

AT&T Inc. (T)

\$30.17 (As of 06/11/20)

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

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/24/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: C

Summary

AT&T is witnessing a steady decline in linear TV subscribers and legacy services. Its wireline division is also facing loss in access lines due to competitive pressure from VoIP service providers. As it tries to woo customers with discounts, freebies and cash credits, margins tend to fall. The company canceled its stock buyback program due to the severity of the virus outbreak and withdrew guidance. However, AT&T is well placed to benefit from streaming services like AT&T TV and HBO Max. The company is committed to a three-year financial framework with sustained investments and debt-reduction efforts. AT&T intends to deploy a standards-based, nationwide mobile 5G network in 2020 to spur growth. The company expects to gain a competitive edge through edge computing services that offer the flexibility to better manage data traffic.

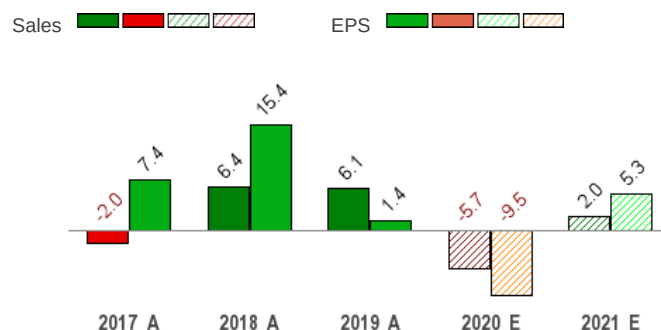
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$39.70 - \$26.08
20 Day Average Volume (sh)	33,812,016
Market Cap	\$216.7 B
YTD Price Change	-22.8%
Beta	0.71
Dividend / Div Yld	\$2.08 / 6.9%
Industry	Wireless National
Zacks Industry Rank	Top 31% (78 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	-3.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/23/2020
Earnings ESP	0.0%
P/E TTM	8.5
P/E F1	9.3
PEG F1	1.7
P/S TTM	1.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	43,547 E	43,067 E	43,597 E	45,869 E	174,412 E
2020	42,779 A	41,327 E	42,179 E	45,039 E	170,955 E
2019	44,827 A	44,957 A	44,588 A	46,821 A	181,193 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.78 E	\$0.82 E	\$0.85 E	\$0.82 E	\$3.40 E
2020	\$0.84 A	\$0.80 E	\$0.81 E	\$0.78 E	\$3.23 E
2019	\$0.86 A	\$0.89 A	\$0.94 A	\$0.89 A	\$3.57 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 06/11/2020. The reports text is as of 06/12/2020.

Overview

Based in Dallas, TX, AT&T Inc. is the second largest wireless service provider in North America and one of the world's leading communications service carriers. Through its subsidiaries and affiliates, the company offers a wide range of communication and business solutions that include wireless, local exchange, long-distance, data/broadband and Internet, video, managed networking, wholesale and cloud-based services.

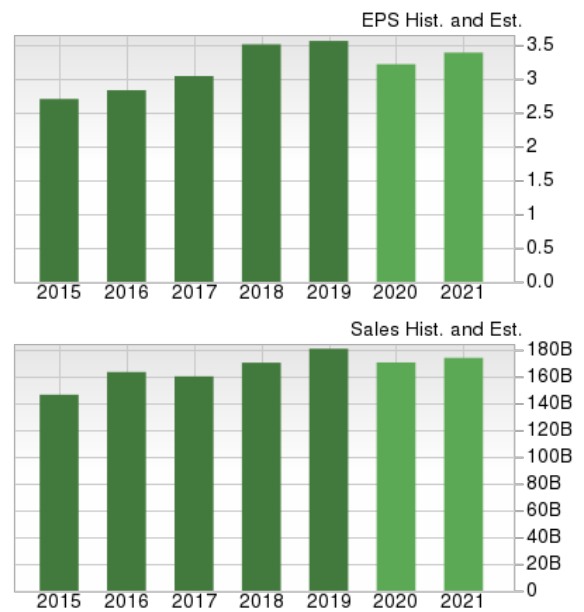
With assets like HBO, CNN and TNT, AT&T's acquisition of Time Warner has created new kinds of online videos and opened up avenues for targeted advertisements. The company is also focusing on streaming services with AT&T TV and soon-to-be-launched HBO Max. This is likely to create other avenues to monetize content as it expands 5G coverage in over 80 U.S. cities. The new segments of the company are Communications, WarnerMedia, Latin America, and Xandr.

