

LPL Financial Holdings (LPLA)

\$140.84 (As of 06/04/21)

Price Target (6-12 Months): **\$152.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 07/31/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:A

Value: C

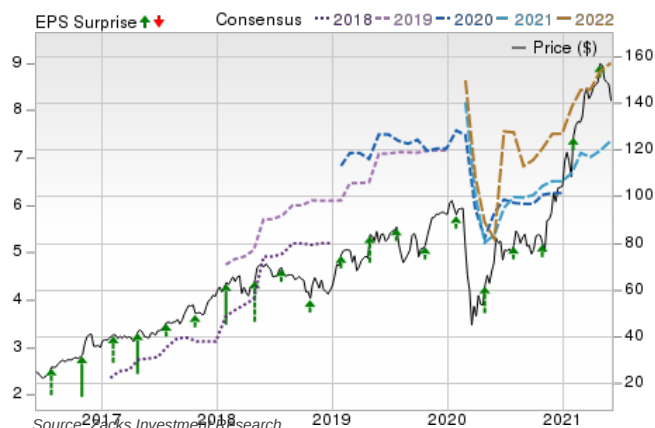
Growth: A

Momentum: B

Summary

Shares of LPL Financial have underperformed the industry over the past year. The company's earnings beat the Zacks Consensus Estimate in each of the trailing four quarters. Its first-quarter 2021 results reflect rise in revenues and solid assets balance. Strategic buyouts, including the acquisition of Waddell & Reed's wealth management business, are likely to support financials. Solid advisor productivity and recruiting efforts are expected to continue aiding advisory revenues. However, elevated costs, mainly due to higher compensation and benefit expenses, might hurt the bottom line. Also, uncertainty regarding the performance of the capital markets is a concern as any market slowdown may hurt commission revenues to an extent. The presence of substantial amounts of goodwill on the company's balance sheet makes us apprehensive.

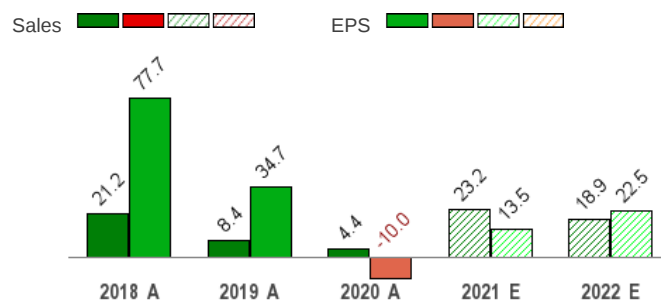
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$159.74 - \$72.27
20-Day Average Volume (Shares)	451,649
Market Cap	\$11.3 B
Year-To-Date Price Change	35.1%
Beta	1.28
Dividend / Dividend Yield	\$1.00 / 0.7%
Industry	Financial - Investment Bank
Zacks Industry Rank	Top 18% (45 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	19.6%
Last Sales Surprise	NA
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	07/29/2021
Earnings ESP	8.1%
P/E TTM	22.9
P/E F1	19.2
PEG F1	NA
P/S TTM	1.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					8,605 E
2021	1,708 A				7,237 E
2020	1,463 A	1,367 A	1,460 A	1,581 A	5,872 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.32 E	\$2.41 E	\$2.29 E	\$2.63 E	\$8.98 E
2021	\$1.77 A	\$1.73 E	\$1.82 E	\$1.97 E	\$7.33 E
2020	\$2.06 A	\$1.42 A	\$1.44 A	\$1.53 A	\$6.46 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 06/04/2021. The report's text and the analyst-provided price target are as of 06/07/2021.

Overview

LPL Financial Holdings Inc. is based in Boston, MA. It was incorporated in Delaware in 2005. It is a clearing broker-dealer and an investment advisory firm that acts as an agent for its advisors, on behalf of their clients, by providing access to a broad array of financial products and services.

