

Ventas Inc. (VTR)

\$43.94 (As of 09/02/20)

Price Target (6-12 Months): **\$47.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 12/30/18)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: B

Summary

Ventas is well-poised to capitalize on the growing demand for healthcare assets amid rising healthcare spending and favorable demographics. Further, the resumption of elective procedures across the company's medical office markets will likely drive stable rent receipts. Moreover, higher need for drug innovation and additional demand for space for biotech research are likely to drive leasing activities in its office segment. Efforts to bolster liquidity and solidify the balance sheet amid the ongoing challenges augur well. However, the operating environment for senior housing remains challenging, with move-outs outpacing move-in trends and reduced in-person tours. This will continue to hurt occupancy and revenues at the company's seniors housing segments. Further, shares of Ventas have underperformed its industry in the past year.

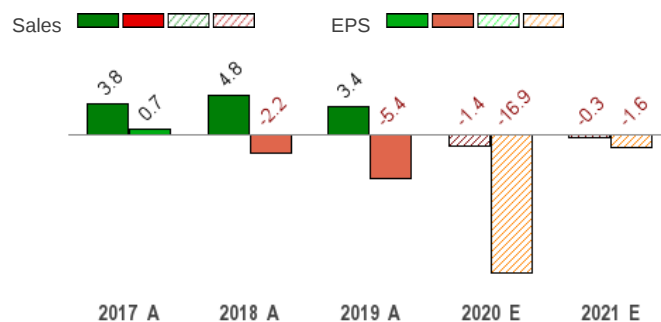
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$75.40 - \$13.35
20-Day Average Volume (Shares)	2,417,707
Market Cap	\$16.4 B
Year-To-Date Price Change	-23.9%
Beta	1.07
Dividend / Dividend Yield	\$1.80 / 4.1%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 11% (224 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.5%
Last Sales Surprise	-3.2%
EPS F1 Estimate 4-Week Change	0.1%
Expected Report Date	10/23/2020
Earnings ESP	-4.3%
P/E TTM	12.1
P/E F1	13.8
PEG F1	5.8
P/S TTM	4.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	918 E	924 E	936 E	948 E	3,807 E
2020	1,012 A	943 A	922 E	916 E	3,818 E
2019	943 A	951 A	983 A	996 A	3,873 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.77 E	\$0.80 E	\$0.81 E	\$0.82 E	\$3.15 E
2020	\$0.97 A	\$0.77 A	\$0.73 E	\$0.74 E	\$3.20 E
2019	\$0.99 A	\$0.97 A	\$0.96 A	\$0.93 A	\$3.85 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/02/2020. The reports text is as of 09/03/2020.

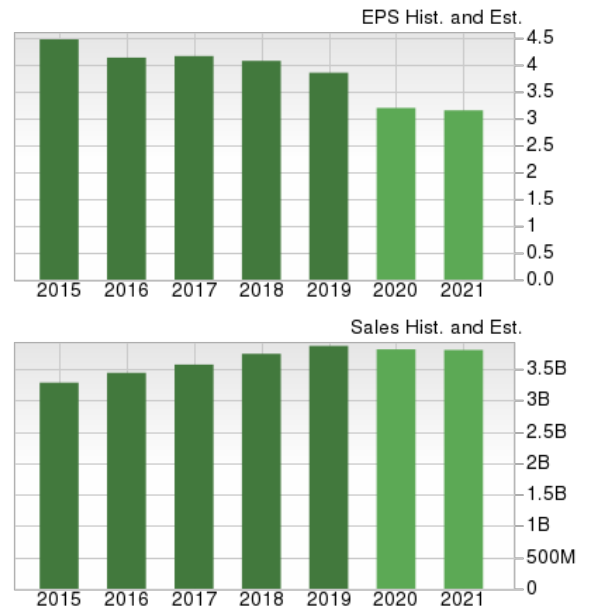
Overview

Chicago, IL-based Ventas, Inc. is a healthcare real estate investment trust (REIT) that is mainly engaged in the acquisition and ownership of senior housing, research and innovation (R&I) as well as healthcare properties, and leasing them to unaffiliated tenants or operating them through independent third-party managers.

This S&P 500 company has a diverse portfolio of nearly 1,200 properties located in the United States, Canada and the U.K. These properties include seniors housing communities, medical office buildings (MOBs), R&I centers, inpatient rehabilitation facilities, long-term acute-care facilities, and health systems. The company also had 20 properties under development as of Jun 30, 2020.

