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Oct 13, 2020

Highwoods Properties (HIW)

$35.70 (As of 10/12/20)

Price Target (6-12 Months): **$38.00**

Long Term: 6-12 Months	**Zacks Recommendation:**	**Neutral**
	(Since: 04/07/19)	
	Prior Recommendation: Underperform	
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: B | Growth: C | Momentum: C	

Summary

Highwoods' portfolio is concentrated in high-growth Sun Belt markets, which have long-term favorable demographic trends and are likely to continue experiencing strong job growth. This will benefit the company from decent demand, rent growth and de-densification trends. Moreover, a strong balance-sheet position places Highwoods to navigate through the ongoing challenges and enables it to pursue its growth endeavors. Further, the company is following a disciplined capital-recycling strategy. However, large-scale asset dispositions are anticipated to affect top-line growth, while an extensive development pipeline exposes it to operational risks. Also, speculative new leasing is likely to be slow, while uncertainties with rent collections might prevail amid the pandemic. The company's shares have underperformed the industry in the past year.

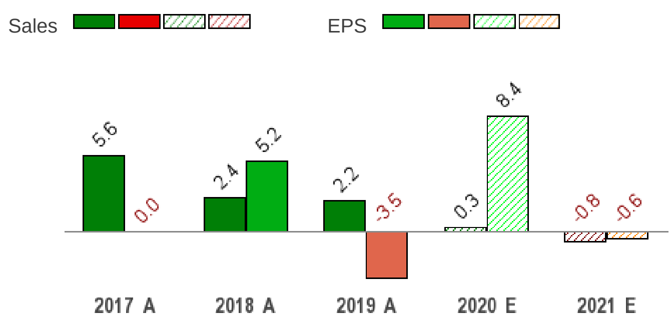
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$52.76 - $25.10**
20-Day Average Volume (Shares)	**1,197,737**
Market Cap	**$3.7 B**
Year-To-Date Price Change	**-27.0%**
Beta	**0.96**
Dividend / Dividend Yield	**$1.92 / 5.4%**
Industry	**REIT and Equity Trust - Other**
Zacks Industry Rank	**Bottom 16% (214 out of 254)**
Last EPS Surprise	**4.5%**
Last Sales Surprise	**-1.0%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**10/27/2020**
Earnings ESP	**-0.1%**
P/E TTM	**9.8**
P/E F1	**9.9**
PEG F1	**2.5**
P/S TTM	**4.9**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					732 E
2020	193 A	183 A	182 E	180 E	738 E
2019	172 A	184 A	187 A	192 A	736 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.88 E	$0.90 E	$0.89 E	$0.91 E	$3.59 E
2020	$0.93 A	$0.93 A	$0.88 E	$0.88 E	$3.61 E
2019	$0.72 A	$0.87 A	$0.88 A	$0.91 A	$3.33 A

*Quarterly figures may not add up to annual.

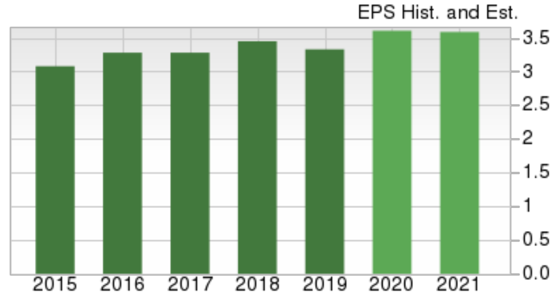
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/12/2020. The reports text is as of 10/13/2020.

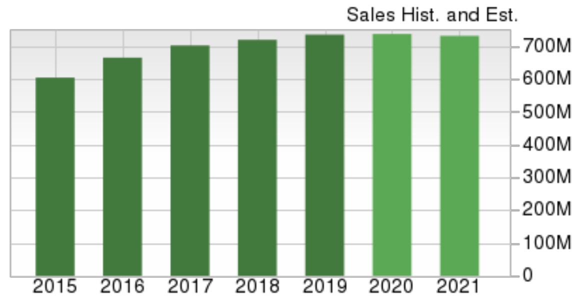
Overview

Raleigh, NC-based Highwoods Properties, Inc. is an office real estate investment trust (REIT) that owns, develops, acquires, leases and manages office properties. Its core portfolio consists of properties in the best business districts (BBDs) of Atlanta, Charlotte, Nashville, Orlando, Pittsburgh, Raleigh, Richmond and Tampa.

