

Mid-America Apartment (MAA)

\$134.18 (As of 01/22/21)

Price Target (6-12 Months): **\$143.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/02/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: D

Summary

Shares of Mid-America Apartment Communities or MAA have outperformed the industry it belongs to in the past six months. Notably, strong demand for the company's well-positioned Sunbelt properties is driving its performance. The pandemic has accelerated employment shifts and population inflow into its markets and this is likely to drive its leasing activity. MAA's rental collections also remain strong. The company ramped up its redevelopment initiatives and smart-home installations aimed at additional value accretion and rental rate growth. Further, in December, MAA announced a 2.5% sequential hike in its dividend. However, elevated supply, particularly in urban submarkets, and the pandemic-led choppy scenario might hinder rent growth and occupancy. Also, rising real estate taxes are expected to inflate expenses in the upcoming periods.

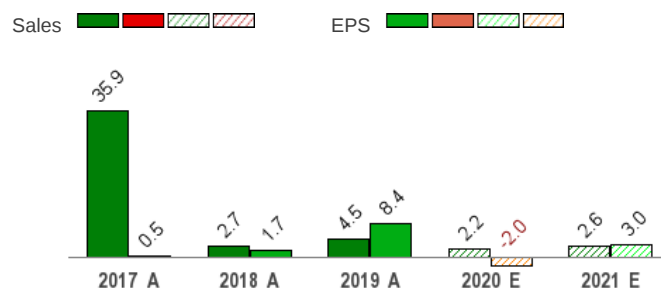
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$148.88 - \$82.00
20-Day Average Volume (Shares)	535,196
Market Cap	\$15.3 B
Year-To-Date Price Change	5.9%
Beta	0.66
Dividend / Dividend Yield	\$4.10 / 3.1%
Industry	REIT and Equity Trust - Residential
Zacks Industry Rank	Bottom 5% (240 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.6%
Last Sales Surprise	2.2%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/03/2021
Earnings ESP	0.0%
P/E TTM	20.8
P/E F1	20.3
PEG F1	5.2
P/S TTM	9.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	424 E	429 E	435 E	437 E	1,721 E
2020	418 A	413 A	423 A	422 E	1,677 E
2019	401 A	407 A	416 A	417 A	1,641 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.64 E	\$1.65 E	\$1.63 E	\$1.71 E	\$6.61 E
2020	\$1.62 A	\$1.59 A	\$1.57 A	\$1.64 E	\$6.42 E
2019	\$1.58 A	\$1.57 A	\$1.53 A	\$1.68 A	\$6.55 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 01/22/2021. The reports text is as of 01/25/2021.

Overview

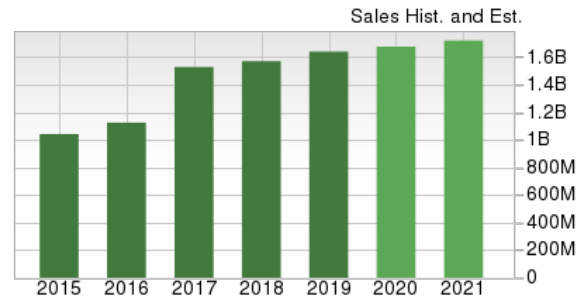
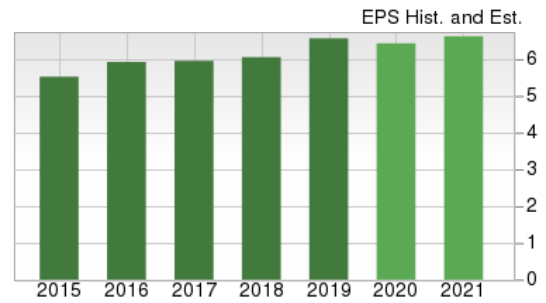
Headquartered in Germantown, TN, Mid-America Apartment Communities, Inc. — commonly known as MAA — is a residential real estate investment trust (REIT) engaged in owning, acquiring, operating and selective development of apartment communities, located primarily in the Southeast, Southwest and Mid-Atlantic regions of the United States. The company is an S&P 500 Index member.

