Deckers Outdoor (DECK)

$210.82 (As of 08/27/20)

Price Target (6-12 Months): **$242.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 07/31/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:C
	Value: C | Growth: C | Momentum: C	

Summary

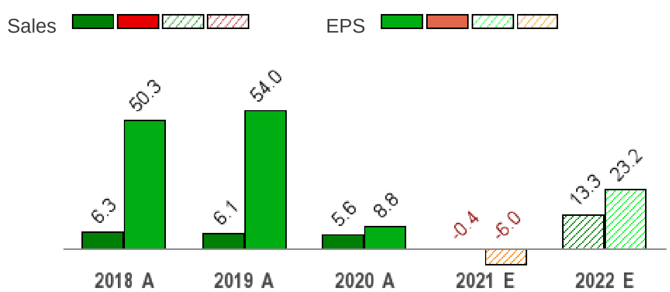
Shares of Deckers have risen and outpaced the industry in the past three months. The company's focus on expanding brand assortments, introducing more innovative line of products, targeting consumers digitally and optimizing omni-channel distribution have been contributing to its upbeat performance. This is evident from the company's better-than-expected first-quarter fiscal 2021 results. The company posted narrower-than-expected loss with net sales also beating the Zacks Consensus Estimate. Both top and bottom lines compared favorably with the year-ago period. The year-over-year improvement in the bottom line can be attributed to increased revenue mix of HOKA ONE ONE brand including benefits from a greater portion of DTC sales, higher revenue and profitability from domestic UGG business, and expense savings related to travel and marketing.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	$225.70 - $78.70
20 Day Average Volume (sh)	327,705
Market Cap	$5.9 B
YTD Price Change	24.9%
Beta	0.99
Dividend / Div Yld	$0.00 / 0.0%
Industry	Shoes and Retail Apparel
Zacks Industry Rank	Bottom 15% (215 out of 252)
Last EPS Surprise	74.8%
Last Sales Surprise	7.1%
EPS F1 Est- 4 week change	10.0%
Expected Report Date	10/22/2020
Earnings ESP	0.0%
P/E TTM	20.8
P/E F1	23.3
PEG F1	2.4
P/S TTM	2.8

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	352 E	585 E	950 E	440 E	2,406 E
2021	283 A	542 E	881 E	418 E	2,124 E
2020	277 A	542 A	939 A	375 A	2,133 A

EPS Estimates

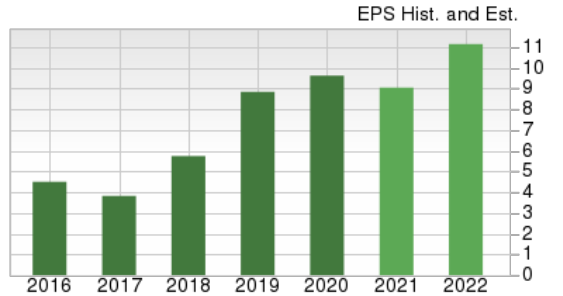
	Q1	Q2	Q3	Q4	Annual*
2022	$0.12 E	$2.99 E	$6.66 E	$0.79 E	$11.14 E
2021	-$0.28 A	$2.40 E	$6.06 E	$0.74 E	$9.04 E
2020	-$0.67 A	$2.71 A	$7.14 A	$0.57 A	$9.62 A

*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 08/27/2020. The reports text is as of 08/28/2020.

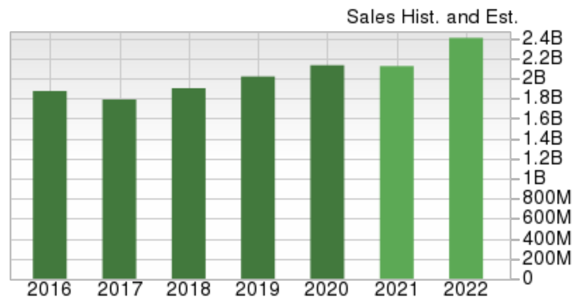
Overview

Founded in 1973 and headquartered in Goleta, California, Deckers Outdoor Corporation (DECK) is a leading designer, producer, and brand manager of innovative, niche footwear and accessories developed for outdoor sports, and other lifestyle-related activities.



