

Citigroup Inc.(C)

\$72.60 (As of 04/06/21)

Price Target (6-12 Months): **\$76.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/27/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

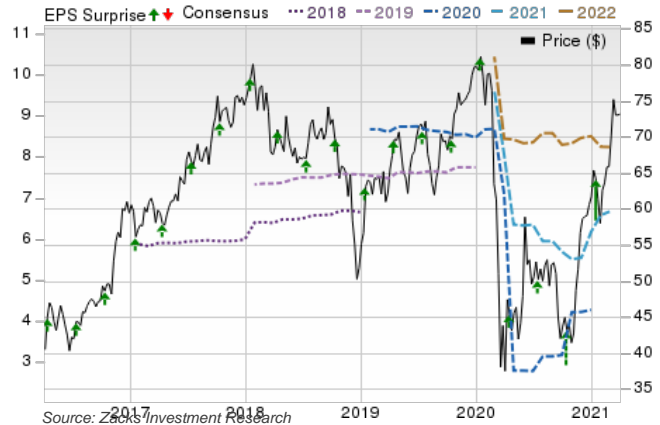
Growth: D

Momentum: A

Summary

Shares of Citigroup have outperformed the industry in the past six months. Also, the company has an impressive earnings surprise history, having beaten the Zacks Consensus Estimate in each of the trailing four quarters. Earnings estimates have been revised upward ahead of the first quarter results. Citigroup's streamlining efforts, along with strategic investments in core business, bode well. Also, net interest revenues will likely be supported by loan growth and mix, despite the low interest-rate environment. Further, manageable debt level makes Citigroup less likely to default interest and debt repayment obligations in case of any economic downturn. However, pending litigation issues might keep legal expenses elevated for the company. Additionally, a subdued consumer banking business might dent Citigroup's fee income base to some extent.

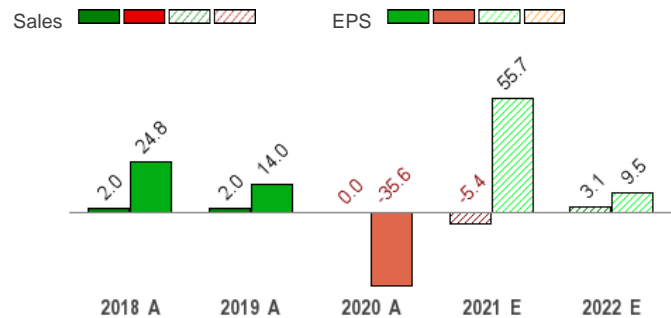
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$76.13 - \$38.76
20-Day Average Volume (Shares)	17,238,332
Market Cap	\$151.8 B
Year-To-Date Price Change	18.0%
Beta	1.95
Dividend / Dividend Yield	\$2.04 / 2.8%
Industry	Banks - Major Regional
Zacks Industry Rank	Top 30% (76 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	53.3%
Last Sales Surprise	-0.5%
EPS F1 Estimate 4-Week Change	11.1%
Expected Report Date	04/15/2021
Earnings ESP	7.4%
P/E TTM	14.5
P/E F1	10.1
PEG F1	1.2
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	18,777 E	18,318 E	18,045 E	17,873 E	72,431 E
2021	18,288 E	17,518 E	17,424 E	17,047 E	70,277 E
2020	20,731 A	19,766 A	17,302 A	16,499 A	74,298 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.09 E	\$2.04 E	\$1.94 E	\$1.88 E	\$8.32 E
2021	\$2.31 E	\$1.79 E	\$1.77 E	\$1.67 E	\$7.60 E
2020	\$1.06 A	\$0.50 A	\$1.40 A	\$2.07 A	\$4.88 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 04/06/2021. The report's text and the analyst-provided price target are as of 04/07/2021.

Overview

Headquartered in New York, Citigroup Inc. is a globally diversified financial services holding company providing a range of financial products and services including consumer banking and credit, corporate and investment banking, securities brokerage and wealth management to consumers, corporations, governments and institutions. Citigroup has around 200 million customer accounts in over 160 countries and jurisdictions.

