

## Foot Locker(FL)

**\$27.20** (As of 08/18/20)

Price Target (6-12 Months): **\$29.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/28/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:B

Value: A

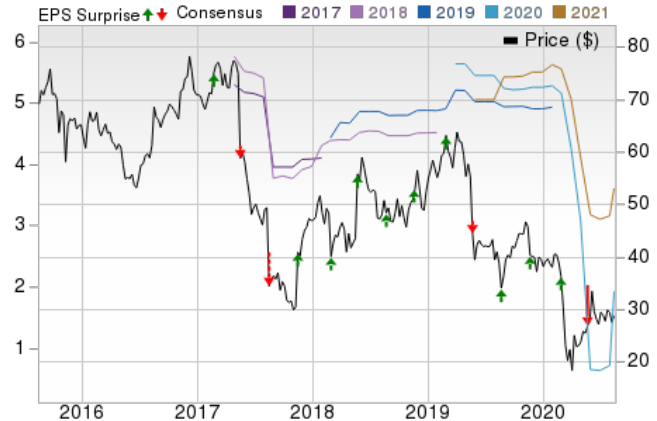
Growth: F

Momentum: A

## Summary

Shares of Foot Locker have slid and underperformed the industry in the past three months. The stock came under pressure in spite of the company delivering strong second-quarter fiscal 2020 results. This might be due to the fact that gross margin remained stressed from channel mix shift and elevated promotional backdrop. Nonetheless, the company witnessed huge response for its assortment as stores started reopening. This could be attributed to pent-up demand and the effect of the fiscal stimulus that aided in-store sales and drove continued momentum across the digital channel. Notably, comps rose about 18% during the quarter. Management further cited that significant sales coupled with disciplined cost control aided the company to revert to positive earnings per share. The company expects adjusted earnings in the band of 66-70 cents for the quarter.

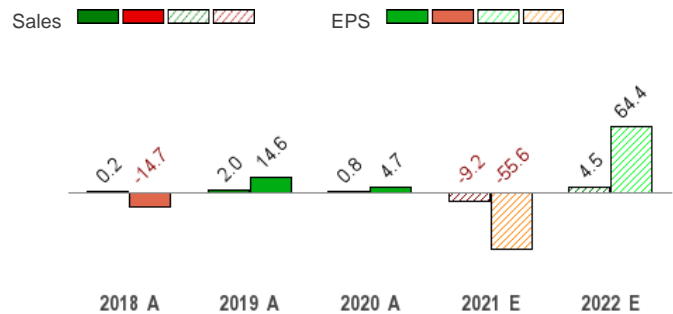
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	\$47.86 - \$17.46
20 Day Average Volume (sh)	3,392,691
Market Cap	\$2.8 B
YTD Price Change	-30.2%
Beta	1.34
Dividend / Div Yld	\$1.60 / 5.9%
Industry	<a href="#">Retail - Apparel and Shoes</a>
Zacks Industry Rank	Bottom 7% (235 out of 252)

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



Last EPS Surprise	-294.1%
Last Sales Surprise	-10.6%
EPS F1 Est- 4 week change	236.6%
Expected Report Date	08/21/2020
Earnings ESP	0.0%
P/E TTM	9.9
P/E F1	12.4
PEG F1	1.2
P/S TTM	0.4

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,536 E	1,818 E	1,886 E	2,232 E	7,593 E
2021	1,176 A	1,982 E	1,895 E	2,231 E	7,269 E
2020	2,078 A	1,774 A	1,932 A	2,221 A	8,005 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.42 E	\$0.46 E	\$0.93 E	\$1.62 E	\$3.60 E
2021	-\$0.67 A	\$0.69 E	\$0.82 E	\$1.45 E	\$2.19 E
2020	\$1.53 A	\$0.66 A	\$1.13 A	\$1.63 A	\$4.93 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 08/18/2020. The reports text is as of 08/19/2020.

## Overview

Founded in 1879 and headquartered in New York, Foot Locker, Inc. (FL) is a retailer of athletic shoes and apparel. The company operates websites and mobile apps, aligned with the brand names of store banners comprising footlocker.com, ladyfootlocker.com, six02.com, kidsfootlocker.com, champssports.com, footaction.com, footlocker.ca, footlocker.eu, footlocker.com.au, runnerspoint.com, sidestep-shoes.com, footlocker.hk, footlocker.sg, and footlocker.my.

