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Sep 21, 2020

The Allstate Corp. (ALL)

$91.28 (As of 09/18/20)

Price Target (6-12 Months): **$96.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 09/18/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: B | Momentum: D	

Summary

Allstate is poised to grow on the back of its solid property and liability segment. Top-line growth over the years owing to its broad product suite and pricing discipline is a positive. Acquisitions and growth in emerging businesses, evident from a consistent increase in premium written over the years, also bode well. Its shares have underperformed its industry in a year's time. Nevertheless, its thriving service business provides a diversified revenue stream. The company's solvency position is an added boon. Disciplined capital management via buybacks and dividend hike remains impressive. However, Allstate is exposed to catastrophe losses, thereby denting its underwriting results. High costs might also limit margin expansion and are likely to remain elevated owing to investments. Plus, low interest rates weigh on investment income.

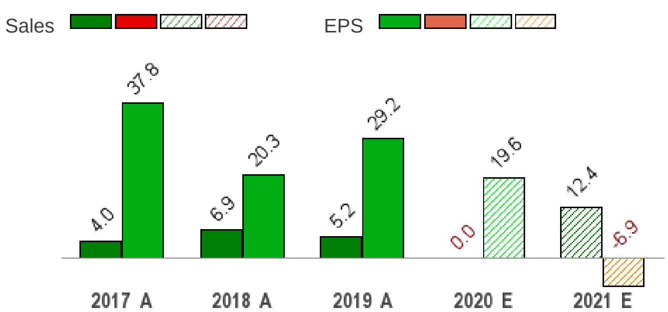
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$125.92 - $64.13**
20-Day Average Volume (Shares)	**1,878,289**
Market Cap	**$28.5 B**
Year-To-Date Price Change	**-18.8%**
Beta	**0.73**
Dividend / Dividend Yield	**$2.16 / 2.4%**
Industry	**Insurance - Property and Casualty**
Zacks Industry Rank	**Bottom 34% (165 out of 251)**
Last EPS Surprise	**74.5%**
Last Sales Surprise	**-2.9%**
EPS F1 Estimate 4-Week Change	**4.7%**
Expected Report Date	**11/03/2020**
Earnings ESP	**0.9%**
P/E TTM	**7.6**
P/E F1	**7.3**
PEG F1	**0.9**
P/S TTM	**0.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	11,252 E	11,427 E	11,615 E	11,812 E	48,100 E
2020	10,538 A	10,493 A	10,788 E	10,974 E	42,808 E
2019	10,328 A	10,820 A	10,872 A	10,770 A	42,790 A

EPS Estimates

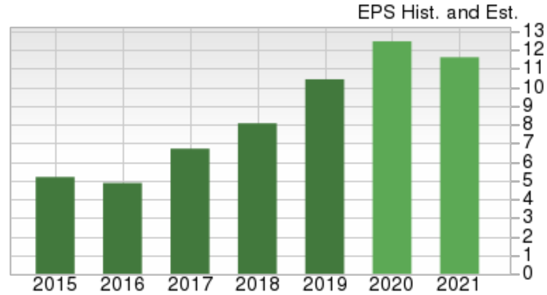
	Q1	Q2	Q3	Q4	Annual*
2021	$3.28 E	$2.21 E	$2.61 E	$3.44 E	$11.61 E
2020	$3.54 A	$2.46 A	$3.38 E	$3.30 E	$12.47 E
2019	$2.30 A	$2.18 A	$2.84 A	$3.13 A	$10.43 A

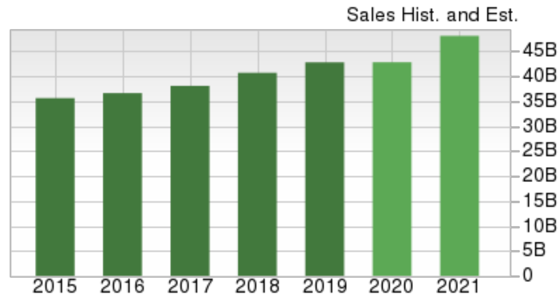
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/18/2020. The reports text is as of 09/21/2020.

