Nov 03, 2020

Kinsale Capital (KNSL)

$198.40 (As of 11/02/20)

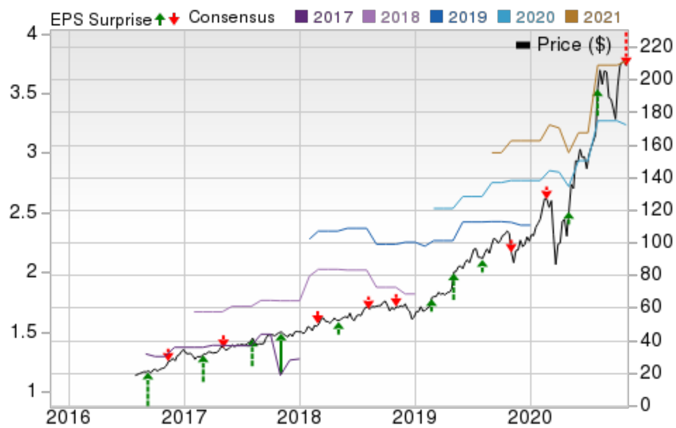
Price Target (6-12 Months): **$216.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 09/29/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: F | Growth: B | Momentum: F	

Summary

Shares of Kinsale Capital have outperformed its industry in a year. The company continues to benefit from dislocation within the broader property and casualty insurance industry, rate increases and premium growth. Across the E&S market, its products are exposed to those business lines, which have relatively lower risks. The insurer boasts the lowest combined ratio among its specialty insurer peers while achieving the highest growth. It also has various reinsurance contracts to limit its exposure to potential losses apart from arranging for additional capacity for growth. Technological advancements have also been lowering the expense ratios for quite some time. It also engages in effective deployment of capital via dividend hikes. However, high costs tend to put pressure on margin expansion. Elevated debt levels have also induced financial risks.

Price, Consensus & Surprise

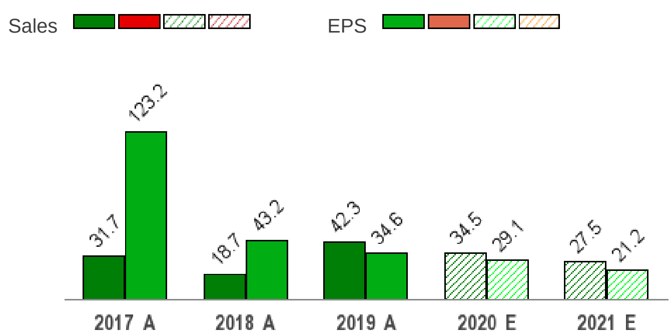


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$214.55 - $80.93**
20-Day Average Volume (Shares)	**105,628**
Market Cap	**$4.4 B**
Year-To-Date Price Change	**95.2%**
Beta	**0.74**
Dividend / Dividend Yield	**$0.36 / 0.2%**
Industry	**Insurance - Property and Casualty**
Zacks Industry Rank	**Bottom 11% (225 out of 254)**
Last EPS Surprise	**-45.5%**
Last Sales Surprise	**8.6%**
EPS F1 Estimate 4-Week Change	**-4.8%**
Expected Report Date	**02/18/2021**
Earnings ESP	**-0.2%**
P/E TTM	**74.9**
P/E F1	**63.8**
PEG F1	**NA**
P/S TTM	**10.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates **(millions of $)**

	Q1	Q2	Q3	Q4	Annual*
2021	119 E	124 E	128 E	132 E	542 E
2020	80 A	118 A	123 A	123 E	425 E
2019	72 A	73 A	78 A	93 A	316 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.95 E	$0.98 E	$0.99 E	$1.07 E	$3.77 E
2020	$0.76 A	$0.84 A	$0.42 A	$0.85 E	$3.11 E
2019	$0.64 A	$0.57 A	$0.57 A	$0.63 A	$2.41 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 11/02/2020. The reports text is as of 11/03/2020.

