

BOK Financial Corp (BOKF)

\$66.52 (As of 11/12/20)

Price Target (6-12 Months): **\$70.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/25/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: C

Summary

Shares of BOK Financial have outperformed the industry over the past six months. Its third-quarter results benefited from higher revenues and no provisions, partly offset by rising costs. The company's diverse revenue mix and efforts to expand continuously through strategic acquisitions will drive growth. Also, the company's improving asset quality over the years is impressive. Further, it is exposed to less credit risk in case of any economic downturn. Yet, BOK Financial has a disappointing earnings surprise history, having missed the Zacks Consensus Estimate in three of the trailing four quarters. Consistently rising operational costs and the capital-deployment activities seem unsustainable in the long run. Also, changing conditions of the global financial markets is a woe. Further, low interest rates keep margin under pressure.

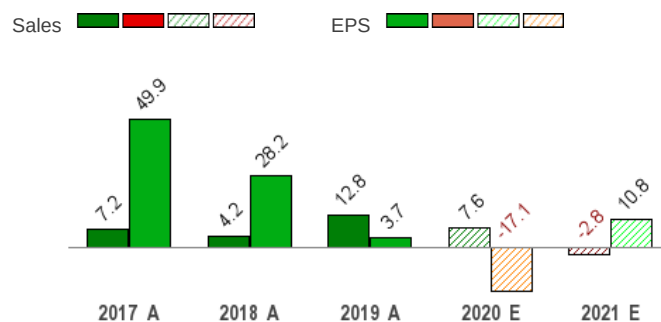
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$88.28 - \$34.57
20-Day Average Volume (Shares)	286,747
Market Cap	\$4.7 B
Year-To-Date Price Change	-23.9%
Beta	1.62
Dividend / Dividend Yield	\$2.08 / 3.1%
Industry	Banks - Southwest
Zacks Industry Rank	Top 14% (35 out of 248)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	45.0%
Last Sales Surprise	4.8%
EPS F1 Estimate 4-Week Change	15.9%
Expected Report Date	01/27/2021
Earnings ESP	3.6%
P/E TTM	12.0
P/E F1	11.4
PEG F1	1.9
P/S TTM	2.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	482 E	477 E	477 E	475 E	1,890 E
2020	442 A	511 A	506 A	488 E	1,944 E
2019	435 A	458 A	466 A	449 A	1,807 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.93 E	\$1.73 E	\$1.64 E	\$1.62 E	\$6.46 E
2020	\$0.88 A	\$0.92 A	\$2.19 A	\$1.93 E	\$5.83 E
2019	\$1.54 A	\$1.93 A	\$2.00 A	\$1.56 A	\$7.03 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 11/12/2020. The reports text is as of 11/13/2020.

Overview

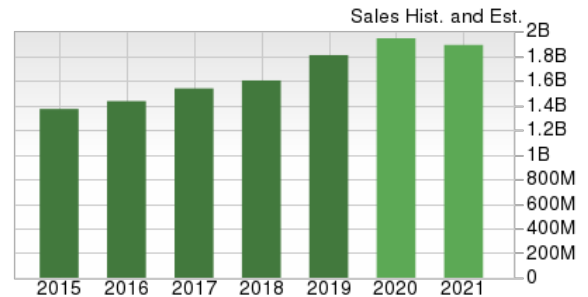
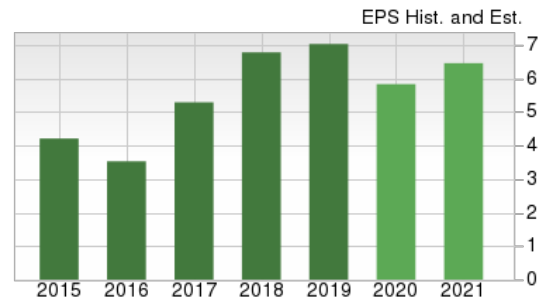
BOK Financial Corporation is a regional financial services company, headquartered in Tulsa, OK. Its principal subsidiary – BOKF, NA (“the Bank”) – operates the TransFund, Cavanal Hill Investment Management, MBM Advisors and seven banking divisions: Bank of Albuquerque, Bank of Arizona, Bank of Arkansas, Bank of Kansas City, Bank of Oklahoma, Bank of Texas and Colorado State Bank and Trust. Other wholly owned subsidiary includes the broker/dealer subsidiary BOK Financial Securities, Inc. and investment adviser The Milestone Group, Inc. The company operates primarily in the metropolitan areas of Tulsa and Oklahoma City, Oklahoma; Dallas, Fort Worth and Houston, Texas; Albuquerque, New Mexico; and Denver, Colorado; Phoenix, Arizona, and Kansas City, Kansas/Missouri.

