Sep 01, 2020

Morgan Stanley (MS)

$52.26 (As of 08/31/20)

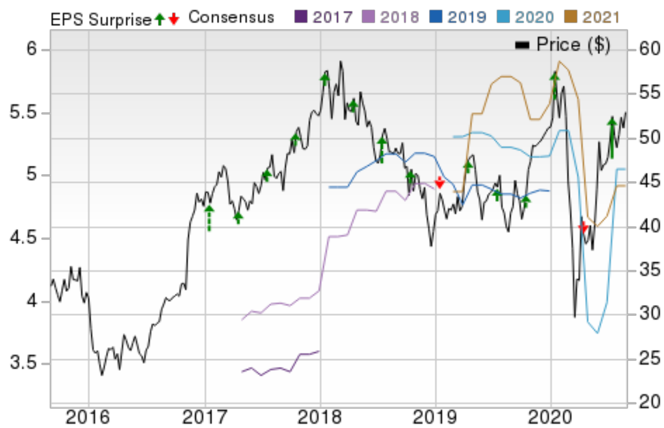
Price Target (6-12 Months): **$60.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 08/31/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: F	**1-Strong Buy** VGM:F Momentum: F

Summary

Morgan Stanley's shares have outperformed the industry so far this year. Its earnings surpassed the Zacks Consensus Estimate in three of the trailing four quarters. The company's plan to acquire E*Trade Financial is expected to provide support to its Wealth Management segment. Its focus on corporate lending operations and strength in Investment Management operations will likely aid the top line. Also, the company is aiming to change revenue mix and focus more on less capital-market driven sources. However, the financial impact from the same will be seen after some time and thus, the current significant dependence on capital-markets driven revenues makes us apprehensive. Higher costs is another concern. Nevertheless, the company is expected to continue to enhance shareholder value in the quarters ahead through efficient capital deployments.

Price, Consensus & Surprise

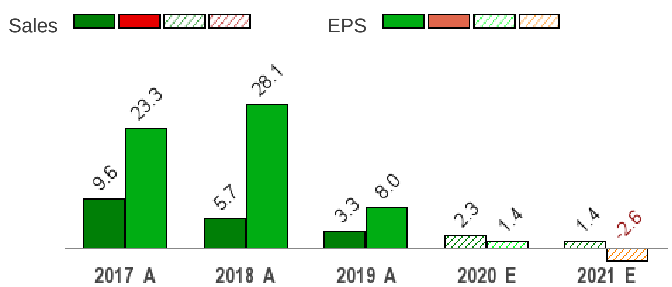


Source: Zacks Investment Research

Data Overview

52-Week High-Low	$57.57 - $27.20
20-Day Average Volume (Shares)	7,141,839
Market Cap	$82.4 B
Year-To-Date Price Change	2.2%
Beta	1.46
Dividend / Dividend Yield	$1.40 / 2.7%
Industry	Financial - Investment Bank
Zacks Industry Rank	Top 18% (44 out of 251)
Last EPS Surprise	74.4%
Last Sales Surprise	24.5%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	10/15/2020
Earnings ESP	0.0%
P/E TTM	9.6
P/E F1	10.4
PEG F1	1.1
P/S TTM	1.6

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	11,066 E	10,789 E	10,544 E	10,568 E	42,967 E
2020	9,487 A	13,414 A	9,744 E	9,734 E	42,377 E
2019	10,286 A	10,244 A	10,032 A	10,857 A	41,419 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$1.35 E	$1.21 E	$1.15 E	$1.13 E	$4.92 E
2020	$0.99 A	$2.04 A	$1.10 E	$1.03 E	$5.05 E
2019	$1.33 A	$1.23 A	$1.21 A	$1.20 A	$4.98 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 08/31/2020. The reports text is as of 09/01/2020.

