

UMB Financial (UMBF)

\$92.88 (As of 06/10/21)

Price Target (6-12 Months): **\$108.00**

Long Term: 6-12 Months

Zacks Recommendation: Outperform

(Since: 05/03/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: D

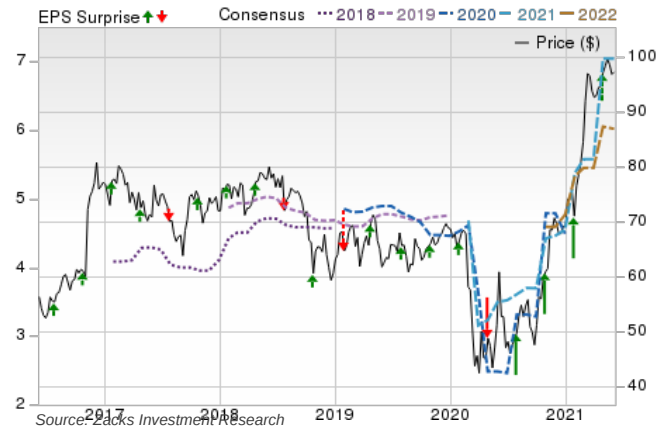
Growth: D

Momentum: C

Summary

Shares of UMB Financial have outperformed the industry over the past six months. The company displays an impressive earnings surprise history, having surpassed the Zacks Consensus Estimate in each of the trailing four quarters. Its capital strength supports its plan to invest in technology, which might drive operating leverage in the near term. Efforts to diversify non-interest income sources might support its top-line growth in the quarters ahead. Its top-line strength is also aided by rising loans and deposits. Rising expenses on investments in technology and building distribution networks along with significant exposure to commercial loans and intense competition in business are headwinds. Yet, UMB Financial's strong capital position and enhanced capital deployment activities keep it well-poised to undertake growth initiatives.

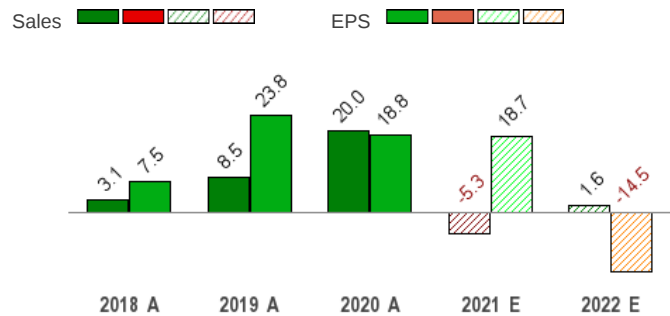
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$99.98 - \$43.79
20-Day Average Volume (Shares)	158,315
Market Cap	\$4.5 B
Year-To-Date Price Change	34.6%
Beta	1.09
Dividend / Dividend Yield	\$1.28 / 1.4%
Industry	Banks - Midwest
Zacks Industry Rank	Top 28% (70 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	29.9%
Last Sales Surprise	0.7%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	07/27/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	305 E	307 E	308 E	311 E	1,268 E
2021	310 A	312 E	313 E	317 E	1,248 E
2020	272 A	299 A	304 A	430 A	1,318 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.48 E	\$1.47 E	\$1.41 E	\$1.39 E	\$6.02 E
2021	\$1.91 A	\$1.77 E	\$1.65 E	\$1.62 E	\$7.04 E
2020	-\$0.04 A	\$1.33 A	\$1.59 A	\$3.26 A	\$5.93 A

*Quarterly figures may not add up to annual.

P/E TTM	11.5
P/E F1	13.2
PEG F1	1.7
P/S TTM	3.3

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/10/2021. The report's text and the analyst-provided price target are as of 06/11/2021.