As of Sep 30, 2020, the company had full or partial ownership stake in 102,105 apartment units, including projects under development. As of the same date, 32 of its apartment properties had retail components, with nearly 630,000 square feet of gross leasable space. The company also had four commercial properties, with around 260,000 square feet of combined gross leasable area. The properties are located across 16 states and the District of Columbia.

In December 2016, MAA completed the merger with Post Properties, Inc. Notably in fourth-quarter 2018, it completed its integration efforts with Post Properties, providing the company redevelopment opportunities in this portfolio. Through enhanced scale and leveraging, the combined company is poised to generate higher operating margins.

During 2019, MAA made a number of acquisitions, comprising multi-family, commercial and land buyouts. The multifamily acquisitions included The Greene in Greenville, SC, comprising 271 units, Jefferson Sand Lake in Orlando, FL, having 264 units and Novel Midtown in Phoenix, AZ, consisting of 345 units.

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



Source: Zacks Investment Research

Reasons To Buy:

- ▲ MAA maintains a well-balanced, diverse portfolio across the Southeast and Southwest regions of the United States. The portfolio is diversified in terms of markets, submarkets, product types and price points. Furthermore, the company's portfolio includes four wholly owned commercial properties, spanning nearly 260,000 square feet of gross leasable space. This diversification shields the company from economic downturn in any particular market, choppiness in any product-type or assets belonging to specific price points and helps in generating a consistent revenue stream. Moreover, a high-quality resident profile has resulted in solid collection performance, even amid the pandemic. In fact, the company informed that as of Nov 12, it collected 99.1%, 99.1% and 97.3% of its billed rent in cash collections for the third quarter, October and November, respectively.
- ▲ MAA's diversified Sunbelt portfolio of suburban-focused communities was less severely affected by the pandemic and the economic shutdown. In fact, the pandemic has accelerated employment shifts and population inflow into the company's markets, as renters seek more business-friendly, lower taxed and low-density cities. These favorable longer-term secular dynamic trends are increasing desirability of its markets. Amid this, MAA is well-poised to capture recovery in demand and leasing as compared to expensive coastal markets.
- ▲ This Sunbelt-focused apartment REIT opts for opportunistic investments to maintain the right product mix and raise the number of apartment communities in the dynamic markets. As part of such efforts, in fourth-quarter 2018, MAA completed its integration efforts with respect to the previously announced merger with Post Properties. Moreover, the company development projects are on course. In fact, the company plans to restart its targeted disposition program in 2021 and recycle older assets, primarily in tertiary markets. It expects to generate proceeds of \$200-\$250 million, the majority of which will be used to fund development activities. Such efforts are likely to improve portfolio quality and propel the company's growth over the long term.
- ▲ MAA is also focusing on redevelopment initiatives and smart-home installations to generate accretive returns and boost earnings from its existing asset base. During the nine months ended Sep 30, 2020, the company redeveloped the interior of 3,300 units and has 9,000-11,000 units remaining in this pipeline. This is likely to drive average rental rate growth. Further, during the same period, it installed SmartHome technology at 21,884 units and expects to complete 24,000 units by 2020 end. Such installations will contribute to revenue growth in 2021. Additionally, in third-quarter 2020, MAA continued with additional extensive upgrades and repositioning at eight properties. Upgrades will include renovations of amenity and common areas and drive additional value and rent growth, delivering higher yield benefits beginning 2021.
- ▲ Over the long run, positive demographic trends — supported by the growth of prime age groups for rentals and migration of population to the Southeast and Southwest — is likely to drive household formation and apartment rental demand in the company's markets. Also, a significant change in lifestyle has taken place and life cycle events are getting delayed. This is leading to an extension of the average age of first-time homeownership. The young-adult age cohort has also experienced a considerable part of the net job growth and is helping to grow primary renter demand.
- ▲ MAA enjoys a solid balance sheet, with low leverage and ample availability under its revolving credit facility. As of Sep 30, 2020, the company held cash and cash equivalents of \$18.4 million as well as \$980 million of available capacity under its unsecured revolving credit facility, net of commercial paper borrowings. Backed by an in place at-the-market equity share offering program, the company remains well-poised to source attractively priced capital from the equity markets. Further, it generates 93.2% unencumbered net operating income (NOI), providing scope for tapping additional secured debt capital if required. Hence, with manageable near-term maturities and funding obligations, the company is well-positioned to navigate through the pandemic-related challenges. Further, it maintains investment grade ratings of BBB+, with stable outlook, from Standard and Poor's, and Fitch Ratings, and this renders the company favorable access to debt.
- ▲ Solid dividend payouts are arguably the biggest enticement for REIT shareholders and MAA remains committed to that. In December 2020, the company announced common stock cash dividend of \$1.025 per share. This marks a 2.5% sequential hike and 11th consecutive annual increase in the company's dividend. Notably, MAA is one of the few apartment REITs which did not reduce or suspend dividend payments during the recession of 2008-09. Given its financial strength and lower debt-equity ratio, the company's dividend payout is expected to be sustainable.
- ▲ Over the past six months, shares of MAA have gained 21.6%, as against its industry's decline of 3%. Additionally, the trend in estimate revisions for 2021 FFO per share indicates an upbeat outlook for the company. The Zacks Consensus Estimates for 2021 FFO per share moved marginally upward over the past two months. Hence, given the progress on fundamentals and upward estimate revisions, the stock has decent upside potential for the upcoming period.

