Mar 09, 2021

Cousins Properties (CUZ)

$36.03 (As of 03/08/21)

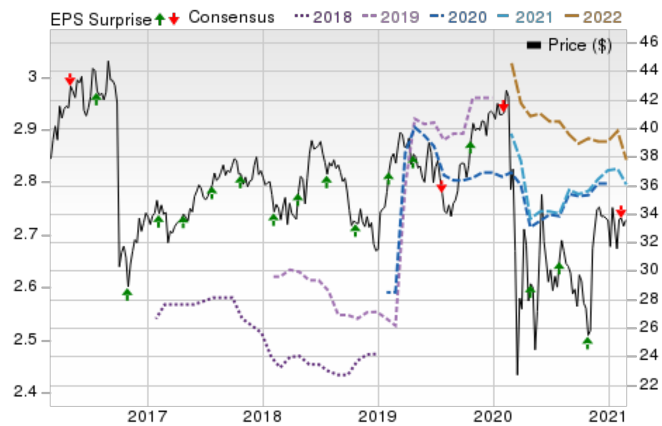
Price Target (6-12 Months): **$39.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/31/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: D | Momentum: F	**3-Hold** VGM:D

Summary

Cousins Properties' footprint in the Sun Belt region is apt as the region is benefiting from favorable migration trends, steady office absorption and positive rent growth. With a portfolio of highly-amenitized class-A office assets, the company is well-poised to benefit from healthy office fundamentals and a rising preference for high-quality assets amid the pandemic. In fact, it witnessed decent rent and same-property portfolio occupancy growth in the fourth quarter. Moreover, Cousins Properties is strengthening its portfolio through developments and buyouts. Shares of the company have outperformed the industry in the past year. However, the pandemic delayed its efforts to re-lease several upcoming tenant move-outs. This along with stiff competition is likely to dent occupancy in 2021. Geographic concentration of assets is also concerning.

Price, Consensus & Surprise

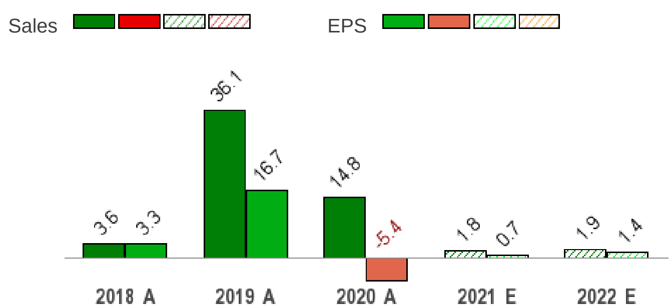


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$38.15 - $21.15**
20-Day Average Volume (Shares)	**913,122**
Market Cap	**$5.4 B**
Year-To-Date Price Change	**7.6%**
Beta	**1.11**
Dividend / Dividend Yield	**$1.20 / 3.3%**
Industry	**REIT and Equity Trust - Other**
Zacks Industry Rank	**Bottom 19% (207 out of 254)**
Last EPS Surprise	**-1.5%**
Last Sales Surprise	**-0.6%**
EPS F1 Estimate 4-Week Change	**-1.1%**
Expected Report Date	**04/29/2021**
Earnings ESP	**0.0%**
P/E TTM	**12.9**
P/E F1	**12.9**
PEG F1	**3.2**
P/S TTM	**7.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022					749 E
2021	183 E	186 E	187 E	187 E	735 E
2020	189 A	175 A	179 A	179 A	722 A

EPS Estimates

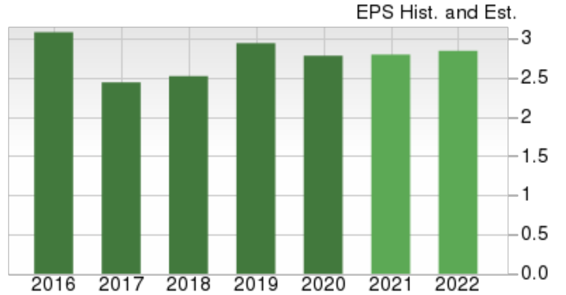
	Q1	Q2	Q3	Q4	Annual*
2022	$0.69 E	$0.70 E	$0.71 E	$0.72 E	$2.84 E
2021	$0.70 E	$0.69 E	$0.70 E	$0.70 E	$2.80 E
2020	$0.76 A	$0.66 A	$0.69 A	$0.68 A	$2.78 A

*Quarterly figures may not add up to annual.

