

## Eversource Energy (ES)

**\$81.29** (As of 02/19/21)

Price Target (6-12 Months): **\$86.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/05/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: F

### Summary

Eversource Energy's fourth-quarter earnings are on par with estimates. Its long-term investment in renewable energy and the expansion of transmission and distribution network will strengthen operations. Acquisition of gas assets from NiSource and joint venture with Ørsted will fortify operations. The water business is diversifying earnings stream and its stable performance is enabling it to pay dividend. The company has enough liquidity to meet debt obligations. Shares of the company have outperformed the industry in the past 12 months. However, Eversource's decision to shelve the Northern Pass project after the Court decided against the project's construction is likely to hurt long-term prospects. Higher shares outstanding and substandard performance by third-party service providers could adversely impact its operations.

### Price, Consensus & Surprise

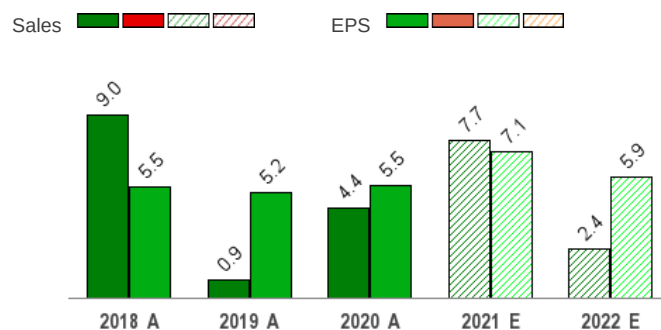


Source: Zacks Investment Research

### Data Overview

|                                |                             |
|--------------------------------|-----------------------------|
| 52-Week High-Low               | \$99.42 - \$60.69           |
| 20-Day Average Volume (Shares) | 1,271,278                   |
| Market Cap                     | \$27.9 B                    |
| Year-To-Date Price Change      | -5.8%                       |
| Beta                           | 0.31                        |
| Dividend / Dividend Yield      | \$2.41 / 2.8%               |
| Industry                       | Utility - Electric Power    |
| Zacks Industry Rank            | Bottom 17% (210 out of 253) |

### Sales and EPS Growth Rates (Y/Y %)



|                               |       |
|-------------------------------|-------|
| Last EPS Surprise             | 0.0%  |
| Last Sales Surprise           | 0.4%  |
| EPS F1 Estimate 4-Week Change | -0.4% |
| Expected Report Date          | NA    |
| Earnings ESP                  | -1.6% |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2022 | 2,542 E | 2,036 E | 2,438 E | 2,282 E | 9,821 E |
| 2021 | 2,607 E | 2,167 E | 2,417 E | 2,349 E | 9,590 E |
| 2020 | 2,374 A | 1,953 A | 2,344 A | 2,234 A | 8,904 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2022 | \$1.16 E | \$0.83 E | \$1.19 E | \$0.93 E | \$4.13 E |
| 2021 | \$1.13 E | \$0.85 E | \$1.03 E | \$0.91 E | \$3.90 E |
| 2020 | \$1.02 A | \$0.76 A | \$1.01 A | \$0.85 A | \$3.64 A |

\*Quarterly figures may not add up to annual.

|         |      |
|---------|------|
| P/E TTM | 22.4 |
| P/E F1  | 20.8 |
| PEG F1  | 3.8  |
| P/S TTM | 3.1  |

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 02/19/2021. The report's text and the analyst-provided price target are as of 02/22/2021.

## Overview

Eversource Energy, earlier known as Northeast Utilities, engages in the energy delivery business. The company was founded in 1927. It transmits and delivers electricity and natural gas to over 3.7 million residential, commercial and industrial customers in Connecticut, New Hampshire and Massachusetts. Eversource Energy is currently trading under the ticker symbol "ES" instead of "NU". The company's headquarters have remained at Hartford, CT and Boston, MA.

The reportable segments are as follows:

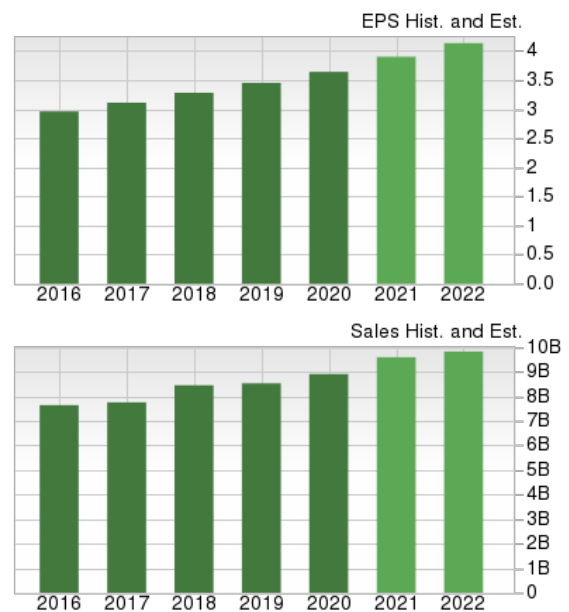
**Electric Distribution:** The segment consists of the distribution businesses of The Connecticut Light and Power Company (CL&P), NSTAR Electric Company (NSTAR Electric), and Public Service Company of New Hampshire (PSNH). This segment owns 40,568 miles of overhead lines and 17,764 miles of underground lines. It contributed \$7,132.3 million to the top line and \$544 million to net income in 2020.

**Electric Transmission:** The company owns and controls transmission facilities of CL&P, NSTAR Electric, and PSNH through the segment. It contributed \$1,536.1 million to the top line and \$502.5 million to net income in 2020.

**Natural Gas Distribution:** The segment serves around 282,000 customers in central and eastern Massachusetts and 222,000 customers in Connecticut through NSTAR Gas Company (NSTAR Gas) and Yankee Gas Services Company (Yankee Gas), respectively. It contributed \$1,208.7 million to the top line and reported a net income of \$134.1 million in 2020.

**Water Distribution:** This segment was created when Eversource acquired Aquarion Water Company in December 2017. It contributed \$215.4 million to the top line and \$41.2 million to net income in 2020.

**Parent and Other Companies:** This segment incurred a net loss of \$16.6 million in 2020.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ Eversource pursues organic growth to expand operations. It is currently focused on upgrading electric distribution and transmission infrastructure. Eversource forecasts capital investment of \$17.03 billion within the 2021-2025 time frame. The new capital expenditure plans reflects a \$2.8-billion increase from the previous long-term plan. Out of the total, the company has plans to invest nearly \$10.9 billion between 2021 and 2025 in the electric and natural distribution network. Out of the total, \$4.31 billion is going to be invested in its electric transmission segment and \$0.78 billion in the water distribution segment in the same time frame. In the past 12 months, shares of Eversource have lost 14.5%, narrower the Zacks Electric Power industry's 15.3% decline.

Strong investment in transmission and distribution networks, acquisitions, the expansion of renewable operations, along with stable financial conditions will act as tailwinds for the company.

Planned capital expenditure to strengthen the existing operations will likely enable it to expand its rate base from \$19.8 billion at 2019-end to \$31.3 billion at the end of 2025. Systematic expenditure is enabling the company to expand and strengthen transmission and distribution operations, as well as efficiently serve electric and natural gas customers. Moreover, the acquisition of natural gas assets from NiSource expanded Eversource's natural gas operation and the customer base, and will be accretive to its earnings. The company expects earnings per share to improve 5-7% over the 2021-2025 time frame from the 2020 level of \$3.64.

- ▲ At the end of fourth-quarter 2020, debt to capital was 53.5%, up from 52.7% a year ago due to issuance of new debts to fund the acquisition of gas assets from NiSource. Its long-term debt as of Dec 31, 2020 was \$15.12 billion, up from \$13.77 billion at 2019-end.

The firm's times interest earned ratio at the end of fourth-quarter 2020 improved to 3.9 from 3.2 throughout most part of 2019, reflecting that it will be able to meet obligations in the near future without any difficulties. At a time when every entity is looking forward to preserve liquidity amid uncertainty as a result of the COVID-19 outbreak, Eversource Energy's strong times interest earned ratio is reassuring for investors.

- ▲ Eversource Energy's focus on renewable energy generation would help the company to meet renewable energy mandates by state governments and enjoy incentives offered by state and federal programs. Eversource Energy announced its plan to reduce carbon emissions through a series of targeted steps. The company aims to achieve carbon neutrality by 2030 through ongoing fleet replacement, lowering methane gas emission from gas distribution systems, reducing electric line losses and other emission-reduction initiatives.

Eversource Energy and Denmark-based Ørsted have proposed to develop the Bay State Wind project. Eversource and Ørsted each hold a 50% ownership interest in Bay State Wind. The Eversource/Ørsted partnership is the largest developer of offshore wind in North America based on 1,714 megawatts that the partnership has contracted. Eversource and Ørsted are likely to eventually develop at least 4,000 MW of clean and renewable offshore wind energy. As of Dec 31, 2020, Eversource's total equity investment balance in the offshore wind business was \$887.1 million. The company currently expects to invest \$300-\$500 million in the offshore wind business during 2021, subject to advancing of its final project designs and federal, state, as well as local permitting processes.

