

## Patterson Companies (PDCO)

**\$22.24** (As of 07/07/20)

Price Target (6-12 Months): **\$26.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 07/06/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

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

**1-Strong Buy**

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: B

### Summary

Patterson Companies ended fourth-quarter fiscal 2020 on a strong note, wherein both earnings and revenues beat the consensus mark. It witnessed expansion in gross margin in the last reported quarter. The company's consistent efforts to drive profitability in core business were evident from its performance. A broad spectrum of products cushions it against economic downturns in the MedTech space. We believe that a diverse product portfolio, strong veterinary business prospects, accretive acquisitions and strategic partnerships are acting as the primary catalysts. Patterson Companies has outperformed the industry in a year's time. However, the company's Dental and Animal Health segments performed dismally in the last reported quarter owing to the effects of COVID-19.

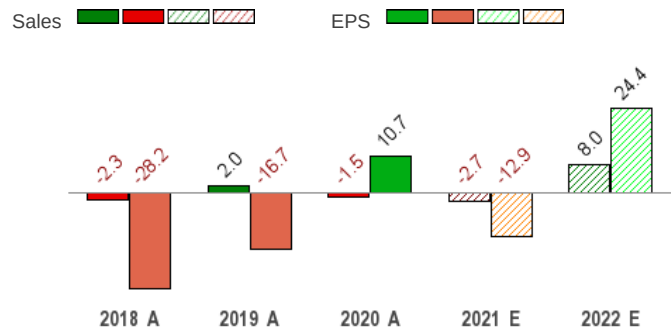
### Price, Consensus & Surprise



### Data Overview

|                            |                                           |
|----------------------------|-------------------------------------------|
| 52 Week High-Low           | \$25.70 - \$12.93                         |
| 20 Day Average Volume (sh) | 1,358,925                                 |
| Market Cap                 | \$2.2 B                                   |
| YTD Price Change           | 11.1%                                     |
| Beta                       | 1.56                                      |
| Dividend / Div Yld         | \$1.04 / 4.6%                             |
| Industry                   | <a href="#">Medical - Dental Supplies</a> |
| Zacks Industry Rank        | Top 36% (91 out of 252)                   |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 152.9%     |
| Last Sales Surprise       | 1.9%       |
| EPS F1 Est- 4 week change | 18.5%      |
| Expected Report Date      | 09/03/2020 |
| Earnings ESP              | 5.8%       |
| P/E TTM                   | 14.6       |
| P/E F1                    | 16.5       |
| PEG F1                    | 2.4        |
| P/S TTM                   | 0.4        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2022 | 1,267 E | 1,440 E | 1,500 E | 1,443 E | 5,770 E |
| 2021 | 1,151 E | 1,307 E | 1,412 E | 1,437 E | 5,343 E |
| 2020 | 1,329 A | 1,419 A | 1,456 A | 1,286 A | 5,490 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2022 | \$0.29 E | \$0.40 E | \$0.47 E | \$0.48 E | \$1.68 E |
| 2021 | \$0.18 E | \$0.31 E | \$0.40 E | \$0.44 E | \$1.35 E |
| 2020 | \$0.27 A | \$0.39 A | \$0.47 A | \$0.43 A | \$1.55 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 07/07/2020. The reports text is as of 07/08/2020.

## Overview

Headquartered in St. Paul, MN, Patterson Companies Inc. (PDCO) is one of the leading distributors of dental and animal health products.

The company completed the divestiture of medical business (Patterson Medical) to private equity firm Madison Dearborn Partners (MDP) for \$715 million in cash. Owing to this deal, Patterson Medical was reported as discontinued operations since the first quarter of fiscal 2016.

The company currently distributes its products through two subsidiaries — Patterson Dental and Patterson Animal Health.

**Patterson Dental:** The segment distributes consumable products (x-ray film, restorative materials, sterilization products and hand instruments); basic and advanced technology dental equipment; practice management and clinical software; patient education systems; and office forms and stationery in the U.S. and Canada.

The company's customers include dentists, dental laboratories, institutions, and other healthcare professionals. Patterson Dental is also the exclusive distributor for Sirona Dental Systems, a leading dental technologies company.

