

## Essex Property Trust (ESS)

**\$271.60** (As of 02/11/21)

Price Target (6-12 Months): **\$231.00**

Long Term: 6-12 Months

**Zacks Recommendation:** Underperform

(Since: 02/11/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

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

**5-Strong Sell**

Zacks Style Scores:

VGM:F

Value: D

Growth: D

Momentum: F

### Summary

Essex Property Trust's lower-than-expected fourth-quarter 2020 results reflected the adverse impact of the pandemic on its business. Concessions and delinquencies hurt same-property revenues. The REIT has a substantial exposure to the West Coast market, which has several technology companies and offers prospects for long-term growth. It also has a healthy balance sheet, and is leveraging technology and scale to drive growth. Its shares have outperformed the industry over the past three months. However, amid the pandemic's adverse impact on the job market, flexible working environment and low mortgage rate, demand for rental units and tenants' rent-paying capabilities in its markets remain affected, dampening rental rates and occupancy and leading to high concession activity. High supply in its urban markets add to its woes.

### Data Overview

|                                |                                     |
|--------------------------------|-------------------------------------|
| 52-Week High-Low               | \$329.74 - \$175.81                 |
| 20-Day Average Volume (Shares) | 471,203                             |
| Market Cap                     | \$17.7 B                            |
| Year-To-Date Price Change      | 14.4%                               |
| Beta                           | 0.75                                |
| Dividend / Dividend Yield      | \$8.31 / 3.1%                       |
| Industry                       | REIT and Equity Trust - Residential |
| Zacks Industry Rank            | Bottom 4% (242 out of 253)          |

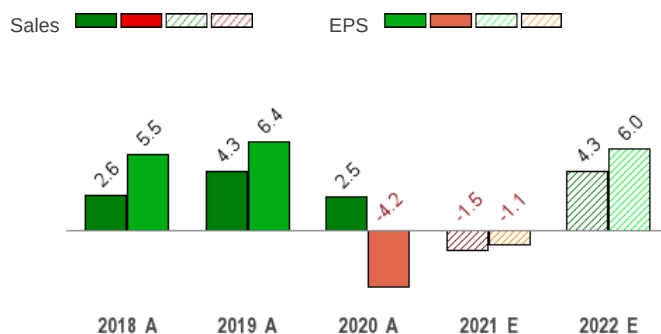
|                               |            |
|-------------------------------|------------|
| Last EPS Surprise             | -3.2%      |
| Last Sales Surprise           | -1.1%      |
| EPS F1 Estimate 4-Week Change | -3.9%      |
| Expected Report Date          | 05/05/2021 |
| Earnings ESP                  | -0.9%      |

|         |      |
|---------|------|
| P/E TTM | 21.2 |
| P/E F1  | 21.4 |
| PEG F1  | 3.8  |
| P/S TTM | 11.8 |

### Price, Consensus & Surprise



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



### Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2022 | 373 E | 378 E | 383 E | 387 E | 1,537 E |
| 2021 | 363 E | 364 E | 368 E | 373 E | 1,473 E |
| 2020 | 392 A | 371 A | 371 A | 362 A | 1,496 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*   |
|------|----------|----------|----------|----------|-----------|
| 2022 | \$3.25 E | \$3.34 E | \$3.35 E | \$3.40 E | \$13.44 E |
| 2021 | \$3.11 E | \$3.14 E | \$3.17 E | \$3.24 E | \$12.68 E |
| 2020 | \$3.48 A | \$3.16 A | \$3.15 A | \$3.02 A | \$12.82 A |

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 02/11/2021. The report's text and the analyst-provided price target are as of 02/12/2021.

## Overview

Headquartered in San Mateo, CA, Essex Property Trust, Inc. is a real estate investment trust (REIT) engaged in the acquisition, development, redevelopment and management of multifamily residential properties in supply constrained markets.

