

Host Hotels & Resorts (HST)

\$15.66 (As of 02/17/21)

Price Target (6-12 Months): **\$17.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/13/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: F

Summary

Host Hotels announced a second amendment to its credit agreement, extending financial covenant waivers through first-quarter 2022. This will help the company to preserve liquidity amid the COVID-19 outbreak-led setbacks. Notably, amid a recovery in leisure demand, its sizable exposure to drive-to resort markets, hotel reopenings and large property sizes will likely enable the company to capture the budding demand. Moreover, Host Hotels is accelerating capital projects and revamping assets in faster-recovery markets. Its shares have outperformed its industry in the past three months. Yet, the pandemic and related travel restrictions are affecting business transient demand. Also, with a spike in COVID-19 cases, Host Hotels might see additional group cancellations. Further, the near-term dilutive impact of asset sales on earnings cannot be avoided.

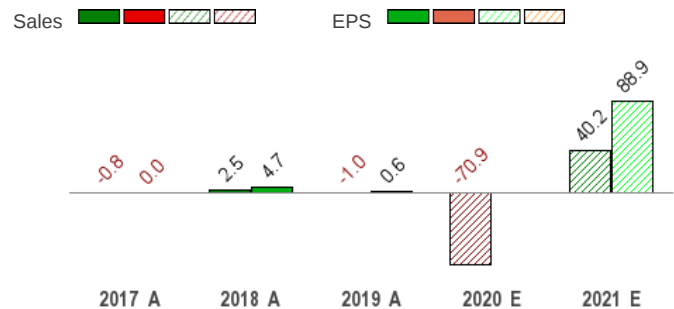
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$17.40 - \$7.86
20-Day Average Volume (Shares)	8,307,333
Market Cap	\$11.0 B
Year-To-Date Price Change	6.7%
Beta	1.38
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 13% (221 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	47.6%
Last Sales Surprise	-14.2%
EPS F1 Estimate 4-Week Change	-240.0%
Expected Report Date	02/18/2021
Earnings ESP	31.9%
P/E TTM	57.8
P/E F1	NA
PEG F1	NA
P/S TTM	4.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	339 E	467 E	634 E	736 E	2,235 E
2020	1,052 A	103 A	198 A	236 E	1,594 E
2019	1,390 A	1,483 A	1,262 A	1,334 A	5,469 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.13 E	-\$0.04 E	\$0.09 E	\$0.12 E	-\$0.04 E
2020	\$0.23 A	-\$0.26 A	-\$0.11 A	-\$0.21 E	-\$0.36 E
2019	\$0.48 A	\$0.53 A	\$0.35 A	\$0.41 A	\$1.78 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 02/17/2021. The report's text and the analyst-provided price target are as of 02/18/2021.

Overview

Bethesda, MD-based Host Hotels & Resorts Inc., one of the leading lodging real estate investment trusts (REITs), engages in the ownership, acquisition, and redevelopment of luxury and upper-upscale hotels in the United States and abroad.

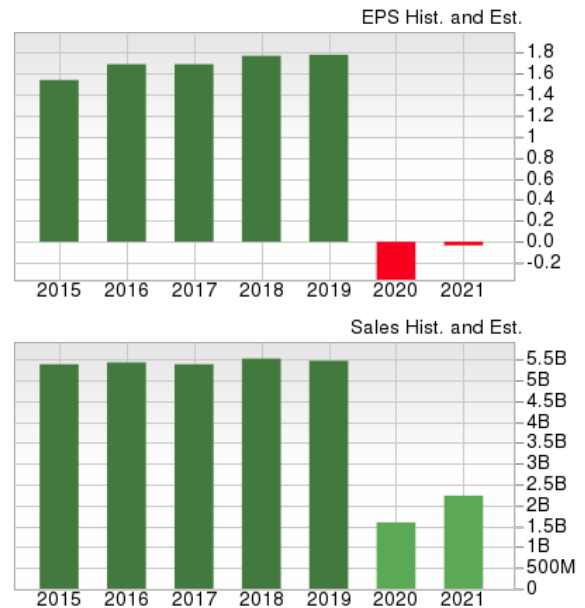
In operating its properties that are positioned mainly in growing markets in the United States and globally, the company teams up with premium brands such as Marriott, Westin, Ritz-Carlton, Hyatt and Hilton. Moreover, in certain select submarkets, the company has several unbranded or soft-branded properties to lure distinctive customer profiles.