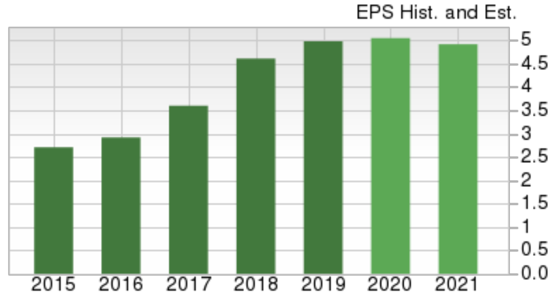
Overview

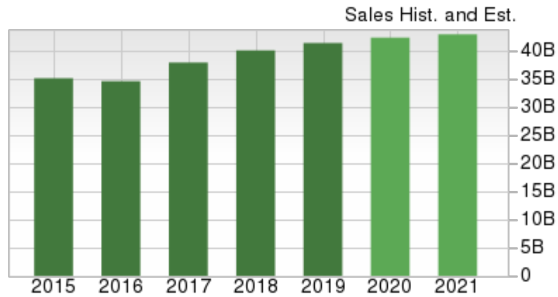
Founded in 1935 and incorporated under the laws of the State of Delaware in 1981, Morgan Stanley is the leading financial services holding company headquartered in New York. With 60,670 employees, the company serves a diversified group of clients and customers — including corporations, governments, financial institutions and individuals — through more than 1,200 offices across 41 countries.

The company's businesses are divided into three segments:

- The ***Institutional Securities*** ("IS") segment (49% of net revenues in 2019) includes capital raising; financial advisory services that include advices on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including foreign exchange and commodities; benchmark indices and risk management analytics; and investment activities.

- The ***Wealth Management*** ("WM") segment (43%) provides brokerage and investment advisory services covering various investment alternatives; financial and wealth planning services; annuity and other insurance products; credit and other lending products; cash management services; retirement services; and trust and fiduciary services and engages in fixed income principal trading.





- The ***Investment Management*** ("IM") segment (8%) provides global asset management products and services in equity, fixed income, alternative investments that include hedge funds and funds of funds, and merchant banking including real estate, private equity and infrastructure, to institutional and retail clients through proprietary and third-party distribution channels. The segment also engages in investment.

In 2019, Morgan Stanley acquired Canada-based Solium Capital Inc. and renamed it as Shareworks.

Source: Zacks Investment Research

Reasons To Buy:

Morgan Stanley's increased focus on less capital-market dependent operations and decent loan demand will aid revenue growth. Steady capital deployments reflect its strong balance sheet position.

- Morgan Stanley is undertaking several initiatives to restructure operations, with a goal of increasing reliable revenue sources. Thus, the company is focusing on segments that are less dependent on capital markets like the Wealth Management and Investment Management. Driven by these efforts, both the segment's aggregate contribution to net revenues jumped from 26% in 2010 to 51% in 2019. Further, WM segment's total client assets witnessed a three-year CAGR of 6.7% (2017-2019), with the uptrend continuing in the first half of 2020. Moreover, the Shareworks deal and the planned acquisition of E*Trade Financial will likely further strengthen the segment's performance. Morgan Stanley is also leveraging its business mix and global client footprint to boost IM segment's performance. IM segment's total assets balance recorded a five-year CAGR of 8% (ended 2019), with the uptrend continuing in the first six months of 2020. Notably, the company's partnership with MUFG will also support profitability.

- Moreover, Morgan Stanley is focused on strengthening its corporate banking unit, which has been leading to a steady rise in consolidated loans and lending commitments. The same witnessed a three-year CAGR of 9.8% (2017-2019), with the uptrend continuing in the first six months of 2020. These efforts have also resulted in an increase in net interest income (NII), which witnessed a four-year CAGR of 8.3% (2016-2019). The uptrend for NII continued in the first six months of 2020. While near-zero interest rates are expected to continue to hurt interest income growth to some extent in the near term, Morgan Stanley's top line will likely get support from steady loan growth.

- As of Jun 30, 2020, Morgan Stanley had total borrowings of $205.5 billion, higher than the cash and cash equivalents worth $106.3 billion. However, borrowings worth only $20.1 billion are expected to mature over the next 12 months. While the company's total debt to total capital of 70% at the end of the second quarter of 2020 increased sequentially, the same has remained steady in this range over the past several quarters. Thus, despite having higher debt burden, the company is expected to be able to meet near-term debt obligations even if the economic situation worsens owing to its sufficient liquidity position.

- We remain encouraged by Morgan Stanley's capital deployment activities. In June 2020, the company cleared the stress test and announced plans to continue maintaining dividend at the current level of 35 cents per share. The company has suspended share repurchases for the third quarter of 2020. Nevertheless, given its solid liquidity position and earnings strength, it is expected to be able to sustain current capital deployments.

