

Textron Inc. (TXT)

\$45.73 (As of 02/02/21)

Price Target (6-12 Months): **\$49.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/15/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: A

Summary

Textron ended fourth quarter of 2020 on an impressive note, with both its earnings and revenues surpassing the respective Zacks Consensus Estimate. The company enjoys strong order flows, which not only strengthen Textron's revenue generating capacity but also expand its footprint across the world. The company has been innovating products to capture market share and witnessing solid order growth. The company's shares have outperformed its industry in the past six months. However, Textron has been experiencing a decline in orders for its aviation products and services, along with lower deliveries of commercial helicopters and fixed-wing aircraft because of travel restrictions due to the pandemic. This in turn has been hurting its commercial business. It is also incurring pre-tax special charges, largely related to restructuring activities.

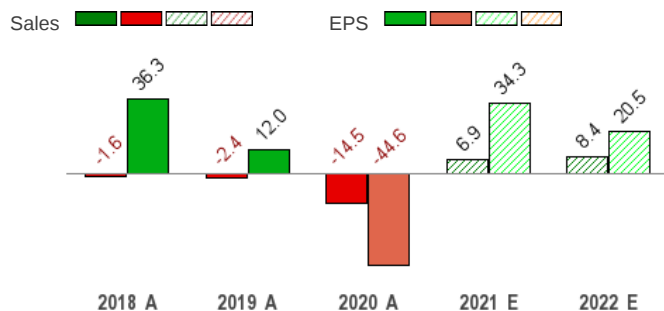
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$51.53 - \$20.26
20-Day Average Volume (Shares)	1,144,385
Market Cap	\$10.4 B
Year-To-Date Price Change	-6.2%
Beta	1.73
Dividend / Dividend Yield	\$0.08 / 0.2%
Industry	Aerospace - Defense
Zacks Industry Rank	Bottom 28% (181 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	16.5%
Last Sales Surprise	5.7%
EPS F1 Estimate 4-Week Change	3.2%
Expected Report Date	04/29/2021
Earnings ESP	0.5%
P/E TTM	21.9
P/E F1	17.1
PEG F1	1.4
P/S TTM	0.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					13,510 E
2021	2,795 E	2,937 E	3,132 E	3,704 E	12,460 E
2020	2,777 A	2,472 A	2,735 A	3,667 A	11,651 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$3.35 E
2021	\$0.51 E	\$0.60 E	\$0.73 E	\$0.93 E	\$2.78 E
2020	\$0.35 A	\$0.13 A	\$0.53 A	\$1.06 A	\$2.07 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 02/02/2021. The report's text and the analyst-provided price target are as of 02/03/2021.

Overview

Textron Inc., incorporated in 1923, is a global multi-industry company that manufactures aircraft, automotive engine components and industrial tools. It also offers solutions and services for aircraft, fastening systems, and industrial products and components. Its products include commercial and military helicopters, light- and mid-size business jets, plastic fuel tanks, automotive trim products, golf carts and utility vehicles, turf-car equipment, industrial pumps and gears, engineered fastening systems and solutions, and other industrial products. It is also a commercial finance company in select markets. Textron is known globally for its most recognizable and valuable brand names, such as Bell Helicopter, Cessna Aircraft Company, Jacobsen, Kautex, E-Z-GO and Greenlee.

Textron operates through five segments – Bell, Textron Systems, Textron Aviation, Industrial and Finance.