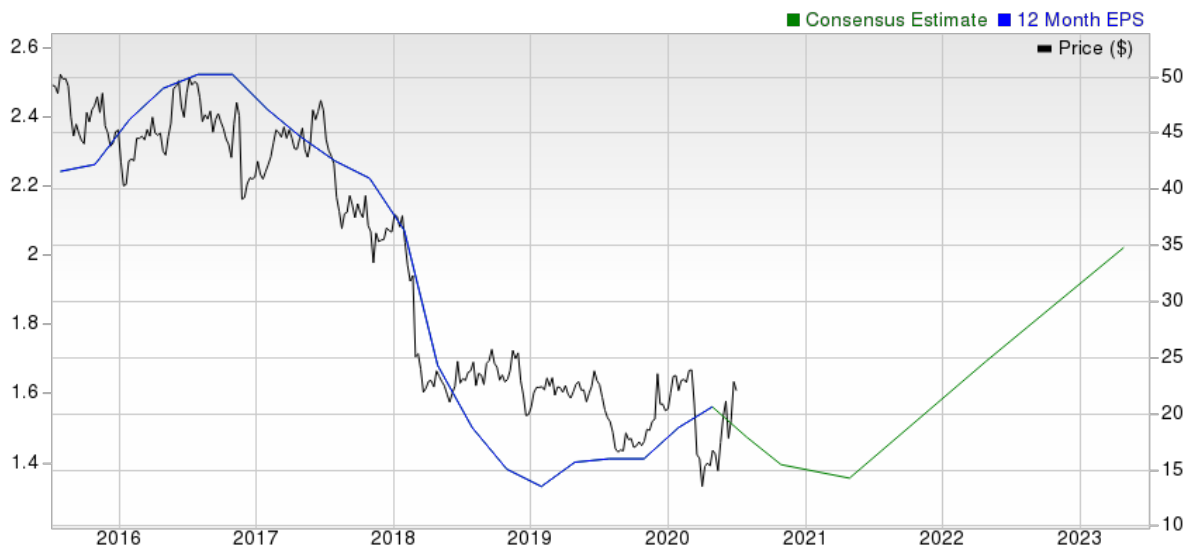
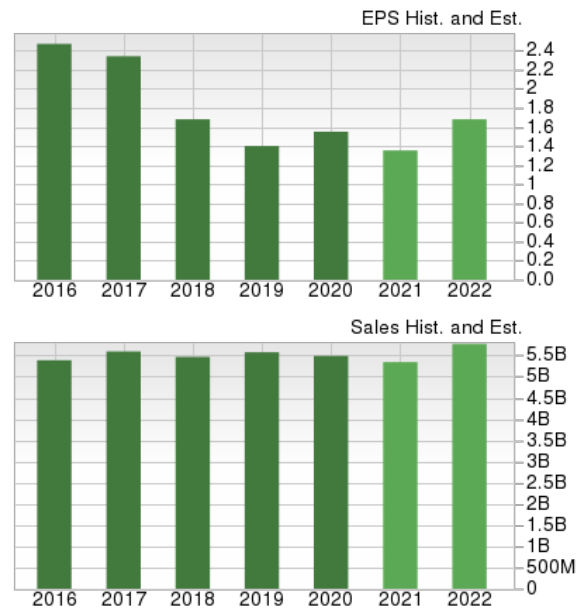
**Patterson Animal:** Notably, Patterson Animal Health is a leading distributor of veterinary supplies to companion-pet (dogs, cats and other common household pets) veterinary clinics, equine and large animal veterinary clinics, public and private institutions, and shelters across the U.S.

The acquisition of National Veterinary Services Limited (NVS) in 2013 expanded the company's footprint in the U.K. Following the acquisition of Animal Health International, this segment sells products for pets, horses, beef and dairy cattle, poultry and pigs.

### FY20 at a Glance

Revenues were \$5.49 billion in FY20.

Patterson Dental registered revenues of \$2.10 billion in FY20, i.e. almost 38.2% of net revenues. Patterson Animal Health registered revenues of almost \$3.34 billion in FY20, i.e. 60.8% of net revenues.



## Reasons To Buy:

- ▲ **Share Price Movement:** Over the past year, shares of Patterson Companies have gained 2.4%, against the industry's decline of 11.8%. Broad product portfolio, lucrative prospects in the dental market and solid liquidity position favor the stock.
- ▲ **Broad Product Spectrum:** Patterson Companies provide a wide range of consumable supplies, equipment and software, and value-added services to its customers. The company's wide range of products hedges it from any meaningful sales shortfall during an economic downturn. Further, Patterson offers world-class service to its customers by delivering frequent, small quantity orders rapidly and reliably from its strategically located distribution centers.

