American Financial(AFG)

$119.77 (As of 06/07/21)

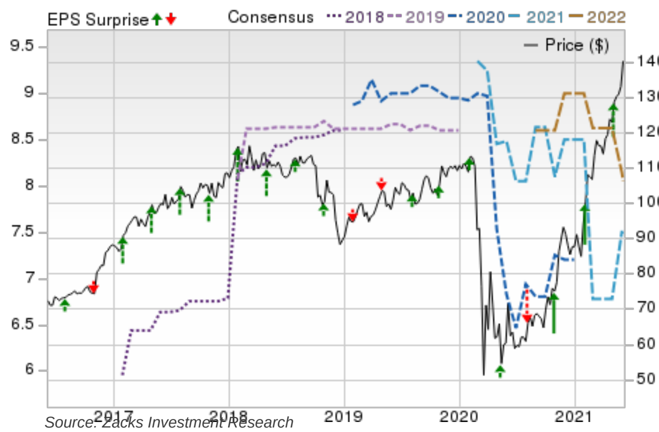
Price Target (6-12 Months): **$126.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/07/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: C	Momentum: B

Summary

Shares of American Financial's have outperformed its industry in year to date. Consistent price increase in property and casualty business should favor results. It estimates renewal rates in 2021 to be up 8% to 10%. The company boasts impressive inorganic growth and is prudently investing in businesses. American Financial is actively involved in startups, small-to-medium sized acquisitions, and product launches. Better industry fundamentals, a high renewal ratio, and favorable combined ratio should drive growth. Solid capital position enables it to deploy capital effectively. It expects earnings of $7 to $8 per share with net written premiums in the Specialty property and casualty to grow 7% to 10% in 2021. However, exposure to weather-related calamities induces earnings volatility while high debt level induces higher interest expense.

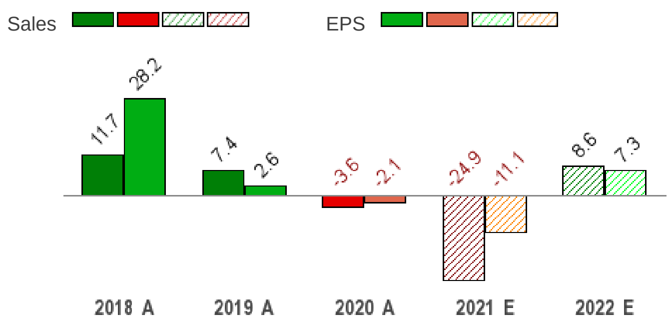
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$141.25 - $56.73**
20-Day Average Volume (Shares)	**530,053**
Market Cap	**$10.2 B**
Year-To-Date Price Change	**36.7%**
Beta	**0.94**
Dividend / Dividend Yield	**$2.00 / 1.7%**
Industry	**Insurance - Property and Casualty**
Zacks Industry Rank	**Bottom 35% (163 out of 251)**
Last EPS Surprise	**36.8%**
Last Sales Surprise	**NA**
EPS F1 Estimate 4-Week Change	**-3.2%**
Expected Report Date	**08/03/2021**
Earnings ESP	**-8.3%**
P/E TTM	**13.4**
P/E F1	**16.0**
PEG F1	**2.6**
P/S TTM	**1.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,491 E	1,501 E	1,527 E	1,543 E	6,061 E
2021	1,384 A	1,375 E	1,419 E	1,456 E	5,582 E
2020	1,810 A	1,703 A	1,998 A	1,924 A	7,435 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$2.21 E	$2.12 E	$1.82 E	$2.50 E	$8.05 E
2021	$2.38 A	$1.64 E	$1.45 E	$2.04 E	$7.50 E
2020	$1.88 A	$1.05 A	$2.45 A	$3.09 A	$8.44 A

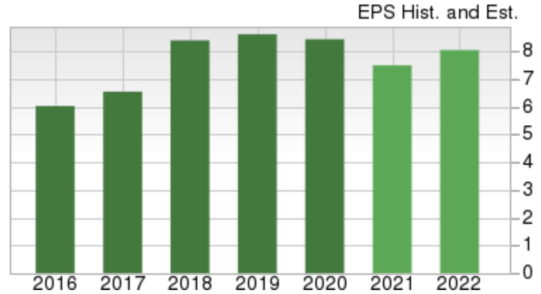
*Quarterly figures may not add up to annual.