The company offers footwear that is distinctive and appeals broadly to men, women and children. These includes casual open and closed-toe outdoor footwear, as well as outdoor performance footwear, including multi-sport shoes, light hiking shoes, amphibious footwear, and rugged outdoor travel shoes; and sheepskin footwear, and sandals under various styles.

In February 2016, the company executed a multi-year restructuring plan with an aim to realign brands, optimize retail store fleet, and consolidate management and operations. As part of this restructuring plan, the company realigned brands into two groups: Fashion Lifestyle and Performance Lifestyle. The Fashion Lifestyle group includes the UGG and Koolaburra brands. The Performance Lifestyle group includes the Teva, Sanuk and Hoka brands.



Its products are sold through specialty domestic retailers, international distributors and directly to end-users through its websites and catalogs. The company's products are sold under different brands.

The UGG brand comprises authentic luxury sheepskin boots and a full line of luxury and comfort footwear and accessories; Teva includes high performance sport shoes and rugged outdoor footwear; Sanuk, an action sport footwear brand; and Other brands includes HOKA ONE ONE brand, a line of premium, running footwear and apparel. The company's product portfolio also includes KOOLABURRA, a footwear brand.

Reasons To Buy:

Impressive Performance Propels Stock: Deckers focus on bolstering e-commerce competencies and investments in digital marketing helped it to better engage with customers at a time when most of the company-owned retail stores and some wholesale doors remained closed during a portion of first-quarter fiscal 2021. Notably, the company's strategic endeavors helped post better-than-expected results. The company reported narrower-than-expected loss. Also, its sales outpaced the Zacks Consensus Estimate for the 14th straight quarter. We note that both top and bottom lines also compared favorably with the year-ago quarter's respective figures. The company's impressive performance helped lift the stock in the past three months. Shares of Deckers have increased 15.5% compared with the industry's gain of 11.3% in the aforementioned period.

Deckers is focused on expanding brand assortments, bringing innovative line of products, targeting consumers digitally via marketing and sturdy e-commerce, and optimizing omni-channel distribution.

Strength in the company's direct-to-consumer platform aided the quarterly results. Brand wise HOKA ONE ONE contributed to sales growth. The year-over-year improvement in the bottom line can be attributed to increased revenue mix of HOKA ONE ONE brand including benefits from a greater portion of direct-to-consumer sales and higher revenue and profitability from domestic UGG business as direct-to-consumer performance was able to offset declines in wholesale business. Cost savings on account of reduced travel and lower marketing spend also contributed to the bottom-line performance. Although, management did not issue any outlook given the fluid economic landscape with respect to COVID-19, it expects contribution from direct-to-consumer business and HOKA ONE ONE brand to increase as a proportion of total revenues in the current fiscal year.

Strategic Endeavors: Deckers is targeting profitable and underpenetrated markets, and remains focused on product innovations, store expansion and enhancing e-commerce capabilities. Deckers' focus on expanding its brand assortments, bringing more innovative line of products, targeting consumers digitally and optimizing omni-channel distribution bode well. The company is making marketing investments to build brand awareness of HOKA ONE ONE and UGG Men's and UGG Women's non-core category. Moreover, to address the challenges tied to the pandemic, Deckers remains focused on lowering operating expenses. The company is curbing employee travel, suspending hiring of certain non-essential associates and annual salary increment, switching over to virtual meetings, and eliminating or deferring other discretionary expenditures.

