

Equinix, Inc. (EQIX)

\$789.78 (As of 08/31/20)

Price Target (6-12 Months): **\$837.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/16/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

Growth: C

Momentum: C

Summary

Equinix has a robust global data-center portfolio, which is well-positioned to benefit from higher demand for interconnected data-center space stemming from remote working amid the pandemic and higher need for digital infrastructures. Also, acceleration in cloud adoption is driving growth for its interconnected ecosystems. The company delivered 70 consecutive quarters of revenue growth. Acquisitions backed by a decent balance sheet are a strategic fit. Its shares have outperformed the real estate market over the past year. However, a global footprint exposes the company to volatility in foreign currency exchange rates. Moreover, expansion of data-center portfolio involves significant capital outlays and given the company's significant debt obligations, such activities are likely to increase financial obligations and affect operating results.

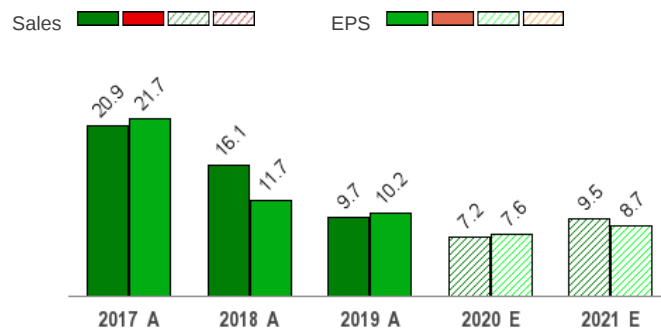
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$805.81 - \$477.87
20-Day Average Volume (Shares)	346,180
Market Cap	\$69.9 B
Year-To-Date Price Change	35.3%
Beta	0.41
Dividend / Dividend Yield	\$10.64 / 1.3%
Industry	REIT and Equity Trust - Retail
Zacks Industry Rank	Bottom 4% (240 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.2%
Last Sales Surprise	0.6%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	11/04/2020
Earnings ESP	0.5%

P/E TTM	33.5
P/E F1	32.2
PEG F1	2.3
P/S TTM	12.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,580 E	1,617 E	1,648 E	1,689 E	6,528 E
2020	1,445 A	1,470 A	1,503 E	1,547 E	5,960 E
2019	1,363 A	1,385 A	1,397 A	1,417 A	5,562 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$6.44 E	\$6.64 E	\$6.73 E	\$6.93 E	\$26.68 E
2020	\$6.21 A	\$6.35 A	\$6.05 E	\$5.99 E	\$24.55 E
2019	\$5.95 A	\$5.87 A	\$5.52 A	\$5.51 A	\$22.81 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 08/31/2020. The reports text is as of 09/01/2020.

Overview

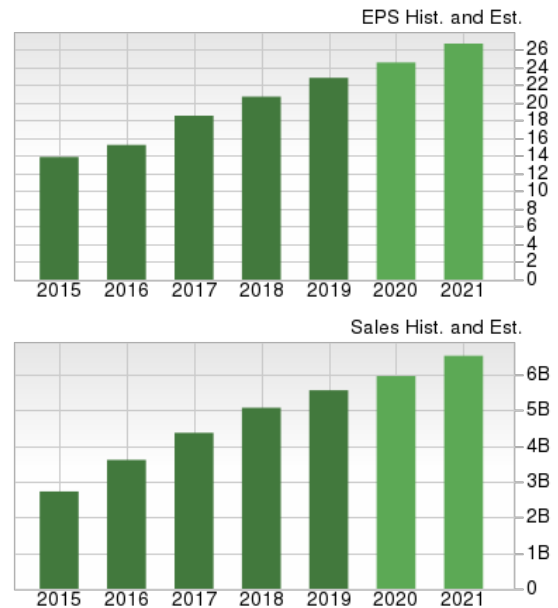
Equinix, Inc. is a global provider of network-neutral data centers and Internet exchange services for enterprises, content companies, systems integrators and network service providers. Incorporated on Jun 22, 1998, Equinix has its U.S. headquarters in Redwood City, CA. The company has two more regional headquarters in London and Singapore. Equinix has a direct sales force and a channel marketing program. It became a REIT in taxable year 2015.

