

Aarons, Inc. (AAN)

\$49.28 (As of 06/08/20)

Price Target (6-12 Months): **\$52.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/22/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: D

Summary

Shares of Aaron's outpaced the industry in the past three months on upbeat second-quarter 2020 guidance. The stock also received a boost after earnings and sales beat in first-quarter 2020. The company witnessed robust top-line performance in the first quarter, driven by an increase in Progressive revenues stemming from strong growth in invoice volumes and a solid customer base. Also, transformation initiatives, including store fleet optimization, omni-channel expansion and investment in loyalty program bode well. However, the company bearing the brunt of the ongoing global COVID-19 situation owing to which the company had earlier withdrawn its guidance for 2020. Further, weakness in Aaron's business unit and soft revenues from its franchisee stores remain concerns.

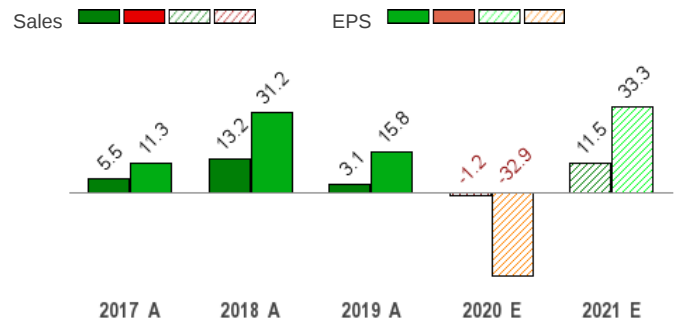
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$78.59 - \$13.01
20 Day Average Volume (sh)	912,977
Market Cap	\$3.3 B
YTD Price Change	-13.7%
Beta	1.58
Dividend / Div Yld	\$0.16 / 0.3%
Industry	Retail - Consumer Electronics
Zacks Industry Rank	Top 23% (57 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	13.3%
Last Sales Surprise	6.4%
EPS F1 Est- 4 week change	-4.4%
Expected Report Date	07/23/2020
Earnings ESP	9.3%
P/E TTM	13.5
P/E F1	18.9
PEG F1	1.1
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,155 E	1,054 E	1,083 E	1,121 E	4,349 E
2020	1,101 A		899 E	1,009 E	3,899 E
2019	1,012 A	968 A	964 A	1,004 A	3,948 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.99 E	\$0.79 E	\$0.74 E	\$1.16 E	\$3.48 E
2020	\$0.85 A	\$0.43 E	\$0.46 E	\$0.94 E	\$2.61 E
2019	\$1.08 A	\$0.93 A	\$0.73 A	\$1.15 A	\$3.89 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 06/08/2020. The reports text is as of 06/09/2020.

Overview

Based in Atlanta, GA, Aaron's, Inc. is a major omni-channel provider of lease-purchase solutions, mainly to underserved and credit-challenged customers. Through its various business segments, the company primarily deals in sales and lease ownership, apart from specialty retailing in furniture, home appliances, consumer electronics, as well as accessories.

Additionally, Aaron's stores offers products from popular brands like Philips, Samsung, Whirlpool, Hewlett-Packard, LG, Simmons, and Ashley, among others.

Furthermore, the company has three operating and reportable segments: Progressive Leasing, Aaron's Business, and DAMI.

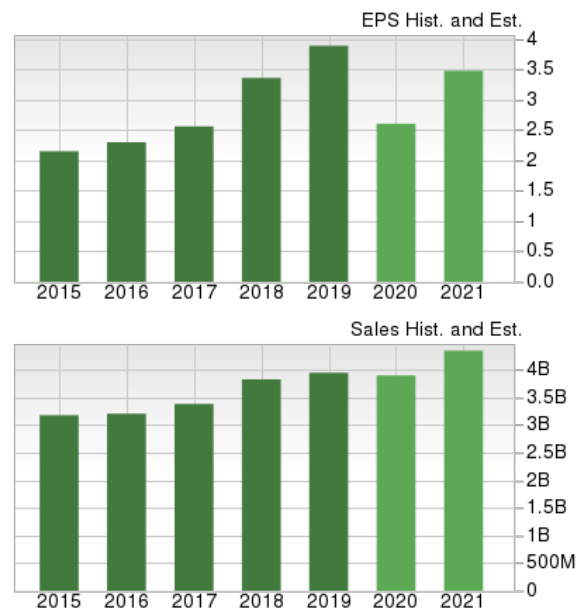
- **Progressive Leasing (accounting for 53.9% of total revenues in 2019):** This segment includes the virtual lease-to-own business. It partners with various retailers, mainly in the furniture and bedding; electronics and accessories; mobile; jewelry; consumer electronics; automobile; as well as appliance industries to provide a lease-purchase option for credit-challenged customers. Progressive Leasing had retail partners across 46 states and the District of Columbia.

