

The Walt Disney (DIS)

\$130.53 (As of 08/14/20)

Price Target (6-12 Months): **\$137.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/17/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: D

Growth: D

Momentum: C

Summary

Disney reported disappointing third-quarter fiscal 2020 results as its businesses were adversely affected by the coronavirus outbreak. The company's domestic parks and resorts, cruise-line business, and Disneyland Paris were closed in the reported quarter. Shanghai Disney Resort re-opened in May and Hong Kong Disneyland Resort, despite reopening in late June, was closed again in July. The pandemic affected Disney's third-quarter segmental operating income by \$3.5 billion. However, Disney benefits from the growing popularity of Disney+, owing to a strong content portfolio and a cheaper bundle offering despite stiff competition. Upcoming launches in the Nordics, Belgium, Luxembourg, Portugal and Latin America are expected to rapidly expand subscriber base. Notably, Disney's shares have outperformed the industry year to date.

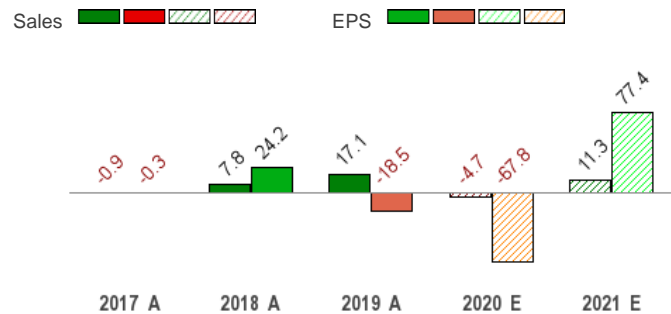
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$153.41 - \$79.07
20 Day Average Volume (sh)	13,019,909
Market Cap	\$235.9 B
YTD Price Change	-9.8%
Beta	1.10
Dividend / Div Yld	\$1.76 / 1.3%
Industry	Media Conglomerates
Zacks Industry Rank	Bottom 9% (229 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	118.6%
Last Sales Surprise	-6.9%
EPS F1 Est- 4 week change	29.5%
Expected Report Date	NA
Earnings ESP	-151.7%
P/E TTM	39.8
P/E F1	70.2
PEG F1	12.5
P/S TTM	3.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	17,592 E	18,319 E	20,446 E	20,574 E	73,838 E
2020	20,858 A	18,009 A	11,779 A	15,306 E	66,324 E
2019	15,303 A	14,922 A	20,245 A	19,100 A	69,570 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.48 E	\$0.94 E	\$0.99 E	\$1.00 E	\$3.30 E
2020	\$1.53 A	\$0.60 A	\$0.08 A	-\$0.29 E	\$1.86 E
2019	\$1.84 A	\$1.61 A	\$1.35 A	\$1.07 A	\$5.77 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 08/14/2020. The reports text is as of 08/17/2020.

Overview

Burbank, CA-based Walt Disney Company has assets that span movies, television, publishing and theme parks. Revenues were \$69.57 billion in fiscal 2019.

Media Networks (35.7% of total revenues) segment includes domestic broadcast television network, television production and distribution operations, domestic television stations, cable networks, domestic broadcast radio networks and stations, and publishing and digital operations. The company operates the ABC Television Network and 8 owned television stations; ESPN and Disney Channel cable networks; ESPN Radio and Radio Disney networks.

Studio Entertainment (16% of revenues) segment produces animated and live-action motion pictures, direct-to-video programming, musical recordings, and live stage plays. The library of films is distributed under 5 banners namely Walt Disney Pictures, Touchstone Pictures, Pixar, Marvel, and Lucasfilms.

