Aug 13, 2020

Keurig Dr Pepper Inc. (KDP)

$30.11 (As of 08/12/20)

Price Target (6-12 Months): **$32.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/19/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: B | Growth: B	Momentum: D

Summary

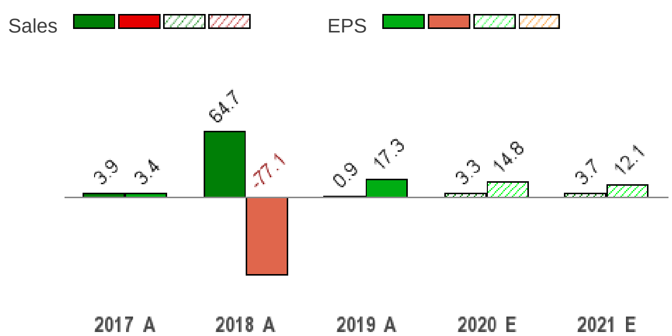
Keurig Dr Pepper has outpaced the industry year to date on strong top and bottom-line performance in second-quarter 2020, despite the impacts of the COVID-19 pandemic. Results reflected strong sales growth across packaged beverages and coffee businesses, margin expansion and reduced costs. Sales gained from strong volume/mix, particularly in the packaged beverages segment due to a sudden COVID-19 related spike in at-home consumption. Moreover, strong growth in in-home coffee consumption due to the work-from-home trend aided the coffee business. Despite anticipating impacts of the coronavirus outbreak, management reiterated its guidance for 2020. However, its fountain and foodservice business remained drab. Moreover, sales in the Latin America segment reflects significant impacts from unfavorable currency in the second quarter.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	$32.00 - $18.98
20 Day Average Volume (sh)	2,553,401
Market Cap	$42.4 B
YTD Price Change	4.0%
Beta	0.61
Dividend / Div Yld	$0.60 / 2.0%
Industry	Beverages - Soft drinks
Zacks Industry Rank	Top 47% (120 out of 253)
Last EPS Surprise	3.1%
Last Sales Surprise	0.6%
EPS F1 Est- 4 week change	0.9%
Expected Report Date	11/05/2020
Earnings ESP	-0.9%
P/E TTM	23.3
P/E F1	21.7
PEG F1	1.4
P/S TTM	3.8

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,651 E	2,987 E	3,079 E	3,127 E	11,904 E
2020	2,613 A	2,864 A	2,972 E	3,042 E	11,484 E
2019	2,504 A	2,812 A	2,870 A	2,934 A	11,120 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.32 E	$0.39 E	$0.41 E	$0.46 E	$1.57 E
2020	$0.29 A	$0.33 A	$0.37 E	$0.41 E	$1.40 E
2019	$0.25 A	$0.30 A	$0.32 A	$0.35 A	$1.22 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 08/12/2020. The reports text is as of 08/13/2020.

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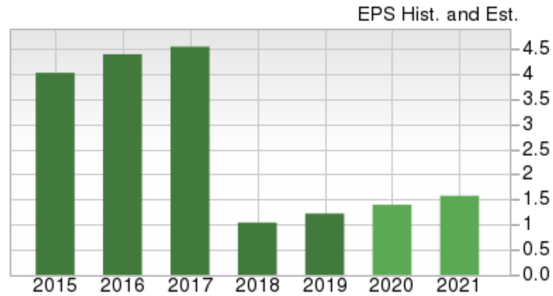
Overview

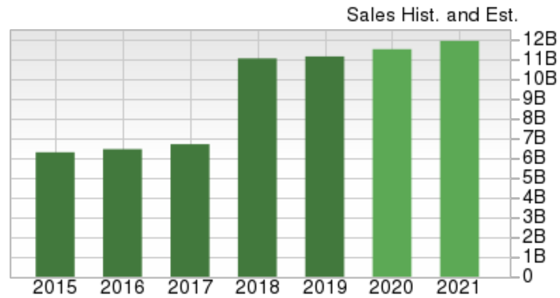
With dual headquarters in Burlington, MA, and Plano, TX, Keurig Dr Pepper Inc. was formed with the merger of Keurig Green Mountain and Dr Pepper Snapple Group Inc. on Jul 9, 2018.

Keurig Dr Pepper plans to upgrade to the Texas co-headquarters by relocating the Plano, TX office to a new facility at The Star in Frisco, TX. It will begin operating from the new Texas headquarters after its completion in 2021.