- ▲ The company diversified operations and forayed into the water business through the acquisition of Aquarion Water Company in December 2017. This will help the company to explore and benefit from the long-term opportunity that water and wastewater service business presently offers. As of Dec 31, 2019, nearly 87% of Aquarion's customers were based in Connecticut. Since the water industry has huge prospects, Eversource is planning to further expand water operations through acquisitions. The company is presently focused on improving the quality of water services provided to customers in Connecticut. The water business' 2020 contribution to its top line is higher than 2019 levels.
- ▲ The strong performance of Eversource enables it to reward its shareholders through the payment of regular dividend. Board of directors of the company have been approving hike in the annual dividend rate. The 2020 annual dividend rate is \$2.27, which is 27.5% higher than \$1.78 paid in 2016. The board of trustees approved a common share dividend payment of 60.25 cents per share on Feb 9, 2021, payable on March 31, 2021 to its shareholders of record as of Mar 4, 2021. The 2021 dividend represents an increase of 6.2% from the December 2020 level.

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## Reasons To Sell:

- ▼ The \$1.6-billion Northern Pass transmission project of Eversource Energy is finally shelved after the New Hampshire Supreme Court upheld the state Site Evaluation Committee's 2018 denial of the project. The company has no way to take this 192-mile transmission project forward. This will definitely have an adverse effect on its growth plans.

The company has already spent nearly \$318 million on this transmission project. Results for 2019 were adversely impacted by an after-tax impairment charge of \$204.4 million, or 64 cents per share, related to Eversource Energy's investment in the Northern Pass Transmission (NPT) project. Discontinuation of such capital projects will adversely impact the company's prospects. Moreover, higher share count due to issuance of new shares to fund gas asset acquisitions will dilute earnings of the company and unfavorably impact first-half 2021 results.

- ▼ Eversource Energy outsource certain business functions to third-party suppliers and service providers. Substandard performance by these third parties could harm its business, reputation and results of operations. The company is apprehensive about cyberattacks in its systems and some of its customers are already impacted by the recent cyberattacks on Energy Services Group.
- ▼ Eversource Energy's operations are subject to federal, state and local legislative requirements, as well as extensive environmental regulations, relating to emission of greenhouse gases and carbon dioxide, air and water pollution, and waste management. Any modification in existing regulations and introduction of new mandates could impact the financial performance of the company.
- ▼ Financial performance of the company, to a great extent depends on its ability to operate transmission and distribution system in an efficient manner. The systems might not function as per expectations due to the breakdown and failure or damage of operating equipment. Underperformance could adversely affect Eversource's financial position, results of operations and cash flows.

In an attempt to expand the water business further from the current level, the company made offers to acquire Connecticut Water Service, Inc., but the offers were not successful. This could impact its plan to further expand the water business.

Failure to get approval on the Northern Pass project, stringent regulations, increase in share count and substandard performance from the third party are headwinds.

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## Last Earnings Report

### Eversource Q4 Earnings Match Estimates, Revenues Beat

Eversource Energy reported fourth-quarter 2020 operating earnings of 85 cents per share, which matched the Zacks Consensus Estimate. Further, the bottom line improved 11.8% year over year. The improvement in earnings was due to strong execution and contribution from the acquired he Columbia Gas assets.

#### Total Revenues

Fourth-quarter revenues of \$2,233.9 million beat the Zacks Consensus Estimate of \$2,226 million by 0.4%. Total revenues also improved 8.9% from the year-ago figure of \$2,050.4 million.

#### Highlights of the Release

Operating expenses increased 10.2% year over year to \$1,779.2 million. Operating income was up 4.4% from the prior-year quarter to \$454.7 million. Interest expenses increased 1.3% to \$135.4 million.

Net income in the quarter under review was \$291.2 million, up 16.5% from \$250 million recorded in the year-ago period.

#### Segmental Performance

**Electric Distribution:** Earnings from this segment were \$93.4 million, up 2.9% from the prior-year quarter. The upside was primarily attributed to higher revenues, partially offset by increased operation and maintenance costs due to high storm restoration cost.

**Electric Transmission:** The segment's earnings were up 2.2% year over year to \$120.7 million. The upside was due to increased investment in Eversource's transmission facilities.

**Natural Gas Distribution:** This segment's earnings soared 57.3% to \$62.3 million. The year-over-year improvement was due to higher revenues in NSTAR Gas and Yankee Gas and also contribution from acquired assets of Columbia Gas of Massachusetts.

