

SL Green Realty Corp. (SLG)

\$69.55 (As of 04/22/21)

Price Target (6-12 Months): **\$74.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/12/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: B

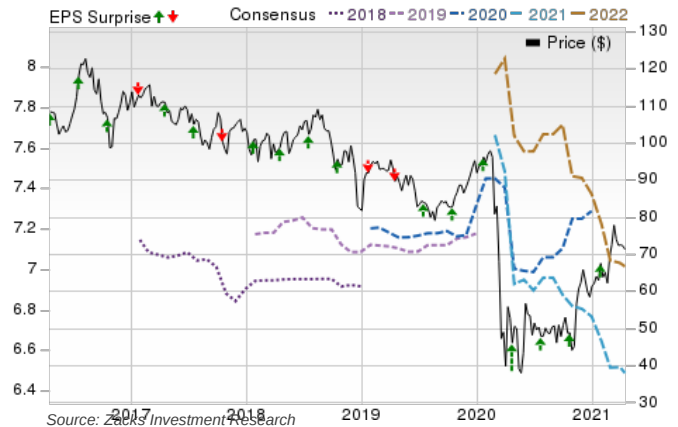
Growth: D

Momentum: D

Summary

SL Green's decent first-quarter results were supported by lower operating expenses while rental revenues declined. The company continues to sell non-core assets and redeploy the proceeds in the development pipeline, share buybacks and debt repayment. In line with this, it will divest its stake in two residential properties. Also, given its well-located properties and the ability to offer top-notch amenities at newly-developed buildings, the company's leasing activity is likely to be encouraging. A strong balance sheet will likely help it navigate uncertainties. Yet, SL Green's shares have underperformed the industry in the past month. Also, the pandemic has led to a reduction in office space utilization and a surge in vacancy rates. Further, the high supply of office properties and a choppy retail environment are worrisome.

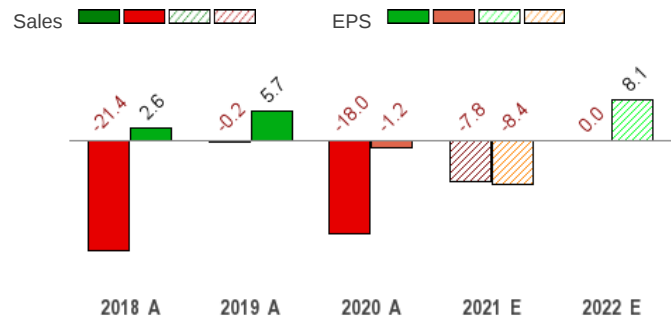
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$77.99 - \$36.19
20-Day Average Volume (Shares)	867,175
Market Cap	\$4.8 B
Year-To-Date Price Change	13.4%
Beta	1.65
Dividend / Dividend Yield	\$3.64 / 5.2%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 20% (204 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	9.5%
Last Sales Surprise	0.3%
EPS F1 Estimate 4-Week Change	-0.1%
Expected Report Date	07/28/2021
Earnings ESP	1.8%
P/E TTM	10.3
P/E F1	10.7
PEG F1	5.9
P/S TTM	5.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	169 E	169 E	167 E	167 E	653 E
2021	163 A	163 E	163 E	165 E	653 E
2020	195 A	174 A	174 A	165 A	708 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.73 E	\$1.73 E	\$1.76 E	\$1.82 E	\$7.04 E
2021	\$1.73 A	\$1.61 E	\$1.63 E	\$1.69 E	\$6.51 E
2020	\$2.14 A	\$1.75 A	\$1.80 A	\$1.56 A	\$7.11 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 04/22/2021. The report's text and the analyst-provided price target are as of 04/23/2021.

Overview

SL Green Realty Corp. dominates the office real estate market of New York. The real estate investment trust (REIT) was founded in 1997 and primarily acquires, manages, develops and leases commercial (mainly office) and residential real estate properties in the New York Metropolitan area, especially midtown Manhattan. The company is an S&P 500 index member. Its investments located outside of Manhattan are known as suburban properties.

