

Verizon Communications (VZ)

\$57.46 (As of 01/11/21)

Price Target (6-12 Months): **\$61.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/29/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: C

Summary

Verizon is well positioned to gain from a disciplined network strategy, including accelerated 5G deployment, despite uncertainties stemming from the COVID-19 crisis. The company has been building its 5G Ultra-Wideband network to enable innovations that will support the evolving customer behavior. It expects to witness solid 5G momentum as it heads into the fourth quarter of 2020 backed by customer-centric business model and diligent execution of operational plans. However, Verizon is facing significant headwinds within the media business due to weak advertising trends. It operates in an intensely competitive U.S. wireless market that strains margins. Adoption of unlimited data plans has resulted in reduction of wireless service revenues. Hefty expenses on promotion and lucrative discounts to attract customers further hampers its profitability.

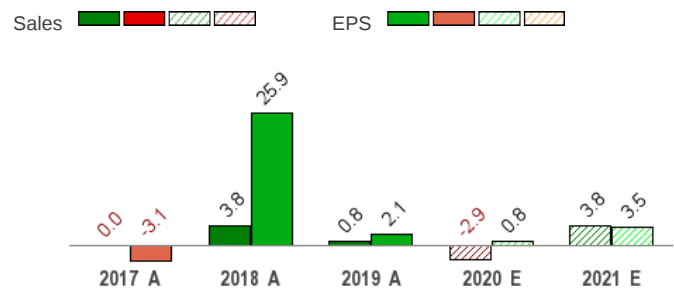
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$61.95 - \$48.84
20-Day Average Volume (Shares)	15,688,341
Market Cap	\$237.8 B
Year-To-Date Price Change	-2.2%
Beta	0.41
Dividend / Dividend Yield	\$2.51 / 4.4%
Industry	Wireless National
Zacks Industry Rank	Top 50% (126 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.5%
Last Sales Surprise	-0.1%
EPS F1 Estimate 4-Week Change	-0.0%
Expected Report Date	01/26/2021
Earnings ESP	1.7%
P/E TTM	11.9
P/E F1	11.5
PEG F1	3.3
P/S TTM	1.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	32,529 E	32,321 E	32,955 E	35,098 E	132,827 E
2020	31,610 A	30,447 A	31,543 A	34,406 E	127,993 E
2019	32,128 A	32,071 A	32,894 A	34,775 A	131,868 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.26 E	\$1.27 E	\$1.29 E	\$1.20 E	\$5.02 E
2020	\$1.26 A	\$1.18 A	\$1.25 A	\$1.16 E	\$4.85 E
2019	\$1.20 A	\$1.23 A	\$1.25 A	\$1.13 A	\$4.81 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 01/11/2021. The reports text is as of 01/12/2021.

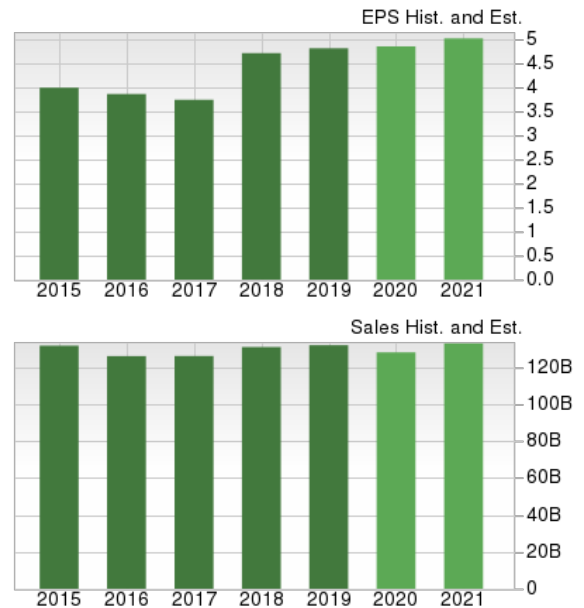
Overview

Based in New York, Verizon Communications Inc. was formed through the merger of Bell Atlantic and GTE Corp. The company offers communication services in the form of local phone service, long distance, wireless and data services. In Jan 2006, Verizon completed its merger with MCI Corporation, a leader in long distance and data networking. With the acquisition of Alltel Wireless Corp. in early 2009, Verizon has surpassed AT&T Inc. as the largest wireless carrier in the North America, serving millions of customers nationwide.

