Affiliated Managers (AMG)

$78.32 (As of 10/14/20)

Price Target (6-12 Months): **$81.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 09/02/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: A | Growth: C | Momentum: C	**3-Hold** VGM:B

Summary

Shares of Affiliated Managers have underperformed the industry so far this year. Its earnings have surpassed the Zacks Consensus Estimate in each of the trailing four quarters. Declining assets under management (AUM) balance, due to outflows, and pressure on revenues remain major near-term concerns for the company. These are expected to hurt profitability to some extent in the quarters ahead. The presence of substantial intangible assets on the company's balance sheet might hurt financials in the near term. Yet, the company remains well-positioned for growth, backed by successful partnerships, diverse product mix, strong balance sheet position and focus on strengthening the retail market operations. The BlueMountain stake sale is expected to be accretive to earnings. Earnings estimates have been going up ahead of its third quarter 2020 results.

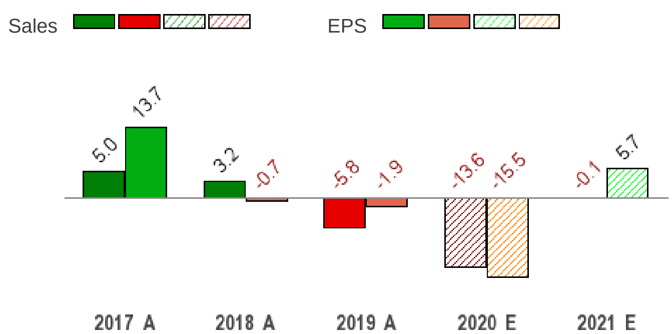
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$88.95 - $44.37**
20-Day Average Volume (Shares)	**415,161**
Market Cap	**$3.6 B**
Year-To-Date Price Change	**-9.4%**
Beta	**1.43**
Dividend / Dividend Yield	**$0.04 / 0.1%**
Industry	**Financial - Investment Management**
Zacks Industry Rank	**Top 26% (65 out of 254)**
Last EPS Surprise	**1.5%**
Last Sales Surprise	**1.5%**
EPS F1 Estimate 4-Week Change	**0.6%**
Expected Report Date	**10/26/2020**
Earnings ESP	**0.4%**
P/E TTM	**5.7**
P/E F1	**6.5**
PEG F1	**0.7**
P/S TTM	**1.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					1,934 E
2020	507 A	471 A	477 E	480 E	1,936 E
2019	543 A	592 A	549 A	556 A	2,240 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$3.22 E	$3.10 E	$3.20 E	$3.66 E	$12.71 E
2020	$3.16 A	$2.74 A	$2.85 E	$3.27 E	$12.02 E
2019	$3.26 A	$3.33 A	$3.16 A	$4.52 A	$14.22 A

*Quarterly figures may not add up to annual.

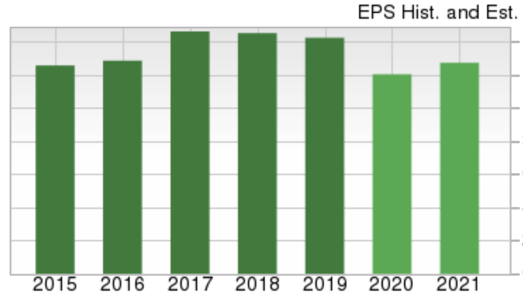
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/14/2020. The reports text is as of 10/15/2020.

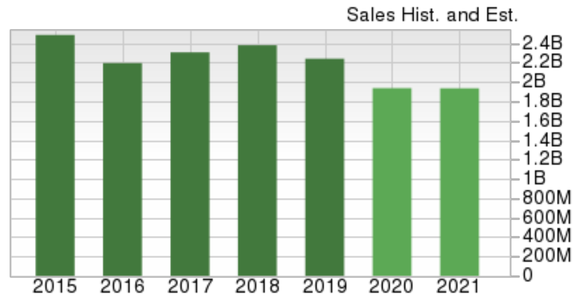
Overview

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 Jun 30, 2020, Affiliated Managers had total AUM of $638.4 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 $364.9 billion as of Jun 30, 2020.

