

Wix.com Ltd.(WIX)

\$284.93 (As of 06/14/21)

Price Target (6-12 Months): **\$294.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/19/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

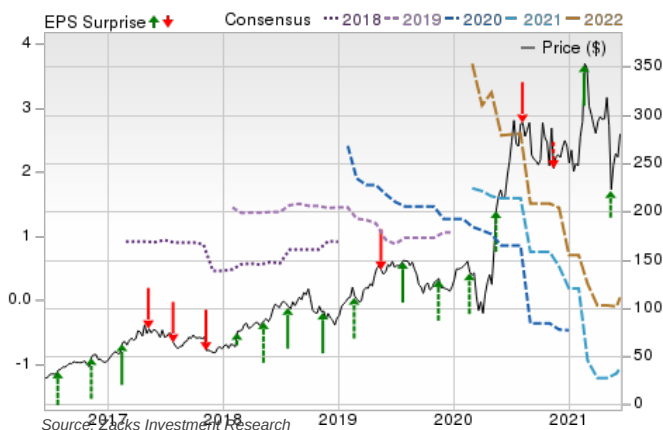
Growth: C

Momentum: F

Summary

Wix.com is benefitting from strong momentum seen in annualized recurring revenues (ARR) from Creative subscriptions along with robust uptake of G-Suite, Ascend, Wix Payments and other new e-commerce applications. Moreover, the company is well positioned to gain from growing user base and healthy adoption of its premium subscription services amid higher online selling activity triggered by the coronavirus crisis. However, Wix.com's limited foothold in international markets along with sluggish spending among small-and-medium sized (SMB) businesses stemming from the coronavirus crisis continues to be an overhang. Rising investments in product development, and infrastructure to counter competition in the e-commerce domain is limiting margin expansion. Shares of the company have underperformed the industry in the year-to-date period.

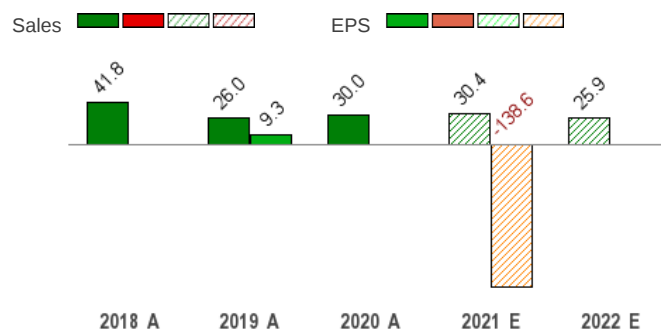
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$362.07 - \$213.12
20-Day Average Volume (Shares)	696,846
Market Cap	\$15.7 B
Year-To-Date Price Change	12.1%
Beta	1.39
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Computers - IT Services
Zacks Industry Rank	Bottom 49% (128 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	26.0%
Last Sales Surprise	3.0%
EPS F1 Estimate 4-Week Change	0.7%
Expected Report Date	08/05/2021
Earnings ESP	6.4%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	14.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	382 E	385 E	407 E	436 E	1,624 E
2021	304 A	311 E	327 E	349 E	1,290 E
2020	216 A	236 A	254 A	283 A	989 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$0.24 E	\$0.16 E	\$0.30 E	\$0.39 E	\$0.04 E
2021	-\$0.54 A	-\$0.27 E	-\$0.10 E	\$0.02 E	-\$1.05 E
2020	-\$0.01 A	-\$0.26 A	-\$0.14 A	-\$0.03 A	-\$0.44 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 06/14/2021. The report's text and the analyst-provided price target are as of 06/14/2021.

Overview

Headquartered in Tel Aviv, Israel and founded in 2006, Wix.com Ltd. is a cloud-based web development platform. The company's platform offers solutions that enable businesses, organizations, professionals and individuals to develop customized websites and application platforms.

In 2020, the company reported revenues of \$988.8 million. Growth in the number of registered users and premium subscriptions are key revenue drivers. The company's core products and services include Wix Editor, Wix ADI, Corvid by Wix (now Velo by Wix), Wix Mobile, Web, Wix App and Wix SEO Wi.

Wix Editor offers ready templates and drag-and-drop editor tool to facilitate Website editing to make web stores look professional without any design experience.

Wix ADI allows users to design websites customized to meet their specific needs. Corvid by Wix is designed to aid developers manage their workflow in a streamlined manner.