BOK Financial operates three principal lines of business:

- **Commercial banking** includes lending, treasury and cash management services, and customer risk management products for small businesses, middle-market and larger commercial customers. Commercial banking also includes the TransFund electronic funds network.
- **Consumer banking** includes retail lending as well as deposit services and all mortgage banking activities.
- **Wealth management** provides fiduciary services, brokerage and trading, private bank services and investment advisory services in all markets.

In addition, the company has a **fund management unit**. The primary purpose of this unit is to manage overall liquidity needs and interest rate risks. Each line of business borrows and provides funds to the fund management unit as needed to support their operations.

In October 2018, BOK Financial completed the merger with Denver-based CoBiz Financial Inc and strengthened its foothold in Colorado and Arizona. In November 2016, the company acquired MBT Bancshares (Mobank) in Kansas City in an all cash deal.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Over the past several years, BOK Financial has transformed from merely being a bank in Oklahoma to a chief financial service provider. The company has consistently continued its expansion into carefully selected markets in neighbouring states. Since 2016, it has completed a number of acquisitions expanding asset management business and its footprint. The company strengthened its foothold in Colorado and Arizona following the merger with Denver-based CoBiz Financial in 2018. We remain encouraged by such expansion moves that boost the company's growth prospects.
- ▲ Amid a competitive banking environment, when most of the banks are facing challenges in achieving decent loan growth, BOK Financial has been able to post continuous loan growth on increase in commercial and consumer loans with a Compound Annual Growth Rate (CAGR) of 8.2% in the last five years (2015-2019). We believe, given the continuation of such trend, the company is poised for organic growth. Notably, the uptrend continued in the first nine months of 2020.
- ▲ As of Sep 30, 2020, BOK Financial had total debt worth \$4 billion which witnessed a decline over the past few quarters. As of the same date, the company's cash and cash equivalents and due from banks totaled \$1 billion. Moreover, its times-interest-earned of 5.5 at the end of the third quarter of 2020 increased over the past few quarters. Also, the company's current total debt to total capital of 36.8% declined over the past few quarters. Thus, the company has a lower credit risk and it might be able to continue meeting debt obligations in the near term if the economic situation worsens.
- ▲ We see the improved asset quality trends at BOK Financial as encouraging. Non-performing assets, charge offs and allowance for credit losses have been declining consistently over the past few years with some quarter volatility. As energy loans form a major part of the company's lending portfolio, though volatility in the oil prices resulted in elevated provision for credit losses in 2015 and 2016, the company did not book provisions in the prior few years. Notably, management noted that the energy credit environment stabilized, along with commodity prices and the energy portfolio contributed to grow in 2017, 2018 and 2019. We believe the company is poised to strengthen its balance sheet, if the economy recovers from the coronavirus crisis. Notably, management views great opportunity for the energy franchise over the next several years.
- ▲ Shares of BOK Financial have outperformed the industry over the past six months. With this favorable trend, the company's current-year earnings estimates have been revised 15.9% upward over the past month. Further, the stock seems undervalued when compared with the broader industry. Its current price-to-book and price-to-earnings (F1) ratios are below the respective industry averages. Therefore, given the progress on fundamentals and positive estimate revisions, the stock has decent upside potential.

