

## IPG Photonics Corp (IPGP)

**\$175.92** (As of 07/17/20)

Price Target (6-12 Months): **\$185.00**

Long Term: 6-12 Months

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

(Since: 04/13/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:F

Value: F

Growth: F

Momentum: A

### Summary

IPG Photonics is expected to benefit from strength in its fiber & diode lasers, fiber amplifiers and transceivers portfolio. Synergies from Genesis buyout and growth in system sales are likely to boost revenue growth in the quarters ahead. Moreover, growing traction of advanced applications and devices utilized in medical procedures is a positive. Notably, the company's stock has outperformed the industry in the year-to-date period. However, the company is bearing the brunt of macroeconomic headwinds amid coronavirus crisis-induced sluggish demand for high-power CW lasers. Soft demand for welding, cutting and marking applications remains a headwind. Also, the company provided a bleak guidance for second-quarter revenues. Further, its significant exposure to the materials processing markets and customer concentration are major negatives.

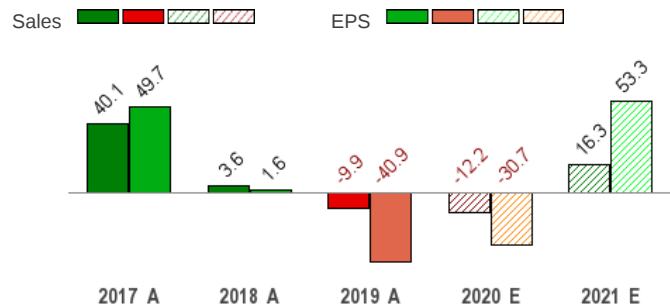
### Price, Consensus & Surprise



### Data Overview

|                            |                                               |
|----------------------------|-----------------------------------------------|
| 52 Week High-Low           | \$179.27 - \$98.04                            |
| 20 Day Average Volume (sh) | 261,831                                       |
| Market Cap                 | \$9.3 B                                       |
| YTD Price Change           | 21.4%                                         |
| Beta                       | 1.72                                          |
| Dividend / Div Yld         | \$0.00 / 0.0%                                 |
| Industry                   | <a href="#">Lasers Systems and Components</a> |
| Zacks Industry Rank        | Top 17% (43 out of 251)                       |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 150.0%     |
| Last Sales Surprise       | 6.6%       |
| EPS F1 Est- 4 week change | 4.4%       |
| Expected Report Date      | 08/04/2020 |
| Earnings ESP              | 0.0%       |
| P/E TTM                   | 46.2       |
| P/E F1                    | 58.3       |
| PEG F1                    | 7.4        |
| P/S TTM                   | 7.5        |

### Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2021 | 295 E | 334 E | 343 E | 371 E | 1,343 E |
| 2020 | 249 A | 275 E | 302 E | 329 E | 1,155 E |
| 2019 | 315 A | 364 A | 329 A | 307 A | 1,315 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$0.84 E | \$1.09 E | \$1.15 E | \$1.31 E | \$4.63 E |
| 2020 | \$0.40 A | \$0.58 E | \$0.81 E | \$0.97 E | \$3.02 E |
| 2019 | \$1.02 A | \$1.42 A | \$1.08 A | \$0.91 A | \$4.36 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 07/17/2020. The reports text is as of 07/20/2020.

## Overview

Oxford, MA-based IPG Photonics Corp develops and manufactures fiber & diode lasers, fiber amplifiers and transceivers that are used for diverse applications, like materials processing, advanced applications, communications and medical.

IPG Photonics' laser products include low (1 to 99 watts), medium (100 to 999 watts) and high (1,000 watts and above) output power lasers from 0.3 to 4.5 microns in wavelength.

These lasers may be continuous wave (CW), quasi-continuous wave (QCW) or pulsed. The company's pulsed line includes nanosecond, picosecond and femtosecond lasers.

The company offers several different types of lasers according to the type of gain medium they use. These are ytterbium, erbium and thulium, as well as Raman and hybrid fiber-crystal lasers.

IPG Photonics' amplifier products range from milliwatts to up to 1,500 watts of output power from 1 to 2 microns in wavelength.

