

## Becton, Dickinson (BDX)

**\$256.75** (As of 08/10/20)

Price Target (6-12 Months): **\$270.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 04/02/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: D

### Summary

BD exited the fiscal third quarter on a mixed note, with earnings beating but revenues missing estimates. Within the United States, the Diagnostic Systems unit witnessed strong revenue growth on COVID-19 testing. The company continues to see strong demand for its product portfolio that supports the global COVID-19 response, especially the recent launch of its COVID-19 rapid point-of-care antigen test. Over the past year, shares of BD have outperformed its industry. However, decline in each of its core segments viz. BD Medical, BD Interventional and BD Lifesciences during the quarter is concerning. Both domestic and international revenues decreased year over year in the quarter under review. Contraction in both the gross and adjusted operating margins raises concern. Unfavorable foreign currency impacted BD's quarterly bottom line.

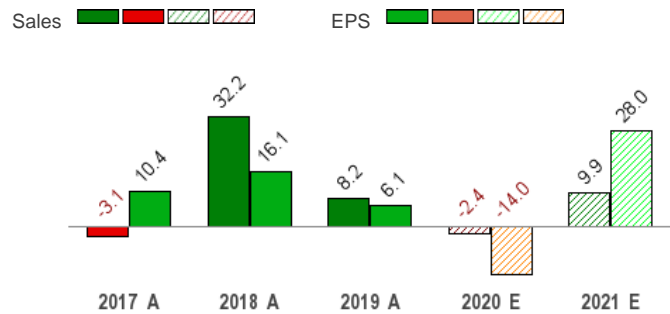
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$286.72 - \$197.75
20 Day Average Volume (sh)	1,282,172
Market Cap	\$74.4 B
YTD Price Change	-5.6%
Beta	0.98
Dividend / Div Yld	\$3.16 / 1.2%
Industry	<a href="#">Medical - Dental Supplies</a>
Zacks Industry Rank	Top 43% (109 out of 253)

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



Last EPS Surprise	7.3%
Last Sales Surprise	-1.9%
EPS F1 Est- 4 week change	-4.7%
Expected Report Date	11/03/2020
Earnings ESP	-4.6%
P/E TTM	24.0
P/E F1	25.6
PEG F1	2.9
P/S TTM	4.4

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,355 E	4,495 E	4,505 E	4,876 E	18,538 E
2020	4,225 A	4,253 A	3,855 A	4,490 E	16,871 E
2019	4,160 A	4,195 A	4,350 A	4,584 A	17,290 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$3.03 E	\$3.14 E	\$3.16 E	\$3.57 E	\$12.85 E
2020	\$2.65 A	\$2.55 A	\$2.20 A	\$2.84 E	\$10.04 E
2019	\$2.70 A	\$2.59 A	\$3.08 A	\$3.31 A	\$11.68 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 08/10/2020. The reports text is as of 08/11/2020.

## Overview

Based in Franklin Lakes, NJ, Becton, Dickinson and Company (BDX) commonly known as BD, is a medical technology company engaged principally in the development, manufacture and sale of medical devices, instrument systems and reagents.

In fiscal 2019, BD's revenues increased 8.2% to \$17.29 billion.

Earlier, BD's operations consisted of three business segments: BD Medical, BD Diagnostics and BD Biosciences. However, the company's organizational structure was realigned to form two principal business segments: **BD Medical**, **BD Life Sciences** and **BD Interventional**.

### BD Medical (52.4% of fiscal 2019 revenues)

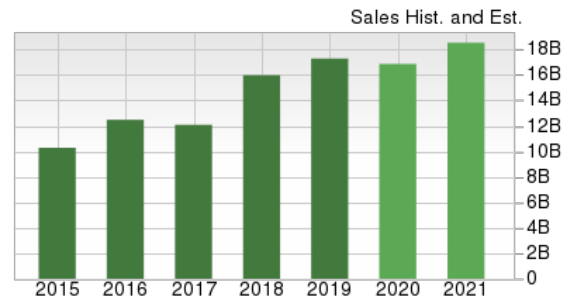
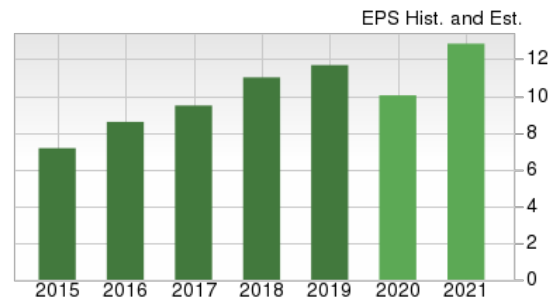
BD Medical's major product lines include needles, syringes and intravenous catheters for medication delivery; prefilled IV flush syringes; syringes and pen needles for diabetes care; refillable drug delivery systems; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; and generic prefilled injectables.

