

Abercrombie & Fitch (ANF)

\$10.16 (As of 04/15/20)

Price Target (6-12 Months): **\$12.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/14/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

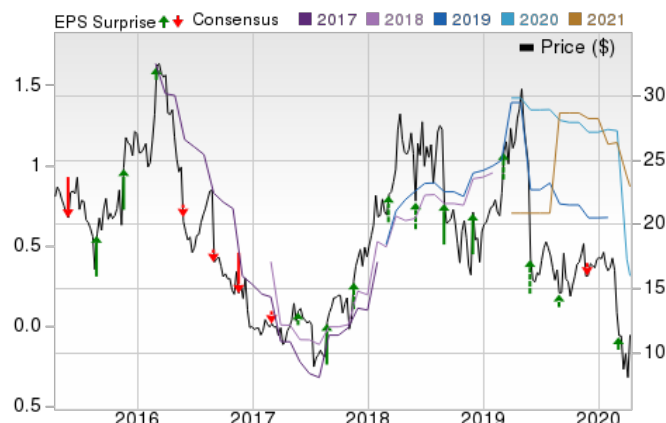
Growth: B

Momentum: F

Summary

Shares of Abercrombie have outpaced the industry year to date despite the ongoing effects of the coronavirus outbreak. The company reported earnings and sales beat in fourth-quarter fiscal 2019. It witnessed robust top line growth, driven by impressive holiday season sales and strength in the United States. Also, its transformation initiatives, including store fleet optimization, omni-channel expansion and investment in loyalty program bode well. However, the company is likely to witness potential impacts from the coronavirus outbreak as all stores in North America and EMEA regions remain closed. Consequently, it withdrew the guidance for fiscal 2020. Further, the company has furloughed majority of its associates, drawn on its credit facility and suspended share repurchases to restore financial flexibility in these tough times.

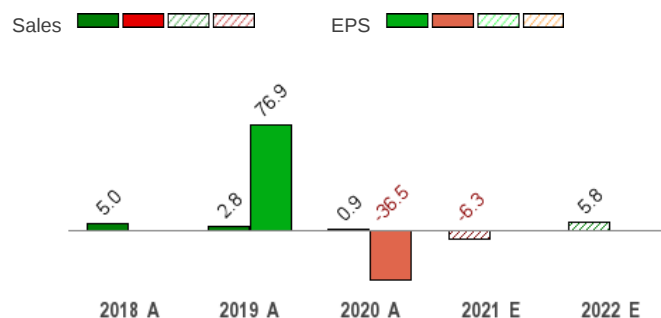
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$30.63 - \$7.42
20 Day Average Volume (sh)	2,669,784
Market Cap	\$625.8 M
YTD Price Change	-41.2%
Beta	1.33
Dividend / Div Yld	\$0.80 / 7.9%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Bottom 18% (207 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.5%
Last Sales Surprise	1.6%
EPS F1 Est- 4 week change	-130.0%
Expected Report Date	06/03/2020
Earnings ESP	-15.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					3,590 E
2021	580 E	734 E	859 E	1,195 E	3,393 E
2020	734 A	841 A	863 A	1,185 A	3,623 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$0.81 E
2021	-\$0.96 E	-\$0.57 E	\$0.14 E	\$1.27 E	-\$0.19 E
2020	-\$0.29 A	-\$0.48 A	\$0.23 A	\$1.31 A	\$0.73 A

*Quarterly figures may not add up to annual.

P/E TTM	13.2
P/E F1	NA
PEG F1	NA
P/S TTM	0.2

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/15/2020. The reports text is as of 04/16/2020.

Overview

Abercrombie & Fitch Co. operates as a specialty retailer of premium, high-quality casual apparel for men, women, and kids through a network of 850 stores across North America, Europe, Asia and the Middle East.