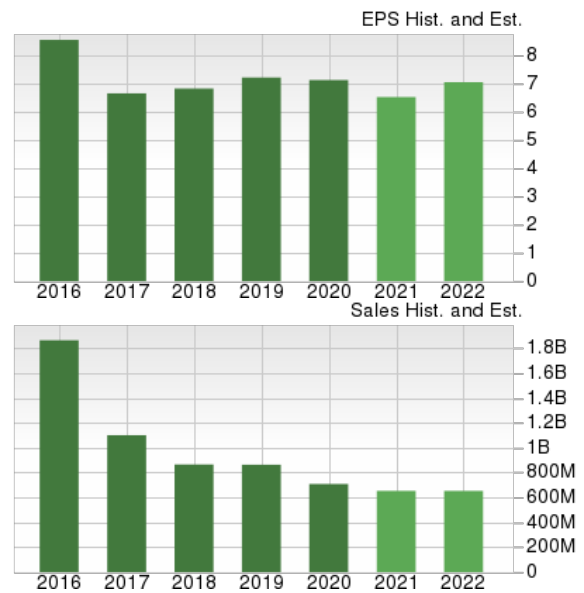
The company has two reportable segments — real estate and debt and preferred equity (DPE) investments.

As of Mar 31, 2021, SL Green had interests in 84 buildings, covering 37.8 million square feet. This comprised ownership interests in Manhattan properties, spanning 28.3 million square feet, and 8.7 million square feet secured by DPE investments.

In the Manhattan portfolio, SL Green signed 21 office leases for 352,752 square feet in the reported period. The mark-to-market on signed Manhattan office leases was 2.8% lower in the first quarter than the previous fully-escalated rents in the same spaces. As of Mar 31, 2021, Manhattan's same-store office occupancy, inclusive of leases signed but not yet commenced, was 94.2%, down 20 basis points from the prior quarter.

In December 2020, the company announced a 2.8% increase in its annual ordinary dividend to \$3.64 per share. Additionally, it announced a special dividend of \$1.6967 per share, which was paid out on Jan 15, 2021, in the form of common stock. To offset the dilutive impact of the stock issued as a special dividend, the company executed a reverse stock split, effective on Jan 20, 2021. The split ratio for the reverse stock split was 1.02918 for 1.

