

DICKS Sporting Goods (DKS)

\$44.40 (As of 07/22/20)

Price Target (6-12 Months): **\$47.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/15/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: F

Summary

Shares of DICK'S Sporting have outpaced the industry in the past three months. The stock received a boost after it started reopening stores at the end of May. Further, the company displayed strong online showdown amid the coronavirus pandemic. Also, management's decision to resume dividend payments is boosting investor confidence. However, its adjusted loss per share was wider than the Zacks Consensus Estimate during first-quarter fiscal 2020. Results were mainly hurt by the temporary store closures implemented to curb the coronavirus outbreak. Moreover, sales were impacted by dismal trends in the hardlines, apparel and footwear categories. Management withdrew fiscal 2020 view citing unprecedented impacts of COVID-19. Apart from these, elevated costs weighed on margins in the fiscal first quarter, which remains a concern.

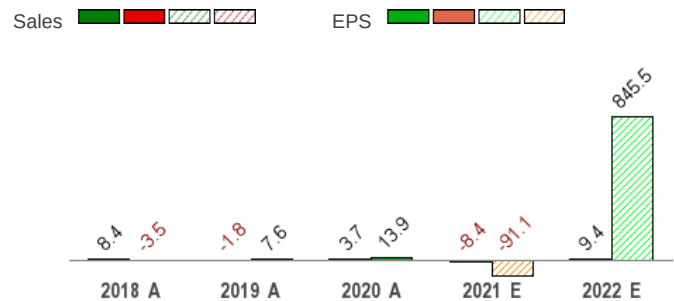
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$49.80 - \$13.46
20 Day Average Volume (sh)	1,929,978
Market Cap	\$3.9 B
YTD Price Change	-10.3%
Beta	1.61
Dividend / Div Yld	\$1.25 / 2.8%
Industry	Retail - Miscellaneous
Zacks Industry Rank	Top 40% (101 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-142.0%
Last Sales Surprise	0.0%
EPS F1 Est- 4 week change	-5.4%
Expected Report Date	08/27/2020
Earnings ESP	-11.6%
P/E TTM	23.5
P/E F1	134.6
PEG F1	23.0
P/S TTM	0.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,662 E	2,297 E	1,985 E	2,655 E	8,771 E
2021	1,333 A	2,161 E	1,916 E	2,596 E	8,016 E
2020	1,921 A	2,259 A	1,962 A	2,609 A	8,751 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.16 E	\$1.16 E	\$0.33 E	\$1.13 E	\$3.12 E
2021	-\$1.21 A	\$0.63 E	\$0.21 E	\$1.12 E	\$0.33 E
2020	\$0.62 A	\$1.26 A	\$0.52 A	\$1.32 A	\$3.69 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 07/22/2020. The reports text is as of 07/23/2020.

Overview

DICK'S Sporting Goods Inc. was founded in 1948 in New York under the labels Dick's Clothing and Sporting Goods, Inc. It was earlier reincorporated as a Delaware corporation and changed our name to Dick's Sporting Goods, Inc. in April 1999. The company's executive office is located in Coraopolis, Pennsylvania.

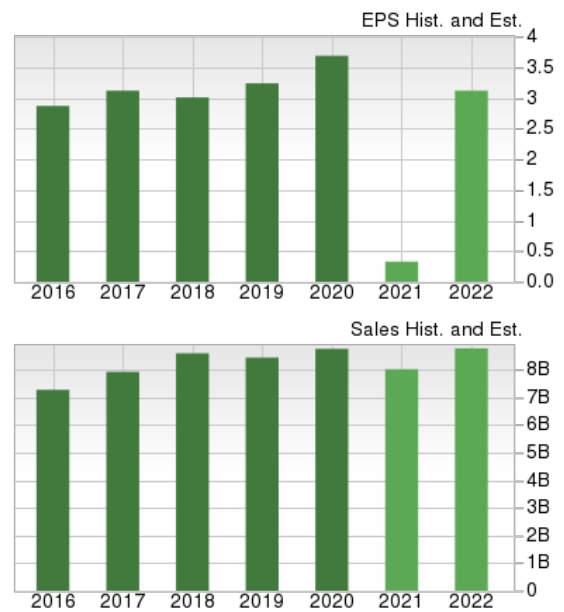
The company operates as a major omni-channel sporting goods retailer, offering athletic shoes, apparel, accessories and a broad selection of outdoor and athletic equipment for team sports, fitness, camping, fishing, tennis, golf, water sports, etc.

