

## Procter & Gamble Co. (PG)

**\$124.69** (As of 04/17/20)

Price Target (6-12 Months): **\$131.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 03/19/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:C

Value: D

Growth: B

Momentum: B

### Summary

Shares of Procter & Gamble have outpaced the industry in the past year. The company's solid third-quarter fiscal 2020 earnings mark the continuation of its positive surprise trend. Further, earnings and sales improved year over year in the reported quarter on gains from significant sales increase, related fixed cost leverage and ongoing productivity efforts. Top line gained from organic sales growth, driven by rise in organic shipment volume and better pricing. Total productivity cost savings aided core currency-neutral gross and operating margin by 130 bps and 240 bps, respectively. Further, it delivered adjusted free cash flow productivity of 113% in the fiscal third quarter. However, currency fluctuations remain concerning. Due to stronger headwind from foreign exchange rates, the company lowered its all-in sales view for fiscal 2020.

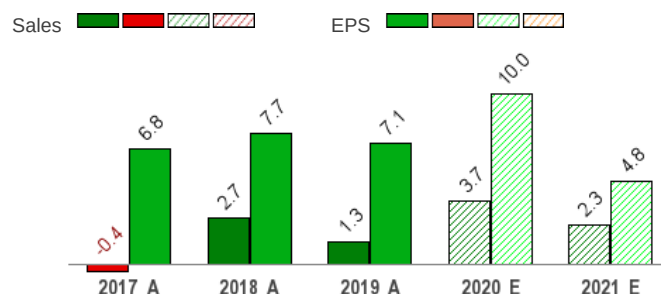
### Price, Consensus & Surprise



### Data Overview

|                            |                                             |
|----------------------------|---------------------------------------------|
| 52 Week High-Low           | \$128.09 - \$94.34                          |
| 20 Day Average Volume (sh) | 13,174,886                                  |
| Market Cap                 | \$307.9 B                                   |
| YTD Price Change           | -0.2%                                       |
| Beta                       | 0.41                                        |
| Dividend / Div Yld         | \$3.16 / 2.4%                               |
| Industry                   | <a href="#">Soap and Cleaning Materials</a> |
| Zacks Industry Rank        | Top 25% (62 out of 253)                     |

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



|                           |       |
|---------------------------|-------|
| Last EPS Surprise         | 4.5%  |
| Last Sales Surprise       | 0.0%  |
| EPS F1 Est- 4 week change | -0.0% |
| Expected Report Date      | NA    |
| Earnings ESP              | -1.8% |
| P/E TTM                   | 24.6  |
| P/E F1                    | 25.1  |
| PEG F1                    | 3.4   |
| P/S TTM                   | 4.4   |

### Sales Estimates (millions of \$)

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | 18,242 E | 18,771 E | 17,499 E | 18,039 E | 71,849 E |
| 2020 | 17,798 A | 18,240 A | 17,214 A | 17,268 E | 70,208 E |
| 2019 | 16,690 A | 17,438 A | 16,462 A | 17,094 A | 67,684 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.40 E | \$1.45 E | \$1.17 E | \$1.17 E | \$5.21 E |
| 2020 | \$1.37 A | \$1.42 A | \$1.17 A | \$1.07 E | \$4.97 E |
| 2019 | \$1.12 A | \$1.25 A | \$1.06 A | \$1.10 A | \$4.52 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 04/17/2020. The reports text is as of 04/20/2020.

## Overview

Headquartered in Cincinnati, OH, The Procter & Gamble Company, also referred to as Procter & Gamble or P&G, is a branded consumer products company which markets its products in more than 180 countries primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, e-commerce, high frequency stores and pharmacies. It has operations in approximately 70 countries. The company has five reportable segments:

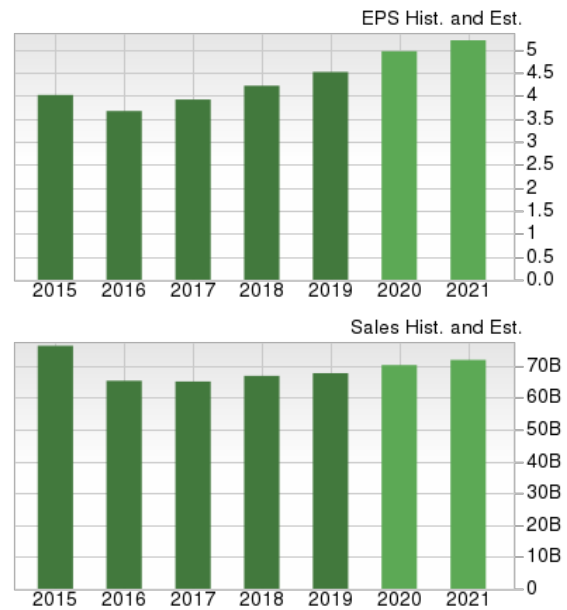
**Beauty (17.6% of Q3 fiscal 2020 revenues):** The segment includes hair care products (conditioner, shampoo, styling aids treatments) antiperspirants and deodorants as well as products for personal cleansing and skin care. Billion Dollar Brands include Head & Shoulders, Olay, Pantene, Old Spice, Safeguard, and SK-II. In Oct 2016, P&G completed its last major step in portfolio transformation with the Beauty Brands divestiture to Coty Inc.

**Grooming (8%):** The segment includes Shave Care products like female and male blades & razors and pre- and post-shave products as well as appliances. Billion Dollar Brands under this segment include Fusion, Gillette, Prestobarba and Mach3.

**Health Care (13.1%):** The segment includes gastrointestinal, rapid diagnostics, respiratory, vitamins/minerals/supplements and other personal health care product categories along with toothbrush, toothpaste and other oral care, product categories. Billion Dollar Brands include Crest, Oral-B and Vicks.

**Fabric and Home Care (33.8%):** The segment includes air care, dish care, fabric enhancers, laundry additives and detergents, P&G Professional and surface care product categories. Billion Dollar Brands under this segment are Ariel, Dawn, Downy, Febreze, Gain and Tide. P&G completed sale of its Duracell (Batteries) business to Berkshire Hathaway in exchange for Berkshire's equity stake in P&G in Feb 2016.

**Baby, Feminine and Family Care (26.7%):** The segment includes baby wipes, diapers and pants, paper towels, tissues, toilet paper, adult incontinence and feminine care products. Billion Dollar Brands include Always, Bounty, Charmin and Pampers.



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## Reasons To Buy:

- ▲ **Q3 Performance Strong:** Shares of Procter & Gamble have gained 17.6% in the past year, compared with the industry's growth of 6.1%. The outperformance is mainly attributed to the company's robust earnings trend, which continued in third-quarter fiscal 2020. Its bottom-line beat in fiscal third quarter marked the continuation of its positive surprise trend for more than a couple of years. Also, sales were in line with the consensus mark. Moreover, earnings and sales improved on a year-over-year basis. Results benefited from the significant volume of sales increase, related fixed cost leverage and ongoing productivity efforts. This was partly offset by currency headwinds and higher coronavirus-related operational costs. Top line gained from organic sales growth of 6%, driven by rise in organic shipment volume and better pricing. Strong consumer demand for the company's products in North America and certain European markets due to the COVID-19 pandemic led to the rise in organic shipment volume. This was partly negated by volume decline in some Asian markets due to temporary disruption of consumer access to retail markets due to the pandemic. Moreover, all of the company's business segments, except Grooming, reported growth in organic sales.

Procter & Gamble's Q3 earnings gained from rise in sales, related fixed cost leverage and ongoing productivity efforts. Rise in shipment volume and better pricing aided sales.

For fiscal 2020, the company reaffirmed its organic sales guidance of 4-5% growth. Moreover, it reiterated core EPS growth guidance of 8-11% year over year, compared with \$4.52 per share reported in fiscal 2019.

- ▲ **Coronavirus-Related Gains:** Procter & Gamble's products play a key role in meeting the daily health, hygiene and cleaning needs of consumers around the world. This led to increased consumer demand for its products during the coronavirus pandemic, when consumers are essentially at home to curb the spread of the virus. The company's efforts to make its cleaning and personal care products during this crisis have helped bolster sales. It has witnessed an increased demand for hand soaps, detergents and surface cleaning products, in particular. The company has been operating its 108 manufacturing plants for uninterrupted supplies of essentials amid the coronavirus. Further, the company's product supply planning and logistics organization played an essential role in supplying goods. It set records of volume produced and shipped across North America, Europe, Latin America and other parts of the world. These efforts primarily resulted in the robust top and bottom line performance in the fiscal third quarter.

