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Aug 12, 2020

## PayPal Holdings, Inc. (PYPL)

**$189.03** (As of 08/11/20)

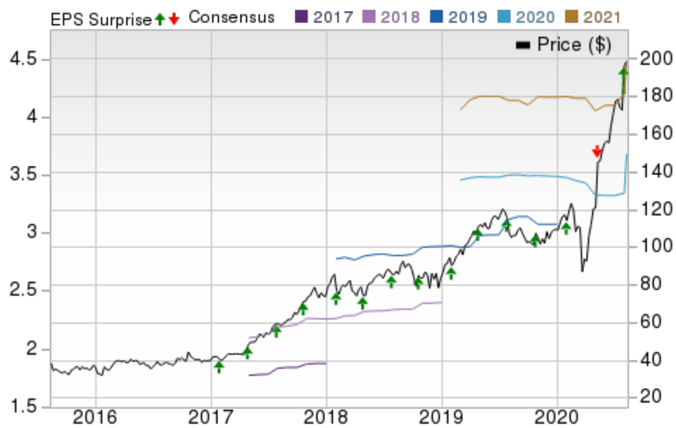
Price Target (6-12 Months): **$217.00**

| | | |
|---|---|---|
| Long Term: 6-12 Months | **Zacks Recommendation:** (Since: 08/04/20) Prior Recommendation: Neutral | **Outperform** |
| Short Term: 1-3 Months | **Zacks Rank:** (1-5) | **2-Buy** |
| | Zacks Style Scores: | VGM:B |
| | Value: D \| Growth: B \| Momentum: A | |

## Summary

PayPal reported impressive second quarter results wherein both earnings and revenues surpassed the estimates and improved year over year. Robust growth in total payments volume (TPV) owing to increasing net new active accounts drove the top line. Moreover, strengthening customer engagement on the company's platform and Honey buyout benefits were positive. Further, strong performance by Venmo and merchant services contributed well to the TPV growth. Additionally, growing momentum of the company's core peer to peer and PayPal Checkout experiences was a tailwind. We believe accelerating transaction revenues of PayPal are likely to continue driving revenues. Notably, the stock has outperformed its industry on year-to-date basis. However, increasing credit loss reserves owing to macroeconomic projections on account of coronavirus is a risk.

## Price, Consensus & Surprise



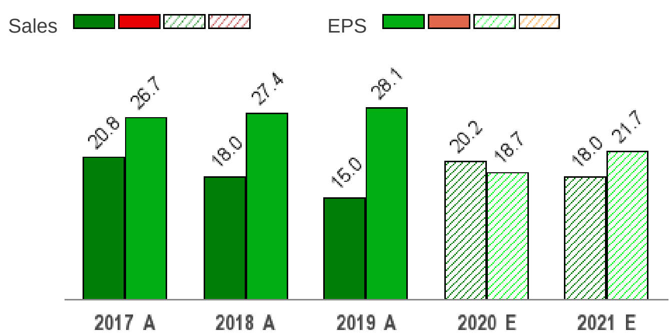

## Data Overview

| | |
|---|---|
| 52 Week High-Low | $204.23 - $82.07 |
| 20 Day Average Volume (sh) | 7,899,359 |
| Market Cap | $221.8 B |
| YTD Price Change | 74.8% |
| Beta | 1.21 |
| Dividend / Div Yld | $0.00 / 0.0% |
| Industry | Internet - Software |
| Zacks Industry Rank | Top 43% (108 out of 253) |

| | |
|---|---|
| Last EPS Surprise | 27.4% |
| Last Sales Surprise | 6.1% |
| EPS F1 Est- 4 week change | 13.1% |
| Expected Report Date | 10/28/2020 |
| Earnings ESP | 0.0% |

| | |
|---|---|
| P/E TTM | 59.1 |
| P/E F1 | 51.4 |
| PEG F1 | 2.9 |
| P/S TTM | 11.5 |

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




## Sales Estimates (millions of $)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | 5,629 E | 6,168 E | 6,398 E | 7,180 E | 25,206 E |
| 2020 | 4,618 A | 5,261 A | 5,395 E | 6,091 E | 21,358 E |
| 2019 | 4,128 A | 4,305 A | 4,378 A | 4,961 A | 17,772 A |

## EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | $0.99 E | $1.09 E | $1.14 E | $1.30 E | $4.48 E |
| 2020 | $0.66 A | $1.07 A | $0.93 E | $1.08 E | $3.68 E |
| 2019 | $0.78 A | $0.86 A | $0.61 A | $0.86 A | $3.10 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 08/11/2020. The reports text is as of 08/12/2020.

