

Prologis Inc. (PLD)

\$105.76 (As of 10/07/20)

Price Target (6-12 Months): **\$111.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/29/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

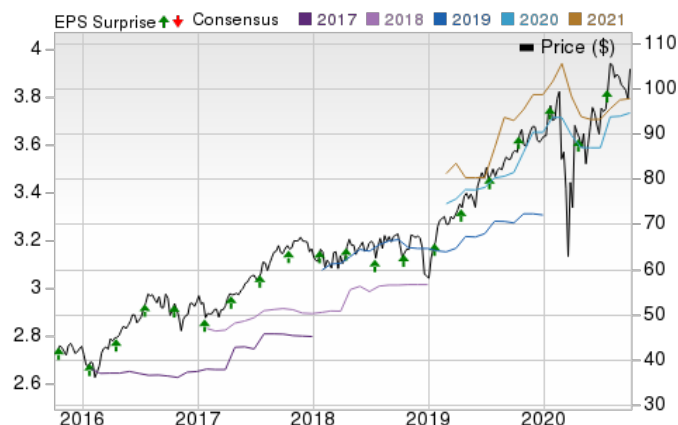
Growth: C

Momentum: D

Summary

Shares of Prologis have outperformed its industry in the past year. Also, the trend in estimate revisions of 2020 funds from operations (FFO) per share indicates a favorable outlook for the company. Prologis' performance in recent quarters reflects growth in rental income and healthy occupancy level. For the industrial real estate market, while e-commerce is a driving factor, there is healthy demand across a variety of categories. Along with fast adoption of e-commerce, logistics real estate is anticipated to gain from a likely increase in inventory levels. Given Prologis' capacity and solid balance-sheet strength, the company is well poised to capitalize on this favorable trend. But, the pandemic's adverse impact on economy will likely affect demand for space in near term. Also, a development boom in some markets is concerning.

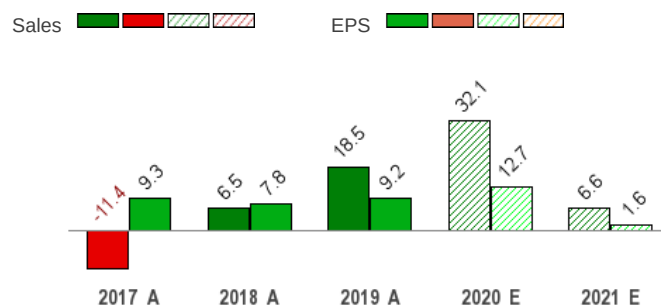
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$109.11 - \$59.82
20-Day Average Volume (Shares)	2,656,811
Market Cap	\$78.1 B
Year-To-Date Price Change	18.7%
Beta	0.90
Dividend / Dividend Yield	\$2.32 / 2.2%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 13% (219 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.1%
Last Sales Surprise	1.8%
EPS F1 Estimate 4-Week Change	0.4%
Expected Report Date	10/20/2020
Earnings ESP	0.0%
P/E TTM	28.2
P/E F1	28.4
PEG F1	5.1
P/S TTM	19.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	961 E	974 E	985 E	996 E	3,986 E
2020	879 A	944 A	958 E	972 E	3,740 E
2019	697 A	701 A	710 A	724 A	2,832 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.91 E	\$0.93 E	\$0.94 E	\$0.97 E	\$3.79 E
2020	\$0.83 A	\$1.11 A	\$0.88 E	\$0.91 E	\$3.73 E
2019	\$0.73 A	\$0.77 A	\$0.97 A	\$0.84 A	\$3.31 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

