

The Coca-Cola Company (KO)

\$49.09 (As of 06/05/20)

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

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/04/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:F

Value: F

Growth: D

Momentum: B

Summary

Shares of Coca-Cola have declined in the past three months, even though it continued with its earnings beat streak for the second straight quarter in first-quarter 2020. Despite a beat, its top line declined in the first quarter as gains from a strong start to 2020 were offset by disruptions in the latter half of the quarter due to the coronavirus pandemic. It witnessed a decline in unit case volume, while price/mix and concentrate sales remained flat. The company expects the pandemic to significantly hurt second-quarter results. Also, adverse currency impacts are likely to persist. However, innovation and investment in core categories and brands have been the key focus areas, which led to the expansion of retail value share. It is gaining from the effective execution of strategies to evolve as a consumer-centric total beverage company.

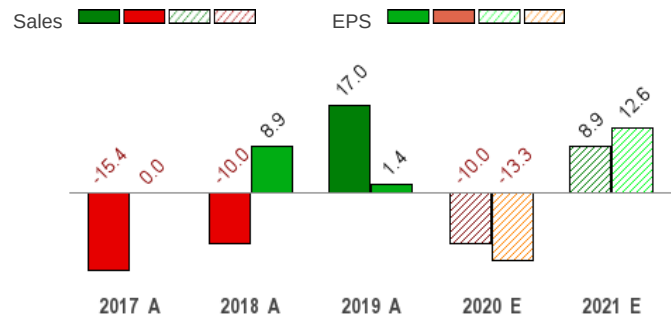
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$60.13 - \$36.27
20 Day Average Volume (sh)	18,279,908
Market Cap	\$210.8 B
YTD Price Change	-11.3%
Beta	0.55
Dividend / Div Yld	\$1.64 / 3.3%
Industry	Beverages - Soft drinks
Zacks Industry Rank	Top 26% (67 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	15.9%
Last Sales Surprise	2.4%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/28/2020
Earnings ESP	0.0%
P/E TTM	22.9
P/E F1	26.8
PEG F1	3.8
P/S TTM	5.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	8,618 E	9,250 E	9,267 E	9,258 E	36,521 E
2020	8,601 A	7,605 E	8,437 E	8,975 E	33,547 E
2019	8,020 A	9,997 A	9,507 A	9,068 A	37,266 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.49 E	\$0.57 E	\$0.56 E	\$0.49 E	\$2.06 E
2020	\$0.51 A	\$0.43 E	\$0.49 E	\$0.45 E	\$1.83 E
2019	\$0.48 A	\$0.63 A	\$0.56 A	\$0.44 A	\$2.11 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 06/05/2020. The reports text is as of 06/08/2020.

Overview

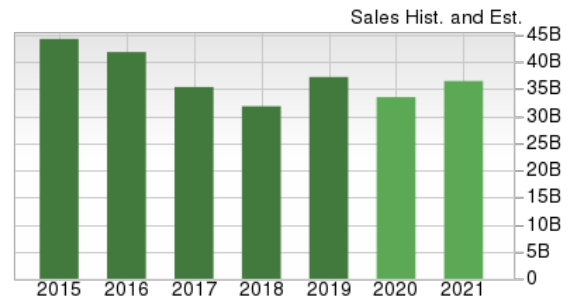
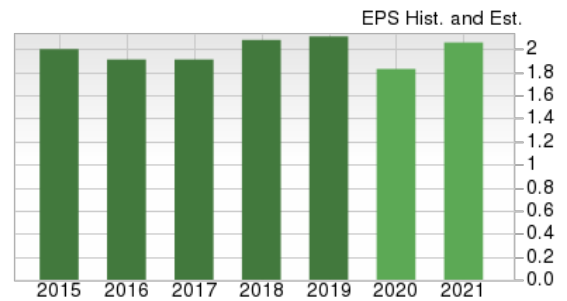
The Coca-Cola Company's strong brand equity, marketing, research and innovation help it to garner a market share of more than 40% in the non-alcoholic beverage industry. The company is putting its best foot forward to evolve its business model to become a total beverage company with something for everyone to drink.