**Water Distribution:** Earnings from this segment were \$5.6 million, down from \$8.5 million in the year-ago quarter.

**Eversource Parent & Other Companies:** The segment's earnings were \$9.2 million against loss of \$6.9 million in the year-ago quarter.

#### Guidance

Eversource provided 2021 earnings guidance in the range of \$3.81-\$3.93 per share. The midpoint of management's earnings guidance is \$3.87, which is lower than the Zacks Consensus Estimate of \$3.90 for the year.

Eversource expects long-term earnings growth through 2025 from its core regulated utility segments to be in the range of 5-7%.

The company expects its capital expenditure for 2021 to be \$3.5 billion. Its total capital expenditure for 2021-2025 time period is expected to be \$17 billion, which will assist Eversource to achieve its carbon neutral target by 2030.

Quarter Ending 12/2020

| Report Date      | Feb 16, 2021 |
|------------------|--------------|
| Sales Surprise   | 0.36%        |
| EPS Surprise     | 0.00%        |
| Quarterly EPS    | 0.85         |
| Annual EPS (TTM) | 3.64         |

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## Valuation

Eversource Energy shares are up 5.2% in the past six months period and down 14.5% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 3.2% and the Zacks Utility sector is up 6.2% in the past six months period. Over the past year, the Zacks sub-industry was down 15.3% and sector was down 11.7%.

The S&P 500 index is up 14.8% in the past six months period and up 23.3% in the past year.

The stock is currently trading at 20.75X forward 12-month earnings, which compares to 15.06X for the Zacks sub-industry, 13.8X for the Zacks sector and 22.67X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.8X and as low as 15.86X, with a 5-year median of 19.18X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$86 price target reflects 21.91X forward 12-month earnings.

The table below shows summary valuation data for ES

| Valuation Multiples - ES |               |       |              |        |         |
|--------------------------|---------------|-------|--------------|--------|---------|
|                          |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                 | Current       | 20.75 | 15.06        | 13.8   | 22.67   |
|                          | 5-Year High   | 26.8  | 15.4         | 15.39  | 23.8    |
|                          | 5-Year Low    | 15.86 | 11.83        | 11.39  | 15.3    |
|                          | 5-Year Median | 19.18 | 13.52        | 13.89  | 17.84   |
| P/S F12M                 | Current       | 2.9   | 2.19         | 2.69   | 4.55    |
|                          | 5-Year High   | 3.47  | 2.56         | 3.2    | 4.55    |
|                          | 5-Year Low    | 2     | 1.79         | 1.79   | 3.21    |
|                          | 5-Year Median | 2.48  | 2.09         | 2.16   | 3.68    |
| P/B TTM                  | Current       | 1.99  | 1.82         | 3.69   | 6.66    |
|                          | 5-Year High   | 2.53  | 2.07         | 3.88   | 6.7     |
|                          | 5-Year Low    | 1.5   | 1.29         | 2.26   | 3.84    |
|                          | 5-Year Median | 1.82  | 1.68         | 2.6    | 4.96    |

As of 2/19/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Bottom 17% (210 out of 253)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)             | Rec     | Rank |
|------------------------------|---------|------|
| Ameren Corporation (AEE)     | Neutral | 3    |
| DTE Energy Company (DTE)     | Neutral | 3    |
| Consolidated Edison Inc (ED) | Neutral | 4    |
| Edison International (EIX)   | Neutral | 3    |
| Entergy Corporation (ETR)    | Neutral | 4    |
| Eversource Energy (ES)       | Neutral | 3    |
| FirstEnergy Corporation (FE) | Neutral | 3    |
| Xcel Energy Inc. (XEL)       | Neutral | 4    |

