Varian Medical Systems (VAR)

$117.02 (As of 06/15/20)

Price Target (6-12 Months): **$123.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/19/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: B | Growth: C | Momentum: A	

Summary

Varian continues to gain from its core Oncology Systems segment, which saw solid overseas growth, especially in the EMEA region. Gross orders rose in the quarter. Expansion in gross margin is an added positive. Management is optimistic about the completed acquisitions of CyberHeart, Cancer Treatment Services International, Endocare and Alicon. The receipt of five Ethos orders in the United States and Europe and two Proton orders in the AsiaPacific buoys optimism. Varian exited the fiscal second quarter on a strong note, with earnings and revenues beating estimates. On the flip side, the Proton Solutions unit was weak in the quarter. Contraction in adjusted operating margin is also worrying. Over the past year, the company has underperformed its industry.

Price, Consensus & Surprise

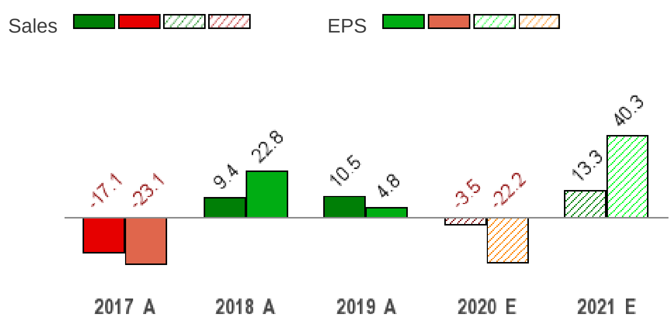
Data Overview

52 Week High-Low	$150.06 - $89.62
20 Day Average Volume (sh)	651,719
Market Cap	$10.6 B
YTD Price Change	-17.6%
Beta	1.08
Dividend / Div Yld	$0.00 / 0.0%
Industry	Medical - Instruments
Zacks Industry Rank	Top 50% (127 out of 253)

Last EPS Surprise	1.2%
Last Sales Surprise	1.8%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	07/22/2020
Earnings ESP	0.0%

P/E TTM	25.8
P/E F1	32.5
PEG F1	4.1
P/S TTM	3.2

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	848 E	872 E	857 E	921 E	3,524 E
2020	829 A	795 A	677 E	810 E	3,111 E
2019	741 A	779 A	826 A	879 A	3,225 A

EPS Estimates

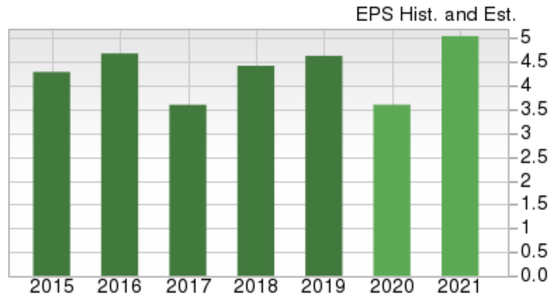
	Q1	Q2	Q3	Q4	Annual*
2021	$1.11 E	$1.20 E	$1.22 E	$1.39 E	$5.05 E
2020	$1.16 A	$0.85 A	$0.55 E	$1.04 E	$3.60 E
2019	$1.06 A	$1.05 A	$1.32 A	$1.21 A	$4.63 A

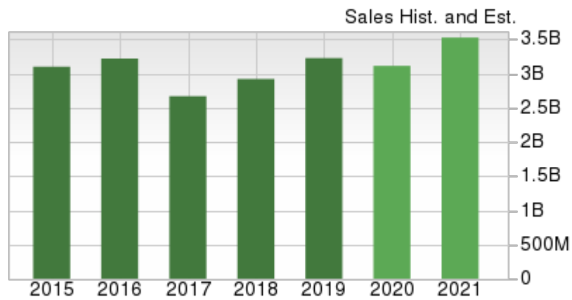
*Quarterly figures may not add up to annual.

