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Dec 23, 2020

Broadridge Financial (BR)

$148.48 (As of 12/22/20)

Price Target (6-12 Months): **$157.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/10/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: C | Growth: C | Momentum: B	

Summary

Broadridge has a strong business model, backed by higher recurring fee revenues. The company has supplemented internal growth with strategic acquisitions. It has diversified products and services to support top line growth. The company is executing well on its growth strategy in governance, capital markets and wealth management. Rising demand for technology solutions has enabled the company to increase investments in digital, AI, cloud and blockchain particularly via acquisitions. The company has been consistently rewarding its shareholders. Partly due to these positives, the stock has outperformed its industry in the past year. However, the company continues to grapple with client concentration. Its customer communications business remains weak. Stiff competition affects the company's ability to increase market share and profitability.

Price, Consensus & Surprise

Source: Zacks Investment Research

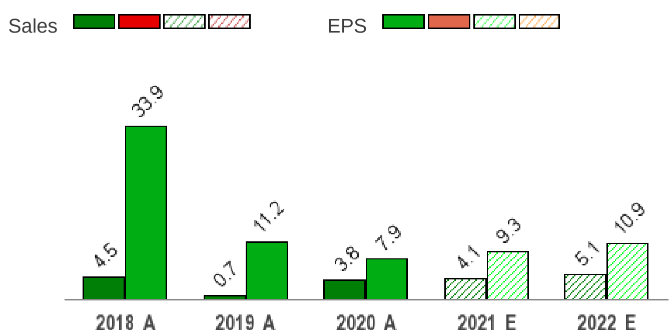
Data Overview

52-Week High-Low	$154.22 - $81.90
20-Day Average Volume (Shares)	590,611
Market Cap	$17.2 B
Year-To-Date Price Change	20.2%
Beta	0.83
Dividend / Dividend Yield	$2.30 / 1.5%
Industry	Outsourcing
Zacks Industry Rank	Top 31% (78 out of 255)

Last EPS Surprise	55.6%
Last Sales Surprise	5.8%
EPS F1 Estimate 4-Week Change	0.2%
Expected Report Date	01/29/2021
Earnings ESP	-3.6%

P/E TTM	27.9
P/E F1	27.0
PEG F1	2.7
P/S TTM	3.7

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,060 E	1,080 E	1,359 E	1,442 E	4,955 E
2021	1,017 A	1,026 E	1,302 E	1,367 E	4,713 E
2020	949 A	969 A	1,250 A	1,362 A	4,529 A

EPS Estimates

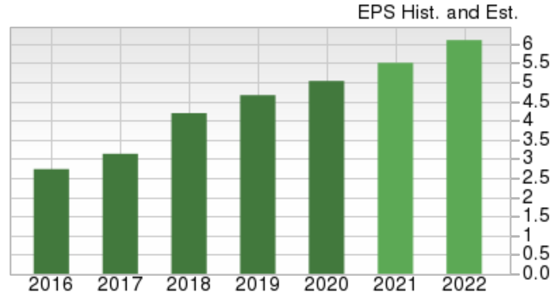
	Q1	Q2	Q3	Q4	Annual*
2022	$0.99 E	$0.90 E	$1.93 E	$2.30 E	$6.10 E
2021	$0.98 A	$0.73 E	$1.71 E	$2.09 E	$5.50 E
2020	$0.68 A	$0.53 A	$1.67 A	$2.15 A	$5.03 A

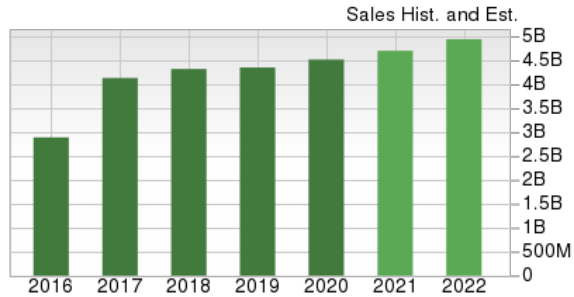
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 12/22/2020. The reports text is as of 12/23/2020.

