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Oct 08, 2020

Penn National(PENN)

$68.45 (As of 10/07/20)

Price Target (6-12 Months): **$71.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/10/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: F | Momentum: A	

Summary

Shares of Penn National have outperformed the industry so far this year. The outperformance can be primarily attributed to the company's expansion initiatives and cost saving efforts. Going forward, the company remains confident about its long-term prospects, on the back of its differentiated omni-channel approach. Also, partnership with Barstool Sports is likely to drive revenues during the upcoming periods. Notably, earning estimates for 2020 have moved up over the past 30 days, depicting analysts optimism regarding the stock's growth potential. However, coronavirus-induced woes persist. Owing to the uncertainty and evolving nature of the crisis, the company expects its operations and cash flows for the third quarter to be negatively impacted. Due to the same, the company has withdrawn its 2020 guidance.

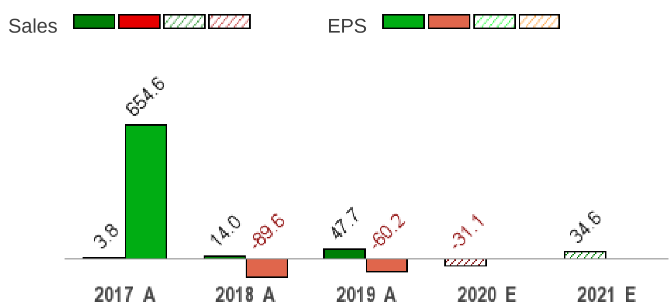
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	$76.62 - $3.75
20-Day Average Volume (Shares)	12,802,834
Market Cap	$10.6 B
Year-To-Date Price Change	167.8%
Beta	2.59
Dividend / Dividend Yield	$0.00 / 0.0%
Industry	Gaming
Zacks Industry Rank	Bottom 34% (167 out of 252)
Last EPS Surprise	18.0%
Last Sales Surprise	31.3%
EPS F1 Estimate 4-Week Change	73.8%
Expected Report Date	10/29/2020
Earnings ESP	20.9%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	2.6

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	1,204 E	1,242 E	1,253 E	1,246 E	4,920 E
2020	1,116 A	306 A	1,108 E	1,136 E	3,654 E
2019	1,283 A	1,323 A	1,355 A	1,341 A	5,301 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.31 E	$0.38 E	$0.34 E	$0.31 E	$1.42 E
2020	$0.06 A	-$1.69 A	$0.39 E	$0.36 E	-$5.60 E
2019	$0.35 A	$0.44 A	$0.38 A	-$0.80 A	$0.37 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 10/07/2020. The reports text is as of 10/08/2020.

Overview

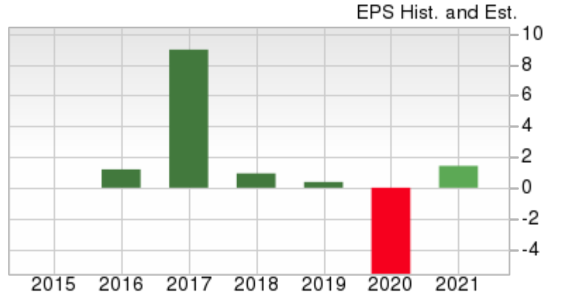
Penn National Gaming was incorporated in Pennsylvania in 1982 as PNRC Corp. The company's current name was formulated in 1994 when it became a publicly-traded company. Penn National is a leading, multi-jurisdictional owner and manager of gaming and racing facilities with video gaming terminal operations, and a focus on slot machine entertainment. The company is geographically widespread with a vast portfolio.