Note: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ SL Green has a mono-market strategy focus with an enviable footprint in the large and high-barrier to entry New York real estate market. This, along with ownership of premier Manhattan office assets, has enabled the company to enjoy decent occupancy at its portfolio over the years. Additionally, the company aims at maintaining a diversified tenant base to hedge the risk associated with dependency on single-industry tenants. As a result, its largest tenants include renowned firms from different industries. Moreover, with long-term leases to tenants with strong credit profile, it is well poised to generate stable rental revenues over the long term. In fact, as of Apr 21, SL Green's overall gross tenant billing collection for first-quarter 2021 was 95.3%. This includes 98% from office and 85% from retail tenants.
- ▲ Office-space demand in the upcoming period is likely to be driven by de-densification to allow higher square footage per office worker and the need for high-quality, well-amenitized office properties. Hence, SL Green is well-positioned to benefit from the emerging trend, given its well-located properties and the ability to offer top-notch amenities at recently-developed office buildings. In fact, despite the negative effects of the pandemic-borne job losses and the remote-working dynamics that have been hindering the U.S. office real estate sector, SL Green's near-term leasing pipeline remains robust.
- ▲ With encouraging leases executed over the past few quarters, several new names have been added to SL Green's tenant roster. This along with a gradual return of the workforce to offices is likely to drive the company's occupancy and rental revenues over the upcoming years. Also, SL Green is focused on continuation of its operating expense savings initiatives, and these efforts are likely to aid its net operating income (NOI) growth over the upcoming years.
- ▲ SL Green has been following an opportunistic investment policy to enhance its overall portfolio. This includes divesting its mature and non-core assets, including residential properties, in a tax-efficient manner and using the proceeds to fund development projects and share buybacks. Such match-funding initiatives indicate the company's prudent capital-management practices and will relieve pressure from its balance sheet. Particularly, large-scale sub-urban asset sale has helped it to narrow focus on the Manhattan market as well as retain premium and highest-growth assets in the portfolio.
- ▲ SL Green has a robust balance sheet and ample financial flexibility. The company ended first-quarter 2021 with cash and cash equivalents of \$205 million, and significant undrawn balance on its \$1.5-billion revolving credit facility. Over the past quarters, SL Green made efforts to bolster liquidity on the back of financing, refinancing, the sale of real estate assets and joint venture stake as well as the repayment of existing positions in the DPE portfolio. Such prudent steps enhance SL Green's ability to withstand the current crisis and any future unexpected negative externalities. Moreover, its fixed charge coverage ratio has been steady over the previous three quarters, indicating decent cash flows availability for near term debt repayment and other fixed charges. Going forward, with a number of creditworthy tenants in its roster, it is expected to enjoy stable cash flows.
- ▲ Furthermore, dividend payouts are arguably the biggest enticement for REIT investors and SL Green has consistently increased its dividend rate. In fact, in December 2020, the company announced a 2.8% increase in its annual ordinary dividend to \$3.64 per share. This represented SL Green's tenth consecutive year of common dividend hike. Additionally, as a result of asset dispositions in 2020, the company announced a special dividend of \$1.6967 per share, which was paid out on Jan 15, 2021, in the form of common stock. Apart from dividend hikes, the company remains committed to increasing shareholder value through share buybacks. The company initially announced a \$1-billion share repurchase program in August 2016. This authorization was enhanced in subsequent periods, with the most recent addition of \$500 million in December 2020, bringing the tally to \$3.5 billion. The company repurchased 1.5 million shares from the start of 2021 through Apr 21, 2021. Such buyback efforts boost investor's confidence in the stock.

Substantial high-quality office properties in key markets, diverse tenant base, opportunistic investments and strong balance sheet are growth drivers.

Reasons To Sell:

- ▼ Rising supply of office properties in SL Green's markets remains a concern for the company. The company faces intense competition from developers, owners and operators of office properties and other commercial real estate, including sublease space available from its tenants. This restricts its ability to attract and retain tenants at relatively higher rents than its competitors. Amid higher leasing costs and elevated supply of office assets, it will be challenging for the company to backfill near-term tenant move-outs and vacancies. This will likely impact its 2021 same-store NOI growth.
- ▼ The U.S office real estate market continues to struggle amid the pandemic, with negative absorption and increasing vacancy levels. The lackluster environment can be attributed to the pandemic-led job cuts and remote-working models, which have diminished office space utilization. Hence, office occupiers have been shedding their footprint to reduce costs. While significant government stimulus and increasing vaccination coverage is likely to support job growth, significant turnaround is less likely, given the decline in near-term office-space requirements and flexible office-usage programs. Amid this, SL Green is facing downward pressure on rental rates, and is offering higher tenant concessions and free-rent period extensions to repopulate its office buildings.
- ▼ The company has been resorting to non-core asset sales in a bid to enhance its liquidity to fund development projects and share buybacks. Notably, the company aims dispositions to be more than \$1 billion in 2021. While strategic dispositions are a strategic fit over the long term, it will be dilutive for near term earnings. In fact for 2021, the core portfolio GAAP NOI is likely to be adversely impacted due to property dispositions and planned sales.
- ▼ Moreover, geographic concentration of assets remains a concern for SL Green. In fact, majority of the company's property holdings consists of commercial office properties situated in midtown Manhattan. The company also has a number of retail properties and multifamily residential assets in New York City. Therefore, performance of the company is susceptible to the condition of the New York City economy.
- ▼ With a street-retail portfolio in important Manhattan shopping corridors, softness in the retail real estate sector is also a concern for SL Green. In fact, the retail real estate environment is currently choppy and mall traffic has been declining significantly amid rapid increase in online sales, forcing retailers to opt for store closures. Further, the demand for the New York City retail space is likely to remain tepid, with no significant turnaround on the horizon for the leisure, hospitality and tourism sectors, which are major drivers for this retail real estate market. This is likely to limit SL Green's pricing power and result in lesser absorption and rent collection woes.
- ▼ Shares of SL Green have gained 10% over the past three months compared with the industry's growth of 11.6%. Further, the trend in estimate revisions of 2021 FFO per share does not indicate a favorable outlook for the company, as estimates have been revised marginally downward over the past week. Therefore, given the above-mentioned concerns and downward estimate revision, there is limited upside potential to the stock.

