

Equity Residential(EQR)

\$62.17 (As of 02/01/21)

Price Target (6-12 Months): **\$65.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/12/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: D

Momentum: F

Summary

Equity Residential is anticipated to benefit from its sub-urban portfolio exposure, which continues to fare well amid the pandemic. The company has a healthy balance sheet and is banking on technology, scale and organizational capabilities to drive growth. It sold a large San Diego asset for \$312.5 million last December. This demonstrates Equity Residential's portfolio-repositioning efforts in high-barrier markets, while proceeds were used to address near-term debt maturities. However, amid the pandemic-led reductions in economic activity, urban core portfolio struggles have resulted in low occupancy level, resident-renewal activity and rental rates. Also, the flexible work environment and low mortgage rates are likely to reduce housing rental demand in the near term. Its shares have underperformed its industry in the past year.

Data Overview

52-Week High-Low	\$87.19 - \$45.43
20-Day Average Volume (Shares)	2,418,062
Market Cap	\$22.9 B
Year-To-Date Price Change	4.0%
Beta	0.79
Dividend / Dividend Yield	\$2.41 / 3.9%
Industry	REIT and Equity Trust - Residential
Zacks Industry Rank	Bottom 3% (245 out of 253)

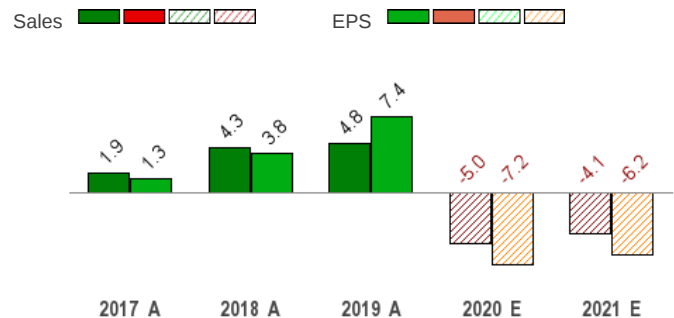
Last EPS Surprise	-6.1%
Last Sales Surprise	-2.5%
EPS F1 Estimate 4-Week Change	-1.1%
Expected Report Date	02/10/2021
Earnings ESP	2.6%

P/E TTM	18.1
P/E F1	20.5
PEG F1	3.5
P/S TTM	8.7

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	603 E	606 E	610 E	611 E	2,461 E
2020	682 A	654 A	622 A	608 E	2,566 E
2019	662 A	670 A	685 A	684 A	2,701 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.72 E	\$0.76 E	\$0.76 E	\$0.79 E	\$3.04 E
2020	\$0.87 A	\$0.86 A	\$0.77 A	\$0.75 E	\$3.24 E
2019	\$0.82 A	\$0.86 A	\$0.91 A	\$0.91 A	\$3.49 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 02/01/2021. The report's text and the analyst-provided price target are as of 02/02/2021.

Overview

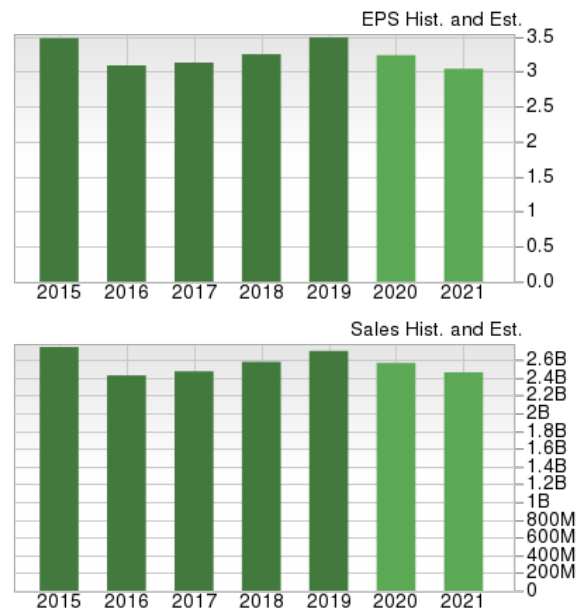
Based in Chicago, IL, Equity Residential is one of the leading, fully integrated, publicly traded multi-family real estate investment trusts (REITs) in the United States. This S&P 500 company has a portfolio of high-quality apartment properties in some of the most desirable markets across the country – Boston, New York, Washington, D.C., Seattle, San Francisco, Southern California and Denver. At present, Equity Residential owns or has investments in 305 properties, comprising 78,568 apartment units.

