

## Skechers U.S.A., Inc. (SKX)

**\$31.02** (As of 05/26/20)

Price Target (6-12 Months): **\$33.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/19/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: D

### Summary

Shares of Skechers have slid and lagged the industry in the past three months. The stock came under pressure in spite of the company reporting better-than-expected first-quarter 2020 results. We note that both the top and bottom line declined year over year owing to the adverse impacts of the coronavirus. Reduced activity in China primarily hurt the quarterly performance. Although, the company's e-commerce business remains sturdy, it was not enough to offset sales decline across brick-&-mortar stores. The company's top line fell 2.7% from the year-ago period. Margins also remain under pressure during the quarter. Owing to uncertainty tied to the current backdrop, management refrained from providing any projections. However, Skechers is undertaking actions like curtailing discretionary spending to mitigate the impact of COVID-19.

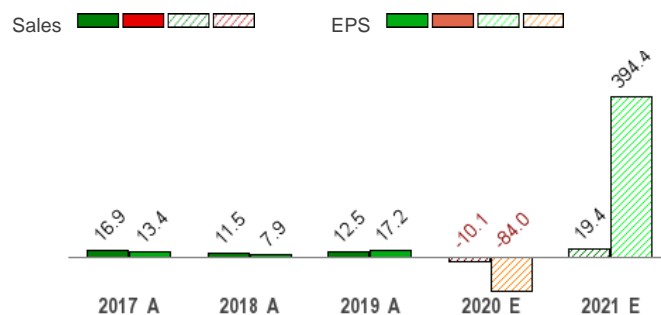
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$44.50 - \$17.06
20 Day Average Volume (sh)	1,931,035
Market Cap	\$4.9 B
YTD Price Change	-28.2%
Beta	1.19
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Shoes and Retail Apparel</a>
Zacks Industry Rank	Bottom 1% (252 out of 253)

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



Last EPS Surprise	2.6%
Last Sales Surprise	1.5%
EPS F1 Est- 4 week change	-29.7%
Expected Report Date	NA
Earnings ESP	6.7%
P/E TTM	16.0
P/E F1	53.5
PEG F1	7.6
P/S TTM	0.9

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					5,608 E
2020	1,242 A	816 E	1,312 E	1,418 E	4,695 E
2019	1,277 A	1,259 A	1,354 A	1,331 A	5,220 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$1.78 E
2020	\$0.39 A	-\$0.62 E	\$0.40 E	\$0.42 E	\$0.36 E
2019	\$0.73 A	\$0.49 A	\$0.67 A	\$0.39 A	\$2.25 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 05/26/2020. The reports text is as of 05/27/2020.

## Overview

Founded in 1992 and headquartered in Manhattan Beach, California, Skechers U.S.A., Inc. (SKX) designs, develops, markets, and distributes footwear for men, women, and children in the United States and overseas under the SKECHERS name, as well as under several uniquely branded names.

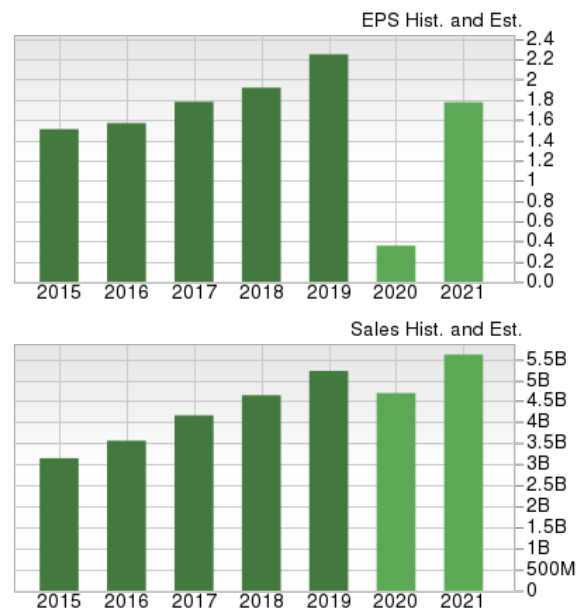
Through its distribution networks, joint venture partners in Asia and the Middle East, and wholly-owned subsidiaries in Canada, Japan, throughout Europe and Latin America, Skechers' products are available in more than 170 countries and territories. There are more than 3,500 SKECHERS Company-owned and third-party-owned retail stores.

