

## Align Technology (ALGN)

**\$262.89** (As of 01/30/20)

Price Target (6-12 Months): **\$276.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 09/23/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:A

Value: C

Growth: A

Momentum: B

### Summary

Align Technology reported better-than-expected results for fourth-quarter 2019, with earnings and revenues beating the Zacks Consensus Estimate. We are upbeat about the continued momentum in Invisalign volumes across all geographies. The sustained expansion of Invisalign customer base, particularly in teenage patient markets, buoys optimism. Strong revenue growth in iTero scanners and services is also encouraging. The recently-inked distribution deal with Zimmer Biomet is impressive as well. The launch of the iTero Element 5D Imaging System is a crucial development. An upbeat first-quarter guidance is indicative that the overall strong growth momentum will continue. Reflective of these, the company has outperformed its industry in the past six months. On the flip side, operating costs escalated in the fourth quarter.

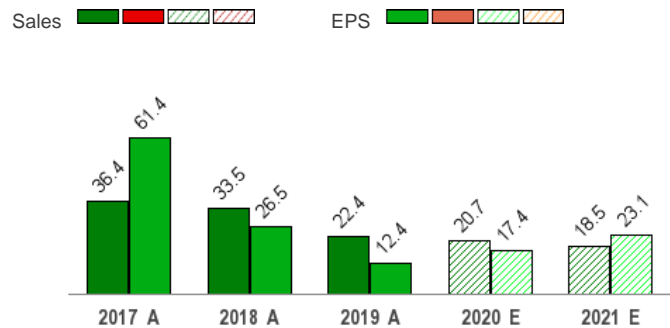
### Price, Consensus & Surprise



### Data Overview

|                            |   |
|----------------------------|---|
| 52 Week High-Low           | \$334.64 - \$169.84                       |
| 20 Day Average Volume (sh) | 888,609                                   |
| Market Cap                 | \$20.7 B                                  |
| YTD Price Change           | -5.8%                                     |
| Beta                       | 2.05                                      |
| Dividend / Div Yld         | \$0.00 / 0.0%                             |
| Industry                   | <a href="#">Medical - Dental Supplies</a> |
| Zacks Industry Rank        | Top 43% (109 out of 255)                  |

### Sales and EPS Growth Rates (Y/Y %)



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 10.1%      |
| Last Sales Surprise       | 0.6%       |
| EPS F1 Est- 4 week change | 0.1%       |
| Expected Report Date      | 04/22/2020 |
| Earnings ESP              | -0.5%      |
| P/E TTM                   | 47.5       |
| P/E F1                    | 40.5       |
| PEG F1                    | 1.7        |
| P/S TTM                   | 8.6        |

### Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | 801 E | 865 E | 896 E | 937 E | 3,445 E |
| 2020 |       | 722 E | 740 E | 789 E | 2,906 E |
| 2019 | 549 A | 601 A | 607 A | 650 A | 2,407 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.84 E | \$1.96 E | \$2.03 E | \$2.33 E | \$7.99 E |
| 2020 | \$1.39 E | \$1.62 E | \$1.63 E | \$1.95 E | \$6.49 E |
| 2019 | \$0.89 A | \$1.83 A | \$1.28 A | \$1.53 A | \$5.53 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 01/30/2020. The reports text is as of 01/31/2020.

## Overview

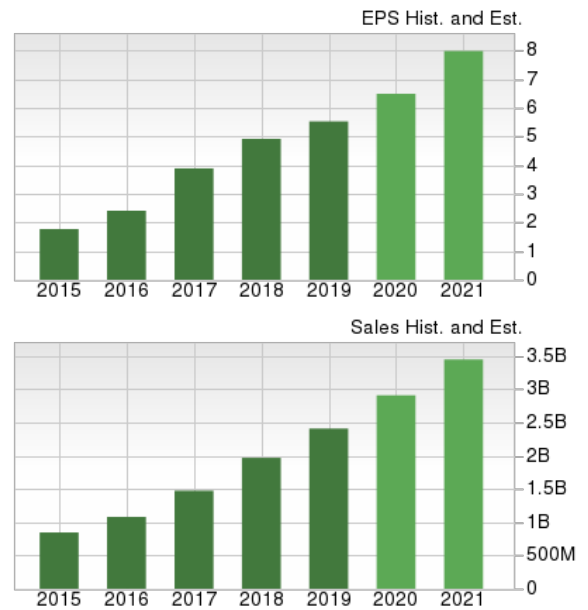
Align Technology, based in California, manufactures and markets a system of clear aligner therapy, intra-oral scanners and CAD/CAM (computer-aided design and computer-aided manufacturing) digital services used in dentistry, orthodontics, and dental records storage. The clear aligner system corrects malocclusion using nearly invisible and removable appliances that gently move the tooth to a desired final position.

