

SAP SE (SAP)

\$131.65 (As of 01/29/20)

Price Target (6-12 Months): **\$140.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/24/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: C

Growth: D

Momentum: A

Summary

SAP's fourth-quarter earnings and revenues improved year over year. The company is benefiting from strong growth in cloud and software revenues, and expanding customer base. Robust adoption of S/4HANA, C/4HANA, Fieldglass, Concur and SuccessFactors Employee Central solutions holds promise. Further, SAP's alliances with Microsoft, Accenture and Verizon favor business prospects. Moreover, synergies from Qualtrics acquisition are enabling SAP to bolster Customer Experience segment revenues. Markedly, SAP increased its 2020 guidance. Nonetheless, integration risks from acquisitions are likely to limit margin expansion. Moreover, increasing investments to enhance cloud-based offerings are anticipated to weigh on bottom-line growth at least in the near term. Notably, shares of SAP have underperformed the industry in the past year.

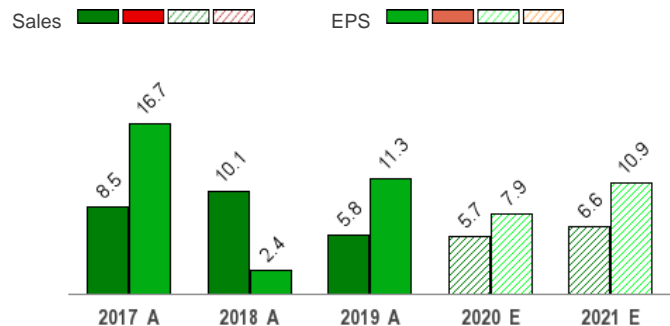
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$140.67 - \$102.31
20 Day Average Volume (sh)	802,550
Market Cap	\$157.1 B
YTD Price Change	-1.8%
Beta	1.09
Dividend / Div Yld	\$1.20 / 0.9%
Industry	Computer - Software
Zacks Industry Rank	Top 21% (53 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.7%
Last Sales Surprise	1.7%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	04/22/2020
Earnings ESP	0.0%
P/E TTM	23.1
P/E F1	21.3
PEG F1	2.1
P/S TTM	5.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	7,929 E	8,410 E	8,557 E	9,719 E	34,770 E
2020	7,336 E	7,841 E	7,968 E	9,200 E	32,613 E
2019	6,917 A	7,452 A	7,570 A	8,905 A	30,863 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.35 E	\$1.55 E	\$1.71 E	\$2.22 E	\$6.84 E
2020	\$1.13 E	\$1.38 E	\$1.56 E	\$2.10 E	\$6.17 E
2019	\$1.02 A	\$1.22 A	\$1.45 A	\$2.02 A	\$5.72 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 01/29/2020. The reports text is as of 01/30/2020.

Overview

Headquartered in Walldorf, Germany, SAP SE is one of the largest independent software vendors in the world and the leading provider of enterprise resource planning (ERP) software. Its solutions are designed to cater to the needs of organizations, ranging from small and medium businesses to large, global enterprises.

The company provides ML, IoT, and advanced analytics technologies which helps customers deriving meaningful insights and decision-making capabilities. The company also provides end-to-end suite of applications and services.

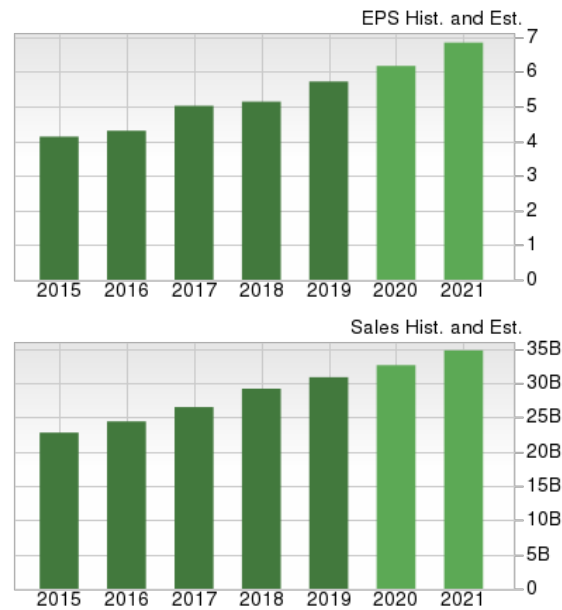
Notably, SAP's Human Experience management (HXM) solution — SAP SuccessFactors — ended 2019 with more than 450 customers.