Skechers offers casuals, dress casuals, comfort and lightweight, sandals, and casual fusion categories for men and women under the **Skechers USA brand**; sport footwear for men and women, including men's lifestyle athletic footwear, lightweight women's sneakers, and sport sandals and boots under the **Skechers Sport brand**; fusion and sport fusion sneakers for females of all ages under the **Skechers Active brand**; and vulcanized looks and at Home collection under the brand **BOBS from Skechers**.

The company also provides casuals, field boots, hikers, and athletic shoes for men and women under the **Skechers Work brand**; boots, shoes, sandals, dress sneakers, and lighted footwear for infants, toddlers, boys, and girls under the **Skechers Kids brand**; and a vivid range of on-trend casual, dress and active styles for men under **Mark Nason Collection**.

The company also offers specially designed footwear collection under **Skechers GORun**, **Skechers GOwalk**, **Skechers**, **Skechers GOtrain**, **Skechers GOtrail**, **Skechers GO Golf** and **YOU by Skechers**.

Skechers reports under four segments - **domestic wholesale sales**, **international wholesale sales**, **direct-to-consumer (which includes domestic and international retail sales)**, and **e-commerce**.



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## Reasons To Buy:

- ▲ **Positive Sales Surprise Continues:** Skechers' first-quarter 2020 marked the fourth straight quarter of positive sales surprise. The momentum gained in 2019 did continue in the first quarter, until the pandemic hit the economy. Notably, the company registered 9% increase in domestic wholesale sales and a 9.4% jump in international wholly-owned subsidiary sales. Management also highlighted that international wholesale business would have increased 6.2%, excluding China. The company notified that it achieved the highest shipments ever from North American and European distribution centers in January and February. We note that in the first two months of the reported quarter, worldwide comparable same store sales grew 9.8% across company-owned direct-to-consumer business. Also, the company is witnessing accelerated sales across its e-commerce platforms, up 70% during the quarter.
- ▲ **Efforts to Mitigate COVID-19 Impact:** In order to mitigate the impact of coronavirus pandemic, the company has curtailed non-essential discretionary spending, which includes business travel, lowering of non-digital marketing expenditures and reassessment of store opening plans. The company also trimmed the headcount, furloughed selected employees and reduced compensation levels. Given the prevailing retail backdrop, the company has prioritized necessary and strategic projects. Management's capital expenditures of \$61.3 million during the first quarter were related to acquisition of an office building in Shanghai and new retail outlets in China, direct-to-consumer stores and e-commerce investments, and enhancement of distribution capabilities globally. Skechers now expects to incur capital expenditures of \$100-\$125 million for rest of the year. This will mainly be used for the completion of its first company-owned distribution facility in China.
- ▲ **Financial Flexibility:** In spite of a substantial increase in total debt during first-quarter of 2020 (excluding operating lease liabilities), Skechers looks quite comfortable from a liquidity point of view. The company's cash & equivalents (including only short term investments) were \$1,289.4 million at the end of the quarter, reflecting an increase of roughly 37.6% on a sequential basis. The increase principally reflects the drawdown on senior unsecured credit facility in March, of which \$215 million remains available through an existing accordion feature. On the contrary, the company had a total debt of \$699.8 million as Mar 31, 2020, considerably up from \$121.2 million as of Dec 31, 2019. Moreover, the company has a decent "times interest earned" ratio of 49.8.
- ▲ **Strategic Endeavors:** The company is making strategic investments to improve infrastructure worldwide, primarily e-commerce platforms and distribution centers. The company is also focusing on designing and developing new products. We believe that greater emphasis on new lines of product, corporate upgrades and store remodeling projects, cost-containment efforts, inventory management, and global distribution platform bodes well. It operates e-commerce sites in the United States, Chile, Germany, United Kingdom, Spain, China and Canada. Recently, Skechers collaborated with The Goodyear Rubber & Tire Company in order to develop the technology in its footwear. Its select styles in categories for men, women and kids will use Goodyear's rubber technology in custom Skechers outsoles, thus delivering increased grip and durability.
- ▲ **International Business Still a Growth Driver:** Skechers' international business remains a considerable sales growth driver for the company with Europe and China being the significant market outside the United States. Skechers is poised to enhance its global reach in the footwear market through its distribution networks, subsidiaries and JVs. Notably, the company registered 9.4% jump in international wholly-owned subsidiary sales. Management notified that international wholesale business would have increased 6.2%, excluding China. The company registered growth across various markets but sturdy performance came from subsidiaries in Germany, Central Eastern Europe and Japan, and our distributors in Australia, Scandinavia and Turkey. The company's direct-to-consumer sales increased 2.5% internationally. Lately, the company has been seeing a positive sales trajectory in its China business. It also looks to reopen stores globally.
- ▲ **Diversified Portfolio of Brands:** Skechers continues to offer a diversified portfolio of brands that includes a wide range of fashion, athletic, non-athletic, and work footwear at compelling prices. We believe that this multi-brand strategy enables the company to roll out new products without cannibalizing its existing brands and helps to expand the targeted demographic profile of customers. Skechers D'Lites is fast gaining traction with sturdy demand in North America and Europe, after gaining grounds in Asia. The brand is also set for growth in South America, India and the Middle East.