- Shares of Morgan Stanley have outperformed the industry so far this year. The company's earnings estimates for 2020 have increased 28.2% over the past 60 days. Further, the stock seems to be trading at a discount when compared with the broader industry as its current price-to-book and price-earnings (F1) ratios are lower than the respective industry averages. Also, the stock has a Value Score of B. Given the strong fundamentals and positive estimate revisions, the stock has upside potential left.

Risks

- Morgan Stanley's Institutional Securities segment (mainly constituting trading and investment banking ("IB") businesses) depends on the overall performance of the capital markets. Driven by the coronavirus outbreak-induced market volatility along with higher client activities, the trading business recorded impressive growth in the first six months of 2020. Also, overall segment revenues witnessed an increase in the first half of this year. However, the segment's top-line performance was dismal in 2019, as the challenging operating environment resulted in volatile client activities, and muted equity/debt issuances and M&As. In fact, due to the continued fears about the impact of the virus, M&As have remained muted since the beginning of 2020. Thus, as the coronavirus-induced slowdown is likely to persist in the near term, the segment's future performance remains uncertain as it depends on market developments and client volumes.

- Despite Morgan Stanley's restructuring and streamlining efforts that resulted in achieving cost savings target of $1 billion in 2017, expenses have been increasing. Operating expenses recorded a four-year CAGR of 5.3% (till 2019), with the uptrend continuing in the first six months of 2020. Overall costs are expected to remain elevated, given the steadily increasing revenues (leading to higher compensation costs), the company's investments in franchise and inorganic growth efforts.

- Also, Morgan Stanley's trailing 12-month return on equity (ROE) undercuts its growth potential. The company's ROE of 11.90% compares unfavorably with ROE of 12.32% for the industry and 14.66% for the S&P 500. This reflects that it is less efficient in using shareholders' funds.

Last Earnings Report

Morgan Stanley Q2 Earnings Beat Estimates on IB, Trading Strength

Quarter Ending	06/2020
Report Date	Jul 16, 2020
Sales Surprise	24.47%
EPS Surprise	74.36%
Quarterly EPS	2.04
Annual EPS (TTM)	5.44

Morgan Stanley's second-quarter 2020 adjusted earnings of $2.04 per share hugely surpassed the Zacks Consensus Estimate of $1.17. Also, the figure improved 66% from the year-ago quarter.

The company's trading business delivered a stellar performance. Fixed income trading revenues soared 168% year over year and equity trading income grew 23%. Thus, overall trading revenues jumped 68% from the year-ago period.

Further, the IB business was impressive, despite weakness in advisory (resulting in a 9% year-over-year decline in corresponding fees). Equity underwriting fees jumped 62%, while fixed income underwriting revenues surged 68% from the prior-year quarter. Therefore, IB fees rose 39% from the year-ago quarter.

Additionally, higher net interest income — driven by a rise in loan balance (up 14%) and lower interest expenses — supported the top line.

However, mounting operating expenses hurt the results to some extent. The company recorded provision for credit losses on loans and lending commitments of $239 million, up significantly from $18 million in the prior-year quarter.

Net income applicable to common shareholders during the quarter was $3.05 billion, which grew 50% from a year ago.

Improved Trading Aids Revenues, Costs Rise

Net revenues were $13.41 billion, surging 31% from the prior-year quarter. Moreover, the top line beat the Zacks Consensus Estimate of $10.78 billion.

Net interest income was $1.6 billion, which jumped 55% from the year-ago quarter. This was largely due to a 78% plunge in interest expenses.

Total non-interest revenues of $11.81 billion grew 28% year over year.

Total non-interest expenses were $9.06 billion, up 23% from the prior-year number. The increase was largely due to a 33% increase in compensation and benefits cost.

Solid Segmental Performance

Institutional Securities**:** Pre-tax income from continuing operations was $2.99 billion, growing substantially from $1.46 billion in the prior year quarter. Net revenues were $7.98 billion, soaring 56% year over year. The rise was mainly driven by higher IB and trading revenues.

