

Regency Centers Corp. (REG)

\$45.11 (As of 01/05/21)

Price Target (6-12 Months): **\$38.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 12/04/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:F

Value: C

Growth: D

Momentum: D

Summary

Shares of Regency Centers have underperformed the industry in the past year. Moreover, the recent trend in estimate revisions for 2020 and 2021 funds from operations (FFO) per share does not indicate a favorable outlook for the company. The company's choppy performance in recent quarters reflects a decline in same property net operating income (NOI) because of a higher rate of uncollectible lease income in relation to the coronavirus pandemic. Although Regency's premium shopping centers are situated in strong trade areas, with consumers having high spending power and the company having a diversified tenant roster, this REIT will likely be impacted due to low footfall at its properties amid social-distancing wave and higher e-commerce adoption. Also, rent relief and deferral requests from its tenants are likely to hurt cash flows.

Price, Consensus & Surprise

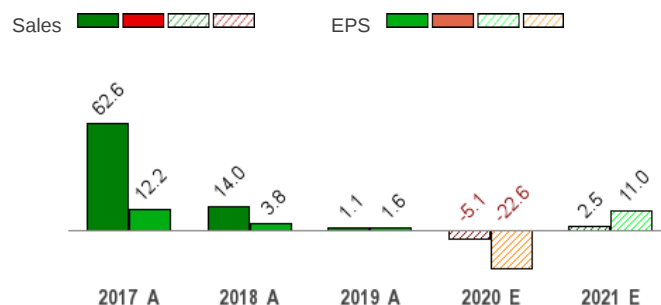


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$64.65 - \$31.80
20-Day Average Volume (Shares)	938,666
Market Cap	\$7.5 B
Year-To-Date Price Change	-2.8%
Beta	1.03
Dividend / Dividend Yield	\$2.38 / 5.4%
Industry	REIT and Equity Trust - Retail
Zacks Industry Rank	Bottom 13% (220 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-8.0%
Last Sales Surprise	-6.8%
EPS F1 Estimate 4-Week Change	-2.3%
Expected Report Date	02/11/2021
Earnings ESP	-0.6%
P/E TTM	13.5
P/E F1	13.5
PEG F1	3.3
P/S TTM	7.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	264 E	266 E	268 E	271 E	1,074 E
2020	284 A	231 A	243 A	264 E	1,048 E
2019	286 A	268 A	282 A	281 A	1,104 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.79 E	\$0.83 E	\$0.85 E	\$0.87 E	\$3.34 E
2020	\$0.98 A	\$0.61 A	\$0.69 A	\$0.78 E	\$3.01 E
2019	\$0.98 A	\$0.95 A	\$0.99 A	\$1.00 A	\$3.89 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 01/05/2021. The reports text is as of 01/06/2021.

Overview

Jacksonville, FL-based Regency Centers Corporation is one of the leading publicly traded retail REIT in the United States. The company's portfolio mainly constitutes of grocery-anchored community and neighborhood centers. It started operating as a publicly traded REIT in 1993.

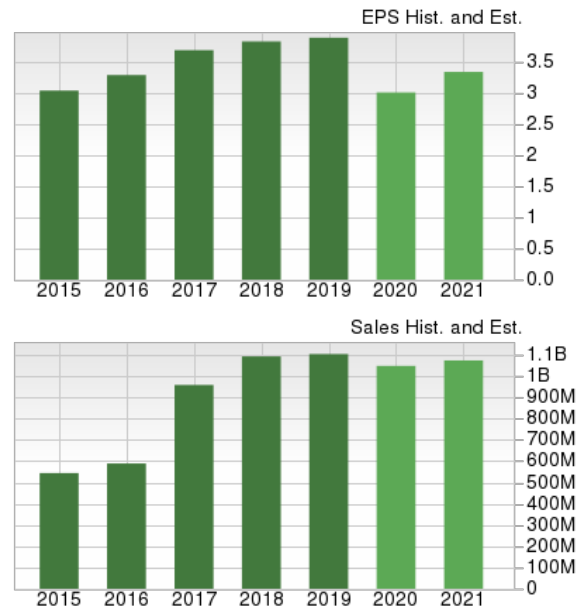
Regency leases space in its shopping centers to grocery stores, major retail anchors, restaurants, side-shop retailers and service providers. This apart, the company also makes ground leasing or selling out-parcels to similar types of tenants.

As of Sep 30, 2020, Regency had ownership of 414 properties, spanning 52.15 million square feet of gross leasable area (GLA). As of the same date, the company's wholly-owned portfolio, along with its pro-rata shares of co-investment partnerships, was 92.9% leased.