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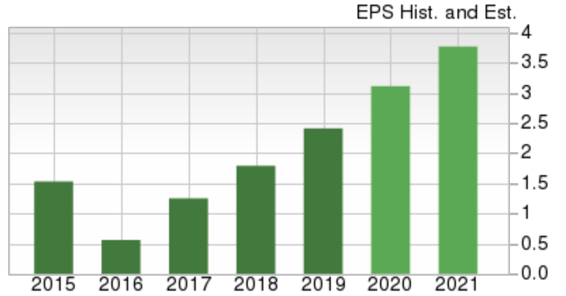
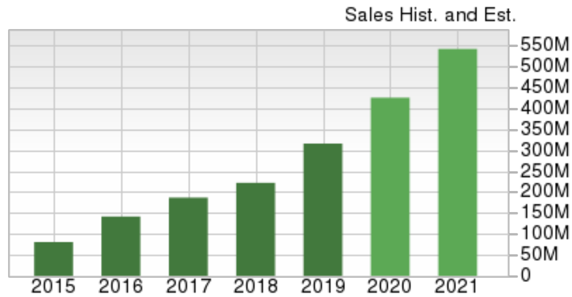
Overview

Headquartered in Richmond, VA, Kinsale Capital was established in 2009. It offers various insurance and reinsurance productsacross all 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands. It operates primarily through two markets – Commercial and Personal. While personal lines include homeowners insurance; commercial lines offerings cover construction, small business, excess casualty, commercial property, product liability, allied health, general casualty, management liability, inland marine, commercial insurance and public entity.





The company typically provides coverage for those risks, which are unique and difficult to find in the standard insurance market. With an extensive focus on clients with small and medium-sized accounts, it focuses only on the excess and surplus lines (E&S) market in the United States.

Kinsale Capital has developed a proprietary technology platform, which is likely to provide it a competitive edge over its competitors. This platform has enabled efficient handling of underwriting and claims operations. Moreover, the company markets insurance products through a network of independent insurance brokers, who have sound knowledge and indispensable experience about the diverse set of risks across the E&S market. Aspera Insurance Services, which is the company's broker insurance subsidiary, primarily underwrites personal lines risks for Kinsale Capital.

Furthermore, this P&C insurer reports only through one segment:

Excess and Surplus Lines Insurance segment: This segment distributes P&C insurance products across the E&S market, which has performed well due to improved margins and lower loss ratios. Total gross written premiums was $389.7 million in 2019, of which casualty insurance operations accounted for 87.6%, while property insurance operations comprised the remaining 12.4%. The company also writes a small amount of homeowners insurance in the personal lines market that in aggregate represented 4.3% of gross written premiums in 2019 and is included with property division.

Source: Zacks Investment Research

Reasons To Buy:

> Kinsale Capital is poised for long-term growth given its continued focus on the E&S market, improved revenues, solid underwriting results and effective capital deployment measures.

- **Share Price Performance:** Shares of Kinsale have gained 133.9% in the past year outperforming the industry's decrease of 8.3%. Moreover, we believe that the company's strong fundaments are likely to sustain momentum in the long run.

- **Continued Focus on the E&S Market:** Kinsale Capital is completely focused on the excess and surplus lines (E&S) market across the United States. Evidently, this E&S market has been performing well due to improved margins and lower loss ratios. This has led to strong underwriting results for the P&C insurer. Also, the company basically targets clients with small to medium-sized accounts, which have better pricing and are less prone to competition. Despite the P&C industry facing operational challenges due to the COVID-19 pandemic, the company's overall results do not seem to be significantly impacted by the crisis. It expects to maintain its profitability and growth with its strategy of prudent underwriting, combined with technology driven low costs and a focus on the E&S market in the long term. The primary reason behind this is the company's exposure to those lines of business that have relatively lower risks.

- **Consistent Growth in Top Line:** Kinsale Capital has been driving revenue growth on the back of growing net premiums. Notably, the company's strong established presence across the E&S market of the United States and high retention rates arising from contract renewals have benefited premiums for the past few years. Evidently, net written premiums witnessed a CAGR of 41% in the last five years (2014-2019). The momentum was retained through the first nine months of 2020, with net written premiums up 43.5% year over year. In fact, the top line witnessed a five-year CAGR of 37.8% driven by solid premiums. The uptick continued in the first nine months of 2020 as well, with revenues improving 43.7% year over year million. We expect revenue growth to continue in the days ahead, given the rate increase and constant efforts to expand the company's business lines.

