Encompass Health (EHC)

$80.64 (As of 06/16/21)

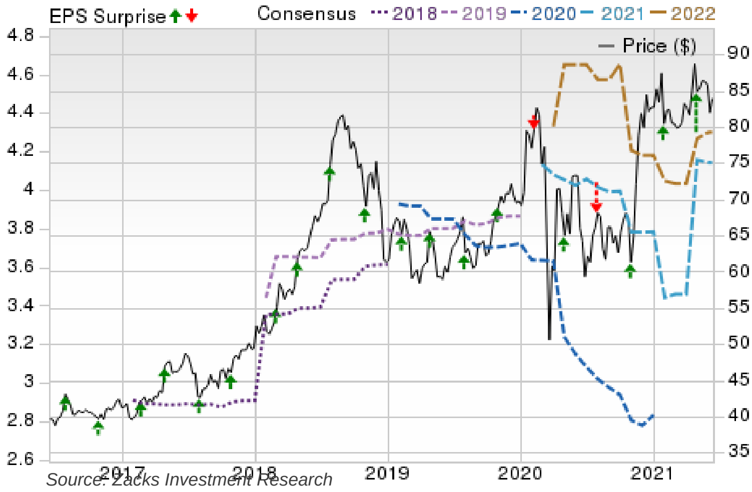
Price Target (6-12 Months): **$85.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/02/21) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: A | Growth: C | Momentum: A	**2-Buy** VGM:A

Summary

Shares of Encompass Health have outperformed the industry in a year. The top line has been consistently rising since 2010, driven by better revenues from its Inpatient Rehabilitation segment. Though the metric suffered in the earlier part of the year due to COVID-19, the situation is improving now. It is looking for options to sell its home health and hospice business to streamline operations. It actively pursues mergers and acquisitions to increase its market density and build scale in hospice. Its solvency position is strong. The company has been successfully generating free cash from operations for quite some time. Its first-quarter earnings beat estimates on growing revenues. However, elevated costs due to labor supply shortage can weigh on its margins. Suspension of share buybacks due to the pandemic can affect the company's bottom line.

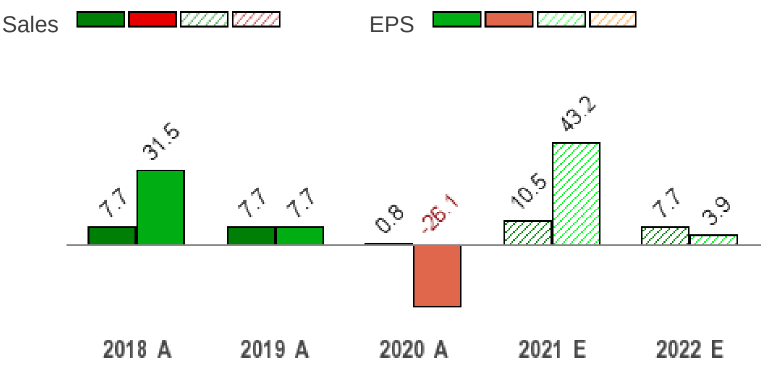
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$89.68 - $58.99**
20-Day Average Volume (Shares)	**522,085**
Market Cap	**$8.0 B**
Year-To-Date Price Change	**-2.5%**
Beta	**1.14**
Dividend / Dividend Yield	**$1.12 / 1.4%**
Industry	**Medical - Outpatient and Home Healthcare**
Zacks Industry Rank	**Top 50% (127 out of 252)**
Last EPS Surprise	**31.3%**
Last Sales Surprise	**0.2%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**07/26/2021**
Earnings ESP	**0.0%**
P/E TTM	**26.3**
P/E F1	**19.5**
PEG F1	**2.2**
P/S TTM	**1.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,335 E	1,362 E	1,372 E	1,421 E	5,525 E
2021	1,230 A	1,262 E	1,289 E	1,329 E	5,132 E
2020	1,182 A	1,074 A	1,174 A	1,214 A	4,644 A

