

AMN Healthcare (AMN)

\$94.22 (As of 06/07/21)

Price Target (6-12 Months): **\$108.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 06/07/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM: C

Value: C

Growth: C

Momentum: B

Summary

AMN Healthcare gained from each of its core segments in the first quarter of 2021. Robust growth in the company's vendor management systems (VMS) business and strength in the Locum tenens business are also impressive. Management is also upbeat about the company's latest buyouts, which are expected to expand the company's travel as well as school therapy and travel nurse staffing capabilities. AMN Healthcare continues to gain market traction on the back of its unique Healthcare Managed Services Program (MSP). A solid solvency position is an added plus. The company's first quarter results were better-than-expected. Over the past six months, the stock has outperformed its industry. Yet, gross margin contraction is concerning. Reliance on third parties and stiff competition persist.

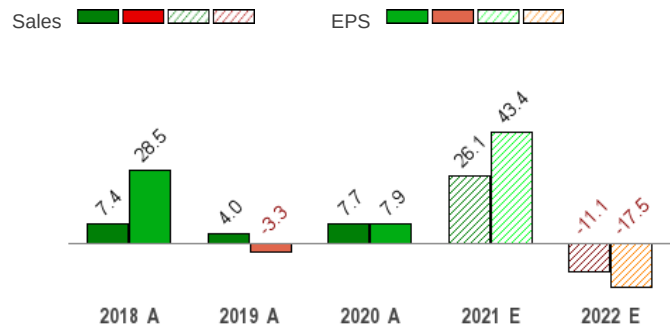
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$95.98 - \$41.76
20-Day Average Volume (Shares)	346,088
Market Cap	\$4.5 B
Year-To-Date Price Change	38.1%
Beta	0.39
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical Services
Zacks Industry Rank	Bottom 31% (174 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	25.0%
Last Sales Surprise	9.2%
EPS F1 Estimate 4-Week Change	4.1%
Expected Report Date	08/05/2021
Earnings ESP	4.6%
P/E TTM	21.7
P/E F1	19.2
PEG F1	1.5
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	654 E	640 E	645 E	663 E	2,683 E
2021	886 A	829 E	681 E	665 E	3,019 E
2020	602 A	608 A	552 A	631 A	2,394 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.90 E	\$0.94 E	\$0.96 E	\$1.02 E	\$4.06 E
2021	\$1.70 A	\$1.40 E	\$0.96 E	\$0.96 E	\$4.92 E
2020	\$0.79 A	\$0.83 A	\$0.82 A	\$1.00 A	\$3.43 A

*Quarterly figures may not add up to annual.

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

Overview

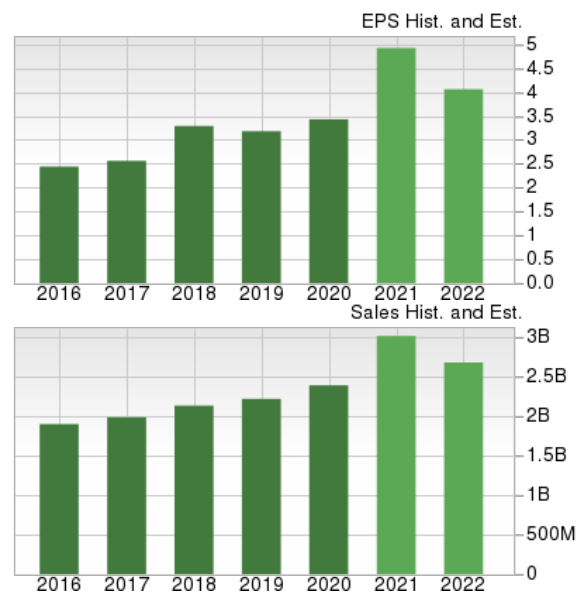
Headquartered in San Diego, CA, AMN Healthcare Services is a travel healthcare staffing company. It recruits and places nurses, physicians, and other healthcare professionals in travel or permanent assignments in acute-care facilities, physician practice groups, and other healthcare facilities.

The company currently reports through three segments — Nurse and Allied Solutions, Locum Tenens Solutions and Other Workforce Solutions.

Nurse and Allied Solutions provides services for acute-care facility, permanent staff nurses for medical practice and experienced home care nurse staffing, interim nurse leaders.