Communications (80.1% of total operating revenues in first-quarter 2020): This segment includes three separate business units namely, Mobility, Entertainment Group and Business Wireline. Mobility provides wireless service to consumer and wholesale subscribers throughout the United States and its territories. The Entertainment Group provides video, high-speed Internet and communications services predominantly to residential customers in the United States. Business Wireline provides communications services to more than 3 million business customers, including multinational corporations and government and wholesale customers.

WarnerMedia (17.2%): This segment represents the various business units of the erstwhile Time Warner namely, Turner, Home Box Office and Warner Bros. It also includes AT&T's Regional Sports Networks in the Turner division and Otter Media.

Latin America (3.7%): The segment comprises wireless services in Mexico and pay-TV entertainment services in Latin America under Vrio. AT&T also owns 41% of Sky Mexico, financial results of which are accounted for as an equity-method investment.

Xandr (1.1%): Xandr is AT&T's advertising and analytics firm, which provides targeted advertising services leveraging data insights. The company aims to create a new option for advertisers and publishers to reach specific audiences at scale in trusted, premium content environments.



Reasons To Buy:

- ▲ AT&T is committed to its three-year financial framework, which is expected to drive significant improvement in margins and bottom-line growth with sustained investments and debt reduction. For the three-year period from 2020 to 2022, AT&T continues to expect consolidated revenue growth of 1-2% per year. Adjusted earnings are expected to be significantly up to \$4.50 to \$4.80 per share by 2022 with adjusted EBITDA margin of 35%. While adjusted EBITDA margin is expected to be stable in 2020, it is likely to grow in 2021 and 2022 driven by extensive companywide cost-reduction plan, WarnerMedia synergies, continued Mobility growth and AT&T Mexico EBITDA growth. Free Cash flow is anticipated to be within \$30 billion to \$32 billion in 2022 with net-debt-to-adjusted EBITDA of 2.0x to 2.25x as 100% debt related to the acquisition of Time Warner assets is likely to be repaid.
- ▲ AT&T is poised to benefit from the impending 5G boom. As the first carrier in the industry, the company has unveiled its 5G policy framework that will hinge on three pillars — mobile 5G, fixed wireless and edge computing. In order to have a seamless transition among Wi-Fi, LTE and 5G services, AT&T intends to deploy a standards-based nationwide mobile 5G network in 2020. Its 5G service entails utilization of millimeter wave spectrum for deployment in dense pockets while in suburban and rural areas, it intends to deploy 5G on mid- and low-band spectrum holdings. It believes that as the 5G ecosystem evolves, customers can experience significant enhancements in coverage, speeds and devices.
- ▲ AT&T anticipates gaining a competitive edge over rivals through edge computing services that allow businesses to route application-specific traffic, where they need it and where it's most effective — whether that's in the cloud, the network or on their premises. Through its Multi-access Edge Compute (MEC) solution, the company offers the flexibility to better manage the data traffic. The MEC leverages indigenous software-defined network to enable low-latency, high-bandwidth applications for faster access to data processing. AT&T expects edge computing solutions to be widely available in autonomous vehicles, drones, robotic production lines and autonomous forklifts in the near future. Utilizing machine learning techniques and more connected devices, this could transform the way data-intensive images are transferred across the industry on real time basis.
- ▲ AT&T aims to leverage the inherent potential of its advertising unit Xandr and WarnerMedia's Turner business to offer enriching advertising content and data analysis to customers in 2020 and beyond. The company has collaborated these business entities to improve the relevancy of advertising by pooling a unique set of assets — valuable consumer data and insights, advanced advertising capabilities and engaged passionate fanbases. Advertisers of branded content on Turner network have the advantage of extending their campaign across Xandr's addressable TV advertising footprint, spanning 15 million households, to gain additional mileage. With such integrated business platforms, AT&T aims to reinvent advertising for the next generation and give a new dimension to its business model. It is rolling out a streaming service in with an unrivaled bouquet of premium and exclusive content for an impressive direct-to-consumer experience across the age group. Dubbed HBO Max, the strategic move will equip the company to play catch-up with avant-garde media firms, like Netflix and The Walt Disney, to secure a bigger pie of the streaming service market. With its commercial debut, HBO Max will offer about 10,000 hours of premium content, leveraging an extensive collection of exclusive original programs and the most sought-after shows from WarnerMedia's vast portfolio of beloved brands and libraries. All these initiatives augur well for the top-line growth of the company.