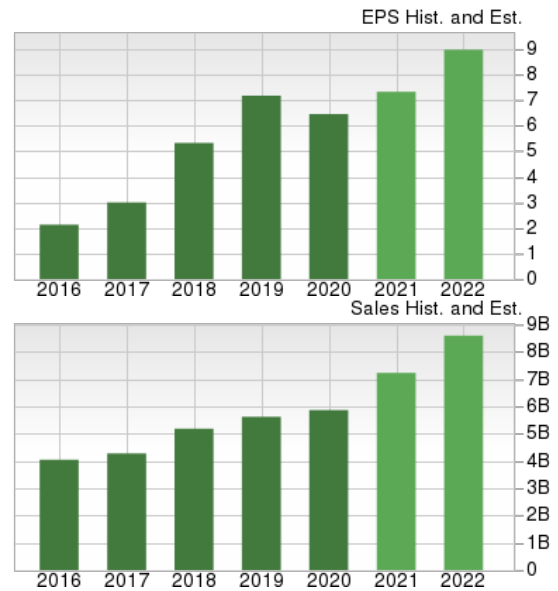
LPL Financial conducts business through its subsidiaries. Its broker-dealer subsidiary, LPL Financial LLC, began operations in 1989. Through Private Trust Company, N.A., it offers trust administration, investment management oversight and Individual Retirement Account (IRA) custodial services. Another subsidiary, AdvisoryWorld, offers technology products — including proposal generation, investment analytics and portfolio modeling — to advisors and external clients in the wealth management industry.

Through Fortigent Holdings Company, the company provides solutions and consulting services to registered investment advisors (RIA), banks and trust companies serving high-net-worth clients. Its subsidiary, LPL Insurance Associates, Inc., operates as a brokerage general agency that offers life and disability insurance sales and services.

Over the past several years, LPL Financial has been expanding through opportunistic acquisitions. In 2011, the company acquired Concord Capital Partners, Inc. and certain assets of National Retirement Partners. In 2012, it purchased Fortigent. In 2017, the company acquired certain assets and rights of National Planning Holdings, Inc.

In 2018, LPL Financial acquired all of the outstanding shares of AdvisoryWorld. In 2019, it acquired Allen & Company of Florida. In 2020, it acquired the assets of E.K. Riley Investments, Lucia Securities and Blaze Portfolio. In April 2021, the company acquired Waddell & Reed's wealth management business.

As of Mar 31, 2021, LPL Financial had total advisory assets of \$496.7 billion and brokerage assets of \$461.6 billion. Further, as on the same date, the company had cash and cash equivalents and due from banks, along with restricted cash balance of \$1.75 billion, total assets of \$6.62 billion and shareholders' equity of \$1.43 billion.



Reasons To Buy:

- ▲ LPL Financial continues to benefit from efforts to increase client base. The company's advisory revenues (constituting 42.3% of net revenues in the first quarter of 2021) have been increasing over the past few years. While the same declined in 2016, it witnessed a seven-year (2014-2020) compound annual growth rate (CAGR) of 9.7%, with the momentum continuing in the first quarter. Given the company's recruiting efforts and steady solid advisor productivity, advisory revenues are expected to improve further. Moreover, the acquisition of Allen & Company is expected to further support LPL Financial's advisory revenues. Also, the company's launch of a no-transaction-fee exchange-traded fund (ETF) network is likely to increase the value of its advisory platform.
- ▲ Given a strong balance sheet position, LPL Financial has accomplished several strategic deals over the past few years. In April, it acquired Waddell & Reed's wealth management business for \$300 million. In October 2020, the company acquired Blaze Portfolio, while in August it acquired the assets of E.K. Riley Investments, LLC and Lucia Securities. These, along with past inorganic expansion efforts, help LPL Financial to diversify revenues and support growth.
- ▲ As of Mar 31, 2021, LPL Financial had net long-term and other borrowings worth \$2.33 billion, and cash and cash equivalents and due from banks, along with restricted cash balance of \$1.75 billion. Nevertheless, its first-quarter 2021 times interest earned ratio of 6.7 improved sequentially. Also, the company's revolving credit facility will mature in 2024. Thus, the company's current liquidity position suggests that it will continue to be able to meet debt obligations in the near term even if the economic situation worsens.
- ▲ We remain encouraged by LPL Financial's meaningful capital deployment activities. The company pays dividends on a quarterly basis. Also, it has a share buyback program in place, which had been paused in response to the concerns surrounding the coronavirus outbreak. As of Mar 31, 2021, the company had \$350 million left under the authorization. Given a solid capital position, LPL Financial is expected to continue to be able to sustain efficient capital deployments in the future.
- ▲ Further, LPL Financial's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' fund. The company's ROE of 39.31% compares favorably with the industry's 17.67%.
- ▲ Shares of LPL Financial have underperformed the industry so far this year. However, the company's earnings estimates for 2021 have been revised 4.6% upward over the past 60 days. Therefore, given the progress on fundamentals and positive estimates revision, the price performance is expected to improve in the near term.

LPL Financial's recruiting efforts and solid advisor productivity will keep aiding advisory revenues. Also, it continues to expand through strategic buyouts, given a solid balance sheet position.

