

## Motorola Solutions (MSI)

**\$147.87** (As of 06/03/20)

Price Target (6-12 Months): **\$155.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 04/10/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**4-Sell**

Zacks Style Scores:

VGM:C

Value: D

Growth: A

Momentum: C

## Summary

Motorola ensures a steady stream of revenues with organic growth and acquisition initiatives, thereby reinforcing its market position in the global arena. The company aims to expand its position in the public safety domain by entering into strategic alliances with other players in the ecosystem. The integration of CommandCentral Aware software with Avigilon Blue will likely facilitate it to better manage and monitor camera networks through the latest software-as-a-service offering. However, adverse currency translations are headwinds as Motorola generates significant revenues outside the United States. Further, the coronavirus-induced pandemic is likely to dent overall demand, eroding its long-term growth potential. Motorola withdrew 2020 guidance due to lack of clarity regarding the impact of the virus outbreak on its business.

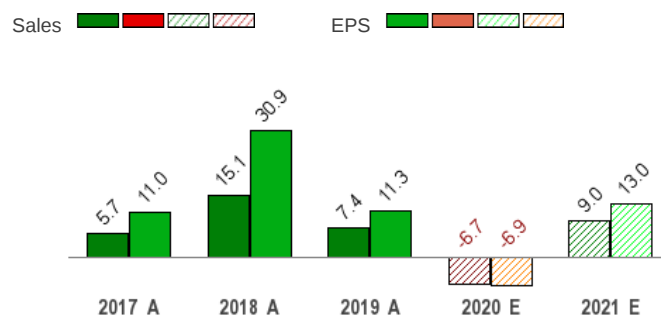
## Price, Consensus & Surprise



## Data Overview

|                            |                                    |
|----------------------------|------------------------------------|
| 52 Week High-Low           | \$187.33 - \$120.77                |
| 20 Day Average Volume (sh) | 1,869,999                          |
| Market Cap                 | \$25.1 B                           |
| YTD Price Change           | -8.2%                              |
| Beta                       | 0.66                               |
| Dividend / Div Yld         | \$2.56 / 1.7%                      |
| Industry                   | <a href="#">Wireless Equipment</a> |
| Zacks Industry Rank        | Top 31% (78 out of 253)            |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 19.2%      |
| Last Sales Surprise       | 1.4%       |
| EPS F1 Est- 4 week change | -12.9%     |
| Expected Report Date      | 08/06/2020 |
| Earnings ESP              | 0.0%       |
| P/E TTM                   | 18.1       |
| P/E F1                    | 20.0       |
| PEG F1                    | 2.2        |
| P/S TTM                   | 3.2        |

## Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2021 | 1,737 E | 1,886 E | 2,019 E | 2,413 E | 8,021 E |
| 2020 | 1,655 A | 1,574 E | 1,812 E | 2,320 E | 7,361 E |
| 2019 | 1,657 A | 1,860 A | 1,994 A | 2,377 A | 7,887 A |

## EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.44 E | \$1.78 E | \$2.27 E | \$3.14 E | \$8.37 E |
| 2020 | \$1.49 A | \$1.15 E | \$1.74 E | \$2.97 E | \$7.41 E |
| 2019 | \$1.28 A | \$1.69 A | \$2.04 A | \$2.94 A | \$7.96 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 06/03/2020. The reports text is as of 06/04/2020.

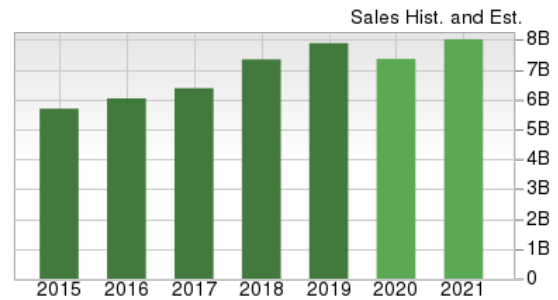
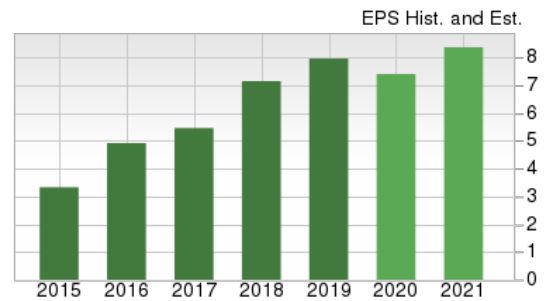
## Overview