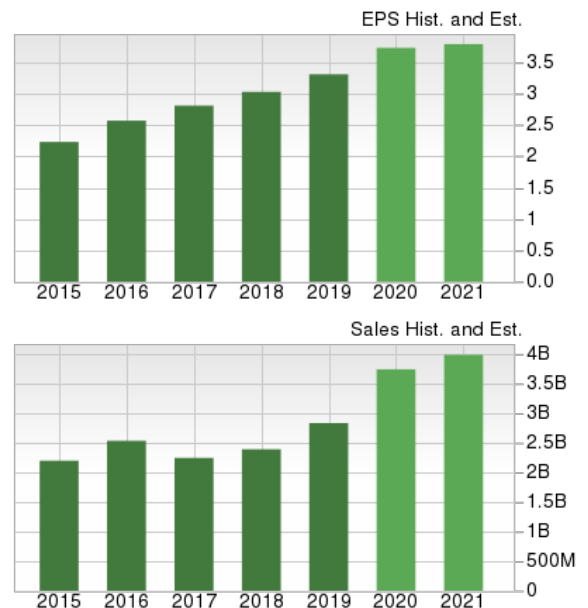
Prologis Inc. is a leading industrial real estate investment trust (REIT) that acquires, develops, operates and manages industrial real estate space in the Americas, Asia and Europe. The company principally targets investments in distribution facilities for customers who are engaged in global trade and depend on efficient movement of goods through the global supply chain.

As of Jun 30, 2020, Prologis owned or had investments in properties and development projects aggregating around 963 million square feet of space in 19 countries, either on a wholly-owned basis or through co-investment ventures. Modern distribution facilities are being leased by the company to around 5,500 customers. These customers belong to two main categories — business-to-business and retail/online fulfillment.

The company has been actively banking on its growth opportunities through acquisitions and developments. In February, Prologis accomplished the \$13-billion acquisition of Liberty Property Trust in an all-stock deal, including the assumption of debt. The acquisition resulted in addition of a logistics operating portfolio spanning 108 million square feet of space. Furthermore, through this buyout, Prologis added 4.9 million square feet of logistics development in progress. Also, it brought in 1,748 acres of land for future logistics development with build-out potential of 20.5 million square feet and 3.8-million-square-foot office operating and development portfolio.

Further, in January, Prologis closed the transaction to acquire warehouse owner IPT in an all-cash deal valued at \$4 billion, including debt, from Black Creek Group. The acquired portfolio consisted of 37.5 million square feet of highly-leased industrial properties and 236 properties across 24 geographic areas, 96% of which overlaps Prologis' existing footprint.

