

## Equinix, Inc. (EQIX)

**\$702.00** (As of 04/27/20)

Price Target (6-12 Months): **\$744.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 04/16/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:C

Value: F

Growth: B

Momentum: C

## Summary

Shares of Equinix have outperformed the real estate market over the past three months. Recently, the company signed a joint venture (JV) with GIC to develop and operate xScale data centers in Japan. The deal is worth more than \$1 billion and follows the successful partnership between the two parties for xScale data centers in Europe in 2019. Notably, amid higher demand from cloud users, the company's commitment to expand its International Business Exchange (IBX) platform is appropriate. A global footprint and solid interconnected ecosystems have helped the company to deliver its 17th year of consecutive quarterly revenue growth, though rising debt burden might affect its operating results as interest expenses flare up. Also, consolidation in the telecommunications industry might mar the demand for colocation space, hurting its growth momentum.

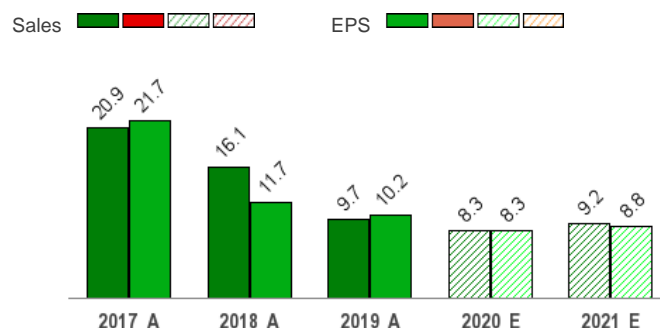
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	<b>\$707.02 - \$446.04</b>
20 Day Average Volume (sh)	<b>550,559</b>
Market Cap	<b>\$56.8 B</b>
YTD Price Change	<b>20.3%</b>
Beta	<b>0.42</b>
Dividend / Div Yld	<b>\$10.64 / 1.5%</b>
Industry	<b>REIT and Equity Trust - Retail</b>
Zacks Industry Rank	<b>Bottom 31% (174 out of 253)</b>

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



Last EPS Surprise	<b>2.8%</b>
Last Sales Surprise	<b>0.0%</b>
EPS F1 Est- 4 week change	<b>-0.3%</b>
Expected Report Date	<b>05/06/2020</b>
Earnings ESP	<b>-2.6%</b>
P/E TTM	<b>30.7</b>
P/E F1	<b>28.4</b>
PEG F1	<b>2.0</b>
P/S TTM	<b>10.2</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,580 E	1,626 E	1,665 E	1,702 E	6,578 E
2020	1,451 E	1,491 E	1,524 E	1,558 E	6,023 E
2019	1,363 A	1,385 A	1,397 A	1,417 A	5,562 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$6.59 E	\$6.80 E	\$6.85 E	\$6.80 E	\$26.89 E
2020	\$5.98 E	\$6.23 E	\$6.26 E	\$6.27 E	\$24.71 E
2019	\$5.95 A	\$5.87 A	\$5.52 A	\$5.51 A	\$22.81 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 04/27/2020. The reports text is as of 04/28/2020.

## Overview

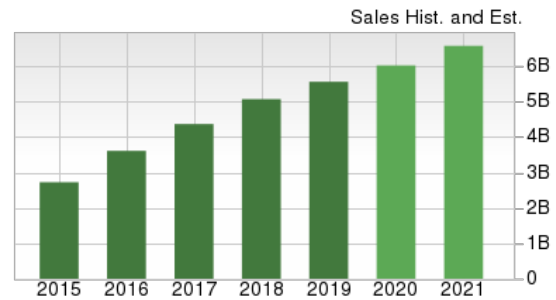
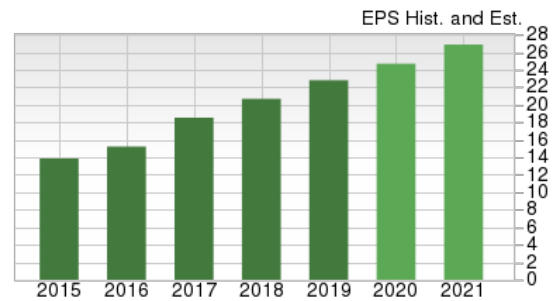
Equinix, Inc. is a global provider of network-neutral data centers and Internet exchange services for enterprises, content companies, systems integrators and network service providers. Incorporated on Jun 22, 1998, Equinix has its U.S. headquarters in Redwood City, CA. The company has two more regional headquarters in London and Singapore. Equinix has a direct sales force and a channel marketing program. It became a REIT in taxable year 2015.