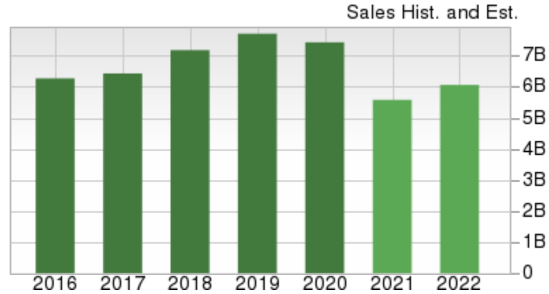
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/07/2021. The report's text and the analyst-provided price target are as of 06/08/2021.

Overview

Founded in 1872 and headquartered in Cincinnati, OH, American Financial Group, Inc. is a holding company which, through its subsidiaries, engages primarily in property and casualty insurance, with focus on specialized commercial products for businesses. The company also engages in the sale of traditional fixed, fixed-indexed and variable-indexed annuities in the retail, financial institutions, registered investment advisor and education markets.

American Financial Group reports its earnings in three segments:





Property and Casualty Insurance Operations (55% of 2020 net written premiums) – These operations consist of approximately 30 niche insurance businesses offering a wide range of commercial coverage. The business is conducted through Property and Transportation (consisting Inland and Ocean Marine, Agricultural-related and Commercial Automobile), Specialty Casualty (consisting Executive and Professional Liability, Umbrella and Excess Liability, Excess and Surplus, General Liability, Targeted Programs and Workers' Compensation) and Specialty Financial (consisting Fidelity and Surety and Lease and Loan Services). These operations are conducted through subsidiaries namely Great American Insurance, National Interstate, Summit (Bridgefield Casualty and Bridgefield Employers), Republic Indemnity, Neon Lloyd's Syndicate and Mid-Continent Casualty.

Annuity Operations (45%) – Annuity operations primarily involve the sale of traditional fixed, fixed-indexed and variable-indexed annuities in the retail, financial institutions, broker-dealer and registered investment advisor markets through independent producers and through direct relationships with certain financial institutions. These operations are conducted primarily through the subsidiaries, Great American Life Insurance Company and Annuity Investors Life Insurance Company. American Financial divested its Annuity businesses on May 2021.

Other Operations – Through subsidiaries, it is engaged in a variety of other operations, including commercial real estate operations in Cincinnati (office buildings), Whitefield, New Hampshire (Mountain View Grand Resort), Chesapeake Bay (Skipjack Cove Yachting Resort and Bay Bridge Marina), Charleston (Charleston Harbor Resort and Marina) and Palm Beach (Sailfish Marina

Source: Zacks Investment Research

Reasons To Buy:

▲ **Share Price Movement**: Shares of American Financial have gained 36.7% in the year-to-date period, compared with the industry's increase of 19.8%. We believe that acquisitions, better pricing and improving industry fundamentals will help the shares retain the bull run.

American Financial, a niche player in the P&C markets, will benefit from the strategic acquisitions and improved pricing. Improving industry fundamentals will drive overall growth.

▲ **Sturdy Growth Profile**: American Financial is actively involved in startups, small-to-medium sized acquisitions, and product launches. It is prudently investing in businesses. Though net premiums written declined 7% year over year in 2020 in the Specialty Property and Casualty Insurance segment, it is back on growth track with the metric rising 3% in the first quarter 2021. Net written premiums in the Specialty Property and Casualty Insurance are expected to be up 7% to 10%, upped from prior guidance of 5% to 9%.

The company expects 2021 core net operating earnings in 2021 to be in the range of $7to $8 per share, increased from earlier estimates of $6.25 to $7.25 per share.

▲ **Consistent Price Increase in Property and Casualty (P&C) Business**: American Financial witnessed average renewal pricing across the entire P&C Group was up approximately 12% in the first quarter of 2021. It intends to maintain satisfactory rates in P&C renewal pricing going forward. The company expects overall Property and Casualty renewal rates in 2021 to be up 8% to 10% excluding workers' comp (up from6% to 8% guided earlier). Along with price increase, projects loss cost trends are expected to remain stable and appear relatively benign across all the P&C lines. These trends should favor the company in the long run.

