Aug 28, 2020

Childrens Place, Inc. (PLCE)

$20.78 (As of 08/27/20)

Price Target (6-12 Months): **$22.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 08/26/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**4-Sell**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: F | Momentum: C	

Summary

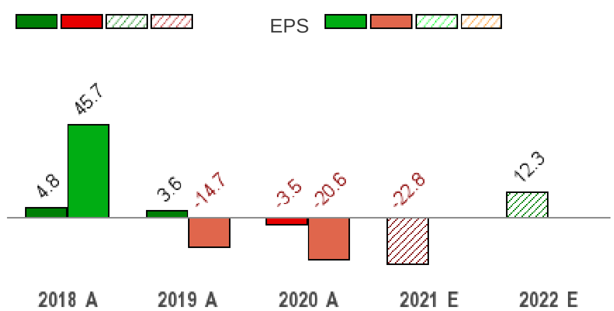
Shares of Children's Place underperformed the industry in the past three months. This downside can be attributed to dismal second-quarter fiscal 2020 performance owing to the pandemic that led to the temporary closure of stores. The company reported wider-than-expected loss and continued to register year-over-year decline in net sales. Further, management informed that the company's back to school sales have been drastically impacted due to the COVID-19 outbreak. It added that this is likely to significantly hurt the company's third-quarter performance. The company also cautioned about lower holiday store traffic and highly promotional backdrop. Nonetheless, the company is trying all means to resonate well with customers. It is focusing on "Superior Product" strategy and directing resources toward digital enhancements.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	$95.53 - $9.25
20 Day Average Volume (sh)	1,662,367
Market Cap	$303.1 M
YTD Price Change	-66.8%
Beta	1.90
Dividend / Div Yld	$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Bottom 9% (229 out of 252)
Last EPS Surprise	-24.4%
Last Sales Surprise	-2.1%
EPS F1 Est- 4 week change	-591.8%
Expected Report Date	12/09/2020
Earnings ESP	0.0%
P/E TTM	14.4
P/E F1	593.7
PEG F1	74.2
P/S TTM	0.2

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	403 E	412 E	499 E	472 E	1,623 E
2021	255 A	369 A	397 E	424 E	1,445 E
2020	412 A	420 A	525 A	513 A	1,871 A

EPS Estimates

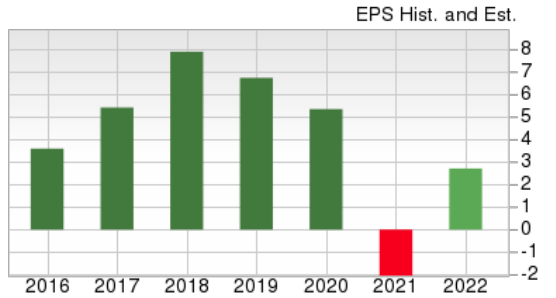
	Q1	Q2	Q3	Q4	Annual*
2022	-$0.25 E	-$0.07 E	$2.49 E	$1.07 E	$2.72 E
2021	-$1.96 A	-$1.48 A	$0.97 E	$0.21 E	-$2.05 E
2020	$0.36 A	$0.19 A	$3.03 A	$1.85 A	$5.36 A

*Quarterly figures may not add up to annual.

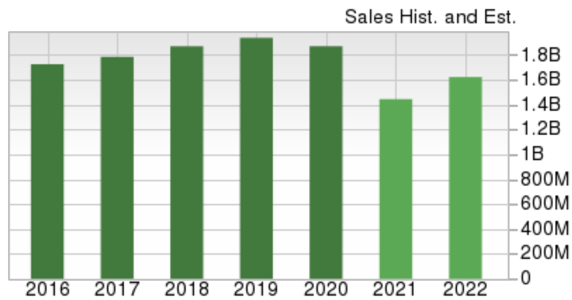
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/27/2020. The reports text is as of 08/28/2020.

Overview

The Children's Place, Inc. is the largest pure-play children's specialty apparel retailer in North America. Based in Secaucus, NJ, the company sells apparel, footwear, accessories and other items for children; and designs, contracts to manufacture, and sells merchandise under the brand names "The Children's Place", "Place", "Baby Place", and "Gymboree."