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



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Prologis provides industrial distribution warehouse space in some of the busiest distribution markets across the globe. The properties of the company are typically located in large, supply-constrained infill markets in close proximity to airports, seaports and ground transportation facilities, which facilitates rapid distribution of customers' products.
- ▲ In a rising e-commerce market, the industrial real estate asset category has grabbed headlines and continues to play a pivotal role, transforming the way how consumers shop and receive their goods. Services like same-day delivery are gaining traction and last-mile properties in high-income urban areas are witnessing solid pricing, occupancy and growth in rentals. Companies are making immense efforts to improve supply-chain efficiencies, propelling demand for logistics infrastructure and efficient distribution networks. Moreover, in light of the coronavirus pandemic, warehouse operations have become more essential with more e-commerce customers. Over the long term, apart from the fast adoption of e-commerce, logistics real estate is expected to benefit from a likely increase in inventory levels post crisis. Given Prologis' solid capacity, the company remains well poised to bank on this trend.
- ▲ Prologis is witnessing decent operating performance amid the pandemic. At the end of the reported quarter, occupancy level in the company's owned-and-managed portfolio was 95.7%. During the second quarter, 42 million square feet of leases commenced in the company's owned-and-managed portfolio, with 39 million square feet being in the operating portfolio and roughly 3 million square feet in the development portfolio. Management noted that leasing in the quarter was well diversified by industry, including non-essential industries. Retention level was 80.9% in the quarter, denoting an expansion of 540 basis points from the prior quarter. Prologis' share of net effective rent change was 22% during the April-June quarter, driven by the United States at 27.7%. Cash rent change was 9.6%, while cash same-store net operating income (NOI) registered 2.9% growth.
- ▲ With healthy operating fundamentals in the industrial real estate markets, Prologis has capitalized on growth opportunities through acquisitions and developments. In February, the company accomplished the \$13-billion acquisition of Liberty Property Trust. The acquisition strengthens Prologis' presence in target regions such as Chicago, Lehigh Valley, New Jersey, Houston, Central PA, and Southern California. Moreover, in January, the company completed its acquisition of warehouse owner IPT in an all-cash deal valued at about \$4 billion, including debt, from Black Creek Group. The portfolio consists of 37.5 million square feet and 24 U.S. markets. Particularly, the acquisition expands the company's position in Southern California, the San Francisco Bay Area, Chicago, Atlanta, Dallas, Seattle and New Jersey. Also, in 2018, Prologis gained significant scale by acquiring DCT Industrial Trust Inc. for \$8.5 billion in a stock-for-stock deal.
- ▲ Prologis' high number of build-to-suit development projects highlights the advantageous location of the company's land bank, as well as demand from its multi-site customers, many of whom are focused on e-commerce. The sites are positioned near large population centers that are suited for serving as the last warehouse before goods are delivered to consumers.
- ▲ Prologis is focused on bolstering its liquidity. The company ended the quarter with \$4.6 billion in liquidity. Debt, as a percentage of total market capitalization, was 20% at quarter end. The combined investment capacity of Prologis and its open-ended vehicles, at levels in line with their current credit ratings, is above \$13 billion. Prologis and its co-investment ventures accomplished \$1.6 billion of debt activity during the quarter, at a weighted average rate of 1.8% and a weighted average term of nearly 13 years. Moreover, at quarter end, the company's weighted average rate on its share of total debt was 2.3%, with a weighted average remaining term of 9.1 years. The company's credit ratings at Jun 30, 2020, were A3 from Moody's and A- from Standard & Poor's, both with stable outlook, allowing the company to borrow at an advantageous rate. Given its balance-sheet strength and prudent financial management, the company remains well poised to capitalize on growth opportunities.
- ▲ Finally, solid dividend payouts are arguably the biggest enticement for REIT shareholders and Prologis remains committed to that. This February, the company's board increased its annual dividend rate by 9.4% to \$2.32 from the \$2.12 paid earlier. Further, management noted that it continues to maintain significant dividend coverage at 1.6 times and its 2020 guidance implies a payout ratio in the mid-60% range and free cash flow after dividends of \$1 billion. Given the company's solid operating platform, scope for growth and decent financial position compared to that of the industry, this dividend rate is expected to be sustainable.
- ▲ Over the past year, shares of Prologis have rallied 23.7%, as against the industry's decline of 7.6%. Moreover, the trend in estimate revisions of 2020 FFO per share indicates a favorable outlook for the company as the estimates have moved marginally north over the past month. Therefore, given the progress on fundamentals and upward estimate revisions, the stock has decent upside potential.

Amid healthy industrial real estate market, Prologis is well poised to benefit from its capacity to offer modern distribution facilities in strategic locations. The company also has decent balance sheet strength.

Reasons To Sell:

- ▼ Recovery in the industrial market has continued for long and market rents are expected to remain nearly flat for the back half of the year. Moreover, industrial real estate fundamentals though seems more resilient than other asset categories, but not immune. In the second half of the year, there are concerns associated with the timing and nature of economies reopening. As such, the pandemic's adverse impact on the economy will likely affect demand for space in the near term.
- ▼ Furthermore, with the asset category being an attractive in the current challenging times, there is a development boom in some markets. This high supply is likely to fuel competition, curb pricing power and turn on more concessions. Though rent collection trends are decent so far, rent relief and deferrals will likely remain an issue, specifically, for the company's smaller tenants that are adversely impacted by the virus outbreak.
- ▼ Prologis generates a significant portion of its revenues from operations outside the United States. Therefore, state of affairs and developments, associated with international operations, have an impact on performance. Moreover, given its international presence, Prologis often faces unfavorable foreign currency movements and other economic fluctuations that impair top-line growth.

Slowdown in the economy amid the coronavirus pandemic will likely affect the demand for industrial real estate in the near term. Moreover, a development boom in some markets is concerning.

Last Earnings Report

Prologis' Q2 FFO & Revenues Top Estimates, View Up

Prologis reported second-quarter 2020 core FFO per share of \$1.11, beating the Zacks Consensus Estimate of 99 cents. Results also compared favorably with the year-ago figure of 77 cents.

This better-than-expected performance was driven by decent growth in rental income. Occupancy level was healthy. The company also reported 23 cents of net promote income in the quarter as against no such income in the prior-year period.