Overview

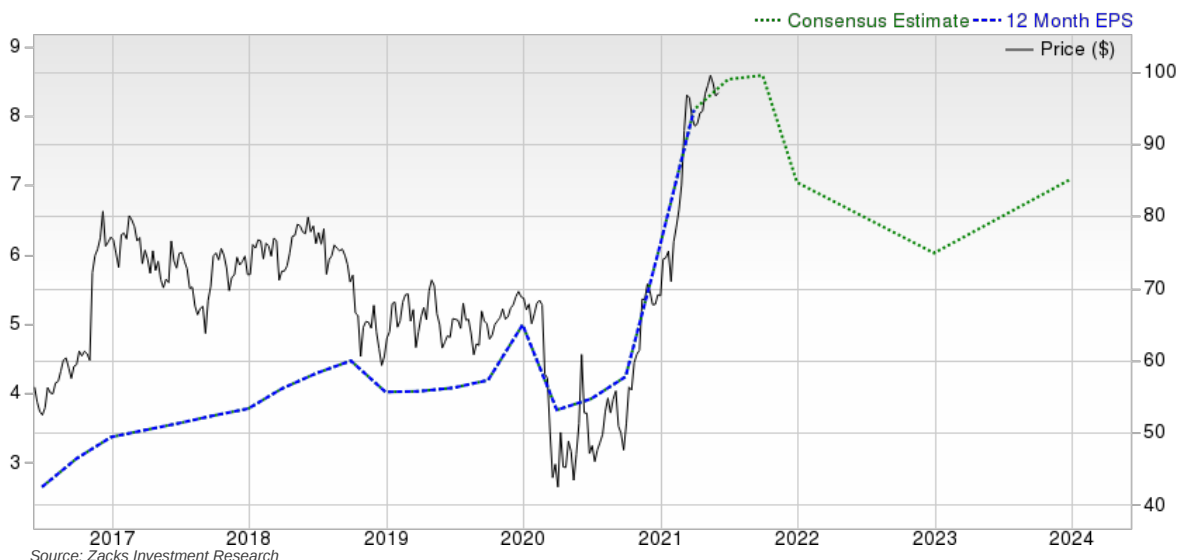
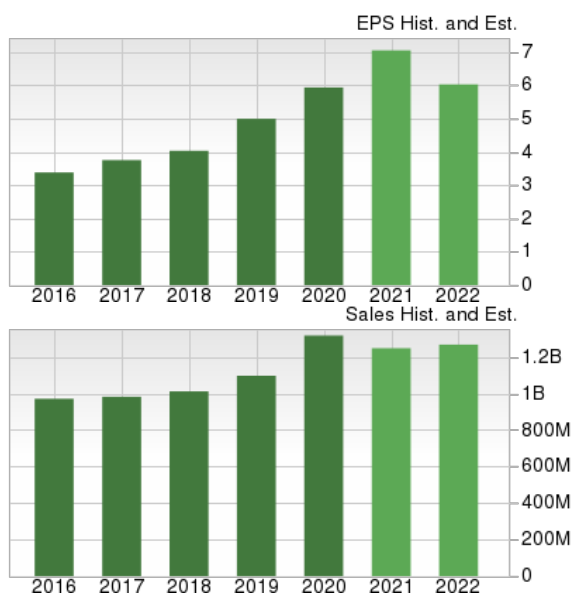
Headquartered in Kansas City, MO, UMB Financial Corporation provides banking services and asset servicing in the United States. Its banking subsidiary — UMB Bank, National Association — offers banking, asset management, trust, credit card and cash-management services to commercial, retail, government and correspondent-bank customers.

The company has strategically aligned its operations into the following three reportable segments. Firstly, Commercial Banking (contributed 51% revenues in 2020) serves the commercial lending and leasing, capital markets, and treasury management needs of midmarket businesses and governmental entities by offering various products and services.

Next is Institutional Banking (28%), which is a combination of banking services, fund services and asset management services provided to institutional clients. This segment also provides mutual fund cash management, international payments, corporate trust and escrow services, as well as correspondent banking and investment banking.

