

Yandex N.V. (YNDX)

\$59.83 (As of 04/13/21)

Price Target (6-12 Months): **\$51.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 03/16/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:C

Value: C

Growth: F

Momentum: A

Summary

Yandex is suffering from sluggishness in the advertising network. This does not bode well for the company's advertising business. Moreover, slowdown in the advertising spending remains a major concern. Further, mounting investments across all the segments pose a serious threat to its margin expansion. Further, coronavirus induced uncertainties in the overall demand environment are overhangs. Notably, the stock has underperformed its industry over a year. Nevertheless, solid momentum across Search, Taxi, Classifieds, Media Services and Experiments segments remains a positive. Further, Yandex's strengthening share in the Russian search market is a tailwind. Moreover, strength in FoodTech and ride-hailing businesses is contributing well. However, rising competition from search giant like Google is a risk to its search market position.

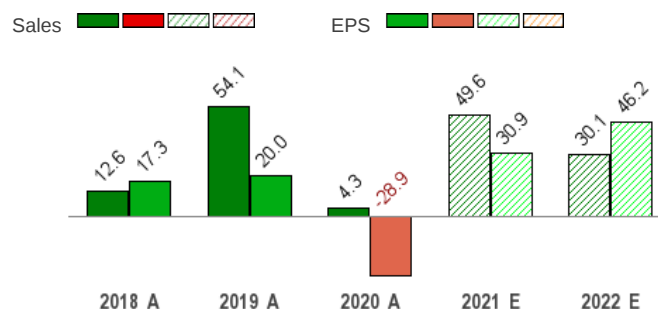
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$74.32 - \$33.79
20-Day Average Volume (Shares)	2,051,522
Market Cap	\$21.2 B
Year-To-Date Price Change	-14.0%
Beta	1.31
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Internet - Content
Zacks Industry Rank	Bottom 28% (183 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	675.0%
Last Sales Surprise	NA
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	04/28/2021
Earnings ESP	0.0%
P/E TTM	76.7
P/E F1	56.4
PEG F1	1.5
P/S TTM	7.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					5,752 E
2021					4,421 E
2020	605 A	592 A	732 A	969 A	2,956 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$1.55 E
2021	\$0.33 E	\$0.46 E	\$0.25 E	\$0.02 E	\$1.06 E
2020	\$0.19 A	\$0.09 A	\$0.27 A	\$0.23 A	\$0.81 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 04/13/2021. The report's text and the analyst-provided price target are as of 04/14/2021.

Overview

Moscow-based Yandex N.V. is an internet-based company that develops technology products and services by leveraging the power of machine learning. It holds a leading position in the European market with its advanced and popular search engine that offers enhanced and relevant search results.

The company operates in five organized segments and generated RUB 218.3 billion of total revenues in 2020.

Search and Portal: This segment is Yandex's primary business and the primary catalyst for top-line growth. In 2020, it accounted for 56.9% of total revenues. Under this segment, the company offers its vast search engine, personal services, Yandex.Health and advertising services. These services are available in Russia, Belarus, Kazakhstan and Ukraine. The segment also includes Search and Portal in Turkey and Yandex Launcher.

Media Services: This segment accounted for 3.6% of total revenues in 2020. This segment was formed out of Experiments segment and offers KinoPoisk, Yandex.Music, Yandex.Afisha, Yandex.Studio, Yandex.Plus and Yandex.TV.

Taxi: Yandex generated 31.1% of its revenues from this segment. The segment is comprised of Ride-hailing and FoodTech businesses. It also includes Self-Driving Cars unit.