Skechers is likely to witness growth with more emphasis on new lines of product, cost containment, inventory management and global distribution platform. Its international business also holds promise.

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## Reasons To Sell:

- ▼ **Dismal Stock Performance:** Shares of Skechers have decreased 6.2% in the past three months against the industry's gain of 6%. The stock came under pressure in spite of the company reporting better-than-expected results for first-quarter 2020. We note that both the top and bottom line fell year over year owing to the negative impacts of the coronavirus pandemic. Reduced activity in China primarily hurt the company's quarterly performance. Margins also declined in the quarter. Owing to uncertainty tied to the current backdrop, management did not provide any revenue or earnings guidance. We note that the company's top line declined 2.7% (or 1.2% on a constant-currency basis) from the year-ago period, thanks to significant reduction in activity in China in the months of February and March, and shutdown of majority global markets by mid-March. The company's international wholesale sales slipped 8.4% due to a 38.9% plunge in its joint ventures. The performance was mainly hit by results in China, which saw a sales decline of 47%. Meanwhile, direct-to-consumer sales fell 4.2% owing to an 8%-fall domestically. Comparable same store sales in company-owned direct-to-consumer business dropped 8.1%, hurt by a decline of 4.7% in the United States and 16.6% internationally. This reflects the closure of most of its stores since mid-March.
- ▼ **Higher Operating Expenses:** We are concerned about escalating selling, general and administrative (SG&A) expenses that may hurt the company's margin and in turn the bottom line. During the first quarter of 2020, SG&A expenses came in at \$508.1 million, up 18.2% year over year, and as a rate of sales, the metric grew 720 bps to 40.9%. Prior to this, SG&A costs rose 25.5%, 16.8%, 5.6% and 1.2%, respectively, in the fourth, third, second and first quarter. Selling expenses increased 5.5% mainly due to increased digital advertising expenses domestically. We note that general and administrative expenses rose 20.7%. The increase included \$28.1 million related to its direct-to-consumer business, due to a net increase of 54 new Company-owned Skechers stores, including 16 that opened in the first quarter; \$16.2 million related to the inclusion of Mexico operations; \$7.3 million in China primarily related to the absence of a rebate comparable to prior year; and \$9 million related to higher compensation and outside services costs.
- We note that operating income came in at \$44.8 million during the first quarter, down significantly from \$165.9 million in the prior-year quarter. Operating margin also contracted 940 bps to 3.6% in the first quarter on lower gross margin coupled with higher SG&A as a percentage of sales.
- ▼ **Prone to Currency Fluctuations:** Skechers generates a significant amount of net sales outside the U.S. Due to high exposure to international markets the company remains prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside of the United States. An increase in price may have an adverse impact on the demand for the products.
- ▼ **Fashion Obsolescence a Threat:** Fashion obsolescence remains the main concern for Skechers' business model, which involves a sustained focus on product and design innovation. The company's pioneering position may be hurt by delays in its product launches. The company operates in the highly competitive athletic footwear and apparel segment. It faces stiff competition from athletic footwear specialty stores, sporting goods stores, department stores, discount stores and traditional shoe stores in terms of distinctiveness, innovativeness, quality and pricing, which may weigh on its results.
- Concerns related to higher operating expenses cannot be ignored. Further, the company remains vulnerable to fashion obsolescence and currency fluctuations.