Abercrombie's product portfolio includes knit and woven shirts, graphic T-shirts, fleece, jeans and woven pants, shorts, sweaters, outerwear, personal care products and accessories for men, women and kids, under the Abercrombie & Fitch, abercrombie kids and Hollister brands.

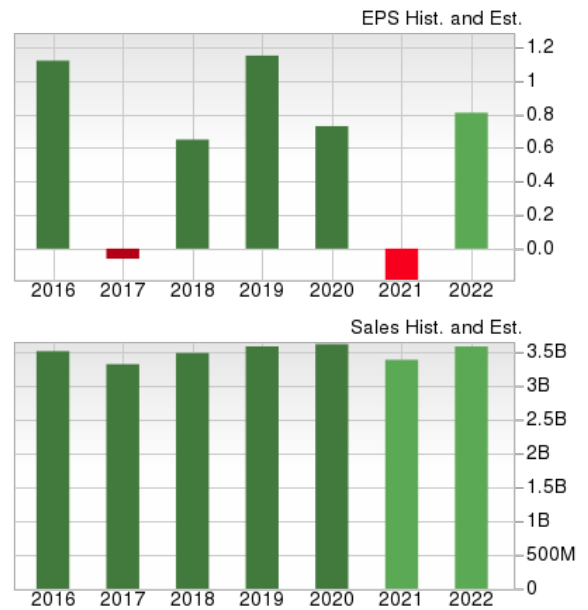
Additionally, the company sells inner wear, personal care products, sleepwear and at-home products for girls through direct-to-consumer operations and Hollister stores under the Gilly Hicks brand. It also sells products through its e-commerce platform.

Region-wise, Abercrombie reports its sales under two segments – U.S. Stores and International Stores.

- **U.S. Stores** includes the results from store operations and direct-to-consumer business in the U.S. and Puerto Rico.
- **International Stores** includes the store operations and direct-to-consumer business in Canada, Europe, Asia, Australia and the Middle East.

Brand-wise, Abercrombie reports in two segments – Abercrombie and Hollister.

- **Abercrombie** includes the Abercrombie & Fitch and abercrombie kids brands. Abercrombie & Fitch, targeted at the college-going crowd, is positioned as a luxury lifestyle concept that uses the finest materials to create high-quality casual wear. abercrombie kids, themed as "classic cool", is aimed at pre-teens and is the children's version of Abercrombie & Fitch.
- **Hollister** is based on a South California theme, and targets youth in their late teens. Stores under this brand also offer intimate products of the Gilly Hicks brand.



Reasons To Buy:

- ▲ **Strong Performance in the United States & Abercrombie Brand:** Abercrombie's sales got back on track, witnessing year-over-year growth of 2.5% and surpassing the Zacks Consensus Estimate in fourth-quarter fiscal 2019. However, the top line rose 3% on a constant-currency basis. Despite bankruptcies in retail, lesser days between Thanksgiving and Christmas and a huge inventory, the company witnessed sturdy performance in Black Friday and Cyber Monday events. In fact, the fourth quarter recorded the highest revenues in Abercrombie's history. Moreover, the company marked its best top line over the past five years in the United States, with the region registering its 10th successive quarter of comps growth of more than 3%. Notably, net sales grew 5% in the United States, while it rose 7% for the Abercrombie brand. Comps improved 8% for the Abercrombie brand. Overall, the company's comps also benefited from strong performance in the United States, owing to continued double-digit growth in digital and positive traffic trends. Further, Hollister and Abercrombie brands witnessed positive comps in the United States. Shares of the company have plunged 41.3% year to date compared with the industry's decline of 44.1%.