Overview

Based in Lake Success, NY, Broadridge is a global financial technology company that offers investor communications and technology-driven solutions to banks, broker-dealers, asset managers and corporate issuers. The company is a leading producer and distributor of a variety of documents, widely used in the financial industry including proxies, annual reports, prospectuses and trade confirmations.





The company classifies its operations into the following two reportable segments: **Investor Communication Solutions** and **Global Technology and Operations**.

Investor Communication Solutions (77% of FY20 total revenues) offers Bank/Broker-Dealer Investor Communication, Customer Communication, Advisor, Corporate Issuer, and Mutual Fund and Retirement Solutions. Major portion of the business involves processing and distribution of proxy materials to investors in equity securities and mutual funds, and facilitation of related vote processing. Multi-channel customer communication solutions are offered to companies in the financial services, insurance, consumer finance, retail banking, healthcare, telecommunications, utilities, and other service industries. Corporate issuer solutions include Internet and telephone proxy voting, electronic delivery of proxy and other disclosure materials, and householding of communications to stockholders at the same address. Advisor solutions include critical data, technology products and marketing services offered to financial advisors. Mutual fund and retirement solutions encompass regulatory, marketing and transactional communications solutions, data and analytics solutions, and mutual fund processing services.

Global Technology and Operations (23% of FY20 total revenues)- The company's Global Technology and Operations segment offers middle- and back-office securities processing solutions including desktop productivity tools, data aggregation, portfolio management, order capture and execution, performance reporting, trade confirmation, margin, cash management, clearance and settlement, reconciliation, securities financing and collateral optimization, asset servicing, reference data management, compliance and regulatory reporting, and accounting. It also offers international securities processing and managed services.

Source: Zacks Investment Research

Reasons To Buy:

> Broadridge has a strong business model, backed by higher recurring fee revenues.

▲ We believe that Broadridge has a **strong business model**. The company generates recurring revenues and a good percentage of its business comes from recurring fee revenues, which include contributions from net new business, internal growth and acquisition-related synergies. Notably, revenues for fiscal 2020, 2019 and 2018 came in at $4.53 billion, $4.36 billion and $4.33 billion, respectively, representing year-over-year growth of approximately 4%, 1% and 5%, respectively. Revenue growth is an important metric for any company as it is a vital part of growth projections and instrumental in strategic decision-making. Also, revenue growth is essential for justifying the fixed and variable expenses incurred to operate a business. Broadridge's diversified products and services coupled with strategic acquisitions have boosted top-line growth. Higher revenues will expand margins and increase profitability in the long run.

▲ Broadridge company is executing well on a number of **strategic priorities**. Firstly, Broadridge remains focused on improving its financial performance. In 2020, it delivered 10% recurring revenue growth, 40 basis points of margin expansion and 8% adjusted EPS growth, all in line with its guidance. For 2021, Broadridge expects 2-6% recurring revenue growth, around 100 basis points of margin expansion and 4% to 10% adjusted EPS growth. Secondly, the company is executing well on its growth strategy in governance, capital markets and wealth management. On the governance front, it is building next generation of regulatory communications and expanding services across the entire network it serves. The recent acquisition of TD Ameritrade's retirement plan custody trust assets should strengthen Broadridge's mutual fund and retirement business and enhance its position as one of the leading providers of custodial and sub-custodial solutions. In capital markets, Broadridge continues to onboard new clients to its new GPTM global platform. The company has strong backlog and good visibility in terms of client addition. Further, it has strengthened its wealth management business through acquisitions of Rockall and RPM. Lastly, the company is strengthening its client-focus culture and investing in technologies (digital, AI, cloud and blockchain). These, supported by leadership from existing as well as recently hired senior managers, are expected to enhance the value of its core product offerings going forward.

