

Unum Group (UNM)

\$27.03 (As of 06/18/21)

Price Target (6-12 Months): **\$30.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/06/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: A

Growth: F

Momentum: C

Summary

Shares of Unum Group have outperformed its industry in the year-to-date period. Its conservative pricing and reservation practices have contributed to its overall profitability. Sustained increase in premiums was fueled by high persistency levels in core business lines and strong sales volume along with solid benefits experience. Continued rollout of dental products, geographic expansion has been paying off as acquired dental insurance businesses are growing in the United States and the U.K. We believe that strong operating results have led to solid level of statutory earnings and capital, boosting financial flexibility. It has consistently enhanced shareholders' value. However, persistent soft results at the Closed Block and Corporate segment and high cost weigh on its margins. It projects a decline in operating income per share for 2021.

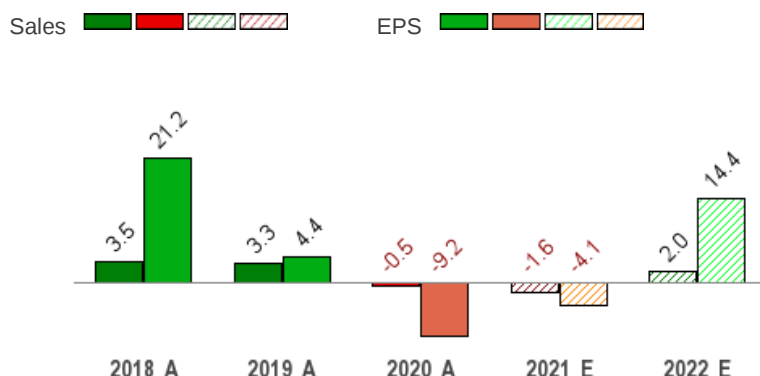
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$31.98 - \$15.21
20-Day Average Volume (Shares)	1,701,638
Market Cap	\$5.5 B
Year-To-Date Price Change	17.8%
Beta	1.75
Dividend / Dividend Yield	\$1.14 / 4.2%
Industry	Insurance - Accident and Health
Zacks Industry Rank	Bottom 45% (139 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.1%
Last Sales Surprise	3.0%
EPS F1 Estimate 4-Week Change	-0.1%
Expected Report Date	07/27/2021
Earnings ESP	-3.1%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	2,999 E	2,995 E	2,980 E	2,992 E	12,006 E
2021	2,987 A	2,933 E	2,921 E	2,929 E	11,774 E
2020	3,015 A	2,987 A	2,992 A	2,969 A	11,963 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.33 E	\$1.35 E	\$1.36 E	\$1.37 E	\$5.41 E
2021	\$1.04 A	\$1.12 E	\$1.28 E	\$1.31 E	\$4.73 E
2020	\$1.35 A	\$1.23 A	\$1.21 A	\$1.15 A	\$4.93 A

*Quarterly figures may not add up to annual.

P/E TTM	5.8
P/E F1	5.7
PEG F1	0.6
P/S TTM	0.4

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/18/2021. The report's text and the

analyst-provided price target are as of 06/21/2021.

Overview

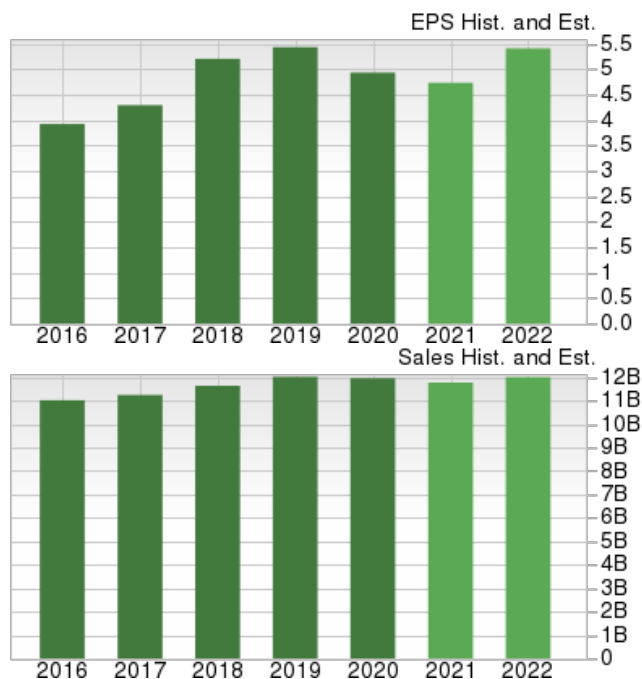
Headquartered in Chattanooga, TN, Unum Group (UNM) was created following the Jun 1999 merger of Provident Companies, Inc. and Unum Corporation. Along with disability insurance, the company provides long-term care insurance, life insurance, employer- and employee-paid group benefits and related services. Since Jan 2003, UnumProvident has been classifying its operations into five segments: Income Protection, Life and Accident, Colonial, Corporate, and Other. Effective Jul 1, 2005, the company modified its reporting segments to separate its United States business from its United Kingdom subsidiary, Unum Limited. The company's business operations are now segmented as follows:

Unum U.S. (64.2% of 2020 Premium Income) – This segment provides U.S. group income protection insurance, group life and accidental death and dismemberment products, and supplemental and voluntary lines of business comprising individual income protection (recently issued, group and individual long-term care, and brokerage voluntary workplace benefits products).

Closed Block (10.6%) – This closed block segment accounted for policies written prior to its restructuring which occurred from 1994 to 1998. Originally, the individual disability insurance policies had been designed to be distributed to individuals in a non-workplace setting. However, the company gradually changed its distribution focus for individual disability insurance to workplace distribution as opposed to individual setting distribution. A minimal amount of new business continued to be sold subsequent to these changes, but the company stopped selling new policies in this segment at the beginning of 2004.

Colonial Life (18.2%) – This segment provides life, cancer, critical illness, accident and sickness, and income protection insurance.

Unum International (7%) (earlier known as Unum U.K.) – This segment provides group income protection and group life products.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Shares of Unum Group have gained 17.8% in the year-to-date period compared with the industry's increase of 14.5%. Its solid fundamentals, robust capital position and segmental performances should help the shares retain the momentum.
- ▲ Unum is ranked as the leading disability income writer and the second-largest writer of voluntary business in the United States. The company reported favorable operating results across majority of its insurance entities driven by a sustained solid operational performance, favorable benefits experience as well as solid top-line growth in the core businesses. Over the past few years, Unum's conservative pricing and reservation practices have contributed to its overall profitability. However, due to lower net investment income, the bottom line declined 1% in the first quarter of 2021. Nonetheless, premium income inched up 0.3% from the prior-year quarter to \$2.4 billion. However, with more vaccinations and economic recovery gaining traction, the company anticipates sales and earnings growth in the second half of 2021. U.S. COVID-related mortality is estimated in the range of 50,000 to 60,000 in the second quarter of 2021 compared with the first-quarter level of approximately 200,000. However, Unum expects a modest decline in after-tax adjusted operating income per share for 2021. Nevertheless, it also anticipates a strong recovery in after-tax adjusted operating income per share in the second half of 2021 as the expected impacts of the COVID-19 pandemic lessen.
- ▲ Two of the largest operating segments of Unum — Unum U.S. and Colonial Life — have been reporting operating income growth consistently over the past few years. Unum U.S. continues to benefit from disciplined sales trends, strong persistency in group lines and growth of new product lines like dental and vision. Though operating income declined for Unum U.S. in the first quarter, the benefits experience for long-term disability line was within expectations and in compliance with the trends of the past several quarters. Better performance in this segment is likely to drive positive premium growth, which might substantially add to the company's overall performance.
- ▲ Operating income in the Colonial Life Segment has risen over the last few years, banking on improving premium income and favorable risk results. In the first quarter of 2021, adjusted operating income declined 9.6% from the prior-year period to \$73.3 million. Also, premiums declined 1.9% from the prior-year figure to \$426.4 million due to lower sales. However, higher persistency was a partial offset. Sales decreased 9.2% in the first quarter of 2021. Persistency was 78.4%, which improved 160 bps year over year. Quarterly sales, though down year over year, has improved from the 31% cumulative decline, which it experienced in the last three quarters of 2020. The company expects further improvement in sales momentum over the balance of 2021. Management remains focused on moving on to a mix of businesses with higher growth and stable margins.
- ▲ Unum Group has consistently enhanced shareholders' value through dividend hikes and share buybacks. Its continuous efforts to reduce share count are expected to bolster earnings going forward. Moreover, the board approved a quarterly dividend hike of 9.6% in July 2019, marking the 11th consecutive year of dividend hike. Dividend yield of the company stands at 3.8%, higher than the industry average of 2.3%, making it an attractive pick for yield-seeking investors.
- ▲ Unum Group boasts a solid capital position. Sustained solid operating results have been fueling a solid level of statutory earnings and capital, cushioning financial flexibility. Strong statutory earnings might provide an impetus to strong dividend capacity. Risk-based capital ratio for the company's traditional U.S. insurance companies was 370% as of Mar 31, 2021, and holding company cash and marketable securities was \$1.7 billion, both above targeted levels.