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 Palo Alto, CA, Varian Medical Systems Inc. (VAR) is the world's leading provider of radiotherapy, radiosurgery, proton therapy and brachytherapy for treating cancer and other medical conditions. It is also a premier supplier of X-Ray tubes for medical, scientific, and industrial applications. Notably, Varian Medical is among the top five players when it comes to Oncology Devices market in terms of revenues. The company with all its focus in Oncology business expansion has inflated its Oncology Systems revenue share to 95% in fiscal 2019 from 77% five years back.





The main operating segments are Oncology Systems and Proton Therapy. The company also reports an Other segment that includes Ginzton Technology Center (GTC) and Varian Particle Therapy (VPT) businesses.

Oncology Systems is Varian Medical's largest operating business segment. It provides products for radiation treatment of cancer with conventional radiation therapy, intensity modulated radiation therapy (IMRT), image guided radiation therapy (IGRT), volumetric modulated arc therapy (VMAT), stereotactic radiosurgery, stereotactic radiotherapy and brachytherapy.

The use of **Proton Therapy** to treat cancerous tumors is a major technological advance. Proton therapy delivers the beam precisely where it is required. Varian's ProBeam system is at the forefront of the industry, having created the world's first commercially available pencil beam scanning system, which is the most precise form of proton therapy available.Currently, proton therapy as a whole is offered at 48 centers worldwide.

FY19 at a Glance

For fiscal 2019, Varian's revenues totaled $3.23 billion, up 10.5% from fiscal 2018.

For fiscal 2019, revenues at the Oncology unit totaled $3.06 billion (representing 94.9% of net sales). Revenues at Proton Solutions totaled $143.9 million (4.5%) while that at the Other unit grossed $19.4 million (0.6%).

Reasons To Buy:

> Strong revenue opportunity from its various Oncology and Imaging Component products, growing adoption of Proton Therapy, strong overseas presence, particularly in emerging countries are positives.

▲ **Tariff-Exclusion a Positive**: In recent times, Varian's flagship products like medical linear accelerators and radiotherapy system were granted exclusion from additional tariffs imposed by China on the United States. Additionally, Varian expects to recognize a tariff refund in fiscal 2020.

▲ **Lucrative Acquisitions**: Varian has been focusing on inorganic growth through its acquisition strategy. In recent times, Varian acquired Cancer Treatment Services International (CTSI) for $283 million. The collaboration is expected to boost Varian Medical's core Oncology Systems business. Since the buyout of CTSI in May of 2019, the annual run rate for treatment plans has doubled to more than 16,000 per year .The CTSI buyout continued driving the company's Service revenues in the fiscal second quarter.The company also expects the buyout to be accretive to earnings per share (EPS) during fiscal 2021 on an adjusted basis and fiscal 2022 on a reported basis.

The company also announced an asset purchase agreement to acquire Boston Scientific's portfolio of drug-loadable microsphere and bland embolic bead products for $90 million. This will strengthen Varian's interventional oncology segment. Management is optimistic about recently-closed acquisitions of CyberHeart, Endocare and Alicon.

▲ **Machine-Learning Capabilities with RapidPlan**: Machine-Learning or Artificial Intelligence has been taking the MedTech industry by storm. Last October, at the American Society for Radiation Oncology Annual Meeting, Varian shared details of its development work on an artificial intelligence (AI)-driven multimodality adaptive radiotherapy treatment suite that is being designed to deliver high quality treatments.

Additionally, RapidPlan — Varian's unique knowledge-based planning software — was launched by the end of fiscal 2018. Management stated that Varian received nearly 1,800 orders since its launch.

Per management, RapidPlan is currently being utilized in clinical practice by Beijing Cancer Hospital in China.

In March 2020, Varian announced the newest release of its treatment planning system, Eclipse v16. This new release comprises intelligent features such as RapidPlan PT, the first clinical application of machine learning in proton treatment planning.

▲ **Halcyon Platform Drives Sales**: The Halcyon radiotherapy treatment system has been designed to offer cost-effective cancer care worldwide. The system streamlines every aspect of image-guided volumetric intensity modulated radiotherapy (IMRT).

Halcyon recently secured approval from the China National Medical Product Administration, which is likely to expand the global availability of Halcyon.