Keurig Dr Pepper is a beverage and coffee company in the United States and Canada, with annual revenues of more than $11 billion. It sells its products through at-home and away-from-home channels to retailers, including supermarkets, department stores, mass merchandisers, club stores and convenience stores; and restaurants, hospitality accounts, office coffee distributors and partner brand owners, as well as to consumers through its websites.

The company is also a leader in soft drinks, specialty coffee and tea, water, juice and juice drinks and mixers, and markets the No.1 single-serve coffee brewing system in the United States. It offers a wide range of hot and cold beverages, including Keurig, Dr Pepper, Green Mountain Coffee Roasters, Canada Dry, Snapple, Bai, Mott's and The Original Donut Shop.





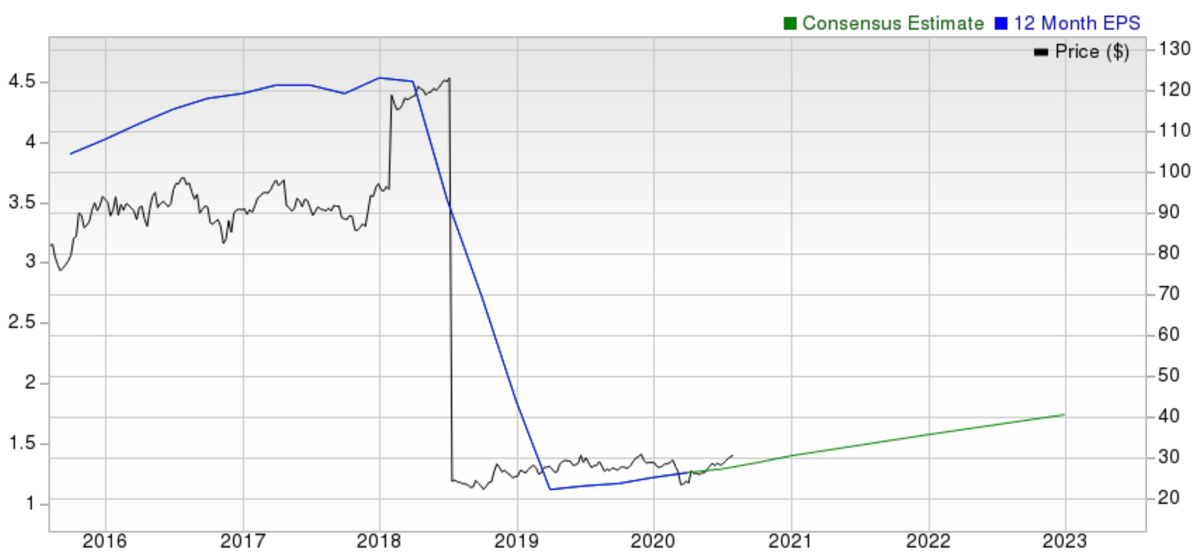
With over 25,000 employees, the company operates more than 120 offices, manufacturing plants, warehouses and distribution centers in North America. The company operates in four reportable segments:

Coffee Systems segment manufactures and distributes finished goods relating to its coffee system, pods and brewers, in the United States and Canada.

Packaged Beverages segment manufactures and distributes finished beverages and other products in the United States and Canada, through the Direct Store Delivery system and the Warehouse Direct system. Other products include the company's own brands and third-party brands.

Beverage Concentrates segment includes the sale of branded concentrates and syrup to third-party bottlers primarily in the United States and Canada. Most of the brands in this segment are carbonated soft drink brands.

Latin America Beverages segment manufactures and distributes concentrates, syrup and finished beverages in Mexico, the Caribbean, and other international markets.



Reasons To Buy:

Keurig Dr Pepper's second-quarter 2020 results reflected strong sales growth across packaged beverages and coffee businesses, margin expansion and reduced costs.

- **Q2 Earnings Performance**: Keurig Dr Pepper reported better-than-expected second-quarter 2020 results, wherein both top and bottom lines improved year over year. Results reflected strong sales growth across packaged beverages and coffee businesses, margin expansion and reduced costs. Earnings improvement can be attributed to strong top-line growth along with increase in adjusted operating income. Net sales growth was driven by a higher volume/mix of 4.3%, partially negated by an unfavorable net price realization of 1.4%. On a constant-currency basis, net sales increased 2.9% year over year. Robust performance across the packaged beverages and coffee businesses contributed to top-line growth. Adjusted operating income grew 10.4% year over year on strong net sales growth, solid productivity and merger synergies as well as reduced marketing and other discretionary expenses. Adjusted operating margin expanded 210 basis points (bps). Shares of Keurig Dr Pepper have gained 11.9% year to date compared with the industry's 7.1% growth.