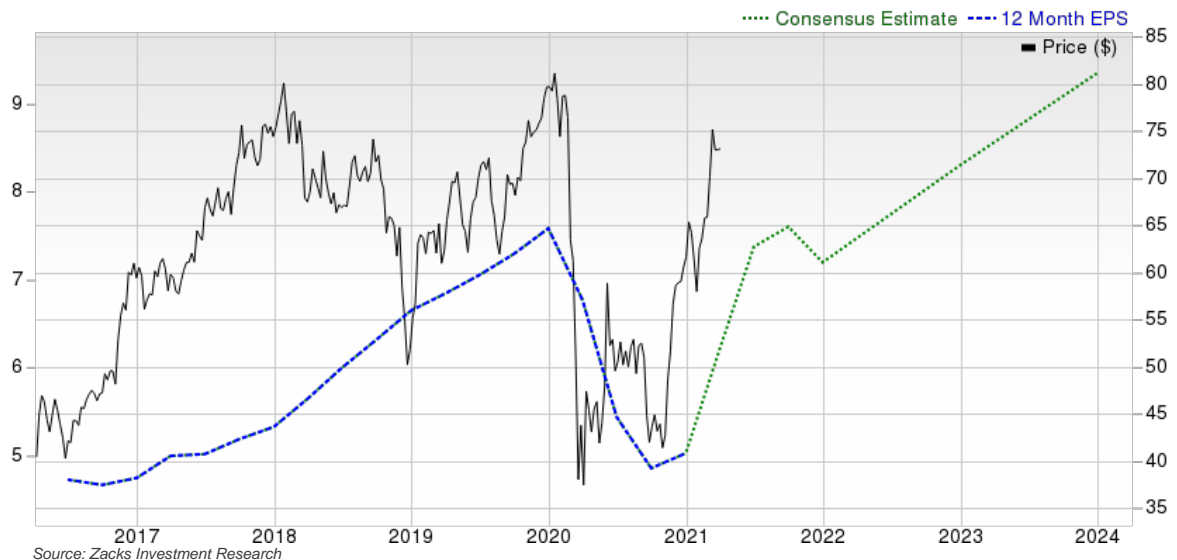
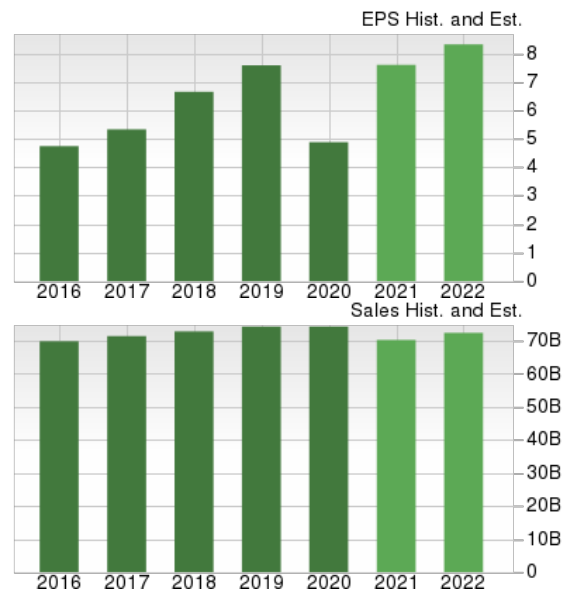
Citigroup currently reports via three business segments effective first-quarter 2017. Global Consumer Banking (GCB) (contributes 40% to total revenues in 2020) business includes retail banking, Citi-branded cards and Citi retail services in North America, Asia, Latin America, Europe, the Middle East, and Africa.

Institutional Clients Group (ICG) (60%) consists of Banking and Markets and Securities services. Lastly, Corporate/Other comprise global staff functions and other corporate expenses, unallocated global operations, as well as technology, Corporate Treasury and discontinued operations.

In July 2018, Scotiabank's Colombian subsidiary, Banco Colpatria Multibanca Colpatria S.A., acquired the consumer (retail and credit cards), and small and medium enterprise operations of Citibank in Colombia.

In October 2017, Citigroup completed the sale of consumer business in Brazil to Itau Unibanco. The deal was inked for around \$220 million. In August 2017, Citigroup completed the sale of the fixed income analytics (Yield Book) and a fixed income index business. The transaction generated a pre-tax gain on sale of \$580 million (\$355 million after-tax).

