

AvalonBay Communities (AVB)

\$193.42 (As of 03/15/21)

Price Target (6-12 Months): **\$164.00**

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: F

Growth: F

Momentum: B

Summary

In the first-quarter operating update, AvalonBay announced that its total residential rental revenues for established communities for the two-month period ended Feb 28 fell 9.1%, year on year, in line with the company's expectation for the quarter. Though the REIT has high-quality assets in some of the United States' premium markets, and is banking on technology, scale and organizational capabilities to drive innovation and margin expansion in its portfolio, it has significant exposure to challenged urban residential assets. With the pandemic's adverse impact on the job market, work-from-home wave and low mortgage rate, demand for rental units and tenants' rent-paying capabilities in its markets remain affected, leading to concessions and uncollectible lease revenues. Shares have underperformed the industry over the past year.

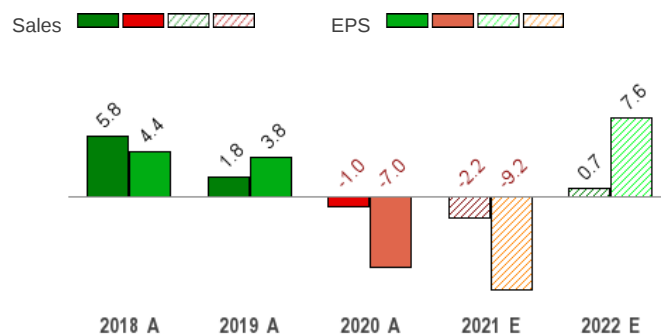
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$195.46 - \$118.17
20-Day Average Volume (Shares)	901,412
Market Cap	\$26.6 B
Year-To-Date Price Change	18.7%
Beta	0.97
Dividend / Dividend Yield	\$6.36 / 3.3%
Industry	REIT and Equity Trust - Residential
Zacks Industry Rank	Bottom 13% (221 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-3.4%
Last Sales Surprise	-0.1%
EPS F1 Estimate 4-Week Change	-1.4%
Expected Report Date	05/05/2021
Earnings ESP	-0.8%
P/E TTM	21.9
P/E F1	24.5
PEG F1	4.3
P/S TTM	11.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	554 E	560 E	567 E	574 E	2,265 E
2021	549 E	546 E	554 E	560 E	2,250 E
2020	602 A	576 A	567 A	556 A	2,301 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.04 E	\$2.08 E	\$2.11 E	\$2.15 E	\$8.49 E
2021	\$1.94 E	\$1.96 E	\$1.98 E	\$2.02 E	\$7.89 E
2020	\$2.39 A	\$2.23 A	\$2.06 A	\$2.02 A	\$8.69 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 03/15/2021. The report's text and the analyst-provided price target are as of 03/16/2021.

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. It is an S&P 500 Index member.

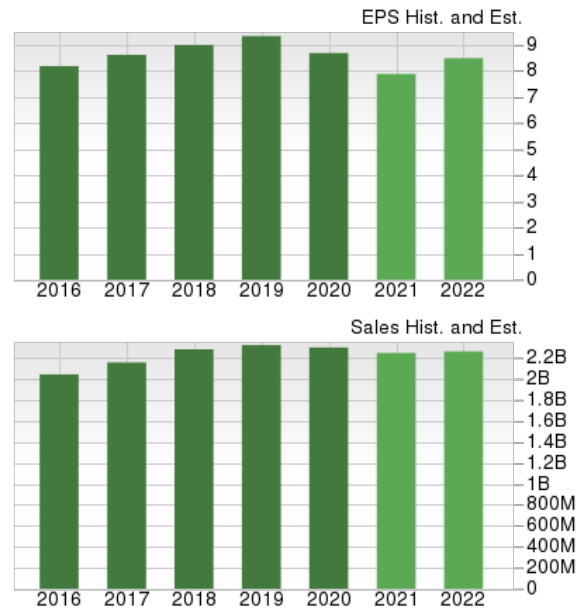
These markets include New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California. The company is also targeting expansion in Southeast Florida and Denver, CO.