Align presently has 2 operating segments, **Clear Aligner** (84.2% of total revenues in 2019), known as the Invisalign system and the **Scanner and Services** (15.8% of total revenues in 2019) which is known as the iTero intra-oral scanners and OrthoCAD services (which we earlier referred to as Scanner and CAD/CAM Services). In fiscal 2019, the Clear Aligner segment registered revenue growth of 19.8% from 2018, while the latter registered revenue growth of 38.5% from 2018.

### Product portfolio:

**Invisalign System** – An exclusive method to treat malocclusion based on a series of doctor-prescribed, custom manufactured, clear plastic removable orthodontic aligners. The Invisalign system offers a range of treatment options, specialized services, and proprietary software for treatment visualization and comprises several phases.

The Clear Aligner products are Invisalign Full, Teen and Assist (Full Products), Express/Lite (Express Products), Vivera retainers, along with training and ancillary products for treating malocclusion.



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## Reasons To Buy:

▲ **Share Price Performance:** Align Technology has been outperforming its industry over the past six months. The stock has gained 30% against the industry's 5.4% fall. We are upbeat about the company once again reporting better-than-expected quarterly numbers. The continued momentum in Invisalign volumes across all geographies has buoyed optimism on the stock. The solid adoption of Invisalign treatment on increased utilization rates has been impressive. The continued expansion of Invisalign customer base, particularly in the teenage patient markets, has been encouraging. Strong revenue growth in iTero scanners and services has driven the share price. An upbeat first-quarter guidance is indicative of the overall strong growth momentum to continue.

Align Technology's recent product development, balanced growth observed across all channels and the company's consistent focus in international markets to drive growth and bolster our confidence in the stock.

▲ **Solid Growth Prospects:** In sync with its last-year performance, Align Technology continued with its streak of delivering a strong Invisalign Technology volume growth across the company's entire customer base.

In the fourth quarter, revenues at the Clear Aligner segment rose 22% year over year. Within the segment, Invisalign case shipments grew 23.9% year over year. The upside was primarily driven by continued adoption by teenage and younger patients as well as increased utilization among orthodontists and expansion of the company's global customer base. During the quarter, Invisalign volumes were up 19.3% and 30.1% year over year in the Americas and International regions, respectively. Invisalign volume for teenage patients was up 33.1% year over year.

Geographically, the company witnessed strength in North America as well as overseas. Year-over-year Invisalign case volume growth in the fourth quarter reflects continued adoption in both orthodontist and GP dentists' channels, which were up 20.5% and 17.3%, respectively. Within Latin America, volume was up 79% year over year driven by solid growth in Brazil. For the full year, America's Invisalign volume was up 17.5%.

Revenues from Scanner and Services improved a significant 20.2% on increased sales of iTero scanner and services.

▲ **Invisalign Portfolio Expansion:** Align Technology's Invisalign portfolio offers orthodontic treatment to straighten teeth without metal braces.

At the beginning of the fourth quarter in North America, the company launched the Invisalign Moderate package, a 20-stage treatment solution, designed for consumers whose treatment goals fall between the existing Invisalign Lite and Invisalign comprehensive packages and can be completed in the range of five months to one year. The company also launched SmileView, an online tool created to help potential Invisalign patients visualize a straighter smile before starting with Invisalign treatment. Strong growth in Invisalign Go systems across all geographies mirrored continued progress with GP dentists as well as boost from Invisalign Moderate.

For 2019, Invisalign treatment with mandibular advancement grew 85% year over year and Invisalign First witnessed a 455% year-over-year surge.