In the first quarter of fiscal 2020, Varian received eight Halcyon orders in Brazil. The company continues to expand access to quality cancer care with the installation of three Halcyon systems at the Centre National d'Oncologie in Mauritania, Centre Hospitalier Nganda in Congo and the Lagos Teaching University Hospital in Nigeria. Halcyon has also been granted exclusion from the section 301 tariffs by the United States Trade Representative, following which, the system received positive feedback.

In February 2020, the company received approval for Halcyon 2.0. The system incorporates imaging technologies such as kilovoltage cone-beam CT and iterative reconstructive cone-beam CT for better soft tissue definition. The company received three new system orders and five system upgrade orders for Halcyon 2.0. It inked a deal with National Health Service Trust for 15 TrueBeam machines and five Halcyon systems to equip centers across England. Additionally, Varian received an order for 12 TrueBeam machines, 22 Halcyon systems and one VitalBeam from Pharmstandard in Russia.

▲ **HyperArc Platform**: HyperArc platform is Varian's high definition radiotherapy technology. Notably, HyperArc is designed to treat multiple metastases brain cancer cases and continues to witness strong demand. Per MarketsAndMarkets, the global radiotherapy market is projected to reach a worth of $9.47 billion by 2022 from USD 6.81 billion in 2017, at a CAGR of 6.8%.

Varian has also announced that patients at the Chi Mei Medical Center with brain lesions became the first group in Taiwan to be treated using the company's HyperArc High Definition Radiotherapy system. Other recent software introductions, such as InSightive analytics and 360 Oncology systems, are expected to gather momentum over the long haul.

Through the fiscal second quarter, the demand for HyperArc continued rising. Notably, 33% of the company'sTrueBeam installed base now has HyperArc capability.

▲ **Solid R&D Prospects**: Varian operates in a technology-driven environment where success depends on innovation and frequent product updates. The company has been successful on the R&D front as evident from year-over-year expansion in its top line. The varied offerings include TrueBeam and Edge platforms, HyperArc, Halcyon, InSightive Analytics, Qumulate QA and RapidPlan knowledge-based treatment planning. We believe that Varian's innovative product pipeline will continue to drive overall growth over the long term.

In the fiscal second quarter, research and development expenses rose 19.5% year over year to $71 million.

▲ **Notable Developments in Proton Therapy:** In recent times, Varian has seen notable developments in its core Proton therapy unit, which falls under its Particle Therapy business.

For instance, the company's New York Proton Center, the state's first proton therapy facility, treated its first patient on Variance ProBeam Proton Therapy System in recent times. The center is expected to treat 1,400 patients annually.

In the fiscal first quarter, Varian received a new order. Meanwhile, the Proton pipeline remains strong. Also, Varian's ProBeam 360° system was selected by Penn Medicine to be installed at the Lancaster General Health Ann B. Barshinger Cancer Institute. Notably, the institute expects to treat its first patient in 2021.

At the end of the fiscal first quarter, Varian was selected by China Medical University Hospital in Taiwan to install a ProBeam 360° system, ARIA information management system, ARIA information management system and the Eclipse treatment planning system. This is scheduled for completion in 2024.

In March 2020, the company announced that the Proton International at the University of Alabama at Birmingham (UAB) has successfully treated its first cancer patient with the Varian ProBeam Compact proton therapy system. In the second quarter, the company closed the ProBeam 360 system purchase deal in the APAC region. The company now has 78 Proton rooms, which includes 39 rooms that operate across 26 sites globally.

▲ **Strength in AI & Medical Mechatronics:** Mechatronics, a high-end technology incorporating electronics, machine learning and mechanical engineering, has been in vogue, of late. A research by the Business Wire deciphers that the global Mechatronics and Robotics market is projected to witness a CAGR of 15.02% during the 2017-2021 period.

Varian has received significant exposure to Medical Mechatronic trends on its Halcyon and HyperArc platforms. In 2018, Varian launched Halcyon 2.0 with kilovoltage imaging (Kv). The first human kV cone-beam CT images on a Halcyon were acquired at Washington University with positive feedback.

