

Thermo Fisher (TMO)

\$340.82 (As of 06/15/20)

Price Target (6-12 Months): **\$358.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/07/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: A

Summary

Thermo Fisher ended the first quarter with better-than-expected numbers. We are encouraged about the strong year-over-year revenue growth at Life Sciences Solutions and Laboratory Products and Services segments. The company's end-market underlying growth performance was strong before the outbreak in China. Meanwhile, the company is optimistic about the progress related to its COVID-19 diagnostic test. In the first quarter, the company reported rapid uptake of these diagnostic kits. We also look forward to Thermo Fisher's agreement to acquire QIAGEN N.V. for \$11.5 billion. However, the coronavirus outbreak has massively disrupted the global supply chain. Two of the end markets registered loss in the first quarter, largely due to customer shutdowns in China. In the past six months, Thermo Fisher has outperformed its industry.

Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$356.42 - \$250.21
20 Day Average Volume (sh)	1,334,355
Market Cap	\$134.6 B
YTD Price Change	4.9%
Beta	1.04
Dividend / Div Yld	\$0.88 / 0.3%
Industry	Medical - Instruments
Zacks Industry Rank	Top 50% (127 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.4%
Last Sales Surprise	0.4%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	07/22/2020
Earnings ESP	5.3%
P/E TTM	27.3
P/E F1	28.6
PEG F1	2.3
P/S TTM	5.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	6,692 E	6,590 E	6,672 E	7,574 E	27,423 E
2020	6,230 A	5,706 E	6,247 E	7,107 E	25,289 E
2019	6,125 A	6,316 A	6,272 A	6,829 A	25,542 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$3.34 E	\$3.43 E	\$3.43 E	\$4.11 E	\$13.79 E
2020	\$2.94 A	\$2.47 E	\$2.95 E	\$3.80 E	\$11.92 E
2019	\$2.81 A	\$3.04 A	\$2.94 A	\$3.55 A	\$12.35 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 06/15/2020. The reports text is as of 06/16/2020.

Overview

Headquartered in Waltham, MA, Thermo Fisher Scientific is a scientific instrument maker and a world leader in serving science. In Nov 2006, Thermo Fisher Scientific, Inc. was formed through the merger of Thermo Electron Corporation with Fisher Scientific International Inc. On Feb 3, 2014, Thermo Fisher acquired Life Technologies Corporation.

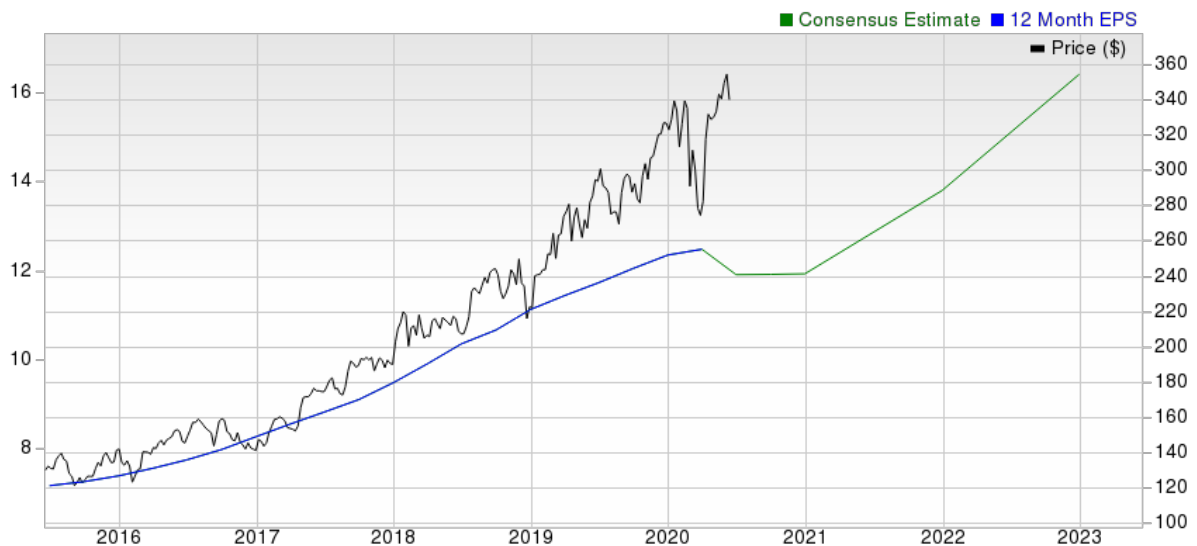
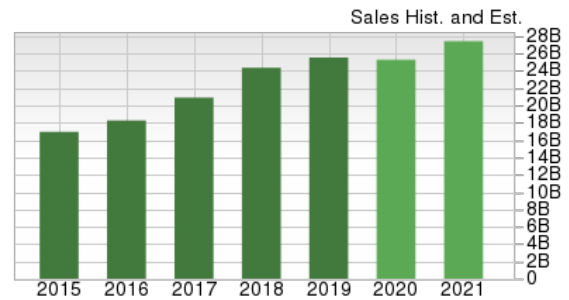
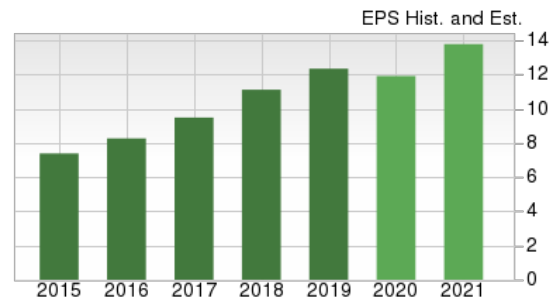
Following the acquisition, the new reporting segments are:

Life Sciences Solutions Segment: This segment (26.1% of total revenues in 2019) was added post the acquisition of Life Technologies. It incorporates majority of the former Life Technologies and Thermo Fisher's Biosciences businesses. In 2018, this business registered growth of 9.4% from 2017.

Analytical Instruments: Formerly known as Analytical Technology, this segment (24.1%) has been renamed in order to reflect the transfer of the bioprocess production business to the newly formed Life Sciences Solutions Segment. In 2018, this business registered growth of 13.4% from 2017.

Specialty Diagnostics (SD): This segment (14.6%), formed after the acquisition of Phadia, serves customers in healthcare and clinical laboratories with a portfolio of diagnostic test kits, reagents and instruments used to increase the speed and accuracy of diagnoses to improve patient care. In 2018, this business registered growth of 6.8% from 2017.

Laboratory Products and Services (LPS): This segment (40%) serves laboratory customers with equipment and consumables that improve productivity and a range of BioPharma outsourcing services. This segment also includes the company's research and safety market customer channels. Post-acquisition, Thermo Fisher's Global Chemicals business has moved to the Laboratory Products and Services Segment. In 2018.



Reasons To Buy:

▲ **Share Price Performance:** Thermo Fisher has outperformed its industry in the past six months. The stock improved 6.6% versus the industry's 3.6% decline. Thermo Fisher ended the first quarter with better-than-expected numbers. We are encouraged about the strong year-over-year revenue growth at Life Sciences Solutions and Laboratory Products and Services segments. The company's end market underlying growth performance was overall strong before the outbreak in China. Barring the China business, North America and Europe did well through the quarter and according to Thermo Fisher, the coronavirus-impact in those geographies was not prominent until very late in March.

Meanwhile, the company is optimistic about the progress related to its COVID-19 diagnostic test. It has received authorization for emergency use and began to ramp up production to meet growing global demand. In the first quarter already, the company reported rapid uptake of these diagnostic kits. Also, a series of product launches with progress in precision medicine initiatives aided its performance. During the reported quarter, the company launched the Thermo Scientific Vanquish Core HPLC system (within its chromatography and mass spectrometry business) and Thermo Scientific Labtainer Pro BioProcess Container (within bio production business).

We currently look forward to Thermo Fisher's agreement to acquire QIAGEN N.V. for \$11.5 billion (announced in March). It is aimed at expanding the company's specialty diagnostics portfolio with QIAGEN's molecular diagnostics capabilities and also enhancing the company's life sciences offering with QIAGEN's sample preparation technologies.

▲ **Coronavirus-Crisis Handling Initiative Bodes Well:** Thermo Fisher has taken a three-pronged approach or guiding principle to control the impact of the coronavirus-led situation. The first is to ensure the safety of its employees. In this regard, the company has implemented numerous health and safety protocols at its sites following CDC guidance and local regulations and also assembled an outside panel of medical experts to get additional insights. Second, it will maintain business continuity for seamless COVID-19 related healthcare support. In this regard, the company established incident response teams to create a process for managing new protocols at all sites. The company noted that because of this, during this period, its supply chains have experienced minimal disruption.