Reasons To Sell:

- ▼ A large part of LPL Financial's revenues comes from commissions, which constituted 32.6% of total net revenues in first-quarter 2021. Commission income is dependent on the overall performance of the capital markets. While commission revenues increased in 2018 and slightly in 2020, it declined at a CAGR of 1.7% over the last seven years (2014-2020). Given the cyclical nature of the capital markets, commission revenues will likely continue to be hurt if there is a further slowdown in market activities.
- ▼ LPL Financial's expenses have been increasing rapidly over the past few years. Operating expenses witnessed a CAGR of 8.9% over the last five years (2016-2020), with the trend persisting in the first quarter. The rise can be attributed to an increase in almost all cost components. As the company continues to increase headcount, compensation and benefits costs are expected to keep on rising. This, along with steps taken to upgrade technology to better serve clients, is expected to keep expenses elevated in the near term.
- ▼ The goodwill and intangible assets on LPL Financial's balance sheet are subject to annual impairment reviews. As of Mar 31, 2021, goodwill and net intangible assets were \$1.9 billion (accounting for 28.7% of total assets). Several factors may initiate the impairment of the book value of such assets due to which their value may have to be written down. This might adversely affect the company's financials.
- ▼ Further, LPL Financial seems overvalued compared with the broader industry. Its current price/earnings (F1) and price/book ratios are above the respective industry averages.

Higher expenses due to a rise in compensation costs are likely to hurt LPL Financial's profits. Further, uncertainty related to the performance of capital markets might hurt commission revenues.

Last Earnings Report

LPL Financial Q1 Earnings Beat, Revenues Increase Y/Y

LPL Financial's first-quarter 2021 adjusted earnings of \$1.77 per share easily surpassed the Zacks Consensus Estimate of \$1.58. However, the bottom line reflects a decline of 14% from the prior-year quarter.

Results in the quarter benefited from an improvement in revenues, partly offset by higher expenses. Further, the company's balance sheet position remained strong.

After taking into consideration the amortization of intangible assets and acquisition costs related to Waddell & Reed's wealth management business, net income was \$129.6 million or \$1.59 per share, down from \$155.6 million or \$1.92 per share in the year-ago quarter.

Revenues Improve, Expenses Rise

Total net revenues were \$1.71 billion, up 17% year over year. An increase in all components of revenues except for asset-based revenues and net interest income drove the rise.

Total operating expenses increased 22% to \$1.49 billion. All expense components increased, except for promotional expenses and other costs.

At the end of the reported quarter, LPL Financial's total brokerage and advisory assets were \$958.3 billion, jumping 43% year over year.

Total net new assets were \$28.9 billion at the end of the quarter, up from \$14.3 billion of new assets recorded at the end of the prior-year quarter. Total client cash balances grew 1% to \$48.3 billion.

Balance Sheet Position Strong

As of Mar 31, 2021, the company had total assets of \$6.62 billion, up 1% from the Dec 31, 2020-level. As of the same date, cash and cash equivalents totaled \$839.1 million, up 4% sequentially.

Total stockholders' equity was \$1.43 billion as of Mar 31, 2021, up from \$1.31 billion recorded at the end of the prior quarter.

Outlook

As trading activities gradually normalize, management expects transaction revenues in the second quarter of 2021 to decline \$10 million sequentially.

For 2021, management expects core general and administration (G&A) expenses in the range of \$975 million and \$1 billion (excluding expenses from the acquisition of Waddell & Reed).

Promotional expenses are expected to increase \$5 million in the second quarter, primarily due to higher transition assistance and large bank onboarding expenses. Further, share-based compensation expenses, and costs related to depreciation and amortization are anticipated to be in line with the prior quarter.

The company expects to incur roughly one-third of total acquisition costs of \$110 million related to the buyout of Waddell & Reed's wealth management business during the second quarter.

Second-quarter 2021 insured cash account (ICA) yield is expected to be in mid-90 basis points.

Quarter Ending	03/2021
Report Date	Apr 29, 2021
Sales Surprise	NA
EPS Surprise	19.59%
Quarterly EPS	1.77
Annual EPS (TTM)	6.16

Recent News

LPL Financial Records Improvement in April Assets – May 20, 2021

LPL Financial's total brokerage and advisory assets of \$1.06 trillion at the end of April 2021 grew 10.9% from the prior month and 48.1% year over year. Of the total assets, brokerage assets were \$512.7 billion and advisory assets totaled \$550.5 billion.

