

## AvalonBay Communities (AVB)

**\$165.23** (As of 02/01/21)

Price Target (6-12 Months): **\$140.00**

Long Term: 6-12 Months

**Zacks Recommendation:** Underperform

(Since: 02/01/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**5-Strong Sell**

Zacks Style Scores:

VGM:F

Value: D

Growth: D

Momentum: D

### Summary

Shares of AvalonBay have declined more than its industry over the past year, while the trend in estimate revision for current-year funds from operations (FFO) per share is not favorable for it with estimates moving south. Though the REIT has high-quality assets in some of the nation's premium markets, and is banking on technology, scale and organizational capabilities to drive innovation and margin expansion in its portfolio, the company has significant exposure to urban residential assets and this portfolio has been feeling the brunt. Amid the pandemic, the rental housing demand in higher cost and urban/infill markets has been adversely impacted by the work-from-home flexibility, low mortgage rates and reduced demand from corporates and students. Also, the recent quarters' results reflect concessions and uncollectible lease revenues.

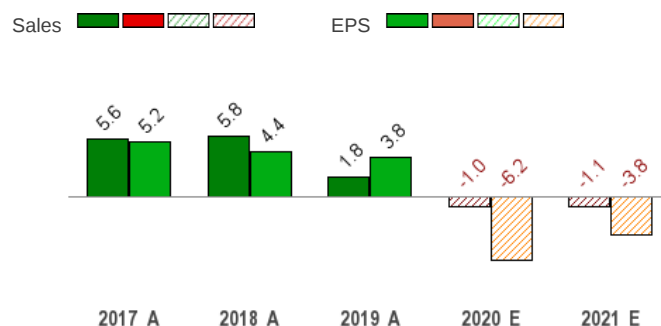
### Price, Consensus & Surprise



### Data Overview

|                                |                                     |
|--------------------------------|-------------------------------------|
| 52-Week High-Low               | \$229.09 - \$118.17                 |
| 20-Day Average Volume (Shares) | 833,577                             |
| Market Cap                     | \$22.8 B                            |
| Year-To-Date Price Change      | 2.0%                                |
| Beta                           | 0.96                                |
| Dividend / Dividend Yield      | \$6.36 / 3.8%                       |
| Industry                       | REIT and Equity Trust - Residential |
| Zacks Industry Rank            | Bottom 3% (245 out of 253)          |

### Sales and EPS Growth Rates (Y/Y %)



|                               |            |
|-------------------------------|------------|
| Last EPS Surprise             | -4.6%      |
| Last Sales Surprise           | 0.8%       |
| EPS F1 Estimate 4-Week Change | -1.4%      |
| Expected Report Date          | 02/03/2021 |
| Earnings ESP                  | -0.4%      |

|         |      |
|---------|------|
| P/E TTM | 18.0 |
| P/E F1  | 19.6 |
| PEG F1  | 3.5  |
| P/S TTM | 9.8  |

### Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | 557 E | 556 E | 556 E | 557 E | 2,277 E |
| 2020 | 602 A | 576 A | 567 A | 557 E | 2,302 E |
| 2019 | 460 A | 577 A | 588 A | 594 A | 2,325 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$2.09 E | \$2.11 E | \$2.12 E | \$2.17 E | \$8.43 E |
| 2020 | \$2.39 A | \$2.23 A | \$2.06 A | \$2.09 E | \$8.76 E |
| 2019 | \$2.30 A | \$2.27 A | \$2.34 A | \$2.43 A | \$9.34 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 02/01/2021. The report's text and the analyst-provided price target are as of 02/02/2021.

## Overview

AvalonBay Communities, Inc. is a real estate investment trust (REIT) primarily focusing on developing, redeveloping, acquisition, ownership and operations of multi-family apartment communities for higher-income clients in high barrier-to-entry regions of the United States, which generally command the highest rents in the markets.

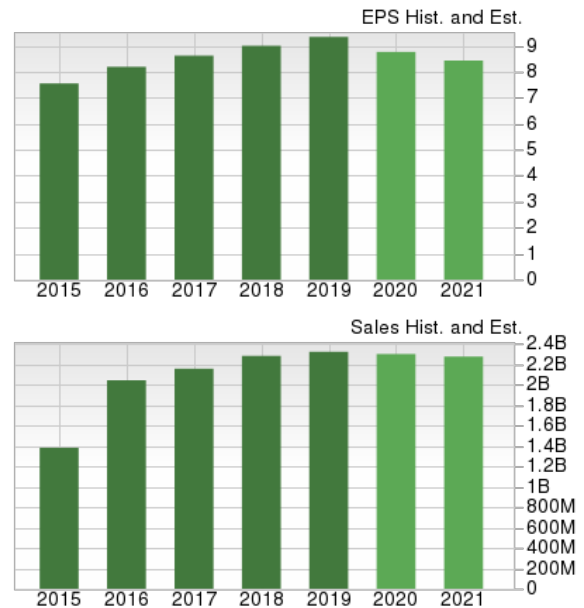
These markets include New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California. The company is also targeting expansion in Southeast Florida and Denver, CO.