- **Coronavirus Aids Packaged Beverages Trend**: Keurig Dr Pepper witnessed robust top line growth in the second quarter, particularly due to solid volume/mix benefits from the Packaged Beverages segment. The segment reported sales growth of 6.2% in the second quarter, driven by a 6.6% increase in volume/mix. This growth can be attributable to sudden spike in at-home consumption, stemming from the COVID-19 outbreak as well as strong market share. Notably, it witnessed market share gains across several major categories — CSD's3, premium unflavored water, shelf stable fruit drinks, shelf stable vegetable juice and shelf stable apple juice and apple sauce. The upside was driven by strength in Dr Pepper and Canada Dry CSDs, CORE hydration and evian premium water, Snapple juice drinks, Clamato vegetable juice and Motts apple juice and apple sauce.

- **Opportunity for the Coffee Business Amid the Pandemic**: The stay-at-home orders issued in March led to a change in consumers' behavior regarding what they are buying and where they are buying. The company believes these shifts may be lasting and may continue post crisis. One such shift is the shift to in-home consumption, which is likely to persists after the crisis. The company notes that there has been strong growth in in-home coffee consumption due to the work from home trend and the inability to visit coffee shops. Consequently, the Coffee Systems segment's sales increased 5.4%, backed by improved volume/mix of 8.3%. Growth in volume/mix stemmed from a 9.5% increase in pod volumes on rise in at-home business, offset by decline in away-from-home office and hospitality channels. Meanwhile, brewer volumes advanced 11.6% on robust innovation in the past 12 months and investments to boost household penetration.

- **Market Share Gains Reflect Strength**: Keurig Dr Pepper witnessed strong in-market performance across most of the business in the first quarter. The company witnessed dollar consumption growth, with market share gains across several major categories — CSD's3, premium unflavored water, shelf stable fruit drinks, shelf stable vegetable juice and shelf stable apple juice and apple sauce. The upside was driven by strength in Dr Pepper and Canada Dry CSDs, CORE hydration and evian premium water, Snapple juice drinks, Clamato vegetable juice and Motts apple juice and apple sauce. Further, in coffee, retail consumption for single-serve pods manufactured by KDP advanced nearly 15% in channels tracked by IRI. The dollar market share for KDP-manufactured pods was a robust 82% in the second quarter, with improved share trends in its owned and licensed brand portfolio.

- **View for 2020 Intact**: Given the uncertainty concerning the ongoing COVID-19 situation, Keurig Dr Pepper anticipates significant impacts on its 2020 results. Despite this, management reiterated its guidance for 2020, driven by a solid product portfolio and a robust distribution network. The company expects net sales growth to be at the lower end of 3-4% for 2020. However, it anticipates adjusted earnings per share of $1.38-$1.40, which suggest growth of 13-15%. Aggressive cost-containment actions, productivity improvement plans and gains from partnerships are expected to aid 2020 results.

- **Financial Stability**: Keurig Dr Pepper is displaying strength, with robust cash flow generation, which enables it to significantly pay down debt and offer shareholder value. In second-quarter 2020, it generated free cash flows of $524 million, resulting in an impressive adjusted free cash flow conversion rate of 112%. Driven by the strong cash flow, it paid down structured payables of $78 million and reduced bank debt by $274 million in the second quarter. Consequently, the company ended the quarter with $149 million of cash and cash equivalents at the end of second-quarter 2020, reflecting a substantial growth sequentially. Lowered debt and adjusted EBITDA growth resulted in a debt-to-adjusted EBITDA ratio (management leverage ratio) of 4x at the end of second-quarter 2020 compared with 4.5x at the end of 2019. This indicates that the company is on track to rapidly deleverage to reach the long-term target leverage ratio of less than 3x. Moreover, the company continues to expect leverage ratio of 3.5x to 3.8x at the end of 2020.

