

Choice Hotels (CHH)

\$111.35 (As of 04/19/21)

Price Target (6-12 Months): **\$117.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/06/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: C

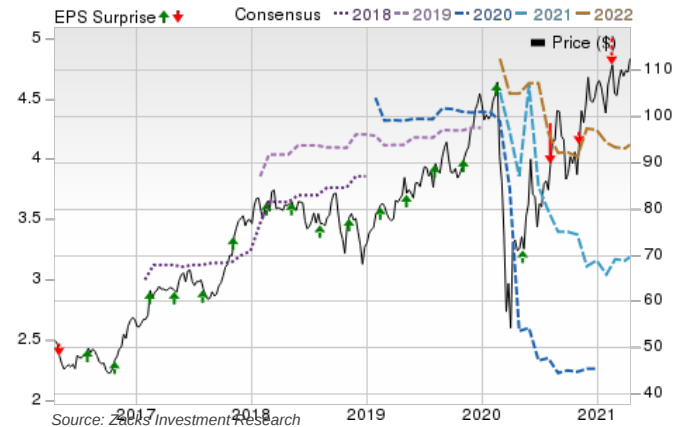
Growth: D

Momentum: B

Summary

Shares of Choice Hotels have underperformed the industry in the past six months. Notably, the company's operations have been negatively impacted by "shelter in place" orders, travel restrictions, cancellation of events, conferences and meetings, social-distancing measures and other governmental regulations. Also, the company's high debt level remains a concern to tide over the ongoing crisis. However, continual expansion strategies as well as enhancement of the mid-scale brand along with the transformation and advancement of the Comfort brands are likely to aid the company going forward. Moreover, Choice Hotels' Ascend portfolio has been doing solid business. Meanwhile, earnings estimates for 2021 have moved up over the past 30 days, depicting analysts optimism regarding the stock growth potential.

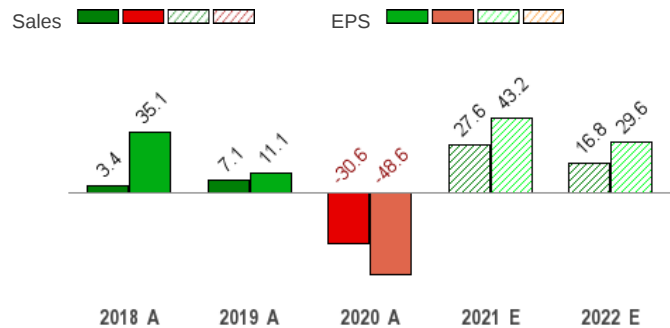
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$114.83 - \$66.00
20-Day Average Volume (Shares)	193,772
Market Cap	\$6.2 B
Year-To-Date Price Change	5.3%
Beta	1.50
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Hotels and Motels
Zacks Industry Rank	Bottom 37% (159 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-22.7%
Last Sales Surprise	-5.2%
EPS F1 Estimate 4-Week Change	1.0%
Expected Report Date	05/10/2021
Earnings ESP	2.8%
P/E TTM	54.6
P/E F1	35.0
PEG F1	3.5
P/S TTM	8.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	250 E	316 E	319 E	287 E	1,154 E
2021	201 E	249 E	274 E	250 E	988 E
2020	218 A	152 A	211 A	193 A	774 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.95 E	\$0.98 E	\$1.27 E	\$0.82 E	\$4.12 E
2021	\$0.62 E	\$0.79 E	\$1.10 E	\$0.75 E	\$3.18 E
2020	\$0.76 A	\$0.13 A	\$0.66 A	\$0.51 A	\$2.22 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 04/19/2021. The report's text and the analyst-provided price target are as of 04/20/2021.

Overview

Choice Hotels International is one of the largest hotel franchisors globally. As of Dec 31, 2020, the company had 7,147 hotels open and 1,022 hotels under construction, awaiting conversion or approval for development. This hotel chain is spread across 40 countries and territories internationally and is present in 50 states domestically and the District of Columbia.