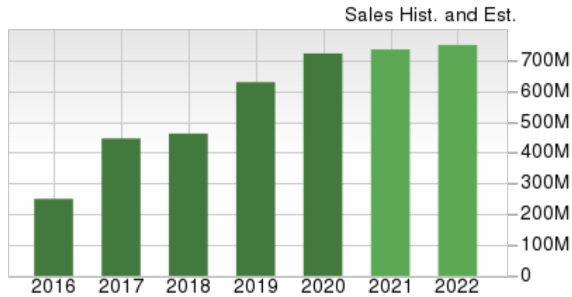
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/08/2021. The report's text and the analyst-provided price target are as of 03/09/2021.

Overview

Founded in 1958, Cousins Properties Incorporated is a real estate investment trust (REIT) based in Atlanta, GA. The company engages in the acquisition, ownership, development and management of class A office and mixed-use properties throughout the Sunbelt markets of the United States, with special focus on Atlanta, Austin, Charlotte, Phoenix, Tampa and Dallas.



As of Dec 31, 2020, the company's portfolio of real estate assets comprised interests in 36 operating properties, having 20 million square feet of rentable space, and five projects (four office and one mixed-use) under active development.



Cousins Properties is enhancing its scale on the back of strategic transactions. In June 2019, it completed the merger with TIER REIT in a 100% stock-for-stock deal. The move has helped create a Sun Belt-focused Class A office REIT and improved market scale by providing strategic entry in Dallas, enhancing footprint in Austin and Charlotte, and balancing presence in Atlanta.

Moreover, following the merger on Jun 17, 2019, Cousins Properties announced that it has completed a one-for-four reverse stock split for outstanding shares of its common stock.

To gain an even bigger foothold in the Sun Belt office market, in early December 2020, Cousins Properties completed multiple acquisitions in Charlotte. Markedly, the company shelled out $201.3 million for the purchase of a 329,000-square-foot creative office asset, The RailYard. It also purchased South End Station, a 3.4-acre land parcel, and 303 Tremont, a 2.4-acre land parcel, in the South End submarket for aggregate gross purchase price of $46.9 million.

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

Source: Zacks Investment Research

Reasons To Buy:

Cousins Properties' high-quality portfolio, impressive tenant roster, opportunistic investments, and developments in best sub-markets and strong balance sheet keep the growth momentum going.

- Cousins Properties has an unmatched portfolio of class A office assets concentrated in the high-growth Sun Belt markets. This region is experiencing a population influx. Amid favorable migration trends and pro-business environment, corporate relocations and expansions in the Sun Belt markets have been prominent and this is driving the demand for office space. Assets in these markets are also expected to command higher rents compared with the broader market. In fact, the company has been witnessing growth in in-place gross rents, while its 20-million-sq-ft portfolio was 90.8% leased as of Dec 31, 2020.

- With significant presence in the best urban submarkets in each city, Cousins Properties has been able to enjoy healthy demand for its properties. The company has a well-diversified, high-end tenant roster with less dependence on a single industry. This enables it to enjoy steady revenues over different economic cycles. In fact, despite the coronavirus outbreak-led market mayhem, Cousins Properties collected 98.8% of its fourth-quarter rents, including 99.2% from office tenants. For December, it collected 99.1% of its rents, including 99.4% from office tenants.

- Going forward, the next cycle of office-space demand will likely be driven by de-densification to allow higher square footage per office worker and the need for better-amenitized office properties to focus on health & wellness amid social-distancing requirements. Moreover, tenant downsizing is less likely and this will likely improve tenant retention. Hence, Cousins Properties' portfolio of class A and highly-amenitized office realties across the Sun Belt region is well-positioned to recover faster and benefit from the emerging trend.

- Moreover, the company makes concerted efforts to upgrade portfolio quality with trophy assets' acquisitions and opportunistic developments in high-growth Sun Belt submarkets. In fact, in early December, the company announced acquisitions in the South End submarket of Charlotte, boosting its presence in the thriving Sun Belt region. Moreover, as of the fourth-quarter end, its development pipeline spanned 1.5 million square feet of space. The office pipeline is 77% pre-leased and is expected to contribute $53 million of additional annualized net operating income (NOI) by 2022 end.