- ***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 $161.8 billion as of Jun 30, 2020.

- ***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 $111.7 billion as of Jun 30, 2020.

Source: Zacks Investment Research

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 June 2020, it announced that it will become a minority equity partner to Inclusive Capital Partners. In February 2020, it acquired a minority equity interest in Comvest Partners, while in July 2019, it had acquired an equity interest in Garda Capital Partners. Besides, in October 2019, the company had divested its stake in BlueMountain, which will likely be accretive to earnings. Despite the current crisis owing to the coronavirus pandemic, rising demand for equity and alternative strategies among institutional clients are expected to aid the company's profitability, going forward.

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.

- Though Affiliated Managers lowered quarterly dividends, it has a steady capital deployment plan in place. In the third quarter of 2020, the company expects to repurchase $50 million worth of shares, similar to the second quarter. Given a robust capital position and lower dividend payout ratio than peers, it is expected 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 18.94% compares favorably with 12.36% for the industry and 14.79% for the S&P 500.
- Shares of Affiliated Managers have underperformed the industry so far this year. However, the company's earnings estimates for 2020 have moved marginally upward over the past 30 days. Moreover, 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. Also, the stock has a Value Score of A. Given the strength in fundamentals and positive estimate revisions, the price performance is expected to improve in the near term.

Reasons To Sell:

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.

- 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. Its revenues declined 5.8% in 2019 amid a challenging operating backdrop and significant market volatility, with the continuation of the same trend in the first half of 2020. Despite the company's portfolio of investment products, which provides it a competitive edge when it comes to fulfilling diverse needs of clients, the downward trend in revenues is likely to continue in the near term, owing to the coronavirus outbreak-related crisis.

- Also, Affiliated Managers' affiliates have been witnessing a steady increase in net outflows over the past several months. In 2019, net client cash outflows were $53.5 billion, which resulted in a decline in AUM balance. Likewise, outflows continued in the first six months of 2020, which resulted in a further plunge in the AUM balance on a year-over-year basis. Though the company's differentiated product categories will likely support cash flows across the channels, a challenging operating backdrop is expected to keep investors on the sidelines in the near term.

- As of Jun 30, 2020, Affiliated Managers had total debt worth $2.04 billion, marginally down from the end of the prior quarter. However, total debt was significantly higher than the cash and cash equivalents balance of $681.6 million. Moreover, the company's second-quarter 2020 times-interest-earned ratio of 5.9 declined sequentially and has remained volatile over the past several quarters. Also, its second-quarter total debt to total capital of 37.9% increased from the previous quarter and has been witnessing an upward trend over the past several quarters. Thus, in addition to being highly leveraged, the company's earnings position does not seem sufficient to be able to meet debt obligations in the near term if the economic situation worsens.

- Intangible assets form a substantial portion of Affiliated Managers' balance sheet. These intangible assets are subject to annual impairment reviews. As of Jun 30, 2020, intangible assets (goodwill and acquired client relationships) constituted 49.1% 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.

Last Earnings Report

Affiliated Managers' Q2 Earnings Top Estimates, Revenues Fall Y/Y

Quarter Ending	06/2020
Report Date	**Jul 27, 2020**
Sales Surprise	**1.52%**
EPS Surprise	**1.48%**
Quarterly EPS	**2.74**
Annual EPS (TTM)	**13.58**

Affiliated Managers' second-quarter 2020 economic earnings of $2.74 per share surpassed the Zacks Consensus Estimate of $2.70. However, the bottom line declined 17.7% year over year.

Results reflected lower operating expenses and a robust liquidity position. However, lower revenues, fall in AUM balance and decline in adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) were headwinds.

Economic net income was $129.6 million, down 23.8% from the prior-year quarter.

Revenues & AUM Down, Expenses Fall

Total revenues fell 20.4% year over year to $471.1 million. However, the top line beat the Zacks Consensus Estimate of $464 million.

Adjusted EBITDA was $162.1 million, down 26.1% from the year-ago quarter.