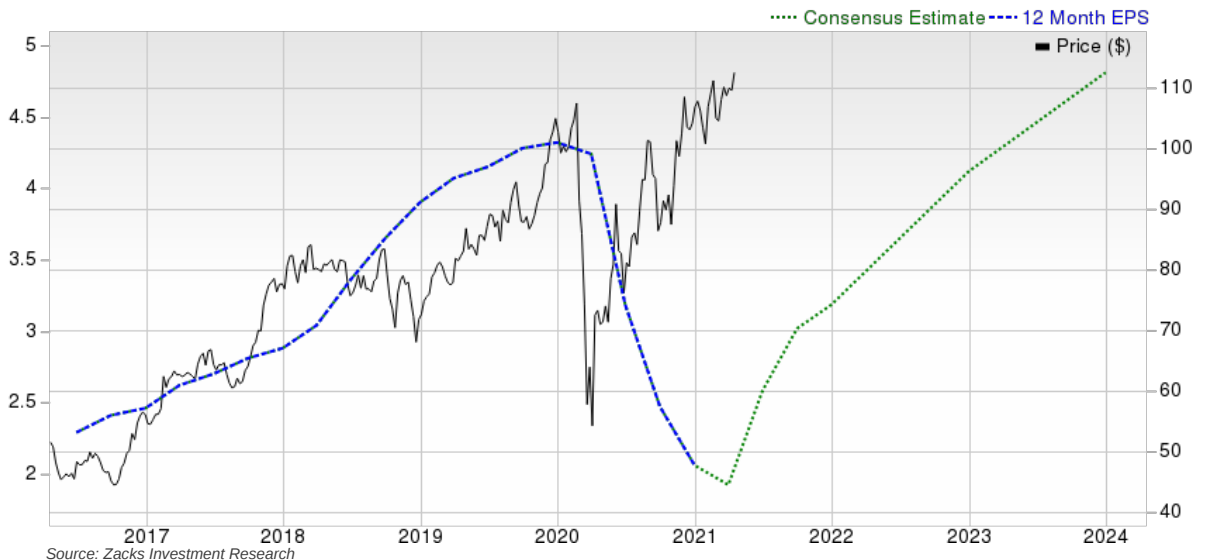
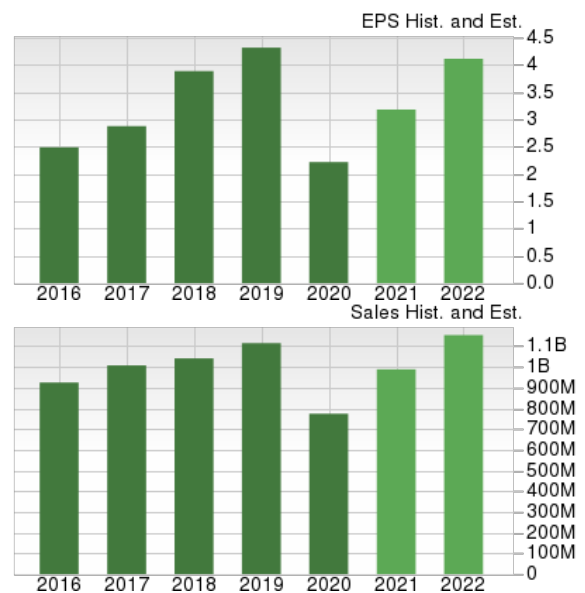
Comfort Inn, Comfort Suites, Quality, Clarion, Clarion Pointe, Sleep Inn, Econo Lodge, Rodeway Inn, MainStay Suites, Suburban Extended Stay Hotel, WoodSpring Suites, Everhome Suites, Cambria Hotels, and Ascend Hotel Collection (collectively, the "Choice brands") are the company's proprietary brand names.

On Jan 27, 2020, the company announced the launch of Everhome Suites, a new-construction midscale extended-stay brand offering. It expects to open the first Everhome Suites hotel in 2021.

Choice Hotel's primary business segment is hotel franchising, representing 97% of the total revenues. While domestic franchising operations are conducted through direct franchising relationships, international franchise operations are carried out via a combination of direct and master franchising relationships.

As of Dec 31, 2020, the company had 966 franchised hotels with 79,470 rooms under construction. The number of new construction franchised hotels in the company's domestic pipeline decreased 8% to 727 on Dec 31, 2020, from 794 on Dec 31, 2019.

Choice Hotels brands – including WoodSpring Suites, Suburban Extended Stay, MainStay Suites and Everhome Suites, have performed significantly well amid the ongoing crisis. In the month of March and April 2020, Choice Hotels' extended stay brands witnessed an average occupancy level of approximately 68% and 60%, compared to the U.S. hotel industry average of approximately 40% and 25%, respectively.



Reasons To Buy:

▲ **Strong Brand Recognition:** Choice Hotels' riveting growth potential depends on the continual expansion of its brands. In fact, the company's portfolio of well-segmented brands is getting evidently stronger. With continuous enhancement of the mid-scale brand, acquisition of the WoodSpring brand, and transformation and advancement of the Comfort and Cambria brands, Choice Hotels is poised for growth.