MAA has a well-diversified portfolio and focus on making strategic redevelopments augurs well. Also, high demand in its markets and a solid balance sheet will help it sail through uncertain times.

Reasons To Sell:

- ▼ The coronavirus pandemic has been wreaking havoc, and resulting in macroeconomic uncertainty and choppy job-market environment. This is likely to affect the demand for apartments and the rent-paying capability of tenants. As such, the company's top line is likely to bear the brunt in the near term, with adverse impact on rental rates and occupancy. In fact, third-quarter average physical occupancy for the same-store portfolio was 95.6%, contracting 50 bps year over year.
- ▼ New supply of residential properties has remained elevated over the past few years and is expected to continue to be at high levels for the next few quarters. This high supply adversely impacts the landlord's capability to demand more rents and results in lesser absorption, particularly at apartment communities located in urban submarkets. This is likely to put pressure on rental rates and negatively affect revenue growth in the near term. Moreover, there is stiff competition in the residential real estate market with various housing alternatives like manufactured housing, condominiums and the new and existing home markets. This curtails the company's power to raise rent or increase occupancy as well as leads to aggressive pricing for acquisitions.
- ▼ The company has a significant active development pipeline, with six development communities under construction as of the third-quarter 2020 end. Total development costs for the communities are estimated to be \$460 million, of which \$195.5 million remains unfunded. Although such activities are accretive for long-term value creation, it requires huge capital outlays. Furthermore, an extensive development pipeline increases the company's operational risks by exposing it to construction cost overruns, entitlement delays and lease-up risks. Additionally, rising real estate taxes are expected to continue producing expense pressure in 2021.
- ▼ The company's operations are largely concentrated in the Southeast and Southwest regions of the United States. In fact, as of Sep 30, 2020, around 42% of the company's total portfolio (% of same-store NOI) was located in the top five markets of Atlanta, Dallas, Charlotte Washington, DC, and Tampa. Therefore, performance of the company is susceptible to any adverse development in the general economic conditions of these regions.

Adverse impacts of the pandemic on the economy and job market are likely to affect demand and hurt rent-paying capabilities of tenants, leading to rental abatements and pricing-power moderation.

Last Earnings Report

Mid-America Apartment Q3 FFO & Revenues Top Estimates

MAA reported third-quarter 2020 core FFO per share of \$1.57, surpassing the Zacks Consensus Estimate of \$1.53. The reported figure remained flat year over year.

