

Crown Castle (CCI)

\$160.59 (As of 09/04/20)

Price Target (6-12 Months): **\$170.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/24/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: C

Summary

Shares of Crown Castle have outperformed the industry it belongs to over the past year. The company's performance in the recent quarters reflects growth in site-rental revenues. Amid increase in data volume and deployment of 5G network, wireless carriers are expanding and enhancing their networks. These positive factors are spurring demand for its communication infrastructure assets. In addition, Crown Castle has been making diligent efforts to augment the tower business with fiber and small cells on the back of acquisitions and small cell deployments. However, Crown Castle has elevated leverage and high customer concentration. Also, consolidation in the wireless industry might reduce cell tower demand, in turn hurting its top-line growth. Further, the evolution of new technologies may impact the company's site-leasing activity.

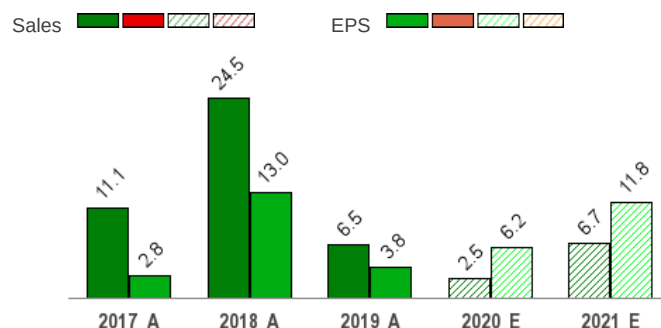
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$179.69 - \$114.18
20-Day Average Volume (Shares)	1,520,703
Market Cap	\$67.4 B
Year-To-Date Price Change	13.0%
Beta	0.32
Dividend / Dividend Yield	\$4.80 / 3.0%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 10% (225 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.0%
Last Sales Surprise	0.0%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	10/21/2020
Earnings ESP	0.0%
P/E TTM	27.7
P/E F1	26.6
PEG F1	1.7
P/S TTM	11.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,550 E	1,568 E	1,602 E	1,621 E	6,316 E
2020	1,421 A	1,440 A	1,501 E	1,550 E	5,920 E
2019	1,426 A	1,478 A	1,514 A	1,429 A	5,773 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.64 E	\$1.68 E	\$1.75 E	\$1.77 E	\$6.75 E
2020	\$1.42 A	\$1.45 A	\$1.55 E	\$1.63 E	\$6.04 E
2019	\$1.45 A	\$1.48 A	\$1.55 A	\$1.38 A	\$5.69 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/04/2020. The reports text is as of 09/07/2020.

Overview

Houston-based Crown Castle International Corp. is a leading independent operator of wireless communication towers in the United States. The company is engaged in ownership, management and leasing of more than 40,000 cell towers and around 80,000 route miles of fiber supporting small cells, and fiber solutions spread across key markets in the nation.

On Sep 9, 2013, the board of directors of Crown Castle approved the steps needed to reorganize the company to qualify as a Real Estate Investment Trust (REIT) for tax purposes. Crown Castle became a REIT on Jan 1, 2014.

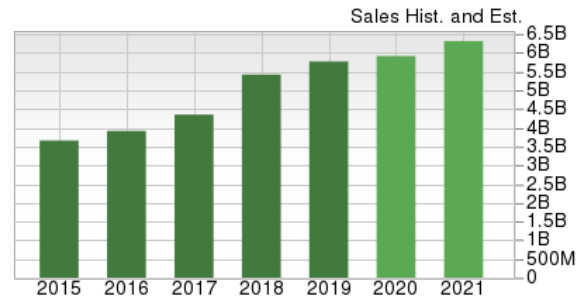
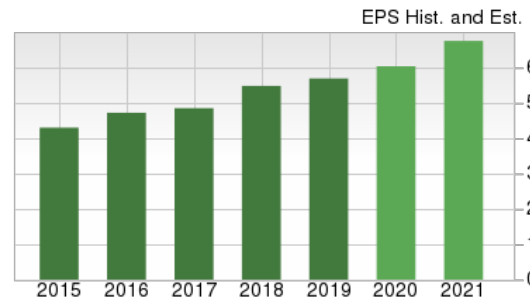
The company's operating segment consists of towers (66% of site-rental revenues in second-quarter 2020) and fiber (34%).

Crown Castle reports revenues under:

- Site Rental (92% of net revenues in second-quarter 2020): The company generates site-rental revenues from its core business by entering long-term tenant contracts in various forms, including lease, licensing, sublease and service agreements with its tenants, for space or capacity at its shared communications infrastructures.
- Services and Other (8%): Revenues are generated by offering certain services primarily relating to its towers segment, consisting of site-development and installation services.