Unum's conservative pricing and reservation practices should help its segments continue to deliver strong operational results. Growth of product lines and improving premium income are tailwinds.

Reasons To Sell:

- ▼ Unum Group has been witnessing a rise in total benefits and expenses for the past few years inducing margin contraction. Total benefits and expenses escalated over the last five years. Total benefits and expenses increased 7.7% year over year to \$2.9 billion, largely attributable to rise in benefits and change in reserves for future benefits as well as other expense in the first quarter of 2021. Net margin contracted 10 basis points to 5.9% in the said time frame from fourth-quarter end. The company should grow its revenue higher than the magnitude of expense increase; else margin will continue to drain.
- ▼ A still low interest rate environment continues to weigh on the company's operations. Coupled with a stricter credit spread, this has been creating pressure on profit margins by impacting net investment income yields. Net investment income dropped 6.2% year over year to \$548.7 million in the first quarter of 2021. The downside was due to decline in the yield on invested assets, lower level of invested assets supporting the Closed Block individual disability product line, partially offset by an increase in the level of invested assets in other product lines and higher miscellaneous investment income. Given continued low rate environment and with indication of no raises until 2023, net investment income will continue to be under pressure.
- ▼ Unum Group's debt level has been increasing in the past few years. As of Mar 31, 2021, the company's long-term debt was \$3.3 billion, up 0.02% from the 2020-end level. As of Mar 31, 2021 the company's total debt/total capital ratio of 24 was higher than its figure of 23.5 at fourth quarter end. The company's cash and cash equivalents of \$1.3 billion as of Mar 31, 2021 are not sufficient for the company to meet its debt obligations. The company's total debt/total equity ratio of 31.7 compared unfavorably with the industry's measure of 25.7%. However, times interest earned of 6.1 compares favorably with the industry's measure of 18.5, implying that its earnings are not sufficient to cover interest obligations.
- ▼ Performances at the Closed Block and Corporate segment have also been disappointing over the past few quarters. The Corporate segment has been suffering losses for the past few quarters and a turnaround is not expected in the near term. The corporate segment incurred an operating loss of \$38.9 million in the first quarter of 2021.

Soft performances at the Closed Block and Corporate segment over the past few quarters and rise in total benefits and expenses for the past few years inducing margin contraction remain concerns.

Last Earnings Report

Unum Group Q1 Earnings and Revenues Beat Estimates

Unum Group's first-quarter 2021 operating net income of \$1.04 per share beat the Zacks Consensus Estimate by 6.1%. However, the bottom line decreased about 23% year over year, attributable to soft performance across Unum U.S. and Colonial Life segments.

Operational Update

Total operating revenues of Unum Group were nearly \$3 billion, down about 1% year over year due to lower net investment income. However, the top line beat the Zacks Consensus Estimate by about 3%.

Premium increased 0.3% from the prior-year quarter to \$2.4 billion. Total benefits and expenses increased 7.7% year over year to \$2.9 billion, largely attributable to rise in benefits and change in reserves for future benefits as well as other expense.

Quarterly Segment Update

Unum U.S.: Premium income was \$1.5 billion, almost flat year over year. Adjusted operating income was down 55.8% year over year to \$115.7 million, attributable to lower income in the group disability line of business and group life and supplemental and voluntary line of business as well as loss in accidental death and dismemberment line of business.

Unum International: Premium income of \$174.4 million increased 6% year over year. Adjusted operating income was \$26.4 million, up 36.1% year over year. Unum U.K. line of business' premium income was £110.5 million, down 2.9% from the year-ago quarter, attributable to an increase in ceded premiums in the group life product line, partially offset by higher sales, persistency in the group life product line and rate increases in the group long-term disability product line. Adjusted operating income, in local currency, of £18.6 million was up 35.8% from a year ago.

Benefit ratio was 75.3, which improved 520 basis points (bps) driven by favorable mortality experience and lower claims incidence in both the group long-term disability and group critical illness product lines, partially offset by higher claims incidence in the group life product line, resulting from COVID-19 impacts. Persistency decreased in group long-term disability but improved in group life business and supplemental line of business.

Colonial Life: Premium income declined 1.9% from the prior-year figure to \$426.4 million on account of lower sales, partially offset by a higher level of persistency. Sales decreased 9.2% from the year-ago figure to \$90.2 million. Adjusted operating income decreased 9.6% from the prior-year period to \$73.3 million. Persistency was 78.4%, which improved 160 bps year over year. Benefit ratio deteriorated 300 bps year over year to 55.4 due to unfavorable experience in the life product line resulting from COVID-19 impacts, partially offset by favorable experience in the accident, sickness and disability line of business.

