

HCL TECHNOLOGIES (HCLTECH-IN)

Software & IT Services / Software & IT Services / IT Services & Consulting

DETAILED STOCK REPORT

Report Date: 2023-Apr-01

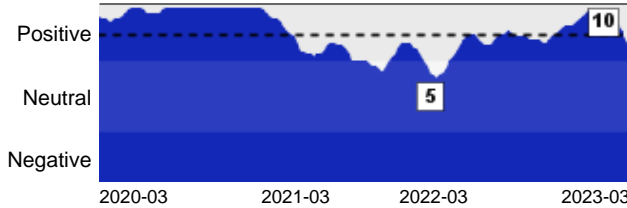
Last Close 1,085.25 (INR)	Avg Daily Vol 2.6M	52-Week High 1,203.00	Trailing PE 20.3	Annual Div 48.00	ROE 22.6%	LTG Forecast 7.7%	1-Mo Return 0.71%
2023 March 31 NSE Exchange	Market Cap 2.8T	52-Week Low 877.35	Forward PE 18.2	Dividend Yield 4.4%	Annual Rev 974.5B	Inst Own 25.0%	3-Mo Return 4.4%

AVERAGE SCORE**AVERAGE
SCORE****7**

NEUTRAL OUTLOOK: HCLTECH's current score is relatively in-line with the market.

Score Averages

Software & IT Services Group: 4.1	Large Market Cap: 6.6
Software & IT Services Sector: 4.1	BSE Sensex Index: 7.4

Average Score Trend (4-Week Moving Avg)

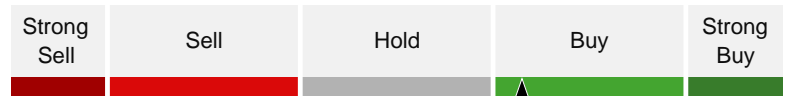
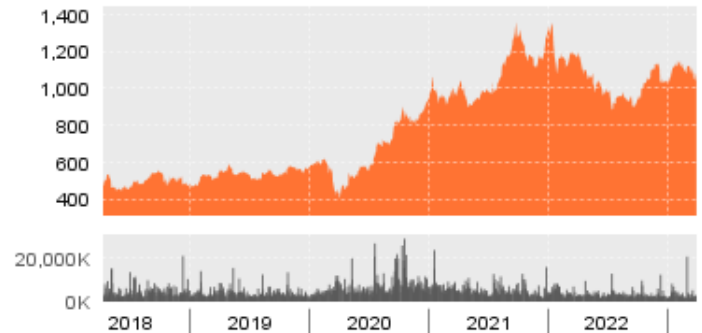
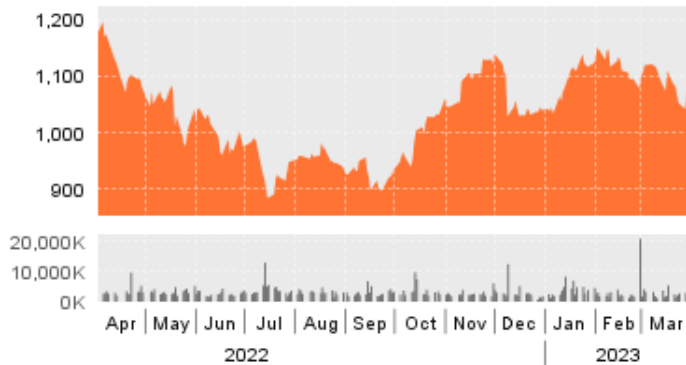
Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
HCLTECH	8	10	8	7	7	
TCS	5	8	5	6	6	
LTIM	7	8	5	4	5	
INFY	5	6	5	5	4	
WIPRO	5	6	5	5	4	

HIGHLIGHTS

- The score for HCL Technologies has been on a negative trend from 9 to 7 over the past 8 weeks.
- The recent change in the Average Score was primarily due to a decline in the Earnings component score.

I/B/E/S MEAN**Buy****40 Analysts**

Mean recommendation from all analysts covering the company on a standardized 5-point scale.

**PRICE AND VOLUME CHARTS****1-Year Return: -6.8%****5-Year Return: 124.1%****BUSINESS SUMMARY**

HCL Technologies Limited is an India-based technology company. The Company offers its services and products through three business segments: IT and Business Services (ITBS), Engineering and R&D Services (ERS), and HCLSoftware. ITBS segment provides a portfolio of information technology (IT) and business services, including application, infrastructure and digital process operations and digital transformation services enabled by digital and analytics, IoTWORKS, cloud native and cybersecurity solutions including products developed within these businesses. ERS segment provides engineering services and solutions across software, embedded, mechanical, very large-scale integration (VLSI) and platform engineering that support the end-to-end lifecycle of products, including both hardware and software across diverse industries. HCLSoftware segment provides modernized software products to global clients for their technology and industry-specific requirements.

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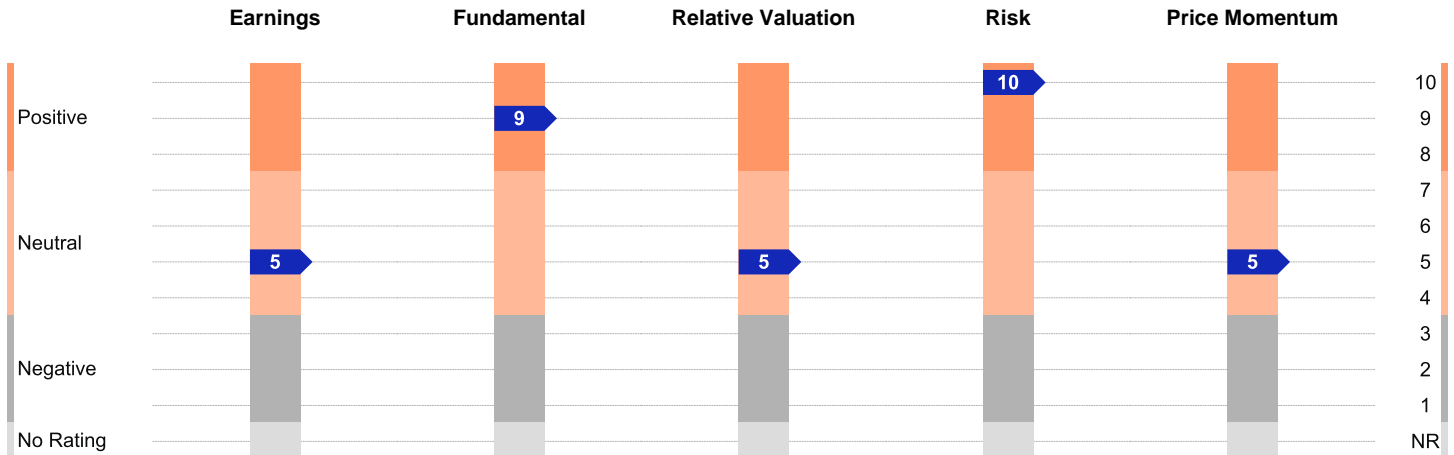
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INDICATOR COMPONENTS