The company's long-term strategic plan entails acquisition of high-quality, trophy office buildings in the BBDs of markets that enjoy favorable economic and demographic trends. In August 2019, Highwoods announced a market-rotation plan, per which it aims to fortify its BBD office focus, and exit Greensboro and Memphis, through a two-phased planned departure.

In November 2019, the company entered the Charlotte market through the acquisition of Bank of America Tower. Further, in December, it announced $89.6 million of office properties sale in Memphis and in January 2020, the company announced $233.4 million worth of asset sales in Greensboro. Moreover, in March, the company announced sale of four office buildings comprising 599,000 square feet in the Poplar corridor submarket of Memphis. The move marked the closing of the first phase of its market-rotation plan and it finally included selling a select portfolio of assets in Greensboro and Memphis, for a total price of $428 million since its initial announcement of this two-pronged strategy last August. The rest of the assets will be sold in the second phase, which has no pre-planned schedule.





As of Jun 30, 2020, Highwoods had ownership or interest in 28.1 million rentable square feet of in-service assets as well as 1.2 million rentable square feet of office properties under development. The company also owned 225 acres of development land as of the same date.

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

Source: Zacks Investment Research

Reasons To Buy:

Highwoods' diversified real estate portfolio, efforts to expand in high-growth markets, non-core assets sale and investing the proceeds for further expansion bode well for long term growth.

- Highwoods provides comprehensive real estate services to customers and third parties through a fully-integrated platform. The company has a well-diversified tenant base that includes several bellwethers. Its average in-place rent witnessed a CAGR of 3.8% over the past seven years. This trend continued in the first half of 2020 as well. Further, a large part of its portfolio is concentrated in high-growth Sun Belt markets, which have long-term favorable demographic trends and are expected to continue experiencing above-average job growth. This bodes well for Highwoods' long-term growth. Also, despite the coronavirus crisis, the company has collected 99% of its contractually required rents for the second quarter and July.

- Much of the leasing proportion has shifted from new to renewal oriented deals due to the pandemic. Going forward, the next cycle of office-space demand will likely be driven by de-densification to allow higher square footage per office worker and the need for better-amenitized office properties to focus on health & wellness amid social-distancing requirements. Moreover, tenant downsizing is less likely and this will improve tenant retention. Hence, Highwoods is well-positioned to benefit from the emerging trend, given the demand for office space in the Sunbelt region that is benefiting from favorable demographic trends. In fact, the company enjoyed solid renewal activity, with favorable economics during the second quarter.

- Highwoods has been making concerted efforts to expand its footprint in high-growth markets and improve portfolio quality. In addition, the company is following a disciplined capital-recycling strategy that entails disposing of non-core assets and investing the proceeds in premium asset acquisitions and for undertaking accretive development projects. In sync with this strategy, in August 2019, Highwoods announced a market-rotation plan, per which it aims to fortify its BBD office focus, and exit Greensboro and Memphis markets, through a two-phased planned departure. In fact, in November, it entered the Charlotte market through the acquisition of Bank of America Tower. Moreover, after announcing asset sales in Memphis and Greensboro in December and January, the company announced sale of four office buildings comprising 599,000 square feet in the Poplar corridor submarket of Memphis in March. The move marked the closing of the first phase of its market-rotation plan. The rest of the assets in Greensboro and Memphis will be sold in the second phase, which has no schedule as of now. The company is also focused on development efforts in key markets. Management projects these developments to generate more than $40 million of annual net operating income (NOI) upon completion and stabilization, and nearly $5 million of NOI in 2020.

- Highwoods has adequate liquidity from cash in hand, cash flows from operating activities and other financing sources to meet short-term liquidity needs. In fact, as of Jul 21, the company had $6 million of existing cash and full availability under its $600-million revolving credit facility. Further, it is trying to lower its leverage that stood at 36.8% as of the second-quarter end. The company has no debt maturities to address until June 2021. Moreover, it generates 96.8% unencumbered NOI, providing scope for tapping additional secured debt capital if required. Highwoods maintains investment-grade ratings of BBB/Baa2, with stable outlook from S&P and Moody's. Hence, a robust balance sheet, declining debt-to-capital ratio and strategic capital raises position Highwoods to adequately fund its development pipeline and capitalize on growth opportunities.