The company has coped up with the industry-wide flattening of soda sales over the years by going on a buying spree and making investments in healthier alternatives like coffee, sparkling water and sports drinks. The roll out of Coca-Cola Energy, Coca-Cola Plus Coffee, Powerade Ultra and Powerade Power Water are some notable additions on these lines.

The Atlanta, GA-based global beverage giant's portfolio includes more than 4,700 beverage products (and more than 500 brands), spanning from sodas (or sparkling beverages) to energy drinks. In addition to its primary sparkling soft drinks (carbonated), the company sells a large range of still (non-carbonated) beverages including water, enhanced water, juices and juice drinks, sports drinks, ready-to-drink teas and coffees, and dairy and energy drinks.

Popular sparkling beverage brands include Coke, Diet Coke, Fanta and Sprite while still beverage brands include Minute Maid and Powerade. Most of the company's beverages are manufactured, sold and distributed by independent bottling partners. It sells products in more than 200 countries.

Coca-Cola currently reports operating results under the following segments — Europe, Middle East and Africa (17.3% of 2019 total revenue); Latin America (11%); North America (31.9%); Asia Pacific (12.7%); Global Ventures (6.9%); Bottling Investments (19.9%); and Corporate (0.3%). Intersegment eliminations were \$1,248 million in 2019. Intersegment revenues were \$624 million for Europe, Middle East & Africa, \$9 million for North America, \$604 million for Asia Pacific, \$2 million for Global Ventures and \$9 million for Bottling Investments.



Reasons To Buy:

▲ **Solid Surprise Trend:** Coca-Cola has been benefiting from the effective execution of strategies to evolve as a consumer-centric total beverage company. This has been aiding its quarterly performances, as evident from its robust surprise trend. Notably, the company's top and bottom lines surpassed the Zacks Consensus Estimate in first-quarter 2020. This marked the second straight quarter of top and bottom-line beat. Moreover, earnings improved year over year, driven by strong operating income growth. Organic revenues were flat as concentrate sales and price/mix remained flat. The company continued to witness increase in global value share, particularly in total non-alcoholic ready-to-drink (NARTD) beverages. Comparable currency-neutral operating income grew 11% on strong operating expense leverage in Latin America and favorable timing of certain corporate expenses. Comparable operating margin expanded 250 basis points (bps), while underlying operating margin rose 300 bps.

Driven by the coronavirus crisis, Coca-Cola is accelerating digital expansion, with growth rates for the channel doubling in many countries. This provides an avenue for sustainable long-term growth.

▲ **North America & Latin America Display Strength:** Coca-Cola revenues grew 6% for North America and 4% for Latin America, with organic revenues improving 13% and 4%, respectively. Price/mix rose 8% in Latin America and 1% in North America. Gains in Latin America were driven by price realization and package initiatives in Mexico. Moreover, concentrate sales in Latin America was 5 points higher than unit case volume. In North America, price/mix benefited from pricing initiatives and solid growth in the juice, dairy and plant-based beverages category cluster, partially offset by unfavorable category mix due to strong sales in packaged water. Moreover, unit case volume for North America rose 3% on robust growth in water, enhanced water and sports drinks cluster categories, including premium brands like BODYARMOR and smartwater. Further, strength in the juice, dairy and plant-based beverages category cluster aided results. Not to forget, the Coca-Cola trademark continued to witness growth in North America, driven by continued gains in Coca-Cola Zero Sugar. Moreover, the company's consolidated underlying gross margin expanded 110 bps, driven by pricing in Latin America and innovations in North America.

▲ **Digital Efforts Amid Coronavirus:** Driven by a shift seismic consumer behavior due to the coronavirus pandemic, Coca-Cola has been witnessing a splurge in e-commerce with the growth rate of the channel doubling in many countries. The company has been accelerating investments to expand presence in this channel compared with the pre-crisis levels. In North America, it is investing in e-commerce to support retailers and meal delivery services, shifting toward fit-for-purpose package sizes for online sales, and redeploying consumer and trade promotions toward digital. It is strengthening consumer connections and further piloting numerous different digital-enabled initiatives through fulfillment methods, be it B2B to home or B2C platforms in many countries, to capture online demand for at-home consumption. The company has seen favorable results initially and is looking to scale similar partnerships with more customers. The company focus on accelerating expansion in digital channel is likely to be sustainable, positioning it for long term growth.

