

Affiliated Managers (AMG)

\$162.08 (As of 06/07/21)

Price Target (6-12 Months): **\$170.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/03/21)

Prior Recommendation: Outperform

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 Affiliated Managers have outperformed the industry over the past year. The company has an impressive earnings surprise history. The company's earnings surpassed the Zacks Consensus Estimate in each of the trailing four quarters. Successful partnerships, diverse product offerings and focus on strengthening the retail market operations, along with strong balance sheet and liquidity positions, will support profitability. Additionally, given a strong liquidity position, its capital deployment activities look sustainable, through which it will enhance shareholder value. However, declining assets under management (AUM) balance (mainly due to significant outflows) and pressure on revenues remain major concerns for the company. Furthermore, the presence of substantial intangible assets on the company's balance sheet makes us apprehensive.

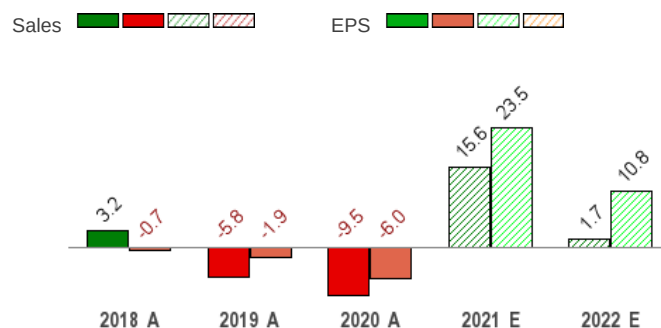
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$176.84 - \$62.19
20-Day Average Volume (Shares)	335,175
Market Cap	\$6.7 B
Year-To-Date Price Change	59.4%
Beta	1.39
Dividend / Dividend Yield	\$0.04 / 0.0%
Industry	Financial - Investment Management
Zacks Industry Rank	Top 46% (116 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.5%
Last Sales Surprise	0.8%
EPS F1 Estimate 4-Week Change	0.2%
Expected Report Date	07/26/2021
Earnings ESP	-0.2%
P/E TTM	11.2
P/E F1	9.8
PEG F1	1.0
P/S TTM	3.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	571 E	586 E	601 E	609 E	2,383 E
2021	559 A	578 E	591 E	605 E	2,344 E
2020	507 A	471 A	495 A	554 A	2,028 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$4.40 E	\$4.26 E	\$4.54 E	\$5.31 E	\$18.29 E
2021	\$4.28 A	\$3.70 E	\$3.79 E	\$4.71 E	\$16.50 E
2020	\$3.16 A	\$2.74 A	\$3.27 A	\$4.22 A	\$13.36 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

Headquartered in Massachusetts, Affiliated Managers Group is a global asset manager with equity investments in a large group of investment management firms or affiliates.

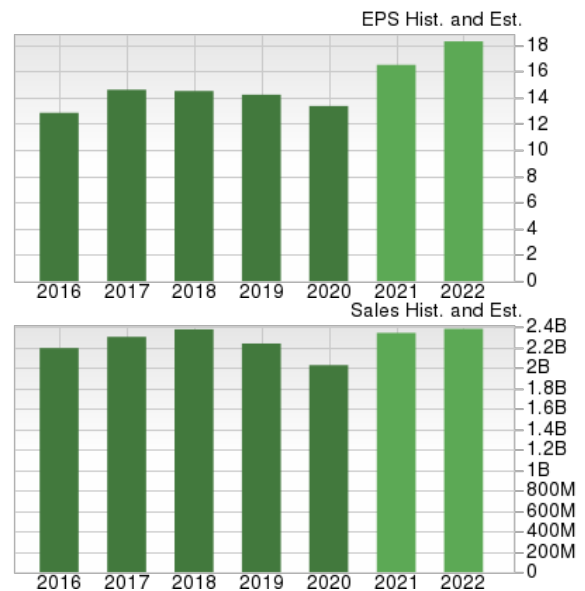
On the whole, the affiliates manage more than 500 investment products across each major product category – global, international and emerging markets equities, domestic equities, alternative and fixed income products. As of Mar 31, 2021, Affiliated Managers had total AUM of \$738 billion.