  As of Jun 30, 2020, the company's long-term debt of $11,849 million declined 4.7% sequentially. Moreover, its debt-to-capitalization ratio of 0.34 represents a sequential improvement from 0.35 reported in the prior quarter. Moreover, the company is likely to stay afloat, amid the coronavirus pandemic, with a strategic refinancing completed in April 2020 that extends its debt maturities and enhances liquidity profile. This included a $1.5 billion senior notes issuance and the refinancing and the doubling of its $750 million, 364-day credit facility to $1.5 billion of borrowing capacity.

Reasons To Sell:

- **Impacts of Coronavirus**: While Keurig Dr Pepper reported a strong quarter overall, the impacts of the coronavirus outbreak were felt across some segments during the second quarter. Although all segments reported sales growth in the second quarter, the company significant impacts on its fountain and foodservice business and office coffee business. In the second-quarter, the away-from-home coffee channel were significantly impacted due to office closures and hospitality shutdowns caused by the pandemic. Further, volume/mix was mainly affected by a steep decline in the fountain foodservice business, which includes the restaurant and hospitality sectors, due to coronavirus-related shelter-in-place orders and change in consumer behavior. However, it witnessed recovery on a month-over-month basis from July.

Keurig Dr Pepper's fountain and foodservice, and office coffee businesses were badly hit by the COVID-10 pandemic in the second quarter. Also, unfavorable currency remains a concern.

- **Currency Headwinds**: Keurig Dr Pepper's cross-border presence exposes it to unfavorable currency movements due to a strong U.S. dollar. Unfavorable foreign currency movement weighed on sales for Latin America Beverages in second-quarter 2020. Any further adverse changes in foreign current is likely to have a significant impact on Latin America Beverages segment's reported net sales in the near term.

- **Stiff Competition**: Aggressive competition is a major threat against the company. Though the company has an advantage of diversified snacks and beverage portfolio, competing with the leading soft-drinks makers is crucial for the company's business growth. Additionally, the company is facing headwinds due to the growing healthy lifestyle trend, which is driving lower consumer preference for sugary sodas and salty snacks.

- **Macro Challenges**: The beverage industry presents substantial challenges for Keurig, primarily related to dynamic retail and consumer landscape, a very competitive environment, as well as operating and commodity cost inflation. The company's profits and margins are particularly pressured due to higher transportation cost, product mix costs and stepped-up advertising expense.

Last Earnings Report

Keurig Beats Q2 Earnings & Sales Estimates

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	0.58%
EPS Surprise	3.13%
Quarterly EPS	0.33
Annual EPS (TTM)	1.29

Keurig reported better-than-expected results for second-quarter 2020, wherein both the top and the bottom line improved year over year. Results reflected strong sales growth across packaged beverages and coffee businesses, margin expansion and reduced costs.

Adjusted earnings of 33 cents per share improved 10% year over year, surpassing the Zacks Consensus Estimate of 32 cents. This improvement was driven by strong top-line growth along with increase in adjusted operating income.

Net sales of $2,864 million exceeded the Zacks Consensus Estimate of $2,847 million and grew 18% from net sales of $2,812 million in the year-ago quarter. The increase was driven by a higher volume/mix of 4.3%, partially negated by an unfavorable net price realization of 1.4%. On a constant-currency basis, net sales increased 2.9% year over year. Robust performance across the packaged beverages and coffee businesses contributed to top-line growth.

In the second quarter, the company benefited from strong in-market performance in tracked channels. Keurig Dr Pepper witnessed market share gains across several major categories — CSD's3, premium unflavored water, shelf stable fruit drinks, shelf stable vegetable juice and shelf stable apple juice and apple sauce. The upside was driven by strength in Dr Pepper and Canada Dry CSDs, CORE hydration and evian premium water, Snapple juice drinks, Clamato vegetable juice and Motts apple juice and apple sauce.

Further, in coffee, retail consumption for single-serve pods manufactured by KDP advanced nearly 15% in channels tracked by IRI. The dollar market share for KDP manufactured pods was a robust 82% in the second quarter, with improved share trends in its owned and licensed brand portfolio.

Adjusted operating income grew 10.4% year over year to $775 million, driven by strong net sales growth, solid productivity and merger synergies as well as reduced marketing and other discretionary expenses. This was partly compensated by lower pricing, input costs and logistics inflation, and higher operating costs related to perked up consumer demand. Adjusted operating margin expanded 210 basis points (bps) to 27.1%. On a constant-currency basis, adjusted operating income increased 11.1%.

