

## Target Corporation (TGT)

**\$130.45** (As of 08/04/20)

Price Target (6-12 Months): **\$138.00**

Long Term: 6-12 Months	<b>Zacks Recommendation:</b>	<b>Neutral</b>
	(Since: 01/20/20)	
	Prior Recommendation: Outperform	
Short Term: 1-3 Months	<b>Zacks Rank:</b> (1-5)	<b>3-Hold</b>
	Zacks Style Scores:	VGM:B
	Value: B	Growth: B   Momentum: D

### Summary

Shares of Target have risen and outperformed the industry in the past three months. The company has been deploying resources to enhance omni-channel capabilities, come up with new brands, refurbish stores and expand same-day delivery options to take on rivals. It has also adopted cost reduction strategy, rationalization of supply chain and technology and process improvements. These position the company to address the challenges related to the pandemic. Notably, higher sales in Essentials and Food & Beverage categories with solid contribution from digital channel have been fueling Target's top line. While these raises optimism, we cannot overlook margins. Investments in pay and benefits, shift in channel mix toward digital fulfillment and decline in the sales of higher-margin discretionary items are likely to keep margins under pressure.

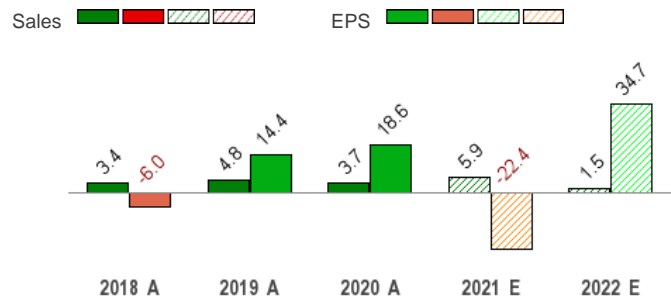
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$130.77 - \$80.03</b>
20 Day Average Volume (sh)	<b>3,106,088</b>
Market Cap	<b>\$65.2 B</b>
YTD Price Change	<b>1.8%</b>
Beta	<b>0.79</b>
Dividend / Div Yld	<b>\$2.72 / 2.0%</b>
Industry	<b><a href="#">Retail - Discount Stores</a></b>
Zacks Industry Rank	<b>Bottom 25% (191 out of 254)</b>

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



Last EPS Surprise	<b>28.3%</b>
Last Sales Surprise	<b>2.7%</b>
EPS F1 Est- 4 week change	<b>0.0%</b>
Expected Report Date	<b>08/19/2020</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>23.9</b>
P/E F1	<b>26.3</b>
PEG F1	<b>3.7</b>
P/S TTM	<b>0.8</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	19,069 E	19,676 E	19,931 E	24,872 E	83,964 E
2021	19,615 A	19,617 E	19,242 E	24,212 E	82,758 E
2020	17,627 A	18,422 A	18,665 A	23,398 A	78,112 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.46 E	\$1.88 E	\$1.51 E	\$1.93 E	\$6.68 E
2021	\$0.59 A	\$1.47 E	\$1.26 E	\$1.68 E	\$4.96 E
2020	\$1.53 A	\$1.82 A	\$1.36 A	\$1.69 A	\$6.39 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 08/04/2020. The reports text is as of 08/05/2020.

## Overview

Target Corporation (TGT) has evolved from just being a pure brick-&-mortar retailer to an omni-channel entity. The company has been making investment in technologies, improving websites and mobile apps and modernizing supply chain to keep pace with the changing retail landscape and better compete with pure e-commerce players. Its acquisition of Shipt to provide same-day delivery of groceries, essentials, home, electronics as well as other products is worth noting.

Founded in 1902, Target provides an array of goods ranging from household essentials and electronics to toys and apparel for men, women and kids. It also houses food and pet supplies, home furnishings and décor, home improvement, automotive products, and seasonal merchandise.

