

## The Hartford(HIG)

**\$40.45** (As of 08/31/20)

Price Target (6-12 Months): **\$42.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 07/30/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: D

## Summary

Hartford Financial has been putting in efforts to boost its portfolio through acquisitions. Divestitures also poise it well for long-term growth. Its capital appreciations, repayment of government funds and measures to de-risk its balance sheet has increased the company's financial strength. However, its shares have underperformed its industry in a year's time. It is exposed to catastrophic loss, which impacted underwriting results. Softness in Personal Lines segment and escalating expenses are other concerns. Its premiums are likely to take a hit from COVID-19 pandemic. Its second-quarter 2020 adjusted operating earnings of \$1.22 per share came in line with the Zacks Consensus Estimate but fell 8% year over year due to reduced investment income, benefits and losses linked with COVID-19 plus higher CAY CATs due to civil unrest.

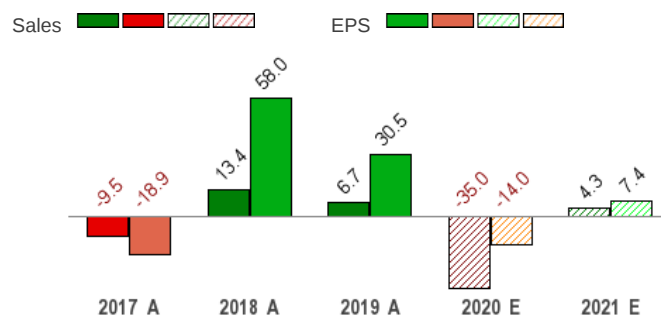
## Price, Consensus & Surprise



## Data Overview

|                                |                             |
|--------------------------------|-----------------------------|
| 52-Week High-Low               | \$62.75 - \$19.04           |
| 20-Day Average Volume (Shares) | 1,986,676                   |
| Market Cap                     | \$14.5 B                    |
| Year-To-Date Price Change      | -33.4%                      |
| Beta                           | 0.95                        |
| Dividend / Dividend Yield      | \$1.30 / 3.2%               |
| Industry                       | Insurance - Multi line      |
| Zacks Industry Rank            | Bottom 33% (168 out of 251) |

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



|                               |            |
|-------------------------------|------------|
| Last EPS Surprise             | 0.0%       |
| Last Sales Surprise           | 1.6%       |
| EPS F1 Estimate 4-Week Change | -1.2%      |
| Expected Report Date          | 11/02/2020 |
| Earnings ESP                  | -13.1%     |

## Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 3,598 E | 3,336 E | 3,508 E | 3,344 E | 13,788 E |
| 2020 | 5,187 A | 3,201 A | 3,415 E | 3,255 E | 13,222 E |
| 2019 | 4,777 A | 5,012 A | 5,258 A | 5,298 A | 20,345 A |

## EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.33 E | \$1.21 E | \$1.21 E | \$1.38 E | \$5.22 E |
| 2020 | \$1.34 A | \$1.22 A | \$1.07 E | \$1.23 E | \$4.86 E |
| 2019 | \$1.39 A | \$1.33 A | \$1.50 A | \$1.43 A | \$5.65 A |

\*Quarterly figures may not add up to annual.

|         |     |
|---------|-----|
| P/E TTM | 7.4 |
| P/E F1  | 8.3 |
| PEG F1  | 0.9 |
| P/S TTM | 0.7 |

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/31/2020. The reports text is as of 09/01/2020.

## Overview

Founded in 1810 and headquartered in Connecticut, The Hartford Financial Services Group Inc. is one of the major multi-line insurance and investment companies in the country, providing investment products, group life and group disability insurance, property and casualty (P&C) insurance and mutual funds in the U.S.

The Hartford strives to improve its position as a market leader within the financial services industry.

It sells various innovative products through multiple distribution channels to individuals and businesses and is considered a leading property and casualty and employee group benefits insurer.