Further, Varian's HyperArc platform is designed to treat multiple metastases brain cancer cases and continues to witness strong demand.

In February 2020, the company received FDA 510 clearance for its Ethos therapy solution in the United States.

In March, Varian was selected to equip the new Ethos Personalized Adaptive Therapy Center in Arizona with the company's Ethos therapy. It is an artificial intelligence (AI)-powered holistic adaptive therapy solution, designed to deliver an entire adapted treatment for daily customized radiation therapy within a 15-minute timeslot.

In the fiscal second quarter, the company received 15 Ethos orders, including 11 in the Americas, three in EMEA and one in APAC. Varian now has five centers treating clinically with Ethos.

▲ **Strong Geographic Foothold**: International emerging markets are a bit under-equipped to address the growing incidence of cancer. The company's strong overseas presence is expected to enable it to leverage this opportunity in emerging markets. Precisely, the company's Oncology Systems segment has been making noteworthy progress worldwide.

During the fiscal second quarter, within Oncology segment, EMEA orders rose 11% year over year on two large orders, one in Russia and another one in the U.K. In APAC, revenues grew 4%. In the Americas, revenues rose 4% on 4% growth in North America markets. As a whole, gross orders within the segment grew 1% from the year-ago quarter.

The Proton Solutions business saw a revenue decline of 32% owing to a slower order run rate in prior years. However, the decline was partially offset by continued growth in services revenues, which wereup 61%. In the quarter, the company was awarded two Proton orders in its APAC geography.

Varian's worldwide net installed base of 8,634 units grew 342 units or 4%during the quarter.

▲ **Recurring Revenue Base**: Service constitutes about one-third of Oncology segment revenues and is recurring in nature. It is expected to further grow as the company expands its installed base in overseas markets, particularly in China and India. The company continues to witness double-digit growth in its service business.

▲ **Stable Liquidity Position**: Varian is well capitalized having exited the fiscal second quarter of 2020 with $1.3 billion in available liquidity, including cash and cash equivalents of $667.8 million, that was down from $722 million in the previous quarter. The available liquidity also comprises of $661 million available under our $1.2 billion revolving credit facility that matures in 2024. Meanwhile, debt level of $521 million in the quarter, is much lower than the quarter's cash and cash equivalent level, thereby indicating strong solvency. This is good news during the time when the coronavirus mayhem has forced the corporate sector halt their production and supply.

The company's capital allocation priorities remain unchanged. While it plans to continue investing in its growth initiatives, management is taking proactive precautionary actions to improve its financial flexibility. For example, it has paused share buybacks to preserve liquidity.

Reasons To Sell:

- **Shares Down:** Over the past year, shares of Varian lost 11%, against the industry's rise of 3%. Apart from stiff competition in the MedTech space, Varian has been facing softness in its Proton therapy unit for a couple of quarters now. Further, the ongoing economic volatility on account of the global coronavirus outbreak is hampering the stock.

- **Weak Trends:** Revenues at the protons Solutions segment dropped 32% to $22 million. Per management, operating earnings gained from higher service revenues, partially offset by unfavorable project mix. Also, the company continues to witness softness in orders from Japan.

Cutthroat competition in the niche space has been a strong headwind for Varian Medical. The company's margin trend has lacked luster over the last few quarters.

- **Cutthroat Competition:** Varian competes with large electronic companies such as Siemens and Philips as well as with smaller and more specialized radiation therapy equipment manufacturers like Elekta, Accuray, Philips, Medtronic and Stryker.

  In the emerging proton therapy market, the company faces competition from Hitachi, Ion Beam Applications, Mevion Medical Systems and Sumitomo. Intensifying competition is expected to increase R&D expenditures in the nascent proton therapy market, which will keep margins under pressure. Moreover, pricing pressure in traditional radiotherapy also remains a major concern.

- **Softness in Free-standing Clinics Market:** The ongoing softness in the market for freestanding clinics is a matter of concern. The contribution from the freestanding clinics to the order growth rate in the domestic market was nominal.

