

## TELUS Corporation (TU)

**\$18.20** (As of 10/16/20)

Price Target (6-12 Months): **\$20.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/19/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**2-Buy**

Zacks Style Scores:

VGM:D

Value: C

Growth: C

Momentum: F

### Summary

TELUS has launched 5G networks in Vancouver, Montreal, Calgary, Edmonton and the Greater Toronto Area. It plans to expand to additional 26 markets across Canada in 2020. The company has acquired a 100% stake in Mobile Klinik to grow its wireless business. TELUS has announced a C\$15 million investment for the deployment of a submarine fiber optic cable between Sept-Îles and the Gaspésie region. It is likely to benefit from increased penetration of wireline fiber-optic networks and cost-efficient initiatives. However, it is facing challenges in its wireless segment due to the COVID-19 pandemic. High capital investments and a debt-laden balance sheet are denting its profitability. TELUS' margins remain strained as cable TV operators migrate from phone services based on 'circuit-switched' technology to Voice-over-Internet Protocol.

### Data Overview

52-Week High-Low	<b>\$20.91 - \$13.54</b>
20-Day Average Volume (Shares)	<b>1,152,180</b>
Market Cap	<b>\$23.4 B</b>
Year-To-Date Price Change	<b>-6.0%</b>
Beta	<b>0.69</b>
Dividend / Dividend Yield	<b>\$0.89 / 4.9%</b>
Industry	<b>Diversified Communication Services</b>
Zacks Industry Rank	<b>Top 38% (96 out of 254)</b>

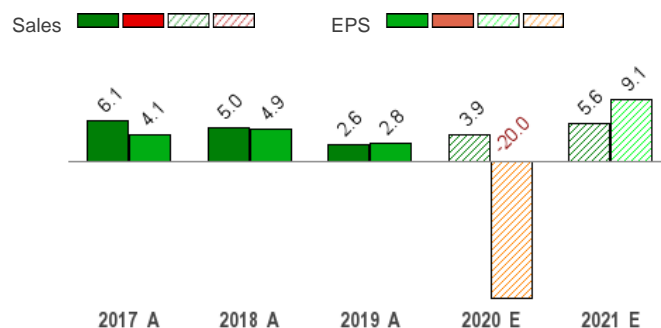
Last EPS Surprise	<b>-14.3%</b>
Last Sales Surprise	<b>1.6%</b>
EPS F1 Estimate 4-Week Change	<b>-0.0%</b>
Expected Report Date	<b>11/06/2020</b>
Earnings ESP	<b>-7.1%</b>

P/E TTM	<b>12.1</b>
P/E F1	<b>20.7</b>
PEG F1	<b>2.6</b>
P/S TTM	<b>2.1</b>

### Price, Consensus & Surprise



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



### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					12,118 E
2020	2,754 A	2,689 A	2,894 E	2,974 E	11,480 E
2019	2,637 A	2,752 A	2,800 A	2,923 A	11,046 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.24 E	\$0.21 E	\$0.28 E	\$0.23 E	\$0.96 E
2020	\$0.24 A	\$0.18 A	\$0.25 E	\$0.21 E	\$0.88 E
2019	\$0.28 A	\$0.27 A	\$0.29 A	\$0.25 A	\$1.10 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 10/16/2020. The reports text is as of 10/19/2020.

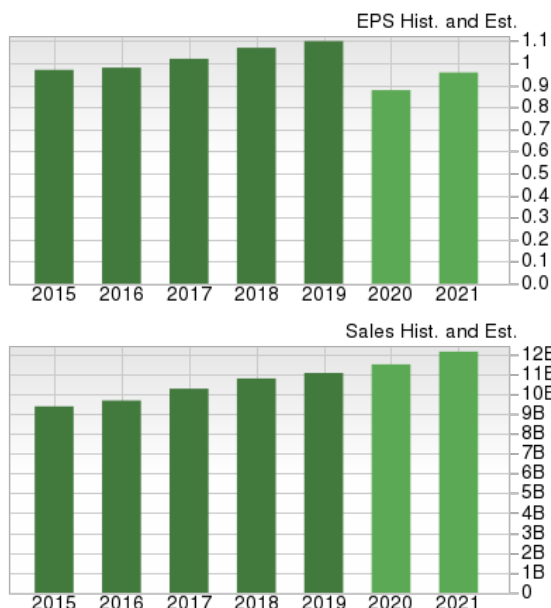
## Overview

TELUS Corporation is a leading Canadian telecom service provider based in Burnaby, British Columbia (with executive offices in Vancouver). The company is one of the largest telecom carriers in Canada (the largest in western Canada), covering 95% of the country's population. TELUS provides wireless, wireline, and Internet communications services for voice and data to businesses and consumers. The company operates as the incumbent local exchange carrier (ILEC) in British Columbia, Alberta and parts of Quebec.

