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Jun 29, 2021

Marriott International (MAR)

$135.87 (As of 06/28/21)

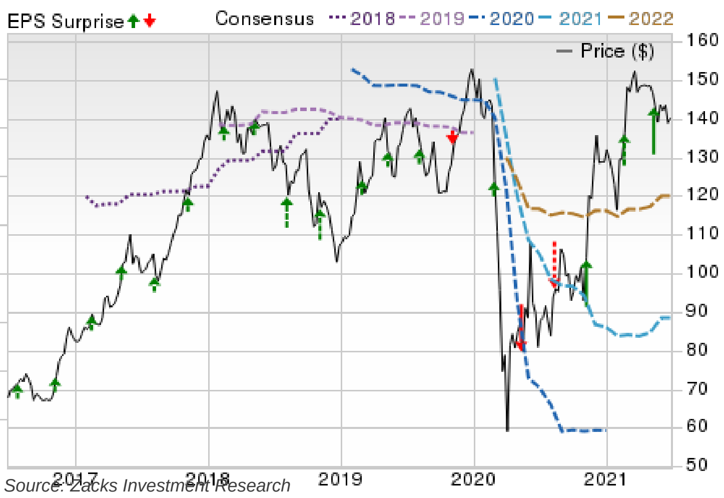
Price Target (6-12 Months): **$143.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 03/22/21) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: F | Momentum: A	

Summary

Shares of Marriott have outperformed the industry in the past six months. Notably, the company has been benefitting from continuous focus on expansion initiatives, digital innovation and loyalty program. Also, the company is witnessing improvement in occupancy and new bookings in Mainland China. Additionally, businesses are picking up. Moving ahead, the company plans to strengthen presence outside the United States, especially in Asia, Latin America, Middle East and Africa. Earnings estimates for 2021 have moved up over the past 60 days, depicting analysts optimism regarding the stock growth potential. However, coronavirus related woes persists. Owing to the uncertainty of the crisis, the company has not provided earnings and RevPAR guidance for 2021. It has also suspended its share repurchase and dividend payments until further notice.

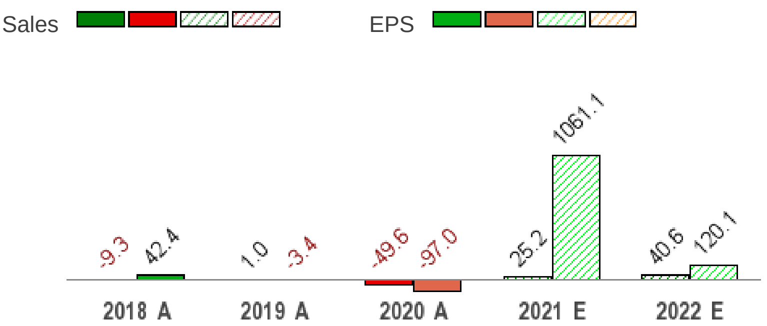
Price, Consensus & Surprise



Data Overview

52-Week High-Low	$159.98 - $81.30
20-Day Average Volume (Shares)	2,056,200
Market Cap	$44.1 B
Year-To-Date Price Change	3.0%
Beta	1.89
Dividend / Dividend Yield	$0.00 / 0.0%
Industry	Hotels and Motels
Zacks Industry Rank	Bottom 27% (183 out of 251)
Last EPS Surprise	233.3%
Last Sales Surprise	-7.3%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	08/09/2021
Earnings ESP	0.0%
P/E TTM	NA
P/E F1	65.0
PEG F1	10.8
P/S TTM	5.4

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	4,164 E	5,244 E	4,432 E	4,514 E	18,604 E
2021	2,316 A	3,306 E	3,455 E	3,747 E	13,233 E
2020	4,681 A	1,464 A	2,254 A	2,172 A	10,571 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$1.05 E	$1.18 E	$1.29 E	$1.37 E	$4.60 E
2021	$0.10 A	$0.37 E	$0.73 E	$0.87 E	$2.09 E
2020	$0.26 A	-$0.64 A	$0.06 A	$0.12 A	$0.18 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 06/28/2021. The report's text and the analyst-provided price target are as of 06/29/2021.

