

Peoples United (PBCT)

\$18.73 (As of 02/23/21)

Price Target (6-12 Months): **\$22.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 01/28/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:D

Value: C

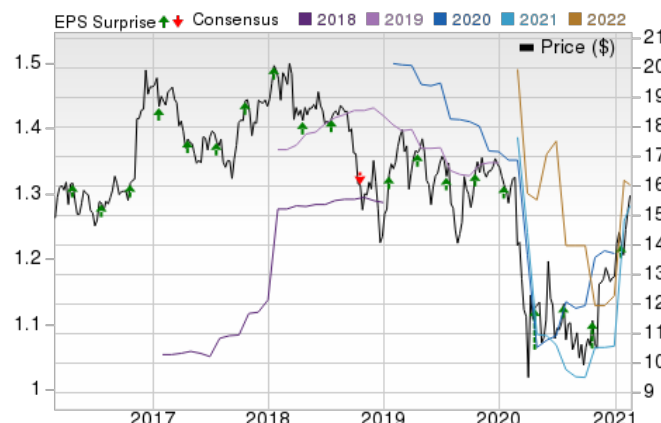
Growth: D

Momentum: D

Summary

Shares of People's United have outperformed the industry in the past three months. Also, the company has an impressive earnings surprise history, having surpassed the Zacks Consensus Estimate in the trailing four quarters. The company is growing through acquisitions, aided by a healthy balance-sheet position. Despite the prevailing low -interest rates, some support to net interest margin (NIM) is expected with growth in loans. Though, the company's significant exposure to commercial loans and rising expenses on account of merger-related costs keeps us apprehensive, improving credit quality is a tailwind. Also, People's United, on the back of solid liquidity position, carries a lesser likelihood of default of interest and debt repayments if the economic situation worsens. Recently, the company signed an all-stock deal to merge with M&T Bank.

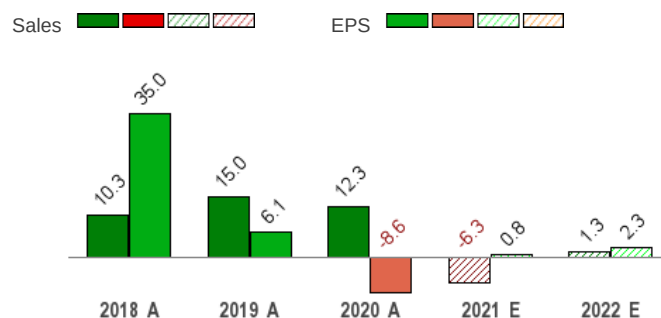
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$18.77 - \$9.37
20-Day Average Volume (Shares)	6,406,641
Market Cap	\$7.7 B
Year-To-Date Price Change	39.4%
Beta	1.23
Dividend / Dividend Yield	\$0.72 / 3.8%
Industry	Financial - Savings and Loan
Zacks Industry Rank	Top 10% (25 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	9.4%
Last Sales Surprise	14.8%
EPS F1 Estimate 4-Week Change	10.6%
Expected Report Date	04/22/2021
Earnings ESP	-0.3%

P/E TTM	14.3
P/E F1	14.6
PEG F1	7.3
P/S TTM	3.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	492 E	500 E	513 E	522 E	1,964 E
2021	487 E	486 E	481 E	483 E	1,938 E
2020	520 A	495 A	493 A	561 A	2,069 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.29 E	\$0.30 E	\$0.32 E	\$0.34 E	\$1.31 E
2021	\$0.34 E	\$0.32 E	\$0.31 E	\$0.30 E	\$1.28 E
2020	\$0.33 A	\$0.24 A	\$0.34 A	\$0.35 A	\$1.27 A

*Quarterly figures may not add up to annual.

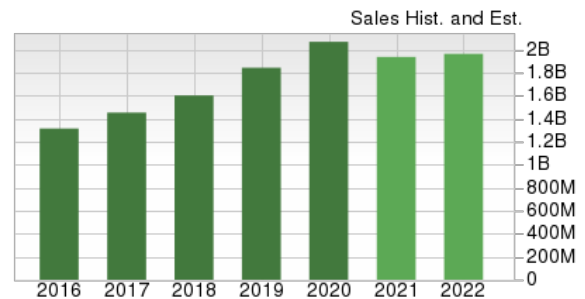
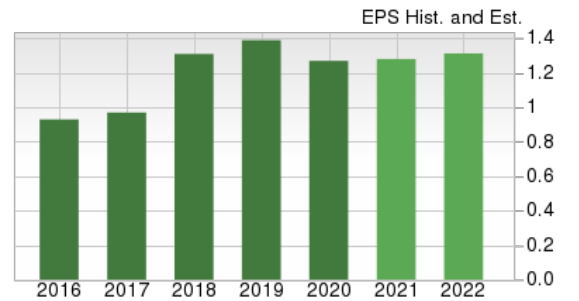
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 02/23/2021. The report's text and the analyst-provided price target are as of 02/24/2021.

