

PayPal Holdings, Inc. (PYPL)

\$235.51 (As of 12/17/20)

Price Target (6-12 Months): **\$242.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/02/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: D

Growth: C

Momentum: B

Summary

PayPal is benefiting from robust growth in total payments volume owing to increasing net new active accounts. Further, strengthening customer engagement on the company's platform is a major positive. Furthermore, Venmo's improving monetization efforts and rising adoption rate across various platforms are aiding the total active accounts. Additionally, growing momentum of core peer to peer and PayPal Checkout experiences is a tailwind. Also, benefits from Honey buyout are positives. We believe accelerating transaction revenues of PayPal are likely to continue driving revenues. However, increasing credit loss reserves owing to macroeconomic projections on account of coronavirus is a serious matter of concern. Further, intensifying digital payment competition is a risk. The stock has underperformed its industry on year-to-date basis.

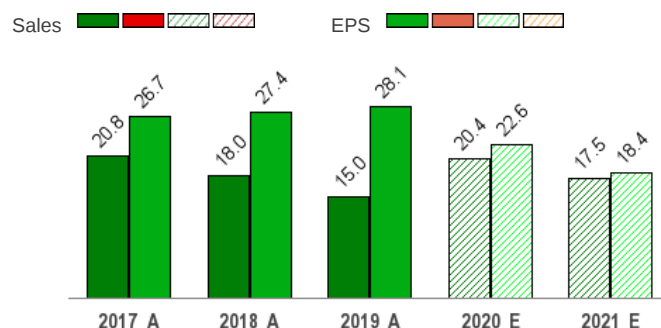
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$238.10 - \$82.07
20-Day Average Volume (Shares)	8,360,851
Market Cap	\$269.7 B
Year-To-Date Price Change	112.8%
Beta	1.10
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Internet - Software
Zacks Industry Rank	Bottom 30% (179 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	13.8%
Last Sales Surprise	1.1%
EPS F1 Estimate 4-Week Change	0.2%
Expected Report Date	02/03/2021
Earnings ESP	5.5%
P/E TTM	62.9
P/E F1	62.0
PEG F1	3.5
P/S TTM	13.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	5,547 E	6,155 E	6,470 E	7,126 E	25,149 E
2020	4,618 A	5,261 A	5,459 A	6,065 E	21,399 E
2019	4,128 A	4,305 A	4,378 A	4,961 A	17,772 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.96 E	\$1.09 E	\$1.16 E	\$1.28 E	\$4.50 E
2020	\$0.66 A	\$1.07 A	\$1.07 A	\$1.00 E	\$3.80 E
2019	\$0.78 A	\$0.86 A	\$0.61 A	\$0.86 A	\$3.10 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 12/17/2020. The reports text is as of 12/17/2020.

Overview

PayPal has emerged as one of the largest online payment solutions providers on the back of its strong product portfolio and two-sided platform that enables it to offer smooth and secure transaction facility to both customers and merchants.

The company's peer-to-peer payment service, Venmo, is the key catalyst behind the solid growth in its total payment volume (TPV). Venmo is driving the active accounts base of the company with the aid of strong monetization efforts and robust features.

Moreover, PayPal poses a serious challenge to Square's growing presence in the online payment space on growing adoption of Venmo.

Further, the company offers domestic and international person-to-person payment facilities with the help of PayPal and Xoom products.

One Touch, which has emerged as the key growth driver behind PayPal's accelerating mobile volumes owing to its robust mobile checkout services, is contributing to the merchant and customer base further.

With the aid of these robust products, PayPal continues to gain solid traction in the global online payment market. It allows customers to send payments in more than 200 markets globally. It has connections with financial service providers worldwide.