AVERAGE
SCORE

7

The **AVERAGE SCORE** combines the quantitative analysis of five widely-used investment decision making tools: Earnings, Fundamental, Relative Valuation, Risk, and Price Momentum. A simple average of the underlying component ratings is normally distributed to rank stocks on a 1-10 scale (10 being awarded to the most favorable). These factors may be evaluated differently using alternative methodologies and the importance of individual factors varies across industries, market capitalization and investment styles. Additional criteria should always be used to evaluate a stock.



PEER ANALYSIS

Currency in INR

Average Score	Ticker	PRICE MOMENTUM			Market Cap	VALUATION		FUNDAMENTAL		ANALYSTS		# of Analysts
		Price (2023-03-31)	1-Mo Return	3-Mo Return		1-Yr Return	Trailing PE	Forward PE	Dividend Yield	Net Margin	LTG Forecast	
6	TCS	3,205.90	-3.2%	-1.6%	-14.3%	11.4T	28.9	25.1	1.4%	18.8%	9.7% Hold	42
4	INFY	1,427.95	-4.0%	-5.3%	-25.1%	5.7T	25.4	22.0	2.3%	16.7%	10.9% Buy	42
7	HCLTECH	1,085.25	0.71%	4.4%	-6.8%	2.8T	20.3	18.2	4.4%	14.8%	7.7% Buy	40
4	WIPRO	365.25	-5.6%	-7.0%	-38.3%	2.0T	17.6	16.1	0.62%	12.9%	3.5% Hold	40
5	LTIM	4,759.65	0.80%	9.0%	-22.7%	1.4T	32.9	28.6	0.74%	13.7%	10.5% Hold	34
5	TECHM	1,101.85	0.15%	8.4%	-26.5%	1.1T	18.7	17.3	1.4%	10.1%	5.9% Buy	39
5	MPHASIS	1,795.75	-11.8%	-9.0%	-46.8%	327.3B	21.0	19.0	2.6%	11.8%	12.2% Hold	29
6	PERSISTENT	4,609.50	-3.8%	19.1%	-3.3%	323.0B	40.2	30.9	0.73%	11.3%	-- Buy	27
5	COFORGE	3,814.10	-11.3%	-1.8%	-14.4%	226.1B	30.0	28.0	1.5%	10.4%	17.5% Buy	26
8	SONATSOFTW	836.30	15.2%	48.4%	50.8%	114.0B	26.4	26.6	2.0%	6.3%	-- Buy	6
4	HAPPSTMNDS	767.85	-10.3%	-12.9%	-27.3%	114.0B	49.5	46.8	0.52%	16.7%	-- Strong Buy	1
5.4	Average	2,160.85	-3.0%	4.7%	-15.9%	2.3T	28.3	25.3	1.7%	13.0%	9.7% Buy	29.6

PEER COMPANIES

COFORGE	Coforge	PERSISTENT	Persistent Systems
HAPPSTMNDS	Happiest Minds Technologies	SONATSOFTW	Sonata Software
INFY	Infosys	TCS	Tata Consultancy Services
LTIM	LTIMindtree	TECHM	Tech Mahindra
MPHASIS	Mphasis	WIPRO	Wipro

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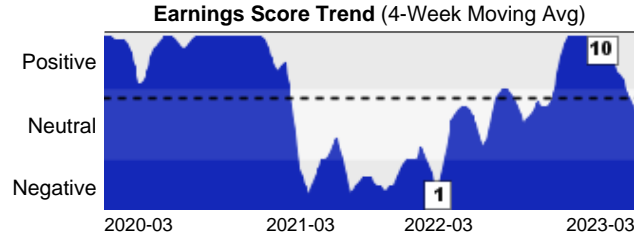
EARNINGS Currency in INR

NEUTRAL OUTLOOK: Mixed earnings expectations and performance.

EARNINGS
5

Earnings Score Averages

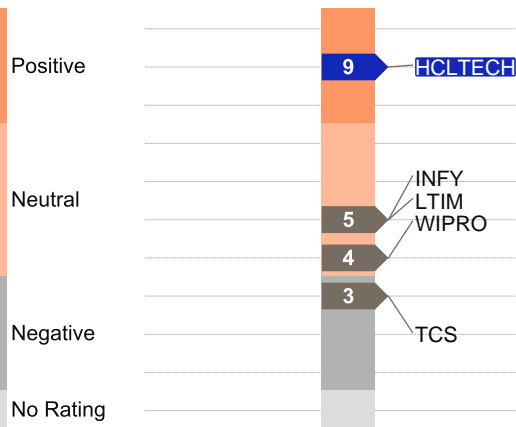
Software & IT Services Group: **5.6** Large Market Cap: **5.7**
Software & IT Services Sector: **5.6** BSE Sensex Index: **6.1**



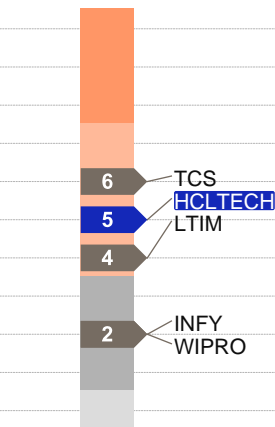
Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
HCLTECH	6	10	7	5	5	
LTIM	9	9	8	4	5	
TCS	1	6	1	1	2	
INFY	3	3	4	4	1	
WIPRO	3	3	5	3	1	