AT&T's wireless growth opportunities with the widespread launch of mobile 5G services in 2020 remain impressive. Incremental contribution from WarnerMedia and Xandr segments also bode well.

Reasons To Sell:

- ▼ In a saturated wireless market, spectrum crunch has become a major issue in the U.S. telecom industry. Most of the carriers are finding it increasingly difficult to manage mobile data traffic, which is growing by leaps and bounds. The situation has become even more acute with the growing popularity of iPhone and Android smartphones as well as rising online mobile video streaming, cloud computing and video conferencing services.
- ▼ AT&T is facing a steady decline in linear TV subscribers and legacy services. High-Speed Internet revenues are also contracting due to legacy DSL decline, simplified pricing and bundle discount. Moreover, TV content-cost pressure, high programming costs and new video platform expenses are fast eroding margins. AT&T continued to make significant investments for the upcoming launch of HBO Max in the form of new content production, foregone licensing revenues and platform costs, leading to soft margins. Continued cord-cutting remains a perennial challenge as consumers increasingly cancel pay TV packages for cheaper streaming options from Netflix, Amazon, Hulu and other services. As AT&T tries to woo customers with healthy discounts, freebies and cash credits, margin pressures tend to escalate. This is likely to affect its growth potential to some extent.
- ▼ The company's wireline division is struggling with persistent losses in access lines as a result of competitive pressure from voice-over-Internet protocol (VoIP) service providers and aggressive triple-play (voice, data, video) offerings by the cable companies. These are weighing on its revenues and margins. Moreover, AT&T's quest for faster growth will increase subscriber acquisition cost in both consumer and SMB (small and medium businesses) units and put pressure on wireline margins.
- ▼ As of Mar 31, 2020, AT&T had \$9,955 million of cash and cash equivalents with long-term debt of \$147,202 million compared with respective tallies of \$12,130 million and \$151,709 million by the end of fourth-quarter 2019. The company currently has a debt-to-capital ratio of 0.45 compared with 0.51 of the sub-industry. The times interest earned has decreased slightly over the past few quarters to 3.3 at present relative to 3.7 for the sub-industry. AT&T decided to cancel its stock buyback program due to the severity of the coronavirus outbreak. The evolving nature of the contagious disease and its grave impact on the economy forced the company to reconsider the buyback plan, as it is yet to fathom the impact on its business with lack of visibility. Management has also withdrawn its guidance. It has a dividend payout rate of 57.6%. The rate has remained relatively steady over the past few quarters, indicating that the company is sharing its earnings with stockholders. It remains to be seen how AT&T aims to reduce the huge debt burden in the coming days and whether it faces any liquidity crisis due to disruptions caused by COVID-19 pandemic.

AT&T continues to struggle in a competitive and saturated U.S. wireless industry, while margin pressures due to promotional offers and discounts remain in the wireline division.

Last Earnings Report

AT&T Q1 Earnings In Sync With Estimates, Revenues Miss

AT&T reported relatively modest first-quarter 2020 results as coronavirus pandemic hit top-line growth, fueling uncertainty within the organization and limiting future visibility. Despite the worldwide mayhem that led to short-term financial impacts, the company expects to continue investing in key areas and adjust its business according to the demand of the situation to fuel long-term growth, while maintaining a healthy dividend payment and actively reducing debt.

