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May 05, 2020

Hologic, Inc.(HOLX)

$49.93 (As of 05/04/20)

Price Target (6-12 Months): **$52.00**

Long Term: 6-12 Months	**Zacks Recommendation:**	**Neutral**
	(Since: 08/14/19)	
	Prior Recommendation: Outperform	
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: D | Momentum: D	

Summary

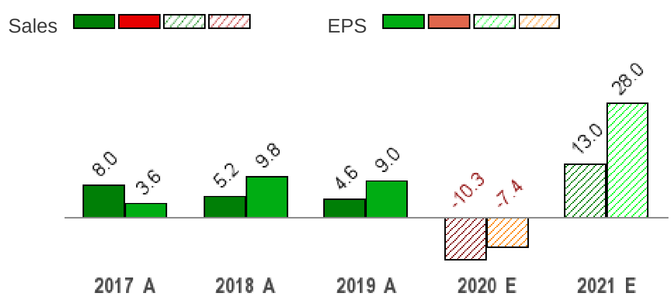
Hologic exited the second quarter of fiscal 2020 with better-than-expected earnings and in-line revenues. Top-line growth was led by a year-over-year rise in core GYN Surgical and Molecular Diagnostics sales despite the coronavirus pandemic. Robust sales of Panther Fusion SARS-CoV-2 assay post EUA receipt from the FDA led to solid uptick in Diagnostics arm. Its efforts to combat the pandemic by launching assays on its Panther portfolio buoys optimism. Adjusted operating margin expansion is encouraging. However, fall in Breast Health revenues due to the pandemic is worrying. Flat gross margin and guidance withdrawal add to the woes. A stiff competitive landscape and foreign exchange fluctuations are other headwinds. A weak solvency and capital structure is also deterring. For the past three months, Hologic has been underperforming its industry.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$55.25 - $26.49**
20 Day Average Volume (sh)	**3,301,752**
Market Cap	**$12.9 B**
YTD Price Change	**-4.4%**
Beta	**1.44**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Medical - Instruments**
Zacks Industry Rank	**Top 15% (38 out of 253)**
Last EPS Surprise	**5.6%**
Last Sales Surprise	**0.0%**
EPS F1 Est- 4 week change	**-8.7%**
Expected Report Date	**07/29/2020**
Earnings ESP	**0.0%**
P/E TTM	**20.3**
P/E F1	**22.2**
PEG F1	**2.5**
P/S TTM	**3.9**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	894 E	888 E	793 E	812 E	3,413 E
2020	851 A	756 A	590 E	842 E	3,021 E
2019	831 A	818 A	852 A	866 A	3,367 A

EPS Estimates

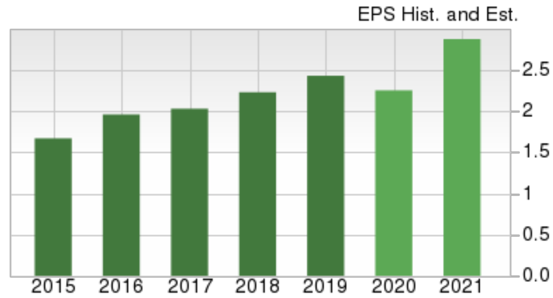
	Q1	Q2	Q3	Q4	Annual*
2021	$0.77 E	$0.75 E	$0.63 E	$0.65 E	$2.88 E
2020	$0.61 A	$0.57 A	$0.35 E	$0.73 E	$2.25 E
2019	$0.58 A	$0.58 A	$0.63 A	$0.65 A	$2.43 A

*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 05/04/2020. The reports text is as of 05/05/2020.

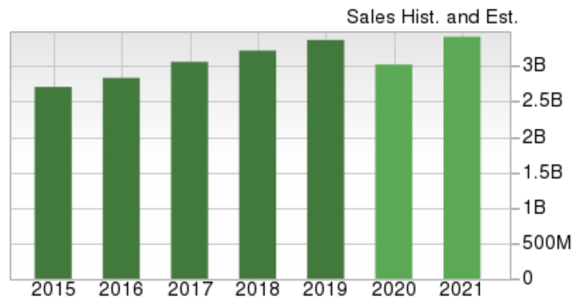
Overview

Headquartered in Bedford, MA, Hologic Inc. develops, manufactures, and supplies diagnostics, medical imaging systems and surgical products which cater to the healthcare needs of women.