The company achieved a strong foothold in the Canadian healthcare telecom market through its acquisition of Emergis, a business process outsourcer specializing in healthcare and financial services. This acquisition strengthened TELUS' industry solutions for healthcare and financial services. Furthermore, the acquisition of Toronto-based Fastvibe Corporation, a leading provider of innovative and superior quality web streaming solutions for businesses, has added a unique technical, event and production web management capability to the company's expertise.

TELUS reports operating results in two segments, namely, TELUS Wireline and TELUS Wireless. Following is a snapshot of the company's operating segments:

- **TELUS Wireline** (51.5% of total operating revenues in second-quarter 2020): Offers voice services (local, long distance and call management), data, Internet (high-speed, dial-up and entertainment), video (TELUS TV) and other services to consumers and businesses. The company provides hosting and infrastructure solutions and managed solutions (business security) as well as converged data and voice services. TELUS' data solutions include IP networks, private line, network management and hosting services.
- **TELUS Wireless** (48.5%): Offers digital wireless voice, data and Internet services on its high-speed network. Digital voice services include PCS postpaid, PCS prepaid and push-to-talk services while Internet and data services cover TELUS Mobile TV, TELUS Mobile Radio, TELUS Mobile Music, web browsing, Windows Live Messenger, social networking and messaging services.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ TELUS has launched 5G networks in Vancouver, Montreal, Calgary, Edmonton and the Greater Toronto Area. It plans to expand to additional 26 markets across Canada in 2020. The company has acquired a 100% stake in Mobile Klinik to grow its wireless business. It is well positioned to benefit from increasing penetration of smart devices, wireless data services and wireline fiber optic networks. The company expects balanced growth in its wireless and wireline businesses backed by investments in high-speed broadband technology. TELUS secured 600 MHz spectrum licenses in British Columbia, Alberta, Saskatchewan, Ontario and Quebec for \$931 million. Equating to a national average of 11.3 MHz, these licenses will allow it to provide better mobile broadband connectivity at a time when the industry is moving from 4G LTE to 5G. The deployment of this spectrum is important to TELUS' 5G growth strategy along with network quality, speed and coverage.
- ▲ TELUS has launched 5G networks in Vancouver, Montreal, Calgary, Edmonton and the Greater Toronto Area. It plans to expand to additional 26 markets across Canada in 2020.
- ▲ TELUS and its global unit, TELUS International, acquired Competence Call Center (CCC). TELUS International currently holds a 100% interest in CCC. The combined business has an expanded portfolio of customer experience, digital transformation, content moderation, IT lifecycle, advisory and digital consulting, risk management, and back-office support that will enable new go-to-market opportunities and drive growth. The acquisition is likely to add significant scale to TELUS International, an important and differentiated growth driver for the company, and will support TELUS' consolidated financial and operating results including revenues, EBITDA and free cash flow growth.
- ▲ TELUS' 4G LTE network covers 99% of the country's population and the addition of 600 MHz spectrum will help it increase urban capacity, while expanding the rural availability of wireless broadband service. It has made more than C\$6 billion spectrum-related investments since 2008 and C\$54 billion in technology across the country since 2000. The company is focused on execution of its strategies along with amplifying efforts on cost efficiency for margin-accretive customer growth and investments to support its expansion strategy. With the expansion of Internet of Things marketplace across Canada, TELUS is focusing to consolidate its foothold in the market. It has introduced the TELUS Global IoT Connectivity platform to deliver seamless connectivity and simplified billing across 200 networks globally, supporting the expansion of Canadian business enterprises.
- ▲ Between 2013 and 2021, TELUS intends to invest more than C\$300 million to expand its PureFibre network in the eastern part of Quebec, with C\$72 million in support from the federal and provincial governments. In the next two years, it aims to offer direct fiber access to 93% of Greater Quebec City and Eastern Quebec residents. The company plans to generate subscriber growth in its key growth segments, including wireless, high-speed Internet and TELUS TV. Increasing demand for reliable access and fast-data services are expected to support customer additions. Furthermore, TELUS International and TELUS Health are likely to contribute to the company's growth, organically and from acquisitions.