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 291 operating apartment communities as of Dec 31, 2020. These communities included 86,025 apartment homes in 11 states and the District of Columbia. Of these, 18 communities were under development and one community was under redevelopment.

During the October-December period, the company accomplished the development of four consolidated apartment communities. The communities contain 1,044 apartment homes and were constructed for \$385 million. As of Dec 31, 2020, AvalonBay had 16 consolidated development communities under construction (expected to contain 5,128 apartment homes and 62,000 square feet of commercial space). The estimated total capital cost at completion for these development communities is \$1.95 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

Reasons To Sell:

- ▼ The pandemic's adverse impact on economy and the job-market environment is resulting in household contraction and consolidation. In addition, record-low mortgage rates have been driving demand for existing and new-home purchases, mainly for young age cohorts where homeownership rates have started to shoot up. Particularly, results in recent quarters reflect decline in residential rental revenues on lease rates and concessions as well as uncollectible lease revenues. Moreover, in the near term, same-store revenues are likely to remain strained 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. A number of factors are affecting rental demand, including health concerns of living in dense environments and the continuation of the work-from-home mandates 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 and the rollout efficacy of the vaccine. In the suburban portfolio too there have been weakness, particularly in job-centric hubs where employers have embraced extended work from home policies while transit focused developments with use of mass transit has dropped significantly during the pandemic.
- ▼ In addition, amid this situation, the rent-paying capabilities of tenants have been affected. In fact, the company's results in recent quarters reflect the impact of concessions and uncollectible lease revenues. Amid the current economic environment and the continuation of the health crisis, the stressful financial condition of the company's tenants, together with regulations that limit its ability to quickly evict tenants, is likely to affect its cash flows.
- ▼ It is also feared that the struggle to lure renters is here to stay now, as supply volumes will likely remain elevated, particularly in the central business districts and urban submarkets. In fact, following delays in project timelines, completions bounced back in the last half of 2020. With a significant number of new units slated for completion this year, particularly in the gateway markets, coupled with job losses, leasing activity will likely be affected.
- ▼ 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 gained 6.5% over the past year, underperforming its industry's rally of 12.2%. Moreover, 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 2.8% 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 impact of the pandemic on the job market will likely affect demand and hurt tenants' rent-paying capabilities. Remote working environment and high apartment supply add to its woes.

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 a decent number of both suburban and 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 suburban portfolio is performing comparatively better.
 - 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 anticipates development starts to rebound in 2021. Also, its current development pipeline is 95% match-funded and these developments are likely to contribute significant incremental cash flow over the next several years. Importantly, over the past years, the company has shifted its focus to more suburban locations, with about 85% of its development starts been located in suburban markets over the past four years, and is now experiencing benefit of this strategy as suburban residential real estate market fundamentals have been comparatively favorable. For 2021 too, the company's development starts are concentrated in suburban markets.
 - AvalonBay has a healthy balance sheet and ample liquidity to sail through these uncertain times. As of Dec 31, 2020, the REIT did not have any borrowings outstanding under its \$1.75-billion unsecured credit facility. The company had \$313.5 million in unrestricted cash and cash in escrow as of the same date. In addition, its annualized net debt-to-core EBITDA for the October-December quarter was 5.4 times and unencumbered net operating income (NOI) was 94%, providing scope for tapping additional secured debt capital if required. Considering debt maturities, the company noted that it has only \$600 million in debt maturity and amortization over the next two years of which less than \$40 million matures in 2021, which seems manageable. In fact, with roughly \$2 billion from its credit facility and cash on hand the company remains well poised to fund \$600 million in remaining expenditures on development underway and \$600 million in debt maturity in the next two years.
 - 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%. Moreover, last July, AvalonBay's board of directors 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. In the fourth quarter, the company repurchased 313,057 shares of common stock at an average price of \$148.25 per share under this program. Along with a healthy balance sheet, such efforts boost investors' confidence in the stock.
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Last Earnings Report

AvalonBay Misses on Q4 FFO, Issues Bleak Q1 Outlook

AvalonBay's fourth-quarter 2020 core FFO per share of \$2.02 missed the Zacks Consensus Estimate of \$2.09. The reported figure also declined 16.9% year over year from the prior-year quarter's \$2.43.