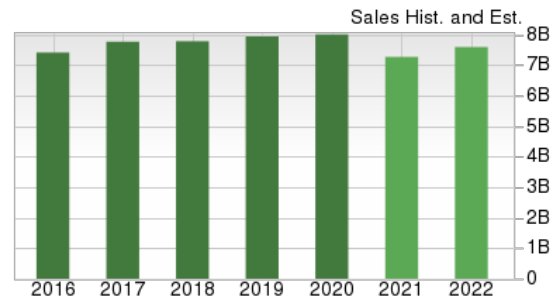
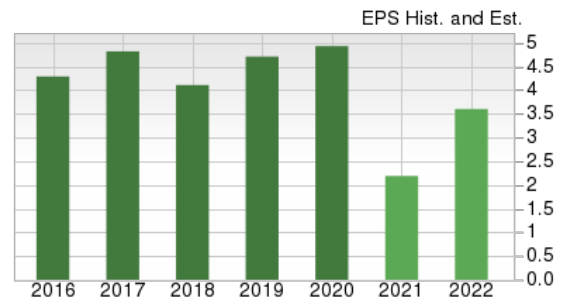
Foot Locker has franchise operations in the Middle East. Moreover, in Germany, the franchised stores are operated under the banners of Runners Point.

As of May 2, 2020, the company operated 3,113 outlets across 27 countries in North America, Europe, Asia, Australia and New Zealand. Apart from these, there are 54 franchised Foot Locker stores in the Middle East. Germany has 4 franchised Runners Point stores.

Beginning in 2018, the company has two operating segments, North America and International. Prior to 2018, the company had two reportable segments, Athletic Stores and Direct-to-Customers.

North America operating segment includes the results of the following banners operating in the U.S. and Canada: Foot Locker, Kids Foot Locker, Lady Foot Locker, Champs Sports, Footaction, and SIX:02, including each of their related e-commerce businesses, as well as Eastbay business that includes internet, catalog, and team sales.

International operating segment includes the results of the following banners operating in Europe, Asia, Australia, and New Zealand: Foot Locker, Runners Point, Sidestep, and Kids Foot Locker, including each of their related e-commerce businesses.



## Reasons To Buy:

▲ **Strong Brand Recognition:** Foot Locker is one of the widely recognized names in the athletic footwear and apparel industry. The company boasts a strong portfolio of leading brands under a variety of store banners that helps it to target specific markets and efficiently meet consumer demand. The company witnessed huge response for its assortment as stores started reopening. This could be attributed to pent-up demand and the effect of the fiscal stimulus. Notably, comparable-store sales rose about 18% during second-quarter fiscal 2020. Further significant sales and disciplined cost control aided the company to revert to positive earnings per share. It now expects adjusted earnings of 66-70 cents for the quarter.

We believe that continuous exploitation of opportunities such as children's business, shop-in-shop expansion, store refurbishment and enhancement of assortments are likely to benefit the company.

▲ **Growth Catalyst:** The company is trying to improve its performance through its operational and financial initiatives. The company is effectively managing inventory, investing in digital platforms, improving supply chain efficiencies along with reorganizing corporate and division staff. Management believes that by continually exploiting opportunities like kids' and women's business, shop-in-shop expansion in collaboration with its vendors (such as House of Hoops, PUMA Labs, Jordan Flight 23 shops and The ARMOURY at Champs Sports), store banner.com business, store refurbishment and enhancement of assortments, Foot Locker is likely to benefit in the long run. International expansion, especially in Europe, is another growth catalyst. The company is also focusing on augmenting its e-commerce platform, growing direct-to-consumer (DTC) operations, margin expansion, tapping underpenetrated markets and opening of Power Stores. The company has opened six Power Stores in fiscal 2019. The company has rolled out new membership program FLX that inspires customers to remain within the Foot Locker portfolio of banners. DTC channel strengthened and posted a 14.3% gain during the first quarter fiscal 2020. As a percent of sales, DTC rose to 30.8% of sales, up from 15.4% last year.

