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Jun 16, 2021

## Sirius XM Holdings (SIRI)

**$6.63** (As of 06/15/21)

Price Target (6-12 Months): **$7.00**

| | | |
|---|---|---|
| Long Term: 6-12 Months | **Zacks Recommendation:** (Since: 02/11/21) Prior Recommendation: Underperform | **Neutral** |
| Short Term: 1-3 Months | **Zacks Rank:** (1-5) | **4-Sell** |
| | Zacks Style Scores: | VGM:A |
| | Value: B \| Growth: A | Momentum: C |

## Summary

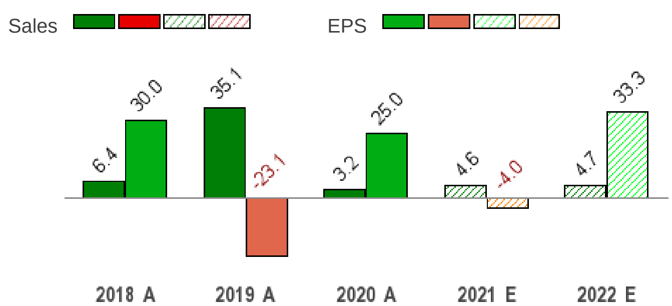
SiriusXM's subscriber base expansion is expected to continue owing to a strong content portfolio. Additionally, expanded podcast efforts fit well with existing advertising-led focus on Pandora and AdsWizz and are expected to improve monetization for the broader podcast platform. Moreover, availability of its content on Amazon Echo, Alexa and Google assistant is expected to expand subscriber base further. The company's relationships with automakers like Toyota, General Motors and OEMs are expected to boost the adoption of its service in the long haul. However, significant competition in the music-streaming market from the likes of Spotify and Apple remains an overhang. Further, the company has a leveraged balance sheet that doesn't bode well for investors. Notably, shares have underperformed the industry in the year-to-date period.

## Price, Consensus & Surprise


## Data Overview

| | |
|---|---|
| 52-Week High-Low | **$8.14 - $4.95** |
| 20-Day Average Volume (Shares) | **23,982,150** |
| Market Cap | **$27.1 B** |
| Year-To-Date Price Change | **4.1%** |
| Beta | **1.09** |
| Dividend / Dividend Yield | **$0.06 / 0.9%** |
| Industry | **Broadcast Radio and Television** |
| Zacks Industry Rank | **Top 45% (112 out of 251)** |
| Last EPS Surprise | **16.7%** |
| Last Sales Surprise | **3.0%** |
| EPS F1 Estimate 4-Week Change | **-4.0%** |
| Expected Report Date | **07/27/2021** |
| Earnings ESP | **6.1%** |
| P/E TTM | **26.5** |
| P/E F1 | **27.6** |
| PEG F1 | **3.0** |
| P/S TTM | **3.3** |

## Sales and EPS Growth Rates (Y/Y %)




## Sales Estimates (millions of $)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2022 | 2,155 E | 2,159 E | 2,224 E | 2,337 E | 8,801 E |
| 2021 | 2,058 A | 2,069 E | 2,104 E | 2,197 E | 8,409 E |
| 2020 | 1,952 A | 1,874 A | 2,025 A | 2,189 A | 8,040 A |

## EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2022 | $0.07 E | $0.07 E | $0.07 E | $0.09 E | $0.32 E |
| 2021 | $0.07 A | $0.07 E | $0.07 E | $0.06 E | $0.24 E |
| 2020 | $0.07 A | $0.05 A | $0.06 A | $0.07 A | $0.25 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 06/15/2021. The report's text and the analyst-provided price target are as of 06/16/2021.