SuccessFactors Employee Central forms the backbone of the company's Human Experience Management offerings. Robust market traction of these solutions remains a key growth driver for SAP. SAP SuccessFactors HXM solutions boasts a customer base of almost 700,000 globally.

SAP reported revenues of €27.553 billion in fiscal 2019. Total revenues, on non-IFRS basis, came in at €27.634 billion, up 12% year over year (up 9% at constant currency).

Cloud and Software (83.6% of total 2019 revenues): Software revenue represents fees earned from the sale or license of software to customers. Cloud revenues relate to contracts, which permit the customer to use specific SAP-hosted software functions during the contract period, and which impose significant contractual penalty if the customer cancels the contract or permanently uses the software on their own systems.

Services (16.4%): Services revenues comprise primarily of consulting and other service revenues. The company generates most of its consulting revenues from the implementation of its software products. Other service revenues consists mainly of revenues from the messaging services acquired from Sybase as well as training revenues from educational services to customers and partners on the use of the company's software products and related topics.



Reasons To Buy:

- ▲ SAP has established dominance over three of the most critical client demand areas, namely, efficient customer engagement, human experience management (HXM) and interconnected commerce network, which in turn, support growth. The company follows an open ecosystem strategy, which enables it to better leverage its innovation capacity by extending it to partners as well. This drives better customer value, based on respective domain expertise. The SAP partner ecosystem is a collaborative, innovative and interactive network of partners, customers and individuals. Backed by the company's extensive global relationships, customers have a wide range of providers and resources to choose from for software-related services and support.
- ▲ SAP provides collaborative commerce capabilities (Ariba), flexible workforce management (Fieldglass) and effortless travel and expense processing (Concur) under its Intelligent Spend Group. Approximately \$3.6 trillion in global commerce is transacted annually through this platform across more than 180 countries. The company remains focused on leveraging this huge network to enhance collaboration both within and among the companies. SAP's Intelligent Spend Group revenues experienced 15% growth, driven by cloud subscriptions and support-revenue growth in fourth-quarter 2019. Currently, Concur — used to process travel and expenses — continues to be a catalyst for SAP. Similarly, momentum witnessed by Ariba and Fieldglass remains noteworthy. Also, the company is taking concerted efforts to take Ariba in the Chinese market. Such strategic actions to reinforce its thriving business network are likely to accelerate the company's growth momentum.
- ▲ SAP's new class of solutions that power the next generation of business applications – SAP HANA (High-Performance Analytic Appliance) – has been driving growth since its introduction. Moreover, the company's latest offering from the SAP HANA family, S/4HANA, has established itself as a “mission critical control center” for businesses pursuing digital transformation. SAP expects demand for S/4 HANA to surge, as SAP Cloud powered by HANA is the only ‘real-time digital data offering’ that helps in modernizing client operations. In the fourth quarter, S/4HANA adoption improved 24% year over year to around 13,800 customers. This apart, the company constantly upgrades its existing products and launches new ones to gain customers. The company introduces regular advances to SAP S/4HANA Cloud to attract more clients. In fact, Gartner predicts software-as-a-service (SaaS) revenues to hit \$151.1 billion in 2022 from \$85.7 billion in 2018 at a CAGR of 15.2%. SAP is making concerted efforts to make the most of it.
- ▲ Moreover, SAP has been primarily concentrating on expanding its cloud business to become one of the leading players in the category. Further, it has a competitive edge over its cloud competitors as its processes are designed to be industry-specific and can be customized to meet corresponding business requirements. The company's HXM applications are gradually gaining extreme popularity among international organizations. SuccessFactors Employee Central, which forms the backbone of the company's Human Capital Management offerings, surpassed the 3,700-customer mark in the fourth quarter. These offerings have been increasingly helping clients manage both permanent and temporary workforce. Additionally, the company is well poised against its key HCM peers, even in markets outside the United States. In this regard, SAP concluded the buyout of Callidus Software in April, 2018, to add intelligent automation capabilities, consequently strengthening its SAP Front Office Suite. Management is also optimistic regarding the acquisition of Qualtrics, concluded on Jan 23, 2019, for \$8 billion in cash. Driven by solid market traction of its cloud business, the company anticipates upbeat pipeline and momentum in cloud to continue through 2020, signaling brighter days ahead. Opportunities for growth in support revenues are lucrative, which, in turn, drives the company's enthusiasm regarding the 2020 projections. Non-IFRS cloud revenues are expected in the range of €8.7-€9.0 billion, up 24-28% at cc. Non-IFRS cloud and software revenues are anticipated between €24.7 billion and €25.1 billion, up 7-9% at cc. On the heels of sustained rapid growth in the cloud, robust software momentum and operating profit expansion, SAP aims to triple its 2018 non-IFRS cloud revenues (€5.03 billion) by 2023.