A growing diversified product portfolio, strong veterinary business prospects, accretive acquisitions and strategic partnerships are key growth catalysts, going forward

In fiscal 2019, Patterson Companies launched and integrated a new cloud-based veterinary practice management software – NaVetor – for its Animal Health segment. This software is designed to streamline and simplify workflows for veterinary practices and demonstrates Patterson Companies' commitment to providing innovative solutions to customers.

During the fiscal first quarter of 2020, the company introduced a new private label brand named Pivotal, while continuing to add SKUs to its broader private label portfolio. Patterson Companies stands to gain from private label brands as they enable the company to serve customers with brilliant products at a reasonable price and more attractive margin profile.

- ▲ **Patterson Technology Center:** Patterson Companies' solid technology support infrastructure – the Patterson Technology Center in Effingham Ill, helps it to strengthen its customer base. Per management, Patterson companies is the only company that boasts specially trained staff dedicated solely to the sale and support of technology.

The Patterson Technology Center supports over 80,000 customers nationwide and resolves hardware, software, computer networking or digital technology issues very fast. In fact, management at Patterson confirmed the receipt of the title of technology leader by continually researching, developing and upgrading technology and support to keep pace with growing demand for greater efficiency and profitability for healthcare practices.

- ▲ **Dental Market Holds Promise:** Patterson Companies is expected advantage from the gradual recovery in the dental market and the rebounding dental equipment business (especially in North America), assisted by increased technology marketing/promotional activities. A research report by the Grand View Research suggests that the global dental equipment market is projected to grow at a CAGR 4.9% by 2020.

Per management, the company remains optimistic about serving a strong and stable dental end market.

In fact, it is encouraging to note that Patterson Companies' dental sales in fiscal third-quarter 2020 improved 8.1% year over year to approximately \$626.6 million driven by strong growth in equipment sales, sustained improving trends in consumables and robust demand for value-added services. Moreover, solid revenue growth across all three categories, which resulted in internal sales growth, contributed to the improvement.

In fourth-quarter fiscal 2020, however, dental sales declined 27.2% to \$409.6 million attributable to the severe impact of dental practice closures due to the pandemic. Nonetheless, the slow yet steady dental market recovery, as customers around the country start to reopen, their practices, instills optimism.

- ▲ **Solid Prospects in Animal Health Unit:** Patterson Companies' growing Animal Health unit is a key long-term growth driver. Management at Patterson Companies expects solid margin improvement in the Animal Health Unit through stronger partnerships with product manufacturers and strong sales execution.

Patterson Companies is focused on the enterprise-wide productivity and efficiency initiatives that are essential for optimizing the company's operating model. Primarily on the back of high growth in companion pet population, the veterinary market seems to provide ample growth opportunity for the company. Moreover, the acquisition of Animal Health International is expected to double the size of Patterson Companies' existing veterinary business. It will help the company gain a strong foothold in the animal health market, complementing its existing presence in the companion pet market.

In fourth-quarter fiscal 2020, however, the segment sales declined 1.5% on a year-over-year basis to \$853.2 million. According to the company, this is the result of the direct impact of COVID-19 since the beginning of mid-March. However, the company witnessed internal sales growth through fiscal February and March on the back of high single-digit growth in its global companion animal business. Per management, the company's commitment and disciplined approach to boost execution and improve value proposition led to strong performance during the first two months of the fiscal fourth quarter. In fact, the company remains optimistic that the Animal Health business remains well poised to drive the top line and thereby margins in the near term.

- ▲ **Acquisitions Driving Growth:** Patterson Companies has been expanding its business on the back of strategic acquisitions. In recent past, Patterson Dental Supply, Inc., a business unit of Patterson Companies announced that it acquired Fitzpatrick Dental Design, a dental office design and dental equipment dealer located in Moorpark, California.

Since 1987, the company has acquired over 30 dental products distributors in the United States and Canada, which improved its penetration in both the countries. The acquisition of Holt Dental Supply expands the company's local reach while also enhancing its Midwest domination. Patterson's past acquisition of NVS expanded its footprint in the UK veterinary market. Recently, Patterson acquired Animal Health International. We believe that the company will continue to pursue strategic acquisitions that will expand its product portfolio as well as improve its competitive position over the long term.

- ▲ **Balance Sheet View:** Patterson Companies exited fourth-quarter fiscal 2020 with cash and cash equivalents of \$78 compared with \$106 million on a sequential basis. Meanwhile long-term debt came up to \$638 million, a slight decline from the \$641 million sequentially. The long-

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term debt level is significantly higher than the quarter's cash and cash equivalent level. However, we can see that the current debt level of \$31 million in the quarter, down from \$127 million sequentially, is in fact much lower than the short-term cash level. This is good news in terms of the company's solvency level as, at least during the year of economic downturn, the company has sufficient cash for debt repayment.