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## Reasons To Sell:

- ▼ Efforts to offset capital expenditure for upgrading the network infrastructure by raising fees have reduced demand for TELUS' legacy voice and data services. Moreover, the company's huge debts are worrisome. As of Jun 30, 2020, it had \$708 million in cash and equivalents with \$12,955 million of long-term debt compared with the respective tallies of \$789 million and \$13,336 million at the end of the previous quarter. TELUS currently has a debt-to-capital ratio of 0.6 compared with 0.69 of the industry. The times interest earned (TIE) ratio has decreased over the past quarters to 3.6 at present relative to 0.6 of the industry. This indicates that the company is less likely to meet its debt obligations. However, TELUS has a dividend payout rate of 89.6% compared with 60.8% of the industry. The rate has also increased steadily over the past quarters. It is to be seen whether TELUS can turn the tables in the coming days amid disruptions stemming from the COVID-19 pandemic.
- ▼ TELUS faces strong wireless competition from Rogers Communications and Bell. An intensifying competitive environment arising from small regional carriers like MTS in Manitoba and SaskTel in Saskatchewan raise concerns. Such competitive pressure has resulted in reduced subscriber additions for the company. Also, Shaw Communications' decision to venture into the Canadian wireless market with the WIND Mobile acquisition has raised competition for TELUS.
- ▼ In the wireline business, competition has increased with cable TV operators moving from offering phone services based on 'circuit-switched' technology to less costly Voice-over-Internet Protocol. Capital expenditure in the wireline segment includes significant investments in broadband infrastructure to bring in more business and residential customers directly under fiber optic cable. This has resulted in substantial outflow of funds, leading to soft margins.

TELUS is facing intense competition in wireless as well as in traditional telephony, and from VoIP-focused competitors in both consumer and business markets.

## Last Earnings Report

### TELUS' Q2 Earnings Miss Estimates, Revenues Rise Y/Y

TELUS reported mixed second-quarter 2020 results, with the top line beating the Zacks Consensus Estimate and the bottom line missing the same.

#### Net Income

Net income in the June-end quarter fell 43.9% year over year to C\$290 million or C\$0.23 per share. This reflects impact from the COVID-19 pandemic, higher income tax, increased depreciation and amortization charges, and higher financing costs.

Adjusted net income was C\$316 million or C\$0.25 per share (\$227.9 million or 18 cents per share) compared with C\$416 million or C\$0.35 per share in the prior-year quarter. The bottom line missed the Zacks Consensus Estimate by 3 cents.

#### Revenues

Quarterly total operating revenues increased 3.6% year over year to C\$3,728 million (\$2,689 million). This reflects the current economic environment wherein TELUS' business customers are facing lower operations. The top line surpassed the consensus estimate of \$2,646 million.

#### Segment Results

Revenues in **TELUS Wireless** declined 7.6% year over year to C\$1,846 million due to lower network, and equipment and other service revenues. Network revenues fell 3.3% to C\$1,472 million, reflecting a 5.8% decline in mobile phone ARPU. Equipment and other service revenues were C\$360 million, down 20.9% year over year. This was caused by lower contracted volumes resulting from customers' reduced shopping habits due to the COVID-19 pandemic.

The segment's adjusted EBITDA of C\$890 million decreased 3.7% over the same period a year ago, due to the impacts of the pandemic including lower roaming revenues resulting from restricted travel. Adjusted EBITDA margin was 48.2% compared with 46.3% in the year-ago quarter. Capital expenditures increased 4.9% year over year to C\$234 million.

Revenues in **TELUS Wireline** increased 17.1% year over year to C\$1,961 million, supported by data services revenue growth and other operating income growth of C\$68 million. Data services revenues were C\$1,493 million, up 18%. This was led by higher revenues from the company's diverse portfolio of solutions including TELUS International customer care and business services. Voice service (local and long distance) revenues were C\$236 million, down 5.2%. Other service and equipment revenues were C\$95 million, remaining stable.

The segment's adjusted EBITDA of C\$471 million decreased 1.5% from the year-ago quarter figure. Adjusted EBITDA margin was 24.9% compared with 28.5% in the prior-year quarter, impacted by declines in legacy voice and data services, and higher employee benefit expenses mainly from business acquisitions. Capital expenditures were down 4.6% year over year to C\$522 million.