▲ Broadridge has supplemented internal growth with **strategic acquisitions**. In February 2020, Broadridge completed the acquisition of FundsLibrary which will amplify it's pan-European regulatory communications and digital data platform, supporting the lifecycle of fund data, documents, and regulatory reporting for the investment industry. The 2019 buyout of ClearStructure Financial Technology should expand its asset management technology suite across private debt markets and that of Fi360 should favor its Investor Communication Solutions segment. Another acquisition, RPM Technologies will strenthen Broadridge's Canadian wealth management business. In our opinion, acquisitions will help Broadridge to evolve as one of the leading financial and outsourcing services providers with an expanded product portfolio and customer reach.

▲ We are impressed with Broadridge's endeavors in **rewarding its shareholders** through share repurchases and dividend payments. In fiscal 2019, the company returned $466.2 million to shareholders through a combination of $211.2 million in dividends and $255 million via share repurchase. In fiscal 2018, Broadridge returned $391 million through a combination of dividend payment of $165.8 million and share repurchases worth $225 million. In fiscal 2017, Broadridge repurchased shares worth $282 million and paid $152.2 million in dividends. Such moves indicate the company's commitment to create value for shareholders and underline its confidence in its business. They not only instill investors' confidence but also positively impact earnings per share. This might have positively impacted the company's share price which has gained 20.7% over the past year, outperforming the 7.1% growth of the industry.

Reasons To Sell:

Stiff competition, acquisition related expenses and integration risks, client concentration and high debt weigh on Broadridge's prospects.

- Broadridge faces significant **competition** from the likes of DST Systems Inc. The company's Investor Communication Solutions business competes with companies that provide investor communication and corporate governance solutions including transfer agents who handle communication services to registered (non-beneficial) securities holders, proxy advisory firms, proxy solicitation firms and other proxy services providers. It faces competitive threats from numerous firms in the compiling, printing and distribution of transaction confirmations, account statements and other customer communications. The Global Technology and Operations business principally competes with brokerage firms that perform their trade processing in-house and with numerous other outsourcing vendors. We believe that strong competition could negatively affect Broadridge's ability to maintain or increase its market share and profitability.

- Broadridge continues to acquire a large number of companies. While this improves revenue opportunities, business mix and profitability, it also adds to **costs and integration risks**. Moreover, frequent acquisitions are a distraction for management, which could impact organic growth, going forward.

- **Customer/Client concentration** is a major risk for Broadridge. During fiscal 2020, 2019 and 2018, Broadridge generated approximately 20%, 22% and 21% of total revenues, respectively, from its top five customers. The largest single client accounted for approximately 6% total revenues each in fiscal 2020, 2018 and 2019. These clients work with numerous business segments. Therefore, the loss of a single client due to merger or consolidation, financial difficulties or bankruptcy, or the termination or non-renewal of contracts affects the operating performance significantly. Therefore, the company is always under pressure to improve and maintain client or customer relations.

- Broadridge has a **debt-laden balance sheet**. Total debt at the end of first-quarter fiscal 2021 was $1.78 billion, flat sequentially. The total debt to toal capital ratio of 0.56 is higher than the industry's 0.39. An increase in debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of $357 million at the end of the first-quarter fiscal 2021 was well below this debt level, underscoring that the company doesn't have enough cash to meet this debt burden. The company has no short-term debt to clear-off.

Last Earnings Report

Broadridge Surpasses Q1 Earnings & Revenues Estimates

Quarter Ending	09/2020
Report Date	Oct 30, 2020
Sales Surprise	5.81%
EPS Surprise	55.56%
Quarterly EPS	0.98
Annual EPS (TTM)	5.33

Broadridge Financial Solutions delivered strong first-quarter fiscal 2021 results, beating the Zacks Consensus Estimate on both counts.