▲ **Favorable Combined Ratio**: American Financial's combined ratio has been better than the industry average for more than two decades. Combined ratio measure underwriting profitability of an insurer. While underwriting profit nearly doubled year over year, combined ratio improved 370 basis points in the first quarter 2021. For 2021, the company expects combined ratio for the Specialty Property & Casualty Group in the range of 89 to 91. Combined ratio is projected in the range of 88 to 92 for Property and Transportation Group and between 87 to 91 for Specialty Casualty Group in 2021. For Specialty Financial Group, combined ratio is expected to be in the range of 86 to 90 (improvement from 88 to 92 guided earlier).

▲ **Strong Capital Management**: American Financial has traditionally maintained moderate adjusted financial leverage around 20%, with good cash flow and interest coverage ratio. As of Mar 31, 2021 excess capital is approximately $1.2 billion, which includes parent company cash of approximately $200 million. It expects to continue to have significant excess capital and liquidity throughout 2021 and beyond. It scores strongly with credit rating agencies. Annualized return on equity (ROE) came in at 29.9% for the first quarter, against the prior-year quarter's negative ROE of 23.1%.

Also, in each of the last 14 years, the company has successfully increased its dividends. With the recent approval of $14 per share in special dividend, the company will be paying out 13 special dividends in 10years. The robust operating profitability at the P&C segment, a stellar investment performance and an effective capital management supports effective shareholders return. Its dividend strategy reflects its solid financial position. The company intends to hold back about $200–$300 million of the excess capital to maintain flexibility for any opportunity that may arise in the future.

Reasons To Sell:

- **Annuity Business**: The company has been witnessing weak performance at this segment over the past quarters. Gross statutory premiums declined 18% in 2020. The company implemented several rate decreases to maintain proper returns on annuity sales that have started to affect new sales. However, annuity sales in the fourth quarter of 2020 were nearly $200 million higher than the fourth quarter of 2019.

  In May 2021, American Financial divested its Annuity business to Massachusetts Mutual. This marks the company's exit from the fixed and indexed annuity market. American Financial estimates to recognize an after-tax gain on the sale of $680 million to $700 million ($7.85 to $8.10 per share). Total after-tax cash proceeds from the divestiture are around $3.5 billion.

Underperforming Annuity business weighing on earnings and exposure to cat losses (specifically its exposure to the crop business) inducing volatility to underwriting results pose near-term headwinds.

- **Exposure to Catastrophes**: The company's earnings have traditionally been affected by catastrophes. Even drought, which does not otherwise qualify as a catastrophe, had impacted its earnings, given its exposure to the crop business. Irrespective of catastrophe mitigation techniques deployed by it, exposure to weather-related calamities makes its earnings volatile. Catastrophe loss on the first quarter was $31 million, primarily stemming from winter storm sin Texas, more than three-fold increase year over year.

- **Rising Expenses**: The company has been experiencing an increase in expenses due to higher P&C insurance losses & expenses, annuity, life, accident & health benefits & expenses, interest charges on borrowed money, expenses of managed investment entities and other expenses. However, in 2020, total costs and expenses decreased 0.9% year over year, and another 5.3% in the first quarter of 2021due to lower P&C insurance losses & expenses, expenses of managed investment entities and other expenses. The company must strive to control costs else margin could be dented.

- **Increasing Debt**: American Financial's debt level has been increasing over the last several years. As of Mar 31, 2021, long-term debt remained flat with from 2020-end level. However, debt to capital was 22.4% compared unfavorably with the industry average of 20.6%. High debt level induces increase in interest expenses that increased 41% year over year in the first quarter. The company must service debt uninterruptedly else creditworthiness could be dented.

- **Stretched Valuation**: The stock is currently trading at 1.53x trailing 12-month book value, higher than the industry average of 1.39x

Last Earnings Report

American Financial Q1 Earnings Beat, Ups '21 EPS View

Quarter Ending	03/2021
Report Date	May 04, 2021
Sales Surprise	NA
EPS Surprise	36.78%
Quarterly EPS	2.38
Annual EPS (TTM)	8.97

American Financial reported first-quarter 2021 net operating earnings per share of $2.38, which surpassed the Zacks Consensus Estimate by 36.8%. Further, the bottom line improved 75% year over year.

The company's results benefited from growing revenues, improved underwriting profit across the Specialty Property and Casualty (P&C) insurance operations, higher P&C net investment income and reduced costs.