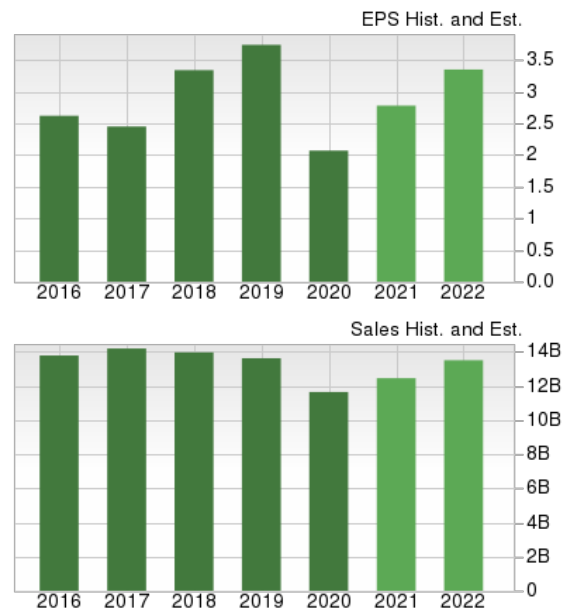
The **Bell** segment includes Bell Helicopter. Bell Helicopter primarily supplies helicopters and supports corporate and governmental entities. Segment revenues in 2020 were \$3,309 million, representing 28.4% of the top line.

The **Textron Systems** unit is a provider of integrated fastening systems solutions, which include fasteners, engineered assemblies and automation equipment. Segment revenues in 2020 were \$1,313 million, contributing 11.3% to the top line.

Textron Aviation's principal markets are general aviation aircraft, business jets and commercial transportation. Segment revenues in 2020 were \$3,974 million, contributing 34.1% to the top line.

The **Industrial segment** manufactures and sells miscellaneous industrial products, such as golf carts, off- road utility vehicles, plastic fuel systems, and industrial pumps and gears. Segment revenues in 2020 were \$3,000 million, accounting for 25.7% of the top line.

Textron Financial Corporation (TFC) is a commercial finance business with operations in aircraft finance, asset-based lending and structured finance. Segment revenues in 2020 were \$55 million, constituting 0.5% of the top line.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Although the COVID-19 pandemic had an adverse impact on Textron's operating results, the company continues to witness notable order inflows, which in turn should boost its future revenues. Notably, in the fourth quarter, the company won a contract worth \$440 million involving recompetes of the U.S. Navy and Marine Corps flight - fighter jet training services program. Its unmanned systems secured a contract worth \$66 million from the U.S. Army for 36 Shadow aircraft. Overall, Textron's order activity in the fourth quarter was strong, which resulted in total backlog count of \$9.5 billion at quarter end. Of this backlog, the company expects to recognize revenues of approximately 65% through 2021, an additional 27% through 2023, and the balance thereafter. These order flows not only strengthen Textron's revenue generating capacity but also expands its footprint across the world, courtesy of solid demand for its products outside the domestic market. Looking ahead, Textron expects a ramp up of its commercial deliveries, which should further boost its top line.
- ▲ Textron has been innovating new products to capture more shares in the market place. To this end, in the fourth quarter, the company launched its Beechcraft King Air 260 turboprop. Featuring the latest technological advancements to the cockpit and improvements in the cabin, assembly production for the King Air 260 is already underway, while certification and deliveries are expected in early 2021. Moreover, at the beginning of the reported quarter, Textron Aviation started deliveries of the new King Air 360 aircraft. Further, Cessna SkyCourier program continues to progress, with three aircraft flying in the certification program. Flight test program for this jet has completed over 400 flight hours and the aircraft is on track for entry to service in the second half of 2021. On future vertical left, Bell marked the third anniversary of the V-280's first flight in December, with the aircraft having now flown more than 200 hours. Such steady innovations are expected to boost the company's future operating results significantly and must have boosted investors' confidence in this stock. Evidently, the company's shares have gained 27.9% in the past six months compared with the industry's 2.6% growth.
- ▲ Textron's cash and cash equivalents were \$2.2 billion at the end of fourth-quarter 2020, which improved from \$1,181 million as of Jan 4, 2020. While its long-term debt was \$3.2 billion as of Dec 31, 2020, the company's current portion of long-term debt was \$0.51 billion. Although the long-term debt value is higher than its cash reserve, its current debt is lower than the cash balance. So, it is safe to say that the company boasts the ability to pay off its debt obligations in the short term.

