

PRA Health Sciences (PRAH)

\$129.04 (As of 01/12/21)

Price Target (6-12 Months): **\$110.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 01/12/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: B

Summary

PRA Health's direct costs shot up in the quarter under review. Contraction in both margins is a concern as well. Economic volatility on account of the coronavirus pandemic continues to be a dampener. Quarter to date, the stock has underperformed its industry. However, PRA Health ended the third quarter on a strong note, with earnings and revenues beating estimates. Solid performance by both the Clinical Research and Data Solutions segments is a major positive. PRA Health continues to gain from large pharmaceutical companies and is also well-poised on Contract Research Organization (CRO) market prospects. The deal inked with Deep Lens, Inc. during the third quarter is impressive. A strong liquidity position is also encouraging. Solid biopharmaceutical industry dynamics continued favoring the company during the third quarter. .

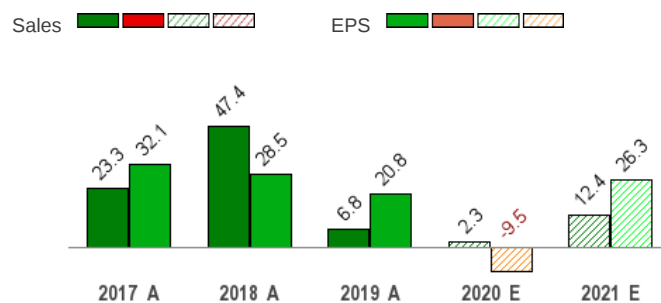
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$131.00 - \$58.67
20-Day Average Volume (Shares)	278,955
Market Cap	\$8.3 B
Year-To-Date Price Change	2.9%
Beta	1.24
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical Services
Zacks Industry Rank	Bottom 25% (189 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	15.0%
Last Sales Surprise	3.7%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/18/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	829 E	859 E	879 E	905 E	3,526 E
2020	784 A	730 A	796 A	828 E	3,138 E
2019	722 A	763 A	781 A	800 A	3,066 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.36 E	\$1.43 E	\$1.52 E	\$1.66 E	\$5.91 E
2020	\$1.05 A	\$0.86 A	\$1.30 A	\$1.47 E	\$4.68 E
2019	\$1.10 A	\$1.22 A	\$1.32 A	\$1.54 A	\$5.17 A

*Quarterly figures may not add up to annual.

P/E TTM	27.2
P/E F1	21.8
PEG F1	1.4
P/S TTM	2.7

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/12/2021. The reports text is as of 01/13/2021.

Overview

Headquartered in Raleigh, North Carolina, PRA Health Sciences (PRAH) is a renowned global Contract Research Organization (CRO). The company provides outsourced clinical development services to biotechnology and pharmaceutical industries. The company conducts clinical trials across all major therapeutic areas on a global basis. PRA Health's global clinical development platform currently has 70 offices across North America, Europe, Asia, Latin America, South Africa, Australia and the Middle East.

In September 2017, PRA Health completed the acquisition of Symphony Health Solutions Corporation, or Symphony Health, a data and analytics provider. With this acquisition, the company expects to enhance its ability in the field of clinical research and commercial development process.

Following the acquisition, PRA Health currently has two reportable segments: Clinical Research and Data Solutions.

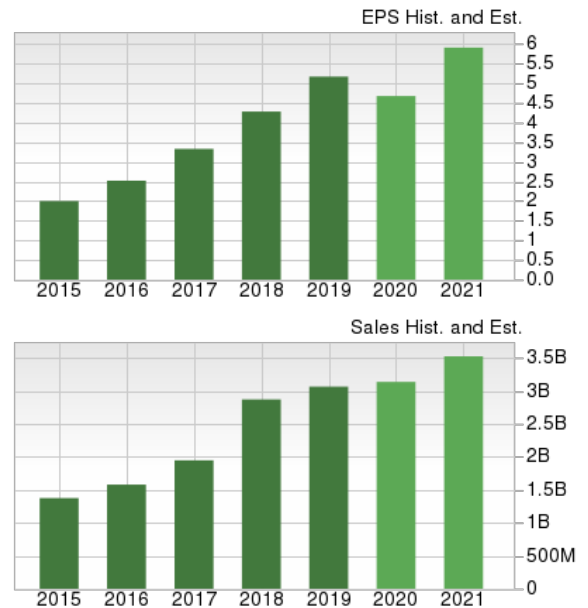
The **Clinical Research** segment covers a broad array of services across the spectrum of clinical development programs.