- **Improvement in Investment Income:** Net investment income has been an important component of the company's top-line growth. Net investment income witnessed a CAGR of 37.7% in the last five years (2014-2019). Despite the prevailing low interest rate environment, the metric improved 34.5% in the first nine months of 2020 driven by continued growth in investment portfolio. Though low interest rates are likely to strain investment yields in the near term, we believe investment of the company's excess operating funds is likely to result in a robust investment portfolio in the days ahead.

- **Lower Expense Ratios Due to Technological Upgradations:** Kinsale Capital has developed a proprietary technology platform, which is likely to provide it a competitive edge over its competitors. This platform has enabled efficient handling of underwriting and claims operations. Such automation in processes also reflects the P&C insurer's cost-control initiatives and provides for improved customer interactions. Use of technology has also aided the company in lowering its expense ratio in the past few years. Notably in 2019, the expense ratio has improved 30 basis points (bps) from the 2018-end figure. Also, metric improved 230 bps in the first nine months of 2020 to 22.9% due to higher net earned premiums without a proportional increase in the amount of other underwriting expenses as a result of management's focus on controlling costs. It was partly offset by higher net commissions incurred as a percentage of earned premiums period over period. We believe the company's technological platform is likely to add to the scalability of business as well.

- **Favorable Combined Ratio Owing to Solid Underwriting:** Aspera Insurance Services, which is the company's broker insurance subsidiary, primarily underwrites personal lines risks for Kinsale Capital. Strong channel of independent insurance brokers and better pricing reflecting superior underwriting discipline have been driving improvement in the combined ratio of its P&C business over the past few years. It has been able to maintain underlying combined ratio below 95% since the last few years and aims to maintain the same in the mid-80s range in the long term. The company also has various reinsurance contracts to limit its exposure to potential losses. With the Jun 1, 2020 renewal, it entered into a property catastrophe reinsurance treaty renewal. Including the reinstatement provision, the maximum aggregate loss recovery limit is $90 million and is in addition to the per-occurrence coverage provided by its facultative and treaty coverages.

- **Increased Submissions Due to Favorable Conditions in the P&C Insurance Industry:** There has been persistent dislocation within the broader insurance industry in the United States, which was grappling with several operational challenges. Most companies have undertaken efforts to restructure their business operations and get rid of underperforming lines of business. This dislocation has resulted in improved submission flows and better pricing decisions. Submission growth in third-quarter 2020 was 25%, up from 24% in the prior quarter. Despite the prevailing challenges in the P&C insurance industry, Kinsale Capital remains well poised to benefit due to continued market dislocation. It even expects the dislocation to stretch into 2021 as well, which will enable it to grow at an elevated rate. It expects the level of dislocation to reduce and the growth rate to become normal in the future.

- **Effective Capital Deployment by Virtue of Solid Cash Flows:** Strong cash flows enable Kinsale Capital to engage in shareholder-friendly moves like dividend hikes. Net cash provided by operating activities has witnessed a CAGR of 34.2% in the past three years (2016-2019). It has increased dividend since 2017 at a four-year CAGR (2016-2020) of 15.8%. These make the stock an attractive pick for yield seeking investors. However, its dividend payout ratio of 12.1 compares unfavorably with the industry average of 12.5.

- **Favorable Return on Equity:** Further, the company's trailing 12-month return on equity (ROE) reinforces its growth potential. Its operating ROE of 13.4%, has increased over the past year and remains above the industry's ROE of 6.2%, reflecting its tactical efficiency in using its shareholders' funds. For the long term, it even targets to maintain operating return on equity in the mid-teens range.

Reasons To Sell:

Increase in expenses weighing on margin expansion and high debt level inducing deterioration in debt capital ratio remains a concern for Kinsale Capital.

- **Escalating Costs to Dent Margins:** Kinsale Capital has been witnessing increase in expenses, which surged 442.6% in the past five years. Total expenses of the company increased 56% year over year in the first nine months of 2020 due to higher losses and loss adjustment expenses, and underwriting, acquisition and insurance expenses. A hike in expenses can cause margin contraction. Net margin contracted 130 bps year over year in third-quarter 2020. The company should strive to generate higher revenue growth rate compared with the rise in expenses, otherwise margin will be impacted.

