

The Wendys Company (WEN)

\$22.15 (As of 09/28/20)

Price Target (6-12 Months): **\$23.50**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/07/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: B

Summary

Although shares of Wendy's have underperformed the industry so far this year, initiatives like menu innovation, technological upgrades, international expansion and re-imaging of units are likely to benefit the company going forward. Also, the company's transition to a franchised business model bodes well. Notably, earnings estimates for 2020 have moved up over the past 60 days, depicting analyst optimism regarding the stock's earnings growth potential. However, coronavirus related woes persist. Although the company has reopened majority of its restaurants, it is likely to witness dismal traffic due to the social-distancing protocols. Additionally, the company has been continuously shouldering increased expenses, which have been detrimental to margins. Also, the company's high debt level remains a concern.

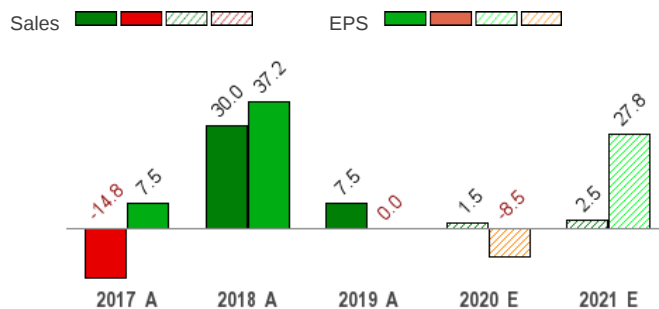
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$24.04 - \$6.82
20-Day Average Volume (Shares)	3,136,350
Market Cap	\$5.0 B
Year-To-Date Price Change	-0.3%
Beta	1.11
Dividend / Dividend Yield	\$0.20 / 0.9%
Industry	Retail - Restaurants
Zacks Industry Rank	Top 24% (60 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	20.0%
Last Sales Surprise	-0.6%
EPS F1 Estimate 4-Week Change	0.8%
Expected Report Date	11/04/2020
Earnings ESP	-3.5%
P/E TTM	46.2
P/E F1	41.0
PEG F1	2.9
P/S TTM	3.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	420 E	438 E	464 E	460 E	1,778 E
2020	405 A	402 A	453 E	472 E	1,735 E
2019	409 A	435 A	438 A	427 A	1,709 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.13 E	\$0.18 E	\$0.20 E	\$0.19 E	\$0.69 E
2020	\$0.09 A	\$0.12 A	\$0.17 E	\$0.18 E	\$0.54 E
2019	\$0.14 A	\$0.18 A	\$0.19 A	\$0.08 A	\$0.59 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 09/28/2020. The reports text is as of 09/29/2020.

Overview

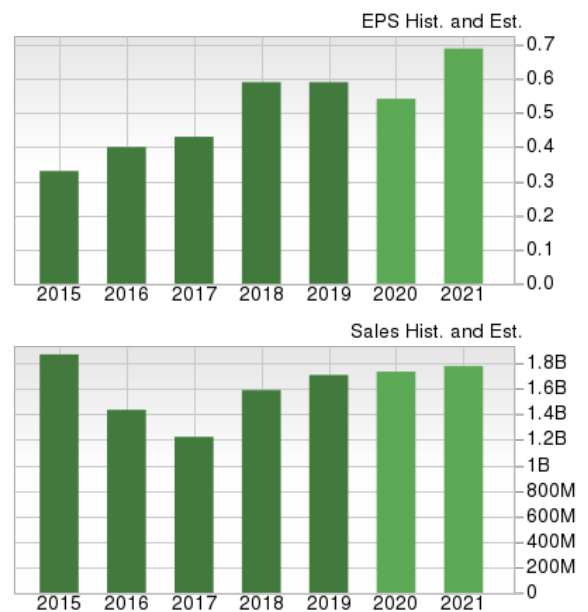
The Wendy's Company, the world's third-largest quick-service restaurant company, operates through its subsidiary holding company — Wendy's Restaurants, LLC. The fast-food chain through its subsidiary operates as a franchisor of the Wendy's restaurant system. As of Jun 28, 2020, The Wendy's system included more than 6,800 franchisees and company-operated restaurants in the United States and 30 other countries.