The residential REIT's quarterly results reflect rise in revenues and average effective rent per unit for the same-store portfolio.

Rental and other property revenues came in at \$423.2 million during the September-end quarter, outpacing the Zacks Consensus Estimate of \$414.1 million. The reported figure also came in 1.8% higher than the year-ago quarter's \$415.6 million.

The company stated that as of Oct 26, rent cash receipts and deferred payments aggregated 99.2% and 98.8% of billed residential rent for the third quarter and October, respectively. As of the same date, average physical occupancy for the same-store portfolio was 95.6% for October.

Quarter in Detail

The same-store portfolio revenues grew 2.1% on rise in average effective rent per unit of 1.8%, year over year. During the September-end quarter, the company's same-store NOI edged down 1.1% year over year. Moreover, average physical occupancy for the same-store portfolio for the third quarter was 95.6%, contracting 50 bps, year over year.

During the third quarter, rent growth in the company's same-store portfolio for both new and renewing leases, compared with the prior lease, came in at 0.8% on a combined basis.

As of Sep 30, 2020, unencumbered NOI was 93.2% of total NOI, higher than the 91.1% reported as of Jun 30, 2020.

As of Sep 30, 2020, MAA held cash and cash equivalents of \$18.4 million, down from \$20.5 million as of Dec 31, 2019. Additionally, as of the same date, total debt outstanding was \$4.4 billion.

Furthermore, as of the same date, \$980 million of combined cash and capacity were available under its unsecured revolving credit facility, net of commercial paper borrowings.

Portfolio Activity

During the July-September period, MAA sold a land parcel in Huntsville, AL, spanning an area of 27 acres for net proceeds of \$2.6 million, resulting in a gain on sale of non-depreciable real estate assets of \$1.3 million.

During the third quarter, the company redeveloped 1205 units. As of Sep 30, 2020, it had six development communities under construction with an expected average stabilized NOI yield of 6.1%.

Quarter Ending **09/2020**

Report Date	Oct 28, 2020
Sales Surprise	2.21%
EPS Surprise	2.61%
Quarterly EPS	1.57
Annual EPS (TTM)	6.46

Recent News

Dividend Update

On Dec 8, Mid-America Apartment announced a quarterly dividend of \$1.025 per share on common stock, representing a 2.5% increase from the prior rate. The dividend will be paid out on Jan 29, to shareholders of record as of Jan 15, 2021.

The hike will raise the annualized dividend payout to \$4.10 per share of common stock, denoting an increase of 10 cents per share from the prior dividend level. The move also marks the company's 11th consecutive annual hike of its common dividend.

Valuation

Mid-America Apartment Communities shares have lost 1.8% in the trailing 12 months. Stocks in the Zacks sub-industry have declined 22.2%, while the Zacks Finance sector has gained 1.9%, over the past year.

The S&P 500 Index is up 20.7% in the past year.

The stock is currently trading at 20.22X forward 12-month FFO, which compares to 19.20X for the Zacks sub-industry, 16.83X for the Zacks sector and 23.18X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 22.45X and as low as 12.88X, with a 5-year median of 16.81X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$143 price target reflects 21.55X FFO.

The table below shows summary valuation data for MAA.

Valuation Multiples - MAA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.22	19.20	16.83	23.18
	5-Year High	22.45	22.61	17.13	23.79
	5-Year Low	12.88	15.74	11.59	15.30
	5-Year Median	16.81	18.40	14.52	17.83
P/S F12M	Current	8.88	10.60	7.14	4.57
	5-Year High	10.39	12.39	7.14	4.57
	5-Year Low	5.51	8.44	5.02	3.20
	5-Year Median	7.37	9.54	6.12	3.68
P/B TTM	Current	2.51	2.50	2.94	6.62
	5-Year High	2.80	3.35	2.98	6.64
	5-Year Low	1.48	1.85	1.74	3.73
	5-Year Median	2.03	2.47	2.59	4.94