- In addition, dividend payouts are arguably the biggest enticement for REIT investors and Highwoods has consistently increased its dividend rate. In February 2020, the company increased its quarterly cash dividend to 48 cents per share, resulting in an annualized dividend of $1.92 per share. This marked a 1.1% increase over the prior quarter's dividend. Notably, the company's dividend has increased at a CAGR of 3% over the past five years. Given its lower dividend payout (as compared to its industry), the company's dividend distribution is expected to be sustainable.

Reasons To Sell:

Near-term revenue loss on account of large-scale asset dispositions is a concern for Highwoods. Further, an extensive development pipeline exposes the company to higher development costs.

- The coronavirus pandemic has led to an uncertain economic environment. In such a scenario, reduced office space utilization and rental payment collections have become uncertain, and landlords are offering tenant lease incentives and concessions. Amid this, the company will likely face headwinds like slowdown in new leasing activities and rent deferrals. In fact, temporary rent deferrals affected second-quarter same property cash NOI by $4.5 million. Moreover, management expects the company to witness slow speculative new leasing, impacting rental revenues.

- Highwoods faces intense competition from developers, owners and operators of office properties as well as other commercial real estates, including sublease space available from its tenants. This restricts its ability to attract and retain tenants at relatively higher rents than its competitors and hinders its leasing activity. It also impacts the company's ability to acquire properties at favorable prices. Further, higher development activities across the company's markets will likely result in new supply in the upcoming periods. This will likely impact the occupancy levels of its office properties.

- The company also has an extensive development pipeline worth $503 million, which is 77% pre-leased. Although this is encouraging in the long run, it exposes the company to various operational risks such as construction cost overruns. In addition, the company is shedding non-core assets to enhance its portfolio mix. In the first quarter, the company completed the first phase of its market-rotation plan, selling 3.6 million square feet of assets in Greensboro and Memphis for $338.4 million. Moreover, in July, it disposed of two non-core office buildings in Memphis for $23.3 million. While dispositions are a strategic fit for long-term growth, the near-term dilutive impact on earnings, lower revenues and NOI due to lost revenues from property sales cannot be avoided.

- Shares of Highwoods have depreciated 17.3% compared with the industry's decline of 6.3% over the trailing 12-month period. Further, the trend in estimate revisions of current-year FFO per share does not indicate a favorable outlook for the company, as the estimates have remained unchanged over the past month. Therefore, given the above-mentioned concerns and lack of any upward estimate revisions, there is limited upside potential to the stock.

Last Earnings Report

Highwoods Beats on Q2 FFO, Collects 99% July Rents

Quarter Ending	06/2020
Report Date	Jul 28, 2020
Sales Surprise	-0.99%
EPS Surprise	4.49%
Quarterly EPS	0.93
Annual EPS (TTM)	3.65

Highwoods' second-quarter 2020 FFO per share of 93 cents surpassed the Zacks Consensus Estimate of 89 cents. The figure also improved 7% from the 87 cents reported in the year-ago period.

Rental and other revenues of $183.2 million in the quarter decreased marginally year over year. Moreover, the reported figure missed the Zacks Consensus Estimate of $185 million.

With regard to its rental receipts for July and for the second quarter, management announced that it has collected 99% of the contractually-required rents, with rent deferrals granted to tenants, representing 1.2% of its annualized rental revenues.

Quarter in Detail

Highwoods leased 821,000 square feet of second-generation office space during the second quarter, including 91,000 square feet of new leases and 48,000 square feet of expansion leases. Rents were up 5.5% on a cash basis.

At the end of the second quarter, total in-service portfolio occupancy was 91.1%, improving 20 basis points sequentially.

Same-property cash NOI increased 2.4% year over year, excluding the impact of temporary rent deferral agreements.

As of Jun 30, 2020, Highwoods had $4.7 million of cash and cash-equivalents compared with $9.5 million reported as of Dec 31, 2019. The company exited the reported quarter with about $586 million availability of funds under its $600-million revolving credit facility, scheduled to mature in January 2022, and a net debt-to-adjusted EBITDAre ratio of 4.90. The company has no debt maturities in the next 12 months.

