

Signature Bank (SBNY)

\$245.95 (As of 03/15/21)

Price Target (6-12 Months): **\$258.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/24/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: F

Summary

Shares of Signature Bank have outperformed the industry over the past three months. Yet, the company displays an unimpressive earnings surprise history, having beaten the Zacks Consensus Estimate in only one of the trailing four quarters, and missing in the other three. The company's efforts to expand operations through strategic hiring, and opening new divisions and platforms bode well for the long term. Further, continued growth in net interest income (NII) is likely to support top-line expansion. Healthy balance sheet position keeps it well poised for growth. Also, sound liquidity position is a tailwind. However, Signature Bank's increasing expenses on account of persistently rising salaries and information technology costs are likely to hinder bottom-line growth. Also, unsustainable capital deployment activities keep us apprehensive.

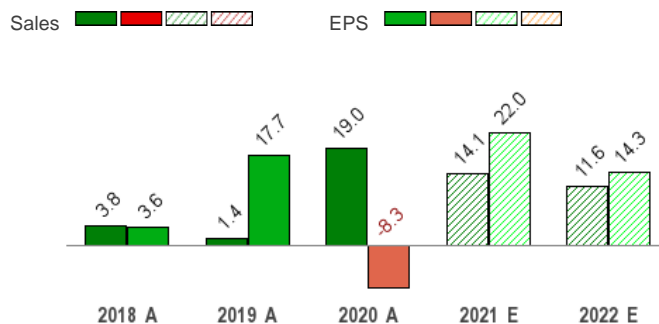
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$247.84 - \$68.98
20-Day Average Volume (Shares)	779,529
Market Cap	\$12.9 B
Year-To-Date Price Change	78.6%
Beta	1.97
Dividend / Dividend Yield	\$2.24 / 0.9%
Industry	Banks - Northeast
Zacks Industry Rank	Top 9% (22 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.0%
Last Sales Surprise	-0.1%
EPS F1 Estimate 4-Week Change	-0.2%
Expected Report Date	04/22/2021
Earnings ESP	-0.6%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	484 E	499 E	518 E	532 E	2,028 E
2021	432 E	446 E	462 E	480 E	1,818 E
2020	362 A	400 A	413 A	419 A	1,594 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$3.27 E	\$3.36 E	\$3.60 E	\$3.74 E	\$13.89 E
2021	\$2.93 E	\$2.94 E	\$3.05 E	\$3.29 E	\$12.15 E
2020	\$1.88 A	\$2.21 A	\$2.62 A	\$3.26 A	\$9.96 A

*Quarterly figures may not add up to annual.

P/E TTM	24.2
P/E F1	20.1
PEG F1	2.1
P/S TTM	6.5

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/15/2021. The report's text and the analyst-provided price target are as of 03/16/2021.

Overview

Signature Bank is a New York-based full-service commercial bank with 30 private client offices located in the New York metropolitan area. These offices consist of growing network of private client banking teams that cater to privately-owned business clients, their owners and senior managers. Founded in 2001, the company provides financing and leasing products through its subsidiary — Signature Financial LLC.

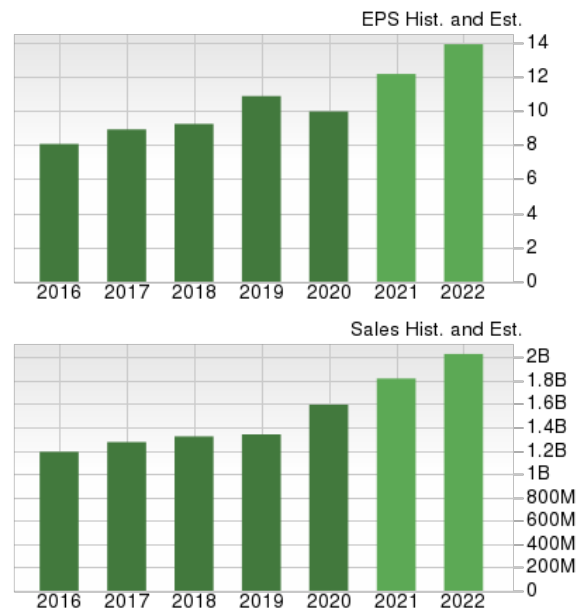
The company's Signature Securities Group Corporation subsidiary provides brokerage, asset management, as well as insurance products and services, while Signature Public Funding subsidiary offers municipal finance, and tax-exempt lending and leasing products to government entities.