The company focuses on metropolitan areas historically experiencing rising employment in high wage sectors of the economy, along with high home ownership cost and vibrant quality of life. The company has a principal executive office in Arlington, VA, and a number of regional offices, administrative offices or specialty offices in its markets.

AvalonBay owned or held direct or indirect ownership stake in 275 operating apartment communities as of Sep 30, 2020. These communities included 80,292 apartment homes in 11 states and the District of Columbia. Of these, one community comprising 344 apartment homes was under redevelopment.

During the July-September period, the company accomplished the development of Avalon Public Market in Emeryville, CA. It contains 289 apartment homes and was constructed for \$175 million. As of Sep 30, 2020, AvalonBay had 17 consolidated development communities under construction (expected to contain 5,581 apartment homes and 64,000 square feet of commercial space). The estimated total capital cost at completion for these development communities is \$2.1 billion.

Note: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Source: Zacks Investment Research

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## Reasons To Sell:

- ▼ The coronavirus pandemic has been wreaking havoc, and resulting in macroeconomic uncertainty and choppy job-market environment, leading to household contraction and consolidation. In addition, record-low mortgage rates are driving demand for existing and new-home purchases, mainly for young age cohorts where homeownership rates have started to increase. In the near term, same-store revenues are likely to remain under stress amid pressure on rental rates. Furthermore, amid a slowdown in demand, concession activity is likely to be high.
- ▼ The company has significant exposure to urban residential assets and this portfolio is feeling the brunt with the decline in effect rental rates been greatest in high-cost urban markets like San Francisco, New York and San Jose. A number of factors are affecting rental demand, including health concerns of living in dense environments and work-from-home flexibility that is resulting in a shift of renter demand away from higher cost and urban/infill markets. Additionally, there is a decline in demand from two categories of renters — corporate and students — since remote learning modalities are being implemented at many urban universities and business travel has declined significantly. As such, there is a reduced demand in many urban submarkets and any turnaround is unlikely until the public health crisis from the pandemic is resolved.
- ▼ In addition, amid this situation, the rent-paying capability of tenants has been affected. In fact, the company's decline in third-quarter residential rental revenue was driven by concessions, occupancy and uncollectible lease revenues. Particularly, a stressful financial condition of the company's residents as well as commercial tenants, together with regulations that limit the company's ability to quickly evict residents and tenants, is likely to continue to result in higher than normal uncollectible lease revenue in the near term.
- ▼ The company also faces stiff competition from other housing alternatives such as rental apartments, condominiums and single-family homes. Such a competitive landscape limits the company's ability to increase rent, thereby restricting its growth momentum to some extent.
- ▼ Shares of AvalonBay have lost 23.7% over the past year, wider than its industry's decline of 22%. Additionally, the trend in estimate revision for 2021 FFO per share is not favorable for the company. The Zacks Consensus Estimate for 2021 FFO per share witnessed downward revision over the past month. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock is unlikely to perform well in the near term.

Adverse impacts of coronavirus pandemic on economy and job market will likely affect demand and hurt the rent-paying capability of tenants, leading to rental concessions and pricing-power moderation.