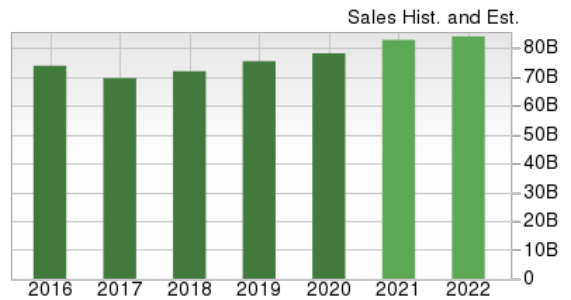
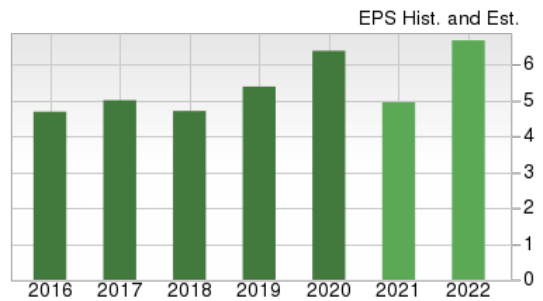
This Minneapolis, MN-based company also offers in-store amenities, consisting of Target Café, Target Photo, Target Optical, Portrait Studio, Starbucks, and other food service offerings. Target operates more than 1,800 stores.

A greater number of general merchandise stores provides an edited food assortment, including perishables, dry grocery, dairy, and frozen items. The company's stores, which are larger than 170,000 square feet, offer a full line of food items comparable to traditional supermarkets.

The company's small format stores, which are smaller than 50,000 square feet, offer curated general merchandise and food assortments. The company's digital channels include a wide merchandise assortment, including many items found in stores, along with a complementary assortment.

Some of the company's Owned Brands includes: A New Day, Cat & Jack, Cloud Island, Made By Design, Opalhouse, Prologue, Project 62, Ava & Viv, Smith & Hawken, Wild Fable and Wine Cube.

Some of the company's Exclusive Brands includes: C9 by Champion, Hand Made Modern, Kid Made Modern, DENIZEN from Levi's, Fieldcrest, Genuine Kids from OshKosh, Isabel Maternity by Ingrid & Isabel and Umbro.



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## Reasons To Buy:

- ▲ **Strategic Initiatives Bode Well:** Target has undertaken several strategic initiatives to boost performance. Notably, the company has been deploying resources to enhance omni-channel capacities, come up with new brands and remodel or refurbish stores. Target has also adopted cost reduction strategy, rationalization of supply chain with same-day delivery of in-store purchases and technology and process improvements. The company has been aggressively adopting strategies to enhance the shopping experience through miscellaneous channels. It is well equipped to serve shoppers be it curbside pickup or delivery at home. During first-quarter fiscal 2020, same-day services (Order Pick Up, Drive Up and Shipt) grew 278% and accounted for roughly 5 percentage points of total comparable sales growth. The company plans to expand its merchandise assortments with special emphasis on Style, Baby, Kids, and Wellness categories that are performing well. Moreover, management is focusing on key departments, such as Apparel, Beauty, Electronics and Food and Beverage. Some of the company's owned brand includes Good & Gather, Everspring, Auden, Colsie and Cloud Island Essentials. The company in collaboration with Disney launched exclusive collection of more than 350 items comprising apparel, toys, bedding, beauty, food and pet treats, inspired by Mickey Mouse. Shares of Target have increased 14.9% compared with the industry's gain of 8.9% in the past three months.
- ▲ **Essentials and Food & Beverage Categories Boost Comps:** Target registered a sharp rise in comparable sales during first-quarter fiscal 2020, courtesy of booming digital sales as consumers shop for essentials from home amid lockdown. Digital sales started to shoot up in the later part of the March month. The trend continued in April as well but accelerated significantly from the middle of the month. The company witnessed higher demand for same-day fulfillment services and saw market-share gains across core merchandising categories. Comparable sales rose 10.8%, backed by a 12.5% jump in average basket, thanks to customers' lesser but larger shopping trips amid the pandemic. Comparable digital channel sales surged 141% and added 9.9 percentage points to comparable sales. Digital comparable sales accelerated every month in the quarter, from 33% in February to 282% in April. Store originated comparable sales inched up 0.9%. The company witnessed an increase in market share in all five core merchandise categories. Notably, comparable sales across core merchandise categories increased well over 20% in Hardlines, in the high-teens in Essentials and Beauty and more than 20% in Food & Beverage. Target is adding 750 fresh and frozen grocery items to its in-store order pickup and curbside drive up online services.
- ▲ **Positive Highlights of Q1:** Target came up with first-quarter fiscal 2020 results, wherein both top and bottom lines beat the Zacks Consensus Estimate and revenues grew year over year. Notably, earnings marked its fifth straight beat and comparable sales increased for the 12th successive quarter. Comparable sales particularly gained from strength in the digital channel, given customers' increased shift to online shopping amid coronavirus-led social distancing. The company reported adjusted earnings of 59 cents per share that surpassed the Zacks Consensus Estimate of 46 cents. The company generated total revenues of \$19,615 million that increased 11.3% from the year-ago period and outpaced the Zacks Consensus Estimate of \$19,100 million. Meanwhile, comparable sales for the quarter increased 10.8%.
- ▲ **Flexible & Smaller Format Stores:** Target continues to lay emphasis on developing flexible format stores to penetrate deeper into urban areas. Earlier, the company used to concentrate on large format stores for a particular location, which lowered its accessibility to the country's densely populated urban regions and space-crunched cities. However, with the changing business scenario and rising competition, Target felt the need to have stores of various sizes and formats in order to better serve its target areas. This approach will help the company to augment sales without substantial capital investment. These types of stores generally have higher sales productivity. These small format stores contributed more than \$1 billion in total sales during fiscal 2019. In the wake of the pandemic, the company intends to open 15-20 small-format stores in fiscal 2020, down from its prior plans of 36 openings. The company now plans to remodel roughly 130 stores in the fiscal year, instead of 300 outlets. Further, the company is exploring sites for stores that are approximately 6,000 square feet – roughly half the size of its smallest small-format store.
- ▲ **Customer Friendly Initiatives:** With an aim to capture the booming online grocery delivery market, Target made a significant headway in the same-day delivery race by acquiring Internet-based grocery delivery service Shipt to provide same-day delivery of groceries, essentials, home, electronics as well as other products. Shipt is now operating in more than 1,500 outlets in over 200 markets. The company also rolled out Target Restock program that allows customers to restock their shipping box with essential items online and get them delivered at door steps by the next business day for a nominal charge. Further, in order to improve supply chain and expand delivery capabilities, Target acquired Grand Junction. This transportation technology company provides a platform that allows retailers, distributors and third-party logistics providers to manage local deliveries through a network of over 700 carriers. Drive Up, an app-based service, is another initiative to expedite the shopping process. The service allows customers to place orders using the Target app and have them delivered to their cars. The company offers the service across more than 1,750 stores. To enhance service to its customers, the company rolled out a new loyalty program Target Circle. The program also comes with a zero-membership fee. Another strategic acquisition is that of local route optimization technology from Deliv.
- ▲ **Financial Flexibility:** Target ended first-quarter fiscal 2020 with a cash and cash equivalents of \$4,566 million, which reflects a sequential increase of about 77%. Notably, the company's cash position remains sufficient to meet current portion of long-term debt and other borrowings of about \$168 million as of May 2, 2020. Although, the company's long-term debt and other borrowings (including operating lease liabilities) of \$16,322 million has increased roughly 20% sequentially, its "times interest earned" ratio stands at a decent 8.5. Its debt-to-capital ratio stands at 0.60. Nonetheless, the company's financial strategy, including the suspension of share repurchase activity, in the wake of the pandemic showcase its determination to maintain adequate liquidity to navigate through this turbulent time. Moreover, we note that operating cash flow surged roughly \$1 billion from the last year period.

Target's initiatives, including the development of omni-channel capacities, diversification and localization of assortments along with emphasis on flexible format stores, bode well.

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## Reasons To Sell:

- ▼ **COVID-19 Impact:** Due to the outbreak of novel coronavirus, there has been a shift in consumer shopping patterns. There is shift in category sales mix to lower-margin non-discretionary merchandise, while demand for higher-margin categories such as Apparel and Accessories have been historically low. Management highlighted that lost sales for those higher-margin products are likely to adversely impact the company's profitability. Moreover, management fears that costs associated with digital channels and COVID-19 related expenses may not be fully offset by sales of lower-margin merchandise. This may again hurt the company's overall profit margin. We note that first-quarter fiscal 2020 bottom line tumbled 61.4% year over year, bearing the unfavorable impacts of increased employee pay and benefits, along with higher investments undertaken to preserve safety and health of customers. Target withdrew its fiscal 2020 guidance on Mar 25 due to the uncertainty surrounding the impact of COVID-19. Due to the prevailing ambiguity, management did not issue any guidance for the fiscal second quarter.
- ▼ **Apparel & Accessories' Comps Fall:** We note that Apparel & Accessories' performance remained soft with comps down more than 20% during the first quarter of fiscal 2020. In April, comparable sales across Apparel & Accessories category plunged more than 40%. Management remains wary of persistent decline in higher-margin discretionary items sales due to the coronavirus outbreak. Continued sales declines in higher-margin discretionary categories could result in lower-than-expected gross margin dollar performance.
- ▼ **Soft Margin a Concern:** Gross margin contracted 450 basis points to 25.1% during the quarter on account of cost and inventory impairments related to the rapid slowdown in Apparel & Accessories sales; adverse category mix as customers hoarded stocks of lower-margin items like Essentials and Food & Beverage, as well as inflated digital and supply-chain expenses stemming from a major surge in digital volumes. Also, investments in wages and benefits clipped margins. Operating income slumped 58.7% to \$468 million, while operating margin collapsed 400 basis points to 2.4%.
- ▼ **High SG&A Expenses:** SG&A expenses have been increasing for quite some time now. Certainly, any deleverage in the same has a direct bearing on margins. After increasing 2.9% during the final quarter of fiscal 2019, SG&A expenses rose 10.9% in the first quarter of fiscal 2020. Analysts pointed that any increase in depreciation and amortization on account of remodel program, rise in costs due to new fulfillment options, higher wages and incremental investments may also weigh on margins. Target raised the minimum hourly wage to \$15.
- ▼ **Stiff Competition May Hurt Results:** The retail landscape has been witnessing a sea change with the focus gradually shifting to online shopping. In the retail segment, Target faces stiff competition from discount stores, department stores, drug stores, specialty stores, supermarkets, wholesale clubs, and other forms of retail commerce such as online retailers, contingent on location, price and quality of merchandise, in-stock consistency, merchandise assortments, and customer service. Some of the company's competitors are also far more geographically diversified. We believe that unhealthy price competition to gain market share and attract footfall might weigh on the company's profit margins.
- ▼ **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. This may adversely impact its growth and profitability.

Some of Target's competitors are far more geographically diversified. We believe that incremental investments, higher wages and rise in costs due to new fulfillment options may squeeze margins.

## Last Earnings Report

### Target Q1 Earnings & Revenue Top Estimates, Comps Up

Target Corporation came up with first-quarter fiscal 2020 results, wherein both top and bottom lines beat the Zacks Consensus Estimate and revenues grew year over year. Notably, earnings marked its fifth straight beat and comparable sales increased for the 12th successive quarter. Comparable sales particularly gained from strength in the digital channel, given customers' increased shift to online shopping amid coronavirus-led social distancing. However, the bottom line tumbled year over year, bearing the unfavorable impacts of increased employee pay and benefits, along with higher investments undertaken to preserve safety and health of customers.

Quarter Ending **04/2020**

Report Date	<b>May 20, 2020</b>
Sales Surprise	<b>2.70%</b>
EPS Surprise	<b>28.26%</b>
Quarterly EPS	<b>0.59</b>
Annual EPS (TTM)	<b>5.46</b>

Target withdrew its fiscal 2020 guidance on Mar 25 due to the uncertainty surrounding the impact of COVID-19. Due to the prevailing ambiguity, management did not issue any guidance for the fiscal second quarter.

### Let's Delve Deeper

This operator of general merchandise stores reported adjusted earnings of 59 cents per share that surpassed the Zacks Consensus Estimate of 46 cents. However, the metric slumped 61.4% from the prior-year period. The bottom-line results reflect major additional employee payments and benefits, along with investments undertaken to preserve safety and health of customers and team members amid the coronavirus crisis.

The company generated total revenues of \$19,615 million that increased 11.3% from the year-ago period and outpaced the Zacks Consensus Estimate of \$19,100 million. We note that sales jumped 11.3% to \$19,371 million, while other revenues were up 7.7% to \$244 million.