Moreover, we noticed impressive financial ratios for the stock, which further reflects its solid financial position. Notably, the company's current ratio at the end of the fourth quarter was 2.26, which being more than 1 indicates that this utility possesses sufficient capital on hand to meet its short-term obligations. Also, the company's times interest ratio came in at 2.8 at the end of the fourth quarter, which improved sequentially. Impressively, based on its strengthened liquidity position, the company now has reactivated its share repurchase plan in the fourth quarter, per its earlier announced expectation. With this reactivation, Textron returned \$129 million to its shareholders through repurchase. This should further boost investor confidence for this stock.

New product launch and stable financial position should boost Textron's growth trajectory.

Reasons To Sell:

- ▼ The COVID-19 pandemic continued to adversely impact revenues and segment profit for Textron's commercial businesses in the fourth quarter on account of a general slowdown in demand for its general aviation products and services, recreational and other specialized vehicles and automotive products. Notably, Textron's Bell business segment witnessed 9.4% year over year decline in the fourth quarter, with lower commercial volume being a primary driver. The company delivered 57 commercial helicopters, down 25% from last year's fourth quarter. Although air traffic is gradually recovering, it will take some time for it to reach pre-COVID levels. So, the downward pressure on commercial aerospace will remain in the near term.

Considering this, the company expects its 2021 revenues from the Bell segment to remain at low levels, owing to lower aftermarket volume and lower commercial deliveries. With no sign of any near-term respite from the ongoing crisis associated with the pandemic, we expect Textron's operating results, especially for the commercial unit, to be affected, at least in the near future.

- ▼ Due to the impact of the COVID-19 pandemic, Textron has been experiencing decreased demand for its products and services as the company's customers delayed or ceased orders due to the environment of economic uncertainty, in recent times. In the second quarter of 2020, Textron initiated a restructuring plan to reduce operating expenses through headcount reductions, facility consolidations and other actions in response to the economic challenges and uncertainty resulting from the COVID-19 pandemic. During the fourth quarter, Textron recorded \$23 million in pre-tax special charges, largely related to restructuring activities in Industrial and Textron Aviation. The company expects to incur pre-tax cost of \$20-\$30 million in 2021 due to this restructuring plan. Such expenses can weigh on the company's bottom line performance in the upcoming quarters.
- ▼ In the recent past, Textron experienced a decline in orders for its aviation products and services, along with lower deliveries of commercial helicopters and fixed-wing aircraft because of travel restrictions imposed in response to the pandemic. Economic and other impacts from the pandemic may also result in future weak demand for its aviation and commercial helicopter products and services, the delay or cancellation of existing orders by its customers and lower flight hours, and consequently, lower demand for parts and maintenance. In addition, new regulations by U.S. or foreign governments and government agencies addressed to the aviation or travel industry could impose additional regulatory, aircraft security, travel restrictions or other requirements or restrictions related to the pandemic that could adversely impact demand for aircraft and rotorcraft or significantly reduce hours flown. Owing to this, the company's costs might increase as a result of the COVID-19 outbreak. These cost increases may not be fully recoverable, thereby negatively impacting the stock's profitability, and may continue even after the business environment has improved.

Decreasing demand and other adverse impacts of the COVID-19 pandemic on the stock's operating results might be a cause of concern for investors

Last Earnings Report

Textron Q4 Earnings Beat Estimates, Revenues Fall Y/Y

Textron reported fourth-quarter 2020 adjusted earnings of \$1.06 per share, which exceeded the Zacks Consensus Estimate of 91 cents by 16.5%. The bottom-line figure however deteriorated 4.5% from the year-ago quarter's figure.

Including one-time items, the company posted GAAP earnings of \$1.03 per share compared with 87 cents generated in the year-ago quarter.

For 2020, the company reported adjusted earnings of 2.07 per share, which surpassed the Zacks Consensus Estimate of \$1.93. However, the full-year earnings also deteriorated from 2019's earnings of \$3.74 per share.

Quarter Ending 12/2020

Report Date	Jan 27, 2021
Sales Surprise	5.69%
EPS Surprise	16.48%
Quarterly EPS	1.06
Annual EPS (TTM)	2.07

Revenues

Total revenues came in at \$3,667 million, which surpassed the Zacks Consensus Estimate of \$3,469 million by 5.7%. The reported figure however decreased 9.1% from the year-ago quarter's \$4,035 million on lower contributions from each of its segments.

