

PS Business Parks Inc. (PSB)

\$129.90 (As of 10/12/20)

Price Target (6-12 Months): **\$138.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/14/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:C

Value: D

Growth: C

Momentum: B

Summary

PS Business Parks' well-located portfolio amid improving industrial market fundamentals, asset-repositioning moves, decent balance-sheet strength and ample liquidity position it well to withstand cash-flow woes and sail through the current crisis. The company noted that the pace of rent collections in August outdid its experience in each of the prior months, starting from April through July. Yet, the slowdown in the economy amid the coronavirus pandemic will likely affect demand for space in the near term. Also, rent deferrals and rise in customer defaults in the near term will continue to be pressing concerns. Moreover, the trend in estimate revisions for 2020 funds from operations (FFO) per share does not indicate a favorable outlook for the company. Further, the company's shares have underperformed the industry over the past year.

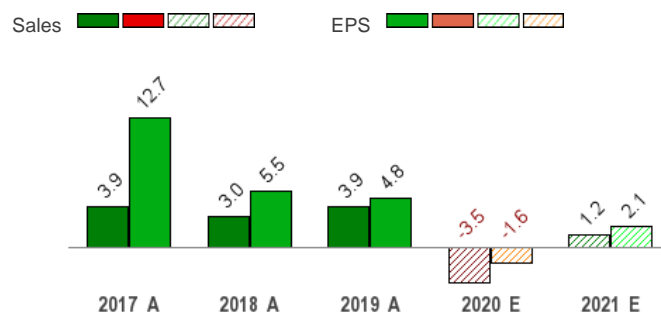
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$189.11 - \$102.48
20-Day Average Volume (Shares)	123,358
Market Cap	\$3.6 B
Year-To-Date Price Change	-21.2%
Beta	0.39
Dividend / Dividend Yield	\$4.20 / 3.2%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 16% (214 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-4.2%
Last Sales Surprise	NA
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	10/28/2020
Earnings ESP	0.0%
P/E TTM	19.5
P/E F1	19.5
PEG F1	3.9
P/S TTM	8.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					420 E
2020	106 A	101 A			415 E
2019	108 A	108 A	108 A	106 A	430 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$6.81 E
2020	\$1.72 A	\$1.59 A	\$1.66 E	\$1.66 E	\$6.67 E
2019	\$1.67 A	\$1.75 A	\$1.71 A	\$1.65 A	\$6.78 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 10/12/2020. The reports text and the analyst-provided sales and EPS estimates are as of 10/13/2020.

Overview

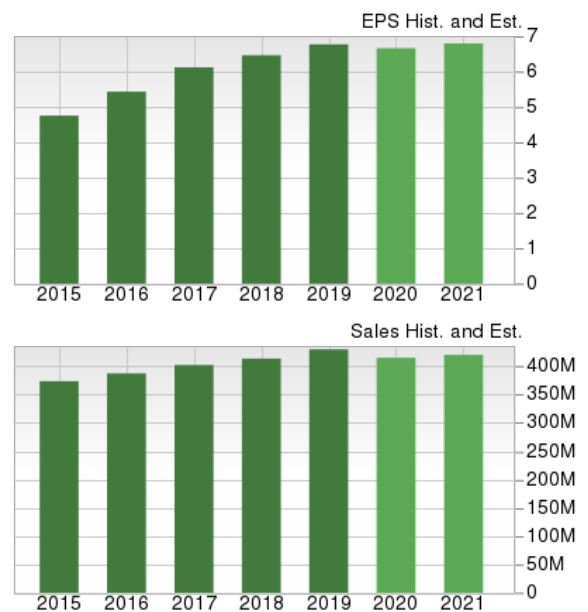
Founded in 1990, PS Business Parks, Inc. is a Glendale, CA-based real estate investment trust (REIT), which owns, acquires, develops and operates commercial real estate properties, especially multi-tenant flex, office and industrial.

“Flex” space is defined as properties that are configured with a combination of office and warehouse space. These spaces can be designed to fit a number of uses such as light manufacturing, office, showroom, laboratory, assembly and warehouse.

PS Business Parks’ properties are mainly concentrated in California, Virginia, Florida, Texas, Maryland and Washington. As of Jun 30, 2020, the company had wholly-owned 27.5 million rentable square feet for around 5,000 commercial customers in six states. The company also held 95% interest in a 395-unit apartment complex as of the same date.