The company divides same-store performance between residential (96% of revenues) and non-residential operations (4%). Non-residential operations consist of ground-floor retail at Equity Residential's apartment buildings and public garage parking.

Equity Residential opted for substantial sale out of its portfolio in recent years. In fact, its sale of the Starwood portfolio, together with the other 2016 dispositions, has resulted in the company's exit from the South Florida, Denver and New England (excluding Boston) markets. In addition, the efforts marked a significant completion of its portfolio transformation initiated around ten year before.

However, Equity Residential made a re-entry into the Denver market in 2018 and as of Sep 30, 2020, the company owns five apartment properties in the area. The company expects to enhance its Denver portfolio as properties in right location are likely to produce decent long-term returns amid high-wage job growth, high single family home prices, and growing demography of renters.

Note: All EPS numbers presented in this report represent funds from operation ("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:

- ▲ Equity Residential's current focus is on the acquisition and development of assets primarily in six core coastal metropolitan areas — Boston, New York, Washington D.C., Southern California (including Los Angeles, Orange County and San Diego), San Francisco, Seattle and Denver. The company emphasizes on the acquisition, development and management of rental apartment properties in urban and high-density suburban coastal gateway markets in close proximity to public transportation, dining, culture, education and nightlife. This portfolio diversification in urban and suburban markets has been the saving grace for Equity Residential during the pandemic. This is because, though the company's urban portfolio is facing challenges, in the sub-urban portfolio (representing 44% of same store residential revenues since the beginning of last year through September 2020) concession use is more limited and average rental rates have been relatively stable in third-quarter 2020, with some Southern California submarkets starting to exhibit year-over-year growth. In fact, management expects the suburban portfolio to continue to perform better than the rest of the portfolio, with some likely improvement in pricing and relatively stable physical occupancy. Further, with a financially-resilient tenant base the residential REIT collected roughly 97% of its expected residential revenues in the third quarter.
- ▲ Demographic growth also continues to be strong in the young-adult age cohort, which has a higher propensity to rent. In fact, people in the age bracket of 20-34 are the main cohort for formation of the new households and majority of them prefer to remain renters and enjoy locational advantage as well as flexibility that rental apartments offer. Further, a significant change in lifestyle has taken place and life cycle events are getting delayed. This is leading to an extension of the average age of first-time homeownership. This age cohort has also experienced a considerable part of the net job growth and is helping to grow primary renter demand. Moreover, there is a rising trend among aging Baby Boomers toward apartment rentals. Therefore, such favorable demographics are likely to result in higher demand to absorb the new supply of rental units in the core markets of Equity Residential.
- ▲ Equity Residential is also banking on technology and organizational capabilities to drive innovation, rent growth and improve efficiency of its operating platform. This includes installation of smart home technology, sales-focused improvements like complete deployment of an AI-enabled sales tool, a new mobile customer relationship-management platform and self-guided tours as well as deployment of service mobility. Also, such technological enhancements have become all the more essential in this social-distancing era, as the virus outbreak required a quick shift to virtual operations for the continuity of normal business operations. This is likely to provide Equity Residential a competitive edge over others.
- ▲ The company has made concerted efforts toward repositioning its portfolio from low barrier-to-entry/non-core markets to high barrier-to-entry/core markets. The company has a proven track record of opportunistic acquisitions, timely dispositions and focused development. In 2019, the company was a net acquirer with acquisitions and dispositions amounting to around \$1.49 billion and \$1.08 billion, respectively. Moreover, during the third quarter, Equity Residential acquired a 158-unit apartment property in suburban Seattle for \$48.9 million at an acquisition capitalization rate of 4.7%. Such efforts are likely to drive the company's growth over the long term.
- ▲ The company has a strong balance sheet, ample liquidity and financial flexibility. This will help it sail through these uncertain times and enjoy greater liquidity for the day-to-day operations. The company exited third-quarter 2020 with cash and cash equivalents of \$178.3 million and strong net debt to normalized EBITDA of 4.89 times. Moreover, it boosted its balance-sheet strength in 2020 by using proceeds from property dispositions for reducing its near-term debt maturities. As of Sep 30, 2020, the company's availability on its unsecured revolving credit facility amounted to \$2.4 billion. Also, 86.1% of the company's total net operating income (NOI) is unencumbered. Hence, with an A-rated balance sheet, the company has sufficient funds to address its modest anticipated development spend and manageable near-term debt maturities.
- ▲ Solid dividend payouts remain arguably the biggest attraction for REIT investors and Equity Residential remains committed to this purpose. During the fourth-quarter 2017 earnings release, the company announced its decision to no longer fix the common share dividend as a fixed percentage of estimated Normalized FFO. Rather, the company disclosed embracing a more conventional policy that is based on actual and projected financial conditions, actual and projected liquidity and operating results, projected cash needs for capital expenditures and other investment activities. The company announced a dividend of 56.75 cents per share in each quarter of 2019. The amount reflected an annualized increase of 5.1% from the amount paid in 2018. This was backed by the company's solid growth in property operations and a substantial reduction in its development activity, which led to a material upsurge in its available cash flows. Such trends are likely to continue and support the company's dividend payouts. The company intends to reward its shareholder with growing cash flows and in March announced a 6.2% sequential hike in its first-quarter 2020 dividends to 60.25 cents per share.