Closed Block: Premium income increased 3% year over year to \$251.7 million driven by rate increases in certain in-force businesses in the long-term care line of business, partially offset by continued policy terminations and maturities in the individual disability line of business. Adjusted operating income was \$97 million, which increased more than three-fold year over year.

Corporate: The segment incurred an operating loss of \$38.9 million, narrower than the loss of \$45.9 million in the year-earlier quarter.

Capital Management

As of Mar 31, 2021, the weighted average risk-based capital ratio for Unum Group's traditional U.S. insurance companies was approximately 370. Unum Group exited the quarter with cash and marketable securities worth \$1.7 billion. Book value per share of the company improved 7.4% year over year to \$51.77 as of Mar 31, 2021.

Guidance

Unum Group expects a modest year-over-year decline in after-tax adjusted operating income per share for 2021.

Quarter Ending 03/2021

Report Date	May 05, 2021
Sales Surprise	2.97%
EPS Surprise	6.12%
Quarterly EPS	1.04
Annual EPS (TTM)	4.63

Recent News

Unum Group Offers 4.125% \$600 Million Senior Notes - Jun 14, 2021

Unum Group has completed an offering of \$600 million senior notes. The notes carry an interest rate of 4.125% and are scheduled to mature on 2051.

The company plans to deploy the net proceeds to redeem 4.500% senior notes due 2025. These notes will be redeemed in June 2021. The remaining amount would be utilized for general corporate purposes include working capital requirements and strategic investments.

Unum Group Gets Ratings Affirmed by AM Best – Jun 10, 2021

AM Best has affirmed the Financial Strength Rating (FSR) of A (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of "a" (Excellent) for the existing members of Unum Insurance Group.

Concurrently, AM Best has upgraded the FSR to A (Excellent) from A- (Excellent) and the Long-Term ICR to "a" (Excellent) from "a-" (Excellent) of Starmount Life Insurance Company, a newly added member to the Unum Insurance Group. The outlook of these ratings is stable.

Further, AM Best has revised the outlook to stable from negative and affirmed the Long-Term ICR of "bbb" (Good) and the Long-Term Issue Credit Ratings (Long-Term IR) of Unum.

AM Best has also affirmed the FSR of A- (Excellent) and the Long-Term ICR of "a-" (Excellent) of Unum Insurance Company (Unum Insurance). The outlook of these ratings is stable.

Unum Announces Quarterly Dividend - Apr 16, 2021

The board of directors of Unum Group approved a quarterly dividend of 28.5 cents per share, were paid on May 21, 2021, to stockholders of record on Apr 30, 2021.

Valuation

Unum Group shares are up 17.8% in the year-to-date period and 64.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 14.5% and 15% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 48.9% and 40.2%, respectively.

The S&P 500 index is up 11.7% in the year-to-date period and 35.7% in the past year.

The stock is currently trading at 0.52x trailing 12-month book value, which compares to 1.01x for the Zacks sub-industry, 3.26x for the Zacks sector and 6.93x for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.37x and as low as 0.21x, with a 5-year median of 0.85x. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$30 price target reflects 0.58x book value.

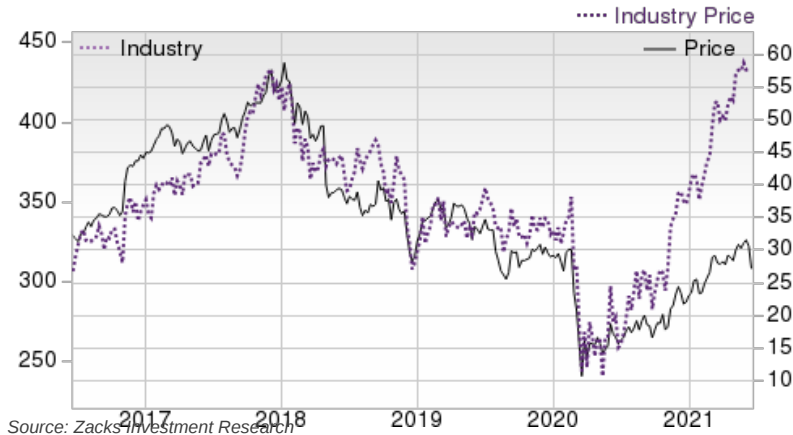
The table below shows summary valuation data for UNM

