

Vulcan Materials (VMC)

\$172.23 (As of 03/30/21)

Price Target (6-12 Months): **\$181.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/16/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

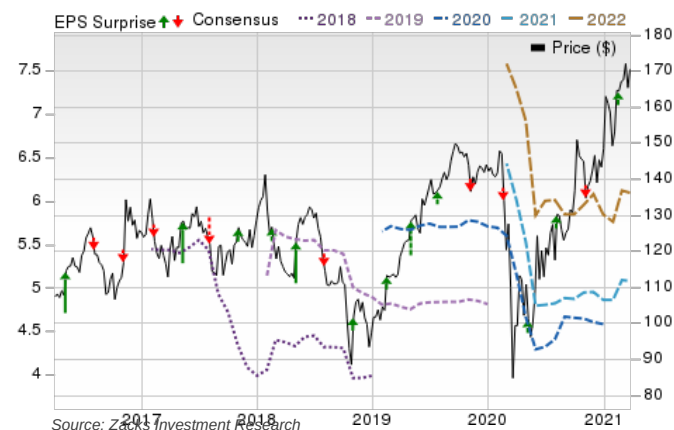
Growth: C

Momentum: C

Summary

Shares of Vulcan have outperformed the industry in the past six months. Prudent cost management and aggregates price growth helped Vulcan to drive margin expansion. The company is also benefiting from growth in heavy industrial projects such as data centers and warehouses. Residential end markets remain a bright spot. Regardless of volume swings, Vulcan intends to improve 2021 unit profitability in aggregates. Meanwhile, earnings estimates for 2021 have moved up over the past 30 days, depicting analysts' optimism regarding its bottom-line growth potential. However, lower shipment is a cause of concern. Although it expects the trends to gradually improve through 2021, it expects aggregates shipments between down 2% and up 2% compared with 2020 levels.

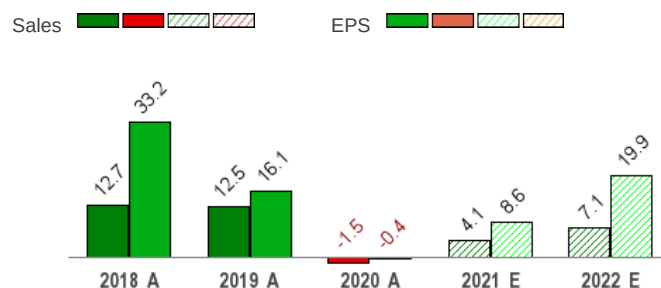
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$176.35 - \$88.60
20-Day Average Volume (Shares)	836,898
Market Cap	\$22.8 B
Year-To-Date Price Change	16.1%
Beta	0.60
Dividend / Dividend Yield	\$1.48 / 0.9%
Industry	Building Products - Concrete and Aggregates
Zacks Industry Rank	Top 18% (46 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.1%
Last Sales Surprise	3.1%
EPS F1 Estimate 4-Week Change	-0.2%
Expected Report Date	05/05/2021
Earnings ESP	0.0%
P/E TTM	36.7
P/E F1	33.9
PEG F1	1.9
P/S TTM	4.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,091 E	1,449 E	1,508 E	1,329 E	5,417 E
2021	1,012 E	1,340 E	1,394 E	1,245 E	5,058 E
2020	1,049 A	1,323 A	1,310 A	1,175 A	4,857 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.58 E	\$1.93 E	\$2.06 E	\$1.43 E	\$6.09 E
2021	\$0.40 E	\$1.67 E	\$1.76 E	\$1.19 E	\$5.08 E
2020	\$0.47 A	\$1.60 A	\$1.56 A	\$1.07 A	\$4.68 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 03/30/2021. The report's text and the analyst-provided price target are as of 03/31/2021.

Overview

Based in Birmingham, AL, **Vulcan Materials Company** is engaged in the production, distribution and sale of construction aggregates and other construction materials in the U.S. and Mexico. The company has four operating segments going by the principal product lines: Aggregates, Concrete, Asphalt mix and Calcium.