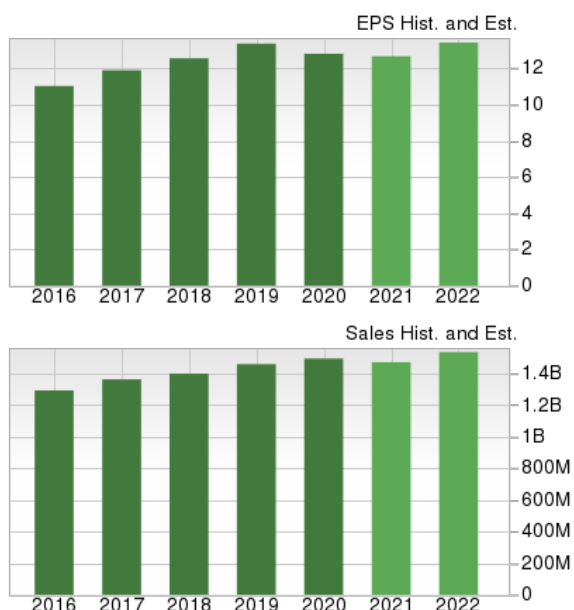
Specifically, the company enjoys concentration of assets in select coastal submarkets along the West Coast, including Southern California (Los Angeles, Orange, San Diego, and Ventura counties), Northern California (the San Francisco Bay Area) and the Seattle metropolitan areas. Notably, in April 2014, Essex Property completed the merger with BRE Properties which led to the creation of a premium West Coast pure play multifamily REIT.

Presently, Essex Property enjoys ownership interests in 246 apartment communities, encompassing roughly 60,000 apartment homes. It has additional six properties in different stages of active development.

During fourth-quarter 2020, the company sold a community, containing 115 apartment homes, in Glendale, CA for a total contract price of \$60 million, recognizing a \$25.7-million gain on sale.

Note\*: Certain information will be updated once the company files its latest 10-K.

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



Source: Zacks Investment Research

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## Reasons To Sell:

- ▼ The coronavirus pandemic's adverse impact on economy and the job-market environment is resulting in household contraction and consolidation. Loss of leisure and hospitality and other services jobs is dampening demand in the company's markets. 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. In the near term, same-store revenues are likely to be strained amid pressure on rental rates. Furthermore, amid a slowdown in demand, concession activity is likely to be high.
- ▼ Apart from this, a number of factors are affecting rental demand, including health concerns of living in dense environments and work-from-home flexibility that is resulting in a shift of renter demand away from higher cost and urban/infill markets. Additionally, there is a decline in demand from two categories of renters — corporate and students — since remote learning modalities are being implemented at many urban universities and business travel has declined significantly. As such, there is a reduced demand in many of its urban and tech-centric sub markets and any turnaround is unlikely until the public health crisis due to the pandemic is resolved.
- ▼ In addition, amid this situation, tenants' rent-paying capabilities have been affected. Cash concessions and delinquencies affected same-property revenues during the fourth quarter. Amid the current economic environment and the continuation of the health crisis, the stressful financial condition of the company's tenants, together with regulations that limit its ability to quickly evict tenants, is likely to affect its cash flows. Particularly, due to the eviction moratoriums and regulations, the company expects delinquencies will remain elevated in 2021 and will be a drag to core FFO per share.
- ▼ It is also feared that the struggle to lure renters is here to stay now, as supply volumes will likely remain elevated, particularly in the central business districts (CBD) and urban submarkets. 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.
- ▼ Essex Property has a significant concentration of assets in Southern California, Northern California, and the Seattle metropolitan area. Specifically, 82% of the company's rental revenues were generated from communities located in California for the year ended Dec 31, 2019. This makes the company's operating results and financial conditions susceptible to any unfavorable fluctuations in local markets.
- ▼ Shares of Essex Property have gained 6.5% over the past three months, while its industry rallied 1.4%. However, the trend in estimate revisions of 2021 FFO per share does not indicate a favorable outlook for the company as estimates have been revised marginally south in a week's time. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock is unlikely to perform well in the near term.

