

Visa Inc. (V)

\$219.43 (As of 02/24/21)

Price Target (6-12 Months): **\$228.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/01/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: D

Summary

Shares of Visa have outperformed the industry in a year. Numerous acquisitions and alliances paved the way for long-term growth and consistently drove revenues. Technological upgrades via investments bode well for Visa. Shift in payments to the digital modes is a boon too. The acquisition of Visa Europe is a strategic fit as well. The coronavirus vaccine development and the gradual revival of consumer confidence will drive spending, expanding the company's business volumes in turn. A strong balance sheet enables investment in business. Its earnings of \$1.42 per share beat the Zacks Consensus Estimate by 11.8%, but were down 3% year over year. However, high operating expenses stress the operating margins. Ramped-up client initiatives will dent the top line. Also, a sluggish cross-border business due to coronavirus looms on.

Price, Consensus & Surprise

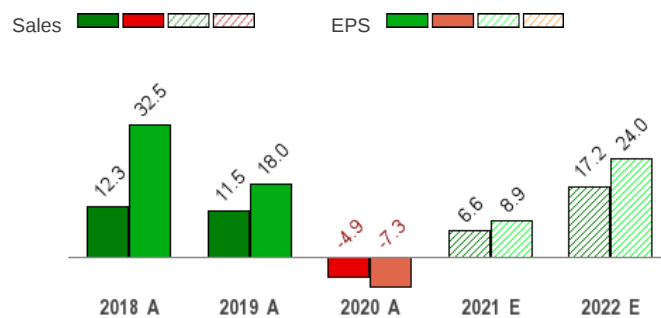


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$220.53 - \$133.93
20-Day Average Volume (Shares)	10,323,025
Market Cap	\$428.4 B
Year-To-Date Price Change	0.3%
Beta	0.98
Dividend / Dividend Yield	\$1.28 / 0.6%
Industry	Financial Transaction Services
Zacks Industry Rank	Bottom 37% (160 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.8%
Last Sales Surprise	3.2%
EPS F1 Estimate 4-Week Change	1.0%
Expected Report Date	04/29/2021
Earnings ESP	-0.5%
P/E TTM	44.0
P/E F1	40.0
PEG F1	2.4
P/S TTM	19.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	6,663 E	6,647 E	6,814 E	7,243 E	27,273 E
2021	5,687 A	5,561 E	5,810 E	6,246 E	23,278 E
2020	6,054 A	5,854 A	4,837 A	5,101 A	21,846 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.68 E	\$1.65 E	\$1.70 E	\$1.82 E	\$6.81 E
2021	\$1.42 A	\$1.27 E	\$1.35 E	\$1.47 E	\$5.49 E
2020	\$1.46 A	\$1.39 A	\$1.06 A	\$1.12 A	\$5.04 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 02/24/2021. The report's text and the analyst-provided price target are as of 02/25/2021.

Overview

Incorporated in 2007 as a Delaware stock corporation and headquartered in San Francisco, CA, Visa Inc. operates retail electronic payments network worldwide. The company went public in March 2008 via an initial public offering (IPO).

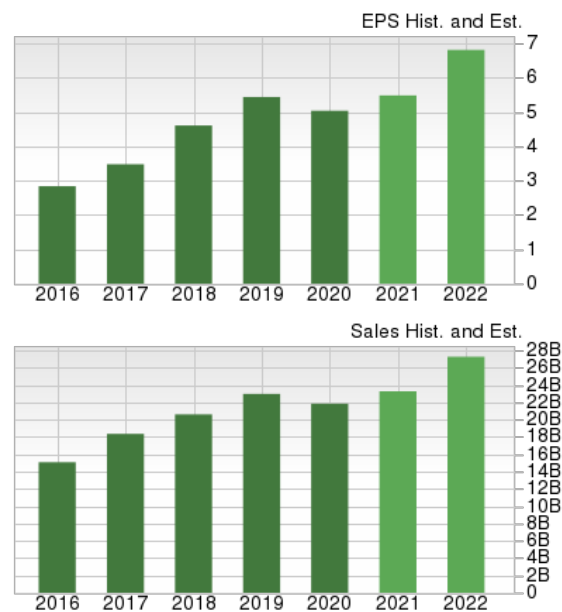
Though Visa has evolved and grown over the course of the last six decades:

- It provides transaction processing services (primarily authorization, clearing and settlement) to financial institutions and merchant clients through VisaNet, its global processing platform.
- It offers a wide range of Visa-branded payment products, which its financial institution clients would develop and offer core business solutions, credit, debit, prepaid and cash access programs for account holders (individuals, businesses and government entities).
- It provides other value-added services to its clients including fraud and risk management, debit issuer processing, loyalty services, dispute management, digital services like tokenization as well as consulting and analytics.
- It manages and promotes its brands to the benefit of its clients and partners through advertising, promotional and sponsorship initiatives with the Olympic Games, FIFA and the National Football League among others.

In recent years, the company has evolved its organization to accelerate the migration of digital payments across new channels including ecommerce, mobile and wearables.

- The company has adopted new digital payment and security technologies, such as contactless and tokenization.
- It has accelerated the pace of change in digital payments by making application programming interfaces (APIs) available in an effort to increase access to its network, products and services, offering innovation opportunities at its 10 global innovation network locations and building partnerships with new players, such as financial technology companies, commonly known as fintechs.

The primary revenue segments are: **Service revenues** (36% of gross revenues in fiscal 2020), **Data Processing revenues** (34%), **International Transaction revenues** (25%) and **Other revenues** (5%).



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Share Price Movement:** Visa's shares have outperformed its industry, in a year's time. Shares of the company are expected to continue performing well in the days ahead courtesy of its robust fundamentals.
- ▲ **Revenues to Grow Gradually:** Revenues have been growing consistently over the years witnessing 10-year CAGR (2009-2019) of 12.8%. However, 2020 revenues were down 5 and again 6% in the first quarter of fiscal 2021, due to coronavirus-led loss of business. However, in the first quarter of fiscal 2021, there was year-over-year growth in payments volume (the primary driver for service revenues) and the number of processed transactions (the primary driver for data processing revenues), reflecting improving operating conditions. We believe that the company will get back its revenue growth in the coming quarters on the back of its strong market position and attractive core business that continues to be driven by new deals, renewed agreements, accretive acquisitions, increasing spending via cards, shift to digital form of payments and expansion of service offerings. Though the COVID-19 will likely create some pressure on the revenues, the metric should maintain its rising trend once normalcy returns.
- ▲ **Visa Europe Acquisition Delivering Strong Value:** Visa acquired Visa Europe in June 2016. Reuniting with Visa Europe was one of its most important long-term growth strategies. The company expects to gain a competitive edge from a robust business model and increased scale with the acquisition of Visa Europe as it projects Europe to be a \$3.3 trillion payments market and high growth region in the future. The deal has been accretive to the company, having contributed to its top line by bolstering payments volume, cross-border volume and processed transactions.
- ▲ **Cost Control Efforts To Aid Margin:** The company's cost reduction strategy which included lowering of marketing and general and administrative expenses led to a 10% decline in total operating expenses. We believe the company's cost control efforts will aid its bottomline.
- ▲ **Inorganic Growth:** For Visa, mergers and acquisitions, partnerships, and minority investments are some of the ways to achieve growth. These moves have helped the company to maintain its leading position in the payment network space with 50% more payments volume than its closest competitor, Mastercard. Some of Visa's acquisitions are Earthport, Payworks, Verifi, YellowPepper, and the ticketing and token services business of Rambus. These acquisitions and investments will accelerate its progress and extend the boundaries of its capabilities and network.
- ▲ **Technological Innovations:** Visa continues to invest in technology to further boost its already leading position in the payments market and to minimize the impact of fraud, and protect consumer and merchant information. One of the main purviews of Visa is to ensure security of payments as these move from physical to digital environments. VisaNet, Visa Token Service, Visa Direct, and Visa Checkout are some of the platforms that have been developed by the company in the recent years to advance its digital platform. The company is also pushing technologies, including contactless and scan-to-pay, tap-to-pay, and secure remote commerce, which should be the main modes of payment in the near future. With only 15% of global payments occurring digitally, Visa has a huge runway for growth in the emerging payments industry in the years to come.
- ▲ **Strong Balance Sheet Position:** Visa enjoys a strong cash and available-for-sale investment position along with strong free cash flow. Its strong balance sheet enables it to make acquisition and fund capital expenditure that drives long-term growth. Backed by its strong cash position, the company remains committed to boost shareholders' value. Visa has increased its dividend each year since 2009, with the latest being a 6.67% hike in October 2020.
- ▲ **Strong Solvency Position:** Visa's total debt is 66.5% of its total equity, has increased from 48.2% as of Sep 30, 2020 and higher than the industry average of 65.5%. Though its long-term debt as of Dec 31, 2020 was \$21.1 billion, lower than its cash and cash equivalents \$15.03 billion, it has ample liquidity with access to the commercial paper market on favorable terms. Thus, the company is well-equipped with sufficient resources to service its indebtedness. Also, its interest coverage ratio of 26.1 is substantially higher than its industry average of 16.6. Thus, the company's solvency status looks impressive.

