

## Perrigo Company plc (PRGO)

**\$58.10** (As of 07/15/20)

Price Target (6-12 Months): **\$61.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/28/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**4-Sell**

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: D

### Summary

Perrigo's constant focus on pursuing additional branded OTC opportunities in the United States is impressive. The acquisition of Ranir in 2019 has boosted the topline significantly. Moreover, the ongoing restructuring initiatives and operating expense discipline support its bottom line. Perrigo's decision to separate its Rx segment is encouraging as it faces a challenging pricing environment for generics, which is hurting sales. Shares of the company have also outperformed the industry in the past year. However, Perrigo faces competition in OTC markets from other generic drug producers and branded pharmaceutical companies. Moreover, the company is facing a \$1.9-billion tax notice in Ireland related to transactions done by Elan Pharma, which is an overhang on the stock.

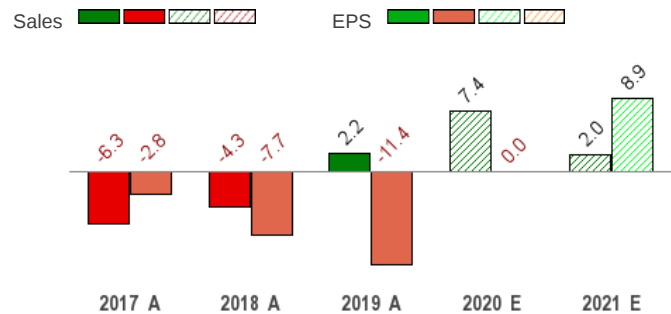
### Price, Consensus & Surprise



### Data Overview

|                            |                                    |
|----------------------------|------------------------------------|
| 52 Week High-Low           | \$63.86 - \$40.01                  |
| 20 Day Average Volume (sh) | 726,391                            |
| Market Cap                 | \$7.9 B                            |
| YTD Price Change           | 12.5%                              |
| Beta                       | 1.20                               |
| Dividend / Div Yld         | \$0.90 / 1.5%                      |
| Industry                   | <a href="#">Medical - Products</a> |
| Zacks Industry Rank        | Bottom 42% (145 out of 251)        |

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



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | 4.6%       |
| Last Sales Surprise       | 1.5%       |
| EPS F1 Est- 4 week change | -0.3%      |
| Expected Report Date      | 08/05/2020 |
| Earnings ESP              | 3.1%       |
| P/E TTM                   | 14.2       |
| P/E F1                    | 14.4       |
| PEG F1                    | 5.8        |
| P/S TTM                   | 1.6        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual* |
|------|---------|---------|---------|---------|---------|
| 2021 |         |         |         |         | 5,296 E |
| 2020 | 1,341 A | 1,227 E | 1,254 E | 1,370 E | 5,193 E |
| 2019 | 1,175 A | 1,149 A | 1,191 A | 1,323 A | 4,837 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 |          |          |          |          | \$4.39 E |
| 2020 | \$1.14 A | \$0.85 E | \$0.95 E | \$1.14 E | \$4.03 E |
| 2019 | \$1.07 A | \$0.86 A | \$1.04 A | \$1.06 A | \$4.03 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 07/15/2020. The reports text is as of 07/16/2020.

## Overview

Dublin, Ireland-based Perrigo Company plc was formed following the December 2013 merger of Allegan, MI-based Perrigo Company with Elan Corporation. The merged entity, with a diversified revenue stream, has a presence in the over-the-counter (OTC) market and sells infant formulas for the store brand market, generic extended topical prescription (Rx) products and specialty pharmaceutical drugs. The company is focusing on self-care products as part of its transformation into a self-care company from a healthcare company.