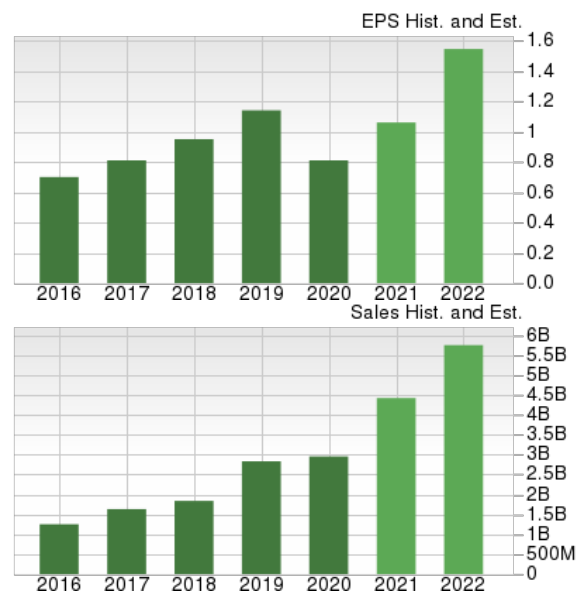
Classifieds: The company has generated 2.6% of revenues from this segment. The facilities offered include automobile, real estate, job search and online travel services via Auto.ru, Yandex.Realty and Yandex.Jobs.

Other Bets and Experiments: This segment is comprised of geolocational services, Zen, Yandex.Cloud and Yandex.Drive. The company generated 5.4% of total revenues in 2020.

E-commerce: This segment is comprised of Yandex.Market. Notably, Yandex became the controlling shareholder of Yandex.Market in July 2020. The segment generated 6.3% of total revenues.

Out of all these, Yandex generates most of its revenues through online advertising from which the revenues can be divided into two categories — revenues from Yandex Properties and Advertising Networks.

The company offers programmatic advertising as well as mobile advertising. Yandex also faces stiff competition from Google and Mail.ru in the Russian search market.



Reasons To Sell:

- ▼ The company derives revenues majorly from online advertising which reflects the concentration of its revenues. The company operates primarily in emerging markets where overall online advertising spending and internet use penetration is comparatively lower than the developed countries. Moreover, traditional modes of advertising such as television and radio are still preferable than the online internet advertising in most of the developing countries. This remains a headwind. Notably, any customer or group of customers of the company have not even accounted for more than 10% of its revenues since 2015.
- ▼ Yandex operates primarily in Russia; consequently, its financial and operating activities are exposed to economic conditions of the country. Hence, any unfavorable economic situation is bound to impact the company's fundamentals significantly. Russia's high dependency on oil and gas exports makes its economy prone to the fluctuations in the world oil and gas prices. The economy witnessed a severe downturn in 2014 and 2015 due to a sharp fall in oil prices and this led to a substantial decline in the country's stock market and depreciation of ruble. Additionally, strict tax laws in Russia remain major concerns as the company has recorded \$5 million of unrecognized tax benefits as liabilities. Now if the company plans to enter the global market, it will face a tough competition from Google which already poses a stiff challenge in Russia.
- ▼ Notably, the company is trading at premium in terms of Price/Earnings. Currently, Yandex has a trailing 12-month P/E ratio of 68.89, which compares unfavorably with what the industry witnessed over the last year. Consequently, valuation looks stretched from P/E perspective.

Concentration of revenues and operations are serious concerns. Intensifying competition also remains a headwind for Yandex.