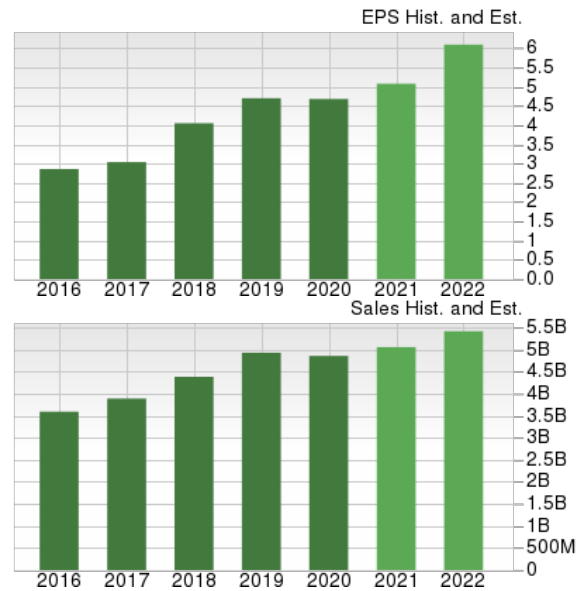
Aggregates (81.2% of 2020 total revenues): The segment produces and sells aggregates like crushed stone, sand and gravel and other aggregates. The segment serves markets in 20 U.S. states, Washington D.C., the Bahamas and Mexico. The end uses of Vulcan's aggregates include public construction (such as bridges, highways, airports, schools and prisons) as well as private residential (single-family houses, duplexes, apartment buildings and condominiums) and private non-residential (manufacturing, retail, offices, industrial and institutional) construction.

Concrete (7.9%): The Concrete segment deals with the production and sale of ready-mix concrete in six U.S. states, Washington D.C. and the Bahamas. This segment functions as a customer of the Aggregates segment as aggregates are a major component in ready-mix concrete. In Mar 2014, the company sold its concrete business in the Florida area.

Asphalt Mix (16.3%): The Asphalt Mix segment produces and sells asphalt mix in mid-Atlantic, Georgia, Southwestern and Western markets. In Jan 2015, Vulcan Materials swapped some of its ready-mix concrete operations for CEMEX's 13 asphalt plants, primarily in Arizona.

Calcium (0.2%): Vulcan Materials exited the Cement business with the sale of the Florida facilities in Mar 2014. The company, however, retained the calcium operation at the Brooksville, FL facility and renamed the segment as Calcium. The Florida calcium facility mines, produces and sells calcium products.

Notably, aggregates inter-segment sales accounted for 5.6% of its total revenues in 2020.



Reasons To Buy:

- ▲ **Rising Construction Activity in Public & Residential Sectors:** Increasing public construction demand and a resurgence in demand on the private side, particularly residential, have been benefiting Vulcan. Even projects that were paused at the onset of the coronavirus pandemic have started executing on their backlog of projects.

The company has been witnessing strong pricing, underpinned by growing public demand (mainly transport) and operational discipline. Vulcan-served markets should continue to benefit from public construction demand, primarily led by significantly higher levels of highway funding in key states. Public sector construction includes spending by federal, state and local governments for construction of highways, bridges, airports, dams, roads and other infrastructure construction. Publicly-funded construction accounts for significant part (approximately 45-55%) of Vulcan's total aggregate shipments. Generally, public sector spending is much more stable than the private because the public construction projects are less affected by general economic cycles. On the federal front, the government has signed into law a continuing resolution that included a one-year extension at the Fixing America's Surface Transportation Act or FAST Act at the current funding levels. This provides state and local governments with the visibility needed to plan, design and lead transportation projects through the 2021 construction season. Continuous recovery in these fundamentals points to construction activity stabilization over the course of 2021.

Meanwhile, private consumer demand in Vulcan-served markets has also been recovering steadily. Privately-funded construction accounts for approximately 56% of total aggregate shipments.

- ▲ **Four Strategic Initiatives:** The company remains focused on creating long-term value by compounding unit margins through four strategic initiatives — Commercial Excellence, Operational Excellence, Strategic Sourcing and Logistics Innovation — that enhance price growth and operating efficiencies. Higher price realizations and its four strategic initiatives should continue to increase unit profitability. Regardless of volume swings, the company intends to improve 2021 unit profitability in aggregates. Improvement in pricing helped it achieve 5% growth in industry-leading unit profitability and adjusted EBITDA (up 4.2%) in 2020. Notably, gross profit per ton grew 5% despite 3% lower volumes. This growth marks the 10th consecutive quarter of year-over-year improvement in the company's trailing 12-month unit profitability.

The company expects full-year 2021 adjusted EBITDA within \$1.340-\$1.440 billion. This full-year guidance predicts year-over-year growth in the same despite soft shipment expectation. Notably, Adjusted EBITDA in 2020 came in at \$1,323.5 million.