Through its 210 International Business Exchanges or IBX data centers across 55 strategic markets across five continents, customers can directly interconnect critical traffic exchange requirements. While some Equinix customers, such as AOL and Google, build and operate their own data centers for their large infrastructure deployments, these customers rely on Equinix IBX centers for their critical inter-connection relationships. AOL, AT&T, British Telecom, NTT Communications, Siemens, Sprint and Verizon Business are the other key customers.

Equinix's business is based on a recurring revenue model comprising Colocation, Interconnection and Managed IT Infrastructure Services. These services are considered to be recurring, as customers are billed at fixed rates on a recurring basis through the life of the respective contracts, which generally run for one to three years. Approximately half of Equinix's existing customers order new services in any given quarter. Recurring revenues accounted for greater than 90% of total revenues for the last three years.

Non-Recurring Revenues comprise professional services, installation services related to initial deployment and customer settlements (fees paid for terminating contracts before expiry). These services are typically billed only upon completion of the installation or performance of services.

Note\*\*: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



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## Reasons To Buy:

- ▲ The growing demand for Big Data exchanges calls for greater usage of data centers. To meet this global need, Equinix is expanding its IBX data centers globally and becoming popular among tech companies looking for data management. Industry experts believe demand for high performing data centers will escalate in the years to come with the exponential rise in data traffic. This will require enterprises to engage data-center service providers such as Equinix. According to a research report by Markets And Markets, global data-center colocation market size is projected to grow at a CAGR of 14.6% through 2017 to 2022 and reach \$62.3 billion at the end of the period. Therefore, increasing total addressable market for data-center provides an immense growth opportunity for Equinix.
- ▲ Equinix has been achieving continued business momentum with its critical mass of customers and the resultant “network effect” within its IBX centers. Direct interconnection with its networks, connecting the majority of the world's Internet routes, enables customers to increase the efficiency of their IT infrastructure, remove complexities associated with infrastructure administration and management and reduce costs. Further, service offerings, such as Equinix Exchange and Equinix Internet Exchange, significantly reduce the cost of critical transit, peering and traffic exchange operations by eliminating the costs of private peering or local loops. The benefits provided by the Platform Equinix have led to a loyal and blue-chip customer base of over 6,300 firms. Moreover, in October, the company completed its joint venture (JV) with GIC to develop and operate xScale data centers in Europe. This will attract additional partners and other hyperscale providers to Equinix's ecosystem, and also benefit the network effect.
- ▲ Acquisitions have been a major contributor to Equinix's growth. In March 2020, the company completed the acquisition of Packet, a leader in the bare metal automation platform. In early January, it wrapped up the acquisition of three data centers from Axtel S.A.B. de C.V., which cater to the Mexico City and Monterrey metro areas of Mexico, for \$175 million. Notably, it has also made several moves to continue expanding its data-center capacity in many of the company's key markets since 2003. In fact, with 13 newly announced major expansion projects in existing markets and 32 major construction projects currently underway including 6x Scale projects adding capacity in 23 metros in 15 countries, the company remains well poised to ride the growth trajectory. Earlier, in 2017, the company completed the acquisition of 24 data-center sites from Verizon Communications for a total cash consideration of \$3.6 billion. Through these expansion efforts, the company aims to achieve ending cabinet equivalent capacity of around 315,000 in 2020.
- ▲ Equinix could benefit from favorable operating leverage. Its business generates a substantial portion of recurring revenues (greater than 90% of total revenues for the last three years). As the majority of the cost structures are of a fixed nature, every unit growth in revenues would result in lower expenses as a percentage of total revenues. Given the growing demand for data exchanges across the world, Equinix is well poised to grow its revenue base. Higher revenues along with lower costs will expand margins and increase profitability in the long run.

The data center business is thriving across geographies and Equinix is well positioned to capitalize on this opportunity. Its recurring revenue model and current expansion plans are also encouraging.