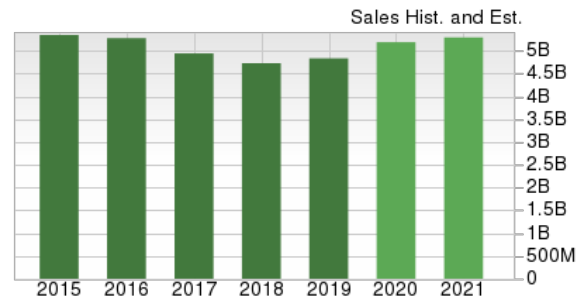
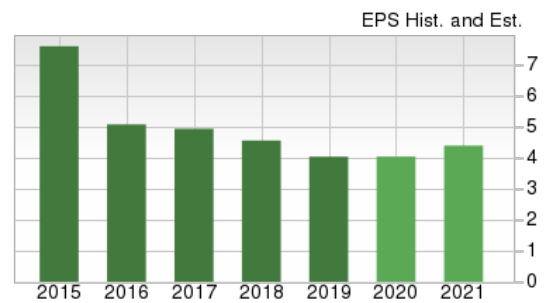
In May 2019, the company updated its reporting segments as part of its self-care transformation strategy. The company's reporting segments are:

**Consumer Self Care Americas (CSCA)** – The segment comprises the U.S., Mexico and Canada CHC business, including OTC, contract manufacturing, infant formula and animal health categories. The segment accounted for approximately 51.4% of the company's total revenues in 2019.

**Consumer Self Care International (CSCI)** – The segment comprises the branded consumer healthcare (BCH) segment mainly in Europe and the company's consumer-focused businesses in the UK and Australia. This segment includes UK liquids licensed products business. The segment accounted for 28.6% of total revenues in 2019.

**RX Segment** – The segment comprises the U.S. Prescription Pharmaceuticals business and the company's diagnostic business in Israel, which was previously reported under the CSCI segment. The segment accounted for 20% of total revenues in 2019. The company is planning to divest this segment in the future.

Perrigo generated revenues of \$4.84 billion in 2019, up 2.2%.



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## Reasons To Buy:

▲ **Acquisitions Driving Growth:** Perrigo has expanded its business through several acquisitions, which drives inorganic growth. In July 2019, the company acquired Ranir Global Holdings LLC, the global leader in private label oral self-care market as part of its transformation into a self-care company. The acquisition has boosted Perrigo's position as a global leader in consumer self-care solutions. In February 2020, the company announced an agreement to acquire oral care assets of High Ridge Brands, which is estimated to bring additional \$100 million in 2021. In January 2020, Perrigo acquired leading toothbrush accessory brand, Steripod from Bonfit America, followed by oral self-care assets of High Ridge Brands in April. These deals also boosted Perrigo's oral self-care leadership position.

We are positive on the company's growth-by-acquisition strategy. Restructuring initiatives bode well for the company's growth.

Other interesting acquisitions by Perrigo include Omega Pharma, one of the largest OTC companies in Europe, which strengthened the company's OTC leadership position into continental Europe. The purchase of a portfolio of women's healthcare products from Lumara Health widened its women's health offerings portfolio within the Rx segment while the acquisition of a portfolio of generic dosage forms and Retin-A (a topical prescription acne treatment) from Matawan Pharmaceuticals broadened its Rx portfolio. The acquisition of a product portfolio from Fera Pharmaceuticals expanded ophthalmic offerings and strengthened Perrigo's position within the Rx. Moreover, purchase of the controlling interest in Cobrek Pharmaceuticals strengthened its position in foam-based technologies for the U.S. Rx products. Going forward, management aims to make more of such deals & acquisition activities.

▲ **Focus on the OTC Market:** Perrigo expanded its product offerings in the OTC market through a number of targeted acquisitions since 2015. These include: Omega Pharma, Patheon's Mexican operations, ScarAway, Naturwohl Pharma and acquisition of a portfolio of certain established OTC brands from Glaxo, J&J and Merck

With growth in the OTC market on track as consumer demographics and dynamics drive the use of OTC products, Perrigo has identified potential Rx-to-OTC switches worth multibillion dollars, a key one being the OTC version of AstraZeneca's heartburn drug Nexium in September 2017. These deals boost the company's leading position. The company gained market share in U.S. OTC segment in 2019 on the back of higher sales of existing and new products.

▲ **Encouraging Restructuring Initiatives:** In the first quarter of 2019, Perrigo initiated a transformation process to change itself from a healthcare company to a self-care company. The transformation is anticipated to support and accelerate future growth at the company. The company has reconfigured its marketed portfolio and is accelerating its innovation pipeline. The company has also initiated cost savings program as part of the transformation process which is expected to generate \$100 million in annualized cost. The company is looking to partner with a leading cannabidiol company to capture the growing market.