Risks

- Yandex Search remains the most significant business unit of the company and has been witnessing steady growth since its inception. The search engine market continues to gain traction due to increasing penetration of internet and mobile. In 2019, the company accounted for 56.3% share of overall Russian search traffic while Google and Mail.ru was 39.6% and 3.4%, respectively. Yandex's share further reached 59.7% in the fourth-quarter 2020. Moreover, the company's search share on Android in Russia was 58.6% in the fourth quarter. The company is well-poised to capitalize on benefits from an increased penetration in the Russian search engine market with the introduction of new apps such as — Turbo pages and Alice — which are aimed at enhancing its search results.
 - The online advertising services remain the key driver of Yandex's top-line growth. In 2020, it accounted for 57.9% of total revenues. The digital advertising market holds immense potential as the global spending on advertisement is increasing at a rapid pace. For the past few years, mobile advertising has been playing an important role driving the overall growth of online advertising market. Further, mobile is anticipated to generate 35% of total revenues in this particular market of Russia by 2022. Consequently, Yandex is well poised to reap benefits from this high growth market on the back of its vast ad network, various kinds of ad formats and robust Yandex.Direct, an advertising placement platform.
 - The company's efforts toward expanding business beyond the search engine world are major positives. The company has made significant amount of investments to diversify business. The company operates in the e-commerce market and has entered ride sharing business with Yandex.Taxi; auto dealer market with Auto.ru; real estate sector with Yandex.Realty; job search market with Yandex.Jobs, travel sector with Yandex.Travel and video streaming market with its robust media services. It also recently launched a car rental service called Yandex.Drive. Apart from these, the company also managed to foray into the cloud industry with the launch of Yandex.Cloud. The company has rolled out its voice assistant, Alice and smart speaker, Yandex.Station. These have reinforced its competitive position against other players, especially Google in Russia. Consequently, we note that Yandex's business is well diversified which will help it to overcome the loss from any sector if any with the profit from another sector.
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Last Earnings Report

Yandex's Q4 Earnings Beat, Revenues Miss Estimates

Yandex reported fourth-quarter 2020 adjusted earnings of 23 cents per share, whereas the Zacks Consensus Estimate was pegged at a loss of 4 cents per share.

However, the figure declined 14.8% sequentially and 8% year over year.

Revenues of \$969.2 million (RUB 71.6 billion) lagged the Zacks Consensus Estimate of \$1.02 billion. In ruble terms, the figure rose 39% on a year-over-year basis and 22.8% from the previous quarter.

The reported revenue figure includes the consolidated financial results of Yandex.Market. Notably, Yandex became the controlling shareholder of Yandex.Market in July 2020 after which it got reorganized into the business.

Further, the company reformed its e-commerce segment, following the reorganization.

Improving momentum across the company's online advertising remained a major positive. Further, strong growth across Search, Classifieds, Taxi, Media Services, and Other Bets and Experiments segments drove top-line growth.

Further, the reorganization of Yandex.Market was a tailwind. Excluding the impacts of Yandex.Market, the top-line figure stands at \$864.6 million or RUB 63.9 billion, reflecting a rise of 24% and 9.6% from the year-ago quarter and the prior quarter, respectively.

However, coronavirus-induced supply-chain disruptions were concerns.

Top-Line Details

Total online advertising revenues were RUB 38.4 billion (54% of total revenues), reflecting growth of 12% on a year-over-year basis.

This was driven by the strong performance of Yandex properties that generated RUB 32.4 billion (84.3% of total advertising revenues), increasing 17% year over year.

However, softness in the advertising network, which generated RUB 6.05 billion (15.7% of the total advertising revenues), was a negative. The figure slumped 9% from the year-ago quarter.

Taxi revenues of RUB 21.6 billion (30% of total revenues) grew 50% on a year-over-year basis, driven by strength in the FoodTech, ride-hailing and logistics businesses.

Other revenues of RUB 11.6 billion (16% of total revenues) surged 293% from the prior-year quarter. This was primarily driven by well-performing Media Services, expanding cloud business, and strong IoT initiatives.

Segments in Detail

Search and Portal: The segment generated RUB 37.1 billion revenues (51.8% of total revenues), up 8% year over year. The company's strong position in the Russian search market remains a key catalyst. Notably, its market share was 59.7% in the reported quarter, up 220 basis points (bps) year over year. This can be attributed to expanding Yandex's mobile search share.

Notably, mobile revenues accounted for 53.3% of the company's search revenues. Further, mobile search traffic accounted for 60.5% of total search traffic. This was driven by Yandex's search share on Android, which was 58.6%, expanding 430 bps from the year-ago quarter.

Taxi: The segment generated RUB 22.3 billion revenues (31.1% of revenues), rising 54% from the year-ago quarter. The impressive year-over-year rise was driven by positive contributions from Yandex.Lavka and Yandex.Eats, which benefited its FoodTech services during the quarter under review. Further, improvement in the ride-hailing business remained a major positive. The number of rides increased 17% from the prior-year quarter. Additionally, Yandex witnessed a strong performance by its corporate Taxi business.

