

Equity Residential(EQR)

\$72.03 (As of 03/22/21)

Price Target (6-12 Months): **\$61.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 03/22/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:D

Value: F

Growth: F

Momentum: A

Summary

Equity Residential is being affected by the pandemic, with impacts on the demand for rental units and tenants' rent-paying capabilities, leading to high concessions and revenue loss. Also, health concerns of living in dense environments and the continuation of the work-from-home mandates are resulting in a shift of renter demand away from high-cost and urban/infill markets. Though there are signs of recovery, with higher move-ins and physical occupancy improvement, near-term performance is expected to reflect the still challenging environment in many of its markets. Also, Equity Residential is disposing of assets to focus on its core, urban and high-density suburban coastal gateway markets. The dilutive impact on earnings from such a move cannot be avoided in the near term. Yet, its shares have outperformed the industry in the past year.

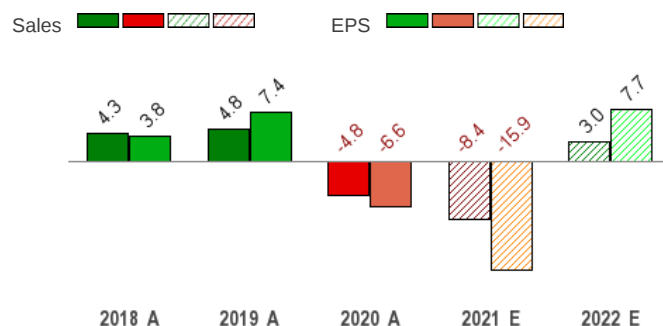
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$76.13 - \$45.43
20-Day Average Volume (Shares)	2,991,544
Market Cap	\$26.8 B
Year-To-Date Price Change	21.5%
Beta	0.80
Dividend / Dividend Yield	\$2.41 / 3.3%
Industry	REIT and Equity Trust - Residential
Zacks Industry Rank	Bottom 9% (229 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.7%
Last Sales Surprise	0.9%
EPS F1 Estimate 4-Week Change	-0.7%
Expected Report Date	05/04/2021
Earnings ESP	0.0%
P/E TTM	22.1
P/E F1	26.3
PEG F1	4.4
P/S TTM	10.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	594 E	602 E	610 E	614 E	2,428 E
2021	587 E	580 E	578 E	585 E	2,357 E
2020	682 A	654 A	622 A	613 A	2,572 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.69 E	\$0.73 E	\$0.74 E	\$0.76 E	\$2.95 E
2021	\$0.68 E	\$0.70 E	\$0.69 E	\$0.71 E	\$2.74 E
2020	\$0.87 A	\$0.86 A	\$0.77 A	\$0.76 A	\$3.26 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/22/2021. The report's text and the analyst-provided price target are as of 03/23/2021.

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., Southern California (including Los Angeles, Orange County and San Diego), San Francisco, Seattle and Denver.

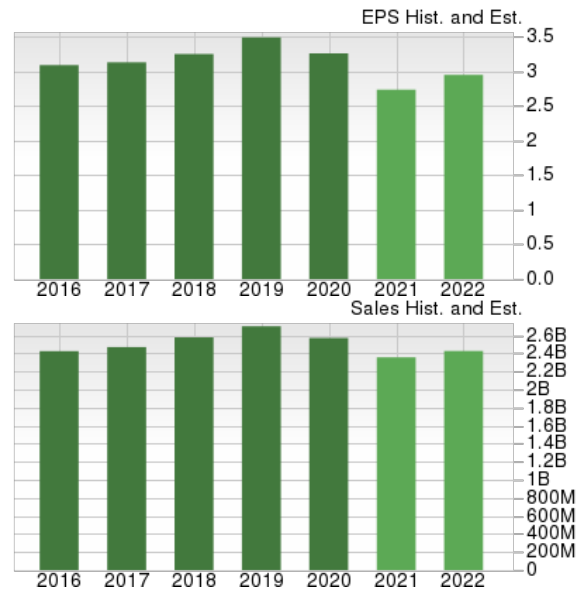
As of Dec 31, 2020, Equity Residential owned or had investments in 304 properties, comprising 77,889 apartment units. These properties are located in nine states and the District of Columbia.