Continual expansion strategies through acquisitions and franchise agreements are major positives.

▲ **Franchise Business Lends Economies of Scale:** The company's 97% of revenues are generated from the franchise business. Choice Hotels gains from economies of scale associated with the franchise business. Accordingly, higher fee from franchisees and transference of cost burden to franchisees provide the company with operational advantages. Apart from royalty fees and procurement services revenues, Choice Hotels also collect marketing and reservation system fees to provide support activities for the franchise system. In 2020, the company benefitted from the rollout of grab-and-go breakfast, housekeeping on demand and contactless check-in offerings. Backed by these initiatives, the company witnessed a decline in franchisees total cost of ownership while ensuring safety precautions for owners, hotel staff and guests amid the ongoing pandemic.

Franchising, as we believe, will facilitate ROE expansion and earnings growth over the long term. Meanwhile, the company's solid commitment toward franchisee profitability is driving incremental revenues. As of Dec 31, 2020, the company had 966 franchised hotels, with 79,470 rooms under construction, awaiting approval for development in its domestic system compared with 1,052 hotels and 84,950 rooms as of Dec 31, 2019.

▲ **Continual Expansion Bodes Well:** Choice Hotels relies heavily on expansion in both domestic and international markets. In 2020, the company awarded 427 domestic franchise agreements, out of which 70% accounted for conversion hotels. During fourth-quarter 2020, the company executed 195 domestic franchise agreements, out of which 70% were for conversion hotels.

Alongside domestic growth, the company continues to expand its international footprint in new countries. Key international operating markets include Spain, Colombia, Panama, the Caribbean and Canada. Relatively new to the midscale portfolio, Clarion Pointe - part of the popular Clarion brand, is experiencing great success. Notably, Clarion Pointe brand is resonating well with guests. Currently, the brand has more than 50 hotels (open or in the pipeline), thereby illustrating strong growth in coast-to-coast expansion. During the fourth quarter, the brand opened its 25th hotel in the United States.

▲ **Ascend Brand a Driving Factor:** Choice Hotels' Ascend portfolio has been doing solid business. With nearly 300 hotels around the globe, Ascend has significantly outperformed the upscale soft brands (as well as the segment on a whole) in terms of year-over-year RevPAR change. During the fourth quarter of 2020, RevPAR change outperformed the upscale segment by more than 20 percentage points. For 2020, the brand achieved RevPAR index gains of nearly 13 percentage points. Notably, the brand has been well received on account of smart conversion opportunities.

In January 2021, Choice Hotels announced a strategic agreement with Penn National to offer reciprocal earning and redemption benefits to members of Choice Privileges and Penn's mychoice loyalty program. Slated for a phased rollout in 2021, the alliance will enable customers to earn and redeem Choice Privileges points and mychoice tier points at 22 Penn locations and more than 7,000 Ascend hotel collection. Moreover, members can access gaming brands, such as Hollywood, Ameristar and L'Auberge that include approximately 50,000 gaming machines, 1,300 table games as well as live racing and sports betting. Notably, the agreement signals an expansion in benefits for loyalty members of both the companies.

▲ **WoodSpring Acquisition Adds Value:** Apart from constant franchise expansions, Choice Hotels has added 239 extended-stay hotels in 35 states to its portfolio through the acquisition of WoodSpring Suites in 2018. In January 2019, the company finalized an agreement with a developer to build more than 27 additional WoodSpring Suites over the next four years. In 2020, WoodSpring brand pipeline expanded by 150 domestic hotels. Average occupancy rates for WoodSpring Suites brand in 2020 came in at 72%. In December 2020, the brand also witnessed RevPAR growth of 2% year over year.

In January 2020, the company further strengthened its extended stay presence by introducing Everhome Suites, an all-new construction midscale brand in the extended stay segment. Multiple developers have already committed to build 13 Everhome Suites hotels in Austin, TX and Los Angeles market. Nonetheless, it expects to open its first Everhome Suite in 2021.