DICK'S Sporting offers these items through a blend of associates, in-store services and unique specialty shop-in-shops. DICK'S Sporting also owns operates Golf Galaxy and Field & Stream stores as well as Team Sports HQ. It also operates all-in-one youth sports digital platform, which offer scheduling, communications and live scorekeeping via the GameChanger mobile apps, free league management services, custom uniforms and fan wear.

The company also operates through its e-commerce websites and catalog operations. The company operates 4 kinds of stores – a) single-level DICK'S Sporting stores of approximately 50,000 square feet, b) two-level DICK'S Sporting store of approximately 80,000 square feet, c) DICK'S Sporting stores for smaller markets of about 35,000–40,000 square feet, and d) 13,000–18,000 square feet Golf Galaxy stores.

DICK'S Sporting stocks nationally recognized brands such as Callaway Golf, adidas, TaylorMade-adidas Golf, The North Face, Asics, Under Armour, Nike, Columbia and Remington.

As of May 2, 2020, DICK'S Sporting operated 726 DICK'S Sporting Goods stores across 47 states, 94 Golf Galaxy stores in 32 states, and 27 Field & Stream stores in 16 states.



Reasons To Buy:

▲ **Store Reopening Boost Stock:** Shares of DICK'S Sporting have skyrocketed 61.9% in the past three months outperforming the industry's growth of 28.4%. The stock's bullish run on the bourses can be attributable to its efforts to reopen stores following temporary store closures due to the novel coronavirus outbreak. In this regard, the company has reopened few stores since mid-April in sync with the CDC and local health guidelines. Moreover, roughly 80% of its stores were open as of the end of May. Going ahead, it remains on track to reopen more stores in the second and third quarters of fiscal 2020. The company highlighted that consolidated same-store sales have fallen 4% in the first four weeks of the second quarter, compared with a 29.5% decline in the fiscal first quarter. This suggests that the reopening of stores is aiding sales in the second quarter.

DICK'S Sporting is gaining from its solid online show which led to 110% year over year rise in e-commerce sales during first-quarter fiscal 2020. Also, store reopening efforts seem encouraging.

▲ **Initiatives – Omni-channel Growth:** DICK'S Sporting has been gaining from continued focus on developing every possible avenue to generate greater sales. As part of its long-term plan, the company plans to make significant investments in e-commerce, technology, store payroll, Team Sports and private brands. It also remains on track to build the best omni-channel experience for athletes by strengthening store network and expanding e-commerce presence. The company witnessed strong online show amid the coronavirus pandemic, which cushioned the top line in first-quarter fiscal 2020. While stores remained closed since middle of March, the company witnessed strong online demand and leveraged its omni-channel capabilities to fulfill online orders and serve customers. This resulted in 110% year over year rise in e-commerce sales during first-quarter fiscal 2020, which was nearly 39% of net sales. It had also rolled out new curbside pickup service across the United States to serve customers better. Post the launch, curbside sales represented more than 40% of total e-commerce sales. Further, the company noted that e-commerce spiked 210% post the store closures till the first-quarter end. Management also noted that solid online performance has continued in the second quarter even after stores reopened. Encouragingly, the company anticipates enhancing omni-channel experience through faster and more reliable deliveries, and improved functionality of its website in fiscal 2020.

On the store-front, it recently announced two types of concept stores namely OVERTIME by DICK'S Sporting Goods and DICK'S Sporting Goods Warehouse. This will bring the total number of outlet and clearance stores to 11 at nine different states. This move is in sync with its plans to expand outlet and clearance stores in a bid to offer popular athletic brands at discounted prices.

