

Leadership In One Number: Making Sense Of IBD Composite Rankings

Five Building Blocks Behind The Score And How To Use Them In Real Portfolios

Summary

- The IBD Composite Rating is a single, data-driven leadership score that condenses five key IBD measures—EPS, Relative Strength, Accumulation/Distribution, SMR (Sales, Margins, ROE), and Industry Group Relative Strength—into one 1–99 number to help advisors quickly surface leading growth stocks.
- By emphasizing strong and accelerating earnings, price leadership vs. the market, institutional sponsorship, high-quality fundamentals, and strong industry group trends, the Composite Rating functions as a practical multi-factor screen that highlights names statistically similar to past winners, particularly at scores of 90 and above.
- Used properly, it becomes the first step in an advisor's workflow: narrowing the universe, guiding deeper diagnosis of what is driving a stock's leadership profile, and integrating those insights with the advisor's broader investment philosophy, product shelf, and risk controls.
- For client communication, the Composite Rating also serves as a simplifying narrative device—translating a complex mix of fundamentals and technicals into a single, explainable score that helps investors understand why specific growth stocks or strategies appear in their portfolios.

The IBD Composite Rating is a single, data-driven score designed to help investors quickly identify leading growth stocks by combining multiple fundamental and technical measures into one number.

For advisors, understanding what sits underneath that number—and how to incorporate it into a disciplined process—is critical if you want to use it as more than just a “stock tip” signal.

What Is The IBD Composite Rating?

At its core, the Composite Rating is a synthesis of five separate IBD ratings: Earnings Per Share (EPS) Rating, Relative Strength (RS) Rating, Accumulation/Distribution (A/D) Rating, Sales + Margins + Return on equity (SMR) Rating, and Industry Group Relative Strength Rating. Each of these components captures a different dimension of CAN SLIM-style growth investing: earnings power, price leadership, institutional sponsorship, quality of the business, and strength of the industry group.

Rather than asking advisors and investors to independently assess each dimension, IBD scores every stock and then rolls these inputs into a Composite Rating that ranges from 1 to 99, with higher scores indicating stronger, more complete leadership characteristics. In practice, advisors who use IBD's framework often focus on stocks with Composite Ratings of 90 or higher and pay particular attention to names at 95+ when screening for potential ideas.

The Five Building Blocks Advisors Need To Understand

1. EPS Rating – The Earnings Engine

The EPS Rating evaluates the growth and consistency of a company's earnings per share over the last several years, with an emphasis on the most recent quarters. Higher EPS Ratings (typically 80–99) indicate companies delivering strong and accelerating profit growth, which is central to most growth-oriented investment theses.

For advisors, the practical takeaway is simple: the Composite Rating will rarely be high if earnings power is weak or erratic. When you look at a high Composite score, ask whether the underlying EPS Rating confirms a real fundamental story, rather than just short-term price excitement.

2. Relative Strength Rating – Price Leadership vs. The Market

The RS Rating compares a stock's price performance over a recent period to the performance of the overall market and peers, translating that relative performance into a 1–99 score. Stocks with RS Ratings above 80 have materially outperformed, and those in the 90s were often true leaders in their space.

Advisors should think of RS as evidence that the market is already rewarding the underlying story. A high Composite Rating combined with a strong RS Rating is usually a sign that both the fundamentals and price action are aligned—a key principle in momentum-oriented growth strategies.

3. Accumulation/Distribution Rating – Institutional Sponsorship

The A/D Rating examines trading patterns to infer whether institutions are net buyers or net sellers of a stock over recent months. Strong ratings signal steady institutional accumulation, while weak readings point to distribution and potential topping behavior.

Institutional sponsorship matters because it tends to drive sustained trends—large buyers don't build positions overnight. A high Composite Rating with solid A/D support indicates that professional money is actively involved, which can add confidence for advisors building client portfolios around durable leadership themes.