Lastly, Personal Banking (21%) combines consumer and asset management services provided to personal clients. Products and services include retail credit cards, private banking, home equity lines of credit, residential mortgages, brokerage services and insurance services in addition to a whole range of investment advisory, trust and custody services.

In November 2017, the company completed the divestiture of the outstanding stock of Scout, its institutional investment management subsidiary, for \$172.5 million in cash.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ In the four years (ended 2018), UMB Financial's net interest margin (NIM) benefited largely from increase in earning assets yields. Further, the company's low-cost deposit base and relatively higher interest rates aided margins. Also, the company's net interest income (NII) witnessed a compound annual growth rate (CAGR) of 10.2% over the last five years (ended 2020), with the trend continuing in the first quarter of 2021. While NIM decreased in 2019, 2020 and the first three months of 2021 on a low-rate environment, an improving lending scenario is expected to benefit interest income in the quarters ahead.
- ▲ UMB Financial has been focused on diversifying operations to non-interest sources of revenues in order to reduce exposure to interest rates to balance the unprecedented risks related to rate environment. For the five-year period ended 2020, fee income witnessed a CAGR of 8.6%, with the increasing trend continuing in the first quarter of 2021. Therefore, the growing popularity of Health Savings Accounts (HSAs) will likely help boost income for its healthcare services segment in the near term. Also, the company continues to hire experienced employees and invest in revenue producing capabilities, which are likely to support growth.
- ▲ UMB Financial has a healthy balance sheet position. The company witnessed impressive average loan growth in the last five years (2016-2020), recording a CAGR of 4.3%. Also, deposits have seen a CAGR of 13% in the same time span. Both metrics witnessed increasing trend in the first three months of 2021 as well. Though loan demand has been soft due to pandemic concerns, the same is expected to improve with the economic recovery and business activities resuming in full swing.
- ▲ The company's capital ratios remain above the levels required to be considered well capitalized. As of Mar 31, 2021, the total risk-based capital ratio was 14.28%. We believe that a strong capital position will help it undertake opportunistic expansions in the future. Also, capital strength supports the company's plan to invest in technology which might drive operating leverage in the near term.
- ▲ We remain encouraged by UMB Financial's enhanced capital deployment activities. The company has been raising dividends on a regular basis. Notably, the latest hike of 3.2% was announced in September 2020, despite pandemic-related disruptions in business activities. Also, the bank has share repurchase plan in place. In April 2021, the company approved a share-repurchase program of up to 2 million shares. The company's capital-deployment activities look sustainable, given its favorable debt/equity ratio compared with the broader industry and consistent earnings growth profile.
- ▲ Shares of UMB Financial have outperformed the industry in the past six months. With the favorable trend, the company's current-year earnings estimates have increased 26.2% over the past 60 days. Therefore, given the strong fundamentals and positive estimate revisions, the stock has decent upside potential.

UMB Financial benefits from its top-line strength aided by rising loans and deposits along with diversified fee income. Strong capital position aids steady capital deployment activities of the company.

Risks

- Cost escalation is the key downside for UMB Financial. The company's non-interest expenses have witnessed a CAGR of 5.4% over the last five years (2016-2020), with a continual trend in the first quarter of 2021. Expenses are likely to remain elevated due to the company's investments in newer technologies and building distribution networks. These investments might leverage the company in the long-term, but increasing current expense level is limiting the bottom-line expansion.
 - As of Mar 31, 2021, the company's total debt and total debt/total capital ratio stood at \$3.03 billion and 8.4, both of which have increased over the past several quarters. Also, cash and due from banks of \$387.2 million, witnessed a downward trend over the same time period. Given such high debt burden, the company does not seem to be well positioned in terms of its liquidity profile and hence is might not be able to continue meeting debt obligations in the near term if the economic situation worsens.
 - The company faces intense competition in its business operations. Growing market share of FinTech companies and online service providers remains a key threat to traditional banks like UMB Financial. Also, these new entrants are not subject to the same level of regulations and supervisions.
 - Majority of UMB Financial's loan portfolio — nearly 81% as of Mar 31, 2021 — comprises total commercial loans (commercial as well as commercial real estate lending). Such high exposure to commercial loans depicts lack of diversification, which can be risky for the company amid challenging economy and competitive markets.
 - UMB Financial stock seems overvalued when compared with the broader industry. Its current price-earnings (F1) ratio is above the industry average.
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Last Earnings Report