Equity Residential is expected to benefit from suburban portfolio exposure. It has a healthy balance sheet and is banking on technology, scale and organizational capabilities to drive growth.

Reasons To Sell:

- ▼ The coronavirus pandemic and the related social-distancing requirements as well as the macroeconomic choppiness are resulting in a bifurcation between urban and sub-urban markets. Particularly, Equity Residential has a substantial exposure to urban properties which are feeling the brunt due to the pandemic. The company's urban properties (representing 33% of same store residential revenues since the beginning of the year through September) in markets such as Washington D.C., Seattle and Southern California, have not performed as well as the sub-urban markets. Amid extended work-from-home announcements, there is an adverse impact on demand and the company anticipates this portfolio to likely continue to see slight moderation in both average rental rates and physical occupancy. In addition, the company's urban core properties (23%) positioned in New York City, downtown San Francisco and downtown Boston/Cambridge, MA continues to struggle the most with the highest use of concessions and pressure on average rental rates. These properties are generating lower retention, resulting in decreased average rental rates, increased use of concessions and lower physical occupancy. Given the continuation of the pandemic and the work-from-home trends, this challenging environment is likely to continue in the near-term with increased turnover and a highly concessionary operating environment.
- ▼ The pandemic and macroeconomic choppiness is affecting the rent-paying capability of residential tenants. Apart from this, the challenging situation is likely to continue with government regulations relating to rent setting and collections leading to exacerbation in recovery of unpaid rent.
- ▼ Equity Residential is repositioning its portfolio to focus on high-barrier markets. In fact, the company opted for substantial sale out of its portfolio in earlier years. Its sale of the Starwood portfolio, together with the other 2016 dispositions, resulted in the company's exit from South Florida and New England (excluding Boston) markets. The company has continued with its asset sale-out efforts in 2020, making approximately \$750 million in property sales. Further, in December 2020, it announced the sale of a large San Diego asset for \$312.5 million. While we believe that the sale of assets would assist the company to focus exclusively on its core, urban and high-density suburban coastal gateway markets, the dilutive impact on earnings from such a move would be impossible to avoid in the near term.
- ▼ Shares of the company have depreciated 25% over the past year compared with the industry's decline of 22.1%. Moreover, the trend in estimate revisions of 2021 FFO per share indicates a disappointing outlook as the estimate moved 1.3% downward over the past 30 days. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential in the upcoming period.

Adverse impacts of the coronavirus outbreak will likely impact demand and hurt the rent-paying capability of tenants, resulting in rental concessions. Rent control in urban markets is also a concern.

Last Earnings Report

Equity Residential Q3 FFO Misses on Urban Core Struggles

Equity Residential's third-quarter 2020 normalized FFO per share of 77 cents missed the Zacks Consensus Estimate of 82 cents. The reported figure also declined 15.4% year over year.

Results reflect a decline in revenues amid the choppy environment in the residential real estate market.

Total revenues in the third quarter came in at \$622.4 million, down 9.1% year on year. The revenue figure also missed the Zacks Consensus Estimate of \$638.4 million.