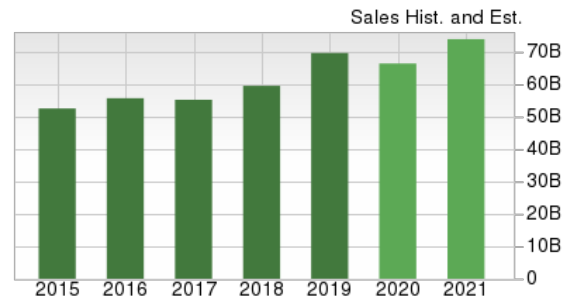
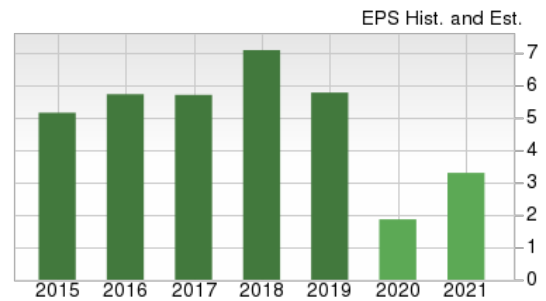
Parks, Experiences & Consumer Products (37.7% of revenues) segment is a combination of global consumer products business with Parks and Resorts. Parks and Resorts owns and operates the Disney World Resort in Florida, the Disneyland Resort in California, the Disney Vacation Club, the Disney Cruise Line, and Adventures by Disney. The company also has ownership interests in Disneyland Paris, in Hong Kong Disneyland Resort and in Shanghai Disney Resort, and licenses the operations of the Tokyo Disney Resort in Japan.

Consumer products business engages with licensees, manufacturers, publishers and retailers to design, develop, publish, promote and sell a wide variety of products based on existing and new Disney characters and other intellectual property via its Merchandise Licensing, Publishing and Retail businesses throughout the world.

Direct-to-Consumer (DTC) & International segment (13.4% of revenues) comprises Disney's direct-to-consumer streaming services, international media operations and global advertising sales and ad technology for Disney media properties including Freeform, ESPN, ABC and Disney Channels.

On Mar 20, 2019, Disney completed the acquisition of 21st Century Fox and got hold of Fox's production, animation and television assets. National Geographic channel, FX Networks and international networks were also part of the deal.

Additionally, the company has acquired full operational control of Hulu.



Reasons To Buy:

- ▲ Disney launched its own direct-to-consumer service Disney+ on Nov 12, 2019 in the United States, Canada and The Netherlands. The service offers nearly 500 movies and 7,500 episodes of television from brands such as Disney, Pixar, Marvel, Star Wars and National Geographic and Disney+ originals. Disney+ costs \$6.99 a month or \$69.99 a year. Notably, the service can also be purchased in the United States as part of a bundle that includes Hulu (with ads) and ESPN for \$12.99 a month. Moreover, during the fiscal third quarter, Disney+ was launched in India through the Disney+ Hotstar service, in France, in strategic partnership with Canal+, and in Japan via a limited launch with NTT DOCOMO. Disney+ Hotstar will be launched on Sep 5 in Indonesia. Furthermore, Disney is set to launch Disney+ in Nordics, Belgium, Luxembourg and Portugal in September, and in Latin America in November 2020. By year end, Disney+ will be available in nine of the top 10 economies in the world.
- ▲ Disney+ is expected to have between 60 million and 90 million subscribers globally by the end of fiscal 2024. However, based on the current coronavirus driven momentum Disney+ is expected to surpass the lower end in 2020. Notably, Disney+, as of Jun 27, had 57.5 million paid subscribers. As of Aug 3, Disney+'s subscriber base had surpassed 60.5 million, the lower-end of the target. Disney's plan to add exclusive content like *Artemis Fowl* has been a key catalyst. The company's move to bring its much-anticipated movie *Mulan* to Disney+ subscribers in the United States, Canada, Australia, New Zealand and a number of countries in Western Europe on a premier-access basis, beginning Sep 4 is expected to further boost subscriber base.
- ▲ Disney is benefiting from the acquisition of majority of Fox's assets. Fox's television business is expected to help the company strengthen its TV slate globally, which has been facing some issues in terms of distribution or subscribers. Disney's international footprint will increase substantially post the acquisition. Notably, Fox Networks International operates above 350 channels in 170 countries, while Star India has 69 channels serving 720 viewers per month.
- ▲ Disney's Studio Entertainment segment has an impressive line-up of big budget movies slated to be released over the next 18 months. Additionally, following Fox's acquisition, the company's slate of movie releases has increased. The movies scheduled to release include *Mulan*, *Free Guy* and *Black Widow*.
- ▲ ESPN+ offers tournaments like Major League Baseball, National Hockey League, Major League Soccer, Grand Slam tennis, Italy's Serie A soccer and thousands of college sports. Although global sports, affected by coronavirus, will take some time to resume, prospects for ESPN+ is rosy over the long term. The service currently has more than 8.5 million paid subscribers, which is expected to expand through continued investments in content.