- ▲ **Cost Savings and Productivity Program Aid Margins:** Procter & Gamble remains focused on productivity and cost-saving plans to boost margins. The company's continued investment in business alongside efforts to offset macro cost headwinds and balance top and bottom-line growth underscores its productivity efforts. The company is witnessing cost savings and efficiency improvements across all facets of business in the second five-year (fiscal 2017-2021) \$10 billion productivity program. The second five-year restructuring plan targets cutting costs in areas including supply chain and cost of goods sold (COGS), marketing and digitization and promotional spend effectiveness. This plan comprises \$7 billion in COGS savings (\$4.5 billion from raw and packaging materials, \$1.5 billion in manufacturing savings and \$1 billion from transportation/warehousing/other); \$2 billion of marketing cost reductions; \$1.5 billion of trade spending savings (10% efficiency); and \$1-\$2 billion of additional overhead reductions. This brings the total potential savings to \$12-\$13 billion. However, P&G adjusted the level down to up to \$10 billion to take into account the uncertainty associated with operations, especially when projecting out several years.

Notably, the company's core currency-neutral gross and operating margins reflected significant gains from productivity savings and pricing in third-quarter fiscal 2020. In the reported quarter, core gross margin (on a currency-neutral basis) expanded 130 basis points (bps) owing to benefits from gross productivity savings, higher pricing and commodity cost declines. Core currency-neutral operating margin expanded 180 bps in the quarter, including 240 bps of total productivity cost savings.

- ▲ **Strong Free Cash Flows & Shareholder Returns:** Procter & Gamble generates strong free cash flow annually. Cash flow provides management the opportunity to invest in product innovations, acquisitions and brand development in addition to regularly paying dividends and repurchasing shares. Notably, the company generated operating cash flow of \$4.1 billion in the fiscal third quarter and \$12,597 million for the nine months ended Mar 31. Moreover, adjusted free cash flow productivity was 113% for the fiscal third quarter. Furthermore, the company returned nearly \$2.8 billion of cash to its shareholders in the fiscal third quarter. This included dividend payments worth \$1.9 billion and share buybacks of \$900 million. For fiscal 2020, the company reaffirmed its view for adjusted free cash flow productivity at 100%. It expects to pay out more than \$7.5 billion dividends and repurchase \$7-\$8 billion of common shares in fiscal 2020. Recently, management announced a 6% increase in the quarterly dividend, marking the company's 64th consecutive year of dividend increase.
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## Reasons To Sell:

- ▼ **Valuation Looks Stretched:** Considering price-to-earnings (P/E) ratio, Procter & Gamble looks overvalued when compared with the industry and the S&P 500. The stock has a trailing 12-month P/E ratio of 24.6x, which is below the median level of 25.3x and the high level of 27.5x scaled in the past year. On the contrary, the trailing 12-month P/E ratio for the industry is 19.7x and the S&P 500 is 17.9x. Given these factors, we believe that the stock is stretched from the P/E aspect.
- ▼ **Currency Headwinds, Lowered Sales View:** Procter & Gamble's significant international presence exposes it to foreign currency risks, which have been weighing on the company's performance. Apparently, currency fluctuations hurt net sales by two percentage points and core gross margin by 10 bps in third-quarter fiscal 2020. Due to stronger headwind from foreign exchange rates, Procter & Gamble lowered its all-in sales view for fiscal 2020. The company now projects all-in sales to grow 3-4% compared with 4-5% mentioned earlier. The guidance includes a two percentage point of adverse foreign currency, which is likely to be offset by modest gain from acquisitions and divestitures.
- ▼ **Slowdown of Global Economies:** Procter & Gamble remains vulnerable to global economic challenges, which may impact its revenues, profits and cash flows. A global economic slowdown can reduce the personal disposable income of consumers, which in turn, will decrease the company's sales volumes as consumers move toward cheaper alternatives. Further, it may force the company to shift its product mix to lower-margin products, thereby impacting margins. Management stated that it is likely to continue facing challenges from a volatile macro and geopolitical environment.
- ▼ **Competitive Pressure:** Procter & Gamble faces intense competition from other well-established players in the consumer products industry, such as Colgate-Palmolive, Clorox, and Church & Dwight on the basis of pricing, promotional activities and new product introductions. The failure to offer exclusive high-quality products at competitive prices may hamper the company's market share.

Due to stronger headwind from foreign exchange rates, Procter & Gamble has revised its all-in sales view downward for fiscal 2020. It now projects all-in sales to grow 3-4%.