In 2019, the company realigned its management and operating structure to increase efficiencies and accelerate long-term growth. This eventually led to the combination of its Canadian business with its International segment and separating its real estate and development operations into its own segment. As a result, the company now operates under the following three segments, namely Wendy's U.S., Wendy's International and Global Real Estate & Development.

The company derives revenues from two principal sources: sales at company-operated restaurants and franchise-related revenues — including royalties, national advertising funds contributions, rents and franchise fees received from Wendy's franchised restaurants.

The Wendy's menu features hamburgers; chicken breast sandwiches and wraps; chicken nuggets; chili, baked and French-fried potatoes; freshly prepared salads; soft drinks and Frosty desserts.

On Sep 29, 2019, the company completed its merger with Triarc in an all-stock transaction in which Wendy's shareholders received 4.25 shares of Wendy's/Arby's Class A common stock for each Wendy's common share owned.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Strong International Presence & Expansion Efforts:** Wendy's is steadfast in expanding its presence globally. The company's international business is thus poised to be a driver of growth in the future. Notably, the company anticipates the count to increase to 1500 restaurants internationally and double its sales to approximately \$2 billion by 2024. These less saturated emerging markets offer the company enormous growth opportunities. They have significant growth potential due to their relatively low per-capita consumption. Markedly, with a strong pipeline of locations along with a talent team in place, the company is optimistic toward growth opportunities in international markets. During the second quarter of 2020, Wendy's had 22 global restaurant openings with an increase of one net new unit.

The company's initiatives like menu innovation, technological upgrades, international expansion and re-imaging of units should help boost the top line

▲ **Transition to a Franchised Business Model:** Wendy's is benefiting from its transition to a franchised business model. In 2017, the company had several first-time builders and doubled the number of franchises from 2015 by building new restaurants. Though the reduction in ownership has been weighing on revenues over the past few quarters, we believe franchising a large chunk of its system will lower Wendy's general and administrative expenses and thereby boost earnings. Moreover, over the long term, it would generate a higher return on equity by lowering capital requirements. This would also boost free cash flow, thereby enhancing shareholder return. In 2018, the company's top line benefited from the Franchise flip that occurred in 2017.

Moving forward, the company plans to continue facilitating franchisee-to-franchisee restaurant transfers through its buy-and-flip strategy. This strategy ensures that restaurants are put in the hands of well-capitalized franchisees, committed to long-term growth. In 2018, Wendy's facilitated 96 Franchise Flips. In 2020, the company expects to complete approximately 100 Franchise Flips, which will further strengthen its franchise base. It also plans to re-franchise its company-operated New York market in 2020. The company expects these restaurants under the franchisees to unlock significant growth in this market.

▲ **Re-imaging Restaurants to Improve Guest Experience:** Wendy's remains on track to achieve at least 70% of its Image Activation goal as part of the brand transformation initiative. This program has gained traction in the recent past, leading to increased traffic and higher sales at its restaurants. At the end of 2018, 50% of the global system featured the brand's new image. Interestingly, as a result of this re-imaging, customers have seen some bold designs and friendlier restaurant teams.

▲ **Focus on Product Innovation:** The company's brand transformation initiative also includes menu innovation, promotional offers and bold new packaging, intended for boosting sales. Meanwhile, the practice of offering customized sandwiches made on order and serving hamburgers made of never-frozen beef would continue to drive sales for the company. We expect the company's solid menu pipeline, limited time offers (LTO), marketing initiatives and increased emphasis on core and price value offerings, to maintain the trend. During the fourth quarter of 2019, Wendy's created a differentiated menu featuring Baconator, Frosty-ccino and Honey Butter Chicken Biscuit to its breakfast line-up, which is expected to drive sales. During the second quarter of 2020, the company added Spicy Chicken Value Sandwich to its menu under its "4 for \$4" platform.

Moreover, the company will transition to 100% cage-free eggs for its breakfast items served at U.S locations by 2020. The company also intends to eliminate the use of gestation stalls from its pork supply chain by 2022. These efforts will make the company popular among health-conscious diners. All in all, Wendy's expects that its balanced marketing approach, new restaurant development and reimagining of restaurants are all key catalysts.