For 2020, the company recorded revenues worth \$11.65 billion, thereby beating the Zacks Consensus Estimate of \$11.41 billion. The full-year revenues however deteriorated from 2019's \$13.63 billion.

Manufacturing revenues decreased 9% to \$3,654 million while revenues at the Finance division declined 31.6% to \$13 million.

Segmental Performance

Textron Aviation: In the quarter under review, revenues at this segment declined 9.8% year over year to \$1,560 million. The decline was primarily due to lower Citation jet volume and lower aftermarket volume.

The company delivered 61 jets, down from 71 in the year-ago quarter. It also delivered 61 commercial turboprops, up from 59 in fourth-quarter 2019.

The segment generated operating profit of \$108 million in the quarter compared with \$134 million earned in the year-ago quarter, owing to lower volume and mix. The order backlog at the end of the quarter was \$1.6 billion.

Bell: Revenues from this segment slipped 1% to \$871 million, primarily due to lower military volume and commercial volume.

The segment delivered 57 commercial helicopters in the quarter, down from 76 last year.

Segment profits were down 6.8% to \$110 million on account of lower volume. Bell's order backlog at the end of the quarter was \$5.3 billion, down \$0.4 billion sequentially.

Textron Systems: Revenues at this segment came in at \$357 million, down 10.5% the year-ago period. The deterioration can be attributed to lower volume at the TRU Simulation and Training business.

Segmental profits increased 48.5% year over year to \$49 million in the fourth quarter due to favorable performance.

Textron Systems' backlog at the end of the fourth quarter was \$2.6 billion, up sequentially.

Industrial: Revenues at this segment declined 6.6% to \$866 million due to reduced demand in the ground support equipment business within the Specialized Vehicles product line.

Moreover, segment profit was \$55 million compared with \$44 million in the previous year quarter. The improvement can be attributed to a favorable impact from pricing and inflation, and favorable performance.

Finance: Revenues at this segment decreased to \$13 million from \$19 million in the year-ago quarter.

Financials

As of Jan 2, 2021, cash and cash equivalents totaled \$2,146 million compared with \$1,181 million as of Jan 4, 2020.

Cash flow from operating activities amounted to \$833 million at the end of Jan 2, 2021 compared with \$960 million at the end of Jan 4, 2020.

Capital expenditures were \$317 million during 2020 compared with \$339 million in 2019.

Long-term debt was \$3,198 million as of Jan 2, 2021, compared with \$2,563 million as of Jan 4, 2020.

Guidance

Textron expects to generate adjusted earnings in the range of \$2.70-2.90 per share during 2021, on revenues of \$12.5 billion. The current Zacks Consensus Estimate for 2021 earnings is pegged at \$2.68 per share, lower than the guided range.

The consensus mark for revenues, pegged at \$12.58 billion, lies above the guided figure.

Recent News

On **Jan 28, 2021**, Textron Aviation announced that it was awarded a contract by Air Archipels of Tahiti (French Polynesia) for one Beechcraft King Air 260 and one cargo door equipped King Air 260C aircraft. The aircraft are planned to be delivered to Air Archipels in the second half of 2021. Air Archipels currently operates a fleet of Beechcraft Super King Air B200s in French Polynesia. The first cargo door King Air 260 was ordered by Air Archipels and it will be the first to enter service.

On **Dec 22, 2020**, Textron Aviation announced that it has delivered a missionized Beechcraft King Air 350CER turboprop aircraft to the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) Office of Marine & Aviation Operations (OMAO). The aircraft joins a King Air 350CER aircraft delivered to NOAA in May 2009. The agency's first King Air 350CER aircraft has flown coastal mapping and aerial survey missions and critical emergency response missions including photographic survey after earthquakes, oil spills, and numerous blizzards, tornados, floods and named hurricanes.