Total expenses decreased nearly 1% from the prior-year quarter to $409.6 million. Decline in compensation and related expenses, and selling, general and administrative costs primarily led to the fall.

As of Jun 30, 2020, total AUM was $638.4 billion, down 17.3% year over year. Net client cash outflows of $18.2 billion hurt AUM.

Capital & Liquidity Position Decent

As of Jun 30, 2020, Affiliated Managers had $681.6 million in cash and cash equivalents compared with $539.6 million on Dec 31, 2019. The company had $2 billion of debt, up 13.9% from the Dec 31, 2019 level.

Shareholders' equity as of Jun 30, 2020 was $2.9 billion, on par with the Dec 31, 2019 level.

Share Repurchase Update

During the quarter, the company repurchased shares worth $50 million.

Third-Quarter 2020 Outlook

Management expects adjusted EBITDA of $170-$175 million. Performance fee is anticipated to be seasonally lower in the range of $1-$5 million.

Interest expenses are expected to be $23 million, suggesting 4.5% increase from the prior quarter level. The company's share of reported amortization and impairments are expected to be $50 million, down 41.9% sequentially.

Adjusted weighted average share count is estimated to be $46.5 million.

GAAP tax rate is expected to be 25%. Additionally, cash tax rate is expected to be 18%.

Intangible-related deferred taxes are expected to be $6 million. Other economic items are anticipated to be $1 million.

Recent News

Affiliated Managers Ratings Affirmed by Moody's, Outlook Down - Sep 17, 2020

Affiliated Managers' ratings have been affirmed by Moody's Investors Service. However, the company's rating outlook has been downgraded to negative from stable.

The senior unsecured rating has been affirmed at A3, while the junior subordinate rating is at Baa1.

Concurrently, Affiliated Managers' new junior subordinated notes maturing in 2060 have been assigned a rating of Baa1.

Rationale Behind Ratings Affirmation

Affiliated Managers has been targeting investments in alternatives and global strategies, given the strong preference of investors for the same.

Since the past several years, the company, through a multi-affiliate investment strategy, has been acquiring majority and minority equity positions in boutique firms but has always left significant ownership in the hands of its affiliates' management teams.

Through this approach, it has been able to attract successful asset management firms that value the ongoing opportunity to participate in and to further capitalize on their growth.

Thus, the ratings affirmation reflects Affiliated Managers' scale, diversity and profitability.

Reasons Behind Outlook Downgrade

Affiliated Managers' affiliates have been witnessing a steady increase in net outflows over the past several months. In 2019, net client cash outflows were $53.5 billion, which resulted in a decline in AUM balance. Likewise, outflows continued in the first six months of 2020, which resulted in a further plunge in the AUM balance on a year-over-year basis.

Because of this, the company has been facing revenue pressure of late.

As a result of the above-mentioned shortfalls, the company's profit has reduced and leverage has increased. Per Moody's, leverage has recently exceeded 2.5X, which breaches the threshold that the rating agency considers key to the maintenance of the company's current rating.

Because of these negatives, the rating outlook has been downgraded.

However, over the outlook period, Moody's will likely monitor steps that Affiliated Managers may take to reduce leverage to a level that Moody's considers consistent with an A3 rating.

The steps may include deploying available liquidity for acquisitions that are earnings accretive or repaying amounts on its term loan facility.

When Can the Rating be Upgraded?

It is unlikely that the company's ratings will be upgraded, while the outlook is negative. Nevertheless, with a stable outlook, ratings might be affirmed if the company's debt/EBITDA declines sustainably below 2.5X or if there is an improvement in AUM stability, consistent with improved net sales, or if the company engages in acquisitions that are earnings accretive.

What Could Lead to a Rating Downgrade?

Ratings might be downgraded if over the next 12-18 months, the company's leverage is sustained above 2.5X, or if there is a decline in scale due to market events, performance weakness or AUM instability, or there is any breach in the cooperative relationship between the company and its leading affiliates.

Affiliated Managers Partners With Inclusive Capital - Jun 23, 2020

Affiliated Managers announced its plans of becoming a minority equity partner to the recently founded San Francisco-based independent investment firm, Inclusive Capital Partners. Notably, Inclusive Capital Partners was launched, following the completion of ValueAct Capital Management's long-term succession plan, established in 2007.