Hologic operates through the following four segments:

Diagnostics (35.8% of total revenues in 4Q19): With the Gen-Probe acquisition, Hologic currently offers APTIMA family of assays that includes the APTIMA Combo 2 assay, which feature the APTIMA CT and APTIMA GC assays, the APTIMA HPV assay and the APTIMA Trichomonas assay. Other products include the ThinPrep system, primarily used in cytology applications. In the fourth quarter of fiscal 2019, this segment registered 6.2% growth year-over year.



Breast Health (38.2% of total revenues in 4Q19): Products include a broad portfolio of breast imaging and related products and accessories, including digital and film-based mammography systems, computer-aided detection (CAD), breast biopsy guidance systems, minimally invasive breast biopsy and tissue extraction devices and breast brachytherapy products. In the fourth quarter of fiscal 2019, this segment registered 6.3% growth year-over year.

GYN Surgical (13.2% of total revenues in 4Q19): Products include the NovaSure endometrial ablation system – used in the treatment of heavy menstrual bleeding and the MyoSure hysteroscopic tissue removal system – which allows incision less removal of fibroids and polyps within the uterus. In the fourth quarter of fiscal 2019, this segment registered 6.6% growth year over year.

Medical Aesthetics (9.9% of total revenues in 4Q19): Hologic completed the divestiture of its Cynosure Medical Aesthetics business on Dec 30, 2019.

Skeletal Health (2.9% of total revenues in 3Q19): This segment includes dual-energy X-ray bone densitometry systems, an ultrasound-based osteoporosis assessment product, and Fluoroscan mini C-arm imaging products. In the fourth quarter of fiscal 2019, this segment registered 2.6% growth year over year.

Reasons To Buy:

Hologic's progress in the domestic and international markets, strong pipeline of products and solid performance delivered by the GYN Surgical and Molecular Diagnostics segments bolster our confidence.

▲ **Molecular Diagnostics Sees Growth on Coronavirus Tests:** Hologic's management is impressed with continued growth in the core molecular diagnostics sub-segment, which accounted for roughly 60% of total Diagnostics revenues in the fiscal second quarter. Molecular Diagnostics sales increased 13.6% at CER. Global revenues for molecular diagnostics increased 14.2%, the highest growth rate since 2012. The company generated solid revenues from its Panther Fusion SARS-CoV-2 assay, which received Emergency Use Authorization (EUA) from the FDA in March. Following this, the company expanded manufacturing capabilities to produce nearly 600,000 Panther Fusion SARS-CoV-2 tests a month. This represents a 12-fold increase in the company's capacity for similar tests running on the Panther Fusion system.

Molecular diagnostics' robust international performance was partly boosted by the continued uptake of viral load assays in Africa. Continued placement of fully-automated Panther system along with sustained solid uptake of Aptima Women's health assay menu also contributed to the top line. Further, the company launched products within the Panther Scalable Solutions portfolio in the United States and Europe. These optional configurations will allow laboratories to scale up their instrumentation to meet testing demand in their current workflow and future growth plans.

▲ **GYN Surgical Continues to See Growth:** Over the past two years, the GYN Surgical business has transformed to the most profitable division of Hologic on a percentage basis banking on new leadership, strong strategic execution of new commercial models and new product launches.

The segment grew 3.6% at CER despite a significant decline in March due to disruptions caused by COVID-19, which affected sales and postponed elective procedures. The growth was led by robust segmental performance in the first two months of the quarter and continuing momentum for the rest of the quarter.

MyoSure and NovaSure are two of the company's key products from this segment. In the reported quarter, despite a decline in NovaSure systems sales, MyoSure system sales boosted segmental revenues.