Omni Channel Expansion: In keeping with the changing trends, Deckers has been constantly developing its e-commerce portal to capture incremental sales. The company has made substantial investments to strengthen its online presence and improve shopping experience for its customers. The company is focused on opening smaller concept omni-channel outlets and expanding programs such as Retail Inventory Online; Infinite UGG; Buy Online, Return In Store; and Click and Collect to enhance customers' shopping experience. The company's direct-to-consumer business was robust throughout the first quarter of fiscal 2021 driven by the strong consumer demand for the company's brands online. In fact, 49% of net sales came from direct-to-consumer channel, heavily skewed towards e-commerce. We note that direct-to-consumer net sales jumped 74.2% to $139.8 million driven by online growth in both the UGG and HOKA ONE ONE brands. The UGG brand registered a 53% increase in its direct-to-consumer business with e-commerce helping in recouping much of the lost volume on account of owned retail store closures. HOKA witnessed triple-digit revenue growth in its direct-to-consumer business.

Adopting Customer Centric Product and Marketing Strategies: Deckers is focusing on product and marketing strategies that are more skewed toward customers, and in this respect the company is implementing customer relationship management (CRM) software and concentrating on loyalty program. Moreover, the company is focusing on expanding its product categories according to the customer purchasing trends that differs with weather. The company is paying more emphasis on casual boots, winter and weather boots, and casual shoes. With people largely staying at home and working from home owing to the coronavirus pandemic demand for casual and comfortable shoes to wear in homes has increased. In this regard, the company's Fluff and Oh Yeah styles resonate well with customers. Moreover, in order to capture incremental sales and margins the company is selling directly to wholesale customers.

Restructuring Plan Bodes Well: The company executed a multi-year restructuring plan with an aim to realign brands, optimize retail store fleet, consolidate management and operations, and speed up growth through its long-term strategies. The company realigned its brands into two groups, namely Fashion Lifestyle and Performance Lifestyle. The Fashion Lifestyle group comprises of the UGG and Koolaburra brands, whereas the Performance Lifestyle group includes the Teva, Sanuk and Hoka brands. With regard to the consolidation of brands, the company shifted the operations of Sanuk brand to the corporate headquarters in Goleta from Irvine, CA. Again, the company's store fleet optimization plan focuses on striking the right balance between digital and physical stores. These actions are likely to boost profitability and shareholder returns as well as enhance brand and store performance.

Financial Flexibility: Deckers looks quite comfortable from a liquidity point of view. The company's cash & cash equivalents were $661.9 million at the end of first-quarter fiscal 2021, which reflects an increase of about 2% on a quarter-on-quarter basis. Notably, the company's cash position remains sufficient to fund its short-term obligations (comprising short-term borrowings and operating lease liabilities) of about $48.7 million as well as long-term obligations (including operating lease liabilities and mortgage payable) of roughly $235.7 million as of Jun 30, 2020. Also, the company had $469.7 million available under its existing revolving-credit facilities. It did not have outstanding borrowings under any of the existing revolving-credit facilities at the end of the first quarter.

Risks

- **Over-Reliance on the UGG Brand:** Deckers' over-reliance on the UGG brand is a matter of concern. In the event of stagnation or deceleration in UGG sales growth, the company's overall results may be adversely impacted. This is because the percentage of contribution from the company's other brands are too small to offset any slowdown in UGG sales. UGG brand net sales decreased 10% to $124.7 million in first-quarter fiscal 2021 owing to 49% decline in wholesale business, which was mainly caused by the COVID-19-related wholesale door closures. Internationally, UGG declined versus last year primarily related to COVID-19 store closures, the multiyear marketplace reset in Europe, and the brand having a smaller e-commerce presence relative to the U.S. market, making it more challenging to offset the volume loss from retail stores.

- **Softness in Sanuk Brand:** We note that the company has been grappling with falling sales from the Sanuk Brand. During the first quarter of fiscal 2021, net sales from the brand came in at $13.2 million, down 29.2% year over year. This follows decline of 57.8%, 34.5%, 22.4% and 23.5% in the fourth, third, second and first quarters of fiscal 2020, respectively. Sanuk wholesale business declined 50% during the quarter under review.