EARNINGS INDICATORS

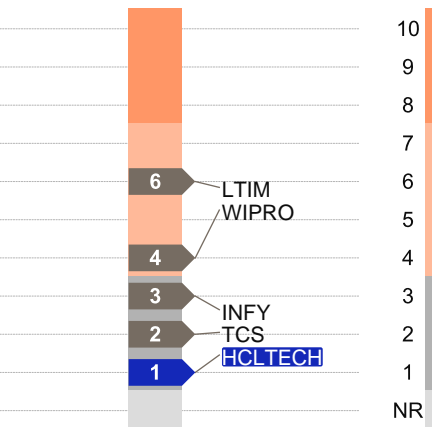
Earnings Surprises
(33.3% weight)



Estimate Revisions
(33.3% weight)



Recommendation Changes
(33.3% weight)



Last 4 Quarters

# Positive Surprises (>2%)	3
# Negative Surprises (<-2%)	0
# In-Line Surprises (within 2%)	1
Avg Surprise	3.9%

Last 4 Weeks

# Up Revisions	0
# Down Revisions	1
Avg Up Revisions	0.00%
Avg Down Revisions	-2.5%

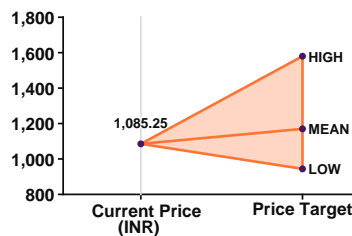
Last 120 Days

# Broker Upgrades	1
# Broker Downgrades	6

HIGHLIGHTS **PRICE TARGET**

- HCL Technologies currently has a relatively neutral Earnings Rating of 5. The average Earnings Rating for its IT Services & Consulting industry is 5.3 and the S&P BSE SENSEX index average is 6.1.
- HCLTECH's current quarter consensus estimate has remained relatively unchanged over the past 90 days at 14.33. Estimates within its industry have moved an average of -1.0% during the same time period.
- There have been 1 upward and 6 downward broker recommendation changes for HCL Technologies over the past 120 days.

The chart indicates where analysts predict the stock price will be within the next 12 months, as compared to the current price.



12-Month Price Target

Mean (INR)	1,170.00
High	1,580.00
Low	944.00
Target vs. Current	7.8%
# of Analysts	40

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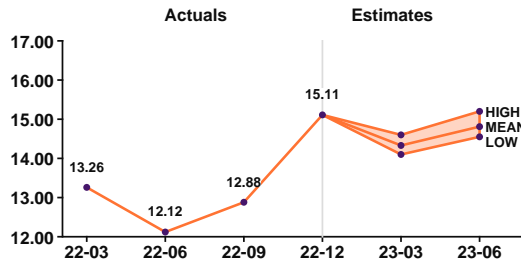
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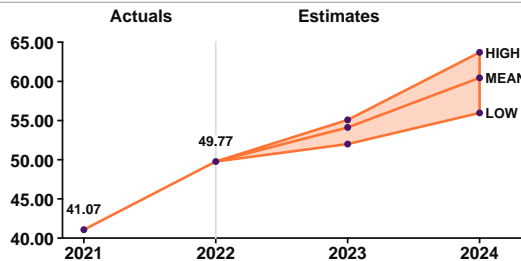
EARNINGS PER SHARE

Earnings per share (EPS) is calculated by dividing a company's earnings by the number of shares outstanding. Analysts tend to interpret a pattern of increasing earnings as a sign of strength and flat or falling earnings as a sign of weakness.

The charts provide a comparison between a company's actual and estimated EPS, including the high and low forecasts.



Quarterly	23-03	23-06
Mean	14.330	14.810
High	14.600	15.200
Low	14.100	14.550
# of Analysts	9	6



Annual	2023	2024
Mean	54.120	60.450
High	55.080	63.700
Low	52.000	55.970
# of Analysts	39	39

MEAN ESTIMATE TREND **ANALYST RECOMMENDATIONS**

	Q 23-03	Q 23-06	Y 2023	Y 2024	Price Target
Current	14.330	14.810	54.120	60.450	1,170.00
30 Days Ago	14.350	14.880	54.070	60.380	1,160.00
90 Days Ago	14.350	14.880	54.040	60.380	1,120.00
% Change (90 Days)	-0.10%	-0.50%	0.10%	0.10%	4.5%

Current Fiscal Year End: 23-03
Next Expected Report Date: 2023-04-20

I/B/E/S Mean: **Buy (40 Analysts)**

- Strong Buy: 10
- Buy: 12
- Hold: 14
- Sell: 4
- Strong Sell: 0

EARNINGS SURPRISES

Comparing a company's actual earnings to the mean expectation of analysts results in a difference referred to as a 'positive' or 'negative' surprise. Research has shown that when a company reports a surprise, it is often followed by more of the same surprise type.

Surprise Summary (Last 12 Quarters)

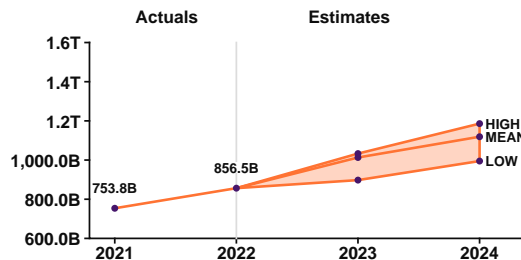
Surprise Type	Amount	Percent
Positive Quarters (> 2%)	7	58.3%
Negative Quarters (< -2%)	2	16.7%
In-Line Quarters (within 2%)	3	25.0%

Surprise Detail (Last 6 Periods)

Surprise Type	Announce Date	Period End Date	Actual EPS	Mean EPS	Surprise (%)
Positive	2023-01-12	2022-12-31	15.110	14.280	5.8%
Positive	2022-10-12	2022-09-30	12.880	12.600	2.2%
In-Line	2022-07-12	2022-06-30	12.120	12.200	-0.70%
Positive	2022-04-21	2022-03-31	13.260	12.260	8.2%
In-Line	2022-01-14	2021-12-31	12.690	12.550	1.1%
In-Line	2021-10-14	2021-09-30	12.010	11.890	1.0%

ANNUAL REVENUE

A pattern of increasing sales in conjunction with a rising EPS may influence a buy recommendation, while flat or falling sales and faltering earnings may explain a sell recommendation. A rising EPS with flat or falling sales may result from increased cost efficiency and margins, rather than market expansion. This chart shows the sales forecast trend of all analysts and the highest and lowest projections for the current and next fiscal year.