As of Dec 31, 2019, the division had 1,072,000 customers, reflecting 22.4% year-over-year growth.

- **Aaron's Business (45.2%):** This segment centers on around Aaron's branded company-owned and franchised lease-to-own stores, Aarons.com and Woodhaven, the company's furniture manufacturing facilities. Additionally, this operating unit supports franchisees of its Aaron's stores.

As of Dec 31, 2019, the Aaron's Business segment had 1,167 company-operated stores and 335 franchised stores.

- **Dent-A-Med, Inc. — DAMI (0.9%):** Acquired in 2015, the DAMI segment mainly serves customers that are not eligible for traditional prime lending. It operates as a wholly-owned subsidiary of Progressive Leasing and provides customized programs including revolving loans, private label cards and access to the processing platform.



Reasons To Buy:

▲ **Upbeat Q2 View Boosts Stock:** Shares of Aaron's have gained 46.8% in the past three months compared with the industry's 2.2% growth. The stock's bullish run on the bourses can be attributable to encouraging second-quarter 2020 guidance, which includes the disruptions caused by the pandemic. Notably, revenues are forecasted between \$975 million and \$1 billion in the second quarter. Adjusted earnings are also envisioned to be 80-85 cents per share. Management expects revenues and earnings in the third and fourth quarters to be significantly better sequentially, driven by the improving trajectory of its lease origination activity.

Aaron's Progressive segment continues to generate growth, driven by higher invoice volume and a solid customer base. The segment's revenues grew 25.8% year over year in first-quarter 2020.

With Progressive's retail partners reopening their stores, invoice volumes are showing signs of improvement. Going ahead, management expects this trend to continue. In fact, invoice volumes are envisioned to be flat to down low-single digits during the second quarter. The company also noted that the segment will not incur any costs related to COVID-19 in the said quarter. Further, revenues in the Aaron's segment are projected to decline 15% year over year due to COVID-19 impacts realized in April 2020. Same-store revenues are anticipated to be down 1.5-2.5%. Also, it highlighted that write-offs related to COVID-19 are likely to improve by almost 100 basis points (bps) year over year in the second quarter. This reflects a significant rise on a sequential basis. Apart from these, no charges associated with COVID-19 will be incurred in the second quarter.

▲ **Solid Q1 Results:** Aaron's reported better-than-expected results in first-quarter 2020, wherein the top line improved year over year. Revenue growth was mainly backed by an increase in Progressive revenues, partly offset by soft revenues at the Aaron's Business segment. Further, the company's earnings surpassed the Zacks Consensus Estimate for the second straight quarter. Moreover, management is encouraged by higher customer payments in April as well as improving trajectory of its lease origination activity in the past few weeks.

▲ **Robust Progressive Business Performance:** Aaron's has been experiencing continued strength in its Progressive segment, which covers the virtual lease-to-own business. The segment has been performing exceedingly well for quite some time now, backed by robust growth in invoice volume and a solid customer base. In first-quarter 2020, the segment's revenues increased 25.8% year over year. Invoice volumes rose 13.4%, owing to a 2.9% rise in invoice volume per active door and a 10.2% increase in active doors to roughly 21,800. As of Mar 31, 2020, the division had 998,000 customers, reflecting 15.6% growth year over year. Further, the segment's EBITDA was \$70.2 million, up 7.5% from the year-ago quarter.