- **Near-Term Headwinds:** Management informed that many of the re-opened outlets are working at a limited capacity as they are adapting to new and evolving challenges tied to the pandemic. Going forward, management anticipates potential risk of more closures or limitations in the peak periods owing to the ongoing and uncertain pandemic-induced restrictions on retail store operations. Further, management estimates operational headwinds like capacity constraints with increased levels of e-commerce shipments in peak wholesale-volume periods, coupled with higher costs in relation to warehouse employees' safety and payroll expenses. To address these issues, the company has been phasing certain wholesale shipments earlier than in prior years. This might impact the timing of revenues between upcoming quarters. Also, high promotional environment, increase in costs related to distribution fulfillment, rise in expenses on account of additional safety measures, higher labor costs and increased marketing spend may hurt margins. The company expects overall revenues to decline year over year for the fiscal year.

- **Foreign Currency Fluctuations:** Due to exposure to international markets, Deckers remains prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside of the U.S. An increase in price may have an adverse impact on the demand for the products. Deckers experienced currency pressure during fiscal 2020.

- **Competitive Pressure:** Deckers faces intense competition in the footwear and apparel industry from other big guns on several attributes such as style, price, quality, comfort and brand name. The competitors with significant financial, technological, engineering, manufacturing, marketing, and distribution advantages may dent the company's sales and margins. Moreover, rapid shift in customer shopping patterns to buy athletic footwear, athletic apparel, and sporting goods from e-retailers could significantly hurt the company's business results.

- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. For now, the novel coronavirus has wreaked havoc. Consumer Discretionary sector, in particular, remains under pressure. Again, job losses as well as lower disposable income due to this catastrophe are making things worse. Consumers are avoiding discretionary spending and focusing on necessities for the time being.

Last Earnings Report

Deckers Records Narrower-Than-Expected Loss in Q1

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	7.05%
EPS Surprise	74.77%
Quarterly EPS	-0.28
Annual EPS (TTM)	10.14

Deckers Outdoor Corporation reported narrower-than-expected loss in first-quarter fiscal 2021. Moreover, its sales outpaced the Zacks Consensus Estimate for the 14th straight quarter. Both top and bottom lines also compared favorably with the year-ago quarter's respective figures. Notably, strength in the company's direct-to-consumer platform aided the quarterly results. Brand wise HOKA ONE ONE contributed to sales growth.

We note that Deckers reopened majority of its stores in fiscal first quarter and about 20% of its stores remained open for the full 90-day period. Nearly 95% of the company's global stores are open as of this week. Many of such reopened outlets are working at a limited capacity as they are adapting to new and evolving challenges tied to the pandemic. Going forward, management anticipates potential risk of more closures or limitations in the peak periods owing to the ongoing and volatile pandemic-induced restrictions on retail store operations.

Deckers' distribution center in Moreno Valley, CA, and other third-party distribution facilities are currently operating and supporting logistics. Further, management estimates operational headwinds like capacity constraints with increased levels of e-commerce shipments in peak wholesale-volume periods, coupled with higher costs in relation to warehouse employees' safety and payroll expenses. To address these issues, the company has been phasing certain wholesale shipments earlier than in prior years. This might impact the timing of revenues between upcoming quarters.

Although, management did not issue any outlook given the fluid economic landscape with respect to COVID-19, it expects contribution from direct-to-consumer business and HOKA ONE ONE brand to increase as a proportion of total revenues in the current fiscal year. However, the company expects overall revenues to decline year over year for the fiscal year.

Deckers posted quarterly loss of 28 cents per share, which is narrower than the Zacks Consensus Estimate of a loss of $1.11 and the year-ago quarter's loss of 67 cents. This year-over-year improvement in the bottom line can be attributed to increased revenue mix of HOKA ONE ONE brand including benefits from a greater portion of direct-to-consumer sales and higher revenue and profitability from domestic UGG business as direct-to-consumer performance was able to offset declines in wholesale business. Cost savings on account of reduced travel and lower marketing spend also contributed to the bottom-line performance. These were partly offset by lower UGG international wholesale revenues, year-over-year declines in Teva and Sanuk brands, no tax benefit this year, and reduced interest income.

Net sales rose 2.3% to $283.2 million during the reported quarter and also surpassed the Zacks Consensus Estimate of $265 million. On a constant-currency basis, net sales grew 2.8%.