The company’s multi-tenant commercial properties are positioned in markets that have witnessed long-term economic growth. Also, there is a certain concentration on small- and medium-size customers.

In January 2020, PS Business Parks announced the completion of buyout of two industrial/flex business parks and an office building sale transaction. Moreover, in third-quarter 2019, the company acquired a 543,000-square-foot multi-tenant industrial park in Southern California. It is positioned in a key last-mile location in the core of the Los Angeles Mid-Counties submarket.



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:

- ▲ PS Business Parks' portfolio is well diversified with respect to tenants and markets. This gives the company the ability to tap opportunities in different asset classes and helps in mitigating operating risk associated with a particular asset category or economic downturns in a specific region. As of Jun 30, 2020, excluding assets held for sale, leases from the company's top 10 customers comprised 9.4% of its annualized rental income, with only two customers, the U.S. Government (3.3%) and Luminex Corporation (1.1%), representing more than 1%. In addition, with respect to industry concentration, 19.2% of the company's annualized rental income comes from business services, 12.2% from warehouse, distribution, transportation and logistics, and 11.5% from computer hardware, software and related services. None of the other industry group represents more than 10% of its annualized rental income.
- ▲ The industrial real estate market is witnessing improving fundamentals amid the growth of e-commerce business. This is driving demand for warehouse space as companies are compelled to enhance and renovate their distribution and production platforms. Moreover, though the overall impact from the coronavirus pandemic is still evolving, warehouse operations have become more essential, with social distancing requirements resulting in more e-commerce customers. As such, much of the current demand is stemming from essential businesses, e-commerce, medical supply, and warehouse users, and given the company's well-positioned properties, it remains well poised to benefit from this trend.
- ▲ The company aims at portfolio repositioning. Currently, it operates in eight regions, in six states. It focuses on acquiring well-located, underperforming assets at a discount to replacement costs. This January, the company acquired a multi-tenant industrial park, comprising roughly 73,000 rentable square feet in La Mirada, CA, for a total purchase price of \$13.5 million. Moreover, in third-quarter 2019, the company acquired a 543,000-square-foot multi-tenant industrial park in Southern California. It is positioned in a key last-mile location in the core of the Los Angeles Mid-Counties submarket. Such portfolio acquisitions can help the company to emerge stronger amid improving industrial market fundamentals in the United States. Also, the company continues to shed office parks that it does not plan to redevelop in the near-to-mid-term. We expect these efforts to help the company achieve a better portfolio mix in the days ahead.
- ▲ PS Business Parks has ample financial flexibility to cushion and enhance its market position. The company exited second-quarter 2020 with cash and cash equivalents of \$98.8 million, up from the \$62.8 million reported at the end of 2019. In addition, the company has a \$250-million revolving credit facility that can be expanded to \$400 million and expires in January 2022. With no debt outstanding and lack of material capital commitments, it remains poised to navigate through the challenging times. In fact, the company's corporate credit rating by Standard and Poor's is A-. With favorable credit profile and ratings, the company remains well positioned to efficiently access both public and private capital markets to raise capital, when required.

PS Business Parks' diversified portfolio, asset-repositioning moves, decent balance-sheet strength and ample liquidity position it well to withstand cash-flow woes and sail through current blues.

Reasons To Sell:

- ▼ Recovery in the industrial market has continued for long, and hence, growth in rent is expected to slow down in the days to come. Moreover, industrial real estate fundamentals though seems more resilient than other asset categories is not immune. In the second half of the year, there are concerns associated with the timing and nature of economies reopening. Thus, the pandemic's adverse impact on the economy will likely affect demand for space in the near term. Also, demand for office space continues to suffer amid the pandemic and the resultant economic shutdowns. As such, the company's pricing power will continue to be affected in the near term.
- ▼ With the company's portfolio having a concentration of small and mid-size customers, it is more susceptible to the pandemic's adverse impact. The company, in fact, noted that the pandemic has had a severe negative impact on many of its customers' businesses. Given the continuation of the pandemic and the rise in infection rates and possibilities of reinstitution of restrictions, the challenging environment will likely persist in the near-term and woes with rent collections with deferrals, abatements and defaults are expected to continue. The rental income, which the company has agreed to defer and abate, aggregated \$3.8 million and \$874,000, respectively, for second-quarter 2020. Additionally, following the quarter end, the company deferred an additional \$1 million of rental income in July. Through Aug 31, 2020, 10.7% of the company's customers, based on total rental income, had been granted rent relief in the form of rent deferral and/or abatement, with open rent relief requests from approximately 1% of customers as of the same date.
- ▼ PS Business Parks faces intense competition from developers, owners and operators of office properties and other industrial assets, including sublease space available from its tenants. This affects its ability to attract and retain tenants at relatively higher rents than its competitors.
- ▼ Shares of PS Business Parks have depreciated 28.9% compared with the industry's decline of 6.3% over the trailing 12-month period. Further, the trend in estimate revisions of current-year FFO per share does not indicate a favorable outlook for the company, as estimates have been revised marginally downward over the past two months. Therefore, given the above-mentioned concerns and downward estimate revisions, there is limited upside potential to the stock.