As of Dec 31, 2019, it had total assets and total stockholders' equity of \$70.8 billion and \$16.3 billion, respectively.

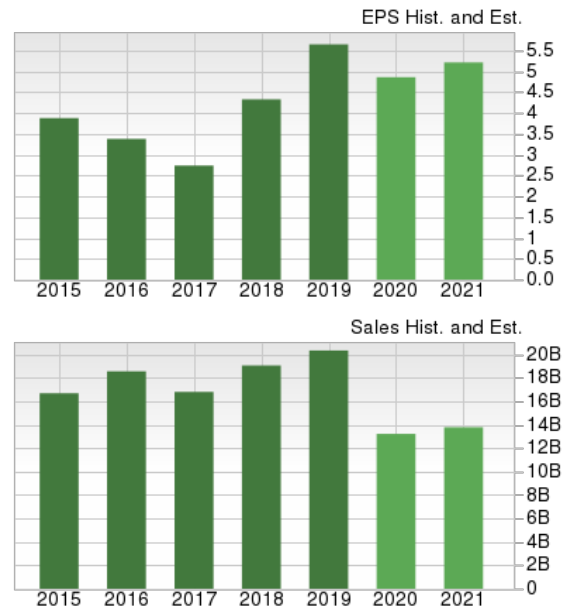
The company reports through the following segments:

**The Commercial Lines segment (73% of the total revenue in 2019)**, formerly known as Property & Casualty Commercial offers workers' compensation, property, automobile, liability, umbrella, marine and livestock coverages mainly in the U.S. The segment also offers various customized insurance products and risk management services including automobile, general liability, professional liability, bond, and specialty casualty coverages.

The **Personal Lines (26.5%)**, formerly known as Consumer Markets segment offers automobile, homeowners and personal umbrella coverages to individuals across the United States, including a special program designed exclusively for members of AARP.

The **P & C Other Ops** reported **0.5%** of 2019 total revenues.

It has two other reporting segments, namely Group Benefits and Hartford Funds, as well as a Corporate category.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ **Strategic Initiatives:** We favorably view a number of strategic initiatives to improve its risk profile from a number of well-executed strategic dispositions of its legacy run-off businesses. Hartford Financial has been vending non-core businesses to concentrate on its U.S. operations and enhance its operating leverage. Apart from lowering expenses, boosting profitability and improving returns to shareholders, these divestitures are enhancing financial flexibility by freeing up more capital. The company has been putting in efforts to boost its portfolio through acquisitions. All these strategic initiatives poise the company well for long-term growth.
- ▲ **Acquisition of Navigators:** On May 23, 2019, the company closed the pending buyout of Navigators Group, a specialty insurer for a deal value of around \$2.1 billion. The move has helped it expand the company's product offerings and geographic reach plus strengthen its commercial business lines. It is also expected to widen the company's underwriting strength in product capabilities.
- ▲ **Effective Capital Utilization:** Hartford Financial's capital appreciations, repayment of government funds and measures to de-risk its balance sheet has increased its financial strength. It also has an intelligent capital management strategy, featuring share buybacks and dividend hikes. The company's dividend has been hiked 200% over 2013-2018. It raised its quarterly dividend by 8% to 3.25 cents per share, which was paid out on Apr 2, 2020. Its dividend yield stands at 3.2%, above the industry's average of 2.8%. Although the company paused its share buyback program in response to the current volatile environment, it is continuing with dividend payout, which makes us positive about its capital deployment strategy.
- ▲ **Profitability:** Its return-on-equity (ROE) reflects growth potential. The company's trailing 12-month ROE of 12.6% compares favorably with the industry average of 7.5%, reflecting the company's efficiency in using shareholders' funds.
- ▲ **Balance Sheet Strength:** The company's capital position remains impressive. Total debt is 25.5% (almost unchanged from the sequential figure) of its total equity, lower than the industry average of 44.5%. It has taken several initiatives to improve its liquidity. Thus, its financial flexibility looks encouraging.
- ▲ **Price Performance:** Shares of the company have underperformed its industry in a year's time. However, its solid fundamentals will likely help it bounce back going forward.