Abercrombie focuses on enhancing customer experience by investing in loyalty programs, store fleet and omni-channel capabilities. This keeps it on track to reach fiscal 2020 profitability goal.
 - ▲ **Focus on Digital & Omni-Channel:** Abercrombie is making significant progress in expanding digital and omni-channel capabilities. The company's investments in mobile, omni-channel and fulfillment have significantly aided the growth of its digital business. Notably, digital engagement with consumers has been its core strength. Digital business continued to perform well backed by robust momentum across both brands and geographies. Further, it delivered double-digit growth in both the digital and omni-channel platforms during the fourth quarter. In fact, digital traffic came ahead of store traffic in the reported quarter. Going ahead, the company is progressing well on its goal of delivering integrated digital and in-store shopping experiences. The company's 'purchase online, pick up in store' (POPinS), and 'order in-store' capabilities are delivering strong results. Also, increased investments in marketing and loyalty programs are likely to aid digital growth.
 - ▲ **Store Fleet Optimization:** Abercrombie has been closely working on its goals to optimize store fleet, which has resulted in significant store closures over the past eight years. The company considers these closures as an opportunity to improve store productivity by reducing store occupancy costs. In fact, global store optimization is a key component of its efforts to deliver operating margin expansion and reach goals for fiscal 2020. Keeping in these lines, the company exited 15 flagship stores including A&F Copenhagen, A&F Milan, A&F London Kids on Savile Row and Hollister SoHo in New York City in fiscal 2019. Despite this, the remaining 15 stores have had an adverse impact of 15 bps and 50 bps on comps and operating margin in the fiscal. Going ahead, three more flagship stores are likely to be closed in a bid to reduce store occupancy. As part of its continued focus on optimizing store fleet, the company delivered 90 new store experiences in fiscal 2019. For fiscal 2020, the company intends to deliver about 75 new experiences, including 30 Abercrombie and kids and 45 Hollisters.
 - ▲ **Transformation Initiatives:** Abercrombie is progressing well with its transformational plan. In this regard, the company's store associates are well trained and equipped with handheld devices to improve customers shopping experience and checkout process. Moreover, it has reduced production exposure in China to 22% in fiscal 2019 along with adding manufacturing facilities in Southeast Asia. Apart from opening regional offices in London and Shanghai, the company launched China loyalty program as well as improved its Hollister and Abercrombie loyalty programs in the United States. Earlier, it launched expanded payment options in the United States, a partnership with Klarna and provided Instagram checkout.
 - ▲ **Sound Balance Sheet & Shareholder-Friendly Moves:** Abercrombie's balance sheet had cash and cash equivalents of \$671.3 million as of Feb 1, 2020, and gross borrowings of \$233.3 million. In fiscal 2019, the company spent \$202.8 million as capital expenditure and expects to spend \$175 million in fiscal 2020. The company's healthy cash flow generation ability supports dividend payouts, share repurchases and strategic investments. In fiscal 2019, it bought back 4 million shares, following which it had 4.6 million shares remaining under its current repurchase authorization. Further, it declared a quarterly cash dividend of 20 cents per share on the Class A shares, which was paid out on Mar 16, 2020.
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Reasons To Sell:

- ▼ **COVID-19 Compels to Withdraw Outlook:** The crippling effect of the coronavirus outbreak has been leading to supply-chain disruptions, slowdown in production activities and reduced demand for several commodities. In response to the continued spread of COVID-19, Abercrombie has temporarily closed all stores in North America and EMEA until further notice. The retailer has also chosen to withdraw its first-quarter and fiscal 2020 guidance. Recently, the company decided to furlough majority of its associates and temporarily reduce work schedules and corresponding pay for about 15% of its corporate employees effective Apr 12. Moreover, it has drawn down \$210 million on its revolving credit facility and suspended its share repurchase program citing future uncertainty.
- ▼ **Stock Looks Overvalued:** Considering price-to-earnings (P/E) ratio, Abercrombie looks pretty overvalued when compared with the industry. The stock has a trailing 12-month P/E ratio of 13.2x, which is below the median level of 18x and the high level of 25.1x, scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 8x for the industry. Given these factors, we believe that the stock is quite stretched from the P/E aspect.
- ▼ **International Business & Hollister Brand:** Abercrombie has been witnessing soft results for the Hollister brand and international markets for a while now. Notably, comps declined 2% for Hollister and 3% in international markets. Also, net sales were flat at \$710.5 million for the Hollister brand, while the metric dropped 2% in international markets. The decline in international business was primarily due to escalating macro headwinds in key markets. The company is facing uncertainties related to Brexit, which continue to hurt sales in the U.K. — its largest international market. Additionally, adverse impact on its Asia operations from the coronavirus outbreak in the latter part of the quarter also hurt sales in the region. Notably, Hollister has greater international presence compared with Abercrombie. Consequently, comps decline for the Hollister brand also reflected the impacts of the aforementioned headwinds related to the international business.
- ▼ **Soft Q4 Margins:** In fourth-quarter fiscal 2019, gross margin contracted 90 basis points (bps) (down 40 bps in constant currency), driven by higher average unit costs (AUC) offset by increase in AUR along with an adverse currency impact of 50 bps. Moreover, adjusted operating income declined 3.9% year over year. Adjusted operating margin contracted 10 bps year over year and 20 bps at constant currency. Driven by soft margins, Abercrombie's earnings declined 3% in the fiscal fourth quarter.
- ▼ **Currency & Tariff Headwinds, a Worry:** Abercrombie has been grappling with headwinds stemming from unfavorable foreign currency movements and higher tariffs. In this regard, Abercrombie's fourth-quarter sales were adversely impacted by foreign currency to the tune of roughly \$3 million. Further, currency woes of about \$7 weighed on the adjusted earnings. Gross margin in the reported quarter included currency headwinds of about 50 basis points (bps) as well as a 30-bp impact from tariffs. Persistence of such downsides is likely to affect the company's results in the near term.

Abercrombie is likely to witness significant impacts from the COVID-19 outbreak, which compelled it to withdraw first quarter and fiscal 2020 guidance. Currency and tariff have been headwinds.

Last Earnings Report

Abercrombie Q4 Earnings Beat, Coronavirus to Mar FY20

Abercrombie & Fitch reported robust fourth-quarter fiscal 2019 results, wherein top and bottom lines outpaced the Zacks Consensus Estimate. While sales improved on a year-over-year basis, earnings declined. Further, management provided the view for fiscal 2020, which includes the impact of coronavirus outbreak.

In the fourth quarter and fiscal 2019, List 3 and List 4A China tariffs had direct adverse impact on cost of goods sold and gross profit of \$4 million.

Quarter Ending **01/2020**

Report Date	Mar 04, 2020
Sales Surprise	1.58%
EPS Surprise	6.50%
Quarterly EPS	1.31
Annual EPS (TTM)	0.77

Q4 Earnings & Sales

Abercrombie reported adjusted earnings of \$1.31 per share in the fiscal fourth quarter, surpassing the Zacks Consensus Estimate of \$1.23. However, the bottom line declined 3% from adjusted earnings of \$1.35 in the year-ago quarter. In constant currency, adjusted earnings grew 3.1% year over year.

Net sales totaled \$1,184.6 million, which surpassed the Zacks Consensus Estimate of \$1,166 million and increased 2.5% compared with the year-ago quarter. On a constant-currency basis, top line rose 3%. Sales included an unfavorable currency impact of \$3 million.

Brand-wise, net sales were flat at \$710.5 million for the Hollister brand, while it rose 7% to \$474 million for Abercrombie. From a geographical viewpoint, net sales grew 5% in the United States and dropped 2% in international markets.

Comps in Detail

Comparable sales (comps) improved 1% compared with 3% growth in the year-ago quarter. Brand-wise, comps declined 2% for Hollister but improved 8% for Abercrombie.

Moreover, comps benefited from strong performance in the United States, owing to continued growth in digital and positive traffic trends. Further, Hollister and Abercrombie brands witnessed positive comps in the United States. Notably, U.S. comps improved 3%.