The third principle revolves around the management of the company appropriately. The company is focusing on executing its long-term growth strategy, conquering the short-term challenges and also generating new opportunities. When the pandemic put China in lockdown, Thermo Fisher quickly mobilized its global team to help respond to the crisis in a better way. It is also pivoting its teams to accelerate their short-term growth plans in other regions of the world. The company is also focusing on innovation and is working to execute an improved capital deployment strategy. Thermo Fisher believes these activities will help the company to come out of this period even stronger.

▲ **COVID-19 Tests to Boost Sales:** As a remarkable breakthrough, in the first half of March, Thermo Fisher successfully attained EUA from the FDA for its diagnostic test to be used by the CLIA high-complexity laboratories in the United States. The test has been developed for the detection of nucleic acid, exclusively from SARS-CoV-2. The authorized test utilizes the Applied Biosystems TaqPath Assay technology and has been developed to deliver patient outcomes within four hours of a sample reaching a laboratory. This authorization was amended on Mar 24 to include additional instruments, such as the company's Applied Biosystems 7500 Fast Real-Time PCR System. This boosted testing capabilities in the United States from approximately 1,000 instruments to more than 3,000 instruments on which Thermo Fisher's diagnostic test can be run.

On Mar 26, the company announced that this test had received the CE mark in the European Union. Accordingly, Thermo Fisher has begun ramping up production to meet growing global demand. The company expects the subsequent huge market acceptance of this test to help the company partially mitigate some of the revenue loss in other businesses.

Further, in terms of the development of treatments and vaccines, Thermo Fisher is partnering with a number of Pharma and biotech customers who are working on pandemic related projects. Its pharma services network is working to produce existing drugs that are showing some effectiveness in treating COVID-19.

▲ **QIAGEN Purchase a Strategic Fit:** As part of its strategy to effectively deploy capital, Thermo Fisher has undertaken several acquisitions in the recent past. On top of boosting revenue accretion, these deals have historically benefited the company's operating margin while also resulting in tax synergies. Thermo Fisher's recent \$11.5-billion gigantic deal to acquire molecular diagnostics and sample preparation technologies major QIAGEN seems strategically align as well. While the deal will enable Thermo Fisher to expand its Specialty Diagnostics portfolio and improve its R&D skill, it will also deliver significant cash value to its shareholders as well. Thermo Fisher believes, post integration, QIAGEN's robust molecular diagnostics presence with focus on infectious disease testing will complement the company's existing specialty diagnostics capabilities, including allergy, autoimmunity, transplant diagnostics and clinical oncology testing. The consolidated business is anticipated to provide advanced higher-specificity and more comprehensive tests in a faster way at reduced cost. Following the announcement, the next day, Moody's reaffirmed Baa1 senior unsecured ratings and Prime-2 commercial paper ratings for Thermo Fisher.

▲ **Strength in Two End Markets:** In first-quarter 2020, Thermo Fisher witnessed strength in two out of its four end markets categorized either by customer type or geography. The pharma and biotech space was essentially unaffected by the pandemic in the quarter and the company recorded another quarter of high single-digit growth. In diagnostics and healthcare, Thermo Fisher delivered growth in low double digits. This end market, in fact, benefited the most from the COVID-19 response.

▲ **Bioproduction Business on the Rise:** Thermo Fisher's Gibco Cell Culture for Bioprocessing, Chromatography and Protein Purification are already in high demand. The company has of let made a series of development to augment Bioprocessing growth since then. In 2019, the company launched a scalable bioreactor workflow called Thermo Scientific TruBio Discovery Automation System. This apart, the company has made another major investment within this field with the acquisition of Brammer Bio, a viral vector manufacturing firm, helping pharma and biotech customers provide breakthrough gene and cell therapies to patients with rare diseases. Earlier to that, the purchased Advanced Bioprocessing business from BD which is expected to significantly expand the company's Life Sciences Solutions line of offerings.

With several takeovers including Advanced Bioprocessing buyout from BD and Patheon, Thermo Fisher is expanding inorganic growth profile. The company's strong focus on emerging market is also encouraging.

In the first quarter, within bioproduction, the company launched the Thermo Scientific Labtainer Pro BioProcess Container to accelerate production of new therapies and vaccines.

- ▲ **Focus on Emerging Markets:** Thermo Fisher boasts strong international operations and has witnessed consistent growth in the Asia-Pacific and emerging markets. The company plans to continue to strengthen its foothold in emerging markets, such as China and India, and to translate this success to other high-priority opportunities in regions such as South Korea, Russia and Brazil.