The **Data Solutions** division provides data, analytics, technology, and consulting solutions to the life sciences market.

2019 at a Glance

PRA Health's revenues totaled \$3.07 billion in 2019, up 6.8%.

Revenues at the Clinical Research segment were \$725.1 million (90.6% of net sales) while Data Solutions segment grossed \$75.1 million (9.4%).



Source: Zacks Investment Research

Reasons To Sell:

- ▼ **Share Price Down:** Quarter to date, shares of PRA Health have gained 2.9%, compared to the industry's rally of 5.6%. Escalation in direct costs is a major dampener. Further, the ongoing economic volatility on account of the global coronavirus outbreak is weighing on the stock.
- ▼ **Q3 Headwinds:** Direct costs totaled \$412.1 million in the quarter, up 5.9% from the prior-year quarter. Per management, the increase was primarily driven by a rise in labor-related costs at the Clinical Research and higher data costs in Data Solutions segments. Gross profit came in at \$384.2 million, down 1.8%. Gross margin came in at 48.3%, highlighting a contraction of 188 basis points (bps). Adjusted operating profit in the quarter grossed \$268.8 million, down 9.1% from the year-ago quarter. Adjusted operating margin in the quarter was 33.8%, down 414 bps.
- ▼ **Capital Spending Environment Remains Cautious:** PRA Health continues to remain cautious about the general capital spending environment. The company's cautious view comes on the back of macroeconomic factors in the U.S., the recent socio-political chaos and international trade dispute affecting the financial markets. This may tighten capital equipment expenditure and lengthened the decision process leading to purchases. Also, smaller biotechnology companies that are customers of PRA Health are especially reliant on the credit and capital markets. With the unfavorable economic conditions, they may not get adequate access to credit or equity funding, which could affect their demand for the company's services and ability to make timely payments. Thus, any further deterioration in the economic scenario in both the U.S. and internationally could have an adverse impact on the company.

Escalating direct cost remains a cause of concern for PRA Health. Moreover, the company continues to remain worried about the tough capital spending environment.

Risks

- **Launch of PSN:** PRA Health recently launched Pediatric Site Network (PSN) — a series of key pediatric research centers which will allow PRA Health to improve pediatric clinical development around the world. It will also improve access to novel pediatric medicines. The move is likely to drive the company's Center for Pediatric Clinical Development. For investors' notice, PRA Health's Center for Pediatric Clinical Development was launched in 2017. The center boasts highly skilled experts in pediatric clinical trial design and implementation.

In September 2019, the company launched a new market measurement – Metys – a first of its kind that delivers pharmaceutical market, analytics and intelligent capabilities to customers.

- **Favorable Biopharmaceutical Industry Dynamics:** PRA Health, like other CROs, derive substantially all of its revenues from the research, development and marketing expenditures of the pharmaceutical, biotechnology and medical device industries. Outsourcing of these services has increased substantially over the past and will increase in the future because of several factors, including pressures to contain costs, limitations on internal capacity, the need for faster development time for new drugs, simultaneous research in multiple countries, stringent government regulation and expertise that customers lack internally. These trends pose potential opportunities for companies like PRA Health that can help make the process of drug development all the more efficient. In this regard, we note that, the company's Strategic Solutions offerings have significantly expanded its relationships with large pharmaceutical companies in recent years.

During the third quarter of 2020, the company derived 56% of its service revenues from large pharmaceutical companies, 9% from small to mid-sized pharmaceutical companies, 17% from large biotechnology companies and 18% from all other biotechnology companies.