Through its 214 International Business Exchanges or IBX data centers across 56 metros in five continents, customers can directly interconnect critical traffic exchange requirements. While some Equinix customers build and operate their own data centers for their large infrastructure deployments, these customers rely on Equinix IBX centers for their critical inter-connection relationships.

Equinix's business is based on a recurring revenue model comprising Colocation, Interconnection and Managed IT Infrastructure Services. These services are considered to be recurring, as customers are billed at fixed rates on a recurring basis through the life of the respective contracts, which generally run for one to three years. Approximately half of Equinix's existing customers order new services in any given quarter. Recurring revenues accounted for greater than 90% of total revenues for the last three years.

Non-Recurring Revenues comprise professional services, installation services related to initial deployment and customer settlements (fees paid for terminating contracts before expiry). These services are typically billed only upon completion of the installation or performance of services.

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



Source: Zacks Investment Research

Reasons To Buy:

- ▲ The growing demand for Big Data exchanges calls for greater usage of data centers. To meet this global need, Equinix is expanding its IBX data centers globally and is gaining traction among tech companies looking for data management. Industry experts believe demand for high performing data centers will escalate in the years to come with the exponential rise in data traffic. This will require enterprises to engage data-center service providers such as Equinix. Therefore, increasing total addressable market for data-center provides an immense growth opportunity for Equinix.
- ▲ Equinix has been achieving continued business momentum with its critical mass of customers and the resultant "network effect" within its IBX centers. Direct interconnection with its networks, connecting the majority of the world's Internet routes, enables customers to increase the efficiency of their IT infrastructure, remove complexities associated with infrastructure administration and management and reduce costs. Further, service offerings, such as Equinix Exchange and Equinix Internet Exchange, significantly reduce the cost of critical transit, peering and traffic exchange operations by eliminating the costs of private peering or local loops. The benefits provided by the Platform Equinix have led to a loyal and blue-chip customer base of over 6,300 firms. Moreover, the company's joint venture (JV) with GIC to develop and operate xScale data centers in Europe attracts additional partners and other hyperscale providers to Equinix's ecosystem, and also benefits the network effect.
- ▲ The demand for Equinix's interconnected ecosystem remains strong, driven by acceleration in enterprise cloud adoption and increasing cloud or Internet customers' demands for highly interconnected datacenter space. Amid the tailwinds, the company continues to strengthen its interconnection portfolio. In the second quarter, it added an incremental 8000 interconnections, which were driven by video conferencing, work-from home aggregation and enterprise cloud connectivity. With this, Equinix has more than 378,000 interconnections. These efforts along with the company's global reach resulted in strong interconnection activities, reflected in interconnection revenue growth for the second quarter. The company's interconnection offering reflects a unique product line that is driving significant customer value. Moreover, going forward the xScale JV with GIC in Japan will fuel Equinix's interconnected ecosystem.
- ▲ The massive work-from-home environment due to the COVID-19 pandemic is driving a spike of near-term demand for highly interconnected data-center space from cloud and Internet customers. This sudden incremental network demand, stemming from an increase in remote working, is a positive for the data-center industry and is expected to benefit Equinix in some of its high-margin product lines. Moreover, the situation highlights the importance of real-time, on-demand scalability that the company provides through services like Cloud Exchange Fabric (ECX Fabric) and Network Edge.
- ▲ Equinix continues focusing on acquisitions to expand data-center capacity in key markets as well as strengthen its competitive positioning and global reach. In fact, in June, the company added a new \$142-million IBX data center in the Dallas metro area and announced a deal to buy a 13 Bell Canada data centers for \$750 million. Through these efforts, it expanded its footprint in the Americas and Canada. Moreover, following the success of a JV with GIC for xScale data centers in Europe, it has announced a similar JV in Japan with GIC in April. The xScale JV-approach is a strategic fit to tap the high-growth hyperscale data-center market in desired markets and providing incremental cash flows, without straining the company's balance sheet. In early January, the company wrapped up the acquisition of three data centers from Axtel S.A.B. de C.V., as part of its ongoing expansion plans to meet customer demand in the Americas. Through such platform-enhancing acquisitions, expansions and an active construction pipeline of 29 projects currently underway, the company aims to achieve ending cabinet equivalent capacity of around 312,000 in 2020.
- ▲ Equinix's financial policy approach underlines a disciplined debt and equity funding strategy to support organic and acquisition-driven growth. The company's regular utilization of its at-the-market (ATM) equity program as well as a public offering of four series of senior notes, aggregating \$2.6 billion in June, indicates the consistent capital sourcing policy. Other than external financing, the company generates significant recurring revenues, contributing to internally-generated cash from operating activities. Additionally, as of June 30, 2020, the company had \$4.2 billion in available liquidity that is sufficient to meet operating requirements, fund acquisitions and pay dividends. It has only \$184 million of debts maturing in 2020. Moreover, Equinix's increasing asset portfolio and impressive operating resilience are supportive of higher leverage tolerance. As of the second-quarter end, the company's net leverage was 3.3X. Moreover, investment-grade rating of Baa3 from Moody's as well as BBB- from S&P and Fitch helps to lower the cost of capital.
- ▲ Equinix could benefit from favorable operating leverage. Its business generates a substantial portion of recurring revenues (greater than 90% of total revenues for the last three years). As the majority of the cost structures are of a fixed nature, every unit growth in revenues would result in lower expenses as a percentage of total revenues. Given the growing demand for data exchanges across the world, Equinix is well poised to grow its revenue base. Higher revenues along with lower costs will expand margins and increase profitability in the long run.
- ▲ Over the past year, shares of Equinix have outperformed the real estate market. The stock has gained 41.9% as against the real estate market's decline of 12.6% during the same period. Moreover, the trend in estimate revisions of 2020 FFO per share indicates a favorable outlook for the company, as it witnessed marginal upward estimate revision over the past month. Therefore, given the strong fundamentals and upward estimate revision, the stock has decent upside potential.