We are currently looking forward to Thermo Fisher's 5-year plan, introduced in 2016 that outlines investments in innovation, healthcare and environment. According to the company, increasing growth scale in emerging markets is the key competitive advantage resulting in significant client wins. The company is also looking at expanding manufacturing footprint to serve local markets and capitalize on demand for specialty diagnostics.

- ▲ **Strong Liquidity, Solvency and Capital Structure:** Thermo Fisher is well capitalized having exited the first quarter of 2020 with cash and cash equivalents of \$2.98 billion compared with \$2.39 billion in the year-ago period. The company finished the quarter with no debt on its balance sheet.

The company's cash flow trends also remain robust. Operating cash flow from continuing operations through the first quarter was \$360 million and free cash flow was \$110 million (after deducting net capital expenditures of approximately \$250 million). This compares with the year-ago operating cash flow of \$649 million and free cash flow of \$454 million (capital expenditure was \$195 million in the year-ago quarter).

In terms of capital deployment, the company has been using its free cash to make strategic acquisitions and has been rewarding its shareholders through share repurchases and dividend. Thermo Fisher expressed interest in acquisitions in the field of mass spectrometry, bioproduction, specialty diagnostics, at an attractive valuation. In the first quarter, the company returned \$1.5 billion to shareholders via share repurchases and approximately \$75 million through dividends. The company earlier expected a total of \$1.5 billion of share buybacks in 2020, all of which were completed in the first quarter. Thermo Fisher currently assumes to return approximately \$350 million of capital to shareholders in 2020 through dividends. The company's current payout ratio stands at a very low level of 6.3%, indicating sustainability of its current dividend payment.

Reasons To Sell:

▼ **Two End Markets Register Loss Amid Pandemic Headwind:** Thermo Fisher noted that, in the first quarter, the COVID-19 tailwind was around 3% of revenue growth while the headwinds of COVID-19 were around 6%, largely driven by customer shutdowns in China. In fact, Asia Pacific declined in the mid-teens driven by a decline of approximately 25% in China. Overall, COVID-19 accounted for about 3% net headwind in the quarter.

In the quarter, the company's two of the end markets registered significant loss. The industrial and applied end market declined 10% year over year, primarily affected by COVID-19 related shutdowns in China. Academic and government declined in the mid-single digits as academic closed first in China and in other countries later in the quarter.

In terms of second-quarter organic growth projection, the company noted that, based on a series of fleeting variables, its 'current best estimates' of how these variables will impact organic growth are somewhere between flat and negative 15%.

▼ **Exposure to Foreign Currency:** Thermo Fisher derives more than 50% of its revenues from the international market, which exposes it to fluctuations in foreign currency. In past several years, the company's earnings were affected significantly on headwind from foreign exchange.

▼ **Economic Uncertainty Continues to Hamper Growth:** Thermo Fisher's business depends heavily on general economic conditions. The company makes scientific instruments which are primarily of big ticket sizes and non-life-sustaining in nature. The company has been witnessing headwinds in the government and academic markets. Moreover, many countries in Europe are also going through a tough time that might impact their academic budgets. We remain cautious since growth could further moderate if the economic scenario worsens.

▼ **Tough Competitive Pressure:** On account of its diversified portfolio, Thermo Fisher faces different types of competitors including a broad range of manufacturers and third-party distributors. The competitive landscape is quite tough with changing technology and customer demands that require continuing research and development.

Unfavorable macroeconomic conditions continue to weigh heavily on Thermo Fisher's stocks. Also competitive headwinds and currency fluctuations continue to pose a threat on the stock's value.

Last Earnings Report

Thermo Fisher Beats on Q1 Earnings on Growth In Life Sciences

Thermo Fisher's first-quarter 2020 adjusted earnings per share of \$2.94 beat the Zacks Consensus Estimate by 5.4%. The figure improved 4.6% year over year.

The adjusted number excludes certain non-recurring expenses, QIAGEN acquisition costs and certain restructuring costs, net, consisting principally of severance, abandoned facility and other expenses of headcount reductions within several businesses and real estate consolidation.

On a reported basis, earnings per share were \$1.97, down 2.5% year over year.

Revenues in the quarter under review grossed \$6.23 billion, up 1.6% year over year. The top line also exceeded the Zacks Consensus Estimate by 0.4%.

Quarter in Detail

Organic revenues in the reported quarter grew 2% year over year while acquisitions, net of a divestiture, increased revenues by 1%. However, currency translation adversely impacted total revenues by 1%.