Adjusted earnings of 98 cents per share beat the consensus estimate by 55.6% and improved 44% year over year. Total revenues of $1 billion beat the consensus mark by 5.8% and were up 7% year over year. The company generated closed sales of $33 million in the quarter, down 13% year over year.

Revenues by Segment

Revenues in the Investor Communication Solutions segment increased 7% from the year-ago quarter's level to $753 million.

The segment's recurring fee revenues were up 8% to $671 million. Event-driven fee revenues increased 13% to $45.5 million. Distribution revenues increased 7% to $752.9 million on lower event-driven activity.

Global Technology and Operations segment's recurring fee revenues came in at $296 million, up 8% year over year. This improvement was driven by acquisitions and organic growth. Higher equity trading volumes benefited the segment's internal growth.

Operating Results

Adjusted operating income of $151 million improved 45% year over year. Adjusted operating income margin increased to 14.8% from 10.9% in the prior-year quarter.

Balance Sheet and Cash Flow

Broadridge exited the quarter with cash and cash equivalents of $356.6 million compared with the $476.6 million witnessed at the end of the prior quarter. Long-term debt was $1.8 billion compared with the $1.4 billion recorded at the end of the previous quarter.

The company used $44.2 million of cash in operating activities and capex was $14.3 million in the quarter. Broadridge paid out $62.2 million in dividends in the reported quarter.

Updated Fiscal 2021 Guidance

Broadridge expects total revenue growth in the range of 1-4% (previous range was 0-4%). It anticipates recurring revenue growth of 3-6 %(previous range was 2-6%). Adjusted EPS growth is expected to be 6% to 10% (previous estimation was 4-10%). Adjusted operating income margin is estimated to be up by around 100 basis points (unchanged from previous guidance). Closed sales are anticipated to be between $190 million and $235 million (unchanged from previous guidance).

Recent News

On **Dec 14, 2020**, Broadridge announced the appointment of Art Certosimo as chairman of the board for LTX, a Broadridge company, offering a new AI-driven digital trading platform for corporate bonds.

On **Oct 08, 2020**, Broadridge announced that it has appointed Vijay Mayadas as president of Capital Markets, a newly created position. He will provide leadership to the company's trading and post-trade capital markets' Software-as-a-Service solutions as part of the Global Technology and Operations ("GTO") business.

Valuation

Broadridge shares are up 20.2% in the year-to-date period and 20.7% in the trailing 12-month period. Stocks in the Zacks sub-industry are up 6.9%, while those in the Zacks Business Services sector are down 3.9% in the year-to-date period. In the past year, the Zacks sub-industry is up 7.1%, while the sector is down 6.6%.

The S&P 500 index is up 16.7% in the year-to-date period and 16.8% in the past year.

The stock is currently trading at 25.74X price to forward 12 months' earnings, which compares to 24.67X for the Zacks sub-industry, 30.35X for the Zacks sector and 22.94X for the S&P 500 index.

Over the past five years, the stock has traded as high as 29.07X and as low as 15.72X, with a 5-year median of 22.24X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $157.00 price target reflects 27.25X price to forward 12 months' earnings.

The table below shows summary valuation data for BR

Valuation Multiples - BR

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.74	24.67	30.35	22.94
	5-Year High	29.07	24.67	31	23.79
	5-Year Low	15.72	17.32	18.66	15.3
	5-Year Median	22.24	22.13	21.31	17.81
P/S F12M	Current	3.57	3.1	5.65	4.34
	5-Year High	3.7	3.1	5.65	4.34
	5-Year Low	1.7	2.26	3.06	3.17
	5-Year Median	2.58	2.63	3.61	3.67
P/B TTM	Current	12.14	8.58	6.61	6.36
	5-Year High	14.84	9.09	6.79	6.4
	5-Year Low	6.25	5.34	3.3	3.74
	5-Year Median	10.35	7.46	5.46	4.93