Reasons To Sell:

- ▼ **Coronavirus Woes Stay:** The Hotel and Motels industry is currently grappling with the coronavirus pandemic and Choice Hotels isn't immune to the trend. In order to mitigate the spread of the virus, the company has been adhering to temporary closures, "shelter in place" orders, travel restrictions, cancellation of events, conferences and meetings, social-distancing measures and other governmental regulations. Resultantly, reduced travel and demand for hotels has negatively impacted the business. We believe that the pandemic is likely to continue and have an adverse material impact on the company as well as the hospitality industry.
- ▼ **High Debt a Concern:** At the end of Dec 31, 2020, the company's long-term debt was \$1,058.7 million, compared with 1,058.3 million as of Sep 30, 2020. During the fourth quarter, the company's debt-to-capitalization came in at 100.6%, compared with the industry average of 97.3%. Moreover, the company ended fourth-quarter 2020 with cash and revolving credit facility of \$834.8 million, which may not be enough to manage the high debt level.
- ▼ **Cutthroat Competition:** The hotel industry is highly competitive, as major hospitality chains with well-established and recognized brands are continuously expanding their global presence. Choice Hotels is continuously facing intense competition from both large hotel chains and smaller independent local hospitality providers. Increasingly, the company also faces competition from new channels of distribution in the travel industry. Additional sources of competition include large companies that offer online travel services as part of their business model such as Alibaba, search engines such as Google, and peer-to-peer inventory sources such as Airbnb and HomeAway that allow travelers to book stays on websites that facilitate the short-term rental homes and apartments from owners, thereby providing an alternative to hotel rooms. Unless the company counters these competitions with appropriate strategies, it may pose a concern for its future profitability.
- ▼ **Cyclical Nature of the Industry Poses Concern:** The hospitality industry is cyclical, and a worsening of global economic conditions might in turn dent Choice Hotels' revenues and profits. Consumer demand for services is closely linked to performance of the general economy, and is sensitive to business and personal discretionary spending levels. Decline in consumer demand due to adverse general economic conditions, poor travel patterns, lower consumer confidence and high unemployment can lower revenues as well as the profitability of the company. These factors can also reduce its management and franchise fee revenues.

Cyclical nature of the industry, the coronavirus outbreak, stiff competition and high debt level remain concerns for Choice Hotels.

Last Earnings Report

Choice Hotels Q4 Earnings Miss Estimates, Fall Y/Y

Choice Hotels reported dismal fourth-quarter 2020 results, with earnings and revenues missing the Zacks Consensus Estimate as well as declining on a year-over-year basis.

Q4 Earnings and Revenues

The lodging franchisor reported adjusted earnings of 51 cents per share, which missed the consensus mark of 66 cents by 22.7%. Also, the bottom line plunged 44.6% from the prior-year quarter's figure of 92 cents.

In the quarter under review, total revenues came in at \$193.4 million. The top line missed the consensus mark of \$204 million by 5.2%. Moreover, the metric declined 27.9% from the year-ago quarter's levels.

Franchising & Royalties

During the fourth quarter, Domestic royalty fees totaled \$60.1 million, down 27% year over year. Also, domestic system-wide RevPAR declined 25.1% year over year. Average daily rate was down 12%. Occupancy fell to 44.9% from 52.8% in the prior-year quarter.

The company's new domestic franchise agreements in 2020 came in at 427, down 38% year over year. Notably, 70% of the agreements comprised conversion hotels. As of Dec 31, 2020, the number of domestic hotels and rooms rose 0.2% and 0.4% year over year, respectively.

Operating Results

Total operating expenses declined 16% from fourth-quarter 2019 levels to \$167.4 million. Adjusted EBITDA declined 34.5% from the prior-year quarter's figure to \$54.7 million.

Balance Sheet

As of Dec 31, 2020, Choice Hotels had cash and cash equivalents of \$234.8 million compared with \$33.8 million on Dec 31, 2019. Long-term debt at the end of the fourth quarter was \$1,058.7 million, up from \$844.1 million at 2019-end. During the quarter, goodwill, as a percentage of total assets, came in at 10% compared with 11.5% at 2019-end.

Due to uncertainties related to the pandemic, the company suspended payout of future dividends. As a result, total dividends paid for 2020 came in at approximately \$25 million. In 2020, the management repurchased nearly \$0.7 million shares (for approximately \$55.5 million) under the share repurchase program. As of Dec 31, 2020, the company had 3.4 million shares remaining under the current share repurchase authorization.

2020 Highlights

Total revenues in 2020 came in at \$774.1 million compared with \$1,114.8 million in 2019. Adjusted EBITDA in 2020 came in at \$241.1 million compared with \$373.6 million in 2019. In 2020, adjusted earnings per share (EPS) came in at \$2.22 compared with \$4.32 in the previous year.