## Last Earnings Report

### Skechers Beats on Q1 Earnings, Coronavirus Hampers Sales

Skechers first-quarter 2020 results. Reduced activity in China majorly hurt the company's quarterly performance. Margins also declined in the quarter. Owing to uncertainty tied to the current backdrop, management did not provide any revenue or earnings guidance.

Nevertheless, the company has been seeing strength in its e-commerce business amid such crisis. Impressively, company-owned e-commerce sales increased more than 70% in the first quarter and crossed 250% in the month of April so far. Management will continue to invest in the e-commerce business, with rolling out a POS system, new websites, mobile application and loyalty program. Lately, the company has been seeing a positive sales trajectory in its China business. It also looks to reopen stores globally.

Meanwhile, the company has taken steps to strengthen its business during such unprecedented downturns in the form of drawing down of its senior unsecured credit facility, controlling operating expenses and managing inventory levels. The company has drawn \$490 million from its senior unsecured credit facility.

Skechers reported adjusted quarterly earnings of 39 cents a share that outpaced the Zacks Consensus Estimate by a penny. However, the bottom line tumbled 45.1% from the year-ago period. The company generated sales of \$1242.3 million that beat the Zacks Consensus Estimate of \$1,225 million, marking the fourth straight quarter of a positive sales surprise. However, the company's top line declined 2.7% (or 1.2% on a constant-currency basis) from the year-ago period, thanks to significant reduction in activity in China in the months of February and March, and shutdown of majority global markets by mid-March. Sales declined 6.8% at its international business, while the same rose 2.9% in its domestic business. Its distributor business improved 1%.

The company's international wholesale sales slipped 8.4% due to a 38.9% plunge in its joint ventures. The performance was mainly hurt by results in China, which saw a sales decline of 47%. The decline was somewhat offset by a 9.4% rise in sales at wholly-owned subsidiaries. Notably, international wholesale business would have increased 6.2%, excluding China. The company registered growth across various markets but sturdy performance came from subsidiaries in Germany, Central Eastern Europe and Japan, and our distributors in Australia, Scandinavia and Turkey. However, domestic wholesale sales increased 9% from the prior-year period, mainly benefiting from strength in women's and men's Go, men and women's USA, and street and work categories.

Meanwhile, direct-to-consumer sales fell 4.2% owing to an 8%-fall domestically, offset by a 2.5% rise internationally. Comparable same store sales in company-owned direct-to-consumer business dropped 8.1%, hurt by a decline of 4.7% in the United States and 16.6% internationally. This reflects the closure of most of its stores since mid-March. However, we note that in the first two months of the reported quarter, worldwide comparable same store sales grew 9.8% across company-owned direct-to-consumer business.

### Margins & Other Key Things

Gross profit in the reported quarter dropped 7.2% from the prior-year figure to \$547.7 million. Moreover, gross margin contracted 220 basis points to 44.1% on soft international results. Meanwhile, SG&A expenses came in at \$508.1 million, up 18.2% year over year, and as a rate of sales, the metric grew 720 bps to 40.9%. Higher selling expenses were mainly attributable to increased digital advertising costs domestically. Also, higher costs in relation to the direct-to-consumer business led to the upside. Operating income came in at \$44.8 million, down significantly from \$165.9 million in the prior-year quarter. Operating margin also contracted 940 bps to 3.6% in the first quarter on lower gross margin coupled with higher SG&A as a rate of sales.

Skechers ended the quarter with cash and cash equivalents of \$1,158.8 million, long-term borrowings (excluding current installments) of \$669.2 million, and shareholders' equity of \$2,347.7 million, excluding non-controlling interests of \$240.7 million. Further, total inventory was \$985.7 million, up nearly 33% from the year-ago period.

Management's capital expenditures of \$61.3 million during the quarter were related to the acquisition of an office building in Shanghai and new retail outlets in China, directed toward direct-to-consumer stores and e-commerce investments and associated to enhancing distribution capabilities globally. Given the prevailing retail backdrop, the company has prioritized necessary and strategic projects, and now projects capital expenditures of \$100-\$125 million for rest of the year. This will mainly be used for the completion of its first company-owned distribution facility in China. Also, it has slowed down new store openings.

