

Western Union Co. (WU)

\$23.43 (As of 06/17/21)

Price Target (6-12 Months): **\$25.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/18/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: B

Summary

Western Union's shares have outperformed its industry in the year-to-date period. The company continues to develop its digital offerings, which has positioned it well for long-term growth. Its C2C segment is showing green shoots of growth after suffering a revenue decline in 2020. Strength in digital and retail business should drive growth at the segment. The company's cost-cutting efforts keep it on track to achieve annual cost savings of \$150 million by 2022. Its prudent capital management through share buybacks and dividend payments is a positive. The company provided 2021 earnings guidance, which suggests growth 9.6% from the year-ago reported level. However, weakness in the Business Solution segment due to pandemic-induced weaker cross-border trade might dent the company's overall revenues. Its solvency status remains a woe.

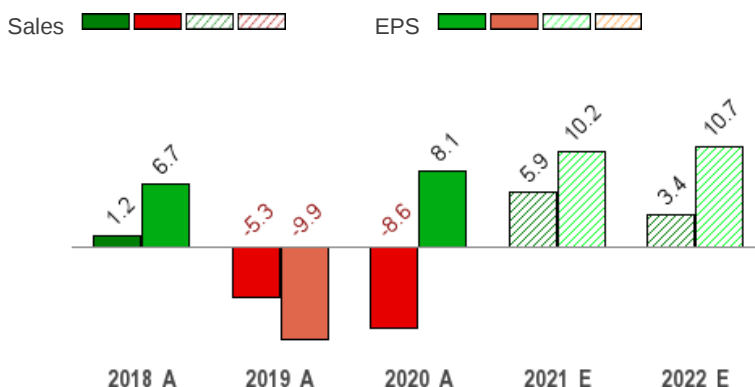
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$26.61 - \$19.07
20-Day Average Volume (Shares)	3,714,712
Market Cap	\$9.6 B
Year-To-Date Price Change	6.8%
Beta	1.00
Dividend / Dividend Yield	\$0.94 / 4.0%
Industry	Financial Transaction Services
Zacks Industry Rank	Bottom 29% (180 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.2%
Last Sales Surprise	0.7%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	08/03/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,278 E	1,303 E	1,402 E	1,420 E	5,293 E
2021	1,210 A	1,249 E	1,324 E	1,343 E	5,119 E
2020	1,190 A	1,115 A	1,259 A	1,272 A	4,835 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.52 E	\$0.55 E	\$0.63 E	\$0.62 E	\$2.28 E
2021	\$0.44 A	\$0.47 E	\$0.58 E	\$0.57 E	\$2.06 E
2020	\$0.44 A	\$0.41 A	\$0.57 A	\$0.45 A	\$1.87 A

*Quarterly figures may not add up to annual.

P/E TTM	12.5
P/E F1	11.4
PEG F1	0.4
P/S TTM	2.0

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/17/2021. The report's text and the

analyst-provided price target are as of 06/18/2021.

Overview

The Western Union Company, a leader in global money transfer, was formed as a result of a spin-off from First Data Corporation on Sep 29, 2006. Since then, it has been trading on the New York Stock Exchange (NYSE) under the symbol "WU".

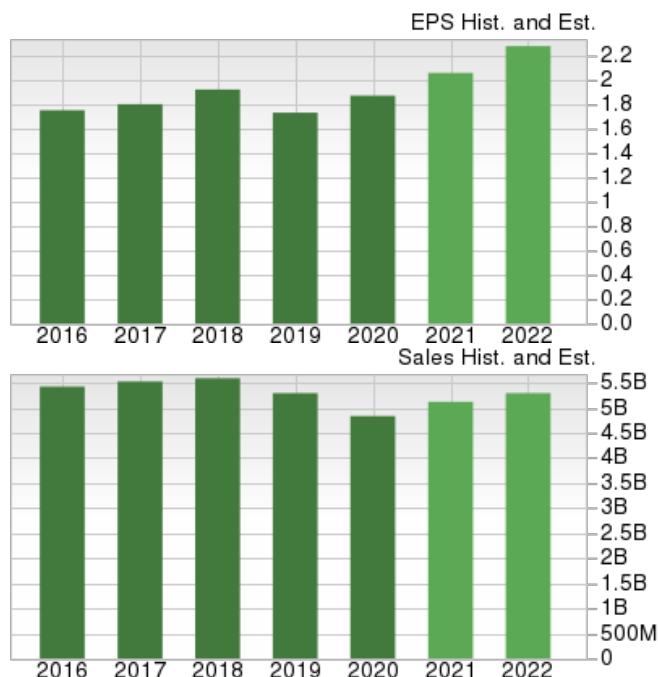
Today, the company's vast platform capabilities include both digital and physical money movement networks with over 550,000 locations across more than 200 countries and territories, digital send capabilities in over 70 countries and bank account payout capabilities in over 100 markets offering across to billions of accounts.