- ▲ **Expansion Via Acquisitions:** Since becoming a public company in 1956, Vulcan followed a systematic inorganic strategy for expansion and has wrapped up various bolt-on acquisitions that had contributed significantly to its growth. Through the first nine months of 2020, Vulcan purchased businesses that will support aggregates operations for a total consideration of \$35,862,000. Meanwhile, Vulcan completed two acquisitions — one aggregate operation in Tennessee and another ready-mixed concrete operation in Virginia — in 2019. Notably, Vulcan had completed four acquisitions — totaling \$221 million — in 2018. These buyouts complement its existing positions, as well as expand foothold in Alabama, California, and Texas markets.

In 2021, Vulcan expects to spend between \$450 and \$475 million on capital expenditures, including growth projects. This includes fully restarting and advancing the growth projects that were delayed during 2020 spring such as the opening of a new quarry in California, capacity expansion at other quarries, and improvements to logistics and distribution network. It also reflects a catch-up of operating capex that was postponed at the start of the pandemic. During 2020, the company invested \$361 million in internal growth projects to enhance distribution capabilities, develop new production sites, and enhance existing production facilities as well as other growth opportunities.

- ▲ **Stable Balance Sheet & Enhancing Shareholders' Return:** Of late, Vulcan has bolstered liquidity to manage the coronavirus pandemic. As of Dec 31, 2020, cash and cash equivalents were \$1,197.1 million, up from \$271.6 million on Dec 31, 2019. The company intends to use \$500 million to pay off certain maturities due March 2021. At fourth quarter 2020-end, long-term debt was \$2.77 billion, slightly down from \$2.78 billion at 2019-end. Return on invested capital increased 40 basis points or bps from the prior year to 14.3%. Operating cash flows were \$1.1 billion in 2020, up 9% from 2019.

Meanwhile, Vulcan has been actively managing cash flows, returning considerable free cash to investors through share repurchases and dividends. In 2020, the company returned \$180 million to shareholders through dividends, reflecting a 10% increase from 2019. In 2020, it repurchased \$26 million in common stock.

Strong public construction activity along with its strong aggregate reserve position, pricing power and bolt-on acquisitions are encouraging

Reasons To Sell:

▼ **Coronavirus-Related Woes:** Notably, its 2020 aggregate shipments (volumes) were down 3% year over year as shipping patterns varied widely across the company's footprint as a result of economic uncertainty caused by the COVID-19 outbreak. Also, wet weather and wildfires in major markets added to woes. Although it expects the trends to gradually improve through 2021, volumes are more difficult to gauge, given timing uncertainties. Meanwhile, the company expects aggregates shipments between down 2% and up 2% compared with 2020 levels.

Coronavirus-related woes and seasonal influences on construction activity could weigh on the company's performance

▼ **Weather Woes:** Vulcan is susceptible to bad weather conditions, including hurricanes, tornadoes and other weather events, as most of its products are used outdoors in the public or private construction industry. Also, the company's production and distribution facilities are located outdoors. Inclement weather affects both the company's ability to produce and distribute products and affects demand as construction work can be hampered by weather. Notably, third-quarter 2020 results were impacted by wet weather in the Southeast/Texas. Also, second-quarter 2020 aggregate shipments declined 2% from the prior-year period. Key markets in the Southeast and Coastal Texas were affected by wet weather during second-quarter 2020. Also, first-quarter 2020 aggregates shipments were down 1.3% (1.3% same-store) year over year. Many markets in the Southeast and Southwest were negatively impacted by wet weather.

▼ **Uncertainty in Aggregates Demand in Public Construction:** Dependency on the timing and amount of federal as well as local funding for infrastructure work for its business is a cause of concern. Vulcan's products are used in a variety of public infrastructure projects that are funded and financed by federal, state and local governments.

▼ **Price Fluctuation of Resources:** The company uses large amounts of electricity, diesel fuel, liquid asphalt and other petroleum-based resources, subject to potential supply constraints and significant price fluctuation, which could affect operating results and profitability. The availability and pricing of these resources are subject to market forces. Variability in the supply and prices of these resources could affect the company's operating costs and the rising costs could erode profitability.

Last Earnings Report

Vulcan Materials (VMC) Q4 Earnings & Revenues Beat Estimates

Vulcan Materials Company reported fourth-quarter 2020 results, with earnings and revenues surpassing the Zacks Consensus Estimate. However, both the metrics declined on a year-over-year basis.