Based in Chicago, IL Motorola Solutions, Inc. is a leading communications equipment manufacturer and has strong market positions in bar code scanning, wireless infrastructure gear, and government communications. The company was formed following the split-off from its parent company Motorola, Inc. on Jan 4, 2011. Motorola Solutions generally provides services and solutions to the government segments and public safety programs together with large enterprises and wireless infrastructure service providers. It develops and services both analog and digital two-way radio, voice and data communications products and systems for private networks, wireless broadband systems and end-to-end enterprise mobility solutions to a wide range of enterprise markets.

Motorola reorganized its operating segments during second-quarter 2018. The new segments of the company are Products and Systems Integration, and Services and Software. The change reflects moving Systems Integration business from the erstwhile Services segment into the newly formed Products and Systems Integration segment and moving Software from the former Products segment into the new Services and Software segment.

**Products and Systems Integration** (60% of first-quarter 2020 net sales): The segment comprises of a wide portfolio of infrastructure, devices and accessories along with systems integration. The segment's primary customers are government, public safety and first-responder agencies, municipalities, and commercial and industrial customers who operate private communications networks and manage a mobile workforce.

**Services and Software** (40%): The segment offers a wide range of services and software to government, public safety and commercial communication networks. These include: (i) Software, (ii) Lifecycle Support services, (iii) Managed services, (iv) Smart Public Safety Solutions, and (v) iDEN services.



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## Reasons To Buy:

- ▲ As a leading provider of mission-critical communication products and services worldwide, Motorola has ensured a steady revenue stream from this niche market. The communications equipment maker intends to boost its position in the public safety domain by entering into strategic alliances with other players in the ecosystem. Despite coronavirus-induced adversities, Motorola reported solid first-quarter 2020 results, driven by diligent execution of operational plans. The company witnessed a healthy demand for video security products and services during the quarter and remains well poised to tide over the storm with a diversified portfolio.
- ▲ Motorola expects to gain from robust organic growth, disciplined capital deployment and a favorable global macroeconomic environment. The company expects to record strong demand across land mobile radio products, services and software while benefiting from a solid foundation. Furthermore, its competitive position and attractive portfolio for large addressable markets and healthy balance sheet augur well for future growth.
- ▲ The acquisition of WatchGuard, Inc., which manufactures in-car video systems and body-worn cameras along with evidence management software, has added new capabilities to Motorola's video security solutions portfolio. It has further expanded its video security product line, which includes fixed cameras and advanced analytics from Avigilon as well as license plate recognition cameras and software from Vigilant Solutions.
- ▲ The company has introduced the Si200 body-worn camera to facilitate agencies in investigation while providing footage of incidents. The Si200 body-worn camera captures high-definition video and boasts advanced capabilities, helping integration across the public safety workflow. It combines with CommandCentral Vault — Motorola's digital evidence management solution — that enables investigating agencies to manage content from in-field capture to judicial process under an integrated platform. Motorola has also successfully integrated CommandCentral Aware software with Avigilon Blue – its cloud video security platform. The integration enables public safety agencies to better manage and monitor video feeds and camera networks through the latest software-as-a-service offering. Such innovative products are likely to generate a steady revenue stream for the company.

Motorola remains poised to benefit from organic growth and acquisition initiatives by entering into strategic alliances with other players in the ecosystem and strengthen its market position.