Slowdown in economy amid the coronavirus pandemic will likely affect demand for space in the near term. Also, rent deferrals and rise in customer defaults in the near term are pressing concerns.

Last Earnings Report

PS Business Parks Q2 FFO and Revenues Decline Y/Y

PS Business Parks reported second-quarter 2020 core FFO per share of \$1.59, missing the Zacks Consensus Estimate of \$1.66. Moreover, the reported figure declined from \$1.75 reported in the year-ago quarter.

Quarter results reflect 3 cents per share adverse impact on FFO per share due to write-offs of accounts receivable and deferred rent receivable. The company experienced a slip in both same-park rental income and NOI reflecting a decline in both same-park annualized revenue per occupied-square-foot as well as weighted average square-foot occupancy.

Rental income came in at \$100.6 million, marking a decline of 6.7% from the year-ago quarter's \$107.8 million.

The company noted that as of Jul 31, 2020, it has collected about 92% of July's total billings, comprising 90%, 92% and 96% collection for industrial, flex and office spaces, respectively. Moreover, 3% of July's billed revenue was deferred, the majority of which had been agreed to in June or earlier, while 4% of July's total billings remained uncollected after given effect to amounts deferred or abated.

Moreover, through Jul 31, 2020, roughly 10.5% of its customers, based on total rental income, had been granted rent relief in the form of rent deferral and/or abatement.

Quarter in Detail

During the second quarter, PS Business Parks executed leases on 1.8 million square feet, surpassing the leasing production of 1.7 million for the prior-year quarter. Weighted average cash rental rate growth on leases executed during the quarter was 2.5%, while net effective rental rate growth was 8.5% for the same period.

Average lease term of the leases executed during the quarter was 3.2 years, with associated average transaction costs (tenant improvements and leasing commissions) of \$2.28 per square foot. This compared to average lease term and transaction costs on leases executed in the prior-year same period of 3.9 years and \$3.67 per square foot, respectively.

Same-park rental income was down 2.3% year over year to about \$92.7 million and same-park NOI slid 3.6% to \$65.7 million. Same-park annualized revenue per occupied-square-foot decreased 0.3% year on year to \$15.64. Weighted average square-foot occupancy shrunk 1.9% year on year to 92.4%.

Liquidity

PS Business Parks exited the second quarter with cash and cash equivalents of \$98.8 million, up from the \$62.8 million reported at the end of 2019.

Quarter Ending 06/2020

Report Date	Aug 04, 2020
Sales Surprise	NA
EPS Surprise	-4.22%
Quarterly EPS	1.59
Annual EPS (TTM)	6.67

Recent News

PS Business Parks Collects 95% of August Rental Receipts – Sep 15, 2020

PS Business Parks has collected 95% of its August billed rent, inclusive of repayments of amounts that had previously been deferred, as of Aug 31, 2020. This compares with rent collections of 93% for July. The company's pace of rent collections in August outdid its experience in each of the prior months, starting from April and through July.

The percentage of rent collected for August comprised 94%, 95% and 97% of rental receipts for its industrial, flex and office properties, respectively. The company's level of outstanding rents for industrial, flex and office properties stood at 4%, 5% and 1%, respectively.

The company also noted that weighted average occupancy for the Same Park portfolio (defined as assets acquired prior to Jan 1, 2018) was 92.3% and 92.5%, respectively, during the two- and eight-month period ended Aug 31, 2020.

Through Aug 31, 2020, 10.7% of the company's customers, based on total rental income, had been granted rent relief in the form of rent deferral and/or abatement, with open rent relief requests from approximately 1% of customers as of the same date.

Dividend Update

On Aug 4, the company announced a quarterly dividend of \$1.05 per common share. This dividend was paid on Sep 30, to shareholders of record as of Sep 15, 2020.