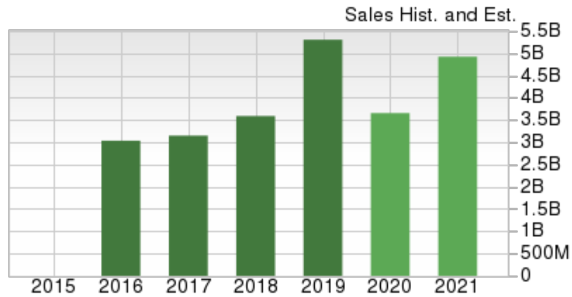
With the acquisition of Charles Town property in 1997 and introduction of video lottery terminals in West Virginia, Penn National began its transition from a pari-mutuel to a diversified gaming company. Ever since then, the company expanded its gaming portfolio through strategic acquisitions, greenfield projects and property expansions.

As of Jun 30, 2020, the company operated 41 facilities in 19 jurisdictions. In total, Penn National's facilities feature approximately 50,000 gaming machines, 1,300 table games and 8,800 hotel rooms.

In 2017, the company entered an agreement to acquire Pinnacle Entertainment, Inc., a leading regional gaming operator. This transaction closed on Oct 15.

During the fourth quarter of 2018, the company made revisions to its reportable segments upon the consummation of the Pinnacle acquisition. Apart from the addition of the properties, the most significant change was dividing the South/West segment into two separate reportable segments.





In February 2020, Penn National entered into a strategic partnership with Barstool Sports, whereby Barstool will exclusively promote the company's land-based and online casinos and sports betting products, including the Barstool Sportsbook mobile app. The company's omni-channel approach is bolstered by the mychoice loyalty program, which rewards and recognizes more than 20 million members for their loyalty to both retail and online gaming and sports betting products.

Source: Zacks Investment Research

Reasons To Buy:

A strong brand presence favors the top-line growth of the company, while margin-improvement initiatives and acquisitions are the key growth drivers.

▲ **Leveraging the Power of Strong Brand:** Being a leading gaming company in the United States, Penn National is known for its consistent business strategies and strong brand recognition. Through various acquisition and divestitures, the company's presence became largely widespread. Even then, Penn National is still continuing to expand and leverage its brand power.

Most of the gaming companies are now banking on sports betting following its legalization outside Nevada. Notably, the Supreme Court overturned the Professional and Amateur Sports Protection Act (PASPA), which banned sports betting outside Nevada. Penn National has announced historic strategic partnerships with DraftKings, PointsBet, theScore and The Stars Group. These partnerships will help the company to maximize sport betting and iGaming across 19 states. DraftKings will cover Florida, Missouri, Ohio, Pennsylvania and West Virginia for ten years. The company also stated that sports betting has been gaining popularity in Ameristar Casino Council Bluffs, courtesy of the opening of a retail sports book at Ameristar Casino Council Bluffs in Iowa and two retail sports books in Indiana during the third quarter 2019. During the first quarter 2020, it also opened retail sports book at the Meadows Casino in Western Pennsylvania. Notably, one of its skin partners recently launched online sports betting operations in West Virginia and Indiana.

During the coronavirus-induced shutdown, the company introduced real money iCasino product called Hollywoodcasino.com. Since then, 20,000 customers have been engaged on this online platform. Going forward, the company intends to make it part of the Barstool Sportsbook app, thereby providing significant organic customer acquisition and cross-sell opportunities.

▲ **Enough Liquidity to Tide Over Coronavirus Pandemic:** Penn National has enough liquidity to survive a zero-revenue scenario for some time. As of Jun 30, 2020, the company's cash and cash equivalents totaled $1,244.3 million compared with $730.7 million as on Mar 31, 2020. Although the company's long-term debt (net of current maturities) at the end of second-quarter 2020 stood at 3,044.8 million, compared with 2,829.3 million as of Mar 31, 2020, it has no debt maturing prior to 2023. At the end of second-quarter 2020, the company had a debt-to-capital ratio of 0.8, which indicates that its debt levels are manageable.