Overview

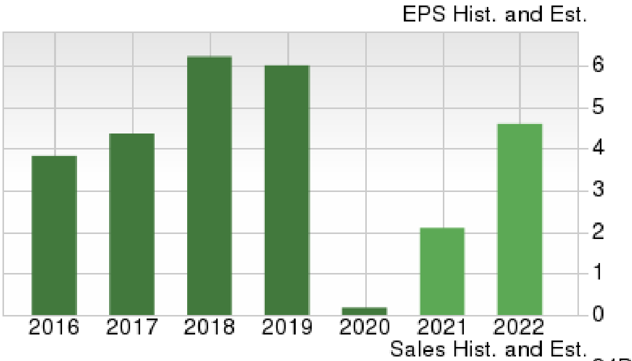
Marriott International Inc. is a leading worldwide hospitality company focused on lodging management and franchising, after the spin-off of its timeshare business into a publicly traded company in Nov 2011.

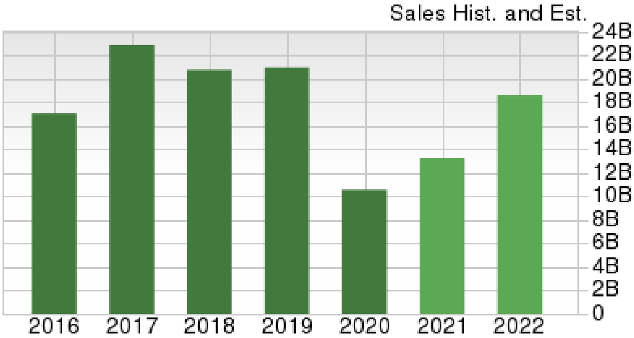
During the first-quarter 2021, the company added 134 new properties (23,567 rooms) to its worldwide lodging portfolio. However, 114 properties (or 17,381 rooms) exited the system during the quarter. At the end of first-quarter 2021, Marriott's development pipeline totaled nearly 2,825 hotels, with approximately 491,000 rooms. Further, nearly 222,000 rooms were under construction.

As of Mar 31, 2021, the company operated, franchised and acted as a licensor of hotels as well as timeshare properties to 7,662 (nearly 1,429,171 rooms) properties across 133 countries and territories, under 30 brand names.

The company has grouped its brand portfolio into three groups:

Luxury: The company's classic luxury hotel brands include JW Marriott, The Ritz-Carlton, and St. Regis. Meanwhile, Marriott's distinctive luxury hotel brands comprise W Hotels, The Luxury Collection, EDITION, and Bulgari.





Premium: The company's classic premium hotel brands include Marriott Hotels, Sheraton, Delta Hotels, Marriott Executive Apartments, and Marriott Vacation Club. Moreover, its distinctive premium hotel brands comprise Westin, Renaissance, Le Méridien, Autograph Collection, Gaylord Hotels, Tribute Portfolio and Design Hotels.

Select: The company's classic select hotel brand include Courtyard, Residence Inn, Fairfield by Marriott, SpringHill Suites, Four Points, TownePlace Suites, and Protea Hotels. Meanwhile, Marriott's distinctive select hotel brands comprise Aloft, AC Hotels by Marriott, Element, and Moxy.

Source: Zacks Investment Research

Reasons To Buy:

▲ **Solid Brand Position to Drive Long-Term Growth:** Marriott is a leading company in the luxury and lifestyle space, which includes brands that own 7,662 properties in 133 countries and territories. The company's extensive portfolio and a strong brand position allow it to charge a premium room rate in the highly competitive lodging industry. Given its property locations, we believe that the company is well-poised to benefit from the increasing market demand on the back of stepped-up business and leisure traveling in major North American and international locations. With the roll out of vaccines in full swing, pent-up demand is being witnessed in countries such as the United States, the UAE and Qatar. Also, improvements are being registered in regions including Africa, Maldives, Australia, Canada, Mexico, Macau and Virgin Islands. Notably, easing of travel restrictions coupled with enhanced airlift activities are benefitting the company.

Marriott is poised to grow on the back of solid brand position, an increased demand for travel and significant international exposure.