Ascend by Wix suite comprises of advanced features which allow users to seamlessly connect with customers, automate work processes, and aids in expanding business. Moreover, with Wix Logo Maker users can generate a logo by utilizing artificial intelligence.

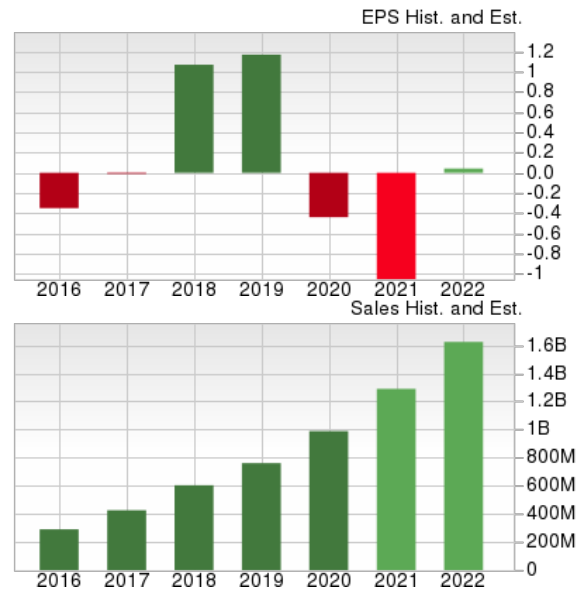
Apart from the company's own payment solution Wix Stores, payment wallets like Apple Pay and Google Play is also available to the merchants, who they offer to customers for completing transaction done on the Wix App.

Additionally, Wix Payments platform allows users to accept payments from customers via Wix Website.

Registered users as of Mar 31, 2021 were 204 million, up 19% year over year. Wix added over 7.5 million registered users during first quarter.

For increased transparency, beginning the fourth quarter of 2019, Wix reported revenues, collections and cost of revenues under two segments: Creative Subscriptions and Business Solutions. Creative Subscriptions and Business Solutions contributed 75% and 25% to total first-quarter 2021 revenues of \$304.1 million.

The company also started providing Annualized Recurring Revenue (ARR) as the primary KPI for growth of its Creative Subscriptions segment. As of Mar 31, 2021, Creative Subscriptions ARR was \$926.1 million, up 25% year over year.



Reasons To Buy:

- ▲ Strong growth in e-commerce spending bodes well for Wix. The company's cloud-based platform is well-positioned to address the growing needs of merchants at a time when social media, cloud computing, mobile devices and data analytics are transforming the e-commerce marketplace. Per an eMarketer report, global e-commerce growth is forecast at 14.3% in 2021. The research firm projects overall global retail sales growth of 5.1% in 2021.
- ▲ Wix continues to add functionality to its platform, which is responsible for driving merchant base. Of late, consumers are gravitating toward mobile devices, businesses, organizations and professionals for websites and dynamic digital presence that helps in interacting with customers, suppliers, partners and employees online and in real time. Consequently, demand for high-level customer engagement products and services are increasing. The company offers web development, design, solutions and apps via online platform that enables businesses, organizations, professionals and individuals to create digital presence. Through registration, users can access company's Wix Editor, Wix ADI and Corvid by Wix capabilities. These tools help users to enhance their digital presence. We believe there is a significant opportunity for the company to provide a cost-effective solution to aid the increasing demand of businesses, organizations, professionals and individuals in the digital market. Recently, the company announced the launch of Editor X out of beta version. Per Wix, the platform now features concurrent editing capability that permits multiple team members to work simultaneously on a website. The robust features are expected to boost the adoption of Editor X.
- ▲ Notably, the percentage of registered users using Wix Payments grew every quarter throughout 2020. Wix added over 7.5 million registered users during the first quarter of 2021. The company's registered users increased to 204 million as of Mar 31, 2021, up 18.6% year over year. Wix continues to launch several user-friendly applications to meet the requirements of a dynamic retail environment, consequently adding to user base. Management anticipates this trend to continue as the company expands shipping partners and add new features. We believe that product innovations and partnership deals will boost user base that will eventually drive top-line growth in the long haul.
- ▲ Mobile focus provides significant leverage to Wix. The company's Wix App, a mobile application accessible on iOS and Android, allows users to create and manage content on their websites from a mobile device. We note that the company is benefiting from retail's rapid transition to mobile and social sales channels. Recently, the company launched a mobile app — Spaces by Wix. Spaces by Wix enables users to transact with businesses created on Wix platform. We believe that this rapid growth will present significant opportunities for Wix in the long term.
- ▲ Management execution has been good in recent times. As of Mar 31, 2021, Wix had \$1.6 billion in cash. In comparison, long-term debt was \$919 million as of Mar 31, 2021. The net-cash balance provides the flexibility required to pursue any growth strategy, whether by way of acquisitions or otherwise. Cash flow from operations came in at \$18.5 million during the first quarter along with free cash flow of \$14.6 million. For 2020, cash flow from operations came in at \$148 million along with free cash flow of \$129.2 million. Cash flow generation trend reflects that the company is making investments in the right direction.