▲ **Focus on Technology Utilization:** Wendy's is capitalizing on the benefits of technology. It is investing in areas like mobile payment, mobile ordering and customer self-order kiosks that provide benefits such as consumer convenience, increased customer count, higher check and faster speed of service. We expect these measures to help the company to maintain the trend of positive comps going forward. In addition to improving overall customer convenience, these are likely to drive additional output during peak hours as well as provide labor leverage. In the second quarter of 2020, it had roughly 5% of its sales coming through digital channels, which more than doubled from the prior-year levels.

On the mobile ordering front, Wendy's is progressing rapidly to ensure that the facility is can unravel additional prospects around convenience – through mobile grab-and-go and curbside delivery, plus loyalty. In fact, delivery continues to be a major initiative by the company. The company boosted its delivery channel by collaborating with Grubhub in the month of February and Postmates in the month of March 2020. During the second quarter of 2020, the company successfully added Uber Eats, making it accessible by all major delivery providers in the United States. Moreover, the company launched its loyalty program in July, in order to boost its customer frequency.

Reasons To Sell:

▼ **Coronavirus Impact:** The coronavirus pandemic is expected to materially affect the company's operating and financial results for full-year 2020. The company has been undertaking numerous measures to protect employees, customers and business partners. Although, majority of the stores have re-opened after coronavirus-led shutdown traffic are still well below pre-outbreak level. Even though markets in Canada, Puerto Rico and New Zealand are catching up, complete recovery is likely to take time.

Higher costs, incremental capital spending, along with fickle consumer demand remain potent headwinds

The company's systemwide same-restaurant sales were substantially affected by the pandemic during the fiscal second quarter. Global system-wide sales — including company-operated and franchise restaurants — were \$2.6 million in the reported quarter, down 6.4% from the prior-year quarter. U.S. system-wide sales were \$2.4 million in the quarter, down 4% year over year. Moreover, system-wide sales in the International segment amounted to \$0.2 million in the quarter, down 26.9% from the prior-year quarter level.

▼ **High Debt a Concern:** At the end of Jun 28, 2020, the company's long-term debt stood at \$2.2 billion, almost flat with the March-end level. Notably, the company's debt-to-capitalization was 88.7% compared with 89.4% at March-end. However, the company ended second-quarter fiscal 2020 with cash and cash equivalent of \$338 million compared with \$385.5 million at the end of first-quarter fiscal 2020, which may not be enough to manage the high-debt level.

▼ **Rising Costs:** The Affordable Care Act, commonly known as Obamacare, would continue to have an adverse impact on restaurant operators. That is, the restaurant operators will have to continue shouldering increased labor costs, which in turn will hurt margins.

Meanwhile, in order to compensate for these costs, the company is taking steps to re-align and re-invest resources. Though these initiatives might benefit Wendy's over the long term, these are expected to increase costs in the near term, thereby hurting margins. The company would also have to improve its focus on cost savings and increasing same-restaurant sales in order to cope up with inflations.

For the third quarter of fiscal 2020, the company expects commodity inflation in the range of high-mid to high single digits. For fiscal 2020, commodity inflation is expected at 3%, while labor inflation is projected at 4%.

▼ **Incremental Capital Spending Owing to Re-imaging:** Wendy's would incur additional capital expenditure in the coming years in a bid to boost the re-imaging program. This might lower free cash flow in the near term. Though the company has transitioned toward a franchise-based model that downscales capital expenditure, it will take time to reap benefits.

▼ **Industry Susceptible to Consumer Discretionary Spending:** Wendy's operates in the retail restaurant space that is highly dependent on consumer discretionary spending. Consumers' propensity to spend largely depends on the overall macroeconomic scenario. Although higher disposable income and increased wages are favoring the industry right now, it can change with the slightest disruption in the economy. The company, therefore, is highly vulnerable to the inconsistent nature of consumer discretionary spending. If it does not make pragmatic use of advanced technologies to innovate across value chains, it has high chances of fading out like many other restaurant retailers.

Last Earnings Report

Wendy's Q2 Earnings Beat Estimates, Revenues Miss

Wendy's reported second-quarter fiscal 2020 results, wherein the bottom line surpassed the Zacks Consensus Estimate but the top line lagged the same. However, both the metrics declined on a year over year basis.

Although the company's same-restaurant sales declined in the quarter due to the pandemic, it witnessed robust growth in July courtesy of robust breakfast and digital businesses. In July, same-restaurant sales witnessed growth of high-single digit.