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## Reasons To Sell:

- ▼ The company's debt-laden balance sheet remains a cause of concern. As of Mar 31, 2020, the company had \$1,672 million of cash and cash equivalents with \$5,111 million of long-term debt compared with respective tallies of \$1,001 million and \$5,610 million in the previous quarter. Due to the uncertainty triggered by the virus outbreak, Motorola drew \$800 million from its unsecured revolving credit facility during the quarter. The company has \$1.4 billion available for debt under this credit facility. Although Motorola has no near-term debt maturities in 2020 or 2021 and no pension debt obligations until 2023, the stock looks relatively more leveraged than the sub-industry. Motorola currently has a debt-to-capital ratio of 1.17 compared with 0.35 of the sub-industry. A highly leveraged balance sheet can inflate the company's financial obligations and hurt profitability. The times interest earned has decreased over the past few quarters to 5.8 at present relative to 6.5 for the sub-industry. Motorola has a dividend payout rate of 31.8% compared with 58.7% of the sub-industry. The rate has declined over the past few quarters, indicating that the company is sharing less of its earnings with stockholders. It remains to be seen whether Motorola can turn the tables in the coming days amid disruptions caused by COVID-19 pandemic.
- ▼ Although we remain optimistic on Motorola's growth-by-acquisition strategy, costs associated with the mergers are limiting bottom-line growth. Gross margin has decreased at a CAGR of 5.1% from 2013 to 2019, reflecting higher operating expenses. Higher working capital requirement due to the implementation of new ERP system is hurting the company's cash from operations. Motorola's cash flow yield has declined from 9.52% at year-end 2014 to 4.46% at year-end 2019, indicating under-utilization of resources and lapses in sound financial management.
- ▼ Headwinds in currency translation could add to the woes as Motorola generates significant revenues outside the United States. The global coronavirus pandemic is likely to dent its overall demand as the world grapples with an adverse economic effect. Management also withdrew the guidance for 2020 as the virus outbreak impacted its professional commercial radio business, and delayed engagement and deployments in certain cases, likely affecting the future revenue trend. All these are likely to undermine its growth potential to some extent.

Costs associated with mergers are limiting bottom-line growth and affecting margins, while risks associated with the Brexit referendum are undermining Motorola's growth potential to some extent.

## Last Earnings Report

### Motorola Beats on Q1 Earnings, Withdraws 2020 Guidance

Despite coronavirus-induced adversities, Motorola reported solid first-quarter 2020 results, driven by diligent execution of operational plans. The company witnessed a healthy demand for video security products and services during the quarter and remains well poised to tide over the storm with a solid cash flow and balance sheet position.

#### Net Earnings

On a GAAP basis, net earnings in the reported quarter were \$197 million or \$1.12 per share compared with \$151 million or 86 cents in the year-earlier quarter. The improvement was primarily attributable to lower cost of products sold and other income.

Non-GAAP earnings in the quarter were \$1.49 per share compared with \$1.28 in the year-ago quarter. The bottom line beat the Zacks Consensus Estimate by 24 cents.

#### Revenues

Quarterly net sales remained flat year over year at \$1,655 million as growth in the Americas was offset by a decline in the international business. The top line exceeded the Zacks Consensus Estimate of \$1,633 million.

Organic revenues decreased 3% year over year to \$1,604 million. Acquisitions contributed \$48 million to incremental revenues, while currency headwinds were \$7 million in the quarter. Region-wise, revenues improved 4% in North America to \$1,116 million, driven by growth in video security, Command Center Software and services. International revenues were down 7% to \$539 million due to a decline in professional and commercial radio products.

#### Segmental Performance

Net sales from **Products and Systems Integration** fell 7% year over year to \$993 million, largely due to a significant decline in demand for professional and commercial radio products across all geographical regions. However, the segment witnessed solid demand for video security solutions from utility firms and government sectors. The segment's backlog was down \$72 million to \$2.9 billion, primarily due to unfavorable foreign currency translation and a decline in the international backlog.

Net sales from **Services and Software** totaled \$662 million compared with \$588 million a year ago, with growth in all regions and solid performance across Command Center Software and services. The segment's backlog increased \$120 million to \$7.5 billion, primarily due to multi-year agreements in the Americas.

#### Other Quarter Details

GAAP operating earnings increased to \$259 million from \$229 million in the prior-year quarter, while non-GAAP operating earnings were up 10% to \$347 million. The company ended the quarter with a total backlog of \$10.4 billion, flat year over year.

Overall GAAP operating margin was 15.6%, up 180 basis points, primarily owing to lower cost of sales. Non-GAAP operating margin was 21% compared with 19% in the year-ago quarter.