Moreover, on Mar 1, 2017, Regency announced the closure of the Equity One merger deal. The move created a combined company with a total market capitalization of around \$16 billion. Specifically, Equity One merged with and into Regency, and the surviving entity – Regency Centers – joined the S&P 500 Index on Mar 2. This merger created a high-quality portfolio of 429 properties, mainly grocery-anchored, situated in several top markets and provides long-term growth opportunities.

In September 2019, Regency announced the acquisition of 120,000-square-foot Circle Marina Center in Long Beach, CA. This off-market buyout marked the company's fifth property owned in Long Beach. Positioned in a high density sub-market, the property is presently 94.1% leased. It includes 33,000 square feet area of a three-story office building and above-retail office, enjoying proximity to three other Regency shopping centers.

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 Sell:

- ▼ The market is witnessing a shift in retail shopping from brick-and-mortar stores to internet sales. Particularly, the recent effort of online retailers to go deeper into the grocery business has emerged as a concern for this REIT that focuses on building a premium portfolio of grocery-anchored shopping centers. This is because the shift in retail shopping to internet sales is adversely affecting the physical store sales, leading to retailers reconsidering their footprint and opting for store closures, thereby resulting in lesser demand for retail real estate space. Moreover, retailers unable to cope with competition are filing bankruptcies. Move outs, store closures and bankruptcies of retailers are likely to result in pricing pressure on base rent, and affect the company's revenues in the near term.
- ▼ Furthermore, with coronavirus remaining active and continuing to spread, there is a risk for decline in sales and future closures. New leasing activity has declined and is likely to remain at low levels in the upcoming year with businesses postponing lease executions amid the economic uncertainty stemming from the pandemic. This, along with tenant failures, will likely affect demand for retail space and lead to pricing pressure on rents. Moreover, the pandemic has been most impactful for many non-essential businesses that are experiencing significant declines in customer traffic and temporary store closures. Particularly, tenants belonging to entertainment, restaurant, fitness and service users in certain regions of the country have been widely affected due to closures amid stricter government mandates. This is likely to continue to have an adverse impact on the tenants' ability to pay rent obligations.
- ▼ As of Sep 30, 2020, the company had \$238 million of in-process developments and redevelopments with an estimated \$102.3 million of remaining costs to complete. Though a huge development and redevelopment projects pipeline is encouraging, it exposes the company to various risks such as rising construction costs, entitlement delays and lease-ups. Particularly, with delays in construction for tenant improvements because of the pandemic, it might take a longer period before new tenants are able to open and start rent payments.
- ▼ In addition, most properties of the company are concentrated in select markets of California, Florida, Texas, New York and Virginia, respectively. During 2019, the company's properties in California, Florida, Texas, New York and Virginia accounted for 29%, 21%, 6.9%, 5.7%, and 5.0% respectively, of its NOI from consolidated properties plus our pro-rata share from unconsolidated properties. Thus, geographic concentration of Regency's properties exposes it to risks related to market saturation and climatic threats.
- ▼ Over the past 12 months, shares of Regency have lost 28.2% compared with the industry's decline of 14.6%. Moreover, the trend in estimate revisions for 2021 and 2021 FFO per share do not indicate a favorable outlook for the company. In fact, both 2020 and 2021 FFO per share estimates have been revised 2.3% downward over the past month. Therefore, given the above-mentioned concerns and downward estimate revisions, the stock has limited upside potential.

Dwindling traffic at retail properties, store closures and tenant bankruptcy remain concerns. The coronavirus pandemic and the resultant rent collection issues have added to the company's woes.

Risks

- Regency primarily focuses on building a premium portfolio of grocery-anchored shopping centers. Such centers are usually necessity driven and drive a dependable traffic. Particularly, the company's premium quality portfolio of shopping centers, is located in strong trade areas, which are characterized with higher spending power, enables the company to attract top grocers and retailers. In fact, 78% (based on pro-rata annual base rent or ABR) of the company's portfolio consists of national and regional tenants. Further, 45% (based on pro-rate ABR) of its portfolio consisted of anchor tenants. This encouraging tenant mix helps the company to generate steady rental revenues. Also, the best-in-class operators are opening new locations in high-quality centers.
 - Further, in these uncertain times, having a grocery component has been the saving grace of retail REITs, and Regency has numerous industry-leading grocers such as Kroger, Albertsons Companies and Publix as tenants. In fact, it has a high quality open-air shopping center portfolio with 80% grocery-anchored neighborhood & community centers. Further, with a focus on necessity, service, convenience, and value retailers, Regency's portfolio has 45% essential retail and services tenancy. Significant essential retail businesses at the company's centers have enabled its properties to remain open, operating for the entirety of the pandemic. Roughly 97% of Regency Centers' tenants were open, based on pro-rata annual base rent (ABR) as of the end of October.
 - Regency liquidity stood at \$1.5 billion as of Sep 30, 2020, consisting of \$280 million in cash balance and \$1.2 billion available under its revolving credit facility. Further, it had a debt-to-EBITDA ratio of 5.9X as of Sep 30, 2020. The company has no unsecured maturities until 2022. This low leverage with limited near-term maturities offers flexibility to the company. Moreover, the company enjoys a large pool of unencumbered assets and good relationships with lenders. In fact, as of Sep 30, 2020, 88.5% of its wholly-owned real estate assets were unencumbered. With a high percentage of such assets, the company can enjoy accessibility to secured and unsecured debt markets, and maintain availability on the line. Also, Regency currently enjoys BBB+/Baa1 credit rating, with stable outlook from S&P Global and Moody's.
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Last Earnings Report