SAP's dominance in providing efficient customer engagement, human capital management and interconnected commerce network support its growth.

Reasons To Sell:

- ▼ SAP faces stiff competition as it operates in the IT services industry. The company competes with large IT service providers with greater resources, such as IBM Global Services. The software market being highly dynamic, SAP faces competition from both large and small firms in the market. Hence, the company has to invest in new technological developments from time to time to maintain its position in the software market. This increases research and development and related expenses, which sometimes weigh on its financials. Moreover, this makes the company vulnerable to risks of pricing pressure and loss of market share, which in turn, can adversely impact its financial position, profit, and cash flow. This apart, the ongoing trend to invest more in cloud solutions exposes SAP to risks of losing existing “on-premise customers”, which can adversely impact its top-line performance, especially in the short run. Continued investment in a standardized converged HANA-based cloud platform and expenses incurred for new technologies resulted in a revenue mix-shift effect between its cloud and on premise business.
 - ▼ SAP's business, being spread across the globe, is more prone to be impacted by the political, economical and regulatory risks. Of late, fluctuations in national currencies in many of its key markets are affecting SAP's financial performance. Moreover, unfavorable shifts in general regulatory and budgetary conditions by governments can pose significant challenges to the company's growth. Over the past few quarters, many of the company's emerging markets have faced fiscal imbalances and general economic slowdowns, which adversely impacted their purchasing power. In addition, being a multinational company, SAP is also vulnerable to several regulatory risks including overlap among tax regimes, expenditure associated with localization of its products, protectionist trade policies and other difficulties related to intellectual property rights.
 - ▼ Long sale cycles for the products, complexity of individual license transactions, changes in customer budgets and a strong correlation between software and service revenues compound the problem of revenue fluctuation for SAP. Trade war between the United States and China and imposition of tariffs remain an overhang on SAP's software licenses revenues. These apart, certain business models of SAP are highly dependent on a working cyberspace, which means that any breach in cybersecurity can lead to severe repercussions for the company's reputation as well as result in a considerable amount of expenditure for settling legal claims.
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Integration risks from acquisitions and increasing investments to enhance cloud-based offerings remain headwinds.

Last Earnings Report

SAP Q4 Earnings & Revenues Increase Y/Y

SAP SE reported fourth-quarter 2019 non-IFRS earnings of €1.82 per share, which improved 21% from the year-ago figure.

Moreover, earnings of \$2.02 per share beat the Zacks Consensus Estimate by 4.7%.

On IFRS basis, the company reported earnings of €1.37 per share, down 3% year over year.

Total revenues, on a non-IFRS basis, came in at €8.051 billion (\$8.91 billion), up 8% year over year (up 6% at constant currency) and beat the Zacks Consensus Estimate by 1.7%.

On IFRS basis, revenues were €8.04 billion, up 8% year over year.

New cloud bookings advanced 19% (17% at cc) year over year to €878 million.

Quarter Ending **12/2019**

Report Date	Jan 28, 2020
Sales Surprise	1.70%
EPS Surprise	4.66%
Quarterly EPS	2.02
Annual EPS (TTM)	5.71

Impressive Cloud Results

On a non-IFRS basis, Cloud and software business (85.2% of total revenues) reported revenues of €6.858 billion, up 8% year over year (up 6% at cc).