▲ **Financial Flexibility:** Aaron's boasts a healthy balance sheet, which enables it to invest in the business and reward shareholders. As of Mar 31, 2020, the company had cash and cash equivalents of \$551 million compared with \$57.8 million as of Dec 31, 2019. The cash balance at the end of the first quarter included \$300 million from a partial draw down of its revolving credit facility. Aaron's total debt of \$646.1 million as of Mar 31, 2020, surged 89.4% on a sequential basis. Its debt-to-capitalization ratio of 0.31 represents a significant sequential increase from 0.16 as of Dec 31, 2019. However, the debt-to-capitalization ratio compares favorably with the industry's ratio of 0.69.

In April, the company paid \$60 million in scheduled debt amortization, \$175 million to satisfy its settlement with the FTC, and \$300 million to pay down its revolving credit facility in full. Consequently, as of April 30, it had a cash balance of \$136.5 million, total debt of \$287 million and available liquidity of roughly \$620 million.

▲ **Shareholder Returns:** Aaron's financial position helps it to make capital investments alongside returning excess cash to shareholders via dividends and share buybacks. During the first quarter, the company did not repurchase shares but paid out dividends worth \$2.7 million. This clearly underscores the company's commitment toward rewarding shareholders. Moreover, management declared quarterly cash dividend of 4 cents, payable on Jul 7. Notably, Aaron's has a dividend payout ratio of 4.4%, annualized dividend yield of 0.44% and free cash flow yield of 12.5%.

▲ **Aaron's Business Transformation on Track:** The Aaron's business is progressing well with its transformational initiatives over the past few years. These initiatives are likely to bring the segment back to sustainable long-term growth in revenue and earnings, through investments in activities to improve customer experience, operating efficiencies, compliance and employee engagement. Additionally, the company's e-commerce site (Aarons.com) has witnessed significant growth in the past few years and is attracting new and younger customers. E-commerce sales grew 23.4% year over year in the first quarter with the metric rising more than 50% in April, as only online business remained operational amid the coronavirus outbreak. Robust traffic and higher conversion rates in April primarily aided e-commerce growth.

Reasons To Sell:

- ▼ **COVID-19 Compels to Withdraw Outlook:** In the wake of the coronavirus pandemic and the uncertainty surrounding the timing of its impacts, Aaron's earlier withdrew its 2020 guidance. It had also suspended franchise royalty payments worth \$1.1 million in March and \$2.1 million in April.
- ▼ **Soft Aaron's Business:** The Aaron's Business segment has been grappling with soft conditions for a while now. This segment's total revenues fell 9.8% to \$432.8 million, mainly due to net reduction of 183 outlets for the 15 months ended Mar 30 and lower lease portfolio balance impact. Moreover, same-store revenues and customer count on a same-store basis declined 4.6% and 6.4%, respectively. Non-retail sales tumbled 27.4% on a year-over-year basis. Lease revenues and fees for the three months ended Mar 31, 2020, declined 7.5% from the year-ago quarter. At the quarter-end, the company-operated Aaron's stores had 902,000 customers, reflecting a 9.1% year-over-year drop. Persistent decline in this segment may be a threat to the company's top line.
- ▼ **Decline in Franchisee Revenues:** Aaron's franchisee revenues declined 14.7% to \$102.6 million. Same-store revenues for franchised stores decreased 5.2% and same-store customer counts dropped 6.7% in the reported quarter. Notably, the company's franchisees had a customer base of 220,000 at the end of the quarter.
- ▼ **Intense Competition:** Aaron's faces stiff competition from a diverse group of competitors including national, regional and local providers of lease-to-own stores, virtual lease-to-own operators, traditional and e-commerce players, as well as consumer finance companies. In addition, the company competes with retail stores for customers purchasing merchandise for cash or on credit. A challenging retail landscape, aggressive promotional strategies and waning store traffic might hurt Aaron's performance. This may adversely affect both top and bottom-line performances.

Aaron's withdrew its 2020 guidance, given the unprecedented impacts of the outbreak. Also, sluggishness in franchisee business and the Aaron's Business unit remains a concern.

Last Earnings Report

Aaron's Q1 Earnings & Revenue Beat Estimates

Aaron's posted better-than-expected results in first-quarter 2020. Also, the top line grew year over year. However, management had earlier withdrawn 2020 guidance owing to uncertainties stemming from the coronavirus pandemic.

