

Truist Financial (TFC)

\$58.45 (As of 06/09/21)

Price Target (6-12 Months): **\$63.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 05/17/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: C

Momentum: A

Summary

Shares of Truist Financial have underperformed the industry in the past year. Yet, the company has an impressive earnings surprise history. Its earnings surpassed the Zacks Consensus Estimate in each of the trailing four quarters. Decent loan demand, a strong balance sheet position and focus on non-interest income growth are expected to continue supporting the bank's profitability in the quarters ahead. Besides, merger deal will lead to substantial cost savings. Moreover, given a solid liquidity position, the bank's capital deployment activities seem sustainable. However, near-zero interest rates and no near-term change in the same are expected to continue hurting margins in the near term. Also, mounting operating costs mainly due to a rise in merger-related costs will likely hurt the company's bottom line in the upcoming quarters.

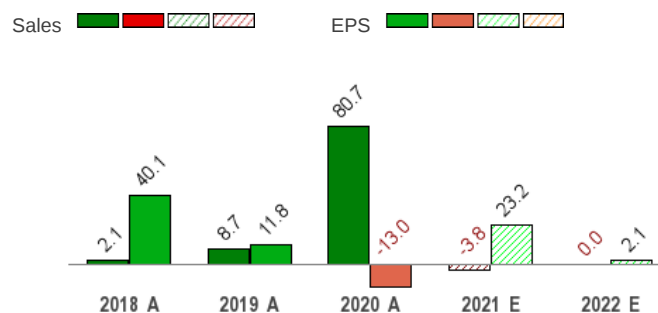
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$62.69 - \$33.47
20-Day Average Volume (Shares)	5,690,527
Market Cap	\$78.6 B
Year-To-Date Price Change	22.0%
Beta	1.34
Dividend / Dividend Yield	\$1.80 / 3.1%
Industry	Banks - Major Regional
Zacks Industry Rank	Bottom 48% (130 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.4%
Last Sales Surprise	-0.1%
EPS F1 Estimate 4-Week Change	2.0%
Expected Report Date	07/15/2021
Earnings ESP	0.0%
P/E TTM	14.1
P/E F1	12.5
PEG F1	1.5
P/S TTM	3.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	5,371 E	5,448 E	5,468 E	5,498 E	21,839 E
2021	5,482 A	5,473 E	5,420 E	5,452 E	21,836 E
2020	5,611 A	5,871 A	5,572 A	5,651 A	22,705 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.13 E	\$1.21 E	\$1.24 E	\$1.31 E	\$4.78 E
2021	\$1.18 A	\$1.16 E	\$1.14 E	\$1.18 E	\$4.68 E
2020	\$0.87 A	\$0.82 A	\$0.97 A	\$1.18 A	\$3.80 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 06/09/2021. The report's text and the analyst-provided price target are as of 06/10/2021.

Overview

Truist Financial, formed following the 'merger of equals' deal between BB&T Corp and SunTrust Banks, is the sixth largest bank in the United States. The company — headquartered in Charlotte, NC — conducts business operations primarily through its bank subsidiary, Truist Bank, and few other non-bank subsidiaries.

Truist Bank — through more than 2,780 banking offices and 4,080 automated telling machines (ATMs) — offers a variety of services to consumer and commercial clients.

Truist Financial has the following three operating segments:

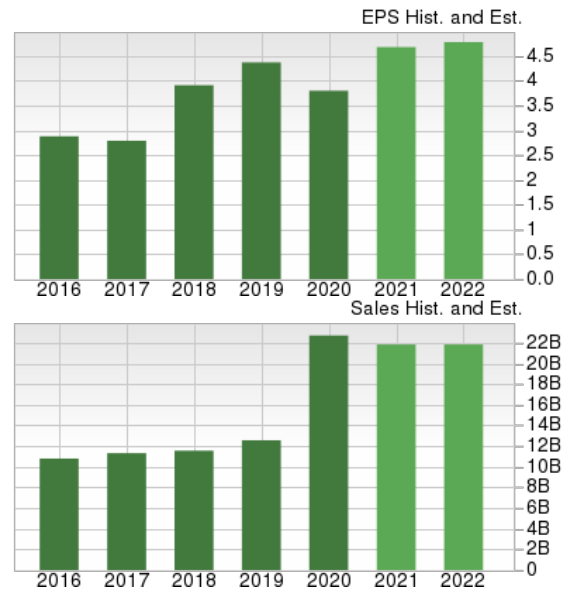
Consumer Banking and Wealth (CB&W) (32.1% of total assets in 2020) comprises five primary operations - Retail Community Banking, NCF&P, Wealth, Mortgage Banking and Dealer Retail Services.

Corporate and Commercial Banking (C&CB) (36.6%) is made up of four primary businesses - Corporate and Investment Banking, Commercial Community Banking, Commercial Real Estate, and Grandbridge Real Estate Capital, LLC and Treasury Solutions product group.

Insurance Holdings (IH) (1.6%) provides property and casualty, employee benefits, life insurance surety coverage, as well as title insurance. Also, the segment offers commercial and retail insurance premium finance.

Others, Treasury & Corporate (29.7%) includes Truist Financial's investment securities portfolio, long-term debt, derivative instruments used for balance sheet hedging, short-term liquidity and funding activities, balance sheet risk management, as well as most real estate assets. The company's functional activities such as marketing, finance, enterprise risk, legal, enterprise technology and executive leadership, among others, are also part of this unit.

As of Mar 31, 2021, Truist Financial's total assets were \$517.5 billion, total loans and leases were \$297.2 billion, deposits totaled \$395.6 billion, and total shareholders' equity was \$67.9 billion.



Reasons To Buy:

- ▲ Truist Financial, formed following the 'merger of equals' deal between BB&T and SunTrust Banks, is the sixth largest bank in the United States. Legacy BB&T relied extensively on acquisitions to grow and expand footprints. Over the years, these transactions have resulted in cost and revenue synergies. Such strategic initiatives will likely continue to support bottom-line growth in the upcoming quarters. Notably, as part of its efforts to move away from legacy non-core operations, in January 2021, the company sold institutional 401(k) investment advisory services business and agreed to sell institutional 401(k) recordkeeping businesses. In May 2021, in order to further strengthen its insurance business, Truist Financial announced a deal with RedBird Capital Partners to acquire the insurance distribution platform Constellation Affiliated Partners. Also, the bank plans to continue rationalizing branch footprint, with approximately 800 branch consolidations targeted by first-quarter 2022.
- ▲ Truist Financial has been recording a rise in net interest income (NII) despite lower rates. NII increased in both 2019 and 2020 on the back of decent loan demand and merger deal. Though NII declined in the first quarter of 2021 because of a fall in demand for loans amid the coronavirus-related economic slowdown, the same is expected to gradually pick up once business activities resume full-fledged. Thus, this is likely to support NII in the upcoming quarters.
- ▲ Truist Financial remains focused on growth of non-interest revenue sources. Fee income grew in 2019, 2020 and the first three months of 2021. With near-zero interest rates and low mortgage rates, a rise in origination volumes are being witnessed. Further, strength in investment banking and insurance income will accelerate non-interest income growth in the quarters ahead. Also, management is open for strategic inorganic growth efforts, with an aim to further support fee income sources. In fact, last year, the company closed five insurance broker deals, which are likely to add roughly \$110 million of combined annual revenues.
- ▲ Truist Financial has a solid balance sheet. As of Mar 31, 2021, the company had total debt worth \$43.6 billion, and cash and due from banks totaled \$5.1 billion. Nonetheless, the bank has nominal debt maturities in the near term. Further, its times-interest earned of 9.1X at first-quarter 2021-end improved sequentially. Thus, the company will likely be able to meet near-term debt obligations, even if the economic situation worsens.
- ▲ Amid the coronavirus-induced economic slowdown, the Federal Reserve had restricted dividends and share repurchases by major banks with an aim to conserve liquidity last year. Nonetheless, following the second round of stress test, these restrictions were removed to some extent. Thus, Truist Financial, in December 2020, announced a new share buyback plan worth up to \$2 billion shares beginning first-quarter 2021, while maintaining quarterly dividend at 45 cents per share. As of Mar 31, 2021, the company had \$1.5 billion worth of shares left to be repurchased. Notably, for the second quarter, the company anticipates buyback worth \$600 million. Thus, driven by a strong capital position and earnings strength, the company is expected to sustain efficient capital deployments.
- ▲ Shares of Truist Financial have underperformed the industry in the past year. However, the company's earnings estimates for 2021 have been revised 2.2% upward over the past 60 days. Further, the stock seems undervalued than the broader industry. Its current price/cash flow and price/book ratios are below the respective industry averages. The stock has a Value Score of B. Thus, given the strong fundamentals and positive estimate revisions, the stock has decent upside potential.