Rising supply of office properties, intense competition from developers and owners, retail tenant bankruptcies and geographic concentration of assets are causes of concern before SL Green.

Last Earnings Report

SL Green Q1 FFO Tops Estimates, NOI & Occupancy Decline

SL Green reported first-quarter 2021 FFO per share of \$1.73, surpassing the Zacks Consensus Estimate of \$1.58. The reported figure includes a lease termination income of 14 cents per share. However, first-quarter 2021 FFO per share was lower than the year-ago quarter's \$2.08. The year-ago figure included 47 cents of incremental income from Credit Suisse at One Madison Avenue.

Net rental revenues of \$162.8 million in the first quarter missed the Zacks Consensus Estimate of \$162.4 million. The figure also declined 16.7% from the prior year's \$195.5 million.

As of Apr 21, the company's gross tenant billing collection for first-quarter 2021 was 95.3%. This includes 98% from office and 85% from retail tenants. While cost-control measures aided bottom-line growth, a decline in rental and investment income dents top-line performance.

Concurrent with the earnings release, SL Green announces the sale of its stake in two residential properties. This is in line with its strategy to divest non-core assets, inclusive of residential properties, and redeploy capital in share repurchase programs and development projects.

The company also announced a lease signed with Vashi — a British fine jewelry brand — for 11,777 square feet at 110 Greene Street in SoHo. The tenant will lease out the space for 15 years.

Quarter in Detail

In the first quarter, same-store cash NOI, including SL Green's share of same-store cash NOI from unconsolidated joint ventures, decreased 1.4% year over year. This excludes lease termination income.

In the Manhattan portfolio, the company signed 21 office leases for 352,752 square feet in the reported period. The mark-to-market on signed Manhattan office leases was 2.8% lower in the first quarter than the previous fully-escalated rents in the same spaces.

As of Mar 31, 2021, Manhattan's same-store office occupancy, inclusive of leases signed but not yet commenced, was 94.2%, down 20 basis points from the prior quarter.

The carrying value of its debt and preferred equity portfolio was \$1.13 billion as of Mar 31, 2021.

Liquidity

As of the first-quarter end, the company had cash and cash equivalents of \$305 million, up from \$266 million recorded at the end of 2020.

Investment Activity

Under this \$3.5-billion share-repurchase program, the company repurchased 1.5 million shares from the start of 2021 through Apr 21, 2021.

In the first quarter, it divested its 25% stake in the commercial condominium units — Tower 46 — located at 55 West 46th Street for net cash proceeds of \$20.9 million.

Dividends

For the first quarter, SL Green paid out three monthly dividends of 30.33 cents per share on its common stock in February, March and April, equating to an annualized dividend of \$3.64 per share.

Quarter Ending	03/2021
Report Date	Apr 21, 2021
Sales Surprise	0.26%
EPS Surprise	9.49%
Quarterly EPS	1.73
Annual EPS (TTM)	6.84

Recent News

SL Green to Dispose of Stake in Two Residential Properties – Apr 21, 2021

SL Green entered a contract to divest its 20% stake in Sky, a 71-story, luxury multifamily tower spanning 948,000 square feet, for a gross valuation of \$858.1 million. The transaction is anticipated to close in second-quarter 2021, subject to customary closing norms, and is likely to generate net cash proceeds of \$53 million for the company.

