Inc. (BURL)	Neutral	4
Costco Wholesale Corporation (COST)	Neutral	3
Dollar General Corporation (DG)	Neutral	3
Dollar Tree, Inc. (DLTR)	Neutral	3
Kohls Corporation (KSS)	Neutral	3
Ross Stores, Inc. (ROST)	Neutral	3

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

Industry Comparison Industry: Retail - Discount Stores				Industry Peers		
	TJX	X Industry	S&P 500	BURL	DG	DLTR
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	4	3	3
VGM Score	C	-	-	D	A	A
Market Cap	80.11 B	25.20 B	25.64 B	16.71 B	50.65 B	25.20 B
# of Analysts	12	11	13	10	26	10
Dividend Yield	0.00%	0.00%	1.48%	0.00%	0.70%	0.00%
Value Score	D	-	-	D	B	B
Cash/Price	0.13	0.09	0.06	0.08	0.04	0.04
EV/EBITDA	14.19	14.21	14.63	20.78	18.73	12.27
PEG F1	14.59	2.42	2.59	NA	1.42	1.75
P/B	14.39	7.02	3.64	58.30	7.25	3.62
P/CF	19.39	20.51	13.98	23.51	23.24	12.07
P/E F1	158.98	20.55	20.08	NA	19.40	19.00
P/S TTM	2.40	1.02	2.88	2.94	1.56	1.01
Earnings Yield	0.66%	3.76%	4.86%	-1.13%	5.15%	5.26%
Debt/Equity	0.98	0.54	0.70	7.57	0.59	0.46
Cash Flow (\$/share)	3.44	6.38	6.93	10.73	8.90	8.87
Growth Score	A	-	-	D	A	B
Historical EPS Growth (3-5 Years)	-7.50%	10.07%	9.71%	19.33%	18.80%	14.77%
Projected EPS Growth (F1/F0)	-83.55%	15.42%	12.12%	-138.29%	58.32%	18.42%
Current Cash Flow Growth	19.07%	4.53%	5.22%	7.36%	9.68%	-55.39%
Historical Cash Flow Growth (3-5 Years)	7.38%	9.69%	8.33%	18.02%	9.69%	19.78%
Current Ratio	1.41	1.35	1.38	1.51	1.28	1.28
Debt/Capital	49.46%	35.07%	41.97%	88.33%	37.16%	31.66%
Net Margin	2.24%	2.45%	10.40%	-2.92%	7.84%	3.84%
Return on Equity	14.34%	20.81%	15.07%	-33.07%	36.07%	19.05%
Sales/Assets	1.24	1.34	0.50	0.89	1.30	1.23
Projected Sales Growth (F1/F0)	-22.09%	4.00%	5.94%	-23.62%	20.92%	7.99%
Momentum Score	F	-	-	A	A	C
Daily Price Change	-0.13%	0.04%	0.70%	-0.45%	-1.42%	0.18%
1-Week Price Change	1.96%	1.31%	1.16%	5.51%	-0.46%	-0.91%
4-Week Price Change	1.99%	1.99%	-0.20%	8.10%	-2.20%	-2.13%
12-Week Price Change	16.26%	16.26%	9.90%	18.94%	-7.30%	10.87%
52-Week Price Change	8.33%	28.97%	5.28%	7.78%	35.82%	16.53%
20-Day Average Volume (Shares)	5,639,203	1,489,501	1,674,861	463,502	1,631,861	1,785,202
EPS F1 Estimate 1-Week Change	0.38%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-2.04%	0.50%	0.00%	1.49%	0.75%	0.00%
EPS F1 Estimate 12-Week Change	331.32%	6.32%	2.44%	-15.48%	5.53%	7.11%
EPS Q1 Estimate Monthly Change	-1.60%	0.18%	0.00%	0.00%	0.96%	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	D
Growth Score	A
Momentum Score	F
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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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.