Wix benefits from the launch of several user-friendly applications. Massive growth in e-commerce along with its sound liquidity and cash flow bodes well for Wix.

Reasons To Sell:

- ▼ Wix is relatively a new player in the e-commerce marketplace. Although it is not a direct competitor to behemoths like Alibaba and Amazon, but companies like Shopify and BigCommerce which provide e-commerce software poses threat to Wix. Companies that develop cloud-based software and payments platform like Mindbody and BookingSuite also adds to its competitive woes. Moreover, the company focuses on the small-and-medium sized (SMB) businesses, which are more susceptible to macro-economic headwinds. Both factors present significant risk for its growth prospects.
- ▼ Lack of big-shot international customers is a headwind for Wix. The company doesn't have significant presence in the Asia-Pacific market, which is the fastest growing retail e-commerce market according to eMarketer. Since the developed markets of Europe, America and Canada are already saturated, most of the U.S. companies are looking toward the emerging ones. These new markets offer growth opportunity driven by a larger population and the presence of an affluent middle class. However, lack of foothold in these markets due to difficulties related with payment collections along with legal, economic, tax and political risks that are greater than more developed markets could likely impact Wix. These are the primary headwinds in our view.
- ▼ We believe, increasing investments in product development and heightened level of hiring during 2020 will further escalate expenses, thereby keeping margins under pressure. We also note that Wix has been incurring losses in each fiscal year since its inception and has an accumulated deficit of \$638.2 million as of Mar 31, 2021. Despite the improving top line, mounting losses does not bode well for investor confidence.
- ▼ Moreover, the company is trading at premium in terms of Price/Book (P/B). Wix.com currently has a trailing 12-month P/B ratio of 68.6X. Additionally, the ratio is higher than the average level of 58.17X and toward the high end of the valuation range in this period. This level compares unfavorably with what the industry witnessed in the last year. Consequently, the valuation looks slightly stretched from P/B perspective.

Increasing investments on product development, infrastructure and platform is a headwind. Further, lack of significant presence in the Asia-Pacific market and competition from peers remain concerns.

Last Earnings Report

Wix.com Q1 Loss Narrower Than Estimates, Revenues Up Y/Y

Wix.com Ltd reported first-quarter 2021 non-GAAP loss of 54 cents per share. Notably, the company had reported loss of 1 cent in the year-ago quarter. The Zacks Consensus Estimate for first-quarter bottom line was pegged at a loss of 73 cents.

Total revenues increased 41% year over year to \$304.1 million. The Zacks Consensus Estimate for first-quarter revenues is pegged at \$295.4 million.

Quarter Ending 03/2021

Report Date	May 12, 2021
Sales Surprise	2.95%
EPS Surprise	26.03%
Quarterly EPS	-0.54
Annual EPS (TTM)	-0.97

Quarter in Detail

For increased transparency, beginning fourth-quarter 2019, Wix reports revenues, collections and cost of revenues under two segments — Creative Subscriptions and Business Solutions.

Creative Subscriptions revenues (74.5% of revenues) increased 28% year over year to \$226.4 million, driven by increase in Creative Subscriptions Annualized Recurring Revenues (ARR).

Business Solutions revenues (25.5% of revenues) surged 97% to \$77.7 million, driven by robust adoption of applications like Ascend by Wix along with paid ads and other third-party applications (TPAs).

In the first quarter, Creative Subscriptions ARR was \$926.1 million, up 25% year over year.

Region wise, North America, Europe, Asia and others and Latin America contributed 57%, 27%, 12% and 4% to first-quarter revenues, respectively. Revenues from North America, Europe, Asia and others and Latin America increased 43%, 43%, 30% and 14% year over year, respectively

Key Metrics in Q1

Collections were \$351.1 million, up 41% year over year. Creative Subscriptions (76.3% of collections) increased 28% year over year to \$268.1 million. Business Solutions (23.7% of collections) surged 107% to \$83.1 million.