Regency Centers Q3 FFO Misses Estimates, NOI Slips

Regency Centers Corporation's third-quarter 2020 NAREIT FFO per share of 60 cents missed the Zacks Consensus Estimate of 75 cents. The reported figure is also 39.4% lower than the prior-year quarter's 99 cents.

Results reflect a decline in same property NOI because of a higher rate of uncollectible lease income in relation to the coronavirus pandemic.

Further, total revenues of \$242.9 million lagged the Zacks Consensus Estimate of \$260.7 million. Moreover, the top line fell 13.9% year on year.

Notably, 414 properties of the company remained open and operational during the entire pandemic. Roughly 97% of Regency Centers' tenants were open, based on pro-rata ABR as of the end of October.

Through Oct 31, 2020, the company collected 86% of third-quarter pro-rata base rent (89% when including executed rent deferral agreements) and 87% of October pro-rata base rent (88% when including executed rent deferral agreements). The company also collected 77% of second-quarter pro-rata base rent (86% when including executed rent deferral agreements) as of the same date.

Inside the Headlines

During the third quarter, Regency Centers executed 1.4 million square feet of comparable new and renewal leases with blended rent spreads of 1.2%.

As of Sep 30, 2020, the company's wholly-owned portfolio, along with its pro-rata shares of co-investment partnerships, was 92.9% leased. Its same-property portfolio was 93.4% leased, reflecting a decline of 110 basis points (bps) sequentially.

In its same property portfolio, anchor percent leased (includes spaces greater than or equal to 10,000 square feet) was 96%, highlighting a contraction of 90 bps sequentially, while same property shop percent leased (includes spaces less than 10,000 square feet) was 89.1%, marking a decrease of 120 bps.

Same-property NOI excluding termination fees slid 15.2% on a year-over-year basis. Results reflect a higher rate of uncollectible lease income pertaining to the coronavirus pandemic.

Portfolio Activity

In the July-September quarter, the company concluded two redevelopment projects with combined pro-rata costs of \$9.3 million.

As of Sep 30, 2020, the company had \$238 million of in-process developments and redevelopments with an estimated \$102.3 million of remaining costs to complete.

Liquidity Update

As of Sep 30, 2020, Regency Centers had immediate liquidity of \$1.5 billion, including a cash balance of nearly \$281 million and no outstanding balance under its \$1.25-billion revolving credit facility. Further, the company had a net debt-to-operating EBITDA ratio of 5.9X as of Sep 30, 2020. It has no unsecured maturities until 2022.

Quarter Ending	09/2020
Report Date	Nov 05, 2020
Sales Surprise	-6.80%
EPS Surprise	-8.00%
Quarterly EPS	0.69
Annual EPS (TTM)	3.28

Recent News

Dividend Update

On Nov 4, Regency Centers' board of directors announced a quarterly cash dividend of 59.5 cents per share on its common stock. The dividend was paid out on Jan 5, 2021, to its shareholders of record as of Dec 16, 2020.

Valuation

Regency's shares have been down 28.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector have declined 14.6% and 3.7%, respectively, over the past year.

The S&P 500 Index has been up 16.3% over the trailing 12-month period.

The stock is currently trading at 13.25X forward 12-month FFO, which compares with the 15.47X for the Zacks sub-industry, 16.88X for the Zacks sector and 22.90X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 25.25X and as low as 8.26X, with a 5-year median of 16.75X. Our underperform recommendation indicates that the stock will perform worse than the market. Our \$38 price target reflects 11.37X FFO.

The table below shows summary valuation data for REG.