The increase was mainly driven by the impressive performance of the equity markets and strategic acquisition of Waddell & Reed's wealth management business. Notably, compared with March 2021, the S&P 500 Index rallied 5.2% in April.

Total net new assets were \$73.8 billion in the reported month. In March 2021, net new assets were \$19.4 billion and in April 2020 it summed \$3.4 billion.

Notably, on Apr 30, LPL Financial completed the acquisition of Waddell & Reed's wealth management business. Total acquired net new assets for April were \$67.1 billion. Of this, \$32.6 billion was advisory assets and \$34.5 billion was brokerage assets.

LPL Financial reported \$47.7 billion of total client cash balance, down 1.2% from March 2021 but up 1.5% from April 2020. This included \$1.1 billion of client cash balances from Waddell & Reed. Further, of the total balance, \$35 billion was insured cash and \$7.5 billion was deposit cash, while the remaining was money-market balance.

LPL Financial Acquires Waddell & Reed's Wealth Management Business – Apr 30, 2021

Waddell & Reed Financial has been acquired by Macquarie Asset Management, the asset management division of Sydney, Australia-based Macquarie Group. The all-cash deal, valued at \$1.7 billion, was announced in December 2020. Upon closure, Macquarie divested Waddell & Reed's wealth management business to LPL Financial for \$300 million.

Following the closure, more than 900 Waddell & Reed advisors have joined LPL Financial's platform. These advisors served nearly 95% of the \$71 billion of client assets comprising Waddell & Reed's wealth management business, as of Mar 31, 2021. LPL Financial expects to onboard the advisors over the next few months.

Further, LPL Financial has entered into a long-term partnership with Macquarie. Thus, Macquarie will become one of its "top tier strategic asset management partners."

LPL Financial President and CEO Dan Arnold said, "Waddell & Reed advisors are seasoned and well-regarded throughout the industry and are a strong cultural and strategic fit with us. We look forward to supporting them with our comprehensive platform that helps them design and operate the perfect practice for them and their clients. Waddell & Reed and Macquarie have been strong partners throughout the process, and we look forward to our ongoing collaboration."

Additionally, LPL Financial expected run-rate EBITDA accretion of more than \$80 million, and onboarding and integration costs of approximately \$110 million in the 12 months following closure. Further, the deal will be accretive to the company's run-rate earnings "prior to intangibles following asset transfer."

LPL Financial Buys Fintech Firm Blaze Portfolio – Oct 26, 2020

LPL Financial has announced acquisition of Chicago-based fintech firm Blaze Portfolio. The company paid an initial purchase price of nearly \$12 million and agreed to a potential contingent payment of up to \$5 million, which is subject to milestones and customary purchase price adjustments.

Blaze Portfolio serves 135 investment firms and provides an advisor-facing trading system that LPL Financial plans to integrate within core technology platform. Thus, this will expand the company's wealth management capabilities and support further growth.

Additionally, LPL Financial will continue to offer Blaze Portfolio's services as a stand-alone solution to the wealth management industry. The company plans to retain the Blaze Portfolio's employees.

Burt White, LPL Financial managing director and Chief Investment Officer said, "For many advisors, our trading platform is their lifeblood, and the way they express and execute their investment strategies for their clients in a sophisticated way. It's important, therefore, that we continue to invest in our offering to help them differentiate, grow and win in the marketplace. Acquiring Blaze Portfolio will enable us to provide our advisors with a dynamic trading and rebalancing system that can be utilized by practices of all sizes, affiliations and sophistications to meet their clients' needs."

Dividend Update

On Apr 28, LPL Financial declared a regular dividend of 25 cents per share. The dividend is scheduled to be paid out on Jun 7 to shareholders of record as of May 24.

Valuation

LPL Financial's shares are up 35.1% in the year to date period and 67% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 38.1% and 20.8% so far this year, respectively. Over the past year, the Zacks sub-industry and the sector are up 79.1% and 35%, respectively.

The S&P 500 index is up 13.3% in the year to date period and 33.2% over the past year.

The stock is currently trading at 17.50X forward 12 months earnings, which compares to 13.82X for the Zacks sub-industry, 16.78X for the Zacks sector and 21.85X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.39X and as low as 5.93X, with a 5-year median of 13.66X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$152 price target reflects 18.88X forward earnings.