Behind the Headlines

Total revenues of $1.5 billion surged 43% year over year in the quarter. The growth came on the back of higher net investment income, partly offset by reduced P&C insurance net earned premiums.

Net investment income climbed 80.8% year over year to $188 million in the quarter under review.

Total cost and expenses plunged 5.3% year over year to $1.2 billion due to drop in P&C insurance losses and expenses as well as costs of managed investment entities

Segmental Update

Specialty P&C Insurance segment generated $1.2 billion in net written premiums, which rose 3% year over year attributable to strong performance across the entire Specialty P&C Group. Rising renewal rate in the entire P&C group has also provided a boost to the segment's performance in the quarter under review.

While net written premiums in Property & Transportation Group grew 4% year over year to $403 million in the quarter, the same at Specialty Casualty Group remained flat year over year at $588 million. Further, net written premiums at Specialty Financial and Other divisions improved 8% and 20%, respectively, year over year.

The segment's underwriting profit nearly doubled year over year to $134 million in the quarter primarily driven by improved underwriting profitability in Property and Transportation Group.

Combined ratio improved 370 basis points (bps) year over year to 88.5% at the segment, courtesy of improvement of 730 bps in Property & Transportation Group, 50 bps across Specialty Casualty Group and 500 bps in Specialty Financial divisions.

Coming to its **Annuity** segment, the company inked a deal with MassMutual to sell the Annuity business in January 2021 for $3.5 billion in cash. The deal, which is likely to close in second-quarter 2021, makes way for MassMutual to acquire Great American Life Insurance Company ("GALIC") along with its two insurance subsidiaries named Annuity Investors Life Insurance Company and Manhattan National Life Insurance Company.

Meanwhile, results of the company's Annuity segment are reported as discontinued operations from the first quarter.

Financial Update

The company exited the first quarter with cash and investments of $13.9 billion, which improved 3% from 2020-end level.

As of Mar 31, 2021, long-term debt totaled $2 billion, which remained unchanged with the level at 2020 end.

As of Mar 31, 2021, the company's book value per share (excluding unrealized gains/losses on fixed maturities) was $66.89, up 5.2% from 2020-end level.

Annualized return on equity (ROE) came in at 29.9% for the first quarter, against the prior-year quarter's negative ROE of 23.1%.

Prudent Capital Deployment

The company bought back shares worth around $192 million in the reported quarter.

2021 Guidance Revised

Following robust first-quarter results, American Financial increased its 2021 outlook for core net operating earnings. The metric is anticipated in the band of $7-$8 this year, higher than the prior guidance of $6.25-$7.25.

Also, net written premiums are projected to rise in the range of 7% to 10%, higher than the prior outlook of growth between 5% and 9%. However, the guidance for this year's combined ratio remained unchanged from the prior outlook.

Recent News

American Financial Divests Annuity Business to MassMutual - May 29, 2021

American Financial divested its Annuity businesses to Massachusetts Mutual Life Insurance Company (MassMutual). The company had inked this divestiture deal in the first quarter of 2021. This move will aid American Financial to streamline its business by intensifying focus on Specialty P&C businesses.

In connection with the sale of its Annuity business, a special, one-time cash dividend of $14.00 per share has been declared, which marked the 13th straight year of special dividend paid by the property and casualty insurer. Shareholders of record as of Jun 8 will receive the special dividend on Jun 15.

Valuation

American Financial's shares are up 36.7% and 67.6% in the year-to-date period and over the trailing 12-month period, respectively. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 19.8% and 20.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 32.4% and 37.3%, respectively.

The S&P 500 index is up 13.3% in the year-to-date period and 34% in the past year

The stock is currently trading at 1.53x trailing 12-month book value, which compares to 1.39x for the Zacks sub-industry, 3.41x for the Zacks sector and 7.03x for the S&P 500 index.

Over the past five years, the stock has traded as high as 2x and as low as 0.68x, with a 5-year median of 1.58x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $126 price target reflects 1.62x trailing 12- month book value.