The company offers erbium-doped fiber amplifiers (EDFAs), Raman amplifiers, ytterbium & thulium specialty fiber amplifiers and broadband light sources.

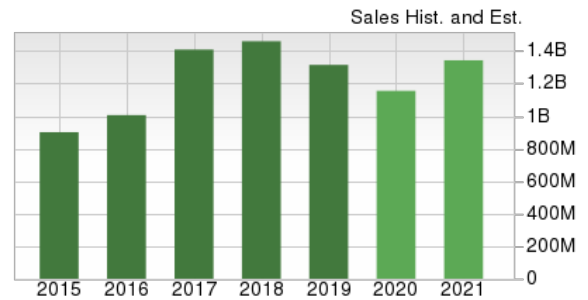
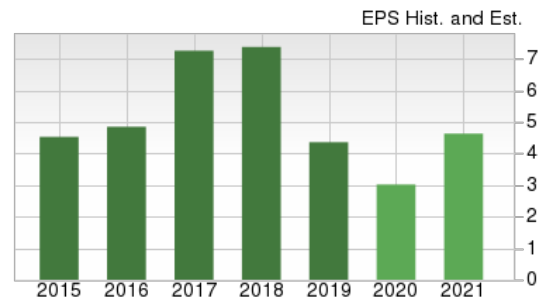
Moreover, its transceivers provide interconnect, coarse wavelength division multiplexing (CWDM), DWDM, and tunable-based pluggable interfaces to serve optical transmission needs from 100 meters over multimode fiber to over 1,200 kilometers. The company added this product portfolio through the acquisition of Menara Networks.

IPG Photonics reported total revenues of \$1.314 billion in 2019.

Geographically, United States and other North America, China, Germany and Japan contributed 21.4%, 37.4%, 6.2% and 5.5%, respectively to 2019 revenues.

Meanwhile, Other Eastern Europe/CIS, Other Asia and Australia, and Rest of the World accounted for 19%, 9.2% and 1.3%, respectively to 2019 revenues.

The company faces competition from the likes of Coherent, nLight, Maxphotonics, Raycus Fiber Laser Technologies, and Lumentum Holdings among others.



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## Reasons To Buy:

- ▲ IPG Photonics is regarded as the pioneer and leader of the fiber lasers technology market. The company has a dominant position in the core material processing market on the back of its expertise in handling fiber lasers, which are more reliable, efficient, robust, compact and easier to operate than conventional lasers. Improvements in their output power levels and cost, as well as superior performance and lower cost of ownership have been driving the adoption of fiber-lasers. Management noted that use of high-strength steel and aluminum in automotive manufacturing and decreasing the weight of vehicles are driving the use of fiber lasers over other manufacturing methods such as stamping, non-laser welding, riveting and adhesives. Other trends, such as miniaturization of parts and electronics are driving adoption of lasers because no other tools can work as precisely. We believe that growing usage of fiber laser bodes well for IPG Photonics in the long run. Moreover, the company's strong IP base, which includes more than 400 patents issued and over 450 pending patent applications worldwide (as of Dec 31, 2019), is a key catalyst.
- ▲ IPG Photonics' vertically integrated business model is a key differentiator, in our view. This not only helps it to maintain technological lead but also keep costs of production significantly lower as evident from gross margin expansion over the three years. This has also aided the company to continue investments on product development. We also note that its research & development (R&D) expense in 2019 increased 5.9% over 2018. Despite this incremental investment, the company posts industry-leading operating margin. In the long-term management forecasts gross margin in the range of 50–55% and operating margin in the range of 32–37% and aims to deliver double-digit revenue growth.
- ▲ Further, acquisitions have helped the company to expand its product portfolio. In November 2018, the company inked a deal to acquire privately held Genesis Systems Group (Genesis). The acquisition will help IPG Photonics to evolve as a provider of welding solutions and strategic partner to end customers. In 2016, the company acquired Menara Networks, which helped in expanding telecom product offering to include pluggable optical transceivers. The acquisitions of Innovative Laser Technologies (ILT) and OptiGrate Corp are positive. ILT offers precision laser systems, with a focus on the medical device industry. IPG Photonics believes that the acquisition will strengthen presence in the medical vertical, simultaneously expanding ILT's addressable market into other verticals that require precision laser solutions. OptiGrate is a manufacturer of volume Bragg grating (VBG)-based filters and components. Bragg gratings are key components in all fiber lasers. OptiGrate's products enable performance improvement, miniaturization, and cost reduction of ultrafast pulsed lasers. The company supplies holographic optical elements to customers in optoelectronic, analytical, medical, defense, and other industries and also has strong clientele. The addition of OptiGrate is expected to assist the company easily develop the new ultrafast pulsed lasers.
- ▲ IPG Photonics is gradually expanding into new end-markets like advanced applications (3D Printing, Cinema, and micro-materials processing), communications and medical based on robust product portfolio and strong intellectual property (IP). IPG anticipates total addressable market (TAM) to hit \$12 billion in 2023, from estimated figure of \$10 billion in 2019, which presents significant growth prospects. IPG Photonics plans to expand the wavelengths at which its lasers currently operate in the near future. This includes UV, orange, red, green lasers and mid-infrared lasers for fine and micro processing, projection as well as other novel applications. IPG Photonics is in the process of developing pulsed fiber lasers with ultra-short pulse durations, pulsed and QCW lasers with high peak powers and mid infra-red lasers. The company also reported first-sales of its RGB laser, which is now used in cinemas by its OEM partner. Moreover, the company is developing new medical applications using fiber lasers for urological and dental procedures. The expansion into new end-markets will eventually lower exposure to the core material processing market, which is positive for investors over the long term.
- ▲ Management execution has been good in recent times. The solid net-cash balance of \$1.15 billion as of Mar 31, 2020, up from \$1.14 billion as of Dec 31, 2019, provides the flexibility required to pursue any growth strategy, whether by way of acquisitions or otherwise. Moreover, total debt to total capital of 1.7% is much lower than the industry's figure of 26.2%. Additionally, the strong balance sheet helps IPG Photonics to continue shareholder friendly initiatives like share repurchases. Notably, lower number of outstanding shares drive the bottom line. IPG Photonics generated \$56.8 million in cash flow from operations and repurchased stock worth \$13 million during the first quarter.

Dominant position in the core material processing market, vertically integrated business model, industry-leading operating margins and expansion in TAM are key positives.

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## Reasons To Sell:

- ▼ IPG Photonics' significant exposure to the materials processing markets is a key headwind. Revenues from material processing offerings accounted for 93.5% of total 2019 revenues. Any downturn in this market will significantly impact top-line growth.
- ▼ Additionally, the company faces customer concentration risk in terms of geographic location. In 2019, 37.4% of the company's sales were derived from China and 19% of revenues were derived from Other including Eastern Europe/CIS. Moreover, five largest customers accounted for approximately 21% of revenues in 2019, which is a substantial risk. Loss of any of these major customers can hurt top-line growth, which is a concern.
- ▼ The company generates a significant portion of its revenues (78.6% in 2019) from the International market. Hence, we anticipate adverse foreign currency exchange rates to impede revenue growth in the near term owing to fluctuation in the U.S. dollar as against the Chinese renminbi, Russian Ruble, the Euro and other foreign currencies.
- ▼ Although gross margin has expanded in the last couple of years, we believe that unfavorable product mix – due to increasing percentage of lower margin high-power lasers – will hurt gross margin. Further, being a vertically integrated company – fixed costs – particularly related to direct labor is significantly high for IPG. This is a major headwind as the company may not be able to maneuver this fixed cost in case of a revenue shortfall.
- ▼ Moreover, the company is trading at premium in terms of Price/Earnings (P/E). IPG Photonics currently has a trailing 12-month P/E ratio of 45.02X. This level compares unfavorably with what the industry witnessed in the last year. Additionally, the ratio is higher than the average level of 31.19X and is near the high end of the valuation range in this period. Consequently, the valuation looks slightly stretched from P/E perspective.

IPG's significant exposure to the materials processing markets, dependency on few customers and substantial China exposure are likely to negatively impact financial performance.