Total revenues of \$555.8 million slipped 6.4% year over year. Also, the revenue figure marginally missed the Zacks Consensus Estimate of \$556.6 million.

Results reflect decline in residential rental revenues on lease rates and concessions as well as uncollectible lease revenues. Moreover, the company has provided a soft first-quarter 2021 outlook.

AvalonBay noted that the timing and strength of recovery, mainly in the urban submarkets is more uncertain than the past cycles, though the transaction market is healthy with suburban assets trading at or above pre-pandemic values.

For full-year 2020, the core FFO per share came in at \$8.69, 7% lower than the prior-year tally of \$9.34 and missed the Zacks Consensus Estimate of \$8.76 as well. Revenues edged down 1% year on year to \$2.3 billion.

The company also noted about the residential revenue collections for established communities, through Jan 31. Collected residential revenues for the fourth quarter improved to 95.9% as of Jan 31 from 94.8% at fourth-quarter end. In addition, the third-quarter rent collections were 97.1%, up from 95.2% at third-quarter end, while second-quarter rent collections improved to 98.1% as of Jan 31 from 95.4% at second-quarter end. Collected residential revenues for January 2021 was 92.9% as of Jan 31.

Quarter in Detail

In the reported quarter, revenues from established communities decreased 8.7% year over year to nearly \$486 million. Dismal residential and commercial uncollectible lease revenues resulted in this decrease.

Operating expenses for established communities flared up 5.8% on a year-over-year basis. Consequently, net operating income (NOI) from established communities dropped 14.3% year on year to \$328.6 million.

During the October-December period, the company accomplished the development of four consolidated apartment communities. The communities contain 1,044 apartment homes and were constructed for \$385 million.

As of Dec 31, 2020, AvalonBay had 16 consolidated development communities under construction (expected to contain 5,128 apartment homes and 62,000 square feet of commercial space). The estimated total capital cost at completion for these development communities is \$1.95 billion.

In the December-end quarter, the company acquired three land parcels for future development, for a total investment of \$77.35 million. During the same period, the company sold six wholly-owned operating communities for a total of \$444.1 million, leading to an economic gain of \$160.5 million.

During the fourth quarter, the company sold 11 of the 172 residential condominiums at The Park Loggia, in New York, NY, for gross proceeds of \$33.86 million.

Balance Sheet Position

As of Dec 31, 2020, AvalonBay did not have any borrowings outstanding under its \$1.75-billion unsecured credit facility. The company had \$313.5 million in unrestricted cash and cash in escrow as of the same date. In addition, its annualized net debt-to-core EBITDA for the October-December quarter was 5.4 times and unencumbered NOI was 94%.

Stock-Repurchase Program

Last July, AvalonBay's board of directors 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. In the fourth quarter, the company repurchased 313,057 shares of common stock at an average price of \$148.25 per share under this program.

Outlook

For first-quarter 2021, the company expects core FFO per share in the range of \$1.85 and \$1.95.

The company expects established communities residential revenues to be down 8.5-10%, operating expense to flare up 2.8-5.8% and NOI to slip 13.2-16.2%.

For full-year 2021, the company projects total capital cost for development starts of \$650-\$850 million, total capital cost for development completions of \$1.1 billion and projected NOI from development communities of \$40-\$50 million.

Quarter Ending	12/2020
Report Date	Feb 03, 2021
Sales Surprise	-0.14%
EPS Surprise	-3.35%
Quarterly EPS	2.02
Annual EPS (TTM)	8.70

Recent News

AvalonBay Updates on Q1 Operations, Rental Revenues Fall – Mar 5, 2021

In the first-quarter operating update, AvalonBay announced that its total residential rental revenues for established communities for the two-month period ended Feb 28, declined 9.1%, year on year. However, management noted that this is in line with the company's expectation for the first quarter which was issued in early February.