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## Risks

- AvalonBay has high-quality assets located in some of the premium markets of the country, which enable the company to generate steady rental revenues. The company's properties generally command the highest rents in its markets. The company's portfolio is well diversified with its same-store portfolio comprising roughly 64% of suburban assets and 36% of urban assets. This has been the saving grace for AvalonBay during the pandemic as though the company's weak same-store result is primarily driven by the urban portfolio, the sub-urban portfolio is performing better. In fact, for its suburban portfolio, the rise in notices to vacate was more modest compared to the urban portfolio, supporting better physical occupancy and rent change.
  - Demographic growth also continues to be strong in the young-adult age cohort, which has a higher propensity to rent. People in the age bracket of 20-34 are the main cohort for formation of the new households and majority of them prefer to remain renters and enjoy locational advantage as well as flexibility that rental apartments offer.
  - AvalonBay is also leveraging technology, scale and organizational capabilities to drive innovation and margin expansion in its portfolio. This has become all the more essential in this social-distancing era, as the virus outbreak needed a quick shift to virtual operations for the continuity of normal business operations.
  - Moreover, the company's current development underway is projected to generate \$140 million in annual stabilized NOI and with more than 90% of the capital needed to complete these assets already funded, these developments are likely to contribute significant incremental cash flow over the next several years. Also, over the past years, the company has shifted its focus to more suburban locations and is now experiencing benefit of this strategy with lease-up rents just roughly \$45 per month below its initial underwriting, thereby allowing for continued value creation on these assets as they are completed and stabilized. Furthermore, amid ultra-low interest rates, buyers are being lured in the investment sales market and to leverage on this trend, the REIT has increased its disposition plan.
  - AvalonBay has a healthy balance sheet and ample liquidity to sail through these uncertain times. As of Sep 30, 2020, AvalonBay did not have any borrowings outstanding under its \$1.75-billion unsecured credit facility. The company had \$182.4 million in unrestricted cash and cash in escrow as of the same date. In addition, its annualized net debt-to-core EBITDAre for the July-September quarter was a manageable 5.4 times and unencumbered NOI was 94%, providing scope for tapping additional secured debt capital if required. Particularly, through the end of third-quarter 2020, the company raised \$1.7 billion through new debt issuance and dispositions and repurchased about 140 million of shares. Thus, the company remains well poised to capitalize on investment opportunities which might come up because of this downturn.
  - Also, solid dividend payouts are arguably the biggest enticement for REIT investors and AvalonBay has consistently paid dividends each year since it went public in 1994. In fact, concurrent with its fourth-quarter 2019 earnings release, AvalonBay announced a 4.6% hike in its quarterly dividend rate, which continued the more than 20-year history of solid dividend growth. Since its IPO, the company has achieved annualized dividend growth of 5.2%. Along with a healthy balance sheet, such efforts boost investors' confidence in the stock.
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## Last Earnings Report

### AvalonBay Q3 FFO Lags Estimates, Urban Assets Struggle

AvalonBay's third-quarter 2020 core FFO per share of \$2.06 missed the Zacks Consensus Estimate of \$2.16. The reported tally also declined 12% year over year from the prior-year quarter's \$2.34.

Results reflect decline in residential rental revenues, driven by concessions, occupancy and uncollectible lease revenues. While weak same-store result is mainly due to the urban portfolio, the sub-urban portfolio is performing better.

Total revenues of \$567.4 million slipped 3.4% year over year. However, the revenue figure surpassed the Zacks Consensus Estimate of \$563 million.

The company also noted about the residential revenue collections for established communities, through Oct 27. The collected residential revenues for third quarter improved to 96.1% as of Oct 27 from 95.2% at quarter end. Moreover, collected residential revenues for October was 92.4% as of Oct 27, 2020.

### Quarter in Detail

In the reported quarter, revenues from established communities decreased 6.1% year over year to \$508.6 million. Residential and commercial uncollectible lease revenues resulted in this decrease.

Operating expenses for established communities flared up 3.5% on a year-over-year basis. Consequently, NOI from established communities dropped 10.1% year on year to \$342.9 million.

During the July-September period, the company accomplished the development of Avalon Public Market in Emeryville, CA. It contains 289 apartment homes and was constructed for \$175 million. As of Sep 30, 2020, AvalonBay had 17 consolidated development communities under construction (expected to contain 5,581 apartment homes and 64,000 square feet of commercial space). The estimated total capital cost at completion for these development communities is \$2.1 billion.

As of Sep 30, 2020, the projected total capital cost of development rights decreased to \$3.9 billion from the prior-quarter end's \$4.2 billion.

During the third quarter, the company sold a wholly-owned operating community — Avalon Towers — in Long Beach, NY, for \$54 million, leading to an economic gain of \$13.6 million.

### Balance Sheet Position

As of Sep 30, 2020, AvalonBay did not have any borrowings outstanding under its \$1.75-billion unsecured credit facility. The company had \$182.4 million in unrestricted cash and cash in escrow as of the same date. In addition, its annualized net debt-to-core EBITDA for the July-September quarter was 5.4 times and unencumbered NOI was 94%.

### Stock-Repurchase Program

In July, AvalonBay's board of directors also approved a new stock-repurchase program, under which it might acquire shares of its common stock up to an aggregate purchase price of \$500 million in open market or negotiated transactions. There is no expiration date for this stock-repurchase program. Through the date of its third-quarter earnings release, the company repurchased 1,131,919 shares of common stock at an average price of \$150.11 per share under this program.

| Quarter Ending   | 09/2020      |
|------------------|--------------|
| Report Date      | Oct 28, 2020 |
| Sales Surprise   | 0.78%        |
| EPS Surprise     | -4.63%       |
| Quarterly EPS    | 2.06         |
| Annual EPS (TTM) | 9.11         |

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## Recent News

### AvalonBay Announces President Appointment and CEO Succession Plan – Dec 10, 2020

AvalonBay announced the appointment of Benjamin W. Schall as president of the company and his joining of the company's board of directors. This is slated to become effective on a mutually agreeable date on or before Feb 1, 2021. Notably, Schall is presently serving as the chief executive officer (CEO) and president and a trustee of Seritage Growth Properties, which is a publicly-traded REIT.