Valuation Multiples - UNM					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	0.52	1.01	3.26	6.93
	5-Year High	1.37	1.6	3.43	7.08
	5-Year Low	0.21	0.58	1.77	3.84
	5-Year Median	0.85	1.28	2.64	5.02
P/S F12M	Current	0.46	1.4	8.56	4.63
	5-Year High	1.13	1.54	8.56	4.74
	5-Year Low	0.17	0.91	5.08	3.21
	5-Year Median	0.65	1.34	6.21	3.72
P/E F12M	Current	5.35	10.01	15.89	21.36
	5-Year High	13.24	13.13	17.25	23.83
	5-Year Low	1.78	6.71	11.6	15.31
	5-Year Median	6.56	10.37	14.94	18.05

As of 6/18/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 45% (139 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Aflac Incorporated (AFL)	Neutral	2
Assurant, Inc. (AIZ)	Neutral	3
AMERISAFE, Inc. (AMSF)	Neutral	3
Cigna Corporation (CI)	Neutral	3
CNO Financial Group, Inc. (CNO)	Neutral	3
Employers Holdings Inc (EIG)	Neutral	2
Principal Financial Group, Inc. (PFG)	Neutral	3
Trupanion, Inc. (TRUP)	Underperform	5

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

Industry Comparison Industry: Insurance - Accident And Health				Industry Peers		
	UNM	X Industry	S&P 500	AFL	EIG	TRUP
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	2	2	5
VGM Score	C	-	-	B	F	F
Market Cap	5.52 B	1.17 B	29.25 B	35.40 B	1.17 B	4.19 B
# of Analysts	12	3	12	6	2	3
Dividend Yield	4.22%	1.22%	1.38%	2.53%	2.44%	0.00%
Value Score	A	-	-	A	C	F
Cash/Price	0.24	0.12	0.06	0.14	0.07	0.05
EV/EBITDA	5.96	6.52	16.74	6.86	6.19	1,455.39
PEG F1	0.66	1.55	2.04	1.99	NA	NA
P/B	0.52	0.99	3.99	1.10	0.99	12.47
P/CF	4.92	9.89	16.91	7.68	9.89	3,023.46
P/E F1	5.93	14.72	20.66	9.96	19.79	NA
P/S TTM	0.41	1.57	3.31	1.55	1.57	7.68
Earnings Yield	17.50%	5.15%	4.76%	10.04%	5.07%	-0.72%
Debt/Equity	0.32	0.00	0.66	0.25	0.00	0.00
Cash Flow (\$/share)	5.49	4.15	6.83	6.78	4.15	0.03
Growth Score	F	-	-	C	F	D
Historical EPS Growth (3-5 Years)	7.57%	5.98%	9.59%	10.70%	3.23%	NA
Projected EPS Growth (F1/F0)	-4.04%	-4.99%	21.58%	5.41%	-33.06%	-366.67%
Current Cash Flow Growth	-10.53%	-7.12%	0.99%	3.70%	-5.12%	-67.80%
Historical Cash Flow Growth (3-5 Years)	2.26%	4.92%	7.28%	4.99%	4.85%	15.82%
Current Ratio	0.29	0.32	1.39	0.06	0.35	2.07
Debt/Capital	24.05%	0.00%	41.51%	20.12%	0.00%	0.00%
Net Margin	5.87%	16.72%	11.95%	24.09%	23.77%	-3.15%
Return on Equity	8.80%	8.98%	16.48%	11.69%	8.26%	-7.13%
Sales/Assets	0.19	0.21	0.51	0.14	0.19	1.35
Projected Sales Growth (F1/F0)	-1.58%	-2.09%	9.41%	-2.60%	-17.66%	35.52%
Momentum Score	C	-	-	B	F	D
Daily Price Change	-4.39%	-1.29%	-1.31%	-2.58%	-3.80%	4.00%
1-Week Price Change	-11.17%	-4.69%	-1.91%	-7.41%	-4.71%	9.48%
4-Week Price Change	-10.32%	-5.89%	0.25%	-6.98%	-2.91%	33.98%
12-Week Price Change	-2.49%	0.50%	4.83%	1.01%	-4.31%	37.52%
52-Week Price Change	64.02%	40.11%	34.50%	42.29%	37.69%	173.35%
20-Day Average Volume (Shares)	1,701,638	169,261	1,830,063	3,033,056	128,839	310,855
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.05%	0.00%	0.01%	0.16%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	-0.96%	2.64%	3.48%	5.91%	6.41%	-215.49%

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

EPS Q1 Estimate Monthly Change	-1.47%	:	0.00%	0.00%	:	0.00%	0.00%	0.00%
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	A
Growth Score	F
Momentum Score	C
VGM Score	C

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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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 forwardlooking 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 mediumterm price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

proportionate to its market value.

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-

term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

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

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

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

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

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