The acquisition of the majority of Fox's assets, impressive lineup of big budget movies and impressive Disney+ user growth rate are key catalysts.

Reasons To Sell:

- ▼ Coronavirus dealt a severe blow to Disney's top-line growth and profitability. The company closed its domestic parks and hotels for an unknown period of time, suspended cruise lines, stalled film and TV productions and shuttered retail stores in mid-March due to the coronavirus outbreak. The pandemic affected Disney's segmental operating income by \$3 billion net of cost mitigations in third-quarter fiscal 2020. Parks, Experiences and Products segment's operating income dented by a headwind of \$3.5 billion. Disneyland Paris was closed in fiscal third quarter. Shanghai Disney Resort re-opened in May and Hong Kong Disneyland Resort, despite reopening in late June, was closed again in July. This doesn't bode well for its top line, at least for the next couple of quarters.
- ▼ Moreover, theatrical distribution was hampered by coronavirus as theaters closed domestically beginning mid-March and internationally at different times starting late January. The Studio Entertainment business is expected to suffer delayed releases. Further, the timeline by which film and content production can resume is uncertain. Despite a healthy portfolio of new releases, the lack of visibility poses a challenge to Studio business.
- ▼ ESPN's advertising revenues declined due to lower average viewership on account of cancellation of major sporting events beginning mid-March as a result of the coronavirus outbreak. Results were also negatively impacted by higher programming and production costs. Since resumption in sports events are expected to take significant time, we believe ESPN's ad business will remain under pressure in fiscal 2020.
- ▼ Moreover, continued heavy investments in ESPN+ and Disney+ is likely to hurt DTC& International segment's profitability. Notably, management projects license content expenses related to Disney+ to increase from less than \$1.5 billion for fiscal 2020 to mid-\$2-billion range by fiscal 2024. Additionally, total operating expenses for Disney+, which include marketing, technology, customer service, billing and G&A expenses, are estimated to be slightly less than \$1 billion for fiscal 2020. Furthermore, Disney will spend \$1 billion in cash on original programming for Disney+ in fiscal 2020. Spending on Disney+ originals is likely to flare up to around \$2.5 billion by fiscal 2024. The company expects Disney+ to achieve profitability not before fiscal 2024, which is expected to keep margins under pressure.
- ▼ Disney+ is facing significant competition in the streaming market from the likes of Netflix and Amazon Prime. Netflix enjoys a first-mover advantage in the streaming market and its solid original programming portfolio is a major differentiator. Amazon is also catching up. With the availability of Apple TV+, HBO Max and Comcast's Peacock, the competition is likely to get stiffer. In fact, we believe Disney is significantly late to the streaming market and thus have to spend a significant amount to attract subscribers.
- ▼ Disney Disney has a leveraged balance sheet. Total borrowings were \$64.42 billion as of Jun 27, 2020 compared with \$55.45 billion as of Mar 31, 2020. The company issued \$11 billion of term debt in May and reduced its commercial paper balances by roughly \$2 billion. Disney's indebtedness compares unfavorably with cash, cash equivalents and its current marketable investment securities balance of \$23.12 billion.

Adverse impact of Coronavirus on major businesses, higher programming costs at ESPN, heavy investments in ESPN+ and Disney+ and softness in tourism in China are factors that may hamper growth.

Last Earnings Report

Disney Q3 Earnings Beat, Coronavirus Hits Revenues Hard

Disney reported third-quarter fiscal 2020 adjusted earnings of 8 cents per share, beating the Zacks Consensus Estimate by 118.6%. However, the figure plunged 94% year over year.

Revenues decreased 40.3% from the year-ago quarter to \$11.78 billion and lagged the consensus mark by 6.9%.

The pandemic affected Disney's segmental operating income by \$3 billion net of cost mitigations.