	2023	2024
Mean	1,013B	1,119B
High	1,033B	1,186B
Low	897.6B	994.9B
Forecasted Growth	18.3%	30.6%
# of Analysts	41	40

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FUNDAMENTAL

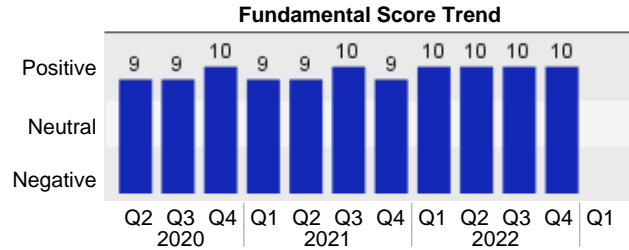
FUND-AMENTAL

9

POSITIVE OUTLOOK: Strong fundamentals such as high profit margins, low debt levels, or growing dividends.

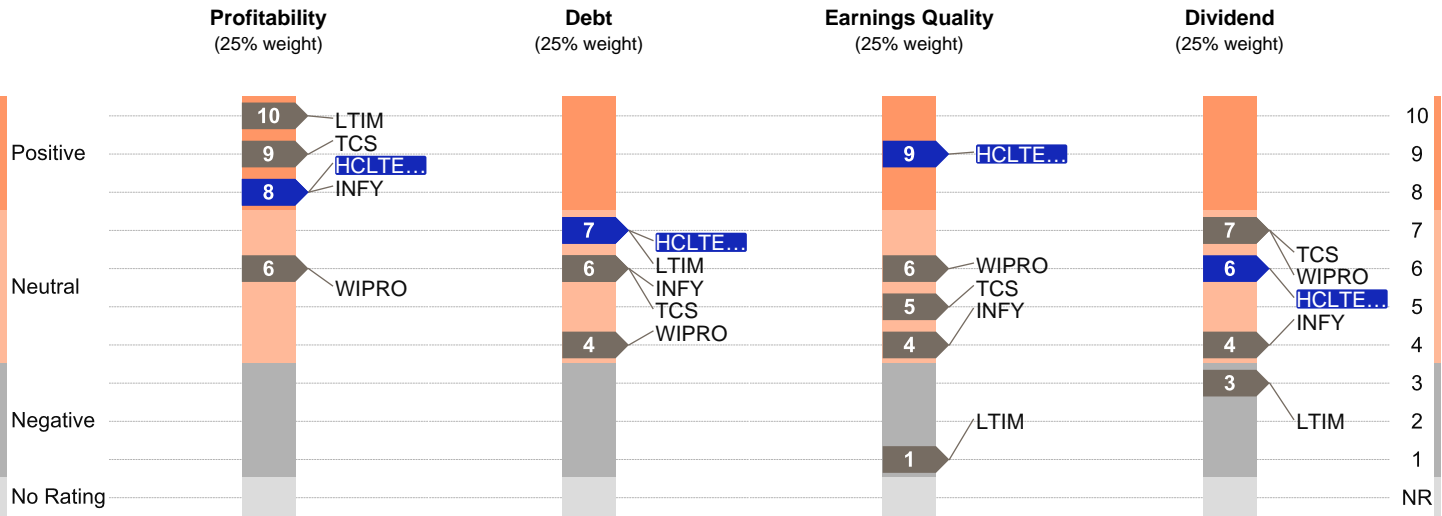
Fundamental Score Averages

Software & IT Services Group: **5.9** Large Market Cap: **6.5**
 Software & IT Services Sector: **5.9** BSE Sensex Index: **7.0**



Peers	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Current	3Y Trend
HCLTECH	10	10	10	NR	9	
TCS	7	8	7	NR	8	
INFY	7	7	7	NR	6	
WIPRO	9	10	9	NR	6	
LTIM	5	5	6	NR	5	

FUNDAMENTAL INDICATORS



Revenue Growth	17.8%	Current Ratio	2.6	Oper. Cash Yield	19.8%	Dividend Growth	140.0%
For year over year ending 2022-12		For interim period ending 2022-09		For latest 12 months ending --		For year over year ending 2022-06	
Gross Margin	72.8%	Debt-to-Capital	8.3%	Accruals	-9.8%	Dividend Payout	71.2%
For latest 12 months ending 2022-12		For annual period ending 2022-03		For latest 12 months ending 2022-03		For latest 12 months ending 2022-12	
Return On Equity	22.6%	Interest Funding	1.0%	Days Sales In Inv.	5.9	Dividend Coverage	1.6
For interim period ending 2022-09		For interim period ending 2022-03		For annual period ending 2022-03		For annual period ending 2022-03	
Net Margin	14.8%	Interest Coverage	47.3	Days Sales In Rec.	105.2	Current Div. Yield	4.4%
For latest 12 months ending 2022-12		For interim period ending 2022-12		For annual period ending 2022-03		For latest 12 months ending 2023-03	

HIGHLIGHTS

- HCL Technologies currently has a Fundamental Rating of 9, which is significantly more bullish than the Software & IT Services industry group average of 5.9.
- The company's net margin has been higher than its industry group average for each of the past five years.
- The company's debt-to-capital has been higher than its industry group average for each of the past five years.
- The company's days sales in inventory has been lower than its industry group average for each of the past five years.
- Of the 227 firms within the Software & IT Services industry group, HCL Technologies is among 70 companies that pay a dividend. The stock's dividend yield is currently 4.5%.

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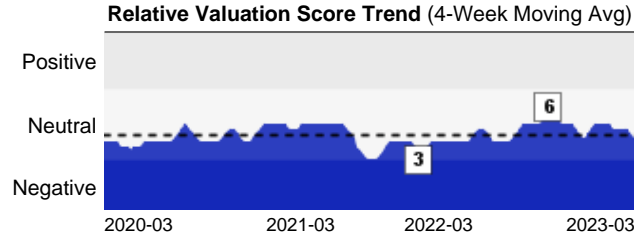
RELATIVE VALUATION

NEUTRAL OUTLOOK: Multiples relatively in-line with the market.