As of 12/22/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 31% (78 out of 255)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Alliance Data Systems Corporation **(ADS)**	Neutral	3
Euronet Worldwide, Inc. **(EEFT)**	Neutral	3
Equifax, Inc. **(EFX)**	Neutral	3
Fiserv, Inc. **(FISV)**	Neutral	3
Global Payments Inc. **(GPN)**	Neutral	3
Paychex, Inc. **(PAYX)**	Neutral	3
Workday, Inc. **(WDAY)**	Neutral	3
The Western Union Company **(WU)**	Neutral	3

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

Industry Comparison Industry: Outsourcing

	BR	X Industry	S&P 500	EFX	PAYX	WU
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	D	C	A
Market Cap	17.17 B	1.26 B	26.07 B	23.60 B	34.74 B	8.96 B
# of Analysts	5	2	13	12	13	8
Dividend Yield	1.55%	0.00%	1.49%	0.80%	2.57%	4.13%
Value Score	C	-	-	D	D	A
Cash/Price	0.02	0.17	0.06	0.06	0.03	0.13
EV/EBITDA	19.82	7.94	14.52	1,583.88	18.48	6.21
PEG F1	2.70	2.27	2.81	2.30	4.27	NA
P/B	12.14	3.93	3.62	7.96	12.52	133.57
P/CF	19.20	10.38	13.87	22.97	22.81	9.11
P/E F1	27.01	21.54	22.02	29.05	34.19	11.82
P/S TTM	3.73	0.92	2.83	6.03	8.73	1.84
Earnings Yield	3.70%	4.08%	4.36%	3.44%	2.93%	8.49%
Debt/Equity	1.26	0.41	0.70	1.10	0.29	45.25
Cash Flow ($/share)	7.73	3.42	6.93	8.45	4.24	2.39
Growth Score	C	-	-	F	B	C
Historical EPS Growth (3-5 Years)	17.27%	9.17%	9.71%	3.98%	10.39%	1.74%
Projected EPS Growth (F1/F0)	9.38%	1.45%	1.22%	18.86%	-5.79%	6.65%
Current Cash Flow Growth	9.12%	5.65%	5.23%	0.48%	5.65%	-11.92%
Historical Cash Flow Growth (3-5 Years)	16.64%	11.78%	8.33%	8.37%	12.12%	-2.25%
Current Ratio	1.51	1.35	1.39	0.97	1.25	0.97
Debt/Capital	55.68%	36.28%	41.97%	52.47%	22.29%	97.84%
Net Margin	10.27%	-0.12%	10.40%	11.29%	26.26%	14.42%
Return on Equity	48.98%	12.31%	14.99%	29.20%	38.70%	-1,541.07%
Sales/Assets	0.97	0.99	0.50	0.47	0.45	0.56
Projected Sales Growth (F1/F0)	4.05%	0.00%	0.39%	16.71%	-2.36%	-8.82%
Momentum Score	B	-	-	A	B	B
Daily Price Change	-0.59%	-0.10%	-0.77%	-0.27%	0.04%	-1.13%
1-Week Price Change	4.23%	2.85%	0.87%	3.74%	5.55%	2.89%
4-Week Price Change	1.05%	1.15%	1.83%	17.03%	3.09%	-2.81%
12-Week Price Change	12.72%	27.12%	14.52%	22.93%	22.05%	0.09%
52-Week Price Change	20.66%	-1.32%	5.55%	39.09%	14.15%	-19.47%
20-Day Average Volume (Shares)	590,611	473,454	2,035,313	683,791	1,592,850	4,942,551
EPS F1 Estimate 1-Week Change	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.17%	0.00%	0.00%	4.42%	0.05%	0.00%
EPS F1 Estimate 12-Week Change	0.72%	9.36%	3.79%	10.84%	2.77%	2.99%
EPS Q1 Estimate Monthly Change	-0.89%	0.00%	0.00%	20.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	C
Momentum Score	C
VGM Score	C

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

Disclosures

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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