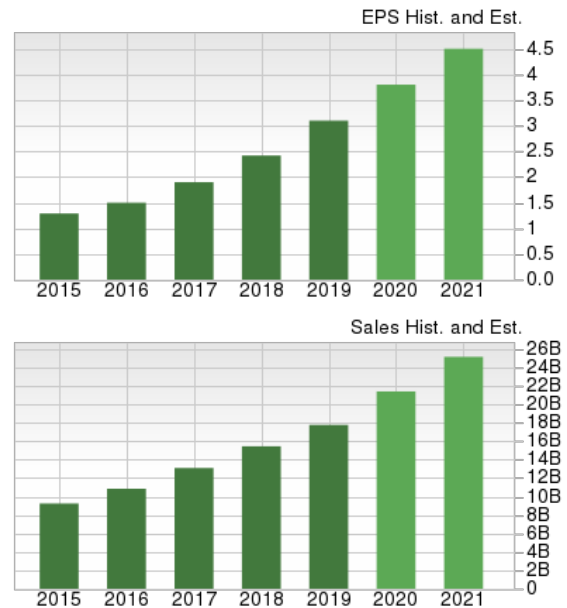
Further, the company supports withdrawal of funds from bank accounts in 56 currencies and holding balances in PayPal accounts in 25 currencies. Additionally, transfer of funds supports more than 100 currencies globally.

Additionally, this San Jose, CA-based company is gaining from strategic acquisitions including Hyperwallet, Braintree and iZettle that are helping it in delivering better payment experience.

Furthermore, PayPal's growing banking initiatives remain noteworthy. Instant Transfer to bank allows U.S. customers to transfer money to their bank accounts seamlessly within 30 minutes on the back of the company's partnership with JPMorgan Chase.

In 2019, PayPal generated revenues of \$17.8 billion. It earns revenues transactions and other value-added services that accounted for 90.6% and 9.4%, respectively, of 2019 revenues.

Further, the company's primary geographical markets which include United States, the U.K. and Other Countries contributed 53%, 10.5% and 36.5%, respectively, to 2019 revenues.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ PayPal's **safety and simplicity of transactions and the fact that it's both brand and technology pioneer** differentiates it from its competitors remain noteworthy. The company offers simple and affordable financial services and digital payment facilities enabling customers and merchants to access and move their money anywhere, anytime and through any connected device. The company's risk management and tokenization help secure legitimacy of transactions and prevent illegal or fraudulent transactions. PayPal's onboarding facility offers more choice to customers while opening a PayPal account. The company's account setting and check-out experiences are bolstering customer engagement. Additionally, PayPal's two-sided platform enables it to develop and maintain direct financial relationship with both customers and merchants. The platform connects consumers and merchants facilitating unique end-to-end product experiences to both parties. Merchants are able to keep track of customer behavior and engagement using PayPal's data. The platform enables PayPal to maintain a deep and trusted relationship with its growing merchants and consumer base.
- ▲ PayPal continues to forge **strategic partnerships**. The company's ongoing strategic partnership with Visa in the United States, Europe and Asia-Pacific provides enhanced consumer choice, point of sale acceptance, instant money withdrawal facility and data quality. The partnership provides certain economic incentives to the company such as Visa incentives for increased volume and greater long-term Visa fee certainty. This partnership has been recently expanded to Europe and Asia-Pacific. PayPal and Mastercard have been working together for 10 years. They currently run a multi-year PayPal Extras Mastercard co-branded consumer credit card program. MasterCard is a "clear and equal" payment choice in PayPal's wallet. This partnership has been recently expanded Europe, Latin America, Canada, Africa, the Caribbean and the Middle East. PayPal's partnerships with Google, Facebook, Pinterest, Alibaba and Intuit are also delivering positive results. Over the past one year, the company has put itself in a favorable place for partnerships across multiple original equipment manufacturers (OEM), technology companies, mobile-carriers, retailers and financial institutions. Further, PayPal's new partnerships with CaixaBank, Bankia, HSBC and Barclays Bank are helping the company to improve its customer base. Additionally, the introduction of new services and offers for the debit and credit card users by collaborating with JP Morgan and Bank of America helped in attracting customers to the platform.
- ▲ **One Touch** continues to be PayPal's most rapidly adopted product. This platform allows customers to make purchases through a variety of merchant websites or apps without having to enter additional information. OneTouch is now a secular tailwind behind PayPal, a clear advantage in mobile with which it is witnessing increased conversion. The platform has opened new market opportunities internationally with opportunities to expand in many more markets of Venmo.
- ▲ **Venmo** continues to bolster PayPal's stake in mobile payments. This application enables the transfer of money between family and friends via mobile devices. In second-quarter 2020, the app processed \$37 billion, up 52% year over year. The company is constantly adding new features to this app. Venmo users can now pay at more than 2 million PayPal merchants across the United States. Further, it is making good progress in acquiring net new actives. Moreover, the company's ongoing partnership with MasterCard will continue to aid the adoption rate of Venmo. With all these, Venmo will continue to deploy more and more merchants across major brands.
- ▲ PayPal has a solid balance sheet that makes the stock attractive to investors. As of Sep 30, 2020, the company's net cash amounted to \$5.2 billion compared with \$4.1 billion as of Jun 30, 2020. Moreover, debt-to-total capital was 32.6% as of Sep 30, 2020 which decreased from 33.6% as of Jun 30, 2020. Further, we note that the company has no significant debt maturities in 2020 and 2021 which remains a positive. Moreover, PayPal generates significant cash flow that boosts liquidity. This will enable the company to continue to its share buyback program in the near term. Notably, the company generated \$720 million of cash from operations in the third-quarter 2020. Further, its free cash flow was \$479 million in the third quarter.

