

The TJX Companies (TJX)

\$69.28 (As of 04/26/21)

Price Target (6-12 Months): **\$73.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/26/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

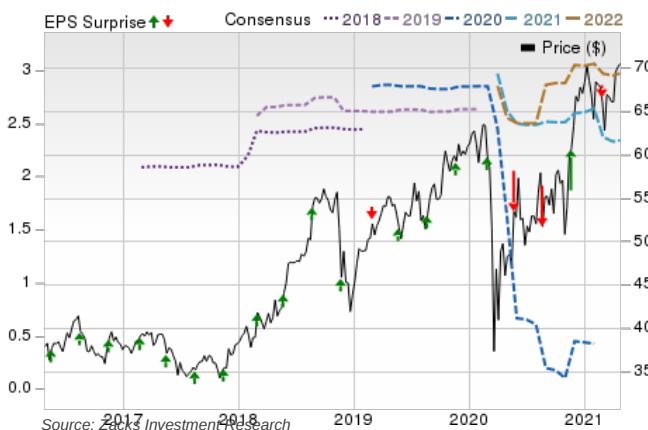
Growth: A

Momentum: A

Summary

The TJX Companies' shares have outperformed the industry in the past six months. The company's HomeGoods segment is seeing robust demand for a while now. This was witnessed in the fourth quarter of fiscal 2021, with open-only comp store sales rising 12% year over year in the HomeGoods (U.S.) segment. Apart from this, The TJX Companies has been benefiting from its solid e-commerce business. Moreover, management plans to roll out e-commerce services on homegoods.com during the end of 2021. However, temporary store closures in Europe and Canada amid COVID-19 adversely impacted sales during fiscal fourth quarter. Management continues to expect its performance to be adversely affected by the temporary store closures during the fiscal first quarter. Apart from this, elevated pandemic-induced expenses and higher supply chain costs are a threat.

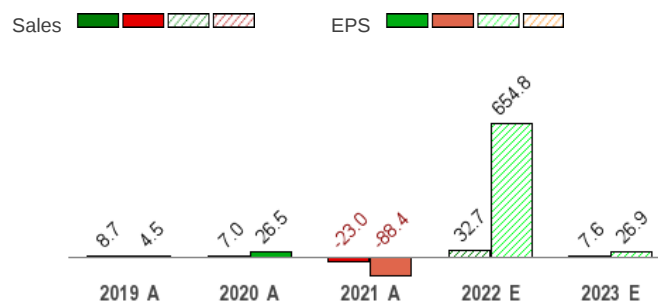
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$71.06 - \$42.52
20-Day Average Volume (Shares)	4,555,694
Market Cap	\$83.5 B
Year-To-Date Price Change	1.5%
Beta	0.97
Dividend / Dividend Yield	\$1.04 / 1.5%
Industry	Retail - Discount Stores
Zacks Industry Rank	Bottom 16% (210 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-18.0%
Last Sales Surprise	-4.2%
EPS F1 Estimate 4-Week Change	0.5%
Expected Report Date	05/20/2021
Earnings ESP	10.6%
P/E TTM	238.9
P/E F1	29.6
PEG F1	2.7
P/S TTM	2.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023	10,070 E	10,602 E	12,079 E	14,047 E	45,904 E
2022	8,443 E	9,878 E	11,312 E	12,963 E	42,649 E
2021	4,409 A	6,668 A	10,117 A	10,943 A	32,137 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023	\$0.56 E	\$0.68 E	\$0.84 E	\$1.00 E	\$2.97 E
2022	\$0.28 E	\$0.49 E	\$0.72 E	\$0.82 E	\$2.34 E
2021	-\$0.74 A	-\$0.18 A	\$0.71 A	\$0.50 A	\$0.31 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 04/26/2021. The report's text and the analyst-provided price target are as of 04/27/2021.

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, The 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, The 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.