▲ **Growth Initiatives:** In order to streamline its operations and reduce cost of revenue, Hologic has been adopting a few significant strategies over the past few years. The company has invested deliberately and opportunistically in commercial areas where management has recognized a good return. These include Hologic's Genius marketing campaign in Breast Health, cervical cancer co-testing initiatives in Diagnostics, along with efforts to gain competitive market share with NovaSure. Per management, these strategic initiatives are already paying off through increased brand awareness, market share gains, and price stability, all of which will contribute to the company's higher sales.

Moreover, to strengthen its product pipeline, Hologic is working on innovations and product launches. In this regard we note that, the company has recently launched a cadence of products which are 3DQuorum Imaging Technology, powered by Genius AI in the United States and LOCalizer radiofrequency identification (RFID) tag for long-term placement in Europe. Further, recent U.S. regulatory clearances included the Unifi Workspace reading solution and 3DQuorum artificial intelligence imaging technology in Breast Health, and the Definity cervical dilator in GYN Surgical.

▲ **Focus on International Operations:** According to Hologic, global expansion will be a critical element of its growth strategy over the long term. While many of the company's best-in-class products command a leading share in the domestic market, they hold a disproportionately low market share internationally, indicating huge untapped potential. During the second quarter of fiscal 2020, international organic revenues (excluding the divested Blood Screening and Cynosure businesses and the acquired SuperSonic Imagine or SSI business) were up 6% (up 8.4% at CER) on contributions from the Cytology subsegment of the broader Diagnostics arm of the company. The subsegment was boosted by Germany's decision to adopt co-testing for cervical cancer screening. Molecular diagnostics also contributed to the top line, partly buoyed by continued adoption of viral load assays in Africa.

Global growth in Molecular Diagnostics was primarily driven by increasing market share and utilization of the fully automated Panther system.

The overall promising international performance reflects the tremendous progress Hologic has made in building a sustainable growth engine through both organic and inorganic means, including the acquisitions of two European distributors.

Reasons To Sell:

Holologic continues to face tough competition, particularly in the tomosynthesis market. Besides, challenging capital spending environment and rising pricing pressure are other downsides.

- **Share Price Movement:** For the past three months, Hologic has been underperforming its industry. The stock has lost 7.5% compared with the 6.9% fall of its industry. Breast health, the company's core segment, saw a significant fall in revenue due to changing customer responses amid the COVID-19 outbreak. Domestic sales were dismal within this segment, with revenues declining year over year. Lower sales due to the pandemic, unfavorable product sales mix and a strong U.S. dollar affected adjusted gross margin. Hologic also refrained from issuing guidance after its withdrawal of the same as it expects significant adverse impact of the pandemic on revenues and operating income in the coming quarters. Hologic operates in a very competitive atmosphere, where it competes with big-shot companies. Foreign exchange fluctuations is another headwind for the company.

- **Foreign Exchange Headwinds:** We remain worried about the significant challenges Hologic faced owing to unfavorable foreign currency impact that has been adversely affecting the company's overall performance in the past few quarters.

- **Cost Woes:** A continuous rise in costs and expenses are building pressing on margins of Hologic. In the fiscal second quarter, Hologic's adjusted gross margin did not show any year-over-year expansion. According to the company, benefits from the Cynosure Medical Aesthetics divestiture were offset by lower sales due to the pandemic, unfavorable product sales mix and a strong U.S. dollar.

- **Competitive Landscape:** Hologic operates in a highly competitive industry. Its mammography, related products and subsystems compete on a worldwide basis with products offered by a number of competitors, including General Electric Company (GE), Siemens, Koninklijke Philips NV, or Philips, Planmed Oy, or Planmed, Agfa-Gevaert N.V., or Agfa, Carestream Health, Inc., FUJIFILM Holdings Corporation, or Fuji, I.M.S., and Toshiba Corporation. In the U.S., GE received FDA approval in Sep 2014 for its 3D breast tomosynthesis system and Siemens received FDA approval for its tomosynthesis system in April 2015 which have put additional competitive pressure on Hologic.