The company divides performance between residential and non-residential operations. In 2020, about 98% of the company's total lease revenue is generated from residential apartment leases that are generally 12 months or less in length. Moreover, around 2% of its total lease revenues are generated by non-residential leases that are usually for terms ranging between 5-10 years. Notably, non-residential leases generally comprise of ground floor retail spaces as well as master-leased parking garages, which serve as additional amenities for its residents.

Equity Residential made a re-entry into the Denver market in 2018 and as of Dec 31, 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.

During fourth-quarter 2020, Equity Residential sold a 679-unit apartment property in downtown San Diego for \$312.5 million at a disposition yield of 4.1%, resulting in an unlevered IRR of 8.8%. However, it did not acquire any assets during the quarter.

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.



Reasons To Sell:

- ▼ The pandemic's adverse impact on economy and the job-market environment is resulting in household contraction and consolidation. In addition, record-low mortgage rates are driving demand for existing and new-home purchases, mainly for young age cohorts where homeownership rates have started to shoot up. While there are some initial signs of improvement, the operating environment still remains challenging. Amid these blended rates are likely to bear the brunt. Furthermore, amid a slowdown in demand, concession activity is projected to be high.
- ▼ The company has significant exposure to urban residential assets and this portfolio is feeling the brunt. A number of factors are affecting rental demand, including health concerns of living in dense environments and the continuation of the work-from-home mandates that is resulting in a shift of renter demand away from higher cost and urban/infill markets. Particularly, its urban core sub-markets of New York City, San Francisco, CA and Boston, MA, have been more adversely impacted by the pandemic in comparison to its other markets. Though there are signs of recovery, near-term performance is expected to reflect the still challenging climate in many of its markets. In fact, any significant turnaround will likely remain elusive until the vaccines become widely available, and help normal activities to resume fully.
- ▼ In addition, amid this situation, the rent-paying capabilities of both residents and non-residential tenants have been affected, which has led to higher levels of bad debt than it has historically experienced. Amid the current economic environment and the prevalent global health crisis, the stressful financial condition of the company's tenants, together with regulations that limit its ability to quickly evict tenants, is estimated to affect its cash flows. The company expects its reserves and bad debt expense to remain elevated in 2021.
- ▼ Equity Residential is repositioning its portfolio to focus on high-barrier markets. The company has continued with its asset dispositions efforts in 2020, selling six properties, consisting of 2,231 apartment units, for a total of \$1.07 billion. 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.
- ▼ It is also feared that the struggle to lure renters is here to stay now, as supply volumes might remain elevated in some of the company's markets. In fact, following delays in project timelines, completions bounced back in the last half of 2020. With a significant number of new units slated for completion this year, particularly in the gateway markets, coupled with job losses, leasing activity will likely be affected.
- ▼ Shares of the company have rallied 38.2% over the past year compared with its industry's growth of 37%. However, the trend in estimate revisions of 2021 FFO per share indicates a disappointing outlook, as the estimate moved 1.1% south over the past week. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential in the upcoming period.

Adverse impact of the pandemic on the job market might affect demand and hurt tenants' rent-paying capabilities. Remote working environment and high apartment supply add to its woes.

