

Deutsche Bank AG(DB)

\$9.22 (As of 07/29/20)

Price Target (6-12 Months): **\$10.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/07/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: C

Growth: F

Momentum: A

Summary

On the NYSE, shares of Deutsche Bank have outperformed the industry over the past six months. Second-quarter results reflect higher net revenues and a decline in costs, partly muted by elevated provisions. Deutsche Bank's efforts to improve financials by offloading unprofitable businesses and continued investments in businesses are commendable. Also, the target to reduce adjusted costs to €19.5 billion by 2020 is likely to support bottom-line growth. Lower CET 1 capital ratio requirement by the ECB is a tailwind. The company's strong and stable funding base, as reflected by rising deposits balance, is a positive factor. However, litigation issues related to past misconducts continue and legal costs might deter bottom-line growth. Falling fee income and pressure on margins due to low rates in the domestic economy hinder top-line growth.

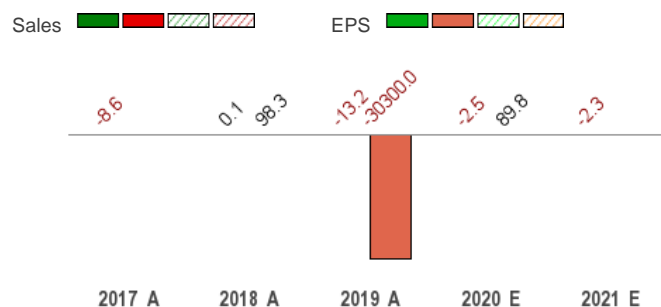
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$11.16 - \$4.99
20 Day Average Volume (sh)	4,073,339
Market Cap	\$19.1 B
YTD Price Change	18.5%
Beta	1.56
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Banks - Foreign
Zacks Industry Rank	Top 47% (118 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	NA
Last Sales Surprise	NA
EPS F1 Est- 4 week change	17.6%
Expected Report Date	08/05/2020
Earnings ESP	0.0%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	0.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					24,717 E
2020	7,004 A				25,309 E
2019	7,213 A	6,971 A	5,852 A	5,924 A	25,948 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$0.44 E
2020	\$0.02 A				-\$0.31 E
2019	\$0.09 A	-\$1.86 A	-\$0.46 A	-\$0.80 A	-\$3.04 A

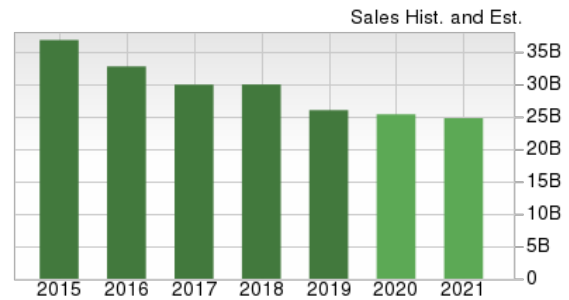
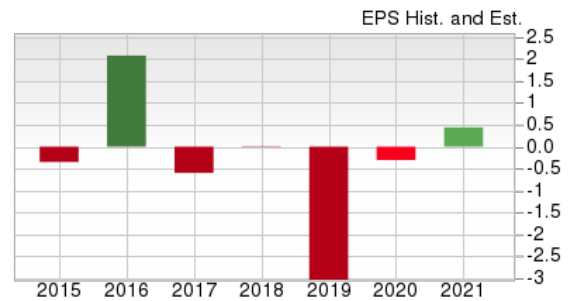
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/29/2020. The reports text is as of 07/30/2020.

Overview

Headquartered in Frankfurt am Main, Deutsche Bank is the largest bank in Germany and one of the largest financial institutions in Europe and the world, as measured by total assets (€1.4 trillion as of Jun 30, 2020). It offers a wide variety of investment, financial and related products and services. Per the restructuring plan announced in July 2019, Deutsche Bank confirmed the following changes to its segmental reporting, with effect from the third quarter of 2019.