BOK Financial's expansion moves bolster its growth prospects. Also, the company continues to benefit from consistent growth in loans. Further, improving asset quality remains a tailwind.

Reasons To Sell:

- ▼ BOK Financial is exposed to operational risks. Operating expenses escalated at a CAGR of 7.1% over the last five years (2015-2019), due to a rise in almost all the components. The uptrend continued in the first three quarters of 2020. Any further escalation in costs cause operational inefficiency and might hinder bottom-line expansion in the near term. Notably, as part of expense control initiatives, the company hired a consultant to work on FDIC expense who identified \$5.1 million in refunds of insurance assessments paid in 2013 through 2016. It is anticipated that such move will reduce ongoing FDIC expense by about \$1 million per quarter, all other things being equal.
- ▼ Backed by a higher interest rate environment, margin pressure for BOK Financial eased. In the three years ended 2018, the company reported rise in net interest margin (NIM), after facing a declining trend for years. Also, it has been benefiting from improved loan yields. Nevertheless, NIM declined in 2019 and in the first three quarters of 2020 due to a decline in rates. Notably, in mid-March, the Federal Reserve lowered rates to near-zero levels to protect the economy from the coronavirus-induced financial breakdown. Thus, the company's NIM is likely to remain under pressure in the near term.
- ▼ Changing conditions of the global financial markets and general economic conditions could adversely affect BOK Financial's businesses. Notably, brokerage and trading revenues that constitute a major source of other operating revenues are exposed to risks as it depends on the volume of transactions. The volume of transactions increases with market volatility and decreases with market stability. Therefore, potential reduction in transaction volumes might negatively affect earnings in the coming quarters.
- ▼ BOF Financial has a share-repurchase plan in place but has suspended it through the third quarter of 2020. Also, the company has been hiking dividend every year, with the latest hike of 2% announced this month, but its debt/equity ratio and dividend payout ratio seems unfavorable compared with the broader industry. Further, the company's performance in the past few quarters has been quite fluctuating. Hence, we believe these capital-deployment activities might not be sustainable.

Consistently increasing expenses and unsustainable capital deployment activities remain near term headwinds. Also, lower transaction volumes due to uncertain global financial markets are a concern.

Last Earnings Report

BOK Financial Beats Q3 Earnings Estimates on High Revenues

BOK Financial reported an earnings surprise of 45% for third-quarter 2020. Earnings per share of \$2.19 cents surpassed the Zacks Consensus Estimate of \$1.51. Further, the bottom line compares favorably with the prior-year quarter's \$2.00.

Results reflect top-line growth, aided by an increase in fee income and no provisions. Further, growth in deposits strengthens the balance sheet. Yet, rising expenses, shrinking margins and rising non-performing assets remain woes.

Net income attributable to shareholders came in at \$154 million compared with the \$142.2 million recorded in the year-ago quarter.

Revenues Climb, Costs Flare Up, Loans Decrease

Revenues came in at \$505.9 million, up 11.5% year over year. The revenue figure also handily outpaced the Zacks Consensus Estimate of \$482.6 million.

Net interest revenues totaled \$271.8 million, down 2.6% year over year. Furthermore, net interest margin (NIM) shrunk 20 basis points (bps) year over year to 2.81%.

BOK Financial's fees and commissions revenues amounted to \$222.9 million, up 19.7% on a year-over-year basis. Higher brokerage and trading revenues, transaction card revenues, along with elevated mortgage banking revenues, primarily led to this upswing. This was partly offset by lower deposit service charges and fees, fiduciary and asset management revenues, along with reduced other revenues.

Total other operating expenses were \$301.3 million, up 7.9% year over year. This uptick mainly stemmed from higher personnel expenses, data-processing and communication expenses and mortgage banking costs.