  Per management, the freestanding clinic market accounts for only 10% of the company's worldwide orders. However, the sustained pressure is expected to have considerable short-term impact on Varian.

Last Earnings Report

Varian Earnings and Revenues Surpass Estimates in Q2

Quarter Ending	03/2020
Report Date	May 04, 2020
Sales Surprise	1.82%
EPS Surprise	1.19%
Quarterly EPS	0.85
Annual EPS (TTM)	4.54

Varian Medical Systems, Inc. reported second-quarter fiscal 2020 adjusted earnings per share of 85 cents, beating the Zacks Consensus Estimate of 84 cents by 1.2%. The figure however fell 19% year over year.

The company reported revenues of $794.5 million, which beat the consensus mark of $780.3 million by 1.8%. Revenues rose 1.9% year over year and 3% at constant currency (cc). Organically, revenues fell 1%.

Segment Details

Oncology Systems: Revenues totaled $761 million, up 2% year over year .Operating earnings at the segment were $111 million, down 16% year over year.

As a whole, gross orders grew 1% from the year-ago quarter to $773 million.

Orders in the United States fell 3% year over year owing toa 1% decline in North America. In EMEA, orders rose 11% year over year on two large orders, one in Russia and another one in the U.K. In APAC, orders fell 5% year over year.

Proton Solutions: Revenues at the segment dropped 32% to $22 million. Per management, operating earnings gained from higher service revenues, partially offset by unfavorable project mix.

Other: Revenues at this segment grossed $12 million. For investors' notice, the segment comprises interventional oncology business, including cryoablation, embolic microspheres, and microwave ablation, as well as the company's cardiac radioablation assets.

Margins

Total gross profit in the reported quarter was $337.2 million, up 5.9% year over year. Gross margin in the reported quarter was 42.4% of net revenues, up 162 basis points (bps).

Research and development expenses rose 19.5% year over year to $71 million. Selling, general and administrative expenses increased 19.4% year over year to $175.3 million.

As a percentage of revenues, adjusted operating margin was 11.4%, down 293 bps.

Guidance

The company is withdrawing its fiscal 2020 guidance due to uncertainty surrounding the magnitude and duration of the COVID-19 pandemic.

Recent News

On **May 21**, Varian launched new features for its Noona software application, a powerful tool developed to engage cancer patients in their continuous reporting and symptom monitoring

On **Mar 31**, Varian announced the newest release of its treatment planning system, Eclipse v16. This new release comprises intelligent features such as RapidPlan PT, the first clinical application of machine learning in proton treatment planning.

On **Mar 17**, Varian Medical announced that Proton International, the first proton therapy center at The University of Alabama at Birmingham ("UAB"), has treated its first cancer patient with the Varian ProBeam Compact proton therapy system. This solidifies Varian's foothold in the proton therapy market.

Valuation

Varian's shares are down 17.6% and 11% in the year-to-date period and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry and Zacks Medical sector are down 0.1% and 5.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 3% and down 2.7%, respectively.

The S&P 500 index is down 5.6% in the year-to-date period and up 5.2% in the past year.

The stock is currently trading at 25.3X Forward 12-months earnings, which compares to 40.6X for the Zacks sub-industry, 22.2X for the Zacks sector and 22.1X for the S&P 500 index.

Over the past five years, the stock has traded as high as 29.9X and as low as 15.3X, with a 5-year median of 22.9X.

Our Neutral recommendation indicates that the stock will perform better in-line with the market. Our $123 price target reflects 26.6X forward 12-months earnings.

The table below shows summary valuation data for VAR.