Non-GAAP operating earnings for Products and Systems Integration were down 16% to \$123 million for the corresponding margin of 12.4%. Non-GAAP operating earnings for Services and Software were \$224 million, up 33% year over year, driven by gross margin expansion and higher sales led by strong demand for Command Center Software solutions and continued growth in the services business. This resulted in non-GAAP operating margin of 33.8% for the segment, up from 28.6%.

#### Cash Flow and Liquidity

Motorola generated \$308 million of cash from operating activities during the quarter compared with \$251 million a year ago. Free cash flow in the first quarter was \$260 million. The company repurchased \$253 million worth of stock during the quarter.

As of Mar 31, 2020, the company had \$1,672 million of cash and cash equivalents with \$5,111 million of long-term debt. Due to the uncertainty triggered by the virus outbreak, Motorola drew \$800 million from its unsecured revolving credit facility during the quarter. The company has \$1.4 billion available for debt under this credit facility. Notably, Motorola has no near-term debt maturities in 2020 or 2021 and no pension debt obligations until 2023.

#### 2020 Guidance Withdrawn

Despite the lack of clarity regarding the impact of the coronavirus pandemic on the business, the company offered guidance for the second quarter. Second-quarter 2020 non-GAAP earnings are expected in the \$1.18-\$1.27 per share range on a year-over-year revenue decline of 14-17%.

However, management withdrew the guidance for 2020 as the virus outbreak impacted its professional commercial radio business, and delayed engagement and deployments in certain cases, likely affecting the future revenue trend.

#### Moving Forward

Nevertheless, Motorola is poised to gain from disciplined capital deployment and a strong balance sheet position. The company expects to record

Quarter Ending **03/2020**

| Report Date      | May 07, 2020 |
|------------------|--------------|
| Sales Surprise   | 1.35%        |
| EPS Surprise     | 19.20%       |
| Quarterly EPS    | 1.49         |
| Annual EPS (TTM) | 8.16         |

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strong demand across land mobile radio products, the video security portfolio, services and software while benefiting from a solid foundation.

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## Recent News

On May 20, 2020, Motorola announced that it has launched the latest cloud-based emergency response offerings from its CommandCentral software portfolio to reinforce low-latency data communication infrastructure. These solutions are known for enhancing the public safety communications infrastructure with utmost operational efficiency and safety. Markedly, the latest move is expected to boost the mission-critical ecosystem of the company and render fast response times to mitigate operating risks.

On May 18, 2020, Motorola announced that it has augmented its communications portfolio with the launch of the TLK 150 Mobile Two-Way Radio. This push-to-talk radio device adheres to all security guidelines of the Federal Motor Carrier Safety Administration (FMCSA) pertaining to driver safety and offers a perfect solution for the on-the-go workforce. Equipped with hands-free accessories, the TLK Mobile does not feature any screen to avert distracting drivers and offers nationwide coverage with a two-way communication system.

On Apr 23, 2020, Motorola announced that it has deployed its avant-garde TETRA mission critical communications infrastructure to help Anglo-Australian mining company — Rio Tinto — during the COVID-19 crisis. The wireless service provider has joined forces with Rio Tinto Aluminium's Integrated Operations Centre to export bauxite in international markets and rollout a 24x7 emergency facility at remote bauxite mine sites in Queensland, Gova and Weipa. Markedly, the innovative solution will ease supply chain operations and plan for future contingencies in these dire circumstances.

On Feb 15, 2020, Motorola announced that it had won a trade secret theft and copyright infringement case against Hytera Communications worth \$764.6 million. Reportedly, Hytera, which was the distributor of Motorola Solutions products, leveraged the latter's confidential documents to emerge as a strong player in the two-way radio communications market.

On Jan 22, 2020, Motorola announced its ongoing development of a 900 MHz private broadband solution that will offer critical infrastructure entities high-power and interoperable communications. Demonstrating its adaptability in both defense and first responder markets, the company will leverage its Land Mobile Radio communication for easier access, enhanced coverage and stronger security across oil, gas and utility sectors. These sectors utilize 900 MHz broadband spectrum for the deployment of unified voice and narrowband data transmission and long-range data communications with reduced encumbrance to its LTE space.