Additionally, the company purchases, securitizes and sells guaranteed portions of U.S. Small Business Administration (SBA) loans.

It reports through the following two segments:

- **Commercial Banking** (contributed 92% of total revenues in 2020): This segment comprises commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities in the New York Metropolitan area.
- **Specialty Finance** (8%): This segment consists of financing and leasing products, including equipment, transportation, taxi medallion, commercial marine, municipal and national franchise financing and/or leasing.

As of Dec 31, 2020, the company had \$73.9 billion in assets, \$48.3 billion as loans, \$63.3 billion in deposits and \$5.8 billion of shareholders' equity.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Organic growth remains a key strength for Signature Bank, as reflected by its NII growth story. NII witnessed a compound annual growth rate (CAGR) of 7.3% over the last five years (2016-2020). The uptrend resulted from the rise in average interest-earning assets. Moreover, the low-cost funding source — non-interest bearing deposits — representing more than 30% of total deposits, is expected to boost interest income and margin. Hence, we believe the company is well positioned to maintain its increasing revenue trend, going forward.
- ▲ Signature Bank has a healthy balance-sheet position. Deposits witnessed a five-year (2016-2020) CAGR of 18.7%, backed by rising non-interest-bearing, as well as interest bearing deposits. In addition, the company witnessed impressive loan growth — a CAGR of 13.8% — during the same time span. Notably, in the past few years, an increase in mortgage loans relating to commercial real estate and multi-family properties was recorded, while 2018 and 2019 witnessed significant rise in commercial and industrial loans. Therefore, deposit and loan balances are poised to grow further with support from gradually improving economy.
- ▲ As of Dec 31, 2020, the company had a debt level of \$3.8 billion, which has been volatile for the past few quarters. Also, debt/capital ratio of 0.39, as of the same date, has been declining. The company's earnings before interest and tax were 7.4 times the interest expenses and have increased for the past few quarters. With a record of consistent earnings and cash and due from banks worth \$12.2 billion as of Dec 31, Signature Bank has a lesser likelihood of default of interest and debt repayments if the economic situation worsens.
- ▲ Signature Bank's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' fund. The bank's ROE of 10.34% compares favorably with the industry's 8.54%.
- ▲ Signature Bank's capital ratios remain well above the well-capitalized levels. As of Dec 31, 2020, the tier 1 risk-based capital ratio was 11.20%. Furthermore, the company's involvement in opportunistic expansions in different geographies reflects its strong capital position and improved growth prospects.
- ▲ Shares of Signature Bank have outperformed the industry in the past six months. With this favorable trend, the company's earnings estimates for current-year have been revised slightly upward, over the past 30 days. Therefore, given the strong fundamentals and upward estimate revisions, the stock has decent upside potential in the near term.

Improving net interest income, along with robust growth in deposits and loans, is anticipated to benefit Signature Bank. Further, strong capital ratios are a tailwind for the company.

Reasons To Sell:

- ▼ Cost escalation is the key downside for Signature Bank. Non-interest expenses witnessed a CAGR of 13% over the last five years (2016-2020). The rise was primarily due to increased salaries and information-technology expenses. Additionally, the company's initiative to add new private client banking teams escalated expenses in 2017. Therefore, continuation of such trend will hinder bottom-line expansion.
- ▼ Despite a rising interest-rate environment in the past years, net interest margin (NIM) continued to remain under pressure as Signature Bank has a liability-sensitive balance sheet. Though fall in interest rates was expected to aid the margins, it declined from 3.36% in 2013 to 2.55% in 2020. The contraction resulted from rise in average cost of funds. Therefore, the company's margin remains under pressure in the current economic scenario.
- ▼ Signature Bank's capital-deployment activities keep us apprehensive. The company had announced its inaugural common stock dividend of 56 cents per share in July 2018. Also, it has a share repurchase plan with up to \$450 million of common stock remaining outstanding as of Dec 31, 2020. However, the company's debt/equity ratio does not compare favorably with the broader industry. Thus, these capital-deployment activities might not be sustainable over the long term.
- ▼ Signature Bank seems overvalued when compared to the broader industry. Its current price-to-book and price-earnings (F1) ratios are above the respective industry averages.