## Last Earnings Report

### Procter & Gamble Q3 Earnings Beat Estimates, Sales Up

Quarter Ending **03/2020**

Procter & Gamble, popularly known as P&G, reported third-quarter fiscal 2020 results, with earnings per share surpassing the Zacks Consensus Estimate. Also, sales were in line with the consensus mark. Moreover, earnings and sales increased on a year-over-year basis.

Procter & Gamble's core earnings of \$1.17 per share rose 10% year over year and outpaced the Zacks Consensus Estimate of \$1.12. Meanwhile, currency-neutral core earnings per share increased 15%.

|                  |                     |
|------------------|---------------------|
| Report Date      | <b>Apr 17, 2020</b> |
| Sales Surprise   | <b>0.00%</b>        |
| EPS Surprise     | <b>4.46%</b>        |
| Quarterly EPS    | <b>1.17</b>         |
| Annual EPS (TTM) | <b>5.06</b>         |

The company reported net sales of \$17,214 million, up 5% year over year and in line with the Zacks Consensus Estimate. Currency fluctuations hurt the top line by two percentage point.

#### Sales in Detail

On an organic basis (excluding the impact of acquisitions, divestitures and foreign exchange), revenues moved up 6% based on 6% rise in organic shipment volume. Further, sales inched up 1% owing to higher pricing. The company mix to net sales growth was flat year over year.

Moreover, all of the company's business segments except Grooming reported growth in organic sales. Organic sales moved up 1% in the Beauty segment, 9% in Health Care, and 10% in Fabric & Home Care as well as 7% in the Baby, Feminine and Family Care segment. However, the metric declined 1% in the Grooming division.

Net sales in the Health Care, Fabric & Home Care, and Baby, Feminine and Family Care segments rose 7%, 8% and 6%, respectively. However, net sales in the Beauty and Grooming segments declined 1% and 3%, respectively.

#### Margins

In the reported quarter, core gross margin increased 120 basis points (bps) year over year to 50.4%, including 10 bps of adverse impact of foreign currency. On a currency-neutral basis, core gross margin expanded 130 bps owing to benefits from gross productivity savings, higher pricing and commodity cost declines. The uptick was partly offset by unfavorable product mix and other headwinds.

Core selling, general and administrative expenses (SG&A), as a percentage of sales, increased 20 bps to 29.5%. The metric declined 50 bps on a currency-neutral basis. The decline was caused by advantage from sales leverage along with savings from overhead and marketing expenses. However, higher marketing investments, inflation and other impacts were deterrents.

Moreover, core operating margin expanded 100 bps. On a currency-neutral basis, the metric improved 180 bps, driven by 240 bps of total productivity cost savings.

#### Financials

Procter & Gamble ended the reported quarter with cash and cash equivalents of \$15,393 million, long-term debt of \$23,310 million and total shareholders' equity of \$45,941 million.

Cash flow from operating activities amounted to \$12,597 million for the nine months ended Mar 31, with operating cash flow of \$4.1 billion in fiscal third quarter. Moreover, free cash flow productivity was 113%.

Furthermore, the company returned \$2.8 billion of cash to its shareholders in fiscal third quarter. This included dividend payouts worth \$1.9 billion and share buybacks of \$900 million.

For fiscal 2020, the company reaffirmed its view for adjusted free cash flow productivity at 100%. It expects to pay out more than \$7.5 billion dividends and repurchase \$7-\$8 billion of common shares in fiscal 2020. Recently, management announced a 6% increase in the quarterly dividend, marking the company's 64th consecutive year of dividend increase.

#### Fiscal 2020 Guidance

Due to stronger headwind from foreign exchange rates, Procter & Gamble has revised its all-in sales view downward for fiscal 2020. The company now projects all-in sales to grow 3-4% compared with 4-5% mentioned earlier. The guidance includes a two percentage point of adverse foreign currency, which is likely to be offset by modest gain from acquisitions and divestitures.

The company reaffirmed its organic sales guidance of a 4-5% growth in the fiscal. Moreover, the company reiterated core EPS growth of 8-11% year over year for fiscal 2020. In fiscal 2019, the company reported core earnings of \$4.52 per share.

## Recent News

### Procter & Gamble Announces Dividend Hike – Apr 14, 2020

Procter & Gamble has approved a dividend of 79.07 cents per share on the common shares of class A and B. This reflects an increase of 6% from the prior dividend and is payable on or after May 15, as of shareholders record on Apr 24. Further, its latest move marks the 64th successive quarter of a dividend increase and the 130th consecutive quarter of paying out dividends to shareholders.