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

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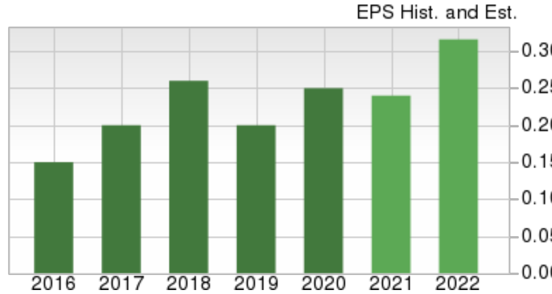
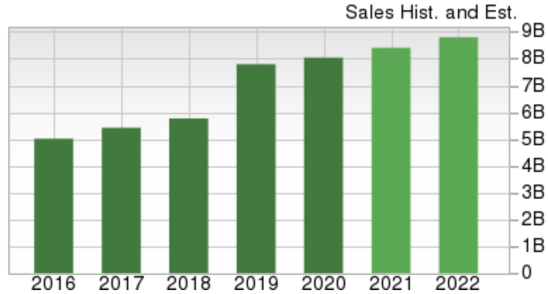
## Overview

Headquartered in New York, Sirius XM Holdings Inc. was founded in 1990. The radio broadcasting company creates and broadcasts a variety of content such as commercial-free music, premier sports and live events, news and comedy and exclusive talk and entertainment shows. Sirius XM provides radio services to users in the United States and Canada.




On Feb 1, 2019, Sirius XM completed the acquisition of Pandora, making it the world's largest audio entertainment company.

Notably, the company's services are primarily distributed through its app and website, automakers, and other connected devices like Amazon Echo, Fire TV products and Apple TV.

Sirius XM reported revenues of $8.04 billion in 2020. Pandora reported revenues of $1.70 billion.

The company has four revenue generating segments:

Subscriber Revenues: This segment consists of subscription fees, activation fees and the effects of rebates. The segment generated 79.3% of total revenues in 2020.

Advertising Revenues: This segment includes the sale of advertisements on the company's non-music channels, net of agency fees and accounted for 16.7% of total revenues in 2020.

Equipment Revenues: This segment includes revenues and royalties from the sale of Sirius and XM radios, components and accessories, accounting for 2.2% of total revenues in 2020.

Other revenues: This segment offers ancillary services, such as Backseat TV, data and weather services. The segment generated 1.8% of total revenues in 2020.

Sirius XM faces significant competition from Apple and Spotify in the U.S. market. Both these companies dominate the streaming space as they together command the highest market share. Additionally, key initiatives taken by both Apple and Spotify to gain competitive advantage may hurt Sirius XM's user base expansion levels.


*Source: Zacks Investment Research*

## Reasons To Buy:

Pandora acquisition, growing subscriber base, partnership strength and solid content portfolio are key factors contributing to Sirius XM’s growth.

- The acquisition of Pandora makes Sirius XM the world's largest audio entertainment company, as it significantly expands the latter’s listener base. The combined entity have more than 100 million listeners in North America. The combination of Sirius XM’s subscription-based model and Pandora’s ad-based model along with diversified content offerings and the ability to cross sell content across both the platforms is expected to attract users, advertisers and content creators to Sirius XM’s platform. Additionally, Sirius XM is also looking to create unique audio packages to boost user engagement levels. The company is also looking to bank on its strength from in-vehicles services and Pandora’s out-of-the-vehicle market to boost subscriber growth.

- Sirius XM’s extended agreement with Toyota Motor’s is a major growth driver. The companies inked a long-term agreement, which extends till 2028, starting with 2020 Toyota models. The extended partnership was primarily due to increased demand for Sirius XM services from Toyota’s dealers and customers. Sirius XM also benefits from the expansion of 360L with General Motors, which are expected to be rolled out by the year end. Moreover, the company extended connected vehicle agreements with Nissan and Infiniti till 2022. Earlier, Sirius XM extended agreements with original equipment manufacturers (OEMs) like Audi, Mazda, Land Rover, Mercedes-Benz, Jaguar and Volvo to install its services in their vehicles.

- Sirius XM, which has strong relationships with automobile OEMs, is looking to provide real- time vehicle services to its users. The company in partnership with Visa has introduced an in-vehicle payment solution that allows car users to easily make and manage purchases such as paying for coffee, parking and movie tickets among others. Earlier, with the acquisition of automatic labs, Sirius XM introduced an aftermarket solution to enable smart services at a few dealership locations. Notably, the dealers will offer car buyers three years of free crash alert as well as free premium services like roadside assistance for six months. With Sirius XM-enabled radio vehicles increasing on the road, we believe the adoption of its other connected services may also increase owing to agreements with OEMs.

