Five for Friday- Reliable Earnings on the Cheap

After two weeks of growth-oriented screens, we revert to value and earnings quality. We take a unique approach, using two screens to find companies with very dependable earnings and revenue growth trading at cheap valuations.

The scan started with 53 stocks Zacks includes in its Large Cap Earnings & Dividend Quality select list. These companies are predominantly household names with long histories of earnings growth and dividends.

Screening Criteria

We considered the following factors when screening:

- Part of Zacks Earnings & Dividend Quality select list.
- Large Cap
- Must have positive earnings in each of the last 20 quarters (5 years)

This screen occurred in two parts.

The first screening reduced the list to the top ten companies ranked by earnings and revenue growth and, significantly, the reliability of their earnings and revenues. To assess reliability, we use R-squared. R-squared is a statistical measure of how close each quarterly data point is to its trend. The average R-squared for earnings and revenue growth for the top ten stocks is a statistically significant .81.

We share the graph below to highlight what a reliable trend looks like. It charts earnings growth and its trend for LOW. Earnings growth for LOW has an R-squared of .77.

LOW Earnings Growth and Trend
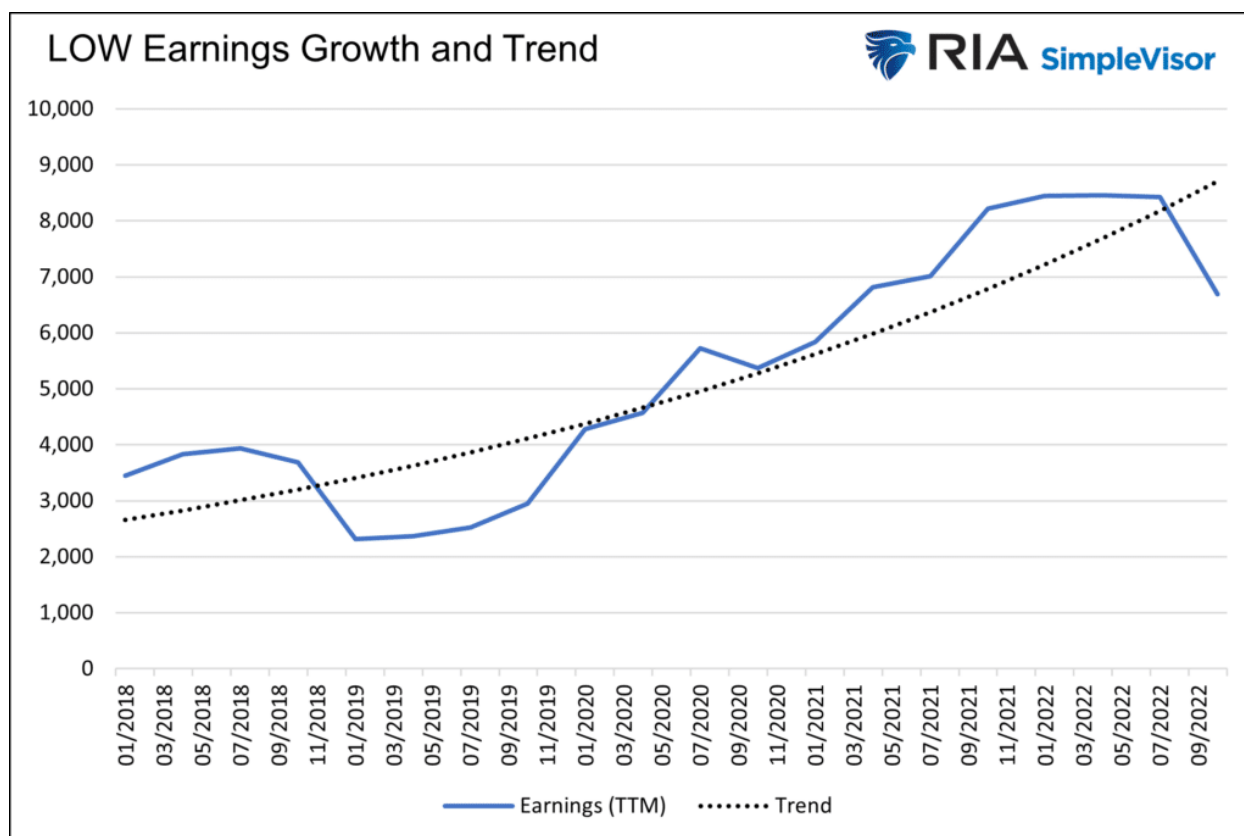
With the initial population of 53 stocks reduced to the ten with the strongest and most reliable earnings and revenues, we then focused on its valuations. We ranked the remaining ten stocks based on where their current P/E and P/S stood in relation to each stock?s average valuation over the last ten years. We use standard deviation to measure the distance between the current valuation and the long-term average.