### BD Life Sciences (24.9% of fiscal 2019 revenues)

BD Diagnostics provides products for the safe collection and transport of diagnostics specimens, as well as instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections and cancer.

BD Biosciences produces research and clinical tools that facilitate the study of cells to gain a better understanding of normal and disease processes.

With the acquisition of C.R. Bard, BD added a new segment — **BD Interventional** (21.9% of fiscal 2019 revenues) — in which C.R. Bard has been integrated.



## Reasons To Buy:

- ▲ **Stock Up:** Over the past year, shares of BD have gained 3.1% against the industry's 1.5% fall. A solid product portfolio, plethora of new product launches and a strong international presence aid the stock at the moment.
- ▲ **Positive Developments:** In recent times, BD announced the launch of two cloud-based applications, BD HealthSight Data Manager and BD HealthSight Diversion Analytics, which enable an enterprise-wide connected medication management system. Notably, both form part of the BD HealthSight platform.

BD's focus on expanding into overseas markets, in particular, the emerging markets, new product launches as well as its acquisition-driven strategy are significant growth catalysts.

In April 2020, BD attained FDA's EUA for a new diagnostic test that will help hospitals to screen for COVID-19 (coronavirus) on site and get results in under three hours. Around the same time, the company attained FDA EUA for an additional molecular diagnostic test for COVID-19 that can provide results in two to three hours. The new test has also attained CE mark. Again in April, in collaboration with a molecular diagnostic company BioGX Inc., BD announced the receipt of EUA from the FDA for a new diagnostic test that will help hospitals to screen for COVID-19 on site and obtain results in under three hours. Notably, the test will run on the BD MAX System, which is a molecular diagnostic platform.

However, due to challenges pertaining to the global COVID pandemic, among other factors, the company was unable to submit its Alaris 510(k) filing in the fiscal fourth quarter. However, management expects to submit the updated 510(k) in late fiscal second quarter or early fiscal third quarter of 2021 based on ongoing dialogue with the FDA.

In the fiscal third quarter, BD submitted its summative testing protocols to the FDA and expects feedback soon. Once it receives the feedback, it will be able to complete summative testing. Moreover, in its ongoing feedback discussions with the FDA, management decided to include an update to its specialty EtCO2 module, which is crucial for clinical care and especially COVID-19 response. The EtCO2 module is used to help monitor patients on ventilators while medication is being administered.

Within BD Interventional, the company recently received FDA clearance for its next-generation targeted temperature management system, namely the AS Stat Temperature Management System. It offers a way to non-invasively control temperature within a narrow range for all suitable patients.

In July 2020, BD received the EUA from the FDA for a rapid, point-of-care, SARS-CoV-2 diagnostic test for use with its widely available BD Veritor Plus System. This marks the company's third diagnostic test to receive EUA for the detection of COVID-19. In July, BD announced the receipt of approval for a pre-market approval (PMA) supplement from the FDA for an expanded version of its BD Onclarity HPV Assay.

- ▲ **Leading Player in Safety-Needle Space:** BD is a global leader in safety-needle products as well as several diagnostic laboratory instruments. The company has recently launched BD Ultra-Fine micro pen needle 6mm x 32G for use with pen injection devices. The needles offer comfortable injection experience, enhancing customer satisfaction. BD has widened the needle length options for diabetic people. Interestingly, most insurance plans, including Medicare part D, cover BD Ultra-Fine micro 6mm pen needles.

According to a report by bccResearch, the global diabetes market should reach a worth of \$155 billion by 2021, at a CAGR of 4.4% from 2016 to 2021. Considering the huge potential of the market, we believe the latest developments are strategic fits.

- ▲ **Formation of BD Interventional – A New Segment:** BD had established a third business segment — BD Interventional. Notably, C.R. Bard is integrated in this vertical. BD is already a leading player in interventional specialties solutions. The company promotes positive clinical outcomes using minimally invasive and percutaneous techniques for obtaining samples of liver, breast, lung and kidney biopsy. Further, the company provides facilities for peritoneal drainage at home.