Verizon has teamed up with Amazon Web Services to create and deploy low latency applications to mobile devices using 5G and became the first telecom carrier in the world to offer such service. The company has launched a free consumer search engine dubbed OneSearch with enhanced privacy options to add a new dimension to the search ecosystem. It has also announced a pricing breakthrough in the cable industry with the launch of Mix & Match on its FiOS platform, enabling viewers to combine TV with Internet plans effectively without any hidden charges and annual contracts. Focus on online content delivery, mobile video and online advertising will likely stoke future growth.

With the ramp-up of 5G service across the country, Verizon is likely to retain its lead in promulgating 5G mobile networks nationwide by using virtualized machines, advanced levels of operational automation and adaptability. Effective second-quarter 2019, the company has reorganized its operating segments under its new operating structure dubbed Verizon 2.0. Under this operating structure, the new segments of the company are Consumer, Business and Media Group.

- **Consumer** (68.9% of aggregate revenues in third-quarter 2020): This segment includes the retail wireline and wireless businesses.
- **Business** (24.6%): This segment includes the wireless and wireline operations of Wholesale, Public Sector and Other, Small and Medium Business, and Global Enterprise.
- **Media Group** (6.5%): This segment includes assets gained through the Yahoo acquisition, media verticals and the ad platform.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Verizon is likely to benefit from a disciplined network strategy, including accelerated 5G deployment despite economic uncertainties stemming from the COVID-19 crisis. The wireless operator is building the 5G home solution and mobile edge computing on the same network. Verizon expects to see strong momentum heading into the fourth quarter of 2020 backed by customer-centric business model and diligent execution of operational plans. The company also updated its earlier guidance for 2020 based on the resilient earnings performance in the third quarter and projected trends. The company currently expects adjusted earnings per share growth between 0% and 2%, up from earlier projections of -2% and 2%.

Verizon launched 35th 5G Ultra Wideband city in San Diego and intends to make 60 5G mobility cities this year. It is building the 5G home solution and mobile edge computing on the same network.
- ▲ Despite coronavirus-induced challenges, Verizon completed Dynamic Spectrum Sharing (“DSS”) trial to accelerate the pace of 5G network evolution. The trial underscores Verizon’s commitment to introduce nationwide 5G coverage with the deployment of Ultra Wideband network services by the end of 2020. DSS will help Verizon to deploy lower-frequency bands, including mid-band and low-band spectrum, to deliver an optimum combination of 5G coverage and speed to its customers. Moreover, in the enterprise and wholesale business, Verizon is changing its revenue mix toward newer growth services like cloud, security and professional services. Verizon is looking forward to capitalize on the countless innovative technology solutions being developed in the Internet of Things and telematics ecosystem across multiple industries. The company’s focus on online content delivery, mobile video and online advertising should drive growth.
- ▲ Verizon has upped the ante by launching the 5G Ultra Wideband network in multiple cities across the country. The 5G Ultra Wideband network uses a millimeter-wave spectrum and is designed to provide customers significantly faster download speed and greater bandwidth compared with 4G. Verizon’s 5G mobility service offers an unparalleled experience that impacts industries as diverse as public safety, health care, retail and sports. The company’s 5G network hinges on three fundamental drivers to deliver the full potential of next-generation wireless technology. These include massive spectrum holdings, particularly in the millimeter-wave bands for faster data transfer, end-to-end deep fiber resources and the ability to deploy a large number of small cells.
- ▲ With one of the most efficient wireless networks in the United States, Verizon continues to deploy the latest 4G LTE Advanced technologies to deliver faster peak data speeds and capacity for customers, driven by customer-focused planning, disciplined engineering and constant strategic investment. Verizon has been aggressively forging ahead to expand its fiber optics networks to support 4G LTE and upcoming 5G wireless standards as well as wireline connections. The company remains focused on making necessary capital expenditures in order to support increased demand for network traffic. At the same time, Verizon is focusing on build-out of its 5G Ultra Wideband network, deployment of fiber assets across the country and shift toward Intelligent Edge Network architecture.
- ▲ As of Sep 30, 2020, Verizon had \$8,983 million in cash and equivalents with \$109,790 million of long-term debt compared with the respective tallies of \$7,882 million and \$106,190 million at the end of the previous quarter. Verizon has been looking to slash costs through employee reduction, active management of its near-term maturities, and optimization of overall funding footprint and lowering of cost of capital. To date, the company achieved more than \$8.3 billion of cumulative cash savings and is on track to achieve savings of \$10 billion by 2021. Verizon currently has a debt-to-capital ratio of 0.64 compared with 0.51 of the industry. The times interest earned (TIE) ratio has improved steadily over the past quarters to 6 at present relative to 3.7 of industry. This suggests that the company is more likely to meet its debt obligations. Verizon has a dividend payout rate of 50.8%. The rate has remained steady over the past quarters, indicating that the company is sharing more of its earnings with stockholders. It is to be seen whether Verizon can maintain the momentum in the coming days amid disruptions stemming from the COVID-19 crisis.