Quarter Ending 03/2020

Report Date	Apr 22, 2020
Sales Surprise	-3.24%
EPS Surprise	0.00%
Quarterly EPS	0.84
Annual EPS (TTM)	3.56

Net Income

On a GAAP basis, AT&T reported net income of \$4,578 million or 63 cents per share compared with \$4,096 million or 56 cents per share in the year-ago quarter. The improvement in GAAP earnings despite lower revenues was primarily attributable to lower operating costs.

Excluding non-recurring items, adjusted earnings were 84 cents per share compared with 86 cents in the year-earlier quarter. The company recorded an adverse impact of 5 cent per share in the quarter for the coronavirus pandemic owing to costs associated with bad debt reserves, WarnerMedia production shutdown costs, lower advertising revenues and expenses related to retail store closures leading to lower wireless equipment sales. Adjusted earnings for the first quarter was in sync with the Zacks Consensus Estimate.

Quarter Details

Quarterly GAAP operating revenues decreased 4.6% year over year to \$42,779 million, largely due to lower revenues from legacy wireline services, WarnerMedia, domestic video and domestic wireless equipment, partially offset by growth in strategic and managed business services and domestic wireless services. The top line missed the Zacks Consensus Estimate of \$44,213 million.

Operating income for the quarter was \$7,486 million compared with \$7,233 million in the prior-year quarter owing to lower operating costs driven by one-time spectrum gain, lower Entertainment Group and WarnerMedia costs along with cost efficiencies. This resulted in respective operating income margins of 17.5% and 16.1%. Adjusted operating income for the reported quarter was \$9,066 million compared with \$9,585 million in the year-earlier quarter, for respective adjusted operating income margins of 21.2% and 21.4%. Adjusted EBITDA declined to \$14,232 million from \$14,802 million.

During the reported quarter, AT&T experienced a net increase in total wireless subscribers of 3.3 million to reach 169.2 million in service. Postpaid churn was 1.08% compared with 1.16% in the year-ago quarter with improvement in phone churn partially offset by tablet churn. Postpaid phone-only average revenue per user (ARPU) increased 0.7% year over year to \$55.68.

Segmental Performance

Communications: Total segment operating revenues were \$34,249 million, down 2.6% year over year with decline in Business Wireline and Entertainment Group owing to lower legacy voice and data services revenues, partially offset by higher wireless service revenues. Service revenues from the Mobility unit improved 2.5% year over year to \$13,968 million owing to prepaid subscriber gains and postpaid phone ARPU growth, while equipment revenues were down 8% to \$3,434 million due to lower upgrades. Revenues from the Entertainment Group were down 7.2% to \$10,515 million due to decline in premium TV subscribers and legacy services, while that from Business Wireline decreased 2.3% to \$6,332 million due to lower legacy voice and data services.

Segment operating income was \$8,203 million compared with \$8,011 million in the year-ago quarter for respective operating margin of 24% and 22.8%. Segment EBITDA was \$12,838 million compared with \$12,569 million in the year-ago quarter, for respective margins of 37.5% and 35.7%.

WarnerMedia: Total segment revenues were \$7,359 million, down 12.2% year over year primarily driven by lower Warner Bros. revenues due to lower contribution from theatrical and television division, and lower Turner advertising revenues. Operating income was down 24.3% to \$1,699 million, primarily due to higher programming and expenses related to the upcoming launch of HBO Max, for corresponding margin of 23.1%. Segment EBITDA was \$1,842 million compared with \$2,386 million in the prior-year quarter.

Latin America: Total operating revenues were \$1,590 million, down 4.6% year over year, due to adverse foreign currency translation. EBITDA decreased to \$93 million from \$127 million in the year-ago quarter for respective margins of 5.8% and 7.4%.

Xandr: Total revenues were \$489 million, up 14.8% year over year due to growth in advertising business, while operating income improved 18.2% to \$299 million for corresponding margin of 61.1%. EBITDA was \$319 million for a corresponding margin of 65.2%.

Cash Flow & Liquidity

AT&T generated record \$8,866 million of cash from operations in the quarter compared with \$11,052 million in the year-ago period. Free cash flow at quarter end was \$3,900 million compared with \$5,870 million in the year-ago period. As of Mar 31, 2020, AT&T had \$9,955 million of cash and cash equivalents with long-term debt of \$147,202 million. Net debt to adjusted EBITDA was about 2.6x.