Valuation Multiples - VAR

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.29	40.57	22.19	22.11
	5-Year High	29.86	41.73	23.16	22.11
	5-Year Low	15.32	23.68	15.94	15.23
	5-Year Median	22.85	28.57	19.05	17.49
P/S F12M	Current	3.12	4.08	2.68	3.41
	5-Year High	4.20	4.26	3.74	3.60
	5-Year Low	2.18	2.56	2.21	2.53
	5-Year Median	3.18	3.05	2.91	3.02
P/B TTM	Current	5.67	3.87	4.14	4.19
	5-Year High	8.53	4.75	5.06	4.56
	5-Year Low	4.09	2.73	2.93	2.83
	5-Year Median	6.32	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
Accuray Incorporated **(ARAY)**	Outperform	2
Becton, Dickinson and Company **(BDX)**	Neutral	3
CONMED Corporation **(CNMD)**	Neutral	3
Masimo Corporation **(MASI)**	Neutral	3
Medtronic PLC **(MDT)**	Neutral	4
Novartis AG **(NVS)**	Neutral	3
Koninklijke Philips N.V. **(PHG)**	Neutral	3
Stryker Corporation **(SYK)**	Neutral	3

Industry Comparison Industry: Medical - Instruments

Industry Peers

	VAR	X Industry	S&P 500	ARAY	CNMD	MASI
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	B	-	-	D	D	D
Market Cap	10.63 B	158.91 M	21.70 B	206.38 M	2.09 B	12.13 B
# of Analysts	5	2	14	1	5	2
Dividend Yield	0.00%	0.00%	1.95%	0.00%	1.09%	0.00%
Value Score	B	-	-	C	D	D
Cash/Price	0.06	0.09	0.06	0.48	0.01	0.06
EV/EBITDA	19.25	-1.30	12.55	-142.51	17.98	44.54
PEG Ratio	4.17	4.00	2.96	NA	33.18	3.29
Price/Book (P/B)	5.67	3.44	2.99	3.44	2.98	9.68
Price/Cash Flow (P/CF)	20.54	20.78	11.61	NA	12.85	57.65
P/E (F1)	33.36	45.16	21.21	45.60	288.70	71.40
Price/Sales (P/S)	3.19	3.76	2.26	0.51	2.20	12.43
Earnings Yield	3.08%	-3.57%	4.43%	2.19%	0.34%	1.40%
Debt/Equity	0.05	0.10	0.76	3.62	1.10	0.00
Cash Flow ($/share)	5.70	-0.13	7.01	-0.01	5.71	3.89
Growth Score	C	-	-	D	F	C
Hist. EPS Growth (3-5 yrs)	1.34%	12.40%	10.87%	NA	10.88%	22.66%
Proj. EPS Growth (F1/F0)	-22.20%	-1.26%	-10.58%	133.33%	-90.38%	-2.48%
Curr. Cash Flow Growth	7.70%	5.04%	5.46%	-94.34%	29.97%	8.77%
Hist. Cash Flow Growth (3-5 yrs)	0.79%	11.44%	8.55%	14.18%	10.33%	19.44%
Current Ratio	1.28	2.65	1.29	1.95	2.46	6.23
Debt/Capital	5.09%	14.29%	45.06%	78.34%	52.41%	0.00%
Net Margin	7.51%	-15.86%	10.54%	0.64%	3.53%	21.66%
Return on Equity	22.93%	-14.83%	16.08%	-14.83%	10.85%	17.05%
Sales/Assets	0.79	0.58	0.55	0.87	0.54	0.72
Proj. Sales Growth (F1/F0)	-3.54%	0.00%	-2.59%	-7.50%	-18.30%	10.57%
Momentum Score	A	-	-	C	A	D
Daily Price Chg	1.50%	0.72%	0.98%	7.04%	4.18%	3.13%
1 Week Price Chg	-12.90%	-3.68%	-7.25%	-13.77%	-13.91%	-1.29%
4 Week Price Chg	-1.64%	2.42%	5.45%	16.33%	1.27%	-9.17%
12 Week Price Chg	30.30%	43.62%	39.81%	58.33%	84.20%	51.09%
52 Week Price Chg	-11.01%	-15.91%	-4.47%	-38.38%	-11.81%	58.04%
20 Day Average Volume	651,719	247,277	2,587,370	579,066	334,284	803,448
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	-25.73%	-20.02%	-15.39%	29.17%	-91.80%	-11.80%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	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	B
Growth Score	C
Momentum Score	A
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.

Disclosures

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