The company operates its business through three principal distribution channels:

Institutional: Through affiliates, this channel manages assets for large institutional investors worldwide, including sovereign wealth funds, foundations, endowments and retirement plans for corporations and municipalities. Moreover, affiliates manage assets for non-U.S. clients in more than 50 countries. AUM acquired through the channel was \$408.9 billion as of Mar 31, 2021.

Retail: Through this channel, the company provides advisory or sub-advisory services to mutual funds and other retail-oriented products, which are distributed to retail and institutional clients directly and through intermediaries. AUM acquired through the channel was \$196.8 billion as of Mar 31, 2021.

High Net Worth: Through affiliates, the company offers advisory services to ultra-high net worth individuals, families and charitable foundations. Direct services to these clients include customized investment counseling, investment management and fiduciary services. Further, it provides advisory services to high net worth individuals through managed account relationships with intermediaries and provides enhanced managed account distribution and administration capabilities to individual managed account clients through AMG Funds. AUM acquired through the channel was \$132.3 billion as of Mar 31, 2021.



Reasons To Buy:

- ▲ Affiliated Managers with its strong balance sheet and liquidity position has considerable capability to invest in other companies and is expected to continue generating meaningful growth through new investments. The company is targeting investments in alternatives and global strategies, given the strong preference of investors for the same. In April, it acquired minority stake in OCP Asia, while in February, it acquired a minority equity interest in Boston Common Asset Management. Over the past few years, the company has been undertaken similar efforts. Rising demand for equity and alternative strategies among institutional clients are expected to keep supporting the company's profitability.
- ▲ Affiliated Managers has a decent balance sheet position. As of Mar 31, 2021, the company had total debt worth \$2.3 billion, and cash and cash equivalents balance of \$766.2 million. Further, the company has \$1.25 billion credit facility and doesn't have any debt maturities until 2024. Also, its first-quarter 2021 times-interest-earned ratio of 8.3 improved sequentially. Thus, the company's earnings strength seems sufficient enough to be able to meet debt obligations if the economic situation worsens.
- ▲ Though Affiliated Managers lowered quarterly dividends, it has a steady capital deployment plan in place. The company has announced an increase in its share repurchase authorization to a total of 6.9 million shares. This reflects strong capital position, significant free cash flow and financial flexibility. Given a robust capital position and lower dividend payout ratio than peers, the company will be able to sustain capital-deployment activities, thereby, continuing to enhance shareholder value.
- ▲ Affiliated Managers' trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' funds. The company's ROE of 18.76% compares favorably with 14.68% for the industry and 16.36% for the S&P 500.
- ▲ Shares of Affiliated Managers have significantly outperformed the industry so far this year. Also, the company's earnings estimates for 2021 have moved marginally upward over the past 30 days. Further, the stock seems undervalued when compared with the broader industry. Its current price-to-book and price-earnings (F1) ratios are lower than the respective industry averages. It has a Value Score of A. Given the strength in fundamentals and positive estimate revisions, the stock has decent upside potential left.

Affiliated Managers is well positioned for growth on successful partnerships, global distribution capability and a robust balance sheet position. Its capital deployment activities are sustainable.

