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Sep 18, 2020

Lumen Technologies (CTL)

$11.00 (As of 01/01/00)

Price Target (6-12 Months): **$12.00**

Long Term: 6-12 Months | **Zacks Recommendation:** **Neutral**
(Since: 08/13/20)
Prior Recommendation: Underperform

Short Term: 1-3 Months | **Zacks Rank:** (1-5) **3-Hold**
Zacks Style Scores: VGM:A
Value: A | Growth: B | Momentum: D

Summary

Lumen's fiber and IP-based network capacity enables it to support customers and boost shareholders' value. The company is focused on four areas — investing in growth through product and network expansions, delivering enhanced customer experience across business, transforming operations to improve efficiency and employee experience as well as deleveraging to strengthen its balance sheet. It continues to invest in revenue and EBITDA growth drivers. However, Lumen's huge debt burden is a concern. The dynamics of the communications industry is governed by technological advances, which involve massive investments. This can dilute the company's cash flows. Its local phone business has slowed down due to the substitution of wireline telephone services by wireless and other competitive offerings.

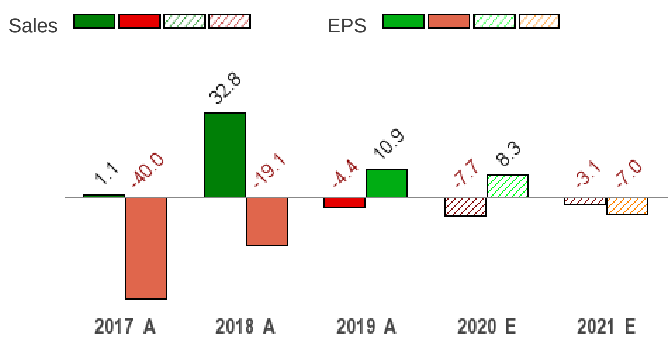
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**NA - NA**
20-Day Average Volume (Shares)	**9,551,353**
Market Cap	**$12.1 B**
Year-To-Date Price Change	**-16.7%**
Beta	**0.99**
Dividend / Dividend Yield	**$1.00 / 9.1%**
Industry	**Wireless National**
Zacks Industry Rank	**Top 45% (113 out of 251)**
Last EPS Surprise	**31.3%**
Last Sales Surprise	**1.1%**
EPS F1 Estimate 4-Week Change	**3.9%**
Expected Report Date	**11/04/2020**
Earnings ESP	**-0.6%**
P/E TTM	**7.7**
P/E F1	**7.7**
PEG F1	**5.1**
P/S TTM	**0.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	5,000 E	4,980 E	4,997 E	5,017 E	20,045 E
2020	5,228 A	5,192 A	5,150 E	5,131 E	20,687 E
2019	5,647 A	5,578 A	5,606 A	5,570 A	22,401 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.34 E	$0.33 E	$0.32 E	$0.33 E	$1.33 E
2020	$0.37 A	$0.42 A	$0.31 E	$0.31 E	$1.43 E
2019	$0.34 A	$0.34 A	$0.31 A	$0.33 A	$1.32 A

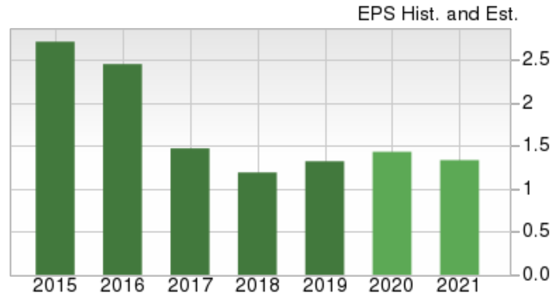
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/01/1900. The reports text is as of 09/18/2020.

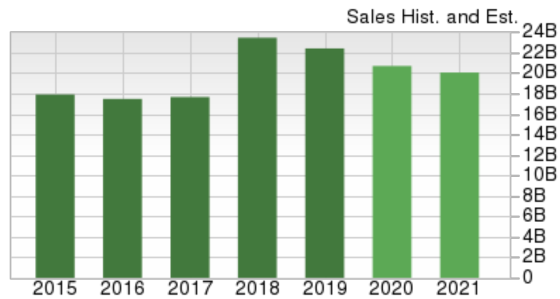
Overview

Based in Monroe, LA, Lumen Technologies is a leading rural local exchange carrier providing a range of telecom services, including local and long-distance voice, wholesale network access, high-speed Internet access, managed hosting and colocation services, and video services.

Lumen is an international facilities-based communications company engaged mainly in providing a wide range of integrated services to its business and residential customers. The company's terrestrial and subsea fiber optic long-haul network throughout North America, Europe, Latin America and Asia Pacific connects to metropolitan fiber networks that it operates.