Reasons To Sell:

- ▼ In the third quarter of 2020, Verizon's aggregate operating revenues declined 4.1% year over year to \$31,543 million. This was the result of substantial declines in wireless equipment revenues in the Consumer and Business segments, primarily due to limited customer engagement and the impact of COVID-19 on customer behavior. Verizon is facing headwinds in the media business due to sluggish advertising trends.
- ▼ Verizon continues to struggle in a competitive and almost saturated U.S. wireless market with incumbents like AT&T and T-Mobile. The industry is likely to witness stiff competition in 2020 and beyond with the entry of cable MSOs (multi service operators). Comcast has already entered this space with Xfinity Mobile offering. Charter Communications also reiterated its plans of launching wireless service. Adoption of several unlimited data plans has resulted in reduction of wireless service revenues and lower average revenue per user.
- ▼ Spectrum crunch has become a major issue in the U.S. telecom industry. Most of the carriers are finding it increasingly difficult to manage mobile data traffic, which is growing by leaps and bounds. The situation has become even more acute with the growing popularity of iPhone and Android smartphones as well as rising online mobile video streaming, cloud computing and video conferencing services.
- ▼ In a bid to expand its customer base, Verizon is spending heavily on promotion and is also offering lucrative discounts, which is weighing on margins. The company's wireline division is struggling with persistent losses in access lines owing to competitive pressure from voice-over-Internet protocol (VoIP) service providers and aggressive triple-play (voice, data and video) offerings by cable companies. These are likely to weigh on the company's revenues in the future. The company recorded high capital expenditures in order to support the launch and continued build-out of its 5G Ultra Wideband network, deployment of significant fiber assets across the country and upgrade to Intelligent Edge Network architecture. It remains unclear if and when a reasonable return can be achieved from such investments.

Verizon is facing headwinds in the media business due to sluggish advertising trends. It operates in a fiercely competitive U.S. wireless market.

Last Earnings Report

Verizon Beats Q3 Earnings Estimates, Misses on Revenues

Despite coronavirus-induced turmoil, Verizon reported relatively healthy third-quarter 2020 results, with the bottom line comfortably beating the Zacks Consensus Estimate. This highlights a disciplined network strategy for long-term growth along with a focused roadmap for technology leadership. Verizon expects to witness strong 5G momentum heading into the fourth quarter of 2020 backed by customer-centric business model and diligent execution of operational plans.

Quarter Ending 09/2020

Report Date	Oct 21, 2020
Sales Surprise	-0.09%
EPS Surprise	2.46%
Quarterly EPS	1.25
Annual EPS (TTM)	4.82

Net Income

On a GAAP basis, net income for the September quarter was \$4,504 million or \$1.05 per share compared with \$5,337 million or \$1.26 per share in the prior-year quarter. The year-over-year decline is primarily attributable to top-line contraction. Excluding non-recurring items, non-GAAP net income for the reported quarter was flat at \$1.25 per share and surpassed the Zacks Consensus Estimate by 3 cents.