Inside the Headlines

Vulcan Materials — which is one of the largest producers of construction aggregates — reported adjusted earnings of \$1.07 per share, beating the consensus mark of 99 cents by 8.1%. However, the company's bottom line declined 0.9% on a year-over-year basis.

Total revenues of \$1,175.1 million surpassed the consensus mark of \$1,140 million. However, it declined 0.9% year over year.

Segments in Detail

Aggregates

During the fourth quarter, revenues in the segment dropped 0.4% year over year to \$956.5 million. Aggregate shipments (volumes) were down 1% year over year.

For the quarter under review, freight-adjusted average sales price increased 3.3% from the prior-year quarter. Freight-adjusted revenues also increased 2.3% year over year to \$737.3 million.

Gross profit of \$276 million was up 0.5% year over year. Adjusted gross margin — as a percentage of segment sales — declined 60 basis points (bps) to 36.7% (excluding freight & delivery).

Asphalt, Concrete and Calcium

Revenues in the Asphalt segment were \$194.7 million, down 5.7% year over year. The segment reported gross profit of \$17 million, up 53.4% from the year-ago level driven by an increase in material margin.

Total revenues in the Concrete segment were \$85.4 million, down 10.4% year over year. However, gross profit totaled \$8.6 million, up 28.5% year over year. For the fourth quarter, shipments fell 12% year over year. Average selling prices rose 2% year over year.

Total revenues in the Calcium segment were up 15.7% year over year to \$2.5 million. The segment reported gross profit of \$1.2 million, increasing 44.7% from the prior-year level.

Operating Highlights

For the quarter, Selling, Administrative and General or SAG expenses — as a percentage of total revenues — increased 30 bps year over year to 8.4%.

Adjusted EBIT increased 3.7% from the prior-year quarter to \$210.3 million. Adjusted EBITDA also rose 4.3% year over year to \$311.2 million. Notably, the improvement was backed by aggregates price growth and effective cost management.

Financials

As of Dec 31, 2020, cash and cash equivalents were \$1,197.1 million, up from \$271.6 million at 2019-end. Long-term debt was \$2,772.2 million, slightly down from the year-ago level.

In 2020, Vulcan Materials returned \$180 million to shareholders through dividends, reflecting an increase of 10% from the prior year. So far this year, the company has repurchased \$26 million in common stock.

2020 Highlights

Total revenues for 2020 came in at \$4,856.8 million compared with \$4,929.1 million in 2019.

Adjusted EBITDA for 2020 came in at \$1323.5 million compared with \$1,270 million in 2019.

In 2020, adjusted EPS came in at \$4.68 compared with \$4.70 in the previous year.

2021 Outlook

For 2021, the company anticipates adjusted EBITDA in the range of \$1.340-\$1.440 billion. SAG expenses are expected in the range of \$365-\$375 million. EPS for 2021 are anticipated between \$4.80 and \$5.40.

Meanwhile, Vulcan Materials expects year-over-year growth in aggregates freight-adjusted price between 2% and 4%. Also, it expects aggregates shipments in the range of (2%) to 2% growth from the 2020 level. Depreciation, depletion, accretion and amortization expenses are expected to be \$400 million. Nonetheless, the company remains optimistic about the pricing environment in 2021.

Quarter Ending	12/2020
Report Date	Feb 16, 2021
Sales Surprise	3.09%
EPS Surprise	8.08%
Quarterly EPS	1.07
Annual EPS (TTM)	4.70

Valuation

Vulcan Materials' shares are up 28.1% in the past six-month period and 60.8% in the and trailing 12-month period. Stocks in the Zacks sub industry and the Zacks Construction sector are up 48.5% and 26.2%, in the past six-month period, respectively. Over the past year, the Zacks sub-industry and the sector are up 101.1% and 116%, respectively.

The S&P 500 index is up 17.8% in the past six-month period and 62.3% in the past year.

The stock is currently trading at 32.33X forward 12-month earnings, which compares to 24.1X for the Zacks sub-industry, 17.01X for the Zacks sector and 22.36X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.5X and as low as 13.41X, with a 5-year median of 26.34X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$181 price target reflects 33.94X forward 12-month earnings.