However, this was offset by a 3% decline in comps in international markets. Though still negative, international comps marked a sequential improvement driven by broad-based growth across regions and channels. This was, however, offset by the adverse impact on its Asia operations from coronavirus outbreak in the latter part of the quarter.

Margins

Gross margin contracted 90 basis points (bps) to 58.2% on higher AUC offset by increase in AUR. This includes adverse currency impacts of 50 bps. In constant currency, gross margin declined 40 bps.

Adjusted operating income of \$124.6 million declined 3.9% year over year. This included a \$7-million headwind from adverse currency. Further, adjusted operating margin contracted 10 bps. In constant currency, adjusted operating margin declined 20 bps year over year.

Other Financials

Abercrombie ended fiscal 2019 with cash and cash equivalents of \$671.3 million, and gross borrowings under its term-loan agreement of \$233.3 million. As of Feb 1, 2020, inventories were \$434.3 million, reflecting 1% decline from the prior-year period. In fiscal 2019, capital expenditure was \$202.8 million.

Moreover, Abercrombie expects inventories to be up in low single digits at the end of first-quarter fiscal 2020. This excludes potential supply chain disruptions resulting from the coronavirus.

Dividends and Share Repurchases

During fiscal 2019, the company repurchased about 4 million shares of its Class A shares. As of Feb 1, 2020, Abercrombie had 4.6 million shares remaining under its current share-repurchase authorization. In fiscal 2019, the company returned \$115.1 million via share repurchases and dividends.

On Feb 21, the company declared a quarterly dividend of 20 cents per share on Class A shares, payable Mar 16, 2020, to shareholders of record as of Mar 6.

Store Update

Abercrombie has been working to optimize its store fleet. Notably, global store optimization is a key component of its efforts to deliver operating margin expansion and reach goals for fiscal 2020.

As part of its continued focus on optimizing store fleet, the company delivered 90 new store experiences in fiscal 2019. For 2020, the company is on track to deliver 75 new experiences, including 30 Abercrombie and kids and 45 Hollisters.

Outlook

For fiscal 2020, Abercrombie estimates flat to 2% rise in sales, indicating the estimated adverse impact of COVID-19 in the range of \$60-\$80 million and unfavorable impact of changes in foreign currency exchange rates of about \$10 million. Further, the company projects comps to be down low single digits, which include predicted adverse impact of COVID-19 of around 200 bps. This compares to positive comparable sales of 1% last year.

For the fiscal year, the company expects gross margin decline of 50-70 bps from 59.4% reported in fiscal 2019. This includes headwinds of 30 bps from adverse currency and 50-70 bps from the anticipated adverse impacts of COVID-19.

The company expects operating expenses to be roughly flat from fiscal 2019 adjusted operating expenses of \$2.07 billion. The view for operating expenses includes flagship store exit charges of \$47 million. Furthermore, it anticipates effective tax rate in the upper 20s to low 30s. Additionally, Abercrombie continues to envision capital expenditure of \$175 million for fiscal 2020.

For first-quarter fiscal 2020, the company anticipates sales to be down mid-single digits from the prior-year quarter. This includes an adverse impact of nearly \$5 million from negative currency translations and \$40-\$50 million from COVID-19. Meanwhile, it anticipates comps to be down mid-single digits, indicating the estimated adverse impact from COVID-19 of roughly 600 bps.

The company expects a gross margin decline of 100-150 bps in the fiscal first quarter compared with the year-ago quarter's reported level of 60.5%. This will likely include adverse impacts of 50 bps from currency and China tariffs as well as about 100 bps impacts from COVID-19.

Abercrombie expects operating expenses (excluding other operating income) to remain flat or increase around 2% from adjusted operating expenses of \$475 million reported in first-quarter fiscal 2019. It anticipates effective tax rate to be in the upper 20s.