ValueAct Capital Management is a longtime affiliate of Affiliated Managers. Its founder, Jeffrey W. Ubben, will retire from ValueAct Capital and continue to manage the ValueAct Spring Fund after he transitions to Inclusive Capital Partners.

Affiliated Managers' president and CEO, Jay C. Horgen, stated, "The success of this generational transition has enabled ValueAct founder Jeff Ubben to retire and launch Inclusive Capital Partners, which will focus on the important mission of allocating capital to corporate leaders who prioritize long-term responsible decision-making. AMG's investment in ValueAct was the first investment I led upon joining AMG, which has now come full-circle."

He added, "Long-term sustainability has been at the very heart of AMG's business strategy since inception, in working closely with Affiliates to design and implement management succession over time and support Affiliate growth initiatives. We are very pleased with the excellent execution of ValueAct's succession plan over the past decade, which has resulted in the successful transition from the founding generation to a truly outstanding next generation of partners, led by CEO Mason Morfit, and we are highly confident in ValueAct's forward prospects."

In fact, Mr. Ubben said, "Inclusive Capital Partners will seek to demonstrate that high returns should accrue to businesses that responsibly and creatively address environmental and societal problems by using sustainable business models, and we have partnered with stakeholders who we believe are world pioneers in wildlife, conservation, governance, and social equality to help encourage companies to embrace these principles. I am thrilled to announce the formation of Inclusive Capital Partners as the next iteration of my investing career."

Dividend Update

On Jul 27, Affiliated Managers announced a quarterly dividend of 1 cent per share. The dividend was paid out on Aug 20 to shareholders of record on Aug 6.

Valuation

Affiliated Managers' shares are down 9.3% in the year-to-date period but up 0.9% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 2.5% down 4.6% while and the Zacks Finance sector is down 13.7% in the year-to-date period. Over the past year, the Zacks sub-industry is up 14.5% while the sector is down 6.9%.

The S&P 500 index is up 9.9% in the year-to-date period and 19.4% in the past year.

The stock is currently trading at 6.11X forward 12 months earnings, which compares to 13.23X for the Zacks sub-industry, 16.46X for the Zacks sector and 22.95X 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 9.43X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $81 price target reflects 6.44X forward earnings.

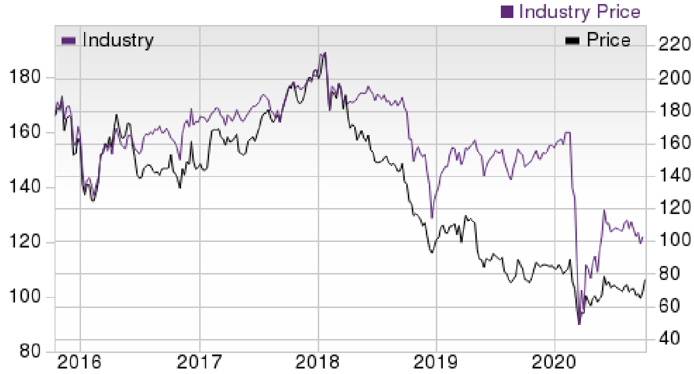
The table below shows summary valuation data for AMG

Valuation Multiples - AMG

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	6.11	13.23	16.46	22.95
	5-Year High	14.18	14.38	16.74	23.47
	5-Year Low	3.27	9.73	11.6	15.27
	5-Year Median	9.43	12.49	14.41	17.68
P/B	Current	1.07	2.08	2.6	6.14
	5-Year High	2.85	2.23	2.9	6.2
	5-Year Low	0.64	0.97	1.72	3.75
	5-Year Median	1.89	1.8	2.54	4.89
P/S F12M	Current	1.85	3.51	6.14	4.23
	5-Year High	4.94	3.8	6.66	4.31
	5-Year Low	1.08	2.35	4.96	3.18
	5-Year Median	3.15	3.06	6.06	3.67