As shown below, LOW is the only company with a P/E and P/S below its longer-term averages. ACN made the final screen, but its P/E and P/S are above historical averages. HD has the most reliable earnings and revenues and the cheapest P/E valuation; however, its P/S is slightly above average.

Ticker	P/E Std. Dev	P/S Std. Dev.	5yr. Ann Earnings Growth	R2 Earn.	5yr. Ann. Revenue Growth	R2 Rev.
LOW	-0.798	-0.680	26.82%	0.771	8.83%	0.888
UPS	-1.702	0.047	15.82%	0.407	9.55%	0.938
HD	-1.835	0.203	14.34%	0.930	10.50%	0.931
MRK	-0.718	0.258	39.95%	0.625	6.80%	0.893
ACN	0.364	0.537	13.18%	0.979	8.48%	0.835

Company Summaries

Lowe's Companies, Inc. (LOW)

Lowe's Companies, Inc. (LOW) - Home Improvement Retail

Description (Read Less)

Lowe's Companies, Inc., together with its subsidiaries, operates as a home improvement retailer in the United States and internationally. The company offers a line of products for construction, maintenance, repair, remodeling, and decorating. It provides home improvement products, such as appliances, seasonal and outdoor living, lawn and garden, lumber, kitchens and bath, tools, paint, millwork, hardware, flooring, rough plumbing, building materials, décor, lighting, and electrical. It also offers installation services through independent contractors in various product categories; extended protection plans; and in-warranty and out-of-warranty repair services. The company sells its national brand-name merchandise and private brand products to homeowners, renters, and professional customers. As of January 28, 2022, it operated 1,971 home improvement and hardware stores. The company also sells its products through websites comprising Lowes.com and Lowesforpros.com; and through mobile applications. Lowe's Companies, Inc. was founded in 1921 and is based in Mooresville, North Carolina.

Latest Price (Feb 16, 2023, 3:03:46 PM)	Last Close	Open	Volume	Annual Div.	Mkt Cap (mn)
$214.01 ▽ (-$1.02) (-0.47%)	$215.03	$210.20	2,476,010	$3.70	$129,412.48

52 Week Range	Day Range	Avg. Volume (3m)	Div. Yield	Beta
$170.12 — $238.37	$209.62 — $216.07	2,879,490	1.72%	1.12
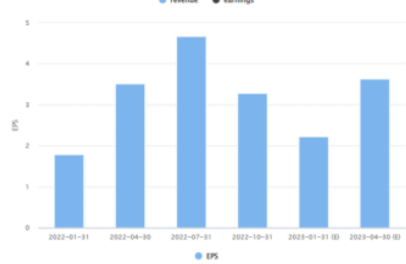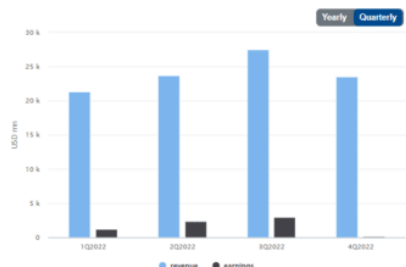
United Parcel Service, Inc. (UPS)

United Parcel Service, Inc. (UPS) - Integrated Freight & Logistics

Description (Read Less)

United Parcel Service, Inc. provides letter and package delivery, transportation, logistics, and related services. It operates through two segments, U.S. Domestic Package and International Package. The U.S. Domestic Package segment offers time-definite delivery of letters, documents, small packages, and palletized freight through air and ground services in the United States. The International Package segment provides guaranteed day and time-definite international shipping services in Europe, the Asia Pacific, Canada and Latin America, the Indian sub-continent, the Middle East, and Africa. This segment offers guaranteed time-definite express options. The company also provides international air and ocean freight forwarding, customs brokerage, distribution and post-sales, and mail and consulting services in approximately 200 countries and territories. In addition, it offers truckload brokerage services; supply chain solutions to the healthcare and life sciences industry; shipping, visibility, and billing technologies; and financial and insurance services. The company operates a fleet of approximately 121,000 package cars, vans, tractors, and motorcycles; and owns 59,000 containers that are used to transport cargo in its aircraft. United Parcel Service, Inc. was founded in 1907 and is headquartered in Atlanta, Georgia.