Risks

- 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 markets are facing challenges, suburban markets remain comparatively stable, and even now offering the opportunity to push pricing. The suburban portfolio represents 44% of the REIT's 2020 same-store residential revenues. Here demand remains stable and consistent with prior year levels, while pricing has shown stability and early signs of improvement with limited leasing concession usage that is isolated to suburban San Francisco. Renewals are closely trailing prior year levels while physical occupancy is stable as pricing improves, which is encouraging. Furthermore, with a financially-resilient tenant base the residential REIT collected roughly 97% of its expected residential revenues in the fourth quarter.
 - 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. 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, in 2020, the company 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.
 - In its recently-released operating update, Equity Residential has noted that it continued to witness good demand for its apartment units in February. This is highlighted by the sustained trend of move-ins surpassing move outs, in turn translating into improvement in physical occupancy. As of the end of February, the company saw physical occupancy of 95.3%, up from 95.1% at January end and 94.4% at December end. Renewals have also improved in February with 54% of residents renewing by the month compared with 51% by January. The company also noted that it is presently witnessing improvement in rates and reductions in leasing concession usage. Blended rate for February was a negative 11.5% compared with 14.5% in January and 13.9% in December. Though the operating environment still remains challenging, these indications of recovery are encouraging.
 - 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. Particularly, in 2020, the company paid down nearly \$1 billion of debt using disposition proceeds, extended its weighted average maturities to nine years and continued to reduce weighted average rate. As a result, the company ended the year with net debt to normalized EBITDA of 5.0x, nearly \$2 billion in available liquidity and limited maturities until 2023. Moreover, of the \$27.2 billion in investment in real estate on the company's balance sheet as of Dec 31, 2020, \$23.2 billion or 85.3% was unencumbered. Further, an A-rated balance sheet, renders the company favorable access to the debt market.
 - Solid dividend payouts remain the biggest attraction for REIT investors and Equity Residential remains committed to this purpose. The residential REIT announced a dividend/distribution for each quarter in 2020 of 60.25 cents per share, reflecting an annualized increase of 6.2% over the amount paid in 2019. Over the last decade, the residential REIT has delivered strong dividend growth, while maintaining a conservative payout ratio. It has witnessed a 10-year CAGR of 6.7%. Given its balance sheet-strength compared to its peers, and recovery in its business, its dividend is expected to be sustainable in the days to come.
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Last Earnings Report

Equity Residential Q4 FFO and Revenues Beat Estimates

Equity Residential's fourth-quarter 2020 normalized FFO per share of 76 cents surpassed the Zacks Consensus Estimate of 74 cents, reflecting better-than-anticipated rental income.

Rental income in the fourth quarter came in at \$613.4 million, exceeding the consensus mark of \$608 million.

However, on a year-over-year basis, normalized FFO per share declined 16.5% and rental income fell 10.3%. Results reflect lower blended rates and physical occupancy compared with the year-ago period when the residential REIT delivered solid pre-pandemic results.

Management expects the first half of 2021 to be the low point in its reported numbers and anticipates noticeable improvement in the second half of the current year.

Equity Residential's president and CEO Mark J. Parrell noted, "we expect demand to accelerate and pricing to continue to improve as vaccines are widely administered and cities become more active."

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

For 2020, the company recorded normalized FFO per share of \$3.26, topping the Zacks Consensus Estimate of \$3.23. However, the figure declined 6.6% year on year. Rental income of \$2.57 billion slipped 4.8% year on year.

Quarter in Detail

Residential same-store revenues (includes 76,535 apartment units) were down 8.2% year over year to \$580.3 million, while expenses flared up 2.8% to \$192.9 million. As a result, same-store net operating income (NOI) declined 12.9% to \$387.4 million, year on year.

Average rental rate decreased 6.4% year on year to \$2,685 during the December-end quarter, while physical occupancy contracted 190 basis points to 94.2% for the same-store portfolio.

Balance Sheet

Equity Residential exited 2020 with cash and cash equivalents of \$42.6 million, down from the \$45.8 million recorded at the end of 2019. Notably, with the proceeds from property sale, along with cash on hand and borrowings under its commercial paper program, the company efficiently addressed its obligations on the \$750-million 4.625% unsecured notes that are due in December 2021.

Portfolio Activity

During the reported quarter, Equity Residential sold a 679-unit apartment property in downtown San Diego for \$312.5 million at a disposition yield of 4.1%, resulting in an unlevered IRR of 8.8%. However, it did not acquire any assets during the quarter.

Outlook

For full-year 2021, management projects normalized FFO per share of \$2.60-\$2.80.

The company's full-year outlook incorporates same-store revenue decline of 7-9%, expense rise of 3-4% and NOI contraction of 12-15%. Physical occupancy is expected to be 94.8-95.8%. Moreover, the company expects consolidated rental acquisitions to approximately equal consolidated rental dispositions.