Revenues

Quarterly aggregate operating revenues declined 4.1% year over year to \$31,543 million. This was the result of substantial decline in wireless equipment revenues in the Consumer and Business segments, primarily due to limited customer engagement and the impact of COVID-19 on customer behavior. The top line missed the consensus estimate of \$31,572 million.

Segment Results

Consumer: Total revenues fell 4.3% year over year to \$21,736 million owing to significant fall in wireless equipment revenues due to low activation levels. Service revenues declined 1.1% to \$16,255 million due to reduced roaming, usage and waived fees on account of COVID-19. Wireless equipment revenues fell 20.1% to \$3,403 million due to lower customer activity. Other revenues totaled \$2,078 million, up 3.1% year over year.

During the quarter, Verizon recorded 136,000 wireless retail postpaid net additions. This comprised 142,000 phone net additions and 113,000 tablet net losses, offset by 107,000 other connected device net additions. Postpaid smartphone net additions were 258,000 driven by new model launches and gradual reopening of all company-operated retail stores with all safety precautions. The total retail postpaid churn was 0.8% and the retail postpaid phone churn was 0.63%. The company recorded 139,000 Fios Internet net additions with increasing work-from-home trend.

Segment operating income declined 0.7% to \$7,437 million for operating margin of 34.2%, up from 33% in the year-ago quarter. EBITDA was relatively flat at \$10,299 million, reflecting a margin of 47.4% compared with 45.3% in the prior-year quarter.

Business: Revenues were \$7,749 million, down 1.7% year over year. Verizon responded to the challenges of COVID-19, handling increased traffic needs while meeting a surge in demand for connectivity and devices. The company recorded 417,000 wireless retail postpaid net additions in the quarter. This comprised 141,000 phone net additions, 86,000 tablet net additions and 190,000 other connected device additions.

The segment's operating income was \$923 million compared with \$977 million in the year-ago quarter for respective margins of 11.9% and 12.4%. Segment EBITDA declined 1.9% to \$1,950 million for a margin of 25.2% ? flat year over year.

Revenues from Verizon Media declined 7.4% to \$1.7 billion driven by lower advertising due to the virus outbreak. However, Verizon Media continued to drive increased customer engagement on its owned and operated properties.

Other Details

Although total operating expenses decreased 3.4% year over year to \$23,865 million, operating income declined 6.1% year over year to \$7,678 million due to lower revenues. Adjusted EBITDA was \$11,870 million with a margin of 37.6%.

Cash Flow & Liquidity

In the first nine months of 2020, Verizon generated \$32,472 million of net cash from operating activities compared with \$26,748 million in the year-ago period. Free cash flow (non-GAAP) was \$18.3 billion, up 27% year over year. As of Sep 30, the company had \$8,983 million in cash and cash equivalents with \$109,790 million of long-term debt.

Guidance Updated

Verizon updated its earlier guidance for 2020 based on the resilient earnings performance and projected trends. The company currently expects adjusted earnings per share growth between 0% and 2%, up from earlier projections of -2% and 2%. Capital expenditure for full year 2020 is likely to be at the higher end of its previously guided range of \$17.5-\$18.5 billion.

Recent News

On Dec 10, 2020, Verizon announced that it has partnered with Corning to commercially launch indoor 5G for enterprise customers. This development comes after both the companies successfully completed lab trials on 5G millimeter-wave in-building solutions in September.

On Dec 8, 2020, Verizon announced its collaboration with Motorola to introduce an innovative mission-critical push-to-talk solution for an interoperable broadband communication gateway for first responders. Dubbed Group First Response, the solution leverages Verizon's LTE network to facilitate end users to communicate seamlessly via voice, data and video across various compatible devices, thereby augmenting public safety measures.