Strategic initiatives, sound financial flexibility and efficient capital management position the company for long term growth.

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## Reasons To Sell:

- ▼ **Catastrophe Challenges:** As a property and casualty insurer, the company is substantially exposed to catastrophic events, weighing on its underwriting results. The company suffered a catastrophe loss of \$821 million in 2018. Although in 2019, the company's current accident-year cat loss of \$463 million was down 43.6% from the 2018-level, it poses a threat to the company. In the first six months of 2020, it faced a cat loss of \$322 million due to tornado, wind and hail events in the Midwest, and South and Great Plains along with civil unrest that took place in late May and June.
- ▼ **Reduction in Premium:** Premiums of the company might get impacted by the coronavirus outbreak due to exposure, business closures and reductions. Lower customer payroll might affect its results. The company also took certain initiatives, such as a 15% refund of April and May's personal auto premium on account of reduction in miles driven and lower reported claims, which in turn, might dent its revenues. Although for the first six months of 2020, earned premiums rose 6% year over year, the concern regarding the same remains. The metric declined 11% in the second quarter reflecting lower new business across lines, soft premium retention in the Middle Market, a \$100-million reduction in estimated audit premiums receivable, etc.
- ▼ **Challenging Interest Rate Environment:** The current challenging interest rate scenario continues to pose a threat to the company. It anticipates that the same will affect the new cash flows, reinvestment rates and the overall portfolio yield.
- ▼ **Challenges from Personal Lines:** The segment has been generating loss on higher auto liability loss costs since the past few years. In 2018, the segment incurred a loss of \$32 million, wider than 2017's loss of \$9 million. In 2019 and the first six months of 2020, earned premiums were down 5.9% and 8.2% year over year each. Weak performance by this segment raises a concern for the company.
- ▼ **Escalating Expenses:** The company has been witnessing a rise in expenses since 2015. Total benefits and expenses of the company increased 5.7% and 3.3% in 2019 and during the first six months of 2020, respectively, due to higher benefits, losses and loss adjustment expenses, amortization of deferred acquisition costs, insurance operating costs and other expenses, etc. Escalating expenses weigh on the company's margins.

Exposure to catastrophe events and softness in Personal Lines segments raise concern. Rising costs also bother.

## Last Earnings Report

### Hartford Financial Q2 Earnings In Line, Revenues Beat

Hartford Financial reported second-quarter 2020 adjusted operating earnings of \$1.22 per share, which matched the Zacks Consensus Estimate.

However, the bottom line fell 8% year over year primarily due to reduced investment income, incurred benefits and losses pertaining to COVID-19, and higher CAY CATs due to civil unrest. Nevertheless, the results were partially offset by effect of lower claim incidence and net favorable P&C PYD.

Total operating revenues of \$3.2 billion plunged 36.1% year over year on account of weak revenues led by the company's Personal Lines, P&C Other Ops, Group Benefits and Hartford Funds segments. However, decline in revenues has been partially offset by uptick in the Commercial Lines and Corporate segments. The top line also surpassed the Zacks Consensus Estimate by 1.6%.

Net investment income declined 31% year over year to \$339 million in the second quarter. The downside was due to reduced yield on fixed income maturity investments and losses on limited partnerships, and other alternative investments (LPs).

### Segmental Results

#### Property & Casualty (P&C)

##### Commercial Line

During the quarter under review, the segment's total revenues of \$2.4 billion were up 4.2% year over year.

Net loss of \$66 million compared unfavorably with the prior-year quarter's net income of \$191 million. This was primarily due to incurred losses related to COVID-19 and an increase in CAY CATs stemming from losses on account of civil unrest in late May and June. It also reported core loss of \$57 million against the year-ago quarter's core earnings of \$304 million. This can be attributed to incurred underwriting loss, higher CAY CATs and increased net unfavourable reserve development.