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

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## Risks

- Essex Property enjoys a sturdy property base and strong management team. Importantly, the company's merger with BRE Properties in 2014 led to the creation of a premium West Coast pure-play multifamily REIT. Its markets have high barriers to housing construction. This residential REIT's substantial exposure to the West Coast market offers ample scope to enhance its top line over the long term. The West Coast is home to several innovation and technology companies. Moreover, the region has been witnessing solid job growth, higher median household incomes, increased percentage of renters than owners, and favorable migration trends with the influx of workers to its markets for the past few years. Though there have been hiccups in recent times because of the pandemic, West Coast markets are expected to witness faster economic growth, in terms of GDP and employment, in the upcoming years. Moreover, due to high cost of homeownership, transition from renter to homeowner is difficult in its markets.
  - Apart from this, demographic growth continues to be strong in the young adult age cohort, which has a higher propensity to rent. In fact, a significant change in lifestyle has taken place and life-cycle events are getting delayed. This is leading to an extension of the average age of first-time homeownership. This age cohort also experiences a considerable part of the net job growth and provides a significant source of pent-up demand.
  - The company is also banking on its technology, scale and organizational capabilities to drive innovation and margin expansion in its portfolio. This has become all the more essential in this social-distancing era, as the virus outbreak needed a quick shift to virtual operations for the continuity of normal business operations. The company is making steady progress on the technology front and leasing agents are becoming more productive by leveraging on these tools.
  - Essex Property maintains a solid balance sheet and enjoys financial flexibility. As of Feb 1, 2021, the company had \$1.2 billion in liquidity through undrawn capacity on its unsecured credit facilities and cash and marketable securities. The company has minimal near-term funding needs. Also, over the years, it has made concerted efforts to increase its unencumbered NOI to adjusted total NOI, which stood at 95% in fourth-quarter 2020. With a high percentage of such assets, the company can enjoy accessibility to secured and unsecured debt markets, and maintain availability on the line. Additionally, as of Dec 31, 2020, the residential REIT has Baa1/Stable, and BBB+/Stable ratings from Moody's Investor Service and Standard and Poor's, respectively. Therefore, with a solid liquidity position, manageable debt maturities and investment grade ratings, the company remains well poised to navigate through these challenging times.
  - Solid dividend payouts are arguably the biggest attraction for REIT investors and Essex Property has been steadily raising its payout. Last February, the company announced a 6.5% hike in its quarterly dividend. The company has raised its dividend every year since the IPO in 1994 and the latest hike marked the company's 26th consecutive annual dividend increase. Since its initial public offering (IPO), the company has generated compound annual dividend per share growth of 6.4%. With a low dividend payout ratio and decent balance-sheet strength, the dividend is expected to be sustainable. Also, during the fourth quarter, Essex Property repurchased 211,681 shares of its common stock amounting to \$46.3 million at an average price of \$218.84 per share. Notably, the board of directors approved the replenishment of the stock-repurchase plan in December such that the company had \$250 million of purchase authority remaining under the stock-repurchase plan. As of Feb 1, 2021, the company had \$214.4 million of purchase authority remaining under the stock-repurchase plan. Such shareholder-friendly efforts are encouraging.
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## Last Earnings Report

### Essex Property Misses on Q4 FFO Amid Concessions

Essex Property Trust reported fourth-quarter 2020 core FFO per share of \$3.02, missing the Zacks Consensus Estimate of \$3.12. The figure also fell 12.5% from the year-ago quarter's \$3.45.

Also, total revenues of \$362.1 million lagged the Zacks Consensus Estimate of \$366 million as well as slipped 3.5% year over year.

Results reflect the adverse impact of the pandemic on the company's business. Concessions and delinquencies affected same-property revenues during the quarter.