On Nov 20, 2020, Verizon launched its industry-leading 5G Ultra-Wideband service in Akron, OH and Nashville, TN. The telecom giant's service is now available to customers in parts of 57 cities. Verizon plans to launch 5G Ultra-Wideband in 60 cities by the end of 2020.

On Nov 19, 2020, Verizon announced that Honeywell and General Motors will be among the first business customers to experience its 5G Ultra-Wideband service inside their offices. Initial deployments will take place at Honeywell's new corporate headquarters in Charlotte, NC, and General Motors' Factory Zero at the Detroit-Hamtramck Assembly Center.

On Nov 11, 2020, Verizon announced its collaboration with Amazon Web Services and has added two more 5G mobile edge computing cities — Dallas and Miami — bringing the total to seven. The companies had earlier launched the MEC platform in Boston, San Francisco Bay Area, Atlanta, New York City and Washington, DC, and plan to reach 10 cities by the end of 2020.

On Oct 19, 2020, Verizon announced that it has inked an agreement to acquire certain assets of Bluegrass Cellular, a wireless service provider in rural Kentucky. The financial terms of the deal were not disclosed. The acquisition, subject to FCC approval, is expected to close late this year or in early 2021. The acquisition will help expand Verizon's footprint in Kentucky with complementary assets. Verizon intends to provide Bluegrass Cellular's customers with reliable wireless service along with excellent experience.

On Oct 13, 2020, Verizon announced that it has expanded coverage of 5G service to 19 new cities, 19 stadiums and six airports. Also, its 5G Nationwide service is available to more than 200 million people in 1,800 cities across the country. The company is set to offer the first Apple 5G iPhone and brings new capabilities to customers with its 5G Ultra-Wideband and Nationwide networks. Customers will be able to get the new iPhone 12 lineup, including iPhone 12 Pro, iPhone 12 Pro Max, iPhone 12 and iPhone 12 mini.

Valuation

Verizon's shares are up 5.5% in the past six months but down 2.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 6% over the past six months, while stocks in the Zacks Computer and Technology sector are up 26% in the same period. Over the past year, the Zacks sub-industry and sector are up 0.7% and 36.5%, respectively.

The S&P 500 Index is up 22.1% in the past six months and 18.3% in the past year.

The stock is currently trading at 7.48X trailing 12-month EV/EBITDA, which compares to 6.32X for the Zacks sub-industry, 16.62X for the Zacks sector and 17.37X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 11.96X and as low as 6.06X, with a 5-year median of 7.45X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$61 price target reflects 5.33X forward 12-month earnings.

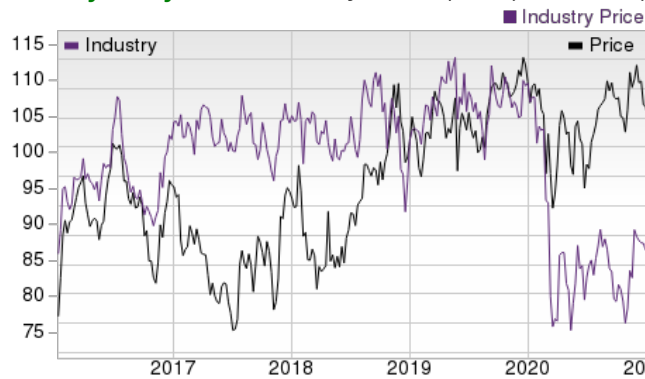
The table below shows summary valuation data for VZ

Valuation Multiples - VZ					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	7.48	6.32	16.62	17.37
	5-Year High	11.96	11.56	16.62	17.37
	5-Year Low	6.06	5.27	8.25	9.55
	5-Year Median	7.45	6.6	12.1	13.22
P/E F12M	Current	11.44	12.75	28.83	23.37
	5-Year High	14.19	15	28.83	23.79
	5-Year Low	10.02	9.97	16.94	15.3
	5-Year Median	12.12	12.57	19.93	17.83
P/S F12M	Current	1.79	1.62	4.89	4.56
	5-Year High	1.93	1.67	4.89	4.56
	5-Year Low	1.37	1.22	2.77	3.2
	5-Year Median	1.7	1.48	3.47	3.68