- **CRO Market Booms:** The CRO industry is getting onto a high growth path of late—thanks to the gradual transformation of the industry from providing limited clinical trial services in the 1970s to a full-service industry characterized by broad relationships with clients and also by offering service that encompass the entire drug development process. With worldwide increase in demand for outsourced clinical development solutions, the industry is currently under limelight and gaining traction. Going by a CRO Market Size Projections report by Industry Standard Research (ISR), the size of the worldwide CRO market was approximately \$32 billion in 2016 and will grow at a 7% CAGR to \$44 billion in 2021. This growth will be driven by an increase in the amount of research and development expenditure and levels of clinical development outsourcing by biopharmaceutical companies. Moreover, ISR estimates that approximately 37% of Phase I through IV of clinical development spend by biopharmaceutical companies is outsourced to CROs and the levels of penetration are expected to increase to approximately 45% by 2021. According to PRA Health, increase in outsourcing is primarily due to factors like the need to maximize R&D productively, the increasing burden of clinical trial complexity and the desire to pursue simultaneous registration in multiple countries.

In the third quarter, revenues at the Clinical Research segment amounted to \$732.1 million, up 1.8% year over year while revenues at the Data Solutions segment amounted to \$64.2 million, up 4.1% year over year. Through the Clinical Research segment, the company receives contracts to provide clinical research services with payments based on fixed-fee or fee-for-service arrangements.

Within its Data Solutions segment, the company added more data assets and saw increases in renewal rates on current data contracts in the first quarter. In June 2020, the company enhanced its commercial Health Harmony COVID-19 Monitoring Program by integrating it with the Microsoft Healthcare Bot service. Users of the PRA Health Harmony digital platform, enrolled under the organization's COVID-19 Monitoring Program, can use the AI-based chatbot which can recognize and respond to COVID-19-related queries. This development is likely to boost PRA Health's Data Solutions segment, which offers data, analytics, technology and consulting solutions to the life sciences market.

During the third quarter, the company's Data Solutions segment continued to perform in line with the company's expectations despite some impact of the pandemic.

The above data clearly indicate that the CRO market prospect is extremely bullish at present and hence stocks like PRA Health should be under the limelight.

- **Acquisitions and Partnerships :** PRA Health is highly optimistic about the company's acquisition of Symphony Health Solutions, that was completed in September of 2017. Symphony Health is a provider of data and analytics to help professionals understand the full market lifecycle of products offered for sale by companies in the pharmaceutical industry. With this \$530-million acquisition, PRA Health expects to enhance its ability to serve customers throughout the clinical research and commercial development process with technologies that provide data and analytics.

In March 2020, the company announced a partnership between Symphony Health and Datavant that expands the availability of data for integration and enables life sciences companies to get the most detailed view of the patient journey in the commercial market. In April, the company announced that Symphony Health will make a 30-day license of its newly-released Metys COVID-19 Module available to the U.S. life science industry free of cost. The COVID-19 Module within the Metys platform will offer up to three users per company access to all drugs and markets within any U.S. geographic region down to CBSA (core-based statistical area).

In September 2020, the company collaborated with The Leukemia & Lymphoma Society (LLS) to introduce a first-of-its-kind global clinical master trial in order to develop treatments for children with relapsed acute leukemia. Notably, the new LLS PedAL (Pediatric Acute Leukemia) master clinical trial will test, concurrently, multiple targeted therapies for children who experience a relapse of their acute leukemia.

In the same month, the company inked a strategic deal with Deep Lens, Inc. to expedite patient access and recruitment for oncology clinical trials. This deal will combine best-in-class technologies that can boost identification, screening and matching of cancer patients to precision-based clinical oncology trials globally. Interestingly, this combined solution has been deployed to Microsoft Azure.

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- **Strategic International Expansion as a Major Growth Driver:** PRA Health is one of the largest CROs in the world by revenue, focused on executing clinical trials on a global basis. Its global clinical development platform includes establishments across North America, Europe, Asia, Latin America, South Africa, Australia and the Middle East. Within the company's Early Development Services, so far it has conducted studies for major pharmaceutical companies outside the nation, especially in Europe and Japan.

We note that, PRA Health's revenue from international operations is growing fast (currently Europe, Africa, and Asia-Pacific region contributes more than 30% of the company's total revenue). The company has been strategically expanding its Asia Pacific operations since 2000 and has supported 345 clinical trials in the region at 4300+ sites across Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan, and Thailand.

In the second quarter, Asia and Europe put up the most robust performance with Latin America and North America showing solid improvement.