It provides services in more than 60 countries, with a major portion of its revenues being derived in the United States. On Nov 1, 2017, Lumen acquired Level 3 through successive merger transactions. Upon closing, Lumen's shareholders owned about 51% and Level 3 shareholders owned 49% of the combined firm.



The communications service provider reports under five operating segments – International and Global Accounts Management (IGAM), Enterprise, Small and Medium Business (SMB), Wholesale and Consumer.

IGAM (16.4% of aggregate revenues in second-quarter 2020): This segment offers products and services to almost 200 global enterprise customers and operates across Latin America, Asia-Pacific and Europe, the Middle East and Africa.

Enterprise (27.6%): This segment provides products and services to the public sector organizations as well as large and regional domestic and global enterprises.

SMB (12.4%): This segment offers products and services to small and medium businesses directly as well indirectly via channel partners.

Wholesale (18.3%): This segment provides products and services to a broad range of communication providers including small regional providers and large global telecom providers across wireless, cable, data center and wireline sectors.

Consumer (25.3%): This segment provides products and services to residential consumers across 37 states.

Source: Zacks Investment Research

Reasons To Buy:

Lumen's fiber and IP-based network capacity positions it well to support customers and boost shareholders' value in the long term.

- Lumen's fiber and IP-based network capacity positions it well to support customers and boost shareholders' value in the long term. The company is focused on four key areas — investing in growth through product and network expansions, delivering enhanced customer experience across business, transforming operations to improve efficiency and employee experience as well as deleveraging to strengthen its balance sheet. It is likely to capitalize on opportunity for revenue growth from market dynamics such as growth in security, IoT, Big Data, 5G, AI and the demand for edge computing. Lumen plans to expand its network infrastructure in 20 cities this year, as it helps enterprise businesses meet the growing demand for high-speed connectivity.

- The company aims to transform its business operations through product evolution and digitizing of customer interactions, which augurs well for revenue growth. Lumen introduced Dynamic Connections as part of its Cloud Connect portfolio and is working on the global expansion of its SD-WAN solutions, while expanding its platform to cloud service and software-as-a-service providers. It is focused on generating revenue growth in its business markets and believes the scale of its global assets alongside innovative product portfolio to be accretive to earnings. The company is working with customers to enable their 5G roadmaps while extending its fiber footprint.

- The company continues to invest in growth and operational efficiency. It is committed to delivering an excellent customer experience while enhancing its product capabilities including fiber network. The company is focused on execution, particularly on improving revenue trajectory, maximizing profitability and staying disciplined on cost transformation and deleveraging. Lumen is confident in its ability to meet its deleveraging objectives and reach the target leverage range of 2.75-3.25x (net debt to adjusted EBITDA) within the next three years. The company intends to return significant value to shareholders while investing in revenue and EBITDA growth drivers.

- The acquisition of Level 3 Communications increased the company's network by 200,000 route miles of fiber including 64,000 route miles in 350 metropolitan areas and 33,000 subsea route miles connecting multiple continents. Lumen's Prism TV services are doing considerably well. We appreciate the company's commitment toward expanding its Prism TV services by foraying into additional households and markets. The growing momentum of Lumen's Prism IPTV service has prompted the company to plan the OTT launch. The company is investing in fiber-to-the-tower (FTTT) expansion and expanded its fiber-based backhaul services. Lumen also expects its Managed Office and Managed Enterprise solutions to continue to gain traction and drive revenue growth on the back of increasing demands from small and large business customers. The company's broadband expansion goal will help it benefit from the increasing demand. Lumen managed to enhance broadband speed with investments in network development. Its IPTV rollout will likely bring further high-speed Gigabit broadband to new markets through the FTTH network infrastructure.

- Lumen is focused on bringing improved operational efficiencies through a number of methods including network simplification and rationalization. This should help the company improve its end-to-end provisioning time and drive standardization. Lumen has been trying to establish itself as a global leader in cloud infrastructure and hosted IT solutions arena designed for enterprise customers. Moreover, the company's strong network capabilities, integrated hosting and network solutions are likely to promote growth in the cloud business. The company's managed and cloud services are key differentiator from other players in the market.

Reasons To Sell:

Due to uncertainties related to COVID-19, Lumen has withdrawn its 2020 outlook for adjusted EBITDA, free cash flow and capital expenditures. Huge debt burden is another concern.