In March 2017, Citigroup completed the sale of CitiFinancial, its subprime lending unit in Canada, to an investor group led by private investment firm – JC Flowers and Vårde Partners – initiated in November 2016. Citigroup also completed sell of consumer banking business in Argentina to Banco Santander Rio, entered in October 2016.



Reasons To Buy:

- ▲ With improvement in the interest-rate scenario following the rate hikes and steady loan growth, strain on net interest revenues continued to ease in 2018 and 2019, after witnessing a declining trend for years. Though results for 2020 disappointed as the Federal Reserve's emergency move to lower interest rates to near zero hampered net interest revenue growth, anticipated loan growth is likely to provide some respite on economic recovery.
- ▲ Citigroup's long-term strategy to shrink its non-core assets and increase fee-based business mix would improve valuation over time. The rundown of Citi Holdings – its legacy problem assets portfolio – is largely complete. These runoffs ultimately reduce the company's risk profile and free up capital for investment in core businesses.
- ▲ Though operating expenses flared up slightly in 2020 due to compensation and benefits and other operating costs, it remained almost stable over the four-year period (2016-2019). Controlled expenses highlight the impact of higher volume-related expenses, and ongoing investments more than offset by efficiency savings and the wind-down of legacy assets. Therefore, such trend in expenses will aid bottom-line expansion.
- ▲ Citigroup has been emphasizing on growth in core businesses through expense management and streamlining operations internationally. Further, the company continues to optimize its branch network, with focus on core urban markets, improving digital channels and reducing branches. The company is also making investment in several areas to stoke growth. For instance, in its Mexico consumer franchise, the company intends to improve operating efficiency and returns, and remains on track with the \$1-billion investment program. Additionally, the ongoing investments in branded cards support the company's growth strategy. Such efforts should help augment the company's profitability and efficiency, over the long term.
- ▲ As of Dec 31, 2020, the company holds a debt level of \$668.7 billion which has remained volatile over the past few quarters. Debt-to-capital ratio of 0.58, as of the same date, has witnessed a declining trend. Also, with cash and equivalents of \$979.4 billion and a record of consistent earnings, Citigroup carries low credit risk, and has a lesser likelihood of default of interest and debt repayments if the economic situation worsens.
- ▲ Driven by a solid capital position, Citigroup remains committed towards enhancing its shareholders' value with steady capital deployment activities. The company had increased its quarterly dividend by 13.3% in July 2019. Also, it had a share repurchase program in place that was suspended mid-March due to the restrictions placed by Fed to conserve liquidity following the coronavirus crisis. Notably, following the Fed's second round of stress test and subsequent approval, now the company will resume repurchases in first-quarter 2021. Though the dividend payout ratio is below the industry average, the figure indicates constant improvement in earnings over the past few quarters. We believe that the company's financial strength will continue to inspire investors' confidence in the stock.
- ▲ Shares of Citigroup have outperformed the industry's growth in the past six months. With this favorable trend, the company's current-year earnings estimate has been revised 5.3% upward over the past 30 days. Also, the stock seems undervalued as compared with the broader industry. Its price-earnings (F1) and price-to-book value ratios are below the respective industry averages. Also, it has a Value Score of B. Therefore, given the progress on fundamentals and positive estimate revisions, the stock has upside potential.

A diverse business model, focus on core operations and streamlining of international businesses will continue to support Citigroup's growth. Further, manageable debt level is a tailwind.

Reasons To Sell:

- ▼ Though Citigroup's non-interest income increased in 2020 on stellar market revenues and underwriting business, partly offset by lower consumer banking revenues, it witnessed a five-year negative CAGR (2015-2019) of 2.9%, with some annual volatility. Therefore, the coming quarters might disappoint on subdued global consumer banking business due to the continued adverse impact of the COVID-19 crisis.
- ▼ Citigroup continues to encounter many investigations and lawsuits from investors and regulators. Though the company resolved certain litigations related to the sale of risky mortgage-backed securities and other issues, many of the cases are yet to be resolved. As Citigroup continues to work through its legacy legal issues, we believe the company might continue to witness elevated legal expenses and litigation provisions, which will likely hurt its financials.
- ▼ Citigroup's trailing 12-month return on equity (ROE) undercuts its growth potential. Though the company's ROE of 6.63% has gradually improved over the years, it compares unfavorably with the 8.09% industry average, highlighting that it is less efficient in using shareholders' funds.