As of 10/13/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 26% (65 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Lazard Ltd **(LAZ)**	Outperform	1
Artisan Partners Asset Management Inc. **(APAM)**	Neutral	2
Apollo Global Management, LLC **(APO)**	Neutral	3
Franklin Resources, Inc. **(BEN)**	Neutral	3
Eaton Vance Corporation **(EV)**	Neutral	2
Federated Hermes, Inc. **(FHI)**	Neutral	3
Janus Capital Group, Inc **(JHG)**	Neutral	1
SEI Investments Company **(SEIC)**	Neutral	3

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

Industry Comparison Industry: Financial - Investment Management

	AMG	X Industry	S&P 500	EV	JHG	LAZ
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	2	1	1
VGM Score	B	-	-	D	C	B
Market Cap	3.58 B	818.76 M	23.57 B	6.98 B	5.22 B	3.85 B
# of Analysts	5	3	14	5	3	2
Dividend Yield	0.05%	1.81%	1.62%	2.45%	5.07%	5.13%
Value Score	A	-	-	D	D	B
Cash/Price	0.19	0.18	0.07	0.45	0.17	0.68
EV/EBITDA	5.26	6.81	13.59	6.21	7.04	3.58
PEG F1	0.65	1.36	2.90	3.26	6.83	NA
P/B	1.07	1.76	3.55	5.47	1.18	5.63
P/CF	4.27	8.75	13.31	15.69	9.87	4.78
P/E F1	6.52	11.23	22.26	18.30	10.99	15.63
P/S TTM	1.72	2.12	2.66	4.07	2.36	1.54
Earnings Yield	15.65%	8.62%	4.36%	5.46%	9.09%	6.41%
Debt/Equity	0.00	0.09	0.70	0.00	0.07	2.46
Cash Flow ($/share)	17.98	1.75	6.93	3.90	2.88	7.67
Growth Score	C	-	-	F	C	C
Historical EPS Growth (3-5 Years)	2.99%	8.05%	10.41%	14.19%	8.75%	-0.52%
Projected EPS Growth (F1/F0)	-15.47%	-4.01%	-2.99%	-3.19%	4.59%	-28.51%
Current Cash Flow Growth	-3.43%	-1.40%	5.49%	0.77%	-11.77%	-13.25%
Historical Cash Flow Growth (3-5 Years)	2.29%	3.83%	8.51%	4.81%	21.01%	1.06%
Current Ratio	0.45	2.09	1.35	3.61	3.18	2.05
Debt/Capital	16.95%	19.14%	42.91%	12.70%	15.03%	71.08%
Net Margin	5.95%	7.99%	10.28%	16.56%	3.48%	10.43%
Return on Equity	18.94%	12.36%	14.80%	31.17%	10.27%	51.35%
Sales/Assets	0.27	0.35	0.51	0.42	0.32	0.46
Projected Sales Growth (F1/F0)	-13.55%	0.00%	-0.58%	2.31%	0.24%	-13.56%
Momentum Score	C	-	-	A	C	A
Daily Price Change	-0.22%	0.00%	-0.99%	-0.44%	1.61%	-1.53%
1-Week Price Change	10.58%	2.99%	4.06%	53.23%	10.06%	6.32%
4-Week Price Change	17.66%	0.52%	2.70%	59.48%	47.10%	9.34%
12-Week Price Change	5.02%	1.82%	6.67%	60.36%	28.81%	25.69%
52-Week Price Change	0.91%	-11.63%	5.15%	36.85%	29.52%	-2.94%
20-Day Average Volume (Shares)	415,161	70,596	2,058,127	1,898,781	2,543,737	534,168
EPS F1 Estimate 1-Week Change	0.19%	0.06%	0.00%	0.12%	2.38%	9.84%
EPS F1 Estimate 4-Week Change	0.59%	0.30%	0.00%	0.24%	2.38%	9.84%
EPS F1 Estimate 12-Week Change	1.83%	6.65%	3.53%	6.71%	12.32%	41.26%
EPS Q1 Estimate Monthly Change	-1.13%	0.28%	0.00%	0.93%	3.10%	27.66%

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	C
VGM Score	B

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

Disclosures

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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