- Sirius XM will continue to use smart speakers to penetrate into home. The company’s plan to bring additional content and features to Amazon Echo is positive in this regard. Earlier, Sirius XM had partnered with Amazon to provide free access to a few of its subscription packages for existing Echo holders. The company is also looking to partner with other big players in the smart speaker market to expand its reach and user engagement.

- Sirius XM continues to bolster its content offerings by adding content from all spheres including music, politics, news and sports to its platform. The company provided extensive coverage of 41 college football bowl games including ESPN’s radio coverage of College Football Playoff Semifinals and National Championship. The company also introduced two exclusive sports channels, SiriusXM Big Ten Radio and SiriusXM Big 12 Radio, which will provide in-depth access and extensive live-game coverage. Notably, Sirius XM already has a dedicated college sports channel. Additionally, in the coming weeks Sirius XM will add 100 streaming channels to its app. Further, the company will expand its video offering later this year, given increased user engagement for Howard show. The addition of channels and strong collection of sports content is expected to help the company boost its subscription revenues.

## Reasons To Sell:

Increasing competition in the streaming space, high royalty costs and leveraged balance sheet are major concerns.

- Sirius faces intense competition in the streaming space from the likes of Apple and Spotify, which is expected to hurt the top line in the near term. Apple continues to bolster its presence in the music streaming space backed by acquisitions of Shazam and Asaii. Moreover, the company's recent push into the AR market differentiates its music service offerings and AR initiatives. Spotify, the dominant name in the market, is also ramping up its efforts to expand its subscriber base on the back of partnerships with Samsung and Google.
- High royalty costsare hurting the company's bottom line. Expenses related to revenue share and royalties rose 4.1% year over year in 2020. Moreover, growing music licensing costs are a headwind.
- Moreover, higher subscriber acquisition costs are expected to keep margins under pressure in the near term due to increasing OEM installations and higher OEM hardware subsidy rates. Sirius XM plans to continue to offer subsidies and other incentives to induce auto OEMs to include its technology in their vehicles. Notably, Sirius XM is significantly dependent on the auto industry, as sale and lease of vehicles with satellite radios are an important source of subscription revenues. Hence, slowdown in new car and used car sales is a concern.
- Sirius XM has a highly leveraged balance sheet, which adds to the risk of investing in the company. Long-term debt, as of Mar 31, 2021, was $8.8 billion compared with $8.4 billion as of Dec 31, 2020. However, this compares unfavorably with the company's cash and cash equivalent balance of $59 million. At quarter-end, Sirius XM's debt-to-adjusted EBITDA ratio was 3.4 times.

## Last Earnings Report

**Sirius XM Q1 Earnings Beat, Subscriber Revenues Rise**

| Quarter Ending | 03/2021 |
|---|---|
| Report Date | Apr 28, 2021 |
| Sales Surprise | 3.01% |
| EPS Surprise | 16.67% |
| Quarterly EPS | 0.07 |
| Annual EPS (TTM) | 0.25 |

Sirius XM Holdings reported first-quarter 2021 earnings of 7 cents per share that beat the Zacks Consensus Estimate by 16.7% but remained unchanged year over year.

Total revenues on a reported basis increased 5.4% year over year to $2.05 billion. The figure beat the consensus mark by 3%. On a pro-forma basis, revenues increased 5.3% year over year.

Subscriber revenues (78.3% of total revenues) rose 1.6% from the year-ago quarter to $1.61 billion.

Meanwhile, advertisement revenues (17.2%) increased 24.2% year over year to $354 million. Equipment revenues (2.8% of total revenues) surged 39% year over year to $57 million.

Other revenues (1.7% of total revenues) decreased 16.3% from the year-ago quarter to $36 million.

### Sirius XM Standalone Details

Sirius XM segment pro-forma revenues were $1.61 billion, up 2% year over year. While the total subscriber base declined 0.8% to 34.49 million, the company witnessed growth of 2.5% in ARPU, which was $14.3.

Self-pay subscriber count increased 3% year over year to 30.01 million. The company lost 215K net self-pay subscribers in the reported quarter.