Citigroup is burdened with numerous investigations and lawsuits escalating costs and limiting the company's business growth. Moreover, muted consumer banking income is a concern for the company.

Last Earnings Report

Citigroup Q4 Earnings Beat Estimates, Reserve Releases Recorded

Citigroup delivered an earnings surprise of 53.3% in fourth-quarter 2020 on reserve releases. Income from continuing operations per share of \$2.07 for the quarter handily outpaced the Zacks Consensus Estimate of \$1.35. Results were, however, down 3.7% from the prior-year quarter.

Citigroup recorded higher market revenues during the reported quarter. Remarkably, the equity market revenues impressed on favorable market conditions and strong client volumes, driven by stellar derivatives, cash equities and prime finance performance. Further, fixed income revenues were on an upswing, reflecting strength in products and commodities, partly offset by lower revenues in rates and currencies.

At the same time, investment banking revenues decreased on disappointing debt underwriting business and reduced advisory revenues, partly muted by higher equity underwriting. Corporate lending was also on the downside.

Though reserve releases supported results, rise in expenses was a major drag.

Net income was \$4.6 billion compared with the \$5 billion recorded in the prior-year quarter.

For full-year 2020, net income came in at \$11.4 billion compared with the \$19.4 billion recorded in 2019.

Revenues Decline, Expenses Flare Up

For full-year 2020, the company reported revenues of \$74.3 billion, in line with the prior year. The figure, however, outpaced the Zacks Consensus Estimate of \$70.4 billion.

Revenues were down 10% year over year to \$16.5 billion during the December-end quarter. The reported figure also lagged the Zacks Consensus Estimate of \$16.6 billion. Lower revenues from ICG and GCB, along with negative revenues from Corporate/Other, resulted in this decline.

In the ICG segment, revenues came in at \$9.3 billion during the October-December quarter, down 1% year over year. Lower investment banking and corporate lending revenues were partly offset by higher fixed income market and equity market revenues.

GCB revenues decreased 14% year over year to \$7.3 billion. Lower revenues in North, Latin America and Asia GCB due to the pandemic resulted in this decline. Notably, both retail banking and card revenues witnessed declines.

Corporate/Other negative revenues came in at \$85 million compared with revenues of \$542 million witnessed in the prior-year quarter. This downside stemmed from the wind-down of legacy assets, impact of low rates and absence of "episodic" gains.

Operating expenses at Citigroup flared up 2% year on year to \$10.7 billion. Continued investments in the franchise transformation, including investments on infrastructure, risk management and controls, along with higher repositioning costs resulted in this upsurge. These were partly negated by efficiency savings and reduced discretionary spending.

Stable Balance Sheet

At the end of the fourth quarter, Citigroup's end of period assets was \$2.26 trillion, up 1% sequentially. Deposits were up 1% sequentially to \$1.28 trillion. The company's loans inched up 1% sequentially to \$676 billion.

Credit Quality: A Mixed Bag

Citigroup's costs of credit for the December-end quarter were negative \$46 million compared with the \$2.2 billion recorded in the year-earlier quarter. Markedly, release of allowance for credit loss (ACL) reserves in the ICG segment, aided by an improved outlook for global GDP and lesser downgrades in the portfolio, along with lower net credit losses in GCB, mainly led to this substantial decline.

Cost of credit includes reduced net credit losses of \$1.5 billion and a credit reserve release of \$1.5 billion, and other benefits of \$22 million.

Total non-accrual assets jumped 40% year over year to \$5.7 billion. The company reported a rise of 18% in consumer non-accrual loans to \$2.1 billion. Also, corporate non-accrual loans of \$3.5 billion jumped 61% from the year-earlier period.

Citigroup's total allowance for loan losses was \$25 billion at the end of the reported quarter, or 3.73% of total loans, compared with the \$12.8 billion, or 1.84%, recorded in the year-ago period.

Solid Capital Position

At the end of the October-December period, Citigroup's Common Equity Tier 1 Capital ratio was 11.8%, down from the prior-year quarter's 11.81%. The company's supplementary leverage ratio for the quarter came in at 7%, up from the year-earlier quarter's 6.21%.