## Overview

PayPal has emerged as one of the largest online payment solutions providers on the back of its strong product portfolio and two-sided platform that enables it to offer smooth and secure transaction facility to both customers and merchants.

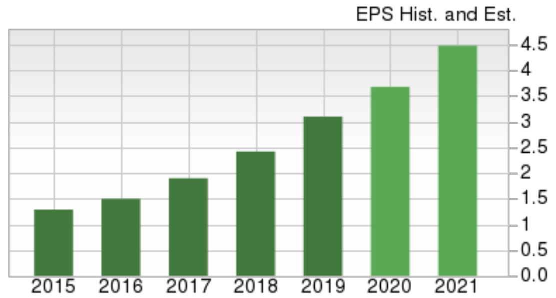
The company's peer-to-peer payment service, Venmo, is the key catalyst behind the solid growth in its total payment volume (TPV). Venmo is driving the active accounts base of the company with the aid of strong monetization efforts and robust features.

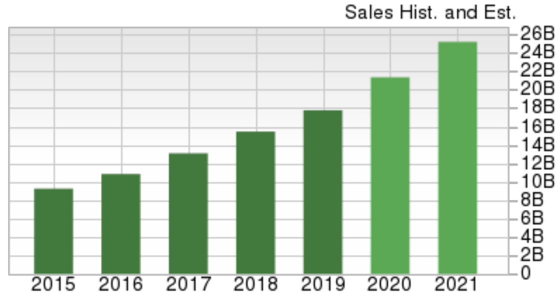
Moreover, PayPal poses a serious challenge to Square's growing presence in the online payment space on growing adoption of Venmo.

Further, the company offers domestic and international person-to-person payment facilities with the help of PayPal and Xoom products.

One Touch, which has emerged as the key growth driver behind PayPal's accelerating mobile volumes owing to its robust mobile checkout services, is contributing to the merchant and customer base further.

With the aid of these robust products, PayPal continues to gain solid traction in the global online payment market. It allows customers to send payments in more than 200 markets globally. It has connections with financial service providers worldwide.




Further, the company supports withdrawal of funds from bank accounts in 56 currencies and holding balances in PayPal accounts in 25 currencies. Additionally, transfer of funds supports more than 100 currencies globally.

Additionally, this San Jose, CA-based company is gaining from strategic acquisitions including Hyperwallet, Braintree and iZettle that are helping it in delivering better payment experience.

Furthermore, PayPal's growing banking initiatives remain noteworthy. Instant Transfer to bank allows U.S. customers to transfer money to their bank accounts seamlessly within 30 minutes on the back of the company's partnership with JPMorgan Chase.

In 2019, PayPal generated revenues of $17.8 billion. It earns revenues transactions and other value-added services that accounted for 90.6% and 9.4%, respectively, of 2019 revenues.

Further, the company's primary geographical markets which include United States, the U.K. and Other Countries contributed 53%, 10.5% and 36.5%, respectively, to 2019 revenues.

## Reasons To Buy:

PayPal's two-sided platform, safety and simplicity of transactions, opportunities in the fast-growing mobile space and strategic partnerships are major positives.

- PayPal's **safety and simplicity of transactions and the fact that it's both brand and technology pioneer** differentiates it from its competitors remain noteworthy. The company offers simple and affordable financial services and digital payment facilities enabling customers and merchants to access and move their money anywhere, anytime and through any connected device. The company's risk management and tokenization help secure legitimacy of transactions and prevent illegal or fraudulent transactions. PayPal's onboarding facility offers more choice to customers while opening a PayPal account. The company's account setting and check-out experiences are bolstering customer engagement. Additionally, PayPal's two-sided platform enables it to develop and maintain direct financial relationship with both customers and merchants. The platform connects consumers and merchants facilitating unique end-to-end product experiences to both parties. Merchants are able to keep track of customer behavior and engagement using PayPal's data. The platform enables PayPal to maintain a deep and trusted relationship with its growing merchants and consumer base.