Efficiency ratio increased to 60.41% from the prior years' 59.31%. Generally, a higher ratio indicates decline in profitability.

Total loans as of Sep 30, 2020, were \$23.8 billion, down 1.5% sequentially. As of the same date, total deposits amounted to \$35 billion, up 3.2% sequentially.

Credit Quality: A Concern

No provisions for credit losses were reported in the third quarter. However, the combined allowance for credit losses was 1.76% of outstanding loans as of Sep 30, 2020, up from the year-ago period's 0.92%.

Additionally, non-performing assets totaled \$416.8 million or 1.75% of outstanding loans and repossessed assets as of Sep 30, 2020, up from the \$286.2 million recorded in the prior-year period. Net charge-offs were \$22.4 million, up significantly year over year.

Capital & Profitability Ratios

As of Sep 30, 2020, the common equity Tier 1 capital ratio was 12.07% as compared with 11.06% as of Sep 30, 2019.

Tier 1 and total capital ratios on Sep 30, 2020, were 12.07% and 14.05%, respectively, compared with 11.06% and 12.56% as of Sep 30, 2019. Leverage ratio was 8.39% compared with 8.41% as of Sep 30, 2019.

Return on average equity was 11.89% compared with the year-earlier quarter's 11.83%. Return on average assets was 1.25% compared with the 1.29% witnessed in the year-ago period.

Outlook

Management expects loan growth to remain soft in the foreseeable future. However, with the expectation of economic recovery, the company seeks to look for opportunities to grow loan again in 2021.

Available-for-sale security portfolio yield is expected to fall as prepayments force reinvestment at lower rates.

Fee revenues are anticipated to continue showing strength and are projected to remain at elevated levels in the near to intermediate term on brokerage and trading activity, given the company's ability to monetize every part of the fixed income space. Mortgage business is expected to remain solid from continued low rates and housing demand, with perhaps some normal seasonal slowdown in the fourth quarter.

Operating expenses are likely to be at relatively same levels of the past few quarters.

The company expects to resume opportunistic share repurchase activity in the fourth quarter.

Quarter Ending	09/2020
Report Date	Oct 21, 2020
Sales Surprise	4.84%
EPS Surprise	45.03%
Quarterly EPS	2.19
Annual EPS (TTM)	5.55

Recent News

Dividend Update

On Nov 3, BOK Financial's board of directors announced a quarterly cash dividend of 52 cents per share, up 2% from previous payout. The dividend will be paid on Nov 24 to shareholders on record as of Nov 11.

Valuation

BOK Financial's shares are down 24.1% in the year-to-date period and 19% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 17.9% and 10.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 13.2% and 7.1%, respectively.

The S&P 500 Index is up 10.2% and 14.9% in the year-to-date period and trailing 12-month period, respectively.

The stock is currently trading at 10.58X forward 12 months earnings, which compares to 13.13X for the Zacks sub-industry, 16.89X for the Zacks sector and 22.28X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 22.01X and as low as 5.52X, with a 5-year median of 13.39X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$70 price target reflects 11.11X earnings per share.

The table below shows summary valuation data for BOKF

Valuation Multiples - BOKF					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.58	13.13	16.89	22.28
	5-Year High	22.01	17.95	16.89	23.47
	5-Year Low	5.52	10.56	11.59	15.27
	5-Year Median	13.39	14.1	14.45	17.72
P/TB TTM	Current	1.17	1.64	3.57	17.68
	5-Year High	2.47	2.92	4	17.86
	5-Year Low	0.71	1.06	2.01	7.43
	5-Year Median	1.78	2.14	3.49	10.75
P/S F12M	Current	2.46	3.57	6.06	4.15
	5-Year High	4.29	5.33	6.66	4.3
	5-Year Low	1.41	2.76	4.96	3.17
	5-Year Median	3.15	4.16	6.05	3.67