Thermo Fisher operates under four business segments: Life Sciences Solutions, Analytical Instruments, Specialty Diagnostics and Laboratory Products and Services.

Revenues at the Life Sciences Solutions segment (28.5% of total revenues) improved 10% year over year to \$1.77 billion while Analytical Instruments Segment sales (17.7%) declined 16.7% to \$1.1 billion.

Revenues at the Laboratory Products and Services segment (43.8%) rose 9% to \$2.73 billion. The Specialty Diagnostics segment (15.4%) recorded flat year-over-year revenues at \$0.96 billion.

Gross margin of 45.9% in the first quarter contracted 25 basis points (bps) year over year despite a 1.2% rise in gross profits. Adjusted operating margin for the quarter came in at 21.9%, reflecting an expansion of 12 bps.

The company exited the first quarter of 2020 with cash and cash equivalents of \$2.98 billion compared with \$2.39 billion at the end of 2019. Net cash provided by operating activities in the first quarter was \$356 million compared with \$649 million a year ago.

We note that on Apr 6, 2020, Thermo Fisher had withdrawn its 2020 guidance due to the COVID-19 pandemic-led crisis and related customer impact.

Quarter Ending **03/2020**

Report Date	Apr 22, 2020
Sales Surprise	0.38%
EPS Surprise	5.38%
Quarterly EPS	2.94
Annual EPS (TTM)	12.47

Recent News

On **Mar 16, 2020**, Thermo Fisher announced the commercial availability of Thermo Scientific Cascadion SM Clinical Analyzer with the Cascadion SM 25-Hydroxy Vitamin D assay in the United States.

On **Mar 13, 2020**, Thermo Fisher announced receiving an emergency use authorization (EUA) from the FDA for its diagnostic test, which can be used with immediate effect by the Clinical Laboratory Improvement Amendments (CLIA) high-complexity laboratories in the United States to detect nucleic acid from the COVID-19 causing SARS-CoV-2 virus. However, this clearance is not applicable for the testing of any other viruses or pathogens.

On **Mar 12, 2020**, Thermo Fisher inked a deal with Janssen Biotech, Inc., one of the Janssen Pharmaceutical Companies of Johnson & Johnson. The deal was signed to co-develop a companion diagnostic (CDx) in oncology. The CDx will support clinical trial enrollment globally.

On **Mar 5, 2020**, Thermo Fisher announced the release of five new Thermo Scientific SureTect PCR Assays and enhanced software to test food and related samples. The new SureTect PCR Assays, along with those already available for detections, will give manufacturers access to a more comprehensive range of tests for every step of their analysis.

On **Mar 3, 2020**, Thermo Fisher announced the decision to acquire QIAGEN.

On **Feb 13, 2020**, Thermo Fisher entered into a collaboration with NanoPin Technologies to advance blood-based infectious disease detection technology through the development of highly sensitive liquid chromatography mass spectrometry (LC-MS)-based workflows.

On **Feb 5, 2020**, Thermo Fisher introduced a new next-generation sequencing (NGS)-based solution — Ion Torrent CarrierSeq ECS Kit — that enables reproductive health researchers to more efficiently analyze a broad range of key genetic markers with an end-to-end workflow. The ECS Kit for the Ion GeneStudio S5 System consolidates a multi-platform approach to expanded carrier screening (ECS) into a single solution that extends the company's reproductive health research portfolio.

Valuation

Thermo Fisher shares are up 4.9% in the year-to-date period and up 19.2% in the trailing 12-month periods. Year-to-date, the Zacks sub-industry is down 0.1% and sector is down 5.2%. Over the past year, the Zacks sub-industry is up 3% and sector is down 2.7%.

The S&P 500 index is down 5.5% in the year-to-date period and up 5.3% in the past year.

The stock is currently trading at 20.7X Forward 12-months earnings, which compares to 40.6X for the Zacks sub-industry, 22.2X for the Zacks sector and 21.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.9X and as low as 14.8X, with a 5-year median 18.5X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$358 price target reflects 21.7X forward 12-months earnings.

The table below shows summary valuation data for TMO.