As of Sep 30, 2020, Host Hotels enjoyed the ownership of 75 U.S. and five international properties in Brazil and Canada — aggregating around 46,700 rooms.

Host Hotels primarily focuses on the following asset categories:

- **Resorts** in locations with strong airlift and limited supply growth. Operated by premier operators, such properties have superior amenities.
- **Convention destination hotels** in urban and resort markets. These properties are group oriented and have high-quality meeting facilities. Often, these assets are associated with prominent convention centers.
- **High-end urban hotels** positioned in key locations. Such assets have multiple demand drivers for both business and leisure travelers.

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



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Host Hotels' properties are positioned in markets with strong demand generators like central business districts of main cities, close to airports and in resort/conference destinations as well as locations that benefit from significant barriers-to-entry. Furthermore, the company's value-enhancement initiatives are likely to aid long-term growth in its revenue per available room (RevPAR). Moreover, the company's large property sizes will enable its hotels to capture the budding demand, while adhering to social distancing mandates. In fact, it is witnessing a recovery in leisure demand in specific drive-to markets and this is expected to continue improving.
- ▲ With relaxation of regulations related to the pandemic, the company reopened a total of 31 hotels as of Nov 4. With this 75 of its 79 consolidated hotels (94% of total room count) are now operating. Such resumption of operations at hotels enabled the hotel REIT to witness gradual improvement in occupancy and RevPAR, driven primarily by recovery in leisure demand and this is likely to enhance hotel revenues in the upcoming quarters. In fact, monthly RevPAR improved from \$22.94 in July to \$34.64 in September as average monthly occupancy increased by 680 basis points (bps) from 12.9% in July to 19.7% in September 2020. Such green shoots of recovery are encouraging.
- ▲ Host Hotels undertakes a strategic capital-recycling program to improve its portfolio quality and strengthen its position in the United States, where it has a greater scale and competitive advantage. Since 2018, the company acquired high-quality properties worth \$1.6 billion, which have scope for long-term growth. Furthermore, the company has been making strategic non-core asset dispositions, aiming at lowering the company's international and New York exposure. With these proceeds, it has flexibility to add premium properties to its portfolio and invest in existing assets. Notably, the company's efforts to accelerate certain capital projects amid the current low-occupancy environment will minimize future disruption. Moreover, it has prioritized such projects in assets and markets that are anticipated to recover faster like leisure and drive-to destinations. Additionally, the company projects capital expenditure of \$475-\$510 million for the year. This includes \$325-\$340 million in return on investment (ROI) projects, and \$150-\$175 million in renewal and replacement projects. Such investments in renovations will improve its portfolio quality and position the company to capture additional revenues during the economic recovery.
- ▲ Host Hotels enjoys a large pool of unencumbered assets. In fact, as of Sep 30, 2020, 100% of its consolidated assets were unencumbered. With this, the company can enjoy accessibility to secured and unsecured debt markets, and maintain availability on the line. Moreover, currently Host Hotels is the only lodging REIT that has investment-grade credit rating. The company enjoys BBB-/BBB-/Baa3 credit rating from S&P Global, Fitch and Moody's. This will enable it to enjoy favorable cost of capital in future. Additionally, the company's debt maturity profile is well-laddered and it has no material debt maturities until 2023.
- ▲ Host Hotels has a decent balance sheet and has been undertaking steps to preserve liquidity to withstand any market mayhem. Recently the company announced a second amendment to its credit agreement, extending financial covenant waivers through first-quarter 2022. This will help it preserve liquidity amid the COVID-19 outbreak-led setbacks. During the third quarter, the company issued \$750 million of senior notes and used the proceeds to strengthen its cash position and repay existing debt, thereby, extending weighted average debt maturity. The company exited the third quarter with \$2.6 billion of liquidity, consisting of cash balance of \$2.43 billion and FF&E escrow reserves of \$1.38 million. If the company's hotel performance remains at third-quarter 2020 levels, this amount of liquidity is sufficient until November 2022. Continued cost-containment and prudent expense-management efforts have also helped to preserve liquidity. Such efforts include the reduction of hotel operating costs as well as the suspension of dividend payments and stock repurchases. Moreover, in June, Host Hotels received waivers of financial covenants related to its revolving credit facility and term loans to ease compliance through second-quarter 2021. This along with no near-term debt maturities demonstrates the company's financial flexibility that provides it ample scope for deploying capital for long-term growth opportunities and at the same time, carrying out redevelopment initiatives.