- PayPal continues to forge **strategic partnerships**. The company's ongoing strategic partnership with Visa in the United States, Europe and Asia-Pacific provides enhanced consumer choice, point of sale acceptance, instant money withdrawal facility and data quality. The partnership provides certain economic incentives to the company such as Visa incentives for increased volume and greater long-term Visa fee certainty. This partnership has been recently expanded to Europe and Asia-Pacific. PayPal and Mastercard have been working together for 10 years. They currently run a multi-year PayPal Extras Mastercard co-branded consumer credit card program. MasterCard is a "clear and equal" payment choice in PayPal's wallet. This partnership has been recently expanded Europe, Latin America, Canada, Africa, the Caribbean and the Middle East. PayPal's partnerships with Google, Facebook, Pinterest, Alibaba and Intuit are also delivering positive results. Over the past one year, the company has put itself in a favorable place for partnerships across multiple original equipment manufacturers (OEM), technology companies, mobile-carriers, retailers and financial institutions. Further, PayPal's new partnerships with CaixaBank, Bankia, HSBC and Barclays Bank are helping the company to improve its customer base. Additionally, the introduction of new services and offers for the debit and credit card users by collaborating with JP Morgan and Bank of America helped in attracting customers to the platform.

- **One Touch** continues to be PayPal's most rapidly adopted product. This platform allows customers to make purchases through a variety of merchant websites or apps without having to enter additional information. OneTouch is now a secular tailwind behind PayPal, a clear advantage in mobile with which it is witnessing increased conversion. The platform has opened new market opportunities internationally with opportunities to expand in many more markets of Venmo.

- **Venmo** continues to bolster PayPal's stake in mobile payments. This application enables the transfer of money between family and friends via mobile devices. In second-quarter 2020, the app processed $37 billion, up 52% year over year. The company is contantly adding new features to this app. Venmo users can now pay at more than 2 million PayPal merchants across the United States. Further, it is making good progress in acquiring net new actives. Moreover, the company's ongoing partnership with MasterCard will continue to aid the adoption rate of Venmo. With all these, Venmo will continue to deploy more and more merchants across major brands.

- PayPal has a solid balance sheet that makes the stock attractive to investors. As of Jun 30, 2020, the company's net cash amounted to $4.1 billion compared with $2.2 billion as of Mar 31, 2020. Moreover, debt-to-total capital was 33.6% as of Jun 30, 2020 which increased from 33.2% as of Mar 31, 2020. Although the increasing debt-to-capital raises risk, we note that the company has no significant debt maturities in 2020 and 2021. Moreover, PayPal generates significant cash flow that boosts liquidity. This will enable the company to continue to its share buyback program in the near term. Notably, the company generated $2.4 billion of cash from operations in the second-quarter 2020 which is up from $1.5 billion in the previous quarter. Further, its free cash flow was $2.2 billion in the second quarter.

## Risks

- PayPal operates in the highly competitive global payments industry with its participants, many of which are traditional financial services companies such as MasterCard and Visa, enjoying dominant and secure positions. PayPal, being an intermediary, is vulnerable to competitive moves from these companies in the digital wallets space, although they have not gained much traction so far.

- The nature of business makes PayPal vulnerable to foreign exchange risk. A significant part of the company's operations are international and thus, appreciation or depreciation of the U.S. dollar versus foreign currencies such as British Pound Euro, Canadian Dollar and Australian Dollar could impact the company's financial results. The company holds some customer and corporate funds in non-U.S. currencies and thus could face foreign exchange risk while translating them to U.S. dollars. The same is true when it comes to the company's assets and liabilities denominated in currencies other than the functional currency of its subsidiaries.

- The company is exposed to interest rate risk from its interest rate sensitive assets and investment portfolio. The assets underlying PayPal's customer balances that are held in its balance sheet as customer accounts are maintained in interest and non-interest bearing bank deposits, corporate debt securities, time deposits, and U.S. and foreign government and agency securities.

- Moreover, the company is trading at premium in terms of Price/Book (P/B). PayPal currently has a trailing 12-month P/B ratio of 14.12. This level compares unfavorably with what the industry witnessed in the last year. Additionally, the ratio is closer to the high end of the valuation range in this period. Consequently, the valuation looks slightly stretched from P/B perspective.