▲ **Efforts to Drive Growth:** With nearly 150 million members globally, the company's loyalty program Marriott Bonvoy plays a supporting hand in its marketing strategies. Notably, the company is focusing on non-hotel stay experiences such as Eat Around Town and Homes and Villas by Marriott International. Despite having an immaterial impact on the company's financials, the initiative allows Bonvoy members to earn and redeem points through its 30,000 listings. Meanwhile, the company has resorted to creative offerings such as Fall for Travel and October Week of Wonders. During October-end 2020, the company unveiled new Work from Anywhere packages based on the remote work trend. Notably, the initiatives are likely to boost leisure demand and capture additional revenues going forward. Also, the company is engaging its customers with promotional offers such as grocery and retail spending accelerators on its co-branded credit cards (American Express and Chase). During the first quarter, the company expanded its co-brand portfolio in South Korea and Mexico, bringing the total count to seven. Moreover, its association with uber is encouraging. Solid customer engagement is being registered on the idea of providing loyalty points for activities such as ride hailing and food delivery.

▲ **Strong Expansion Plans:** Marriott is consistently trying to expand presence worldwide and capitalize on the demand for hotels in international markets. Moving ahead, the company plans to significantly expand global portfolio of luxury and lifestyle brands. In April 2019, the company opened its 7000th property — the 27 storey St. Regis Hong Kong. At the end of first-quarter 2021, Marriott's development pipeline totaled nearly 2,825 hotels, with approximately 491,000 rooms. Further, nearly 222,000 rooms were under construction. In 2021, the company anticipates net rooms growth of in the range of 3% to 3.5%. The hotel company is also trying to strengthen presence outside the United States, especially in Asia, Latin America, Middle East and Africa. Meanwhile, the company's European pipeline has grown consistently in the recent past and is expected to continue going forward. Within Asia-Pacific, China promises immense growth potential, despite the economic slowdown. Meanwhile, as incomes rise, China's middle class is looking for higher quality products and elevated travel experiences. Notably, China is the largest source market for outbound travel now.

▲ **Signs of Improvement in China:** Greater China continues to lead growth owing to rise in demand. As of April 2021, occupancy in Greater China increased to 47.5% compared with 23.2% as of April 2020. During the first quarter, the region reported comparable systemwide RevPAR growth of 77% compared with the first quarter 2020. Notably, solid domestic leisure travel as well as growing transient and group businesses added to the upside. Although group bookings are lagging behind 2019 levels, demand is stated to have picked up significantly owing to easing of restrictions. Moreover, the company stated that bookings for leisure transient room and business transient room in the region have exceeded pre-pandemic levels. Given the positive trend in recoveries, the company is optimistic regarding full recovery across other regions. However, it is subject to normalization of the current scenario.

▲ **Strategic Acquisitions to Boost Growth:** The company continues to rely on acquisitions in order to expand its footprint globally. In late 2016, it completed the acquisition of Starwood and became the world's largest hotel company. With the completion of this acquisition, Marriott's distribution has more than doubled in Asia and the Middle East & Africa combined. The company is also ramping up the expansion of its brands acquired via takeover. These brands include Sheraton, W and Aloft. Also, with the Protea Hospitality Group buyout in 2014, Marriott became the largest hotel company in Africa and has nearly doubled its presence in the Middle East and African region. This was followed by the acquisition of Delta Hotels and Resorts brand in 2015. These acquisitions strategies are expected to help the company carry on with its portfolio expansion globally. Interestingly, even with 30 brands under the portfolio, the company has not ruled out further M&A activities. On Dec 9, 2019, the company completed the acquisition of Elegant Hotels Group plc for $128 million in cash and assumed Elegant's net debt outstanding of $63 million, which we subsequently repaid in January 2020. As a result of this transaction, the company added seven hotels and a beachfront restaurant on the island of Barbados to its Caribbean and Latin America-owned and leased portfolio. It also acquired the W New York - Union Square — a North American Full-Service property — for $206 million.

▲ **Sufficient Liquidity to Manage Current Scenario:** Of late, Marriot has bolstered its liquidity to manage the coronavirus pandemic. As of Mar 31, 2021, the company had a net liquidity of $4.7 billion compared with $4.4 billion as of Dec 31, 2020. Notably, the amount represents $600 million in available cash balances and $4.1 billion of unused borrowing capacity under its revolving credit facility. Although total debt during first-quarter 2021 came in at $9.6 billion (compared with $10.4 billion as of Dec 31, 2020), the company is confident that with the amount of liquidity it holds, it can survive the pandemic for some time. Although, debt-to-capital ratio has increased marginally to 0.98, it is still manageable.