PayPal's two-sided platform, safety and simplicity of transactions, opportunities in the fast-growing mobile space and strategic partnerships are major positives.

Reasons To Sell:

- ▼ PayPal operates in the highly competitive global payments industry with its participants, many of which are traditional financial services companies such as MasterCard and Visa, enjoying dominant and secure positions. PayPal, being an intermediary, is vulnerable to competitive moves from these companies in the digital wallets space, although they have not gained much traction so far.
- ▼ The nature of business makes PayPal vulnerable to foreign exchange risk. A significant part of the company's operations are international and thus, appreciation or depreciation of the U.S. dollar versus foreign currencies such as British Pound Euro, Canadian Dollar and Australian Dollar could impact the company's financial results. The company holds some customer and corporate funds in non-U.S. currencies and thus could face foreign exchange risk while translating them to U.S. dollars. The same is true when it comes to the company's assets and liabilities denominated in currencies other than the functional currency of its subsidiaries.
- ▼ The company is exposed to interest rate risk from its interest rate sensitive assets and investment portfolio. The assets underlying PayPal's customer balances that are held in its balance sheet as customer accounts are maintained in interest and non-interest bearing bank deposits, corporate debt securities, time deposits, and U.S. and foreign government and agency securities.
- ▼ Moreover, the company is trading at premium in terms of Price/Book (P/B). PayPal currently has a trailing 12-month P/B ratio of 13.99. This level compares unfavorably with what the industry witnessed in the last year. Additionally, the ratio is closer to the high end of the valuation range in this period. Consequently, the valuation looks slightly stretched from P/B perspective.

PayPal operates in a highly competitive global payments industry that is exposed to foreign exchange and interest rate risks on a continuous basis.

Last Earnings Report

PayPal's Q3 Earnings & Revenues Surpass Estimates

PayPal Holdings reported non-GAAP earnings of \$1.07 per share in third-quarter 2020, which surpassed the Zacks Consensus Estimate by 13.8%. Further, the figure improved 41% on a year-over-year basis but remained flat sequentially.

Net revenues of \$5.46 billion outpaced the Zacks Consensus Estimate of \$5.40 billion. The figure improved 25% from the year-ago quarter on both reported and FX-neutral basis. Further, it increased 3.8% from the prior quarter.

Top-line growth was driven by growing total payment volume (TPV), courtesy of increasing net new active accounts. Further, strong performance by Venmo and merchant services contributed well to the results.

Additionally, strong growth in the company's transaction revenues drove the results further in the reported quarter.

Further, PayPal saw positive contributions from the acquisition of Honey.

Moreover, boom in digital payment and e-commerce space owing to the coronavirus pandemic was a tailwind.

However, shares of the company have plunged 4.8% in the pre-market trading, which can primarily be attributed to weaker-than-expected guidance for fourth-quarter earnings growth.

Nevertheless, growing proliferation of digital payments worldwide is a tailwind for the company. Further, its strong efforts toward product enhancements remain positives.

Top Line in Detail

By Type: Transaction revenues amounted to \$5.1 billion (93% of net revenues), up 28% from the year-ago quarter. Other value-added services generated revenues of \$383 million (accounting for 7% of net revenues), down 9% year over year.

By Geography: Revenues from the United States totaled \$2.8 billion (52% of net revenues), up 21% on a year-over-year basis. International revenues were \$2.6 billion (48% of revenues), up 29% from the prior-year quarter.