▲ **Partnership with Barstool Sports:** Penn National has reached an agreement to acquire 36% interest in Barstool Sports for nearly $163 million. Per the agreement, Penn National will be Barstool Sports, a leading digital sports media company's gaming partner. The company will launch Barstool Sportsbooks across the United Sates in the coming quarters and mobile sports betting app Barstool Sportsbook. Notably, the partnership provides access to a database of 66 million sports enthusiasts (or Barstool loyalist), out of which 60% are into sports betting while the remaining are avid betters. Moreover, Penn Interactive will be launching the Barstool Sports online sports betting app during the third quarter of 2020, with the first launch in Pennsylvania. Despite the coronavirus pandemic, the company announced that it will continue to invest in projects, which will generate EBITDA in the short term. The company remains confident about its long-term growth, which will be supported by differentiated omni-channel approach.

▲ **Margin-Expansion Strategies:** During 2017, Penn National engaged third-party consultants to help the company validate and quantify a set of strategic initiatives that are expected to improve its industry-leading property level operating margins in the coming years. This effort encompasses both revenue and cost-saving initiatives that will reap recurring benefits over the years.

▲ **Continual Acquisition:** Penn National is known for its acquisition strategies that help the company expand its presence as well as improve revenue yields. The company's notable buyouts have been Margaritaville Resort Casino in Bossier City, LA, in January 2018 and Pinnacle Entertainment, Inc. on October 2018. Pinnacle is a leading regional gaming operator. With the Pinnacle acquisition, the company added 12 new properties to its portfolio. Meanwhile, in the first quarter 2019, the company acquired two category 4 licenses in the bidding process in Pennsylvania. Each license can have up to 750 slot machines and 40 table games.

Reasons To Sell:

> Stiff competition and weather-related events are pressing concerns for the company.

- **Impact of Coronavirus Outbreak:** The coronavirus pandemic had a material adverse impact on its business, financial condition, results of operations and cash flows in the second quarter of 2020. Notably, the pandemic has dramatically reduced travel and demand for casino gaming and related amenities. If the virus is not contained, further chances of temporary suspension of operations cannot be ruled out.

  Owing to the uncertainty and evolving nature of the crisis, the company expects its operations and cash flows for the third quarter (ended Sep 30, 2020) to be negatively impacted. Owing to the coronavirus outbreak, the company has withdrawn its 2020 guidance as well as suspended its quarterly dividend payouts. To mitigate the financial impact, the company has also taken certain actions to reduce operating expenses.

- **Intense Competition Hurts:** Penn National is continuously facing intense competition from various casinos, video lottery, gaming at taverns and other internet wagering services. Not only gaming services, but any form of leisure and entertainment activities including shopping, athletic events, television and movies, concerts, and travel put the company under competitive pressure. The company's operations, therefore, are facing heightened competition with new entries in the already high-supply market.

- **Valuation Looks Stretched:** Since the casino stocks are debt-laden, it makes sense to value them based on the EV/EBITDA (Enterprise Value/ Earnings before Interest Tax Depreciation and Amortization) ratio. This is because the valuation metric takes into account not just its equity but also the level of debt on a company's balance sheet. Penn National's trailing 12-month EV/EBITDA ratio is 34.4. The S&P 500 composite market's ratio stands at 14.7.

- **Weather-Related Woes:** Since the company's operations are widespread, weather-related downturns affect its revenues and profitability. Having most of its properties located by waterbodies, the company is vulnerable to floods and other natural disasters. In fact, the company's operating results somewhat came in a lower-than-expected range due to weather-related nuisances.

Last Earnings Report

Penn National Reports Narrower-Than Expected Q2 Loss

Quarter Ending	06/2020
Report Date	**Aug 06, 2020**
Sales Surprise	**31.31%**
EPS Surprise	**17.96%**
Quarterly EPS	**-1.69**
Annual EPS (TTM)	**-2.05**

Penn National reported narrower-than-expected loss for second-quarter 2020. Revenues also beat the Zacks Consensus Estimate, buoyed by pent-up demand in May and June.