In terms of capital deployment, the company historically has been rewarding its shareholders through dividend. In the fiscal fourth quarter too, the company returned \$24.9 million to shareholders and on a full-year basis \$100.4 million as dividend payments. The company's current payout ratio stands at a pretty high level of 66.7%, down from 69.3% sequentially, thereby reflecting sustainability in terms of dividend payment amid the ongoing economic crisis.

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## Risks

- **Cutthroat Competition in the Niche Space:** The U.S. dental products distribution industry is highly competitive and consists principally of national, regional and local full-service and mail-order distributors. Patterson faces competition from another national, full-service firm, Henry Schein Dental, a unit of Henry Schein. In addition, there are at least 15 full-service distributors that operate on a regional level and hundreds of small local distributors. Patterson needs to continue to introduce newer products in the market to withstand competitive pressures. Failure to do so will dilute the company's market share.
- **Supplier Concentration Issue:** Patterson has a significant key supplier concentration. The company's top 10 supply vendor's account for more than 40% of its cost of dental products sold in a fiscal year. Loss of relationship with these vendors will disrupt the supply of raw materials, which in turn will lead to lower sales of Patterson products.
- **Integration Risks:** Patterson had been on an acquisition spree which is improving its revenue opportunities on one hand and aggravating integration risks on the other. Regular acquisitions are also a distraction for management which is likely to impact organic growth. This may limit Patterson's future expansion and worsen the company's risk profile, going forward.
- **Challenging Macroeconomic Scenario:** Pricing pressure in the United States and Europe has been a staggering issue over the past few quarters. Healthcare reform in the United States has created a degree of uncertainty for the medical devices companies and has created a less flexible pricing environment. The company also anticipates these trends to persist in the coming quarters. In fact, the company's earnings declined year over year in the fiscal third quarter.

Moreover, the overall macro-economic uncertainty across the globe affects physician office visits, thereby impacting the company's progress. Thus, the company is treading cautiously in the markets it serves, especially Europe and the Americas, as the results from these territories might hurt margins. With growing concerns over healthcare spending taking its toll on players in the medical device space, the stock might suffer due to a sluggish market.

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## Last Earnings Report

### Patterson Companies Q4 Earnings Top Estimates, Up Y/Y

Patterson Companies, Inc. reported adjusted earnings per share of 43 cents in fourth-quarter fiscal 2020, which beat the Zacks Consensus Estimate by 152.9%. Moreover, the bottom line improved 16.2% from the prior-year quarter.

For full-year fiscal 2020, the company reported adjusted EPS of \$1.55, up 10.7% from the prior-period. The figure surpassed the consensus mark by 20.2%.

Quarter Ending 04/2020

|                  |              |
|------------------|--------------|
| Report Date      | Jun 24, 2020 |
| Sales Surprise   | 1.89%        |
| EPS Surprise     | 152.94%      |
| Quarterly EPS    | 0.43         |
| Annual EPS (TTM) | 1.56         |

### Revenue Details

Net sales in the quarter were \$1.29 billion, outpacing the Zacks Consensus Estimate by 1.9%. However, the top line declined 10.5% year over year.

For full-year fiscal 2020, the company delivered revenues of \$5.49 billion, down 1.5% from fiscal 2019. Nonetheless, the figure surpassed the Zacks Consensus Estimate by 0.4%.

### Segmental Analysis

The company currently distributes products through subsidiaries Patterson Dental and Patterson Animal Health.

#### Dental Segment

This segment provides a complete range of consumable dental products, equipment, software, turnkey digital solutions and value-added services to dentists, and laboratories throughout North America.

In the fiscal fourth quarter, dental sales fell 27.3% year over year to \$409.6 million.

##### *Dental Consumable*

Sales in the sub-segment totaled \$230.5 million, down 26.1% year over year.

##### *Dental Equipment & Software*

Sales in the segment plunged 36.5% on a year-over-year basis to \$110.8 million.

##### *Other*

This segment comprises technical service, parts and labor, software support services and office supplies. Sales at the segment declined 11.2% on a year-over-year basis to \$68.3 million.

#### Animal Health Segment

This segment is a leading distributor of veterinary supplies to clinics, public and private institutions and shelters across the United States.