Key Metrics to Consider

PayPal witnessed year-over-year growth of 22% in total active accounts with the addition of 15.2 million net new active accounts during the reported quarter. The total number of active accounts was 361 million in the quarter under review.

Additionally, the total number of payment transactions came in at 4.01 billion, up 30% on a year-over-year basis.

Further, the company's payment transactions per active account were 40.1 million, which improved 1% from the year-ago quarter, reflecting strong customer engagement on PayPal's platform.

TPV amounted to \$246.7 billion for the reported quarter, reflecting year-over-year growth of 38% and 36% on spot rate and currency neutral basis, respectively.

Notably, year-over-year growth in TPV was primarily driven by robust Venmo, which accounted for \$44 billion of TPV, surging 61% on a year-over-year basis on strong monetization efforts.

Further, merchant services, which contributed 913% to the TPV and the volume generated from these services rose 40% year over year. The company witnessed above 1.5 million of merchants signing up during the third quarter.

Operating Details

PayPal's operating expenses were \$4.5 billion in the third quarter, up 21.8% from the prior-year quarter. As a percentage of net revenues, the figure contracted 200 basis points (bps) year over year to 82.1%.

Consequently, non-GAAP operating margin came in at 27%, expanding 400 bps from the year-ago quarter.

Balance Sheet & Cash Flow

As of Sep 30, 2020, cash equivalents and investments were \$14.2 billion, up from \$13.1 billion on Jun 30, 2020.

PayPal had a long-term debt balance of \$8.94 billion at the end of the third quarter compared with \$8.93 billion at the end of the second quarter.

The company generated \$720 million of cash from operations, down from \$2.4 billion in the previous quarter.

Free cash flow came in at \$479 million during the reported quarter compared with \$2.2 billion in the prior quarter.

Further, the company returned \$350 million to shareholders and repurchased 1.8 million shares.

Quarter Ending	09/2020
Report Date	Nov 02, 2020
Sales Surprise	1.08%
EPS Surprise	13.83%
Quarterly EPS	1.07
Annual EPS (TTM)	3.66

Guidance

For fourth-quarter 2020, PayPal expects revenues to reflect year-over-year improvement in the range of 20-25% at both current spot rate and FX-neutral basis.

Non-GAAP earnings, which are anticipated to grow 17-18%, are expected to bear acquisitions impact of 3 cents per share.

Additionally, TPV in the fourth quarter is likely to exhibit an improvement within the range of low to mid 30%.

For 2020, PayPal expects revenues to reflect year-over-year improvement in the range of 20-21% at current spot rate and 21-22% at FX-neutral basis.

Non-GAAP earnings, which are anticipated to grow 27-28%, are expected to carry acquisitions impact of 13 cents per share.

Additionally, TPV for 2020 is likely to exhibit growth of 30%.

Recent News

On **Nov 17, 2020**, PayPal teamed up with an on-demand pay platform provider called Even. The company is focused on providing new tools as a part of its commitment toward financial health of its workforce.

On **Sep 23, 2020**, PayPal in partnership with Mastercard expanded the global reach of the PayPal Business Debit Mastercard by making it available in five European countries - Ireland, Italy, Spain, Austria and France.

On **Aug 31, 2020**, PayPal unveiled Pay in 4, a buy now pay later installment solution, in a bid to deliver enhanced payment experience to merchants and their customers.

On **Jun 11, 2020**, PayPal pledged \$530 million in a bid to support black and minority-owned businesses and communities in the United States.

Valuation

PayPal shares are up 105% in the year-to-date period and 105.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 107.9% and 38.2%, in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 108.6% and 39.4%, respectively.

The S&P 500 index is up 14.9% in the year-to-date period and 16.2% in the past year.

The stock is currently trading at 10.79X forward 12-month sales compared with 11.01X for the Zacks sub-industry, 4.5X for the Zacks sector and 4.28X for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.79X and as low as 3.54X, with a 5-year median of 5.815X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$242 price target reflects 11.34X forward 12-month sales.