With a solid portfolio of upscale hotels across lucrative markets, Host Hotels will likely witness RevPAR growth. Also, strategic capital-recycling program and share buyback activities augur well.

Reasons To Sell:

- ▼ The state mandates amid the rampant coronavirus outbreak and low occupancy levels due to weakening travel demand resulted in widespread hotel closures for Host Hotels at the onset of the pandemic. Markedly, as of Nov 4, operations remained suspended at four of its hotels, while the company withdrew its 2020 guidance in March. Moreover, delays or cancellation of conventions, and conferences and other large public gatherings, which are typically demand drivers at the company's hotels, resulted in significant year-over-year declines in third-quarter revenues and total RevPAR. Further, with COVID-19 cases spiking, and various forms of lockdowns reinstated in some states, Host Hotels is likely to see additional group cancellations across its footprint. Business transient demand also remains minimal. While the company's RevPAR is sequentially improving, backed by hotel reopenings, it remains significantly below 2019 levels as the pandemic continues to limit demand. Going forward, any recovery in group business demand is unlikely, unless a vaccine or effective therapeutic are established.
- ▼ Solid dividend payouts remain the biggest attraction for REIT investors and Host Hotels remained committed to that. However, the company made a reduction of dividend from 25 cents per share to 20 cents per share for the first quarter and suspended dividends for the second and third quarters.
- ▼ Majority of Host Hotels' properties are concentrated in the luxury and upper-upscale segments. However, during economic downturn, these segments bear the brunt as unfavorable macroeconomic conditions compel customers to reduce discretionary spending and choose lower-priced brands over the company's premium ones. Also, the hotel industry is cyclical in nature and heavily dependent on the overall health of economies in which it operates. Therefore, amid the ongoing health crisis-induced economic slowdown, though the company's revenues are immediately affected, many of the expense categories associated with owning and operating hotels, such as debt-service payments, property taxes, insurance, utilities and employee wages and benefits, remain relatively inflexible.
- ▼ Host Hotels is making efforts to enhance its portfolio quality through dispositions of properties, aiming at lowering its international and New York exposure. Over the past four years (2016-2019), the company's dispositions aggregated \$4.2 million. Moreover, by capitalizing on opportunistic sales, it is enhancing its liquidity and reducing near-term capital spending needs. In fact, subsequent to the third-quarter end, the company disposed of Newport Beach Marriott Hotel & Spa for nearly \$216 million, and 29 acres of non-income producing land adjacent to The Phoenician hotel for roughly \$66 million. While the proceeds offer Host Hotels the flexibility to add properties to its portfolio or invest in existing assets, the company cannot bypass the near-term dilutive impact from asset dispositions.
- ▼ Shares of Host Hotels have outperformed its industry over the past three months. The company's shares have gained 8.3% in the past three months compared with the industry's rise of 1.6%. However, the trend in estimate revisions for 2021 FFO per share does not indicate a favorable outlook for the company as it has been revised downward over the past month. Therefore, given the downward estimate revisions, the stock has limited upside potential.

Weakened travel demand due to the coronavirus pandemic is a major concern. Also, cyclical nature of the hotel industry and the dilutive impact of asset dispositions on earnings add to its woes.

Last Earnings Report

Host Hotels Q3 Revenues Lag Estimates, RevPAR Down

Host Hotels reported third-quarter 2020 adjusted FFO per share of negative 11 cents. The Zacks Consensus Estimate for the same was negative 21 cents. Notably, the company reported adjusted FFO per share of 35 cents in the prior-year quarter.