Quarter Ending	06/2020
Report Date	Aug 05, 2020
Sales Surprise	-0.57%
EPS Surprise	20.00%
Quarterly EPS	0.12
Annual EPS (TTM)	0.48

Delving Deeper

Adjusted earnings of 12 cents per share beat the Zacks Consensus Estimate of 10 cents by 20%. However, the bottom line plunged 33.3% year over year, primarily due to decline in adjusted EBITDA.

Quarterly revenues of \$402.3 million missed the consensus mark of \$405 million. The top line also declined by 7.6% from the year-ago quarter's figure. The downside can primarily be attributed to fall sales at company-operated restaurants and decrease in franchisee royalty revenues, owing to the COVID-19 pandemic.

Meanwhile, same-restaurant sales at International restaurants (excluding Venezuela and Argentina) declined 18.4% against 3.9% growth in the year-ago quarter. Comps at Global restaurants declined 5.8%, against 1.6% growth in the prior-year quarter. Moreover, comps in U.S. witnessed decline of 4.4% against 1.3% growth in the year-ago quarter.

System-Wide Sales Discussion

Global system-wide sales — including company-operated and franchise restaurants — were \$2.6 million in the reported quarter, down 6.4% from the prior-year quarter. U.S. system-wide sales were \$2.4 million in the quarter, down 4% year over year. However, system-wide sales in the International segment amounted to \$0.2 million in the quarter, down 26.9% from the prior-year quarter level.

Operating Highlights

Company-operated restaurant margin was 14.4% in the reported quarter compared with 16.5% in the year-ago quarter. The decline was mainly due to labor rate inflation and dismal traffic on account of the coronavirus pandemic. This was partially mitigated by positive impact of the company's new breakfast daypart in the United States.

General and administrative expenses in the quarter were \$48.6 million, down 4.3% from \$50.8 million recorded in the prior-year quarter. The decrease was primarily due to lower travel related expenses due to the pandemic.

Quarterly operating profit amounted to \$60.7 million, down 24.7% from the year-ago quarter's reported figure. Also, net income of \$24.9 million slumped 23.1% from \$32.4 million in the year-ago quarter. The decrease was primarily due to dismal operating profit.

Adjusted EBITDA declined 17.3% to \$97.4 million from the prior-year quarter, given a decrease in company-operated restaurant margin and franchise royalty revenues and fees, decline in net rental income, and investment in breakfast advertising of nearly \$2.2 million.

Balance Sheet

Cash and cash equivalents as of Jun 28, 2020 were \$338 million compared with \$300.2 million on Dec 29, 2019.

Inventories at the end of the second quarter amounted to \$4.4 million, up from \$3.9 million at 2019-end. Long-term debt was 2,238.7 million as of Jun 28, 2020 compared with \$2,257.6 million on Dec 29, 2019.

The company declared dividend of 5 cents per share, payable on Sep 15, 2020, to shareholders of record as of Sep 1, 2020. The number of common shares outstanding as of Jul 9, 2020 was 223.8 million. The company also announced it intends to resume share repurchases in 2020.

Other Developments

In the quarter under review, Wendy's had 22 global restaurant openings with an increase of one net new unit. The company is likely to open restaurants in the U.K. in the first half of 2021.

Valuation

Wendy's shares are down 0.3% in the year-to-date period but up 10.9% over the trailing 12 months. Stocks in the Zacks sub-industry are up 5.2% and stocks in the Zacks Retail-Wholesale sector are up by 30.3% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up by 0.7% and 38%, respectively.

The S&P 500 index is up by 4.1% in the year-to-date period and 12.8% in the past year.

The stock is currently trading at 34.02X forward 12-month earnings, which compares to 31.38X for the Zacks sub-industry, 31.57X for the Zacks sector and 21.94X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.54x and as low as 11.46x, with a 5-year median of 28.25x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$23.5 price target reflects 35.07x forward 12-month earnings.

The table below shows summary valuation data for WEN.