Visa continues to benefit from Visa Europe acquisition, increasing business volumes, investment in digital technology and a solid balance sheet.

Reasons To Sell:

▼ **Weakness in International Business:** International business forms nearly 53-55% of the company's total revenues and provides the company with cross-border revenues. The coronavirus outbreak impacted Visa's cross-border business volumes. International revenues declined 9% in the first quarter of fiscal 2021. We expect the company's cross border business to remain under pressure for the next few quarters, which will suppress top-line growth.

▼ **Higher Client Incentives:** Visa has been facing increased client incentives, which are paid to financial institutions, merchants and strategic partners to build payments volumes, increase Visa's product acceptance, win merchant routing transactions over its network and drive innovation. The same was up 6% in the first quarter of fiscal 2021, representing 33% of total revenues. Increase in client incentives, which is a contra revenue item, will be a drag on the top line.

Higher client incentives, weak international business due to COVID-19 remain some headwinds for Visa.

Last Earnings Report

Visa Q1 Earnings Surpass Estimates, Revenues Down Y/Y

Visa's fiscal first-quarter 2021 earnings of \$1.42 per share, beat the Zacks Consensus Estimate by 11.8%. However, the bottom line declined 3% year over year.

Meanwhile, the company's net operating revenues of \$5.7 billion outpaced the Zacks Consensus Estimate by 3.2%. However, the top line fell 6% year over year.

Results benefited from improved payments volume and processed transactions, partly offset by decline in cross-border volumes

Quarter Ending 12/2020

Report Date	Jan 28, 2021
Sales Surprise	3.17%
EPS Surprise	11.81%
Quarterly EPS	1.42
Annual EPS (TTM)	4.99

Financial Performance

On a constant-dollar basis, payments volume in the quarter was up 5% year over year. Also, processed transactions improved 4% from the prior-year quarter to 39.2 billion driven by domestic transactions.

Total cross border volume of Visa on a constant-dollar basis fell 21% year over year during the quarter. The company's cross-border volumes excluding transactions within Europe (which drive its international transaction revenues) slumped 33% year over year on a constant-dollar basis.

Service revenues were up 5% year over year to \$2.7 billion attributable to higher payments volume of the fourth quarter. On a year-over-year basis, data processing revenues were up 6% year over year to \$3 billion while international transaction revenues plunged 28% from the prior-year quarter to \$1.5 billion. Other revenues climbed 5% year over year to \$384 million.

Client incentives of \$1.9 billion grew 6% year over year.

Operating expenses declined 10% year over year to \$1.8 billion attributable to lower general and administrative, marketing, and network and processing expenses coupled with reduced professional fees.

Interest expense escalated 22.5% year over year to \$136 million.

Balance Sheet (as of Dec 31, 2020)

Cash and cash equivalents were \$15 billion, down 7.7% from fiscal year end Sep 30, 2020.