Ventas offers MOB management, leasing, marketing, facility development and advisory services to well-rated hospitals and health systems throughout the United States through its ownership interest in PMB Real Estate Services LLC and the company's subsidiary, Lillibridge Healthcare Services, Inc. It also makes secured and non-mortgage loans and other investments relating to senior housing and healthcare properties or operators.

As of Jun 30, 2020 Ventas mainly operated through three reportable segments — triple-net (NNN) leased properties (generated 38.6% of net operating income or NOI in second-quarter 2020), senior-living operations (26.4%) and office operations (30.3%). Corporate assets such as cash, restricted cash, loans receivable and investments, and miscellaneous account receivables are reported under the "all other" segment (4.7% of NOI as of second-quarter 2020).



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



Source: Zacks Investment Research

Reasons To Buy:

- ▲ The national healthcare expenditure is expected to rise in the upcoming years. Also, senior citizens constitute the major customer base of healthcare services – they end up spending more on healthcare services compared with the average population. Hence, with an expectation of a rising senior citizens' population in the years ahead, Ventas has a strong upside potential, being well-poised to capitalize on this expenditure trend of senior citizens on healthcare services. Moreover, the healthcare sector is relatively immune to the macroeconomic problems faced by office, retail and apartment companies and offers stability to the company amid volatility in the market. This is because even amid tough economic conditions, consumers need to spend on healthcare services while curtailing discretionary purchases.
- ▲ Ventas is focusing on assets in high-barrier-to entry coastal markets. The company's senior housing operating portfolio ("SHOP") assets are located in elite markets that enjoy stronger demographics trends and increasing penetration rates, positioning it to generate steady cash flows. The company completed or committed to nearly \$4 billion of new investments in 2019. In addition, the market for seniors' housing and healthcare real estate is large and fragmented, offering a huge scope of consolidation. This provides a solid opportunity for this healthcare REIT.
- ▲ Amid favorable demographics and growing outpatient trends, the company is focusing to capture the upside with its office segment, which includes MOBs, academic medical as well as R&I businesses. The company's 2019 investments included five outstanding R&I development projects affiliated with top-tier new and existing university partners totaling nearly \$1 billion. The company also has a robust development pipeline. Such investments offer Ventas the opportunity to capitalize on the growing healthcare-driven research and development, supported by top-tier research universities. Increasing longevity of the aging U.S. population, along with biopharma drug development growth opportunities, have also promoted the institutional life science and medical-market fundamentals. Further, long-lease terms and top-rated, institutional quality tenants assure steady growth in cash flows for Ventas. The company received 99% and 97% of second-quarter and July office contractual rent, respectively. Moreover, substantially all of its medical office buildings are in markets that have reopened for elective procedures. This is expected to drive financial performance for the company's medical office tenants and assure future rents.
- ▲ Ventas usually leases its healthcare facilities under NNN leases, where the tenant pays for taxes, insurance and maintenance of the properties, in addition to rent. These long-term net lease properties produce a steady cash flow with escalations, the majority of which are tied to CPI (consumer price index). This insulates the company from short-term market swings that may adversely affect the operations of a particular facility. Hence, performance of its triple-net assets is likely to remain healthy. The company received all of its second-quarter 2020, July and August rents from its NNN tenants.
- ▲ Ventas has a strong balance sheet, and is making efforts to enhance its cost structure, liquidity and financial strength amid these testing times. As of Aug 5, the company had \$3.5 billion of liquidity, consisting of \$0.6 billion of cash and cash equivalents, and \$2.9 billion of available capacity on hand. To strengthen its balance-sheet position amid the virus outbreak, it raised \$0.5 billion in March 2020 through a senior notes offering. In June and July, proceeds from the offering were used to repay primarily all of Ventas' borrowing under its \$3-billion revolving credit facility. The company has also undertaken several capital conservation actions such as reductions in corporate positions, dividend cuts and lower planned capital expenditure. With this, third-quarter 2020 annualized G&A expenses are anticipated to reduce \$25-\$30 million as compared with that reported in 2019. The dividend cut can be viewed as a prudent move to conserve around \$130 million of cash per quarter. Planned 2020 capital expenditure has been reduced by \$0.3 billion to \$0.5 billion. Lastly, with manageable debt maturing in 2020, the company has decent financial flexibility to pursue its growth endeavors.
- ▲ Shares of Ventas have rallied 6.7% compared with the industry's growth of 0.01% over the past three months. Moreover, the trend in estimate revisions of 2020 FFO per share indicates a favorable outlook for the company as estimates have been revised marginally upward over the past month. Hence, given the strong fundamentals and positive estimate revisions, the stock has decent upside potential for the upcoming period.