- **Corporate Bank** (23% of net revenues in 2019) includes the Global Transaction Bank, which was previously part of the former Corporate & Investment Bank and the German Commercial and Corporate Clients division.
- **Investment Bank** (30%) includes Origination & Advisory and FIC Sales & Trading, which comprises Global Credit Trading, Foreign Exchange, Rates and Emerging Markets Debt businesses.
- **Private Bank** (36%) comprises three business segments. The Private Bank Germany serves private customers and small business clients in Germany. The Private Bank International also serves private and small business clients, as well as commercial and corporate clients in Italy, Spain, Belgium and India. In addition, Private Bank covers Wealth Management clients globally.
- **Asset Management** (10%) operates under the DWS brand. It provides investment solutions to individual investors and institutions with a diversified range of Active, Passive and Alternative Asset Management products and services.
- **Corporate & Other** (0.3%) includes revenues, costs and resources held centrally that are not allocated to the individual business segments.
- **Capital Release Unit** (0.7%) is created to quickly and efficiently dispose of non-strategic or low-return assets, which are no longer consistent with the Bank's strategy, in order to release capital, reduce leverage and related cost and thus create a smaller, simpler and less market-sensitive balance sheet.



In June 2019, Deutsche Bank sold its PCB business in Portugal to ABANCA Corporación Bancaria S.A.



Reasons To Buy:

- ▲ Deutsche Bank's efforts in reducing expenses have started bearing fruits. Notably, adjusted costs (excluding litigation, impairments, policyholder benefits and claims, and restructuring and severance expenses) declined at a CAGR of 4.9% over the last three years (ended 2019), with the trend continuing in first six months of 2020. Further, Deutsche Bank targets to reduce adjusted costs to €17 billion by 2022-end. Though management expects higher regulatory compliance costs in the upcoming quarters, it remains committed to counterbalancing the impact through cost saving measures.
- ▲ Deutsche Bank remains focused on strengthening its capital position. As of Jun 30, 2020, capital ratios stayed strong. Also, in the stress test conducted by The European Banking Authority (EBA), the bank showed progress in its risk profile and capital position. Further, the company remains on track to achieve its targets – CET 1 ratio of at least 12.5% at the end of 2022 and leverage ratio of about 5%.
- ▲ As of Jun 30, 2020, Deutsche Bank had long-term debt of \$153.1 billion, and cash and cash equivalents worth \$166.2 billion. Therefore, we find the company at an advantageous position if the economic situation worsens further.
- ▲ Deposits at Deutsche Bank witnessed a CAGR of 1.3% over the past four years (ended 2019). The rise was recorded mainly due to deposit growth in Private and Commercial Bank segment. Further, the company's loan-to-deposit ratio as of Jun 30, 2020, was 77.1%, reflecting strong and stable funding base. Though deposits declined slightly in the first half of 2020, we believe that same are poised to grow backed by expected improvement in the economy.

Cost control and several strategic initiatives will support Deutsche Bank's financials. Also, the company's strong capital position and improving deposit balance might aid overall growth.

Reasons To Sell:

- ▼ Due to the nature of its business, Deutsche Bank is involved in litigation, arbitration and regulatory proceedings in Germany and in a number of jurisdictions outside Germany. Such matters are subject to uncertainties. The bank has shouldered significant legal settlement costs in the past which has adversely impacted its financials. In December 2019, Deutsche Bank was slapped with a fine by the Frankfurt prosecutors related to the investigation of German client interactions with offshore entities established by the German bank's Virgin Islands subsidiary — Regula Ltd. Though the company has resolved a number of legal matters and made progress on several others, a number of cases are yet to be resolved. Hence, the company's financials are expected to be hit by higher legal expenses in the near term.
- ▼ Deutsche Bank's net revenues have declined at a CAGR of 8.8% over the last five years (ended 2019). Pressure on margins due to low interest rates, declining fee income along with the bank's involvement in legal hassles is primarily responsible for the falling revenues. Further, challenging business conditions in the domestic economy might deter top-line growth. Notably, net revenues remained stable in first two quarters of 2020.
- ▼ Regulatory reforms enacted and proposed in response to the persistent weaknesses in the financial sector, together with increased regulatory scrutiny, require Deutsche Bank to maintain increased capital levels and this could significantly affect its businesses. If the bank is unable to meet capital requirements with an adequate buffer, it could experience the effect of these factors on business and results.
- ▼ Shares of Deutsche Bank have outperformed the industry on the NYSE over the past six months. The company's Zacks Consensus Estimate for the current year has narrowed from a loss of 35 cents to a loss of 31 cents over the past 30 days. Therefore, given the above concerns, the stock has limited upside potential.