At present, the company is successfully rolling out the Invisalign First clear aligners for treatment of younger patients with early mixed dentition in the United States, Australia, New Zealand, Japan, and the EMEA. This apart, another product in the company's portfolio — the Invisalign treatment with mandibular advancement — currently addresses roughly 45% of teen cases and is the only clear aligner to move the mandibular forward while straightening teeth at the same time.

▲ **iTero in Focus:** Align Technology has been focusing on expanding work flow options of its leading iTero scanners. Cumulatively, 20.5 million orthodontic scans and 4.7 million restorative scans have been performed with iTero scanners by 2019-end. According to the company, use of the iTero scanners for Invisalign case submissions continues to grow and remains a positive catalyst for Invisalign utilization.

Fourth quarter was a strong one for the company's iTero scanner and services as the segment generated 6.6% sequential and 20.2% year-over-year growth in revenues, driven by strength in all regions. Volume growth during the quarter reflected continued commercialization of the iTero Element 2 and Element Flex scanners. With its major DSO partners, the company continued the rollout of these offerings, especially for orthodontists in North America, and also witnessed an increase in international sales, especially in Japan.

In August 2019, the company announced the commercial launch of the iTero Element 2 scanner in China with the first Made-in-China iTero Element 2 produced in its manufacturing facility in Ziyang. We also look forward to the company's recently inked global distribution deal with Zimmer Biomet Dental for the iTero Element suite of intra-oral scanners. The partnership has enabled further penetration of iTero scanners and services in the growing digital restorative market.

▲ **International Focus to Drive Growth:** Align Technology has undertaken several strategies to improve adoption of Invisalign Technology that includes product/technology development, extending clinical effectiveness, extension of the Invisalign Technology brand and driving international growth.

For the international business, fourth quarter was a solid one with Invisalign case volume up 10.5% sequentially, driven by robust performance in the EMEA region. On a year-over-year basis, strong Invisalign volume growth of 30.1% reflects increased utilization rates and consistent expansion of the company's customer base across both EMEA and Asia-Pacific markets. On a year-over-year basis, APAC volume was up 28% led by growth in Japan, Australia, New Zealand and Southeast Asia. For the year, APAC volume was up 33.7%.

▲ **Strong Balance Sheet:** At the end of the fiscal, Align Technology had cash, cash equivalents and short-term marketable securities of \$868.6 million, compared with \$744.5 million at the end of fiscal 2018. At the end of fiscal 2019, net cash provided by operating activities was \$747.2 million, compared with \$554.7 million at the end of the year-ago period.

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## Reasons To Sell:

- ▼ **Invisalign Store Closure Hampers Growth:** Since April 2018 Align was engaged in an arbitration proceeding with the SDC Entities stemming from the claim that the company's Invisalign retail stores violate non-compete provisions applicable to the members of SDC Financial LLC, including Align. In March, Align Tehcnology finally announced that the outcome of the proceedings did not come in favor of the company.
- ▼ **Competitive Landscape:** Align Technology faces significant competition from traditional orthodontic appliance (or wires and brackets) players such as 3M's Unitek, Danaher Corporation's Sybron Dental Specialties and Dentsply International. The company also competes with products similar to InvisAlign Technology, such as the products from Ormco Orthodontics, a division of Sybron Dental Specialties. Align Technology has witnessed a continuous decline in ASP primarily resulting from advantage rebate, promotional activity and product mix.
- ▼ **Economic Uncertainty:** The general slowdown in the U.S. and certain international economies is having a negative impact on consumer spending and affecting Align Technology's business fundamentals. Align Technology attributed the waning earnings to the macro economic crisis that affected the overall dental market and led to continued soft dental sales for Align Technology. Dental procedures are primarily elective in nature and are deferred when unemployment levels rise. Continued weakness in the global economy results in a challenging environment for dental technology sales; dentists may postpone investments in capital equipment, such as intra-oral scanners. Although we expect a gradual pickup in patient traffic, any hiccup in the recovery process will aggravate the situation.
- ▼ **Currency Headwinds:** The significant challenges arising from unfavorable foreign currency translation have been affecting Align Technology's financials over the past few quarters. Per management, significant currency fluctuations could have a material impact on revenues, cost of sales and operational results.
- ▼ **Overdependence on InvisAlign Technology System:** A vast majority of Align Technology's total net revenues largely depends on the sale of its InvisAlign Technology System, primarily InvisAlign Technology Full and InvisAlign Technology Teen, and the same trend is expected to continue at least in the near future. Thereby, continued and widespread market acceptance of InvisAlign Technology by orthodontists, GPs and consumers is critical to Align Technology's future success. Management fears that if orthodontists and GPs somehow experience a reduction in consumer demand for orthodontic services, or consumers become reluctant to adopt InvisAlign Technology as rapidly as management expects that might hurt the company's business heavily. Also, if consumers start to prefer a competitive product over InvisAlign Technology or if the average selling price of Align Technology product declines, the company's operating results will suffer a severe setback.