▲ **Financial Flexibility:** DICK'S Sporting's long-term debt at the end of first-quarter fiscal 2020 increased 59% sequentially to \$4,255 million. Though its debt-to-capitalization ratio of 0.74 is higher than the industry's ratio of 0.66, its times interest earned ratio of 6.5 versus the industry's 3.1 indicates that it is better positioned to meet its debt obligations, compared to its peers. Moreover, the company had a cash balance of \$1,484 million and \$1.4 billion in outstanding borrowings under its \$1.6-billion revolving credit facility as of May 2, 2020. Notably, the company's cash position remains sufficient to fund its short term obligations of about \$506 million as of May 2, 2020. Moreover, it added \$255 million to its revolving credit facility, bringing the total to roughly \$1.9 billion in March. This is likely to help the company stay afloat amid the pandemic.

▲ **Shareholder-Friendly Moves:** DICK'S Sporting boasts a good history of returning value to shareholders. The company recently announced to resume dividend payment after it had suspended dividend payments in wake of the ongoing pandemic. Prior to suspension of dividends, it paid \$28 million in the first quarter. Notably, it has approved a quarterly dividend of 31.25 cents per share, which is payable on Jun 30 to shareholders as of record on Jun 22. Moreover, the company has a five-year annualized dividend growth rate of 18.7%, reflecting dividend increases for five consecutive years. It currently has a dividend yield of 3.2%, dividend payout ratio is 66.2% and free cash flow yield of 5%. Further, it had \$1,031 million in its existing share repurchase program as of May 2.

Reasons To Sell:

- ▼ **Dismal Q1 Results:** Although sales were in-line with the Zacks Consensus Estimate, DICK'S Sporting adjusted loss per share was wider than expected. Further, both metrics declined year over year. Moreover, consolidated same-store sales slumped 29.5% due to temporary store closures (beginning Mar 18) implemented to curb the spread of the coronavirus outbreak. Sluggish transactions to the tune of 38.7%, somewhat offset by a rise of 9.2% in average ticket, hurt same-store sales. Also, hardlines, apparel and footwear categories delivered dismal performances. Additionally, management withdrew fiscal 2020 view citing unprecedented impacts of COVID-19.
- ▼ **Elevated Costs a Threat to Margins:** DICK'S Sporting's adjusted SG&A expenses, as a percentage of sales, increased 488 bps year over year to 30.2% due to a sales decline in the first quarter fiscal 2020. This led to soft gross margin for the reported quarter. Notably, adjusted gross margin contracted roughly 1,290 basis points (bps) to 16.5% in the quarter under review. Decline in merchandise margins to the tune of 475 bps and a 526-bps deleverage on occupancy costs also hurt margins to some extent. Going ahead, any further increase in costs can weigh in the company's bottom line.
- ▼ **Seasonality Affects Performance:** DICK'S Sporting's business is seasonal in nature and typically generates stronger sales during the fourth quarter, which is characterized by the holiday and winter sports selling seasons. As a result, the company is exposed to significant risks if the seasons fail to deliver the expected operating performance.
- ▼ **Competitive Pressure:** DICK'S Sporting faces intense competition from other sporting goods retailers on grounds of size, availability of financial, distribution and marketing resources, pricing strategies and retail sales methods. The company's inability to stay afloat amid such competition may result in loss of market share and adversely impact its business.

DICK'S Sporting's Q1 results were affected by temporary store closures due to curb the spread of this deadly virus. Also, it withdrew fiscal 2020 view citing uncertain impacts of COVID-19.

Last Earnings Report

DICK'S Sporting Reports Wider-Than-Expected Q1 Loss

DICK'S Sporting posted first-quarter fiscal 2020 results, wherein adjusted loss per share was wider than the Zacks Consensus Estimate, while sales were in line with the same. Further, both metrics declined year over year. Moreover, management withdrew fiscal 2020 view citing unprecedented impacts of COVID-19.

Q1 in Detail

In the fiscal first quarter, DICK'S Sporting reported adjusted loss of \$1.21 per share against earnings of 62 cents in the prior-year quarter. The figure came in wider than the Zacks Consensus Estimate of a loss of 50 cents.