Ventas' high-quality portfolio is well-poised to gain amid the rising healthcare spending and aging population. Accretive external investments and upside in the office portfolio are positives.

Reasons To Sell:

- ▼ Amid the pandemic, the company's senior living operating portfolio experienced a negative revenue trend during second-quarter 2020. Specifically, resident move-ins and leads below prior year levels, significant move-outs, and higher operating costs are hindering occupancy, revenues and net operating income at the company's seniors housing assets. These lackluster trends are discouraging for Ventas as 63.5% of its investments are in seniors housing communities. Moreover, occupancy continued to decline in July by 50 basis points since June to 80.1%.
- ▼ Apart from the coronavirus-led occupancy woes, the seniors housing market has been reeling with high-supply conditions in certain markets and rising labor costs. This is a concern for Ventas because elevated supply usually curtails landlords' pricing power and limits growth in occupancy level.
- ▼ Solid dividend payouts remain the biggest attraction for REIT investors and Ventas had remained committed to that. However, the company has made a 43% sequential reduction in the second-quarter dividend to 45 cents per share, which was paid out on Jul 14, 2020, to stockholders of record on Jul 1, 2020. The company paid out a quarterly cash dividend of 79.25 cents per share for its shareholders in the prior quarter.
- ▼ The company also faces tenant concentration risk in its NNN leased property segment. Specifically, properties leased to Brookdale Senior Living, Ardent and Kindred account for a significant part of Ventas' segmental revenues and NOI. Hence, in case of no lease renewal, change in lease agreements or any adverse development in these three tenants, Ventas' financial condition and results will likely be impacted. In fact, in the first half of 2020, the company made significant changes to senior housing triple-net leases with two tenants and this is expected to affect the company's near-term NOI.
- ▼ The company is making efforts to unlock value of its assets through opportunistic disposals of non-core assets. In fact, during the six months ended Jun 30, 2020, the company disposed of a MOB, a senior housing community and a NNN leased property for \$11.5 million. Although such efforts enable it to optimize its portfolio, better manage financial obligations and reinvest in its attractive development pipeline, near-term dilution in earnings and reduced cash flows in the near term from the sale of assets is unavoidable. Moreover, in March, Ventas formed a perpetual life vehicle — Ventas Life Science and Healthcare Real Estate Fund, L.P — to focus on investments in R&I centers, medical office and seniors housing real estate asset classes. To seed the fund, the company sold six properties to the fund-generating net proceeds of \$620 million. However, the sale affected its office segment NOI in the second quarter.
- ▼ Ventas operates in a cut-throat market and competes with national and local healthcare operators on a number of factors, including quality, price and range of services provided, reputation, location and demographics of the population in the surrounding area, as well as the financial condition of its tenants and operators. Also, the company's operators contend with peers for occupancy and to manage labor costs. This significantly limits its power to drive profitability as well as crack deals at attractive rates.

Lower occupancy in senior living assets amid the pandemic, high supply and costs are concerning for Ventas. Dependence on few tenants, and competition with national and local operators are other woes.

Last Earnings Report

Ventas Q2 FFO Beats Estimates, Revenues & NOI Declines

Ventas reported second-quarter 2020 normalized FFO per share of 77 cents, beating the Zacks Consensus Estimate of 73 cents. However, the figure was 21% lower than the year-ago quarter's 97 cents.

The company generated revenues of \$943.2 million in the second quarter, which lagged the Zacks Consensus Estimate of \$974.8 million. The top line also compared unfavorably with the year-ago number of \$950.7 million.

Results reflect a decline in same-store cash NOI. Moreover, the company's SHOP assets were severely impacted by the coronavirus pandemic.

Quarter in Detail

For the second quarter, same-store cash NOI growth for the total property portfolio (1,074 assets) declined 13.6% year over year primarily due to the impacts of the pandemic. Portfolio wise, though same-store cash NOI for the NNN leased portfolio grew 1.4% and the office portfolio rose 2.7%, the SHOP portfolio reported a plunge of 42.7% year over year.