The table below shows summary valuation data for AFG

Valuation Multiples - AFG

		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	1.53	1.39	3.41	7.03
	5-Year High	2	1.71	3.41	7.03
	5-Year Low	0.68	0.97	1.77	3.84
	5-Year Median	1.58	1.49	2.64	5.02
P/S F12M	Current	1.76	2.02	8.55	4.72
	5-Year High	2.06	11.41	8.55	4.74
	5-Year Low	1.01	1.5	5.08	3.21
	5-Year Median	1.69	1.84	6.21	3.72
P/E F12M	Current	15.48	30.01	16.74	21.82
	5-Year High	18.14	31.77	17.24	23.83
	5-Year Low	5.2	21.52	11.6	15.31
	5-Year Median	12.68	26.8	14.94	18.05

As of 6/7/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 35% (163 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Cincinnati Financial Corporation **(CINF)**	Outperform	2
Arch Capital Group Ltd. **(ACGL)**	Neutral	3
American International Group, Inc. **(AIG)**	Neutral	3
The Hartford Financial Services Group, Inc. **(HIG)**	Neutral	3
Markel Corporation **(MKL)**	Neutral	3
Everest Re Group, Ltd. **(RE)**	Neutral	3
Alleghany Corporation **(Y)**	Neutral	2
CNA Financial Corporation **(CNA)**	Underperform	4

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

Industry Comparison Industry: Insurance - Property And Casualty

	AFG	X Industry	S&P 500	MKL	RE	Y
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	A	-	-	B	A	B
Market Cap	10.19 B	1.86 B	30.32 B	16.65 B	12.86 B	9.74 B
# of Analysts	2	2	12	4	3	1
Dividend Yield	1.67%	0.98%	1.29%	0.00%	2.41%	0.00%
Value Score	A	-	-	B	A	B
Cash/Price	0.14	0.26	0.06	0.43	0.15	0.18
EV/EBITDA	8.45	8.24	17.33	9.14	19.08	24.72
PEG F1	2.64	2.19	2.13	NA	NA	NA
P/B	1.53	1.20	4.17	1.32	1.33	1.12
P/CF	9.90	15.31	17.93	23.26	29.46	25.48
P/E F1	16.15	15.70	21.52	21.37	10.06	13.72
P/S TTM	1.25	0.98	3.52	1.35	1.24	0.97
Earnings Yield	6.26%	6.28%	4.55%	4.68%	9.94%	7.29%
Debt/Equity	0.29	0.22	0.66	0.28	0.20	0.24
Cash Flow ($/share)	12.10	2.68	6.83	52.02	8.75	27.45
Growth Score	C	-	-	C	A	C
Historical EPS Growth (3-5 Years)	9.19%	8.11%	9.44%	17.54%	-10.75%	-13.48%
Projected EPS Growth (F1/F0)	-11.14%	54.79%	21.30%	115.81%	243.39%	220.96%
Current Cash Flow Growth	0.77%	-11.44%	0.98%	-11.44%	-61.28%	-16.42%
Historical Cash Flow Growth (3-5 Years)	11.13%	3.40%	7.28%	-1.77%	-21.31%	-10.39%
Current Ratio	0.48	0.44	1.39	0.68	0.33	0.30
Debt/Capital	22.70%	18.31%	41.53%	22.37%	16.48%	21.02%
Net Margin	17.83%	9.05%	11.95%	22.62%	8.10%	6.88%
Return on Equity	12.14%	5.97%	16.36%	5.69%	4.14%	3.39%
Sales/Assets	0.11	0.31	0.51	0.30	0.33	0.35
Projected Sales Growth (F1/F0)	-24.92%	1.73%	9.30%	12.81%	14.44%	0.00%
Momentum Score	B	-	-	D	C	C
Daily Price Change	-14.63%	-0.30%	-0.33%	-1.47%	-0.61%	-1.82%
1-Week Price Change	5.43%	0.00%	0.58%	0.22%	-0.23%	-0.57%
4-Week Price Change	-6.31%	-1.61%	0.12%	-0.47%	-5.51%	-3.29%
12-Week Price Change	1.73%	0.71%	6.91%	5.79%	0.71%	7.24%
52-Week Price Change	59.93%	21.57%	29.97%	15.30%	11.56%	19.38%
20-Day Average Volume (Shares)	530,053	102,486	1,799,698	63,863	394,564	62,708
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-3.23%	0.00%	0.01%	-0.29%	0.00%	18.88%
EPS F1 Estimate 12-Week Change	10.70%	2.10%	3.36%	-2.46%	3.40%	0.00%
EPS Q1 Estimate Monthly Change	-2.97%	0.00%	0.00%	-0.16%	0.00%	4.05%

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

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

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.

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

Disclosures

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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 mediumterm 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 mostrecent 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.