Latest Price (Feb 16, 2023, 3:03:16 PM)	Last Close	Open	Volume	Annual Div.	Mkt Cap (mn)
$185.55 ▽ (-$1.29) (-0.69%)	$186.84	$185.15	2,553,390	$6.08	$165,128.75

52 Week Range	Day Range	Avg. Volume (3m)	Div. Yield	Beta
$154.87 — $223.97	$183.12 — $186.78	2,977,504	3.25%	1.12
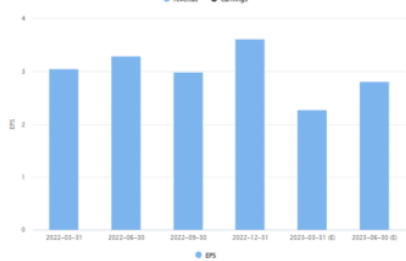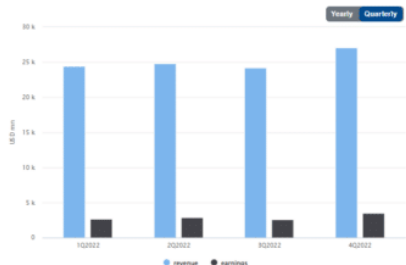
The Home Depot, Inc. (HD)

The Home Depot, Inc. (HD) - Home Improvement Retail

Description (Read Less)
The Home Depot, Inc. operates as a home improvement retailer. It operates The Home Depot stores that sell various building materials, home improvement products, lawn and garden products, and décor products, as well as facilities maintenance, repair, and operations products The company also offers installation services for flooring, cabinets and cabinet makeovers, countertops, furnaces and central air systems, and windows. In addition, it provides tool and equipment rental services. The company primarily serves homeowners; and professional renovators/remodelers, general contractors, maintenance professionals, handymen, property managers, building service contractors, and specialty tradesmen, such as electricians, plumbers, and painters. It also sells its products through websites, including homedepot.com; blinds.com, an online site for custom window coverings; and thecompanystore.com, an online site for textiles and décor products. As of December 31, 2021, the company operated 2,317 stores in the United States. The Home Depot, Inc. was incorporated in 1978 and is based in Atlanta, Georgia.

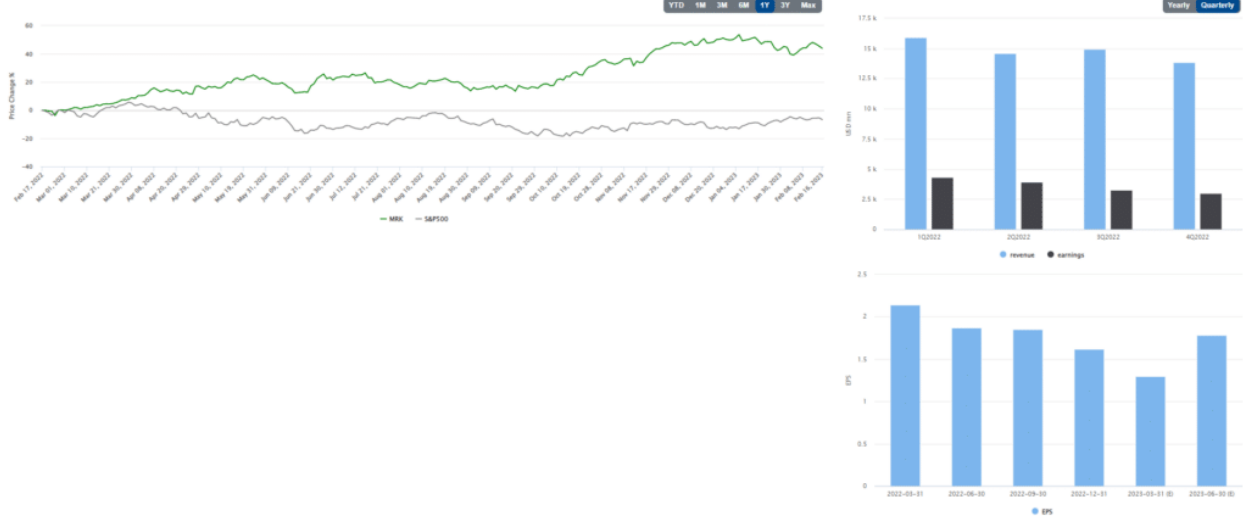| Latest Price (Feb 16, 2023, 3:00:02 PM)		Last Close	Open	Volume	Annual Div.	Mkt Cap (mn)
$321.24 ▲ ($0.55) (0.17%)		$320.69	$315.00	3,363,158	$7.60	$327,404.58
52 Week Range		Day Range		Avg. Volume (3m)	Div. Yield	Beta
$264.51 — $350.60		$314.93 — $323.74		3,654,259	2.37%	0.94