Locums Tenens Solutions physicians can act during staffing gaps created by vacancies, vacations and periods of high demand. Meanwhile, Workforce Solutions offers the most comprehensive suite of innovative workforce solutions, ranging from traditional staffing and recruitment to managed services programs, vendor management systems, in-house resource pool management and recruitment process outsourcing.

AMN Healthcare's unique Healthcare MSP is helping the company gain market traction. Notably, the program helps streamline the entire workforce planning process which facilitates the delivery of improved patient care. This has resulted in a large network of improved patient care and improved efficiency.



2020 at a Glance

In 2020, revenues amounted to \$2.39 billion, up 7.7% from the 2019 figure.

Nurse and Allied Solutions revenues amounted to \$1.69 billion (70.7% of net sales). The Physician and Leadership Solutions revenues were \$0.47 billion (19.7%) and Technology and Workforce Solutions revenues were \$0.23 billion (9.6%).



Reasons To Buy:

▲ **Share Price Up:** Over the past six months, the company has gained 38.2% against the 14.1% fall of its industry. The company gained segmental strength in the first quarter. In fact, the Technology and Workforce Solutions segment achieved record 84% year-over-year organic revenue growth in the period. Robust growth in the company's VMS business during the quarter buoys optimism. Strength in the Locum tenens business in the quarter is also impressive. Management continues to be upbeat about the acquisition of Stratus Video and b4 Health that continues to contribute to the company's favorable performance. The continued momentum of the telehealth platform also drove the share price.

A unique Managed Services Program, strong array of staffing services and lucrative acquisitions aid the stock.

▲ **Projections Bright:** For the second quarter of 2021, AMN Healthcare expects revenues in the \$810-\$830 million range. With respect to the Nurse and Allied Solutions segment, the company expects revenues to grow around 34-37% from the prior-year figure. In the second quarter, the Technology and Workforce Solutions segment's revenues are expected to grow almost 60-65% from the prior-year figure. The company projects second-quarter revenues at the Physician and Leadership Solutions segment to improve almost 20% from the prior-year figure.

▲ **Healthcare MSP:** AMN Healthcare's unique MSP is helping the company gain market traction. Notably, the program helps streamline the entire workforce planning process which facilitates the delivery of improved patient care. This has resulted in a large network of improved patient care and improved efficiency.

Since mid-March of 2020, the company has deployed more than 10,000 health care professionals through AMN brands, its MSP and VMS affiliate partners and marketplace technology solutions. The company saw a huge number of client wins within the VMS business in 2020, bolstered by its open talent marketplace solutions. In the first quarter of 2021, VMS revenues came in at \$32 million, seeing a massive growth rate of 91% year over year and 60% sequentially.

▲ **Acquisitions:** AMN Healthcare has lately been strengthening its inorganic portfolio through a string of acquisitions.

In April 2020, the company inked a partnership with Randstad US to deliver the first comprehensive suite of workforce solutions for the healthcare community. These solutions address needs like direct patient care, allied services, and professional and technical support. The partnership is expected to boost AMN Healthcare's Other Workforce Solutions segment.

In the first quarter of 2021, the Technology and Workforce Solutions segment's revenues totaled \$89 million, up 120% year over year, driven by the February 2020 acquisition of Stratus Video, now known as AMN Language Services. The acquisition of b4health continued to make a strong revenue contribution and organic growth of AMN Healthcare's businesses in this segment was 84% above the prior year.

In May 2021, the company forayed into the post-acute care market with the acquisition of the telehealth company Synzi. The latter offers virtual care and remote patient monitoring platforms in the home health and outpatient markets. These solutions will help AMN Healthcare conduct virtual visits and use secure messaging, texts and emails for clinician-to-patient and clinician-to-clinician communications.

▲ **Staffing Service Strength:** AMN Healthcare's staffing services have been instrumental in driving its top line. The Nurse and Allied Solutions and Other Workforce Solutions units offers services like travel nurse staffing, allied staffing, rapid response nurse staffing and others.

In the first quarter of 2021, the Nurse and Allied Solutions segment's revenues totaled \$657 million, up 55% year over year. Travel nurse staffing revenues grew 74% year over year. Also, Allied division revenues rose 17% year over year.

▲ **Broad Array of Services:** AMN Healthcare's business has gradually evolved beyond traditional healthcare staffing.

