Prologis Inc. (PLD)

$114.75 (As of 04/20/21)

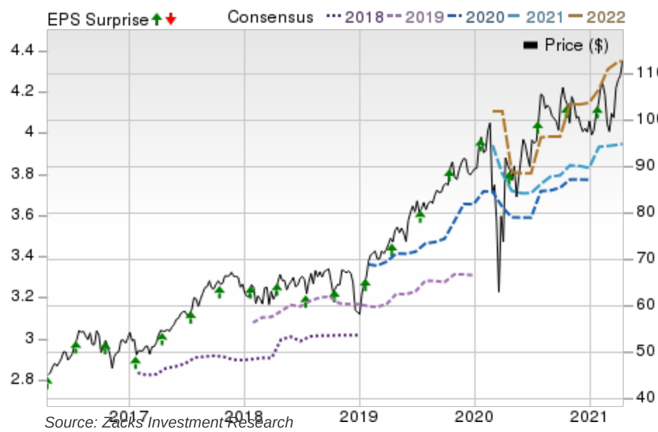
Price Target (6-12 Months): **$122.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/29/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: D | Growth: D | Momentum: A	

Summary

Prologis' better-than-expected first-quarter 2021 core funds from operations (FFO) per share was driven by decent growth in rental income. Per management, the robust demand scenario from fourth-quarter 2020 has continued into 2021. It has also raised the 2021 outlook on the strength of its results and the market. Shares have outperformed the industry over the past three months. Along with the fast adoption of e-commerce, logistics real estate is anticipated to gain from a likely rise in inventory levels and given Prologis' capacity to offer high-quality facilities in key markets and robust balance-sheet strength, it is well poised to bank on these trends. Yet, rising supply in several markets is likely to fuel competition and curb pricing power. Stabilization of e-commerce sales growth and more modest demand are concerns for rent hikes.

Price, Consensus & Surprise



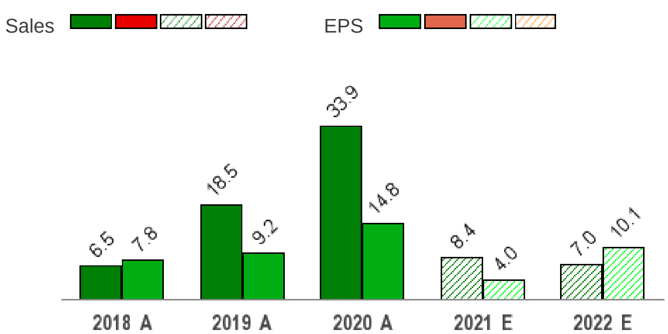
Data Overview

52-Week High-Low	**$115.70 - $80.12**
20-Day Average Volume (Shares)	**2,577,939**
Market Cap	**$83.0 B**
Year-To-Date Price Change	**12.6%**
Beta	**0.71**
Dividend / Dividend Yield	**$2.52 / 2.2%**
Industry	**REIT and Equity Trust - Other**
Zacks Industry Rank	**Bottom 20% (204 out of 254)**

Last EPS Surprise	**3.2%**
Last Sales Surprise	**2.7%**
EPS F1 Estimate 4-Week Change	**1.0%**
Expected Report Date	**07/20/2021**
Earnings ESP	**0.5%**

P/E TTM	**28.6**
P/E F1	**29.1**
PEG F1	**5.2**
P/S TTM	**18.0**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates **(millions of $)**

	Q1	Q2	Q3	Q4	Annual*
2022	1,060 E	1,081 E	1,098 E	1,117 E	4,396 E
2021	1,022 A	1,015 E	1,031 E	1,052 E	4,110 E
2020	879 A	944 A	980 A	988 A	3,791 A

EPS Estimates

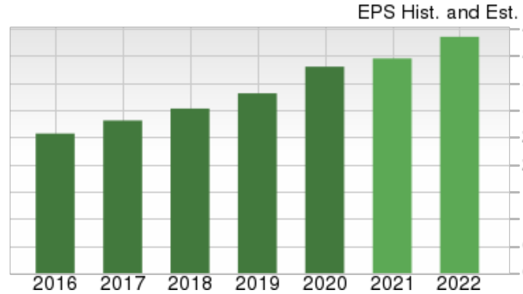
	Q1	Q2	Q3	Q4	Annual*
2022	$1.02 E	$1.06 E	$1.17 E	$1.11 E	$4.35 E
2021	$0.97 A	$0.98 E	$1.00 E	$1.04 E	$3.95 E
2020	$0.83 A	$1.11 A	$0.90 A	$0.95 A	$3.80 A

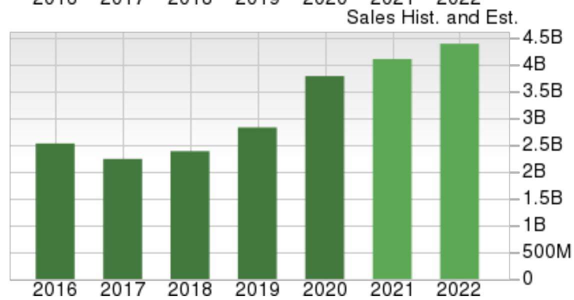
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/20/2021. The report's text and the analyst-provided price target are as of 04/21/2021.