### Procter & Gamble Extends Work From Home for Employees – Mar 23, 2020

In light of the coronavirus outbreak in the United States, Procter & Gamble has extended its previously announced work from home facility for office-based employees in the U.S. and Canada until further notice. However, the company's employees in the manufacturing and distribution facilities continue to work to provide critical health, hygiene and cleaning products to consumers and essential businesses. In the State of Ohio, multiple P&G facilities have been deemed as essential and are continuing operations, including the Cincinnati, Dayton and Lima facilities.

## Valuation

Procter & Gamble shares are down 0.2% in the year-to-date period but up nearly 17.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 1.4% and 13.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 6.1% but the sector is down 8.7%.

The S&P 500 index is down 10.9% in the year-to-date period and 1.7% in the past year.

The stock is currently trading at 24.15X forward 12-month earnings, which compares to 22.17X for the Zacks sub-industry, 18.7X for the Zacks sector and 19.53X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.46X and as low as 16.02X, with a 5-year median of 21.13X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$131 price target reflects 25.37X forward 12-month earnings.

The table below shows summary valuation data for PG

| Valuation Multiples - PG |               |       |              |        |         |
|--------------------------|---------------|-------|--------------|--------|---------|
|                          |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                 | Current       | 24.15 | 22.17        | 18.7   | 19.53   |
|                          | 5-Year High   | 25.46 | 23.53        | 22.37  | 19.53   |
|                          | 5-Year Low    | 16.02 | 17.89        | 16.49  | 15.19   |
|                          | 5-Year Median | 21.13 | 21.07        | 19.66  | 17.45   |
| P/S F12M                 | Current       | 4.26  | 2.65         | 9.03   | 3.2     |
|                          | 5-Year High   | 4.41  | 2.72         | 11.16  | 3.44    |
|                          | 5-Year Low    | 2.6   | 1.94         | 8.1    | 2.54    |
|                          | 5-Year Median | 3.39  | 2.33         | 9.89   | 3.01    |
| EV/EBITDA TTM            | Current       | 18.01 | 12.25        | 33.43  | 10.51   |
|                          | 5-Year High   | 20.54 | 14.72        | 45.11  | 12.87   |
|                          | 5-Year Low    | 11.34 | 9.25         | 27.13  | 8.28    |
|                          | 5-Year Median | 14.35 | 11.05        | 38.38  | 10.78   |

As of 04/17/2020

## Industry Analysis Zacks Industry Rank: Top 25% (62 out of 253)



## Top Peers

|                                      |            |
|--------------------------------------|------------|
| The Clorox Company (CLX)             | Outperform |
| Church & Dwight Co., Inc. (CHD)      | Neutral    |
| Colgate-Palmolive Company (CL)       | Neutral    |
| The Estee Lauder Companies Inc. (EL) | Neutral    |
| Henkel AG & Co. (HENKY)              | Neutral    |
| Reckitt Benckiser Group PLC (RBGLY)  | Neutral    |
| Unilever PLC (UL)                    | Neutral    |
| Unilever NV (UN)                     | Neutral    |