Gymboree is an iconic children's apparel brand offering colorful, playful, bow-to-toe children's clothing collections that celebrate childhood and help families look their best for any occasion. On April 4, 2019, the company completed the acquisition of certain intellectual property and related assets (the "Gymboree Assets") of Gymboree Group, Inc. and related entities. The company relaunched the iconic Gymboree brand in February 2020 with a meaningfully improved digital experience on www.gymboree.com, complimented by shop-in-shop locations in over 200 co-branded stores in the U.S. and Canada.



Notably, international and wholesale expansion continue to represent meaningful long-term revenue opportunities for the company. Also, the company has been making investments to upgrade its omni-channel capabilities as part of its digital transformation strategy. We note that the company has one of the highest digital penetrations in the industry — accounting for 31% of revenues for fiscal 2019.

As of Aug 1, 2020, the company had 824 stores across the United States, Canada and Puerto Rico as well as the e-commerce business at www.childrensplace.com and www.gymboree.com. The company also had 276 international points of distribution in 19 countries, open and operated by eight franchise partners.

Reasons To Buy:

▲ **Strategic Initiatives:** Children's Place is leaving no stone unturned to improve its top-line performance and expand customer base. Management remains committed to address the challenges related to the pandemic. In this respect, the company is accelerating fleet optimization initiative, directing resources toward digital platforms in order to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility. It is also focusing on "Superior Product" strategy to resonate well with millennial customers and advancing omni-channel capabilities. The company believes that significant participation in loyalty program and private label credit card program increases customer engagement. The successful execution of aforementioned endeavors is likely to drive operating margin expansion and enhance shareholder value.

> Children's Place is accelerating fleet optimization initiative, directing resources toward digital platforms to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility.

▲ **Tapping Opportunities:** The company has been taking steps not only to gain traction in the U.S. market but also expand globally. This is evident from its license agreement with Zhejiang Semir Garment Co. Ltd ("Semir") for the Greater China market, which covers Mainland China, Taiwan, Hong Kong and Macau. Semir is the parent company of Balabala, one of the prominent names in China's specialty children's apparel retail industry. Over the first five years of this agreement, Semir will execute an omni-channel strategy by opening at least 300 Children's Place locations in Greater China and operating The Children's Place e-commerce business. In order to consolidate its position in the children's apparel market, the company took the right decision to acquire Gymboree, following the latter's bankruptcy. It entered into an Asset Purchase Agreement with Gymboree Group, Inc. and related entities to buy intellectual property assets of Gymboree and Crazy 8 (the "Gymboree Assets") for $76 million. The company relaunched Gymboree products at its stores and online in February 2020.

▲ **Efforts to Mitigate COVID-19 Impact:** Children's Place has been undertaken several measures to mitigate the impact of COVID-19 and preserve its financial liquidity. The company has been focusing on curtailing non-essential expenses, managing inventory, extending vendor payment terms, reduction in forward inventory receipts and analyzing all capital expenditures. The company incurred capital expenditures of approximately $9 million during the second quarter of fiscal 2020, and plans to spend approximately $20 million in the current fiscal year, down from $58 million in fiscal 2019. The company has also temporarily suspended its capital return program that includes share repurchases and dividends. The company instituted temporary furloughs. Again, it increased borrowing capacity under revolving credit facility to $360 million from $325 million as a result of finalizing an amendment with its lenders on April 24, 2020.

▲ **Digital Endeavors:** Children's Place has been making investments to upgrade its omni-channel capabilities as a part of its Digital Transformation strategy. Management notified that the company has one of the highest digital penetrations in the industry — accounting for 31% of revenues for fiscal 2019. The company informed that to help fulfill its surging online demand amid the pandemic, it enabled ship-from-store capabilities in roughly 85% of its U.S. stores, which more than doubled its daily shipping capacity. Impressively, the company's digital sales soared 118.2% during the second quarter of fiscal 2020, and represented approximately 71% of total net sales following the temporary closure of stores since March. Quite apparent, the company's $50 million digital transformation investment to enhance omni-channel capabilities in order to meet online demand is reaping benefits. Management highlighted that since the temporary store closures in March, the company has increased new customers to its digital file by about 175% and converted store-only customers to omni-channel ones at a rate roughly three times the pre-pandemic rate. Furthermore, the company's app downloads have risen by approximately 115%.