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 Mar 31, 2021, Prologis owned or had investments in properties and development projects aggregating around 990 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 fulfilment.

The company has been actively banking on its growth opportunities through acquisitions and developments. In February 2020, 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.

Moreover, in October, the company accomplished the sale of a portfolio of buildings and land in the U.K. to real estate funds managed by Blackstone for £473 million ($618 million). The move marked the largest sale of logistics real estate assets on record in the U.K. Majority of these assets were acquired from Liberty Property Trust.

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:

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.

- 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. In fact, per management, e-commerce demand remains high and represents 25% of new lease signings in the first quarter. However, the balance of leasing is varied, with considerable growth among companies that provide food and consumer products in addition to renewed momentum in the construction segment as housing expands. In fact, 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 to offer modern logistics facilities, the company is well poised to bank on this trend.

- Prologis is witnessing decent operating performance amid the pandemic. Although average occupancy level in Prologis' owned-and-managed portfolio was 95.4% in the first quarter, down 40 basis points (bps) from fourth-quarter 2020, but it is consistent with seasonality. Moreover, during the quarter, 43.9 million square feet of leases commenced in the company's owned and managed portfolio, with 39 million square feet in the operating portfolio and 4.8 million square feet in the development portfolio. Leasing mix continues to broaden with solid demand ongoing from space sizes above 100,000 square feet while small spaces demand is improving. Further, Prologis' share of net effective rent change was 27% in the January-March quarter, driven by the United States at 32%. Cash rent change was 12.5%. Cash same-store net operating income (NOI) grew 4.5% and was driven by the United States at 4.8%. Also, rent collections remain strong and the company effectively had no bad debt expense in the quarter.

- With healthy operating fundamentals in the industrial real estate markets, Prologis has capitalized on growth opportunities through acquisitions and developments. In February 2020, 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. Solid demand for high-quality logistics real estates in key locations across the globe helped it to continue with its investment activity in 2020. The company completed $25 billion of investment activity on an owned and managed basis in the year. Moreover, since the ProLogis–AMB merger in 2011 through year-end 2020, this industrial REIT has accomplished investment transactions aggregating more than $131.4 billion across 30 global markets. These investments comprise a wide array, including largest M&A transactions in the real estate sector as well as individual off-market deals below $5 million. Moreover, the company anticipates $600-$800 million of building acquisitions at Prologis share compared with the $400-$800 million stated earlier. Development starts are expected to be $2,750-$3,050 million compared with the $2,300-$2,700 million mentioned earlier.

- 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. Notably, development starts totaled $575 million in the first quarter, with 60.6% being build-to-suit.

- Prologis is focused on bolstering its liquidity. The combined investment capacity of Prologis and its open-ended vehicles, in line with their current credit ratings, is now at $14 billion. Debt, as a percentage of total market capitalization, was 18.6%. The company's weighted average rate on its share of total debt was 1.8%, with a weighted average term of 10.6 years. Notably, the company and its co-investment ventures issued $3.5 billion of debt in first-quarter 2021, at a weighted average interest rate of 0.96% and a weighted average term of roughly 11 years. This included $2.6 billion in global bond raises and a €500-million green bond. Prologis's strategic measures in the first quarter helped it lower the weighted average interest rate by 20 bps and address its unsecured bond maturities through 2026.In fact, debt maturity schedule is efficiently managed with minimal maturities until 2026.Moreover, the company's credit ratings at Mar 31, 2021, 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 is 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. In first-quarter 2021, the company's board hiked its quarterly dividend by 8.6% to 63 cents per share from the 58 cents paid earlier. Further, management noted that the company will likely generate $1.25 billion of free cash flow after dividends. Also, since the AMB/ProLogis merger in 2011, the company's dividend has grown at a 10-year CAGR of 8.4%. 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.