Recent News

Abercrombie Furloughs Employees Amid Coronavirus – Apr 6, 2020

Abercrombie provided financial updates in the wake of uncertainty surrounding the coronavirus outbreak. In response to the pandemic, the company has decided to furlough majority of its associates and temporarily reduce work schedule and corresponding pay for nearly 15% of its corporate associates, effective Apr 12. However, it will fund 100% of the health premiums for eligible associates hurt by these measures.

It is also temporary reducing salaries by 10-33% for its leadership team positions of Vice President and upwards, including the Chief Executive Officer. Further, its board of directors will also temporarily forego 50% of their cash retainer, while the company has cancelled all spring merit raises and promotions. Moreover, it has drawn down \$210 million on its revolving credit facility and suspended its share repurchase program citing future uncertainty.

Abercrombie Closes Stores Globally to Contain the Virus Spread – Mar 15, 2020

Abercrombie & Fitch, like other retail counterparts, revealed plans to close stores worldwide, as a preventive measure to slow the spread of the deadly coronavirus (COVID-19). The company stated that all its brands' stores outside the APAC region will be temporarily closed. This will include the closing of all stores in North America from Mar 15 and EMEA from Mar 16 through Mar 28. However, the company will continue to operate its online stores in all regions.

Further, the company has withdrawn the first quarter and fiscal 2020 guidance it had provided during the fourth-quarter fiscal 2019 earnings call on Mar 4, as it is unable to predict the potential impact of the virus outbreak on its business, including the timing of impact as well as merchandise demand.

Abercrombie Registers Record Sales in Black Friday Week – Jan 13, 2020

Abercrombie accomplished record revenues in the United States in the Black Friday week, including the period ranging from Tuesday before Thanksgiving through Cyber Monday. Following the outcome, the company reiterated its fourth-quarter fiscal 2019 view.

Moreover, the company's Hollister brand performed outstandingly and set a new record in the holiday period. Meanwhile, its flagship brand continued to experience momentum and generated strongest top line over the five years. Further, management cited that Abercrombie's comparable sales (comps) will outpace the Hollister's, while the metric at the United States will outperform the international during fiscal fourth quarter.

Valuation

Abercrombie shares are down 41.3% in the year-to-date period and 63.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are down 44.1% and 1.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 58.1% but the sector is up 4.1%.

The S&P 500 index is down 11.8% in the year-to-date period and 2.4% in the past year.

The stock is currently trading at 0.17X forward 12-month sales, which compares to 0.39X for the Zacks sub-industry, 0.99X for the Zacks sector and 3.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.62X and as low as 0.14X, with a 5-year median of 0.37X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$12 price target reflects 0.2X forward 12-month sales.

The table below shows summary valuation data for ANF

Valuation Multiples - ANF					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.17	0.39	0.99	3.16
	5-Year High	0.62	1.21	1.11	3.44
	5-Year Low	0.14	0.32	0.8	2.54
	5-Year Median	0.37	0.8	0.93	3.01
P/B TTM	Current	0.6	1.78	4.48	3.69
	5-Year High	1.84	6.28	5.88	4.55
	5-Year Low	0.47	1.33	3.6	2.84
	5-Year Median	1.1	4.53	4.82	3.64
EV/EBITDA TTM	Current	7.02	5.96	15.03	10.4
	5-Year High	10.75	9.3	16.31	12.87
	5-Year Low	2.32	4.71	10.89	8.27
	5-Year Median	4.49	6.87	12.53	10.78

As of 04/15/2020

Industry Analysis Zacks Industry Rank: Bottom 18% (207 out of 253)



Top Peers

Chicos FAS, Inc. (CHS)	Outperform
Buckle, Inc. (The) (BKE)	Neutral
The Gap, Inc. (GPS)	Neutral
L Brands, Inc. (LB)	Neutral
American Eagle Outfitters, Inc. (AEO)	Underperform
Boot Barn Holdings, Inc. (BOOT)	Underperform
PVH Corp. (PVH)	Underperform
Urban Outfitters, Inc. (URBN)	Underperform