#### Other Details

Overall, EBITDA was C\$1,359 million, down 1% year over year. This reflects the financial impacts arising from the pandemic, primarily from lower wireless roaming revenues partly offset by growth in wireline data service margins. Adjusted EBITDA decreased 2.9% year over year to C\$1,361 million.

#### Cash Flow & Liquidity

In the first six months of 2020, TELUS generated C\$2,639 million of cash from operating activities compared with C\$1,950 million in the year-ago period. Free cash flow for the same period increased 121.4% year over year to C\$1,056 million.

As of Jun 30, the company had C\$971 million (\$711.7 million) of net cash and temporary investments with C\$17,956 million (\$13,160.9 million) of long-term debt.

#### Guidance

Due to uncertainties stemming from the COVID-19 pandemic, TELUS withdrew its consolidated financial guidance for 2020. However, the company intends to provide an outlook while issuing its third-quarter results.

*Conversion rate used:*

*C\$1 = \$0.721295 (period average from Apr 1, 2020 to Jun 30, 2020)*

*C\$1 = \$0.732952 (as of Jun 30, 2020)*

Quarter Ending 06/2020

Report Date	Jul 31, 2020
Sales Surprise	1.63%
EPS Surprise	-14.29%
Quarterly EPS	0.18
Annual EPS (TTM)	0.96

## Recent News

On Oct 16, 2020, TELUS announced that it is offering the new iPhone 12 lineup, including iPhone 12 Pro, iPhone 12 Pro Max, iPhone 12 and iPhone 12 mini. The company is committed to delivering an excellent network experience to Canadians by bringing its 5G network to almost 50 communities across Canada by the end of 2020.

On Sep 17, TELUS announced the expansion of its high-speed wireless and PureFibre networks in Quebec to reach additional 25,000 homes in 45 remote, low-density communities in the administrative regions of Chaudiere-Appalaches, Gaspesie, Lower St. Lawrence and North Shore.

On Sep 15, TELUS announced a C\$15 million investment for the deployment of a submarine fiber optic cable between Sept-Iles and the Gaspesie region. The project is likely to improve the reliability of telecommunication services on the North Shore. In case of a fiber cut on the main transmission network, the submarine cable will ensure continuity of Internet, TV, and wireline and wireless phone services to the communities located between Baie-Comeau and Blanc-Sablon. TELUS and the Government of Canada plan to complete the deployment of the submarine cable by 2023. Upon completion, it will be connected to TELUS' telecommunications network, which serves 14 isolated communities in the Lower North Shore. These communities were first connected to high-speed Internet and mobile phone service in November 2019.

On Jul 7, TELUS announced the expansion of its 'Internet for Good' program to people living with disabilities who receive financial disability assistance from the provincial governments in British Columbia and Alberta. Under this program, the company provides high-speed broadband Internet at home for C\$9.95 a month.

On Jul 1, TELUS announced that it has acquired a 100% of Mobile Klinik, a storefront wireless device repair and sales business, for a consideration of C\$165 million. The investment was made with a view to grow TELUS' wireless business.

## Valuation

TELUS' shares are down 0.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utilities sector are down 22.9% and 9.4% over the past year, respectively.

The S&P 500 Index is up 16.1% in the past year.

The stock is currently trading at 8.6X trailing 12-month EV/EBITDA, which compares to 13.63X for the Zacks sub-industry, 18.29X for the Zacks sector and 15.27X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 9.52X and as low as 6.86X, with a 5-year median of 8.36X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$20 price target reflects 1.04X forward 12-month earnings.

The table below shows summary valuation data for TU

Valuation Multiples - TU					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	8.6	13.63	18.29	15.27
	5-Year High	9.52	14.32	20.93	15.68
	5-Year Low	6.86	6.9	10.95	9.55
	5-Year Median	8.36	11.46	14.06	13.1
P/E F12M	Current	19.32	12.87	13.49	22.51
	5-Year High	21.49	17.09	15.28	23.47
	5-Year Low	12.2	10.06	11.35	15.27
	5-Year Median	15.98	14.52	13.74	17.68
P/S F12M	Current	1.95	1.15	2.81	4.16
	5-Year High	2.2	3.94	3.3	4.31
	5-Year Low	1.47	1.05	1.76	3.18
	5-Year Median	1.94	1.29	2.12	3.67