Western Union'S business consists of the following segments:

Consumer-to-Consumer: (87.3% of 2020 revenues) The Consumer-to-Consumer operating segment facilitates money transfer between two consumers, primarily through a network of third-party agents. This segment also includes money transfer transactions that can be initiated through websites and mobile devices. A substantial majority of the transfer in this segment is cross-border. The segment faces competition from global money transfer providers, regional money transfer providers, electronic channels, banks, post banks and post offices, informal networks, and also alternative channels.

Business Solutions: (7.4%) facilitates payment and foreign exchange solutions, primarily cross-border, cross currency transactions, for small and medium size enterprises and other organizations and individuals. The majority of the segment's business relates to exchange of currency at spot rates, which enable customers to make cross-currency payments. **Other:** (13.4%) which primarily consists of bill payments businesses in the U.S. and Argentina

Other: (5.3%) which primarily consists of bill payments businesses in the U.S. and Argentina. In May 2019, the company sold its Speedpay business and Paymap mortgage payments services business.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Favorable Guidance:** Based on improved market dynamics and the growth trajectory of the company's business, it issued a financial outlook for the full year. For 2021, management expects earnings per share in the range of \$2-\$2.10, the midpoint of which represents 9.6% growth from the 2020 reported figure. While the company expects mid-single digit constant currency revenue growth for 2021 (against a 3% decline in 2020), it forecasts the operating margin to remain at 21.5% for this year (compared with 20.8% in 2020).
- ▲ **Consumer to Consumer (C2C) Unit Slowly Catching Up:** In the first quarter of 2021, the segment's revenues grew 2% after suffering a revenue decline of 4% in 2020 due to the COVID-19 pandemic. This growth is primarily on the back of higher money being transferred via its digital platform. Digital comprised 34% of transactions and 23% of revenues for the C2C segment and was a key source of new customers and incremental profit in the first quarter.
For 2021, it anticipates digital money transfer revenues to reach around \$1 billion (up from nearly \$850 million in 2020). Also, the digital channels solidly aid profitability on both dollar and margin basis. The company continues to develop its digital offerings which should drive long-term growth.
- ▲ **Efficiency Improvement Initiative:** The company has started the implementation of its new Global Strategy, designed to drive improved efficiency, profitability, and long-term revenue growth. These initiatives are focused on improving efficiency and are expected to generate approximately \$100 million in annual savings in 2021. The company remains on track to achieve annual cost savings of \$150 million by 2022.
- ▲ **Business Streamlining:** In 2019 Western Union sold its Speedpay business and Paymap mortgage payments services business. With the divestitures and smaller domestic money transfers, the company's business is now primarily focused on cross-border services for consumers, financial institutions, banks and other businesses. The company's focus aligns with its core competencies in foreign exchange, cross-border settlement, compliance and global retail and account payout network.
- ▲ **Prudent Shareholder-Friendly Moves:** Western Union remains committed to enhance shareholders' value through share buybacks and dividend payments. In February 2021, the company increased its quarterly dividend by 4%. The company's current dividend yield of 4% is way higher than 0.5% for the industry. Though the company stalled share buybacks for tiding over the weak operating environment induced by the COVID-19 pandemic, it has recommenced share buybacks in the first-quarter 2021.
- ▲ **Return on Equity:** The company's return on equity (ROE) of 775.5% remains significantly above 100% but also lies way higher than the industry's average of 25.6%. This reflects the company's efficiency in using shareholders' funds.
- ▲ **Share Price Performance:** On a year-to-date basis, shares of the company have outperformed its industry. Moreover, the company's strong fundamentals are likely to help the stock in sustaining its performance in the days ahead.

Expanding digital platform, recovering Business Solutions unit, initiatives to streamline business will drive long term growth at the company.

Reasons To Sell:

▼ **Business Solutions Under Pressure:** Revenues in this segment have been declining over several years except for the year 2019 when it grew 4%. The same was again down 8% each during 2020 and in the first quarter of 2021. Revenue declines were the result of softer cross-border trade, and the adverse impact of the pandemic on education, travel and tourism, and small and medium-sized enterprises. The segment is likely to continue remaining under pressure for some quarters, until improvement in broader cross-border trade is seen.

▼ **Weak Capital Position:** As of Mar 31, 2021, the company had cash worth \$1.5 billion and a debt of \$3.2 billion. The company's total debt to total capital of 93.7% at first-quarter end remains higher than the industry's figure of 37.7%. Its times interest earned ratio of 8.5 at first-quarter end remains lower than the industry's figure of 15.7, implying that its earnings are not sufficient to cover interest obligations.

We remain cautious due to pressure on its main business Consumer to Consumer and foreign exchange volatility.