In the fiscal fourth quarter, the segment sales declined 1.5% on a year-over-year basis to \$853.2 million.

#### Corporate

Sales at the segment were \$23.6 million, which increased a whopping 246.5% from \$6.8 million in the year-ago quarter.

### Margin Analysis

Gross profit in the reported quarter was \$294 million, down 5.9% year over year. As a percentage of revenues, gross margin of 22.9% expanded 110 basis points (bps) on a year-over-year basis.

Operating expenses in the reported quarter totaled \$233.4 million, declining 12.2% from the year-ago quarter.

The company reported operating loss of \$614.5 million against the year-ago quarter's operating income of \$46.6 million.

### Fiscal 2021 Guidance

Due to the ongoing disruption of North American and international market conditions on account of the COVID-19 pandemic, the company is unable to predict the economic effects and related government actions resulting from the same. Therefore, Patterson Companies has decided not to issue fiscal 2021 earnings guidance at this time.

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## Valuation

Patterson Companies' shares are up 11.1% and 2.5% in the year-to-date period and the trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Medical Market are up 1% and 0.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 11.8% while sector is up 4.3%.

The S&P 500 index is down 1.1% in the year-to-date period while up 7.2% in the past year.

The stock is currently trading at 16X Forward 12-months earnings, which compares to 19.2X for the Zacks sub-industry, 23.1X for the Zacks sector and 22.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.5X and as low as 9.1X, with a 5-year median of 16X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$26 price target reflects 18.3X forward 12-months earnings.

The table below shows summary valuation data for PDCO.

| Valuation Multiples - PDCO |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                   | Current       | 16.04 | 19.19        | 23.12  | 22.72   |
|                            | 5-Year High   | 20.45 | 19.19        | 23.12  | 22.72   |
|                            | 5-Year Low    | 9.13  | 13.7         | 15.93  | 15.15   |
|                            | 5-Year Median | 16.02 | 16.53        | 18.63  | 17.42   |
| P/S F12M                   | Current       | 0.4   | 0.35         | 2.79   | 3.54    |
|                            | 5-Year High   | 1.02  | 0.35         | 3.79   | 3.54    |
|                            | 5-Year Low    | 0.23  | 0.23         | 2.42   | 2.54    |
|                            | 5-Year Median | 0.6   | 0.28         | 2.92   | 3.01    |
| P/B TTM                    | Current       | 2.61  | 4.45         | 4.51   | 4.45    |
|                            | 5-Year High   | 3.69  | 4.61         | 4.92   | 4.52    |
|                            | 5-Year Low    | 0.85  | 2.53         | 3.33   | 2.82    |
|                            | 5-Year Median | 2.52  | 3.4          | 4.22   | 3.63    |

As of 07/07/2020

## Industry Analysis Zacks Industry Rank: Top 36% (91 out of 252)



## Top Peers

| Company (Ticker)                                 | Rec          | Rank |
|--------------------------------------------------|--------------|------|
| AmerisourceBergen Corporation (ABC)              | Neutral      | 3    |
| Align Technology, Inc. (ALGN)                    | Neutral      | 3    |
| Danaher Corporation (DHR)                        | Neutral      | 3    |
| Henry Schein, Inc. (HSIC)                        | Neutral      | 3    |
| Integra LifeSciences Holdings Corporation (IART) | Neutral      | 3    |
| IDEXX Laboratories, Inc. (IDXX)                  | Neutral      | 3    |
| Zimmer Biomet Holdings, Inc. (ZBH)               | Neutral      | 3    |
| DENTSPLY SIRONA Inc. (XRAY)                      | Underperform | 4    |