It generated total revenues of \$198 million, which missed the Zacks Consensus Estimate of 230.6 million. The top line also declined 84.3% year over year.

Results were affected by year-over-year decline in travel amid the coronavirus pandemic. In fact, RevPAR witnessed significant decline. Nonetheless, the company reopened 20 hotels during the quarter, driving sequential growth in RevPAR and monthly occupancy.

Behind the Headlines

During the third quarter, all owned hotel RevPAR (on a constant-dollar basis) fell 84.1% year over year to \$29.36. Third-quarter all owned hotel pro forma EBITDA was negative \$91 million. The company reported EBITDA of \$310 million in the prior-year quarter.

Despite the pandemic, demand during the September-end quarter was primarily driven by drive-to and resort destinations. As of the third-quarter end, room revenues from the transient business were \$98 million, indicating a year-over-year plunge of 80.9%. Room revenues from group and contract businesses declined 93% and 69.3% year over year, to \$17 million and \$11 million, respectively.

Moreover, room nights for its transient, group and contract business declined 75.1%, 88.8% and 57.7%, respectively, from the prior-year quarter. Notably, the company's transient, group and contract businesses accounted for roughly 61%, 35% and 4%, respectively, of its 2019 room sales.

Balance Sheet Position

Host Hotels exited the third quarter with a cash balance of \$2.43 billion and FF&E escrow reserves of \$1.38 million. It fully drew revolver and term loan parts of its credit facility. As of the same date, its debt balance amounted to \$5.6 billion. The company has no maturities until 2023.

Capital Expenditure

During the January-September period, the company invested around \$384 million in capital expenditure. Of this, \$262 million was ROI capital projects spend, and \$122 million was renewal and replacement project expenditure.

Remarkably, for 2020, the company now guided capital expenditure spending of \$475-\$510 million, compared with \$475-\$520 million mentioned earlier.

Quarter Ending **09/2020**

Report Date	Nov 04, 2020
Sales Surprise	-14.15%
EPS Surprise	47.62%
Quarterly EPS	-0.11
Annual EPS (TTM)	0.27

Recent News

Host Hotels Extends Financial Covenant Waivers Through 1Q22 – Feb 10, 2021

Host Hotels completed the amendment of credit agreement relating to its \$1.5-billion revolving credit facility and two \$500-million term loans for the second time.

Notably, the amended credit facility allows a waiver of quarterly financial covenants for a relief period through first-quarter 2022. The company has been allowed to retain \$500 million from asset dispositions to fund finance encumbered or unencumbered buyouts. This is in addition to its prior ability to recycle \$750 million of net sale proceeds through the like-kind-exchange process.

Moreover, during the relief period, the hotel REIT may fund capital expenditure of up to \$450 million in ROI projects. This is in addition to unused amounts of the \$500 million capacity permitted under the initial amendment.

Valuation

Host Hotels' shares have lost 6.3% over the trailing 12-month period. Stocks in the Zacks sub-industry have declined 9.5%, while the Zacks Finance sector has gained 4%, over the past year.

The S&P 500 Index is up 18.7% in the past year.

The stock is currently trading at 4.51X forward 12-month sales, which compares with the 7.59X for the Zacks sub-industry, 7.17X for the Zacks sector and 4.59X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 4.97X and as low as 1.28X, with a 5-year median of 2.49X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$17 price target reflects 4.90X FFO.

The table below shows summary valuation data for HST.