The segment's underlying combined ratio was 102.9%, deteriorating 970 basis points (bps) in the quarter under review.

##### Personal Lines

Total revenues were \$760 million, down 14.4% year over year.

Net income of \$371 million soared 498.4% year over year on the back of lower auto frequency claim and favorable PYD linked with subrogation recoveries.

Core earnings of \$364 million skyrocketed 561.8% from the year-ago quarter, courtesy of a stronger underwriting gain and lower non-CAT weather-related losses in homeowners. Underlying combined ratio of the segment contracted 1030 bps to 80.7% in the quarter under review.

##### P&C Other Ops

Revenues grossed \$12 million, down 52% year over year.

##### Group Benefits

Group Benefits' total revenues of \$1.5 billion decreased 2.1% year over year.

Net income of \$101 million declined 11% year over year. Core earnings of \$102 million in the second quarter also fell 11% year over year. This downside was due to incurred benefits and losses related to COVID-19, softer net investment income and higher operating expenses pertaining to increased allowance for credit losses on premium receivable.

Total loss ratio of 72% improved 260 bps from the year-earlier quarter, riding on better group disability loss ratio. However, the same was partly offset by COVID-19 group life claims.

##### Hartford Funds

Hartford Funds' operating revenues of \$236 million decreased 6.7% year over year.

Hartford Funds reported net income of \$39 million, which improved 3% year over year driven by higher net realized capital gains and reduced operating costs. Core earnings of \$33 million plunged 13% year over year due to lower fee income.

Average daily AUM of \$111 billion was down 6% from the year-ago figure.

##### Corporate

Operating revenues were \$113 million, which soared 151.1% year over year.

The segment's core loss of \$6 million was narrower than the \$35 million loss incurred in the prior-year quarter. This was mainly owing to

| Quarter Ending   | 06/2020      |
|------------------|--------------|
| Report Date      | Jul 30, 2020 |
| Sales Surprise   | 1.62%        |
| EPS Surprise     | 0.00%        |
| Quarterly EPS    | 1.22         |
| Annual EPS (TTM) | 5.49         |

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improved income derived from the company's retained equity interest in Talcott Resolution.

The segment reported net income of \$18 million against the year-ago quarter's net loss of \$43 million. This was mainly driven by increased net realized capital gains.

#### **Dividend Update**

On Jul 16, Hartford Financial declared quarterly dividend of 32.5 cents per share. The dividend will be paid on Oct 2, 2020 to shareholders of record as of Sep 1.

#### **Financial Update**

Book value per share as of Jun 30, 2020 was up 6% to \$46.59 from the level as of Dec 31, 2019.

Core earnings' return on equity improved 100 bps year over year to 12.7%.

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## Recent News

### Hartford Financial Provides Q2 Preliminary Report — Jul 16, 2020

Hartford Financial announced its preliminary results for the second quarter of 2020. Preliminary estimate for net income available to common stockholders is \$1.29 per share and for core earnings is \$1.22 per share.

The results include the estimated effect of losses induced by the COVID-19 pandemic along with rise in credit allowance, current accident year catastrophes, net prior accident year reserve development, net investment income and other items.

Hartford Financial expects incurred losses of \$198 million, after tax, from COVID-19 for the to-be-reported quarter.

Hartford Financial's second-quarter net investment income is expected to be \$339 million, before tax, mainly due to loss from limited partnerships and other investments.

### Hartford Financial's Program Extension to Aid AARP Members — Jun 2, 2020

Hartford Financial unveiled the renewal of its auto and home insurance program until Jan 1, 2033. The program, launched in 1984, has largely benefitted AARP members for more than 35 years. For people above 50 years of age, it offers auto, homeowners and personal umbrella insurance. The company also revealed plans to make further investments in technological upgradations. In line with this, Duck Creek OnDemand has been chosen as the company's new technology platform.

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## Valuation

Hartford Financial shares are down 32% and 28.6% in the year-to-date period and over the trailing 12-month period, respectively. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 22% and 13% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 9% and 2.7%, respectively.