▲ **Liquidity Status:** Even amid the coronavirus crisis, Coca-Cola remains financially sound to run its business and meet obligations. The company issued \$5 billion of long-term debt across various tenors on Mar 20. Also, it had \$8.9 billion of undrawn credit lines for general corporate needs as of Mar 27, with expiry at various times from 2020 through 2025. Subsequent to the end of the first quarter, on Apr 6, it borrowed \$3.0 billion in term loans. Based on all of the aforementioned factors, the company believes its current liquidity position is strong and will be sufficient to fund its operating activities and cash commitments in the foreseeable future.

▲ **Sustainable Shareholder Returns:** Coca-Cola remains committed toward rewarding shareholders with dividends and share repurchases. In February 2020, management raised its annual dividend for 2020 to \$1.64 per share from \$1.60 paid out in 2019. Despite adjustments to its capital plan in the wake of the coronavirus crisis, the company does not intend to alter its approach toward paying dividends. In April, the company declared a quarterly dividend of 41 cents per share, payable Jul 1. Notably, Coca-Cola has a dividend payout ratio of 66% and free cash flow yield of 5%. With an annual free cash flow return on investment of 18.63%, ahead of the industry's 15.75%; the increased dividend is likely to be sustainable.

Further, share buybacks continue to be significant as the company repurchased shares worth of \$2.6 billion in 2014, \$2.3 billion in both 2015 and 2016, \$3.7 billion in 2017, \$1.9 billion in 2018, and \$1.1 billion in 2019. It currently has an outstanding authorization to repurchase 150 million shares.

Reasons To Sell:

▼ **Stock Appears Overvalued:** Considering price-to-earnings (P/E) ratio, Coca-Cola looks overvalued compared with the industry and the market at large. The stock has a trailing 12-month P/E multiple of 22.94x, higher than the industry's P/E of 22.57x and that of the S&P 500's figure of 20.53x. The company's P/E ratio is below the median level of 25.4x and the high level of 28.5x scaled in the past year. Given the factors, we believe that the stock is quite stretched from the P/E aspect. Shares of Coca-Cola have fallen 5.4% in the past three months compared with the industry's decline of 1.5% mainly due to the impacts of the coronavirus pandemic.

Based on the unprecedented impacts of the COVID-19 outbreak, Coca-Cola expects material impacts on the second-quarter performance at this time. It withdrew guidance for the second quarter and 2020.

▼ **Muted Price/Mix & Decline in Volume:** Despite a beat, Coca-Cola's top line in first-quarter 2020 was down 1% as gains from a strong start to 2020 were offset by disruptions in the latter half of the quarter due to the coronavirus pandemic. Though the company witnessed unit case volume growth of 3% through the end of February, excluding China, the overall metric declined 1% for the first quarter. The decline in total unit case volume can be attributed to declines in the Asia Pacific due to the coronavirus outbreak, slightly offset by growth in North America. Price/mix was flat driven by adverse channel and category mix in key markets due to the coronavirus outbreak. Despite being flat, concentrate sales were 1 percentage point ahead of unit case volume, backed by bottler inventory backlog due to the uncertain environment, offset by one less day in the quarter and cycling of inventory build due to Brexit in the prior year.

▼ **Impacts of Coronavirus Outbreak:** In response to the coronavirus outbreak, Coca-Cola is relentlessly working with its bottlers and retail customers to keep the supply chain going. The company notes that it entered 2020 with great momentum, with about 3% unit case volume growth recorded as of the end of February, excluding China. With the spread of pandemic across the globe in March, the company witnessed significant declines in away-from-home channels. Meanwhile, the at-home channel witnessed a demand splurge due to early pantry loading, followed by a normalized demand later. Further, the e-commerce channel witnessed strong growth. As away-from-home channels contribute nearly 50% of the company's revenues, it expects to witness the altered consumer purchase patterns to significantly impact the second-quarter results. Notably, the company has experienced nearly 25% decline in global volume since the start of April, most of which is attributed to declines in the away-from-home channel.