As of Dec 31, 2020, book value per share was \$86.59, up 4% year over year, and tangible book value per share was \$73.83, up 5% from the comparable period last year.

Capital Deployment

Quarter Ending 12/2020

Report Date	Jan 15, 2021
Sales Surprise	-0.51%
EPS Surprise	53.33%
Quarterly EPS	2.07
Annual EPS (TTM)	5.03

During 2020, Citigroup repurchased common stock worth \$2.9 billion. The bank paid around \$4.3 billion to shareholders as common stock dividends.

Outlook

Credit loss rates reduced in Q4, given the high levels of liquidity in the United States, reduced spending and the benefits of relief program. However, in Asia, credit loss rates increased, mainly driven by those accounts that exited relief programs. The year-over-year rise in delinquencies outside the United States is concentrated in accounts rolling off relief programs and reflects more modest levels of stimulus in these regions relative to the United States. Given these trends, management continues to expect peak losses to occur in Asia and Mexico during the first half of 2021 and will begin to recover thereafter.

In the United States, management expects losses to begin to rise in 2021, given the current delinquency trend and the expected impact of recent stimulus, peak loss rates might be pushed out to the first half of 2022.

On the top line, post an extraordinary market performance in 2020, management would expect some degree of normalization in 2021. Notably, revenues are likely to be down in the mid- to high-single-digit range, largely driven by market. The outlook assumes industry wallets more similar to 2019 levels. For net interest revenue specifically, management assumes continued stabilization in the first half of the year with an improvement in the second half to base case, which assumes loan growth by this point in the recovery.

On a full-year basis, the decline in net interest revenues is projected between \$1 billion to \$2 billion versus 2020. On the expense side, management expects full-year expenses to flare up in the range of 2% to 3%, mostly driven by investments related to transformation. Cost of credit is likely to be significantly lower than 2020. Management expects a tax rate of around 21% for 2021.

Overall, operating margin pressure is expected this year, but given lower credit costs, some significant improvement in profitability relative to 2020 is anticipated.

Recent News

Citi Revises Q4 Earnings Downward Due to Revlon Case Impact - Feb 26, 2021

Citigroup has revised fourth-quarter 2020 earnings, reported on Jan 15, 2021, downward. This was due to a \$390 million increase in operating expenses recorded within its institutional clients group segment, resulting from operational losses related to certain legal matters.

The downward adjustment lowered Citi's quarterly net income from \$4.6 billion to \$4.3 billion and earnings per share from \$2.08 to \$1.92. This compared unfavorably with net income of \$5 billion, or \$2.15 per share in the fourth quarter of 2019.

The adjustment is related to Citi's involvement in \$894 million accidental wire transfer to several lenders of the cosmetics brand Revlon, Inc. So far, the bank has been able to recover only \$389.8 million.

In its annual filing, the bank said that human error at its end and at a third-party vendor, and limitations in Citi's loan processing systems were the main reasons behind this error.

Citi, JPMorgan Expect Trading Revenues to Disappoint in Q1 - Feb 25, 2021

At the Credit Suisse Financial Service Forum held on Thursday, top executives from Citigroup and JPMorgan Chase warned investors that trading revenues might disappoint in the first quarter of 2021.

Per Citi's CFO Mark Mason, trading and fixed-income revenues are likely to fall in a mid-single-digit percentage on a year-over-year basis as the prior-year quarter benefitted from the pandemic-induced volatility.

Then again, Jennifer Piepszak, CFO at JPMorgan, said that though trading revenues have risen "meaningfully" in the current quarter so far, the trend could change, owing to impressive prior-year figures.

Regarding, investment banking revenues, Citi expects the same to grow in high-teens or low-20s on account of a rise in initial public offerings during the quarter.

"I think we're off to a very good start to the year," Mason said.

Citi also informed investors regarding its expectations of mid-single-digit growth in expenses in the first quarter. The upside will likely be driven by its efforts to improve the risk-management technology.

The move comes as part of the Wall Street bank's efforts to remediate past failures for which the Office of the Comptroller of the Currency and the Federal Reserve rebuked Citi. Further, Mason informed that the company is reviewing its businesses to simplify its operations.