Sirius XM traffic user count declined 4% year over year to 9.322 million. Canada subscribers dropped 3% to 2.6 million.

Additionally, average self-pay monthly churn rate was 1.6% in the first quarter, down 20 basis points (bps) year over year.

Subscriber revenues rose 1.6% year over year to $1.48 billion. Moreover, Equipment revenues increased 39% year over year to $57 million.

However, advertising revenues were $42 million, down 4.5% year over year. Other revenues declined 16.3% year over year to $36 million.

### Pandora Details

Pandora's pro-forma revenues increased 19.8% year over year to $442 million owing to 29.5% growth in advertising revenues, which totaled $312 million. Subscriber revenues climbed 1.6% year over year to $130 million.

The rise in ad revenues was backed by an increase in first-quarter monetization to $85.69 per thousand hours, up 36.9% year over year.

However, ARPU decreased 2.6% year over year to $6.67.

Monthly active users were 55.87 million at the end of the reported quarter, down from 60.92 million in the year-ago quarter. Ad-supported listener hours declined 8.3% year over year to 2.87 billion.

Pandora exited the first quarter with 6.456 million self-pay subscribers, up 3% year over year.

### Operating Details

In the first quarter, total operating expenses increased 4.9% year over year to $1.55 billion.

Revenue share and royalty costs were up 8.8% year over year to $640 million. Programming & content costs were $122 million, up 10.9%. Transmission costs increased 20.5% year over year to $47 million.

Cost of equipment remained flat year over year at $4 million. Customer service & billing costs declined 0.9% year over year to $115 million.

Subscriber acquisition costs decreased 13.1% year over year to $86 million. Engineering, design and development expenses contracted 10% from the year-ago quarter to $54 million.

Sales and marketing expenses decreased 2.9% to $202 million. Meanwhile, general and administrative costs increased 16.5% to $106 million.

Adjusted EBITDA increased 6.7% year over year to $682 million.

### Balance Sheet

As of Mar 31, 2021, cash and cash equivalents were $59 million compared with $71 million as of Dec 31, 2020.

Long-term debt, as of Mar 31, 2021, was $8.8 billion compared with $8.4 billion as of Dec 31, 2020.

At the end of the first quarter, Sirius XM's net debt to trailing 12-month adjusted EBITDA ratio was 3.4 times.

### 2021 Guidance

Revenues are expected at $8.35 billion. Adjusted EBITDA is estimated to be $2.575 billion.

The company anticipates adding almost 800K Sirius XM self-pay net subscribers in 2021.

Free cash flow is expected at $1.6 billion.

## Recent News

On Jun 10, SiriusXM announced an agreement with Cerence to enhance voice powered entertainment experience for their in-vehicle users. As part of this agreement, Cerence will bring its conversational AI technology to vehicles equipped with SiriusXM satellite radios through which users will be able to access SiriusXM programming with simple voice commands.

On May 26, SiriusXM announced the launch of Andy Cohen's new music channel, *Andy Cohen's Kiki Lounge*. This channel will feature Andy Cohen's most played songs including top songs from artists such as Diana Ross, Dolly Parton, John Mayer, U2 and others.

On May 24, Sirius XM and Pandora announced collaboration with Tik Tok to deliver access to exceptional programming, exclusive performances, special events, and some of music's top and emerging talent. SiriusXM will launch TikTok Radio, a full-time music channel featuring the trending sounds that are redefining pop culture from TikTok.

On Apr 12, Sirius XM announced the expansion of its agreement with Major League Baseball (MLB). Per the deal, SiriusXM subscribers with a streaming-only subscription now have access to live audio broadcasts for every MLB game on the SiriusXM app and on connected devices and speakers.

On Apr 6, Sirius XM announced that its division, Sirius XM Connected Vehicle Services, a provider of connected services to vehicle manufacturers, has launched service in Mexico through NissanConnect Services powered by SiriusXM. Drivers in Mexico in select 2021 Nissan Sentra and Nissan Kicks vehicles will have access to the suite of connected safety and convenience services that SiriusXM Connected Vehicle currently provides for Nissan and INFINITI vehicles in the United States and Canada.