Nevertheless, management is encouraged by higher customer payments in April as well as improving trajectory of its lease origination activity in the past few weeks. Impressively, the reopening of Aaron's Business stores supported by e-commerce registered an increase of above 50% in April.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	6.35%
EPS Surprise	13.33%
Quarterly EPS	0.85
Annual EPS (TTM)	3.66

Q1 Highlights

Aaron's delivered adjusted earnings of 85 cents per share, which surpassed the Zacks Consensus Estimate of 75 cents. However, the metric declined 30.5% from the prior-year quarter. Reported loss per share was \$4.19 on a GAAP basis against earnings per share of 82 cents reported in the year-ago quarter.

Consolidated revenues rose 8.8% to \$1101.3 million and surpassed the Zacks Consensus Estimate of \$1,036 million. Revenue growth was mainly backed by an increase in Progressive revenues, partly offset by soft revenues at Aaron's Business segment.

Aaron's franchisee revenues declined 14.7% to \$102.6 million. Same-store revenues for franchised stores decreased 5.2% and same-store customer counts dropped 6.7% in the reported quarter. Notably, the company's franchisees had a customer base of 220,000 at the end of the quarter.

Adjusted EBITDA declined 14.6% year over year to \$98.5 million, with adjusted EBITDA margin declining 250 basis points (bps) to 8.9% when calculated based on the 2019 adoption of ASC 842. The metric was hurt by higher bad debt expenses, lease merchandise and CECL-driven loan loss reserves.

Segment Details

Progressive Leasing

Revenues at the segment grew 25.8% to \$658.5 million in the reported quarter. Moreover, invoice volume rose 13.4%, owing to a 2.9% rise in invoice volume per active door and a 10.2% increase in active doors to roughly 21,800. As of Mar 31, 2020, the division had 998,000 customers, reflecting 15.6% growth year over year. The segment's EBITDA was \$70.2 million, up 7.5% from the year-ago quarter. However, EBITDA margin contracted 180 bps to 10.7%.

Aaron's Business

Total revenues at the Aaron's Business segment fell 9.8% to \$432.8 million, mainly due to net reduction of 183 outlets in the 15 months ended Mar 30, and lower lease portfolio balance impact. Moreover, same-store revenues and customer count on a same-store basis declined 4.6% and 6.4%, respectively.

Non-retail sales tumbled 27.4% on a year-over-year basis. Lease revenues and fees for the three months ended Mar 31, 2020, declined 7.5% from the year-ago quarter. At the quarter-end, the company-operated Aaron's stores had 902,000 customers, reflecting a 9.1% year-over-year drop.

The segment's adjusted EBITDA was \$35 million, down 31.9% year over year owing to lower portfolio balance entering the first quarter and incremental coronavirus-related reserves. Also, adjusted EBITDA margin contracted 260 bps to 8.1%.

As of Mar 31, 2020, Aaron's Business had 1,129 company-operated stores and 318 franchised stores.

Vive

Sales at the Vive segment, formerly known as Dent-A-Med, Inc. (DAMI), amounted to \$9.9 million, up 15.1% from a year ago.

Financial Position

The company ended the quarter with cash and cash equivalents of \$551 million, debt of \$646.1 million, and shareholders' equity of \$1,446.6 million. As of Mar 31, 2020, the company generated cash from operations of \$227.8 million. During the quarter, the company did not repurchase shares but paid dividends of \$2.7 million.

COVID-19 Update

At the onset of the pandemic, the company has implemented several new initiatives. Under Progressive Leasing, management transitioned almost all associates to work from home and put non-essential travel on hold. Also, it provided customers payment relief and lent support to retail partners' businesses.

With respect to Aaron's Business, management shuttered all company-operated showrooms and shifted to a curbside and e-commerce operating model. Also, it furloughed workers and suspended in-home product delivery and setup. Moreover, the company has provided personal protective equipment to store associates. It had also suspended franchise royalty payments worth \$1.1 million in March and \$2.1 million in April.

Recent News

Aaron's Issues Upbeat Second-Quarter View Amid Coronavirus - Jun 8, 2020

Aaron's announced encouraging second-quarter 2020 guidance, which includes the disruptions caused by the pandemic. Notably, revenues are forecasted between \$975 million and \$1 billion in the second quarter. Adjusted earnings are also envisioned to be 80-85 cents per share, whose midpoint of 82.5 cents comes way above the Zacks Consensus Estimate of 43 cents. Management expects revenues and earnings in the third and fourth quarters to be significantly better sequentially, driven by the improving trajectory of its lease origination activity.