Valuation Multiples - TMO					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	20.68	40.57	22.19	21.92
	5-Year High	27.91	41.73	23.16	22.11
	5-Year Low	14.81	23.68	15.94	15.23
	5-Year Median	18.45	28.57	19.05	17.49
P/S F12M	Current	5.13	4.08	2.7	3.41
	5-Year High	5.34	4.26	3.74	3.44
	5-Year Low	2.71	2.56	2.21	2.53
	5-Year Median	3.46	3.05	2.91	3.02
P/B TTM	Current	4.1	3.87	4.1	4.19
	5-Year High	4.9	4.75	5.06	4.56
	5-Year Low	2.27	2.73	2.93	2.83
	5-Year Median	3.17	3.86	4.28	3.66

As of 06/15/2020

Industry Analysis Zacks Industry Rank: Top 50% (127 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Quidel Corporation (QDEL)	Outperform	1
BioRad Laboratories, Inc. (BIO)	Neutral	4
Bruker Corporation (BRKR)	Neutral	3
Danaher Corporation (DHR)	Neutral	3
DexCom, Inc. (DXCM)	Neutral	3
Illumina, Inc. (ILMN)	Neutral	3
Luminex Corporation (LMNX)	Neutral	1
PerkinElmer, Inc. (PKI)	Neutral	3

Industry Comparison Industry: Medical - Instruments				Industry Peers		
	TMO	X Industry	S&P 500	DHR	ILMN	LMNX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	1
VGM Score	C	-	-	D	B	F
Market Cap	134.61 B	158.91 M	21.70 B	119.66 B	51.22 B	1.40 B
# of Analysts	9	2	14	9	8	3
Dividend Yield	0.26%	0.00%	1.95%	0.42%	0.00%	1.18%
Value Score	C	-	-	D	D	D
Cash/Price	0.02	0.09	0.06	0.04	0.07	0.03
EV/EBITDA	21.48	-1.30	12.55	30.33	35.07	72.21
PEG Ratio	2.29	4.00	2.96	3.87	5.14	NA
Price/Book (P/B)	4.71	3.44	2.99	4.06	11.05	3.01
Price/Cash Flow (P/CF)	18.84	20.78	11.61	27.61	42.33	71.55
P/E (F1)	28.59	45.16	21.21	35.15	56.49	176.42
Price/Sales (P/S)	5.25	3.76	2.26	6.17	14.40	4.09
Earnings Yield	3.50%	-3.57%	4.43%	2.84%	1.77%	0.56%
Debt/Equity	0.67	0.10	0.76	0.77	0.29	0.04
Cash Flow (\$/share)	18.08	-0.13	7.01	6.21	8.23	0.43
Growth Score	C	-	-	C	A	F
Hist. EPS Growth (3-5 yrs)	13.78%	12.40%	10.87%	2.50%	20.07%	-21.53%
Proj. EPS Growth (F1/F0)	-3.48%	-1.26%	-10.58%	10.43%	-6.13%	182.54%
Curr. Cash Flow Growth	6.99%	5.04%	5.46%	1.84%	13.10%	-57.32%
Hist. Cash Flow Growth (3-5 yrs)	10.08%	11.44%	8.55%	5.87%	16.75%	-15.21%
Current Ratio	2.32	2.65	1.29	1.32	4.10	4.00
Debt/Capital	40.24%	14.29%	45.06%	42.26%	22.53%	3.49%
Net Margin	14.31%	-15.86%	10.54%	16.85%	26.48%	-1.81%
Return on Equity	17.25%	-14.83%	16.08%	11.52%	21.78%	-1.25%
Sales/Assets	0.44	0.58	0.55	0.32	0.50	0.63
Proj. Sales Growth (F1/F0)	-0.99%	0.00%	-2.59%	2.71%	0.10%	14.56%
Momentum Score	A	-	-	D	B	F
Daily Price Chg	0.31%	0.72%	0.98%	1.88%	2.00%	3.49%
1 Week Price Chg	-4.08%	-3.68%	-7.25%	-2.80%	-3.53%	-2.83%
4 Week Price Chg	-1.77%	2.42%	5.45%	5.74%	1.25%	-1.35%
12 Week Price Chg	33.50%	43.62%	39.81%	41.32%	46.55%	28.06%
52 Week Price Chg	19.20%	-15.91%	-4.47%	23.11%	-0.76%	43.84%
20 Day Average Volume	1,334,355	247,277	2,587,370	2,716,212	988,025	717,431
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%
(F1) EPS Est 4 week change	0.12%	0.00%	0.00%	-0.09%	-1.28%	0.00%
(F1) EPS Est 12 week change	-12.30%	-20.02%	-15.39%	-9.92%	-9.93%	147.62%
(Q1) EPS Est Mthly Chg	0.88%	0.00%	0.00%	-0.37%	-12.50%	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	C
Momentum Score	A
VGM Score	C

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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