Quarter Ending 06/2020

Report Date	Aug 04, 2020
Sales Surprise	-6.91%
EPS Surprise	118.60%
Quarterly EPS	0.08
Annual EPS (TTM)	3.28

Top-line Details

Media Networks' (55.7% of revenues) revenues grew 6.3% year over year to \$6.56 billion. Revenues from Cable Networks decreased 10% to \$4.03 billion. However, Broadcasting revenues were up 12% year over year to \$2.53 billion.

Media Networks' segmental operating income jumped 47.6% year over year to \$3.15 billion. Cable Networks' operating income surged 50% to \$2.46 billion. Broadcasting operating income soared 55% to \$477 million.

Cable Networks' operating income increased due to lower programming and production costs and higher affiliate revenues at ESPN, partially offset by lower advertising revenues due to the absence of major sporting events as a result of the coronavirus outbreak.

Moreover, lower marketing and programming costs benefited FX Network's results.

The rise in broadcasting operating income was driven by lower network programming and production costs, an increase in affiliate revenues due to higher rates, higher program sales, and lower marketing partially offset by lower advertising revenues.

Parks, Experiences and Products segment revenues (8.3% of revenues) decreased 85% year over year to \$983 million. Operating loss was \$1.96 billion against year-ago quarter's operating income of \$1.72 billion.

Disney's domestic parks and resorts, cruise line business and Disneyland Paris were closed in the reported quarter. Shanghai Disney Resort re-opened in May and Hong Kong Disneyland Resort, despite reopening in late June, was closed again in July.

Disney estimates that the coronavirus pandemic has hurt segmental operating income by \$3.5 billion.

Studio Entertainment segment (14.8% of revenues) revenues decreased 54.7% to \$1.74 billion. Operating income fell 15.7% to \$668 million.

Theatrical distribution was hampered by coronavirus as theaters remained closed domestically and internationally. No significant titles were released in the quarter under review.

However, TV/SVOD distribution results benefited from the sales of content to Disney+, such as Star Wars: The Rise of Skywalker and Onward.

Direct-to-Consumer (DTC) & International Interactive Media segment's (33.7% of revenues) revenues came in at \$3.97 billion, up 2.4% year over year.

ESPN+ had 8.5 million paid subscribers at the end of the fiscal third quarter compared with 2.4 million at the end of the year-ago quarter.

Disney+, as of Jun 27, had 57.5 million paid subscribers. As of Aug 3, Disney+'s subscriber base had surpassed 60.5 million.

During the reported quarter, Disney launched Disney+ in India through its Disney+ Hotstar service, in France, in strategic partnership with Canal+, and in Japan via a limited launch with NTT DOCOMO.

Hulu ended the quarter with 35.5 million paid subscribers, up 27% year over year.

The average monthly revenue per paid subscriber for ESPN+ declined 22% year over year to \$4.18 due to a shift in the mix of subscribers to Disney's bundled offering and lower per-subscriber advertising revenue.

Notably, in November 2019, the company began offering a bundled subscription package of Disney+, ESPN+ and Hulu, which has a lower average retail price per service compared to the average retail price of each service on a standalone basis.

The average monthly revenue per paid subscriber for Disney+ was \$4.62. Moreover, the average monthly revenue per paid subscriber for Disney's Hulu SVOD-Only service slipped 10% year over year to \$11.39 due to lower per-subscriber advertising revenue.

The average monthly revenue per paid subscriber for Disney's Hulu Live TV + SVOD service rose 17% from the year-ago quarter to \$68.11 owing to higher retail pricing and Live TV per-subscriber advertising revenues.

Operating loss widened to \$706 million from \$562 million reported in the year-ago quarter. Cost associated with ongoing launch of Disney+ eroded profitability.

Meanwhile, costs & expenses declined 33% year over year to \$11.73 billion in the reported quarter.

Segmental operating income decreased 72.2% year over year to \$1.10 billion.

Balance Sheet & Cash Flow

As of Jun 27, 2020, cash and cash equivalents were \$23.12 billion compared with \$14.34 billion as of Mar 31, 2020.

Total borrowings were \$64.42 billion as of Jun 27, 2020 compared with \$55.45 billion as of Mar 31, 2020. The company issued \$11 billion of term debt in May and reduced its commercial paper balances by roughly \$2 billion.

Cash provided by continuing operating activities was \$1.16 billion compared with \$3.16 billion in the previous quarter. The company had reported \$1.75 billion cash used in operations in the year-ago quarter.