Cloud revenues came in at €1.908 billion, up 37% year over year on a non-IFRS basis (33% at cc). Software licenses & support reported revenues of €4.95 billion, up 1%.

Cloud revenues — related to Software as a Service (SaaS)/Platform as a Service (PaaS) — surged 31% at cc to €1.674 billion. Cloud revenues — Infrastructure as a Service (IaaS) related — rallied 35% year over year at cc to €188 million.

SAP provides collaborative commerce capabilities (Ariba), flexible workforce management (Fieldglass) and effortless travel and expense processing (Concur) under its Intelligent Spend Group (formerly named Business Network). Approximately \$3.6 trillion in global commerce is transacted annually through this platform across more than 180 countries.

Segment wise, Applications, Technology & Services (AT&S) revenues increased 5% (3% at cc) to €6.97 billion. Intelligent Spend Group revenues jumped 15% (12% at cc) to €830 million. Moreover, Qualtrics segment revenues were €156 million.

Expanding Clientele Favors Business Prospects

S/4HANA adoption grew 24% year over year to around 13,800 customers. In the reported quarter, net new customers comprised approximately 40% of total customers.

S/4HANA clientele continues to expand with the addition of Ford Motor Group, Decathlon, and Lockheed Martin, among others. Notably, Vodafone, Deutsche Telekom, ARAMEX, and Mercedes Benz Formula E have gone live with S/4HANA solution in part or entirely in the cloud.

Moreover, SAP's C/4HANA customer experience solution was selected by The Nielsen Company, Royal Dutch Shell, and Chevronin, among others, in the reported quarter.

SAP's Human Experience management (HXM) solution — SAP SuccessFactors — ended the reported quarter with more than 450 customers. Notable deal wins in the quarter comprised Landesbank Baden-Württemberg, Genting Hong Kong, and Universal Beijing Resort, while Eurobank, Computacenter and Chalhoub Group went live on the platform.

SAP's business technology platform bundles SAP HANA, SAP Data Warehouse Cloud, SAP Cloud Platform, SAP Analytics Cloud, SAP Intelligent Robotic Process Automation and SAP Data Intelligence solutions. In the reported quarter, notable deal wins include Barclaycard, Telecom Italia, GetYourGuide and Allegiant Travel Company.

Additionally, Kärcher, Electrolux, Coca-Cola Hellenic Bottling Company, GEA Group, Repsol, and New York Yankees opted for the company's Intelligent Spend Group solutions in the quarter in the quarter.

Further, Qualtrics solutions were selected by Volkswagen Group Australia, JPMorgan Chase, Allianz SE, Alaska Airlines, ExxonMobil, Santander, Samsung Group and the Hearst Corporation, among others, in the reported quarter.

EMEA Witnesses Robust Cloud Growth

Europe, Middle East & Africa (EMEA) Cloud revenues surged 48% at cc. Cloud & software revenues increased 7% at cc. The top line was driven by strong cloud revenues in the U.K., Germany and Netherlands. Moreover, SAP witnessed robust software license revenue growth in the Spain and Switzerland.

Asia Pacific & Japan (APJ) Cloud revenues jumped approximately 33% at cc. Cloud & software revenues increased around 3% at cc. The top line benefited from strong cloud and software license revenue growth in China and Japan.

Americas' Cloud revenues increased 24% at cc. Cloud & software revenues increased 7% at cc. Brazil and Canada delivered strong performance in cloud revenues in the fourth quarter. Further, solid adoption of software license solutions across Brazil, Canada and the United States aided growth.

Margin Details

Non-IFRS gross margin of 75.3% expanded 300 basis points from the year-ago figure.

SAP reported non-IFRS operating expense of €5.209 billion, up 7% from the year-ago quarter (up 5% at cc).

Non-IFRS operating profit of €2.843 billion grew 12% on a year-over-year basis (up 9% at cc).

Non-IFRS operating margin of 35.3% expanded 110 bps year over year (expanded 100 bps at cc).

Segment wise, AT&S profit increased 8% (6% at cc) to approximately €3.288 billion on a non-IFRS basis. Intelligent Spend Group profit advanced 17% (13% at cc) to €172 million. Qualtrics segment reported a loss of €10 million.