Prologis generated rental revenues of \$944.4 million, which registered 34.8% growth from the prior-year quarter. The figure also surpassed the Zacks Consensus Estimate of \$927.3 million. The company also revised its full-year core FFO per share guidance northward compared with the one issued in April.

According to Hamid R. Moghadam, chairman and CEO of the company, "While e-commerce is clearly a tailwind, demand is broad-based across a variety of categories — a trend we saw accelerate in June."

The company's chief financial officer also noted that though the economic impact of COVID-19 remains unknown, its proprietary data, pace of rent collections, as well as dialogue with customers gives "a more positive outlook for the back half of the year".

Quarter Ending	06/2020
Report Date	Jul 21, 2020
Sales Surprise	1.84%
EPS Surprise	12.12%
Quarterly EPS	1.11
Annual EPS (TTM)	3.75

Quarter in Detail

At the end of the reported quarter, occupancy level in the company's owned-and-managed portfolio was 95.7%. During the second quarter, 42 million square feet of leases commenced in the company's owned-and-managed portfolio, with 39 million square feet being in the operating portfolio and roughly 3 million square feet in the development portfolio. Retention level was 80.9% in the quarter, denoting an expansion of 540 basis points from the prior quarter.

Prologis' share of net effective rent change was 22% during the April-June quarter, driven by the United States at 27.7%. Cash rent change was 9.6%, while cash same-store net operating income (NOI) registered 2.9% growth.

Amid the macroeconomic uncertainty, Prologis' share of building acquisitions amounted to \$8 million, with a weighted average stabilized cap rate of 7.6% during the quarter. Development stabilization aggregated \$333 million, while development starts totaled \$66 million, with 100% being build-to-suit. Furthermore, the company's total dispositions and contributions came in at \$304 million, with weighted average stabilized cap rate (excluding land and other real estate) of 6%.

Liquidity

The company exited the June-end quarter with cash and cash equivalents of \$549.1 million, down from the \$807.9 million recorded at the end of first-quarter 2020. However, combined with availability from other lines, Prologis ended the quarter with \$4.6 billion in liquidity. Debt, as a percentage of total market capitalization, was 20% at quarter end.

The combined investment capacity of Prologis and its open-ended vehicles, at levels in line with their current credit ratings, is well above \$13 billion. Prologis and its co-investment ventures accomplished \$1.6 billion of debt activity during the quarter, at a weighted average rate of 1.8% and a weighted average term of nearly 13 years. Moreover, at quarter end, the company's weighted average rate on its share of total debt was 2.3%, with a weighted average remaining term of 9.1 years.

Outlook

Prologis projects 2020 core FFO per share at \$3.70-\$3.75 compared with the prior guidance of \$3.55-\$3.65.

It forecasts year-end occupancy of 95-96% compared with the 94.5-96% guided earlier. Cash same-store NOI (Prologis share) is projected in the range of 2.5-3.5% compared with the 1.75-3.25% expected earlier.

Moreover, the company projects \$500-\$600 million of building acquisitions compared with the \$450 million projected earlier, while development starts are expected to be \$800-\$1,200 million as against the prior estimate of \$500-\$800 million for this year.

Recent News

Dividend Update

On Sep 4, Prologis' board announced a regular cash dividend of 58 cents per share for third-quarter 2020. The dividend was paid on Sep 30, to shareholders of record on Sep 17, 2020.

Valuation

Prologis' shares have rallied 23.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 7.6% and 8.5% over the past year.

The S&P 500 Index has been up 15.4% over the trailing 12-month period.

The stock is currently trading at 27.98X forward 12-month FFO, which compares to 19.27X for the Zacks sub-industry, 16.18X for the Zacks sector and 21.96X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 28.51X and as low as 13.88X, with a 5-year median of 21.18X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$111 price target reflects 29.73X FFO.

The table below shows summary valuation data for PLD.