UMB Financial Q1 Earnings Beat Estimates On Higher Revenues

UMB Financial's net operating income of \$1.91 per share outpaced the Zacks Consensus Estimate of \$1.47. The bottom line also compares favorably with the prior-year quarter's loss of 4 cents.

The first-quarter results include a \$16.1-million pre-tax mark-to-market loss on the company's investment in Tattooed Chef, Inc.

Higher revenues, aided by rise in interest and fee income, supported the company's performance. Also, capital position and profitability ratios were strong. However, elevated expenses and low interest rates were major drags.

Including certain non-recurring items, the company reported net income of \$92.6 million or \$1.91 per share in the first quarter, as against the net loss of \$3.4 million or 7 cents per share recorded in the prior year.

Quarter Ending 03/2021

Report Date	Apr 27, 2021
Sales Surprise	0.70%
EPS Surprise	29.93%
Quarterly EPS	1.91
Annual EPS (TTM)	8.09

Revenues, Loans & Deposits Balance Rise, Costs Up

Total revenues (fully tax-equivalent) in the March-ended quarter came in at \$303 million, up 11.3% year over year. The revenue figure, however, lagged the Zacks Consensus Estimate of \$307.5 million.

Net interest income came in at \$194.1 million, reflecting an increase of 11.6% from the year-ago quarter. Growth in organic loans and decline in interest expenses, on lower costs of deposits, mainly led to this upside. Net interest margin contracted 38 basis points (bps) to 2.59% from the prior-year quarter.

Non-interest income totaled \$108.9 million, rising 10.6% year over year. This upsurge mainly resulted from rise in trading and investment banking, trust and securities processing, insurance fees and commissions and other income.

Non-interest expenses came in at \$200.9 million, up 6.5% from the year-ago quarter, mainly due to higher salaries and employee benefits, processing fees, bankcard, along with high regulatory fees. These were partly negated by lower marketing and business development, equipment costs, legal and consulting fees supplies and services, along with occupancy expenses.

Efficiency ratio decreased to 66.46% from the prior-year quarter's 68.93%. Adjusted efficiency ratio was 66.40%, down from the year-earlier quarter's 68.19%. A fall in efficiency ratio indicates rise in profitability.

As of Mar 31, 2021, average loans and leases were \$16.2 billion, up 1.3% sequentially. Additionally, average deposits climbed 7.5% from the prior-quarter end to \$26.8 billion.

Credit Quality Improves

During the reported quarter, credit metrics improved. Total non-accrual and restructured loans came in at \$76.7 million, down 21% year over year. Provision for loan losses was a benefit of \$7.5 million as against the provision of \$88 million seen in the prior-year quarter.

Further, the ratio of net charge-offs to average loans was 0.13% in the reported quarter, down 10 bps from the year-ago quarter.

Strong Capital & Profitability Ratios

As of Mar 31, 2021, Tier 1 risk-based capital ratio was 12.25% compared with 11.90% on Mar 31, 2020. Also, total risk-based capital ratio was 14.28% compared with the 13.12% witnessed at the end of the prior-year quarter. Tier 1 leverage ratio was 8.08% compared with 8.81% as of Mar 31, 2020.

Adjusted return on average assets at the quarter's end was 1.14%, against the year-ago quarter's negative return of 0.03%. Additionally, return on average equity was 12.58% as against the loss of 0.28% witnessed in the prior-year quarter.

Outlook

The margin trajectory will largely depend on the levels of liquidity, pace and timing of Paycheck Protection Program (PPP) forgiveness and reinvestment rates on cash flows in the securities portfolio. Overall, on a GAAP margin basis, some modest pressure in the second quarter is expected.