Segmental Details

Sales at the **Beverage Concentrates** segment declined 16.5% year over year to $309 million compared with $370 million in the year-ago period. Net revenues were primarily impacted by an 11.4% decline in volume/mix, 4.8% fall in price realizations and 0.3% negative currency translations. Volume/mix was mainly affected by a steep decline in the fountain foodservice business, which includes the restaurant and hospitality sectors, due to coronavirus-related shelter-in-place orders and change in consumer behavior.

Sales at the **Packaged Beverages** segment totaled $1.39 billion, up 6.2% from net sales of $1.31 billion in the year-ago quarter. This can be primarily attributed to a 6.6% increase in volume/mix, partly negated by a 0.3% fall in price realizations and 0.1% negative currency translations.

Sales from the **Latin America Beverages** segment fell 14.9% to $120 million from $141 million in the prior-year quarter. This decline was the result of unfavorable currency translations. On a constant-currency basis, sales rose 1.4% driven by 6.1% growth in price realization, partly offset by unfavorable volume/mix of 4.7%.

The **Coffee Systems** segment's sales increased 5.4% to $1.04 billion. Net sales, on a constant-currency basis, were up 5.8%. The increase was backed by improved volume/mix of 8.3%, somewhat offset by lower net price realization of 2.5% and unfavorable foreign currency translation of 0.4%. Growth in volume/mix stemmed from a 9.5% increase in pod volumes on rise in at-home business, offset by decline in away-from-home office and hospitality channels. Meanwhile, brewer volume advanced 11.6% driven by robust innovation in the past 12 months and investments to boost household penetration.

Financials

Keurig Dr Pepper ended second-quarter 2020 with cash and cash equivalents of $149 million as of Jun 30, 2020. Long-term obligations totaled $11,849 million and total stockholders' equity was $22,923 million. Net cash provided by operating activities totaled $1,062 million as of Jun 30.

Outlook

The company is encouraged by its diverse brand portfolio and extensive distribution system, which has helped it steer through the coronavirus crisis. Thus, it is optimistic about its performance in the second half of 2020.

Keurig Dr Pepper retained guidance for 2020. The company anticipates adjusted earnings per share of $1.38-$1.40, which suggests growth of 13-15%. Aggressive cost-containment actions, productivity improvement plans and gains from partnerships are expected to aid 2020 results.

The company expects net sales growth at the low end of 3-4% for 2020. Additionally, the company still expects a leverage ratio of 3.5 to 3.8 at the end of 2020. Further, it reiterated its leverage ratio target of less than 3.0 in two to three years since the closing of the merger in July 2018.

Recent News

Keurig Dr Pepper Approves Quarterly Dividend - Apr 29, 2020

Keurig Dr Pepper's board has approved dividend of 15 cents per share to be payable on Jul 17 as of shareholders record on Jul 3.

Keurig Dr Pepper Unveils Strategic Refinancing Program – Apr 7, 2020

To enhance its financial position, Keurig Dr Pepper recently announced a strategic refinancing program. The program is aimed at extending the company's debt maturities and enhancing its liquidity position. Also, it has initiated a public offering of senior notes, subject to market and other customary conditions. The company expects to utilize net proceeds from the sale of the notes to repay short-term commercial paper notes and current borrowings under its existing revolving credit facilities.

Further, this renowned beverage company is refinancing and expanding its already existing revolving credit facility. Nevertheless, the company's strategic refinancing plans are expected to keep its debt balance and deleveraging commitments unchanged.

Valuation

Keurig Dr Pepper shares are up 5.3% in the year-to-date period and nearly 11.2% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 7% and 6.4% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 2.4% and 2.5%, respectively.

The S&P 500 index is up 4.8% in the year-to-date period and 19.1% in the past year.

The stock is currently trading at 20X forward 12-month earnings, which compares to 23.39X for the Zacks sub-industry, 20.19X for the Zacks sector and 22.92X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.56X and as low as 4.18X, with a 5-year median of 20.38X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $32 price target reflects 21.26X forward 12-month earnings.