According to Equity Residential's president and CEO Mark J. Parrell, roughly 23% of the company's portfolio positioned in the urban cores of New York, San Francisco and Boston continues to struggle amid pandemic-related reductions in economic activity. This has resulted in fall in occupancy, lower resident-renewal levels and an associated drop in rental rates.

Moreover, Parrell noted, "We anticipate that our financial results will weaken over subsequent quarters as the full effect of the pandemic is felt on our business."

However, suburban portfolio provides some support, and according to Parrell, "suburban portfolio continues to fare relatively well with occupancy similar to last year, rates down only modestly and recovery under way in some markets."

Also, in the third quarter, the company collected roughly 97% of its expected residential revenues.

Quarter in Detail

Residential same-store revenues (includes 75,596 apartment units) were down 5% year over year to \$597.2 million, while expenses flared up 3% to \$197.4 million. As a result, same-store NOI declined 8.4% to \$399.8 million, year on year.

Average rental rate decreased 3.2% year on year to \$2,781 during the September-end quarter, while physical occupancy contracted 170 basis points to 94.8% for the same-store portfolio.

Balance Sheet

Equity Residential exited third-quarter 2020 with cash and cash equivalents of \$178.3 million, down from the \$187.4 million recorded at the end of the second quarter. Notably, during 2020, the company reduced its total debt by more than \$600 million by using proceeds from property dispositions. As of Sep 30, 2020, the company's availability on its unsecured revolving credit facility amounted to \$2.4 billion.

Portfolio Activity

During the reported quarter, Equity Residential acquired a 158-unit apartment property in suburban Seattle for \$48.9 million at an acquisition capitalization rate of 4.7%. However, the company did not sell any assets during the said period.

Quarter Ending **09/2020**

Report Date	Oct 27, 2020
Sales Surprise	-2.50%
EPS Surprise	-6.10%
Quarterly EPS	0.77
Annual EPS (TTM)	3.41

Recent News

Equity Residential Disposes San Diego Asset, Pays Down Debt – Dec 21, 2020

Equity Residential announced the sale of a large San Diego asset for \$312.5 million. The move comes as part of the company's effort to boost its financial position, with the company deploying the proceeds for addressing its 2021 debt maturities.

Particularly, the company sold a 679-unit apartment property — Vantage Pointe — in downtown San Diego at a disposition yield of 4.1%, resulting in a preliminary unlevered IRR of 8.8% over the company's 10-year ownership period.

Moreover, with the proceeds, along with cash on hand and borrowings under its commercial paper program, the company efficiently addressed its obligations on its \$750-million 4.625% unsecured notes that are due in December 2021. Equity Residential now has minimal near-term maturities. Also, improving balance-sheet flexibility positions the company robustly to tap on its growth opportunities.

The move, however, leads to the company incurring \$39.1 million in debt extinguishment charges, with \$25.8 million being a cash charge and the residual \$13.3 million pertaining to write-offs of unamortized debt costs. While such charges will impact Equity Residential's FFO per share, its normalized FFO per share will remain unaffected.

Dividend Update

On Dec 17, 2020, Equity Residential announced quarterly cash dividend on common stock of 60.25 cents per share. The dividend for the third quarter was paid out on Jan 5 to shareholders of record as of Jan 4, 2021.

Valuation

Equity Residential's shares have declined 25% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector declined 22.1% and 0.3%, over the past year, respectively.

The S&P 500 Index has been up 17.9% over the past year.

The stock is currently trading at 20.33X forward 12-month FFO, which compares to 19.33X for the Zacks sub-industry, 16.22X for the Zacks sector and 22.23X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 24.85X and as low as 14.06X, with a 5-year median of 20.40X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$65 price target reflects 21.44X FFO.

The table below shows summary valuation data for EQR.