The lingering impact of COVID-19 will continue to accelerate the shift to digital. The company has launched a completely redesigned responsive site and mobile app for The Children's Place and Gymboree brands. It continued to develop state-of-the-art loyalty, pricing and promotional systems to facilitate the delivery of real time customer personalization in whatever channel customer select. Notably, the company has rolled out "BOPIS" (Buy Online, Pick Up in Store), Save the Sales and Ship from Store, mobile POS in its stores. Further, it launched SMS texting capabilities and implemented everyday free shipping with no minimum purchase. It has also rolled out "BOSS" (Buy Online, Ship to Store), the response of which appears to be encouraging.

▲ **Fleet Optimization:** Children's Place Store Fleet Optimization strategy focuses on striking the right balance between digital and physical stores. With regards to the strategy, the company plans to close an additional 300 stores by the end of fiscal 2021. Of these, 200 closures are planned for this year and remaining for fiscal 2021. We note that the company has permanently closed 102 stores in the first half of the current fiscal year. Since the announcement of fleet optimization initiative in 2013, the company has closed 373 stores. These store closures are seen as part of the company's effort to lower dependency on brick-and-mortar platform and shift toward digitization due to the changing consumer shopping pattern. The company is aiming mall-based, brick-and-mortar portfolio to represent less than 25% of revenues entering fiscal 2022. During the second quarter of fiscal 2020, the company closed 98 outlets. Notably, the company ended the quarter with 824 stores. The company's international franchise partners had 276 international points of distribution in 19 countries as of Aug 1. The company is targeting 625 store locations by the end of fiscal 2021 from 924 stores at the end of fiscal 2019.

Reasons To Sell:

> The company's back to school sales have been drastically impacted as majority of schools adopted remote or hybrid learning models. This is likely to significantly hurt the company’s third-quarter performance.

- **Dismal Performance Hurts Stock:** Shares of Children’s Place have plunged 50.1% in the past three months against the industry's rally of 34.9%. This downside can be attributed to dismal second-quarter fiscal 2020 performance owing to the coronavirus outbreak that led to the temporary closure of stores. The company reported a loss and continued to register year-over-year decline in net sales. We note that the company posted wider-than-expected loss. The top line also fell short of the Zacks Consensus Estimate, following a beat in the preceding two quarters. Children’s Place posted adjusted loss of $1.48 per share, wider than the Zacks Consensus Estimate of a loss of $1.19. Notably, the company had reported an earnings of 19 cents in the year-ago period. Lower net sales and higher interest expense hurt the company’s bottom line. Net sales of $368.9 million decreased 12.3% year over year due to temporary store closures on account of the pandemic and decline in back to school sales beginning in mid-July. While digital sales increased, store sales dropped 66.1%. We note that the top line came below the Zacks Consensus Estimate of $376.9 million.

- **Near-Term Headwinds:** Management informed that the company’s back to school sales have been drastically impacted as majority of schools adopted remote or hybrid learning models owing to the COVID-19 outbreak. It further added that this is likely to significantly hurt the company’s third-quarter performance. The company informed that approximately 70% of third-quarter sales are normally generated in the months of August and September, with the majority of those sales coming from back-to-school apparel and accessories. Management also brought into notice three more factors that will adversely impact third-quarter sales. First, 147 permanent store closures. Second, 50 stores that are still temporarily closed in California and New York due to state and local mandates. Third, the company’s mall-based stores are subject to operating hours set by the mall owners. In most of these locations, the company cannot open before 11 am and are required to close at 7 pm. The company stated that it normally generates about 15% of sales after 7 pm. Taking into account all the aforementioned factors, management expects third-quarter net sales to decline between 25% and 30%. Furthermore, management expects the business to be adversely impacted in the fourth quarter owing to a significantly lower store traffic and a highly promotional backdrop as retailers start their holiday events earlier owing to the pandemic.

- **Margin Contracts:** Gross margin is one of the important financial metrics that helps in determining the health of the company. Adjusted gross profit came in at $93.8 million during the second quarter of fiscal 2020, significantly down from $138.8 million in the year-ago period. Again, gross margin contracted 760 basis points to 25.4% owing to the increased fulfillment costs as result of higher levels of ship-from-store activity related to sturdy digital demand. Merchandise margins were down marginally as a result of liquidation sales at stores permanently closed during the quarter. In the preceding quarter, gross margin had contracted 990 basis points.