Given the extended and uncertain period of the social distancing and shelter-in place mandates, the company is unable to ascertain the impacts of the coronavirus outbreak on its second-quarter and yearly results. However, it expects material impacts on the second-quarter performance at this time.

▼ **Currency Headwinds:** Coca-Cola's results for first-quarter 2019 continued to be hurt by adverse currency rates. Adverse currency translations impacted revenues and earnings by 2% each for the first quarter. Though the company did not provide guidance for the second quarter and 2020 due to the uncertainties related to the coronavirus pandemic, it outlined the expected currency impacts on its results for both periods. It expects unfavorable currency to affect comparable net revenues by 4-5% and comparable operating income by 5-6% in second-quarter 2020. Unfavorable currency is likely to impact comparable net revenues by mid-single digits and comparable operating income by high-single digits in 2020.

Last Earnings Report

Coca-Cola Q1 Earnings & Revenues Surpass Estimates

Coca-Cola delivered top and bottom-line beat in first-quarter 2020. Comparable earnings of 51 cents per share beat the Zacks Consensus Estimate of 44 cents and improved 8% from the year-ago period. Currency translations negatively impacted earnings by 2%. Comparable currency-neutral earnings per share rose 10%.

Revenues of \$8,601 million surpassed the Zacks Consensus Estimate of \$8,403 million but declined 1% year over year. Organic revenues remained the same as the prior-year quarter. During the quarter, both concentrate sales and price/mix were flat. Further, the first quarter had one less operational day, which hurt revenue growth by nearly 1 percentage point. Moreover, currency headwinds hurt the company's top line by 2%. It continued to witness increase in global value share, particularly in total non-alcoholic ready-to-drink (NARTD) beverages.

Price/mix was flat, driven by adverse channel and category mix in key markets due to the coronavirus outbreak. Despite being flat, concentrate sales were 1 percentage point ahead of unit case volume, backed by bottler inventory backlog due to the uncertain environment, offset by one less day in the quarter and cycling of inventory build due to Brexit in the prior year. Coca-Cola's total unit case volume was down 1% in the first quarter on declines in the Asia Pacific due to the coronavirus outbreak, slightly offset by growth in North America. The company stated that it witnessed robust unit case volume growth through the end of February, excluding China. In the aforesaid period, unit case volume rose 3%.

Category Cluster Performance: Sparkling soft drinks' unit case volume was down 2% (against a 3% increase in the prior quarter), driven by a decline in the Asia Pacific, particularly China. However, the Coca-Cola trademark rose 1% on strength in Coca-Cola Zero Sugar. Volume for juice, dairy and plant-based beverages declined 6% (compared with flat volume in the last reported quarter). Strong gains from the North America portfolio as well as Chi in West Africa was largely negated by the dismal performance of Minute Maid Pulp in China. Water, enhanced water and sports drinks improved 2% (same as growth witnessed in the fourth quarter), and tea and coffee volume dipped 6% (compared with 4% growth in the fourth quarter).

Revenues grew 6% for North America and 4% for Latin America. Meanwhile, revenues declined 5% for the Asia Pacific, 3% for Europe, Middle East & Africa ("EMEA"), 8% for Bottling Investments and 2% for Global Ventures segments.

Organic revenues improved 13% for Latin America and 4% for North America, offset by a 7% decline in the Asia Pacific, 1% drop in EMEA, 2% fall in Global Ventures segment and a 6% decline in Bottling Investments.

Comparable currency-neutral operating income grew 11% on strong operating expense leverage in Latin America and favorable timing of certain corporate expenses. Comparable operating margin expanded 250 basis points (bps) to 30.7%. In dollar terms, comparable operating income grew 7% to \$2,634 million.