Last Earnings Report

Western Union Q1 Earnings Miss Estimates, Revenues Up Y/Y

Western Union's first-quarter 2021 earnings per share of 44 cents, missed the Zacks Consensus Estimate by 2.2%. Notably, the bottom line remained flat year over year.

The company's results benefited from improving revenues, a lower effective tax rate and share buybacks but were partly offset by increased operating costs and higher investments in strategic initiatives as well as marketing and compensation-related expenses.

Behind the Headlines

Total revenues of \$1.2 billion improved 2% year over year both on a reported as well as constant currency (cc) basis in the quarter. The growth can be attributed to robust digital money transfer revenues, which surged 45% year over year to a new quarterly high of \$242 million. Further, the top line outpaced the Zacks Consensus Estimate by 0.7%.

Total operating expenses increased 2% year over year to \$977.2 million in the quarter under review due to higher cost of services.

Adjusted operating margin came in at 19.2%, down 130 basis points (bps) year over year. Margin contraction primarily stemmed from growing investments in strategic initiatives and marketing and compensation-related expenses, partially offset by foreign exchange changes. EBITDA margin of 23.7% contracted 80 bps year over year in the first quarter.

Segmental Update

Consumer-to-Consumer (C2C)

Revenues of \$1.1 billion rose 4% year over year on a reported basis or 2% on cc basis. Total transactions in the segment climbed 9% year over year attributable to Europe and CIS, U.S. outbound, and the Middle East, partly negated by drop in U.S. domestic money transfer, Latin America and the Caribbean.

Digital money transfer revenues soared 45% year over year on a reported basis or 44% on cc basis. Within the digital money transfer business, westernunion.com revenues advanced 38% year over year on a reported basis or 37% on cc basis.

Operating income dipped 2% year over year in the quarter to of \$206.1 million in the quarter under review.

Operating margin contracted 110 bps year over year to 19.6%.

Business Solutions

Revenues of \$96.5 million fell 2% year over year on a reported basis or 8% on cc basis primarily due to reduced hedging activity and adverse impact of the COVID-19 pandemic on specific segment verticals.

The segment reported an operating income of \$12.6 million in the quarter under consideration, which declined 9% year over year.

Operating margin came in at 13.1%, which contracted 100 bps year over year.

Balance Sheet (as of Mar 31, 2021)

The company exited the first quarter with cash and cash equivalents of \$1.5 billion, which improved 5.2% from the 2020-end level. Borrowings increased 5.3% from the level at 2020 end to \$3.2 billion in the quarter.

Stockholders' equity of \$218.8 million grew 17.3% from the 2020-end level.

Increase in Cash Flow From Operations

During the first quarter, net cash provided by operating activities amounted to \$175.8 million, up 56.4% year over year.

Prudent Capital Deployment

The company rewarded shareholders to the tune of \$97 million and \$75 million via dividends and share buybacks, respectively, in the first quarter.

2021 Guidance Reiterated

The guidance for this year's adjusted earnings per share, revenues and operating profit margin remain unchanged from the prior outlook. The company remains on track to cross the \$1 billion mark in digital revenues during 2021.

Quarter Ending 03/2021

Report Date	May 04, 2021
Sales Surprise	0.73%
EPS Surprise	-2.22%
Quarterly EPS	0.44
Annual EPS (TTM)	1.87

Recent News

Western Union Expands Digital Agency With Australian Post – Jun 10, 2021

Western Union has provided Australia Post with its digital platform for use, thereby expanding the scope of its services. The company has an age-old relationship with Australia Post, which was initially forged in 2003 to enable money transfer services through the post office's strong 3,000-branch network in Australia. This international post office network will drive Western Union's cross-border business.

Western Union Offers Money Transfer Services Via Walmart – May 20, 2021

Western Union's money transfer services can be availed at the Walmart stores. The latter's customers can now make domestic and international money transfers, bill payments and money orders for sending money globally using the network of the former.

Western Union Unit Ties Up to Ease Global Payroll Process – May 18, 2021

The company's unit Western Union Business Solutions recently tied up with the U.K.'s leading software solutions and services provider — IRIS Software Group. The international partnership, which has a tenure of five years, will integrate IRIS Fully Managed Payroll's (FMP) technology and experience with the robust digital platform of Western Union.

Western Union Partners with Google Pay – May 12, 2021

The company has linked its cross-border digital payment platform with Google Pay, which is an online payment system of Google. With this connection, Google Pay users will now be able to send money to India and Singapore via the company's network of bank accounts, wallets and retail locations. By the year-end, this service will be expanded globally.

Valuation

Western Union shares are up 6.8% in the year-to-date period and 8.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks sector are up 0.5% and 1.1%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 12.7% and 2.8%, respectively.

The S&P 500 index is up 13.2% in the year-to-date period and 38.5% in the past year.