2021 Outlook

Thanks to the pandemic-related uncertainties, the company is not providing any formal guidance for the first quarter or 2021. Factors that are likely to make an impact in future operations include resurgence in COVID-19 cases, pace of vaccination rollout and vaccines effectiveness, the duration and scope of mandated travel and other restrictions as well as broader macroeconomic recovery. Going forward, the company will constantly monitor the situation and provide further updates based on the information then available. For the quarter ended Mar 31, 2021, the company expects sequential improvement in RevPAR. Year to date (through mid-February, 2021) RevPAR has declined approximately 18% compared with that of 2020 levels.

Other Updates

During the fourth quarter, the company awarded 195 domestic franchise agreements, of which 70% were for conversion hotels. Overall, this indicated 36% decline compared with the prior-year levels. The company's domestic upscale, midscale, and extended stay segments - units and rooms increased by 1.8% and 1.6% respectively, on a year over year basis. During the quarter, the number of domestic hotels in the midscale segment rose 1.3% year over year. In the Comfort brand segment, number of domestic hotels and rooms increased 2% year over year. Notably, the segment had more than 260 hotels in its domestic pipeline out of which 65 hotels were awaiting conversion.

Coming to the extended-stay portfolio, the company witnessed rapid expansion, thereby reaching 447 domestic hotels as of Dec 31, 2020. Notably, this suggested an 11% increase on a year-over-year basis. Meanwhile, the domestic extended-stay pipeline comprised of 315 hotels awaiting conversion, under construction or approved for development. In the MainStay Suites segment, domestic hotels rose 23% on a year-over-year basis. Notably, the segment witnessed highest number of hotel openings in 2020. Meanwhile, the Suburban brand witnessed 40% year-over-year growth in domestic franchise agreements. The Cambria Hotels brand witnessed rise in number of domestic hotels and rooms by 8% and 6%, respectively, from 2019 levels. As of Dec 31, the brand's pipeline comprised nearly 80 domestic hotels, of which 19 hotels were under active construction. As of Dec 31, the company's total domestic pipeline of hotels awaiting conversion, under construction or approved for development reached 966 hotels, thereby reaching nearly 80,000 rooms.

Quarter Ending	12/2020
Report Date	Feb 17, 2021
Sales Surprise	-5.15%
EPS Surprise	-22.73%
Quarterly EPS	0.51
Annual EPS (TTM)	2.06

Recent News

Choice Hotels Boosts Ascend Portfolio With New Hotels – Mar 8, 2021

Choice Hotels' Ascend brand recently announced the addition of The Bluff Hotel, The Cranberry, The Landon and Smart Suites to its global line of hotels and resorts. Located in Florida, Georgia, West Virginia and Vermont, respectively, the hotels are likely to offer a range of outdoor springtime activities coupled with Ascend brand's services and hotel amenities.

Valuation

Choice Hotels' shares are up 4.3% in the year-to-date period and up 64.7% in the trailing 12-month period. Stocks in the Zacks sub-industry is up 13.8% and the Zacks Consumer Discretionary sector is up 1.8% in the year-to-date period. Over the past year, the Zacks sub-industry was up 75.2%, and the sector was up by 55.3%.

The S&P 500 index is up by 12.3% in the year-to-date period and 56% in the past year.

The stock is currently trading at 32.14X forward 12-month earnings, which compares to 55.95X for the Zacks sub-industry, 33.6X for the Zacks sector and 23.28X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.04X and as low as 12.47X, with a 5-year median of 21.04X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$117 price target reflects 33.74X forward 12-month earnings.

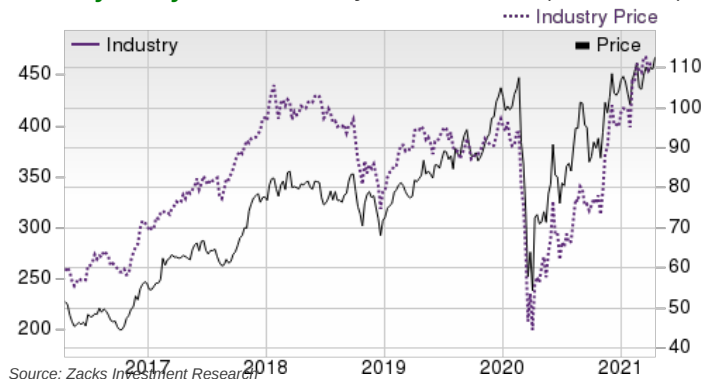
The table below shows summary valuation data for CHH.