A prolonged low interest rate environment keeps margins under pressure. Also, litigation issues due to past misconducts lead to higher legal costs, and remain a key concern for Deutsche Bank.

Last Earnings Report

Deutsche Bank Q2 Earnings Rise Y/Y on Higher Revenues

Deutsche Bank reported second-quarter 2020 net income of €61 million (\$67.1 million) as against the year-ago quarter's net loss of €3.1 billion. Also, the German lender reported adjusted profit before taxes of €935 million (\$1 billion), up 44.7% year over year.

Second-quarter results benefitted from higher net revenues and a decline in expenses. Also, strong capital position was a tailwind. However, a drastic increase in provision for credit losses due to the impacts of the coronavirus outbreak was a major offsetting factor.

Quarter Ending **03/2020**

Report Date	Apr 29, 2020
Sales Surprise	NA
EPS Surprise	NA
Quarterly EPS	0.02
Annual EPS (TTM)	-3.10

Revenues Rise Slightly, Provisions Flare Up

The bank generated net revenues of €6.29 billion (\$6.9 billion), up 1% year over year. The upside was primarily due to higher revenues from investment bank.

Provision for credit losses rose substantially to €761 million (\$837.1 million) from \$161 million in the year-ago quarter.

Non-interest expenses of €5.37 billion (\$5.9 billion) were down 23% from the prior-year quarter. Excluding restructuring-related charges, the bank reported adjusted costs of €4.9 billion (\$5.4 billion), down 8% year over year.

Segmental Performance

Net revenues at the *Corporate Bank* division of €1.33 billion (\$1.5 billion) rose 3% from the year-ago quarter. Higher revenues in global transaction banking led to the rise.

Investment Bank segment's net revenues totaled €2.7 billion (\$3 billion), up 46% year over year. Higher revenues from fixed income, particularly debt origination business, along with rise in origination and advisory resulted in the rise.

Private Bank reported net revenues of €2.16 billion (\$2.4 billion), down 5% year over year. The fall primarily stemmed from the impact of COVID-19 and ongoing deposit margin compression, which offset the positive impact of continued growth in volumes.

Asset Management segment generated net revenues of €549 million (\$603.9 million), down 8% year over year mainly due to the non-recurrence of periodic performance fees relating to an infrastructure fund in the prior-year quarter.

Corporate & Other unit reported negative net revenues of €154 million (\$169.4 million) against net revenues of €184 million a year ago.

Capital Release unit reported negative net revenues of €70 million (\$77 million) against net revenues of €221 million, reflecting businesses exited or discontinued and the impact of de-risking costs.

Capital Position

Deutsche Bank's Common Equity Tier 1 capital ratio (fully loaded) came in at 13.3% as of Jun 30, 2020, compared with 13.4% in the year-ago quarter. Leverage ratio, on an adjusted fully-loaded basis, was 4.2%, up year over year from 3.9%.

Risk-weighted assets decreased €10 billion in the June-end quarter to €331 billion (\$371.6 billion) sequentially.

Outlook for 2020

The company expects post-tax return on average tangible shareholders' equity in 2020 to be negatively affected by costs to execute its strategy as well as the impact of the COVID-19 outbreak on the broader economic environment.

Revenues for the company are expected to be essentially flat in 2020 mainly as a result of continued de-risking activities in the Capital Release Unit. Core Bank revenues are expected to be slightly higher in 2020 than the previous year based on the strong revenue performance in the first half of the year combined with expectations of a gradual recovery of the global economy in the second half of 2020. In addition, Deutsche Bank expects revenues to continue to be impacted from the ongoing low interest rate environment. Although volatility has receded, macroeconomic and market conditions are expected to remain volatile for the remainder of 2020, with substantial uncertainty as to the short and longer-term impacts of the COVID-19 pandemic. It seeks to offset some of these negative impacts through ongoing investment into growth areas.

Provision for credit losses is expected to significantly increase in 2020 due to a continued normalization of provisioning levels, lower recoveries and the impact of the COVID-19 outbreak on Expected Credit Loss estimates. It reaffirmed guidance for provision for credit losses of between 35 and 45 basis points of loans in 2020.

The lender remains on track to deliver adjusted costs of €19.5 billion in 2020. Transformation-related costs of €1.4 billion are expected to be incurred in 2020.