- **Balance Sheet View:** The company exited the third quarter of 2020 with cash and cash equivalents amounting to \$336 million, up from \$168 million in the preceding quarter. Meanwhile, the company's long-term debt totaled \$1.25 billion in the third quarter of 2020, sequentially down from \$1.26 billion. The long-term debt level is significantly higher than the quarter's cash and cash equivalent level. However, we can see that the current debt level of \$25 million in the quarter, which was flat sequentially, is much lower than the short-term cash level. This is good news in terms of the company's solvency level as, at least during the year of economic downturn, the company has sufficient cash for debt repayment.
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Last Earnings Report

PRA Health Q3 Earnings and Revenues Beat Estimates

PRA Health Sciences, Inc reported third-quarter 2020 earnings per share of \$1.30, beating the Zacks Consensus Estimate by 15%. The bottom line, however, fell from the prior-year quarter tally by 1.5%.

The company recorded revenues of \$796.3 million in the quarter under review, up 2% year over year and 3.8% at cc.The figure surpassed the Zacks Consensus Estimate by 3.7%.

Quarter Ending 09/2020

Report Date	Nov 04, 2020
Sales Surprise	3.71%
EPS Surprise	15.04%
Quarterly EPS	1.30
Annual EPS (TTM)	4.75

Results in Detail

Segmental Analysis

Net new business at the Clinical Research segment came in at \$737.9 million, indicating growth of 10.2% from the prior-year quarter. Through the segment, the company receives contracts to provide clinical research services, with payments based on fixed-fee or fee-for-service arrangements.

Revenues at the Clinical Research segment amounted to \$732.1 million, up 1.8% year over year while revenues at the Data Solutions segment amounted to \$64.2 million, up 4.1% year over year.

Direct Costs

Direct costs totaled \$412.1 million in the quarter, up 5.9% from the prior-year quarter. Per management, the increase was primarily driven by a rise in labor-related costs at the Clinical Research and higher data costs in Data Solutions segments.

Margin Trend

Gross profit came in at \$384.2 million, down 1.8%. Gross margin came in at 48.3%, highlighting a contraction of 188 basis points (bps).

Adjusted operating profit in the quarter grossed \$268.8 million, down 9.1% from the year-ago quarter. Adjusted operating margin in the quarter was 33.8%, down 414 bps.

Financial Update

The company exited the third quarter of 2020 with cash and cash equivalents of \$336.2 million, up from \$168.2 million at the end of the second quarter.

Cumulative net cash provided by operating activities totaled \$267.1million compared with that of \$65.9 million in the year-ago period.

2020 Guidance

For 2020, PRA Health raised revenue projection to \$3.12-\$3.15 billion. The Zacks Consensus Estimate for the same stands at \$3.10 billion.

Adjusted EPS for 2020 is expected within \$4.61 and \$4.71 (compared to previous range of \$4.35-\$4.55). The Zacks Consensus Estimate for the same stands at \$4.43.

Valuation

PRA Health's shares are up 33% in the six month period while up 23.2% the trailing 12-month period.

Stocks in the Zacks sub-industry and Zacks Medical Market are up 17.2% and 9.2% in the six month period, respectively. Over the past year, the stocks in the Zacks sub-industry are up 19.4% while that in the sector are up 7.7%.

The S&P 500 index is up 20.6% in the six month period and 19.7% in the past year.

The stock is currently trading at 25.2X Forward 12-months earnings, which compares to 48.1X for the Zacks sub-industry, 23.1X for the Zacks sector and 23.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 28.4X and as low as 12.7X, with a 5-year median of 20.9X.

Our Underperform recommendation indicates that the stock will perform below the market. Our \$110 price target reflects 21.4X forward 12-months earnings.

The table below shows summary valuation data for PRAH.