Some seasonal increases in expenses experienced in the first quarter of 2021 are anticipated to decrease by \$3-\$4 million in the second quarter.

Management expects another reserve release for the second quarter.

For 2021, tax rate is expected to be between 15% and 17%.

Recent News

UMB Specialty Trust and Agency Solutions Opens Irish Office for Aviation Trust Services – Mar 8, 2021

UMB Bank, a subsidiary of UMB Financial announced the opening of an office in Dublin, Ireland by the Specialty Trust and Agency Solutions group, imparting the bank access to provide trust services in one of the international economic centers for structured finance.

While UMB already operates internationally in the aviation space, having a physical presence in Ireland enables the bank to offer the Irish Owner Trustee product to clients worldwide.

In addition to reflecting continued growth of UMB's institutional services, the establishment of Irish office enables the firm to build a significant presence as a trustee in the most important geographic location for future aircraft leasing activity.

UMB Financial Restructures Investment Banking Business - Jan 4, 2021

UMB Financial restructured its investment banking division and renamed it Capital Markets Division. The unit will provide a full range of capital solutions such as fixed income sales and trading, public finance, corporate bond underwriting and private placements along with municipal advisory solutions.

The company expects its broad and diverse investor base of bank and non-bank institutional networks in the United States to support this new division. Further, the move reflects UMB Financial's confidence in its investment banking business, which is currently booming due to the rebound in IPOs and rising M&A deal announcements.

"We are excited to announce the Capital Markets Division, which continues to deliver our full range of innovative capital solutions and fully conveys the extensive amount of services UMB Bank can offer clients," said Jim Cornelius, president of Institutional Banking, UMB Bank.

Among services, it will provide fixed income sales and trading solutions to financial institutions and corporations, both in the primary and secondary market, so as to meet liquidity and investment goals. Also, public finance group will offer multiple financing structures that allow issuers to efficiently access the marketplace to meet capital needs.

Dividend Update

On Apr 27, 2021, UMB Financial's board of directors announced a common stock quarterly dividend of 32 cents per share. This dividend will be paid out on Jul 1 to shareholders of record as of Jun 10.

Valuation

UMB Financial's shares are up 41.7% so far this year and 77.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 26.2% and 19.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 50.8% and 46.5%, respectively.

The S&P 500 Index is up 12.6% and 38.5% in the year-to-date and trailing 12-month period, respectively.

The stock is currently trading at 14.78X forward 12 months earnings, which compares to 12.99X for the Zacks sub-industry, 16.54X for the Zacks sector and 21.72X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 24.46X and as low as 9.86X, with a 5-year median of 15.88X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$112 price target reflects 17.00X forward earnings.

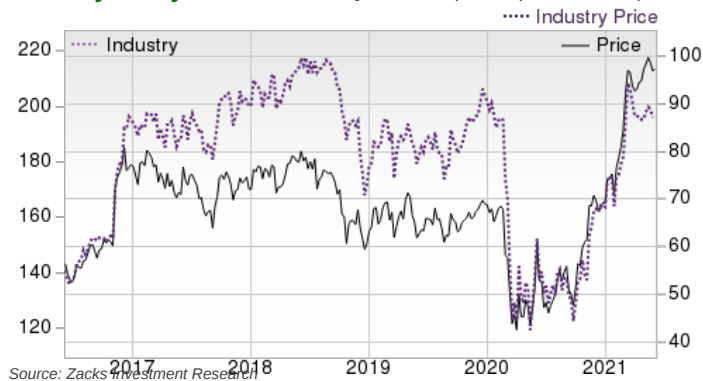
The table below shows summary valuation data for UMBF