In May 2019, the company agreed to sell its animal health unit to PetIQ as part of the transformation process. In August 2018, the company announced its plan to divest its RX segment to unlock shareholder value. The segment has been facing pricing pressure amid competition and the separation is likely to help Perrigo focus on expanding its leading consumer business. The company carried on with its preparation for the divestment in 2019. However, it is yet to determine a timeline for completion.

The divestiture of Tysabri royalty stream to RPI Finance Trust generated \$2.2 billion in cash, which was partly used to reduce debt. The company is eligible to receive additional income in royalties.

▲ **Favorable Debt Profile:** Perrigo has a favorable debt profile. As of Mar 28, 2020, the company no debt maturing in the next 12 months. However, the company has cash and cash equivalents of \$510 million as of March quarter end. Moreover, the company's debt to capital is 35.5% as of Mar 28, 2020, compared to 36.7% at the end of fourth quarter 2019. A lower ratio indicates lower financial risk. Overall, the company's debt profile looks good enough to avoid an insolvency.

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## Reasons To Sell:

▼ **Regulatory Investigations:** The U.S. Department of Justice Antitrust Division has conducted several investigations at Perrigo seeking information about its drug pricing practices. Several investigations are underway. In February 2018, a trial was set to investigate monopolization of bacitracin ophthalmic ointment in the United States. Although the case was finally settled, any such allegation in the future will impact the company's goodwill. In December 2018, the company received a notice from the Irish tax authorities for a tax liability of \$1.9 billion (€1.636 billion) related to Elan Pharma. The company has appealed against the decision and a judicial review is underway.

Perrigo's businesses continue to be impacted by pricing and other macro-economic pressures. Stiff competition remains a threat as well.

In March 2017, Perrigo received a notice of delisting from NYSE, as the company was unable to comply with the continued listing requirements under the timely filing criteria. Though the company filed its financial reports before the expiry of the extension period, such warnings always hurt a company's goodwill/reputation.

▼ **Pricing & Other Macro-Economic Pressures:** The uncertain potential impact of COVID-19 on demand and ability to manufacture and supply products is a concern. Moreover, pricing pressure and changing dynamics in the U.S. businesses, particularly in the Rx segment, is hurting the company's sales. The reduced pricing is attributable to a variety of factors including a shift in focus from customers to capturing supply chain productivity savings, low raw material pricing, loss of exclusivity on certain products and consolidation of certain customers in the Rx segment. The segment continues to experience a significant year-over-year reduction in pricing due to competitive pressure.

Meanwhile, the Rx segment is facing intense competition from other generic drug producers as well as brand-name pharmaceutical companies launching their own generic version of their branded products. These include Par Pharmaceuticals, Apotex Corp., Glenmark Generics Inc., Impax Laboratories, Inc., Mylan, Prasco, LLC, Sandoz, Sun Pharmaceuticals, Taro Pharmaceuticals, Teva Pharmaceutical Industries Ltd., and Akorn.

▼ **Competition in OTC Market:** Although the markets for OTC pharmaceuticals and infant formula hold potential, these are subject to higher competition from brand-name pharmaceutical and consumer product companies. Perrigo's primary competitors include LNK International, Inc., PL Developments, Dr. Reddy's Labs, Johnson & Johnson, Pfizer, Bayer AG, GSK, Abbott Nutrition and Mead Johnson Nutrition Co.

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## Last Earnings Report

### Perrigo Beats on Q1 Earnings and Sales

Perrigo reported first-quarter 2019 adjusted earnings of \$1.14 per share, which beat the Zacks Consensus Estimate of \$1.09. The bottom line increased 6.5% year over year.

Net sales increased 14.2% year over year to \$1.34 billion, beating the Zacks Consensus Estimate of \$1.32 billion by a slight margin. The year-over-year growth was driven by addition of products from the recently closed Ranir acquisition and higher demand for existing products. Higher demand for consumer products and sales of new products was partially offset by a loss of \$11 million in sales from discontinued products and pricing pressure in Prescription Pharmaceuticals segment. Sales rose 17.6% excluding exited businesses and the impact of foreign currency movement. Organic net sales (excludes sales of Ranir products, exited businesses and the impact of currency) were up 11% year over year.