▲ **Embracing Social Media and Smartphones to Build Loyalty:** Digital innovations and social media are starting to play an increasingly important role in hotel bookings. The Marriott mobile app for tablets and smartphones helps guests to manage their bookings, access interactive maps/GPS as well as reward programs. Moreover, Marriott recently re-imagined its Marriott Mobile app to meet the needs of the modern traveler. Guests will now be able to enjoy new and extended digital features, customized travel content, easier one-button navigation and a new swipe-able discovery home screen.

Reasons To Sell:

The coronavirus pandemic, dismal RevPAR and margin contraction remain concerns.

- **Coronavirus Impact:** The Hotel and Motels industry is currently grappling with the coronavirus pandemic and Marriott isn't immune to the trend. Due to the same, the company failed to provide earnings and RevPAR guidance for 2021. It has also suspended its share repurchase and dividend payments until further notice. Markedly, the pandemic is likely to hurt the company's results in 2021. The industry's luxury, upper scale and urban hotels have been affected by the coronavirus pandemic. Fresh restrictions in various states and cities across the county is likely to hurt the industry. The industry experts are of the opinion that demand will gradually pick up in Spring.

- **RevPAR & Occupancy Rates Decline Sharply:** The coronavirus pandemic continues to hurt RevPAR and occupancy rates. During the first quarter 2021, revenue per available room (RevPAR) for worldwide comparable system-wide properties fell 59.1% in constant dollars due to 30.4% and 26.2% decline in occupancy and average daily rate (ADR), respectively. These metrics were impacted by the coronavirus pandemic. Comparable system-wide RevPAR in Asia Pacific (excluding China) fell 68.3% in constant dollars due to 37.3% and 37.3% decline in ADR and occupancy, respectively. On a constant-dollar basis, international comparable system-wide RevPAR fell 64.1% due to decline of 34.4% and 25% in occupancy and ADR, respectively. Moreover, comparable system-wide RevPAR in Europe and America declined 85.8% and 65.9%, respectively. Notably, low occupancy levels and steep RevPAR declines were witnessed in Europe, Middle East and Africa region (or EMEA) and the Caribbean and Latin America region (or CALA).

- **Margins Decline a Concern:** Margin contraction remains a major concern. Hotel margins have been impacted by sharp decline in revenues due to the pandemic. In first-quarter 2021, adjusted operating margin came in at 26% compared with 33% in the prior-year quarter.

- **Valuation Looks Stretched:** Marriot valuation looks a bit stretched when compared with its own range as well as the industry average. Looking at the company's EV/EBITDA ratio, investors might not want to pay any further premium. It currently has a trailing 12-month EV/EBITDA ratio of 89.07, which is also quite overvalued right now compared with its peers as the industry's average stands at 81.11.

- **Lingering Uncertainty in Various International Markets & RevPAR Growth:** Despite immense growth potential, a sluggish economy and oversupply in Brazil are weighing on the Latin American region. In the Middle East, sanctions on Qatar have reduced travel into and out of that country. Meanwhile, political unrest, lower government spending, new hotel supply and a tough oil market continue to hurt tourism in other Middle East markets and the company expects weak RevPAR trends in the region to continue in the coming quarters as well. Also, the slowdown in the Chinese economy is hurting discretionary spending as well as travel.

Last Earnings Report

Marriott Q1 Earnings Beat Estimates, Revenues Miss

Quarter Ending	03/2021
Report Date	May 10, 2021
Sales Surprise	-7.30%
EPS Surprise	233.33%
Quarterly EPS	0.10
Annual EPS (TTM)	-0.36

Marriott reported mixed first-quarter 2021 results, wherein earnings beat the Zacks Consensus Estimate but revenues missed the same. Notably, both the top and bottom lines declined sharply on a year-over-year basis. Revenues missed the consensus estimate for the third straight quarter.

In the quarter under review, Marriott's adjusted earnings per share was 10 cents, which surpassed the Zacks Consensus Estimate of 3 cents. In the prior-year quarter, the company had reported adjusted earnings of 49 cents per share. Although the coronavirus pandemic continues to hurt the company's results, it is witnessing rise in demand globally albeit at varying rates. The company stated Mainland China is leading the global recovery, where occupancy is near the pre-pandemic level.

Quarterly revenues of $2,316 million missed the consensus mark of $2,498 million. Moreover, the top line declined 51% on a year-over-year basis. Base management and Franchise fee were $106 million and $306 million, down 50% and 26% year over year, respectively.