Meanwhile, comparable sales for the quarter increased 10.8%, backed by a 12.5% jump in average basket – thanks to customers' lesser but larger shopping trips amid the pandemic. The number of transactions dipped 1.5%. Comparable digital channel sales surged 141% and added 9.9 percentage points to comparable sales. Store originated comparable sales inched up 0.9%. The company witnessed an increase in market share in all five core merchandise categories.

Gross margin contracted 450 basis points to 25.1% during the quarter on account of cost and inventory impairments; adverse category mix as customers hoarded stocks of lower-margin items like Hardlines, Essentials and Food & Beverage, as well as inflated digital and supply-chain expenses stemming from a major surge in digital volumes. Also, investments in wages and benefits clipped margins.

Operating income slumped 58.7% to \$468 million, while operating margin collapsed 400 basis points to 2.4%.

Target's debit card penetration shrunk 40 basis points to 12.7%, while credit card penetration fell 70 basis points to 9.7%. Total REDcard penetration declined to 22.4% from the year-ago quarter's 23.5%.

### Other Financial Details

During the reported quarter, Target repurchased shares worth \$609 million and paid dividends of \$332 million. The company had \$4.5 billion remaining under its \$5-billion share-buyback program approved in September 2019. However, on Mar 25, Target informed that it has suspended its share-buyback plan as part of the company's efforts to preserve financial flexibility amid the crisis.

Target incurred capital expenditures of about \$750 million during the quarter under review. Management now expects to incur capital expenditures of \$3 billion or lower in fiscal 2020, in contrast to prior expectation of about \$3.5 billion.

The company ended the quarter with cash and cash equivalents of \$4,566 million, long-term debt and other borrowings of \$14,073 million and shareholders' investment of \$11,169 million. We note that operating cash flow surged roughly \$1 billion from the last year period.

## Recent News

### Target Adds Fresh Grocery Items to Curbside Pickup Service – Jun 25, 2020

Target is adding 750 fresh and frozen grocery items to its in-store order pickup and curbside drive up online services. Notably, the services — which will be available in more than 1,500 outlets by the festive season — are free and do not entail minimum order or membership. The company will start by adding the expanded assortment to those services at stores in the Midwest, following successful pilots in the Twin Cities and Kansas City markets. The assortment includes 750 items across produce, dairy, bakery, meat and frozen products. Management notified that those items are in addition to the more than 250,000 items available for pickup across categories like home, apparel, essentials and more.

### Target Hikes Minimum Pay to \$15 – Jun 17, 2020

Target has announced a host of initiatives to boost its team's morale. Effective Jul 5, management will permanently increase the starting wage for U.S. team members to \$15 per hour, up from \$13 in June last year. Target's latest updates also include a \$200 one-time recognition bonus to the frontline store and distribution center hourly staff in order to highlight their efforts throughout the COVID-19 pandemic. This bonus will be distributed at July end to eligible full-time and part-time hourly staff members across the stores and distribution centers.

## Valuation

Target shares are up 1.7% in the year-to-date period and 57.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Retail-Wholesale sector are up 0.4% and 25%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 18.5% and 38.4%, respectively.

The S&P 500 index is up 2.3% in the year-to-date period and 14.7% in the past year.

The stock is currently trading at 22.34X forward 12-month earnings, which compares to 28.25X for the Zacks sub-industry, 33.87X for the Zacks sector and 22.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.65X and as low as 10.88X, with a 5-year median of 14.15X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$138 price target reflects 23.68X forward 12-month earnings.

The table below shows summary valuation data for TGT

Valuation Multiples - TGT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.34	28.25	33.87	22.58
	5-Year High	22.65	29.98	33.87	22.58
	5-Year Low	10.88	17.93	19.07	15.25
	5-Year Median	14.15	20.09	23.44	17.55
P/S F12M	Current	0.78	1.45	1.24	3.6
	5-Year High	0.81	1.45	1.24	3.6
	5-Year Low	0.4	0.95	0.82	2.53
	5-Year Median	0.57	1.14	0.97	3.04
EV/EBITDA TTM	Current	11.63	24.76	18.58	12.76
	5-Year High	11.63	24.76	18.58	12.85
	5-Year Low	5.38	11.02	11.12	8.24
	5-Year Median	7.89	14.13	12.93	10.89