Overview

Founded in 1931 and headquartered in Northbrook, Illinois, The Allstate Corporation is the third-largest property-casualty (P&C) insurer and the largest publicly-held personal lines carrier in the U.S. The company also provides a range of life insurance and investment products to its diverse customer base. It provides insurance products to approximately 16 million households through more than 12,000 exclusive agencies and financial specialists in the U.S. and Canada.





In total, Allstate had 113.9 million policies in force as of Dec 31, 2018.

The company reports through seven segments:

Allstate Protection (86% of the company's revenue in 2018) includes the Allstate, Encompass, and Ensurance brands and Answer Financial. It offers passenger auto, homeowners, other personal lines, and commercial insurance through agencies and direct, including contact centers and the internet.

Service Businesses (3%) which includes SquareTrade, Arity, InfoArmor, Allstate Roadside Services and Allstate Dealer Services, offers a broad range of products and services that expand and enhance customer value propositions.

Allstate Life (4%) offers traditional, interest-sensitive and variable life insurance products through Allstate exclusive agencies and exclusive financial specialists.

Allstate Benefits (3%) offers voluntary benefits products including life, critical illness, accident, short-term disability and other health-insurance products.

Allstate Annuities (3%) consists of deferred fixed annuities and immediate fixed annuities in run-off.

Discontinued Lines and Coverages and Corporate and Other (1%) relates to property and casualty insurance policies written during the 1960's through the mid-1980's with exposure to asbestos, environmental and other claims in run-off.

The company's principal geographic markets are in the U.S. Through various subsidiaries, it is authorized to sell a variety of personal property and casualty products in all 50 states, D.C., Puerto Rico and Canada. The top U.S. geographic markets are Texas, California, New York, Florida with premium earned of 12.1%, 10.3%, 8.7% and 6.8%, respectively, in 2018 with the other states

Source: Zacks Investment Research

Reasons To Buy:

Growing revenues, improving investment income, solid balance sheet with efficient capital management are expected to drive long term growth.

- **Share Price Performance:** The company has underperformed its industry in a year's time. However, its solid fundamentals are likely to help the stock bounce back in the coming quarters. The stock has seen the Zacks Consensus Estimate for current-year earnings being revised 1.4% upward over the past seven days.

- **Rising Revenues:** The company's top line has been increasing over the years owing to its broad product suite and pricing discipline. It is also benefiting from past acquisitions and growth in emerging businesses, evident from a consistent increase in premium written over the years. In the first six months of 2020, premiums written were up 2.3% year over year. We expect revenue growth to continue, given a number of strategic initiatives taken, such as product enhancements and changes in business mix to focus on those that command a high return on equity.

  The company is on course to acquire National General Holdings Corp., which will enhance its strategic position in the independent agent distribution channel. The deal advances Allstate's strategy to increase its market share in personal property-liability with market share increasing 1%. Allstate becomes a top 5 personal lines carrier in the independent agent (IA) distribution channel. National General has a strong position in higher risk or "non-standard" auto insurance. Acquisition will be accretive to Allstate's earnings per share and ROE, reflecting significant cost synergies. The company expects a high-single digit earnings accretion in the first year post close. It also anticipates ROE accretion of approximately 100 bps, mirroring substantial cost efficiency.

- **Growing Service Business:** The company is making concerted efforts to expand its Service business, which provides diversification benefits. In this vein, the company acquired SquareTrade in 2017, a provider of protection plans for mobile phones, consumer electronics and appliances. The company also acquired PlumChoice in 2018, a leading provider of cloud and technical support services to consumers and small businesses. In February 2019, iCracked was acquired, which expanded SquareTrade's protection offerings. These buyouts will expand its Service business, which grew revenues by 7.3% in 2019 and 13.7% in the first six months of 2020.