Importantly, as of Jun 30, 2020, three major U.S. wireless carriers — Verizon, AT&T and T-Mobile — contributed 79% of the REIT's site-rental revenues.

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



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Crown Castle's unmatched portfolio of towers has significant presence in the top 100 basic trading areas ("BTAs"). Moreover, the company has been making efforts to extend its communication infrastructure footprint and is investing significantly in its fiber segment on the back of acquisitions, and construction of small cells and fiber. The company witnessed highest small-cell deployment in 2019, deploying roughly 10,000 small-cell nodes. It anticipates continuing the momentum in the current year by deploying another 10,000 small-cell nodes. Particularly, in second-quarter 2020, the company reported capital expenditure of \$88 million and \$295 million in its tower and fiber segments, respectively. Apart from the acquisition of a number of fiber operators over the past few years, Crown Castle purchased LTS Group Holdings LLC (Lighttower) in 2017. With this buyout, the company gained around 32,000 route miles of fiber in top metro markets in the Northeast markets of the nation. Such expansion efforts have helped the company gain significant scale.
- ▲ Crown Castle's strong internally-generated cash flow, supported by its tower and fiber segments, is impressive. The company has long-term (typically 5-15 year) tower lease agreements with top U.S. carriers, which contribute to recurring site rental cash flows over the long term. In fact, such long-term leases enable it to enjoy recurring revenues that provides top-line stability, while contracted rent escalators on the majority of its revenues offer embedded growth. In fact, as of the second-quarter end, the company had \$24 billion remaining in contracted customer receivables. Moreover, a strong and creditworthy tenant base adds resiliency to its business.
- ▲ As data volume for wireless and wired network is growing rapidly, the company's customers continue to invest more on their networks in a bid to improve and densify their networks. In fact, management expects significant ramp up in the services business in wireless industry activity during the second half of 2020. Specifically, T-Mobile and Sprint have completed merger on Apr 1, 2020, and the new T-Mobile integrating its network with Sprint's network is likely to accelerate activity levels across the industry. Dish Network is also set to enter the wireless market and intends to build a 5G network in the upcoming years. Moreover, Crown Castle's carrier customers are ramping up 5G investments, and this will likely boost demand and leasing for its tower space. Amid this, the company expects growth in site-rental revenues in 2020, supported by higher tenant additions.
- ▲ Wireless services are advancing rapidly in terms of additional features and capabilities. Much of the infrastructure and upgrades require effective site management of cell towers and equipment. Crown Castle effectively addresses this opportunity as majority of its revenues come from wireless service providers. Moreover, wireless data consumption is expected to increase considerably over the next several years, driven by increased innovation and adoption of data-driven mobile devices and applications such as machine-to-machine (M2M) connections, social networking and streaming of video. The company believes its extensive portfolio of towers and small cells has the network density required to meet such demands. This is expected to bolster the company's top-line growth going forward.
- ▲ The deployment of 5G will drive growth on both the company's tower and small-cell assets, as the wireless carriers look to expand and enhance their networks to provide the coverage, capacity and speed needed to support mobile video, the Internet of Things (IoT), fixed wireless broadband. Notably, IoT space is touted as the next big thing in the evolution of technology and higher investment by the wireless carriers will, in turn, bring increased revenues.
- ▲ Crown Castle has sufficient liquidity to meet near-term capital commitments. The company exited second-quarter 2020 with cash and cash equivalents of \$2.5 billion. It has no meaningful debt maturities until 2022. Moreover, it has \$5 billion in undrawn capacity under the revolving credit facility. In June, the company accessed the bond market to procure long-term debt amounting to \$2.5 billion in aggregate principal amount, with a public offering of three series of senior notes. The funds were used to address \$2.4 billion in near-term debt maturities. Finally, as of second quarter-end, the company enjoyed investment-grade credit ratings of BBB-, BBB+ and Baa3 from Standard & Poor's, Fitch, and Moody's, respectively, which facilitates access to debt markets at attractive terms.
- ▲ Finally, solid dividend payouts are arguably the biggest enticement for REIT shareholders and Crown Castle is committed to that. In fact, its dividends are supported by high-quality, long-term contracted lease payments and the company benefits from being a provider of mission critical shared communication infrastructure assets. The company expects its dividend to be up 7-8% annually, over the long term.

Crown Castle's efforts to augment its towers business with fiber and small cells bode well for growth. Strong demand from wireless carriers and recurring site rental cash flows are positives.