▲ **Actions to Mitigate COVID-19 Impact:** Foot Locker has taken measures to strengthen its financial position in the wake of coronavirus crisis. The measures include borrowing \$330 million under its \$400-million credit facility, curbing non-essential spending, extending payment terms, limiting merchandise purchases and reducing salaries and compensation. SG&A expenses fell 24% during the first quarter of fiscal 2020 as the company lowered its variable expenses such as bonus accruals, marketing, travel and others expense categories, to better align with sales. Moreover, it cut the capital expenditure forecast by 50% to \$138 million for fiscal 2020. Also, the company halted share repurchase program and suspended quarterly cash dividend for the time being. Notably, the company is on track with the reopening of stores in phased manner. As of May 21, in North America, the company had reopened 900 stores in 31 U.S. states and Canada. In EMEA, 16 of the 20 countries have a total of 421 open stores and in the Asia-Pacific region, 102 stores have reopened across every country, except Singapore.

▲ **Restructuring Activities:** Management has decided to consolidate the Runners Point Group business into other operations in Europe in compliance with local legislation. As part of this plan, select Runners Point stores will be converted to either Sidestep or Foot Locker stores, and roughly 40 remaining Runners Point stores and certain Sidestep stores will be closed. In addition, the company plans to restructure and consolidate the Runners Point and Sidestep support and logistics functions into Foot Locker Europe's headquarters in the Netherlands in compliance with local legislation. This transition is likely to occur largely over the remainder of fiscal 2020. Also, the company expects to wind down the Runners Point business by the end of the year. The company plans to combine Champs Sports and Eastbay under a single leadership structure. As a part of this endeavor, the company plans to consolidate select Eastbay operations from Wausau, Wisconsin into the Champs Sports headquarters in Bradenton, Florida.

▲ **Strategic Partnership:** The company entered into a partnership with Nike for a pop-up store called Sneakeasy NYC and made a strategic investment of \$15 million in Carbon38, which owns and operates an e-commerce destination for active and performance wear for women. The company also took minority interest in Goat, a managed marketplace for authentic sneakers, making an investment of \$100 million. It invested \$3 million in Super Heroic, a kid's footwear brand and \$12.5 million in "Rockets of Awesome" a children's apparel company. The company also made a strategic investment of \$3 million in NTRK, a leading youth culture e-commerce and content platform. These investments widen the company's scope to expand products and brands, access new business segments and take advantage of innovative technologies.

▲ **Capital Allocation Plan:** Foot Locker remains committed to sustain robust level of investment to achieve long-term goal. The company's investments are directed toward community-based power stores in markets worldwide. The company will continue focus on digital advancement and enhancement of its U.S. supply chain. The company's digital endeavors comprise improvement of mobile and web platforms, implementation of new point-of-sale software worldwide, and expansion of data analytics capabilities. Apart from these, the company plans to spend a major portion of the capital on its fleet of stores, including revamping and remodeling of the same. Further, it is exploring off-mall retail formats opportunities and executing shop-in-shop spaces in collaboration with vendors. However, in response to COVID-19 the company cut the capital expenditure forecast by 50% to \$138 million for fiscal 2020. Included in this new plan are 28 new stores and 47 remodels or relocations of existing stores, down from the 65 new stores and 125 remodels or relocations planned in the beginning of the year.

▲ **Financial Flexibility:** Foot Locker's cash and cash equivalents at the end of first-quarter fiscal 2020 increased 11.6% sequentially to \$1,012 million. Notably, the company's cash position remains sufficient to meet current debt of \$911 million (comprising of revolving credit facility and current portion of lease obligations) as of May 2, 2020. Further, its long-term debt of \$2,712 million (including long term debt and non-current operating lease obligations) declined 3.1% on a quarter-on-quarter basis. Moreover, at the end of the quarter, the company's debt-to-capitalization ratio was a respectable 0.61 compared with 0.68 for the industry. As of April 24, 2020, the company's corporate credit ratings from Moody's Investors Service is Ba1, which reflects its solid credit metrics and low level of funded debt, well-recognized brand names, meaningful scale, geographic diversification, and very good liquidity.