AT&T paid dividends of \$3.7 billion during the quarter. The company repurchased 142 million shares during the quarter. However, AT&T decided to cancel its stock buyback program due to the severity of the coronavirus outbreak. The evolving nature of the contagious disease and its grave impact on the economy forced the company to reconsider the buyback plan, as it is yet to fathom the impact on its business with lack of visibility. Consequently, management has currently withdrawn its guidance.

AT&T is evolving its distribution channels for changing customer demands and emphasizing on self-installation and software-based platforms to redefine its business plans for the virus outbreak. While optimizing operations, it is aiming to increase efficiencies to lower costs while supporting employees and customers with various financial packages.

Recent News

On Jun 5, 2020, AT&T announced that its Dynamic Spectrum Sharing (DSS) is live in sections of its network coupled with 5G-enabled devices. AT&T was among the first to present this technology, eventually driving it into 5G standards. The company's 5G policy framework hinges on three pillars — mobile 5G, fixed wireless and edge computing. DSS is considered an essential milestone on AT&T's path to nationwide 5G. The software-based technology enables communications service providers to share the same channel between 4G and 5G users simultaneously. It turns up 5G without turning off LTE, thereby creating a seamless experience for customers.

On May 28, AT&T announced that it has closed the sale of a secondary offering to improve its liquidity position and reduce the burgeoning debt burden through prepayment of upcoming debt maturities. The move is likely to de-risk its capital structure as the company prepares to navigate through the coronavirus-induced global turmoil. The debt offering included Global Notes due 2028, 2032 and 2038 worth €3 billion in combined principal value and \$12.5 billion worth of Global Notes due 2027, 2031, 2041, 2051 and 2060. AT&T generated a cumulative \$15.8 billion from the secondary offering, proceeds from which were utilized to repay all the outstanding principal amount of six series of bonds totaling about \$8.6 billion and term loans aggregating \$6.3 billion.

On May 27, AT&T announced that it has extended its long-standing contract to serve Linde plc with seamless global communications network for five additional years. Per the contract, the company has been entrusted to provision and streamline connectivity solutions for Linde Group businesses as well as revamp its networking infrastructure globally.

On May 19, AT&T announced that it has shuttered its DirecTV operations in Venezuela effective immediately due to the fallout of a geopolitical tussle between the United States and the Latin American country. The decision will likely create a vacuum in the pay-TV market in Venezuela as AT&T was one of the largest operators in this domain.

On Apr 7, AT&T announced that it has secured a \$5.5-billion term loan at competitive rates with 12 banks for additional financial flexibility to an already strong cash position, in light of the coronavirus pandemonium. The company stated that the loans are pre-payable without penalty. AT&T is committed to reap benefits from its \$15-million revolving credit facility, with no plans to use it this year. In the meantime, AT&T has been targeted by shareholders over its decision to purchase DirecTV for \$49 billion in 2015 and Time Warner for \$85 billion in 2018.

Valuation

AT&T shares are down 6.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 0.3%, while those in the Zacks Computer and Technology sector are up 19.1% over the past year.

The S&P 500 Index is up 3.9% in the past year.

The stock is currently trading at 4.86X trailing 12-month EV/EBITDA, which compares to 5.93X for the Zacks sub-industry, 11.93X for the Zacks sector and 11.82X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 11.82X and as low as 4.50X, with a 5-year median of 6.82X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$33 price target reflects 3.67X forward 12-month earnings.

The table below shows summary valuation data for T

Valuation Multiples - T					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	4.86	5.93	11.93	11.82
	5-Year High	11.82	11.55	12.72	12.85
	5-Year Low	4.5	5.41	7.57	8.25
	5-Year Median	6.82	6.73	10.75	10.81
P/E F12M	Current	9	11.96	25.62	23.03
	5-Year High	15.11	15	25.62	23.03
	5-Year Low	7.32	10.1	16.72	15.23
	5-Year Median	11.78	12.24	19.28	17.49
P/S F12M	Current	1.25	1.52	3.9	3.58
	5-Year High	1.64	1.67	3.9	3.58
	5-Year Low	0.91	1.17	2.32	2.53
	5-Year Median	1.38	1.46	3.11	3.02