- **SG&A Expense Deleverage:** Also, deleverage in SG&A expenses is a concern. Although adjusted SG&A expenses declined 10.4% to $103.5 million in the reported quarter, as a percentage of net sales, the metric deleveraged 60 basis points to 28.1% primarily due to deleverage of fixed expenses resulting from the decline in sales. In the preceding quarter, the metric had deleveraged 380 basis points. We note that the company reported second-quarter adjusted operating loss of $25.2 million against adjusted operating income of $5.8 million in the prior-year period.

- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy’s health – may have serious bearing on spending. The company’s customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. For now, the novel coronavirus has wreaked havoc. The retail sector, in particular, remains under pressure. Again, job losses as well as lower disposable income due to this catastrophe are making things worse. Consumers prefer purchasing essentials before splurging on discretionary items. Also, uncertainty surrounding government stimulus and a contentious November election may impact consumer spending activity.

Last Earnings Report

Children's Place Falls on Wider-Than-Expected Q2 Loss

Quarter Ending	07/2020
Report Date	**Aug 25, 2020**
Sales Surprise	**-2.11%**
EPS Surprise	**-24.37%**
Quarterly EPS	**-1.48**
Annual EPS (TTM)	**1.44**

The Children's Place, Inc. witnessed dismal second-quarter fiscal 2020 performance owing to the coronavirus outbreak that led to the temporary closure of stores. The pure-play children's specialty apparel retailer reported a loss and continued to register year-over-year decline in net sales. We note that the company posted wider-than-expected loss. Top line also fell short of the Zacks Consensus Estimate, following a beat in the preceding two quarters.

Management also informed that the company's back to school sales have been drastically impacted as majority of schools adopted remote or hybrid learning models owing to the COVID-19 outbreak. It further added that this is likely to significantly hurt the company's third-quarter performance.

Let's Introspect

It's quite obvious that Children's Place bore the brunt of temporary store closures that were undertaken to check the spread of the pandemic. We note that the company opened majority of its outlets during the last two weeks of June. As of Aug 1, the company had opened 94% of its total fleet.

Undoubtedly, management remains committed to address the challenges related to the pandemic. In this respect, the company is accelerating fleet optimization initiative, directing resources toward digital platforms in order to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility. It is also focusing on "Superior Product" strategy to resonate well with millennial customers and advancing omni-channel capabilities.

Impressively, the company's digital sales soared 118.2% during the quarter under review. Quite apparent, the company's $50 million digital transformation investment to enhance omni-channel capabilities in order to meet online demand is reaping benefits.

Management highlighted that since the temporary store closures in March, the company has increased new customers to its digital file by about 175% and converted store-only customers to omni-channel ones at a rate roughly three times the pre-pandemic rate. Furthermore, the company's app downloads have risen by approximately 115%.

With regards to its fleet optimization strategy, the company plans to close 300 stores by the end of fiscal 2021. Of these, 200 closures are planned for this year and remaining for fiscal 2021. We note that the company has permanently closed 102 stores in the first half of the current fiscal year.

These store closures are seen as part of the company's effort to lower dependency on brick-and-mortar platform and shift toward digitization due to the changing consumer shopping pattern. The company is aiming mall-based, brick-and-mortar portfolio to represent less than 25% of revenues entering fiscal 2022.

Results in Detail

Children's Place posted adjusted loss of $1.48 per share, wider than the Zacks Consensus Estimate of a loss of $1.19. Notably, the company had reported an earnings of 19 cents in the year-ago period. Lower net sales and higher interest expense hurt the company's bottom line.

Net sales of $368.9 million decreased 12.3% year over year due to temporary store closures on account of the pandemic and decline in back to school sales beginning in mid-July. While digital sales increased, store sales dropped 66.1%. did provide some cushion. We note that the top line came below the Zacks Consensus Estimate of $376.9 million.

Moving on, adjusted gross profit came in at $93.8 million, significantly down from $138.8 million in the year-ago period. Again, gross margin contracted 760 basis points to 25.4% owing to the increased fulfillment costs as result of higher levels of ship-from-store activity related to sturdy digital demand.