Deutsche Bank expects the litigation and enforcement environment to remain challenging in the short term. For 2020, it expects net litigation charges to exceed the levels experienced in 2019.

Management believes that significant opportunities exist to support clients, which may lead to a temporary increase in risk-weighted assets (RWA). As a result, it expects RWA to be slightly higher in 2020 compared to the prior year.

Post-tax Return on Average Tangible Shareholders' Equity is expected to be affected by costs related to the execution of its strategy as well as the impact of COVID-19 on the broader economic environment.

Medium-Term Target (2022-end)

For the group, post-tax return on tangible equity (RoTE) of 8% is targeted by 2022, given external headwinds, including interest-rate movements in the euro area. Notably, various measures have been implemented by the bank to nullify the impact of lower interest rates to a greater extent. Loan growth, passing through negative interest rates, further optimization of liquidity reserves and using deposit tiering arrangements initiated by the European Central Bank advantageously are some of the measures.

For the Core Bank, excluding the Capital Release Unit, Deutsche Bank anticipates post-tax RoTE target of above 9% in 2022. Cost income ratio of 70% is expected.

Per management anticipations, the interest-rate environment is likely to affect the returns in the Private Bank and Corporate Bank in the mid-term, partly offset by revenue growth in the Investment Bank and Corporate & Other.

The company aims to reduce adjusted costs to €17 billion by 2022.

CET 1 capital ratio is anticipated to be maintained at 12.5%. Also, leverage ratio is likely to be about 5%.

Recent News

BNY Mellon & Deutsche Bank Jointly Develop Digital FX Solution - Jul 8, 2020

The Bank of New York Mellon Corporation has developed a new foreign-exchange (FX) solution enabled by application programming interface (API) in collaboration with Deutsche Bank. This solution aims to reduce the confirmation times for restricted emerging-market currency trades.

The digital solution will also reduce the pre-trade time in emerging-market custody FX considerably, along with lowering operational burden and manual intervention.

The solution is already live in Korea and is being applied to custody FX transactions in Korean Won. The digital solution is likely to be used for the Indonesian Rupiah and the Indian Rupee next. Eventually, it will be launched in other restricted emerging market currencies, which has equity or fixed-income transactions as its underlying.

Further, the solution is expected to facilitate immediate communication between existing bots of the two banks and can likely bring trade remediation closer to the time of execution. It is also expected to decrease price slippage for "clients between the FX leg of a transaction and the equity or fixed-income security trade."

Jason Vitale, global head of FX at BNY Mellon said, "With this partnership, we are not only seizing an opportunity to alter back-office processing in restricted markets, but more importantly, we are providing front-office users with faster execution and enhanced workflow transparency."

David Lynne, APAC head of Fixed Income & Currencies, and Corporate Bank, at Deutsche Bank noted, "This demonstrates our commitment to market leading execution, at a time when investor participation and focus on costs in these markets are increasing. The collaboration between the two organizations leverages our strengths and expertise in emerging markets, custodial FX, as well as digital work-flow and innovation."

Deutsche Bank Enters Multi-Year Partnership With Google Cloud - Jul 7, 2020

Deutsche Bank in partnership with Alphabet's Google Cloud is aiming to innovate and introduce the next generation of technology-based financial products. For the moment, the companies have signed a Letter of Intent, with plans to sign a multi-year contract in a few months.

With the partnership, Deutsche Bank aims to transform its IT architecture and will be able to benefit from the engineering capabilities of both companies.

Per the terms discussed by the companies, the multi-year transformation and optimization of the German bank's current systems will be undertaken in a phased approach. Also, both parties are bound to comply with privacy and data protection regulations to maintain the confidentiality, integrity and availability of customer data and Deutsche Bank's information assets.

Also, Deutsche Bank will be able to access world-class data science, artificial intelligence and machine learning, which would help it serve its clients better amid the growing demand for digital transactions.

The bank seeks to find a better solution for helping treasury clients, with day-to-day tasks such as cash flow forecasting, improved risk analytics and advanced security solutions to protect clients' accounts. For the private banking business, digital and intuitive solutions will be the focus to simplify the interactions between customers and employees.