## Valuation

SiriusXM shares are up 4.1% in the year-to-date period and 10.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 5.2% while the same in the Zacks Consumer Discretionary sector are down 0.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 34.5% and 29.5%, respectively.

The S&P 500 index is up 13.8% in the year-to-date period and 38.5% in the past year.

The stock is currently trading at trailing 12-month EV/EBITDA of 15.77X, which compares to 26.21X for the Zacks sub-industry, 14.34X for the Zacks sector and 17.44X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.88X and as low as 12.08X, with a 5-year median of 16.28X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $7 price target reflects 25.34X forward 12-month earnings.

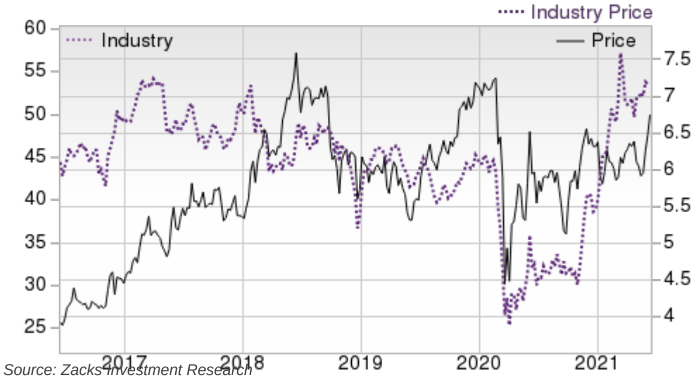
The table below shows summary valuation data for SIRI

**Valuation Multiples - SIRI**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| EV/EBITDA TTM | Current | 15.77 | 26.21 | 14.34 | 17.44 |
| | 5-Year High | 18.88 | 33.21 | 18.05 | 17.74 |
| | 5-Year Low | 12.08 | 18.18 | 8.34 | 9.63 |
| | 5-Year Median | 16.28 | 22.77 | 12.38 | 13.47 |
| P/E F12M | Current | 24.13 | 30.43 | 29.44 | 21.83 |
| | 5-Year High | 34.28 | 34.98 | 35.4 | 23.83 |
| | 5-Year Low | 17.17 | 20.93 | 16.24 | 15.31 |
| | 5-Year Median | 25.2 | 27.26 | 20.33 | 18.05 |
| P/S F12M | Current | 3.16 | 9.23 | 2.68 | 4.72 |
| | 5-Year High | 5.83 | 11.98 | 2.94 | 4.74 |
| | 5-Year Low | 2.34 | 6.45 | 1.73 | 3.21 |
| | 5-Year Median | 3.86 | 9.32 | 2.52 | 3.72 |

*As of 06/15/2021* *Source: Zacks Investment Research*

## Industry Analysis **Zacks Industry Rank:** Top 45% (112 out of 251)




*Source: Zacks Investment Research*

## Top Peers

| Company (Ticker) | Rec | Rank |
|---|---|---|
| Apple Inc. **(AAPL)** | Outperform | 2 |
| Amazon.com, Inc. **(AMZN)** | Outperform | 3 |
| Alphabet Inc. **(GOOGL)** | Outperform | 2 |
| AMC Networks Inc. **(AMCX)** | Neutral | 3 |
| Fox Corporation **(FOXA)** | Neutral | 3 |
| Netflix, Inc. **(NFLX)** | Neutral | 3 |
| Nexstar Media Group, Inc **(NXST)** | Neutral | 3 |
| TEGNA Inc. **(TGNA)** | Neutral | 2 |