Net sales of \$1,333.2 million declined 30.6% year over year. However, it came in line with the Zacks Consensus Estimate of \$1,333 million. Consolidated same-store sales slumped 29.5% due to temporary store closures (beginning Mar 18) implemented to curb the spread of this deadly virus. Consolidated same-store sales rose 7.9% in the quarter till Mar 10, prior to the store closures. Sluggish transactions to the tune of 38.7%, somewhat offset by a rise of 9.2% in average ticket, hurt same-store sales. Also, hardlines, apparel and footwear categories delivered dismal performances.

E-commerce sales surged 110% year over year, which was nearly 39% of net sales in the reported quarter compared with 13% in the prior-year quarter. Apart from these, the company noted that e-commerce spiked 210% post the store closures till the first-quarter end.

Adjusted gross margin contracted roughly 1,290 basis points (bps) to 16.5% in the quarter under review. This was due to a 475-bps fall in merchandise margins and a 526-bps deleverage on occupancy costs.

Adjusted SG&A expenses, as a percentage of sales, increased 488 bps year over year to 30.2% due to a sales decline.

Store Update

The company has reopened few stores since mid-April in sync with the CDC and local health guidelines. In this regard, roughly 80% of its stores are now open as of the end of May. Going ahead, it remains on track to reopen more stores in the second and third quarters of fiscal 2020.

Financial Aspects

DICK'S Sporting ended fiscal 2020 with cash and cash equivalents of \$1,484 million, \$1.4 billion in outstanding borrowings under its \$1.6-billion revolving credit facility and total stockholders' equity of \$1,672 million. Moreover, it added \$255 million to its revolving credit facility, bringing the total to roughly \$1.9 billion. Further, total inventory rose 2.1% year over year as of May 2, 2020.

In the reported quarter, cash provided by operating activities was \$214.9 million. Moreover, total capital expenditure amounted to \$59.6 million (on a gross basis) and \$51 million (on a net basis).

Dividend Payments and Share Repurchases

The company has suspended its share repurchase plan and quarterly dividend payout during the quarter under review. As of May 2, it had \$1,031 million in its existing share repurchase program. Earlier, management approved a dividend of 31.25 cents to be payable on Mar 27 to shareholders on record as of Mar 20.

Looking Ahead

The company highlighted that consolidated same-store sales have fallen 4% in the first four weeks of the second quarter compared with a 29.5% decline in the fiscal first quarter. This suggests that the reopening of stores is aiding sales in the said quarter. Also, e-commerce sales remained strong in the aforementioned period, rising more than 250%.

Quarter Ending 04/2020

Report Date	Jun 02, 2020
Sales Surprise	0.02%
EPS Surprise	-142.00%
Quarterly EPS	-1.21
Annual EPS (TTM)	1.89

Recent News

DICK'S Sporting's Store Expansion On, Opens New Stores – Jun 16, 2020

DICK'S Sporting is on track with expanding global footprint by store expansion efforts. To this end, the company announced two types of concept stores namely OVERTIME by DICK'S Sporting Goods and DICK'S Sporting Goods Warehouse. This move is in sync with its plans to expand outlet and clearance stores in a bid to offer popular athletic brands at discounted prices. The current store openings will bring the total number of outlet and clearance stores to 11 at nine different states.

Notably, the first concept store type – OVERTIME will offer a wide range of apparel, footwear and equipment products from well-known brands including Nike, adidas, Under Armour, etc, at up to 75% discount. Further, two OVERTIME stores at Connecticut and Maryland will start operating from today while the one at Pennsylvania will open from Jun 24. These stores will operate from 9 a.m. to 9 p.m. from Monday – Saturday and from 9 a.m. to 7 p.m. on Sunday.

Speaking of the second concept store, the company will open DICK'S Sporting Goods Warehouse at five locations. Customers will be offered upto 90% off on popular footwear and apparel brands. Such warehouses will also come with temporary pop-up-style shopping experience for the next six months. These warehouses are now open from Monday – Sunday from 10 a.m. to 7 p.m at Avon, IN, St. Peters, MO, North Olmstead, OH, South Hills, PA and Brookfield, WI.