## Last Earnings Report

### IPG Photonics Q1 Earnings & Revenues Decline Y/Y

IPG Photonics Corporation reported first-quarter 2020 earnings of 68 cents per share, down 33% over the year-ago quarter.

Favorable foreign-exchange movement favored the bottom-line growth by 28 cents.

Revenues of \$249.2 million fell 21% on a year-over-year basis. Unfavorable foreign-exchange movement reduced revenues by \$2 million.

The Zacks Consensus Estimate for first-quarter earnings and revenues was pegged at 16 cents and \$234 million, respectively.

Quarter Ending **03/2020**

| Report Date      | May 05, 2020 |
|------------------|--------------|
| Sales Surprise   | 6.60%        |
| EPS Surprise     | 150.00%      |
| Quarterly EPS    | 0.40         |
| Annual EPS (TTM) | 3.81         |

### Revenues by Application

Materials processing (87.5% of total revenues) declined 28% year over year to \$218 million, due to soft demand for welding, cutting and marking applications.

Revenues from other applications (12.5%) improved 123% year over year to \$31.2 million, driven by growing traction of advanced applications and devices utilized in medical procedures.

### Revenues by Geography

Sales in United States and other North America (representing 27% of total sales) improved 4% year over year to \$67.3 million.

However, sales in other Eastern Europe/CIS (23%) declined 17% from the year-ago quarter to \$57.2 million. Moreover, sales in Germany (7%) slumped 7% from the year-ago quarter to \$17.4 million.

Revenues from China (27.5%) fell 40% to \$68.6 million. Sales in Japan (5.5%) declined 12% to \$13.7 million year over year.

Sales in other Asia and Australia (approximately 9.2%) declined 28% year over year to \$22.8 million.

Revenues from rest of the world (0.9%) soared 206% to \$2.2 million.

### Revenues by Product Group

Sales of high-power CW lasers (47.9% of total revenues) were down 33% from the year-ago quarter to \$119.3 million, primarily owing to coronavirus crisis-induced weak demand, and decline in ASPs (or average selling price).

However, management noted that sales of 6 kilowatt or greater high power CW lasers represented 50% of all high power CW laser sales.

Medium-power CW laser sales (4.5%) slumped 28% year over year to \$11.3 million. However, Pulsed lasers sales (12.8%) of \$31.8 million improved 1% year over year.

Moreover, QCW lasers sales (4%) declined 30% year over year to \$9.9 million.

Also, Laser and Non-Laser system sales (7.5%) of \$18.6 million fell 43% from the year-ago reported figure.

Other revenues (23.4%), which include amplifiers, accessories, service, and parts, came in at \$58.3 million, up 38% year over year.

### Operating Details

IPG Photonics reported gross margin of 41.3%, which contracted 600 basis points (bps) on a year-over-year basis. This can be attributed to higher manufacturing cost and lower revenue base.

As a percentage of revenues, operating expenses contracted 230 bps from the year-ago quarter to 23.3%.

Operating margin contracted 370 bps year over year to 18%.

### Balance Sheet & Cash Flow

As of Mar 31, 2020, IPG Photonics had \$1.195 billion in cash & cash equivalents and short-term investments compared with \$1.183 billion as of Dec 31, 2019.

As of Mar 31, 2020, total debt (including current portion) came in at \$40.8 million, down from \$41.7 million as of Dec 31, 2019.

The company generated \$56.8 million in cash flow from operations compared with the previous quarter's reported figure of \$129.9 million.

The company repurchased stock worth \$13 million during the first quarter. Capital expenditures came in at \$18 million.

### Guidance

For second-quarter 2020, IPG Photonics anticipates sales in the range of \$260-\$290 million. Earnings are projected between 40 and 70 cents per share.



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## Recent News

On Jul 15, IPG Photonics rolled out new YLR-U series near-infrared industrial-grade compact 1 ?m continuous wave (CW) ytterbium fiber lasers. The lasers offer high performance in an ultra-compact form factor in a power efficient manner.

On Mar 5, IPG Photonics unveiled support for bi-directional, single fiber transmission in order to strengthen coherent modules portfolio. Further, the company mentioned about the extension of temperature operations in its Hytham line of coherent transceiver modules branded Menara.