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

| Industry Comparison Industry: Utility - Electric Power |           |            |           | Industry Peers |           |           |
|--------------------------------------------------------|-----------|------------|-----------|----------------|-----------|-----------|
|                                                        | ES        | X Industry | S&P 500   | AEE            | ED        | XEL       |
| Zacks Recommendation (Long Term)                       | Neutral   | -          | -         | Neutral        | Neutral   | Neutral   |
| Zacks Rank (Short Term)                                | 3         | -          | -         | 3              | 4         | 4         |
| VGM Score                                              | F         | -          | -         | D              | B         | D         |
| Market Cap                                             | 27.94 B   | 10.76 B    | 27.94 B   | 17.88 B        | 22.83 B   | 33.37 B   |
| # of Analysts                                          | 7         | 2          | 13        | 5              | 4         | 5         |
| Dividend Yield                                         | 2.79%     | 3.28%      | 1.41%     | 2.85%          | 4.55%     | 2.77%     |
| Value Score                                            | C         | -          | -         | C              | B         | C         |
| Cash/Price                                             | 0.03      | 0.04       | 0.06      | 0.00           | 0.01      | 0.03      |
| EV/EBITDA                                              | 15.10     | 10.26      | 14.71     | 11.23          | 9.46      | 12.48     |
| PEG F1                                                 | 3.76      | 3.16       | 2.38      | 2.83           | 8.01      | 3.44      |
| P/B                                                    | 1.99      | 1.62       | 3.87      | 2.07           | 1.22      | 2.29      |
| P/CF                                                   | 11.65     | 7.88       | 15.57     | 9.23           | 7.26      | 9.17      |
| P/E F1                                                 | 20.84     | 17.08      | 20.85     | 19.26          | 16.02     | 20.89     |
| P/S TTM                                                | 3.14      | 1.92       | 3.10      | 3.09           | 1.86      | 2.90      |
| Earnings Yield                                         | 4.79%     | 5.85%      | 4.73%     | 5.20%          | 6.25%     | 4.78%     |
| Debt/Equity                                            | 1.08      | 1.06       | 0.66      | 1.18           | 1.03      | 1.35      |
| Cash Flow (\$/share)                                   | 6.99      | 4.53       | 6.64      | 7.84           | 9.39      | 6.77      |
| Growth Score                                           | F         | -          | -         | F              | D         | F         |
| Historical EPS Growth (3-5 Years)                      | 5.63%     | 4.78%      | 9.32%     | 7.46%          | 1.79%     | 5.83%     |
| Projected EPS Growth (F1/F0)                           | 7.14%     | 6.37%      | 13.98%    | 7.31%          | 1.79%     | 6.52%     |
| Current Cash Flow Growth                               | 9.22%     | 5.70%      | 2.02%     | 2.50%          | 12.02%    | 8.52%     |
| Historical Cash Flow Growth (3-5 Years)                | 8.38%     | 5.78%      | 7.55%     | 6.59%          | 7.14%     | 8.19%     |
| Current Ratio                                          | 0.64      | 0.90       | 1.38      | 0.76           | 0.59      | 0.77      |
| Debt/Capital                                           | 52.08%    | 51.42%     | 41.22%    | 54.10%         | 50.65%    | 57.41%    |
| Net Margin                                             | 13.53%    | 8.99%      | 10.60%    | 15.03%         | 8.99%     | 12.78%    |
| Return on Equity                                       | 8.95%     | 9.97%      | 14.86%    | 10.36%         | 7.55%     | 10.70%    |
| Sales/Assets                                           | 0.21      | 0.21       | 0.51      | 0.19           | 0.21      | 0.22      |
| Projected Sales Growth (F1/F0)                         | 7.70%     | 4.56%      | 6.63%     | 7.27%          | 4.56%     | 7.28%     |
| Momentum Score                                         | F         | -          | -         | D              | B         | B         |
| Daily Price Change                                     | -1.32%    | -0.19%     | 0.55%     | -2.38%         | -2.63%    | -0.37%    |
| 1-Week Price Change                                    | -3.00%    | -0.54%     | 1.44%     | -1.24%         | -0.62%    | -2.99%    |
| 4-Week Price Change                                    | -6.51%    | -1.29%     | 1.51%     | 0.82%          | -1.40%    | -4.67%    |
| 12-Week Price Change                                   | -7.88%    | -2.28%     | 6.62%     | -10.24%        | -13.32%   | -8.87%    |
| 52-Week Price Change                                   | -14.84%   | -15.57%    | 8.08%     | -15.56%        | -27.91%   | -12.17%   |
| 20-Day Average Volume (Shares)                         | 1,271,278 | 399,989    | 2,033,954 | 1,426,703      | 2,468,875 | 2,169,061 |
| EPS F1 Estimate 1-Week Change                          | -0.37%    | 0.00%      | 0.00%     | -0.48%         | -2.33%    | 0.00%     |
| EPS F1 Estimate 4-Week Change                          | -0.37%    | 0.00%      | 0.71%     | -0.32%         | -3.76%    | -0.07%    |
| EPS F1 Estimate 12-Week Change                         | -0.22%    | 0.00%      | 2.08%     | -0.21%         | -3.43%    | -0.02%    |
| EPS Q1 Estimate Monthly Change                         | 0.22%     | 0.22%      | 0.23%     | 10.60%         | 1.18%     | -0.84%    |

Source: Zacks Investment Research

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## 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.

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### Zacks Style Scores

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

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

|                |   |
|----------------|---|
| Value Score    | C |
| Growth Score   | F |
| 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.

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## Disclosures

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**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.

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**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.

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**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.