Valuation Multiples - EQR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.33	19.33	16.22	22.23
	5-Year High	24.85	22.61	17.12	23.80
	5-Year Low	14.06	15.74	11.59	15.30
	5-Year Median	20.40	18.41	14.54	17.83
P/S F12M	Current	9.37	10.54	7.13	4.33
	5-Year High	11.94	12.39	7.13	4.34
	5-Year Low	6.74	8.44	5.02	3.20
	5-Year Median	9.54	9.55	6.12	3.68
P/B TTM	Current	2.16	2.51	2.87	6.34
	5-Year High	3.18	3.35	2.98	6.58
	5-Year Low	1.61	1.85	1.74	3.73
	5-Year Median	2.28	2.47	2.59	4.95

As of 02/01/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 3% (245 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Camden Property Trust (CPT)	Neutral	3
Essex Property Trust, Inc. (ESS)	Neutral	4
MidAmerica Apartment Communities, Inc. (MAA)	Neutral	3
NexPoint Residential Trust, Inc. (NXRT)	Neutral	3
United Dominion Realty Trust, Inc. (UDR)	Neutral	4
UMH Properties, Inc. (UMH)	Neutral	3
Apartment Investment and Management Company (AIV)	Underperform	5
AvalonBay Communities, Inc. (AVB)	Underperform	5

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

Industry Comparison Industry: Reit And Equity Trust - Residential				Industry Peers		
	EQR	X Industry	S&P 500	AVB	ESS	UDR
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	5	4	4
VGM Score	F	-	-	F	F	F
Market Cap	22.95 B	1.39 B	26.43 B	22.85 B	15.62 B	11.32 B
# of Analysts	11	4	13	6	9	9
Dividend Yield	3.91%	3.62%	1.47%	3.89%	3.47%	3.75%
Value Score	D	-	-	D	D	D
Cash/Price	0.01	0.05	0.06	0.01	0.04	0.06
EV/EBITDA	14.09	18.02	14.74	20.36	19.10	17.80
PEG F1	3.47	4.32	2.38	16.45	7.88	4.80
P/B	2.14	2.03	3.59	2.14	2.49	3.44
P/CF	12.43	15.32	14.94	15.57	17.77	16.39
P/E F1	20.57	17.79	19.57	19.41	18.74	19.28
P/S TTM	8.68	7.27	2.86	9.77	10.35	9.10
Earnings Yield	4.93%	5.63%	4.98%	5.15%	5.33%	5.18%
Debt/Equity	0.78	1.04	0.68	0.71	1.05	1.50
Cash Flow (\$/share)	5.00	3.09	6.83	10.61	13.62	2.36
Growth Score	D	-	-	D	D	D
Historical EPS Growth (3-5 Years)	1.67%	2.23%	9.46%	3.47%	6.57%	5.22%
Projected EPS Growth (F1/F0)	-5.99%	1.29%	12.64%	-3.79%	-1.04%	-2.57%
Current Cash Flow Growth	23.84%	8.47%	4.97%	-9.39%	5.93%	8.47%
Historical Cash Flow Growth (3-5 Years)	5.74%	15.27%	8.19%	6.67%	12.62%	5.98%
Current Ratio	0.80	1.42	1.38	0.51	3.14	4.55
Debt/Capital	44.69%	50.95%	41.49%	41.49%	51.45%	63.01%
Net Margin	35.97%	11.76%	10.61%	27.97%	39.89%	10.91%
Return on Equity	8.89%	4.83%	15.23%	6.02%	9.46%	4.83%
Sales/Assets	0.13	0.13	0.50	0.12	0.11	0.13
Projected Sales Growth (F1/F0)	-4.12%	2.74%	5.74%	-1.08%	-0.45%	-0.45%
Momentum Score	F	-	-	D	D	F
Daily Price Change	0.86%	2.27%	1.27%	0.95%	1.03%	0.81%
1-Week Price Change	0.13%	-2.87%	-4.02%	-0.64%	-1.58%	-1.69%
4-Week Price Change	8.12%	4.32%	1.41%	6.24%	6.05%	5.18%
12-Week Price Change	4.88%	7.70%	5.46%	0.33%	-4.87%	1.60%
52-Week Price Change	-24.95%	-18.38%	8.48%	-23.75%	-22.26%	-19.35%
20-Day Average Volume (Shares)	2,418,062	409,731	2,080,548	833,577	415,280	1,623,518
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.12%	0.00%	-0.20%
EPS F1 Estimate 4-Week Change	-1.12%	-0.16%	0.30%	-1.43%	-1.02%	-0.95%
EPS F1 Estimate 12-Week Change	-4.32%	-1.48%	1.44%	-3.75%	-1.45%	-1.92%
EPS Q1 Estimate Monthly Change	-0.52%	0.00%	0.12%	-0.95%	-0.73%	-0.29%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	D
Growth Score	D
Momentum Score	F
VGM Score	F

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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

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 forward-looking 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 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.