Valuation Multiples - PLD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	27.98	19.27	16.18	21.96
	5-Year High	28.51	19.33	16.73	23.47
	5-Year Low	13.88	14.32	11.60	15.27
	5-Year Median	21.18	16.14	14.42	17.7
P/S F12M	Current	19.87	8.36	6.15	4.04
	5-Year High	21.09	8.38	6.67	4.3
	5-Year Low	7.88	5.97	4.97	3.18
	5-Year Median	14.4	7.1	6.07	3.67
P/B TTM	Current	2.13	2.46	2.54	5.84
	5-Year High	2.41	3.03	2.91	6.2
	5-Year Low	1.02	1.81	1.72	3.75
	5-Year Median	1.77	2.51	2.54	4.88

As of 10/07/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 13% (219 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Americold Realty Trust (COLD)	Neutral	3
Duke Realty Corporation (DRE)	Neutral	3
EastGroup Properties, Inc. (EGP)	Neutral	3
First Industrial Realty Trust, Inc. (FR)	Neutral	3
PS Business Parks, Inc. (PSB)	Neutral	4
Rexford Industrial Realty, Inc. (REXR)	Neutral	2
Stag Industrial, Inc. (STAG)	Neutral	2
Terreno Realty Corporation (TRNO)	Neutral	2

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

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	PLD	X Industry	S&P 500	DRE	EGP	FR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	F	D	F
Market Cap	78.13 B	2.02 B	23.47 B	14.45 B	5.55 B	5.42 B
# of Analysts	9	4	14	5	6	7
Dividend Yield	2.19%	3.68%	1.62%	2.41%	2.24%	2.35%
Value Score	F	-	-	D	F	D
Cash/Price	0.01	0.06	0.07	0.00	0.00	0.02
EV/EBITDA	30.35	14.01	13.46	20.24	25.83	16.89
PEG F1	5.11	3.68	2.90	5.87	5.38	NA
P/B	2.13	1.30	3.49	2.86	4.56	3.02
P/CF	25.39	10.96	13.28	18.80	24.25	14.67
P/E F1	28.58	14.60	21.75	26.17	26.53	23.69
P/S TTM	19.47	4.76	2.62	15.42	15.90	12.42
Earnings Yield	3.53%	5.79%	4.41%	3.82%	3.77%	4.22%
Debt/Equity	0.43	0.93	0.70	0.61	1.01	0.91
Cash Flow (\$/share)	4.17	2.05	6.92	2.07	5.82	2.91
Growth Score	C	-	-	C	C	C
Historical EPS Growth (3-5 Years)	10.06%	0.72%	10.45%	5.30%	7.85%	5.73%
Projected EPS Growth (F1/F0)	12.79%	-2.49%	-2.99%	3.47%	6.76%	3.45%
Current Cash Flow Growth	3.51%	3.36%	5.47%	9.22%	25.62%	28.05%
Historical Cash Flow Growth (3-5 Years)	15.92%	12.74%	8.50%	4.21%	13.87%	19.83%
Current Ratio	0.48	1.66	1.35	1.16	0.00	1.39
Debt/Capital	29.89%	48.26%	42.90%	37.81%	50.32%	47.55%
Net Margin	43.27%	11.28%	10.28%	39.78%	34.10%	57.56%
Return on Equity	5.55%	3.37%	14.79%	7.38%	10.07%	14.15%
Sales/Assets	0.08	0.13	0.51	0.11	0.14	0.12
Projected Sales Growth (F1/F0)	32.06%	0.00%	-0.62%	5.57%	8.64%	2.43%
Momentum Score	D	-	-	F	D	F
Daily Price Change	1.23%	0.00%	1.74%	0.00%	0.81%	-0.07%
1-Week Price Change	6.71%	6.04%	2.13%	6.10%	6.12%	5.26%
4-Week Price Change	4.73%	-0.24%	1.57%	2.82%	8.05%	3.67%
12-Week Price Change	12.82%	1.13%	5.89%	8.85%	18.77%	10.12%
52-Week Price Change	23.71%	-23.09%	6.10%	16.28%	12.30%	7.81%
20-Day Average Volume (Shares)	2,656,811	749,744	2,147,698	2,011,115	259,529	952,482
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.36%	0.00%	0.00%	0.00%	0.06%	0.00%
EPS F1 Estimate 12-Week Change	3.99%	-0.11%	3.55%	3.83%	2.71%	0.98%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	-0.12%	0.00%

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	F
Growth Score	C
Momentum Score	D
VGM Score	D

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

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a 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 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.