- **Strong Balance Sheet and Efficient Capital Management:** The company's cash flow has been increasing over the years. Management's proactive risk mitigation and return optimization programs continue to enhance operating cash flow and shareholder value. Disciplined capital management by way of share buyback and dividend hike is also impressive. Over the last year, the company has repurchased 5.2% of outstanding shares. In Feb 2020, Allstate increased its quarterly dividend by 8%. Its current dividend yield of 2.3% is considerably higher than the industry's 0.4%. Also, the company's debt-to-equity ratio of 24.6% is lower than the industry average of 27%. Its times interest earned ratio of 18.39 compares favorably with industry average of 8.41. We believe the company's financial strength will continue to inspire investors' confidence in the stock.

- **Strong ROE:** Further, Allstate's trailing 12-month return on equity (ROE) reinforces its growth potential. The company's ROE of 17.3%, has increased over the past two years (2018 & 2019), remains way above the industry's ROE of 6.2%, reflecting its tactical efficiency in using its shareholders' funds.

Reasons To Sell:

Expsoure to catastrophe, increase in operating costs are some of the headwinds faced by company.

- **Exposure to Catastrophe Losses:** Due to a relatively large property insurance business, Allstate is significantly exposed to catastrophic events. Weather-related losses over the years have weighed on the company's claims and benefits, expenses, and cash flow, draining its underwriting profitability. In the first half of 2020, the company incurred catastrophe losses of $1.39 billion, down 20% year over year. It further estimates catastrophe losses of $651 million, pre-tax, for the months of July and August. Though the company remains focused on reducing losses through its catastrophe management strategy and reinsurance programs, and limiting exposure to riskier geographic markets by raising premiums, it would lead to a decline in the number of policies in force.

- **Increasing Cost:** The company has been witnessing an increase in total cost and expenses over the years. The same was up 3.8% in 2019, and we expect an increase in operating cost going forward (which will compress margins) as the company continues with investments.

- **Pressure on Investment Income:** The company's investment income has suffered due to low interest rates (down by 2.5% in 2019). It further declined 48% in the first six months of 2020. Though the company has lowered its exposure in growth-sensitive assets, which is likely to improve its investment portfolio's risk profile, the low interest rate resulting in low investment yield will pressurize net investment income.

Last Earnings Report

Allstate's Q2 Earnings Beat Estimates

Quarter Ending	06/2020
Report Date	**Aug 04, 2020**
Sales Surprise	**-2.87%**
EPS Surprise	**74.47%**
Quarterly EPS	**2.46**
Annual EPS (TTM)	**11.97**

Allstate Corporation's second-quarter 2020 earnings of $2.46 per share beat the Zacks Consensus Estimate by 74.47% and also increased 12.8% year over year, led by improved premiums and policies in force.

However, revenues of $10.49 billion missed the Zacks Consensus Estimate by 2.87% and also dipped 3% year over year due to weak net investment income, partly offset by higher premiums.

Total expenses declined 4.1% year over year to $9.6 billion on lower claim expenses, partly offset by a $738-million Shelter-in-Pay expense.
Total policies in force as of Jun 30, 2020 were 167.54 million, up 28.7% year over year.

Net investment income of $409 million dropped 56.6% year over year.
The company incurred $1.19 billion of catastrophe losses, up 10.6% year over year. It also incurred a Shelter-in-Place payback expense of $738 million.

Solid Segmental Performances

Property-Liability insurance premiums of $9.17 billion inched up 1.4% year over year, driven by premium and policy growth in Allstate brand personal lines. The segment's underwriting income of $904 million soared 146.3% year over year, primarily owing to a decline in auto losses from fewer accidents and higher premiums earned, partially offset by the Shelter-in-Place Payback expense and worse catastrophe losses.