Notably, the company has become a strategic workforce solutions partner with its clients. The company's service portfolio includes vendor management systems, MSP, predictive labor analytics, workforce optimization technology and consulting, clinical labor scheduling, recruitment process outsourcing, mid-revenue cycle management and credentialing software services. Moreover, the company's MSP business has continued to add clients.

Further, the company has also displayed strength in digital health capabilities with its AMN Passport and AMN Cares. The first one is the company's mobile app for healthcare experts, while AMN Cares is a telehealth platform helping care teams to interface with employees or patients at home. The company also expanded its scalable VMS solution, enabling a wide array of health care facilities to quickly staff and manage their entire range of contingent talent.

In June 2020, the company introduced a customizable, technology-enabled and clinically based service for businesses and other organizations that want to ensure the health and safety of their employees as they slowly return to workspaces. This new solution is likely to provide a boost to the company's Technology and Workforce Solutions segment.

The AMN Telehealth platform including Stratus for language interpretation gained a significant momentum through 2020. The company's Language interpretation volumes grew about 30% year over year in 2020, and the momentum continued with first-quarter 2021 revenues coming in at \$41 million. Additionally, the company integrated its language services into the AMN TeleVet school platform to provide interpretation for students and clinicians.

▲ **Strong Solvency With High Leverage:** AMN Healthcare exited the first quarter of 2021 with cash and cash equivalents of \$78 million compared with \$29 million at the end of the 2020. Meanwhile, total debt came up to \$896 million for the period, compared to \$863 million in the sequentially last reported quarter. This figure is much higher than the quarter-end cash and cash equivalent level, apparently indicating weak solvency. However, the company do not have any current-year debt on its balance sheet. This is good news in terms of solvency position of the company, at least during the year of economic downturn, implying that the company is holding sufficient cash for debt

repayment.

Debt comparison with the industry is, however, unfavorable as industry's total debt of \$7.29 billion is much higher than the company's debt level.

The quarter's total debt-to-capital of 0.50 stands at a moderately high level, indicating a leveraged balance sheet. However, it represents a sequential decrease from 0.51 at the end of 2020. This compares favorably with the total debt-to-capital of the industry, which stands at a higher level of 0.56. The overall data concludes that in terms of solvency level of the company, the picture is encouraging.

The times interest earned for the company stands at 3.9%, representing a sequential increase from 2.6% at the end of 2020.

Risks

- **Continued Pandemic-Led Impacts:** A widespread outbreak of illness or public health crisis, like the ongoing pandemic, can negatively impact AMN Healthcare's business, financial condition and results of operations. Due to the pandemic-led disruption, the company has witnessed volatility in the demand of its staffing services and workforce technology solutions. In 2020, it was observed that many hospitals and other healthcare entities massively cut down, and might still continue to restrict, the services of temporary healthcare professionals that led to, and might continue to result, in decreased demand of many of the company's service offerings and usage of its workforce technology platforms. The company, however, is not capable to estimate the duration and extent to which demand of its services might get adversely affected due to the pandemic in the near term.
- **Dependence on Third Parties:** AMN Healthcare outsources and offshores certain critical applications or business processes to external providers, including cloud-based, credentialing and data processing services. Hence, the failure or inability to perform by one or more of these critical suppliers could cause significant disruptions and raise costs for the company.
- **Competition:** AMN Healthcare faces significant competition in the Medical Services industry. The company competes in national, regional and local markets for healthcare organization clients and healthcare professionals. Larger firms, such as AMN Healthcare, also generally have a deeper, more comprehensive infrastructure with a more established operating model and processes that provide the long-term stability and foundation for quality standards recognition, such as the Joint Commission staffing agency certification and National Committee for Quality Assurance Credentials Verification Organization certification.

Further, in the nurse and allied healthcare staffing business, the company competes with a few national competitors together with numerous smaller, regional and local companies. Some of the leading competitors vary by segment and include CHG Healthcare Services, Jackson Healthcare, Medical Solutions, RightSourcing, Cross Country Healthcare, Aya Healthcare, HealthTrust Workforce Solutions, and WittKieffer. When recruiting for healthcare professionals, in addition to other executive search and staffing firms, AMN Healthcare also compete with hospital systems that have developed their own recruitment departments.

Last Earnings Report

AMN Healthcare Q1 Earnings and Revenues Top Estimates

AMN Healthcare reported first-quarter 2021 adjusted earnings per share of \$1.70, beating the Zacks Consensus Estimate by 25%. The bottom line also improved from 79 cents per share in the year-ago period.