Overview

Founded in 1842 and headquartered in Bridgeport, CT, People's United Financial Inc. is a diversified financial services company operating across Connecticut, Vermont, New Hampshire, Maine, Massachusetts and New York. Effective Feb 23, 2015, the company converted to a bank holding company and simultaneously People's United Bank converted to a national banking association.

The company's operations are divided into 3 primary business segments that represent its core businesses: Commercial Banking, Retail Banking and Wealth Management. However, it reports through 2 segments:

- Commercial Banking segment consists principally of commercial and industrial lending, commercial real estate lending and commercial deposit gathering activities. This segment also includes institutional trust services, corporate trust and private banking.
- Retail Banking segment includes consumer and small business deposit gathering activities, consumer lending (including residential mortgage and home equity), consumer deposit gathering. Additionally, the segment consists of brokerage, financial advisory services, investment management services and life insurance provided by People's Securities, Inc. and non-institutional trust services.



In addition, the *Treasury* includes People's United's securities portfolio, short-term investments and brokered deposits as well as wholesale borrowings. *Other* includes the residual financial impact from allocation of revenues and expenses, and certain revenues and expenses not attributable to a particular segment, and certain non-recurring items.

Last November, People's United Bank completed the divestiture of People's United Insurance Agency to AssuredPartners in an all-cash deal worth \$120 million. In November 2019, the company acquired United Financial Bancorp, while in April, it completed the acquisition of BSB Bancorp. In 2018, People's United acquired First Connecticut Bancorp and its wholly owned subsidiary, Farmington Bank to fortify its presence in Connecticut. In 2017, the company acquired LEAF Commercial Capital and Suffolk Bancorp. Further, its banking subsidiary acquired Vend Lease Company. In November 2016, People's United Bank acquired Gerstein Fisher.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ People's United is focused on acquiring the industry's best deposit franchise. The company's total deposits and loans have witnessed a five-year compound annual growth rate (CAGR) (2016-2020) of 15% and 10.2%, respectively. Notably, deposits form nearly 76% of the company's funding base. With steady economic recovery, rising loans and deposits are expected to support the company's prospects.
- ▲ People's United has experienced rise in NIM over the past few years. It improved in 2017, 2018 and 2019 on improvement in loan yields. Though interest rates at near-zero level in order to support the U.S. economy from the coronavirus outbreak-induced slowdown might impact the company's NIM, decent lending scenario is likely to support. Notably, NIM declined in 2020 on lower rates.
- ▲ As of Dec 31, 2020, the company has exposure to total debt of \$2.2 billion, which has remained stable over the past few quarters. With a cash and equivalents of \$4.2 billion and time-interest-earned ratio of 14.5X which has grown consistently over the past few quarters, People's United carries a low credit risk and has a lesser likelihood of default of interest and debt repayments if the economic situation worsens.
- ▲ Strong credit quality is another positive for People's United. Credit quality displayed weakness in 2016 largely due to the continued slump in energy sector loans, the trend reversed in the following years. Also, non-performing assets and the ratio of net loan charge-offs to average total loans declined, driven by strengthening economy. Though the credit metrics were under pressure in 2020 due to the coronavirus mayhem, the same is expected to improve with the normalization of activities.
- ▲ People's United's capital deployment activities are encouraging. In April 2020, the company hiked its quarterly dividend payout by 1.4%, marking the 27th consecutive annual dividend hike. In July 2019, the company's board approved repurchase of up to 20 million common shares. With favorable debt/equity ratio and consistently improving quarterly performance, the company's capital-deployment activities seem sustainable, going forward.
- ▲ People's United continues to benefit from a healthy business portfolio that has grown inorganically over time. Since 2016, the company has maintained an acquisition spree fortifying its footprint in various areas. These transactions are anticipated to continue being accretive to earnings. In November 2020, the company completed the divestiture of People's United Insurance Agency ("PUIA"). The deal is likely to record a pre-tax net gain of about \$75.9 million, in turn, improving the CET1 ratio by 15 basis points. In November 2019, the company completed acquisition of United Financial Bancorp in a 100% stock transaction valued at around \$759 million. Recently, People's United announced plans to merge with M&T Bank Corporation. in an all-stock deal worth \$7.6 billion. This merger will likely provide significant long-term value to its shareholders and provide the bank's customers with access to a larger banking network.
- ▲ Shares of People's United have outperformed the industry over the past three months. The company's 2021 earnings estimate has been revised 10.3% upward over the past 30 days. The stock seems undervalued when compared with the broader industry. Its current price-earnings (F1) and price-to-book value ratios are below the respective industry averages. Therefore, given the progress on fundamentals and positive estimate revisions, the stock has upside potential.