- Cousins Properties' focuses on maintaining a fortress balance sheet, with ample liquidity to leverage on improving market fundamentals. The company exited the fourth quarter with cash and cash equivalents of $4.3 million, and $768 million of availability under its $1-billion credit facility. With this, it has available liquidity of $772 million, which is sufficient to meet near-term capital needs. Also, 78% of its properties were unencumbered as of Dec 31, 2021, offering substantial flexibility to the company. Further, a low-leveraged balance sheet allows Cousins Properties to pursue compelling investments, and take advantage of strategic land opportunities for future office and mixed-use projects.

Reasons To Sell:

> A competitive landscape and high supply in the office real estate market are expected to adversely impact Cousins Properties' pricing power. Also, it has significant concentration of assets.

- The coronavirus pandemic has led to an uncertain economic environment. In such a scenario, management expects office space utilization to not materially improve until the second half of 2021. Also, with several known tenant move-outs in the near term, the pandemic and associated lockdowns have delayed Cousins Properties' re-leasing efforts. Amid this, Cousins Properties is likely to see occupancy erosions in 2021 compared with 2020. Moreover, the company is likely to continue facing pressure from higher tenant lease concessions, including free rent and tenant improvement allowances for its leasing negotiations. Notably, total portfolio weighted average occupancy was 90.4% at the fourth-quarter end. Additionally, it has executed rent deferral agreements, indicating 1.5% of annualized contractual rents for 2020. Such deferral activities are likely to continue until the pandemic subsides. Moreover, the prevalence of work-from-home policies during the pandemic may perhaps change tenant long-term preferences, thereby, affecting the demand for office space lease.

- There is stiff competition from developers, owners and operators of office properties and other commercial real estate and this affects Cousin Properties' ability to retain tenants at relatively higher rents and dents its pricing power. In addition, higher construction activity is expected to increase new supply of class A office space in the company's market. Given the competitive landscape, it might become increasingly challenging for the company to backfill near-term tenant move-outs, resulting in lesser scope for rent and occupancy growth.

- Cousins Properties has a significant development pipeline, with an estimated project cost (the company's share) of $449.4 million as of 2020 end. In addition, the company focuses to increase its land bank. Although such activities are accretive for value creation, it requires huge capital outlays. Furthermore, an extensive development pipeline increases the company's operational risks by exposing it to construction cost overruns, entitlement delays and lease-up risks.

- The company's assets are concentrated in Atlanta, Austin, Charlotte, Phoenix and Tampa. Particularly, as of Dec 31, 2020, Atlanta, Austin and Charlotte contributed 35%, 27% and 12%, respectively, to the company's NOI. Hence, any economic or political downturn in these markets will likely affect Cousins Properties' performance.

- Shares of Cousins Properties have gained 4.9% compared with the industry's rally of 1.2%. However, the trend in estimate revisions for Cousins Properties' 2021 FFO per share does not indicate a favorable outlook for the company as estimates have moved 3.6% downward over the past month. Given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential in the near term.

Last Earnings Report

Cousins Properties Q4 FFO & Revenues Lag Estimates

Quarter Ending	12/2020
Report Date	Feb 11, 2021
Sales Surprise	-0.55%
EPS Surprise	-1.45%
Quarterly EPS	0.68
Annual EPS (TTM)	2.79

Cousins Properties' fourth-quarter 2020 FFO per share of 68 cents misses the Zacks Consensus Estimate by a whisker. Moreover, the reported FFO figure was lower than the prior-year quarter's 72 cents.

Moreover, rental property revenues for the quarter were $178.9 million, lagging the Zacks Consensus Estimate of $179.6 million. Also, on a year-over-year basis, rental property revenues for the quarter slipped 5.5%.

Quarterly results reflect a decline in same-property NOI. The company informed that its rent collection for the fourth quarter was 98.8%, including 99.2% from office tenants. In December, it collected 99.1% of its rents, including 99.4% from office tenants.

For 2020, the company reported FFO per share of $2.78, up 9.9% from the prior year's $2.53. The reported figure, nonetheless, lagged the Zacks Consensus Estimate of $2.80. Total revenues of $721.9 million increased 14.8% year over year.

Same-property NOI, on a cash basis, for 2020, inched up 0.7% from the year-ago period.

Quarter in Detail

Cousins Properties executed leases for 387,611 square feet of office space in the December-end quarter. Same-property NOI, on a cash basis, decreased 3.3% from the year-ago quarter. As of Dec 31, 2020, 92.7% of its same-property portfolio was leased, contracting 96 basis points (bps) from the end of the third quarter.