Service Business' revenues of $476 million were up 17.5% year over year owing to higher contributions from Protection Plans, Dealer Services, Arity and Indentity Protection businesses, partly offset by soft revenues from Roadside Servcies.

Allstate Life, Benefits and Annuities' total premium and contract charges were $604 million, down 2.7% year over year, due to lower contribution from Allstate Benefits as well as Annuities businesses.

Capital Position (as of Jun 30, 2020)

Total shareholders' equity was $26.98 billion, up 3.8% from the level as of Dec 31, 2019.

Total assets were $121.3 billion, up 1.1% from the level on Dec 31, 2019.
Adjusted return-on-equity of 18.2% was up 700 basis points year over year.

Share Buyback and Dividend Payment

The company returned $563 million in cash to its shareholders through $172 million as common shareholder dividends and the repurchase of $391 million worth common shares.

Recent News

Allstate Reports August Catastrophe Losses — Sep 18, 2020

The company has announced estimated catastrophe losses $985 million pretax ($778 million after tax) for the month of August.

These weather-related losses emanate from 11 events at an estimated cost of $969 million pretax ($766 million after tax). The rest of the expected loss that is $16 million pre-tax relates to unfavorable prior-period reserve reestimates.

Estimated catastrophe losses for the month include the impacts of Hurricane Laura ($430 million pretax) and Hurricane Isaias ($200 million pretax).

Allstate Reports PG&E Recoveries and July 2020 Cat Losses — Aug 20, 2020

Allstate announced July 2020 catastrophe results along with the effects of PG&E Corporation and Pacific Gas and Electric Company (together "PG&E") subrogation recoveries. The company reported catastrophe results for July generated income of $334 million, pretax ($264 million after tax) as PG&E subrogation recoveries more than offset the impact of events in the month. The leading insurance giant recorded recoveries of $450 million pretax ($356 million after tax), net of expenses and reinsurance adjustments from the settlement with PG&E in relation to the 2017 Northern California wildfires and the 2018 Camp Fire.

Allstate Rewards Shareholders With Dividend Declaration — Jul 16, 2020

The board of directors at Allstate has announced dividend of 54 cents per share, which will be paid on Oct 1, 2020 to shareholders of record as on Aug 28.

Allstate to Buy National General to Grow Personal Insurance — Jul 7, 2020

Allstate has agreed to acquire National General Holdings Corporation, a specialty personal lines insurance holding company, for a deal value of approximately $4 billion in cash or $34.50 per share. This move is in line with the company's long-term strategy to grow its personal lines business. The company will fund this acquisition by a mix of cash in hand ($2.2 billion) and debt ($1.5 billion).

Valuation

Allstate's shares are down 18.8% and 15.8% in the year-to-date period and over the trailing 12-month period, respecively. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 7.6% and 17.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 2.4% and 12.2%, respectively.

The S&P 500 index is up 3.3% in the year-to-date period and 11.7% in the past year.

The stock is currently trading at 1.14x trailing 12-month price-to-book, which compares to 1.31x for the Zacks sub-industry, 2.5x for the Zacks sector and 5.72x for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.86x and as low as 1x, with a 5-year median of 1.51x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $96 price target reflects 1.19x book value.

The table below shows summary valuation data for ALL

Valuation Multiples - ALL

		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	1.14	1.31	2.5	5.72
	5-Year High	1.86	1.86	2.91	6.17
	5-Year Low	1	1	1.72	3.75
	5-Year Median	1.51	1.51	2.54	4.84
P/S F12M	Current	0.61	1.74	6.44	4.06
	5-Year High	1.12	11.3	6.67	4.29
	5-Year Low	0.52	1.4	4.97	3.11
	5-Year Median	0.86	1.84	6.07	3.66
P/E F12M	Current	7.7	25.56	16.04	21.92
	5-Year High	17.51	31.56	6.72	23.44
	5-Year Low	7.06	21.02	11.6	15.26
	5-Year Median	11.15	25.72	14.27	17.63