We remain concerned about the current economic uncertainty which continues to cast a negative impact on Align's dental procedures. The competitive landscape also remains an overhang.

## Last Earnings Report

### Align Technology Earnings Beat in Q4, Margins Rise

Align Technology, Inc.'s fourth-quarter 2019 earnings per share were \$1.53, reflecting a 27.5% increase from a year ago. The figure beat the Zacks Consensus Estimate by 10.1%.

For 2019, earnings came in at \$5.53, showing a year-over-year increase of 12.4%. The figure surpassed the Zacks Consensus Estimate by 2.6%.

#### Revenues

Revenues grew 21.7% year over year to \$649.8 million in the quarter, surpassing the Zacks Consensus Estimate by 0.6%.

The robust top-line performance was led by double-digit increase in Invisalign case shipments from the year-ago quarter. Moreover, increased revenues from iTero scanner contributed substantially.

For the full year, revenues totaled \$2.41 billion, up 22.4% from the year-ago number. The figure beat the Zacks Consensus Estimate by a marginal 0.4%.

#### Segments in Detail

In the fourth quarter, revenues at the Clear Aligner segment rose 22% year over year to \$543.6 million. Within the segment, Invisalign case shipments amounted to 413.7 thousand, up 23.9% year over year. The upside was primarily driven by continued adoption by teenage and younger patients as well as increased utilization among orthodontists and expansion of the company's global customer base.

During the quarter, Invisalign volumes were up 19.3% and 30.1% year over year in the Americas and International regions, respectively. Invisalign volume for teenage patients was 116,000 cases, up 33.1% year over year.

Revenues from Scanner and Services improved a significant 20.2% to \$106.2 million on increased sales of iTero scanner and services.

#### Margins

Gross margin in the quarter under review expanded 89 basis points (bps) year over year to 72.6% despite a 17.8% rise in cost of net revenues.

During the quarter, Align Technology witnessed a 23.2% year-over-year increase in selling, general and administrative expenses to \$279.5 million and a 15.4% rise in research and development expenses to \$41.3 million. However, operating margin expanded 70 bps to 23.3% in the quarter under review.

#### Financial Details

At the end of the fiscal year, Align Technology had cash, cash equivalents and short-term marketable securities of \$868.6 million, compared with \$744.5 million at the end of fiscal 2018.

At the end of 2019, net cash provided by operating activities was \$747.2 million, compared with \$554.7 million at the end of the year-ago period.

In the reported quarter, Align Technology repurchased 389,000 stocks under its accelerated stock repurchase agreement (introduced in July 2019). The company currently has approximately \$100 million left under its May 2018 repurchase program.

#### Q1 Guidance

For the first quarter of 2020, the company projects EPS of \$1.19 to \$1.28 on revenues of \$615 million to \$630 million, (indicating 12-15% growth from a year ago). The company estimates Invisalign case shipments in the band of 396,000-406,000, suggesting a 13% to 16% rise from a year ago.

Meanwhile, the Zacks Consensus Estimate for first-quarter EPS is pinned at \$1.44 on revenues of \$658.9 million. Both earnings and revenue estimates lie above their respective projected bands.

Quarter Ending **12/2019**

|                  |              |
|------------------|--------------|
| Report Date      | Jan 29, 2020 |
| Sales Surprise   | 0.59%        |
| EPS Surprise     | 10.07%       |
| Quarterly EPS    | 1.53         |
| Annual EPS (TTM) | 5.53         |

## Recent News

On **Oct 31, 2019**, Align Technology launched a new Invisalign product offering to empower doctors with new tools and technology which can help them better serve the rapidly expanding market for clear aligner treatment.