EPS Estimates

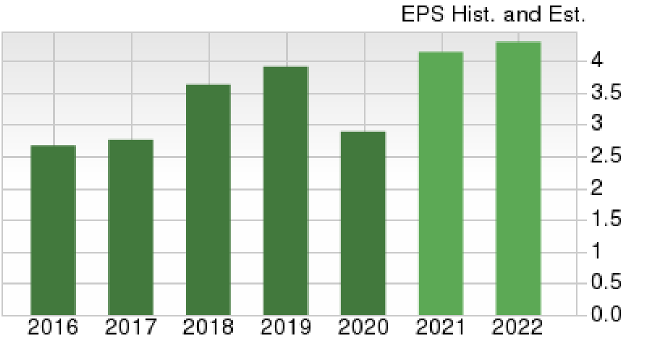
	Q1	Q2	Q3	Q4	Annual*
2022	$0.99 E	$1.05 E	$1.06 E	$1.16 E	$4.30 E
2021	$1.05 A	$1.01 E	$0.99 E	$1.06 E	$4.14 E
2020	$0.87 A	$0.31 A	$0.78 A	$0.93 A	$2.89 A

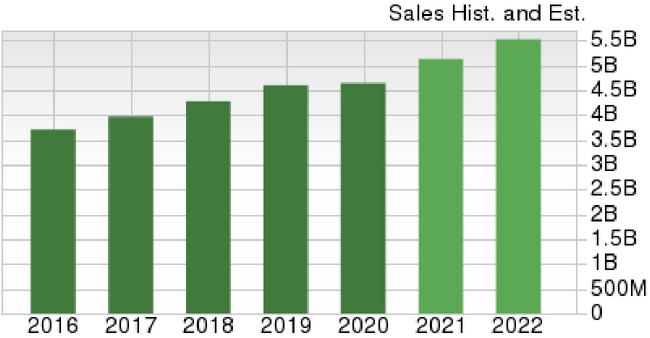
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/16/2021. The report's text and the analyst-provided price target are as of 06/17/2021.

Overview

Encompass Health Corporation is a provider of integrated healthcare services. It offers both facility-based and home-based patient care through its network of inpatient rehabilitation hospitals, home health agencies and hospice agencies. With a national footprint that includes 130 hospitals and 278 home health plus hospice locations across 36 states and Puerto Rico, the company delivers high-quality, cost-effective, integrated care in the healthcare space. It provides a continuum of facility-based and home-based post-acute services for its patients and their families, which will gain more prevalence as coordinated care and integrated delivery payment models, such as accountable care organizations and bundled payment arrangements.





The company operates through two segments: Inpatient Rehabilitation as well as Home Health and Hospice business

The company's Inpatient Rehabilitation hospitals (77% of 2020 revenues) offer specialized rehabilitative care over a wide array of diagnoses and deliver comprehensive, high-quality, cost-effective patient care services. The company provides specialized rehabilitative treatment on both inpatient and outpatient basis. It operates hospitals in 32 states and Puerto Rico with concentrations on the eastern half of the United States and Texas.

The company's Home Health and Hospice (23%) business is the nation's fourth largest provider of Medicare-certified skilled home health services in terms of revenues. It operates home health and hospice agencies in 30 states focusing on the Southeast and Texas. The company acquired a significant portion of its home health and hospice business when it purchased EHHI Holdings, Inc. ("EHHI") on Dec 31, 2014. This segment provides a range of Medicare-certified home care services, which comprise skilled nursing, physical, occupational and speech therapy, medical social work plus home health aide services.

Source: Zacks Investment Research

Reasons To Buy:

▲ **Increased Earnings Guidance:** Based on strong first-quarter 2021 results and Medicare sequestration suspension being extended till the end of 2021, the company raised its full-year revenue and earnings guidance. For 2021, net operating revenues are now projected to be $5.06-$5.23 billion, higher than the prior guidance of $5-$5.17 billion. The mid-point of the newly provided guidance suggests growth of 10.8% from the 2020-end reported level. Also, the same lies higher than the Zacks Consensus Estimate of $5.13 billion. Adjusted earnings per share from continuing operations are anticipated to be $3.94-$4.16 for 2021, up from the previous guidance of $3.31-$3.53. The mid-point of the new guidance indicates surge of 40.1% from the 2020-end figure. The same lies higher than the Zacks Consensus Estimate of $4.02 per share. Increased annual guidance instills investors' confidence in the stock.