Valuation Multiples - CHH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	32.14	55.95	33.6	23.28
	5-Year High	36.04	64.72	35.39	23.83
	5-Year Low	12.47	16.67	16.24	15.3
	5-Year Median	21.04	22.86	20.29	18.01
P/S F12M	Current	5.96	3.52	2.84	4.83
	5-Year High	6.23	3.52	2.93	4.83
	5-Year Low	2.52	1.33	1.72	3.21
	5-Year Median	4.02	1.83	2.51	3.71
EV/EBITDA TTM	Current	31.62	57.97	14.02	18.78
	5-Year High	32.41	55.85	17.96	18.78
	5-Year Low	9.88	9.16	8.31	9.62
	5-Year Median	16.51	15.19	12.31	13.37

As of 04/19/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 37% (159 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Wyndham Hotels & Resorts Inc. (WH)	Outperform	1
Civeo Corporation (CVEO)	Neutral	3
Hyatt Hotels Corporation (H)	Neutral	3
Hilton Grand Vacations Inc. (HGV)	Neutral	3
Hilton Worldwide Holdings Inc. (HLT)	Neutral	3
Marriott International, Inc. (MAR)	Neutral	3
Extended Stay America, Inc. (STAY)	Neutral	3
Marriot Vacations Worldwide Corporation (VAC)	Neutral	3

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

Industry Comparison Industry: Hotels And Motels				Industry Peers		
	CHH	X Industry	S&P 500	H	HLT	MAR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	F	F	D
Market Cap	6.24 B	4.91 B	29.93 B	8.53 B	35.55 B	48.22 B
# of Analysts	7	4	12	9	7	10
Dividend Yield	0.00%	0.00%	1.28%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	D	C
Cash/Price	0.04	0.10	0.06	0.22	0.09	0.02
EV/EBITDA	43.31	-4.52	17.13	-21.79	-357.01	123.21
PEG F1	3.44	1.51	2.40	NA	NA	NA
P/B	NA	4.78	4.09	2.65	NA	112.11
P/CF	33.63	34.59	17.07	NA	86.27	89.33
P/E F1	34.10	43.62	22.40	NA	79.96	83.17
P/S TTM	8.07	4.47	3.49	4.13	8.25	4.56
Earnings Yield	2.83%	1.32%	4.40%	-3.79%	1.25%	1.20%
Debt/Equity	-184.06	1.05	0.66	0.93	-7.02	21.40
Cash Flow (\$/share)	3.31	1.30	6.78	-1.46	1.46	1.66
Growth Score	D	-	-	F	F	F
Historical EPS Growth (3-5 Years)	8.20%	1.33%	9.39%	7.38%	-16.13%	0.47%
Projected EPS Growth (F1/F0)	43.44%	145.99%	15.50%	40.91%	1,501.40%	892.78%
Current Cash Flow Growth	-36.52%	-55.57%	0.72%	-123.16%	-73.36%	-77.76%
Historical Cash Flow Growth (3-5 Years)	5.64%	-2.72%	7.37%	NA	-22.96%	-11.44%
Current Ratio	1.69	1.71	1.39	2.60	1.73	0.49
Debt/Capital	NA%	62.99%	41.26%	48.15%	NA	95.54%
Net Margin	9.74%	-13.38%	10.59%	-34.03%	-16.60%	-2.53%
Return on Equity	-405.07%	-1.96%	15.09%	-15.89%	-2.24%	-47.14%
Sales/Assets	0.47	0.27	0.50	0.23	0.26	0.42
Projected Sales Growth (F1/F0)	27.70%	26.58%	7.49%	49.01%	31.69%	24.40%
Momentum Score	B	-	-	B	B	B
Daily Price Change	-0.95%	-0.10%	-0.35%	-2.16%	-1.66%	-0.49%
1-Week Price Change	2.69%	0.00%	1.43%	-0.01%	2.98%	0.10%
4-Week Price Change	4.25%	-0.13%	5.03%	-3.71%	2.45%	-2.38%
12-Week Price Change	8.76%	19.80%	11.52%	16.69%	19.80%	23.64%
52-Week Price Change	58.78%	79.82%	55.92%	50.49%	74.22%	85.41%
20-Day Average Volume (Shares)	193,772	329,826	1,809,778	431,592	1,966,667	2,105,715
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.95%	0.00%	0.05%	1.41%	5.26%	4.20%
EPS F1 Estimate 12-Week Change	4.70%	-15.02%	1.87%	-13.29%	-4.32%	-3.51%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	-4.05%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	D
Momentum Score	B
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.

Disclosures

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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 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.