Valuation Multiples - UMBF					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.10	12.44	16.54	21.74
	5-Year High	24.46	16.92	17.24	23.83
	5-Year Low	9.86	9.51	11.60	15.31
	5-Year Median	15.85	13.39	14.94	18.05
P/TB TTM	Current	1.63	2.99	4.55	17.75
	5-Year High	2.38	3.93	4.61	17.75
	5-Year Low	0.82	1.65	2.09	8.07
	5-Year Median	1.63	3.02	3.62	11.58
P/S F12M	Current	3.57	4.03	8.55	4.70
	5-Year High	3.96	6.04	8.55	4.74
	5-Year Low	1.80	3.15	5.08	3.21
	5-Year Median	3.06	4.79	6.21	3.72

As of 06/10/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 28% (70 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
East West Bancorp, Inc. (EWBC)	Outperform	2
Webster Financial Corporation (WBS)	Outperform	1
Bank of Hawaii Corporation (BOH)	Neutral	3
BancorpSouth Bank (BXS)	Neutral	3
CullenFrost Bankers, Inc. (CFR)	Neutral	3
First Horizon Corporation (FHN)	Neutral	2
Peoples United Financial, Inc. (PBCT)	Neutral	3
TCF Financial Corporation (TCF)	Neutral	NA

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

Industry Comparison Industry: Banks - Midwest				Industry Peers	
	UMBF	X Industry	S&P 500	BOH	FHN
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	2
VGM Score	D	-	-	C	F
Market Cap	4.49 B	482.57 M	30.26 B	3.56 B	10.08 B
# of Analysts	4	3	12	4	7
Dividend Yield	1.38%	2.26%	1.28%	3.04%	3.29%
Value Score	D	-	-	B	F
Cash/Price	1.26	0.55	0.06	0.39	1.37
EV/EBITDA	-2.47	5.83	17.41	8.25	-2.02
PEG F1	1.74	1.18	2.14	2.01	NA
P/B	1.52	1.20	4.16	2.62	1.29
P/CF	11.07	10.57	17.71	16.77	16.54
P/E F1	13.19	11.64	21.55	16.05	10.24
P/S TTM	3.27	2.95	3.49	5.01	2.73
Earnings Yield	7.58%	8.59%	4.55%	6.23%	9.75%
Debt/Equity	0.09	0.28	0.66	0.00	0.21
Cash Flow (\$/share)	8.39	2.94	6.83	5.26	1.10
Growth Score	D	-	-	C	F
Historical EPS Growth (3-5 Years)	13.40%	10.88%	9.44%	2.65%	8.52%
Projected EPS Growth (F1/F0)	18.76%	29.25%	21.30%	42.42%	46.02%
Current Cash Flow Growth	20.41%	4.13%	0.98%	-23.93%	2.97%
Historical Cash Flow Growth (3-5 Years)	12.25%	12.72%	7.28%	-0.98%	19.47%
Current Ratio	0.71	0.87	1.39	0.66	0.96
Debt/Capital	8.37%	21.94%	41.53%	0.00%	16.75%
Net Margin	27.85%	26.32%	11.95%	25.16%	28.89%
Return on Equity	13.46%	11.36%	16.36%	13.14%	11.68%
Sales/Assets	0.04	0.04	0.51	0.03	0.05
Projected Sales Growth (F1/F0)	-4.34%	0.00%	9.37%	-1.80%	-1.55%
Momentum Score	C	-	-	C	C
Daily Price Change	-1.60%	-0.87%	0.21%	-0.71%	-2.87%
1-Week Price Change	0.44%	0.00%	0.58%	-1.35%	0.05%
4-Week Price Change	-5.31%	-1.10%	1.55%	-5.33%	-2.41%
12-Week Price Change	-4.30%	-2.03%	7.72%	-7.85%	3.69%
52-Week Price Change	78.20%	52.19%	46.01%	43.75%	90.30%
20-Day Average Volume (Shares)	158,315	38,553	1,775,554	237,564	3,640,561
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.03%	0.00%	0.32%
EPS F1 Estimate 12-Week Change	26.27%	17.75%	3.52%	19.32%	22.38%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.66%

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	D
Growth Score	D
Momentum Score	C
VGM Score	D

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

Disclosures

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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