Tony Capuano, CEO said: "In our largest region, the U.S. & Canada, demand increased rapidly as vaccine rollouts accelerated. Occupancy started the year at 33 percent in January and reached 49 percent by March. Leisure demand gained momentum, particularly in ski and beach resort destinations."

RevPAR & Margins

In the quarter under review, revenue per available room (RevPAR) for worldwide comparable system-wide properties fell 59.1% in constant dollars due to 30.4% and 26.2% decline in occupancy and average daily rate (ADR), respectively. These metrics were impacted by the coronavirus pandemic.

Comparable system-wide RevPAR in Asia Pacific (excluding China) fell 68.3% in constant dollars due to 37.3% and 37.3% decline in ADR and occupancy, respectively. Comparable system-wide RevPAR in Greater China plunged 37.9%.

On a constant-dollar basis, international comparable system-wide RevPAR fell 64.1% due to decline of 34.4% and 25% in occupancy and ADR, respectively. Moreover, comparable system-wide RevPAR in Europe and America declined 85.8% and 65.9%, respectively.

Total expenses fell 51% year over year to $2,232 million, primarily due to decline in Reimbursed expenses.

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to $296 million, down 33% year over year.

Balance sheet

At the end of the first quarter, Marriott's total debt amounted to $9.6 billion, compared with $9.5 billion in December 2020. The company's net liquidity at the end of quarter was nearly $4.7 billion.

Due to uncertainty surrounding the crisis, the company temporarily suspended its share repurchase programs and dividend payouts.

Unit Developments

At the end of first-quarter 2021, Marriott's development pipeline totaled nearly 2,825 hotels, with approximately 491,000 rooms. Further, nearly 222,000 rooms were under construction.

During the quarter, the company added 134 new properties (23,567 rooms) to its worldwide lodging portfolio.

Recent News

Marriott Boosts Presence in Japan With Hotel Opening — Jun 28, 2021

Marriott continues to focus on expanding presence globally. The company recently announced the opening of its 70th property in the Japan — Aloft Osaka Dojima.

Following this opening, the company has now 70 properties across 18 brands in 21 regions of the country, which includes cities like Tokyo, Osaka, Kyoto, Tochigi, Gifu and Wakayama. Moreover, Marriott announced it has 30 more hotels in the pipeline in Japan, out of which three hotels are likely to open later this year.

Valuation

Marriott's shares are up 6.3% in the year-to-date period and 63.4% in the trailing 12-month period. Stocks in the Zacks sub-industry are up by 4.4%, while the Zacks Consumer Discretionary sector are up by 12.2% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector is up by 49.5% and 51%, respectively.

The S&P 500 index is up 14.8% in the year-to-date period and 40.4% in the past year.

The stock is currently trading at 42.11X forward 12-month earnings, which compares to 42.2X for the Zacks sub-industry, 26.95X for the Zacks sector and 21.82X for the S&P 500 index.

Over the past five years, the stock has traded as high as 77.88X and as low as 10.15x, with a 5-year median of 22.38X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $143 price target reflects 44.40X forward 12-month earnings.

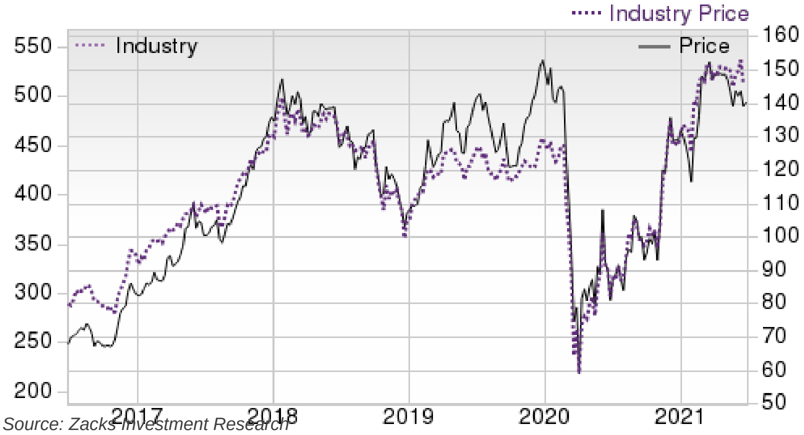
The table below shows summary valuation data for MAR.