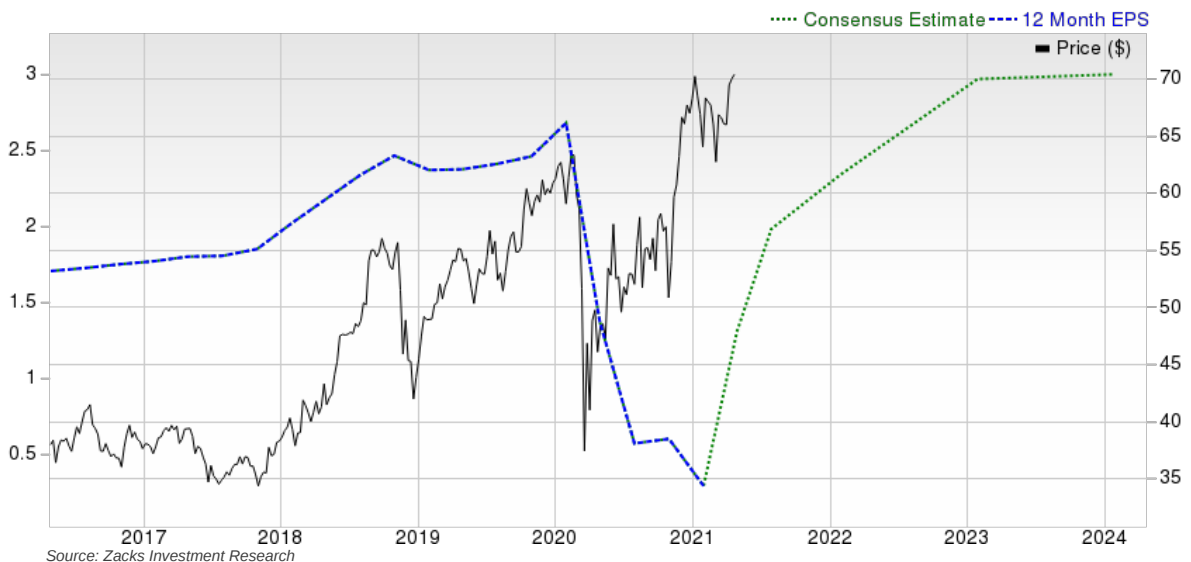
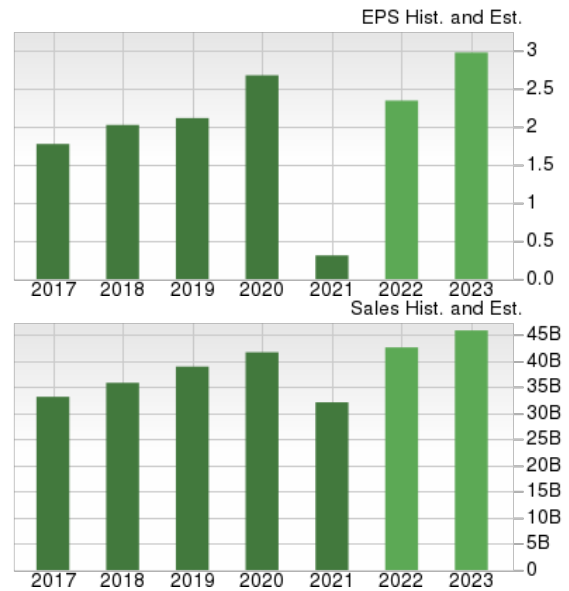
The TJX Companies operates through four business segments:

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 (60.3% of FY21 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 (18.9% of FY21 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 (8.8% of FY21 Sales) through stores under the names of Winners, Marshalls and HomeSense and in Europe, it operates through TJX International (12% of FY21 Sales) through stores under the names of T.K. Maxx and HomeSense.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Store & E-commerce Efforts:** The company has been benefiting from its solid store and e-commerce growth efforts. It regularly opens stores and expands fast across the U.S., Europe, Canada and Australia. Notably, The TJX Companies opened 43 new stores, taking the total count to 4,572 during fiscal 2021. For fiscal 2022, management expects to incur capital expenditures in the range of \$1.2-\$1.4 billion. This will be spent on opening new stores, remodels, relocations as well as investments in its distribution network and infrastructure. During its fiscal fourth-quarter earnings call, the company stated that it plans to open 122 new stores taking the total count to 4,700 stores at the end of the year.

Further, with increasing number of consumers resorting to online shopping, The TJX Companies has undertaken several initiatives to boost online sales and strengthen its e-commerce business. We believe that The 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. Shares of The TJX Companies have surged 34.9% in the past six months compared with the industry's growth of 19.9%.