Michael J. Schall, president and CEO, Essex Property pointed that "fourth quarter results provided signs of stabilization, with a partial recovery of lost jobs and modestly improved same-property revenues on a sequential basis."

Management forecasts "year-over-year results to remain challenged through the second quarter of 2021, followed by a steady economic recovery and resurgence in rental demand assuming a widespread distribution of vaccines."

For 2020, the company recorded core FFO per share of \$12.82, down 4.2 % from the prior year's \$13.38 and also missed the Zacks Consensus Estimate of \$12.92. Total revenues of \$1.5 billion went up 2.4% year on year.

### Quarter in Detail

During the October-December period, Essex Property's same-property gross revenues slid 8.0% from the prior-year period. Moreover, same-property operating expenses flared up 4.6% year on year. Consequently, same-property NOI dropped 12.7% year over year. However, on a sequential basis, same-property gross revenue and NOI improved by 0.3% and 1.0%, respectively.

Financial occupancies of 96.5% in the fourth quarter expanded 50 basis points (bps) sequentially but shrunk 60 bps year on year.

During the reported quarter, the company sold a community, containing 115 apartment homes, in Glendale, CA for a total contract price of \$60 million, recognizing a \$25.7-million gain on sale.

### Balance Sheet

Essex Property exited 2020 with cash and cash equivalents, including restricted cash, of \$84.0 million, up from the \$81.1 million recorded at the end of 2019. As of Feb 1, 2021, the company had \$1.2 billion in liquidity through undrawn capacity on its unsecured credit facilities and cash and marketable securities.

In the fourth quarter, the company repaid \$328.2 million of secured and unsecured debt due to mature in 2021, with a weighted average effective rate of 4.2%.

During the reported quarter, Essex Property repurchased 211,681 shares of its common stock amounting to \$46.3 million at an average price of \$218.84 per share. Notably, the board of directors approved the replenishment of the stock-repurchase plan in December such that the company had \$250 million of purchase authority remaining under the stock-repurchase plan. As of Feb 1, 2021, the company had \$214.4 million of purchase authority remaining under the stock-repurchase plan.

### Outlook

For full-year 2021, the company expects core FFO per share of \$11.86-\$12.46, with \$12.16 at the mid-point.

The company's full-year outlook incorporates same-property gross revenue decline of 1.50-3.50%, operating expense rise of 2-3% and NOI contraction of 3-6.25%. In addition, the company projects acquisitions and dispositions of \$300-\$500 million, which are subject to market conditions and cost of capital, as well as preferred equity commitments of \$100-\$150 million, to be funded by redemptions.

Moreover, the company projects total development spending in 2021 for the existing projects under construction to be about \$60 million at the company's pro rata share. Presently, the REIT does not intend to commence any new developments during 2021.

For first-quarter 2021, the company projects core FFO per share at \$2.96-\$3.10.

### Quarter Ending 12/2020

| Report Date      | Feb 04, 2021 |
|------------------|--------------|
| Sales Surprise   | -1.08%       |
| EPS Surprise     | -3.21%       |
| Quarterly EPS    | 3.02         |
| Annual EPS (TTM) | 12.81        |

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## Recent News

### Dividend Update

On Dec 8, 2020, Essex Property announced a regular quarterly cash dividend of \$2.0775 per share. This dividend was paid out on Jan 15, 2021, to shareholders of record as of Jan 4, 2021.

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## Valuation

Essex Property's shares have been down 15.5% in the trailing 12 months. Stocks in the Zacks sub-industry have declined 21.8%, while in the Zacks Finance sector have increased 1.7% over the past year.

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

The stock is currently trading at 21.11X forward 12-month FFO, which compares to 20.19X for the Zacks sub-industry, 16.87X for the Zacks sector and 22.84X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 23.75X and as low as 12.85X, with a 5-year median of 19.60X. Our underperform recommendation indicates that the stock will perform worse than the market. Our \$231 price target reflects 17.95X FFO.