As of 09/18/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 34% (165 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Arch Capital Group Ltd. **(ACGL)**	Neutral	3
American Financial Group, Inc. **(AFG)**	Neutral	3
Axis Capital Holdings Limited **(AXS)**	Neutral	4
Berkshire Hathaway Inc. **(BRK.B)**	Neutral	4
Chubb Limited **(CB)**	Neutral	3
Hallmark Financial Services, Inc. **(HALL)**	Neutral	4
The Progressive Corporation **(PGR)**	Neutral	3
W.R. Berkley Corporation **(WRB)**	Neutral	3

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

Industry Comparison Industry: Insurance - Property And Casualty

	ALL	X Industry	S&P 500	AFG	AXS	WRB
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	A	-	-	B	C	C
Market Cap	28.51 B	1.29 B	23.70 B	5.94 B	3.92 B	11.15 B
# of Analysts	8	2	13	2	3	4
Dividend Yield	2.37%	1.28%	1.63%	2.68%	3.53%	0.77%
Value Score	A	-	-	A	C	B
Cash/Price	0.20	0.27	0.07	0.47	0.43	0.27
EV/EBITDA	4.36	5.30	13.12	3.53	8.52	9.88
PEG F1	0.88	2.16	2.93	NA	23.85	3.05
P/B	1.14	0.99	3.26	0.98	0.83	1.91
P/CF	6.72	10.03	12.78	5.80	10.41	16.44
P/E F1	7.32	13.71	21.44	9.73	119.23	27.42
P/S TTM	0.65	0.79	2.49	0.79	0.79	1.45
Earnings Yield	13.66%	6.12%	4.44%	10.28%	0.84%	3.66%
Debt/Equity	0.27	0.23	0.70	0.31	0.35	0.50
Cash Flow ($/share)	13.58	3.12	6.94	11.57	4.47	3.81
Growth Score	B	-	-	D	B	C
Historical EPS Growth (3-5 Years)	21.39%	4.32%	10.42%	11.69%	-22.66%	7.72%
Projected EPS Growth (F1/F0)	19.52%	-3.84%	-4.74%	-19.95%	-84.52%	-24.59%
Current Cash Flow Growth	30.84%	3.77%	5.29%	7.42%	-8.72%	8.47%
Historical Cash Flow Growth (3-5 Years)	9.17%	4.81%	8.50%	12.34%	-11.78%	4.12%
Current Ratio	0.30	0.43	1.35	0.15	0.59	0.45
Debt/Capital	19.73%	19.02%	42.92%	23.79%	23.85%	33.35%
Net Margin	10.28%	5.15%	10.26%	3.13%	-0.41%	4.57%
Return on Equity	17.25%	6.89%	14.69%	11.34%	-1.85%	7.55%
Sales/Assets	0.37	0.31	0.51	0.11	0.19	0.29
Projected Sales Growth (F1/F0)	0.04%	0.00%	-1.42%	-34.34%	-6.60%	4.22%
Momentum Score	D	-	-	C	C	D
Daily Price Change	-1.64%	-0.25%	-1.15%	0.28%	0.98%	-1.48%
1-Week Price Change	0.01%	-2.03%	-1.90%	-1.12%	-7.27%	-0.10%
4-Week Price Change	-4.28%	-2.14%	0.06%	1.94%	2.15%	4.14%
12-Week Price Change	-4.75%	5.89%	7.27%	8.38%	10.06%	9.95%
52-Week Price Change	-15.76%	-19.17%	0.33%	-38.26%	-28.53%	-13.00%
20-Day Average Volume (Shares)	1,878,289	114,017	1,916,343	478,856	783,664	607,669
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	4.65%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	20.87%	0.00%	4.12%	5.26%	-52.82%	-10.66%
EPS Q1 Estimate Monthly Change	14.20%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	A
Growth Score	B
Momentum Score	D
VGM Score	A

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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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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.