Reasons To Sell:

- ▼ Crown Castle has a substantially leveraged balance sheet and significant amount of debt. Post the refinancing of the outstanding senior unsecured notes in July, the company had \$18.9 billion of total debt outstanding. Moreover, its debt-to-equity ratio is significantly higher than its industry's ratio. This limits Crown Castle's strength to withstand any credit crisis and unexpected negative externalities in the future.
- ▼ Customer concentration is very high for Crown Castle. Historically, the top three among its customers, namely, Verizon, AT&T and T-Mobile, accounted for majority of its total revenue, of which AT&T contributes a handful amount of site rental revenues. Loss of any of these customers or consolidation among them will significantly affect the company's top line.
- ▼ Evolution of new technologies may reduce the demand for site leases. Further, the recent developments of satellite-delivered radio and video services will weigh on the need for tower-based broadcast transmission. In addition, frequent changes in demand for network services will tend to increase volatility in Crown Castle's revenues. Moreover, popularity of the Voice over WiFi network is increasing in metro cities. With both mobile handset manufacturers and wireless carriers rapidly adopting the technology, Crown Castle's revenues may come under pressure.
- ▼ Shares of Crown Castle have gained 12% against the industry's 8.1% decline over the past year. However, the trend in estimate revisions for FFO per share for the current year does not indicate a favorable outlook for the company. The Zacks Consensus Estimate for 2020 FFO per share has been revised marginally downward over the past two months. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential.

Evolution of new technologies may reduce the demand for site leases, while consolidation in the wireless industry may impact cell-tower deployments, thereby unfavorably impacting top-line growth.

Last Earnings Report

Crown Castle's Q2 FFO Misses Estimates, Revenues Down

Crown Castle's second-quarter 2020 AFFO per share of \$1.45 missed the Zacks Consensus Estimate of \$1.48. Nonetheless, the figure comes in 3% higher than the prior-year quarter tally.

Net revenues of \$1.44 billion edged down 0.5% year on year in the reported quarter. The revenue figure was almost in line with the Zacks Consensus Estimate.

Services and other revenues declined during the quarter. This hindered top-line growth. The company also maintained the current-year outlook despite the prevailing uncertainties related to the coronavirus pandemic.

Quarter in Detail

Site-rental revenues came in at \$1.3 billion, up 4.4% year over year. The \$69 million in organic contribution to site rental revenues reflects 5.6% growth. However, services and other revenues plunged 34.2% year over year to \$121 million.

Quarterly operating income decreased 1.5% year over year to \$383 million. Yet, operating expenses remained flat year over year at \$1.1 billion. Quarterly adjusted EBITDA of \$831 million marked marginal year-over-year growth.

The company reported capital expenditures of \$414 million during the second quarter. This included \$390 million of discretionary capital expenditures and \$24 million of sustaining capital expenditures.

Balance Sheet

Crown Castle exited second-quarter 2020 with cash and cash equivalents of \$2.5 billion, up from the \$196 million reported at the end of 2019.

Furthermore, as of Jun 30, 2020, the company generated \$1.4 billion of net cash from operating activities compared with the \$1.2 billion reported in the year-ago period.

Also, debt and other long-term obligations aggregated \$21 billion, up from the \$18 billion witnessed at the end of 2019.

2020 Outlook

Crown Castle has maintained its outlook for 2020. The company expects site-rental revenues of \$5,337-\$5,382 million. Adjusted EBITDA is projected at \$3,479-\$3,524 million. AFFO is projected at \$2,572-\$2,617 million.

Quarter Ending	06/2020
Report Date	Jul 29, 2020
Sales Surprise	0.02%
EPS Surprise	-2.03%
Quarterly EPS	1.45
Annual EPS (TTM)	5.80

Recent News

Dividend Update

On Aug 6, Crown Castle announced a quarterly cash dividend of \$1.20 per common share. The dividend was paid out on Sep 30 to common stockholders of record as of the close of business on Sep 15, 2020.

Valuation

Crown Castle's shares have been up 12% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Finance have declined 8.1% and 8.5%, respectively, over the past year.

The S&P 500 Index has increased 10.8% over the trailing 12-month period.

The stock is currently trading at 25.84X forward 12-month FFO, which compares to 19.27X for the Zacks sub-industry, 16.66X for the Zacks sector and 22.86X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 28.80X and as low as 16.63X, with a 5-year median of 20.30X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$170 price target reflects 27.35X FFO.

The table below shows summary valuation data for CCI.