The table below shows summary valuation data for ESS.

| Valuation Multiples - ESS |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F 12M                 | Current       | 21.11 | 20.19        | 16.87  | 22.84   |
|                           | 5-Year High   | 23.75 | 22.61        | 17.12  | 23.80   |
|                           | 5-Year Low    | 12.85 | 15.74        | 11.59  | 15.30   |
|                           | 5-Year Median | 19.6  | 18.41        | 14.56  | 17.85   |
| P/S F12M                  | Current       | 11.83 | 10.94        | 7.17   | 4.56    |
|                           | 5-Year High   | 14.5  | 12.39        | 7.17   | 4.56    |
|                           | 5-Year Low    | 7.62  | 8.44         | 5.02   | 3.20    |
|                           | 5-Year Median | 11.22 | 9.56         | 6.12   | 3.68    |
| P/B TTM                   | Current       | 2.86  | 2.61         | 3.02   | 6.69    |
|                           | 5-Year High   | 3.43  | 3.35         | 3.02   | 6.70    |
|                           | 5-Year Low    | 1.88  | 1.85         | 1.74   | 3.80    |
|                           | 5-Year Median | 2.49  | 2.47         | 2.59   | 4.96    |

As of 02/11/2021

Source: Zacks Investment Research

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## Industry Analysis Zacks Industry Rank: Bottom 4% (242 out of 253)