With Progressive's retail partners reopening their stores, invoice volumes are showing signs of improvement. Going ahead, management expects this trend to continue. In fact, invoice volumes are envisioned to be flat to down low-single digits during the second quarter. The company also noted that the segment will not incur any costs related to COVID-19 in the said quarter.

Further, revenues in the Aaron's segment are projected to decline 15% year over year due to COVID-19 impacts realized in April 2020. Same-store revenues are anticipated to be down 1.5-2.5%. Also, it highlighted that write-offs related to COVID-19 are likely to improve by almost 100 basis points (bps) year over year in the second quarter. This reflects a significant rise on a sequential basis. Apart from these, no charges associated with COVID-19 will be incurred in the second quarter.

Aaron's Join Hands With Rooms To Go to Offer PPE Amid Coronavirus Crisis - May 28, 2020

Aaron's has partnered with Rooms To Go for offering Personal Protective Equipment (PPE) to Grady Health System given the recent coronavirus outbreak. These PPEs will be used by the Atlanta medical facilities which have been affected by the ongoing pandemic.

Aaron's Approves Dividend – May 13, 2020

Aaron's declared a quarterly cash dividend of 4 cents per share, payable on Jul 7, 2020 to shareholders of record as on Jun 18.

Aaron's Offers Protective Equipment Amid Coronavirus Crisis – Apr 6, 2020

Aaron's informed that its Woodhaven Furniture manufacturing unit (located in Coolidge, Georgia) has converted the production capacity to manufacture personal protective equipment (PPE) to donate to the local medical centers. These include sheets, masks and gowns. In fact, Aaron's has collaborated with healthcare organization, PruittHealth, to offer protective cloth masks with the growing spread of coronavirus. The company is also making efforts to offer hospital gowns, mattresses and bedding for medical and humanitarian requirements.

Aaron's Withdraws Guidance on COVID-19 Impacts - Mar 23, 2020

Aaron's provided an update on the COVID-19 impact on its operations. The company withdrew its 2020 guidance in response to the ongoing COVID-19 outbreak and its unpredictable impacts. Further, management has drawn \$300 million from its revolving credit facility to add to its cash balance. This brings the current revolving credit facility to \$185 million. Also, the company now has a cash balance of \$550 million as of Mar 15.

Moving on, all its Progressive Leasing employees are working from home in a bid to support business and contain the pandemic spread. Moreover, the company will only operate online and curbside services for all its stores, with home delivery facility. Curbside services will include order processing, merchandise pickup, returns and payments. However, all in-home installation services will not be available until further notice.

Valuation

Aaron's shares are down 13.7% in the year-to-date period and 16.8% for the trailing 12-month period. Stocks in the Zacks sub-industry are down 18.3% but the Zacks Retail-Wholesale sector is up 12.4% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 5.3% and 22.5%, respectively.

The S&P 500 index is up 0.2% in the year-to-date period and 11.8% in the past year.

The stock is currently trading at 16.5X forward 12-month earnings, which compares to 22.7X for the Zacks sub-industry, 33.27X for the Zacks sector and 23.35X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.17X and as low as 3.79X, with a 5-year median of 12.92X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$52 price target reflects 17.41X forward 12-month earnings.

The table below shows summary valuation data for AAN

Valuation Multiples - AAN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.5	22.7	33.27	23.35
	5-Year High	18.17	22.7	33.27	23.35
	5-Year Low	3.79	8.32	19.07	15.23
	5-Year Median	12.92	11.52	23.38	17.49
P/S F12M	Current	0.81	0.41	1.12	3.63
	5-Year High	1.21	0.41	1.12	3.63
	5-Year Low	0.23	0.21	0.81	2.53
	5-Year Median	0.77	0.31	0.94	3.02
EV/EBITDA TTM	Current	1.46	5.51	17.5	11.97
	5-Year High	2.32	6.06	17.5	12.85
	5-Year Low	0.53	2.73	10.97	8.25
	5-Year Median	1.72	4.23	12.68	10.81