In the fiscal second quarter, this segment registered 2.8% year-over-year revenue growth. At cc, revenues grew 3.3% on strong performance by the Peripheral Intervention, Urology and Critical Care units. However in the fiscal third quarter, this segment generated worldwide revenues of \$0.78 billion, down 20.3% from the year-ago quarter and 19.2% at cc. This was due to the performance in the Surgery and Peripheral Intervention units which indicates continued deferral of elective procedures as a result of the pandemic.

- ▲ **Product Portfolio Solid:** A diversified product portfolio has been the key catalyst for BD.

In recent times, other products like WavelinQ, Covera and Venovo products performed impressively. Also, BD MAX and BD COR have received positive feedback in Europe. In fact, management at BD has announced a \$1-billion investment in R&D in fiscal 2020.

During the fiscal second quarter, BD closed the acquisition of NAT Diagnostics, an early-stage company with a very innovative platform in the fast-growing molecular point-of-care market. This acquisition will strengthen BD's presence in the molecular point-of-care testing market. Recently, BD completed the acquisition of Straub Medical, which is a privately-held company focused on devices that treat or restore blood flow to clotted or blocked vessels. This acquisition will further boost BD's arterial atherectomy and thrombectomy portfolios. The recent collaboration with Medcaptain Medical Technology is also expected to boost BD's medication management portfolio.

In July 2020, BD formed a strategic, public-private partnership with the Biomedical Advanced Research and Development Authority (BARDA), which is part of the U.S. Health and Human Services Office of the Assistant Secretary for Preparedness and Response. The primary objective of this collaboration is to create new manufacturing lines for injection devices that will offer priority access to the U.S. government for hundreds of millions of syringes and needles. This collaboration is likely to provide a boost to the company's BD Medical segment.

In the fiscal third quarter, BD also inked a partnership with AdvaMed on the national diagnostic supply registry to help ensure widespread availability of testing.

- ▲ **Plethora of Launches:** BD has launched several products in recent times.

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During the fiscal second quarter, BD unveiled both the 300-millimeter and AV low profile Lutonix balloons. Banking on these launches, the company continued to register sequential improvement in the use of drug-coated balloons prior to COVID. The company is also in the early stages of launch of Dry-Doc 2.0, which is a technology designed to facilitate the continued use of the PureWick female incontinent device in post-acute and home environment.

In March 2020, the company in partnership with BioMedomics announced the launch of a new point-of-care test that can diagnose antibodies in blood to confirm current or past exposure to COVID-19 in a mere span of 15 minutes.

In July 2020, BD launched the SARS-COVID-2 antigen assay for the Veritor Plus system, which received FDA EUA early that month. The company believes this platform can dramatically expand access to COVID-19 testing at the point of care and efficiently diagnose SARS-COVID-2 in 15 minutes. Within the first month since launch, BD saw strong demand for both the Veritor Plus system and the SARS-COVID-2 assay.

In July, the company launched BD PurPrep patient preoperative skin preparation with sterile solution, the first and only fully sterile povidone-iodine plus isopropyl alcohol single-use antiseptic skin preparation commercially available in the United States. This is expected to boost the company's Life Sciences segment. Also, in the same month, BD launched in Europe the new CE-marked BD Kiestra Inoqua system powered by BD Synapsys informatics solution. It is a next-generation microbiology solution for liquid and non-liquid sample processing.

▲ **Geographical Expansion:** BD remains focused on geographical expansion into overseas markets, in particular, emerging markets. Per management, International revenues grew 1.5% at cc on strength within Europe and Latin America in the second quarter. The company saw COVID-driven demand surge in Europe in the quarter. Also, the company saw continued commercialization of DCBs in Japan. However, in the fiscal third quarter, net revenues outside the United States grossed \$1.74 billion, down 9.2% from the year-ago quarter. At cc, revenues at the segment fell 4.7%. Per management, this downside was owing to declines in China and Latin America, partially offset by growth in Europe and EMA.

Nonetheless, BD saw revenue growth in the Medication Management Solutions unit which reflects solid demand for infusion pumps in the United States under medical necessity and strong growth outside the United States, particularly in Europe. China delivered steady growth in the month of June in all three BDI businesses.