Relative Valuation Score Averages

Software & IT Services Group:	4.3	Large Market Cap:	4.2
Software & IT Services Sector:	4.3	BSE Sensex Index:	4.6



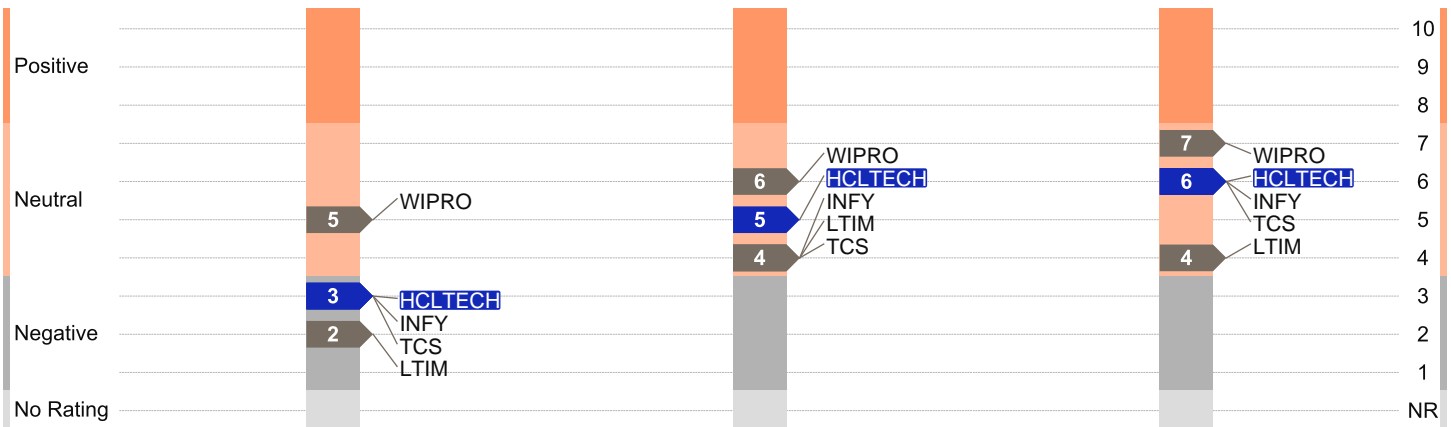
Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
WIPRO	6	6	6	6	6	
HCLTECH	6	5	5	4	5	
INFY	4	3	4	4	4	
TCS	4	3	3	3	4	
LTIM	3	3	3	3	3	

RELATIVE VALUATION INDICATORS

Price to Sales
(33.3% weight)

Trailing PE
(33.3% weight)

Forward PE
(33.3% weight)



Price to Sales	2.9	Trailing PE	20.3	Forward PE	18.2
5-Yr Average	2.9	5-Yr Average	18.8	5-Yr Average	16.9
Rel. to 5-Yr Avg.	0.4% Premium	Rel. to 5-Yr Avg.	8% Premium	Rel. to 5-Yr Avg.	8% Premium
BSE Sensex Index	3.3	BSE Sensex Index	23.0	BSE Sensex Index	21.0
Rel. to BSE Sensex	10% Discount	Rel. to BSE Sensex	12% Discount	Rel. to BSE Sensex	13% Discount

HIGHLIGHTS

- HCL Technologies currently has a Relative Valuation Rating of 5 while the S&P BSE SENSEX index has an average rating of 4.6.
- Compared to the Software & IT Services industry group, HCLTECH is currently trading at a significant discount based on both Price to Sales ratio and Trailing P/E.
- HCLTECH's Price to Sales ratio of 2.9 represents a 0.4% Premium to its 5-year average of 2.9.
- HCLTECH's Trailing P/E of 20.3 represents a 8% Premium to its 5-year average of 18.8.
- HCLTECH's Forward P/E of 18.2 represents a 8% Premium to its 5-year average of 16.9.

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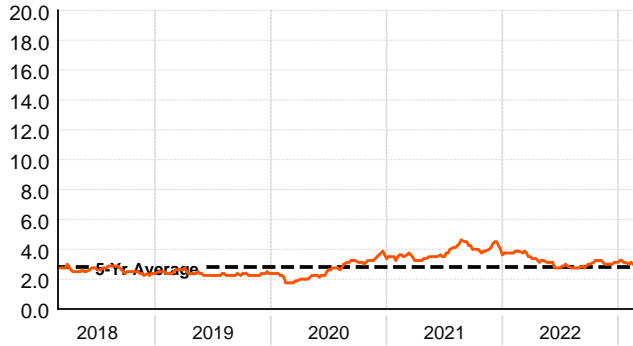
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PRICE TO SALES

The most recent week's close price divided by the revenue per share.

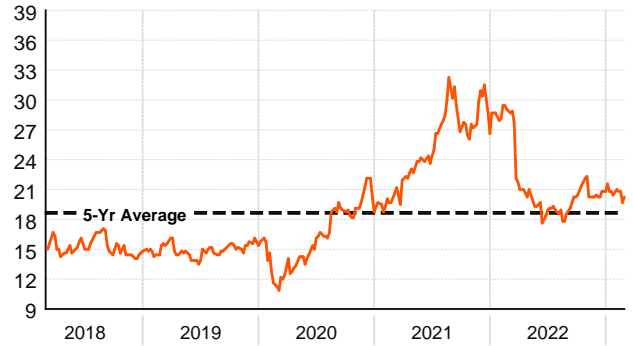
Price to Sales: 2.9
 5-Year Average: 2.9
 BSE Sensex Index Average: 3.3
 Software & IT Services Group Average: 3.9



TRAILING PE

The most recent week's close price divided by the sum of the four most recently reported quarterly earnings.

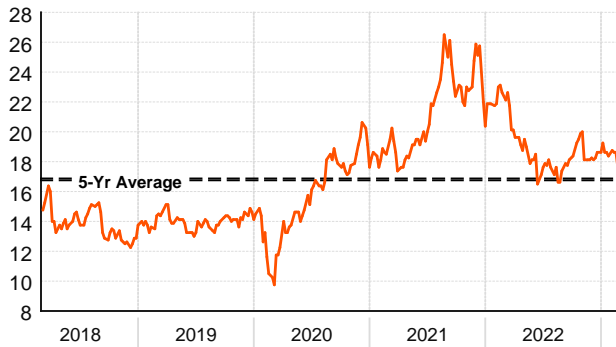
Trailing PE: 20.3
 5-Year Average: 18.8
 BSE Sensex Index Average: 23.0
 Software & IT Services Group Average: 25.1



FORWARD PE

The most recent week's close price divided by the sum of the four upcoming quarterly consensus estimates.