Wealth Management: Pre-tax income from continuing operations totaled $1.14 billion, down 8% from the year-ago figure. Net revenues were $4.68 billion, increasing 6% year over year, as higher transactional revenues and a slight increase in net interest income were partially offset by lower asset management revenues.

Investment Management: Pre-tax income from continuing operations was $216 million, rising 9% from the year-ago quarter. Net revenues were $886 million, up 6% from the prior-year level. The increase was mainly attributed to a rise in asset management fees, partially offset by lower investment revenues.

As of Jun 30, 2020, total assets under management or supervision were $665 billion, up 34% on a year-over-year basis.

Strong Capital Position

As of Jun 30, 2020, book value per share was $49.57, up from $44.13 in the corresponding period of 2019. Tangible book value per share was $43.68, up from $38.44 in the comparable year-ago period.

Morgan Stanley's Tier 1 capital ratio was 18.1% compared with 18.3% in the year-ago quarter. Tier 1 common equity ratio was 16.1%, down from 16.3% in the prior year.

Guidance

The company expects integration and acquisition-related expenses to erode margins by 50-100 basis points (bps) in the third quarter of 2020.

Also, NII is anticipated to decline in the remaining half of 2020.

The company expects 2020 core tax rate to be 22-23%.

Recent News

Morgan Stanley Teams Up With Brokers to Offer P&C Insurance - Aug 3, 2020

With an aim to expand the current insurance offerings, Morgan Stanley has collaborated with HUB International, Marsh Private Client Services and Willis Towers Watson. Teaming up with these insurance brokers, Morgan Stanley plans to offer Property & Casualty insurance to its high net worth clients and their families in order to lessen potential risks associated with property loss and general liability.

Morgan Stanley's traditional insurance services include life insurance, long-term care insurance and disability insurance, which it currently makes available through its Wealth Management Investment Solutions Insured Solutions business. This new arrangement is expected to complement the traditional insurance business.

Through the new arrangement, the insurance brokers will help Morgan Stanley's clients assess their risk exposures and hence will provide them solutions to help protect their assets.

There will be policy reviews to ensure that clients are properly insured and their current policies are most appropriate for their needs. Also, clients will be alerted of situations for which extra precautions are required and there will be a streamlined approach for processing insurance claims.

Joseph Toledano, the head of Insured Solutions, Morgan Stanley Wealth Management Investment Solutions stated, "Our clients place a high priority on asset protection and by working with these industry-leading insurance brokers, Morgan Stanley can address their need for a comprehensive insurance strategy as part of their overall relationship."

Morgan Stanley to Launch a Wealth Management Unit in Canada - May 20, 2020

Morgan Stanley plans to launch a full-service wealth management unit in Canada with an aim to bolster the existing services it provides to the country. The plans are subject to regulatory approval.

The new unit, Morgan Stanley Wealth Management Canada, will be part of Shareworks by Morgan Stanley that administers stock plans for employees and executives at Canadian companies. Also, it has partnered with Canaccord Genuity as its deployment partner for the business.

The move will expand the services Morgan Stanley currently provides in Canada, which include full-service and virtual financial advisors, a discount self-directed investing solution and online investment management.

"Morgan Stanley's leading U.S. wealth management platform has over $2.4 trillion in assets under management and is supported by more than 15,000 financial advisors. We're excited to expand our wealth management footprint into Canada with a solution that's tailored to the Canadian market." said Laura Adams, head of institutional distribution in Canada and Morgan Stanley Wealth Management Canada.

Morgan Stanley has been providing services in Canada since 1960 and has offices in Toronto, Calgary, Vancouver and Montreal, where it employs more than 1,500 Canadians.

Morgan Stanley to Acquire E*TRADE for $13 Billion - Feb 20, 2020

Morgan Stanley announced an all-stock deal to acquire Arlington, VA-based E*TRADE Financial for $13 billion. Post completion, Morgan Stanley will be well positioned as a leader in the Wealth Management industry across all channels and wealth segments, with significant increase in the scale and breadth of its franchise.

E*TRADE's more-than 5.2-million client accounts and $360 billion of retail client assets will augment Morgan Stanley's current 3-million client relationships and $2.7 trillion of client assets. Thus, the combined entity will have client assets worth $3.1 trillion, 8.2 million retail client relationships and accounts, and 4.6 million stock-plan participants.