▲ **Strong Liquidity Position:** The company exited the third quarter of fiscal 2020 with cash and cash equivalents of \$2.98 billion, up sequentially from \$2.45 billion. Meanwhile, the company's long-term debt totaled \$17.09 billion in the fiscal third quarter, up sequentially from \$16.81 billion. Also, we can see that the current debt level of \$1.63 billion in the quarter has substantially decreased from the preceding quarter's \$4.36 billion. Moreover, the current debt level is noticeably lower than the company's short-term cash level, which is particularly good when it comes to company's solvency position, as at least during a year of economic downturn, the company has sufficient cash for debt repayment.

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## Reasons To Sell:

- ▼ **Headwinds Expected in Fiscal 2020:** Management at BD expects a few headwinds to mar the company's prospects in fiscal 2020.

Despite the continued uncertainty due to the pandemic, the company has provided revenue and earnings expectation for the remainder of the fiscal year. For the fourth quarter of fiscal 2020, it expects revenues to be in low single digits and adjusted earnings per share to be between \$2.40 and \$2.60. As a result, it expects a revenue decline of a negative 2% to a negative 1.5% and earnings per share of \$9.80 to \$10 for the full fiscal year 2020.

Lower demand for healthcare products, increasing competition, significant exposure to foreign exchange volatility pose major headwinds.

- ▼ **Foreign Exchange:** BD generates more than half of its revenues from international operations, which is adversely affected by fluctuations in foreign currency exchange rates. We note that U.S. manufacturers such as BD are being hurt by a strengthening U.S. dollar, which has benefited from more upbeat U.S. economic prospects compared to the rest of the world.

- ▼ **Fiscal Q3 Downsides:** In the third quarter of fiscal 2020, BD's bottomline declined 28.6% year over year.

In the quarter under review, the company reported worldwide revenues of \$2.12 billion, down 8.2% from the year-ago quarter and 6% at cc. Per management, the downside can be attributed to strong performance by the Medication Delivery Solutions unit. Worldwide revenues in the segment totaled \$0.95 billion, down 10.1% year over year and 7.8% at cc. Per management, lackluster performance by the Preanalytical Systems and Biosciences units resulted in the downside.

- ▼ **Product Recalls/ Shipment Issues:** Within the Diabetes Care business, BD temporarily has paused shipments of its insulin infusion sets. This was due to a moderately-higher-than-anticipated rate of complaints associated with insertion that occurred during the pilot launch of the product. However, management at BD conducted a clinical trial to gather further insights and to ensure that patients ultimately realize the full benefits of BD FlowSmart technology. In recent times, management declared that BD has decided to discontinue the infusion sets.

- ▼ **Significant Consolidation:** The medical technology industry has experienced a significant amount of consolidation. As a result, competition to provide goods and services to customers has increased significantly. BD faces a wide range of competitors in each of its three business segments. Moreover, the entry of manufacturers located in China and other low-cost manufacturing locations are intensifying pricing pressure, particularly in developing markets. In addition, group purchasing organizations and integrated health delivery networks have served to concentrate purchasing decisions for some customers, which has also exerted pricing pressure on medical device suppliers like BD. Further consolidation in the industry could exert additional pressure.
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## Last Earnings Report

### Becton Dickinson Q3 Earnings Surpass Estimates

Becton, Dickinson and Company, also known as BD, reported third-quarter fiscal 2020 adjusted earnings per share of \$2.20, which beat the Zacks Consensus Estimate of \$2.05 by 7.3%. The bottom line however dropped 28.6% on a year-over-year basis and fell 25% at constant currency (cc).

The company raked in revenues of \$3.86 billion, missing the Zacks Consensus Estimate of \$3.93 billion by 1.9%. The reported figure declined 11.4% from the year-ago quarter. At cc, revenues fell 9.4%.

Quarter Ending 06/2020

Report Date	Aug 06, 2020
Sales Surprise	-1.88%
EPS Surprise	7.32%
Quarterly EPS	2.20
Annual EPS (TTM)	10.71

### Segment Details

#### BD Medical

In the quarter under review, the company reported worldwide revenues of \$2.12 billion, down 8.2% from the year-ago quarter and 6% at cc. Per management, the downside can be attributed to performance in the Medication Delivery Solutions unit. However, growth in the Medication Management Solutions and Pharmaceutical Systems units partially offset the downside.