- **Poor Leverage Ratio**: The company's debt levels have been increasing for straight three quarters inducing deterioration in debt to capital. As of Sep 30, 2020, total debt to total capital was 7%, down 300 bps. Given the difficult operating conditions in the market, high level of debt is likely to induce financial risks..

- **Stretched Valuation:** The company's valuation remains stretched at the current level. Looking at its price-to-book ratio, which is the best multiple for valuing insurers, investors might not want to pay any furtherpremium. Kinsale Capital currently has a trailing 12-month P/B of 8.28X, higher than the industry average of 1.25X.

Last Earnings Report

Kinsale Capital's Q3 Earnings Miss, Revenues Beat

Quarter Ending	09/2020
Report Date	**Oct 29, 2020**
Sales Surprise	**8.61%**
EPS Surprise	**-45.45%**
Quarterly EPS	**0.42**
Annual EPS (TTM)	**2.65**

Kinsale Capital Group reported third-quarter 2020 net operating earnings of 42 cents per share, which missed the Zacks Consensus Estimate by 45.5%. Moreover, the bottom line declined 26.3% year over year.

The company's results benefited from improved premiums and net investment income, offset by increased costs.

Operational Update

Total revenues in the third quarter were $123 million, which grew 57.7% year over year. The upside can primarily be attributed to higher premiums and improved net investment income. The top line also beat the consensus mark by 8.8%.

Gross written premiums increased 47.8% year over year to $144.8 million, primarily driven by higher submission activity and rates on bound accounts.

Net investment income surged 33.1% year over year to nearly $7 million, courtesy of growth in investment portfolio balance generated from the investment of excess operating funds since Sep 30, 2019 and from proceeds from equity offerings.

Total expenses in the quarter under review climbed 68.5% year over year to $106.4 million owing to higher losses and loss adjustment expenses, and underwriting, acquisition and insurance expenses and other expenses.

Kinsale Capital incurred underwriting income of $2.9 million, down 69.5% year over year, largely due to higher catastrophe losses incurred, offset in part by premium growth and higher net favorable development of loss reserves in prior accident years. Combined ratio improved 1040 basis points (bps) to 97.3%.

Expense ratio improved 400 bps to 21.2% in the third quarter. However, loss ratio deteriorated 1440 bps to 76.1% in the quarter under review.

Financial Update

Kinsale Capital exited the third quarter with cash and cash equivalents of $78.7 million, down 21.6% from 2019 end. As of Sep 30, 2020, credit facility of $40.1 million surged 139.7% from 2019-end level.

In the first nine months of 2020, net cash from operating activities was $206.5 million, which soared 73.4% from the first nine months of 2019.

Annualized operating return on equity contracted 670 bps year over year to 7.8% in the quarter.

Valuation

Kinsale Capital shares are up 98.7% in the year-to-date period and 133.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 11.5% and 17.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 8.3% and 14.4%, respectively.

The S&P 500 index are up 3.2% in the year-to-date period and 8.2% in the past year.

The stock is currently trading at 8.28x trailing 12-month book value, which compares to 1.25x for the Zacks sub-industry, 2.49x for the Zacks sector and 5.49x for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.27x and as low as 2.09x, with a 5-year median of 4.8x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $216 price target reflects 8.79x trailing 12-month book value.

The table below shows summary valuation data for KNSL

Valuation Multiples - KNSL

		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	8.28	1.25	2.49	5.49
	5-Year High	10.27	1.67	2.9	6.17
	5-Year Low	2.09	0.93	1.72	3.74
	5-Year Median	4.8	1.45	2.54	4.89
P/S F12M	Current	8.5	1.69	6.15	3.89
	5-Year High	10.33	11.3	6.66	4.3
	5-Year Low	2.4	1.4	4.96	3.17
	5-Year Median	4.98	1.81	6.05	3.67
P/E F12M	Current	53.89	24	15.25	21.06
	5-Year High	63.94	31.56	16.73	23.47
	5-Year Low	16.10	21.02	11.59	15.27
	5-Year Median	26.87	25.81	14.43	17.7