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## Reasons To Sell:

- ▼ Equinix competes with Internet data centers operated by established communications carriers, as well as REITs including Digital Realty Trust. In addition to competing with neutral colocation providers, the company competes with traditional colocation providers, Internet service providers and Web-hosting facilities. Considering the strong growth potential, competition is expected to increase from existing players and entry of new players into the space. The increased competition could prompt competitors to resort to aggressive pricing policies, making Equinix vulnerable to pricing pressure.
- ▼ The telecommunications industry is currently undergoing consolidation. As customers combine businesses, they may require less colocation space, and there may be fewer networks available to choose from. In addition, increased utilization of existing colocation space could reduce the attractive expansion opportunities available to Equinix.
- ▼ Equinix's offerings have long sales cycles that may have a negative impact on the business, financial condition and results of operations. A customer's decision to license cabinet space in one of its IBX centers and to purchase additional services typically involves a significant commitment of resources. In addition, some customers are reluctant to relocate to IBX centers until they are confident that the IBX center has adequate carrier connections. The sales cycle of the company, therefore, gets stretched.
- ▼ Generally, setting up data centers requires huge capital outlays and Equinix plans to add more data centers in the coming quarters to satisfy the growing demand for colocation and interconnection services. While the company projects to incur \$10 million of integration costs in 2020, it might impede its bottom-line growth. Further, limited cash balance will make it difficult for Equinix to efficiently service its debt obligations. Growing debt burden will likely adversely affect the operating results as interest expense would go up. It should be noted that at the end of fourth-quarter 2019, Equinix had cash and cash equivalents of \$1.9 billion while its total debt principal outstanding was \$11.9 billion.
- ▼ Over the past three months, shares of Equinix have outperformed the real estate market. The stock has gained 16.5% against the real estate market's decline of 25.6% during the same period. However, the trend in estimate revisions of current-year FFO per share does not indicate a favorable outlook for the company, as it witnessed a marginal downward estimate revision over the past month. Therefore, given the above-mentioned concerns and downward estimate revision, the stock has limited upside potential.

Stiff competition and ongoing consolidation in the telecommunication industry might bring down the lucrative expansion opportunities for Equinix. Also, growing debt burden is a concern.

## Last Earnings Report

### Equinix Q4 FFO Surpasses Estimates, Revenues Meet

Equinix posted mixed results for fourth-quarter 2019, wherein AFFO per share surpassed the Zacks Consensus Estimate, while revenues were in line. Nonetheless, both AFFO and revenues improved year over year.

The company's quarterly AFFO per share was \$5.51, beating the Zacks Consensus Estimate of \$5.36. The figure also improved from the year-ago quarter's \$5.13. The upside primarily stemmed from robust top-line growth and solid operating performance.

For 2019, AFFO per share was \$22.81, up from \$20.69 recorded in 2018. The reported figure surpassed the Zacks Consensus Estimate of \$22.65 per share. Revenues were \$5.56 billion for the full-year, up from \$5.07 billion recorded in 2018. The reported figure was in line with the Zacks Consensus Estimate.

Quarter Ending **12/2019**

Report Date	Feb 12, 2020
Sales Surprise	0.03%
EPS Surprise	2.80%
Quarterly EPS	5.51
Annual EPS (TTM)	22.85

### Quarter in Detail

Total quarterly revenues were \$1.42 billion, in line with the Zacks Consensus Estimate. The top-line figure improved 8.2% year over year.

Recurring revenues were \$1.34 billion, up 8.8% from the year-ago quarter's figure. Non-recurring revenues declined marginally from the year-ago quarter to \$79.2 million.

Revenues from the three geographic regions increased on a year-over-year basis as well. Revenues from the Americas, EMEA and the Asia Pacific jumped 2.4%, 15.1% and 11.5% to \$653.7 million, \$463.8 million and \$299.7 million, respectively.

Cash gross margin was 66%, stable year over year. Total operating expenses were up 2.7% year over year to \$378.5 million.

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) were \$675.9 million, up 9.5% year over year. Adjusted EBITDA margins were 48%, up from 47% recorded in the prior-year quarter. AFFO appreciated 14.1% year over year to \$472.6 million in the December-end quarter.

### Balance Sheet

Equinix exited the fourth quarter with cash and cash equivalents of \$1.9 billion. The company's total debt principal outstanding was \$11.9 billion as of Dec 31, 2019.