On Jan 16, 2020, Motorola communicated that it has been chosen by SFR, a leading French telecommunications company, to provide the latter with a third-generation partnership project mission critical push-to-talk (PTT) solution. The broadband PTT service will be deployed by SFR through its nationwide network. This, in turn, will help the customers to improve productivity. SFR's offering include Motorola's LTE LEX 11 device suite, which has been designed for critical operations.

## Valuation

Motorola shares are down 8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 3.2% over the past year, while stocks in the Zacks Computer and Technology sector are up 25.5% in the same time frame.

The S&P 500 Index is up 9.1% in the past year.

The stock is currently trading at 12.3X trailing 12-month EV/EBITDA, which compares to 20.19X for the Zacks sub-industry, 12.1X for the Zacks sector and 11.4X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 34.63X and as low as 6.73X, with a 5-year median of 11.91X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$155 price target reflects 8.19X forward 12-month earnings.

The table below shows summary valuation data for MSI

| Valuation Multiples - MSI |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| EV/EBITDA TTM             | Current       | 12.3  | 20.19        | 12.1   | 11.4    |
|                           | 5-Year High   | 34.63 | 25.88        | 12.71  | 12.86   |
|                           | 5-Year Low    | 6.73  | 9.84         | 7.57   | 8.26    |
|                           | 5-Year Median | 11.91 | 16.37        | 10.72  | 10.81   |
| P/E F12M                  | Current       | 18.92 | 18.71        | 24.69  | 22.29   |
|                           | 5-Year High   | 23    | 30.47        | 24.69  | 22.29   |
|                           | 5-Year Low    | 14.27 | 13.61        | 16.72  | 15.23   |
|                           | 5-Year Median | 17.44 | 18.43        | 19.26  | 17.49   |
| P/S F12M                  | Current       | 3.29  | 3.25         | 3.75   | 3.47    |
|                           | 5-Year High   | 3.86  | 3.52         | 3.75   | 3.47    |
|                           | 5-Year Low    | 1.82  | 2.07         | 2.32   | 2.53    |
|                           | 5-Year Median | 2.39  | 2.77         | 3.11   | 3.02    |

As of 06/03/2020

## Industry Analysis Zacks Industry Rank: Top 31% (78 out of 253)



## Top Peers

| Company (Ticker)                        | Rec        | Rank |
|-----------------------------------------|------------|------|
| InterDigital, Inc. (IDCC)               | Outperform | 2    |
| Comtech Telecommunications Corp. (CMTL) | Neutral    | 3    |
| Juniper Networks, Inc. (JNPR)           | Neutral    | 2    |
| Sierra Wireless, Inc. (SWIR)            | Neutral    | 4    |
| Viasat Inc. (VSAT)                      | Neutral    | 3    |
| China Teletech Holding Inc. (CNCT)      | NA         | NA   |
| Ubiquiti Inc. (UI)                      | NA         | 3    |
| Zte Corp. (ZTCOY)                       | NA         | 3    |