Per the operating update, like-term effective rent change for established communities was a negative 7.9% in February compared with a negative 9.9% in January and negative 10.8% in December. Northern California and Pacific Northwest recorded the sharpest February rent slump, marking a 15.1% and 12.7% decline, respectively, in the month.

The pandemic has resulted in macroeconomic uncertainties and a choppy job-market environment, in turn, causing household contraction and consolidation. Moreover, a number of factors are affecting rental demand, including health concerns of living in dense environments and the continuation of the work-from-home mandates that is resulting in a shift of renter demand away from higher cost and urban/infill markets.

AvalonBay's urban communities too have been affected, though there seems to be some recovery in the month of February. Particularly, rents in established communities in urban region fell 16.6% in February compared with 19.5% in January and 20.5% in December. Rents in established communities in suburban region fell 4.3% in February compared with 5.0% in January and 5.9% in December.

Encouragingly, AvalonBay witnessed an improvement in average physical occupancy for established communities, which improved to 95% in February, from 94.7% in January and 94.3% in December. As anticipated, suburban communities are enjoying better occupancy compared to urban communities. Average physical occupancy for suburban communities improved to 95.5% in February, from 95.2% in January and 95% in December. In case of urban communities, average physical occupancy improved to 93.7% in February from 93.3% in January and 92.3% in December.

Region wise, in February, Southern California and Metro New York/New Jersey experienced highest occupancy with average physical occupancy of 95.9% and 95.2%, respectively. However, Pacific Northwest and Mid-Atlantic had the lowest occupancy, with average physical occupancy of 94.1% and 94.4% level, respectively.

Dividend Update

On Feb 3, AvalonBay's board of directors announced first-quarter 2021 dividend of \$1.59 per share. This dividend will be paid on Apr 15, to common stockholders of record as of Mar 31, 2021.

Valuation

AvalonBay's shares are up 6.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have increased 12.2% and 55%, respectively, over the same period.

The S&P 500 Index has been up 58.3% over the trailing 12-month period.

The stock is currently trading at 24.14X forward 12-month FFO, which compares to 21.93X for the Zacks sub-industry, 17.38X for the Zacks sector and 22.59X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 24.14X and as low as 12.27X, with a 5-year median of 20.16X. Our underperform recommendation indicates that the stock will perform worse than the market. Our \$164 price target reflects 20.47X FFO.

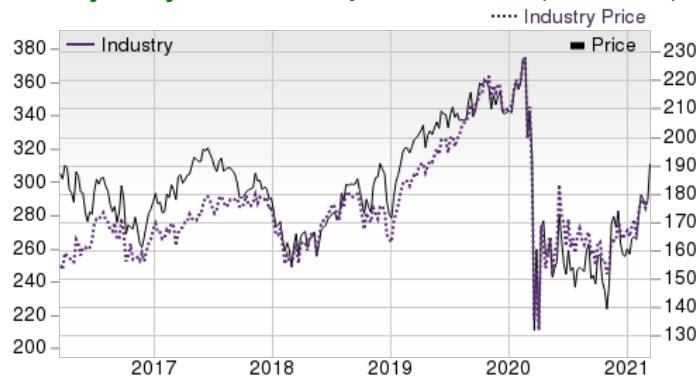
The table below shows summary valuation data for AVB.

Valuation Multiples - AVB					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	24.14	21.93	17.38	22.59
	5-Year High	24.14	22.61	17.38	23.80
	5-Year Low	12.27	15.74	11.60	15.30
	5-Year Median	20.16	18.43	14.58	17.90
P/S F12M	Current	11.98	11.96	7.60	4.59
	5-Year High	12.97	12.39	7.60	4.59
	5-Year Low	6.87	8.44	5.02	3.21
	5-Year Median	11.2	9.64	6.13	3.69
P/B TTM	Current	2.51	2.95	3.21	6.70
	5-Year High	2.9	3.35	3.21	6.70
	5-Year Low	1.54	1.85	1.74	3.83
	5-Year Median	2.42	2.48	2.60	4.97