| Industry Comparison Industry: Medical - Dental Supplies |            |            |           | Industry Peers |           |         |
|---------------------------------------------------------|------------|------------|-----------|----------------|-----------|---------|
|                                                         | PDCO       | X Industry | S&P 500   | ABC            | HSIC      | IDXX    |
| Zacks Recommendation (Long Term)                        | Outperform | -          | -         | Neutral        | Neutral   | Neutral |
| Zacks Rank (Short Term)                                 | 1          | -          | -         | 3              | 3         | 3       |
| VGM Score                                               | A          | -          | -         | A              | B         | D       |
| Market Cap                                              | 2.18 B     | 2.18 B     | 21.64 B   | 19.99 B        | 8.35 B    | 28.65 B |
| # of Analysts                                           | 7          | 5          | 14        | 6              | 9         | 4       |
| Dividend Yield                                          | 4.57%      | 0.00%      | 1.92%     | 1.71%          | 0.00%     | 0.00%   |
| Value Score                                             | A          | -          | -         | A              | B         | D       |
| Cash/Price                                              | 0.04       | 0.07       | 0.07      | 0.18           | 0.07      | 0.00    |
| EV/EBITDA                                               | 12.60      | 12.89      | 12.68     | 12.28          | 9.57      | 45.74   |
| PEG Ratio                                               | 2.35       | 3.33       | 2.88      | 1.85           | 4.36      | 6.67    |
| Price/Book (P/B)                                        | 2.61       | 4.04       | 3.01      | 5.40           | 2.32      | 265.12  |
| Price/Cash Flow (P/CF)                                  | 2.38       | 14.22      | 11.66     | 10.16          | 12.12     | 56.10   |
| P/E (F1)                                                | 16.47      | 32.45      | 21.31     | 13.19          | 27.60     | 68.73   |
| Price/Sales (P/S)                                       | 0.40       | 2.13       | 2.30      | 0.11           | 0.83      | 11.66   |
| Earnings Yield                                          | 5.93%      | 1.98%      | 4.43%     | 7.58%          | 3.62%     | 1.46%   |
| Debt/Equity                                             | 0.76       | 0.31       | 0.76      | 0.98           | 0.29      | 7.06    |
| Cash Flow (\$/share)                                    | 9.54       | 1.35       | 6.94      | 9.67           | 4.83      | 6.01    |
| Growth Score                                            | B          | -          | -         | A              | B         | C       |
| Hist. EPS Growth (3-5 yrs)                              | -13.56%    | 10.40%     | 10.90%    | 8.82%          | 6.46%     | 23.99%  |
| Proj. EPS Growth (F1/F0)                                | -12.63%    | -9.50%     | -9.72%    | 5.12%          | -39.60%   | 0.36%   |
| Curr. Cash Flow Growth                                  | 327.70%    | 3.87%      | 5.51%     | -0.05%         | -9.03%    | 12.06%  |
| Hist. Cash Flow Growth (3-5 yrs)                        | 27.55%     | 12.37%     | 8.55%     | 12.37%         | 2.76%     | 14.54%  |
| Current Ratio                                           | 1.44       | 1.60       | 1.30      | 0.97           | 1.64      | 0.85    |
| Debt/Capital                                            | 43.26%     | 27.05%     | 44.46%    | 49.44%         | 26.51%    | 87.59%  |
| Net Margin                                              | -10.72%    | 0.86%      | 10.62%    | 0.85%          | 7.11%     | 17.78%  |
| Return on Equity                                        | 11.20%     | 12.84%     | 15.75%    | 48.85%         | 15.19%    | 264.71% |
| Sales/Assets                                            | 1.69       | 1.07       | 0.55      | 4.66           | 1.39      | 1.37    |
| Proj. Sales Growth (F1/F0)                              | -2.68%     | 0.00%      | -2.57%    | 4.27%          | -16.66%   | 3.40%   |
| Momentum Score                                          | B          | -          | -         | B              | F         | F       |
| Daily Price Chg                                         | -1.11%     | 0.00%      | -1.54%    | -2.40%         | -1.70%    | -0.64%  |
| 1 Week Price Chg                                        | -3.46%     | 3.75%      | 3.66%     | 0.92%          | 4.24%     | 3.05%   |
| 4 Week Price Chg                                        | 16.64%     | -1.96%     | -6.66%    | -1.60%         | -4.33%    | 11.32%  |
| 12 Week Price Chg                                       | 42.33%     | 6.16%      | 7.04%     | 9.93%          | 9.26%     | 28.25%  |
| 52 Week Price Chg                                       | 2.45%      | 2.50%      | -6.88%    | 11.41%         | -15.08%   | 20.66%  |
| 20 Day Average Volume                                   | 1,358,925  | 568,132    | 2,385,506 | 1,212,251      | 1,466,445 | 503,459 |
| (F1) EPS Est 1 week change                              | 0.00%      | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 0.00%   |
| (F1) EPS Est 4 week change                              | 18.50%     | 0.00%      | 0.00%     | 0.00%          | -0.37%    | 0.00%   |
| (F1) EPS Est 12 week change                             | 1.83%      | -25.07%    | -8.21%    | -2.98%         | -26.07%   | -7.80%  |
| (Q1) EPS Est Mthly Chg                                  | 26.44%     | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 0.00%   |



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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    | A |
| Growth Score   | B |
| Momentum Score | B |
| VGM Score      | A |

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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