The table below shows summary valuation data for VMC

Valuation Multiples - VMC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	32.33	24.1	17.01	22.36
	5-Year High	44.5	26.28	19.01	23.83
	5-Year Low	13.41	12.89	10.78	15.3
	5-Year Median	26.34	20.31	16.17	17.95
P/S F12M	Current	4.44	2.45	2.41	4.57
	5-Year High	4.62	2.66	2.41	4.57
	5-Year Low	1.9	1.59	1.27	3.21
	5-Year Median	3.63	2.18	1.71	3.69
EV/EBITDA TTM	Current	18.69	110.5	26.27	17.62
	5-Year High	28	110.86	26.3	17.72
	5-Year Low	10.05	13.04	12.09	9.63
	5-Year Median	18.29	18.09	18.23	13.35

As of 03/30/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 18% (46 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
U S Concrete, Inc. (USCR)	Outperform	1
Cornerstone Building Brands, Inc. (CNR)	Neutral	2
CRH PLC (CRH)	Neutral	2
Eagle Materials Inc (EXP)	Neutral	3
Forterra, Inc. (FRTA)	Neutral	3
Martin Marietta Materials, Inc. (MLM)	Neutral	2
Summit Materials, Inc. (SUM)	Neutral	3
Arcosa, Inc. (ACA)	Underperform	5

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

Industry Comparison Industry: Building Products - Concrete And Aggregates				Industry Peers		
	VMC	X Industry	S&P 500	EXP	MLM	SUM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	C	-	-	A	C	B
Market Cap	22.85 B	2.54 B	29.18 B	5.63 B	21.40 B	3.39 B
# of Analysts	7	4	13	3	8	6
Dividend Yield	0.86%	0.00%	1.34%	0.00%	0.66%	0.00%
Value Score	C	-	-	B	D	A
Cash/Price	0.05	0.12	0.06	0.03	0.01	0.13
EV/EBITDA	19.13	11.87	16.52	32.85	16.94	10.56
PEG F1	1.90	2.11	2.37	NA	3.39	NA
P/B	3.79	2.43	3.97	4.47	3.63	2.09
P/CF	22.36	9.98	16.40	15.99	19.20	10.44
P/E F1	33.28	19.83	21.68	19.83	30.40	28.87
P/S TTM	4.70	1.45	3.33	3.53	4.53	1.45
Earnings Yield	2.95%	5.04%	4.52%	5.04%	3.29%	3.46%
Debt/Equity	0.46	0.67	0.66	0.80	0.45	1.17
Cash Flow (\$/share)	7.70	5.85	6.78	8.39	17.90	2.82
Growth Score	C	-	-	A	C	B
Historical EPS Growth (3-5 Years)	15.55%	5.61%	9.36%	11.52%	15.23%	-11.18%
Projected EPS Growth (F1/F0)	8.49%	36.96%	15.07%	21.42%	-2.05%	26.14%
Current Cash Flow Growth	1.97%	4.89%	0.44%	-2.83%	13.33%	-2.57%
Historical Cash Flow Growth (3-5 Years)	12.47%	10.57%	7.37%	5.82%	14.49%	10.10%
Current Ratio	2.17	2.52	1.39	3.24	3.34	2.77
Debt/Capital	31.50%	39.65%	41.42%	44.43%	30.82%	53.93%
Net Margin	12.03%	5.92%	10.59%	21.67%	15.24%	5.92%
Return on Equity	10.75%	10.75%	14.86%	25.38%	12.85%	6.31%
Sales/Assets	0.43	0.56	0.50	0.55	0.45	0.56
Projected Sales Growth (F1/F0)	4.15%	4.15%	7.28%	10.70%	7.53%	7.22%
Momentum Score	C	-	-	B	B	D
Daily Price Change	0.78%	0.94%	-0.10%	2.73%	0.86%	2.22%
1-Week Price Change	3.07%	0.00%	2.12%	1.15%	2.76%	2.86%
4-Week Price Change	1.95%	2.09%	4.39%	5.62%	2.09%	7.23%
12-Week Price Change	16.71%	18.18%	10.27%	30.17%	22.34%	41.69%
52-Week Price Change	59.37%	100.00%	61.32%	129.56%	81.59%	96.67%
20-Day Average Volume (Shares)	836,898	53,175	2,376,431	370,529	502,255	1,516,988
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.22%	0.00%	0.00%	1.55%	0.54%	-0.81%
EPS F1 Estimate 12-Week Change	4.47%	8.20%	2.20%	5.57%	8.20%	19.59%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	-2.49%

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	C
Growth Score	C
Momentum Score	C
VGM Score	C

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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