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## Valuation

IPG Photonics' shares are up 21.4% in the year-to-date period and 30.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 5% and 14.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 23.5% and 25.6%, respectively.

The S&P 500 index is up 0.3% in the year-to-date period and 8.8% in the past year.

The stock is currently trading at 45.02X forward 12-month earnings, which compares to 21.2X for the Zacks sub-industry, 25.93X for the Zacks sector and 22.84X for the S&P 500 index.

Over the past five years, the stock has traded as high as 49.84X and as low as 14.25X, with a 5-year median of 22.05X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$185 price target reflects 47.34X forward 12-month earnings.

The table below shows summary valuation data for IPGP

| Valuation Multiples - IPGP |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                   | Current       | 45.02 | 21.2         | 25.93  | 22.84   |
|                            | 5-Year High   | 49.84 | 29.4         | 25.93  | 22.84   |
|                            | 5-Year Low    | 14.25 | 14.09        | 16.72  | 15.25   |
|                            | 5-Year Median | 22.05 | 21.01        | 19.33  | 17.52   |
| P/S F12M                   | Current       | 7.41  | 4.76         | 3.92   | 3.58    |
|                            | 5-Year High   | 9.21  | 5.83         | 3.92   | 3.58    |
|                            | 5-Year Low    | 3.77  | 2.1          | 2.32   | 2.53    |
|                            | 5-Year Median | 5.31  | 4.03         | 3.14   | 3.02    |
| EV/Sales TTM               | Current       | 6.54  | 6.3          | 4.57   | 3.17    |
|                            | 5-Year High   | 9.26  | 6.73         | 4.57   | 3.46    |
|                            | 5-Year Low    | 3.09  | 2.28         | 2.59   | 2.15    |
|                            | 5-Year Median | 4.8   | 4.12         | 3.62   | 2.84    |

As of 07/17/2020

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## Industry Analysis Zacks Industry Rank: Top 17% (43 out of 251)



## Top Peers

| Company (Ticker)              | Rec          | Rank |
|-------------------------------|--------------|------|
| IIVI Incorporated (IIVI)      | Outperform   | 1    |
| nLight Inc. (LASR)            | Outperform   | 3    |
| MKS Instruments, Inc. (MKS)   | Outperform   | 2    |
| Microvision, Inc. (MVIS)      | Outperform   | 2    |
| Cutera, Inc. (CUTR)           | Neutral      | 3    |
| IRIDEX Corporation (IRIX)     | Neutral      | 3    |
| Lumentum Holdings Inc. (LITE) | Neutral      | 3    |
| Coherent, Inc. (COHR)         | Underperform | 5    |