We note that gross margin expanded 330 basis points to 50.3% during the quarter, driven by a favorable shift in channel mix stemming from lower wholesale volume, comprising reduction of closures and higher e-commerce penetration. Moreover, the HOKA ONE ONE brand's growth and its increased mix of overall revenues contributed to growth. SG&A expenses fell 6.9% year over year to $150.3 million due to reduce travel and shifting of a portion of marketing expenditure, to be used later this fiscal. Furthermore, the company reported operating loss of $7.7 million compared to operating loss of $31.4 million in the year-ago quarter.

Sales in Description

The company's domestic net sales increased 10.2% to $184.3 million in the reported quarter. Meanwhile, international net sales dropped 9.7% to $98.9 million. Wholesale net sales in the reported quarter declined 27.1% to $143.3 million owing to pandemic-induced store closures worldwide. Direct-to-consumer net sales jumped 74.2% to $139.8 million driven by online growth in both the UGG and HOKA ONE ONE brands. The UGG brand registered a 53% increase in its direct-to-consumer business with e-commerce helping in recouping much of the lost volume on account of owned retail store closures. HOKA witnessed triple-digit revenue growth in its direct-to-consumer business. Notably, approximately 49% of net sales came from direct-to-consumer channel, heavily skewed towards e-commerce.

UGG brand net sales decreased 10% to $124.7 million in the reported quarter owing to 49% decline in wholesale business, which was mainly caused by the COVID-19-related wholesale door closures. HOKA ONE ONE brand net sales surged 37.1% to $109 million, while Teva brand net sales declined 7.9% to $35.2 million. Net sales for the Sanuk brand, known for its exclusive sandals and shoes, came in at $13.2 million, down 29.2% year over year.

Other Financial Aspects

At the end of the reported quarter, Deckers had cash and cash equivalents of $661.9 million, outstanding borrowings including mortgages of $30.7 million and shareholders' equity of $1,136.9 million. Further, inventories as of Jun 30, 2020 were $435 million, down 8.1% year over year. The company had $469.7 million available under its existing revolving-credit facilities. It did not have outstanding borrowings under any of the existing revolving-credit facilities at fiscal first-quarter end. During fiscal first quarter, management did not buy back shares and had $160 million available under its stock-repurchase program as of Jun 30.

Valuation

Deckers shares are up 24.9% in the year-to-date period and nearly 43.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 5.1% but the Zacks Consumer Discretionary sector is down 1.5%, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 25.5% and 8.2%, respectively.

The S&P 500 index is up 8.2% in the year-to-date period and 19.4% in the past year.

The stock is currently trading at 21.28X forward 12-month earnings, which compares to 36.75X for the Zacks sub-industry, 34.74X for the Zacks sector and 23.36X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.61X and as low as 7.95X, with a 5-year median of 15.98X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $242 price target reflects 24.43X forward 12-month earnings.

The table below shows summary valuation data for DECK

Valuation Multiples - DECK

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.28	36.75	34.74	23.36
	5-Year High	26.61	36.75	34.74	23.36
	5-Year Low	7.95	18.63	16.13	15.25
	5-Year Median	15.98	23.51	19.86	17.58
P/S F12M	Current	2.64	3.42	2.47	3.81
	5-Year High	2.81	3.42	2.95	3.81
	5-Year Low	0.68	2.04	1.68	2.53
	5-Year Median	1.51	2.68	2.5	3.05
EV/EBITDA TTM	Current	10.1	26.28	20.45	13.25
	5-Year High	10.1	26.28	20.45	13.25
	5-Year Low	4.15	11.02	10.68	8.25
	5-Year Median	6.11	14.17	12.97	10.92