The S&P 500 index is up 10.3% in the year-to-date period and 23% in the past year.

The stock is currently trading at 7.93x forward 12-month earnings, which compares to 8.28x for the Zacks sub-industry, 16.91x for the Zacks sector and 23.47x for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.77x and as low as 4.86x, with a 5-year median of 10.94x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$42 price target reflects 8.24x forward earnings.

The table below shows summary valuation data for HIG

| Valuation Multiples - HIG |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                  | Current       | 7.93  | 8.28         | 16.91  | 23.47   |
|                           | 5-Year High   | 15.77 | 12.61        | 16.91  | 23.47   |
|                           | 5-Year Low    | 4.86  | 6.62         | 11.6   | 15.25   |
|                           | 5-Year Median | 10.94 | 9.92         | 14.26  | 17.6    |
| P/S F12M                  | Current       | 1.07  | 0.77         | 6.23   | 3.84    |
|                           | 5-Year High   | 1.33  | 1.74         | 6.67   | 3.84    |
|                           | 5-Year Low    | 0.67  | 0.77         | 4.97   | 2.54    |
|                           | 5-Year Median | 1.06  | 1.26         | 6.06   | 3.07    |
| P/B TTM                   | Current       | 0.87  | 1.18         | 2.57   | 4.76    |
|                           | 5-Year High   | 1.56  | 1.98         | 2.91   | 4.76    |
|                           | 5-Year Low    | 0.59  | 0.85         | 1.71   | 2.84    |
|                           | 5-Year Median | 1.15  | 1.48         | 2.53   | 3.76    |

As of 08/31/2020

## Industry Analysis Zacks Industry Rank: Bottom 33% (168 out of 251)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                             | Rec        | Rank |
|----------------------------------------------|------------|------|
| The Allstate Corporation (ALL)               | Outperform | 2    |
| Old Republic International Corporation (ORI) | Outperform | 2    |
| Aflac Incorporated (AFL)                     | Neutral    | 3    |
| American International Group, Inc. (AIG)     | Neutral    | 3    |
| Chubb Limited (CB)                           | Neutral    | 3    |
| CNO Financial Group, Inc. (CNO)              | Neutral    | 3    |
| Kemper Corporation (KMPR)                    | Neutral    | 3    |
| MetLife, Inc. (MET)                          | Neutral    | 3    |