As of 11/12/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 14% (35 out of 248)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Southside Bancshares, Inc. (SBSI)	Outperform	2
UMB Financial Corporation (UMBF)	Outperform	1
Banc of California, Inc. (BANC)	Neutral	2
BancFirst Corporation (BANF)	Neutral	3
CullenFrost Bankers, Inc. (CFR)	Neutral	3
First Financial Bankshares, Inc. (FFIN)	Neutral	1
Prosperity Bancshares, Inc. (PB)	Neutral	3
Texas Capital Bancshares, Inc. (TCBI)	Neutral	3

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

Industry Comparison Industry: Banks - Southwest				Industry Peers		
	BOKF	X Industry	S&P 500	CFR	PB	TCBI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	D	B	F
Market Cap	4.68 B	194.50 M	24.08 B	4.93 B	5.52 B	2.54 B
# of Analysts	6	2	14	6	5	7
Dividend Yield	3.07%	1.43%	1.54%	3.62%	3.08%	0.00%
Value Score	C	-	-	C	B	F
Cash/Price	0.77	0.71	0.07	1.62	0.21	4.79
EV/EBITDA	4.69	4.15	14.16	-2.91	9.22	-9.36
PEG F1	1.95	2.81	2.70	1.65	1.08	3.97
P/B	0.89	0.92	3.46	1.21	0.92	0.96
P/CF	8.01	10.32	13.42	8.02	13.51	7.00
P/E F1	11.68	12.91	21.54	15.63	10.77	31.72
P/S TTM	2.18	2.31	2.75	3.25	4.35	1.95
Earnings Yield	8.76%	7.76%	4.48%	6.39%	9.29%	3.14%
Debt/Equity	0.58	0.33	0.70	0.06	0.02	1.17
Cash Flow (\$/share)	8.31	1.71	6.92	9.78	4.42	7.18
Growth Score	F	-	-	D	D	F
Historical EPS Growth (3-5 Years)	14.89%	12.49%	9.77%	5.32%	7.20%	12.49%
Projected EPS Growth (F1/F0)	-17.02%	-8.11%	0.37%	-26.58%	10.36%	-74.57%
Current Cash Flow Growth	7.34%	8.59%	5.23%	1.26%	12.62%	8.59%
Historical Cash Flow Growth (3-5 Years)	8.19%	14.05%	8.33%	10.10%	2.48%	19.05%
Current Ratio	0.78	0.96	1.38	0.72	0.81	1.15
Debt/Capital	36.83%	24.73%	42.01%	5.45%	2.03%	52.51%
Net Margin	18.23%	20.99%	10.40%	22.81%	37.67%	6.16%
Return on Equity	7.73%	7.86%	15.07%	6.68%	8.42%	5.48%
Sales/Assets	0.05	0.05	0.50	0.04	0.04	0.04
Projected Sales Growth (F1/F0)	7.57%	0.00%	0.23%	0.97%	40.70%	-3.23%
Momentum Score	C	-	-	B	A	A
Daily Price Change	-1.10%	-1.10%	-1.50%	-1.83%	-2.16%	-2.71%
1-Week Price Change	2.28%	0.28%	5.72%	0.75%	1.03%	-2.18%
4-Week Price Change	18.55%	12.13%	3.14%	13.93%	7.09%	32.30%
12-Week Price Change	18.64%	11.53%	7.32%	12.13%	9.23%	58.25%
52-Week Price Change	-18.76%	-18.87%	4.15%	-15.81%	-14.88%	-13.61%
20-Day Average Volume (Shares)	286,747	16,090	2,164,670	529,887	474,133	674,906
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	15.89%	11.21%	2.00%	8.73%	2.27%	58.72%
EPS F1 Estimate 12-Week Change	17.81%	11.31%	3.94%	11.31%	3.00%	78.31%
EPS Q1 Estimate Monthly Change	15.80%	5.22%	0.68%	-2.76%	-1.41%	36.72%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	F
Momentum Score	C
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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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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.