Escalating expenses due to investments in technology remain a key concern for Signature Bank. Also, pressure on margin along with declining fee income limits top-line expansion of the company.

Last Earnings Report

Signature Bank Q4 Earnings Beat Estimates on Higher Revenues

Signature Bank reported fourth-quarter 2020 earnings per share of \$3.26, beating the Zacks Consensus Estimate of \$2.91. Also, the bottom line increased 18.1% from the prior-year quarter's reported number.

Higher loan and deposit balances display a strong capital position. Also, revenue growth supported the results. However, elevated expenses and poor credit quality were key undermining factors.

Net income in the quarter was \$173 million compared with the previous-year quarter's \$147.6 million. Pre-tax pre-provision earnings came in at \$261.5 million, up 20.9%.

In 2020, earnings were \$9.96 per share compared with the prior-year figure of \$10.87. The bottom line surpassed the consensus estimate of \$9.63. Net income increased 9.9% to \$588.9 million.

Revenues, Loans & Deposits Increase, Expenses Rise

In 2020, total revenues of \$1.59 billion matched the consensus estimate. Also, the same increased 16.1% year over year.

Signature Bank's total revenues in the fourth quarter increased 18.3% from the prior-year quarter to \$412.9 million. The top line, nonetheless, missed the Zacks Consensus Estimate of \$419.4 million.

Net interest income climbed 16.6% year over year to \$395 million on increase in average interest earning assets. Further, net interest margin shrunk 49 basis points to 2.23%.

Non-interest income was \$24.2 million, up 50.9% year over year. Growth in all the components led to the rise.

Non-interest expenses of \$157.7 million jumped 14.2% from the prior-year quarter. This upsurge chiefly stemmed from rise in salaries and benefits due to massive hiring of private client banking teams.

Efficiency ratio was 37.6% compared with the 39% reported as of Dec 31, 2020. A lower ratio indicates a rise in profitability.

The company's loans and leases, as of Dec 31, 2020, were \$48.3 billion, up 5.7% sequentially. Additionally, total deposits rose 16.6% sequentially to \$63.3 billion.

Credit Quality Deteriorates

The company recorded net charge-offs of \$11.4 million during the December quarter compared with \$2.5 million witnessed in the prior-year quarter. In addition, provision for loan and lease losses rose to \$35.6 million on coronavirus concerns.

The ratio of non-accrual loans to total loans was 0.25%, up from the 0.15% recorded in the prior-year quarter. Allowance for credit losses for loans and leases was \$508.3 million, up significantly.

Capital Ratios Deteriorate

As of Dec 31, 2020, Tier 1 risk-based capital ratio was 11.20% compared with 11.56% on Dec 31, 2019. Furthermore, total risk-based capital ratio was 13.54% compared with the prior-year quarter's 13.26%. Tangible common equity ratio was 6.89%, down from 9.30%.

Return on average assets was 0.96% in the reported quarter compared with the year-earlier quarter's 1.16%. As of Dec 31, 2020, return on average common stockholders' equity was 13.59%, up from 12.38%.

Quarter Ending	12/2020
Report Date	Jan 21, 2021
Sales Surprise	-0.06%
EPS Surprise	12.03%
Quarterly EPS	3.26
Annual EPS (TTM)	9.97

Recent News

Signature Bank Ratings Affirmed by Moody's, Outlook Down - Dec 10, 2020

Signature Bank ratings have been affirmed by Moody's Investors Service. However, the company's rating outlook has been downgraded to negative from stable.

The ratings agency has affirmed the long- and short-term deposit ratings at A2/Prime-1 and the long-term issuer rating at Baa2. Also, the ratings agency maintained the company's baa1 baseline credit assessment. The ratings agency also assigned a Ba1(hyb) rating to the company's non-cumulative perpetual preferred stock.

Reasons Behind the Affirmation

The affirmations are reflective of Signature Bank's balance sheet strength and a solid track record of profitability. The company's balance sheet reflects robust capitalization and high levels of core deposits. Further, the company's above average operational efficiency and low credit costs is also a tailwind. The ratings agency also takes into account the company's quick growth in assets.