"The partnership with Google Cloud will be an important driver of our strategic transformation," said Christian Sewing, CEO, Deutsche Bank. "It demonstrates our determination to invest in our technology as our future is strongly linked to successful digitization. It is as much a revenue story as it is about costs."

Deutsche Bank Mulling to Form New Global Private Bank - Jun 10, 2020

Continuing its restructuring moves, German bank Deutsche Bank is now mulling to combine the company's Wealth Management and Private & Commercial Business International units, and form a new International Private Bank. The bank targets to serve 3.4 million private, wealth and commercial clients through the new entity.

Though the new division, Deutsche Bank aims to merge globally-connected Wealth Management's clients across Germany, Europe, the Americas, Asia and the Middle East and Africa, along with private clients and small- and medium-sized enterprises in Italy, Spain, Belgium and India. The combined business is likely to hold around 250 billion euros of assets under management and record revenues of about 3 billion euros.

Moreover, Claudio de Sanctis, the recent Global Head of Wealth Management, will head the International Private Bank and serve as CEO EMEA.

Karl von Rohr, Deutsche Bank's president and head of the Private Bank, said, "This exciting combination is the next step in the Private Bank's transformation announced last July. I am delighted that Claudio will lead our new growth pillar. He has made a major contribution since joining Deutsche Bank in December 2018 and possesses all the qualities and energy needed to lead this strategically vital business for Deutsche Bank."

De Sanctis further noted, "With the International Private Bank, we will create a truly global organization with a unique focus on serving entrepreneurial individuals and families with European connectivity as well as a personal banking powerhouse in major Eurozone markets. Combining our internationally focused Private Bank businesses will allow us to develop our market share within and across local markets. We will be able to provide greater access for private banking clients to our wealth management capabilities and to combine forces to offer superior digital services to our private, wealth and commercial clients."

BNP Paribas and Deutsche Bank Receive Approvals - Nov 14, 2019

BNP Paribas and Deutsche Bank announce that the agreement to refer clients and to transfer technology and key staff from Deutsche Bank's Global Prime Finance and Electronic Equities businesses to BNP Paribas has received the necessary approvals and is now unconditional.

Previously, continuing with its restructuring moves, in September 2019, Deutsche Bank has entered a deal with BNP Paribas, per which the former will transfer its prime brokerage business to the latter. The French bank will service Deutsche Bank's Global Prime Finance and Electronic Equities clients.

However, per the agreement, the platform will remain under the German bank till the migration of clients to BNP Paribas is complete. The company expects the transaction to unwind by the end of 2021 with client transactions, IT hardware and software and employees to be transferred over the period.

"We are pleased to have signed the master transaction agreement with BNP Paribas on schedule. This is an important milestone for our Capital Release Unit and attests to the strength of our client offering and technology in these products. We are already making progress and are on the right track to implement this transaction, thereby providing a clear path for clients and staff," said Frank Kuhnke, chief operating officer, Deutsche Bank.

Valuation

Deutsche Bank's shares are up 18.5% in the year-to-date period and 19% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 31.4% and 17.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 29.4% and 11.8%, respectively.

The S&P 500 Index is up 0.1% in the year-to-date period and 8.5% in the past year.

The stock is currently trading at 0.27X trailing 12 months book value, which compares to 0.99X for the Zacks sub-industry, 2.42X for the Zacks sector and 4.46X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 0.58X and as low as 0.16X, with a 5-year median of 0.3X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$10 price target reflects 0.29X book value.

The table below shows summary valuation data for DB

Valuation Multiples - DB					
		Stock	Sub-Industry	Sector	S&P 500
P/B TTM	Current	0.27	0.99	2.42	4.46
	5-Year High	0.58	1.71	2.91	4.56
	5-Year Low	0.16	0.73	1.72	2.83
	5-Year Median	0.3	1.34	2.53	3.71
P/EBITDA TTM	Current	8.41	4.95	14.13	12.98
	5-Year High	9.86	6.77	15.57	13.85
	5-Year Low	0.89	3.11	7.8	8.75
	5-Year Median	4.14	5.41	13.17	11.8
P/S F12M	Current	0.76	2.85	6.04	3.54
	5-Year High	1.19	4.38	6.66	3.54
	5-Year Low	0.46	2.31	4.96	2.53
	5-Year Median	0.69	3.64	6.06	3.02