Balance Sheet Position

Ventas exited second-quarter 2020 with cash and cash equivalents of \$992.8 million, up from the \$106.4 million recorded as of 2019 end. Further, as of Jun 30, 2020, its annualized adjusted net debt to EBITDA ratio was 6.3.

To strengthen its balance sheet position amid the virus outbreak, the company raised \$0.5 billion in March 2020 through a senior notes offering. In June and July, proceeds from the offering were used to repay primarily all of Ventas' borrowing under its \$3-billion revolving credit facility.

As a result of the efforts, the company had \$3.5 billion of liquidity, consisting of \$0.6 billion of cash and cash equivalents, \$2.9 billion of available capacity on hand, and no commercial paper outstanding as of Aug 5.

Quarter Ending **06/2020**

Report Date	Aug 07, 2020
Sales Surprise	-3.24%
EPS Surprise	5.48%
Quarterly EPS	0.77
Annual EPS (TTM)	3.63

Recent News

Ventas Announces Revision to Master Lease Agreement With Brookdale – Jul 27, 2020

Ventas announced that in light of the challenges to the senior living industry because of the coronavirus pandemic, the company has entered into a revised master lease agreement (the "Brookdale Lease") and other agreements (together with the Brookdale Lease, the "Agreements") with Brookdale Senior Living Inc.

Per the arrangements, Ventas received up-front consideration of roughly \$235 million. This replaces more than two and a half years of the cash rent reduction effectuated under the Brookdale Lease. This comprises \$162 million in cash, \$45 million cash pay note from Brookdale, and warrants exercisable for 16.3 million shares of Brookdale common stock.

Base cash rent, under the Brookdale Lease that covers 121 senior living communities is now set at \$100 million per annum commencing in July 2020, with 3% annual escalators starting on Jan 1, 2022. This compared to \$182 million annualized cash rent paid in first-quarter 2020.

Moreover, Brookdale is transferring full ownership of five senior living properties to Ventas. This is in full satisfaction and repayment of a \$78 million loan to Brookdale from Ventas, which were secured by the five communities. These communities will now be managed by Brookdale for Ventas under a terminable management agreement. Brookdale paid all contractual rent at the previous rate through June 2020 and at the revised rate in July 2020.

Notably, adjusted for the Agreements, Ventas' trailing twelve-month EBITDAR (after a 5% management fee) and EBITDARM cash rent coverage under the Brookdale Lease through Mar 31, 2020 improves to more than 1.3x and 1.6x respectively. Previously reported (on Jun 19, 2020) trailing twelve-month EBITDARM coverage on the Brookdale Lease was reported at between 0.90x and 0.99x and the implied EBITDAR coverage after a 5% management fee would have been roughly 0.8x.

Dividend Update

On Jun 19, Ventas announced second-quarter 2020 cash dividend of 45 cents per share. The dividend was paid out on Jul 14 to shareholders of record as of Jul 1, 2020.

Notably, it represents a 43% sequential decline from first-quarter dividend of 79.25 cents per share. The dividend cut can be viewed as a prudent move to conserve around \$130 million of cash per quarter, relative to the prior dividend level.

Valuation

Ventas' shares have been down 41.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance have declined 9.1% and 5.1% in the past year, respectively.

The S&P 500 Index is up 15.4% in the past year.

The stock is currently trading at 13.90X forward 12-month FFO, which compares to 19.24X for the Zacks sub-industry, 16.75X for the Zacks sector and 23.18X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 19.29X and as low as 4.71X, with a 5-year median of 14.98X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$47 price target reflects 14.87X FFO.

The table below shows summary valuation data for VTR.