### Guidance

For 2020, the company estimates generating revenues of \$6.000-\$6.050 billion. It predicts adjusted EBITDA of \$2.858-\$2.908 billion and AFFO of \$2.108-\$2.158 billion. Further, AFFO per share is estimated to lie between \$24.42 and \$25.00.

For first-quarter 2020, Equinix projects revenues of \$1.450-\$1.460 billion. Adjusted EBITDA is likely to lie between \$686 million and \$696 million.

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## Recent News

### Equinix Forms JV With GIC for xScale Data Centers in Japan – Apr 21, 2020

Equinix signed a JV in the form of a limited liability partnership with GIC — Singapore's sovereign wealth fund — to develop and operate xScale data centers in Japan. The deal was worth more than \$1 billion and followed the successful partnership between the parties to develop and operate xScale data centers in Europe completed last year.

The initial three facilities — two in Tokyo and one in Osaka — in the JV will be provided by Equinix. Specifically, the company will transfer its Tokyo TY12 and Osaka OS2 development assets as well as land and development rights for another data center in Tokyo. At full built-out, the three xScale data centers will provide 138 megawatts (MW) of power capacity.

Per the terms of the deal, GIC will contribute cash to fund 80% equity interest in the JV and Equinix will transfer its assets for the remaining 20% equity interest. Equinix will also receive net cash proceeds of more than \$100 million. The joint venture is anticipated to close in the second half of 2020.

Notably, xScale data centers provide differentiated services to hyperscale companies as compared to existing wholesale data center operators. Specifically, such data centers provide access to Equinix's complete range of interconnection and edge services that integrate into the hyperscale companies' existing access points at Equinix, thereby offering speedy connectivity to their existing and future enterprise customers. Further, these data centers facilitate hyperscale companies to consolidate core and access point deployments to a global provider in a bid to simplify accelerated growth.

With an existing footprint of 13 IBX data centers, Equinix is set to expand its presence in the country that has emerged as a key hub for regional interconnection with high demand for hyperscale services. Hence, the deal is a strategic fit for the company.

### Equinix Concludes Buyout of Bare Metal Leader Packet – Mar 3, 2020

Equinix announced that it has completed the acquisition of Packet, a top player in the bare metal automation platform for a consideration of \$335 million. The move accelerates Equinix strategy to enable enterprises to seamlessly deploy hybrid multicloud infrastructures. The combined company will operate the existing Packet business as "Packet, an Equinix company" and Zachary Smith, former CEO of Packet, will serve as managing director of the bare metal business.

### Equinix Launches Data Center in Melbourne – Feb 24, 2020

Equinix announced that it opened its fourth International business Exchange data center in Melbourne, Australia. This facility, Known as ME2 will supports the rising demand for digital transformation globally, in addition to catering to the needs of Melbourne's smart city development and the interconnection needs of local customers, including The Salvation Army.

The ME2 IBX is a US\$77.5 million facility and includes more than 29,300 square feet of colocation space. Following its full built out, the facility will encompass more than 88,000 square feet of colocation space. This facility is positioned in Melbourne's Fishermans Bend region, Australia's largest urban renewal project.

### Equinix Selected by Crosslake Fibre For Extension of Backhaul Capacity - Jan 21, 2020

Equinix announced that it has been selected by Crosslake Fibre for extension of its backhaul capacity into Equinix TR2 IBX data center in Toronto and Equinix NY4 IBX in Secaucus, New Jersey.

The selection of Equinix is because of the company's expertise in delivering and managing cable landing stations and its access to dense, rich ecosystems of networks, clouds, and financial and IT service providers. Further, Equinix offers a neutral landing point for submarine cable operators. This substantially lowers their costs and time for deployment through simplifying operations at a neutral location.

### Equinix to Offer RTI's Subsea Cable System at IBX Data Centers – Jan 20, 2020

Building on the subsea cable momentum, Equinix added RTI Connectivity Pte. Ltd.'s transpacific cable systems to the list of sub-marine cable systems offered in the IBX data centers of the former, in turn, enhancing connectivity options for users.

By using Equinix's IBX data centers, RTI will extend the reach of its connectivity solutions in Tokyo, Japan, and Sydney, Australia. Hyperscale cloud providers and enterprise companies are fueling data growth between the Asia-Pacific region and Australia. These customers require economically-cheaper bandwidth solutions, alternative paths and improved quality of service.