- Lumen's core local phone business has slowed down significantly due to the substitution of traditional wireline telephone services by wireless and other competitive offerings and lower long-distance minutes of use. In addition to large telecommunications providers, the company faces intense competition from cable TV operators and other wireless companies which aggressively offer traditional voice service over their networks. Improvement in the quality of Voice over Internet Protocol services has enabled cable TV, Internet and telephone companies to offer services at attractive price points. In the last reported quarter, Lumen had a net loss of 29,000 total broadband subs.

- As of Jun 30, 2020, the company had $1,763 million in cash and equivalents with $31,414 million of long-term debt compared with the respective tallies of $1,567 million and $34,797 million at the end of the previous quarter. Lumen currently has a debt-to-capital ratio of 0.72 compared with 0.52 of the industry. The times interest earned (TIE) ratio is currently pegged at 1.9 compared with 3.9 for the industry. This suggests that the company is less likely to meet its debt obligations. Lumen has a dividend payout rate of 69.9% compared with 52.9% of the industry. The rate has declined in the past quarters, which indicates that the company is sharing less of its earnings with shareholders. It is to be seen whether Lumen can turn the tables in the coming days amid disruptions stemming from the COVID-19 crisis.

- The dynamics of the communications industry is largely governed by technological advancements, which require massive investments and can dilute cash flows. This could substantially impact the company's ability to meet debt and other financial obligations. Alternatively, if Lumen fails to adopt new technology or upgrade networks, it might result in greater subscriber loss to bigger competitors in the future. Moreover, Lumen's bottom line has contracted over the past quarters as operating expenses have increased.

Last Earnings Report

CenturyLink Q2 Earnings Top Estimates, Revenues Down

Quarter Ending	06/2020
Report Date	Aug 05, 2020
Sales Surprise	1.05%
EPS Surprise	31.25%
Quarterly EPS	0.42
Annual EPS (TTM)	1.43

CenturyLink reported decent second-quarter 2020 results, with the top and bottom line beating the Zacks Consensus Estimate. However, lower revenues in the Consumer, Wholesale, SMB and IGAM segments led to year over year top-line contraction.

Net Income

Net income in the June quarter was $377 million or 35 cents per share compared with $371 million or 35 cents per share in the year-ago quarter. The year-over-over improvement can be attributed to lower operating expenses.

Second-quarter net income (excluding integration and transformation costs, and special items) came in at $450 million or 42 cents per share compared with $369 million or 34 cents per share in the prior-year quarter. The bottom line beat the Zacks Consensus Estimate by 10 cents.

Revenues

Quarterly total operating revenues declined 3.4% year over year to $5,192 million due to lower sales in the Consumer, Wholesale, SMB and International and Global Accounts (IGAM) segments. Nevertheless, the top line surpassed the consensus estimate of $5,138 million.

CenturyLink's revenues are largely recurring in nature with a well-diversified customer base. By segment, SMB revenues fell 6.1% year over year to $646 million, due to persistent deterioration in legacy voice services. Revenues in Wholesale fell 6.3% year over year to $948 million. CenturyLink expects customers to continue to optimize spending with other vendors in this environment and anticipates witnessing healthy momentum in the upcoming quarters with 5G investments. Consumer revenues fell to $1,316 million from $1,389 million in the year-ago quarter, primarily due to decline in legacy voice revenues. However, it was partially offset by growth in Broadband. The company continues to focus on improving broadband revenue performance while boosting the penetration of competitive assets. In the reported quarter, CenturyLink saw a net loss of 29,000 total broadband subs. In speeds of 100 meg and above, it added 68,000 subs.

Revenues in IGAM declined 3.2% year over year to $849 million due to currency headwinds along with reduced levels of activity across Asia, Latin America and Europe stemming from COVID-19 related business shutdowns. Meanwhile, Enterprise revenues inched up 1.7% year over year to $1,433 million, primarily driven by solid collaboration services on the back of a revamped network infrastructure. Despite COVID-19 challenges, the company expects both IGAM and Enterprise segments to witness a significant push in their digital strategies with growing sales orders in the near term.

Other Details

Total operating expenses declined 2.5% year over year to $4,289 million, primarily due to lower SG&A and amortization expenses. Operating income was $903 million compared with $976 million in the prior-year quarter. Adjusted EBITDA slipped to $2,085 million from $2,215 million in the year-ago quarter. The adjusted EBITDA margin was 40.2% compared with 41.2% in the year-ago quarter. Capital expenditures were $1,009 million compared with $800 million in the prior-year quarter.

Cash Flow & Liquidity

In the first six months of 2020, CenturyLink generated $3,048 million of net cash from operations compared with $2,883 million in the year-ago quarter. Free cash flow (excluding cash integration and transformation costs, and special items) for the quarter was $803 million compared with $956 million in the prior-year quarter. As of Jun 30, the company had $1,763 million in cash and cash equivalents with $31,414 million of long-term debt. Notably, 2020-2025 debt maturities have been reduced by approximately $14 billion.