4. SMR Rating – Sales, Margins, and Return On Equity

The SMR Rating grades companies from A (top 20%) to E (bottom tier) based on sales growth, profit margins, and return on equity. This is effectively a "quality of growth" score: strong top-line expansion, robust profitability, and efficient use of capital all contribute to a high SMR grade.

For advisors, the SMR component helps distinguish between "hot stories" and genuinely high-quality businesses. Two stocks might have similar price performance, but the one with an A-level SMR backing a high Composite Rating often has more durable economics and a stronger fundamental foundation.

5. Industry Group Relative Strength – Don't Fight The Tape

Finally, the Industry Group RS Rating measures the overall strength of the stock's industry group, using an A+ to E scale. Even great companies can struggle when they operate in structurally weak or out-of-favor industries, while good businesses in strong groups benefit from tailwinds and capital flows into the theme.

Advisors know that sector and industry decisions drive a meaningful slice of portfolio outcomes. When the Composite Rating flags a stock with strong Industry Group RS, it's effectively telling you the name sits in an area of the market where leadership and flows are already present.

How The Composite Rating Combines These Inputs

IBD does not publish the exact formula or weightings used to combine these five ratings, and the methodology is proprietary. However, the concept is straightforward: the Composite Rating rewards stocks that score well across multiple dimensions at the same time, rather than just excelling on one metric while lagging on others.

From an advisor's standpoint, the Composite Rating functions as a multi-factor leadership signal. It tends to prioritize:

- Strong and accelerating earnings growth (high EPS Rating).
- Market leadership in price performance (high RS Rating).
- Evidence of institutional buying (solid A/D Rating).
- High-quality business fundamentals (A-level SMR).
- Participation in strong industry groups (strong Industry Group RS).

A stock that scores highly across these components earns a high Composite Rating, which you can then use as an efficient first filter when sifting through thousands of potential ideas.

How five component scores combine into one Composite Rating

	EPS	RS	A/D	SMR	Ind Grp	Composite
Example A	98	96	A	A	A	99
Example B	95	92	B	A	B	96
Example C	90	88	B	B	A	93
Example D	88	94	C	C	B	85
Example E	72	91	B	B	C	78
Example F	84	70	C	B	D	66
Example G	60	58	D	C	C	45
Example H	40	35	E	D	E	22

Weaker  Stronger  Composite (the output score)

EXHIBIT 1 From five components to a single score. Illustrative example stocks show how strong readings across EPS, RS, A/D, SMR, and Industry Group RS produce a high Composite Rating—and how a gap in one dimension pulls it down. Example values are illustrative.

Using Composite Ratings In An Advisor Workflow

Step 1: Screening – Start With High Composite Leaders

The most common use case is screening: advisors use the Composite Rating to identify potential candidates by focusing on stocks with Composite scores of 90 or above. This narrows the universe to a manageable list where fundamentals, technicals, and industry context are already aligned in the right direction.

This doesn't replace your due diligence; it simply ensures you're starting with names that statistically resemble past winners more than the broad market. By beginning with high Composite Rating stocks, you increase your odds that further research will uncover compelling growth narratives rather than marginal stories.