For first-quarter 2021, the company projects normalized FFO per share at 65-69 cents.

In Conclusion

Equity Residential's impressive performance in the fourth quarter is encouraging. The company noted that there has been a 0.9% improvement in same-store physical occupancy since third quarter-end, with occupancy level moving to 95.1% on Jan 31, 2021 from 94.2% on Sep 30, 2020.

Also, the REIT noted that while pricing trends stabilized in November 2020, there was modest improvement in December 2020 and January 2021 for the first time since the onset of the pandemic.

Particularly, in the urban core portfolio (representing 23% of same store residential revenues), physical occupancy improved to 91.8% as of Jan 31, 2021 from 90.2% on Dec 31, 2020 and 89.2% on Sep 30. Blended rate was down 25% in January compared with the decline of 26.6% in December and down 25% in the fourth quarter.

Quarter Ending 12/2020

Report Date	Feb 10, 2021
Sales Surprise	0.89%
EPS Surprise	2.70%
Quarterly EPS	0.76
Annual EPS (TTM)	3.26

Recent News

Equity Residential Sees Good Demand, Occupancy Improves – Mar 5, 2021

Equity Residential, in its recently-released operating update, noted that it continued to witness “good demand for its apartment units” in February. This is highlighted by the sustained trend of move-ins surpassing move outs, in turn translating into improvement in physical occupancy.

Particularly, as of the end of February, the company saw physical occupancy of 95.3%, up from 95.1% at January end and 94.4% at December end. Renewals have also improved in February with 54% of residents renewing by the month compared with 51% by January. Notably, 53% of residents renewed by December.

The company also noted that it is presently witnessing improvement in rates and reductions in leasing concession usage. Blended rate for February was a negative 11.5% compared with 14.5% in January and 13.9% in December.

Notably, residential REITs have been affected by the pandemic, with demand for rental units and tenants’ rent-paying capabilities bearing the brunt, leading to high concessions and uncollectible lease revenues. Also, health concerns of living in dense environments and the continuation of the work-from-home mandates are resulting in a shift of renter demand away from higher cost and urban/infill markets.

However, there has been a rebound in demand in recent months and leasing activity is taking place despite the months being considered as seasonally weak during normal times.

Dividend Update

On Mar 18, 2021, Equity Residential announced a quarterly cash dividend on common stock of 60.25 cents per share. The dividend for first-quarter 2021 will be paid out on Apr 9 to shareholders of record as of Mar 29, 2021.

Valuation

Equity Residential's shares have been up 38.2% over the trailing 12-month period. Stocks in the Zacks sub-industry have gained 44.8% and the Zacks Finance sector has rallied 61.9% over the past year.

The S&P 500 Index has been up 76.6% in the past year.

The stock is currently trading at 25.79X forward 12-month FFO, which compares to 21.08X for the Zacks sub-industry, 17.13X for the Zacks sector and 22.16X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 26.85X and as low as 14.06X, with a 5-year median of 20.40X. Our underperform recommendation indicates that the stock will perform worse than the market. Our \$61 price target reflects 21.84X FFO.

The table below shows summary valuation data for EQR.

Valuation Multiples - EQR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.79	21.08	17.13	22.16
	5-Year High	26.85	22.61	17.13	23.80
	5-Year Low	14.06	15.74	11.60	15.30
	5-Year Median	20.40	18.43	14.58	17.90
P/S F12M	Current	11.31	11.01	7.60	4.52
	5-Year High	11.94	12.39	7.60	4.52
	5-Year Low	6.74	8.44	5.02	3.21
	5-Year Median	9.55	9.64	6.13	3.69
P/B TTM	Current	2.50	2.77	3.11	6.61
	5-Year High	3.18	3.38	3.15	6.71
	5-Year Low	1.61	1.87	1.74	3.83
	5-Year Median	2.28	2.48	2.60	4.97