#### BD Life Science

Worldwide revenues in the segment totaled \$0.95 billion, down 10.1% year over year and 7.8% at cc. Per management, lackluster performance by the Preanalytical Systems and Biosciences units resulted in the downside. However, robust growth in the Diagnostic Systems unit, which was driven by sales related to COVID-19 diagnostic testing, mainly on the BD Max platform, partially made up for the downside.

#### BD Interventional

This segment generated worldwide revenues of \$0.78 billion, down 20.3% from the year-ago quarter and 19.2% at cc. This was due to the performance in the Surgery and Peripheral Intervention units which indicates continued deferral of elective procedures as a result of the COVID-19 pandemic.

### Geographic Results

#### US

In the fiscal third quarter, revenues in the United States declined 13.1% to \$2.12 billion. Per management, performance in the United States reflects the net impact of COVID-19 across each of the three operating segments. Within the United States, the Diagnostic Systems unit witnessed strong revenue growth due to COVID-19 testing.

#### International

Revenues outside the United States grossed \$1.74 billion, down 9.2% from the year-ago quarter. At cc, revenues at the segment fell 4.7%. Per management, this downside was owing to declines in China and Latin America, partially offset by growth in Europe and EMA.

### Margin Analysis

In the third quarter, gross profit amounted to \$1.66 billion, down 19.9% from the prior-year quarter tally. Gross margin was 43.1%, down 462 bps from the prior-year quarter.

Adjusted operating profit amounted to \$418 million, down 41.6% from the year-ago figure. Adjusted operating margin was 10.8%, down 562 bps.

### Guidance

Full fiscal 2020, revenues are projected to decline in the range of 2.5% to 3% as reported, or 1.5% to 2% on a currency-neutral basis. The Zacks Consensus Estimate for the same is pegged at \$16.98 billion.

Full fiscal 2020, adjusted diluted EPS is estimated in the range of \$9.80 - \$10.00. This reflects a decline of around 14% to 16%, or 12.5% to 14.5% on a currency-neutral basis from fiscal 2019 adjusted diluted EPS of \$11.68. The Zacks Consensus Estimate for the same is pegged at \$10.36.

## Recent News

### BD launches BD PurPrep patient preoperative skin preparation: Jul 7

BD launched BD PurPrep patient preoperative skin preparation with sterile solution, the first and only fully sterile povidone-iodine plus isopropyl alcohol single-use antiseptic skin preparation commercially available in the United States.

### BD receives FDA EUA for a rapid, point-of-care, SARS-CoV-2 diagnostic test: Jul 6

BD received the Emergency Use Authorization (EUA) from the FDA for a rapid, point-of-care, SARS-CoV-2 diagnostic test for use with its widely available BD Veritor Plus System. This marks the company's third diagnostic test to receive EUA for the detection of COVID-19.

Notably, BD is likely to ramp up manufacturing capacity to two million tests per week by the end of September. The company anticipates to deliver up to 10 million tests from July through September.

## Valuation

Becton, Dickinson's shares are down 5.6% in the year-to-date period while up 3% in trailing 12-month period. Stocks in the Zacks sub-industry are up 6.3% in the year-to-date period while that in the Zacks Medical sector are up 1%. Over the past year, the Zacks sub-industry are down 1.5% while that in the sector are up 9.1%.

The S&P 500 index is up 3.9% in the year-to-date period while up 16.4% in the past year.

The stock is currently trading at 20.8X Forward 12-months earnings, which compares to 19.1X for the Zacks sub-industry, 22.4 for the Zacks sector and 22.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24X and as low as 15.2X, with a 5-year median of 18.9X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$270 price target reflects 21.8X forward 12-months earnings.

The table below shows summary valuation data for BD.