Moreover, the company's business received a boost with increase in demand for self-care products and drugs during March due to stockpiling by customers amid COVID-19 pandemic. The company estimates that this additional demand has added \$90 million to \$110 million to net sales.

### Segment Discussion

**CSCA:** Net sales of the segment in the first quarter of 2019 came in at \$701 million, up 20.4% year over year, driven by higher sales of over-the-counter ("OTC") and nutrition businesses, increased demand related to COVID-19 and \$55 million of net sales from products added after the Ranir acquisition. Excluding net sales from exited businesses, additional sales from Ranir's products and the impact of foreign currency movement, net sales at CSCA increased approximately 15%. Excluding the exited animal health business, CSCA net sales were up 24.8%.

**CSCI:** The segment reported net sales of \$383 million, up 9.1% from the year-ago period. The growth was driven by new product sales of \$30 million, especially weight loss product XLS Forte 5, and \$21 million of net sales from Ranir's products, as well as higher brand OTC sales attributed to COVID-19 in the United Kingdom. Excluding net sales from Ranir's products and the impact of foreign currency movement and exited businesses, sales increased 8.1%.

**Rx Segment:** Net sales of the segment increased 6.5% to \$258 million. The upside can be attributed to new product sales of \$58 million, led by the launch of generic version of Teva's inhaler — ProAir HFA — partially offset by pricing pressure associated with testosterone gel. The company lost \$5 million in sales from discontinued products.

### 2020 Guidance

Perrigo maintained its guidance for 2020 due to the current volatility and uncertainty associated with the COVID-19 pandemic. The potential impact on demand and ability to manufacture and supply product also remain uncertain.

On its fourth-quarter earnings call, Perrigo had guided adjusted earnings in the range of \$3.95 to \$4.15 per share. It anticipated net sales to grow 6-7% year over year in 2020. Organic growth in net sales was expected to be approximately 3%.

Quarter Ending 03/2020

| Report Date      | Apr 30, 2020 |
|------------------|--------------|
| Sales Surprise   | 1.51%        |
| EPS Surprise     | 4.59%        |
| Quarterly EPS    | 1.14         |
| Annual EPS (TTM) | 4.10         |

## Recent News

### Divests Generic Prescription Pharmaceuticals Business in United Kingdom – Jun 19

Perrigo announced that it has entered into an agreement with a private equity firm headquartered in the United Kingdom to sell its Rosemont Pharmaceuticals business for £156 million or approximately \$195 million in cash. Rosemont Pharmaceuticals is a generic prescription pharmaceuticals manufacturer focused on liquid medicines based in the United Kingdom.

The deal was signed and closed on the same day. The deal is a part of Perrigo's plan to transform into a consumer-focused self-care company.

### Partners to Enter CBD Market – Jun 17

Perrigo announced that it has entered long-term supply agreement with Kazmira LLC to enter the cannabidiol market. Perrigo will also make a strategic investment in Kazmira by buying a minority equity stake.

### FDA Approval for Store Brand Equivalent of Voltaren – Apr 6

Perrigo announced that the FDA has granted approval to its ANDA for OTC diclofenac sodium topical gel 1% or Voltaren Arthritis Pain. Per IQVIA, the drug's sales in the 12 months ending February 2020 were \$550 million.

### Completes Acquisition of High Ridge Brands' Oral Care Assets – Apr 2

Perrigo announced that it has completed the acquisition of the oral care assets of High Ridge Brands for \$113 million in cash. The deal is expected to boost its oral self-care portfolio.

### Receives FDA Approval for ProAir Generic – Feb 24

Perrigo and its partner, Catalent Pharma Solutions, announced that the FDA has approved its regulatory application seeking approval for AB-rated generic version of Teva's ProAir. ProAir is approved for treating bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm in patients aged four years or older. Per IQVIA, the drug's sales in the last 12 months were \$1.4 billion. Perrigo's generic version of ProAir is the first AB-rated generic version of the drug to receive FDA's approval.