SL Green also entered a contract to divest its stake in 400 East 57th Street, a multifamily property, spanning 211,000 square feet, for a gross valuation of \$133.5 million. The transaction is anticipated to close in third-quarter 2021, subject to customary closing norms, and is likely to generate net cash proceeds of roughly \$18 million for the company.

The sales are in line with SL Green's strategy to divest non-core assets, inclusive of residential properties, and redeploy capital in share repurchase program and development projects.

SL Green Signs Retail Lease at 110 Greene Street – Apr 21, 2021

SL Green inked a retail lease with Vashi — a British fine jewelry brand — for 11,777 square feet at 110 Greene Street in SoHo. The tenant will lease out space for 15 years. This marks one of SL Green's most notable retail lease signings this year as it will be the jeweler's debut in the United States.

The lease indicates the confidence of business owners on New York City's reopening and the consequent return of residents, office workers and tourists. Notably, the 110 Greene Street property is a 223,600-sq-ft mixed-use building in the heart of SoHo. The retail space at the building, along Greene and Mercer Streets, offers tenants high visibility on two of the strongest retail streets in Manhattan.

Dividend Update

On Apr 22, 2021, SL Green announced a monthly dividend of 30.33 cents per share. The dividend will be paid out on May 17 to its shareholders of record as of Apr 30, 2021.

Valuation

SL Green's shares have been up 51.1% over the trailing 12-month period. Stocks in the Zacks sub-industry have gained 27.1%, while the Zacks Finance sector has rallied 52.1% over the past year.

The S&P 500 Index has been up 50% in the past year.

The stock is currently trading at 10.46X forward 12-month FFO, which compares to 21.47X for the Zacks sub-industry, 16.66X for the Zacks sector and 22.77X for the S&P 500 Index.

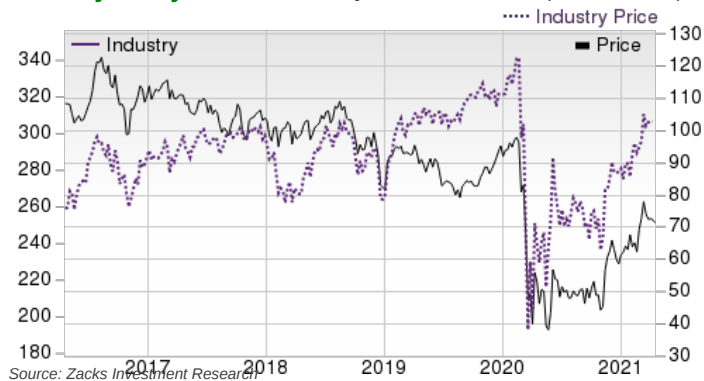
Over the past five years, the stock has traded as high as 17.42X and as low as 5.36X, with a 5-year median of 13.32X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$74 price target reflects 11.13X FFO.

The table below shows summary valuation data for SLG.

Valuation Multiples - SLG					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.46	21.47	16.66	22.77
	5-Year High	17.42	21.47	17.16	23.83
	5-Year Low	5.36	14.57	11.60	15.30
	5-Year Median	13.32	16.35	14.82	18.01
P/S F12M	Current	7.39	8.33	7.89	4.76
	5-Year High	10.85	8.33	7.89	4.76
	5-Year Low	3.53	5.45	5.03	3.21
	5-Year Median	8.46	6.36	6.16	3.71
P/B TTM	Current	0.95	2.56	3.17	7.03
	5-Year High	1.49	2.72	3.21	7.11
	5-Year Low	0.52	1.63	1.74	3.83
	5-Year Median	1.27	2.33	2.61	4.99