Nonetheless, second-generation net rent per square foot (cash basis) climbed 8.9%. Weighted average occupancy for the company's same-property portfolio of 92.4% for the quarter ended Dec 31, 2020, increased 54 bps from the prior quarter.

In the reported quarter, Cousins Properties acquired a 329,000-sq-ft office asset, The RailYard, in Charlotte for $201 million.

The company exited the fourth quarter with cash and cash equivalents of $4.3 million compared with $15.6 million recorded as of Dec 31, 2019.

Outlook

Cousins Properties expects 2021 FFO per share of $2.76-$2.86.

Recent News

Cousins Properties Grows Presence in Charlotte With Buyouts – Dec 2, 2020

Cousins Properties announced a couple of acquisitions in the South End submarket of Charlotte, NC. The buyouts will offer substantial long-term value creation opportunities and boost the company's presence in a thriving Sun Belt submarket.

Particularly, in December, Cousins Properties shelled out $201 million for the purchase of a 329,000-square-foot creative office asset. Developed in 2019, this property is known as The RailYard and is a block away from the Bland Streetlight rail station.

With an advantageous location, the property is now 97% leased, has an attractive customer base and a weighted average lease term of 9 years. It houses the Allstate technology center, which accounts 47% of the leased square feet, as well as an Ernst & Young innovation center.

With the property offering long-term upside potential through below-market rental rates, enhanced parking revenues and operating synergies across the company's Charlotte portfolio, this buyout seems strategic for Cousins Properties. Its 2021 cash yield is estimated at 5.3%.

The other transaction is of a land acquisition at Bland Street light rail station in the well-amenitized and walkable district. The company purchased 3.4 acres of land for $28.1 million in November and plans to develop a 600,000-700,000-square-foot mixed-use development on the site to be referred as South End Station.

The acquisition of this transit-oriented development site across The RailYard offers the company scopes for operating and leasing synergy with The RailYard. It also positions the company solidly to capitalize on the rising office and residential demand in South End.

Dividend Update

On Dec 17, Cousins Properties announced a cash dividend of 30 cents per share for fourth-quarter 2020. The dividend was paid out on Jan 14, 2021, to shareholders of record as of Jan 4, 2021.

Valuation

Cousins Properties' shares have been up 4.9% in the trailing 12 months. Stocks in the Zacks sub-industry and the Zacks Finance have gained 1.2% and 27.8%, respectively, over the past year.

The S&P 500 Index is up 35.8% in the past year.

The stock is currently trading at 12.85X forward 12-month FFO, which compares to 19.45X for the Zacks sub-industry, 16.91X for the Zacks sector and 22.11X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 15.57X and as low as 8.04X, with a 5-year median of 13.31X. Our neutral recommendation indicates that the stock will perform in line with the market. Our $39 price target reflects 13.91X FFO.

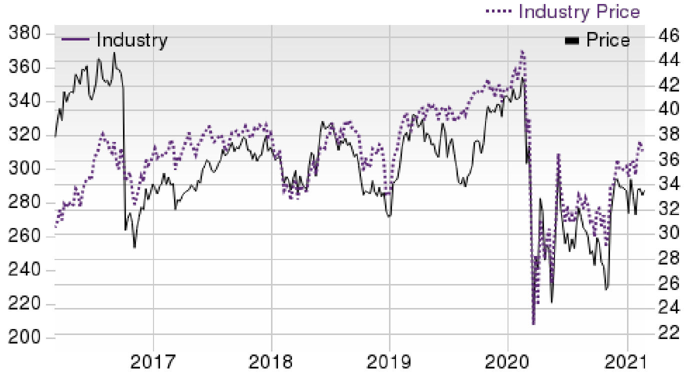
The table below shows summary valuation data for CUZ.