Further, the company announced the CEO succession plan. Particularly, the company announced that the company's chairman, CEO and president — Timothy J. Naughton — plans to retire as CEO at the end of 2021. At such time, Schall will be appointed as CEO, while Naughton will remain on the board as executive chair.

### Dividend Update

On Nov 12, AvalonBay's board of directors announced fourth-quarter 2020 dividend of \$1.59 per share. This dividend was paid on Jan 15, 2021, to common stockholders of record as of Dec 31, 2020.

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## Valuation

AvalonBay's shares are down 23.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector declined 22% and 0.2%, over the past year, respectively.

The S&P 500 Index has been up 18% over the past year.

The stock is currently trading at 19.47X forward 12-month FFO, which compares to 19.33X for the Zacks sub-industry, 16.22X for the Zacks sector and 22.23X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 23.09X and as low as 12.27X, with a 5-year median of 20.15X. Our underperform recommendation indicates that the stock will perform worse than the market. Our \$140 price target reflects 16.50X FFO.

The table below shows summary valuation data for AVB.

| Valuation Multiples - AVB |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F 12M                 | Current       | 19.47 | 19.33        | 16.22  | 22.23   |
|                           | 5-Year High   | 23.09 | 22.61        | 17.12  | 23.80   |
|                           | 5-Year Low    | 12.27 | 15.74        | 11.59  | 15.30   |
|                           | 5-Year Median | 20.15 | 18.41        | 14.54  | 17.83   |
| P/S F12M                  | Current       | 10.12 | 10.54        | 7.13   | 4.33    |
|                           | 5-Year High   | 12.97 | 12.39        | 7.13   | 4.34    |
|                           | 5-Year Low    | 6.87  | 8.44         | 5.02   | 3.20    |
|                           | 5-Year Median | 11.22 | 9.55         | 6.12   | 3.68    |
| P/B TTM                   | Current       | 2.16  | 2.51         | 2.87   | 6.34    |
|                           | 5-Year High   | 2.9   | 3.35         | 2.98   | 6.58    |
|                           | 5-Year Low    | 1.54  | 1.85         | 1.74   | 3.73    |
|                           | 5-Year Median | 2.43  | 2.47         | 2.59   | 4.95    |

As of 02/01/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Bottom 3% (245 out of 253)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                                  | Rec          | Rank |
|---------------------------------------------------|--------------|------|
| Camden Property Trust (CPT)                       | Neutral      | 3    |
| Equity Residential (EQR)                          | Neutral      | 3    |
| Essex Property Trust, Inc. (ESS)                  | Neutral      | 4    |
| MidAmerica Apartment Communities, Inc. (MAA)      | Neutral      | 3    |
| NexPoint Residential Trust, Inc. (NXRT)           | Neutral      | 3    |
| United Dominion Realty Trust, Inc. (UDR)          | Neutral      | 4    |
| UMH Properties, Inc. (UMH)                        | Neutral      | 3    |
| Apartment Investment and Management Company (AIV) | Underperform | 5    |