### Announces Leadership Transition – Feb 7

Perrigo announced that Jeff Needham will step down from his current role as executive vice president and president of CSCA segment on Mar 23, 2020. He will serve in an advisory role until his retirement on Sep 30, 2020. Rich Sorota will assume Needham's role on Mar 30. Rich currently serves as chief executive officer and president of Ranir.

## Valuation

Perrigo's shares are up 12.5% in the year-to-date period and up 15.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and sector are down 4.5% and up 1.2%, respectively, in the year-to-date period. Over the past year, stocks in the sub-industry and sector are down 3.5% and up 6.8%, respectively.

The S&P 500 Index is up 0.4% in the year-to-date period and up 8.8% in the past year.

The stock is currently trading at 13.73X forward 12-month earnings per share, which compares to 30.66X for the Zacks sub-industry, 23.49X for the Zacks sector and 22.91X for the S&P 500 index.

Over the past five years, the stock has traded as high as 21.4X and as low as 7.83X, with a 5-year median of 13.2X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$61.00 price target reflects 14.42X forward 12-month earnings per share.

The table below shows summary valuation data for PRGO

| Valuation Multiples - PRGO |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                   | Current       | 13.73 | 30.66        | 23.49  | 22.91   |
|                            | 5-Year High   | 21.4  | 31.01        | 23.49  | 22.91   |
|                            | 5-Year Low    | 7.83  | 17.09        | 15.91  | 15.25   |
|                            | 5-Year Median | 13.2  | 20.27        | 18.99  | 17.52   |
| P/S F12M                   | Current       | 1.51  | 3.9          | 2.86   | 3.58    |
|                            | 5-Year High   | 4.34  | 3.92         | 3.74   | 3.58    |
|                            | 5-Year Low    | 1.03  | 2.9          | 2.22   | 2.53    |
|                            | 5-Year Median | 2.1   | 3.29         | 2.9    | 3.02    |
| P/B TTM                    | Current       | 1.37  | 2.99         | 4.41   | 4.42    |
|                            | 5-Year High   | 2.69  | 3.48         | 5.07   | 4.56    |
|                            | 5-Year Low    | 0.88  | 2.2          | 2.94   | 2.83    |
|                            | 5-Year Median | 1.68  | 2.8          | 4.29   | 3.71    |

As of 07/15/2020

## Industry Analysis Zacks Industry Rank: Bottom 42% (145 out of 251)



## Top Peers

| Company (Ticker)                          | Rec        | Rank |
|-------------------------------------------|------------|------|
| Bayer Aktiengesellschaft (BAYRY)          | Outperform | 1    |
| Abbott Laboratories (ABT)                 | Neutral    | 3    |
| GlaxoSmithKline plc (GSK)                 | Neutral    | 3    |
| JohnsonJohnson (JNJ)                      | Neutral    | 3    |
| Mallinckrodt public limited company (MNK) | Neutral    | 3    |
| Mylan N.V. (MYL)                          | Neutral    | 4    |
| Novartis AG (NVS)                         | Neutral    | 3    |
| Dr. Reddys Laboratories Ltd (RDY)         | Neutral    | 3    |