Revenues

For the quarter, revenues of \$885.9 million surpassed the Zacks Consensus Estimate by 9.2%. On a year-over-year basis, revenues also rose 47%.

Segment Details

In the first quarter of 2021, the Nurse and Allied Solutions segment's revenues totaled \$657 million, up 55% year over year. Travel nurse staffing revenues grew 74% year over year. Also, Allied division revenues rose 17% year over year.

The Physician and Leadership Solutions segment's revenues totaled \$141 million, up 2% year over year. This upside was on 9% growth in Locum tenens revenues.

The Technology and Workforce Solutions segment's revenues totaled \$89 million, up 120% year over year, driven by the February 2020 acquisition of Stratus Video, now known as AMN Language Services. The language interpretation business revenues came in at \$41 million in the quarter while the vendor management systems business saw 91% year-over-year revenue growth.

Margin

In the first quarter, gross profit totaled \$288.9 million, up 42.9% year over year. As a percentage of revenues, gross margin was 32.6%, contracting 93 basis point (bps).

Adjusted operating profit in the quarter was \$127.7 million, up 128.6%. As a percentage of revenues, adjusted operating margin was 14.4%, up 51 bps.

Cash Position

The company exited the first quarter with cash and cash equivalents of \$78.3 million compared with \$29.2 million at the end of fourth quarter of 2020.

Net cash provided by operating activities came in at \$39.1 million, down from \$51.4 million a year ago.

Guidance

For the second quarter of 2021, AMN Healthcare expects revenues in the range of \$810-\$830 million. The Zacks Consensus Estimate for the same stands at \$713.9 million.

With respect to the Nurse and Allied Solutions segment, the company expects revenues to grow around 34-37% from the prior-year figure.

In the second quarter, the Technology and Workforce Solutions segment's revenues are expected to grow almost 60-65% from the prior-year figure. The company projects second-quarter revenues at the Physician and Leadership Solutions segment to improve almost 20% from the prior-year figure.

Operating margin is expected at 10.5-11.0% while gross margin is estimated within 32.4-32.8%.

Quarter Ending	03/2021
Report Date	May 06, 2021
Sales Surprise	9.20%
EPS Surprise	25.00%
Quarterly EPS	1.70
Annual EPS (TTM)	4.35

Valuation

AMN Healthcare's shares are up 38.1% and up 84.2% in the year-to-date and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are up 0.7% in the year-to-date period, while that in the Zacks Medical sector are down 1.6%. Over the past year, the Zacks sub-industry is up 10.6% while sector is up 0.4%.

The S&P 500 index is up 13.3% in the year-to-date period and up 34.1% the past year.

The stock is currently trading at 20.7X Forward 12-months earnings, which compares to 31X for the Zacks sub-industry, 22.9X for the Zacks sector and 21.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.3X and as low as 10.8X, with a 5-year median of 16.9X. Our Outperform recommendation indicates that the stock will perform above the market. Our \$108 price target reflects 23.8X forward 12-months earnings.

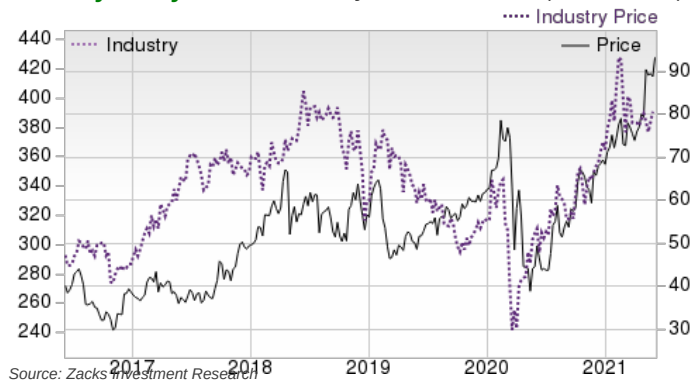
The table below shows summary valuation data for AMN.