DICK'S Sporting Resumes Dividend Payments as Stores Reopen – Jun 12, 2020

With government easing restrictions and stores reopening gradually, DICK'S Sporting announced to resume dividend payment. Notably, it has approved a quarterly dividend of 31.25 cents per share, which is payable on Jun 30 to shareholders as of record on Jun 22.

This move comes following the reopening of almost 80% of its stores since the end of May, after the temporary closure of stores that began on Mar 18 to curb the spread of the virus.

DICK'S Sporting Closes Senior Notes Offering – Apr 22, 2020

DICK'S Sporting closed the issuance and sale of additional \$75 million aggregate principal amount of senior notes. This issuance was in sync with the exercising of option in full by initial purchases (on Apr 22) under the previously issued \$500 million Convertible Senior Notes.

The company had issued \$500 million Convertible Senior Notes on Apr 17, which are due in 2025. The company also granted the initial purchasers of the notes a 13-day option to purchase up to an additional \$75 million aggregate principal amount of the notes. Notably, the company's net proceeds from the issuance and sale of \$575 million notes were \$558 million.

DICK'S Sporting Takes More Action Amid Coronavirus – Mar 19, 2020

DICK'S Sporting announced additional precautionary measures in wake of the coronavirus crisis. The company is looking to cut operating expenses and planned inventory receipts to partly offset the negative impacts of COVID-19 on its performance. Moreover, it temporarily reduced the base salaries of its certain executive officers, all other members of its senior management team and other salaried teammates. Further, the company altered its capital allocation plan for fiscal 2020, including lowering its planned capital expenditures, suspending share buybacks and evaluating dividend program. However, the company plans to payout the quarterly dividend of 31.25 cents per share on Mar 27.

DICK'S Sporting Temporarily Closes Stores, Withdraws View – Mar 18, 2020

Citing decline in traffic and demand following its earnings release on Mar 10 due to the spread of coronavirus across the United States, DICK'S Sporting temporarily closed all its stores for two weeks effective Mar 18. The company notified that its e-commerce business, including contactless curbside pickup and ship from a store, will continue to provide services. Further, based on the uncertainty on the duration of the closures and the resulting negative impact of COVID-19 on its results, it has withdrawn its previously provided guidance for fiscal 2020.

Valuation

DICK'S Sporting shares are down 9.6% in the year-to-date period and but up 17.6% over the trailing 12-month period. Stocks in the Zacks sub-industry is down 3.4% but the Zacks Retail-Wholesale sector is up 23.6% in the year-to-date period. Over the past year, the Zacks sub-industry is down 10.2% but the sector is up 27.8%.

The S&P 500 index is up 2% in the year-to-date period and 9.3% in the past year.

The stock is currently trading at 23.77X forward 12-month earnings, which compares to 23.69X for the Zacks sub-industry, 35.08X for the Zacks sector and 23.06X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.78X and as low as 4.34X, with a 5-year median of 11.67X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$47 price target reflects 25.16X forward 12-month earnings.

The table below shows summary valuation data for DKS

Valuation Multiples - DKS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	23.77	23.69	35.08	23.06
	5-Year High	24.78	24.2	35.08	23.06
	5-Year Low	4.34	11.52	19.07	15.25
	5-Year Median	11.67	15.98	23.42	17.52
P/S F12M	Current	0.46	0.8	1.23	3.62
	5-Year High	0.84	1.16	1.23	3.62
	5-Year Low	0.16	0.51	0.82	2.53
	5-Year Median	0.43	0.9	0.97	3.02
EV/EBITDA TTM	Current	7.97	12.28	18.39	12.19
	5-Year High	9.68	12.39	18.46	12.86
	5-Year Low	2.3	6.44	11.12	8.25
	5-Year Median	5.55	9.55	12.91	10.88