However, the company's earnings diversity remains a headwind. As a substantial portion of the company's income is attributed to net interest income, it remains prone to interest rate risks. Further, the company's pre-provision income remained unchanged at 1.7% of average assets for the first three quarters of 2020. Marginal decline in net interest margin is also a concern.

Reasons Behind Outlook Downgrade

Signature Bank's significant exposure to the commercial real estate ("CRE") sector is worrisome since this can dent its asset quality, capitalization and profitability levels. Further, its CRE exposure of 5.5 times of tangible common equity ("TCE") is among the highest for rated banks and is vulnerable to valuation declines due to the effects of the pandemic.

Moreover, about 56% of the bank's CRE portfolio is multifamily mortgages, which includes many rent-regulated properties. As of Dec 7, 2020, the company reported principal and interest deferral on 3.1% of total loans. Although most borrowers are returning to current status on both principal and interest, some are provided an extended modification of interest-only payments.

Notably, the company's portfolios have low loan-to-value ratios and high debt service coverage. However, forbearance hurts its asset quality.

Further, the company's 13.1% loan growth in the first three quarters of 2020 is above its peers. However, the loans have been given to newer lending areas, which can be a risk.

Also, the company's TCE ratio has declined. As of Sep 30, 2020, TCE ratio was 10.1%, declining from 11.6% as of Dec 31, 2019. This decline was more than expected by the ratings agency due to substantial loan growth and higher provisions.

What can Trigger a Change in Moody's Ratings?

Signature Bank's rating's upward climb looks unlikely over the next 12 to 18 months. However, the outlook could return to stable if the company maintains its asset quality and returns to higher profitability levels. Also, muted rate of loan growth and deposit retention will aid a return to stable outlook.

However, worsening of capitalization and lowering of profitability levels could hurt its ratings. Further, any adversity in the CRE portfolio could also have a negative impact on the ratings. Heightened lending activities to new sectors could also hurt ratings.

Dividend Update

On Jan 21, Signature Bank's board of directors announced a quarterly common stock dividend of 56 cents. The dividend was paid out on Feb 12 to shareholders of record at the close of business on Feb 1.

Valuation

Signature Bank's shares are up 81.8% in the year-to-date period and 161.7% over the trailing 12-month period. Stocks in the Zacks subindustry and the Zacks Finance sector are up 36.7% and 12.5% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up 70.1% and 54.8%, respectively.

The S&P 500 Index is up 5.3% in the year-to-date period and 58.2% in the past year.

The stock is currently trading at 19.58X forward 12 months earnings, which compares to 14.58X for the Zacks sub-industry, 17.38X for the Zacks sector and 22.59X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 20.46X and as low as 6.27X, with a 5-year median of 11.83X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$258 price target reflects 20.54X earnings per share.

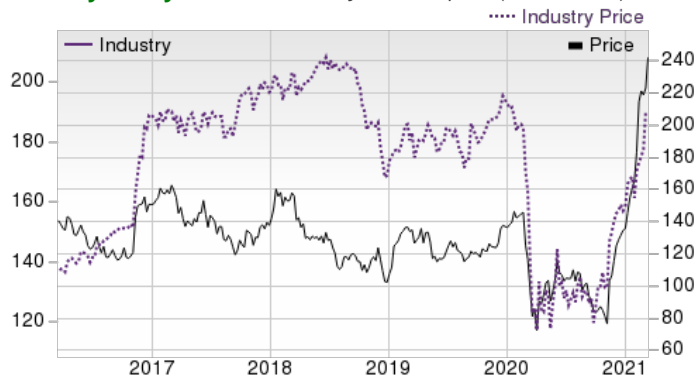
The table below shows summary valuation data for SBNY

Valuation Multiples - SBNY					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.58	14.58	17.38	22.59
	5-Year High	20.46	16.72	17.38	23.8
	5-Year Low	6.27	8.79	11.6	15.3
	5-Year Median	11.83	12.09	14.58	17.9
P/TB TTM	Current	2.24	2.37	3.7	16.87
	5-Year High	2.51	2.88	4.05	16.87
	5-Year Low	0.8	1.05	2.05	8.07
	5-Year Median	1.66	2.22	3.55	11.13
P/S F12M	Current	7.08	5.06	7.6	4.59
	5-Year High	7.08	5.06	7.6	4.59
	5-Year Low	2.36	2.57	5.02	3.21
	5-Year Median	5	3.95	6.13	3.69