## Top Peers

| Company (Ticker)                                  | Rec          | Rank |
|---------------------------------------------------|--------------|------|
| Camden Property Trust (CPT)                       | Neutral      | 3    |
| Equity Residential (EQR)                          | Neutral      | 3    |
| MidAmerica Apartment Communities, Inc. (MAA)      | Neutral      | 4    |
| NexPoint Residential Trust, Inc. (NXRT)           | Neutral      | 3    |
| UMH Properties, Inc. (UMH)                        | Neutral      | 3    |
| Apartment Investment and Management Company (AIV) | Underperform | 4    |
| AvalonBay Communities, Inc. (AVB)                 | Underperform | 5    |
| United Dominion Realty Trust, Inc. (UDR)          | 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 |           |              |
|-------------------------------------------------------------------|--------------|------------|-----------|----------------|-----------|--------------|
|                                                                   | ESS          | X Industry | S&P 500   | AVB            | EQR       | UDR          |
| Zacks Recommendation (Long Term)                                  | Underperform | -          | -         | Underperform   | Neutral   | Underperform |
| Zacks Rank (Short Term)                                           | 5            | -          | -         | 5              | 3         | 4            |
| VGM Score                                                         | F            | -          | -         | F              | F         | F            |
| Market Cap                                                        | 17.71 B      | 1.44 B     | 27.73 B   | 24.98 B        | 25.22 B   | 12.76 B      |
| # of Analysts                                                     | 11           | 3.5        | 13        | 9              | 11        | 10           |
| Dividend Yield                                                    | 3.06%        | 3.44%      | 1.43%     | 3.55%          | 3.56%     | 3.32%        |
| Value Score                                                       | D            | -          | -         | D              | D         | D            |
| Cash/Price                                                        | 0.00         | 0.05       | 0.06      | 0.01           | 0.01      | 0.06         |
| EV/EBITDA                                                         | 20.89        | 19.03      | 14.86     | 21.56          | 14.86     | 19.39        |
| PEG F1                                                            | 3.78         | 4.52       | 2.36      | 18.57          | 4.46      | 6.35         |
| P/B                                                               | 2.86         | 2.07       | 3.88      | 2.32           | 2.35      | 3.97         |
| P/CF                                                              | 16.18        | 16.80      | 15.06     | 16.27          | 14.54     | 18.68        |
| P/E F1                                                            | 21.42        | 19.78      | 20.72     | 21.91          | 22.30     | 21.90        |
| P/S TTM                                                           | 11.84        | 7.76       | 3.05      | 10.86          | 9.81      | 10.28        |
| Earnings Yield                                                    | 4.67%        | 5.05%      | 4.73%     | 4.57%          | 4.49%     | 4.57%        |
| Debt/Equity                                                       | 1.01         | 1.01       | 0.68      | 0.70           | 0.75      | 1.55         |
| Cash Flow (\$/share)                                              | 16.78        | 2.53       | 6.76      | 10.99          | 4.66      | 2.32         |
| Growth Score                                                      | D            | -          | -         | D              | F         | D            |
| Historical EPS Growth (3-5 Years)                                 | 5.65%        | 2.18%      | 9.27%     | 2.92%          | 1.67%     | 5.22%        |
| Projected EPS Growth (F1/F0)                                      | -1.06%       | 1.29%      | 14.04%    | -6.03%         | -6.80%    | -3.04%       |
| Current Cash Flow Growth                                          | 21.56%       | -1.44%     | 3.29%     | 3.57%          | -6.64%    | -1.44%       |
| Historical Cash Flow Growth (3-5 Years)                           | 10.85%       | 11.68%     | 7.74%     | 4.74%          | 5.74%     | 5.98%        |
| Current Ratio                                                     | 3.14         | 1.09       | 1.38      | 0.51           | 0.25      | 0.98         |
| Debt/Capital                                                      | 50.40%       | 50.43%     | 41.33%    | 41.31%         | 43.78%    | 64.16%       |
| Net Margin                                                        | 38.03%       | 11.72%     | 10.58%    | 35.96%         | 35.53%    | 5.18%        |
| Return on Equity                                                  | 9.02%        | 3.45%      | 14.86%    | 7.66%          | 8.50%     | 2.73%        |
| Sales/Assets                                                      | 0.11         | 0.12       | 0.51      | 0.12           | 0.12      | 0.13         |
| Projected Sales Growth (F1/F0)                                    | -1.53%       | 2.59%      | 6.33%     | -1.89%         | -4.32%    | -0.17%       |
| Momentum Score                                                    | F            | -          | -         | F              | F         | F            |
| Daily Price Change                                                | 1.46%        | 0.69%      | -0.09%    | 1.75%          | 1.42%     | 3.81%        |
| 1-Week Price Change                                               | 7.72%        | 4.31%      | 4.58%     | 5.22%          | 5.39%     | 4.21%        |
| 4-Week Price Change                                               | 14.56%       | 5.53%      | 0.84%     | 11.49%         | 12.20%    | 11.85%       |
| 12-Week Price Change                                              | 6.87%        | 8.33%      | 8.82%     | 5.07%          | 13.20%    | 11.65%       |
| 52-Week Price Change                                              | -15.52%      | -15.11%    | 8.85%     | -20.68%        | -20.49%   | -12.68%      |
| 20-Day Average Volume (Shares)                                    | 471,203      | 454,363    | 2,105,275 | 905,154        | 2,502,831 | 1,466,026    |
| EPS F1 Estimate 1-Week Change                                     | -1.80%       | 0.00%      | 0.00%     | -1.38%         | 0.54%     | -1.31%       |
| EPS F1 Estimate 4-Week Change                                     | -3.93%       | -0.27%     | 0.62%     | -3.85%         | -0.09%    | -2.24%       |
| EPS F1 Estimate 12-Week Change                                    | -4.22%       | -0.57%     | 1.93%     | -5.78%         | -2.70%    | -3.01%       |
| EPS Q1 Estimate Monthly Change                                    | -2.05%       | 0.00%      | 0.30%     | -7.76%         | -5.35%    | -4.18%       |

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    | D |
| Growth Score   | D |
| Momentum Score | F |
| VGM Score      | F |

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

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## Disclosures

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## Additional Disclosure

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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 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.

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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.