- Shares of Prologis have rallied 13.4%, outperforming the industry's gain of 10.7% over the past three months. Moreover, the estimate revision trend of 2021 FFO per share indicates a favorable outlook for the company as the estimates have been revised marginally upward over the past month. Particularly, Prologis has revised its 2021 core FFO per share guidance to $3.96-$4.02 from the $3.88-$3.98 mentioned earlier, indicating 12% year-over-year growth at the midpoint. Therefore, given the progress on fundamentals and upward estimate revisions, the stock has decent upside potential in the near term.

Reasons To Sell:

Rising supply in several markets is likely to intensify competition and curb pricing power. Stabilization of e-commerce sales growth and more modest demand remain concerns for rent increases.

- With the asset category being attractive in these challenging times, there is a development boom in a number of markets. This high supply is likely to fuel competition and curb pricing power. Particularly, new supply is likely to put pressure on vacancy level which is likely to increase to some extent in the upcoming quarters.
- Furthermore, recovery in the industrial market has continued for long and also growth of e-commerce sales is likely to stabilize to some extent in the upcoming quarters. Therefore, any robust performance is unlikely in the near-term. In fact, with comparatively more modest demand, coupled with new supply, the pace of overall growth in rent will likely moderate in the upcoming period.
- 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.

Last Earnings Report

Prologis Surpasses Q1 FFO Estimates, Raises 2021 View

Quarter Ending	03/2021
Report Date	Apr 19, 2021
Sales Surprise	2.69%
EPS Surprise	3.19%
Quarterly EPS	0.97
Annual EPS (TTM)	3.93

Prologishas reported first-quarter 2021 core FFO per share of 97 cents, beating the Zacks Consensus Estimate of 94 cents. Results also compare favorably with the year-ago quarter’s figure of 83 cents.

The better-than-expected performance was driven by decent growth in rental income. Further, the industrial REIT has raised its 2021 outlook on the strength of its results and the market.

Prologis generated rental revenues of $1,021.7 million, up from $878.8 million in the prior-year quarter. The Zacks Consensus Estimate for the same was pegged at $994.9 million. Total revenues were $1.15 billion, up from $978.2 million in the year-ago quarter.

Per Hamid R. Moghadam, chairman and CEO of the company, "The robust demand from the fourth quarter has carried into 2021.” He also added, "Global supply chains are pushing to keep pace with accelerating economic activity, retooling for faster fulfillment and resilience. With our well-positioned portfolio, differentiated customer offerings and abundant investment capacity, we expect to continue to outperform while delivering exceptional customer service."

With respect to the company’s guidance, Thomas S. Olinger, the chief financial officer noted, "Year-over-year Core FFO growth, excluding promotes, is sector-leading at 12.0 percent at the midpoint, while generating $1.25 billion of free cash flow after dividends."

Quarter in Detail

Average occupancy level in Prologis’ owned-and-managed portfolio was 95.4% in the first quarter, down 40 basis points (bps) from fourth-quarter 2020 but it is consistent with seasonality. In the quarter under review, 43.9 million square feet of leases commenced in the company’s owned and managed portfolio, with 39.0 million square feet in the operating portfolio and 4.8 million square feet in the development portfolio. Retention level was 69.1% in the quarter, marking a contraction of 930 bps from the prior quarter.

Prologis’ share of net effective rent change was 27.0% in the January-March quarter, driven by the United States at 32.0%. Cash rent change was 12.5%. Cash same-store NOI grew 4.5% and was driven by the United States at 4.8%.

The company’s share of building acquisitions amounted to $71 million, with a weighted average stabilized cap rate of 5.0% in the reported quarter. Development stabilization aggregated $396 million, while development starts totaled $575 million, with 60.6% being build-to-suit. Furthermore, the company’s total dispositions and contributions were at $654 million, with a weighted average stabilized cap rate (excluding land and other real estates) of 4.5%.

Liquidity

Prologis exited first-quarter 2021 with cash and cash equivalents of $676.07 million, up from $598.1 million at the end of fourth-quarter 2020. Debt, as a percentage of total market capitalization, was 18.6%. The company's weighted average rate on its share of total debt was 1.8%, with a weighted average term of 10.6 years.

Prologis’s strategic measures in the first quarter helped it lower the weighted average interest rate by 20 bps and address its unsecured bond maturities through 2026.

Notably, the company and its co-investment ventures issued $3.5 billion of debt in first-quarter 2021, at a weighted average interest rate of 0.96% and a weighted average term of roughly 11 years. This included $2.6 billion in global bond raises and a €500-million green bond.

The combined investment capacity of Prologis and its open-ended vehicles, in line with their current credit ratings, is now at $14 billion.

Outlook

Prologis has revised its 2021 core FFO per share guidance to $3.96-$4.02 from $3.88-$3.98 mentioned earlier.