As of 04/22/2021 Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 20% (204 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Alexandria Real Estate Equities, Inc. (ARE)	Neutral	3
Boston Properties, Inc. (BXP)	Neutral	3
Cousins Properties Incorporated (CUZ)	Neutral	3
Highwoods Properties, Inc. (HIW)	Neutral	3
Hudson Pacific Properties, Inc. (HPP)	Neutral	3
Kilroy Realty Corporation (KRC)	Neutral	4
Piedmont Office Realty Trust, Inc. (PDM)	Neutral	3
Vornado Realty Trust (VNO)	Neutral	3

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

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	SLG	X Industry	S&P 500	ARE	BXP	VNO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	F	D	C
Market Cap	4.82 B	3.12 B	30.25 B	26.40 B	16.54 B	8.48 B
# of Analysts	9	4	12	3	9	11
Dividend Yield	5.23%	3.05%	1.26%	2.44%	3.70%	4.79%
Value Score	B	-	-	D	C	C
Cash/Price	0.08	0.04	0.06	0.02	0.10	0.20
EV/EBITDA	14.27	18.47	17.17	22.36	13.25	74.73
PEG F1	5.92	3.70	2.40	4.04	3.20	NA
P/B	1.02	1.47	4.12	1.82	2.03	1.47
P/CF	6.48	16.61	17.25	17.25	10.59	21.49
P/E F1	10.78	18.26	22.18	23.17	16.14	15.56
P/S TTM	5.00	6.89	3.37	14.00	5.98	5.55
Earnings Yield	9.36%	5.28%	4.43%	4.32%	6.20%	6.42%
Debt/Equity	1.17	0.88	0.66	0.56	1.63	1.28
Cash Flow (\$/share)	10.74	1.70	6.78	10.38	10.01	2.06
Growth Score	D	-	-	D	D	D
Historical EPS Growth (3-5 Years)	-1.84%	0.87%	9.39%	7.51%	4.05%	-11.98%
Projected EPS Growth (F1/F0)	-8.44%	5.87%	16.46%	5.85%	4.42%	12.43%
Current Cash Flow Growth	34.81%	-2.35%	0.72%	60.62%	29.71%	-33.85%
Historical Cash Flow Growth (3-5 Years)	-2.47%	10.49%	7.37%	28.18%	4.98%	-13.04%
Current Ratio	3.35	1.51	1.39	0.36	6.81	5.81
Debt/Capital	53.60%	47.17%	41.19%	36.06%	61.43%	53.53%
Net Margin	25.79%	9.13%	11.06%	40.89%	31.52%	-19.44%
Return on Equity	4.88%	2.70%	15.32%	6.46%	10.56%	1.46%
Sales/Assets	0.08	0.11	0.51	0.09	0.12	0.09
Projected Sales Growth (F1/F0)	-7.81%	5.67%	7.53%	0.00%	0.52%	-0.24%
Momentum Score	D	-	-	F	F	A
Daily Price Change	-2.62%	-0.77%	-0.64%	-0.49%	-1.30%	-2.68%
1-Week Price Change	-1.39%	1.75%	1.43%	4.31%	0.67%	-1.40%
4-Week Price Change	-1.70%	3.87%	4.90%	5.85%	1.27%	-4.45%
12-Week Price Change	3.11%	12.92%	13.18%	6.97%	15.32%	9.85%
52-Week Price Change	47.83%	43.74%	57.63%	20.98%	19.21%	18.12%
20-Day Average Volume (Shares)	867,175	565,872	1,772,423	742,668	1,043,253	1,434,277
EPS F1 Estimate 1-Week Change	-0.03%	0.00%	0.00%	-0.04%	-0.62%	-0.32%
EPS F1 Estimate 4-Week Change	-0.08%	0.00%	0.09%	-0.04%	-1.05%	3.00%
EPS F1 Estimate 12-Week Change	-3.18%	-1.00%	1.97%	0.22%	-3.76%	4.12%
EPS Q1 Estimate Monthly Change	-0.33%	0.00%	0.00%	0.00%	-1.45%	6.75%

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	D
Momentum Score	D
VGM Score	D

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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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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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.