| Industry Comparison Industry: Soap And Cleaning Materials |            |            |           | Industry Peers |            |            |
|-----------------------------------------------------------|------------|------------|-----------|----------------|------------|------------|
|                                                           | PG Neutral | X Industry | S&P 500   | HENKY Neutral  | UL Neutral | UN Neutral |
| <b>VGM Score</b>                                          | <b>C</b>   | -          | -         | <b>F</b>       | <b>A</b>   | <b>A</b>   |
| Market Cap                                                | 307.92 B   | 56.68 B    | 19.60 B   | 33.37 B        | 61.80 B    | 86.59 B    |
| # of Analysts                                             | 9          | 7          | 14        | 2              | 2          | 2          |
| Dividend Yield                                            | 2.39%      | 2.27%      | 2.17%     | 1.89%          | 3.38%      | 3.58%      |
| <b>Value Score</b>                                        | <b>D</b>   | -          | -         | <b>F</b>       | <b>A</b>   | <b>B</b>   |
| Cash/Price                                                | 0.02       | 0.04       | 0.06      | 0.12           | 0.09       | 0.07       |
| EV/EBITDA                                                 | 34.20      | 13.65      | 11.73     | 7.22           | 4.52       | 8.64       |
| PEG Ratio                                                 | 3.37       | 3.98       | 2.19      | NA             | NA         | NA         |
| Price/Book (P/B)                                          | 6.84       | 5.57       | 2.67      | 1.63           | 3.97       | 5.57       |
| Price/Cash Flow (P/CF)                                    | 21.27      | 10.69      | 10.55     | 8.88           | 6.36       | 8.92       |
| P/E (F1)                                                  | 24.64      | 23.41      | 18.18     | 14.65          | 18.05      | 17.69      |
| Price/Sales (P/S)                                         | 4.38       | 3.98       | 2.08      | 1.48           | NA         | NA         |
| Earnings Yield                                            | 3.99%      | 4.31%      | 5.38%     | 6.82%          | 5.54%      | 5.66%      |
| Debt/Equity                                               | 0.42       | 0.68       | 0.70      | 0.10           | 0.00       | 1.70       |
| Cash Flow (\$/share)                                      | 5.86       | 3.45       | 7.01      | 2.15           | 8.31       | 5.66       |
| <b>Growth Score</b>                                       | <b>B</b>   | -          | -         | <b>F</b>       | <b>A</b>   | <b>A</b>   |
| Hist. EPS Growth (3-5 yrs)                                | 3.75%      | 6.48%      | 10.92%    | 5.56%          | NA         | NA         |
| Proj. EPS Growth (F1/F0)                                  | 9.98%      | 2.94%      | -3.36%    | -13.91%        | 2.45%      | -0.17%     |
| Curr. Cash Flow Growth                                    | 4.72%      | 1.99%      | 5.93%     | 0.38%          | 1.99%      | 1.99%      |
| Hist. Cash Flow Growth (3-5 yrs)                          | -0.93%     | 5.95%      | 8.55%     | 4.74%          | 5.95%      | 5.95%      |
| Current Ratio                                             | 0.63       | 0.86       | 1.24      | 1.08           | 0.78       | 0.78       |
| Debt/Capital                                              | 29.26%     | 40.42%     | 42.78%    | 9.28%          | 0.00%      | 62.92%     |
| Net Margin                                                | 6.92%      | 11.84%     | 11.64%    | 10.37%         | NA         | NA         |
| Return on Equity                                          | 27.14%     | 25.65%     | 16.74%    | 13.11%         | NA         | NA         |
| Sales/Assets                                              | 0.60       | 0.90       | 0.54      | 0.63           | NA         | NA         |
| Proj. Sales Growth (F1/F0)                                | 3.73%      | 1.32%      | -0.14%    | -4.34%         | 1.59%      | -0.97%     |
| <b>Momentum Score</b>                                     | <b>B</b>   | -          | -         | <b>A</b>       | <b>A</b>   | <b>A</b>   |
| Daily Price Chg                                           | 2.63%      | 0.74%      | 4.04%     | 5.25%          | 1.17%      | 0.68%      |
| 1 Week Price Chg                                          | -0.36%     | 3.76%      | 16.01%    | 8.67%          | 3.88%      | 4.76%      |
| 4 Week Price Chg                                          | 12.51%     | 10.27%     | 18.93%    | 29.15%         | 4.40%      | 3.82%      |
| 12 Week Price Chg                                         | -0.24%     | -0.24%     | -19.39%   | -20.86%        | -8.35%     | -10.71%    |
| 52 Week Price Chg                                         | 17.58%     | 4.04%      | -11.34%   | -18.45%        | -10.07%    | -14.20%    |
| 20 Day Average Volume                                     | 13,174,886 | 1,874,332  | 3,220,598 | 66,372         | 1,839,394  | 2,864,299  |
| (F1) EPS Est 1 week change                                | 0.27%      | 0.00%      | 0.00%     | 0.00%          | 0.00%      | 0.00%      |
| (F1) EPS Est 4 week change                                | -0.04%     | -0.79%     | -7.09%    | -3.70%         | -0.90%     | -1.78%     |
| (F1) EPS Est 12 week change                               | 0.36%      | -3.65%     | -9.32%    | -8.45%         | -4.87%     | -3.55%     |
| (Q1) EPS Est Mthly Chg                                    | -2.35%     | -0.83%     | -10.68%   | NA             | NA         | NA         |

## 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>D</b> |
| Growth Score   | <b>B</b> |
| Momentum Score | <b>B</b> |
| VGM Score      | <b>C</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.

## Disclosures

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