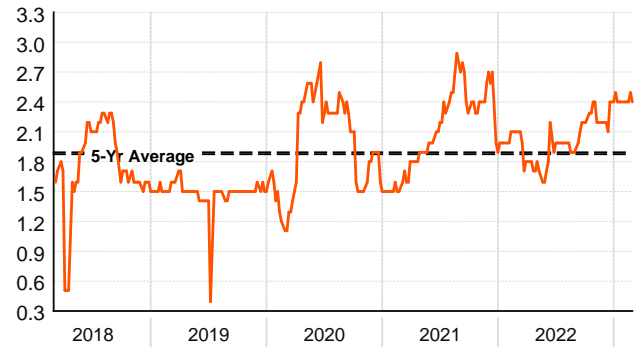
Forward PE: 18.2
 5-Year Average: 16.9
 BSE Sensex Index Average: 21.0
 Software & IT Services Group Average: 23.8



FORWARD PEG

The Forward P/E divided by the five-year forecasted growth rate.

Forward PEG: 2.4
 5-Year Average: 1.9
 BSE Sensex Index Average: 1.1
 Software & IT Services Group Average: 1.3



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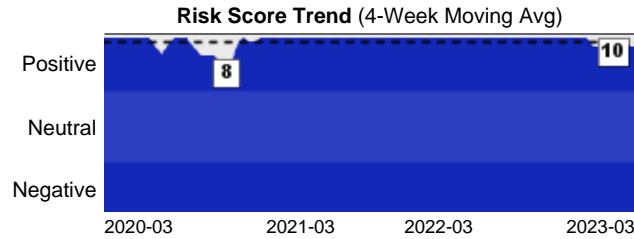
RISK

POSITIVE OUTLOOK: Consistent return patterns (low volatility).

RISK
10

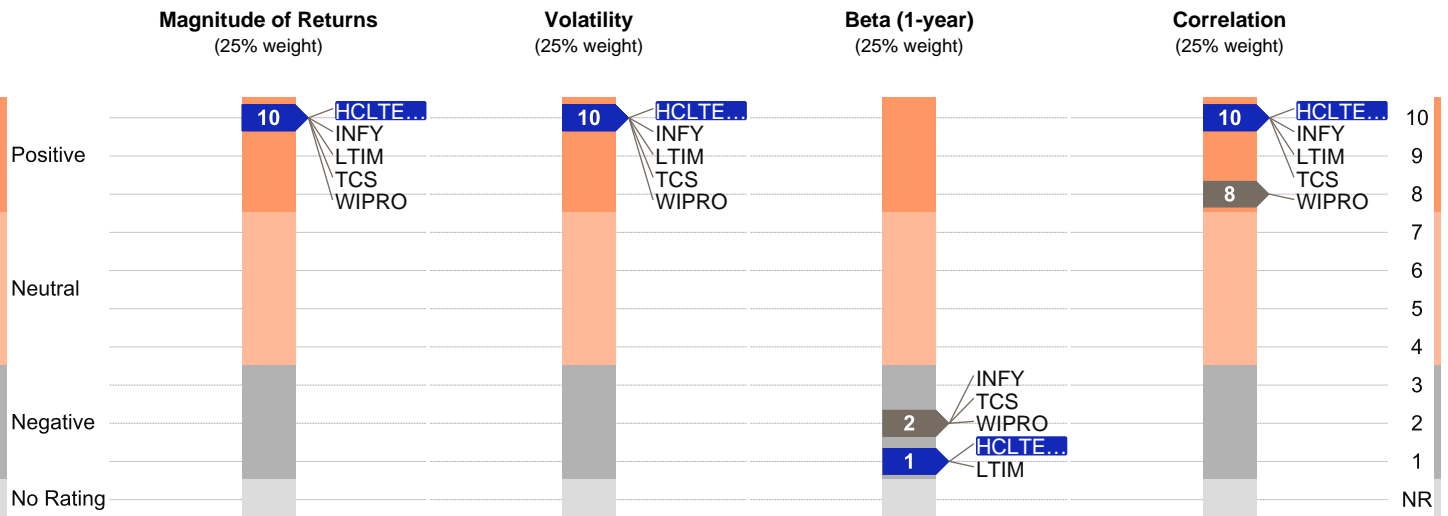
Risk Score Averages

Software & IT Services Group:	4.8	Large Market Cap:	8.8
Software & IT Services Sector:	4.8	BSE Sensex Index:	9.5



Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
HCLTECH	10	9	10	10	10	
INFY	10	10	10	10	10	
TCS	10	10	10	10	10	
LTIM	9	9	10	9	9	
WIPRO	9	9	9	9	9	

RISK INDICATORS



Daily Returns (Last 90 Days)	Standard Deviation	Beta vs. BSE Sensex	0.99	Correlation vs. BSE Sensex
Best: 3.4%	Last 90 Days: 1.24	Positive Days Only: 0.93	Last 90 Days: 60%	
Worst: -2.7%	Last 60 Months: 8.84	Negative Days Only: 0.75	Last 60 Months: 50%	
Monthly Returns (Last 60 Months)	Intra-Day Swing (Last 90 Days)	Beta vs. Group	0.60	Correlation vs. Group
Best: 26.6%	Average: 2.0%	Positive Days Only: 0.61	Last 90 Days: 45%	
Worst: -18.3%	Largest: 4.1%	Negative Days Only: 0.40	Last 60 Months: 37%	

HIGHLIGHTS

- HCL Technologies currently has a Risk Rating of 10 while the S&P BSE SENSEX index has an average rating of 9.5.
- On days when the market is up, HCLTECH tends to perform in-line with the S&P BSE SENSEX index. On days when the market is down, the shares generally decrease by less than the index.
- In both short-term and long-term periods, HCLTECH has shown high correlation (≥ 0.4) with the S&P BSE SENSEX index. Thus, this stock would provide only low levels of diversification to a portfolio similar to the broader market.
- Over the last 90 days, HCLTECH shares have been more volatile than the overall market, as the stock's daily price fluctuations have exceeded that of 62% of S&P BSE SENSEX index firms.