Hence, RTI's latest secure long-haul routes will interconnect the Asia-Pacific region and Australia through Guam, in order to meet the growing demand for inter-connection services. The unique design of the cable systems will offer better latency between these continents and significantly reduce provisioning time frames.

Meanwhile, RTI will depend on Equinix to deliver and manage cable landing stations (CLS). Equinix's next-generation CLS design terminates sub-marine cabling systems inside the company's IBX data centers at the digital edge, where commerce, population hubs and digital ecosystems integrate.

Further, by providing a neutral landing point to submarine cable operators, thereby simplifying operations at a neutral location. This will reduce operator's costs as well as the time taken to deploy.

Additionally, RTI is constructing several high-fibre capacity cables that will land on Guam. This complements two of Equinix's cable routes that connect via Guam. The Japan-Guam-Australia South Cable System (JGA South) connects Sydney and Guam with termination point into Equinix's SY4 IBX in Sydney. The second cable route — Japan-Guam-Australia North Cable System (JGA North) — connects Tokyo and Guam with Equinix's TY2 IBX in Tokyo as a termination point.

The collaboration between the companies will strengthen communication networks between the Asia-Pacific region and Australia. With efficient inter-connection options for service providers and enterprises, it will propel greater business opportunities and drive growth of the digital economy between the two growing markets.

#### Equinix & Telstra Expand Multicloud Network Partnership – Jan 15, 2020

Equinix fortified its relationship with Australian telco company, Telstra Corp. The data-center REIT announced that Telstra's Programmable Network (TPN) will expand from the current eight markets to 38 in North America and Europe, using the global infrastructure of Equinix Cloud Exchange Fabric (ECX Fabric).

Telstra's API integration with Equinix's proprietary interconnection service — ECX Fabric — will provide Telstra TPN customers with direct, flexible on-demand multi-cloud connectivity to more than 170 cloud service providers.

Notably, Equinix Cloud Exchange Fabric (ECX Fabric) is an on-demand, SDN-enabled interconnection service that facilitates a connect between a company's own and another entity's distributed infrastructure. By enhancing its integration with this service, Telstra customers can establish connections to cloud providers, including Amazon Web Services, Oracle Cloud Infrastructure, Microsoft Azure and Google Cloud in a few minutes, as compared to weeks or months which are required by the more traditional cloud connectivity setups.

Further, by strengthening its collaboration with ECX Fabric, Telstra customers will get private access to the full range of cloud-service providers available through ECX Fabric, including PaaS, SaaS, IaaS, UCaaS, DDoS mitigation, data storage as-a-service providers and other benefits.

#### Dividend Update

Concurrent with its fourth-quarter 2019 earnings release, on Feb 12, Equinix's board of directors approved a quarterly cash dividend of \$2.66 per share. The dividend was paid out on Mar 18 to shareholders of record as of Feb 26.

### Valuation

Equinix's shares have surged 56.4% over the trailing 12-month period. Stocks in the Zacks industry and the Zacks Finance sector have declined 36.1% and 23.7%, over the past year.

The S&P 500 Index has been down 4.2% over the trailing 12-month period.

The stock is currently trading at 27.62X forward 12-month FFO, which compares to 9.89X for the Zacks industry, 13.82X for the Zacks sector and 19.82X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 53.95X and as low as 16.17X, with a 5-year median of 23.42X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$744 price target reflects 29.27X FFO.

The table below shows summary valuation data for EQIX.

Valuation Multiples - EQIX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	27.62	9.89	13.82	19.82
	5-Year High	53.95	19.4	16.17	19.82
	5-Year Low	16.17	9.57	11.19	15.19
	5-Year Median	23.42	14.87	13.93	17.45
P/S F12M	Current	9.15	7.99	4.96	4.81
	5-Year High	9.15	13.91	6.69	4.81
	5-Year Low	4.75	5.32	4.96	2.54
	5-Year Median	6.53	8.17	6.05	3.01
P/B TTM	Current	6.42	2.11	2.03	3.76
	5-Year High	11.74	5.57	2.9	4.55
	5-Year Low	3.77	1.77	1.71	2.84
	5-Year Median	5.27	3.38	2.52	3.64