On **Dec 17, 2020**, Textron unveiled new aircraft flight data monitoring (FDM) service options for Cessna Citation business jets equipped with Aircraft Recording System II (ARes II). Through Textron Aviation's proprietary LinxUs data reporting ecosystem, Cessna Citation customers can now choose to transfer their flight data to one of two customer-selected Flight Operational Quality Assurance (FOQA) providers, Flight Data Services L3Harris Technologies' Flight Data Connect service or Safran Electronics & Defense's Cassiopée Flight Data Monitoring solution.

On **Dec 7, 2020**, Textron announced that its Bell business unit has acquired Response Technologies, an innovative composite solutions and fuel cell company based in Coventry, RI. This acquisition adds to Bell's extensive technology portfolio in the aerospace manufacturing field.

Established in Rhode Island, Response Technologies is focused on flexible, 3D, textile-reinforced composite solutions. The company has two business areas of development: fuel cells and components and textile composites.

On **Dec 2, 2020**, Textron announced that Textron Aviation is launching an exciting new era for its renowned Beechcraft King Air 200 series aircraft with the introduction of the Beechcraft King Air 260 turboprop. Featuring the latest technological advancements to the cockpit and improvements in the cabin, the King Air 260 reflects the company's continued commitment to making substantial investments to its current industry-leading products. Assembly production for the King Air 260 is already underway, and certification and deliveries are expected in early 2021.

On **Nov 25, 2020**, Textron announced that its TRU Simulation + Training Inc. subsidiary has reached a definitive agreement to sell certain of its non-U.S. businesses to CAE Inc., a global high-technology leader in training for civil aviation, defense and security, and healthcare, for a cash consideration of \$40 million, excluding post-closing adjustments.

On **Nov 16, 2020**, Textron Aviation and Las Vegas-based private aviation charter operator, Thrive Aviation, announced the delivery of three preowned Cessna Citation Sovereign+ business jets. The three Sovereign+ aircraft are currently going through extensive interior and exterior overhauls, including paint to match Thrive Aviation's flagship livery design. These jets will join the company's existing array of aircraft, including two Cessna Citation M2 entry-level jets, four Cessna Citation CJ3+ light-jets, and one Cessna Citation XLS+ midsize business jet

On **Nov 12, 2020**, Textron Aviation proudly celebrated the entry into service and first delivery of its Beechcraft King Air 360 turboprop aircraft. The event was commemorated in a special delivery to its launch customer – Stamoules Produce Company, Inc. The California-based business selected the flagship King Air 360 as its first-ever aircraft purchase due to its combination of outstanding performance capabilities, ease of operation and the enhanced passenger experience, all of which will help expand the company's growing operations.

Valuation

Textron's shares are up 27.9% in the past six months period and down 9.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Aerospace sector are up 2.6% and 12.4% in the past six months period, respectively. Over the past year, the Zacks sub-industry is down 25.5% and the Zacks Aerospace sector witnessed a 29.6% decline.

The S&P 500 index is up 18% in the past six months period and 20.1% in the past year.

The stock is currently trading at 16.1X forward 12-month earnings, which compares to 19.2X for the Zacks sub-industry, 20.8X for the Zacks sector and 22.5X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.3X and as low as 5.9X, with a 5-year median of 15.8X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$49 price target reflects 17.2X earnings value.

The table below shows summary valuation data for TXT

Valuation Multiples -TXT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.13	19.19	20.8	22.5
	5-Year High	23.29	22.54	22.07	23.8
	5-Year Low	5.9	14.52	14.37	15.3
	5-Year Median	15.78	18.17	17.62	17.83
	Current	0.84	1.27	1.71	4.4

P/S F12M	5-Year High	1.22	1.64	1.8	4.4
	5-Year Low	0.35	0.95	0.93	3.2
	5-Year Median	0.85	1.28	1.26	3.68
	Current	11.61	42.69	17.4	17.04
EV/EBITDA TTM	5-Year High	14.91	45.32	18.86	17.54
	5-Year Low	5.03	8.46	7.61	9.53
	5-Year Median	10.49	11.95	10.91	13.23