The company witnessed better-than-expected conversion and retention in user cohorts. Wix noted that net premium subscriptions in the reported quarter, increased 50% year over year.

Wix added more than 7.5 million new registered users during the reported quarter. Registered users as of Mar 31, 2021 were 204 million up 18.6% year over year.

Operating Results

Non-GAAP gross margin contracted 900 basis points (bps) to 63%, due to Business Solutions' revenues constituting increasing portion of total revenues.

Creative Subscriptions non-GAAP gross margin contracted 400 bps on a year-over-year basis to 77%, due to investment in expansion of Customer Care organization. Business Solutions non-GAAP gross margin shrunk 900 bps to 24% in the reported quarter, primarily due to uptick in the company's payments and shipping solutions, which carry lower overall gross margin.

Non-GAAP research and development expenses, as a percentage of collections, contracted 200 bps year over year to 20%. Non-GAAP selling and marketing expenses, as a percentage of collections, expanded 200 bps year over year to 39%.

Wix reported non-GAAP operating loss of \$36.3 million compared with non-GAAP operating loss of \$4.2 million in the year-ago quarter.

Balance Sheet & Cash Flow

As of Mar 31, 2021, Wix had \$1.6 billion in cash compared with \$1.6 billion as of Dec 31, 2020. As of Mar 31, 2021, long-term debt was reported at \$919 million compared with \$834 million as of Dec 31, 2020.

Cash flow from operations amounted to \$18.5 million during the first quarter compared with \$28.6 million in the previous quarter.

Free cash flow was \$14.6 million compared with \$23.2 million in the prior quarter.

Guidance

For second-quarter 2021, Collections are projected to be \$342-\$352 million, indicating an improvement of 29-32% from the year-ago quarter's reported figure.

Moreover, revenues are expected between \$308 million and \$312 million, suggesting growth of 30-32% from the prior-year quarter's reported figure.

Management also raised full-year 2021 outlook. Collections are now projected in the range of \$1.44-\$1.46 billion, indicating an improvement of 31-32% from the prior-year quarter's levels. Earlier, the company guided Collections in the range of \$1.435-\$1.455 billion.

Moreover, revenues are now expected between \$1.28 billion and \$1.29 billion, indicating growth of 29-30% from the prior-year quarter's reported figure. Earlier, the company guided revenues in the range of \$1.272-\$1.286 billion

Notably, the company now anticipates free cash flow in the range of \$62-\$72 million.

Recent News

On May 5, Wix announced the acquisition of Rise.ai for an undisclosed amount. The buyout of Rise.ai, is expected to enhance offerings of the Wix eCommerce platform. This, in turn, will aid merchants with management of customer re-engagement activities that will likely boost customer spending and repurchases (like gift cards, referrals and loyalty programs).

On May 4, Wix rolled out Accessibility Wizard solution. The latest solution offers Wix users with detailed and interactive guide to detect accessibility content issues on their websites and enables users to troubleshoot such issues.

On Apr 20, Wix unveiled a new mobile app — Spaces by Wix. Spaces by Wix enables users to transact with businesses created on Wix platform.

On Mar 2, Wix announced the buyout of SpeedETab for an undisclosed amount. With the buyout of SpeedETab, Wix intends to bolster functionalities of its Wix Restaurants solution.

On Feb 25, Wix announced that the company added 31 million new users in 2020, taking its global registered user count to over 200 million.

On Feb 5, Wix announced the launch of Editor X out of its beta version. The platform also now features concurrent editing capability that facilitates multiple team members to work simultaneously on a website, added the company.

Valuation

Wix.com shares are up 12.1% in the year-to-date period and 26.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 15.9% and 14.9% in the year-to-date period, respectively. In the past year, the Zacks sub-industry and the sector are up 63.3% and 50.1%, respectively.

The S&P 500 index is up 13.8% in the year-to-date period and 40.7% in the past year.

The stock is currently trading at 10.9X trailing 12-month sales compared with 6.55X for the Zacks sub-industry, 4.89X for the Zacks sector and 4.73X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.77X and as low as 3.55X, with a 5-year median of 6.7X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$294 price target reflects 11.45X forward 12-month sales.