People's United remains focused on opportunistic acquisitions that will aid long-term growth. Additionally, it benefits from rising loans, strong liquidity position and improving credit quality.

Risks

- Despite undertaking a number of expense-saving initiatives, People's United's operating expenses have witnessed a five-year CAGR (2016-2020) of 8.7%. Notably, expenses have been rising due to merger-related costs, and higher compensation and benefits costs. Though the company is focused on optimizing its branch network and initiated installation of technology to improve efficiencies and reduce costs, elevated expense levels are likely to limit bottom-line expansion.
 - Majority of People's United's loan portfolio — nearly 75% as of Dec 31, 2020 — comprises total commercial loans (commercial and industrial lending as well as commercial real estate lending and equipment financing). Such lack of diversification can be risky for the company in case of any downturn.
 - People's United's trailing 12-month return on equity (ROE) undercuts its growth potential. Though the company's ROE of 7.15% has gradually improved over the years, it compares unfavorably with the 14.86% S&P 500 average, highlighting that it is less efficient in using shareholders' funds.
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Last Earnings Report

People's United Q4 Earnings Beat, Revenue Escalates

People's United delivered fourth-quarter 2020 operating earnings of 35 cents per share, beating the Zacks Consensus Estimate of 32 cents. The reported figure, however, comes in below the prior-year quarter figure of 37 cents.

Rise in revenues, aided by high fee income, drove the results. Lower expenses reflect prudent expense management. Also, decent loan and deposit balances reflect organic growth, with its capital position remaining strong. However, elevated provisions were an undermining factor. Margin pressure also prevailed.

Net income available to common shareholders came in at \$204.2 million or 49 cents per share compared with the \$134 million or 31 cents reported in the prior-year quarter.

For full-year 2020, earnings per share came in at \$1.27, outpacing the Zacks Consensus Estimate of \$1.21. The figure, however, compares unfavorably with the \$1.39 earned in the prior year.

Revenues Jump, Expenses Decline

For full-year 2020, the company reported net revenues of \$2.1 billion, up 10.5% year on year.

Net revenues, on a fully-taxable basis, were up 10.5% year over year to \$568.4 million in the fourth quarter.

Net interest income, on a fully-taxable basis, totaled \$390.2 million, flat year over year. Lower interest expenses were offset by reduced interest and dividend income. Net interest margin contracted 30 basis points (bps) year on year to 2.84%.

Non-interest income jumped 43.5% year over year to \$178.2 million. Gain on sale of business was recorded during the fourth quarter. Rise in commercial banking lending fees and cash management fees led to this upsurge. Lower bank service charges, investment management fees, insurance revenues, net customer interest rate swap income and other non-interest income were on the downside.

Non-interest expenses decreased 9.9% on a year-over-year basis to \$293.4 million. Fall in almost all components of expenses resulted in this decline.

Efficiency ratio was 55.5% compared with the 53.7% recorded in the prior-year period. An increase in the ratio indicates lower profitability.

As of Dec 31, 2020, total loans were \$43.9 billion, down 2.9% from the prior quarter. Yet, total deposits jumped 5% sequentially to \$52.1 billion.

Credit Quality: A Concern?

Credit metrics deteriorated during the October-December period. As of Dec 31, 2020, non-performing assets were \$341.6 million, considerably up 42.2% year on year. Ratio of non-performing loans to total loans expanded 24 basis points (bps) from the year-earlier quarter to 0.75%.

Also, net loan charge-offs doubled year on year to \$13.4 million. Net loan charge-offs as a percentage of average total loans were 0.12% on an annualized basis, up 6 bps year over year. Provision for loan losses more than doubled to \$14.7 million on a year-over-year basis.