During the quarter, Skechers opened 14 company-owned stores in the United States, while shuttered three, taking the total domestic count to 508, as of Mar 31. Further, it opened two company-owned international stores and 25 joint venture stores in the reported quarter. Simultaneously, the company closed one company-owned international store and two joint venture stores, reaching the total company-owned international store count to 304 and total joint venture store count to 377. Furthermore, the company inaugurated 51 distributor, licensee and franchise stores in the first quarter, and closed 58 such outlets, taking the overall store base to 2,386 at quarter-end. Adding these outlets, Skechers' total store count stands at 3,575 as of Mar 31.

Quarter Ending **03/2020**

Report Date	Apr 23, 2020
Sales Surprise	1.45%
EPS Surprise	2.63%
Quarterly EPS	0.39
Annual EPS (TTM)	1.94

## Recent News

### Skechers Withdraws Guidance - March 18, 2020

Skechers provided an update on the coronavirus outbreak, stating that it is temporarily closing its company-owned retail stores across North America as well as some parts of Europe. The shutdown is scheduled to last till Mar 28. Earlier, Skechers had announced closures of company-owned and third-party stores in various gravely-impacted international markets. The company also withdrew its recently-provided guidance for first-quarter fiscal 2020 considering the current situation and its unpredictable impact on results. During fourth-quarter earnings call, management expected net sales in the band of \$1.400-\$1.425 billion for first-quarter 2020. Earnings per share were envisioned in the range of 70-75 cents. However, the company has withdrawn these forecasts.

### Skechers Teams up With Goodyear - February 26, 2020

Skechers recently collaborated with The Goodyear Rubber & Tire Company in order to develop the technology in its footwear. Its select styles in categories for men, women and kids will use Goodyear's rubber technology in custom Skechers outsoles, thus delivering increased grip and durability. Notably, styles featuring Goodyear outsoles are available at the company's retail stores, [www.skechers.com](http://www.skechers.com), and select retail partners.

## Valuation

Skechers shares are down 28.2% in the year-to-date period and nearly 9.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Consumer Discretionary sector are down 7.4% and 14.9%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is up 16% but the sector is down 6.7%.

The S&P 500 index is down 7% in the year-to-date period but up 6.6% in the past year.

The stock is currently trading at 29.18X forward 12-month earnings, which compares to 30.37X for the Zacks sub-industry, 29.24X for the Zacks sector and 21.49X for the S&P 500 index.

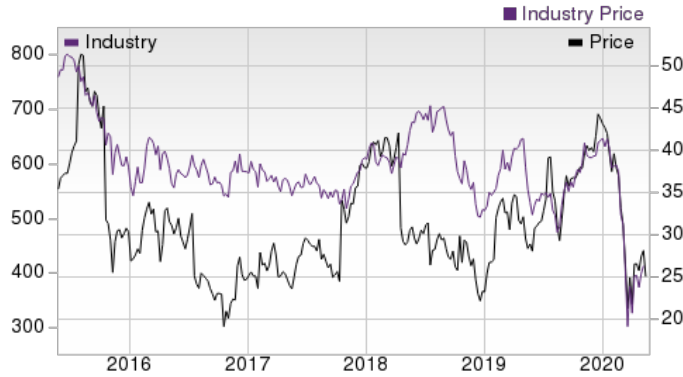
Over the past five years, the stock has traded as high as 29.33X and as low as 8.14X, with a 5-year median of 14.66X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$33 price target reflects 30.93X forward 12-month earnings.

The table below shows summary valuation data for SKX

Valuation Multiples - SKX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	29.18	30.37	29.24	21.49
	5-Year High	29.33	30.37	29.24	21.49
	5-Year Low	8.14	18.63	16.21	15.23
	5-Year Median	14.66	23.37	19.92	17.49
P/S F12M	Current	0.97	2.97	2.06	3.33
	5-Year High	2.57	2.97	3.2	3.44
	5-Year Low	0.54	1.99	1.67	2.53
	5-Year Median	1.03	2.59	2.53	3.01
EV/EBITDA TTM	Current	11.1	19.22	9.71	10.93
	5-Year High	22.54	24.5	17.65	12.86
	5-Year Low	4.68	12.39	8.28	8.26
	5-Year Median	9.57	16.01	12.25	10.79