Jay Snowden, its president and CEO, said “In addition, our geographic diversification across 19 states -- with no more than 15% of our revenues being derived from any single state -- has proven to be a significant benefit as states have reopened casinos on a staggered basis. Although visitation has yet to return to pre-COVID levels, in large part due to state mandated capacity restrictions and limited amenities, spend per visit has been notably strong, resulting in better than expected revenues.”

The company remains optimistic about third-quarter results, backed by impressive revenue and EBITDAR trends in July and early August despite maintaining safety protocols, including capacity restrictions and social distancing mandates. It expects a meaningful portion of the margin improvements to recur as it continues to make fundamental changes to enhance offerings and efficiencies across the organization.

Earnings & Revenues Discussion

Adjusted loss came in at $1.69 per share, narrower than the Zacks Consensus Estimate of a loss of $2.06. In the year-ago period, the company reported earnings of 44 cents per share.

Net revenues totaled $305.5 million, which beat the consensus mark of $233 million by 31.3% but declined 76.9% from the year-ago quarter.

The Northeast segment reported revenues of $102.7 million, down 82.9% year over year. The South, Midwest, and West segments’ revenues came in at $121.5 million, $36 million and $17.7 million, down 56.9%, 86.6% and 89.2% year over year, respectively. Meanwhile, the Other segment reported revenues of $27.6 million, up 193.6% year over year.

EBITDAR Declines

Adjusted EBITDAR decreased 94% from the year-ago quarter to $24.5 million. Moreover, adjusted EBITDAR margin contracted 8% from 30.7% a year ago.

Other Financial Information

At second quarter-end, cash and cash equivalents increased to $1,244.3 million from $437.4 million as of Dec 31, 2019. Bank debt as of Jun 30, 2020 was $2,403.1 million, up from $1,896.5 million on Dec 31, 2019.

Recent News

Penn National to Test Barstool Sportsbook App in Pennsylvania – Sep 8, 2020

In a bid to boost its online gaming platform, Penn National recently announced that it has received permission for a live real money test of its new Barstool Sportsbook mobile app in Pennsylvania. Notably, the approval by Pennsylvania Gaming Control Board allows the company to soft launch the Barstool Sportsbook app for the period Sep 15 to Sep 17, 2020, subject to final iOS approval.

Valuation

Penn National's shares are up 167.8% year-to-date, and 269.8% in the trailing 12-month period. Stocks in the Zacks sub-industry is down by 20.5%, and Zacks Consumer Discretionary sector is down by 3.3% in the year-to-date period. Over the past year, the Zacks sub-industry is down 3.4%, but the sector was up by 8.4%.

The S&P 500 index is up 4.5% in the year-to-date period and 15.4% in the past year.

The stock is currently trading at 2.3X forward 12-month sales, which compares to 3.01X for the Zacks sub-industry, 2.33X for the Zacks sector and 4.04X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.46X and as low as 0.1X, with a 5-year median of 0.51X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $71 price target reflects 2.40X forward 12-month sales.

The table below shows summary valuation data for PENN.

Valuation Multiples - PENN

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	2.3	3.01	2.33	4.04
	5-Year High	2.46	3.34	2.95	4.3
	5-Year Low	0.1	1.62	1.68	3.18
	5-Year Median	0.51	2.52	2.47	3.67
P/CF	Current	33.67	31.55	14.06	17.52
	5-Year High	36.58	33.49	15.55	23.75
	5-Year Low	0.74	6.73	9.23	12.88
	5-Year Median	4.98	12.21	13.49	18.28
EV/EBITDA TTM	Current	34.4	19.96	11.24	14.7
	5-Year High	106.6	21.41	17.81	15.66
	5-Year Low	5.34	7.26	8.26	9.53
	5-Year Median	8.74	13.29	12.2	13.07