Reasons To Sell:

- ▼ Though Affiliated Managers' revenues improved in 2017 and 2018 on the back of solid performance of affiliates and strong equity markets, the company has been facing revenue pressure of late. Revenues declined at a five-year (2016-2020) compound annual growth rate of 2% amid a challenging operating backdrop and significant market volatility. Despite the company's portfolio of investment products, which provides it a competitive edge when it comes to fulfilling diverse needs of clients, strain on revenue growth is likely to persist in the near term, owing to the higher market volatility.
- ▼ Also, Affiliated Managers' affiliates have been witnessing a steady increase in net outflows over the past few years. Net client cash outflows were \$61.8 billion in 2020 and \$53.5 billion in 2019. A similar trend persisted in the first quarter of 2021. These outflows are one of the reasons for the decline in AUM balance. Though the company's differentiated product categories are likely to support cash flows across the channels, a challenging operating backdrop is expected to keep investors on the side lines in the near term.
- ▼ Intangible assets form a substantial portion of Affiliated Managers' balance sheet. These intangible assets are subject to annual impairment reviews. As of Mar 31, 2021, intangible assets (goodwill and acquired client relationships) constituted 48.3% of total assets. Several factors may initiate the impairment of the book value of such assets, due to which the value of these assets may have to be written down. This will adversely affect the company's financials.

Pressure on revenues owing to substantial outflows and decline in the assets balance will hurt Affiliated Managers' prospects. Presence of intangible assets on its balance sheet is a key concern.

Last Earnings Report

Affiliated Managers Q1 Earnings Beat Estimates, AUM Up

Affiliated Managers' first-quarter 2021 economic earnings of \$4.28 per share surpassed the Zacks Consensus Estimate of \$4.26. Also, the bottom line grew 34.5% year over year.

Results reflect improvement in revenues and growth in assets under management (AUM) balance. Further, the company had a robust liquidity position. However, higher operating expenses posed a headwind.

Economic net income was \$184.8 million, up 22.1% from the prior-year quarter.

Revenues & AUM Rise, Expenses Up

Total revenues improved 10.2% year over year to \$559.1 million. Further, the top line beat the Zacks Consensus Estimate of \$554.6 million.

Adjusted EBITDA was \$246.8 million, jumping 23.2% from the year-ago quarter.

Total expenses increased 6.8% to \$378.5 million. Higher compensation and related expenses, and interest expenses mainly led to the rise.

As of Mar 31, 2021, total AUM was \$738 billion, up 23.2% year over year. Net client cash outflows of \$7.5 billion during the quarter hurt AUM.

Capital & Liquidity Position Decent

As of Mar 31, 2021, Affiliated Managers had \$766.2 billion in cash and cash equivalents compared with \$1.04 billion on Dec 31, 2020. The company had \$2.30 billion of debt, which declined marginally from Dec 31, 2020 level.

Shareholders' equity as of Mar 31, 2021 was \$2.7 billion compared with \$2.8 billion as of Dec 31, 2020.

Share Repurchase Update

During the first quarter, the company repurchased shares worth nearly \$210 million.

Second-Quarter 2021 Outlook

Management expects adjusted EBITDA of \$210-\$220 million based on present AUM level. Performance fee is anticipated to be \$10 million and include investments in OCP Asia and Boston Common.

Interest expenses are expected to be \$27 million, relatively stable from the prior quarter. Controlling interest depreciation is expected to remain at the first-quarter 2021 level of \$2 million.

The company's share of reported amortization and impairments are expected to be approximately \$35 million, down 15% sequentially. Intangible related deferred taxes are projected to be nearly \$11 million.

Other economic items (excluding any mark-to-market impact) are anticipated to be \$1 million.

Adjusted weighted average share count is estimated to be \$42.4 million.

GAAP tax rate is expected to be 24%. Additionally, cash tax rate is expected to be 20%.

2021 Outlook

Economic earnings per share are projected to be in the range of \$15.50-\$17.00 and adjusted EBITDA will be range of \$875 million to \$940 million. The company expects performance fee contribution of nearly 10% of earnings.

Adjusted weighted average share count is estimated to be \$41.5 million, which indicates \$500 million of excess capital returned through share repurchases.

Quarter Ending	03/2021
Report Date	May 03, 2021
Sales Surprise	0.82%
EPS Surprise	0.47%
Quarterly EPS	4.28
Annual EPS (TTM)	14.51

Recent News

Affiliated Managers Acquires Minority Stake in OCP Asia – Apr 30, 2021

Affiliated Managers acquired a minority equity interest in OCP Asia Limited, with an aim to further enhance participation in private markets and exposure to growth markets across Asia. OCP Asia is a credit provider in private markets across the Asia-Pacific region, with focus on customized secured lending solutions.