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	ANF Neutral	X Industry	S&P 500	AEO Underperform	BKE Neutral	GPS Neutral
VGM Score	A	-	-	B	B	A
Market Cap	625.83 M	361.61 M	19.18 B	1.43 B	704.56 M	2.86 B
# of Analysts	11	4	14	11	1	11
Dividend Yield	7.87%	0.00%	2.24%	6.43%	8.42%	0.00%
Value Score	A	-	-	B	B	A
Cash/Price	0.96	0.32	0.06	0.26	0.30	0.49
EV/EBITDA	5.91	5.87	11.46	5.42	4.61	6.86
PEG Ratio	NA	0.95	2.08	6.31	NA	0.77
Price/Book (P/B)	0.60	0.87	2.58	1.14	1.80	0.87
Price/Cash Flow (P/CF)	2.88	3.30	10.15	3.29	5.32	2.21
P/E (F1)	NA	10.36	17.24	9.78	9.83	9.22
Price/Sales (P/S)	0.17	0.27	1.99	0.33	0.78	0.17
Earnings Yield	-1.87%	6.93%	5.64%	10.18%	10.17%	10.89%
Debt/Equity	1.39	1.00	0.70	1.04	0.75	2.04
Cash Flow (\$/share)	3.53	1.44	7.01	2.60	2.68	3.49
Growth Score	B	-	-	B	B	B
Hist. EPS Growth (3-5 yrs)	-0.50%	-0.04%	10.92%	11.67%	-11.03%	-2.19%
Proj. EPS Growth (F1/F0)	-125.40%	-27.54%	-2.92%	-40.91%	-32.24%	-57.55%
Curr. Cash Flow Growth	-6.25%	-0.32%	5.93%	0.06%	4.13%	-14.41%
Hist. Cash Flow Growth (3-5 yrs)	-5.89%	0.42%	8.55%	10.42%	-8.00%	-5.36%
Current Ratio	1.55	1.41	1.24	1.39	2.19	1.41
Debt/Capital	58.09%	51.18%	42.36%	51.06%	42.72%	67.08%
Net Margin	1.09%	2.75%	11.64%	4.44%	11.60%	2.14%
Return on Equity	4.61%	11.79%	16.74%	20.31%	25.98%	21.04%
Sales/Assets	1.05	1.22	0.54	1.29	1.02	1.18
Proj. Sales Growth (F1/F0)	-6.36%	-3.25%	0.00%	-3.34%	-13.18%	-11.04%
Momentum Score	F	-	-	D	F	F
Daily Price Chg	-8.47%	-3.21%	-3.26%	-10.19%	-6.00%	-8.54%
1 Week Price Chg	41.07%	26.72%	16.01%	42.67%	16.17%	60.88%
4 Week Price Chg	26.37%	13.15%	16.73%	9.20%	-0.14%	-2.28%
12 Week Price Chg	-41.81%	-46.04%	-22.44%	-41.68%	-43.68%	-57.07%
52 Week Price Chg	-63.79%	-55.36%	-14.41%	-62.48%	-23.87%	-70.53%
20 Day Average Volume	2,669,784	340,765	3,301,889	5,269,081	693,833	12,026,398
(F1) EPS Est 1 week change	-200.00%	0.00%	0.00%	-6.24%	-0.68%	-27.22%
(F1) EPS Est 4 week change	-130.00%	-27.27%	-6.78%	-35.17%	-20.77%	-51.00%
(F1) EPS Est 12 week change	-115.18%	-36.01%	-9.07%	-40.82%	-26.02%	-49.62%
(Q1) EPS Est Mthly Chg	-23.55%	-110.07%	-11.31%	-118.44%	-152.38%	-401.77%

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	F
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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