Valuation

PS Business Parks' shares have been down 28.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance have declined 6.3% and 7.7% over the past year, respectively.

The S&P 500 Index has been up 17.3% over the trailing 12-month period.

The stock is currently trading at 19.17X forward 12-month FFO, which compares to 19.51X for the Zacks sub-industry, 16.37X for the Zacks sector and 22.60X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 26.88X and as low as 15.70X, with a 5-year median of 20.03X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$138 price target reflects 20.37X FFO per share.

The table below shows summary valuation data for PSB.

Valuation Multiples - PSB					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	19.17	19.51	16.37	22.6
	5-Year High	26.88	19.51	16.74	23.47
	5-Year Low	15.70	14.32	11.6	15.27
	5-Year Median	20.03	16.14	14.41	17.68
P/S F12M	Current	7.91	8.46	6.14	4.16
	5-Year High	11.70	8.46	6.66	4.31
	5-Year Low	5.69	5.97	4.96	3.18
	5-Year Median	8.33	7.1	6.06	3.67
P/B TTM	Current	3.47	3.21	3.41	15.77
	5-Year High	5.01	4.04	4	16.3
	5-Year Low	2.36	2.42	2.01	7.47
	5-Year Median	3.49	3.41	3.48	10.73

As of 10/12/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 16% (214 out of 254)



Top Peers

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

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

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	PSB	X Industry	S&P 500	DRE	EGP	PLD
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	2	2	2
VGM Score	C	-	-	F	D	F
Market Cap	3.57 B	2.12 B	23.69 B	15.01 B	5.81 B	80.00 B
# of Analysts	2	4	13	5	6	9
Dividend Yield	3.23%	3.71%	1.59%	2.32%	2.14%	2.14%
Value Score	D	-	-	F	F	F
Cash/Price	0.03	0.06	0.07	0.00	0.00	0.01
EV/EBITDA	14.27	14.16	13.64	20.89	26.82	30.96
PEG F1	3.81	3.77	2.95	6.10	5.63	3.77
P/B	3.47	1.34	3.55	2.97	4.77	2.18
P/CF	12.74	11.05	13.58	19.53	25.39	26.00
P/E F1	19.07	14.77	22.44	27.18	27.77	29.01
P/S TTM	8.48	4.80	2.67	16.02	16.65	19.94
Earnings Yield	5.13%	5.72%	4.29%	3.68%	3.60%	3.44%
Debt/Equity	0.00	0.93	0.70	0.61	1.01	0.43
Cash Flow (\$/share)	10.20	2.05	6.93	2.07	5.82	4.17
Growth Score	C	-	-	D	C	D
Historical EPS Growth (3-5 Years)	8.18%	0.72%	10.41%	5.30%	7.85%	10.06%
Projected EPS Growth (F1/F0)	-1.62%	-2.71%	-2.99%	3.47%	6.76%	12.79%
Current Cash Flow Growth	-14.31%	3.36%	5.49%	9.22%	25.62%	3.51%
Historical Cash Flow Growth (3-5 Years)	-0.32%	12.74%	8.51%	4.21%	13.87%	15.92%
Current Ratio	1.64	1.66	1.35	1.16	0.00	0.48
Debt/Capital	0.00%	48.26%	42.91%	37.81%	50.32%	29.89%
Net Margin	44.01%	11.28%	10.28%	39.78%	34.10%	43.27%
Return on Equity	18.12%	3.37%	14.79%	7.38%	10.07%	5.55%
Sales/Assets	0.20	0.13	0.51	0.11	0.14	0.08
Projected Sales Growth (F1/F0)	0.00%	0.00%	-0.59%	5.57%	8.64%	32.06%
Momentum Score	B	-	-	F	D	F
Daily Price Change	1.11%	0.40%	0.65%	1.71%	1.51%	1.29%
1-Week Price Change	1.29%	0.13%	4.06%	3.59%	6.35%	2.58%
4-Week Price Change	5.41%	-0.43%	3.76%	6.86%	12.05%	6.22%
12-Week Price Change	2.28%	5.20%	8.70%	13.16%	23.64%	14.31%
52-Week Price Change	-28.86%	-21.68%	6.31%	21.44%	16.42%	25.54%
20-Day Average Volume (Shares)	123,358	723,401	2,117,216	1,900,910	261,566	2,663,766
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.06%	0.36%
EPS F1 Estimate 12-Week Change	-0.52%	0.00%	3.69%	3.83%	2.71%	4.02%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	-0.12%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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 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.