Free cash flow at the end of the quarter was \$454 million compared with \$1.91 billion in the previous quarter. Disney had reported free cash outflow of \$2.93 billion in the year-ago quarter.

Outlook

Disney is set to launch Disney+ in Nordics, Belgium, Luxembourg and Portugal in September, and in Latin America in November 2020. Disney+ Hotstar will be launched on Sep 5 in Indonesia. By year end, Disney+ will be available in nine of the top 10 economies in the world.

Moreover, Disney announced that its much-anticipated movie *Mulan* will be offered to Disney+ subscribers in the United States, Canada, Australia, New Zealand and a number of countries in Western Europe on a premier-access basis, beginning Sep 4. The movie will be available to the U.S. Disney+ subscribers for \$29.99.

Further, Disney will launch *Mulan* in theaters in those markets where it is yet to launch Disney+.

Additionally, Disney announced its plan to launch an international direct-to-consumer general-entertainment offering under the Star brand in calendar year 2021.

Markedly, several live sporting events resumed on ESPN this current quarter including Major League Soccer on July 8, Major League Baseball on July 23, and the NBA. Disney expects ESPN's ad sales in the fourth quarter, including the benefit of the 53rd week, to benefit significantly, particularly from the NBA.

Additionally, Disney expects DTC and the international segment to generate roughly \$1.1 billion in operating losses for the fourth quarter. However, DTC loss is expected to improve by nearly \$100 million year over year, driven by lower losses at Hulu and ESPN+ partially offset by continued investment in Disney+.

Further, Disney expects total capital expenditure for fiscal 2020 to be about \$700 million.

Recent News

On Jun 24, Disney announced that Downtown Disney District will reopen on Jul 9. However, hotels of the Disneyland Resort remain closed and will reopen at a later date. Moreover, Disneyland Park and Disney California Adventure Park remain closed and will reopen at a later date, pending state and local government approvals, instead of earlier-announced date of Jul 17.

Notably, Florida's Magic Kingdom Park and Disney's Animal Kingdom are expected to begin a phased reopening for the general public on Jul 11, followed by EPCOT and Disney's Hollywood Studios on Jul 15, subject to fulfillment of conditions set by state and local administration.

Further, the Hong Kong Disneyland Park reopened on Jun 18.

On May 18, Disney announced the appointment of Josh D' Amaro as the chairman of Disney Parks, Experiences and Products segment.

On May 12, Disney along with Lin-Manuel Miranda, Jeffrey Seller and Thomas Kail announced that the filmed version of the original Broadway production, *Hamilton*, will now be shown on Disney+ come Jul 3, 2020.

On May 11, Disney reopened the gates of Shanghai Disney Resort's theme park, Shanghai Disneyland.

On Apr 8, Disney announced that its streaming service Disney+ has now more than 50 million paid subscribers, a feat achieved within five months of its launch.

Valuation

Disney shares are down 9.8% in the year-to-date period and 3.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 10.3% and 3.8% in the year-to-date period. Over the past year, the Zacks sub-industry is down 4.2% while the sector is up 6.4%.

The S&P 500 Index is up 4.5% in the year-to-date period and 15.5% in the past year.

The stock is currently trading at 41.8X forward 12-month earnings, which compares to 42.01X for the Zacks sub-industry, 34.31X for the Zacks sector and 22.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 43.46X and as low as 13.4X, with a 5-year median of 16.63X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$137 price target reflects 43.89X forward 12-month earnings.

The table below shows summary valuation data for DIS

Valuation Multiples - DIS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	41.8	42.01	34.31	22.87
	5-Year High	43.46	42.01	34.31	22.87
	5-Year Low	13.4	12.9	16.13	15.25
	5-Year Median	16.63	17.62	19.86	17.58
P/B TTM	Current	2.61	1.39	3.29	4.7
	5-Year High	4.17	2.89	4.93	4.71
	5-Year Low	1.63	0.98	2.22	2.83
	5-Year Median	3.26	1.83	4.21	3.74
EV/EBITDA TTM	Current	20.94	10.52	11.18	12.72
	5-Year High	24.07	15.78	17.86	12.84
	5-Year Low	9.7	5.78	8.32	8.24
	5-Year Median	11.84	7.44	12.29	10.9