Citi Unifies Global Wealth Management Business – Jan 13, 2021

Citigroup has created a single wealth management organization, Citi Global Wealth, unifying wealth management teams in GCB and the ICG. Citi Global Wealth is a single, integrated platform serving clients across the wealth continuum, from the affluent segment to ultra-high net worth clients.

This new organization will be led by Jim O'Donnell and will include the Citi Private Bank and Citi Personal Wealth Management. Jim will report to Anand Selva, CEO of Global Consumer Banking, and Paco Ybarra, CEO of the Institutional Clients Group.

In an internal memo announcing the formation of the new business, Citi CEO Michael Corbat and Citi president and incoming CEO Jane Fraser said, "Making wealth management a key differentiator and source of enhanced returns for Citi will be an important element of our strategy going forward, and putting the full force of our firm behind an offering in this way is indicative of the approach we're taking to transforming our bank."

"Our clients are increasingly global in their presence and in their financial needs, and we are committed to helping them preserve and build wealth for themselves, their families and for future generations," said Jim O'Donnell, head of Citi Global Wealth. "Creating a unified Wealth organization will help us to deliver the full, global power of Citi to clients while ensuring that we preserve the products, capabilities and expertise of the Private Bank and Consumer Wealth businesses".

Citigroup Ratings Affirmed by Moody's, Outlook Stable - Nov 23, 2020

Citigroup and its rated subsidiaries' long-term debt, deposits and counterparty risk ratings have been affirmed by Moody's Investors Service. Also, the ratings agency maintained baa1 baseline credit assessment (BCA) of the bank subsidiary, Citibank, N.A along with all short-term ratings and assessments of the group. Notably, the ratings outlook is stable.

Further, Moody's stated that it withdrew outlooks on Citigroup Global Markets Europe AG, Citigroup Global Markets Limited and Citigroup Global Markets Inc.'s existing long-term issuer ratings due to "own business purposes.

Reasons for Affirmation

The ratings agency found solid capital and liquidity profile along with sound execution of strategies to simplify operations and achieve more sustainable growth sufficient to support Citibank's baa1 BCA. By simplifying operations, Moody's reflected Citigroup's move to service a more targeted base of institutional and consumer customers, while retaining strong economies of scale in its global cards and institutional businesses.

Also, despite making large reserves due to the coronavirus-led uncertainty, the company has been able to maintain a CET1 ratio of 11.8%, which impressed Moody's.

Further, the agency commended Citigroup for its sound consumer strategy that targets affluent and emerging affluent consumers in 19 countries. Its growing branded card business, a leading fixed income trading platform and extensive investment banking capabilities support performance.

Moody's left the existing assumptions of Loss Given Failure (LGF) uplift and government support unchanged for Citigroup and its subsidiaries.

The banking subsidiary's senior debt, deposit and counterparty risk ratings were affirmed at Aa3, each four notches above the baa1 BCA. This includes three notches of LGF benefit reflecting Moody's view of an extremely low severity of loss in the event of a default and one notch reflecting a moderate likelihood of government support.

Further, Citigroup's senior debt has been rated A3, which is reflective of expectations of low loss in case of failure. For subordinated securities issued by the holding company, Moody's advanced LGF analysis indicates a high loss-given-failure and has rated them Baa2. The ratings on more junior holding company obligations also incorporate additional downward rating reflecting the coupon suspension risk ahead of potential failure.

Nevertheless, outlook has been left at stable, given Citigroup's involvement in regulatory challenges. In October, two of Citigroup's principal regulators took enforcement actions that required the company's board and management to promptly address deficiencies identified by the regulators in risk management, data governance and internal controls. The company has taken remediation to be a top strategic priority and seeks to make an additional \$1 billion in control investments in 2020, partly funded by savings.

Factors Leading to Change in Ratings

The ratings agency might upgrade Citigroup's BCA if it improves earnings generation capacity even further and match asset returns to levels achieved by peers. Also, per Moody's, execution of full remediation of legal matters identified by the regulatory consent order would be imperative for an upgrade.

Meanwhile, failure to make progress toward its strategic objective to strengthen its risk and control environment could result in a negative outlook on the ratings or a downgrade of the BCA. Also, ratings will be downgraded if Citigroup's capital or liquidity levels deteriorate or if it incurs further risk incidents or witnesses a rise in its risk appetite.