Coronavirus-Related Strategy and Business Update

In response to the coronavirus outbreak, the company has allowed office-based staff to work remotely. However, employees within the Coca-Cola system continue to work relentlessly to ensure uninterrupted supplies to consumers, while following health and safety measures. It is working with its bottlers and retail customers to maintain adequate inventory in key channels. It is also investing in e-commerce to support retailers and meal delivery services, shifting toward fit-for-purpose package sizes for online sales, and redeploying consumer and trade promotions toward digital.

The company notes that it entered 2020 with great momentum, with about 3% unit case volume growth recorded as of the end of February, excluding China. With the spread of the virus across the globe in March, it witnessed significant declines in away-from-home channels. Meanwhile, the at-home channel witnessed a demand splurge due to early pantry loading, followed by a normalized demand later. Further, the e-commerce channel witnessed strong growth.

As away-from-home channels contribute nearly 50% of the company's revenues, it expects to witness the altered consumer purchase patterns to significantly impact the second-quarter results. Notably, the company has experienced nearly 25% decrease in global volume since the start of April, most of which is attributed to declines in the away-from-home channel. Given the extended and uncertain period of the social distancing and shelter-in place mandates, the company is unable to ascertain the impacts of the coronavirus outbreak on its second-quarter and yearly results. However, it expects material impacts on the second-quarter performance at this time. Nonetheless, it expects the performance to improve in the second half of 2020, as it expects the aforesaid impacts to be temporary.

Guidance

Though the company did not provide guidance for the second quarter and 2020 due to the uncertainties related to the coronavirus pandemic, it outlined the expected currency impacts on its results for both periods. For 2020, it estimates currency headwinds of mid-single digits on comparable net revenues and high-single digits on comparable operating income, based on current rates and hedge positions. It expects underlying effective tax rate of 19.5% for 2020. For the second quarter, the company expects currency impacts of 4-5% on comparable net revenues and 5-6% on comparable operating income.

Quarter Ending 03/2020

Report Date	Apr 21, 2020
Sales Surprise	2.36%
EPS Surprise	15.91%
Quarterly EPS	0.51
Annual EPS (TTM)	2.14

Recent News

Coca-Cola Declares Quarterly Dividend – Apr 23, 2020

Coca-Cola declared a quarterly cash dividend of 41 cents per share, payable Jul 1, to shareholders of record as of Jun 15.

Coronavirus to Hurt Coca-Cola Q1 Earnings & Revenues – Feb 21, 2020

Coca-Cola Company updated investors on how the coronavirus outbreak will impact its first-quarter 2020 results. Given the epidemic outbreak in the country, Coca-Cola has prioritized the health and safety of its associates and is taking the possible precautionary steps to prevent the further spread of the virus.

For first-quarter 2020, the company estimates the current situation in China to hurt organic revenues by 1-2 percentage points, unit case volume by 2-3 percentage points and earnings per share by 1-2 cents. However, the company reiterated its previously outlined guidance for 2020. It also stated that additional estimates on the guidance, based on the current situation, will be provided in the next earnings call in April.

Valuation

Coca-Cola shares are down 11.3% in the year-to-date period and 4.5% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 9% and 9.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 8.1% and 6.4%, respectively.

The S&P 500 index is down 0.9% in the year-to-date period but up 10.5% in the past year.

The stock is currently trading at 25.47X forward 12-month earnings, which compares to 23.37X for the Zacks sub-industry, 20.31X for the Zacks sector and 23.07X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.41X and as low as 17.03X, with a 5-year median of 22.3X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$52 price target reflects 26.98X forward 12-month earnings.

The table below shows summary valuation data for KO

Valuation Multiples - KO					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.47	23.37	20.31	23.07
	5-Year High	26.41	23.37	22.37	23.07
	5-Year Low	17.03	18.37	16.65	15.23
	5-Year Median	22.3	21.52	19.66	17.49
P/S F12M	Current	6.05	4.67	9.78	3.59
	5-Year High	6.68	5.31	11.16	3.59
	5-Year Low	3.63	3.64	8.1	2.53
	5-Year Median	5.71	4.52	9.89	3.02
EV/EBITDA TTM	Current	21.52	18.78	34.51	11.82
	5-Year High	24.08	20.73	45.11	12.85
	5-Year Low	12.05	12.21	27.19	8.25
	5-Year Median	16.07	17.64	38.37	10.8