As of 10/16/2020

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 38% (96 out of 254)



Source: Zacks Investment Research

## Top Peers

Company (Ticker)	Rec	Rank
BCE, Inc. (BCE)	Neutral	3
Deutsche Telekom AG (DEGTY)	Neutral	3
Swisscom AG (SCMWY)	Neutral	3
Shenandoah Telecommunications Co (SHEN)	Neutral	3
Telefonica SA (TEF)	Neutral	4
Telenor ASA (TELNY)	Neutral	3
Telstra Corp. (TLSYY)	Neutral	2
VEON Ltd. (VEON)	Neutral	3

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

Industry Comparison Industry: Diversified Communication Services				Industry Peers		
	TU	X Industry	S&P 500	BCE	DTEGY	TEF
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3	4
VGM Score	D	-	-	B	A	A
Market Cap	23.37 B	10.05 B	23.53 B	38.53 B	78.23 B	18.80 B
# of Analysts	5	1.5	14	6	1	2
Dividend Yield	4.91%	2.43%	1.6%	5.93%	3.94%	8.36%
Value Score	C	-	-	B	A	A
Cash/Price	0.03	0.11	0.07	0.03	0.23	0.57
EV/EBITDA	8.51	6.30	13.70	7.81	6.29	9.90
PEG F1	2.59	1.35	2.86	3.82	1.18	0.49
P/B	2.60	2.30	3.52	3.12	0.97	0.88
P/CF	6.74	5.25	13.27	6.64	3.14	4.69
P/E F1	20.68	17.07	22.31	19.01	11.82	8.72
P/S TTM	2.09	1.11	2.65	2.22	0.80	0.37
Earnings Yield	4.84%	5.46%	4.35%	5.26%	8.46%	11.33%
Debt/Equity	1.45	1.38	0.70	1.46	1.67	2.50
Cash Flow (\$/share)	2.70	2.37	6.93	6.42	5.23	0.77
Growth Score	C	-	-	C	C	C
Historical EPS Growth (3-5 Years)	1.92%	1.30%	10.41%	-0.04%	7.01%	-1.17%
Projected EPS Growth (F1/F0)	-20.18%	1.43%	-2.95%	-15.09%	28.70%	-43.15%
Current Cash Flow Growth	7.95%	0.95%	5.54%	5.00%	14.82%	-28.39%
Historical Cash Flow Growth (3-5 Years)	2.83%	0.05%	8.51%	2.41%	7.59%	-4.61%
Current Ratio	0.91	0.92	1.35	0.92	0.97	1.19
Debt/Capital	59.19%	56.81%	42.91%	54.21%	62.60%	71.47%
Net Margin	9.53%	6.91%	10.28%	10.75%	4.18%	0.39%
Return on Equity	13.33%	13.61%	14.79%	16.56%	8.78%	12.65%
Sales/Assets	0.38	0.45	0.51	0.38	0.45	0.39
Projected Sales Growth (F1/F0)	3.30%	0.00%	-0.53%	-4.28%	27.47%	-8.56%
Momentum Score	F	-	-	B	A	D
Daily Price Change	-0.49%	0.00%	0.08%	-0.56%	-0.36%	-1.09%
1-Week Price Change	3.38%	1.66%	4.06%	1.92%	-0.06%	10.92%
4-Week Price Change	0.22%	-0.79%	2.93%	-0.07%	-8.42%	-4.99%
12-Week Price Change	6.81%	-0.07%	5.43%	2.38%	-6.38%	-21.30%
52-Week Price Change	0.52%	-4.35%	4.36%	-12.81%	-6.54%	-53.65%
20-Day Average Volume (Shares)	1,152,180	51,232	2,066,999	871,324	139,900	2,335,279
EPS F1 Estimate 1-Week Change	-0.04%	0.00%	0.00%	0.98%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.04%	0.00%	0.04%	0.91%	4.51%	0.00%
EPS F1 Estimate 12-Week Change	-4.12%	1.46%	3.55%	-0.56%	25.23%	-15.88%
EPS Q1 Estimate Monthly Change	-1.56%	0.00%	0.00%	6.86%	NA	NA

Source: Zacks Investment Research



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## 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.

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### Zacks Style Scores

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

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

Value Score	C
Growth Score	C
Momentum Score	F
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.

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## Disclosures

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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## Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

**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.

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**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.

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**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.

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**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.