Valuation Multiples - MAR

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	42.11	42.2	26.95	21.82
	5-Year High	77.88	66.15	31.88	23.83
	5-Year Low	10.15	16.71	14.49	15.31
	5-Year Median	22.38	23.49	18.09	18.05
P/S F12M	Current	2.86	3.08	3.36	4.75
	5-Year High	3.68	3.53	3.36	4.75
	5-Year Low	0.96	1.35	1.56	3.21
	5-Year Median	1.94	1.83	2.26	3.72
EV/EBITDA TTM	Current	89.07	81.11	17.4	17.59
	5-Year High	95.09	85.16	20.68	17.74
	5-Year Low	10.8	9.3	9.43	9.63
	5-Year Median	19.33	15.54	14.17	13.48

As of 06/28/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 27% (183 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Choice Hotels International, Inc. **(CHH)**	Neutral	3
Hyatt Hotels Corporation **(H)**	Neutral	3
Hilton Grand Vacations Inc. **(HGV)**	Neutral	3
Hilton Worldwide Holdings Inc. **(HLT)**	Neutral	3
ORIENTAL LAND **(OLCLY)**	Neutral	3
Sands China Ltd. **(SCHYY)**	Neutral	4
Marriott Vacations Worldwide Corporation **(VAC)**	Neutral	3
Intercontinental Hotels Group **(IHG)**	Underperform	4

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

Industry Comparison Industry: Hotels And Motels

	MAR	X Industry	S&P 500	H	HLT	SCHYY
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	D	-	-	F	F	B
Market Cap	44.08 B	6.52 B	30.38 B	7.90 B	33.62 B	33.39 B
# of Analysts	10	4.5	12	7	7	2
Dividend Yield	0.00%	0.00%	1.34%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	D	C
Cash/Price	0.01	0.08	0.06	0.20	0.07	NA
EV/EBITDA	115.62	-12.29	17.31	-21.35	-348.18	NA
PEG F1	10.74	1.03	2.10	NA	NA	NA
P/B	188.37	5.69	4.06	2.74	NA	12.23
P/CF	82.06	35.44	17.45	NA	82.70	12.05
P/E F1	65.00	37.49	21.17	NA	71.19	NA
P/S TTM	5.37	5.64	3.39	5.23	10.31	NA
Earnings Yield	1.54%	1.46%	4.62%	-6.60%	1.41%	-0.19%
Debt/Equity	40.11	1.12	0.66	1.03	-6.12	NA
Cash Flow ($/share)	1.66	1.27	6.86	-1.46	1.46	3.42
Growth Score	F	-	-	F	F	A
Historical EPS Growth (3-5 Years)	-1.52%	-0.80%	9.59%	3.58%	-17.90%	NA
Projected EPS Growth (F1/F0)	1,062.78%	131.16%	21.79%	5.13%	1,595.70%	95.74%
Current Cash Flow Growth	-77.76%	-56.68%	1.02%	-123.16%	-73.36%	7.79%
Historical Cash Flow Growth (3-5 Years)	-11.44%	-2.72%	7.34%	NA	-22.96%	-2.31%
Current Ratio	0.45	1.40	1.39	2.45	1.40	NA
Debt/Capital	97.57%	63.27%	41.51%	50.80%	NA	NA
Net Margin	-3.77%	-10.89%	12.06%	-59.83%	-25.79%	NA
Return on Equity	-57.49%	-4.73%	16.59%	-27.03%	-2.24%	NA
Sales/Assets	0.33	0.24	0.51	0.17	0.19	NA
Projected Sales Growth (F1/F0)	25.18%	33.17%	9.56%	41.25%	27.89%	153.41%
Momentum Score	A	-	-	C	B	D
Daily Price Change	-3.05%	-2.39%	0.23%	-4.27%	-3.02%	-3.11%
1-Week Price Change	0.94%	0.78%	1.56%	1.34%	0.61%	-2.66%
4-Week Price Change	-5.37%	-3.76%	2.06%	-0.58%	-3.63%	-9.56%
12-Week Price Change	-9.98%	-5.48%	5.22%	-9.41%	-3.73%	-18.64%
52-Week Price Change	56.89%	56.89%	40.53%	53.69%	63.31%	4.51%
20-Day Average Volume (Shares)	2,056,200	547,448	1,986,546	631,120	1,892,460	35,479
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

EPS F1 Estimate 12-Week Change	22.04%	4.67%	3.61%	-58.28%	4.67%	-161.54%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.48%	0.00%	NA

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	F
Momentum Score	A
VGM Score	D

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

Disclosures

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Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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