As of 06/05/2020

Industry Analysis Zacks Industry Rank: Top 26% (67 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
AnheuserBusch InBev SANV (BUD)	Neutral	3
Keurig Dr Pepper, Inc (KDP)	Neutral	3
The Kraft Heinz Company (KHC)	Neutral	2
Mondelez International, Inc. (MDLZ)	Neutral	3
Monster Beverage Corporation (MNST)	Neutral	3
Nestle SA (NSRGY)	Neutral	3
PepsiCo, Inc. (PEP)	Neutral	3
Unilever PLC (UL)	Neutral	3

Industry Comparison Industry: Beverages - Soft Drinks				Industry Peers		
	KO	X Industry	S&P 500	KDP	MNST	PEP
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	3
VGM Score	F	-	-	A	B	D
Market Cap	210.84 B	158.33 M	23.09 B	40.37 B	38.03 B	183.76 B
# of Analysts	8	1	14	8	8	8
Dividend Yield	3.34%	0.00%	1.82%	2.09%	0.00%	3.09%
Value Score	F	-	-	C	D	D
Cash/Price	0.09	0.10	0.06	0.01	0.02	0.06
EV/EBITDA	17.12	5.51	13.17	17.26	25.05	16.14
PEG Ratio	3.84	4.67	3.13	1.80	4.67	5.06
Price/Book (P/B)	10.63	2.47	3.15	1.78	9.83	13.55
Price/Cash Flow (P/CF)	20.09	11.52	12.43	16.64	33.12	18.09
P/E (F1)	27.20	23.72	22.80	20.79	34.87	24.88
Price/Sales (P/S)	5.67	1.05	2.52	3.60	8.81	2.70
Earnings Yield	3.73%	3.84%	4.19%	4.81%	2.87%	4.02%
Debt/Equity	1.57	0.22	0.76	0.55	0.00	2.61
Cash Flow (\$/share)	2.44	0.31	7.01	1.72	2.18	7.32
Growth Score	D	-	-	A	A	C
Hist. EPS Growth (3-5 yrs)	1.54%	8.19%	10.87%	-26.61%	19.54%	5.38%
Proj. EPS Growth (F1/F0)	-13.39%	-8.57%	-10.79%	13.11%	2.03%	-3.75%
Curr. Cash Flow Growth	4.40%	9.45%	5.48%	26.76%	9.91%	-2.46%
Hist. Cash Flow Growth (3-5 yrs)	-1.10%	6.34%	8.55%	22.17%	18.17%	1.04%
Current Ratio	0.87	1.32	1.29	0.33	2.92	1.10
Debt/Capital	61.06%	35.12%	44.75%	35.44%	0.00%	72.28%
Net Margin	26.95%	-0.28%	10.59%	10.51%	26.07%	10.62%
Return on Equity	45.26%	7.71%	16.26%	7.71%	27.77%	55.74%
Sales/Assets	0.42	0.86	0.55	0.23	0.85	0.86
Proj. Sales Growth (F1/F0)	-8.32%	0.00%	-2.61%	2.00%	1.98%	0.64%
Momentum Score	B	-	-	B	A	C
Daily Price Chg	2.44%	1.43%	2.89%	0.95%	1.85%	1.43%
1 Week Price Chg	3.66%	2.89%	4.60%	2.80%	4.66%	0.82%
4 Week Price Chg	10.07%	14.88%	15.60%	8.84%	16.33%	0.68%
12 Week Price Chg	4.09%	20.26%	29.34%	24.79%	25.86%	14.83%
52 Week Price Chg	-4.49%	-21.45%	2.76%	1.16%	13.14%	0.35%
20 Day Average Volume	18,279,908	185,112	2,537,324	6,316,625	2,372,753	6,200,209
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.24%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.08%	0.00%	-1.49%	-1.14%
(F1) EPS Est 12 week change	-18.73%	-18.73%	-16.19%	-0.99%	-9.21%	-9.69%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	-8.23%	0.15%

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	F
Growth Score	D
Momentum Score	B
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.

Disclosures

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