Morgan Stanley will be able to serve clients with superior products and services catering the advisor-driven model, combined with E*TRADE's direct-to-consumer and digital processes. Moreover, the deal is in sync with the company's aim for transition toward "a more balance-sheet light business mix", with strong and diversified revenue sources.

"E*TRADE represents an extraordinary growth opportunity for our Wealth Management business and a leap forward in our Wealth Management strategy. The combination adds an iconic brand in the direct-to-consumer channel to our leading advisor-driven model, while also creating a premier Workplace Wealth provider for corporations and their employees. E*TRADE's products, innovation in technology, and established brand will help position Morgan Stanley as a top player across all three channels: Financial Advisory, Self-Directed, and Workplace," said James Gorman, chairman and CEO of Morgan Stanley.

The deal still awaits certain regulatory approvals and customary approvals by shareholders of E*TRADE. The transaction is anticipated to close in the final quarter of 2020.

Besides, Moody's has placed Morgan Stanley's ratings under review for upgrade.

Terms of the Deal

Per terms of the deal, each shareholder of E*TRADE will get stock equivalent to 1.0432 of Morgan Stanley shares for every E*TRADE share held. This represents per share value of $58.74 based on the closing price of Morgan Stanley common stock as on Feb 19, 2020.

Strategically, the combined entity will enhance through advanced technologies, innovative products and create a competitive edge with financial stability. Remarkably, on completion of the acquisition, online brokerage and digital banking services will enhance clients' experience.

Mike Pizzi, CEO of E*TRADE, will join Morgan Stanley, looking after the E*TRADE business within Morgan Stanley and head the ongoing integration process. Moreover, one of E*TRADE's independent directors is likely to join Morgan Stanley's board.

Financial Benefits

Catering huge funding benefits to Morgan Stanley, the deal comes with around $56 billion of low-cost deposits. The acquisition move follows the investment bank's efforts to focus on balance-sheet light and more lasting sources of revenues. Notably, post integration, the combined wealth and investment management businesses are likely to contribute about 57% of the bank's pre-tax profits, excluding potential synergies, above the 26% recorded in 2010.

Post combination, significant cost savings worth $400 million is expected with optimization of technology infrastructure and shared corporate services, along with funding synergies of $150 million from E*TRADE's around $56 billion of deposits. In addition, $7.3 trillion of combined current customer assets is likely to generate significant revenue opportunities.

Per Morgan Stanley, the acquisition is likely to be accretive once fully phased-in estimated cost and funding synergies are realized. Furthermore, the company's common equity tier 1 ratio is estimated to improve by more than 30 basis points (bps) on closure and augment return on tangible common equity by more than 100 bps, with fully phased-in cost and funding synergies. Apart from this, Wealth Management's pre-tax profit margin is expected to be up more than 30%.

Dividend Update

On Jul 16, Morgan Stanley announced a quarterly cash dividend of 35 cents per share. The dividend was paid out on Aug 14 to shareholders of record as of Jul 31.

Valuation

Morgan Stanley's shares are up 2.2% in the year-to-date period and 25.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 7% and 14.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 9.6% while the sector is down 5.2%.

The S&P 500 index is up 9% in the year-to-date period and 20.2% in the past year.

The stock is currently trading at 10.54X forward 12 months earnings, which compares to 12.50X for the Zacks sub-industry, 16.91X for the Zacks sector and 23.47X for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.94X and as low as 5.21X, with a 5-year median of 10.20X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $60 price target reflects 12.10X forward earnings.

The table below shows summary valuation data for MS

Valuation Multiples - MS

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.54	12.5	16.91	23.47
	5-Year High	15.94	15.31	16.91	23.47
	5-Year Low	5.21	6.02	11.6	15.25
	5-Year Median	10.2	11.43	14.26	17.6
P/TB TTM	Current	1.16	2.03	3.42	13.83
	5-Year High	1.72	3.35	4	13.83
	5-Year Low	0.69	1.4	2.01	6.03
	5-Year Median	1.17	2.37	3.48	9.53
P/S F12M	Current	1.93	3.65	6.23	3.84
	5-Year High	2.67	4.54	6.67	3.84
	5-Year Low	1.06	2.76	4.97	2.53
	5-Year Median	1.92	3.56	6.07	3.07