2020 Guidance Updated

Due to uncertainties related to COVID-19, CenturyLink has withdrawn its 2020 outlook for adjusted EBITDA, free cash flow and capital expenditures. However, the company expects net cash interest in the range of $1.65-$1.70 billion down from the prior guidance of $1.75-$1.80 billion. Depreciation and amortization outlook remained unchanged within the range of $4.7-$4.9 billion. The effective income tax rate, too, remained unchanged and is likely to be around 28%.

Recent News

On Sep 14, 2020, CenturyLink announced that it is going to have a new brand name. As Lumen Technologies, the company will help lead enterprises through the challenges and opportunities of the 4th Industrial Revolution. Lumen's worldwide fiber network infrastructure and complementary capabilities deliver competitive advantages to customers in four key areas — Adaptive Networking, Edge Cloud and IT Agility, Connected Security, and Communications and Collaboration. CenturyLink will remain as a trusted brand for residential and small business customers over traditional networks in the United States. The company does not intend to change its financial strategy or financial reporting as a result of this announcement. Beginning Sep 18, the company's stock ticker has changed from CTL to LUMN.

On Aug 27, Lumen announced plans to bring fiber to more than 1,300 homes and enterprises in Duplin County, NC, over the next two years. Following this, citizens will have better access to high-speed Internet for their daily online activities. The company aims to provide reliable services to meet the growing digital demands of businesses and consumers. The company's investments and association in North Carolina's Growing Rural Economies with Access to Technology (GREAT) broadband grant program is instrumental. Also, the project will help meet the state's larger goal of providing broadband access for all residents.

On Aug 25, Lumen announced that it has teamed up with Bark Technologies, a leading content monitoring service that helps families manage their children's digital lives. The move is aimed at advancing Bark's online safety solutions to millions of subscribers as well as non-customers. This comes at a time when many kids are returning to school virtually across the United States. Bark protects more than 5 million children and is used in at least 2,300 school districts nationwide. Its service monitors texts, emails, YouTube and more than 30 social media platforms for signs of potential threats.

On Jul 28, Lumen announced that it has won a contract with the State of Arizona to provide network connectivity and managed IT services. The company will be providing local and wide area network management, Wi-Fi, security, unified voice communications, contact center communications, IT management, data center and cloud-based services to the state under the new AZNet contract.

On Jul 7, Lumen announced the expansion of its tripartite partnership with VMware and Dell to accelerate cloud connectivity solutions for enterprises. The tech giants will likely capitalize on Lumen's hybrid cloud solutions to address the growing digital demands of businesses based in Asia Pacific regions.

On Jun 30, Lumen announced plans to bring fiber to more than 1,000 homes and enterprises in Nessel Township, MN. The company also won a second task order from the National Aeronautics and Space Administration ("NASA") to manage all of its voice traffic and support space exploration programs. It will provide secure network connectivity to NASA's more than 15 space centers and regional research facilities.

Valuation

Lumen's shares are down 14.2% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 0.6% over the past year, and stocks in the Zacks Computer and Technology sector are up 30.9% in the same period.

The S&P 500 Index is up 12% in the past year.

The stock is currently trading at 5.09X trailing 12-month EV/EBITDA, which compares to 6.27X for the Zacks sub-industry, 14.26X for the Zacks sector and 14.51X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 10.5X and as low as 4.37X, with a 5-year median of 5.28X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $12 price target reflects 1.49X forward 12-month earnings.

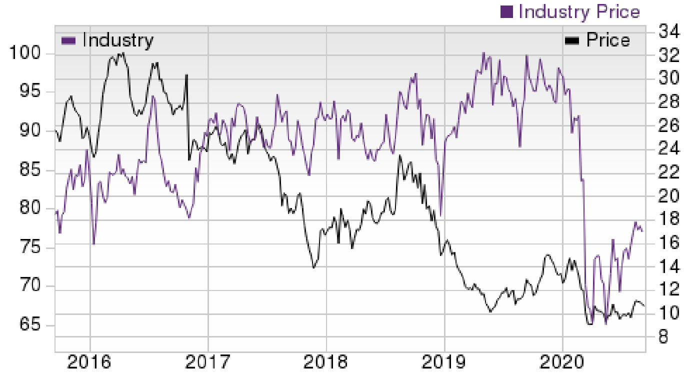
The table below shows summary valuation data for LUMN