Decent loan demand and efforts to improve fee income are likely to continue supporting Truist Financial's prospects. Its enhanced capital deployments indicate a solid balance sheet position.

Reasons To Sell:

- ▼ Owing to the near-zero interest rates and the Federal Reserve indicating no change in the same till 2023, Truist Financial is expected to continue witnessing pressure on net interest margin (NIM). After recording an improving trend over the last several years, NIM contracted to 3.22% in 2020 from 3.42% in 2019 and 3.46% in 2018. The fall was mainly due to flattening/inversion of the yield curve and lower interest rates. The downward trend continued in first-quarter 2021.
- ▼ Truist Financial has been witnessing a persistent rise in total operating expenses. Expenses witnessed a compound annual growth rate (CAGR) of 22% over the last five years (2016-2020). The increase was mainly due to a rise in personnel expenses, its efforts to improve digitization and the merger deal. The uptrend in expenses continued in the first quarter. Expenses are likely to remain elevated, primarily owing to investments in technology upgrades and merger integration.
- ▼ Truist Financial's trailing 12-month return on equity (ROE) undercuts its growth potential. The company's ROE of 9.48% compares unfavorably with 10.65% for the industry and 16.36% for the S&P 500. This reflects that the company is less efficient in using shareholders' funds.

Low interest rates and weak loan demand will hamper Truist Financial's net interest margin. Further, mounting operating expenses remain major concern and will likely hurt the bottom line.

Last Earnings Report

Truist Financial's Q1 Earnings Top, Revenues Lag Estimates

Truist Financial's first-quarter 2021 adjusted earnings of \$1.18 per share outpaced the Zacks Consensus Estimate of \$1.12. Results excluded restructuring and BB&T-SunTrust Banks merger-related charges, and incremental operating expenses related to the merger. The bottom line improved 42% from the previous quarter.

Results were aided by record performance from its insurance business and investment banking as well as a decline in provision for credit losses. Also, improvement in deposit balance was a tailwind. However, lower rates on earning assets hindered net interest income growth.

After considering non-recurring items, net income available to common shareholders (GAAP basis) was \$1.33 billion or 98 cents per share, up from \$986 million or 73 cents per share in the prior quarter.

Quarter Ending	03/2021
Report Date	Apr 15, 2021
Sales Surprise	-0.07%
EPS Surprise	5.36%
Quarterly EPS	1.18
Annual EPS (TTM)	4.15

Revenues & Expenses Decline

Total revenues in the reported quarter were \$5.48 billion, declining around 3% sequentially. Also, the top line marginally missed the Zacks Consensus Estimate of \$5.49 billion.

Tax-equivalent net interest income (NII) decreased 2.4% sequentially to \$3.13 billion. NIM decreased 7 basis points (bps) sequentially to 3.01%.

Non-interest income declined 3.9% from fourth-quarter 2020 to \$2.2 billion.