The stock is currently trading at 10.86x forward 12-month earnings, which compares to 28.79x for the Zacks sub-industry, 30.49x for the Zacks sector and 21.7x for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.09x and as low as 8.53x, with a 5-year median of 11.16x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$25 price target reflects 11.57x forward earnings.

The table below shows summary valuation data for WU

Valuation Multiples - WU					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.86	28.79	30.49	21.7
	5-Year High	15.09	32.19	30.59	23.83
	5-Year Low	8.53	20.78	19.03	15.31
	5-Year Median	11.16	24.08	22.11	18.05
P/S F12M	Current	1.84	10.16	5.47	4.7
	5-Year High	2.25	11.26	5.47	4.74
	5-Year Low	1.27	7.13	2.9	3.21
	5-Year Median	1.71	9.23	3.5	3.72

As of 06/17/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 29% (180 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Alliance Data Systems Corporation (ADS)	Neutral	3
Diebold Nixdorf, Incorporated (DBD)	Neutral	4
Equifax, Inc. (EFX)	Neutral	2
FleetCor Technologies, Inc. (FLT)	Neutral	3
Global Payments Inc. (GPN)	Neutral	3
MoneyGram International Inc. (MGI)	Neutral	3
Square, Inc. (SQ)	Neutral	3
WEX Inc. (WEX)	Neutral	3

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

Industry Comparison Industry: Financial Transaction Services				Industry Peers		
	WU	X Industry	S&P 500	ADS	DBD	GPN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	B	-	-	A	A	B
Market Cap	9.59 B	2.30 B	29.66 B	5.32 B	1.03 B	57.06 B
# of Analysts	8	5	12	11	2	13
Dividend Yield	4.01%	0.00%	1.35%	0.78%	0.00%	0.40%
Value Score	A	-	-	A	A	C
Cash/Price	0.15	0.10	0.05	0.51	0.24	0.04
EV/EBITDA	9.44	12.24	16.95	9.29	12.24	24.56
PEG F1	0.44	1.30	2.09	0.37	NA	1.26
P/B	43.94	5.18	4.06	3.02	NA	2.12
P/CF	9.60	16.74	17.27	7.81	3.58	16.54
P/E F1	11.30	23.79	20.99	6.74	6.19	24.08
P/S TTM	1.98	5.85	3.39	1.26	0.26	7.60
Earnings Yield	8.79%	4.17%	4.65%	14.84%	16.12%	4.15%
Debt/Equity	14.76	0.36	0.66	4.44	-2.70	0.36
Cash Flow (\$/share)	2.44	1.85	6.83	13.70	3.69	11.68
Growth Score	C	-	-	A	A	B
Historical EPS Growth (3-5 Years)	1.49%	12.08%	9.44%	-6.41%	-16.39%	18.89%
Projected EPS Growth (F1/F0)	9.96%	23.27%	21.49%	69.15%	173.72%	25.38%
Current Cash Flow Growth	0.01%	-4.38%	0.99%	-42.00%	33.25%	65.58%
Historical Cash Flow Growth (3-5 Years)	-2.39%	11.24%	7.28%	-14.11%	8.92%	49.12%
Current Ratio	1.01	1.19	1.39	1.70	1.10	1.19
Debt/Capital	93.66%	35.77%	41.51%	81.62%	NA	26.40%
Net Margin	15.44%	2.50%	11.95%	11.12%	-4.69%	8.49%
Return on Equity	775.45%	7.16%	16.48%	49.06%	-13.79%	6.91%
Sales/Assets	0.53	0.47	0.51	0.19	1.08	0.17
Projected Sales Growth (F1/F0)	5.88%	9.11%	9.41%	-3.46%	4.91%	12.74%
Momentum Score	B	-	-	A	B	A
Daily Price Change	-3.14%	0.60%	-0.04%	-7.24%	-3.08%	0.69%
1-Week Price Change	-0.32%	-0.14%	-0.41%	-5.42%	-4.03%	-0.36%
4-Week Price Change	-4.29%	0.40%	1.51%	-8.32%	-1.78%	-1.12%
12-Week Price Change	-5.14%	0.00%	7.99%	-4.32%	-7.62%	-5.75%
52-Week Price Change	8.07%	16.23%	35.52%	119.41%	142.83%	7.11%
20-Day Average Volume (Shares)	3,714,712	443,395	1,771,802	838,739	401,175	1,568,020
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.12%	0.00%	0.13%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.03%	7.61%	0.00%	0.35%
EPS F1 Estimate 12-Week Change	0.00%	0.00%	3.37%	34.63%	-2.95%	1.05%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS Q1 Estimate Monthly Change	0.00%	:	0.00%	0.00%	:	4.17%	0.00%	1.17%
Source: Zacks Investment Research								

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	A
Growth Score	C
Momentum Score	B
VGM Score	B

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 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.