Guidance

Highwoods revised the current year FFO per share guidance to $3.59-$3.68 from $3.55-$3.68 guided earlier.

The company updated the pandemic's impact on some assumptions. It expects a decline in parking and parking-related revenues to impact 2020 FFO per share by 5-9 cents. Moreover, a decline in rental revenues for the remainder of 2020 will impact full-year FFO per share by 2-4 cents. Highwoods also expects lost rental revenues from customers experiencing financial difficulties due to bankruptcies or default as well as non-cash credit losses of straight line receivables.

Same-property cash NOI is projected to be 1-2% for 2020, while year-end occupancy is projected to be 89-91%. Dispositions in 2020 (excluding the completed phase-one dispositions under the market rotation plan) are estimated to be $95-$150 million, while acquisitions are likely to be up to $200 million.

Recent News

Highwoods Properties Collects 99% of June Rental Receipts – Jul 1, 2020

Highwoods Properties announced that it has collected 99% of its June contractually required rents, maintaining the same level of collection with that of May and April.

The company has approved the temporary rent deferrals to its tenants, representing 1.2% of the annual rental revenues so far this year. This includes the rent deferrals reported by the company in the Apr 28 first-quarter earnings release and Jun 20 business update. The company also reported that all of its building and parking facilities have remained open for operations.

Additionally, Highwoods informed it has signed a long-term, full-building lease renewal agreement for 138,000 square foot of space with the Federal Bureau of Investigation (FBI) in Tampa, FL. This was the company's largest lease expiration remaining in 2020. It had developed the FBI's Tampa Field office as a build-to-suit in 2005.

Highwoods has also announced some non-core property dispositions. The company sold two office buildings, Centrum and Colonnade, in Memphis for $23.3 million. The properties comprise 169,000 square feet of space in total and 89% occupied. The company is likely to record non-FFO gains of $9.6 million in third-quarter 2020 from these sales.

Dividend Update

On Jul 28, Highwoods announced its second-quarter cash dividend of 48 cents per share, resulting in an annualized payout of $1.92 per share. The quarterly dividend was paid out on Sep 9 to its shareholders of record as of Aug 17, 2020.

Valuation

Highwoods' shares have been down 17.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance have declined 6.3% and 7.7% over the past year, respectively.

The S&P 500 Index has been up 17.3% over the trailing 12-month period.

The stock is currently trading at 9.94X forward 12-month FFO, which compares to 19.51X for the Zacks sub-industry, 16.37X for the Zacks sector and 22.60X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.47X and as low as 7.70X, with a 5-year median of 13.56X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $38 price target reflects 10.58X FFO per share.

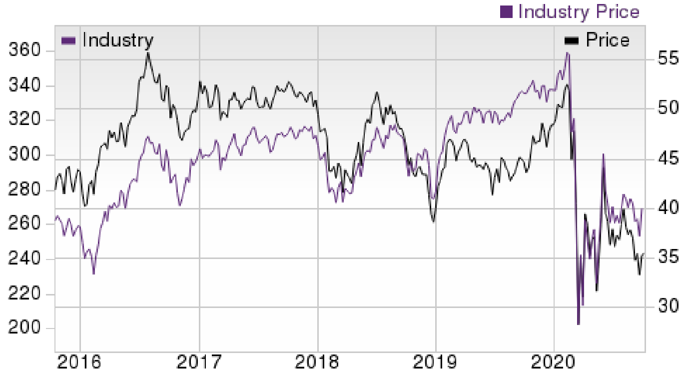
The table below shows summary valuation data for HIW.