Terms of the deal have not been disclosed yet. The partners of OCP Asia will continue to hold a substantial majority of the equity of the firm and manage day-to-day operations.

Based in Hong Kong and Singapore, OCP Asia has roughly \$3 billion in assets under management. It is headed by Stu Wilson, Teall Edds, and Dan Simmons, and has more than 30 employees. The firm, through its systematic investment process and differentiated competitive position, not only offers exceptional, risk-adjusted returns but also delivers dynamic lending solutions, which are more attractive than the traditional capital sources.

Affiliated Managers expects OCP Asia to contribute 20 cents of incremental economic earnings per share in 2021 and 33 cents in 2022, including \$16 million of EBITDA next year.

The president and CEO of Affiliated Managers, Jay C. Horgen, stated, "OCP Asia is uniquely positioned to capitalize on the compelling investment opportunities in private credit given the team's highly distinctive credit expertise and excellent long-term track record. I am very pleased to welcome Stu, Teall, Dan, and their partners to our Affiliate group."

Wilson, OCP Asia Partner, said, "We are excited to partner with AMG, as its unique approach enables OCP Asia to preserve our investment independence and operational autonomy – which is deeply important to our firm's culture and to our clients given the relationship-based dynamics of direct lending. With this new partnership, we are well-positioned to build an enduring, multi-generational, independent investment firm that serves its borrowers and investors with distinction."

Affiliated Managers Buys Minority Stake in Boston Common - Feb 8, 2021

With an aim to further enhance participation in environmental, social, and governance ("ESG") investing, Affiliated Managers has acquired a minority equity interest in Boston Common Asset Management, LLC. Boston Common is an independent, partner-owned global equity manager that focuses on integrated ESG impact investing. The terms of the deal have not been disclosed yet.

Notably, as of Dec 31, 2020, Boston Common had \$3.9 billion in assets under management. The firm combines traditional financial analysis with in-house ESG research to identify innovative companies that not only offer attractive, risk-adjusted long-term investment returns but also provide products or services with positive societal impact.

The senior partners of Boston Common will continue holding a significant majority stake in the firm and will direct its day-to-day operations.

Dividend Update

On May 3, Affiliated Managers announced a quarterly dividend of 1 cent per share. The dividend was paid out on May 27 to shareholders of record on May 13.

Valuation

Affiliated Managers' shares are up 59.4% in the year to date period and 100.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 26% and 20.8% so far this year, respectively. Over the past year, the Zacks sub-industry and the sector are up 46.7% and 34.9%, respectively.

The S&P 500 index is up 13.2% in the year to date period and 33.1% in the past year.

The stock is currently trading at 9.38X forward 12 months earnings, which compares to 15.03X for the Zacks sub-industry, 16.77X for the Zacks sector and 21.84X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 14.18X and as low as 3.27X, with a 5-year median of 8.61X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$170 price target reflects 9.84X forward earnings.

The table below shows summary valuation data for AMG

Valuation Multiples - AMG

Valuation Multiples					
	Stock	Sub-Industry	Sector	S&P 500	
P/E F12M	Current	9.38	15.03	16.77	21.84
	5-Year High	14.18	15.03	17.24	23.83
	5-Year Low	3.27	9.74	11.6	15.31
	5-Year Median	8.61	12.65	14.94	18.05
P/B	Current	2.12	2.4	3.41	7.03
	5-Year High	2.62	2.4	3.41	7.03
	5-Year Low	0.64	1.19	1.77	3.84
	5-Year Median	1.8	1.87	2.64	5.02
P/S F12M	Current	2.86	4.76	8.55	4.72
	5-Year High	4.94	4.76	8.55	4.74
	5-Year Low	1.08	2.38	5.08	3.21
	5-Year Median	2.86	3.28	6.21	3.72