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

| Industry Comparison Industry: Insurance - Multi Line |           |            |           | Industry Peers |           |           |
|------------------------------------------------------|-----------|------------|-----------|----------------|-----------|-----------|
|                                                      | HIG       | X Industry | S&P 500   | AIG            | CB        | MET       |
| Zacks Recommendation (Long Term)                     | Neutral   | -          | -         | Neutral        | Neutral   | Neutral   |
| Zacks Rank (Short Term)                              | 3         | -          | -         | 3              | 3         | 3         |
| VGM Score                                            | B         | -          | -         | B              | D         | C         |
| Market Cap                                           | 14.49 B   | 3.32 B     | 23.72 B   | 25.10 B        | 56.42 B   | 34.91 B   |
| # of Analysts                                        | 5         | 2          | 14        | 6              | 7         | 4         |
| Dividend Yield                                       | 3.21%     | 2.54%      | 1.65%     | 4.39%          | 2.50%     | 4.78%     |
| Value Score                                          | A         | -          | -         | B              | B         | A         |
| Cash/Price                                           | 0.27      | 0.34       | 0.07      | 1.19           | 0.10      | 1.16      |
| EV/EBITDA                                            | 4.65      | 3.67       | 13.28     | 2.96           | 9.90      | 1.38      |
| PEG F1                                               | 0.88      | 1.19       | 3.03      | 1.13           | 1.74      | 2.22      |
| P/B                                                  | 0.87      | 0.81       | 3.17      | 0.40           | 1.03      | 0.46      |
| P/CF                                                 | 5.83      | 7.38       | 12.87     | 2.79           | 10.61     | 6.55      |
| P/E F1                                               | 8.41      | 9.59       | 21.63     | 11.28          | 17.37     | 6.94      |
| P/S TTM                                              | 0.70      | 0.78       | 2.53      | 0.52           | 1.58      | 0.51      |
| Earnings Yield                                       | 12.01%    | 9.66%      | 4.39%     | 8.85%          | 5.76%     | 14.40%    |
| Debt/Equity                                          | 0.26      | 0.24       | 0.70      | 0.63           | 0.25      | 0.20      |
| Cash Flow (\$/share)                                 | 6.94      | 3.45       | 6.93      | 10.45          | 11.78     | 5.87      |
| Growth Score                                         | C         | -          | -         | C              | D         | F         |
| Historical EPS Growth (3-5 Years)                    | 10.45%    | 8.76%      | 10.41%    | 2.87%          | -1.69%    | 5.58%     |
| Projected EPS Growth (F1/F0)                         | -13.95%   | -6.10%     | -4.75%    | -43.72%        | -28.83%   | -9.29%    |
| Current Cash Flow Growth                             | 20.19%    | 7.19%      | 5.22%     | 41.46%         | 0.06%     | 6.34%     |
| Historical Cash Flow Growth (3-5 Years)              | 2.69%     | 1.69%      | 8.49%     | -3.88%         | 8.77%     | -4.47%    |
| Current Ratio                                        | 0.32      | 0.47       | 1.35      | 0.34           | 0.31      | 0.16      |
| Debt/Capital                                         | 20.31%    | 20.31%     | 42.92%    | 38.47%         | 20.32%    | 16.93%    |
| Net Margin                                           | 8.80%     | 4.27%      | 10.25%    | -9.46%         | 6.10%     | 10.65%    |
| Return on Equity                                     | 12.62%    | 7.13%      | 14.66%    | 3.28%          | 5.98%     | 7.71%     |
| Sales/Assets                                         | 0.30      | 0.19       | 0.50      | 0.09           | 0.20      | 0.09      |
| Projected Sales Growth (F1/F0)                       | -35.01%   | 0.00%      | -1.40%    | -7.51%         | 2.60%     | -7.79%    |
| Momentum Score                                       | D         | -          | -         | D              | F         | D         |
| Daily Price Change                                   | -2.55%    | -1.06%     | -0.82%    | -0.78%         | -1.10%    | -2.44%    |
| 1-Week Price Change                                  | 4.17%     | 1.60%      | 2.59%     | 3.89%          | 3.67%     | 5.74%     |
| 4-Week Price Change                                  | -3.69%    | 1.65%      | 3.55%     | -9.33%         | -1.15%    | 3.11%     |
| 12-Week Price Change                                 | -13.27%   | -9.31%     | -0.44%    | -26.12%        | -11.16%   | -10.56%   |
| 52-Week Price Change                                 | -30.59%   | -12.27%    | 2.80%     | -44.01%        | -20.02%   | -13.18%   |
| 20-Day Average Volume (Shares)                       | 1,986,676 | 133,270    | 1,839,384 | 6,559,437      | 1,545,625 | 5,574,791 |
| EPS F1 Estimate 1-Week Change                        | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 0.00%     |
| EPS F1 Estimate 4-Week Change                        | -1.22%    | 0.00%      | 0.20%     | -0.70%         | -0.02%    | 0.86%     |
| EPS F1 Estimate 12-Week Change                       | 4.56%     | 2.30%      | 3.87%     | -10.39%        | -27.73%   | 2.30%     |
| EPS Q1 Estimate Monthly Change                       | -4.97%    | 0.00%      | 0.00%     | -0.54%         | 0.00%     | 5.85%     |

Source: Zacks Investment Research

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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    | <b>A</b> |
| Growth Score   | <b>C</b> |
| Momentum Score | <b>D</b> |
| VGM Score      | <b>B</b> |

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.