Valuation Multiples - HIW

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.94	19.51	16.37	22.6
	5-Year High	16.47	19.51	16.74	23.47
	5-Year Low	7.70	14.32	11.6	15.27
	5-Year Median	13.56	16.14	14.41	17.68
P/S F12M	Current	5.06	8.46	6.14	4.16
	5-Year High	7.88	8.46	6.66	4.31
	5-Year Low	3.76	5.97	4.96	3.18
	5-Year Median	6.51	7.1	6.06	3.67
P/B TTM	Current	1.61	3.21	3.41	15.77
	5-Year High	2.87	4.04	4	16.3
	5-Year Low	1.36	2.42	2.01	7.47
	5-Year Median	2.28	3.41	3.48	10.73

As of 10/12/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 16% (214 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Alexandria Real Estate Equities, Inc. **(ARE)**	Neutral	3
Boston Properties, Inc. **(BXP)**	Neutral	3
Cousins Properties Incorporated **(CUZ)**	Neutral	3
Hudson Pacific Properties, Inc. **(HPP)**	Neutral	2
Kilroy Realty Corporation **(KRC)**	Neutral	3
Piedmont Office Realty Trust, Inc. **(PDM)**	Neutral	4
SL Green Realty Corporation **(SLG)**	Neutral	4
Douglas Emmett, Inc. **(DEI)**	Underperform	5

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

Industry Comparison Industry: Reit And Equity Trust - Other

	HIW	X Industry	S&P 500	ARE	BXP	SLG
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	C	-	-	D	C	C
Market Cap	3.71 B	2.12 B	23.69 B	21.05 B	12.87 B	3.71 B
# of Analysts	8	4	13	3	6	8
Dividend Yield	5.38%	3.71%	1.59%	2.54%	4.74%	6.98%
Value Score	B	-	-	D	C	C
Cash/Price	0.00	0.06	0.07	0.01	0.15	0.29
EV/EBITDA	12.61	14.16	13.64	25.82	13.83	13.21
PEG F1	2.40	3.77	2.95	4.43	5.03	5.49
P/B	1.61	1.34	3.55	1.90	1.54	0.73
P/CF	9.46	11.05	13.58	23.18	10.64	7.32
P/E F1	9.65	14.77	22.44	22.12	12.41	7.36
P/S TTM	4.91	4.80	2.67	12.56	4.43	3.12
Earnings Yield	10.11%	5.72%	4.29%	4.52%	8.05%	13.59%
Debt/Equity	1.01	0.93	0.70	0.68	1.56	1.17
Cash Flow ($/share)	3.77	2.05	6.93	7.20	7.77	6.92
Growth Score	C	-	-	D	D	C
Historical EPS Growth (3-5 Years)	2.55%	0.72%	10.41%	7.69%	5.50%	-0.94%
Projected EPS Growth (F1/F0)	8.30%	-2.71%	-2.99%	8.43%	-4.97%	-1.62%
Current Cash Flow Growth	-1.95%	3.36%	5.49%	4.79%	-2.18%	3.22%
Historical Cash Flow Growth (3-5 Years)	4.75%	12.74%	8.51%	23.85%	2.31%	-0.78%
Current Ratio	1.07	1.66	1.35	0.19	7.67	6.70
Debt/Capital	51.11%	48.26%	42.91%	40.53%	60.42%	52.02%
Net Margin	41.15%	11.28%	10.28%	24.09%	35.18%	19.90%
Return on Equity	13.93%	3.37%	14.79%	3.94%	12.72%	4.21%
Sales/Assets	0.15	0.13	0.51	0.09	0.13	0.09
Projected Sales Growth (F1/F0)	0.24%	0.00%	-0.59%	15.94%	-2.16%	-17.52%
Momentum Score	C	-	-	C	C	C
Daily Price Change	0.99%	0.40%	0.65%	1.06%	-0.10%	-1.46%
1-Week Price Change	0.48%	0.13%	4.06%	0.27%	-2.92%	4.21%
4-Week Price Change	-0.14%	-0.43%	3.76%	1.97%	-3.74%	6.56%
12-Week Price Change	-1.57%	5.20%	8.70%	0.99%	-7.63%	9.48%
52-Week Price Change	-17.29%	-21.68%	6.31%	8.47%	-35.17%	-36.99%
20-Day Average Volume (Shares)	1,197,737	723,401	2,117,216	975,423	1,325,237	1,470,339
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	0.73%	0.00%	3.69%	3.14%	-6.83%	1.53%
EPS Q1 Estimate Monthly Change	-0.56%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	B
Growth Score	C
Momentum Score	C
VGM Score	C

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

Disclosures

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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 mediumterm 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 mostrecent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

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

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

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every $1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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