Increasing revenues, inorganic growth via mergers and acqusitions and consistent cash flow generation should aid growth.

▲ **Growing Revenues:** The company's top line has been consistently increasing, since 2010 at a 10-year CAGR of 9.6%. The trend continued in first-quarter 2021 results, wherein the metric improved 4.1% year over year driven by strong contribution from its Inpatient Rehabilitation segment. The healthcare provider has been witnessing revival in patient volumes at both of its segments from low volumes in April, which was hit by pandemic related decline in business. We believe that an ageing population should continue to boost demand for the company's services. For 2021, the company expects net operating revenues to be $5.06-$5.23 billion higher than the prior guidance of $5-$5.17 billion. Over the 2020-2025 period, the company expects to achieve long-term revenue growth of 8% to 10%.

▲ **Acquisitions:** The company's mergers and acquisition (M&A) strategy is aimed to increase market density, increase overlap with the company's in-patient rehabilitation facilities (IRFs) and build scale in hospice. The buyout of Alacare Home Health & Hospice (in 2019) is in sync with the strategy. During April 2021, the company inked a deal to acquire the home health and hospice assets of Frontier Home Health and Hospice across Alaska, Colorado, Montana, Washington and Wyoming. With this move, the company will be able to enter new markets of Alaska, Montana and Washington. Besides the acquisition is likely to strengthen its presence across Colorado and Wyoming.

The company aims to address demand for facility-based and home-based post-acute care services in markets where it is not currently present by constructing or acquiring new hospitals and purchasing or opening home health and hospice agencies in those extremely fragmented industries. The company is particularly focussed on its Inpatient Rehabilitation segment. Notably in 2020, its Inpatient Rehabilitation segment opened four new hospitals and expanded the existing ones by 117 beds. In 2021, the company expects to open six new hospitals and add more than 100 beds to its present portfolio. It anticipates inaugurating a minimum of 12 hospitals, which are expected to open in 2022. Its pipeline already contains three new hospitals scheduled to open in 2023. The company has a robust development pipeline and expects more growth-related announcements throughout 2021. Expansion of the company's facilities will aid revenue growth over the long term.

▲ **Decision to Divest Business for Streamlining Operations:** The company announced in 2020 that it is exploring strategic alternatives for selling its Home Health and Hospice business. It is mulling over its options via various alternatives, such as full or partial separation of the Home Health and Hospice business from its parent company through an initial public offering, spin-off, merger, sale or other forms of transaction. Though the company's home health business boasts of being the fourth largest provider of Medicare-certified skilled home health services across the United States in terms of revenues, the same inched down 0.8% during first-quarter 2021. With the spin-off of this unit, the company plans to focus and grow its core business — inpatient rehabilitation, which is set to witness consistent growth backed by its planned bed additions at a number of existing hospitals, acquisitions and construction of new hospitals.

▲ **Sound Debt Position:** The company's primary sources of liquidity are cash in hand, cash flow from operations and borrowings under its revolving credit facility. As of Mar 31, 2020, the company had approximately $223.9 million in cash and cash equivalents and nearly $962 million available to it under its $1 billion revolving credit facility. It has modified its revolving credit facility in a bid to tide over the adverse pandemic effects by the end of 2021. Its long-term debt $3.2 billion declined 2.8% from 2020-end level. The company's leverage ratio at the end of first quarter was 3.5x, which is lower than the sequential figure of 3.6x. The company does not face any near-term refinancing risk as the amounts outstanding under its credit agreement do not mature until 2024. Most of its bonds mature in 2023 and beyond. Its interest coverage ratio of 3.74 at first-quarter end is higher than the industry average of 2.37.

▲ **Free Cash Flow Generation:** The company has been successfully generating free cash from operations since the past many years. This free cash flow recognition provides financial flexibility. For the 2020-2025 forecast period, the company expects to see a CAGR of 5-7% for free cash flow.