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## Reasons To Sell:

▼ **Dismal Stock Performance:** Shares of Foot Locker has declined and underperformed the industry in the past three months. The stock has fallen 4% in the aforementioned period as against the industry's rally of 39.2%. This might be due to the fact that second-quarter fiscal 2020 gross margin remained stressed from channel mix shift and elevated promotional backdrop. Also, the company's disappointing first-quarter performance have also somewhat hurt investor sentiment.

Foot Locker reported wider-than-expected first-quarter loss per share. Also, sales missed the Zacks Consensus Estimate, marking the fifth consecutive quarterly miss. Both top and bottom lines also fell year over year. The company posted adjusted loss of 67 cents per share, wider than the Zacks Consensus Estimate of a loss of 17 cents. The company had reported adjusted earnings of \$1.53 recorded in the prior-year quarter. Total sales of \$1,176 million plummeted 43.4% year over year and also fell short of the consensus estimate of \$1,315 million. Excluding the effect of foreign-currency fluctuations, total sales plunged 42.9%.

Challenging retail landscape and changing consumer spending pattern are making operating environment tough. Moreover, any deleverage in occupancy and buyers compensation expenses and lower merchandise margin are concerns.

▼ **Gross Margin Under Pressure:** Management in a recent business update highlighted that gross margin remained under pressure during the second quarter of fiscal 2020 from channel mix shift and a highly promotional environment. We note that in the first quarter too, the metric remained under stress. Foot Locker's gross margin contracted significantly to 23% from 33.2% during the first quarter on account of deleverage of 850 basis points in occupancy and buyers' compensation expenses and 170 basis points decrease in merchandise margin. The lower merchandise margin was driven by increased promotions and higher penetration of digital sales, which carry a lower margin rate. The company's gross margin rate had contracted 90 basis points to 31.5% during the final quarter of fiscal 2019 on account of 70 basis point decline in merchandise margin rate and 20 basis points deleverage in occupancy and buyers' compensation expenses.

▼ **Dismal Q1 Comps Performance:** We note that comparable-store sales declined 42.8% during the first quarter of fiscal 2020 significantly wider than the 1.6% fall witnessed in the previous quarter and registered double-digit declines across every region and banner, driven by store channels and Eastbay. The company had reported comparable-store sales growth of 4.6% in the year-ago period. The company highlighted that stores registered a 53.4% decline in comps. Stores were closed since mid-March in the wake of the coronavirus outbreak that meaningfully hurt the company's results. Moreover, consumers refrained from making any discretionary purchases.

▼ **Prone to Currency Fluctuations:** Foot Locker generates a significant amount of net sales outside the U.S. Due to high exposure to international markets, the company remains prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or reduce profit margins in locations outside of the U.S. An increase in prices may have an adverse impact on the demand for Foot Locker's products.

▼ **Fashion Obsolescence a Threat:** Fashion obsolescence remains the main concern for Foot Locker's business model, which involves a sustained focus on product and design innovation. The company's pioneering position may be hurt by delays in its product launches. The company operates in the highly competitive athletic footwear and apparel segment. It faces stiff competition from athletic footwear specialty stores, sporting goods stores, department stores, discount stores and traditional shoe stores in terms of distinctiveness, innovativeness, quality and pricing, which may weigh on its 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. This may adversely impact its growth and profitability.

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## Last Earnings Report

### Foot Locker Q1 Loss Wider Than Expected, Sales Tank Y/Y

Foot Locker, Inc. came up with first-quarter fiscal 2020 results, wherein it reported wider-than-expected loss per share. Also, sales missed the Zacks Consensus Estimate, marking the fifth consecutive quarterly miss. Both top and bottom lines also fell year over year. Additionally, comparable-store sales declined year on year.

Nevertheless, management noted that the company is on track with the reopening of stores in phased approach. As of now, the company has reopened more than 1,400 stores. Also, the company has taken measures to strengthen its financial position in the wake of coronavirus crisis. The measures include borrowing \$330 million under its \$400-million credit facility, curbing non-essential spending, extending payment terms, limiting merchandise purchases and reducing salaries and compensation.

Moreover, it cut the capital expenditure forecast by 50% to \$138 million for fiscal 2020. Included in this new plan are 28 new stores and 47 remodels or relocations of existing stores, down from the 65 new stores and 125 remodels or relocations planned in the beginning of the year. The company halted share repurchase program and suspended quarterly cash dividend.