As of 03/22/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 9% (229 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Apartment Investment and Management Company (AIV)	Neutral	3
Camden Property Trust (CPT)	Neutral	4
MidAmerica Apartment Communities, Inc. (MAA)	Neutral	3
NexPoint Residential Trust, Inc. (NXRT)	Neutral	2
United Dominion Realty Trust, Inc. (UDR)	Neutral	3
UMH Properties, Inc. (UMH)	Neutral	3
AvalonBay Communities, Inc. (AVB)	Underperform	5
Essex Property Trust, Inc. (ESS)	Underperform	4

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)	Underperform	-	-	Underperform	Underperform	Neutral
Zacks Rank (Short Term)	5	-	-	5	4	3
VGM Score	D	-	-	F	D	D
Market Cap	26.84 B	1.53 B	28.72 B	25.83 B	17.94 B	12.92 B
# of Analysts	9	3	13	8	11	10
Dividend Yield	3.35%	3.33%	1.39%	3.44%	3.01%	3.31%
Value Score	F	-	-	F	C	D
Cash/Price	0.00	0.03	0.06	0.01	0.00	0.05
EV/EBITDA	15.94	18.08	15.94	21.17	18.08	19.40
PEG F1	4.44	4.47	2.35	11.34	6.07	5.14
P/B	2.50	1.99	3.89	2.40	2.91	3.99
P/CF	14.94	17.39	15.85	16.50	16.63	18.77
P/E F1	26.29	20.32	21.46	23.71	22.33	22.36
P/S TTM	10.44	7.91	3.28	11.22	11.99	10.41
Earnings Yield	3.80%	4.93%	4.58%	4.22%	4.48%	4.48%
Debt/Equity	0.75	0.94	0.67	0.70	1.01	1.55
Cash Flow (\$/share)	4.82	1.84	6.78	11.22	16.59	2.32
Growth Score	F	-	-	F	F	D
Historical EPS Growth (3-5 Years)	1.90%	2.18%	9.32%	2.92%	5.65%	4.82%
Projected EPS Growth (F1/F0)	-16.09%	0.87%	14.75%	-10.14%	-3.58%	-4.56%
Current Cash Flow Growth	-3.36%	-11.92%	0.61%	5.65%	20.19%	-1.44%
Historical Cash Flow Growth (3-5 Years)	1.61%	4.76%	7.32%	5.16%	10.60%	-1.10%
Current Ratio	0.25	1.03	1.39	0.97	1.83	4.21
Debt/Capital	43.78%	48.53%	41.42%	41.31%	50.40%	64.16%
Net Margin	35.53%	8.36%	10.59%	35.96%	38.03%	5.18%
Return on Equity	8.50%	2.25%	14.75%	7.66%	9.02%	2.73%
Sales/Assets	0.12	0.12	0.51	0.12	0.11	0.13
Projected Sales Growth (F1/F0)	-8.34%	1.27%	7.15%	-2.99%	-4.32%	-1.18%
Momentum Score	A	-	-	A	A	A
Daily Price Change	0.84%	0.00%	0.23%	1.28%	0.23%	0.44%
1-Week Price Change	-2.74%	-2.64%	-0.30%	-4.04%	-4.34%	-4.01%
4-Week Price Change	7.70%	3.11%	3.47%	3.84%	4.49%	2.57%
12-Week Price Change	21.22%	11.17%	8.23%	15.47%	15.80%	14.49%
52-Week Price Change	40.16%	56.83%	87.53%	52.90%	51.45%	44.91%
20-Day Average Volume (Shares)	2,991,544	578,914	2,475,557	982,492	506,700	2,094,773
EPS F1 Estimate 1-Week Change	0.16%	0.00%	0.00%	-1.00%	0.11%	0.25%
EPS F1 Estimate 4-Week Change	-0.67%	0.00%	0.00%	-1.54%	0.04%	0.02%
EPS F1 Estimate 12-Week Change	-10.97%	-2.60%	2.10%	-8.71%	-4.48%	-3.09%
EPS Q1 Estimate Monthly Change	0.26%	0.08%	0.00%	0.15%	-0.12%	0.15%

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	F
Growth Score	F
Momentum Score	A
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

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.

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

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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 a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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