As of 06/07/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 46% (116 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Ameriprise Financial, Inc. (AMP)	Neutral	2
Artisan Partners Asset Management Inc. (APAM)	Neutral	2
Franklin Resources, Inc. (BEN)	Neutral	3
Invesco Ltd. (IVZ)	Neutral	3
Lazard Ltd (LAZ)	Neutral	3
SEI Investments Company (SEIC)	Neutral	3
T. Rowe Price Group, Inc. (TROW)	Neutral	3
Federated Hermes, Inc. (FHI)	Underperform	5

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

Industry Comparison Industry: Financial - Investment Management				Industry Peers		
	AMG	X Industry	S&P 500	IVZ	LAZ	SEIC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	B	C	C
Market Cap	6.75 B	870.81 M	30.32 B	13.38 B	4.96 B	9.17 B
# of Analysts	4	3	12	6	3	4
Dividend Yield	0.02%	1.40%	1.29%	2.35%	3.98%	1.15%
Value Score	A	-	-	B	A	C
Cash/Price	0.11	0.14	0.06	0.12	0.52	0.09
EV/EBITDA	7.87	8.48	17.33	17.54	4.55	12.83
PEG F1	0.98	0.81	2.13	0.66	NA	1.45
P/B	2.12	2.23	4.17	1.21	5.72	5.01
P/CF	9.38	14.50	17.93	9.67	6.24	17.34
P/E F1	9.85	13.14	21.52	10.08	11.18	17.44
P/S TTM	3.25	3.35	3.52	2.16	1.79	5.31
Earnings Yield	10.18%	7.50%	4.55%	9.93%	8.94%	5.73%
Debt/Equity	0.00	0.08	0.66	0.80	1.94	0.00
Cash Flow (\$/share)	17.28	1.54	6.83	3.00	7.56	3.70
Growth Score	C	-	-	D	F	B
Historical EPS Growth (3-5 Years)	1.36%	6.58%	9.44%	-2.89%	-0.31%	12.21%
Projected EPS Growth (F1/F0)	23.49%	25.08%	21.30%	48.96%	17.22%	22.67%
Current Cash Flow Growth	-11.51%	9.93%	0.98%	-6.46%	-1.46%	-8.77%
Historical Cash Flow Growth (3-5 Years)	-1.02%	6.04%	7.28%	3.14%	-1.10%	6.04%
Current Ratio	0.45	2.49	1.39	2.06	1.94	6.14
Debt/Capital	18.65%	20.35%	41.53%	37.77%	72.27%	0.00%
Net Margin	17.69%	23.44%	11.95%	14.32%	15.38%	27.10%
Return on Equity	18.76%	14.68%	16.36%	11.70%	53.46%	26.69%
Sales/Assets	0.27	0.36	0.51	0.17	0.48	0.82
Projected Sales Growth (F1/F0)	15.58%	3.57%	9.30%	-14.91%	12.58%	9.88%
Momentum Score	B	-	-	A	D	F
Daily Price Change	-1.72%	0.00%	-0.33%	-0.96%	-0.72%	-0.40%
1-Week Price Change	0.55%	1.03%	0.58%	2.59%	0.72%	1.59%
4-Week Price Change	-6.94%	2.48%	0.12%	2.73%	2.48%	1.27%
12-Week Price Change	8.44%	7.91%	6.91%	11.50%	6.19%	5.49%
52-Week Price Change	98.34%	42.27%	29.97%	151.00%	42.97%	5.63%
20-Day Average Volume (Shares)	335,175	86,234	1,799,698	4,740,252	536,756	454,894
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.88%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.24%	0.00%	0.01%	1.11%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	2.08%	3.46%	3.36%	10.70%	5.76%	-0.43%
EPS Q1 Estimate Monthly Change	0.34%	0.00%	0.00%	0.29%	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	C
Momentum Score	B
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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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