▲ **Share Price Performance:** The stock has outperformed the industry in a year. Moreover, the company's strong fundamentals are likely to aid the stock in sustaining its rally in the days ahead.

Reasons To Sell:

- **High Labor Cost:** Salaries and benefits forming nearly 60-65% of the company's total cost are on a rise for the past many years. The same formed 67.2% of the company's total operating costs during the first quarter. The company is witnessing an escalation in labor costs, which is outpacing general inflation rate growth. To address this challenge, the company will continue focusing on maintaining the competitiveness of its compensation and benefit programs and improving its recruitment, retention and productivity. Shortages of nurses and other medical personnel including therapists may from time to time require the company to ramp up usage of more expensive temporary personnel, generally called contract labor. Labor supply scarcity is an acute problem hounding the healthcare companies and an elevation in this cost will exert pressure on the margins.

Increasing labor cost and other development expenses are likely to weigh on bottom line.

- **Increase in Development Expenses:** The company expects to incur $15-$20 million of pre-opening and ramp-up costs associated with new hospitals as its development activities continue to accelerate. This increase in cost will weigh on its bottom line.

- **Overvalued:** Looking at its current valuation, investors won't agree to pay its premiums. Its trailing 12-month price-to-earnings ratio stands at 28x, higher than its industry average of 22.3x.

Last Earnings Report

Encompass Health Q1 Earnings Beat, Hikes '21 View

Quarter Ending	03/2021
Report Date	Apr 27, 2021
Sales Surprise	0.15%
EPS Surprise	31.25%
Quarterly EPS	1.05
Annual EPS (TTM)	3.07

Encompass Health reported first-quarter 2021 adjusted earnings of $1.05 per share, which outpaced the Zacks Consensus Estimate by 31.3%. Further, the bottom line improved 20.7% year over year.

The company's results reflect higher revenues across its Inpatient Rehabilitation segment, partly offset by elevated operating expenses.

Operational Update

The company's net operating revenues improved 4.1% year over year to $1.2 billion in the quarter. The top line benefited from favorable pricing, partly offset by reduced volumes across both the Inpatient Rehabilitation, and Home Health and Hospice segments. The top line also surpassed the Zacks Consensus Estimate by 0.2%.

Adjusted EBITDA climbed 10% year over year to $250.8 million in the quarter.

Total operating expenses increased 2.1% year over year to $1 billion primarily due to higher salaries and benefits, other operating expenses, supplies and, depreciation and amortization. General and administrative expenses, excluding stock-based compensation, increased 22.5% year over year to $34.9 million.

Segmental Results

Inpatient Rehabilitation

The segment's revenues of $959.9 million advanced 5.6% year over year courtesy of 5.9% growth in revenues from Inpatient business. The Inpatient business was buoyed by favorable pricing, partly offset by lower volumes. However, the increase in the segment's revenues was partially offset by 8.3% drop in revenues from Outpatient and other business. Adjusted EBITDA improved 9% year over to $234.9 million attributable to higher revenues.

Home Health and Hospice

Its worth mentioning that the company is looking for strategic alternatives for this segment.

Revenues at the segment dipped 0.8% year over year to $270.5 million in the quarter mainly due to 2.2% decline in revenues from Home Health sub-segment. The sub-segment was affected by lower episodic admissions. Nevertheless, the decline was partly mitigated by 5.4% rise in Hospice sub-segment revenues driven by rise in same-store admissions. Adjusted EBITDA of $50.8 million rose 23.9% year over year in the quarter.

Financial Update

As of Mar 31, 2021, Encompass Health's cash and cash equivalents of $223.9 million remained unchanged from 2020-end figure. Long-term debt, net of current portion as of Mar 31, 2021, declined 2.8% to $3.2 billion from the level at 2020 end.

In the first quarter, adjusted free cash flow climbed 44% year over year to $107.4 million.

2021 Guidance Updated

For the current year, management anticipates net operating revenues to be $5.06-$5.23 billion higher than the previous guidance of $5-$5.17 billion. In 2021, the company's adjusted EBITDA is expected to lie in the range of $1 billion to $1.03 billion, up from the prior guidance of $925-$955 million.