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

▲ **Strength in HomeGoods Category:** The TJX Companies' HomeGoods segment has been seeing robust demand for a while now. During the fourth quarter of fiscal 2021, open-only comp store sales increased 12% in the HomeGoods (U.S.) segment. During its fiscal fourth-quarter earnings call, management highlighted that it is on track to rollout e-commerce services on homegoods.com by the end of 2021. Also, to leverage its strength in the home category, the company raised its long-term target to 1,500 stores in the HomeGoods divisions. Prior to this, open-only comp store sales increased 15% in the HomeGoods (U.S.) segment during the fiscal third 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, The TJX Companies' aggressive marketing and advertising campaigns through multiple mediums (TV, radio and social media) have been adding growth. In 2021, the company expects to launch bold marketing campaigns for all its banners to drive growth. Apart from this, The 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:** The TJX Companies' long-term debt (including long-term operating lease liabilities) totaled \$13,076.1 million at the end of fourth-quarter fiscal 2021 (as of Jan 30, 2021), slightly below \$13,243 million reported at the end of fiscal third quarter. Further, the company ended fiscal fourth-quarter with cash and cash equivalents of \$10,469.6 million, while current portion of its long-term debt stood at \$749.7 million.

During fiscal 2021, the company generated operating cash flow of \$4.6 billion. Recently, The TJX Companies announced a quarterly dividend of 26 cents per share, payable on Jun 3, 2021 to shareholders of record as of May 13, 2021. The TJX Companies currently has a free cash flow yield of 4.7% and dividend yield of 1.5%. With an annual free cash flow return on investment of 36.13%, which is ahead of the industry's 30.38%; the dividend is likely to be sustainable.

Reasons To Sell:

▼ **Open-Only Comps Soft:** Owing to temporary store closures amid the pandemic, the comp store sales definition was not applicable in the fourth quarter of fiscal 2021. To offer a performance indicator for the stores as they reopen, The TJX Companies had earlier 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 3% year over year in fiscal fourth-quarter. The metric declined 7% and 4% at the Marmaxx (U.S.) and TJX Canada segments, respectively.

Coronavirus-Led store closures remain a threat to The TJX Companies' performance. Also, higher pandemic-led costs are a concern.

▼ **Coronavirus-Induced Hurdles:** The TJX Companies is witnessing coronavirus-induced hurdles like temporary store closures. Notably, temporary store closures in Europe and Canada during the fourth quarter of fiscal 2021 adversely impacted sales by nearly \$950 million to \$1.05 billion. This resulted in major loss of profit dollars as well as nearly 18-21 cents loss of earnings per share in the quarter. In its fiscal fourth-quarter earnings call, management highlighted that nearly 690 stores are temporarily shut due to government mandates amid the coronavirus pandemic, at present. Most of these closed stores are situated in Europe. In fact, management estimates stores in the region to be shut for 67% of the first quarter of fiscal 2022. Overall, the company anticipates stores to be closed for nearly 11% of the fiscal first quarter based on the current restrictions. All said, management expects overall sales, pretax margin and earnings per share to be adversely affected by the temporary store closures amid the pandemic during fiscal first quarter. Notably, temporary store closures are likely to affect first-quarter sales by \$750 million to \$850 million.

The TJX Companies saw nearly \$300 million in additional net costs related to COVID-19 in the fiscal fourth quarter. These included additional payroll to clean the store and monitor occupancy levels, expenses of PP&E and appreciation bonus for certain associates among others. In fact, management continues to anticipate incurring higher net costs related to the pandemic in the fiscal first quarter. Moreover, the company saw additional supply-chain costs stemming from reduced average ticket and processing higher units, costs linked to increased distribution capacity as well as increase in wage at distribution facilities during the quarter.

▼ **Currency Headwinds:** The 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.

▼ **Off Price Retail Nature May Put Pressure on Margins:** The TJX Companies provides goods at discounted prices. For example, TJX has been selling coveted apparel brands such as Tommy Hilfiger and Marc Jacobs at prices 20%-60% prices than those offered by others. Despite rising product costs, TJX, being an off-price retailer, cannot increase the price of its products, which may lead to lower margins.

Last Earnings Report

The TJX Companies' Q4 Earnings Miss Estimates, Sales Down

The TJX Companies reported fourth-quarter fiscal 2021 numbers, with the top and the bottom missing the Zacks Consensus Estimate. Moreover, earnings and sales declined year over year.