| Industry Comparison Industry: Lasers Systems And Components |         |            |           | Industry Peers |            |           |
|-------------------------------------------------------------|---------|------------|-----------|----------------|------------|-----------|
|                                                             | IPGP    | X Industry | S&P 500   | COHR           | LASR       | LITE      |
| Zacks Recommendation (Long Term)                            | Neutral | -          | -         | Underperform   | Outperform | Neutral   |
| Zacks Rank (Short Term)                                     | 3       | -          | -         | 5              | 3          | 3         |
| VGM Score                                                   | F       | -          | -         | C              | F          | A         |
| Market Cap                                                  | 9.33 B  | 47.26 M    | 22.62 B   | 3.18 B         | 865.62 M   | 6.29 B    |
| # of Analysts                                               | 4       | 2          | 14        | 3              | 3          | 8         |
| Dividend Yield                                              | 0.00%   | 0.00%      | 1.82%     | 0.00%          | 0.00%      | 0.00%     |
| Value Score                                                 | F       | -          | -         | D              | F          | C         |
| Cash/Price                                                  | 0.14    | 0.08       | 0.07      | 0.12           | 0.13       | 0.24      |
| EV/EBITDA                                                   | 21.40   | -2.43      | 13.05     | 15.93          | 4,022.99   | 25.65     |
| PEG Ratio                                                   | 7.54    | 9.18       | 2.99      | 2.89           | NA         | NA        |
| Price/Book (P/B)                                            | 3.97    | 4.19       | 3.13      | 3.62           | 4.06       | 3.63      |
| Price/Cash Flow (P/CF)                                      | 25.37   | 25.37      | 12.20     | 13.09          | 942.50     | 13.73     |
| P/E (F1)                                                    | 59.50   | 58.25      | 22.02     | 52.04          | NA         | 15.32     |
| Price/Sales (P/S)                                           | 7.47    | 1.25       | 2.34      | 2.47           | 4.86       | 3.67      |
| Earnings Yield                                              | 1.72%   | -1.21%     | 4.28%     | 1.92%          | -0.71%     | 6.52%     |
| Debt/Equity                                                 | 0.02    | 0.06       | 0.75      | 0.44           | 0.07       | 0.67      |
| Cash Flow (\$/share)                                        | 6.93    | -0.01      | 6.94      | 10.00          | 0.02       | 6.12      |
| Growth Score                                                | F       | -          | -         | C              | C          | A         |
| Hist. EPS Growth (3-5 yrs)                                  | 5.17%   | 5.17%      | 10.85%    | 12.84%         | NA         | 73.54%    |
| Proj. EPS Growth (F1/F0)                                    | -30.73% | 11.16%     | -9.37%    | -57.49%        | -633.33%   | 8.35%     |
| Curr. Cash Flow Growth                                      | -24.01% | -28.15%    | 5.51%     | -46.32%        | -94.94%    | 53.33%    |
| Hist. Cash Flow Growth (3-5 yrs)                            | 9.29%   | 10.12%     | 8.55%     | 18.56%         | NA         | 53.13%    |
| Current Ratio                                               | 9.59    | 2.29       | 1.30      | 4.28           | 6.39       | 6.85      |
| Debt/Capital                                                | 1.55%   | 9.83%      | 44.33%    | 30.41%         | 6.58%      | 40.19%    |
| Net Margin                                                  | 12.93%  | -4.98%     | 10.59%    | -32.25%        | -10.75%    | 6.66%     |
| Return on Equity                                            | 8.57%   | -1.20%     | 15.74%    | 4.99%          | -6.30%     | 20.47%    |
| Sales/Assets                                                | 0.46    | 1.02       | 0.54      | 0.63           | 0.69       | 0.57      |
| Proj. Sales Growth (F1/F0)                                  | -12.13% | 0.00%      | -2.44%    | -15.41%        | 11.76%     | 8.90%     |
| Momentum Score                                              | A       | -          | -         | A              | C          | B         |
| Daily Price Chg                                             | 2.88%   | 0.56%      | 0.36%     | 1.27%          | 4.60%      | 2.30%     |
| 1 Week Price Chg                                            | 1.60%   | 0.10%      | -0.41%    | -1.21%         | 0.67%      | 0.21%     |
| 4 Week Price Chg                                            | 8.25%   | 7.45%      | 2.56%     | -7.22%         | -2.98%     | 13.87%    |
| 12 Week Price Chg                                           | 51.21%  | 20.01%     | 15.49%    | 18.11%         | 61.45%     | 9.29%     |
| 52 Week Price Chg                                           | 34.61%  | 7.39%      | -3.93%    | -4.39%         | 49.93%     | 54.13%    |
| 20 Day Average Volume                                       | 261,831 | 66,843     | 2,236,294 | 184,257        | 263,086    | 2,099,495 |
| (F1) EPS Est 1 week change                                  | 0.00%   | 0.00%      | 0.00%     | 0.00%          | 0.00%      | 0.00%     |
| (F1) EPS Est 4 week change                                  | 4.44%   | 0.00%      | 0.01%     | 0.00%          | -3.57%     | 0.60%     |
| (F1) EPS Est 12 week change                                 | 11.99%  | 3.72%      | -5.24%    | -59.92%        | 13.11%     | -4.55%    |
| (Q1) EPS Est Mthly Chg                                      | 4.61%   | 0.00%      | 0.00%     | 0.00%          | -11.63%    | 2.58%     |

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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   | F |
| Momentum Score | A |
| 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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### Disclosures

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