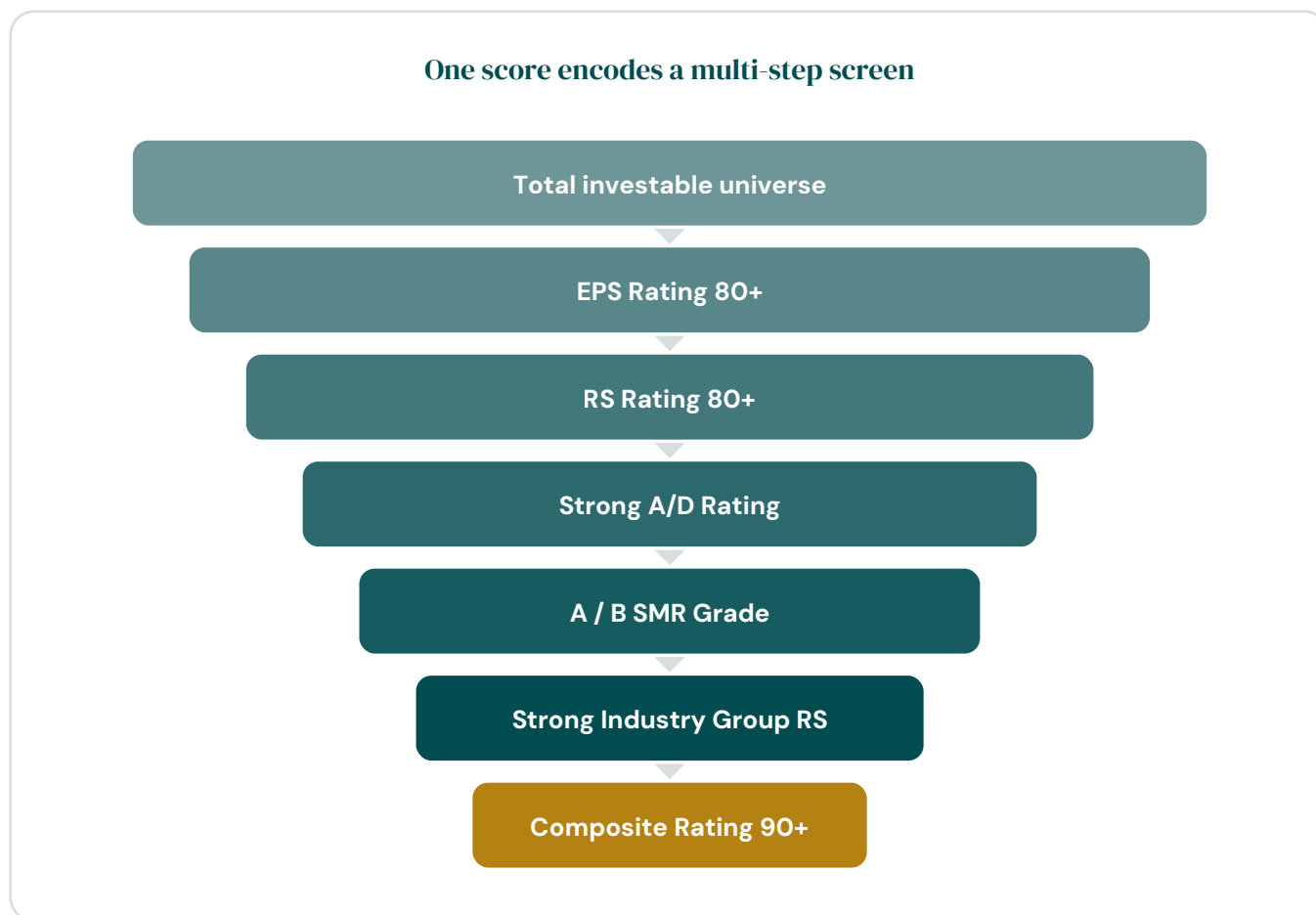


EXHIBIT 2 One score encodes a multi-step screen. The Composite Rating compresses a sequence of component thresholds—from the full investable universe down to the high-Composite leaders advisors focus on at 90 and above—into one number. Conceptual.

Step 2: Diagnosis – Look Under The Hood

Once a stock clears your Composite Rating threshold, the next step is diagnosis: break down the individual components. If a name carries a high Composite Rating but a mediocre SMR grade, you might be looking at strong momentum with weaker business quality. If RS is high but A/D is weak, price performance may not be driven by institutions, which could affect your conviction.

Advisors can build simple frameworks for this:

- Require both EPS and RS to be above a defined threshold (e.g., 80+) before moving to deeper research.
- Flag any names where A/D or Industry Group RS conflict sharply with the rest of the profile for heightened scrutiny.