The company expects average occupancy of 96.25-96.75%, up 50 bps at the mid-point from the previously stated range. Cash same-store NOI (Prologis share) is projected at 4.5-5.0%, up 75 bps at the mid-point from the previous guidance.

Moreover, the company anticipates $600-$800 million of building acquisitions at Prologis share compared with the $400-$800 million estimated earlier. Development starts are expected to be $2,750-$3,050 million compared with the $2,300-$2,700 million projected earlier.

Recent News

Prologis Accomplishes $2B of Financing Activity - Feb 22, 2021

Prologis announced the closing of around $2 billion of senior unsecured notes. Particularly, the financing included the issuance of €850 million (approximately $1.0 billion USD) of senior unsecured notes due in 2032 with a fixed annual coupon of 0.5%, €500 million (approximately $600 million USD) of senior unsecured notes due in 2041 with a fixed annual coupon of 1.0%, and $400 million of senior unsecured notes due in 2031 with a fixed annual coupon of 1.625%.

According to Tim Arndt, treasurer, Prologis, "We opportunistically extended the maturity of the redeemed notes by nearly 10 years while the reduced interest rates drove the transactions to be effectively neutral on a net present value basis."

Notably, the blended coupon rate associated with the financings was roughly 0.9% with a weighted average term of more than 13 years. The company plans to use the proceeds for redemption of around $1.5 billion of senior notes called by Prologis, while the residual part will be utilized for general corporate needs.

As a result of the issuances and related redemptions, the company's weighted average interest rate will reduce by approximately 20 basis points to 1.8%, while its weighted average remaining term will extend by approximately 0.8 to 10.6 years.

Prologis Taps Growth With $25B in 2020 Investment Activity – Jan 14, 2021

The industrial asset class has grabbed the limelight for showing resilience amid the pandemic with low vacancy rates, high asking rents and robust rent collections. Industry behemoth Prologis has been witnessing impressive demand for high-quality logistics real estates in key locations across the globe, enabling it to continue with its investment activity.

The company completed $25 billion of investment activity on an owned and managed basis. Particularly, investments in mergers and acquisitions amounted to $17 billion in 2020, while development starts totaled $2.7 billion. Building acquisitions amounted to $2 billion and building & land dispositions summed $1.5 billion. Contributions also totaled $1.8 billion in 2020.

Since the ProLogis–AMB merger in 2011 through year-end 2020, this industrial REIT has accomplished investment transactions aggregating more than $131.4 billion across 30 global markets. These investments comprise a wide array, including largest M&A transactions in the real estate sector as well as individual off-market deals below $5 million.

Moreover, Prologis has created a new senior position, appointing long-time employee Dan Letter as global head of Capital Deployment effective Jan 1 this year, in a bid to support its increasing growing global capital-deployment moves.

Dividend Update

On Feb 25, Prologis' board announced a regular cash dividend of 63 cents per share for first-quarter 2021, indicating an 8.6% increase from the prior quarter. The dividend was paid on Mar 31, to shareholders of record on Mar 19, 2021.

Valuation

Prologis' shares have rallied 31.3% over the trailing 12-month period. Stocks in the Zacks sub-industry have appreciated 25.7%, while in the

Zacks Finance sector have increased 50.9% over the past year.

The S&P 500 Index has moved up 50.7% over the trailing 12-month period.

The stock is currently trading at 28.21X forward 12-month FFO, which compares to 21.49X for the Zacks sub-industry, 16.63X for the Zacks sector and 22.91X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 28.65X and as low as 16.87X, with a 5-year median of 21.90X. Our neutral recommendation indicates that the stock will perform in line with the market. Our $122 price target reflects 29.99X FFO.

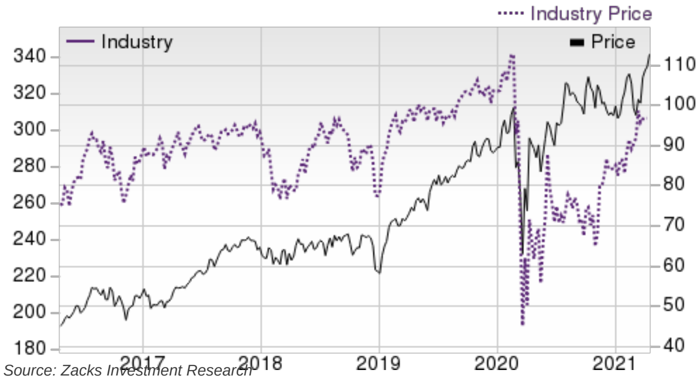
The table below shows summary valuation data for PLD.