  Moreover, large players such as Fuji and Siemens are developing 3D tomosynthesis systems targeting the U.S. market. Moreover, primary competitors for the biopsy product line are Devicor Medical Products and part of Danaher Corporation's Leica Biosystems division. In the clinical market, Hologic witnesses competition from several companies including Abbott Laboratories, Siemens, Becton, Dickinson, Qiagen, CareFusion, Sanarus Technologies and Intact Medical Corporation and Roche Diagnostics, among others. Moreover, the FDA has re-classified FFDM devices to class II from class III, thereby making it easier for all medical devices companies to bring in similar products in the market.

  Subsequently, the approval process for class II devices will require 510(k) clearance, rather than the lengthy PMA application. Though this move by the FDA will enable easier approval in the U.S., we note that it will further intensify competition among medical device companies.

- **Weak Solvency and Capital Structure:** Hologic exited the fiscal second quarter with cash and cash equivalents of $800 million compared with $371 million at the end of the fiscal first quarter. Meanwhile, total debt came up to $3.57 billion for the period, compared with $3.09 billion in the sequentially last reported quarter. This figure is much higher than the quarter-end cash and cash equivalent level. Moreover, if we go by the company's current-year debt level of $806 million, its pretty high compared to the cash in hand. This is bad news in terms of the company's solvency position. During the year of economic downturn, the company not holding sufficient cash for short-term debt repayment, might fetch problem for the stock.

  The quarter's total debt-to-capital of 63.1% shows an increase from 57.8% reported at the end of the fiscal first quarter. It reflects a high-leveraged balance sheet. The times interest earned for the company stands at 2.6%, representing an increase from -0.9% at the end of the fiscal first quarter. The overall data shows a discouraging solvency level for Hologic.

  The company completed the $205-million Accelerated Share Repurchase agreement announced in the first quarter and repurchased an additional 5.9 million shares of stock for $267.6 million before suspending its buy-back activities in March.

Last Earnings Report

Hologic Beats Q2 Earnings Estimates, Withdraws View

Quarter Ending	03/2020
Report Date	Apr 29, 2020
Sales Surprise	0.00%
EPS Surprise	5.56%
Quarterly EPS	0.57
Annual EPS (TTM)	2.46

Hologic reported second-quarter fiscal 2020 adjusted earnings per share of 57 cents, down 1.7% year over year. The bottom line however surpassed the Zacks Consensus Estimate by 5.6%.

On a GAAP basis, the company's earnings of 36 cents per share reflect an improvement from the year-ago quarter's loss of $1.01 per share.

Revenues in Detail

Revenues grossed $756.1 million in the reported quarter, down 7.6% year over year (down 7.1% at constant exchange rate or CER) due to the divestiture of Cynosure. The metric was in line with the Zacks Consensus Estimate.

Excluding the divested Blood Screening and Medical Aesthetics businesses, total revenues were $740.9 million, up 1.3% year over year and 1.9% at CER. Organic revenues (excluding divestitures and the acquired SSI business) of $735.1 million increased 0.5% and 1.1% at CER.

U.S. revenues of $574.9 million fell 6.6%. Additionally, international revenues of $181.2 million declined 10.7% or 8.6% at CER.

Organically, revenues in the United States fell 1% year over year to $558.5 million in the quarter. However, international revenues were up 6% (up 8.4% at CER) to $176.6 million.

Segments in Detail

Revenues at the **Diagnostics** segment rose 7.6% year over year (up 8.3% at CER) to $319.2 million in the quarter under review, with Molecular Diagnostics being the major driver. Molecular Diagnostics' revenues of $190.6 million climbed 13.6% (up 14.2% at CER), continuing the division's strong performance. Moreover, Blood Screening revenues of $15.2 million rose 13.5% (up 13.5% at CER).

Revenues at the **Breast Health** segment declined 4.3% (down 3.7% at CER) to $307.8 million. This is in line with the company's preliminary results released earlier this month, where it had stated that weaker-than-expected sales of Breast Health products due to changing customer responses amid the COVID-19 outbreak would impact the segment's revenues. Domestic sales were dismal in this segment in the quarter, with a 7.3% revenue decline year over year. However, outside the United States, Breast Health sales increased 7.2% in total and grew 0.6% (without SSI).