This second-layer review keeps you from chasing every high Composite score and instead focuses attention on the more complete leadership profiles.

Step 3: Integration – Align With Your Philosophy And Product Shelf

Composite Ratings are most powerful when they are integrated into a clear investment philosophy—especially for growth or momentum-oriented strategies. If your practice leans into CAN SLIM-style growth

investing, they can be a primary screen; if you are more value-oriented, they might be used selectively to identify tactical growth sleeves.

Advisors who use growth-focused ETFs or model portfolios can also leverage Composite Ratings as a storytelling and education tool: explaining how the underlying holdings share characteristics like high EPS, RS, and industry strength helps clients connect product selection to a systematic, rules-based process.

“The Composite Rating is a powerful tool, but it is not a guarantee of future performance.”

Risk Management And Client Communication Considerations

The Composite Rating is a powerful tool, but it is not a guarantee of future performance. Markets are dynamic, leadership rotates, and high-rated stocks can and do correct. Advisors should emphasize that the Composite Rating is a starting point for research, not an automatic buy signal, and it must be integrated with broader portfolio risk controls, diversification, and client suitability.

From a communication perspective, Composite Ratings can reduce complexity for clients. Many growth investors struggle to reconcile fundamentals and price action; a single, explainable score that reflects multiple inputs can make it easier to discuss why a particular stock or strategy appears in their portfolio. By translating technical language (EPS, RS, A/D, SMR, industry RS) into “this is a well-rounded leader by several measures,” advisors can improve client understanding and trust.

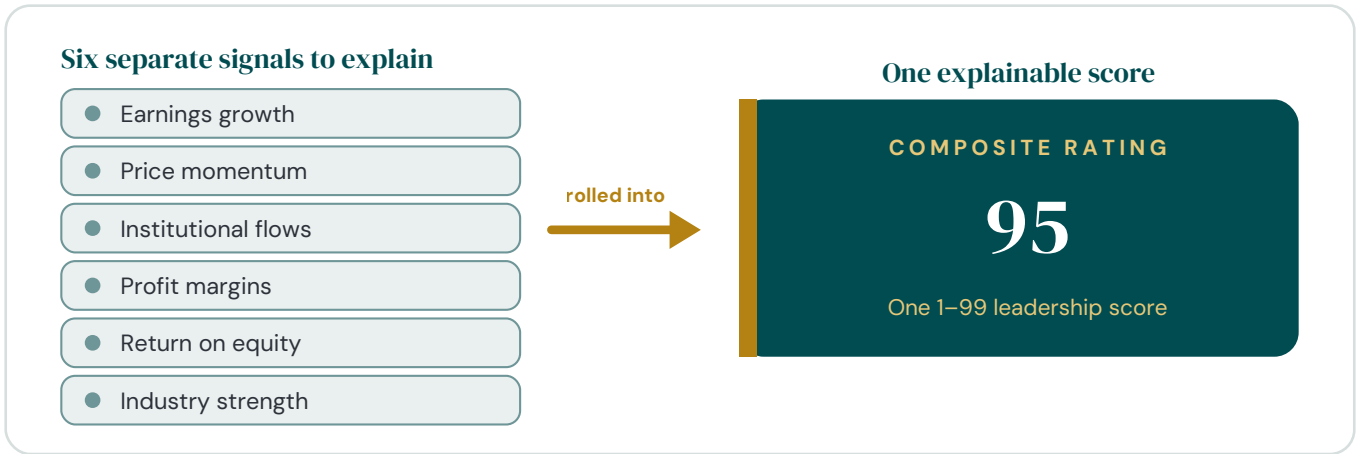


EXHIBIT 3 A simplifying narrative for clients. Six separate fundamental and technical signals roll into one explainable 1–99 score, making it easier to discuss why a particular holding appears in a portfolio. Example score is illustrative.

CapForce ETFs are distributed by Foreside Fund Services, LLC.
For more information, please visit <https://www.capforceetf.com/>.