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

| Industry Comparison Industry: Reit And Equity Trust - Residential |              |            |           | Industry Peers |         |         |
|-------------------------------------------------------------------|--------------|------------|-----------|----------------|---------|---------|
|                                                                   | AVB          | X Industry | S&P 500   | EQR            | ESS     | MAA     |
| Zacks Recommendation (Long Term)                                  | Underperform | -          | -         | Neutral        | Neutral | Neutral |
| Zacks Rank (Short Term)                                           | 5            | -          | -         | 3              | 4       | 3       |
| VGM Score                                                         | F            | -          | -         | F              | F       | D       |
| Market Cap                                                        | 22.85 B      | 1.39 B     | 26.43 B   | 22.95 B        | 15.62 B | 15.18 B |
| # of Analysts                                                     | 6            | 4          | 13        | 11             | 9       | 6       |
| Dividend Yield                                                    | 3.89%        | 3.62%      | 1.47%     | 3.91%          | 3.47%   | 3.09%   |
| Value Score                                                       | D            | -          | -         | D              | D       | D       |
| Cash/Price                                                        | 0.01         | 0.05       | 0.06      | 0.01           | 0.04    | 0.00    |
| EV/EBITDA                                                         | 20.36        | 18.02      | 14.74     | 14.09          | 19.10   | 18.85   |
| PEG F1                                                            | 3.50         | 4.32       | 2.38      | 4.05           | 7.88    | NA      |
| P/B                                                               | 2.14         | 2.03       | 3.59      | 2.14           | 2.49    | 2.48    |
| P/CF                                                              | 15.57        | 15.32      | 14.94     | 12.43          | 17.77   | 17.96   |
| P/E F1                                                            | 19.81        | 17.79      | 19.57     | 20.26          | 18.74   | 20.10   |
| P/S TTM                                                           | 9.77         | 7.27       | 2.86      | 8.68           | 10.35   | 9.09    |
| Earnings Yield                                                    | 5.15%        | 5.63%      | 4.98%     | 4.93%          | 5.33%   | 4.98%   |
| Debt/Equity                                                       | 0.71         | 1.04       | 0.68      | 0.78           | 1.05    | 0.72    |
| Cash Flow (\$/share)                                              | 10.61        | 3.09       | 6.83      | 5.00           | 13.62   | 7.52    |
| Growth Score                                                      | D            | -          | -         | D              | D       | C       |
| Historical EPS Growth (3-5 Years)                                 | 3.47%        | 2.23%      | 9.46%     | 1.67%          | 6.57%   | 2.82%   |
| Projected EPS Growth (F1/F0)                                      | -3.79%       | 1.29%      | 12.64%    | -5.99%         | -1.04%  | 2.97%   |
| Current Cash Flow Growth                                          | -9.39%       | 8.47%      | 4.97%     | 23.84%         | 5.93%   | 20.94%  |
| Historical Cash Flow Growth (3-5 Years)                           | 6.67%        | 15.27%     | 8.19%     | 5.74%          | 12.62%  | 15.27%  |
| Current Ratio                                                     | 0.51         | 1.42       | 1.38      | 0.80           | 3.14    | 0.05    |
| Debt/Capital                                                      | 41.49%       | 50.95%     | 41.49%    | 44.69%         | 51.45%  | 41.97%  |
| Net Margin                                                        | 27.97%       | 11.76%     | 10.61%    | 35.97%         | 39.89%  | 19.22%  |
| Return on Equity                                                  | 6.02%        | 4.83%      | 15.23%    | 8.89%          | 9.46%   | 5.63%   |
| Sales/Assets                                                      | 0.12         | 0.13       | 0.50      | 0.13           | 0.11    | 0.15    |
| Projected Sales Growth (F1/F0)                                    | -1.08%       | 2.74%      | 5.74%     | -4.12%         | -0.45%  | 2.67%   |
| Momentum Score                                                    | D            | -          | -         | F              | D       | D       |
| Daily Price Change                                                | 0.95%        | 2.27%      | 1.27%     | 0.86%          | 1.03%   | 1.68%   |
| 1-Week Price Change                                               | -0.64%       | -2.87%     | -4.02%    | 0.13%          | -1.58%  | -1.07%  |
| 4-Week Price Change                                               | 6.24%        | 4.32%      | 1.41%     | 8.12%          | 6.05%   | 10.00%  |
| 12-Week Price Change                                              | 0.33%        | 7.70%      | 5.46%     | 4.88%          | -4.87%  | 7.46%   |
| 52-Week Price Change                                              | -23.75%      | -18.38%    | 8.48%     | -24.95%        | -22.26% | -1.58%  |
| 20-Day Average Volume (Shares)                                    | 833,577      | 409,731    | 2,080,548 | 2,418,062      | 415,280 | 669,783 |
| EPS F1 Estimate 1-Week Change                                     | -0.12%       | 0.00%      | 0.00%     | 0.00%          | 0.00%   | 0.00%   |
| EPS F1 Estimate 4-Week Change                                     | -1.43%       | -0.16%     | 0.30%     | -1.12%         | -1.02%  | 0.00%   |
| EPS F1 Estimate 12-Week Change                                    | -3.75%       | -1.48%     | 1.44%     | -4.32%         | -1.45%  | 1.07%   |
| EPS Q1 Estimate Monthly Change                                    | -0.95%       | 0.00%      | 0.12%     | -0.52%         | -0.73%  | 0.00%   |

Source: Zacks Investment Research

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## 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.

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### 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    | D |
| Growth Score   | D |
| Momentum Score | D |
| VGM Score      | F |

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.

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## Disclosures

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## 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 forward-looking 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 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.

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**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.

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**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 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.

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**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.