As of 03/15/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 9% (22 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Atlantic Union Bankshares Corporation (AUB)	Outperform	1
TCF Financial Corporation (TCF)	Outperform	3
Webster Financial Corporation (WBS)	Outperform	2
Fulton Financial Corporation (FULT)	Neutral	3
Bank OZK (OZK)	Neutral	3
Sterling Bancorp (STL)	Neutral	3
Valley National Bancorp (VLY)	Neutral	3
Washington Federal, Inc. (WAFF)	Neutral	2

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

Industry Comparison Industry: Banks - Northeast				Industry Peers		
	SBNY	X Industry	S&P 500	TCF	VLY	WBS
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	F	-	-	B	B	D
Market Cap	12.94 B	233.71 M	28.65 B	7.50 B	5.70 B	5.63 B
# of Analysts	19	2	13	9	5	7
Dividend Yield	0.93%	1.86%	1.38%	2.85%	3.13%	2.57%
Value Score	C	-	-	B	A	C
Cash/Price	0.95	0.53	0.06	0.21	0.23	0.05
EV/EBITDA	4.36	7.64	16.24	9.62	9.43	13.95
PEG F1	2.08	1.67	2.38	1.67	NA	NA
P/B	2.22	1.19	3.92	1.36	1.30	1.82
P/CF	18.51	12.33	16.36	8.97	10.82	14.75
P/E F1	19.80	13.57	21.26	16.48	12.51	16.91
P/S TTM	6.45	3.00	3.30	3.29	3.64	4.37
Earnings Yield	5.05%	7.31%	4.59%	6.06%	7.97%	5.92%
Debt/Equity	0.63	0.27	0.67	0.25	0.54	0.23
Cash Flow (\$/share)	13.28	2.01	6.78	5.42	1.29	4.12
Growth Score	F	-	-	C	C	D
Historical EPS Growth (3-5 Years)	7.12%	10.10%	9.32%	4.85%	11.85%	11.77%
Projected EPS Growth (F1/F0)	22.58%	19.57%	14.55%	19.86%	17.08%	34.62%
Current Cash Flow Growth	-1.08%	5.75%	0.72%	7.43%	22.10%	-21.01%
Historical Cash Flow Growth (3-5 Years)	7.95%	11.93%	7.32%	47.67%	22.61%	4.36%
Current Ratio	0.96	0.97	1.39	0.91	1.00	0.78
Debt/Capital	38.63%	21.50%	41.42%	19.46%	33.87%	17.81%
Net Margin	26.33%	18.89%	10.59%	9.76%	24.93%	17.14%
Return on Equity	10.34%	8.54%	14.65%	7.04%	9.28%	8.42%
Sales/Assets	0.03	0.04	0.51	0.05	0.04	0.04
Projected Sales Growth (F1/F0)	14.04%	0.00%	6.95%	-0.99%	4.11%	0.85%
Momentum Score	F	-	-	B	B	C
Daily Price Change	1.79%	-1.15%	0.92%	-1.06%	-0.43%	-2.49%
1-Week Price Change	8.54%	4.36%	2.96%	3.23%	8.24%	5.25%
4-Week Price Change	14.91%	14.07%	4.69%	14.66%	19.15%	21.76%
12-Week Price Change	85.53%	23.22%	10.09%	34.88%	45.83%	45.05%
52-Week Price Change	179.84%	53.23%	74.12%	118.06%	101.73%	156.52%
20-Day Average Volume (Shares)	779,529	20,184	2,323,115	863,850	2,492,708	559,256
EPS F1 Estimate 1-Week Change	-0.47%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.23%	0.00%	0.00%	0.00%	2.55%	0.04%
EPS F1 Estimate 12-Week Change	4.76%	15.18%	2.09%	11.61%	9.77%	20.20%
EPS Q1 Estimate Monthly Change	-1.38%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	F
Momentum Score	F
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.

Disclosures

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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