As of 08/14/2020

Industry Analysis Zacks Industry Rank: Bottom 9% (229 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Apple Inc. (AAPL)	Outperform	1
Cable One, Inc. (CABO)	Outperform	3
DISH Network Corporation (DISH)	Outperform	1
Amazon.com, Inc. (AMZN)	Neutral	3
Comcast Corporation (CMCSA)	Neutral	3
Netflix, Inc. (NFLX)	Neutral	3
ATT Inc. (T)	Neutral	3
Lions Gate Entertainment Corp. (LGF.A)	Underperform	3

Industry Comparison Industry: Media Conglomerates				Industry Peers		
	DIS	X Industry	S&P 500	AAPL	CMCSA	NFLX
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	1	3	3
VGM Score	F	-	-	F	A	C
Market Cap	235.88 B	8.03 B	23.68 B	1,965.21 B	199.95 B	212.87 B
# of Analysts	6	3	14	12	14	12
Dividend Yield	1.35%	0.00%	1.68%	0.71%	2.10%	0.00%
Value Score	D	-	-	F	B	D
Cash/Price	0.10	0.18	0.07	0.05	0.07	0.03
EV/EBITDA	13.99	9.51	13.36	25.12	8.46	18.41
PEG Ratio	12.49	10.46	2.99	3.33	1.88	2.56
Price/Book (P/B)	2.61	0.52	3.22	27.19	2.36	22.80
Price/Cash Flow (P/CF)	16.50	10.71	12.82	30.12	7.28	18.93
P/E (F1)	70.18	45.48	22.06	35.57	18.28	76.81
Price/Sales (P/S)	3.38	6.59	2.51	7.18	1.89	9.41
Earnings Yield	1.42%	-1.98%	4.30%	2.81%	5.46%	1.30%
Debt/Equity	0.60	0.68	0.77	1.30	1.25	1.64
Cash Flow (\$/share)	7.91	3.24	6.94	15.26	6.01	25.49
Growth Score	D	-	-	D	B	B
Hist. EPS Growth (3-5 yrs)	-1.85%	83.28%	10.41%	10.40%	17.39%	99.94%
Proj. EPS Growth (F1/F0)	-67.71%	-67.55%	-6.32%	8.69%	-23.48%	52.16%
Curr. Cash Flow Growth	4.37%	-0.66%	5.20%	-3.74%	21.54%	26.74%
Hist. Cash Flow Growth (3-5 yrs)	7.57%	6.91%	8.55%	7.40%	11.76%	30.03%
Current Ratio	1.34	0.89	1.33	1.47	0.97	1.12
Debt/Capital	41.19%	40.41%	44.59%	56.54%	55.83%	62.10%
Net Margin	-1.58%	-51.60%	10.13%	21.33%	10.91%	11.85%
Return on Equity	6.58%	-2.86%	14.51%	70.66%	16.66%	33.32%
Sales/Assets	0.34	0.03	0.51	0.83	0.40	0.66
Proj. Sales Growth (F1/F0)	-4.67%	-7.19%	-1.43%	4.67%	-6.35%	23.21%
Momentum Score	C	-	-	F	B	D
Daily Price Chg	-0.33%	0.00%	0.12%	-0.09%	0.88%	0.28%
1 Week Price Chg	11.11%	9.71%	2.30%	4.57%	0.02%	1.20%
4 Week Price Chg	9.29%	9.29%	4.41%	19.05%	3.87%	-8.48%
12 Week Price Chg	10.78%	16.52%	13.66%	45.06%	12.37%	10.64%
52 Week Price Chg	-2.16%	-8.21%	5.80%	127.83%	3.35%	63.20%
20 Day Average Volume	13,019,909	382,329	1,984,154	42,300,952	16,927,314	7,368,494
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	29.55%	-0.65%	2.08%	4.68%	0.98%	-2.46%
(F1) EPS Est 12 week change	-11.02%	-20.46%	2.66%	5.02%	2.17%	-2.15%
(Q1) EPS Est Mthly Chg	-569.23%	-284.62%	0.94%	-2.19%	0.91%	5.51%

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	D
Growth Score	D
Momentum Score	C
VGM Score	F

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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