Non-interest expenses were \$3.6 billion, down 6.2% from the prior quarter.

Adjusted expenses reduced \$57 million. Adjusted efficiency ratio was 56.9%, up from 55.9% in fourth-quarter 2020. A rise in efficiency ratio indicates deterioration in profitability.

As of Mar 31, 2021, total average deposits were \$383.2 billion, up 2.1% from the previous quarter end. Average total loans and leases of \$294.7 billion sequentially declined 2.7%.

Credit Quality: Mixed Bag

As of Mar 31, 2021, total non-performing assets (NPAs) were \$1.3 billion, down 6.34% sequentially. As a percentage of total assets, NPAs were 0.25%, decreasing 2 bps from the prior quarter.

Also, allowance for loan and lease losses was 1.94% of total loans and leases held for investment, which decreased 1 bps.

Nonetheless, net charge-offs (NCOs) were 0.33% of average loans and leases, up 6 bps, sequentially. Provision for credit losses declined 72.9% to \$48 million.

Profitability Ratios Increase

At the end of the reported quarter, return on average assets was 1.17%, up from 1.05% in the prior quarter. Return on average common equity was 8.69%, up from 7.88% in the fourth quarter of 2020.

Capital Ratios Strong

As of Mar 31, 2021, Tier 1 risk-based capital ratio was 12% compared with 12.1% recorded in the prior quarter. Common equity Tier 1 ratio was 10.1% as of Mar 31, 2021, compared with 10% in fourth-quarter 2020.

Share Repurchase Update

In the quarter, Truist Financial repurchased common shares amounting to \$506 million.

Merger-Related Progress Details

Management continues to expect total combined merger costs of nearly \$4 billion. This consists of merger-related and restructuring charges of approximately \$2.1 billion and incremental operating expenses related to the merger of approximately \$1.8 billion. These costs are not in the future run rate and will come out in 2022 after the core bank conversion and decommission redundant systems are complete.

Further, the company is on track to close roughly 800 branches by the end of first quarter 2022, having already closed 374 branches so far. Also, the company reduced its non-branch facilities by approximately 3.5 million square feet and are making progress toward the overall target of approximately 5 million square feet.

Moreover, average full-time employees (FTEs) are down 9% since the merger announcement in February 2019. The company anticipates technology savings worth \$425 million by 2022-end compared with 2019 level.

Second Quarter 2021 Outlook (as compared with first quarter)

Taxable equivalent revenues (excluding security gains) are expected to be relatively flat.

Reported NIM is expected to be down high-single-digit, due to a mid-single-digit decline in core NIM and 3-4 bps of purchase accounting accretion run off.

NII is projected to be relatively flat due to the growth of the balance sheet.

Non-interest expenses (excluding merger costs and amortization) are expected to be relatively flat. NCOs are anticipated to be in the range of 30-45 bps. Effective tax rate is likely to be between 19% and 20%.

Recent News

Truist Financial to Buy Constellation Affiliated Partner - May 24, 2021

In order to further strengthen its insurance business, Truist Insurance Holdings, a subsidiary of Truist Financial, announced a deal with RedBird Capital Partners to acquire the insurance distribution platform Constellation Affiliated Partners.

Financial terms of the deal have not been disclosed yet. The deal will likely add roughly \$160 million of annual revenues to the wholesale division of Truist Insurance Holdings.

Formed in 2019 by RedBird Capital Partners, Constellation Affiliated Partners' four core specialty markets include contractors' general liability, transportation, condominium/homeowners associations, and professional liability. The company has expanded its operation through acquisition strategies.

Truist Insurance Holdings will integrate Constellation Affiliated Partners with CRC Group. CRC Group is the wholesale distributor of specialty insurance products.