The data center business is thriving across geographies and Equinix is well positioned to capitalize on this opportunity. Its recurring revenue model and current expansion plans are also encouraging.

Reasons To Sell:

- ▼ Equinix competes with Internet data centers operated by established communications carriers, as well as REITs including Digital Realty Trust. In addition to competing with neutral colocation providers, the company competes with traditional colocation providers, Internet service providers and Web-hosting facilities. Considering the strong growth potential, competition is expected to increase from existing players and entry of new players into the space. The increased competition could prompt competitors to resort to aggressive pricing policies, making Equinix vulnerable to pricing pressure.
- ▼ Equinix operates across more than 50 metros and continues to rapidly expand its footprint in new markets. Although this provides revenue diversification across geographies, foreign currency exchange rate fluctuations may affect its top- and bottom-line growth. In fact, the ongoing coronavirus pandemic has resulted in volatility in foreign currency exchange rates, impacting the company's revenue growth for the first quarter.
- ▼ The telecommunications industry is currently undergoing consolidation. As customers combine businesses, they may require less colocation space, and there may be fewer networks available to choose from. In addition, increased utilization of existing colocation space could reduce the attractive expansion opportunities available to Equinix.
- ▼ Equinix's offerings have long sales cycles that may have a negative impact on the business, financial condition and results of operations. A customer's decision to license cabinet space in one of its IBX centers and to purchase additional services typically involves a significant commitment of resources. In addition, some customers are reluctant to relocate to IBX centers until they are confident that the IBX center has adequate carrier connections. The sales cycle of the company, therefore, gets stretched.
- ▼ Equinix plans to add more data centers in the coming quarters to satisfy the growing demand for colocation and interconnection services. Although such moves are a strategic fit, it requires huge capital outlays and given the company's significant debt obligations, these capital-intensive activities are concerning. Growing debt burden will likely adversely impact the operating results as interest expenses would go up. It should be noted that at the end of second-quarter 2020, Equinix had cash and cash equivalents of \$4.78 billion, while its total debt principal outstanding was \$14.19 billion. Moreover, integration costs related to acquisitions will likely impede its bottom-line growth. The company anticipates incurring \$20 million of integration costs in 2020.