Merck & Co., Inc. (MRK)

Merck & Co., Inc. (MRK) - Drug Manufacturers—General

Description (Read Less)
Merck & Co., Inc. operates as a healthcare company worldwide. It operates through two segments, Pharmaceutical and Animal Health. The Pharmaceutical segment offers human health pharmaceutical products in the areas of oncology, hospital acute care, immunology, neuroscience, virology, cardiovascular, and diabetes, as well as vaccine products, such as preventive pediatric, adolescent, and adult vaccines. The Animal Health segment discovers, develops, manufactures, and markets veterinary pharmaceuticals, vaccines, and health management solutions and services, as well as digitally connected identification, traceability, and monitoring products. It serves drug wholesalers and retailers, hospitals, and government agencies; managed health care providers, such as health maintenance organizations, pharmacy benefit managers, and other institutions; and physicians and physician distributors, veterinarians, and animal producers. The company has collaborations with AstraZeneca PLC; Bayer AG; Eisai Co., Ltd.; Ridgeback Biotherapeutics; and Gilead Sciences, Inc. to jointly develop and commercialize long-acting treatments in HIV. Merck & Co., Inc. also has a strategic research collaboration agreement with Aqilion AB to discover, develop, and commercialize small molecule inhibitors of the transforming growth factor-β-activated kinase 1 (TAK1) protein. Merck & Co., Inc. was founded in 1891 and is headquartered in Kenilworth, New Jersey.

Latest Price (Feb 16, 2023, 3:03:41 PM)		Last Close	Open	Volume	Annual Div.	Mkt Cap (mn)
$106.51 ▽ (-$1.17) (-1.09%)		$107.68	$106.82	5,947,018	$2.76	$270,045.45
52 Week Range		Day Range		Avg. Volume (3m)	Div. Yield	Beta
$72.88 — $115.49		$106.25 — $107.66		8,909,904	2.56%	0.37

Accenture plc (ACN)

Accenture plc (ACN) - Information Technology Services

Description (Read Less)

Accenture plc, a professional services company, provides strategy and consulting, interactive, industry X, song, and technology and operation services worldwide. The company offers application services, including agile transformation, DevOps, application modernization, enterprise architecture, software and quality engineering, data management, intelligent automation comprises robotic process automation, natural language processing, and virtual agents, and application management services, as well as software engineering services; strategy and consulting services; data and analytics strategy, data discovery and augmentation, data management and beyond, data democratization, and industrialized solutions comprises turnkey analytics and artificial intelligence (AI) solutions; metaverse; and sustainability services. It also provides change management, HR transformation and delivery, organization strategy and design, talent strategy and development, and leadership and culture services; digital commerce; infrastructure services, including cloud infrastructure managed, cloud and data center, network, digital workplace, database platforms, service management, and cloud and infrastructure security services; data-enabled operating models; technology consulting and AI services; and technology consulting services. In addition, the company offers engineering and R&D digitization, smart connected products, product as-a-service enablement, capital projects, intelligent asset management, digital industrial workforce, and autonomous robotic systems; business process outsourcing; and services related to technology innovation. Further, it provides cloud, ecosystem, marketing, security, supply chain management, zero-based transformation, customer experience, finance consulting, mergers and acquisitions, and sustainability services. The company was founded in 1951 and is based in Dublin, Ireland.

Latest Price (Feb 16, 2023, 3:00:01 PM)	**Last Close**	**Open**	**Volume**	**Annual Div.**	**Mkt Cap (mn)**
$281.22 ▼ (-$6.43) (-2.24%)	$287.65	$283.03	1,837,577	$4.18	$177,238.34
52 Week Range	**Day Range**		**Avg. Volume (3m)**	**Div. Yield**	**Beta**
$342.95	$346.30	$278.64	$285.46	1.45%	1.23
			2,086,100		
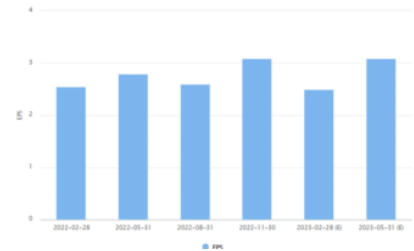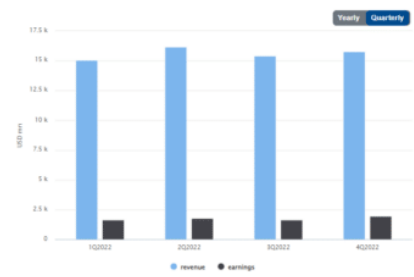
Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our disclosures carefully and do your own research before investing.