## Last Earnings Report

### PayPal's Q2 Earnings & Revenues Surpass Estimates

| Quarter Ending | 06/2020 |
|---|---|
| Report Date | Jul 29, 2020 |
| Sales Surprise | 6.14% |
| EPS Surprise | 27.38% |
| Quarterly EPS | 1.07 |
| Annual EPS (TTM) | 3.20 |

PayPal Holdings reported non-GAAP earnings of $1.07 per share in second-quarter 2020, which surpassed the Zacks Consensus Estimate by 25.9%. Further, the figure improved 49% on a year-over-year basisand 62.1% sequentially.

Although the bottom line was impacted by rise in credit provisions on account of revised macroeconomic projections, it benefited from unrealized gain from MercadoLibre investment.

Net revenues of $5.3 billion outpaced the Zacks Consensus Estimate of $4.9 billion. The figure improved 22% from the year-ago quarter on a reported basis and 25% on FX-neutral basis. Further, it increased 13.9% from the prior quarter.

Growing total payment volume (TPV) courtesy of increasing net new active accounts contributed to year-over-year top-line growth. Moreover, boom in digital payment and e-commerce space owing to ongoing coronavirus pandemic remained a tailwind.

Further, strong performance delivered by Venmo and merchant services contributed to the results. Additionally, PayPal Checkout experiences, which witnessed growing transactions, remained a positive.

The company expects to continue witnessing uptrend in the digital payment market for the rest of the year.

Additionally, accelerating transaction revenues of PayPal are likely to continue driving revenues. Further, its strong efforts toward product enhancements remain positives.

The deployment of QR code technology across PayPal and Venmo apps in 28 global markets is expected to deliver better payment experience. Further, activation of direct deposits for Venmo users and launch of Business Profiles are noteworthy.

Additionally, the availability of PayPal as a payment option for Mercado Pago’s online checkout is likely to enhance its e-commerce capabilities.

### Top Line in Detail

By Type: Transaction revenues amounted to $4.9 billion (94% of net revenues), up 28% from the year-ago quarter.Other value-added services generated revenues of $316 million (accounting for 6% of net revenues), decreasing 26% year over year.

By Geography: Revenues from the United States totaled $2.7 billion (50% of net revenues), up 15% on a year-over-year basis. International revenues were $2.6 billion (50% of revenues), up 30% from the prior-year quarter.

### Key Metrics to Consider

PayPal witnessed year-over-year growth of 21% in total active accounts with addition of 21.3 million net new active accounts during the reported quarter.Positive contributions from Honey acquisition contributed to growth in net new active number. The total number of active accounts was 346 million in the quarter under review, which surpassed the Zacks Consensus Estimate of 341 million.

Additionally, the total number of payment transactions came in at 3.7 billion, up 26% on a year-over-year basis. Further, the figure outpaced the Zacks Consensus Estimate of 3.6 billion. Strong PayPal Checkout experiences benefited the performance.

Further, the company’s payment transactions per active account were 39.2million, which improved0.5% from the year-ago quarter, reflecting strong customer engagement on PayPal’s platform. Further, the figure surpassed the Zacks Consensus Estimate of 38.9million.

TPV amounted to $221.7 billion for the reported quarter, reflecting year-over-year growth of 29% and 30%on spot rate and currency neutral basis, respectively. Further, the figure surpassed the Zacks Consensus Estimate of $209.3 billion.

Notably, year-over-year growth in TPV was primarily driven by robust Venmo, which accounted for $37 billion of TPV, surging 52% on a year-over-year basis courtesy of strong monetization efforts.

Further, merchant services, which contributed 91% to the TPV,and the volume generated from these services was up 28% year over year. The company witnessed around 1.7 million of merchants signing up during the second quarter.

### Operating Details

PayPal’s operating expenses were $4.3 billion in the second quarter, up 19.7% from the prior-year quarter. As a percentage of net revenues, the figure contracted 170 basis points (bps) year over year.

Consequently, non-GAAP operating margin came in at 28.2%, expanding 500 bps from the year-ago quarter.

### Balance Sheet & Cash Flow

As of Jun 30, 2019, cash equivalents and investments were $13.05 billion, up from $10.2billion on Mar 31, 2019.

PayPal had a long-term debt balance of $8.9 billion at the end of second quarter compared with $7.9 billion at the end of first quarter.

The company generated $2.4 billion of cash from operations, up from $1.5 billion in the previous quarter.