Balance Sheet & Cash Flow

The company ended the fourth quarter with cash and cash equivalents of approximately €5.314 billion compared with the previous quarter's figure of €5.525 billion.

The company generated €180 million of operating cash in the reported quarter compared with €638 million utilized in the third quarter.

Free cash outflow came in at €50 million compared with previous quarter cash flow of €370 million.

Guidance for 2020

For 2020, SAP increased the lower end of its guidance for non-IFRS cloud revenues to the range of €8.7-€9.0 billion from the previous guidance of €8.6-€9.1 billion. Non-IFRS total revenues guidance was increased to the range of €29.2 billion to €29.7 billion compared with the previous guidance of €28.6 billion to €29.2 billion.

Notably, the company's non-IFRS operating profit guidance was increased to the band of €8.9 billion to €9.3 billion from the previous guidance of €8.8 billion to €9.1 billion.

2023 Outlook

SAP provided outlook for 2023 as well. The company continues to expect non-IFRS total revenues to grow significantly and exceed €35 billion.

SAP anticipates non-IFRS cloud subscription and support revenues to more than triple over 2018-2023. Moreover, the company projects non-IFRS cloud gross margin to hit 75%.

Recent News

On Jan 29, 2020, SAP's Ariba Solutions were selected by Alkem Laboratories, an India-based pharma company to digitize its procurement process.

On Jan 22, 2020, SAP joined the CEO Carbon Neutral Challenge to facilitate the transition to a low carbon economy.

On Jan 21, 2020, SAP joined the World Economic Forum's Global Plastic Action Partnership community. The company also intends to introduce Plastics Cloud to pave the way for a cleaner ocean by 2030.

On Nov 18, 2019, SAP announced that SuccessFactors Human Experience Management (HXM) Suite continues to gain traction. During third-quarter 2019, the solution has been selected by companies including Ametek, Profi Rom Food S.R.L., SV Group and Vonovia.

On Nov 11, 2019, SAP announced that is co-developing new SAP Cloud for Utilities solution in collaboration with Accenture with an aim to enable companies to manage and streamline business processes.

On Oct 24, 2019, SAP entered into a partnership with Accenture and R3 to develop advanced real-time gross settlement (RTGS) system to facilitate payments in a reliable and secure manner between customers and banks.

On Oct 10, 2019, SAP reported solid preliminary third-quarter 2019 results on upbeat cloud business performance. The company will release final third-quarter 2019 results in detail on Oct 21.

The company also stated that CEO Bill McDermott is stepping down. SAP announced the appointment of its executive board members Christian Klein and Jennifer Morgan as co-CEOs, per its succession plan. The change has been approved by the company's supervisory board and is effective immediately.

On Oct 8, 2019, SAP unveiled enhancements to SAP Analytics Cloud, SAP Data Warehouse Cloud and SAP HANA Cloud to aid customers with data-driven business insights at the SAP TechEd conference in Barcelona, Spain.

Valuation

SAP shares are up 7% in the past six-month period and 27.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 14.3% and 15% in the past six-month period, respectively. Over the past year, the Zacks sub-industry and sector are up 41.4% and 28.6%, respectively.

The S&P 500 index is up 10.4% in the past six-month period and 20.1% in the past year.

The stock is currently trading at 21.15X forward 12-month earnings compared with 29.48X for the Zacks sub-industry, 22.71X for the Zacks sector and 18.81X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.67X and as low as 18.48X, with a 5-year median of 23.64X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$140 price target reflects 22.51X forward 12-month earnings.