Adjusted earnings per share from continuing operations is expected to be $3.94-$4.16 in 2021, higher than the previous guidance of $3.31-$3.53.

Recent News

Encompass Health Expands Inpatient Rehab Business – Jun 14, 2021

The company is making concerted efforts to grow its inpatient rehabilitation business. To this end, it recently announced the opening of Encompass Health Rehabilitation Hospital of Cumming, a 50-bed inpatient rehabilitation hub.

Encompass Health Declares Quarterly Dividend – May 6, 2021

The Board of Directors at Encompass Health approved a quarterly dividend of 28 cents per share. The new dividend will be paid on Jul 15, 2021 to shareholders of record as on Jul 1.

Encompass Health Inks JV For Offering Better Healthcare in Georgia – May 4, 2021

Encompass Health entered into a joint venture with the well-known healthcare leader Piedmont Healthcare. The collaboration enables both healthcare providers to operate two inpatient rehabilitation hospitals across Georgia. The two healthcare providers have previously been authorized to operate inpatient rehabilitation hospitals across Atlanta and Columbus.

Encompass Health Inks Deal to Buy Frontier Assets – Apr 26, 2021

Encompass Health inked a deal to acquire the home health and hospice assets of Frontier Home Health and Hospice across Alaska, Colorado, Montana, Washington and Wyoming. With this move, the company will be able to enter new markets of Alaska, Montana and Washington.

Encompass Health Takes Nationwide Hospital Count to 139 – Apr 8, 2021

The company has opened an inpatient rehabilitation hospital named Encompass Health Rehabilitation Hospital of North Tampa in Florida. The latest move enables Encompass Health to cater to the health issues of residents in the Tampa Bay region more effectively and ensure that they have access to enhanced rehabilitative care close to their homes.

Valuation

Encompass Health shares are down 2.8% year to date and up 23.6% in the trailing 12-month period, respectively. Stocks in the Zacks sub-industry are down 11.2% but the Zacks Medical sector are up 0.6%, year to date. Over the past year, the Zacks sub-industry and the secor is up 9.3% and 4.2%, respectively.

The S&P 500 index is up 13.2% year to date and 37.7% in the past year.

The stock is currently trading at 19.13x forward 12-month earnings, which compares to 24.83x for the Zacks sub-industry, 23.2x for the Zacks sector and 21.71x for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.38x and as low as 13.42x, with a 5-year median of 17.13x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $85 price target reflects 20x forward earnings.

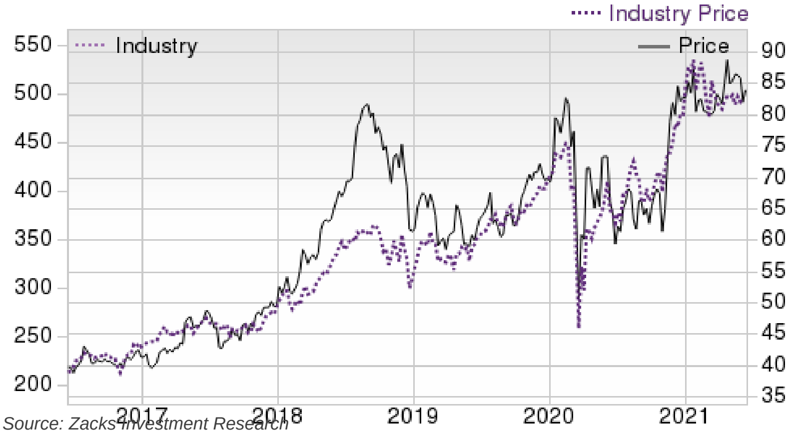
The table below shows summary valuation data for EHC

Valuation Multiples - EHC

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.13	24.83	23.2	21.71
	5-Year High	24.38	25.24	23.2	23.83
	5-Year Low	13.42	14.41	15.82	15.31
	5-Year Median	17.13	18.68	19.34	18.05
P/S F12M	Current	1.63	3.36	2.7	4.83
	5-Year High	1.84	3.41	3.17	4.83
	5-Year Low	0.88	0.73	2.26	3.21
	5-Year Median	1.3	2	2.78	3.71
P/B TTM	Current	4.29	3.85	3.96	7.11
	5-Year High	5.42	4.14	5.07	7.11
	5-Year Low	2.88	1.94	3.02	3.83
	5-Year Median	4.02	2.92	4.34	4.99