Free cash flow came in at $2.2 billion during the reported quarter, up from $1.3 billion in the prior quarter.

Further, the company returned $220 million to shareholders and repurchased 1.4 million shares.

## Guidance

For third-quarter 2020, PayPal expects revenues to reflect year-over-year improvement in the range of 23% at current spot rate and 25% at FX-neutral basis.

Non-GAAP earnings, which are anticipated to grow by 25%, are expected to carry acquisitions impact of 4 cents per share.

Additionally, TPV in the third quarter is likely to exhibit an improvement of 30%.

For 2020, PayPal expects revenues to reflect year-over-year improvement in the range of 20% at current spot rate and 22% at FX-neutral basis.

Non-GAAP earnings, which are anticipated to grow by 25%, are expected to carry acquisitions impact of 11 cents per share.

Additionally, TPV for 2020 is likely to exhibit growth of high in 20s.

## Recent News

On **Jun 11, 2020**, PayPal pledged $530 million in a bid to support black and minority-owned businesses and communities in the United States.

On **May 19, 2020**, PayPal unveiled QR Code Payments facility in order to ensure touch free payment service to reduce the spread of coronavirus. The function has been launched in 28 global markets.

On **Apr 10, 2020**, PayPal received approval from the U.S. Small Business Administration (SBA) to provide access to Paycheck Protection Program (PPP) loans.

On **Jan 22, 2020**, PayPal joined forces with UnionPay International in an attempt to support UPI acceptance across its own global acceptance regions.

On **Jan 6, 2020**, PayPal completed the buyout of Honey Science Corp. for a hefty amount of about $4 billion. This acquisition will strengthen its presence in the e-commerce market. The deal is likely to help the company to get new sources of data and insights into online shopping behavior of consumers.

## Valuation

PayPal shares are up 74.7% in the year-to-date period and 78.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 51.6% and 18% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 37.5% and 31.8%, respectively.

The S&P 500 index is up 3.3% in the year-to-date period and 14.1% in the past year.

The stock is currently trading at 9.35X forward 12-month sales, which compares to 7.98X for the Zacks sub-industry, 3.99X for the Zacks sector and 3.65X for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.23X and as low as 3.54X, with a 5-year median of 5.64X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $217 price target reflects 10.73X forward 12-month sales.

The table below shows summary valuation data for PYPL

**Valuation Multiples - PYPL**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| P/S F12M | Current | 9.35 | 7.98 | 3.99 | 3.65 |
| | 5-Year High | 10.23 | 8.56 | 4.01 | 3.65 |
| | 5-Year Low | 3.54 | 3.01 | 2.32 | 2.53 |
| | 5-Year Median | 5.64 | 5.27 | 3.14 | 3.05 |
| EV/Sales TTM | Current | 11.33 | 10.02 | 4.59 | 3.23 |
| | 5-Year High | 12.25 | 10.85 | 4.59 | 3.46 |
| | 5-Year Low | 3.76 | 3.02 | 2.58 | 2.14 |
| | 5-Year Median | 6.15 | 5.96 | 3.65 | 2.86 |

As of 08/11/2020

## Industry Analysis **Zacks Industry Rank:** Top 43% (108 out of 253)


## Top Peers

| Company (Ticker) | Rec | Rank |
|---|---|---|
| Apple Inc. **(AAPL)** | Outperform | 1 |
| Amazon.com, Inc. **(AMZN)** | Neutral | 3 |
| Alibaba Group Holding Limited **(BABA)** | Neutral | 3 |
| Alphabet Inc. **(GOOGL)** | Neutral | 3 |
| Intuit Inc. **(INTU)** | Neutral | 3 |
| Mastercard Incorporated **(MA)** | Neutral | 3 |
| Square, Inc. **(SQ)** | Neutral | 3 |
| Visa Inc. **(V)** | Neutral | 3 |