On **Oct 16, 2019**, Align Technology partnered with Covestro to showcase the jointly developed Material Solution, Invisalign clear aligner system for straightening teeth, made with patented SmartTrack material, at the K 2019 Plastics Trade Fair in Düsseldorf, Germany to be held between Oct 16 – 23, 2019.

## Valuation

Align Technology shares are up 29.9% in the six months period and up 7.8% in the trailing 12-month periods. Stocks in the Zacks sub-industry are down 5.4% while the Zacks Medical sector rose 6.9% in the six months period. Over the past year, the Zacks sub-industry is down 1.1% and sector is up 2%.

The S&P 500 index is up 11.4% in the six months period and up 7.8% in the past year.

The stock is currently trading at 39.7X Forward 12-months earnings, which compares to 18.2X for the Zacks sub-industry, 21.2X for the Zacks sector and 18.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 69.2X and as low as 25.6X, with a 5-year median 36.4X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$276 price target reflects 41.7 x forward 12-months earnings.

The table below shows summary valuation data for ALGN.

| Valuation Multiples-ALGN |               |       |              |        |         |
|--------------------------|---------------|-------|--------------|--------|---------|
|                          |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                 | Current       | 39.68 | 18.17        | 21.24  | 18.80   |
|                          | 5Year High    | 69.22 | 19.99        | 21.24  | 19.34   |
|                          | 5-Year Low    | 25.62 | 13.70        | 15.85  | 15.18   |
|                          | 5-Year Median | 36.37 | 16.67        | 18.92  | 17.45   |
| P/S F12M                 | Current       | 7.02  | 0.37         | 2.82   | 3.49    |
|                          | 5-Year High   | 13.81 | 0.37         | 3.82   | 3.49    |
|                          | 5-Year Low    | 4.44  | 0.23         | 2.43   | 2.54    |
|                          | 5-Year Median | 6.88  | 0.28         | 2.95   | 3.00    |
| P/B TTM                  | Current       | 15.87 | 4.65         | 4.52   | 4.48    |
|                          | 5-Year High   | 26.31 | 4.93         | 5.02   | 4.55    |
|                          | 5-Year Low    | 5.34  | 2.53         | 3.43   | 2.85    |
|                          | 5-Year Median | 11.05 | 3.45         | 4.29   | 3.62    |

As of 1/30/2020

## Industry Analysis Zacks Industry Rank: Top 43% (109 out of 255)



## Top Peers

|                                    |         |
|------------------------------------|---------|
| CONMED Corporation (CNMD)          | Neutral |
| Danaher Corporation (DHR)          | Neutral |
| Endologix, Inc. (ELGX)             | Neutral |
| Henry Schein, Inc. (HSIC)          | Neutral |
| 3M Company (MMM)                   | Neutral |
| Merit Medical Systems, Inc. (MMSI) | Neutral |
| Patterson Companies, Inc. (PDCO)   | Neutral |
| DENTSPLY SIRONA Inc. (XRAY)        | Neutral |