Valuation Multiples -BDX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.80	19.09	22.37	22.75
	5-Year High	24.00	19.84	23.17	22.75
	5-Year Low	15.18	13.63	15.89	15.25
	5-Year Median	18.95	16.47	18.97	17.58
P/S F12M	Current	4.09	0.37	2.82	3.66
	5-Year High	4.43	0.38	3.41	3.66
	5-Year Low	2.15	0.23	2.22	2.53
	5-Year Median	3.56	0.28	2.89	3.05
P/B TTM	Current	3.10	3.17	4.41	4.67
	5-Year High	5.23	4.73	5.07	4.67
	5-Year Low	2.57	2.54	2.94	2.83
	5-Year Median	3.47	3.42	4.30	3.73

As of 08/10/2020



## Industry Analysis Zacks Industry Rank: Top 43% (109 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Patterson Companies, Inc. (PDCO)	Outperform	2
West Pharmaceutical Services, Inc. (WST)	Outperform	2
Align Technology, Inc. (ALGN)	Neutral	3
Henry Schein, Inc. (HSIC)	Neutral	3
Laboratory Corporation of America Holdings (LH)	Neutral	3
Straumann Holding AG (SAUHF)	Neutral	2
DENTSPLY SIRONA Inc. (XRAY)	Neutral	3
The Cooper Companies, Inc. (COO)	Underperform	4

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	BDX	X Industry	S&P 500	HSIC	LH	PDCO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	C	-	-	B	A	A
Market Cap	74.42 B	2.43 B	23.56 B	9.71 B	18.25 B	2.66 B
# of Analysts	12	5	14	9	8	8
Dividend Yield	1.23%	0.00%	1.71%	0.00%	0.00%	3.76%
Value Score	C	-	-	B	A	A
Cash/Price	0.04	0.06	0.07	0.03	0.03	0.03
EV/EBITDA	21.76	15.13	13.39	11.01	11.25	14.81
PEG Ratio	2.89	3.14	2.92	4.34	1.58	2.14
Price/Book (P/B)	3.10	4.44	3.18	2.68	2.48	3.17
Price/Cash Flow (P/CF)	12.36	15.99	12.69	14.08	9.64	2.90
P/E (F1)	25.65	34.51	22.16	27.49	13.60	20.33
Price/Sales (P/S)	4.40	2.52	2.55	1.04	1.59	0.49
Earnings Yield	3.91%	2.26%	4.33%	3.63%	7.35%	4.92%
Debt/Equity	0.71	0.33	0.77	0.19	0.83	0.76
Cash Flow (\$/share)	20.77	1.35	6.94	4.83	19.44	9.54
Growth Score	C	-	-	F	B	B
Hist. EPS Growth (3-5 yrs)	10.16%	9.48%	10.41%	3.81%	8.86%	-13.56%
Proj. EPS Growth (F1/F0)	-14.08%	-3.46%	-6.51%	-29.54%	21.73%	-12.17%
Curr. Cash Flow Growth	14.64%	3.87%	5.26%	-9.03%	12.16%	327.70%
Hist. Cash Flow Growth (3-5 yrs)	24.86%	12.37%	8.55%	2.76%	17.70%	27.55%
Current Ratio	1.45	1.47	1.34	1.48	1.12	1.44
Debt/Capital	41.57%	32.96%	44.59%	20.92%	45.50%	43.26%
Net Margin	5.30%	0.40%	10.13%	6.35%	3.16%	-10.72%
Return on Equity	14.19%	11.51%	14.59%	11.51%	14.39%	11.20%
Sales/Assets	0.32	1.02	0.51	1.28	0.65	1.69
Proj. Sales Growth (F1/F0)	-2.40%	0.00%	-1.54%	-8.80%	9.96%	-3.04%
Momentum Score	D	-	-	A	A	F
Daily Price Chg	0.13%	0.00%	0.91%	0.28%	-2.97%	-0.11%
1 Week Price Chg	-8.86%	1.74%	2.30%	-1.35%	0.10%	4.29%
4 Week Price Chg	-0.26%	5.11%	8.54%	17.53%	5.12%	20.36%
12 Week Price Chg	-3.03%	12.14%	13.68%	20.53%	12.14%	63.83%
52 Week Price Chg	3.05%	14.31%	3.71%	8.58%	14.31%	52.79%
20 Day Average Volume	1,282,172	529,605	2,015,804	1,758,611	777,351	1,081,840
(F1) EPS Est 1 week change	-4.21%	0.00%	0.00%	17.28%	0.00%	0.00%
(F1) EPS Est 4 week change	-4.68%	0.32%	1.67%	16.67%	33.35%	0.65%
(F1) EPS Est 12 week change	-6.72%	0.11%	2.27%	16.61%	61.20%	19.11%
(Q1) EPS Est Mthly Chg	-8.01%	0.00%	0.67%	53.42%	40.36%	-2.14%



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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	C
Momentum Score	D
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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### Disclosures

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