Valuation Multiples - PLD

		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	28.21	21.49	16.63	22.91
	5-Year High	28.65	21.49	17.16	23.83
	5-Year Low	16.87	14.57	11.60	15.30
	5-Year Median	21.9	16.35	14.82	18.01
P/S F12M	Current	20.33	8.33	7.89	4.77
	5-Year High	21.09	8.33	7.89	4.77
	5-Year Low	9.74	5.45	5.03	3.21
	5-Year Median	15.32	6.36	6.16	3.71
P/B TTM	Current	2.34	2.56	3.16	7.03
	5-Year High	2.41	2.72	3.21	7.11
	5-Year Low	1.27	1.63	1.74	3.83
	5-Year Median	1.84	2.33	2.61	4.99

As of 04/20/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 20% (204 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
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	3
Rexford Industrial Realty, Inc. **(REXR)**	Neutral	2
Stag Industrial, Inc. **(STAG)**	Neutral	3
Terreno Realty Corporation **(TRNO)**	Neutral	2
Americold Realty Trust **(COLD)**	Underperform	4

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

Industry Comparison Industry: Reit And Equity Trust - Other

	PLD	X Industry	S&P 500	DRE	EGP	FR
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	F	F	F
Market Cap	83.04 B	3.14 B	29.78 B	16.76 B	6.14 B	6.32 B
# of Analysts	10	4	12	6	8	7
Dividend Yield	2.24%	3.07%	1.28%	2.28%	2.06%	2.21%
Value Score	D	-	-	D	D	D
Cash/Price	0.01	0.04	0.06	0.00	0.00	0.03
EV/EBITDA	28.77	18.27	17.06	27.21	29.16	19.99
PEG F1	5.22	3.77	2.40	4.79	4.29	NA
P/B	2.28	1.44	4.08	3.19	4.77	3.24
P/CF	29.00	16.62	17.22	25.73	27.41	19.02
P/E F1	29.19	17.93	22.30	26.87	26.89	25.64
P/S TTM	18.02	7.06	3.45	16.87	16.91	14.10
Earnings Yield	3.52%	5.26%	4.41%	3.73%	3.72%	3.90%
Debt/Equity	0.45	0.88	0.66	0.65	1.03	0.82
Cash Flow ($/share)	3.96	1.70	6.78	1.78	5.68	2.61
Growth Score	D	-	-	D	F	D
Historical EPS Growth (3-5 Years)	9.56%	0.87%	9.39%	6.02%	7.84%	5.77%
Projected EPS Growth (F1/F0)	3.89%	5.87%	15.71%	9.76%	6.02%	3.73%
Current Cash Flow Growth	11.17%	-2.35%	0.72%	-13.16%	-0.74%	-8.65%
Historical Cash Flow Growth (3-5 Years)	11.23%	10.49%	7.37%	5.33%	13.15%	11.23%
Current Ratio	0.24	1.51	1.39	1.31	0.00	1.88
Debt/Capital	31.20%	47.17%	41.26%	39.27%	50.78%	45.02%
Net Margin	29.47%	9.13%	10.59%	30.20%	29.85%	43.74%
Return on Equity	3.73%	2.56%	15.09%	5.88%	8.79%	10.56%
Sales/Assets	0.08	0.11	0.50	0.11	0.14	0.12
Projected Sales Growth (F1/F0)	8.41%	5.61%	7.51%	13.06%	7.15%	3.36%
Momentum Score	A	-	-	F	F	F
Daily Price Change	2.23%	0.00%	-0.61%	2.14%	1.53%	1.57%
1-Week Price Change	2.79%	1.75%	1.43%	3.18%	2.06%	3.37%
4-Week Price Change	9.08%	4.11%	5.71%	9.21%	9.15%	8.26%
12-Week Price Change	8.20%	11.59%	11.34%	12.12%	8.32%	17.38%
52-Week Price Change	28.93%	46.10%	58.53%	37.14%	51.61%	48.80%
20-Day Average Volume (Shares)	2,577,939	528,455	1,796,198	1,781,229	132,826	782,379
EPS F1 Estimate 1-Week Change	0.87%	0.00%	0.00%	-0.06%	-0.07%	0.00%
EPS F1 Estimate 4-Week Change	0.96%	0.00%	0.05%	0.24%	-0.07%	0.00%
EPS F1 Estimate 12-Week Change	3.92%	-1.00%	1.89%	1.82%	1.29%	2.14%
EPS Q1 Estimate Monthly Change	0.29%	0.00%	0.00%	-0.36%	-0.10%	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

Value Score	D
Growth Score	D
Momentum Score	A
VGM Score	D

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.

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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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.