As of 02/02/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 28% (181 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The Boeing Company (BA)	Neutral	4
Embraer Empresa Brasileira de Aeronautica (ERJ)	Neutral	3
Huntington Ingalls Industries, Inc. (HII)	Neutral	3
Leidos Holdings, Inc. (LDOS)	Neutral	2
L3Harris Technologies Inc (LHX)	Neutral	3
Lockheed Martin Corporation (LMT)	Neutral	3
Northrop Grumman Corporation (NOC)	Neutral	4
General Dynamics Corporation (GD)	Underperform	4

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

Industry Comparison Industry: Aerospace - Defense				Industry Peers		
	TXT	X Industry	S&P 500	GD	LMT	NOC
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	4
VGM Score	A	-	-	A	A	A
Market Cap	10.38 B	12.96 B	26.68 B	42.38 B	90.76 B	48.73 B
# of Analysts	6	6	13	9	10	8
Dividend Yield	0.18%	0.00%	1.47%	2.98%	3.21%	1.98%
Value Score	A	-	-	A	A	A
Cash/Price	0.21	0.10	0.06	0.07	0.04	0.10
EV/EBITDA	14.13	10.82	14.82	9.85	10.05	10.62
PEG F1	1.36	1.80	2.36	2.38	2.07	NA
P/B	1.78	3.61	3.60	2.71	15.03	4.61
P/CF	12.13	11.26	15.05	10.63	11.26	9.56
P/E F1	17.06	16.42	20.06	13.14	12.30	12.26
P/S TTM	0.89	1.25	2.89	1.12	1.39	1.32
Earnings Yield	5.91%	5.91%	4.89%	7.60%	8.13%	8.16%
Debt/Equity	0.55	0.64	0.68	0.64	1.93	1.35
Cash Flow (\$/share)	3.78	2.53	6.78	14.10	29.54	31.37
Growth Score	A	-	-	A	B	A
Historical EPS Growth (3-5 Years)	2.20%	13.87%	9.46%	4.79%	19.45%	22.67%
Projected EPS Growth (F1/F0)	29.47%	42.19%	13.03%	2.13%	7.52%	0.86%
Current Cash Flow Growth	-32.66%	7.37%	4.97%	-6.21%	11.52%	7.37%
Historical Cash Flow Growth (3-5 Years)	-5.66%	10.02%	8.19%	3.26%	12.19%	18.58%
Current Ratio	2.26	1.39	1.38	1.35	1.39	1.60
Debt/Capital	35.36%	39.74%	41.49%	38.96%	65.90%	57.41%
Net Margin	2.65%	3.88%	10.58%	8.35%	10.45%	8.67%
Return on Equity	8.39%	9.98%	15.07%	22.04%	152.68%	39.80%
Sales/Assets	0.74	0.74	0.51	0.74	1.31	0.84
Projected Sales Growth (F1/F0)	7.06%	4.43%	6.03%	2.48%	4.12%	0.11%
Momentum Score	A	-	-	D	A	C
Daily Price Change	1.24%	2.63%	1.37%	1.46%	2.68%	2.63%
1-Week Price Change	-8.99%	-5.35%	-4.02%	-3.99%	-5.31%	-3.87%
4-Week Price Change	-2.40%	0.08%	1.73%	2.61%	-4.61%	1.15%
12-Week Price Change	4.58%	3.72%	6.23%	-0.98%	-10.39%	-4.61%
52-Week Price Change	-9.82%	-19.91%	8.65%	-16.55%	-22.77%	-17.08%
20-Day Average Volume (Shares)	1,144,385	1,144,385	2,096,101	1,594,624	2,054,100	1,242,192
EPS F1 Estimate 1-Week Change	5.07%	0.00%	0.00%	-3.02%	0.36%	-1.60%
EPS F1 Estimate 4-Week Change	3.21%	0.00%	0.38%	-4.26%	0.32%	-1.61%
EPS F1 Estimate 12-Week Change	3.02%	0.01%	1.47%	-5.08%	0.02%	-2.29%
EPS Q1 Estimate Monthly Change	-12.07%	0.00%	0.15%	-7.33%	0.27%	0.08%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	A
Growth Score	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.