Total assets were \$80.4 billion, which declined 0.6% from fiscal year end Sep 30, 2020.

Long-term debt slid nearly 0.1% from fiscal year end Sep 30, 2020 to \$21.1 billion.

Share Buyback and Dividend Update

During the quarter under review, the company made share repurchases worth \$1.8 billion.

On Jan 26, 2021, the company declared a quarterly cash dividend of 32 cents per share. The dividend will be paid on Mar 1, 2021 to its shareholders of record as of Feb 12.

Business Update

In November 2020, the company unveiled that it has completed the buyout of YellowPepper. This acquisition is in line with Visa's endeavor to bolster its "network of networks" strategy to become a single point of access for initiating multiple transaction types and enabling a secure flow of funds.

On maturity of its senior notes, the payment processor repaid \$3 billion of principal in December 2020.

This month, Visa and fintech startup Plaid have called off their previously announced \$5.3-billion merger after facing a legal challenge from the Department of Justice (DoJ). The said deal was announced on Jan 13, 2020

Recent News

Visa Teams Up With ADP to Boost Digital Payments for Workers - Feb 18, 2021

Visa Inc. (V) recently teamed up with Automatic Data Processing to integrate the real-time push payments platform of Visa named Visa Direct into ADP. In the days ahead, the integration will be introduced across several use cases. Powered by Visa Direct, the tie-up will empower ADP in offering a digital and low-cost solution to its large and small clients, which will be beneficial for both employers and employees across the United States.

Visa, Plaid Terminate Merger After Legal Complications - Jan 13, 2021

Visa and fintech startup Plaid have called off their previously announced \$5.3-billion merger after facing a legal challenge from the Department of Justice (DoJ). The said deal was announced on Jan 13, 2020.

Visa Forays Further into Cryptocurrency Space With BlockFi - Dec 2, 2020

Visa has collaborated with BlockFi, to roll out a credit card, which will exclusively reward bitcoin to users after each purchase. Notably, BlockFi is best known for offering enhanced financial products and services to participants in cryptocurrency markets. Notably, Deserve, which is a credit card firm, and Evolve Bank will work in conjunction with the above-mentioned companies to introduce BlockFi Bitcoin Rewards Credit Card, which is the first credit card to be launched across the crypto ecosystem.

Visa's Program to Aid Asia Pacific Startups Thrive Globally - Dec 1, 2020

Visa has introduced an accelerator program in an effort to provide startups with the opportunity to establish presence across newer markets after successfully launching their solutions in the home markets. The program usually runs for a time period of four to six months. This time around, Visa has invited several startups across Asia Pacific to participate in the Visa Accelerator program, out of which the company will select a maximum of six elite startups.

Valuation

Visa's shares are down 0.9% in the year-to-date period and 15.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Service sector are up 1.2% and 3.3%, respectively. Over the past year, the Zacks sub-industry and the sector are up 12.1% and 1.7%, respectively.

The S&P 500 index is up 5% in six months' period and 28.1% in past year.

The stock is currently trading at 36.43x forward 12-month earnings, which compares to 31.37x for the Zacks sub-industry, 30.55x for the Zacks sector and 22.72x for the S&P 500 index.

Over the past five years, the stock has traded as high as 40.57x and as low as 20.76x with a 5-year median of 26.7x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$228 price target reflects 38.32x forward earnings.

The table below shows summary valuation data for V

Valuation Multiples - V					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	36.43	31.37	30.55	22.72
	5-Year High	40.57	32.16	30.67	23.8
	5-Year Low	20.76	20.77	18.71	15.3
	5-Year Median	26.7	23.65	21.62	17.84
P/S F12M	Current	17.21	11.29	5.75	4.58
	5-Year High	18.1	11.46	5.75	4.58
	5-Year Low	8.86	7.18	2.89	3.21
	5-Year Median	12.16	9.18	3.46	3.68
P/B TTM	Current	12.6	7.87	6.6	6.95
	5-Year High	14.06	12.55	6.6	6.97
	5-Year Low	5.22	5.1	3.22	3.84
	5-Year Median	9.68	8	4.96	4.97