As of 11/02/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 11% (225 out of 254)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The Allstate Corporation **(ALL)**	Neutral	3
HCI Group, Inc. **(HCI)**	Neutral	3
James River Group Holdings, Ltd. **(JRVR)**	Neutral	2
Markel Corporation **(MKL)**	Neutral	3
ProAssurance Corporation **(PRA)**	Neutral	4
The Travelers Companies, Inc. **(TRV)**	Neutral	3
W.R. Berkley Corporation **(WRB)**	Neutral	3
RLI Corp. **(RLI)**	Underperform	5

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

Industry Comparison Industry: Insurance - Property And Casualty

Industry Peers

	KNSL	X Industry	S&P 500	MKL	RLI	WRB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	3
VGM Score	D	-	-	B	D	C
Market Cap	4.43 B	1.31 B	22.78 B	13.23 B	4.02 B	11.04 B
# of Analysts	3	2	13	2	2	4
Dividend Yield	0.18%	1.28%	1.63%	0.00%	1.08%	0.77%
Value Score	F	-	-	B	F	B
Cash/Price	0.02	0.30	0.07	0.56	0.02	0.28
EV/EBITDA	57.17	5.46	13.27	3.73	16.51	9.78
PEG F1	NA	2.04	2.59	NA	NA	3.18
P/B	8.28	0.96	3.35	1.17	3.66	1.89
P/CF	81.69	9.96	12.76	16.38	32.21	16.27
P/E F1	64.83	14.14	20.60	43.32	41.53	28.64
P/S TTM	10.70	0.77	2.55	1.48	4.26	1.42
Earnings Yield	1.57%	5.20%	4.70%	2.31%	2.41%	3.48%
Debt/Equity	0.08	0.23	0.70	0.31	0.14	0.50
Cash Flow ($/share)	2.43	3.12	6.92	58.60	2.77	3.81
Growth Score	B	-	-	C	C	C
Historical EPS Growth (3-5 Years)	31.00%	4.61%	10.07%	4.88%	2.58%	6.43%
Projected EPS Growth (F1/F0)	29.05%	-13.42%	-0.59%	-43.05%	-16.34%	-28.55%
Current Cash Flow Growth	36.96%	3.81%	5.45%	13.53%	25.36%	8.47%
Historical Cash Flow Growth (3-5 Years)	31.84%	4.75%	8.38%	9.05%	0.86%	4.12%
Current Ratio	0.15	0.45	1.37	0.68	0.38	0.45
Debt/Capital	6.99%	19.22%	41.67%	23.90%	11.97%	33.35%
Net Margin	16.47%	4.92%	10.37%	5.29%	13.42%	4.35%
Return on Equity	13.42%	5.87%	14.93%	2.41%	11.05%	6.90%
Sales/Assets	0.33	0.32	0.50	0.23	0.26	0.29
Projected Sales Growth (F1/F0)	34.69%	0.00%	-0.11%	11.77%	2.70%	4.20%
Momentum Score	F	-	-	A	D	F
Daily Price Change	5.83%	2.12%	2.25%	2.92%	2.98%	3.13%
1-Week Price Change	-11.26%	-5.01%	-5.63%	-9.17%	-7.26%	-8.52%
4-Week Price Change	-2.30%	-0.03%	-1.47%	-3.69%	4.32%	-0.06%
12-Week Price Change	-1.52%	-3.70%	-1.17%	-12.66%	-2.87%	-3.70%
52-Week Price Change	129.74%	-16.75%	-0.65%	-17.96%	-7.09%	-8.77%
20-Day Average Volume (Shares)	105,628	89,450	1,910,259	50,328	127,047	689,918
EPS F1 Estimate 1-Week Change	-3.81%	0.00%	0.00%	43.28%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-4.80%	0.00%	0.76%	8.63%	-14.85%	-5.25%
EPS F1 Estimate 12-Week Change	-4.80%	-1.65%	2.79%	8.63%	-14.85%	-5.25%
EPS Q1 Estimate Monthly Change	-1.93%	0.00%	0.22%	3.55%	-0.88%	6.54%

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	F
Growth Score	B
Momentum Score	F
VGM Score	D

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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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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.