The table below shows summary valuation data for LPLA

Valuation Multiples - LPLA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	17.5	13.82	16.78	21.85
	5-Year High	25.39	14.84	17.24	23.83
	5-Year Low	5.93	5.59	11.6	15.31
	5-Year Median	13.66	11.77	14.94	18.05
P/B	Current	7.85	2.75	3.41	7.03
	5-Year High	8.82	2.94	3.41	7.03
	5-Year Low	2.52	1.25	1.77	3.84
	5-Year Median	5.68	2.16	2.64	5.02
P/S F12M	Current	1.44	5.12	8.55	4.72
	5-Year High	1.67	5.12	8.55	4.74
	5-Year Low	0.47	2.7	5.08	3.21
	5-Year Median	1.05	3.54	6.21	3.72

As of 06/04/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 18% (45 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Evercore Inc (EVR)	Outperform	2
Interactive Brokers Group, Inc. (IBKR)	Outperform	2
Morgan Stanley (MS)	Outperform	2
Raymond James Financial, Inc. (RJF)	Outperform	2
The Charles Schwab Corporation (SCHW)	Outperform	2
Tradeweb Markets Inc. (TW)	Outperform	2
Virtu Financial, Inc. (VIRT)	Outperform	2
Piper Sandler Companies (PIPR)	Neutral	2

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

Industry Comparison Industry: Financial - Investment Bank				Industry Peers		
	LPLA	X Industry	S&P 500	IBKR	SCHW	TW
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Outperform	Outperform
Zacks Rank (Short Term)	2	-	-	2	2	2
VGM Score	A	-	-	B	D	F
Market Cap	11.26 B	2.34 B	30.49 B	28.44 B	136.83 B	19.10 B
# of Analysts	3	2.5	12	2	7	7
Dividend Yield	0.71%	0.00%	1.29%	0.59%	0.95%	0.39%
Value Score	C	-	-	D	C	F
Cash/Price	0.16	0.34	0.06	1.98	0.65	0.04
EV/EBITDA	13.05	8.97	17.32	-21.14	11.78	42.71
PEG F1	NA	1.31	2.16	NA	1.69	3.95
P/B	7.85	2.77	4.24	3.01	3.04	3.70
P/CF	15.87	11.76	17.90	108.11	22.88	41.90
P/E F1	19.21	12.23	21.66	22.44	23.84	52.30
P/S TTM	1.84	2.19	3.52	10.43	9.92	20.51
Earnings Yield	5.20%	8.18%	4.47%	4.46%	4.20%	1.91%
Debt/Equity	1.70	0.26	0.66	0.00	0.39	0.00
Cash Flow (\$/share)	8.87	3.31	6.83	0.63	3.31	1.96
Growth Score	A	-	-	B	C	F
Historical EPS Growth (3-5 Years)	37.56%	15.92%	9.44%	18.38%	20.61%	NA
Projected EPS Growth (F1/F0)	13.52%	33.04%	21.30%	22.09%	29.62%	20.07%
Current Cash Flow Growth	-8.99%	18.03%	0.98%	16.37%	30.71%	27.82%
Historical Cash Flow Growth (3-5 Years)	17.44%	17.58%	7.34%	29.94%	29.00%	NA
Current Ratio	1.29	1.19	1.39	1.09	0.39	5.88
Debt/Capital	62.98%	20.79%	41.53%	0.00%	24.15%	0.00%
Net Margin	7.30%	13.07%	11.95%	9.39%	28.92%	20.42%
Return on Equity	39.31%	17.67%	16.36%	2.68%	12.80%	6.25%
Sales/Assets	0.97	0.17	0.51	0.03	0.03	0.17
Projected Sales Growth (F1/F0)	23.25%	11.57%	9.30%	14.95%	55.11%	15.59%
Momentum Score	B	-	-	A	D	B
Daily Price Change	-2.19%	0.00%	0.34%	-1.49%	-0.38%	0.37%
1-Week Price Change	-4.76%	0.00%	0.58%	1.44%	2.53%	-1.81%
4-Week Price Change	-9.72%	-1.08%	0.29%	-1.97%	5.53%	-0.33%
12-Week Price Change	-1.79%	0.00%	8.01%	-13.50%	11.93%	10.92%
52-Week Price Change	71.63%	59.87%	33.62%	56.92%	76.83%	32.31%
20-Day Average Volume (Shares)	451,649	119,538	1,797,059	1,091,244	6,368,570	946,011
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.66%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.07%	0.66%	0.50%	0.34%
EPS F1 Estimate 12-Week Change	3.36%	12.85%	3.32%	6.85%	10.94%	7.57%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	2.67%	0.57%	-0.69%

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	C
Growth Score	A
Momentum Score	B
VGM Score	A

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.

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Additional Disclosure

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.