The table below shows summary valuation data for KDP

Valuation Multiples - KDP

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20	23.39	20.19	22.92
	5-Year High	24.56	23.29	22.37	22.92
	5-Year Low	4.18	18.35	16.63	15.25
	5-Year Median	20.38	21.58	19.58	17.58
P/S F12M	Current	3.61	4.33	9.57	3.7
	5-Year High	24.43	5.31	11.15	3.7
	5-Year Low	2.2	3.66	8.1	2.53
	5-Year Median	2.81	4.51	9.89	3.05
EV/EBITDA TTM	Current	14.81	20.02	37.69	12.75
	5-Year High	30.27	21.08	45.91	12.84
	5-Year Low	6.08	12.21	28	8.24
	5-Year Median	13.52	17.72	39.09	10.9

As of 08/12/2020

Industry Analysis **Zacks Industry Rank:** Top 47% (120 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
The Kraft Heinz Company **(KHC)**	Outperform	3
Monster Beverage Corporation **(MNST)**	Outperform	2
Campbell Soup Company **(CPB)**	Neutral	2
CocaCola Company The **(KO)**	Neutral	3
Nestle SA **(NSRGY)**	Neutral	3
PepsiCo, Inc. **(PEP)**	Neutral	3
Starbucks Corporation **(SBUX)**	Neutral	3
The J. M. Smucker Company **(SJM)**	Neutral	4

Industry Comparison Industry: Beverages - Soft Drinks

	KDP	X Industry	S&P 500	KO	MNST	PEP
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	D	C	B
Market Cap	42.37 B	343.72 M	23.75 B	208.03 B	43.59 B	190.80 B
# of Analysts	8	1	14	8	8	8
Dividend Yield	1.99%	0.00%	1.68%	3.39%	0.00%	2.97%
Value Score	B	-	-	C	D	C
Cash/Price	0.00	0.05	0.07	0.10	0.03	0.05
EV/EBITDA	17.74	6.65	13.35	17.25	28.65	17.09
PEG Ratio	1.43	4.60	2.98	5.60	3.06	4.60
Price/Book (P/B)	1.85	3.38	3.20	10.84	10.31	15.16
Price/Cash Flow (P/CF)	17.47	10.20	12.97	19.82	37.90	18.83
P/E (F1)	21.93	22.60	22.17	26.92	36.57	25.79
Price/Sales (P/S)	3.76	1.84	2.54	6.06	10.12	2.82
Earnings Yield	4.62%	4.11%	4.31%	3.72%	2.73%	3.88%
Debt/Equity	0.52	0.52	0.77	1.97	0.00	3.05
Cash Flow ($/share)	1.72	0.31	6.94	2.44	2.18	7.32
Growth Score	B	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	-28.65%	8.72%	10.41%	1.58%	19.03%	5.05%
Proj. EPS Growth (F1/F0)	14.34%	-8.68%	-6.32%	-14.75%	11.33%	-3.37%
Curr. Cash Flow Growth	26.76%	9.45%	5.22%	4.40%	9.91%	-2.46%
Hist. Cash Flow Growth (3-5 yrs)	22.17%	8.15%	8.55%	-1.10%	18.17%	1.04%
Current Ratio	0.31	1.42	1.33	1.09	3.51	0.97
Debt/Capital	34.08%	37.29%	44.59%	66.29%	0.00%	75.30%
Net Margin	10.32%	1.87%	10.13%	26.77%	26.57%	10.13%
Return on Equity	7.91%	6.28%	14.59%	41.44%	27.95%	54.77%
Sales/Assets	0.23	0.77	0.51	0.38	0.85	0.82
Proj. Sales Growth (F1/F0)	3.28%	0.00%	-1.40%	-9.87%	7.54%	1.72%
Momentum Score	D	-	-	F	C	C
Daily Price Chg	1.83%	0.00%	0.67%	1.04%	2.54%	1.98%
1 Week Price Chg	-3.14%	0.91%	2.30%	1.19%	6.00%	-0.67%
4 Week Price Chg	2.35%	2.84%	4.87%	4.38%	14.49%	3.07%
12 Week Price Chg	8.74%	7.58%	13.54%	5.53%	19.08%	4.98%
52 Week Price Chg	9.81%	-19.77%	6.06%	-8.61%	47.30%	6.72%
20 Day Average Volume	2,553,401	216,686	2,006,991	15,270,022	2,216,457	3,553,250
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	1.01%	0.00%
(F1) EPS Est 4 week change	0.90%	0.00%	1.95%	-1.10%	8.72%	0.68%
(F1) EPS Est 12 week change	1.09%	0.54%	2.72%	-1.57%	9.71%	-0.74%
(Q1) EPS Est Mthly Chg	-0.54%	0.00%	0.84%	-5.36%	8.21%	-1.94%

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	B
Growth Score	B
Momentum Score	D
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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