Valuation Multiples - CUZ

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.85	19.45	16.91	22.11
	5-Year High	15.57	19.56	17.12	23.80
	5-Year Low	8.04	14.58	11.60	15.30
	5-Year Median	13.31	16.34	14.58	17.90
P/S F12M	Current	7.26	7.53	7.60	4.48
	5-Year High	11.02	7.53	7.60	4.48
	5-Year Low	4.35	5.45	5.02	3.21
	5-Year Median	7.49	6.31	6.13	3.69
P/B TTM	Current	1.19	2.24	3.10	6.51
	5-Year High	1.50	2.72	3.14	6.66
	5-Year Low	0.75	1.63	1.74	3.83
	5-Year Median	1.31	2.32	2.59	4.97

As of 03/08/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 19% (207 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Alexandria Real Estate Equities, Inc. **(ARE)**	Neutral	3
Boston Properties, Inc. **(BXP)**	Neutral	4
Douglas Emmett, Inc. **(DEI)**	Neutral	3
Highwoods Properties, Inc. **(HIW)**	Neutral	3
Hudson Pacific Properties, Inc. **(HPP)**	Neutral	3
Kilroy Realty Corporation **(KRC)**	Neutral	3
Piedmont Office Realty Trust, Inc. **(PDM)**	Neutral	3
SL Green Realty Corporation **(SLG)**	Neutral	4

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

Industry Comparison Industry: Reit And Equity Trust - Other

Industry Peers

	CUZ	X Industry	S&P 500	ARE	BXP	SLG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	4
VGM Score	D	-	-	F	D	C
Market Cap	5.35 B	2.89 B	27.55 B	21.92 B	16.80 B	5.25 B
# of Analysts	4	4	13	3	9	8
Dividend Yield	3.33%	3.17%	1.36%	2.72%	3.64%	4.80%
Value Score	C	-	-	D	B	B
Cash/Price	0.00	0.04	0.06	0.03	0.11	0.07
EV/EBITDA	16.97	17.15	15.74	19.35	13.37	14.29
PEG F1	3.17	3.37	2.32	3.61	3.33	4.88
P/B	1.19	1.47	3.87	1.63	2.06	1.05
P/CF	10.19	15.35	15.96	15.45	10.77	7.06
P/E F1	12.66	16.72	20.75	20.74	16.08	11.51
P/S TTM	7.23	7.09	3.29	11.62	6.07	4.99
Earnings Yield	7.77%	5.49%	4.71%	4.82%	6.22%	8.68%
Debt/Equity	0.48	0.87	0.67	0.56	1.63	1.00
Cash Flow ($/share)	3.53	1.77	6.78	10.38	10.01	10.74
Growth Score	D	-	-	D	D	D
Historical EPS Growth (3-5 Years)	-3.42%	0.68%	9.34%	7.51%	4.05%	-1.84%
Projected EPS Growth (F1/F0)	0.54%	7.24%	14.41%	5.89%	6.55%	-7.42%
Current Cash Flow Growth	28.35%	-0.74%	0.74%	60.62%	29.71%	34.81%
Historical Cash Flow Growth (3-5 Years)	14.83%	10.49%	7.37%	28.18%	4.98%	-2.47%
Current Ratio	0.88	1.53	1.39	0.36	6.81	2.72
Debt/Capital	32.48%	46.73%	41.42%	36.06%	61.43%	48.04%
Net Margin	32.05%	9.37%	10.59%	40.89%	31.52%	35.25%
Return on Equity	5.24%	2.98%	14.75%	6.46%	10.56%	7.01%
Sales/Assets	0.11	0.11	0.51	0.09	0.12	0.08
Projected Sales Growth (F1/F0)	1.82%	6.32%	6.93%	0.00%	1.41%	-7.81%
Momentum Score	F	-	-	D	F	C
Daily Price Change	3.30%	1.82%	0.98%	1.26%	5.42%	4.45%
1-Week Price Change	4.00%	0.87%	2.46%	-0.84%	3.16%	5.02%
4-Week Price Change	5.47%	4.51%	2.20%	-5.91%	13.06%	17.55%
12-Week Price Change	4.59%	9.73%	7.91%	-7.22%	9.44%	26.17%
52-Week Price Change	8.69%	9.01%	41.93%	8.13%	-12.26%	0.30%
20-Day Average Volume (Shares)	913,122	654,600	2,120,225	1,020,565	1,138,719	1,421,342
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.04%	-0.18%	0.00%
EPS F1 Estimate 4-Week Change	-1.06%	-0.13%	0.00%	-0.04%	-0.18%	-0.56%
EPS F1 Estimate 12-Week Change	-0.97%	-1.16%	2.11%	0.26%	-2.66%	-2.84%
EPS Q1 Estimate Monthly Change	-2.11%	-0.18%	0.00%	-0.18%	-0.51%	-0.74%

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	F
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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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.