As of 08/31/2020

Industry Analysis **Zacks Industry Rank:** Top 18% (44 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
TD Ameritrade Holding Corporation **(AMTD)**	Outperform	1
The Goldman Sachs Group, Inc. **(GS)**	Neutral	3
JPMorgan ChaseCo. **(JPM)**	Neutral	3
KeyCorp **(KEY)**	Neutral	3
LPL Financial Holdings Inc. **(LPLA)**	Neutral	3
Nomura Holdings Inc ADR **(NMR)**	Neutral	2
Raymond James Financial, Inc. **(RJF)**	Neutral	4
The Charles Schwab Corporation **(SCHW)**	Neutral	3

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

Industry Comparison Industry: Financial - Investment Bank

Industry Peers

	MS	X Industry	S&P 500	GS	NMR	SCHW
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	2	3
VGM Score	F	-	-	D	B	F
Market Cap	82.40 B	809.67 M	23.72 B	70.49 B	15.95 B	45.79 B
# of Analysts	7	2	14	3	2	7
Dividend Yield	2.68%	0.00%	1.65%	2.44%	1.51%	2.03%
Value Score	C	-	-	C	B	F
Cash/Price	3.71	0.76	0.07	5.68	10.79	1.43
EV/EBITDA	-0.96	2.49	13.28	-8.29	-0.30	-1.27
PEG F1	1.08	1.08	3.03	6.98	0.12	NA
P/B	1.04	1.79	3.17	0.89	0.61	1.79
P/CF	7.46	8.93	12.87	7.13	6.19	9.98
P/E F1	10.35	14.50	21.63	16.68	6.37	16.66
P/S TTM	1.57	1.51	2.53	1.30	0.88	4.41
Earnings Yield	9.66%	6.60%	4.39%	5.99%	15.70%	5.99%
Debt/Equity	2.58	0.36	0.70	2.82	5.83	0.33
Cash Flow ($/share)	7.01	2.30	6.93	28.72	0.83	3.56
Growth Score	F	-	-	D	B	F
Historical EPS Growth (3-5 Years)	21.48%	20.42%	10.41%	7.53%	8.82%	28.06%
Projected EPS Growth (F1/F0)	1.38%	-13.36%	-4.75%	-41.59%	30.65%	-21.58%
Current Cash Flow Growth	9.18%	-0.49%	5.22%	-13.72%	-769.69%	9.66%
Historical Cash Flow Growth (3-5 Years)	13.46%	12.22%	8.49%	0.72%	-0.28%	22.65%
Current Ratio	0.75	1.21	1.35	0.76	1.01	0.30
Debt/Capital	70.01%	25.20%	42.92%	71.21%	85.37%	21.67%
Net Margin	17.78%	9.74%	10.25%	13.40%	15.61%	31.48%
Return on Equity	11.90%	12.32%	14.66%	9.07%	10.97%	15.86%
Sales/Assets	0.06	0.19	0.50	0.05	0.04	0.03
Projected Sales Growth (F1/F0)	2.31%	0.00%	-1.40%	7.23%	-29.37%	-6.13%
Momentum Score	F	-	-	F	F	F
Daily Price Change	-1.19%	-0.31%	-0.82%	-1.37%	0.00%	-2.07%
1-Week Price Change	3.50%	0.11%	2.59%	2.61%	1.78%	5.31%
4-Week Price Change	5.66%	2.52%	3.55%	2.75%	7.28%	6.57%
12-Week Price Change	4.21%	-0.40%	-0.44%	-7.22%	8.86%	-15.04%
52-Week Price Change	25.96%	-4.69%	2.80%	0.47%	27.09%	-7.16%
20-Day Average Volume (Shares)	7,141,839	61,677	1,839,384	2,718,240	157,050	7,961,211
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%	0.20%	-32.17%	0.00%	-0.33%
EPS F1 Estimate 12-Week Change	37.96%	20.22%	3.87%	-11.03%	55.77%	2.26%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.13%	0.00%	0.00%

Source: Zacks Investment Research

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.

Value Score	C
Growth Score	F
Momentum Score	F
VGM Score	F

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.

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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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.