Robust Capital Position and Profitability Ratios

Capital ratios of People's United remained strong. As of Dec 31, 2020, total risk-based capital ratio increased to 12.4% from the 12% recorded in the comparable quarter last year. Tangible equity ratio was 7.5%, down from the 8% reported in the year-ago quarter. Tier 1 leverage ratio was 8.4% compared with the 9.1% witnessed in the comparable period last year.

The company's profitability ratios were also solid. Return on average tangible common equity was 18.4%, up from the prior-year quarter's 12.8%. Return on average assets of 1.33% edged up from the 0.98% reported in the year-earlier quarter.

2021 Outlook

Loans are expected in the range of 0-3% (excluding PPP loans). Deposits are likely to be in the growth range of -2 to +2%.

Net interest income is expected to decline 2-4%. Assuming no change in the fed funds rate, net interest margin is projected to be in the range of 2.85-2.95%.

Non-interest income is likely to grow 1-3% from the prior-year adjusted expense base of \$372 million.

Operating non-interest expense is expected to be in the range of \$1.15 billion-\$1.18 billion. Provisions are expected in the range of \$60-\$80 million.

Effective tax rate to range in 20-22%.

Common equity tier 1 capital ratio is projected at 10-10.5%.

Quarter Ending 12/2020

Report Date	Jan 21, 2021
Sales Surprise	14.76%
EPS Surprise	9.38%
Quarterly EPS	0.35
Annual EPS (TTM)	1.26

Recent News

M&T Bank Corporation to Merge with People's United Financial Inc. - Feb 2, 2021

M&T Bank Corporation has agreed to acquire People's United in an all-stock merger deal worth \$7.6 billion. The transaction is expected to close in the last quarter of 2021, subject to customary approvals.

The amalgamated company will have about \$200 billion in assets and a network of more than 1,100 branches and more than 2,000 ATMs spread across 12 states from Maine to Virginia and the District of Columbia, post the acquisition completion.

Terms of the deal

As per the deal, People's United shareholders are warranted to receive 0.118 of share of M&T Bank common stock for each People's United's share that they own. Hence, People's United shareholders will own nearly 28% of the combined company.

Also, People's United's current headquarters in Bridgeport, CT, will become the New England regional headquarters for M&T Bank.

René Jones, Chairman and CEO of M&T Bank, will continue to serve as Chairman and CEO of the combined company. Jack Barnes, Kirk Walters and three other current members of the board of directors of People's United will join M&T Bank's board of directors.

Benefits of Deal

M&T Bank expects the deal to be instantly accretive to its tangible book value per share. Also, the merger will result in M&T Bank's earnings accretion of 10-12% in 2023, suggesting estimated annual cost synergies of \$330 million.

Notably, the merger will create a diversified, community-focused banking franchise in the Northeast and Mid-Atlantic regions. Also, a complementary top-tier deposit share in core markets is another positive factor.

Moreover, footprint spread across an economically diverse region, which accounts for more than 20% of the U.S. population and more than 25% of U.S. GDP, is expected to bode well for the combined company's long-term growth prospects.

The merger between M&T Bank and People's United is expected to boost growth prospects and the creation of shareholder value.

Dividend Update

On Jan 21, People's United's board of directors announced a quarterly common stock dividend of 18 cents per share. The dividend was paid on Feb 15 to common shareholders of record as on Feb 1, 2021.

Valuation

People's United's shares are up 73.2% in the six months period but down 21.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 50.8% and 24.3% in the past six months, respectively. Over the past year, the Zacks sub-industry and sector are up 12.0% and 10.9%, respectively.

The S&P 500 Index is up 13.4% and 26% in the six months period and trailing 12-month period, respectively.

The stock is currently trading at 14.57X forward 12 months earnings, which compared to 12.75X for the Zacks sub-industry, 17.06X for the Zacks sector and 22.47X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 21.37X and as low as 7.49X, with a 5-year median of 13.45X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$22 price target reflects 14.38X forward earnings.