Citi to Pay Regulators \$400M for Long-Standing Deficiencies – Oct 7, 2020

Citigroup has been slapped with a \$400-million penalty by The Office of the Comptroller of the Currency ("OCC") for long-standing deficiencies in its risk management and internal controls processes.

"We are disappointed that we have fallen short of our regulators' expectations," the company said in a statement. Further, it added "Citi has significant remediation projects underway to strengthen our controls, infrastructure and governance."

Allegations

Both the OCC and the Federal Reserve have accused the bank of failing to implement effective risk and internal controls measures that complement with its size, complexity and risk profile.

Further, the Fed identified that the bank did not satisfactorily execute remedial measures relating to the consent order issued back in 2013, when Citigroup was involved in anti-money laundering compliance program. Also, lapses in remedies relating to the order issued in 2015 were found, whereby the bank was required to remove deficiencies in compliance and control infrastructure relating to its foreign-exchange program.

The regulators also identified "unsafe or unsound practices" in relation to internal controls, which included lack of clearly defined roles and responsibilities among employees and other non-compliances.

Comprehensive Corrective Actions

Citigroup is required to take the OCC's approval before undertaking any significant acquisitions. The regulator also holds authority to implement additional business restrictions or make changes in senior management and the board if it finds that no timely or sufficient progress is made in improving deficiencies.

Furthermore, the Fed has ordered the bank to submit a plan regarding improvement of oversight within 120 days. Also, in the same time frame, it is required to conduct a gap analysis of enterprise-wide risk management framework, data governance state and internal controls systems. These would determine any room for further improvement in capital planning and risk control processes.

Also, the OCC has asked to form a compliance committee of five members, within 15 days, who will be responsible for monitoring and overseeing Citigroup's compliance with the provisions of this consent order.

Dividend Update

On Apr 1, Citigroup's board of directors announced a quarterly dividend of 51 cents per share on its common shares. The dividend will be paid on May 28, to its shareholders of record as of May 3, 2021.

Valuation

Citigroup's shares are up 17.7% in the year-to-date period and 64% over the trailing 12-month period. Stocks in the Zacks subindustry and the Zacks Finance sector are up 23.6% and 12.1% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up 60.6% and 53%, respectively.

The S&P 500 Index is up 9.1% in the year-to-date period and 56.3% in the past year.

The stock is currently trading at 9.82X trailing 12 months earnings, which compares to 13.05X for the Zacks sub-industry, 17.12X for the Zacks sector and 22.97X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.28X and as low as 4.07X, with a 5-year median of 9.77X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$76 price target reflects 10.31X forward earnings.

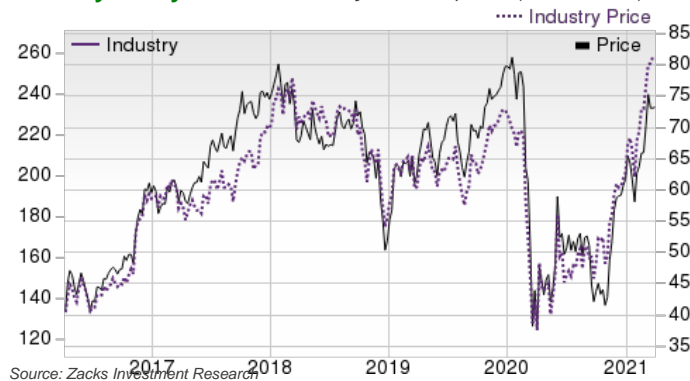
The table below shows summary valuation data for C

Valuation Multiples - C					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.82	13.05	17.12	22.97
	5-Year High	14.28	14.2	17.16	23.83
	5-Year Low	4.07	8.01	11.6	15.3
	5-Year Median	9.77	11.66	14.81	18
P/TB TTM	Current	0.99	2.23	3.63	17.37
	5-Year High	1.35	2.68	4.06	17.39
	5-Year Low	0.51	1.21	2.05	8.07
	5-Year Median	0.98	2.12	3.55	11.26
P/S F12M	Current	2.14	4.26	7.89	4.71
	5-Year High	2.88	4.59	7.89	4.71
	5-Year Low	0.98	2.39	5.03	3.21
	5-Year Median	2.19	3.62	6.16	3.71