| Industry Comparison Industry: Medical - Dental Supplies |              |            |           | Industry Peers |              |              |
|---|--------------|------------|-----------|----------------|--------------|--------------|
|   | ALGN Neutral | X Industry | S&P 500   | HSIC Neutral   | PDCO Neutral | XRAY Neutral |
| <b>VGM Score</b>  | <b>A</b>     | -          | -         | <b>A</b>       | <b>A</b>     | <b>B</b>     |
| Market Cap  | 20.72 B      | 1.41 B     | 23.94 B   | 10.49 B        | 2.21 B       | 12.82 B      |
| # of Analysts   | 9            | 5          | 13        | 9              | 8            | 9            |
| Dividend Yield  | 0.00%        | 0.00%      | 1.77%     | 0.00%          | 4.50%        | 0.69%        |
| <b>Value Score</b>                                      | <b>C</b>     | -          | -         | <b>B</b>       | <b>A</b>     | <b>C</b>     |
| Cash/Price  | 0.04         | 0.06       | 0.04      | 0.01           | 0.06         | 0.02         |
| EV/EBITDA   | 38.32        | 11.50      | 14.14     | 11.68          | 12.24        | 28.33        |
| PEG Ratio   | 1.67         | 2.07       | 2.01      | 2.18           | 2.53         | 1.81         |
| Price/Book (P/B)  | 15.39        | 3.81       | 3.25      | 3.03           | 1.52         | 2.55         |
| Price/Cash Flow (P/CF)                                  | 27.73        | 12.93      | 13.56     | 12.93          | 10.29        | 6.84         |
| P/E (F1)  | 39.04        | 22.38      | 18.90     | 19.29          | 16.27        | 21.31        |
| Price/Sales (P/S)                                       | 8.61         | 1.56       | 2.64      | 0.98           | 0.40         | 3.22         |
| Earnings Yield  | 2.47%        | 3.62%      | 5.28%     | 5.19%          | 6.15%        | 4.69%        |
| Debt/Equity   | 0.03         | 0.32       | 0.72      | 0.30           | 0.49         | 0.30         |
| Cash Flow (\$/share)                                    | 9.48         | 1.80       | 6.92      | 5.53           | 2.24         | 8.42         |
| <b>Growth Score</b>                                     | <b>A</b>     | -          | -         | <b>B</b>       | <b>B</b>     | <b>B</b>     |
| Hist. EPS Growth (3-5 yrs)                              | 32.16%       | 8.77%      | 10.68%    | 8.77%          | -12.79%      | -4.15%       |
| Proj. EPS Growth (F1/F0)                                | 17.40%       | 10.76%     | 7.59%     | 7.41%          | 1.43%        | 10.13%       |
| Curr. Cash Flow Growth                                  | 64.25%       | 9.29%      | 10.81%    | 10.44%         | -11.19%      | -27.39%      |
| Hist. Cash Flow Growth (3-5 yrs)                        | 25.81%       | 12.65%     | 8.78%     | 8.23%          | -3.58%       | 31.76%       |
| Current Ratio   | 1.68         | 1.70       | 1.22      | 1.63           | 1.59         | 2.08         |
| Debt/Capital  | 3.13%        | 26.85%     | 42.99%    | 27.89%         | 32.97%       | 23.13%       |
| Net Margin  | 18.40%       | 4.08%      | 11.69%    | 4.66%          | 1.01%        | 4.08%        |
| Return on Equity  | 30.06%       | 15.73%     | 17.33%    | 15.93%         | 8.97%        | 10.08%       |
| Sales/Assets  | 1.02         | 1.02       | 0.55      | 1.43           | 1.67         | 0.46         |
| Proj. Sales Growth (F1/F0)                              | 20.75%       | 5.42%      | 4.12%     | 3.48%          | 0.86%        | 2.95%        |
| <b>Momentum Score</b>                                   | <b>B</b>     | -          | -         | <b>C</b>       | <b>D</b>     | <b>B</b>     |
| Daily Price Chg   | 0.49%        | -0.37%     | 0.36%     | 1.45%          | 0.48%        | -2.21%       |
| 1 Week Price Chg  | -3.82%       | 0.00%      | -1.09%    | 2.76%          | 0.30%        | -0.50%       |
| 4 Week Price Chg  | -7.33%       | 3.16%      | -0.22%    | 6.48%          | 13.07%       | 1.23%        |
| 12 Week Price Chg                                       | 1.53%        | 6.29%      | 4.08%     | 3.97%          | 25.07%       | 0.96%        |
| 52 Week Price Chg                                       | 5.60%        | 6.61%      | 16.06%    | -8.02%         | 3.63%        | 37.38%       |
| 20 Day Average Volume                                   | 888,609      | 296,100    | 1,808,632 | 894,525        | 939,890      | 1,091,969    |
| (F1) EPS Est 1 week change                              | 0.07%        | 0.00%      | 0.00%     | 0.00%          | 0.00%        | 0.00%        |
| (F1) EPS Est 4 week change                              | 0.10%        | 0.00%      | 0.00%     | 0.00%          | 0.00%        | 0.12%        |
| (F1) EPS Est 12 week change                             | 0.31%        | 0.16%      | -0.09%    | -1.13%         | 3.18%        | 1.25%        |
| (Q1) EPS Est Mthly Chg                                  | -13.24%      | 0.00%      | 0.00%     | 0.19%          | 0.00%        | 0.30%        |



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## 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.

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### 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   | A |
| 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.

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### Disclosures

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