Valuation Multiples - REG					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.25	15.47	16.88	22.90
	5-Year High	25.25	19.41	16.88	23.79
	5-Year Low	8.26	9.68	11.58	15.30
	5-Year Median	16.75	14.68	14.49	17.82
P/S F12M	Current	7.00	8.16	7.10	4.46
	5-Year High	18.68	14.44	7.10	4.46
	5-Year Low	4.78	5.54	5.02	3.21
	5-Year Median	10.01	8.36	6.11	3.67
P/B TTM	Current	1.23	2.79	2.82	6.41
	5-Year High	4.75	5.69	2.94	6.46
	5-Year Low	0.86	1.76	1.74	3.74
	5-Year Median	1.68	3.31	2.58	4.94

As of 01/05/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 13% (220 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Brixmor Property Group Inc. (BRX)	Neutral	3
Federal Realty Investment Trust (FRT)	Neutral	4
Kimco Realty Corporation (KIM)	Neutral	3
Retail Properties of America, Inc. (RPAI)	Neutral	4
SITE CENTERS CORP. (SITC)	Neutral	3
Urban Edge Properties (UE)	Neutral	3
Weingarten Realty Investors (WRI)	Neutral	4
Acadia Realty Trust (AKR)	Underperform	3

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

Industry Comparison Industry: Reit And Equity Trust - Retail				Industry Peers		
	REG	X Industry	S&P 500	BRX	FRT	KIM
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	4	3
VGM Score	F	-	-	D	F	F
Market Cap	7.52 B	1.74 B	25.64 B	4.64 B	6.25 B	6.23 B
# of Analysts	4	5	13	7	8	9
Dividend Yield	5.37%	3.43%	1.48%	5.50%	5.13%	4.44%
Value Score	C	-	-	B	C	C
Cash/Price	0.04	0.07	0.06	0.13	0.13	0.05
EV/EBITDA	16.63	12.47	14.63	12.07	14.20	14.68
PEG F1	3.28	3.58	2.59	NA	1.76	NA
P/B	1.23	1.28	3.64	1.71	2.77	1.13
P/CF	12.78	8.50	13.98	7.81	10.51	8.84
P/E F1	13.51	12.14	20.08	9.51	16.65	11.41
P/S TTM	7.18	4.51	2.88	4.31	7.31	5.75
Earnings Yield	7.54%	8.21%	4.86%	10.49%	6.00%	8.74%
Debt/Equity	0.65	0.97	0.70	2.02	2.01	0.97
Cash Flow (\$/share)	3.47	2.25	6.93	2.00	7.86	1.63
Growth Score	D	-	-	F	F	F
Historical EPS Growth (3-5 Years)	3.87%	-1.38%	9.71%	-3.87%	1.59%	-2.43%
Projected EPS Growth (F1/F0)	10.96%	4.88%	12.12%	10.11%	9.03%	8.78%
Current Cash Flow Growth	-0.84%	0.37%	5.22%	-14.31%	22.11%	-14.81%
Historical Cash Flow Growth (3-5 Years)	11.14%	5.86%	8.33%	5.61%	12.40%	1.91%
Current Ratio	1.98	1.96	1.38	1.97	3.86	NA
Debt/Capital	39.48%	49.26%	41.97%	66.89%	65.99%	49.26%
Net Margin	4.51%	12.55%	10.40%	14.75%	21.56%	83.81%
Return on Equity	1.01%	3.86%	15.07%	6.07%	7.72%	17.35%
Sales/Assets	0.09	0.11	0.50	0.13	0.11	0.10
Projected Sales Growth (F1/F0)	2.43%	2.57%	5.94%	0.99%	5.12%	2.50%
Momentum Score	D	-	-	D	D	F
Daily Price Change	0.07%	0.88%	0.70%	-1.14%	0.41%	0.56%
1-Week Price Change	0.40%	0.39%	1.16%	1.53%	-1.69%	3.37%
4-Week Price Change	-7.19%	-4.55%	-0.20%	-2.31%	-7.86%	-2.77%
12-Week Price Change	15.85%	26.23%	9.90%	33.22%	7.38%	30.17%
52-Week Price Change	-28.18%	-31.72%	5.28%	-23.86%	-34.10%	-27.33%
20-Day Average Volume (Shares)	938,666	738,584	1,674,861	2,096,971	604,032	3,050,418
EPS F1 Estimate 1-Week Change	-0.22%	0.00%	0.00%	0.15%	-0.25%	0.00%
EPS F1 Estimate 4-Week Change	-2.30%	-0.14%	0.00%	-1.57%	-0.95%	-1.71%
EPS F1 Estimate 12-Week Change	-6.25%	-2.55%	2.44%	-3.02%	-6.19%	-2.55%
EPS Q1 Estimate Monthly Change	-5.48%	-0.08%	0.00%	-7.32%	-1.46%	-2.11%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	D
Momentum Score	D
VGM Score	F

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.