Competition from carrier-neutral data centers, capital intensity of data center builds, growing debt, foreign-exchange fluctuations and consolidation in the telecommunication industry are concerning.

Last Earnings Report

Equinix Beats FFO & Revenues Estimates in Q2, Ups View

Equinix posted strong results for second-quarter 2020, wherein adjusted funds from operations (AFFO) per share and revenues surpassed the Zacks Consensus Estimate and improved year over year.

The company's quarterly AFFO per share was \$6.35, beating the Zacks Consensus Estimate of \$5.98. The figure also improved 13% from the year-ago quarter's \$5.87.

The upside primarily stemmed from steady growth in interconnection revenues. Nonetheless, \$2 million in integration costs hurt AFFO and adjusted EBITDA.

Quarter in Detail

Total quarterly revenues were \$1.47 billion, surpassing the Zacks Consensus Estimate of \$1.46 billion. Also, the top-line figure improved 6% year over year, representing the 70th consecutive quarter of revenue growth.

Recurring revenues were \$1.38 billion, up 7% from the year-ago quarter's figure. Non-recurring revenues declined 8.8% from the year-ago quarter to \$71.9 million.

Revenues from the three geographic regions increased on a year-over-year basis as well. Revenues from the Americas, EMEA and the Asia Pacific jumped 3%, 8% and 10% to \$661.4 million, \$488.1 million and \$320.6 million, respectively.

Cash gross margin was 67%, stable year over year. Total operating expenses were up 13.5% year over year to \$448.3 million.

Adjusted EBITDA was \$720 million, up 6% year over year. Adjusted EBITDA margins were 49%, stable year over year. AFFO appreciated 12% year over year to \$558 million in the June-end quarter.

Balance Sheet

Equinix exited the second quarter with cash and cash equivalents of \$4.78 billion. The company's total debt principal outstanding was \$14.19 billion as of Jun 30, 2020.

Guidance

The company improved its guidance for the ongoing year on foreign currency benefit. For 2020, it estimates generating revenues of \$5.919-\$5.989 billion as compared with \$5.877-\$5.985 billion mentioned earlier. It predicts adjusted EBITDA of \$2.781-\$2.851 billion, higher than \$2.765-\$2.845 billion stated earlier.

Moreover, AFFO is expected to be \$2.107-\$2.177 billion as compared with \$2.043-\$2.133 billion mentioned previously. Further, AFFO per share is estimated to be \$23.87-\$24.67, up from \$23.62-\$24.66 stated earlier.

For third-quarter 2020, Equinix projects revenues of \$1.493-\$1.513 billion. Adjusted EBITDA is likely to be between \$696 million and \$716 million.

Quarter Ending	06/2020
Report Date	Jul 29, 2020
Sales Surprise	0.64%
EPS Surprise	6.19%
Quarterly EPS	6.35
Annual EPS (TTM)	23.59

Recent News

Equinix Eyes Expansion in India With GPX India Acquisition – Aug 10, 2020

Equinix extended Platform Equinix to India, with the \$161-million acquisition of GPX Global Systems, Inc.'s Indian operations — GPX India — consisting of two highly-interconnected data centers.

The transaction value indicates a multiple of nearly 15X the estimated EBITDA at full utilization. Moreover, this all-cash deal is anticipated to close in first-quarter 2021, subject to customary closing norms, including regulatory approval.

Through the acquisition, Equinix will add a fiber-connected campus, consisting of two data centers located in Mumbai. The campus has more than 1,350 cabinets, with a provision to add another 500 cabinets at full build-out. At full built, the campus will add more than 90,000 square feet of colocation space to Platform Equinix.

Moreover, the strategic location of the data centers in Mumbai will likely enable the company to enjoy robust demand and leasing activity. This is because the city is a domain for important IT infrastructure of numerous global companies and has international connectivity serviced by subsea cables at close landing sites.

Per management, core digital sectors in India like IT and digital communication services are estimated to double in size by 2025 and will account for \$355-\$435 billion to GDP. Hence, given this massive proliferation of digitization in the country, the buyout is a strategic fit.