As of 02/24/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 37% (160 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Diebold Nixdorf, Incorporated (DBD)	Outperform	1
Alliance Data Systems Corporation (ADS)	Neutral	4
American Express Company (AXP)	Neutral	4
Discover Financial Services (DFS)	Neutral	3
Fidelity National Information Services, Inc. (FIS)	Neutral	4
Fiserv, Inc. (FISV)	Neutral	3
Mastercard Incorporated (MA)	Neutral	3
The Western Union Company (WU)	Neutral	3

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

Industry Comparison Industry: Financial Transaction Services				Industry Peers		
	V	X Industry	S&P 500	ADS	FIS	MA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	3
VGM Score	D	-	-	C	C	F
Market Cap	428.40 B	2.48 B	27.72 B	4.53 B	86.61 B	364.88 B
# of Analysts	19	7	13	16	17	19
Dividend Yield	0.58%	0.00%	1.45%	0.88%	1.00%	0.48%
Value Score	D	-	-	A	C	D
Cash/Price	0.05	0.07	0.06	0.75	0.02	0.03
EV/EBITDA	28.88	18.73	15.30	8.99	23.13	37.35
PEG F1	2.38	1.89	2.37	0.49	1.43	2.51
P/B	12.60	5.02	3.89	2.98	1.75	56.33
P/CF	35.69	16.54	15.89	6.93	12.07	45.04
P/E F1	39.11	24.61	21.11	8.03	21.93	45.76
P/S TTM	19.94	5.50	3.19	1.00	6.90	23.85
Earnings Yield	2.50%	3.89%	4.65%	12.45%	4.56%	2.19%
Debt/Equity	0.62	0.32	0.66	5.60	0.32	1.85
Cash Flow (\$/share)	6.15	2.38	6.64	13.70	11.55	8.16
Growth Score	C	-	-	F	B	C
Historical EPS Growth (3-5 Years)	18.19%	16.99%	9.34%	-5.17%	13.76%	20.50%
Projected EPS Growth (F1/F0)	8.85%	21.14%	13.95%	25.93%	16.43%	24.85%
Current Cash Flow Growth	-7.22%	0.01%	1.21%	-42.00%	43.42%	-15.47%
Historical Cash Flow Growth (3-5 Years)	11.46%	11.46%	7.62%	-14.11%	34.80%	10.03%
Current Ratio	2.12	1.14	1.38	1.72	0.80	1.61
Debt/Capital	35.85%	30.84%	41.22%	84.84%	24.44%	65.00%
Net Margin	49.91%	5.83%	10.59%	4.73%	1.25%	41.90%
Return on Equity	35.50%	10.15%	14.82%	33.97%	6.96%	106.54%
Sales/Assets	0.28	0.43	0.51	0.20	0.15	0.48
Projected Sales Growth (F1/F0)	6.56%	9.41%	6.82%	-3.07%	8.73%	18.34%
Momentum Score	D	-	-	F	C	F
Daily Price Change	3.45%	2.06%	1.31%	4.15%	1.99%	4.82%
1-Week Price Change	-2.49%	-0.37%	-0.16%	3.90%	-3.40%	-2.30%
4-Week Price Change	12.55%	13.17%	6.83%	40.51%	13.80%	16.43%
12-Week Price Change	4.40%	4.85%	9.51%	19.99%	-6.16%	7.97%
52-Week Price Change	17.21%	15.10%	18.76%	4.42%	-3.10%	23.25%
20-Day Average Volume (Shares)	10,323,025	581,391	2,013,595	937,342	4,278,369	4,256,373
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.02%	0.00%	0.62%	-4.07%	-3.81%	-1.13%
EPS F1 Estimate 12-Week Change	0.11%	-0.22%	1.91%	-1.97%	-4.78%	-1.27%
EPS Q1 Estimate Monthly Change	-5.18%	-1.41%	0.15%	-11.51%	-14.92%	-10.05%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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