As of 07/22/2020

Industry Analysis Zacks Industry Rank: Top 40% (101 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Deckers Outdoor Corporation (DECK)	Neutral	2
Five Below, Inc. (FIVE)	Neutral	3
Foot Locker, Inc. (FL)	Neutral	4
Hibbett Sports, Inc. (HIBB)	Neutral	2
KAR Auction Services, Inc (KAR)	Neutral	3
Shoe Carnival, Inc. (SCVL)	Neutral	2
Walmart Inc. (WMT)	Neutral	3
Zumiez Inc. (ZUMZ)	Neutral	3

Industry Comparison Industry: Retail - Miscellaneous				Industry Peers		
	DKS	X Industry	S&P 500	FIVE	FL	HIBB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	2
VGM Score	F	-	-	F	C	A
Market Cap	3.86 B	1.24 B	22.74 B	6.08 B	3.09 B	410.83 M
# of Analysts	9	5.5	14	9	12	2
Dividend Yield	2.82%	0.12%	1.81%	0.00%	5.39%	0.00%
Value Score	C	-	-	D	B	A
Cash/Price	0.42	0.25	0.06	0.02	0.35	0.28
EV/EBITDA	6.05	8.26	13.19	24.66	5.63	7.27
PEG Ratio	23.38	3.87	3.05	3.57	4.42	1.23
Price/Book (P/B)	2.31	1.35	3.14	8.81	1.34	1.35
Price/Cash Flow (P/CF)	6.19	5.67	12.31	27.33	4.33	5.97
P/E (F1)	136.52	15.90	22.34	69.48	45.62	14.00
Price/Sales (P/S)	0.47	0.41	2.40	3.61	0.44	0.37
Earnings Yield	0.74%	5.84%	4.27%	1.44%	2.19%	7.12%
Debt/Equity	1.09	0.98	0.75	1.27	1.17	0.61
Cash Flow (\$/share)	7.18	3.12	6.94	3.99	6.86	4.16
Growth Score	F	-	-	F	F	C
Hist. EPS Growth (3-5 yrs)	0.68%	8.20%	10.82%	27.67%	-0.46%	-12.24%
Proj. EPS Growth (F1/F0)	-91.09%	-46.95%	-9.08%	-49.68%	-86.80%	-23.82%
Curr. Cash Flow Growth	6.18%	6.68%	5.51%	19.42%	-1.10%	15.81%
Hist. Cash Flow Growth (3-5 yrs)	2.61%	2.61%	8.55%	27.57%	1.64%	-4.23%
Current Ratio	2.04	1.38	1.30	1.58	1.67	1.56
Debt/Capital	52.22%	58.47%	44.41%	55.99%	53.96%	38.04%
Net Margin	1.18%	3.06%	10.46%	5.87%	3.21%	-1.42%
Return on Equity	9.84%	9.84%	15.29%	14.23%	12.13%	5.39%
Sales/Assets	1.14	1.26	0.54	0.91	1.06	1.46
Proj. Sales Growth (F1/F0)	-8.40%	-4.57%	-2.27%	-1.16%	-20.88%	0.00%
Momentum Score	F	-	-	D	B	A
Daily Price Chg	3.33%	0.97%	0.60%	3.23%	-1.75%	-2.09%
1 Week Price Chg	2.81%	3.50%	3.82%	2.35%	-3.88%	3.19%
4 Week Price Chg	8.50%	4.75%	7.55%	2.51%	3.13%	20.57%
12 Week Price Chg	41.18%	25.34%	7.51%	17.73%	8.20%	57.78%
52 Week Price Chg	16.63%	5.93%	-3.37%	-10.78%	-31.23%	29.76%
20 Day Average Volume	1,929,978	563,210	2,037,153	774,482	2,184,200	456,443
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	91.89%
(F1) EPS Est 4 week change	-5.35%	0.00%	0.14%	0.00%	3.31%	173.08%
(F1) EPS Est 12 week change	-44.65%	-13.29%	-3.51%	-35.24%	-78.84%	54.35%
(Q1) EPS Est Mthly Chg	-0.70%	0.00%	0.00%	0.00%	0.00%	261.11%

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	F
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.

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