Classifieds: The segment generated revenues of RUB 1.8 billion (2.5% of revenues), reflecting year-over-year growth of 13%. This was attributed to growth of auto vehicle reports and rising license fee revenues.

Media Services: The segment generated revenues of RUB 2.9 billion (4.1% of revenues), soaring 118% from the year-ago quarter. This can primarily be attributed to solid momentum across Yandex.Plus subscription. Notably, the total number of subscribers for Yandex.Plus stood at 6.8 million, up 152% year over year.

Other Bets and Experiments: The segment accounted for revenues of RUB 4.1 billion (5.8% of total revenues), up 56% from the prior-year quarter. This was driven by the robust performance of Yandex's Zen and Geo services. Further, the growing cloud business contributed well.

E-Commerce: The segment accounted for revenues of RUB 8.7 billion (12.1% of total revenues) in the reported quarter. Strong marketplace business, owing to growing momentum across third-party sellers, remained noteworthy.

Operating Details

In fourth-quarter 2020, adjusted net income margin was 8.8%, contracting 160 bps from the year-ago quarter.

Quarter Ending 12/2020

Report Date	Feb 16, 2021
Sales Surprise	NA
EPS Surprise	675.00%
Quarterly EPS	0.23
Annual EPS (TTM)	0.78

Its operating margin came in at 6.1% in the reported quarter, contracting 340 bps year over year.

Further, adjusted EBITDA margin was 19.6%, which contracted 600 bps from the prior-year quarter.

Operating expenses — as a percentage of revenues — was 93.9%, expanding 340 bps from the year-ago quarter.

The company's total traffic acquisition costs amounted to RUB 5.9 billion, declining 9% on a year-over-year basis. As a percentage of revenues, the figure contracted 430 bps year over year to 8.3% in the reported quarter.

Balance Sheet & Cash Flows

As of Dec 31, 2020, cash and cash equivalents were \$1.8 billion, up from \$1.2 billion on Sep 30, 2020.

Accounts Receivables totaled \$344.4 million, increasing from \$245.2 million in the previous quarter.

In the fourth quarter, cash generated from operations was \$83.1 million compared with \$237.2 million of cash used in operations in the third quarter.

2021 Guidance

For 2021, the company projects total revenues between RUB 305 billion and RUB 320 billion by expecting an improvement in the COVID-19 situation from second-quarter 2021 onwards.

Recent News

On **Feb 2, 2021**, Yandex's ride-sharing and food delivery joint venture namely MLU B.V. completed the buyout of Vezet Group's selected assets which include call centers and cargo business.

Valuation

Yandex shares are up 2.2% in the six-month period and 77.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 86.5% and 24.8% in the six-month period, respectively. In the past year, the Zacks sub-industry and sector are up 131.1% and 72.7%, respectively.

The S&P 500 index is up 20.2% in the six-month period and 51.7% in the past year.

The stock is currently trading at 44.97X forward 12-month earnings compared with 72.37X for the Zacks sub-industry, 29.57X for the Zacks sector and 23.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 59.42X and as low as 16.06X, with a 5-year median of 28.31X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$51 price target reflects 38.33X forward 12-month earnings.

The table below shows summary valuation data for YNDX

Valuation Multiples - YNDX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	44.97	72.37	29.57	23.15
	5-Year High	59.42	73.3	29.57	23.83
	5-Year Low	16.06	17.74	16.96	15.3
	5-Year Median	28.31	28.31	20.1	18
P/S F12M	Current	4.49	13.31	5.05	4.79
	5-Year High	7.2	18.14	5.05	4.79
	5-Year Low	2.6	2.21	2.78	3.21
	5-Year Median	4.95	8.19	3.5	3.71
EV/Sales TTM	Current	6.08	16.43	5.82	5.71
	5-Year High	8.92	24.01	5.82	4.95
	5-Year Low	3.54	7.33	3.07	2.64
	5-Year Median	5.72	15.52	3.96	3.62