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

## Industry Comparison Industry: Broadcast Radio And Television

| | SIRI | X Industry | S&P 500 | AAPL | AMZN | GOOGL |
|---|---|---|---|---|---|---|
| | | | | **Industry Peers** | | |
| **Zacks Recommendation (Long Term)** | Neutral | - | - | Outperform | Outperform | Outperform |
| **Zacks Rank (Short Term)** | 4 | - | - | 2 | 3 | 2 |
| **VGM Score** | A | - | - | C | B | B |
| Market Cap | 27.12 B | 1.84 B | 29.91 B | 2,163.38 B | 1,706.19 B | 1,627.42 B |
| # of Analysts | 5 | 2 | 12 | 11 | 16 | 15 |
| Dividend Yield | 0.88% | 0.00% | 1.29% | 0.68% | 0.00% | 0.00% |
| **Value Score** | B | - | - | D | C | D |
| Cash/Price | 0.00 | 0.16 | 0.05 | 0.03 | 0.04 | 0.08 |
| EV/EBITDA | 25.99 | 10.96 | 17.36 | 28.18 | 32.59 | 24.38 |
| PEG F1 | 2.97 | 1.45 | 2.12 | 2.00 | 2.11 | 1.50 |
| P/B | NA | 1.75 | 4.18 | 31.27 | 16.51 | 7.08 |
| P/CF | 16.48 | 8.24 | 17.58 | 32.19 | 36.57 | 30.33 |
| P/E F1 | 27.42 | 14.29 | 21.51 | 25.06 | 58.92 | 27.14 |
| P/S TTM | 3.33 | 1.23 | 3.48 | 6.65 | 4.07 | 8.27 |
| Earnings Yield | 3.62% | 3.75% | 4.56% | 3.99% | 1.70% | 3.68% |
| Debt/Equity | -3.41 | 1.14 | 0.66 | 1.57 | 0.31 | 0.06 |
| Cash Flow ($/share) | 0.40 | 1.29 | 6.83 | 4.03 | 92.50 | 80.05 |
| **Growth Score** | A | - | - | B | A | A |
| Historical EPS Growth (3-5 Years) | 13.62% | 14.10% | 9.44% | 14.59% | 77.93% | 21.69% |
| Projected EPS Growth (F1/F0) | -4.00% | 40.34% | 21.49% | 57.73% | 37.28% | 52.64% |
| Current Cash Flow Growth | 16.10% | -9.25% | 0.86% | 0.98% | 39.56% | 12.89% |
| Historical Cash Flow Growth (3-5 Years) | 14.48% | 15.65% | 7.28% | 1.15% | 46.61% | 20.90% |
| Current Ratio | 0.32 | 1.88 | 1.39 | 1.14 | 1.05 | 3.10 |
| Debt/Capital | NA% | 54.49% | 41.51% | 61.10% | 23.57% | 5.69% |
| Net Margin | 0.70% | 5.92% | 11.95% | 23.45% | 6.42% | 26.11% |
| Return on Equity | -69.09% | 9.17% | 16.36% | 111.80% | 30.47% | 23.54% |
| Sales/Assets | 0.75 | 0.40 | 0.51 | 0.98 | 1.42 | 0.64 |
| Projected Sales Growth (F1/F0) | 4.59% | 3.67% | 9.41% | 29.52% | 26.92% | 29.43% |
| **Momentum Score** | C | - | - | D | B | C |
| Daily Price Change | -1.78% | -0.43% | -0.20% | -0.64% | -0.02% | -0.84% |
| 1-Week Price Change | 4.17% | 0.27% | 0.46% | 1.16% | 4.39% | 1.53% |
| 4-Week Price Change | 12.95% | 2.86% | 2.88% | 3.84% | 4.67% | 7.33% |
| 12-Week Price Change | 6.25% | -0.34% | 8.59% | 5.79% | 7.83% | 18.96% |
| 52-Week Price Change | 9.86% | 64.09% | 35.90% | 47.28% | 29.36% | 67.88% |
| 20-Day Average Volume (Shares) | 23,982,150 | 337,961 | 1,749,696 | 68,569,752 | 2,542,434 | 1,186,815 |
| EPS F1 Estimate 1-Week Change | -3.03% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EPS F1 Estimate 4-Week Change | -4.00% | 0.00% | 0.03% | 1.36% | 2.09% | 1.77% |
| EPS F1 Estimate 12-Week Change | -9.09% | 11.99% | 3.36% | 15.48% | 18.08% | 29.57% |
| EPS Q1 Estimate Monthly Change | 0.00% | 0.00% | 0.00% | 1.97% | 2.72% | 1.50% |

*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 | B |
| Growth Score | A |
| Momentum Score | C |
| VGM Score | A |

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 mediumterm 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 mostrecent 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.