As of 06/08/2020

Industry Analysis Zacks Industry Rank: Top 23% (57 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Systemax Inc. (SYX)	Outperform	1
Best Buy Co., Inc. (BBY)	Neutral	4
Conn's, Inc. (CONN)	Neutral	3
GameStop Corp. (GME)	Neutral	3
RentACenter, Inc. (RCII)	Neutral	3
RH (RH)	Neutral	1
Mosaic Acquisition Corp. (VVNT)	Neutral	3
Walmart Inc. (WMT)	Neutral	3

Industry Comparison Industry: Retail - Consumer Electronics				Industry Peers		
	AAN	X Industry	S&P 500	CONN	GME	SYX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	1
VGM Score	A	-	-	C	B	B
Market Cap	3.31 B	571.32 M	23.56 B	326.91 M	323.56 M	815.72 M
# of Analysts	8	3.5	14	5	3	1
Dividend Yield	0.32%	0.00%	1.8%	0.00%	0.00%	2.57%
Value Score	A	-	-	B	B	B
Cash/Price	0.18	0.24	0.06	0.30	1.87	0.08
EV/EBITDA	1.55	7.40	13.19	7.71	-2.65	11.51
PEG Ratio	1.12	2.07	3.18	NA	NA	NA
Price/Book (P/B)	2.29	1.33	3.19	0.52	0.54	5.92
Price/Cash Flow (P/CF)	1.40	5.87	12.52	2.42	2.86	15.10
P/E (F1)	18.63	18.92	23.31	NA	NA	19.79
Price/Sales (P/S)	0.82	0.66	2.51	0.21	0.05	0.87
Earnings Yield	5.30%	0.40%	4.15%	-4.26%	-32.93%	5.05%
Debt/Equity	0.45	0.43	0.76	2.16	1.55	0.41
Cash Flow (\$/share)	35.14	1.75	7.01	4.65	1.75	1.44
Growth Score	A	-	-	C	B	C
Hist. EPS Growth (3-5 yrs)	15.85%	21.61%	10.87%	27.76%	-24.13%	48.35%
Proj. EPS Growth (F1/F0)	-33.03%	-16.89%	-10.76%	-125.00%	-848.50%	-20.86%
Curr. Cash Flow Growth	13.84%	5.05%	5.48%	8.16%	-66.61%	5.05%
Hist. Cash Flow Growth (3-5 yrs)	15.48%	13.36%	8.55%	9.76%	-26.81%	49.91%
Current Ratio	3.05	1.49	1.29	6.53	1.32	1.66
Debt/Capital	30.87%	30.87%	44.75%	68.35%	60.82%	28.98%
Net Margin	-7.55%	3.60%	10.59%	3.86%	-7.28%	4.99%
Return on Equity	14.53%	14.53%	16.26%	9.91%	2.29%	31.30%
Sales/Assets	1.26	1.66	0.55	0.72	2.05	2.44
Proj. Sales Growth (F1/F0)	-1.22%	-4.06%	-2.62%	-12.42%	-10.80%	-5.48%
Momentum Score	D	-	-	D	F	B
Daily Price Chg	8.14%	0.72%	1.55%	22.50%	21.01%	0.65%
1 Week Price Chg	23.46%	5.69%	7.51%	27.42%	1.97%	3.05%
4 Week Price Chg	42.80%	11.24%	15.61%	78.61%	5.25%	11.24%
12 Week Price Chg	103.64%	46.04%	38.10%	157.31%	14.65%	46.90%
52 Week Price Chg	-16.80%	-12.35%	3.66%	-34.21%	-7.90%	6.30%
20 Day Average Volume	912,977	60,322	2,648,536	1,009,005	3,068,677	88,322
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-24.09%	0.00%
(F1) EPS Est 4 week change	-4.36%	-2.18%	0.00%	0.00%	-74.25%	0.00%
(F1) EPS Est 12 week change	-33.33%	-33.33%	-15.97%	-123.86%	-1,050.20%	NA
(Q1) EPS Est Mthly Chg	-12.50%	-0.15%	0.00%	0.00%	-5.73%	0.00%

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 have an excellent 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	A
Momentum Score	D
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.

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