Revenues at the **GYN Surgical** business grew 3.1% (up 3.6% at CER) to $105.4 million, while revenues at **Skeletal Health** fell 2.1% (down 1.6% at CER) to $23.7 million.

Notably, the Medical Aesthetics segment no longer reports after the divestiture of Cynosure medical aesthetics business on Dec 30, 2019.

Operational Update

In the fiscal second quarter, Hologic's adjusted gross margin remained flat year over year. According to the company, the benefits from the Cynosure Medical Aesthetics divestiture were offset by lower sales due to the pandemic, unfavorable product sales mix and a strong U.S. dollar.

Adjusted operating expenses amounted to $222.5 million, down 18.4% year over year. However, adjusted operating margin expanded 380 basis points to 31.5%.

Financial Update

Hologic exited the second quarter of fiscal 2020 with cash and cash equivalents of $799.8 million compared with $370.8 million at the end of first-quarter fiscal 2020. Total long-term debt was $3.56 billion at the end of the quarter under review, compared with $3.07 billion at the end of first-quarter fiscal 2020. The company completed the $205 million Accelerated Share Repurchase agreement announced in the first quarter and repurchased an additional 5.9 million shares of stock for $267.6 million before suspending its buy-back activities in March.

At the end of the fiscal second quarter, net cash provided by operating activities was $231.6 million compared with $238.1 million a year ago.

Guidance

Hologic expects significant adverse impact of the coronavirus pandemic on its revenues and operating income going forward. The company is currently unable to ascertain the scope and duration of the pandemic as well as quantify the actual impact. Accordingly, it has withdrawn its financial guidance for the second quarter and full-year 2020.

Recent News

On **Apr 29, 2020**, Hologic announced its plans of launching a new Aptima molecular assay to detect the SARS-CoV-2 virus. Notably, the assay will run on its Panther system.

On **Mar 16, 2020**, Hologic received the FDA's Emergency Use Authorization (EUA) for its new Panther Fusion SARS-CoV-2 assay, which is a molecular diagnostic test that detects the SARS-CoV-2.

On **Feb 18, 2020**, Hologic inaugurated its Financial Shared Services Center in Costa Rica, from where it will be providing support for its U.S. and Canadian operations.

On **Feb 5, 2020**, Hologic launched new product offerings within the Panther Scalable Solutions (PSS) portfolio, which are now commercially available in the United States and Europe.

Valuation

Hologic shares are down 4.4% in the year-to-date period and up 6.9% in the trailing 12-month periods. Stocks in the Zacks sub-industry are down 4.1% while the Zacks Medical sector fell 6.1% in the year-to-date period. Over the past year, the Zacks sub-industry is down 1.1% and sector is down 3.2%.

The S&P 500 index is down 12.1% in the year-to-date period and down 3.7% in the past year.

The stock is currently trading at 20.1X Forward 12-months earnings, which compares to 36.1X for the Zacks sub-industry, 21.4X for the Zacks sector and 20.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24X and as low as 10.8X, with a 5-year median 18.3X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $52 price target reflects 20.9X forward 12-months earnings.

The table below shows summary valuation data for HOLX.

Valuation Multiples - HOLX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.11	36.12	21.37	20.16
	5-Year High	24.04	36.12	21.37	20.16
	5-Year Low	10.76	23.30	15.81	15.19
	5-Year Median	18.33	27.72	18.73	17.44
P/S F12M	Current	4.00	3.58	2.66	3.19
	5-Year High	4.36	3.66	3.84	3.44
	5-Year Low	2.36	2.18	2.25	2.54
	5-Year Median	3.66	2.60	2.96	3.01
P/B TTM	Current	6.17	3.29	3.65	3.75
	5-Year High	6.77	4.23	5.05	4.55
	5-Year Low	3.37	2.47	2.92	2.84
	5-Year Median	4.78	3.36	4.29	3.64