As of 03/15/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 13% (221 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Apartment Investment and Management Company (AIV)	Neutral	3
Camden Property Trust (CPT)	Neutral	3
Equity Residential (EQR)	Neutral	4
MidAmerica Apartment Communities, Inc. (MAA)	Neutral	3
NexPoint Residential Trust, Inc. (NXRT)	Neutral	2
UMH Properties, Inc. (UMH)	Neutral	3
Essex Property Trust, Inc. (ESS)	Underperform	4
United Dominion Realty Trust, Inc. (UDR)	Underperform	4

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	Underperform	Neutral
Zacks Rank (Short Term)	5	-	-	4	4	3
VGM Score	F	-	-	F	F	F
Market Cap	26.58 B	1.58 B	28.65 B	27.37 B	18.71 B	16.22 B
# of Analysts	8	3	13	10	11	7
Dividend Yield	3.34%	3.19%	1.38%	3.28%	2.89%	2.89%
Value Score	F	-	-	D	D	D
Cash/Price	0.01	0.02	0.06	0.00	0.00	0.00
EV/EBITDA	21.91	18.95	16.24	16.46	18.95	22.22
PEG F1	4.26	4.64	2.38	5.19	6.29	NA
P/B	2.47	2.02	3.92	2.55	3.04	2.66
P/CF	17.23	18.47	16.36	15.56	17.70	21.49
P/E F1	24.13	21.38	21.26	25.96	23.16	21.68
P/S TTM	11.55	7.95	3.30	10.64	12.51	9.67
Earnings Yield	4.14%	4.68%	4.59%	3.85%	4.32%	4.61%
Debt/Equity	0.70	0.91	0.67	0.75	1.01	0.75
Cash Flow (\$/share)	11.22	1.84	6.78	4.82	16.59	6.75
Growth Score	F	-	-	F	F	D
Historical EPS Growth (3-5 Years)	2.92%	2.18%	9.32%	1.90%	5.65%	2.62%
Projected EPS Growth (F1/F0)	-9.23%	0.87%	14.55%	-13.22%	-3.06%	1.71%
Current Cash Flow Growth	5.65%	-11.92%	0.72%	-3.36%	20.19%	-10.00%
Historical Cash Flow Growth (3-5 Years)	5.16%	5.50%	7.32%	1.61%	10.60%	4.76%
Current Ratio	0.97	1.03	1.39	0.25	1.83	0.07
Debt/Capital	41.31%	48.90%	41.42%	43.78%	50.40%	42.84%
Net Margin	35.96%	8.36%	10.59%	35.53%	38.03%	15.19%
Return on Equity	7.66%	2.30%	14.65%	8.50%	9.02%	4.60%
Sales/Assets	0.12	0.12	0.51	0.12	0.11	0.15
Projected Sales Growth (F1/F0)	-2.21%	2.74%	6.95%	-7.26%	-3.63%	2.45%
Momentum Score	B	-	-	C	D	F
Daily Price Change	1.54%	1.52%	0.92%	2.21%	2.06%	2.26%
1-Week Price Change	7.23%	6.11%	2.96%	6.65%	8.66%	5.88%
4-Week Price Change	7.75%	6.77%	4.69%	11.23%	9.06%	4.95%
12-Week Price Change	22.45%	15.13%	10.09%	29.73%	25.63%	16.36%
52-Week Price Change	18.32%	40.40%	74.12%	22.73%	31.34%	38.14%
20-Day Average Volume (Shares)	901,412	545,219	2,323,115	2,411,480	459,239	672,320
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-1.39%	-0.13%	0.00%	-5.57%	-0.68%	-0.27%
EPS F1 Estimate 12-Week Change	-7.78%	-2.45%	2.09%	-11.45%	-4.58%	-1.20%
EPS Q1 Estimate Monthly Change	-0.34%	-0.30%	0.00%	-0.73%	-0.81%	-0.06%

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	F
Growth Score	F
Momentum Score	B
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.

Disclosures

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

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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.