This operator of athletic shoes and apparel retailer posted adjusted loss of 67 cents per share, wider than the Zacks Consensus Estimate of a loss of 17 cents. The company had reported adjusted earnings of \$1.53 recorded in the prior-year quarter.

On a GAAP basis, the company reported a loss of 93 cents a share compared with the \$1.52 recorded in the prior-year period.

Total sales of \$1,176 million plummeted 43.4% year over year and also fell short of the consensus estimate of \$1,315 million. Excluding the effect of foreign-currency fluctuations, total sales plunged 42.9%. Moreover, comparable-store sales declined 42.8% during the quarter, significantly wider than the 1.6% fall witnessed in the previous quarter. Stores registered a 53.4% comp decline, while DTC channel strengthened and posted a 14.3% gain. As a percent of sales, DTC rose to 30.8% of sales, up from 15.4% last year.

Foot Locker's gross margin rate contracted significantly to 23% from 33.2% during the quarter due to deleverage in occupancy and buyers compensation expenses and lower merchandise margin. Further, SG&A expense rate expanded 690 basis points to 26.9%.

### Store Update

During the reported quarter, Foot Locker opened five outlets, remodeled or relocated nine stores, and shuttered 21. As of May 2, 2020, the company operated 3,113 stores across 27 countries in North America, Europe, Asia, Australia and New Zealand. Apart from these, there are 54 franchised Foot Locker stores in the Middle East and four franchised Runners Point stores in Germany.

### Other Financial Details

Foot Locker ended the fiscal first quarter with cash and cash equivalents of \$1,012 million, long-term debt of \$121 million, and shareholders' equity of \$2,326 million. It had a debt of \$451 million, including \$330 million borrowed from the company's credit facility. As of May 2, 2020, merchandise inventories were \$1,458 million, up 20.4% from the prior-year period. On a constant-currency basis, inventory rose 21.3%.

Management incurred capital expenditure of \$52 million during the quarter. The company posted negative free cash flow of \$174 million.

During the fiscal first quarter, management paid a quarterly dividend of 40 cents per share. However, the company's board has decided to temporarily put cash dividend on hold starting the fiscal second quarter. Also, it has suspended its share-repurchase program for the time being.

Quarter Ending **04/2020**

Report Date	<b>May 22, 2020</b>
Sales Surprise	<b>-10.59%</b>
EPS Surprise	<b>-294.12%</b>
Quarterly EPS	<b>-0.67</b>
Annual EPS (TTM)	<b>2.75</b>

## Recent News

### Foot Locker Issues Updates on Q2 - Aug 10, 2020

Foot Locker recently provided updates on the second quarter of 2020, wherein comparable-store sales grew roughly 18%. Further, management envisions adjusted earnings in the band of 66-70 cents per share for the same quarter versus 66 cents earned in the year-ago quarter.

## Valuation

Foot Locker shares are down 30.2% year-to-date period and nearly 30.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 19.7% but the Zacks Retail-Wholesale sector is up 31.5% in the year-to-date period. Over the past year, the Zacks sub-industry is down 7.5% but the sector is up 41.4%.

The S&P 500 index is up 5.2% in the year-to-date period and 17.2% in the past year.

The stock is currently trading at 9.4X forward 12-month earnings, which compares to 48.37X for the Zacks sub-industry, 33.72X for the Zacks sector and 22.86X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.86X and as low as 3.63X, with a 5-year median of 11.27X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$29 price target reflects 9.96X forward 12-month earnings.

The table below shows summary valuation data for FL

Valuation Multiples - FL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.4	48.37	33.72	22.86
	5-Year High	22.86	87.27	34.77	22.86
	5-Year Low	3.63	8.16	19.08	15.25
	5-Year Median	11.27	14.22	23.47	17.58
P/S F12M	Current	0.38	0.6	1.26	3.71
	5-Year High	1.38	1.09	1.26	3.71
	5-Year Low	0.24	0.32	0.82	2.53
	5-Year Median	0.77	0.8	0.97	3.05
EV/EBITDA TTM	Current	7.8	12.64	20.64	12.78
	5-Year High	9.51	12.64	20.64	12.85
	5-Year Low	3.02	4.71	11.14	8.25
	5-Year Median	6.83	6.63	12.95	10.91