As of 01/11/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 50% (126 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
ATN International, Inc. (ATNI)	Neutral	3
Gogo Inc. (GOGO)	Neutral	2
Liberty Latin America Ltd. (LILA)	Neutral	3
Lumen Technologies, Inc. (LUMN)	Neutral	3
AT&T Inc. (T)	Neutral	4
TMobile US, Inc. (TMUS)	Neutral	3
Telenav, Inc. (TNAV)	Neutral	3
United States Cellular Corporation (USM)	Neutral	3

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

Industry Comparison Industry: Wireless National				Industry Peers		
	VZ	X Industry	S&P 500	LUMN	T	TMUS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	A	-	-	A	B	C
Market Cap	237.77 B	693.62 M	27.18 B	11.56 B	205.73 B	164.99 B
# of Analysts	19	5	13	6	18	6
Dividend Yield	4.37%	0.00%	1.41%	9.49%	7.20%	0.00%
Value Score	A	-	-	A	A	C
Cash/Price	0.04	0.13	0.06	0.05	0.05	0.04
EV/EBITDA	7.67	10.01	14.99	20.22	5.39	18.29
PEG F1	3.30	2.82	2.65	2.56	3.07	2.31
P/B	3.57	1.35	3.77	0.84	1.05	2.56
P/CF	6.49	8.22	14.38	1.84	3.29	11.30
P/E F1	11.45	25.36	20.76	7.57	8.98	42.88
P/S TTM	1.85	1.39	2.97	0.55	1.19	2.75
Earnings Yield	8.74%	2.33%	4.68%	13.19%	11.12%	2.33%
Debt/Equity	1.65	0.48	0.70	2.27	0.78	1.05
Cash Flow (\$/share)	8.85	3.96	6.93	5.72	8.77	11.77
Growth Score	B	-	-	B	D	C
Historical EPS Growth (3-5 Years)	6.32%	6.41%	9.71%	-16.82%	6.69%	38.81%
Projected EPS Growth (F1/F0)	3.41%	3.41%	12.21%	-7.83%	1.44%	15.67%
Current Cash Flow Growth	-0.75%	3.99%	5.22%	-2.30%	14.11%	7.57%
Historical Cash Flow Growth (3-5 Years)	4.16%	7.03%	8.33%	1.14%	15.33%	16.70%
Current Ratio	1.07	1.43	1.38	0.60	0.84	0.98
Debt/Capital	62.27%	43.96%	41.97%	69.44%	43.96%	51.14%
Net Margin	14.26%	3.60%	10.40%	6.05%	6.42%	5.11%
Return on Equity	31.36%	9.82%	15.20%	12.10%	12.27%	8.69%
Sales/Assets	0.44	0.47	0.50	0.33	0.32	0.43
Projected Sales Growth (F1/F0)	3.78%	3.78%	5.91%	-3.13%	1.36%	11.11%
Momentum Score	C	-	-	C	B	C
Daily Price Change	-0.59%	0.00%	0.10%	0.09%	-0.52%	-1.58%
1-Week Price Change	-1.62%	0.77%	1.16%	8.00%	0.90%	0.16%
4-Week Price Change	-4.20%	0.42%	3.65%	1.15%	-5.50%	2.76%
12-Week Price Change	0.28%	8.28%	13.64%	9.68%	7.40%	17.90%
52-Week Price Change	-2.86%	-0.30%	8.59%	-19.48%	-24.23%	67.42%
20-Day Average Volume (Shares)	15,688,341	195,542	1,694,173	10,338,681	42,440,088	2,894,045
EPS F1 Estimate 1-Week Change	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.04%	0.00%	0.08%	2.20%	-0.33%	-1.07%
EPS F1 Estimate 12-Week Change	1.62%	4.64%	2.45%	4.64%	-1.47%	27.01%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	1.98%	0.12%	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	B
Momentum Score	B
VGM Score	A

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.