RISK ANALYSIS

Peers	Last 90 Days				Last 60 Months		
	Best Daily Return	Worst Daily Return	# Days Up	# Days Down	Largest Intra-Day Swing	Best Monthly Return	Worst Monthly Return
HCLTECH	3.4%	-2.7%	28	35	4.1%	26.6%	-18.3%
INFY	3.2%	-2.7%	29	34	3.5%	31.3%	-16.9%
LTIM	4.6%	-2.1%	26	37	6.4%	23.4%	-25.2%
TCS	3.4%	-3.0%	31	32	3.2%	24.0%	-12.1%
WIPRO	2.6%	-2.5%	26	36	3.0%	27.9%	-20.0%
BSE Sensex	1.5%	-1.5%	29	33	3.3%	14.4%	-23.1%

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Software & IT Services / Software & IT Services / IT Services & Consulting

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Report Date: 2023-Apr-01

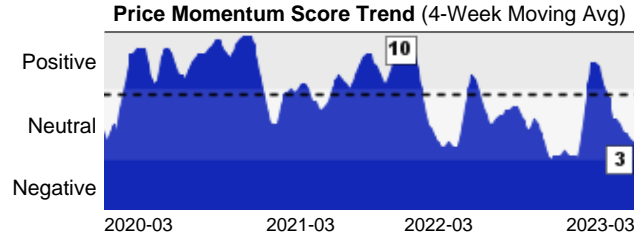
PRICE MOMENTUM Currency in INR

NEUTRAL OUTLOOK: Performance relatively in-line with the market.



Price Momentum Score Averages

Software & IT Services Group:	3.5	Large Market Cap:	5.8
Software & IT Services Sector:	3.5	BSE Sensex Index:	6.0



Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
HCLTECH	3	8	5	4	5	
TCS	4	7	4	5	5	
LTIM	4	7	1	3	4	
INFY	4	8	3	3	2	
WIPRO	3	6	1	1	1	

PRICE MOMENTUM INDICATORS

Relative Strength
(50% weight)

Seasonality
(50% weight)



Relative Strength Indicator (Scale from 1 to 100)

	HCLTECH	Industry Avg
Last 10 Days	53	42
Last 50 Days	51	48
Last 200 Days	51	51

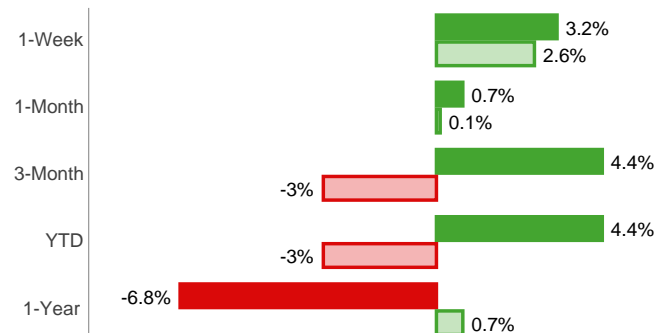
Average Monthly Return (Last 10 Years)

	Apr	May	Jun
Company Avg	-1.5%	1.7%	-0.14%
Industry Avg	5.7%	1.6%	4.1%
Industry Rank	72 of 97	48 of 97	38 of 96

PRICE PERFORMANCE

Daily close prices are used to calculate the performance of the stock as compared to a relevant index over five time periods.

■ HCLTECH
■ BSE Sensex



	HCLTECH	BSE Sensex
Close Price (2023-03-31)	1,085.25	58,992
52-Week High	1,203.00	63,284
52-Week Low	877.35	51,360

- On 2023-03-31, HCLTECH closed at 1,085.25, 9.8% below its 52-week high and 23.7% above its 52-week low.
- HCLTECH shares are currently trading 1.9% below their 50-day moving average of 1,106.44, and 5.7% above their 200-day moving average of 1,026.79.
- The S&P BSE SENSEX index is currently 6.8% below its 52-week high and 14.9% above its 52-week low.

DETAILED STOCK REPORT TIPS

The Stock Report from Refinitiv is a comprehensive, company-specific analysis that includes a proprietary Stock Rating along with underlying component indicators and supportive data elements. The report is updated daily, although some of the data elements and the ratings are updated weekly.

Average Score

The Stock Reports Plus Average Score combines a quantitative analysis of five widely-used investment decision making tools - Earnings, Fundamental, Relative Valuation, Risk, and Price Momentum. First, a simple average of the five underlying component ratings is calculated. Then, a normal distribution is used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A score of 8 to 10 is considered positive, 4 to 7 is neutral, and 1 to 3 is negative. These five factors may be evaluated differently using alternative methodologies, and the importance of individual factors varies across industry groups, market capitalization and investment styles. Additional criteria should always be used to evaluate a stock.

A company must have sufficient data available for at least three of the five component indicators in order to receive an overall Average Score. Approximately 85% of the stocks within the coverage universe meet the criteria to generate a score.

Indicator Components

The five indicators that comprise the stock rating are displayed. Like the stock rating, the component rating scale is 1 to 10, with 10 being best. A company will receive an 'NR' for No Rating if the required data elements or criteria are not met. A detailed section for each component is included in the report.

Indicator Trends

Within each component section, historical score trends are displayed, typically using a 4-week moving average over a timeframe of the past three years. The dotted orange line indicates the average of the scores over those three years. The most recent occurrences of the best and worst scores are also displayed on the chart in grey boxes to put the current score into historical context.

Next to the trend chart for the company, current score averages are included, along with peer company comparisons of values from 6 months ago, 3 months ago, 1 month ago, the most recent value from 1 week ago, and the current score. The four closest industry peers are presented based on similar market capitalization.

Peer Analysis

The Refinitiv Business Classification (TRBC) schema is used for industry comparisons. It is designed to track and display the primary business of a corporation by grouping together correlated companies that offer products and services into similar end markets. The system includes 10 Economic Sectors, 28 Business Sectors, 54 Industry Groups, and 136 Industries.

The Peer Analysis section of the report compares the company to its ten closest peers. The peers are selected from the industry based on similar market capitalization. The peer listing may have fewer than ten companies if there are fewer than ten companies within that industry classification.

Highlights

The automated text-generation system from Refinitiv creates highlights summarizing the most noteworthy data. The bullets will vary by company and will change from week to week as different criteria are met.

Earnings

The Earnings Rating is based on a combination of three factors: earnings surprise, estimate revision, and recommendation changes. Each factor is equally weighted. Then, equal deciles are used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A stock needs to have at least two of the three earnings factors in order to receive a score.

Earnings Surprises - The number of positive and negative surprises within the last 4 periods (quarters or years).

Estimate Revisions - The number of up and down revisions and the average percentage change of those revisions within a 4 week period.