Valuation Multiples - CCI					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.84	19.27	16.66	22.86
	5-Year High	28.80	19.33	16.66	22.86
	5-Year Low	16.63	14.32	11.6	15.25
	5-Year Median	20.30	16.14	14.26	17.6
P/S F12M	Current	10.89	8.36	6.23	4.19
	5-Year High	11.81	8.38	6.67	4.19
	5-Year Low	6.83	5.97	4.97	2.53
	5-Year Median	8.37	7.08	6.07	3.07
P/B TTM	Current	6.86	2.46	2.55	4.46
	5-Year High	7.44	3.03	2.91	4.76
	5-Year Low	3.20	1.81	1.72	2.83
	5-Year Median	4.36	2.51	2.54	3.77

As of 09/04/2020

Industry Analysis Zacks Industry Rank: Bottom 10% (225 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
American Tower Corporation REIT (AMT)	Neutral	3
CorEnergy Infrastructure Trust, Inc. (CORR)	Neutral	3
Digital Realty Trust, Inc. (DLR)	Neutral	3
Equinix, Inc. (EQIX)	Neutral	3
Iron Mountain Incorporated (IRM)	Neutral	3
SBA Communications Corporation (SBAC)	Neutral	3
Uniti Group Inc. (UNIT)	Neutral	3
QTS Realty Trust, Inc. (QTS)	Underperform	4

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

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	CCI	X Industry	S&P 500	AMT	SBAC	UNIT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	D	D	A
Market Cap	67.39 B	2.02 B	23.38 B	110.88 B	33.61 B	1.83 B
# of Analysts	5	4	14	6	4	1
Dividend Yield	2.99%	3.75%	1.62%	1.76%	0.62%	6.36%
Value Score	D	-	-	D	F	A
Cash/Price	0.04	0.06	0.07	0.02	0.01	0.05
EV/EBITDA	27.33	14.33	13.13	28.80	32.86	2.10
PEG F1	1.72	3.90	2.96	2.10	NA	NA
P/B	6.86	1.36	3.22	27.31	NA	NA
P/CF	27.41	11.11	12.65	29.99	37.43	3.97
P/E F1	26.59	15.54	21.59	30.20	32.30	5.55
P/S TTM	11.61	5.02	2.44	14.25	16.43	1.72
Earnings Yield	3.76%	5.66%	4.42%	3.31%	3.10%	18.03%
Debt/Equity	2.14	0.90	0.70	5.38	-2.45	-0.02
Cash Flow (\$/share)	5.86	2.05	6.93	8.34	8.02	2.38
Growth Score	C	-	-	C	B	C
Historical EPS Growth (3-5 Years)	7.76%	0.73%	10.41%	12.16%	NA	-5.58%
Projected EPS Growth (F1/F0)	6.08%	-2.49%	-4.75%	7.09%	9.51%	-18.27%
Current Cash Flow Growth	10.48%	3.36%	5.22%	9.58%	17.05%	-5.21%
Historical Cash Flow Growth (3-5 Years)	10.82%	12.74%	8.49%	15.15%	6.55%	NA
Current Ratio	1.75	1.62	1.35	0.68	1.13	0.03
Debt/Capital	68.14%	47.87%	42.95%	84.33%	NA	NA
Net Margin	14.90%	10.49%	10.25%	24.70%	-0.74%	-65.51%
Return on Equity	8.29%	3.32%	14.59%	39.62%	-4.24%	-0.60%
Sales/Assets	0.15	0.13	0.50	0.19	0.22	0.21
Projected Sales Growth (F1/F0)	1.24%	0.00%	-1.42%	3.57%	2.82%	-0.19%
Momentum Score	C	-	-	B	C	C
Daily Price Change	-0.69%	-0.21%	-0.30%	-0.93%	-2.11%	-3.18%
1-Week Price Change	0.38%	1.60%	2.59%	0.10%	0.25%	-0.66%
4-Week Price Change	-2.00%	0.04%	2.00%	-2.16%	-2.29%	-7.00%
12-Week Price Change	-0.08%	2.30%	10.57%	-0.61%	3.55%	16.42%
52-Week Price Change	9.19%	-22.06%	1.69%	6.04%	14.09%	25.73%
20-Day Average Volume (Shares)	1,520,703	563,811	1,827,096	1,360,320	428,348	1,230,282
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.20%	0.00%	-1.20%
EPS F1 Estimate 12-Week Change	-1.21%	0.00%	3.89%	-0.07%	1.16%	-1.20%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	-2.78%

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	D
Growth Score	C
Momentum Score	C
VGM Score	D

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.