John Howard, chairman and CEO of Truist Insurance Holdings, said, "The Constellation Affiliated Partners transaction is a key acquisition that will further build out our national programs business. It significantly expands our wholesale division, allowing us to double our programs business, and brings greater diversity to the types of programs we can provide clients by adding their complementary offerings." He further added, "We have a shared commitment to accelerating our investment in data and analytics, and look forward to continuing to grow our business, both organically and through further acquisitions"

Per Kelly S. King, chairman and CEO of Truist Financial, "This acquisition enables us to continue diversifying our revenue and provide expansive insurance solutions to our clients—while ultimately helping us fulfill our purpose to build better lives and communities."

Truist Signs Deals to Sell Institutional Retirement Business - Jan 6, 2021

Truist Financial announced that it has sold its institutional 401(k) investment advisory services business to OneDigital Investment Advisors. Also, it agreed to sell its institutional 401(k) recordkeeping businesses to Ascensus and Empower Retirement. The financial terms of none of the three transactions have been disclosed yet.

Notably, Ascensus is expected to acquire Truist Financial's heritage BB&T 401(k) recordkeeping business, which includes more than 1,200 retirement plans that consist of 125,000 plan participants and assets worth \$5 billion. Then again, Empower is set to acquire the heritage SunTrust 401(k) recordkeeping business, including 300 retirement plans, consisting of 73,000 participants and \$5 billion in assets.

The head of wealth for Truist Financial, Joe Thompson, stated, "The institutional 401(k) industry has experienced significant consolidation, and Ascensus, Empower and OneDigital are well-positioned to provide scale and expertise for our plan sponsor clients and their plan participants. Truist will continue to focus on growth opportunities and make strategic investments in our wealth management business that advance our digital capabilities and expand our team of advisors."

Dividend Update

On Apr 27, Truist Financial announced a quarterly cash dividend of 45 cents per share. The dividend was paid out on Jun 1 to shareholders of record as of May 14.

Valuation

Truist Financial's shares are up 21.9% over the year to date period and 56% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 34.3% and 20.8% so far this year, respectively. Over the past year, the Zacks sub-industry and the sector are up 70.2% and 51.5%, respectively.

The S&P 500 index is up 13.2% in the year to date period and 42.9% in the past year.

The stock is currently trading at 12.37X forward 12 months earnings, which compares to 12.51X for the Zacks sub-industry, 16.73X for the Zacks sector and 21.80X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.89X and as low as 5.87X, with a 5-year median of 12.65X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$63 price target reflects 13.32X forward earnings.

The table below shows summary valuation data for TFC

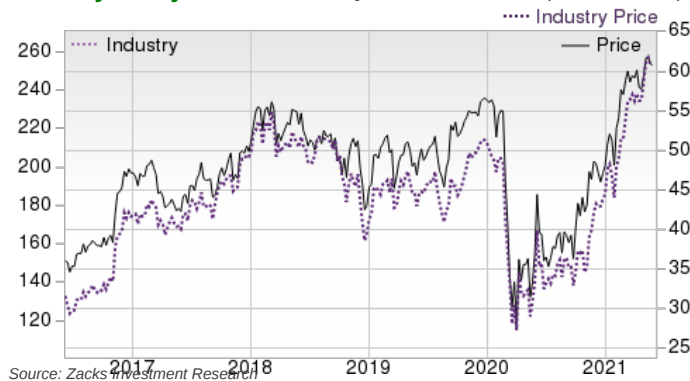
Valuation Multiples - TFC

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.37	12.51	16.73	21.8
	5-Year High	16.89	14.2	17.24	23.83
	5-Year Low	5.87	8.01	11.6	15.31
	5-Year Median	12.65	11.79	14.94	18.05
P/TB TTM	Current	2.55	2.41	4.61	17.69
	5-Year High	2.92	2.68	4.61	17.7
	5-Year Low	0.76	1.21	2.09	8.07
	5-Year Median	2.35	2.14	3.62	11.58
P/S F12M	Current	3.6	4.48	8.55	4.72
	5-Year High	6.29	4.59	8.55	4.74
	5-Year Low	1.57	2.39	5.08	3.21
	5-Year Median	3.11	3.66	6.21	3.72