As of 08/04/2020

## Industry Analysis Zacks Industry Rank: Bottom 25% (191 out of 254)



## Top Peers

Company (Ticker)	Rec	Rank
Dollar General Corporation (DG)	Outperform	2
Big Lots, Inc. (BIG)	Neutral	3
Burlington Stores, Inc. (BURL)	Neutral	4
Costco Wholesale Corporation (COST)	Neutral	3
Dollar Tree, Inc. (DLTR)	Neutral	2
Ross Stores, Inc. (ROST)	Neutral	3
Walmart Inc. (WMT)	Neutral	4
The TJX Companies, Inc. (TJX)	Underperform	5

Industry Comparison Industry: Retail - Discount Stores				Industry Peers		
	TGT	X Industry	S&P 500	DG	DLTR	TJX
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	2	2	5
VGM Score	B	-	-	A	A	D
Market Cap	65.23 B	17.42 B	22.75 B	49.19 B	22.75 B	63.82 B
# of Analysts	12	11	14	16	9	13
Dividend Yield	2.02%	0.37%	1.76%	0.74%	0.00%	0.00%
Value Score	B	-	-	B	A	D
Cash/Price	0.07	0.08	0.07	0.06	0.08	0.07
EV/EBITDA	10.59	13.81	13.09	20.82	13.07	14.13
PEG Ratio	3.72	4.35	2.95	1.76	2.12	8.39
Price/Book (P/B)	5.84	5.84	3.16	6.82	3.49	13.47
Price/Cash Flow (P/CF)	11.21	14.83	12.32	21.97	10.81	15.49
P/E (F1)	26.30	26.32	21.81	22.01	20.62	88.12
Price/Sales (P/S)	0.81	0.94	2.46	1.66	0.94	1.73
Earnings Yield	3.80%	3.15%	4.40%	4.54%	4.85%	1.13%
Debt/Equity	1.46	1.67	0.76	1.65	1.24	3.19
Cash Flow (\$/share)	11.64	6.38	6.94	8.90	8.87	3.44
Growth Score	B	-	-	A	A	F
Hist. EPS Growth (3-5 yrs)	5.85%	12.69%	10.46%	14.79%	18.19%	8.07%
Proj. EPS Growth (F1/F0)	-22.44%	-13.22%	-7.16%	31.93%	-2.31%	-77.36%
Curr. Cash Flow Growth	10.26%	9.68%	5.47%	9.68%	-55.39%	19.07%
Hist. Cash Flow Growth (3-5 yrs)	3.95%	8.54%	8.55%	9.69%	19.78%	7.38%
Current Ratio	1.01	1.34	1.32	1.44	1.15	2.20
Debt/Capital	59.37%	62.49%	44.36%	62.32%	55.43%	76.12%
Net Margin	3.46%	3.41%	10.25%	6.69%	3.35%	4.57%
Return on Equity	24.17%	23.39%	14.67%	29.33%	18.69%	31.29%
Sales/Assets	1.85	1.51	0.51	1.29	1.22	1.52
Proj. Sales Growth (F1/F0)	5.95%	5.95%	-1.71%	15.11%	6.35%	-18.17%
Momentum Score	D	-	-	D	A	A
Daily Price Chg	2.04%	1.39%	0.42%	1.32%	1.47%	2.68%
1 Week Price Chg	1.75%	-0.38%	0.14%	-0.68%	-2.35%	-1.70%
4 Week Price Chg	10.49%	5.06%	4.97%	4.05%	5.97%	4.88%
12 Week Price Chg	9.26%	9.43%	15.30%	7.54%	25.64%	15.93%
52 Week Price Chg	57.60%	4.03%	2.34%	45.34%	3.43%	1.78%
20 Day Average Volume	3,106,088	1,436,854	2,082,836	1,560,990	1,765,259	5,378,720
(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%	0.07%	0.93%	0.36%	0.24%	-7.53%
(F1) EPS Est 12 week change	-9.32%	-6.00%	0.78%	18.52%	-2.33%	-56.70%
(Q1) EPS Est Mthly Chg	0.00%	0.15%	0.17%	0.70%	0.30%	0.00%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>B</b>
Growth Score	<b>B</b>
Momentum Score	<b>D</b>
VGM Score	<b>B</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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### Disclosures

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