As of 01/22/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 5% (240 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
American Homes 4 Rent (AMH)	Neutral	3
AvalonBay Communities, Inc. (AVB)	Neutral	4
Camden Property Trust (CPT)	Neutral	3
Equity Residential (EQR)	Neutral	4
Essex Property Trust, Inc. (ESS)	Neutral	4
NexPoint Residential Trust, Inc. (NXRT)	Neutral	3
United Dominion Realty Trust, Inc. (UDR)	Neutral	4
Apartment Investment and Management Company (AIV)	Underperform	5

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

Industry Comparison Industry: Reit And Equity Trust - Residential				Industry Peers		
	MAA	X Industry	S&P 500	AVB	EQR	ESS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	4
VGM Score	D	-	-	F	D	D
Market Cap	15.35 B	1.46 B	27.01 B	23.00 B	22.92 B	15.87 B
# of Analysts	6	4	13	6	11	9
Dividend Yield	3.06%	3.59%	1.42%	3.86%	3.91%	3.41%
Value Score	D	-	-	D	C	D
Cash/Price	0.00	0.05	0.06	0.01	0.01	0.04
EV/EBITDA	18.77	18.09	14.84	20.32	13.99	19.18
PEG F1	5.18	4.35	2.54	16.40	4.05	8.00
P/B	2.51	2.14	3.82	2.16	2.14	2.53
P/CF	17.85	15.52	14.53	15.52	12.31	17.87
P/E F1	20.22	18.40	20.41	19.51	20.24	19.04
P/S TTM	9.18	7.43	2.96	9.83	8.67	10.52
Earnings Yield	4.93%	5.43%	4.70%	5.12%	4.94%	5.25%
Debt/Equity	0.72	1.04	0.70	0.71	0.78	1.05
Cash Flow (\$/share)	7.52	3.09	6.93	10.61	5.00	13.62
Growth Score	C	-	-	D	D	D
Historical EPS Growth (3-5 Years)	2.82%	2.23%	9.72%	3.47%	1.67%	6.57%
Projected EPS Growth (F1/F0)	2.97%	1.69%	12.61%	-3.68%	-6.01%	-1.04%
Current Cash Flow Growth	20.94%	8.47%	5.05%	-9.39%	23.84%	5.93%
Historical Cash Flow Growth (3-5 Years)	15.27%	15.27%	8.36%	6.67%	5.74%	12.62%
Current Ratio	0.05	1.42	1.38	0.51	0.80	3.14
Debt/Capital	41.97%	50.95%	41.88%	41.49%	44.69%	51.45%
Net Margin	19.22%	11.76%	10.40%	27.97%	35.97%	39.89%
Return on Equity	5.63%	4.83%	15.37%	6.02%	8.89%	9.46%
Sales/Assets	0.15	0.13	0.50	0.12	0.13	0.11
Projected Sales Growth (F1/F0)	2.67%	2.81%	6.15%	-1.02%	-4.03%	-0.45%
Momentum Score	D	-	-	D	D	C
Daily Price Change	0.55%	0.00%	-0.37%	-0.44%	-0.40%	-0.71%
1-Week Price Change	5.38%	1.98%	-0.33%	3.51%	5.72%	2.83%
4-Week Price Change	7.69%	3.51%	3.16%	4.43%	5.77%	3.93%
12-Week Price Change	18.19%	19.20%	18.15%	21.01%	33.07%	23.22%
52-Week Price Change	-1.63%	-11.90%	6.10%	-24.61%	-25.90%	-22.10%
20-Day Average Volume (Shares)	535,196	347,595	1,623,841	714,584	2,036,402	335,667
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.54%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.13%	-1.29%	-1.04%	-1.02%
EPS F1 Estimate 12-Week Change	1.92%	-1.57%	2.09%	-4.38%	-6.54%	-1.91%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-0.95%	-0.52%	-0.73%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	D
Growth Score	C
Momentum Score	D
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.

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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 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.