As of 08/18/2020

## Industry Analysis Zacks Industry Rank: Bottom 7% (235 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
American Eagle Outfitters, Inc. (AEO)	Neutral	4
AbercrombieFitch Company (ANF)	Neutral	4
Boot Barn Holdings, Inc. (BOOT)	Neutral	3
The Gap, Inc. (GPS)	Neutral	4
Levi StraussCo. (LEVI)	Neutral	3
Tapestry, Inc. (TPR)	Neutral	2
Capri Holdings Limited (CPRI)	Underperform	4
Urban Outfitters, Inc. (URBN)	Underperform	4

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	FL	X Industry	S&P 500	ANF	LEVI	TPR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	2
VGM Score	B	-	-	F	D	C
Market Cap	2.83 B	501.15 M	23.71 B	638.15 M	4.84 B	4.23 B
# of Analysts	10	4	14	10	4	12
Dividend Yield	5.88%	0.00%	1.63%	0.00%	2.62%	0.00%
Value Score	A	-	-	D	B	B
Cash/Price	0.34	0.33	0.07	1.06	0.30	0.33
EV/EBITDA	5.33	6.88	13.45	5.54	7.10	-19.59
PEG Ratio	1.22	2.99	3.01	NA	NA	0.92
Price/Book (P/B)	1.22	1.42	3.18	0.80	4.15	1.86
Price/Cash Flow (P/CF)	3.97	4.19	12.70	2.93	9.09	8.15
P/E (F1)	12.58	33.45	21.98	NA	NA	8.53
Price/Sales (P/S)	0.40	0.35	2.46	0.19	0.96	0.85
Earnings Yield	8.05%	1.68%	4.33%	-28.09%	-1.97%	11.74%
Debt/Equity	1.17	1.01	0.76	1.78	1.29	1.49
Cash Flow (\$/share)	6.86	1.68	6.94	3.53	1.34	1.88
Growth Score	F	-	-	F	F	F
Hist. EPS Growth (3-5 yrs)	-0.46%	-0.83%	10.44%	2.25%	NA	1.52%
Proj. EPS Growth (F1/F0)	-55.56%	-76.36%	-5.97%	-497.95%	-124.23%	85.31%
Curr. Cash Flow Growth	-1.10%	-2.23%	5.22%	-6.25%	29.04%	-48.91%
Hist. Cash Flow Growth (3-5 yrs)	1.64%	1.64%	8.52%	-5.89%	NA	-6.40%
Current Ratio	1.67	1.45	1.33	1.32	1.92	1.47
Debt/Capital	53.96%	55.77%	44.50%	63.97%	56.26%	59.81%
Net Margin	3.21%	-2.68%	10.13%	-5.50%	0.19%	-13.14%
Return on Equity	12.13%	2.57%	14.59%	-14.29%	13.47%	9.65%
Sales/Assets	1.06	1.08	0.51	0.98	1.06	0.60
Proj. Sales Growth (F1/F0)	-9.20%	-11.98%	-1.54%	-14.42%	-29.57%	1.54%
Momentum Score	A	-	-	D	C	C
Daily Price Chg	-4.23%	-1.84%	-0.41%	-7.00%	-4.61%	-3.16%
1 Week Price Chg	4.55%	4.27%	1.09%	9.29%	2.08%	9.79%
4 Week Price Chg	-9.99%	2.01%	3.41%	5.07%	0.49%	12.31%
12 Week Price Chg	-3.61%	3.93%	9.80%	-18.17%	-13.77%	3.93%
52 Week Price Chg	-30.63%	-30.63%	3.43%	-33.84%	-25.82%	-27.14%
20 Day Average Volume	3,392,691	406,943	1,894,669	2,217,948	1,327,459	6,099,023
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-3.16%	0.00%	15.60%
(F1) EPS Est 4 week change	236.65%	0.00%	1.86%	-3.97%	0.00%	16.91%
(F1) EPS Est 12 week change	15.52%	-47.66%	2.86%	-236.02%	-151.65%	16.91%
(Q1) EPS Est Mthly Chg	25.30%	0.00%	0.80%	-64.58%	0.00%	-10.00%



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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	A
Growth Score	F
Momentum Score	A
VGM Score	B

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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