The table below shows summary valuation data for WIX

Valuation Multiples - WIX					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	10.9	6.55	4.89	4.73
	5-Year High	14.77	9.91	4.89	4.74
	5-Year Low	3.55	3.71	2.81	3.21
	5-Year Median	6.7	6.55	3.53	3.72
EV/Sales TTM	Current	13.53	7.74	5.63	4.87
	5-Year High	18.96	7.74	5.79	4.87
	5-Year Low	4.39	3.47	3.08	2.65
	5-Year Median	8.19	5.56	4	3.64

As of 06/11/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 49% (128 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Baozun Inc. (BZUN)	Neutral	3
Dynatrace, Inc. (DT)	Neutral	3
eBay Inc. (EBAY)	Neutral	3
Inovalon Holdings, Inc. (INOV)	Neutral	3
Medallia, Inc. (MDLA)	Neutral	3
Shopify Inc. (SHOP)	Neutral	3
Yelp Inc. (YELP)	Neutral	3
GoDaddy Inc. (GDDY)	Underperform	4

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

Industry Comparison Industry: Computers - It Services				Industry Peers		
	WIX	X Industry	S&P 500	GDDY	SHOP	YELP
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	D	-	-	A	D	A
Market Cap	15.70 B	3.54 B	30.51 B	13.92 B	155.04 B	3.03 B
# of Analysts	7	4	12	8	30	5
Dividend Yield	0.00%	0.00%	1.28%	0.00%	0.00%	0.00%
Value Score	F	-	-	B	F	C
Cash/Price	0.07	0.05	0.05	0.09	0.05	0.19
EV/EBITDA	-103.21	9.79	17.43	-81.94	463.45	157.90
PEG F1	NA	2.10	2.13	2.27	11.36	NA
P/B	73.41	9.58	4.16	NA	16.96	3.70
P/CF	NA	17.55	17.74	34.01	421.07	98.29
P/E F1	NA	29.88	21.48	79.31	284.08	NA
P/S TTM	14.58	5.99	3.50	4.06	44.96	3.55
Earnings Yield	-0.37%	1.47%	4.57%	1.26%	0.35%	-0.25%
Debt/Equity	4.30	0.10	0.66	-54.58	0.10	0.00
Cash Flow (\$/share)	-2.22	0.74	6.83	2.43	2.96	0.41
Growth Score	C	-	-	A	C	A
Historical EPS Growth (3-5 Years)	NA%	17.83%	9.44%	79.22%	NA	110.12%
Projected EPS Growth (F1/F0)	-139.30%	10.82%	21.49%	135.50%	10.29%	62.22%
Current Cash Flow Growth	892.15%	9.72%	0.86%	15.36%	-620.56%	-65.44%
Historical Cash Flow Growth (3-5 Years)	NA%	15.09%	7.28%	37.80%	101.71%	74.01%
Current Ratio	1.76	1.75	1.39	0.79	17.13	4.51
Debt/Capital	81.13%	16.10%	41.51%	NA	9.05%	0.00%
Net Margin	-27.78%	3.18%	11.95%	-15.39%	46.67%	-1.14%
Return on Equity	-87.95%	10.54%	16.36%	-142.59%	6.52%	-1.19%
Sales/Assets	0.62	0.74	0.51	0.53	0.44	0.76
Projected Sales Growth (F1/F0)	30.45%	8.85%	9.41%	12.91%	48.63%	15.58%
Momentum Score	F	-	-	B	B	C
Daily Price Change	3.05%	0.76%	0.19%	1.36%	1.29%	3.19%
1-Week Price Change	9.31%	3.41%	0.41%	2.41%	3.42%	4.41%
4-Week Price Change	25.84%	8.70%	1.76%	1.43%	14.93%	5.77%
12-Week Price Change	-3.26%	6.78%	8.54%	13.06%	11.25%	-1.83%
52-Week Price Change	29.67%	55.71%	39.66%	8.55%	67.93%	73.28%
20-Day Average Volume (Shares)	696,846	424,619	1,744,383	865,733	1,073,284	566,676
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	-13.33%
EPS F1 Estimate 4-Week Change	0.72%	0.00%	0.03%	0.00%	0.00%	23.50%
EPS F1 Estimate 12-Week Change	6.96%	2.36%	3.52%	-29.71%	141.48%	71.13%
EPS Q1 Estimate Monthly Change	-2.27%	0.00%	0.00%	0.00%	0.00%	12.50%

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	F
Growth Score	C
Momentum Score	F
VGM Score	D

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

Disclosures

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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