As of 07/29/2020

Industry Analysis Zacks Industry Rank: Top 47% (118 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
UBS Group AG (UBS)	Outperform	1
Barclays PLC (BCS)	Neutral	3
BanColombia S.A. (CIB)	Neutral	3
ICICI Bank Limited (IBN)	Neutral	3
The PNC Financial Services Group, Inc (PNC)	Neutral	4
Royal Bank Of Canada (RY)	Neutral	2
Standard Chartered PLC (SCBFF)	Neutral	3
HSBC Holdings plc (HSBC)	Underperform	5

Industry Comparison Industry: Banks - Foreign				Industry Peers		
	DB	X Industry	S&P 500	BCS	IBN	UBS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	2	-	-	3	3	1
VGM Score	D	-	-	B	C	F
Market Cap	19.06 B	23.14 B	22.69 B	23.88 B	30.95 B	43.85 B
# of Analysts	2	1	14	3	4	2
Dividend Yield	0.00%	2.86%	1.8%	0.00%	0.30%	0.00%
Value Score	C	-	-	A	D	C
Cash/Price	15.33	3.90	0.07	21.88	0.54	4.05
EV/EBITDA	-86.95	-4.49	13.11	-12.38	NA	3.61
PEG Ratio	NA	2.47	3.05	0.73	NA	1.80
Price/Book (P/B)	0.27	0.63	3.15	0.27	1.74	0.77
Price/Cash Flow (P/CF)	NA	5.54	12.28	3.27	19.38	7.15
P/E (F1)	NA	11.73	22.27	13.12	18.84	9.98
Price/Sales (P/S)	0.51	1.23	2.46	0.84	2.33	1.46
Earnings Yield	-3.36%	7.81%	4.25%	7.62%	5.33%	10.02%
Debt/Equity	2.20	0.86	0.75	4.82	1.66	3.24
Cash Flow (\$/share)	-0.94	1.81	6.94	1.68	0.49	1.68
Growth Score	F	-	-	F	C	F
Hist. EPS Growth (3-5 yrs)	NA%	4.41%	10.85%	1.99%	-19.93%	3.91%
Proj. EPS Growth (F1/F0)	89.97%	-37.33%	-7.70%	-66.40%	53.79%	5.26%
Curr. Cash Flow Growth	-161.61%	4.64%	5.31%	9.46%	150.68%	-8.95%
Hist. Cash Flow Growth (3-5 yrs)	NA%	5.28%	8.55%	2.46%	-3.60%	5.03%
Current Ratio	0.71	1.06	1.31	1.43	0.99	0.98
Debt/Capital	69.06%	46.34%	44.23%	82.81%	62.36%	76.44%
Net Margin	-16.53%	16.23%	10.45%	4.95%	8.98%	15.29%
Return on Equity	-8.63%	8.94%	14.99%	4.05%	6.64%	8.12%
Sales/Assets	0.02	0.04	0.53	0.02	0.07	0.03
Proj. Sales Growth (F1/F0)	-2.51%	-3.26%	-1.97%	-1.70%	2.31%	33.91%
Momentum Score	A	-	-	A	A	B
Daily Price Chg	-2.43%	0.58%	1.52%	-4.34%	0.00%	-0.83%
1 Week Price Chg	-3.61%	0.00%	0.37%	-0.35%	9.36%	0.83%
4 Week Price Chg	-1.07%	2.45%	5.44%	-1.96%	-0.42%	5.00%
12 Week Price Chg	35.59%	16.18%	15.38%	11.77%	8.88%	24.79%
52 Week Price Chg	18.05%	-26.09%	-1.61%	-26.34%	-21.70%	7.25%
20 Day Average Volume	4,073,339	124,984	1,846,377	3,311,847	5,762,015	2,892,896
(F1) EPS Est 1 week change	4.69%	0.00%	0.00%	8.62%	2.01%	0.00%
(F1) EPS Est 4 week change	17.57%	0.00%	0.27%	8.62%	3.05%	12.68%
(F1) EPS Est 12 week change	22.78%	-4.26%	-0.85%	55.56%	-4.69%	21.21%
(Q1) EPS Est Mthly Chg	NA%	0.00%	0.13%	NA	25.00%	NA

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	C
Growth Score	F
Momentum Score	A
VGM Score	D

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

Disclosures

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