Valuation Multiples - AMN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.72	31.02	22.93	21.82
	5-Year High	23.33	31.02	22.93	23.83
	5-Year Low	10.78	10.52	15.82	15.31
	5-Year Median	16.90	14.68	19.34	18.05
P/S F12M	Current	1.56	3.44	2.65	4.72
	5-Year High	1.60	3.44	3.17	4.74
	5-Year Low	0.64	1.36	2.27	3.21
	5-Year Median	1.12	1.73	2.78	3.72
P/CF	Current	18.46	31.45	13.20	26.10
	5-Year High	27.97	31.85	17.10	26.11
	5-Year Low	7.03	7.31	11.42	12.87
	5-Year Median	14.24	11.39	14.79	18.95

As of 06/07/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 31% (174 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
BIOMERIEUX (BMXMF)	Neutral	4
CoDiagnostics, Inc. (CODX)	Neutral	3
Charles River Laboratories International, Inc. (CRL)	Neutral	2
ICON PLC (ICLR)	Neutral	3
LHC Group, Inc. (LHCG)	Neutral	3
Natera, Inc. (NTRA)	Neutral	3
Surgery Partners, Inc. (SGRY)	Neutral	3
Teladoc Health, Inc. (TDOC)	Neutral	3

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

Industry Comparison Industry: Medical Services				Industry Peers		
	AMN	X Industry	S&P 500	CODX	LHCG	TDOC
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	C	-	-	A	D	F
Market Cap	4.45 B	582.67 M	30.32 B	249.69 M	6.30 B	23.48 B
# of Analysts	5	3	12	1	7	11
Dividend Yield	0.00%	0.00%	1.29%	0.00%	0.00%	0.00%
Value Score	C	-	-	A	C	F
Cash/Price	0.02	0.05	0.06	0.25	0.05	0.03
EV/EBITDA	21.66	-0.66	17.33	4.44	25.68	-61.49
PEG F1	1.53	2.24	2.13	NA	2.28	NA
P/B	4.97	4.96	4.17	3.27	3.83	1.48
P/CF	17.19	24.77	17.93	5.78	29.49	1,003.64
P/E F1	19.15	30.84	21.52	9.68	31.31	NA
P/S TTM	1.66	4.46	3.52	2.68	3.04	17.18
Earnings Yield	5.22%	1.70%	4.55%	10.33%	3.19%	-1.94%
Debt/Equity	1.00	0.04	0.66	0.00	0.00	0.09
Cash Flow (\$/share)	5.48	-0.01	6.83	1.51	6.75	0.15
Growth Score	C	-	-	A	D	F
Historical EPS Growth (3-5 Years)	11.21%	15.87%	9.44%	NA	26.31%	NA
Projected EPS Growth (F1/F0)	43.50%	32.56%	21.30%	-40.79%	26.83%	-161.30%
Current Cash Flow Growth	23.00%	21.40%	0.98%	-795.23%	11.60%	-160.28%
Historical Cash Flow Growth (3-5 Years)	20.63%	8.81%	7.28%	NA	35.87%	19.30%
Current Ratio	1.39	1.80	1.39	18.37	0.97	3.96
Debt/Capital	50.07%	17.55%	41.53%	0.00%	1.08%	7.87%
Net Margin	4.78%	0.60%	11.95%	52.75%	5.99%	-47.93%
Return on Equity	25.19%	-0.37%	16.36%	84.81%	11.12%	-0.60%
Sales/Assets	1.10	0.56	0.51	1.51	0.85	0.13
Projected Sales Growth (F1/F0)	26.12%	17.68%	9.30%	4.62%	8.30%	83.48%
Momentum Score	B	-	-	C	F	F
Daily Price Change	1.11%	0.00%	-0.33%	3.81%	-0.03%	3.67%
1-Week Price Change	5.06%	0.00%	0.58%	3.97%	1.09%	-2.66%
4-Week Price Change	2.37%	2.95%	0.12%	14.30%	1.32%	7.73%
12-Week Price Change	22.62%	-2.83%	6.91%	-36.52%	1.12%	-24.49%
52-Week Price Change	89.20%	54.00%	29.97%	-45.56%	23.02%	-8.66%
20-Day Average Volume (Shares)	346,088	258,785	1,799,698	792,131	154,565	2,915,114
EPS F1 Estimate 1-Week Change	0.53%	0.00%	0.00%	0.00%	-0.14%	0.00%
EPS F1 Estimate 4-Week Change	4.15%	0.00%	0.01%	21.62%	-0.22%	-0.03%
EPS F1 Estimate 12-Week Change	17.98%	0.53%	3.36%	-49.72%	8.81%	-81.43%
EPS Q1 Estimate Monthly Change	5.74%	0.00%	0.00%	35.29%	0.76%	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	C
Growth Score	C
Momentum Score	B
VGM Score	C

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.