Recommendation Changes - The number of broker upgrades and downgrades in the last 120 days.

Price Target

The price target is based on the predictions of analysts covering the stock and shows the high, low and mean price expected within the next 12 months.

Earnings Per Share

The quarterly and annual earnings per share are presented when available, along with the mean, high and low. Quarterly data is displayed for the past 4 quarters (actual) and the next 2 quarters (estimated). Annual data is displayed for the past 2 years (actual) and the next 2 years (estimated).

Mean Estimate Trend

The mean estimates show how the consensus has changed over the past 30 days and 90 days for the upcoming two quarters (when available) and two years. The percentage change is calculated for the company as a means for comparison by measuring the difference between the current consensus estimate and that of 90 days ago.

Analyst Recommendations

The I/B/E/S Mean is the average recommendation of all analysts covering the stock, as provided by I/B/E/S, the Institutional Brokers Estimate System, from Refinitiv. The recommendations are presented on a five-point standardized scale: strong buy, buy, hold, sell, and strong sell.

Earnings Surprises

The surprise summary includes the total number of time periods (and percentage) in the last 12 quarters (quarterly) or last 4 years (annual) in which earnings surprises were positive, negative, or in-line. In order to be recognized as a positive or negative surprise, the percent must be greater than 2% above or 2% below the consensus, respectively.

The surprise detail section includes a listing of the company's quarterly earnings reported for the most recent 6 periods (quarters or years). The consensus analyst estimate is provided to determine if the actual earnings report represented a positive surprise, negative surprise, or in-line result.

Fundamental

The Fundamental Rating is based on a combination of four fundamental component factors: profitability, debt, earnings quality, and dividend. Companies that do not pay a dividend are not penalized. Each factor is equally weighted. Then, equal deciles are used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A stock needs to have at least two of the four fundamental factors present in order to receive a score.

Profitability is comprised of four data elements.

- Revenue Growth: (Net Sales – Previous Net Sales) / Previous Net Sales
- Gross Margin: Gross Profit / Net Sales
- Return on Equity: Net Income / Total Equity
- Net Margin: Net Profit / Net Sales

Debt is comprised of four data elements.

- Current Ratio: Current Assets / Current Liabilities
- Debt-to-Capital: Total Debt / Total Capital
- Interest Funding: (Interest Expense on Debt + Preferred Cash Dividends) / Funds from Operations
- Interest Coverage: Earnings before Interest and Taxes / (Interest Expense on Debt + Preferred Cash Dividends)

Earnings Quality is comprised of four data elements.

- Operating Cash Yield: (Operating Cash Flow – Net Income) / Net Income
- Accruals: (Net Income – Operating Cash Flow – Investing Cash Flow) / Average Net Operating Assets
- Days Sales in Inventory: 365 / (Cost of Goods Sold / Inventory)
- Days Sales in Receivables: 365 / (Net Sales / Receivables)

Dividend is comprised of four data elements. The company must have a current dividend yield.

- Dividend Growth Rate: (Dividends per Share – Previous Dividends per Share) / Previous Dividends per Share
- Dividend Payout: Dividends per Share / Earnings per Share
- Dividend Coverage: Funds from Operations / Cash Dividends
- Dividend Yield: Annual Dividends per Share / Current Market Price per Share

Indicator Trend

The fundamental indicator trend displays either quarterly scores over the past three years or annual scores over the past six years, depending on the reporting periods for the country. The best and worst scores can be easily determined from the values shown on the chart for each quarter or year.

Relative Valuation

The Relative Valuation Rating is based on a combination of three component factors: Price to Sales, Trailing P/E, and Forward P/E. Each factor is equally weighted. Equal deciles are then used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. These common valuation metrics are evaluated against the overall market, the index, and the company's own historic 5-year averages. A stock needs to have at least one of the three relative valuation factors in order to receive a score.

Price to Sales: Close Price / (Sales for 4 Quarters or 1 Year / Shares Outstanding)

Trailing P/E: Close Price / Most Recent 4 Quarters or 1 Year of Earnings

Forward P/E: Close Price / Upcoming 4 Quarters or 1 Year of Earnings

Valuation Averages

Negative values are excluded when calculating the averages. A maximum value of 100 is placed on Trailing P/E and Forward P/E, a maximum value of 5 is placed on Forward PEG, and a maximum value of 20 is placed on Price to Sales when

calculating the averages. Higher values are rounded down to the maximum for the averages.

Valuation Multiples

The valuation multiples provide the Trailing P/E, Forward P/E, Forward PEG, and Price to Sales for the company and the S&P 500 index average. In addition, a comparison of the current company's values to its 5-year average and an industry average are presented. A discount occurs when the company's ratio is valued more favorably (lower) than that to which it is compared.

Risk

The Risk Rating displays stocks on a scale of 1 to 10 with 10 being awarded to the least risky stocks. It is derived by looking at a series of long-term (5-year) and short-term (90-day) stock performance measures including volatility, magnitude of returns, beta, and correlation. Each factor is equally weighted. Then, equal deciles are used to rank each stock across the market. A stock needs to have at least two of the four risk factors in order to receive a score.

Magnitude of Returns – The best / worst daily returns in the past 90 days and the best / worst monthly returns in the past 60 months.

Volatility – The standard deviation of the stock price over the last 90 days and last 60 months, along with the average and largest intra-day stock swing.

Beta – Measures the tendency of a security's returns to respond to swings in the market, based on the beta of the company versus the relevant index.

Correlation – Determines how closely the returns of the stock and the relevant index move together, measured over the last 90 days and last 60 months.

Risk Analysis

Price analysis for the company and the relevant index is provided over two time periods. Daily analysis is provided for the last 90 days, whereas monthly statistics are used for the last 60 months.

Price Momentum

The Price Momentum Rating is based on a combination of two technical performance factors: relative strength and seasonality. The factors are equally weighted. Equal deciles are then used to rank each stock across the market on a scale of 1 to 10, with 10 being most favorable. A stock needs to have data for the relative strength factor in order to receive a score.

Relative Strength – The relative strength of the company for the last 10 days, 50 days, and 200 days on a scale of 1 to 100.

Seasonality – The average monthly return (price performance) for the current month and next 2 months for the company and industry, over the past 10 years. A lower industry rank indicates a higher return.

Price Performance

Daily close prices are used to calculate the price performance of the stock. The performance of the relevant index is also displayed as a means of comparison.

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