Adjusted SG&A expenses declined 10.4% to $103.5 million in the reported quarter. However, as a percentage of net sales, the metric deleveraged 60 basis points to 28.1% primarily due to deleverage of fixed expenses resulting from the decline in sales. This was partly offset by lower operating expenses on account of measures undertaken to mitigate the impact of the COVID-19.

The company reported adjusted operating loss of $25.2 million against adjusted operating income of $5.8 million.

Store Update

The company suspended all store operations in the United States and Canada owing to the coronavirus outbreak effective Mar 18 and only started reopening stores on May 19 in 10 states. In the last two weeks of June, the company reopened majority of its remaining stores. As of August 1, the company had opened 771 of 824 stores to the public in the U.S., Canada and Puerto Rico, with the majority of the closed stores located in California.

With respect to store fleet optimization strategy, the company opened two stores and permanently closed 98 locations during the quarter under review. Notably, the company ended the quarter with 824 stores. The company had 276 international points of distribution in 19 countries.

Since the announcement of fleet optimization initiative in 2013, the company has closed 373 stores. The company is targeting 625 store locations by the end of fiscal 2021.

Other Financial Aspects

Children's Place ended the quarter with cash and cash equivalents of $36.1 million, which reflects a sequential decrease of 49.7%. Notably, the company has no long-term debt. However, the company had $250.8 million outstanding on revolving credit facility at the end of the second quarter compared with $235 million outstanding on revolving credit facility at the end of the preceding quarter and $196 million outstanding on revolving credit facility at the end of prior-year quarter. The increase reflects funding to support operations and seasonal working capital needs. Stockholders' equity at the end of the quarter was $61.5 million.

The company used roughly $42.7 million in operating cash flow. The company has temporarily suspended its capital return program — share repurchases and dividends — in response to the coronavirus crisis. At the end of the quarter, the company had approximately $93 million available under its existing share repurchase program.

The company incurred capital expenditures of approximately $9 million during the quarter. Management anticipates capital expenditures of approximately $20 million in fiscal 2020.

Valuation

Children's Place shares are down 66.8% in the year-to-date period and 75.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 16% but the Zacks Retail-Wholesale sector is up 35.7%, in the year-to-date period. Over the past year, the sub-industry is down 3.1% but the sector is up 43.5%.

The S&P 500 index is up 8.2% in the year-to-date period and 19.5% in the past year.

The stock is currently trading at 10.45X forward 12-month earnings, which compares to 42.48X for the Zacks sub-industry, 33.93X for the Zacks sector and 23.37X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.18X and as low as 2.22X, with a 5-year median of 14.99X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $22 price target reflects 11.08X forward 12-month earnings.

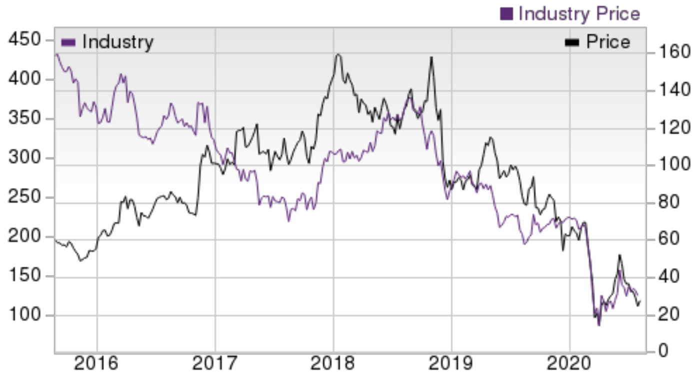
The table below shows summary valuation data for PLCE

Valuation Multiples - PLCE

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.45	42.48	33.93	23.37
	5-Year High	20.18	87.27	34.77	23.37
	5-Year Low	2.22	8.16	19.08	15.25
	5-Year Median	14.99	14.22	23.47	17.58
P/S F12M	Current	0.18	0.62	1.31	3.82
	5-Year High	1.48	1.09	1.31	3.82
	5-Year Low	0.11	0.32	0.82	2.53
	5-Year Median	0.85	0.8	0.97	3.05
EV/EBITDA TTM	Current	3.79	12.75	20.62	13.27
	5-Year High	13.74	12.75	20.75	13.27
	5-Year Low	2.26	4.71	10.68	8.25
	5-Year Median	7.47	6.64	12.97	10.92