Valuation Multiples - HST					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	4.51	7.59	7.17	4.59
	5-Year High	4.97	7.59	7.17	4.59
	5-Year Low	1.28	5.18	5.02	3.21
	5-Year Median	2.49	6.31	6.12	3.68
P/B TTM	Current	1.72	2.33	3.07	6.70
	5-Year High	2.29	2.72	3.07	6.70
	5-Year Low	0.91	1.63	1.74	3.84
	5-Year Median	1.81	2.33	2.59	4.96

As of 02/17/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 13% (221 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Ashford Hospitality Trust Inc (AHT)	Neutral	3
Ryman Hospitality Properties, Inc. (RHP)	Neutral	4
RLJ Lodging Trust (RLJ)	Neutral	4
Chatham Lodging Trust REIT (CLDT)	Underperform	5
DiamondRock Hospitality Company (DRH)	Underperform	5
Pebblebrook Hotel Trust (PEB)	Underperform	5
Park Hotels & Resorts Inc. (PK)	Underperform	4
Sunstone Hotel Investors, Inc. (SHO)	Underperform	4

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

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	HST	X Industry	S&P 500	PEB	PK	RHP
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	5	4	4
VGM Score	F	-	-	F	F	F
Market Cap	11.01 B	2.79 B	27.78 B	2.93 B	4.87 B	4.05 B
# of Analysts	9	4	13	5	7	4
Dividend Yield	0.00%	3.32%	1.41%	0.18%	0.00%	0.00%
Value Score	D	-	-	F	D	D
Cash/Price	0.23	0.04	0.06	0.08	0.25	0.02
EV/EBITDA	7.69	15.34	14.78	10.59	11.43	12.96
PEG F1	NA	3.38	2.37	NA	NA	NA
P/B	1.72	1.39	3.81	0.87	0.96	14.10
P/CF	7.01	13.03	15.45	8.04	8.36	10.86
P/E F1	NA	16.57	20.87	NA	NA	NA
P/S TTM	4.10	6.02	3.07	3.91	3.15	4.80
Earnings Yield	-0.26%	5.71%	4.71%	-2.86%	-3.72%	-0.73%
Debt/Equity	0.89	0.94	0.68	0.70	1.01	9.01
Cash Flow (\$/share)	2.23	2.05	6.70	2.81	2.40	6.75
Growth Score	F	-	-	F	F	F
Historical EPS Growth (3-5 Years)	-12.53%	0.80%	9.32%	-9.37%	-20.58%	-0.32%
Projected EPS Growth (F1/F0)	90.31%	6.26%	13.98%	54.91%	54.86%	81.91%
Current Cash Flow Growth	-21.39%	5.18%	2.56%	162.39%	-23.64%	-5.79%
Historical Cash Flow Growth (3-5 Years)	2.03%	11.35%	7.55%	20.82%	5.40%	8.35%
Current Ratio	31.40	1.51	1.38	0.90	4.82	0.99
Debt/Capital	47.20%	48.12%	41.31%	41.20%	50.32%	90.39%
Net Margin	-21.88%	9.37%	10.60%	-26.65%	-71.01%	-34.71%
Return on Equity	-8.55%	3.39%	14.86%	-5.65%	-19.63%	-62.16%
Sales/Assets	0.21	0.12	0.51	0.11	0.14	0.22
Projected Sales Growth (F1/F0)	40.20%	6.93%	6.46%	43.47%	54.88%	47.35%
Momentum Score	F	-	-	D	F	F
Daily Price Change	0.32%	-0.33%	-0.05%	1.12%	-2.90%	-0.48%
1-Week Price Change	4.97%	1.46%	1.44%	9.37%	8.43%	4.43%
4-Week Price Change	4.75%	2.33%	1.42%	6.35%	11.56%	6.62%
12-Week Price Change	6.31%	4.25%	6.38%	13.21%	18.82%	9.58%
52-Week Price Change	-6.28%	-11.66%	8.82%	-6.49%	-12.43%	-18.14%
20-Day Average Volume (Shares)	8,307,333	601,267	2,013,641	1,517,459	4,226,642	432,314
EPS F1 Estimate 1-Week Change	-34.62%	0.00%	0.00%	-8.65%	-6.22%	-27.81%
EPS F1 Estimate 4-Week Change	-240.00%	0.00%	0.68%	0.52%	-6.22%	-27.81%
EPS F1 Estimate 12-Week Change	-296.88%	0.00%	1.97%	-15.41%	-48.30%	-280.28%
EPS Q1 Estimate Monthly Change	1.10%	0.00%	0.27%	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	D
Growth Score	F
Momentum Score	F
VGM Score	F

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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