As of 04/27/2020

## Industry Analysis Zacks Industry Rank: Bottom 31% (174 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
American Tower Corporation (REIT) (AMT)	Neutral	3
Crown Castle International Corporation (CCI)	Neutral	3
CyrusOne Inc (CONE)	Neutral	4
CoreSite Realty Corporation (COR)	Neutral	3
Digital Realty Trust, Inc. (DLR)	Neutral	2
Iron Mountain Incorporated (IRM)	Neutral	3
QTS Realty Trust, Inc. (QTS)	Neutral	2
SBA Communications Corporation (SBAC)	Neutral	3

Industry Comparison Industry: Reit And Equity Trust - Retail				Industry Peers		
	EQIX	X Industry	S&P 500	CONE	COR	DLR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	2
VGM Score	C	-	-	C	C	D
Market Cap	56.77 B	1.15 B	19.77 B	8.59 B	4.64 B	39.99 B
# of Analysts	6	6	14	9	10	9
Dividend Yield	1.52%	9.13%	2.13%	2.68%	3.98%	2.90%
Value Score	F	-	-	F	D	D
Cash/Price	0.03	0.03	0.06	0.01	0.00	0.00
EV/EBITDA	27.22	11.36	12.09	21.44	20.62	23.75
PEG Ratio	2.04	3.44	2.36	0.88	1.13	3.65
Price/Book (P/B)	6.42	0.95	2.70	3.47	21.59	3.51
Price/Cash Flow (P/CF)	31.44	6.04	10.70	20.03	19.92	17.76
P/E (F1)	28.41	8.12	18.72	19.47	23.71	24.03
Price/Sales (P/S)	10.21	3.18	2.12	8.76	8.11	12.46
Earnings Yield	3.52%	12.33%	5.19%	5.14%	4.22%	4.16%
Debt/Equity	1.40	1.04	0.72	1.28	6.91	1.18
Cash Flow (\$/share)	22.33	2.19	7.01	3.73	6.15	8.68
Growth Score	B	-	-	A	B	B
Hist. EPS Growth (3-5 yrs)	16.68%	1.65%	10.88%	14.86%	18.57%	7.22%
Proj. EPS Growth (F1/F0)	8.32%	-4.71%	-5.87%	5.72%	1.31%	-3.49%
Curr. Cash Flow Growth	12.38%	0.37%	5.92%	24.40%	4.75%	14.13%
Hist. Cash Flow Growth (3-5 yrs)	22.24%	5.61%	8.55%	30.81%	17.21%	19.36%
Current Ratio	1.33	1.17	1.23	1.24	0.13	0.32
Debt/Capital	58.27%	51.19%	43.90%	56.12%	87.36%	50.58%
Net Margin	9.12%	23.52%	11.32%	4.22%	13.24%	18.07%
Return on Equity	5.84%	6.64%	16.60%	4.62%	29.18%	5.79%
Sales/Assets	0.24	0.13	0.55	0.16	0.28	0.14
Proj. Sales Growth (F1/F0)	8.29%	0.00%	-1.15%	6.36%	5.73%	1.19%
Momentum Score	C	-	-	B	B	F
Daily Price Chg	2.47%	7.20%	2.63%	2.69%	1.47%	2.80%
1 Week Price Chg	-1.42%	-6.37%	-1.74%	5.51%	1.26%	0.56%
4 Week Price Chg	8.86%	0.00%	8.71%	21.60%	7.02%	10.31%
12 Week Price Chg	16.30%	-49.07%	-17.57%	21.74%	3.81%	25.25%
52 Week Price Chg	56.41%	-46.31%	-11.60%	34.81%	11.71%	31.68%
20 Day Average Volume	550,559	1,640,542	2,734,148	1,330,026	338,532	2,482,647
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.05%
(F1) EPS Est 4 week change	-0.32%	-3.98%	-6.57%	-0.29%	-0.58%	-1.23%
(F1) EPS Est 12 week change	-0.73%	-6.98%	-12.64%	-3.23%	-5.23%	-3.69%
(Q1) EPS Est Mthly Chg	-0.40%	-5.06%	-10.33%	-0.45%	-0.66%	-1.51%



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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	B
Momentum Score	C
VGM Score	C

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

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### Disclosures

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