For the first three weeks of first-quarter fiscal 2022, total open-only comp store sales trend were better compared with preceding quarter levels. However, the company expects overall sales, pretax margin and earnings per share to be adversely affected by the temporary store closures amid the pandemic during fiscal first-quarter. Owing to uncertainty surrounding the present environment management refrained from issuing any financial guidance.

Quarter Ending **01/2021**

Report Date	Feb 24, 2021
Sales Surprise	-4.22%
EPS Surprise	-18.03%
Quarterly EPS	0.50
Annual EPS (TTM)	0.29

Quarterly Details

The company reported fourth-quarter earnings of 27 cents per share. Excluding a debt extinguishment charge of 18 cents per share and a tax adjustment of 5 cents per share, earnings came in at 50 cents per share. The TJX Companies' bottom line came in at 81 cents in the year-ago quarter. Notably, the Zacks Consensus Estimate for the quarter under review was pegged at 61 cents per share.

Net sales came in at \$10,943.2 million, lower than \$12,206.5 million reported in the year-ago quarter. Net sales include adverse impact of temporary store closures amid COVID-19 of nearly 13%. Moreover, the metric missed the Zacks Consensus Estimate of \$11,424.7 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, The 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 3% year over year. The metric declined 7% and 4% at the Marmaxx (U.S.) and TJX Canada segments, respectively. Nevertheless, open-only comp store sales increased 12% and 2% at HomeGoods (U.S.) and TJX International (Europe & Australia) divisions, respectively.

Other Financial Updates

The company ended the quarter with cash and cash equivalents of \$10,469.6 million, long-term debt of \$5,332.9 million and shareholders' equity of \$5,832.7 million.

During fiscal 2021, the company generated operating cash flow of \$4.6 billion. The company expects to declare a quarterly dividend in the first quarter of fiscal 2022 at the rate of 26 cents per share.

Total inventories as of Jan 30, 2021, were \$4.3 billion, down from \$4.9 billion in the year-ago period. Further, the company is optimistic about its capabilities to provide fresh assortment of products in its stores and online websites during the spring season.

Store & More Updates

During fiscal 2021, the company opened 43 new stores, taking the total count to 4,572. That said, the company's reduced rate of store growth in fiscal 2021 can be attributed to lower capital spending amid the pandemic. Most of the company's new store openings planned for fiscal 2021 was postponed to fiscal 2022.

Currently, the company has nearly 690 stores that are temporarily shut owing to government mandates amid the coronavirus pandemic. Most of these closed stores are situated in Europe. In fact, management estimates stores in the region to be shut for 67% of the fiscal first quarter. Overall, the company anticipates stores to be closed for nearly 11% of the fiscal first quarter based on the current restrictions. Nevertheless, its online business including tkmaxx.com in the U.K. is operational amid such closures.

Recent News

The TJX Companies Declares Dividend – Mar 30, 2021

The TJX Companies announced a quarterly dividend of 26 cents per share, payable on Jun 3, 2021 to shareholders of record as of May 13, 2021.

Valuation

The TJX Companies' shares are up 1.5% in the year-to-date period and 41.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 5.4% and the Zacks Retail-Wholesale sector gained 0.7% in the year-to-date period. Over the past year, the Zacks sub-industry went up 40.1% while the sector gained 34.9%.

The S&P 500 index is up 12.2% in the year-to-date period and 49.1% in the past year.

The stock is currently trading at 1.92X forward 12-month sales, which compares to 1.68X for the Zacks sub-industry, 1.4X for the Zacks sector and 4.81X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.53X and as low as 0.99X, with a 5-year median of 1.51X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$73 price target reflects 2.02X forward 12-month sales.