As of 04/06/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 30% (76 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Bank of America Corporation (BAC)	Neutral	3
The Bank of New York Mellon Corporation (BK)	Neutral	3
JPMorgan Chase & Co. (JPM)	Neutral	3
The PNC Financial Services Group, Inc (PNC)	Neutral	3
State Street Corporation (STT)	Neutral	3
Truist Financial Corporation (TFC)	Neutral	2
U.S. Bancorp (USB)	Neutral	3
Wells Fargo & Company (WFC)	Neutral	3

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

Industry Comparison Industry: Banks - Major Regional				Industry Peers		
	C	X Industry	S&P 500	BAC	JPM	WFC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	C	B	F
Market Cap	151.81 B	41.90 B	29.96 B	343.36 B	468.77 B	163.22 B
# of Analysts	10	9	12	10	10	13
Dividend Yield	2.80%	2.65%	1.29%	1.81%	2.34%	1.01%
Value Score	B	-	-	C	C	D
Cash/Price	6.42	1.59	0.06	2.61	2.83	2.47
EV/EBITDA	-20.99	-0.44	16.88	-8.33	-10.65	-0.45
PEG F1	1.24	1.76	2.38	2.24	2.81	1.49
P/B	0.84	1.32	3.99	1.39	1.88	0.99
P/CF	9.86	12.66	16.85	14.40	12.32	13.07
P/E F1	10.08	13.60	22.08	15.65	14.05	14.45
P/S TTM	1.71	3.26	3.42	3.66	3.62	2.03
Earnings Yield	9.90%	7.35%	4.45%	6.38%	7.12%	6.91%
Debt/Equity	1.50	0.75	0.66	1.06	1.13	1.29
Cash Flow (\$/share)	7.36	5.24	6.78	2.76	12.38	3.05
Growth Score	D	-	-	C	B	F
Historical EPS Growth (3-5 Years)	6.07%	7.45%	9.39%	16.31%	11.12%	-22.06%
Projected EPS Growth (F1/F0)	47.44%	44.21%	15.29%	36.04%	23.16%	566.41%
Current Cash Flow Growth	-31.17%	-27.77%	0.44%	-27.77%	-14.28%	-55.02%
Historical Cash Flow Growth (3-5 Years)	-5.73%	3.10%	7.37%	2.68%	6.04%	-13.69%
Current Ratio	0.97	0.85	1.39	0.84	0.86	0.85
Debt/Capital	57.57%	41.57%	41.26%	49.07%	51.72%	53.39%
Net Margin	13.17%	19.09%	10.59%	19.09%	22.48%	4.11%
Return on Equity	6.63%	8.09%	14.86%	7.32%	12.19%	2.39%
Sales/Assets	0.04	0.04	0.51	0.03	0.04	0.04
Projected Sales Growth (F1/F0)	-5.48%	-0.71%	7.36%	-0.71%	-3.54%	-3.37%
Momentum Score	A	-	-	A	A	A
Daily Price Change	-0.21%	-0.28%	0.05%	-0.28%	-0.70%	0.94%
1-Week Price Change	0.16%	-0.51%	0.35%	2.09%	-0.89%	-0.33%
4-Week Price Change	2.27%	2.85%	5.11%	9.28%	0.47%	4.51%
12-Week Price Change	8.89%	9.00%	8.79%	17.91%	8.79%	17.41%
52-Week Price Change	76.00%	76.00%	60.17%	79.27%	68.29%	38.51%
20-Day Average Volume (Shares)	17,238,332	6,289,176	2,103,543	55,278,516	16,520,251	31,334,476
EPS F1 Estimate 1-Week Change	8.96%	2.99%	0.00%	7.01%	5.94%	10.01%
EPS F1 Estimate 4-Week Change	11.15%	3.22%	0.00%	5.72%	6.09%	11.33%
EPS F1 Estimate 12-Week Change	25.83%	21.53%	2.24%	21.53%	19.75%	30.29%
EPS Q1 Estimate Monthly Change	4.75%	3.04%	0.00%	4.45%	7.05%	16.12%

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	B
Growth Score	D
Momentum Score	A
VGM Score	B

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

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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.