As of 08/27/2020

Industry Analysis Zacks Industry Rank: Bottom 9% (229 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
American Eagle Outfitters, Inc. **(AEO)**	Neutral	4
AbercrombieFitch Company **(ANF)**	Neutral	4
Boot Barn Holdings, Inc. **(BOOT)**	Neutral	3
Chicos FAS, Inc. **(CHS)**	Neutral	3
The Gap, Inc. **(GPS)**	Neutral	3
L Brands, Inc. **(LB)**	Neutral	3
Urban Outfitters, Inc. **(URBN)**	Neutral	3
Guess, Inc. **(GES)**	Underperform	4

Industry Comparison Industry: Retail - Apparel And Shoes

				Industry Peers		
	PLCE	X Industry	S&P 500	ANF	BOOT	CHS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	3	3
VGM Score	D	-	-	D	A	F
Market Cap	303.09 M	594.92 M	23.67 B	741.02 M	785.17 M	165.00 M
# of Analysts	5	4	14	10	8	2
Dividend Yield	0.00%	0.00%	1.64%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	A	D
Cash/Price	0.23	0.33	0.07	1.13	0.11	0.74
EV/EBITDA	1.52	6.81	13.33	6.17	7.61	8.88
PEG Ratio	74.21	1.97	3.05	NA	1.21	NA
Price/Book (P/B)	4.93	1.44	3.18	0.91	2.43	0.56
Price/Cash Flow (P/CF)	1.02	4.48	12.81	3.40	7.91	1.91
P/E (F1)	593.71	31.54	21.68	NA	24.24	NA
Price/Sales (P/S)	0.18	0.42	2.50	0.23	0.97	0.10
Earnings Yield	-9.87%	1.97%	4.43%	-24.27%	4.12%	-126.81%
Debt/Equity	4.13	1.05	0.74	1.80	0.82	2.13
Cash Flow ($/share)	20.42	1.88	6.94	3.53	3.44	0.72
Growth Score	F	-	-	C	B	F
Hist. EPS Growth (3-5 yrs)	6.88%	-2.63%	10.41%	2.25%	24.75%	-34.65%
Proj. EPS Growth (F1/F0)	-138.17%	-70.53%	-4.94%	-499.32%	-28.04%	-8,625.00%
Curr. Cash Flow Growth	68.79%	-1.10%	5.22%	-6.25%	76.87%	-34.05%
Hist. Cash Flow Growth (3-5 yrs)	19.29%	1.68%	8.50%	-5.89%	24.73%	-19.65%
Current Ratio	0.58	1.49	1.35	1.50	1.25	1.09
Debt/Capital	80.51%	55.28%	43.86%	64.31%	45.09%	68.02%
Net Margin	-5.67%	-4.32%	10.25%	-4.61%	4.67%	-14.87%
Return on Equity	15.09%	2.47%	14.66%	-10.04%	11.39%	-21.12%
Sales/Assets	1.38	1.06	0.50	0.95	0.91	1.07
Proj. Sales Growth (F1/F0)	-22.75%	-11.64%	-1.43%	-14.46%	-4.40%	-21.86%
Momentum Score	C	-	-	F	D	A
Daily Price Chg	9.92%	0.00%	0.43%	8.09%	-0.58%	-12.10%
1 Week Price Chg	-21.63%	-4.31%	-1.45%	-6.56%	0.00%	-13.07%
4 Week Price Chg	-14.20%	9.16%	3.75%	22.01%	42.39%	1.47%
12 Week Price Chg	-57.41%	-4.13%	3.95%	-11.09%	0.07%	-24.59%
52 Week Price Chg	-75.95%	-27.90%	2.75%	-16.75%	-22.87%	-56.33%
20 Day Average Volume	1,662,367	535,763	1,887,168	2,800,628	1,083,192	1,773,455
(F1) EPS Est 1 week change	-10,329.99%	0.00%	0.00%	-0.34%	0.00%	0.00%
(F1) EPS Est 4 week change	-591.83%	0.00%	0.79%	-4.33%	24.20%	6.35%
(F1) EPS Est 12 week change	-217.03%	-28.47%	3.43%	-19.25%	7.67%	-32.42%
(Q1) EPS Est Mthly Chg	-62.69%	-4.44%	0.00%	-91.67%	70.73%	0.00%

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	C
Growth Score	F
Momentum Score	C
VGM Score	D

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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