As of 06/16/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 50% (127 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Elanco Animal Health Incorporated **(ELAN)**	Outperform	2
Amedisys, Inc. **(AMED)**	Neutral	3
Chemed Corporation **(CHE)**	Neutral	3
Quest Diagnostics Incorporated **(DGX)**	Neutral	3
DaVita Inc. **(DVA)**	Neutral	2
The Ensign Group, Inc. **(ENSG)**	Neutral	3
Hanger Inc. **(HNGR)**	Neutral	2
RadNet, Inc. **(RDNT)**	Neutral	3

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

Industry Comparison Industry: Medical - Outpatient And Home Healthcare

Industry Peers

	EHC	X Industry	S&P 500	CHE	ELAN	ENSG
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	3
VGM Score	A	-	-	B	F	B
Market Cap	8.03 B	1.43 B	29.96 B	7.42 B	17.02 B	4.67 B
# of Analysts	6	4	12	2	8	2
Dividend Yield	1.39%	0.00%	1.3%	0.29%	0.00%	0.25%
Value Score	A	-	-	B	F	B
Cash/Price	0.03	0.04	0.05	0.03	0.03	0.04
EV/EBITDA	12.02	10.67	17.13	15.83	-4,162.15	16.33
PEG F1	2.21	1.13	2.12	3.50	1.00	1.57
P/B	3.93	4.71	4.17	7.98	2.12	5.33
P/CF	14.89	20.46	17.46	20.99	23.47	21.20
P/E F1	19.54	27.43	21.27	25.79	35.23	23.62
P/S TTM	1.71	1.99	3.46	3.55	4.41	1.91
Earnings Yield	5.13%	2.88%	4.62%	3.88%	2.83%	4.24%
Debt/Equity	1.55	0.56	0.66	0.00	0.69	0.13
Cash Flow ($/share)	5.41	1.57	6.83	22.15	1.53	4.01
Growth Score	C	-	-	B	F	C
Historical EPS Growth (3-5 Years)	5.77%	6.37%	9.44%	25.60%	NA	24.29%
Projected EPS Growth (F1/F0)	43.31%	13.67%	21.49%	-0.30%	117.30%	14.86%
Current Cash Flow Growth	-12.21%	6.22%	0.86%	28.02%	2.13%	29.85%
Historical Cash Flow Growth (3-5 Years)	7.22%	15.37%	7.28%	18.01%	94.34%	18.24%
Current Ratio	1.23	1.37	1.39	1.20	1.64	1.16
Debt/Capital	60.97%	39.27%	41.51%	0.00%	40.96%	11.33%
Net Margin	6.49%	4.47%	11.95%	15.73%	-14.83%	7.33%
Return on Equity	15.89%	11.35%	16.48%	36.43%	4.26%	21.34%
Sales/Assets	0.72	0.81	0.51	1.51	0.25	0.98
Projected Sales Growth (F1/F0)	10.01%	10.01%	9.41%	2.58%	44.21%	10.35%
Momentum Score	A	-	-	D	F	C
Daily Price Change	-2.44%	0.00%	-0.54%	-1.31%	3.36%	-0.55%
1-Week Price Change	2.36%	0.00%	0.10%	-3.55%	-1.40%	2.06%
4-Week Price Change	-5.87%	1.20%	2.62%	-6.33%	1.72%	2.78%
12-Week Price Change	-1.89%	-1.21%	8.60%	0.85%	27.18%	-5.97%
52-Week Price Change	22.93%	43.92%	35.66%	3.55%	66.65%	99.23%
20-Day Average Volume (Shares)	522,085	125,667	1,734,994	61,860	3,337,538	235,956
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.05%	-1.32%	-1.30%	0.00%
EPS F1 Estimate 12-Week Change	19.75%	-0.25%	3.39%	1.07%	7.60%	3.21%

EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

Value Score	A
Growth Score	C
Momentum Score	A
VGM Score	A

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.

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.