| Industry Comparison Industry: Medical - Products |         |            |           | Industry Peers |           |         |
|--------------------------------------------------|---------|------------|-----------|----------------|-----------|---------|
|                                                  | PRGO    | X Industry | S&P 500   | MNK            | MYL       | RDY     |
| Zacks Recommendation (Long Term)                 | Neutral | -          | -         | Neutral        | Neutral   | Neutral |
| Zacks Rank (Short Term)                          | 4       | -          | -         | 3              | 4         | 3       |
| VGM Score                                        | B       | -          | -         | A              | C         | B       |
| Market Cap                                       | 7.92 B  | 334.03 M   | 22.66 B   | 261.81 M       | 8.78 B    | 8.90 B  |
| # of Analysts                                    | 7       | 3          | 14        | 8              | 9         | 2       |
| Dividend Yield                                   | 1.55%   | 0.00%      | 1.83%     | 0.00%          | 0.00%     | 0.51%   |
| Value Score                                      | B       | -          | -         | A              | A         | C       |
| Cash/Price                                       | 0.07    | 0.11       | 0.07      | 3.78           | 0.07      | 0.04    |
| EV/EBITDA                                        | 15.47   | 0.16       | 12.99     | -12.65         | 7.55      | 20.52   |
| PEG Ratio                                        | 5.70    | 5.63       | 2.97      | 0.03           | 1.81      | NA      |
| Price/Book (P/B)                                 | 1.37    | 3.56       | 3.12      | 0.14           | 0.78      | 4.33    |
| Price/Cash Flow (P/CF)                           | 8.40    | 17.72      | 12.14     | 0.15           | 2.04      | 14.15   |
| P/E (F1)                                         | 14.25   | 37.74      | 22.04     | 0.52           | 3.92      | 29.26   |
| Price/Sales (P/S)                                | 1.58    | 5.33       | 2.38      | 0.09           | 0.76      | 3.65    |
| Earnings Yield                                   | 6.94%   | -1.05%     | 4.32%     | 190.65%        | 25.50%    | 3.43%   |
| Debt/Equity                                      | 0.55    | 0.10       | 0.76      | 2.50           | 1.08      | 0.01    |
| Cash Flow (\$/share)                             | 6.92    | -0.01      | 6.94      | 20.20          | 8.33      | 3.79    |
| Growth Score                                     | B       | -          | -         | A              | D         | B       |
| Hist. EPS Growth (3-5 yrs)                       | -14.50% | 13.05%     | 10.85%    | 1.99%          | 1.11%     | 4.60%   |
| Proj. EPS Growth (F1/F0)                         | 0.11%   | 5.88%      | -9.64%    | -33.50%        | -1.94%    | -34.23% |
| Curr. Cash Flow Growth                           | -9.84%  | 4.54%      | 5.51%     | 10.71%         | -3.91%    | 40.31%  |
| Hist. Cash Flow Growth (3-5 yrs)                 | -1.06%  | 7.87%      | 8.55%     | 10.87%         | 16.74%    | 5.28%   |
| Current Ratio                                    | 1.86    | 2.73       | 1.30      | 1.46           | 1.26      | 1.79    |
| Debt/Capital                                     | 35.49%  | 14.48%     | 44.46%    | 71.43%         | 51.83%    | 0.82%   |
| Net Margin                                       | 3.77%   | -25.53%    | 10.59%    | -39.56%        | 0.54%     | 11.15%  |
| Return on Equity                                 | 9.72%   | -7.96%     | 15.75%    | 29.14%         | 20.00%    | 19.83%  |
| Sales/Assets                                     | 0.44    | 0.54       | 0.54      | 0.30           | 0.37      | 0.77    |
| Proj. Sales Growth (F1/F0)                       | 7.34%   | 0.00%      | -2.52%    | -16.59%        | 5.12%     | 0.25%   |
| Momentum Score                                   | D       | -          | -         | C              | D         | C       |
| Daily Price Chg                                  | 3.29%   | 1.96%      | 1.91%     | 12.73%         | 2.78%     | 1.28%   |
| 1 Week Price Chg                                 | -0.04%  | -0.25%     | -0.41%    | 4.12%          | 1.07%     | -1.65%  |
| 4 Week Price Chg                                 | 7.81%   | 1.91%      | 1.88%     | 23.02%         | 6.32%     | 0.47%   |
| 12 Week Price Chg                                | 17.09%  | 16.54%     | 16.37%    | -10.92%        | 13.88%    | 1.61%   |
| 52 Week Price Chg                                | 15.35%  | -3.73%     | -4.22%    | -59.00%        | -5.19%    | 39.64%  |
| 20 Day Average Volume                            | 726,391 | 271,877    | 2,266,132 | 3,370,737      | 5,208,448 | 156,945 |
| (F1) EPS Est 1 week change                       | -0.28%  | 0.00%      | 0.00%     | 0.00%          | -0.15%    | 0.00%   |
| (F1) EPS Est 4 week change                       | -0.28%  | 0.00%      | 0.00%     | 0.00%          | -0.15%    | 0.00%   |
| (F1) EPS Est 12 week change                      | 0.06%   | -6.64%     | -5.76%    | -3.42%         | -0.20%    | 1.10%   |
| (Q1) EPS Est Mthly Chg                           | -0.18%  | 0.00%      | 0.00%     | 0.00%          | 0.15%     | NA      |

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

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### Disclosures

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