Valuation Multiples - WEN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	34.02	31.38	31.57	21.94
	5-Year High	44.54	34.04	34	23.46
	5-Year Low	11.46	20.49	19.09	15.26
	5-Year Median	28.25	23.09	23.55	17.63
P/S F12M	Current	2.81	3.9	1.27	4.1
	5-Year High	3.34	3.93	1.32	4.29
	5-Year Low	0.91	2.81	0.82	3.11
	5-Year Median	2.57	3.32	1.01	3.66
P/CF	Current	30.42	33.64	17.7	17.15
	5-Year High	32.71	34.17	19.01	23.73
	5-Year Low	6.01	8.61	11.04	12.87
	5-Year Median	17.06	16.86	13.3	18.26

As of 09/28/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 24% (60 out of 250)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
BJs Restaurants, Inc. (BJRI)	Outperform	1
Dunkin Brands Group, Inc. (DNKN)	Neutral	3
J d Wetherspoon Plc (JDWPY)	Neutral	3
DaveBusters Entertainment, Inc. (PLAY)	Neutral	3
Papa Johns International, Inc. (PZZA)	Neutral	3
Red Robin Gourmet Burgers, Inc. (RRGB)	Neutral	3
RESTAURANT GRP (RSTGF)	Neutral	3
Carrols Restaurant Group, Inc. (TAST)	Neutral	2

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

Industry Comparison Industry: Retail - Restaurants				Industry Peers		
	WEN	X Industry	S&P 500	DNKN	PZZA	RRGB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	D	A	B
Market Cap	4.96 B	484.81 M	23.11 B	6.69 B	2.74 B	211.36 M
# of Analysts	14	6	14	11	7	4
Dividend Yield	0.90%	0.00%	1.66%	1.98%	1.08%	0.00%
Value Score	C	-	-	D	D	B
Cash/Price	0.08	0.15	0.08	0.09	0.03	0.12
EV/EBITDA	17.46	12.30	13.15	18.34	41.07	4.80
PEG F1	2.81	4.58	2.88	4.70	7.01	NA
P/B	10.24	2.22	3.29	NA	NA	1.11
P/CF	18.84	9.27	12.83	21.57	27.48	1.76
P/E F1	40.54	32.84	21.32	30.22	56.09	NA
P/S TTM	2.96	0.84	2.49	5.14	1.62	0.20
Earnings Yield	2.44%	0.87%	4.44%	3.31%	1.79%	-81.25%
Debt/Equity	5.64	0.54	0.70	-5.10	-1.14	1.25
Cash Flow (\$/share)	1.18	1.81	6.92	3.77	3.04	7.72
Growth Score	D	-	-	D	A	C
Historical EPS Growth (3-5 Years)	12.38%	2.93%	10.43%	11.83%	-18.64%	-24.46%
Projected EPS Growth (F1/F0)	-8.23%	-63.83%	-4.22%	-15.09%	27.10%	-1,882.26%
Current Cash Flow Growth	-0.70%	2.55%	5.47%	5.44%	8.17%	-15.30%
Historical Cash Flow Growth (3-5 Years)	-1.18%	4.61%	8.52%	5.81%	-2.98%	-0.74%
Current Ratio	1.42	0.98	1.35	1.60	0.98	0.52
Debt/Capital	84.93%	51.31%	42.91%	NA	NA	55.58%
Net Margin	6.70%	-1.44%	10.28%	16.79%	1.32%	-22.56%
Return on Equity	21.11%	-10.64%	14.73%	-38.22%	-15.73%	-52.03%
Sales/Assets	0.33	0.87	0.50	0.34	2.30	0.92
Projected Sales Growth (F1/F0)	1.52%	-5.65%	-1.38%	-6.57%	11.65%	-31.05%
Momentum Score	B	-	-	B	A	B
Daily Price Change	3.80%	2.21%	1.85%	2.65%	2.18%	1.04%
1-Week Price Change	1.84%	-1.64%	-2.32%	3.70%	-0.86%	-6.01%
4-Week Price Change	5.78%	-1.78%	-2.53%	6.93%	-15.13%	22.52%
12-Week Price Change	-2.59%	11.09%	4.17%	20.31%	0.28%	41.52%
52-Week Price Change	10.86%	-23.76%	0.12%	2.51%	59.35%	-59.11%
20-Day Average Volume (Shares)	3,136,350	346,254	2,098,704	765,379	817,444	1,129,550
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.80%	0.03%	0.00%	0.03%	2.12%	2.02%
EPS F1 Estimate 12-Week Change	2.71%	13.40%	4.22%	4.44%	17.10%	5.25%
EPS Q1 Estimate Monthly Change	1.53%	0.24%	0.00%	0.14%	32.16%	5.54%

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	D
Momentum Score	B
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.

Disclosures

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This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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.