As of 05/26/2020

## Industry Analysis Zacks Industry Rank: Bottom 1% (252 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Anta Sports Products Ltd. (ANPDF)	Neutral	3
Columbia Sportswear Company (COLM)	Neutral	3
NIKE, Inc. (NKE)	Neutral	4
Steven Madden, Ltd. (SHOO)	Neutral	4
Adidas AG (ADDYY)	Underperform	5
Deckers Outdoor Corporation (DECK)	Underperform	5
V.F. Corporation (VFC)	Underperform	5
Wolverine World Wide, Inc. (WWW)	Underperform	5

Industry Comparison Industry: Shoes And Retail Apparel				Industry Peers		
	SKX	X Industry	S&P 500	ADDYY	DECK	NKE
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	5	5	4
VGM Score	F	-	-	C	A	C
Market Cap	4.89 B	1.49 B	21.18 B	48.95 B	5.04 B	150.25 B
# of Analysts	4	4.5	14	8	6	8
Dividend Yield	0.00%	1.07%	2.03%	1.07%	0.00%	1.01%
Value Score	C	-	-	F	C	F
Cash/Price	0.28	0.21	0.06	0.06	0.13	0.02
EV/EBITDA	8.27	8.34	12.37	10.86	12.25	27.52
PEG Ratio	7.79	2.34	2.88	13.18	1.68	2.99
Price/Book (P/B)	1.84	1.62	2.90	6.19	4.42	16.61
Price/Cash Flow (P/CF)	10.39	8.98	11.55	13.96	16.95	31.98
P/E (F1)	54.53	25.07	21.24	73.78	25.75	36.60
Price/Sales (P/S)	0.94	0.72	2.24	1.96	2.36	3.64
Earnings Yield	1.87%	3.88%	4.57%	1.35%	3.88%	2.73%
Debt/Equity	0.64	0.64	0.76	0.23	0.22	0.69
Cash Flow (\$/share)	2.98	2.97	6.96	8.95	10.62	3.02
Growth Score	F	-	-	A	A	B
Hist. EPS Growth (3-5 yrs)	6.77%	7.23%	10.87%	18.63%	24.51%	7.68%
Proj. EPS Growth (F1/F0)	-74.13%	-44.40%	-10.31%	-68.83%	-27.30%	6.02%
Curr. Cash Flow Growth	11.53%	0.43%	5.46%	36.19%	33.19%	0.27%
Hist. Cash Flow Growth (3-5 yrs)	18.98%	5.48%	8.55%	23.10%	15.19%	7.69%
Current Ratio	3.10	1.90	1.29	1.25	3.97	1.90
Debt/Capital	38.88%	39.81%	44.54%	18.43%	17.75%	40.75%
Net Margin	5.53%	5.07%	10.59%	6.11%	12.95%	10.46%
Return on Equity	12.17%	16.18%	16.29%	18.83%	26.45%	51.49%
Sales/Assets	1.08	1.13	0.55	1.12	1.20	1.61
Proj. Sales Growth (F1/F0)	-10.07%	-3.51%	-2.34%	-18.52%	-9.44%	0.22%
Momentum Score	D	-	-	D	B	B
Daily Price Chg	5.98%	4.36%	2.82%	4.77%	0.45%	3.06%
1 Week Price Chg	17.50%	5.10%	4.99%	9.53%	27.27%	7.77%
4 Week Price Chg	10.31%	6.59%	3.55%	12.76%	21.72%	8.81%
12 Week Price Chg	-1.52%	-16.41%	-4.95%	-10.01%	2.94%	6.26%
52 Week Price Chg	9.88%	-19.29%	-3.04%	-15.05%	19.35%	18.99%
20 Day Average Volume	1,931,035	166,606	2,429,758	71,646	437,395	6,453,455
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-6.78%	0.00%
(F1) EPS Est 4 week change	-29.67%	-12.03%	-2.27%	-42.04%	-12.03%	-0.66%
(F1) EPS Est 12 week change	-76.75%	-47.55%	-16.39%	-71.63%	-32.81%	-10.72%
(Q1) EPS Est Mthly Chg	-12.41%	-56.65%	-4.03%	-255.56%	4.61%	-25.16%



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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	C
Growth Score	F
Momentum Score	D
VGM Score	F

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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