The table below shows summary valuation data for PYPL

Valuation Multiples - PYPL					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	10.79	11.01	4.5	4.28
	5-Year High	10.79	11.01	4.50	4.29
	5-Year Low	3.54	3.1	2.77	3.17
	5-Year Median	5.85	5.57	3.47	3.68
EV/Sales TTM	Current	13.03	12.71	5.36	4.31
	5-Year High	13.03	12.71	5.36	4.32
	5-Year Low	3.76	3.12	2.83	2.61
	5-Year Median	6.51	6.12	3.87	3.58

As of 12/16/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 30% (179 out of 255)



Top Peers

Company (Ticker)	Rec	Rank
Apple Inc. (AAPL)	Neutral	3
Amazon.com, Inc. (AMZN)	Neutral	3
Alibaba Group Holding Limited (BABA)	Neutral	3
Alphabet Inc. (GOOGL)	Neutral	3
Mastercard Incorporated (MA)	Neutral	4
Square, Inc. (SQ)	Neutral	3
Visa Inc. (V)	Neutral	4
Intuit Inc. (INTU)	Underperform	5

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

Industry Comparison Industry: Internet - Software				Industry Peers		
	PYPL	X Industry	S&P 500	AAPL	AMZN	SQ
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	B	C	C
Market Cap	269.72 B	1.68 B	26.40 B	2,173.00 B	1,626.16 B	102.40 B
# of Analysts	17	5	14	12	16	13
Dividend Yield	0.00%	0.00%	1.51%	0.64%	0.00%	0.00%
Value Score	D	-	-	D	D	D
Cash/Price	0.06	0.08	0.06	0.04	0.04	0.03
EV/EBITDA	67.65	-0.94	14.41	27.91	42.57	213.07
PEG F1	3.46	5.83	2.80	2.76	3.21	9.37
P/B	14.56	8.12	3.58	33.26	19.65	49.64
P/CF	70.70	32.03	13.86	31.74	48.34	610.80
P/E F1	61.98	76.86	21.99	31.75	93.79	309.11
P/S TTM	13.29	6.50	2.77	7.92	4.67	13.38
Earnings Yield	1.65%	0.25%	4.33%	3.15%	1.07%	0.32%
Debt/Equity	0.48	0.01	0.70	1.51	0.40	0.85
Cash Flow (\$/share)	3.26	-0.00	6.94	4.03	67.05	0.37
Growth Score	C	-	-	B	A	A
Historical EPS Growth (3-5 Years)	20.20%	17.57%	9.69%	11.10%	85.35%	NA
Projected EPS Growth (F1/F0)	22.62%	4.87%	1.00%	22.71%	50.19%	-8.17%
Current Cash Flow Growth	30.28%	4.17%	5.22%	0.98%	31.33%	130.71%
Historical Cash Flow Growth (3-5 Years)	18.18%	20.21%	8.33%	1.15%	49.26%	26.09%
Current Ratio	1.38	1.91	1.38	1.36	1.11	1.70
Debt/Capital	32.54%	6.83%	42.00%	60.16%	28.46%	46.02%
Net Margin	15.48%	-16.91%	10.44%	20.91%	4.99%	4.05%
Return on Equity	18.31%	-6.69%	14.99%	75.15%	24.49%	-0.01%
Sales/Assets	0.35	0.57	0.50	0.84	1.41	1.16
Projected Sales Growth (F1/F0)	20.41%	8.02%	0.35%	16.83%	35.72%	98.85%
Momentum Score	B	-	-	A	F	F
Daily Price Change	3.88%	0.23%	-0.25%	-0.05%	2.40%	3.22%
1-Week Price Change	-1.70%	0.94%	-1.29%	0.13%	-1.46%	4.05%
4-Week Price Change	21.08%	11.47%	3.00%	8.29%	4.36%	22.39%
12-Week Price Change	26.75%	22.43%	18.91%	19.32%	8.04%	51.80%
52-Week Price Change	113.48%	50.75%	6.25%	82.75%	81.67%	248.60%
20-Day Average Volume (Shares)	8,360,851	538,728	1,961,038	92,178,664	3,328,219	8,794,545
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.19%	0.00%	0.00%	0.29%	0.00%	-26.48%
EPS F1 Estimate 12-Week Change	1.51%	6.19%	3.94%	0.86%	8.73%	77.71%
EPS Q1 Estimate Monthly Change	0.72%	0.00%	0.00%	0.13%	0.00%	-35.31%

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 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.