The table below shows summary valuation data for SAP

Valuation Multiples - SAP					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	21.15	29.48	22.71	18.81
	5-Year High	30.67	29.48	22.71	19.34
	5-Year Low	18.48	17.61	16.87	15.18
	5-Year Median	23.64	24.13	19.24	17.45
P/S F12M	Current	4.81	7.28	3.69	3.49
	5-Year High	5.4	7.28	3.69	3.49
	5-Year Low	3.33	3.88	2.3	2.54
	5-Year Median	4.36	5.29	3.01	3
P/B TTM	Current	4.68	10.07	5.56	4.48
	5-Year High	5.39	10.18	5.63	4.55
	5-Year Low	3.00	3.87	3.13	2.85
	5-Year Median	4.15	6.28	4.22	3.62

As of 01/29/2020

Industry Analysis Zacks Industry Rank: Top 21% (53 out of 255)



Top Peers

Adobe Systems Incorporated (ADBE)	Neutral
salesforce.com, inc. (CRM)	Neutral
International Business Machines Corporation (IBM)	Neutral
Microsoft Corporation (MSFT)	Neutral
Oracle Corporation (ORCL)	Neutral
SVMK Inc. (SVMK)	Neutral
VMware, Inc. (VMW)	Neutral
Workday, Inc. (WDAY)	Neutral

Industry Comparison Industry: Computer - Software				Industry Peers		
	SAP Neutral	X Industry	S&P 500	CRM Neutral	MSFT Neutral	ORCL Neutral
VGM Score	D	-	-	F	C	C
Market Cap	157.14 B	2.08 B	23.91 B	161.23 B	1,281.94 B	170.65 B
# of Analysts	5	3.5	13	16	14	13
Dividend Yield	0.91%	0.00%	1.77%	0.00%	1.21%	1.80%
Value Score	C	-	-	F	D	B
Cash/Price	0.04	0.10	0.04	0.04	0.11	0.16
EV/EBITDA	19.02	21.80	14.07	56.04	20.99	11.23
PEG Ratio	2.09	2.26	2.00	3.35	2.63	1.40
Price/Book (P/B)	4.67	5.53	3.27	4.84	12.09	10.54
Price/Cash Flow (P/CF)	22.38	28.24	13.48	48.88	26.45	12.06
P/E (F1)	21.14	33.25	18.76	62.84	31.36	13.68
Price/Sales (P/S)	5.10	4.96	2.61	10.17	9.55	4.31
Earnings Yield	4.69%	2.79%	5.32%	1.59%	3.19%	7.31%
Debt/Equity	0.45	0.16	0.72	0.16	0.69	3.13
Cash Flow (\$/share)	5.88	1.01	6.88	3.72	6.35	4.41
Growth Score	D	-	-	D	B	D
Hist. EPS Growth (3-5 yrs)	4.96%	9.69%	10.68%	141.24%	16.25%	6.17%
Proj. EPS Growth (F1/F0)	7.87%	12.12%	7.73%	5.18%	12.80%	10.47%
Curr. Cash Flow Growth	5.30%	8.40%	12.29%	66.28%	19.70%	-0.35%
Hist. Cash Flow Growth (3-5 yrs)	1.98%	8.09%	8.78%	41.18%	11.99%	-1.03%
Current Ratio	1.01	1.49	1.23	1.05	2.85	2.37
Debt/Capital	31.11%	18.28%	43.16%	13.87%	40.81%	75.79%
Net Margin	12.07%	7.06%	11.59%	4.64%	33.02%	27.62%
Return on Equity	15.64%	12.42%	17.38%	5.37%	41.31%	56.86%
Sales/Assets	0.46	0.64	0.54	0.43	0.49	0.37
Proj. Sales Growth (F1/F0)	5.44%	6.70%	4.05%	27.93%	11.33%	1.07%
Momentum Score	A	-	-	D	B	B
Daily Price Chg	-0.61%	0.00%	-0.21%	-0.59%	1.56%	-0.49%
1 Week Price Chg	-0.64%	0.00%	-1.09%	-0.07%	-1.23%	-1.92%
4 Week Price Chg	-1.75%	6.59%	-0.01%	11.76%	6.56%	0.42%
12 Week Price Chg	-2.56%	12.12%	4.14%	14.37%	16.65%	-4.49%
52 Week Price Chg	28.41%	28.41%	17.24%	21.86%	57.96%	5.64%
20 Day Average Volume	802,550	79,058	1,824,613	4,841,551	23,573,976	9,225,084
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.08%	0.12%	0.00%
(F1) EPS Est 12 week change	0.00%	0.00%	-0.11%	2.59%	0.15%	-0.02%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.22%	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	D
Momentum Score	A
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.

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