As of 04/13/2021 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Bottom 28% (183 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Brightcove Inc. (BCOV)	Neutral	2
Baidu, Inc. (BIDU)	Neutral	4
Alphabet Inc. (GOOGL)	Neutral	2
Perion Network Ltd (PERI)	Neutral	2
Shutterstock, Inc. (SSTK)	Neutral	3
Tencent Music Entertainment Group Sponsored ADR (TME)	Neutral	3
Weibo Corporation (WB)	Neutral	3
Yelp Inc. (YELP)	Neutral	3

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

Industry Comparison Industry: Internet - Content				Industry Peers		
	YNDX	X Industry	S&P 500	GOOGL	WB	YELP
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	2	3	3
VGM Score	C	-	-	C	D	B
Market Cap	21.19 B	601.54 M	29.89 B	1,519.79 B	11.25 B	2.99 B
# of Analysts	1	2	12	16	3	6
Dividend Yield	0.00%	0.00%	1.32%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	D	C
Cash/Price	0.15	0.12	0.06	0.09	0.31	0.20
EV/EBITDA	22.77	22.77	16.97	22.61	16.21	154.94
PEG F1	1.56	2.54	2.38	1.83	4.07	NA
P/B	4.52	5.71	4.02	6.83	3.98	3.52
P/CF	36.08	31.22	16.88	28.16	21.62	96.48
P/E F1	57.97	36.16	22.11	32.54	18.74	NA
P/S TTM	7.31	4.40	3.45	8.33	6.66	3.43
Earnings Yield	1.77%	2.34%	4.47%	3.07%	5.33%	-0.88%
Debt/Equity	0.24	0.06	0.66	0.06	0.86	0.00
Cash Flow (\$/share)	1.66	0.30	6.78	80.05	2.30	0.41
Growth Score	F	-	-	B	D	A
Historical EPS Growth (3-5 Years)	19.30%	27.30%	9.34%	20.71%	51.89%	110.12%
Projected EPS Growth (F1/F0)	30.86%	46.81%	15.29%	18.20%	11.48%	-30.86%
Current Cash Flow Growth	0.83%	-15.87%	0.61%	12.89%	-12.04%	-65.44%
Historical Cash Flow Growth (3-5 Years)	17.43%	16.10%	7.37%	20.90%	133.19%	74.01%
Current Ratio	4.71	1.36	1.39	3.07	5.04	4.98
Debt/Capital	19.99%	8.94%	41.26%	5.89%	46.19%	0.00%
Net Margin	10.94%	1.86%	10.59%	22.06%	18.54%	-2.23%
Return on Equity	6.78%	7.31%	14.86%	19.03%	12.12%	-2.42%
Sales/Assets	0.47	0.71	0.51	0.62	0.31	0.78
Projected Sales Growth (F1/F0)	48.54%	5.43%	7.37%	24.61%	24.00%	14.25%
Momentum Score	A	-	-	C	D	C
Daily Price Change	-4.81%	0.00%	-0.14%	0.44%	1.22%	0.65%
1-Week Price Change	-4.54%	0.00%	1.54%	6.62%	-1.26%	-2.36%
4-Week Price Change	-15.63%	-5.84%	3.29%	8.18%	-1.05%	-4.56%
12-Week Price Change	-12.12%	19.63%	9.63%	26.34%	19.63%	28.81%
52-Week Price Change	62.36%	111.06%	51.26%	78.18%	41.09%	104.87%
20-Day Average Volume (Shares)	1,560,516	178,367	1,987,536	1,527,218	1,830,943	733,553
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.34%	-7.52%	0.00%
EPS F1 Estimate 12-Week Change	-23.74%	-8.33%	2.05%	10.74%	-7.96%	-324.00%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.57%	-10.71%	-9.62%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	F
Momentum Score	A
VGM Score	C

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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