Valuation Multiples - LUMN

		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	5.09	6.27	14.26	14.51
	5-Year High	10.5	11.55	15.82	15.61
	5-Year Low	4.37	5.27	8.27	9.51
	5-Year Median	5.28	6.67	11.83	13.01
P/E F12M	Current	8.08	13.12	25.68	22.15
	5-Year High	21.95	15	27.95	23.44
	5-Year Low	5.88	10.1	16.75	15.26
	5-Year Median	11.04	12.25	19.93	17.63
P/S F12M	Current	0.62	1.64	4.16	4.1
	5-Year High	1.35	1.68	4.49	4.29
	5-Year Low	0.44	1.22	2.7	3.11
	5-Year Median	0.78	1.48	3.43	3.66

As of 09/17/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 45% (113 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
GCI Liberty, Inc. **(GLIBA)**	Outperform	2
ATN International, Inc. **(ATNI)**	Neutral	3
Altice USA, Inc. **(ATUS)**	Neutral	3
Cogent Communications Holdings, Inc. **(CCOI)**	Neutral	4
Gogo Inc. **(GOGO)**	Neutral	3
Liberty Latin America Ltd. **(LILA)**	Neutral	3
TMobile US, Inc. **(TMUS)**	Neutral	3
United States Cellular Corporation **(USM)**	Neutral	3

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

Industry Comparison Industry: Wireless National

	CTL	X Industry	S&P 500	ATUS	LILA	USM
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	D	A
Market Cap	12.07 B	831.00 M	23.91 B	15.39 B	1.44 B	2.81 B
# of Analysts	5	5	13.5	6	1	4
Dividend Yield	9.09%	0.00%	1.62%	0.00%	0.00%	0.00%
Value Score	A	-	-	A	A	A
Cash/Price	0.15	0.14	0.07	0.13	NA	0.14
EV/EBITDA	20.02	7.55	13.24	9.23	NA	4.03
PEG F1	5.13	4.24	2.97	NA	NA	NA
P/B	0.90	1.38	3.29	13.30	NA	0.65
P/CF	1.92	9.12	12.82	6.24	NA	3.40
P/E F1	7.69	24.74	21.49	39.35	NA	18.01
P/S TTM	0.56	1.20	2.52	1.56	0.39	0.70
Earnings Yield	13.00%	1.97%	4.40%	2.55%	-16.71%	5.56%
Debt/Equity	2.33	0.37	0.70	21.01	NA	0.37
Cash Flow ($/share)	5.72	2.47	6.93	4.27	NA	9.62
Growth Score	B	-	-	B	F	A
Historical EPS Growth (3-5 Years)	-18.23%	6.43%	10.41%	NA	NA	27.17%
Projected EPS Growth (F1/F0)	8.33%	-5.50%	-4.73%	222.22%	-200.00%	26.22%
Current Cash Flow Growth	-2.30%	1.62%	5.26%	6.97%	NA	4.94%
Historical Cash Flow Growth (3-5 Years)	1.14%	4.16%	8.49%	NA	NA	10.62%
Current Ratio	0.65	1.34	1.35	0.69	NA	2.46
Debt/Capital	70.00%	44.22%	42.95%	95.46%	NA	27.40%
Net Margin	5.63%	4.48%	10.25%	1.91%	NA	4.48%
Return on Equity	11.35%	8.21%	14.66%	14.30%	NA	4.24%
Sales/Assets	0.34	0.48	0.50	0.29	NA	0.48
Projected Sales Growth (F1/F0)	-7.65%	0.00%	-1.43%	1.82%	3.26%	-0.97%
Momentum Score	D	-	-	B	D	A
Daily Price Change	0.00%	0.00%	-0.48%	-3.44%	-3.07%	-1.74%
1-Week Price Change	-1.02%	-2.37%	-1.87%	-2.03%	-10.55%	-3.54%
4-Week Price Change	0.00%	-3.02%	0.96%	-0.41%	-15.51%	-9.86%
12-Week Price Change	9.56%	0.53%	8.69%	14.39%	-19.06%	5.72%
52-Week Price Change	-14.13%	-8.33%	1.36%	-10.43%	-57.25%	-11.90%
20-Day Average Volume (Shares)	9,551,353	213,658	1,917,443	5,286,209	291,431	124,072
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	3.92%	0.00%	0.00%	0.00%	0.00%	5.67%
EPS F1 Estimate 12-Week Change	5.93%	12.46%	4.14%	18.71%	-34.69%	18.99%
EPS Q1 Estimate Monthly Change	0.65%	0.00%	0.00%	0.00%	NA	-0.79%

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	A
Growth Score	B
Momentum Score	D
VGM Score	A

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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