| Industry Comparison Industry: Wireless Equipment |           |            |           | Industry Peers |           |         |
|--------------------------------------------------|-----------|------------|-----------|----------------|-----------|---------|
|                                                  | MSI       | X Industry | S&P 500   | IDCC           | JNPR      | VSAT    |
| Zacks Recommendation (Long Term)                 | Neutral   | -          | -         | Outperform     | Neutral   | Neutral |
| Zacks Rank (Short Term)                          | 4         | -          | -         | 2              | 2         | 3       |
| VGM Score                                        | C         | -          | -         | D              | B         | B       |
| Market Cap                                       | 25.15 B   | 433.37 M   | 22.50 B   | 1.77 B         | 8.11 B    | 2.81 B  |
| # of Analysts                                    | 6         | 3          | 14        | 2              | 8         | 4       |
| Dividend Yield                                   | 1.73%     | 0.00%      | 1.88%     | 2.43%          | 3.27%     | 0.00%   |
| Value Score                                      | D         | -          | -         | C              | B         | C       |
| Cash/Price                                       | 0.07      | 0.17       | 0.06      | 0.46           | 0.24      | 0.12    |
| EV/EBITDA                                        | 17.98     | 9.73       | 12.98     | 9.36           | 12.65     | 17.89   |
| PEG Ratio                                        | 2.20      | 2.20       | 3.05      | 2.66           | 2.18      | 17.29   |
| Price/Book (P/B)                                 | NA        | 1.79       | 3.11      | 2.29           | 1.84      | 1.37    |
| Price/Cash Flow (P/CF)                           | 14.89     | 13.82      | 12.18     | 18.32          | 12.95     | 8.23    |
| P/E (F1)                                         | 19.84     | 21.85      | 22.19     | 39.92          | 16.01     | 355.22  |
| Price/Sales (P/S)                                | 3.19      | 1.30       | 2.40      | 5.43           | 1.83      | 1.22    |
| Earnings Yield                                   | 5.01%     | 4.33%      | 4.31%     | 2.51%          | 6.25%     | 0.29%   |
| Debt/Equity                                      | -5.99     | 0.16       | 0.76      | 0.46           | 0.39      | 1.03    |
| Cash Flow (\$/share)                             | 9.93      | 0.49       | 7.01      | 3.15           | 1.89      | 5.50    |
| Growth Score                                     | A         | -          | -         | F              | C         | A       |
| Hist. EPS Growth (3-5 yrs)                       | 24.67%    | -4.77%     | 10.87%    | -32.49%        | -4.16%    | -97.89% |
| Proj. EPS Growth (F1/F0)                         | -6.95%    | -9.51%     | -10.74%   | 118.94%        | -11.12%   | NA      |
| Curr. Cash Flow Growth                           | 10.81%    | -18.50%    | 5.48%     | -24.58%        | -8.77%    | 36.25%  |
| Hist. Cash Flow Growth (3-5 yrs)                 | 17.32%    | 0.08%      | 8.55%     | -8.98%         | -15.41%   | -50.98% |
| Current Ratio                                    | 1.16      | 1.65       | 1.29      | 4.71           | 1.93      | 1.73    |
| Debt/Capital                                     | NA%       | 19.55%     | 44.75%    | 31.39%         | 28.06%    | 50.70%  |
| Net Margin                                       | 11.60%    | 1.65%      | 10.59%    | 7.30%          | 7.53%     | -0.01%  |
| Return on Equity                                 | -146.43%  | 3.67%      | 16.29%    | 3.01%          | 8.93%     | -0.01%  |
| Sales/Assets                                     | 0.76      | 0.78       | 0.55      | 0.21           | 0.51      | 0.51    |
| Proj. Sales Growth (F1/F0)                       | -6.68%    | -2.62%     | -2.65%    | 8.29%          | -2.69%    | 1.55%   |
| Momentum Score                                   | C         | -          | -         | B              | D         | D       |
| Daily Price Chg                                  | 5.88%     | 1.41%      | 2.42%     | 1.42%          | 0.99%     | 3.54%   |
| 1 Week Price Chg                                 | 0.85%     | 2.19%      | 4.60%     | 0.77%          | 4.75%     | -0.36%  |
| 4 Week Price Chg                                 | 9.29%     | 16.20%     | 13.40%    | 4.36%          | 8.32%     | 19.56%  |
| 12 Week Price Chg                                | -8.27%    | 20.60%     | 12.78%    | 26.58%         | 20.60%    | -5.51%  |
| 52 Week Price Chg                                | -7.94%    | -7.57%     | 0.89%     | -11.91%        | -7.59%    | -49.82% |
| 20 Day Average Volume                            | 1,869,999 | 139,242    | 2,528,787 | 226,351        | 3,551,424 | 599,546 |
| (F1) EPS Est 1 week change                       | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 191.07% |
| (F1) EPS Est 4 week change                       | -12.94%   | 0.00%      | -0.14%    | 63.98%         | 0.36%     | 194.44% |
| (F1) EPS Est 12 week change                      | -19.63%   | -17.96%    | -16.00%   | 68.51%         | -8.63%    | -78.93% |
| (Q1) EPS Est Mthly Chg                           | -35.29%   | 0.00%      | -0.02%    | 171.70%        | 0.00%     | -71.64% |

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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    | D |
| Growth Score   | A |
| Momentum Score | C |
| VGM Score      | C |

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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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.

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