As of 08/27/2020

Industry Analysis **Zacks Industry Rank:** Bottom 15% (215 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
Rocky Brands, Inc. **(RCKY)**	Outperform	1
Adidas AG **(ADDYY)**	Neutral	3
Caleres, Inc. **(CAL)**	Neutral	4
Carters, Inc. **(CRI)**	Neutral	3
Steven Madden, Ltd. **(SHOO)**	Neutral	4
Skechers U.S.A., Inc. **(SKX)**	Neutral	3
Wolverine World Wide, Inc. **(WWW)**	Neutral	3
Anta Sports Products Ltd. **(ANPDF)**	Underperform	5

Industry Comparison Industry: Shoes And Retail Apparel

	DECK	X Industry	S&P 500	CAL	SHOO	WWW
				Industry Peers		
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	4	4	3
VGM Score	C	-	-	B	A	B
Market Cap	5.91 B	1.49 B	23.67 B	290.08 M	1.73 B	2.07 B
# of Analysts	7	5	14	1	6	7
Dividend Yield	0.00%	0.00%	1.64%	3.88%	0.00%	1.58%
Value Score	C	-	-	B	B	B
Cash/Price	0.11	0.26	0.07	0.73	0.21	0.21
EV/EBITDA	14.24	7.35	13.33	4.74	6.60	11.98
PEG Ratio	2.36	3.29	3.05	NA	3.61	2.27
Price/Book (P/B)	5.20	1.36	3.18	1.02	2.26	2.81
Price/Cash Flow (P/CF)	18.73	9.03	12.81	1.77	9.22	8.85
P/E (F1)	23.32	30.97	21.68	NA	54.10	22.68
Price/Sales (P/S)	2.76	0.88	2.50	0.11	1.22	1.05
Earnings Yield	4.29%	2.64%	4.43%	-27.05%	1.82%	4.40%
Debt/Equity	0.21	0.48	0.74	2.80	0.00	1.16
Cash Flow ($/share)	11.26	2.85	6.94	4.07	2.26	2.85
Growth Score	C	-	-	C	A	B
Hist. EPS Growth (3-5 yrs)	26.35%	2.97%	10.41%	-5.78%	8.28%	11.68%
Proj. EPS Growth (F1/F0)	-6.00%	-42.86%	-4.94%	-192.86%	-80.26%	-50.54%
Curr. Cash Flow Growth	1.85%	0.00%	5.22%	5.00%	5.46%	-5.09%
Hist. Cash Flow Growth (3-5 yrs)	8.34%	5.48%	8.50%	4.97%	8.40%	1.05%
Current Ratio	3.27	2.50	1.35	0.94	2.67	1.65
Debt/Capital	17.17%	42.21%	43.86%	73.72%	0.00%	53.75%
Net Margin	13.44%	2.84%	10.25%	-11.06%	2.56%	3.00%
Return on Equity	26.64%	8.64%	14.66%	3.78%	10.70%	17.74%
Sales/Assets	1.19	1.05	0.50	1.08	1.17	0.77
Proj. Sales Growth (F1/F0)	-0.40%	-0.40%	-1.43%	-27.36%	-35.15%	-20.75%
Momentum Score	C	-	-	C	D	F
Daily Price Chg	-0.36%	0.00%	0.43%	3.15%	3.37%	2.56%
1 Week Price Chg	-2.93%	-2.95%	-1.45%	-13.58%	-11.57%	-4.15%
4 Week Price Chg	-1.56%	0.98%	3.75%	9.57%	-7.05%	2.48%
12 Week Price Chg	3.34%	1.20%	3.95%	-24.03%	-23.17%	1.20%
52 Week Price Chg	43.92%	-12.01%	2.75%	-64.34%	-37.24%	-2.28%
20 Day Average Volume	327,705	88,700	1,887,168	735,191	886,993	429,161
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	2.50%	0.00%	0.00%
(F1) EPS Est 4 week change	10.01%	0.00%	0.79%	2.50%	-31.05%	-12.08%
(F1) EPS Est 12 week change	14.76%	-9.21%	3.43%	-95.00%	-41.22%	-9.21%
(Q1) EPS Est Mthly Chg	16.01%	0.00%	0.00%	-70.21%	-31.08%	-48.87%

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.

Value Score	C
Growth Score	C
Momentum Score	C
VGM Score	C

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.

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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