As of 10/07/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 34% (167 out of 252)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Boyd Gaming Corporation **(BYD)**	Neutral	3
Caesars Entertainment, Inc. **(CZR)**	Neutral	3
International Game Technology **(IGT)**	Neutral	4
FLUTTER ENT PLC **(PDYPY)**	Neutral	3
UbiSoft Entertainment Inc. **(UBSFY)**	Neutral	3
WILLIAM HIL ADR **(WIMHY)**	Neutral	3
Wynn Macau Ltd. **(WYNMF)**	Neutral	3
Wynn Resorts, Limited **(WYNN)**	Neutral	3

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

Industry Comparison Industry: Gaming

Industry Peers

	PENN	X Industry	S&P 500	BYD	IGT	WYNMF
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	D	-	-	D	A	C
Market Cap	10.62 B	1.92 B	23.47 B	3.49 B	2.38 B	8.32 B
# of Analysts	6	3	14	6	3	2
Dividend Yield	0.00%	0.00%	1.62%	0.00%	3.43%	0.00%
Value Score	C	-	-	B	A	D
Cash/Price	0.11	0.16	0.07	0.37	0.64	0.29
EV/EBITDA	15.86	9.44	13.46	9.32	5.53	NA
PEG F1	NA	1.25	2.90	NA	NA	NA
P/B	5.40	3.75	3.49	3.46	1.33	NA
P/CF	17.03	9.69	13.28	6.68	2.05	8.41
P/E F1	NA	26.72	21.75	NA	NA	NA
P/S TTM	2.58	1.89	2.62	1.37	0.60	NA
Earnings Yield	-8.18%	-3.42%	4.41%	-2.78%	-4.71%	-10.63%
Debt/Equity	4.81	0.89	0.70	4.87	4.57	-23.88
Cash Flow ($/share)	4.02	0.56	6.92	4.69	5.69	0.19
Growth Score	F	-	-	F	C	A
Historical EPS Growth (3-5 Years)	-33.64%	-3.31%	10.45%	18.49%	-30.67%	NA
Projected EPS Growth (F1/F0)	-1,613.05%	-125.55%	-2.99%	-148.42%	-151.23%	-226.92%
Current Cash Flow Growth	26.26%	-1.74%	5.47%	32.88%	1.50%	-12.68%
Historical Cash Flow Growth (3-5 Years)	10.03%	9.19%	8.50%	17.50%	4.73%	0.63%
Current Ratio	1.99	1.94	1.35	2.86	1.26	1.94
Debt/Capital	82.57%	48.00%	42.90%	82.96%	82.04%	NA
Net Margin	-21.16%	-11.44%	10.28%	-2.48%	-14.86%	NA
Return on Equity	-15.63%	-9.17%	14.79%	-0.92%	0.04%	NA
Sales/Assets	0.29	0.40	0.51	0.37	0.29	NA
Projected Sales Growth (F1/F0)	-31.07%	0.00%	-0.62%	-37.50%	-29.53%	-69.83%
Momentum Score	A	-	-	B	C	D
Daily Price Change	0.75%	0.77%	1.74%	1.23%	1.39%	-1.23%
1-Week Price Change	4.15%	0.84%	2.13%	7.32%	4.96%	0.00%
4-Week Price Change	17.71%	-1.37%	1.57%	13.41%	4.38%	-11.60%
12-Week Price Change	98.93%	8.23%	5.89%	43.27%	9.07%	-13.51%
52-Week Price Change	269.80%	-14.17%	6.10%	24.66%	-14.13%	-15.79%
20-Day Average Volume (Shares)	12,802,834	141,967	2,147,698	1,780,865	2,891,198	16,669
EPS F1 Estimate 1-Week Change	44.06%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	73.83%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	86.11%	9.91%	3.55%	64.75%	26.55%	-560.00%
EPS Q1 Estimate Monthly Change	309.61%	0.00%	0.00%	22.08%	0.00%	NA

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	F
Momentum Score	A
VGM Score	D

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

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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 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.