## Industry Comparison Industry: Internet - Software

Industry Peers

| | PYPL | X Industry | S&P 500 | AAPL | AMZN | SQ |
|---|---|---|---|---|---|---|
| **Zacks Recommendation (Long Term)** | Outperform | - | - | Outperform | Neutral | Neutral |
| **Zacks Rank (Short Term)** | 2 | - | - | 1 | 3 | 3 |
| **VGM Score** | B | - | - | F | A | C |
| Market Cap | 221.79 B | 881.42 M | 23.61 B | 1,870.59 B | 1,543.08 B | 60.74 B |
| # of Analysts | 16 | 5 | 14 | 12 | 14 | 13 |
| Dividend Yield | 0.00% | 0.00% | 1.69% | 0.75% | 0.00% | 0.00% |
| **Value Score** | D | - | - | F | C | D |
| Cash/Price | 0.06 | 0.09 | 0.07 | 0.05 | 0.04 | 0.04 |
| EV/EBITDA | 55.67 | -0.94 | 13.32 | 23.91 | 40.27 | 127.11 |
| PEG Ratio | 2.87 | 5.67 | 2.95 | 3.17 | 3.19 | 8.65 |
| Price/Book (P/B) | 12.54 | 7.32 | 3.22 | 25.88 | 20.93 | 31.53 |
| Price/Cash Flow (P/CF) | 58.06 | 29.42 | 12.79 | 28.67 | 45.95 | 371.86 |
| P/E (F1) | 51.37 | 87.63 | 22.02 | 33.85 | 96.28 | 314.76 |
| Price/Sales (P/S) | 11.54 | 4.87 | 2.57 | 6.83 | 4.80 | 10.32 |
| Earnings Yield | 1.95% | 0.26% | 4.29% | 2.95% | 1.04% | 0.32% |
| Debt/Equity | 0.51 | 0.14 | 0.77 | 1.30 | 0.45 | 1.12 |
| Cash Flow ($/share) | 3.26 | -0.00 | 6.94 | 15.26 | 67.05 | 0.37 |
| **Growth Score** | B | - | - | D | A | B |
| Hist. EPS Growth (3-5 yrs) | 19.67% | 16.26% | 10.41% | 10.40% | 97.34% | NA |
| Proj. EPS Growth (F1/F0) | 18.75% | -1.62% | -6.51% | 8.69% | 39.06% | -45.10% |
| Curr. Cash Flow Growth | 30.28% | 6.87% | 5.22% | -3.74% | 31.33% | 130.71% |
| Hist. Cash Flow Growth (3-5 yrs) | 18.18% | 21.83% | 8.55% | 7.40% | 49.26% | 26.09% |
| Current Ratio | 1.38 | 1.51 | 1.34 | 1.47 | 1.18 | 1.70 |
| Debt/Capital | 33.56% | 25.82% | 44.59% | 56.54% | 31.00% | 52.90% |
| Net Margin | 13.44% | -17.73% | 10.13% | 21.33% | 4.10% | 5.15% |
| Return on Equity | 16.17% | -13.96% | 14.59% | 70.66% | 20.47% | -1.20% |
| Sales/Assets | 0.35 | 0.60 | 0.51 | 0.83 | 1.42 | 1.05 |
| Proj. Sales Growth (F1/F0) | 20.18% | 5.59% | -1.45% | 4.67% | 31.31% | 49.83% |
| **Momentum Score** | A | - | - | D | A | A |
| Daily Price Chg | -2.22% | -0.46% | -0.17% | -2.97% | -2.14% | -0.78% |
| 1 Week Price Chg | 1.31% | 0.00% | 2.30% | 4.57% | 0.09% | 13.38% |
| 4 Week Price Chg | 9.71% | 2.68% | 6.41% | 12.69% | -0.11% | 14.03% |
| 12 Week Price Chg | 30.02% | 16.23% | 15.42% | 39.71% | 25.78% | 74.45% |
| 52 Week Price Chg | 78.26% | 8.89% | 2.88% | 109.36% | 68.86% | 119.44% |
| 20 Day Average Volume | 7,899,359 | 526,846 | 2,007,486 | 40,897,812 | 4,949,587 | 12,325,127 |
| (F1) EPS Est 1 week change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 45.37% |
| (F1) EPS Est 4 week change | 13.06% | 0.00% | 1.84% | 4.79% | 59.34% | 45.37% |
| (F1) EPS Est 12 week change | 12.62% | 2.50% | 2.40% | 5.02% | 62.03% | 38.67% |
| (Q1) EPS Est Mthly Chg | 8.75% | 0.00% | 0.72% | -2.31% | 47.95% | 55.42% |

## 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 | D |
| Growth Score | B |
| Momentum Score | A |
| VGM Score | 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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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.