The table below shows summary valuation data for TJX

Valuation Multiples - TJX					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.92	1.68	1.4	4.81
	5-Year High	2.53	1.68	1.4	4.81
	5-Year Low	0.99	0.95	0.84	3.21
	5-Year Median	1.51	1.2	1.02	3.71
P/B TTM	Current	14.26	13.52	5.37	7.11
	5-Year High	15.29	13.56	6.5	7.11
	5-Year Low	7.44	7.02	3.81	3.83
	5-Year Median	11.69	9.32	5.15	4.99
EV/EBITDA F12M	Current	15.56	20.39	13.69	15.8
	5-Year High	49.33	22.84	14.53	16.2
	5-Year Low	7.74	10.86	8.8	10.78
	5-Year Median	11.77	14.42	11.43	13.51

As of 04/26/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 16% (210 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Big Lots, Inc. (BIG)	Neutral	2
Burlington Stores, Inc. (BURL)	Neutral	3
Costco Wholesale Corporation (COST)	Neutral	3
Dollar Tree, Inc. (DLTR)	Neutral	3
Kohls Corporation (KSS)	Neutral	3
Ross Stores, Inc. (ROST)	Neutral	4
Target Corporation (TGT)	Neutral	3
Dollar General Corporation (DG)	Underperform	5

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)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	3
VGM Score	A	-	-	B	C	A
Market Cap	83.55 B	36.01 B	30.22 B	21.40 B	50.66 B	26.67 B
# of Analysts	12	10.5	12	9	26	10
Dividend Yield	1.50%	0.79%	1.26%	0.00%	0.79%	0.00%
Value Score	B	-	-	D	C	A
Cash/Price	0.12	0.08	0.05	0.06	0.03	0.05
EV/EBITDA	65.38	12.94	16.96	-190.75	12.94	11.05
PEG F1	2.75	2.33	2.38	NA	2.07	1.79
P/B	14.26	7.85	4.13	45.93	7.79	3.68
P/CF	63.43	18.45	17.22	385.90	16.06	13.19
P/E F1	29.96	26.95	22.45	46.18	22.36	18.59
P/S TTM	2.60	1.10	3.40	3.71	1.50	1.05
Earnings Yield	3.38%	3.76%	4.40%	2.16%	4.47%	5.38%
Debt/Equity	0.91	0.62	0.66	4.15	0.62	0.44
Cash Flow (\$/share)	1.09	6.59	6.78	0.83	13.18	8.64
Growth Score	A	-	-	B	C	A
Historical EPS Growth (3-5 Years)	-16.92%	11.74%	9.70%	17.45%	20.85%	12.33%
Projected EPS Growth (F1/F0)	654.58%	11.96%	16.71%	370.95%	-10.83%	8.53%
Current Cash Flow Growth	-69.25%	-0.42%	0.72%	-92.22%	44.07%	-3.20%
Historical Cash Flow Growth (3-5 Years)	-14.65%	6.93%	7.37%	-30.80%	16.24%	13.68%
Current Ratio	1.46	1.35	1.38	1.49	1.21	1.35
Debt/Capital	47.76%	38.28%	41.19%	80.57%	38.28%	30.69%
Net Margin	0.28%	2.59%	11.07%	-3.76%	7.87%	5.26%
Return on Equity	7.13%	19.46%	15.32%	-51.65%	37.64%	19.46%
Sales/Assets	1.12	1.31	0.50	0.86	1.31	1.24
Projected Sales Growth (F1/F0)	32.71%	2.54%	7.53%	38.36%	0.09%	2.54%
Momentum Score	A	-	-	A	B	A
Daily Price Change	-1.58%	-1.32%	0.06%	-1.97%	-0.74%	-1.37%
1-Week Price Change	0.57%	-1.03%	0.47%	1.02%	-1.58%	-1.53%
4-Week Price Change	5.72%	3.10%	4.37%	9.18%	4.10%	-1.53%
12-Week Price Change	8.13%	10.39%	15.10%	29.49%	9.85%	13.01%
52-Week Price Change	44.82%	43.41%	51.64%	76.26%	17.96%	42.00%
20-Day Average Volume (Shares)	4,637,689	1,408,629	1,756,496	490,117	1,855,741	1,369,155
EPS F1 Estimate 1-Week Change	0.29%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.54%	0.44%	0.15%	1.51%	0.00%	0.18%
EPS F1 Estimate 12-Week Change	-10.69%	-0.74%	2.11%	-1.02%	-5.13%	-0.41%
EPS Q1 Estimate Monthly Change	8.54%	1.08%	0.02%	0.00%	-0.02%	0.44%

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	B
Growth Score	A
Momentum Score	A
VGM Score	A

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

Disclosures

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.