It will provide a platform for Equinix's existing network, content, cloud and enterprise customers that are looking to expand in the dynamic market. The expansion will aid local companies to advance digital transformations by deploying their infrastructures, applications and services closer to the edge on the back of Equinix's global-interconnected platform of more than 210 International Business Exchange data centers.

Equinix to Launch Data Center in Milan in Q1 2021 – Jul 16, 2020

Equinix will open its fourth data center in Italy in first-quarter 2021. Referred as ML5 IBX data center, this facility in Milan will offer colocation and a number of advanced interconnection services, including Equinix Cloud Exchange Fabric and Equinix Internet Exchange.

The \$51-million first phase of ML5 will likely provide a capacity of 500 cabinet equivalents and colocation space of roughly 15,000 square feet. Following completion of the future phases, the facility is expected to offer a total capacity of more than 1,450 cabinet equivalents and colocation space of more than 45,000 square feet.

The move comes as part of the company's effort to capitalize on growth opportunities in the thriving markets. Notably, the Italian market serves as a strategic inter-connection point. Bolstering the company's presence with the latest facility will help it leverage on the digital transformation efforts of the local companies as well as support global companies to enhance their operations in Italy.

Equinix Expands Alibaba Cloud's Accessibility in 17 Markets – Jul 7, 2020

Equinix announced that it will expand Alibaba Cloud's accessibility to customers in 17 metros globally through Platform Equinix.

Alibaba Cloud also called for the integration of its API with ECX Fabric to enable direct and seamless connection between enterprises from global markets and Alibaba Cloud on Platform Equinix.

Specifically, through a single portal, customer enterprises will be able to create and manage speedy private connections to the cloud on demand in any of the 45 ECX Fabric regions.

In these times of digital transformation, cloud has become essential for multinational enterprises that aim to modernize and mobilize their IT systems. To accelerate the modernization process, it is paramount to ensure that such enterprises can securely access multiple cloud service providers like Alibaba Cloud. Hence, the integration of its Alibaba's API with ECX Fabric is a strategic fit.

Notably, Alibaba Cloud will provide its IT infrastructure on Platform Equinix in nine American metros — Chicago, Dallas, Denver, Los Angeles, New York, Miami, Seattle, Silicon Valley and Washington DC.

It is also expanding its reach in the five Asia Pacific metros — Hong Kong, Jakarta, Singapore, Sydney and Tokyo as well as three EMEA markets — Dubai, Frankfurt and London.

Further, with the partnership, Alibaba Cloud can benefit from Platform Equinix's robust interconnected ecosystem of more than 9,700 customers, consisting of 1,800 network providers, and more than 2,900 IT service and cloud providers worldwide. This will improve performance, latency and increase dependence for its customers.

Per Equinix management, direct access to cloud service providers via speedy and secure connections is driving enterprises to fully realize cloud benefits. Acknowledging this, the company aims to aid enterprises to accelerate their digital journeys. Hence, deepening its relationship with Alibaba Cloud is in line with this focus.

Dividend Update

Concurrent with its second-quarter 2020 earnings release, on Jul 29, Equinix's board of directors approved a quarterly cash dividend of \$2.66 per share. The dividend will be paid out on Sep 23 to shareholders of record as of Aug 19.

Valuation

Equinix's shares have gained 41.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 19.7% and 6.2% over the past year, respectively.

The S&P 500 Index has moved up 13.7% over the trailing 12-month period.

The stock is currently trading at 33.66X forward 12-month FFO, which compares with the 13.53X for the Zacks sub-industry, 16.72X for the Zacks sector and 23.04X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 49.56X and as low as 16.17X, with a 5-year median of 23.42X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$837 price target reflects 35.67X FFO.

The table below shows summary valuation data for EQIX.