Valuation Multiples - VTR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	13.90	19.24	16.75	23.18
	5-Year High	19.29	19.28	16.75	23.18
	5-Year Low	4.71	14.32	11.60	15.25
	5-Year Median	14.98	16.12	14.26	17.60
P/S F12M	Current	4.30	8.34	6.23	3.95
	5-Year High	7.79	8.37	6.67	3.95
	5-Year Low	1.60	5.97	4.97	2.53
	5-Year Median	5.96	7.04	6.07	3.07
P/B TTM	Current	1.58	2.46	2.55	4.53
	5-Year High	2.75	3.03	2.91	4.76
	5-Year Low	0.60	1.81	1.72	2.83
	5-Year Median	2.07	2.51	2.54	3.76

As of 09/01/2020

Industry Analysis Zacks Industry Rank: Bottom 11% (224 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Healthcare Realty Trust Incorporated (HR)	Neutral	3
Healthcare Trust of America, Inc. (HTA)	Neutral	3
LTC Properties, Inc. (LTC)	Neutral	3
Medical Properties Trust, Inc. (MPW)	Neutral	4
Omega Healthcare Investors, Inc. (OHI)	Neutral	3
Healthpeak Properties, Inc. (PEAK)	Neutral	3
Sabra Healthcare REIT, Inc. (SBRA)	Neutral	2
Welltower Inc. (WELL)	Neutral	3

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

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	VTR	X Industry	S&P 500	PEAK	SBRA	WELL
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	C	-	-	F	D	D
Market Cap	16.39 B	1.95 B	24.30 B	15.37 B	3.22 B	25.04 B
# of Analysts	6	4	14	8	5	9
Dividend Yield	4.10%	3.70%	1.6%	5.18%	7.67%	4.07%
Value Score	C	-	-	D	C	D
Cash/Price	0.06	0.06	0.07	0.05	0.01	0.07
EV/EBITDA	14.90	14.43	13.46	22.01	14.55	17.58
PEG F1	5.91	3.87	3.09	6.24	NA	5.79
P/B	1.58	1.35	3.25	2.00	0.96	1.48
P/CF	10.97	11.05	13.12	19.24	12.64	10.69
P/E F1	14.00	15.57	22.15	17.53	9.13	17.37
P/S TTM	4.17	5.04	2.57	6.85	5.28	5.03
Earnings Yield	7.26%	5.68%	4.29%	5.71%	10.93%	5.77%
Debt/Equity	1.20	0.90	0.70	0.88	0.73	0.85
Cash Flow (\$/share)	4.01	2.05	6.93	1.48	1.24	5.62
Growth Score	D	-	-	D	D	D
Historical EPS Growth (3-5 Years)	-3.35%	0.73%	10.41%	-13.98%	-4.54%	-2.32%
Projected EPS Growth (F1/F0)	-17.01%	-2.49%	-4.75%	-7.46%	-7.85%	-16.93%
Current Cash Flow Growth	13.38%	3.36%	5.22%	-55.20%	-46.74%	28.20%
Historical Cash Flow Growth (3-5 Years)	3.38%	12.74%	8.49%	-12.01%	21.58%	9.39%
Current Ratio	1.53	1.62	1.35	1.37	0.85	3.32
Debt/Capital	54.65%	47.87%	42.92%	46.74%	42.21%	46.57%
Net Margin	10.49%	10.49%	10.25%	14.60%	21.00%	26.20%
Return on Equity	3.88%	3.32%	14.66%	4.57%	3.78%	8.64%
Sales/Assets	0.16	0.13	0.50	0.15	0.10	0.15
Projected Sales Growth (F1/F0)	-1.42%	0.00%	-1.42%	18.92%	-9.65%	-6.37%
Momentum Score	B	-	-	F	D	C
Daily Price Change	4.94%	1.28%	1.82%	4.01%	3.85%	3.23%
1-Week Price Change	2.59%	1.60%	2.59%	3.68%	2.87%	5.91%
4-Week Price Change	14.55%	1.20%	4.80%	5.08%	6.83%	12.91%
12-Week Price Change	6.91%	-2.84%	6.31%	1.42%	1.89%	7.60%
52-Week Price Change	-41.43%	-22.65%	5.43%	-20.65%	-29.51%	-35.10%
20-Day Average Volume (Shares)	2,417,707	563,640	1,788,967	3,191,979	1,024,089	2,509,561
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.15%	0.00%	0.00%	-0.69%	4.38%	0.78%
EPS F1 Estimate 12-Week Change	2.38%	-0.03%	3.89%	-2.03%	4.38%	-2.93%
EPS Q1 Estimate Monthly Change	-3.71%	0.00%	0.00%	-3.04%	4.84%	-2.33%

Source: Zacks Investment Research

Zacks Style Scores

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

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

Value Score	C
Growth Score	D
Momentum Score	B
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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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.