As of 05/04/2020

Industry Analysis **Zacks Industry Rank:** Top 15% (38 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
Fujifilm Holdings Corp. **(FUJIY)**	Outperform	3
Oxford Immunotec Global PLC **(OXFD)**	Outperform	2
Becton, Dickinson and Company **(BDX)**	Neutral	3
Boston Scientific Corporation **(BSX)**	Neutral	3
General Electric Company **(GE)**	Neutral	3
Medtronic PLC **(MDT)**	Neutral	4
QIAGEN N.V. **(QGEN)**	Neutral	4
Thermo Fisher Scientific Inc. **(TMO)**	Neutral	3

Industry Comparison Industry: Medical - Instruments

	HOLX	X Industry	S&P 500	BDX	GE	QGEN
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	D	-	-	C	F	B
Market Cap	12.89 B	118.11 M	19.65 B	69.22 B	54.32 B	9.43 B
# of Analysts	8	2	14	12	8	4
Dividend Yield	0.00%	0.00%	2.19%	1.24%	0.64%	0.00%
Value Score	C	-	-	D	C	D
Cash/Price	0.06	0.09	0.06	0.01	1.58	0.09
EV/EBITDA	42.92	-0.83	11.76	21.03	2.84	37.18
PEG Ratio	2.54	3.23	2.48	2.47	8.07	3.09
Price/Book (P/B)	6.16	3.15	2.63	3.27	1.47	3.72
Price/Cash Flow (P/CF)	11.89	20.18	10.38	12.29	4.81	15.59
P/E (F1)	22.71	33.17	18.81	22.62	46.43	30.12
Price/Sales (P/S)	3.88	3.18	2.02	3.99	0.55	6.18
Earnings Yield	4.51%	-3.08%	5.07%	4.42%	2.09%	3.33%
Debt/Equity	1.32	0.09	0.73	0.80	1.80	0.56
Cash Flow ($/share)	4.20	-0.13	7.01	20.77	1.29	2.66
Growth Score	D	-	-	C	F	B
Hist. EPS Growth (3-5 yrs)	8.72%	13.78%	10.87%	12.78%	-21.62%	7.82%
Proj. EPS Growth (F1/F0)	-7.30%	8.95%	-8.14%	-3.37%	-79.42%	-3.85%
Curr. Cash Flow Growth	2.17%	4.95%	5.88%	14.64%	-8.00%	9.25%
Hist. Cash Flow Growth (3-5 yrs)	3.55%	11.44%	8.55%	24.86%	-12.27%	5.76%
Current Ratio	1.31	2.59	1.25	0.96	1.91	1.65
Debt/Capital	56.96%	14.81%	44.07%	44.43%	64.30%	35.91%
Net Margin	18.53%	-13.03%	11.00%	4.96%	-2.39%	-2.72%
Return on Equity	30.49%	-15.04%	16.43%	15.50%	13.66%	13.00%
Sales/Assets	0.51	0.57	0.55	0.33	0.36	0.29
Proj. Sales Growth (F1/F0)	-10.28%	0.00%	-1.76%	-0.37%	-22.51%	-1.93%
Momentum Score	D	-	-	C	F	B
Daily Price Chg	1.07%	0.00%	-0.01%	1.35%	-4.46%	-0.60%
1 Week Price Chg	4.86%	0.39%	0.53%	-6.08%	3.83%	0.94%
4 Week Price Chg	39.24%	11.93%	6.66%	7.40%	-14.11%	3.55%
12 Week Price Chg	-6.25%	-14.67%	-20.38%	1.30%	-51.90%	15.83%
52 Week Price Chg	6.94%	-26.09%	-13.44%	7.02%	-40.46%	6.62%
20 Day Average Volume	3,301,752	207,128	2,567,149	1,794,970	119,334,272	1,205,911
(F1) EPS Est 1 week change	17.57%	0.00%	0.00%	-1.52%	-60.37%	0.00%
(F1) EPS Est 4 week change	-8.66%	0.00%	-6.96%	-4.68%	-68.62%	0.00%
(F1) EPS Est 12 week change	-13.75%	-10.88%	-13.90%	-10.68%	-77.55%	-10.13%
(Q1) EPS Est Mthly Chg	-42.13%	0.00%	-13.62%	-8.53%	-276.28%	0.00%

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	D
Momentum Score	D
VGM Score	D

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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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.