Valuation Multiples - EQIX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	33.66	13.53	16.72	23.04
	5-Year High	49.56	19.44	16.72	23.04
	5-Year Low	16.17	9.72	11.60	15.25
	5-Year Median	23.42	14.69	14.26	17.60
P/S F12M	Current	11.03	7.25	6.23	3.93
	5-Year High	11.13	13.91	6.67	3.93
	5-Year Low	4.75	5.43	4.97	2.53
	5-Year Median	6.68	8.19	6.07	3.07
P/B TTM	Current	6.73	2.56	2.54	4.50
	5-Year High	11.74	5.57	2.91	4.76
	5-Year Low	3.77	1.77	1.72	2.83
	5-Year Median	5.27	3.33	2.54	3.76

As of 08/31/2020

Industry Analysis Zacks Industry Rank: Bottom 4% (240 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
American Tower Corporation REIT (AMT)	Neutral	3
Crown Castle International Corporation (CCI)	Neutral	3
CyrusOne Inc (CONE)	Neutral	3
CoreSite Realty Corporation (COR)	Neutral	3
Digital Realty Trust, Inc. (DLR)	Neutral	3
Iron Mountain Incorporated (IRM)	Neutral	3
SBA Communications Corporation (SBAC)	Neutral	3
QTS Realty Trust, Inc. (QTS)	Underperform	4

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

Industry Comparison Industry: Reit And Equity Trust - Retail				Industry Peers		
	EQIX	X Industry	S&P 500	CONE	COR	DLR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	D	C	D
Market Cap	69.94 B	1.40 B	23.72 B	9.76 B	5.21 B	41.87 B
# of Analysts	8	6.5	14	10	9	10
Dividend Yield	1.35%	2.42%	1.65%	2.39%	3.99%	2.88%
Value Score	F	-	-	D	D	D
Cash/Price	0.07	0.10	0.07	0.01	0.00	0.01
EV/EBITDA	31.10	11.59	13.28	23.74	22.98	25.13
PEG F1	2.29	6.17	3.03	0.98	1.12	3.77
P/B	6.73	1.06	3.17	3.97	39.58	2.57
P/CF	35.38	6.36	12.87	22.40	19.90	17.93
P/E F1	31.80	10.08	21.63	21.56	23.45	25.61
P/S TTM	12.21	3.48	2.53	9.69	8.84	12.28
Earnings Yield	3.11%	9.92%	4.39%	4.65%	4.26%	3.91%
Debt/Equity	1.12	1.09	0.70	1.29	12.28	0.76
Cash Flow (\$/share)	22.33	2.19	6.93	3.73	6.15	8.68
Growth Score	C	-	-	B	B	C
Historical EPS Growth (3-5 Years)	15.22%	-0.36%	10.41%	12.84%	14.71%	5.79%
Projected EPS Growth (F1/F0)	7.63%	-16.67%	-4.75%	6.75%	2.37%	-8.62%
Current Cash Flow Growth	12.38%	0.37%	5.22%	24.40%	4.75%	14.13%
Historical Cash Flow Growth (3-5 Years)	22.24%	5.61%	8.49%	30.81%	17.21%	19.36%
Current Ratio	1.55	2.29	1.35	1.34	0.14	0.57
Debt/Capital	52.93%	52.55%	42.92%	56.42%	92.47%	41.24%
Net Margin	8.69%	17.83%	10.25%	2.01%	12.77%	20.57%
Return on Equity	5.43%	4.88%	14.66%	3.32%	39.91%	6.72%
Sales/Assets	0.23	0.12	0.50	0.16	0.28	0.12
Projected Sales Growth (F1/F0)	7.15%	-8.20%	-1.40%	4.98%	5.63%	19.13%
Momentum Score	C	-	-	F	D	C
Daily Price Change	0.35%	-1.89%	-0.82%	1.19%	0.55%	0.88%
1-Week Price Change	0.62%	2.93%	2.59%	0.43%	-0.25%	-0.17%
4-Week Price Change	1.37%	2.10%	3.55%	-0.45%	-4.31%	-3.12%
12-Week Price Change	16.79%	-23.85%	-0.44%	12.06%	2.15%	9.92%
52-Week Price Change	41.97%	-39.69%	2.80%	13.71%	5.40%	25.90%
20-Day Average Volume (Shares)	346,180	893,950	1,839,384	581,298	293,888	1,085,931
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%	-1.02%	0.20%	0.87%	0.09%	0.09%
EPS F1 Estimate 12-Week Change	0.65%	-7.31%	3.87%	1.11%	1.28%	0.57%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-0.03%	0.00%	-0.82%

Source: Zacks Investment Research

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	F
Growth Score	C
Momentum Score	C
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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