The table below shows summary valuation data for PBCT

Valuation Multiples - PBCT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.57	12.75	17.06	22.47
	5-Year High	21.37	18.34	17.12	23.8
	5-Year Low	7.49	9.2	11.59	15.3
	5-Year Median	13.45	13.09	14.56	17.84
P/TB TTM	Current	1.75	1.56	3.9	20.27
	5-Year High	2.28	9.98	4.05	20.58
	5-Year Low	0.97	0.84	2.05	7.83
	5-Year Median	1.77	1.56	3.56	11.07
P/S F12M	Current	4.01	2.7	7.17	4.52
	5-Year High	4.53	3.46	7.17	4.52
	5-Year Low	2.09	1.99	5.02	3.21
	5-Year Median	3.49	2.89	6.12	3.68

As of 02/23/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 10% (25 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
CullenFrost Bankers, Inc. (CFR)	Outperform	1
Comerica Incorporated (CMA)	Outperform	1
East West Bancorp, Inc. (EWBC)	Outperform	1
SVB Financial Group (SIVB)	Outperform	1
Synovus Financial Corp. (SNV)	Outperform	1
Webster Financial Corporation (WBS)	Outperform	1
BOK Financial Corporation (BOKF)	Neutral	3
Commerce Bancshares, Inc. (CBSH)	Neutral	3

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

Industry Comparison Industry: Financial - Savings And Loan				Industry Peers		
	PBCT	X Industry	S&P 500	BOKF	CFR	WBS
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	1	-	-	3	1	1
VGM Score	D	-	-	D	F	F
Market Cap	7.66 B	142.63 M	27.54 B	6.10 B	6.66 B	4.91 B
# of Analysts	10	2	13	6	8	7
Dividend Yield	4.00%	2.33%	1.44%	2.40%	2.73%	2.94%
Value Score	C	-	-	C	F	D
Cash/Price	0.64	0.67	0.06	0.55	1.57	0.06
EV/EBITDA	6.60	7.19	15.26	6.30	-5.78	8.64
PEG F1	7.32	1.22	2.33	NA	2.14	NA
P/B	0.99	1.05	3.88	1.17	1.61	1.59
P/CF	13.50	10.98	15.88	10.63	15.55	18.89
P/E F1	14.63	13.09	20.84	12.25	20.35	14.75
P/S TTM	3.32	2.68	3.09	2.89	4.48	3.81
Earnings Yield	7.10%	7.64%	4.69%	8.16%	4.91%	6.78%
Debt/Equity	0.20	0.41	0.66	0.58	0.06	0.23
Cash Flow (\$/share)	1.39	1.58	6.63	8.31	6.86	2.92
Growth Score	D	-	-	F	F	F
Historical EPS Growth (3-5 Years)	11.20%	9.46%	9.34%	14.39%	1.84%	11.77%
Projected EPS Growth (F1/F0)	0.87%	21.86%	14.09%	14.38%	1.57%	34.57%
Current Cash Flow Growth	-7.95%	0.77%	1.38%	7.34%	-29.36%	-44.02%
Historical Cash Flow Growth (3-5 Years)	12.60%	12.40%	7.62%	8.19%	1.85%	-2.59%
Current Ratio	0.91	0.98	1.39	0.78	0.74	0.77
Debt/Capital	16.56%	28.22%	41.22%	36.83%	5.20%	17.81%
Net Margin	24.81%	19.51%	10.65%	20.59%	22.28%	17.14%
Return on Equity	7.15%	7.26%	14.88%	8.49%	6.14%	8.42%
Sales/Assets	0.04	0.04	0.51	0.05	0.04	0.04
Projected Sales Growth (F1/F0)	-6.33%	0.00%	6.71%	-4.70%	-5.64%	0.84%
Momentum Score	D	-	-	C	F	F
Daily Price Change	3.94%	0.00%	0.13%	1.76%	1.20%	1.47%
1-Week Price Change	3.50%	1.21%	-0.16%	2.66%	2.94%	3.86%
4-Week Price Change	29.62%	4.75%	2.51%	13.56%	10.16%	9.57%
12-Week Price Change	46.33%	13.79%	7.79%	28.64%	24.45%	41.94%
52-Week Price Change	21.70%	-1.30%	16.24%	14.08%	19.87%	31.02%
20-Day Average Volume (Shares)	6,406,641	7,771	2,059,932	173,673	512,339	446,247
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	-0.02%	0.00%
EPS F1 Estimate 4-Week Change	10.62%	13.42%	0.64%	3.46%	8.34%	6.26%
EPS F1 Estimate 12-Week Change	20.34%	17.42%	1.82%	9.63%	16.93%	21.80%
EPS Q1 Estimate Monthly Change	6.51%	7.17%	0.37%	2.90%	3.53%	-0.38%

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	D
Momentum Score	D
VGM Score	D

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

Disclosures

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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