As of 06/11/2020

Industry Analysis Zacks Industry Rank: Top 31% (78 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
GCI Liberty, Inc. (GLIBA)	Outperform	2
Altice USA, Inc. (ATUS)	Neutral	3
CenturyLink, Inc. (CTL)	Neutral	3
DISH Network Corporation (DISH)	Neutral	3
Liberty Global PLC (LILA)	Neutral	3
TMobile US, Inc. (TMUS)	Neutral	5
United States Cellular Corporation (USM)	Neutral	2
Verizon Communications Inc. (VZ)	Neutral	3

Industry Comparison Industry: Wireless National				Industry Peers		
	T	X Industry	S&P 500	CTL	TMUS	VZ
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	3
VGM Score	B	-	-	A	C	B
Market Cap	216.71 B	212.67 M	21.32 B	10.70 B	124.68 B	233.59 B
# of Analysts	19	5	14	5	4	20
Dividend Yield	6.89%	0.00%	1.99%	10.26%	0.00%	4.36%
Value Score	A	-	-	A	D	B
Cash/Price	0.04	0.12	0.06	0.13	0.01	0.03
EV/EBITDA	5.47	6.71	12.31	21.08	12.99	7.96
PEG Ratio	1.70	3.90	2.88	1.21	3.90	4.19
Price/Book (P/B)	1.11	1.21	2.92	0.80	3.00	3.79
Price/Cash Flow (P/CF)	3.44	5.83	11.24	1.70	8.57	6.38
P/E (F1)	9.37	20.56	20.84	7.22	73.78	11.88
Price/Sales (P/S)	1.21	0.78	2.24	0.49	2.77	1.78
Earnings Yield	10.71%	2.92%	4.64%	13.85%	1.36%	8.41%
Debt/Equity	0.75	0.36	0.76	2.62	1.27	2.02
Cash Flow (\$/share)	8.77	2.47	7.01	5.72	11.77	8.85
Growth Score	C	-	-	C	A	B
Hist. EPS Growth (3-5 yrs)	8.17%	6.20%	10.87%	-18.92%	57.71%	6.14%
Proj. EPS Growth (F1/F0)	-9.66%	0.60%	-10.81%	2.27%	-65.98%	-1.20%
Curr. Cash Flow Growth	14.11%	3.99%	5.46%	-2.30%	7.57%	-0.75%
Hist. Cash Flow Growth (3-5 yrs)	15.33%	2.65%	8.55%	1.14%	16.70%	4.16%
Current Ratio	0.76	1.48	1.29	0.82	0.64	0.99
Debt/Capital	42.96%	49.49%	44.75%	72.36%	56.02%	66.91%
Net Margin	8.05%	0.64%	10.54%	5.50%	7.80%	14.00%
Return on Equity	13.27%	-0.18%	16.08%	10.70%	13.96%	33.26%
Sales/Assets	0.33	0.51	0.55	0.34	0.52	0.46
Proj. Sales Growth (F1/F0)	-5.65%	0.00%	-2.60%	-7.74%	54.21%	-3.31%
Momentum Score	C	-	-	B	F	D
Daily Price Chg	-6.13%	-4.30%	-6.44%	-8.96%	-4.63%	-2.76%
1 Week Price Chg	6.19%	2.85%	7.51%	9.97%	1.09%	0.63%
4 Week Price Chg	5.56%	6.30%	8.40%	6.09%	6.30%	2.80%
12 Week Price Chg	-3.15%	3.27%	25.04%	-3.47%	26.99%	5.28%
52 Week Price Chg	-6.57%	-23.78%	-6.33%	-12.56%	35.51%	-2.03%
20 Day Average Volume	33,812,016	217,658	2,634,935	11,801,991	5,881,769	17,144,472
(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%	-2.46%	0.00%	0.00%
(F1) EPS Est 12 week change	-10.41%	-8.97%	-15.86%	-7.53%	-67.28%	-3.81%
(Q1) EPS Est Mthly Chg	-0.69%	0.00%	0.00%	-2.35%	23.89%	-0.42%

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	A
Growth Score	C
Momentum Score	C
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.

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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.

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