As of 06/09/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 48% (130 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
The Bank of New York Mellon Corporation (BK)	Neutral	3
Fifth Third Bancorp (FITB)	Neutral	3
KeyCorp (KEY)	Neutral	3
M&T Bank Corporation (MTB)	Neutral	3
Northern Trust Corporation (NTRS)	Neutral	3
The PNC Financial Services Group, Inc (PNC)	Neutral	3
State Street Corporation (STT)	Neutral	3
U.S. Bancorp (USB)	Neutral	3

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

Industry Comparison Industry: Banks - Major Regional				Industry Peers		
	TFC	X Industry	S&P 500	BAC	C	USB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	F	F	B
Market Cap	78.61 B	44.32 B	30.22 B	362.65 B	161.52 B	88.26 B
# of Analysts	8	7	12	8	9	11
Dividend Yield	3.08%	2.46%	1.29%	1.70%	2.61%	2.84%
Value Score	B	-	-	D	C	C
Cash/Price	0.48	1.61	0.06	2.35	6.09	0.48
EV/EBITDA	10.59	-3.09	17.40	-7.42	-21.99	11.53
PEG F1	1.51	1.44	2.13	1.94	0.38	1.93
P/B	1.29	1.37	4.17	1.45	0.88	1.92
P/CF	11.15	13.60	17.80	15.36	10.61	16.27
P/E F1	12.45	12.20	21.56	13.61	8.47	12.56
P/S TTM	3.31	3.51	3.51	3.98	1.92	3.63
Earnings Yield	8.01%	8.19%	4.55%	7.35%	11.80%	7.97%
Debt/Equity	0.62	0.72	0.66	1.01	1.40	0.81
Cash Flow (\$/share)	5.24	5.24	6.83	2.76	7.36	3.64
Growth Score	C	-	-	F	F	C
Historical EPS Growth (3-5 Years)	9.93%	6.88%	9.44%	14.31%	6.88%	2.95%
Projected EPS Growth (F1/F0)	23.16%	70.45%	21.30%	66.31%	88.96%	54.16%
Current Cash Flow Growth	68.71%	-27.77%	0.98%	-27.77%	-31.17%	-28.76%
Historical Cash Flow Growth (3-5 Years)	22.31%	3.10%	7.28%	2.68%	-5.73%	-2.86%
Current Ratio	0.82	0.84	1.39	0.76	0.95	0.76
Debt/Capital	35.74%	39.49%	41.53%	47.83%	55.77%	41.70%
Net Margin	20.04%	24.09%	11.95%	24.09%	20.27%	24.16%
Return on Equity	9.48%	10.65%	16.36%	8.90%	9.55%	12.52%
Sales/Assets	0.05	0.04	0.51	0.03	0.04	0.04
Projected Sales Growth (F1/F0)	-3.83%	0.71%	9.37%	3.11%	-3.85%	-2.80%
Momentum Score	A	-	-	C	C	B
Daily Price Change	-2.31%	-1.56%	-0.44%	-1.31%	-1.19%	-1.73%
1-Week Price Change	-2.57%	-0.09%	0.58%	2.08%	0.99%	-0.02%
4-Week Price Change	-1.95%	0.20%	2.80%	2.77%	5.27%	-0.52%
12-Week Price Change	-0.22%	6.93%	7.24%	11.52%	6.17%	8.74%
52-Week Price Change	40.81%	53.63%	36.87%	59.10%	39.88%	50.69%
20-Day Average Volume (Shares)	5,690,527	4,012,980	1,770,532	37,701,988	15,535,510	5,506,681
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.99%	0.65%	0.03%	-0.57%	-0.11%	0.60%
EPS F1 Estimate 12-Week Change	9.42%	22.62%	3.39%	25.25%	34.91%	23.24%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-1.10%	-0.20%	-0.83%

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	C
Momentum Score	A
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.