Valuation Multiples - PRAH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.19	48.06	23.14	23.16
	5-Year High	28.42	48.06	23.14	23.79
	5-Year Low	12.68	21.21	15.90	15.30
	5-Year Median	20.86	26.26	19.13	17.83
P/S F12M	Current	2.34	6.10	2.88	4.52
	5-Year High	2.36	6.10	3.17	4.52
	5-Year Low	1.26	1.95	2.26	3.20
	5-Year Median	1.99	2.50	2.85	3.68
P/CF	Current	18.41	46.89	15.57	20.88
	5-Year High	37.29	54.08	17.15	23.63
	5-Year Low	13.90	8.88	11.39	12.86
	5-Year Median	23.43	20.17	14.91	18.44

As of 01/01/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 25% (189 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AMN Healthcare Services Inc (AMN)	Neutral	2
Charles River Laboratories International, Inc. (CRL)	Neutral	3
Cognizant Technology Solutions Corporation (CTSH)	Neutral	3
ICON PLC (ICLR)	Neutral	3
IQVIA Holdings Inc. (IQV)	Neutral	4
Laboratory Corporation of America Holdings (LH)	Neutral	3
Medpace Holdings, Inc. (MEDP)	Neutral	3
Syneos Health, Inc. (SYNH)	Neutral	3

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

Industry Comparison Industry: Medical Services				Industry Peers		
	PRAH	X Industry	S&P 500	ICLR	IQV	LH
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	3	4	3
VGM Score	B	-	-	B	C	A
Market Cap	8.28 B	441.80 M	26.91 B	11.33 B	36.32 B	21.45 B
# of Analysts	6	2	13	8	11	9
Dividend Yield	0.00%	0.00%	1.43%	0.00%	0.00%	0.00%
Value Score	C	-	-	C	C	A
Cash/Price	0.04	0.06	0.06	0.06	0.04	0.03
EV/EBITDA	19.12	0.93	14.87	19.96	23.32	12.42
PEG F1	1.37	2.74	2.62	2.93	2.09	1.15
P/B	6.25	6.22	3.80	6.62	5.95	2.60
P/CF	18.56	20.59	14.45	24.32	15.30	11.33
P/E F1	21.83	30.13	20.68	26.82	24.14	11.78
P/S TTM	2.66	5.04	2.97	4.10	3.31	1.72
Earnings Yield	4.58%	2.72%	4.70%	3.73%	4.14%	8.49%
Debt/Equity	0.95	0.06	0.70	0.00	2.00	0.67
Cash Flow (\$/share)	6.95	-0.01	6.93	8.69	12.38	19.44
Growth Score	B	-	-	A	C	A
Historical EPS Growth (3-5 Years)	21.27%	20.88%	9.72%	12.05%	12.73%	10.40%
Projected EPS Growth (F1/F0)	26.38%	28.80%	12.43%	22.08%	24.25%	-10.31%
Current Cash Flow Growth	14.92%	7.37%	5.22%	13.46%	8.25%	12.16%
Historical Cash Flow Growth (3-5 Years)	23.06%	14.92%	8.37%	14.80%	37.91%	17.70%
Current Ratio	1.13	1.57	1.38	1.42	1.12	1.36
Debt/Capital	48.66%	17.62%	41.97%	0.00%	66.63%	40.13%
Net Margin	7.09%	0.21%	10.44%	11.95%	1.61%	6.79%
Return on Equity	22.21%	-1.05%	15.37%	21.42%	18.03%	21.05%
Sales/Assets	0.84	0.56	0.50	0.95	0.47	0.69
Projected Sales Growth (F1/F0)	12.36%	16.50%	5.96%	12.24%	11.49%	3.05%
Momentum Score	B	-	-	B	C	A
Daily Price Change	-0.37%	0.00%	-0.23%	-1.22%	-1.06%	1.47%
1-Week Price Change	3.54%	3.54%	2.23%	10.14%	6.65%	4.91%
4-Week Price Change	8.39%	6.67%	4.89%	7.47%	9.86%	7.01%
12-Week Price Change	18.23%	9.25%	15.32%	3.93%	9.18%	7.30%
52-Week Price Change	23.20%	11.42%	7.72%	24.64%	19.18%	22.07%
20-Day Average Volume (Shares)	278,955	237,082	1,724,388	187,786	821,989	580,795
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.08%	0.00%	1.17%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.06%	0.08%	0.00%	1.27%
EPS F1 Estimate 12-Week Change	2.12%	2.63%	2.55%	2.87%	2.83%	25.91%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	1.15%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	B
Momentum Score	B
VGM Score	B

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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