

## FactSet Research(FDS)

**\$328.47** (As of 06/30/20)

Price Target (6-12 Months): **\$378.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 06/29/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**1-Strong Buy**

Zacks Style Scores:

VGM:B

Value: D

Growth: B

Momentum: A

## Summary

FactSet's shares have outperformed the industry year to date. The outperformance partly reflects consecutive earnings beat in the past six quarters. The company continues to benefit from high client retention, solid revenue growth and a competitive pricing strategy. The company looks strong on the back of higher organic revenues, increase in annual subscription value and robust global network. Acquisitions have helped FactSet broaden its product suite, thereby delivering innovative products and evolve as a global financial database company. Share buybacks and dividend payments boost investor confidence and positively impact earnings per share. However, pricing pressure remains a major concern for FactSet. Acquisitions-related integration risks, risks associated with foreign currency exchange rate fluctuations and high debt are other headwinds.

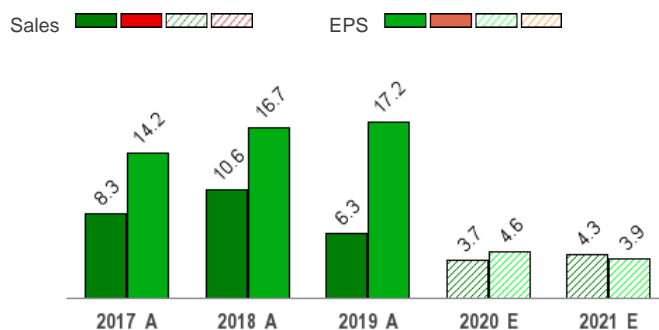
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	\$343.78 - \$195.22
20 Day Average Volume (sh)	328,712
Market Cap	\$12.4 B
YTD Price Change	22.4%
Beta	0.79
Dividend / Div Yld	\$3.08 / 0.9%
Industry	<a href="#">Business - Information Services</a>
Zacks Industry Rank	Top 23% (58 out of 253)

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



Last EPS Surprise	17.2%
Last Sales Surprise	-0.9%
EPS F1 Est- 4 week change	5.3%
Expected Report Date	09/24/2020
Earnings ESP	1.1%
P/E TTM	31.0
P/E F1	31.4
PEG F1	3.7
P/S TTM	8.4

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	381 E	384 E	390 E	393 E	1,552 E
2020	367 A	370 A	374 A	378 E	1,488 E
2019	352 A	355 A	365 A	364 A	1,435 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.68 E	\$2.68 E	\$2.79 E	\$2.70 E	\$10.87 E
2020	\$2.58 A	\$2.55 A	\$2.86 A	\$2.51 E	\$10.46 E
2019	\$2.35 A	\$2.42 A	\$2.62 A	\$2.61 A	\$10.00 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 06/30/2020. The reports text is as of 07/01/2020.

## Overview

Headquartered in Norwalk, CT, FactSet Research Systems Inc. is a leading provider of integrated financial information, analytical applications and industry-leading service for the global investment community. Through its analytics, service, content, and technology, the company offers information to investment professionals like portfolio managers, wealth managers, research and performance analysts, risk managers, research professionals, investment research professionals, investment bankers, risk and performance analysts, wealth advisors and fixed income professionals. By integrating datasets and analytics across asset classes with client data, FactSet supports the workflow of both buy-side and sell-side clients. Through its wide application suite, FactSet offers tools and resources which includes company and industry analyses, full screening tools, portfolio analysis, risk profiles, alpha-testing, portfolio optimization and research management solutions. The company derives revenues from subscriptions to products and services such as workstations, analytics, enterprise data, research management, and trade execution.

Geographically, FactSet has three reportable segments – the U.S., Europe and Asia Pacific.

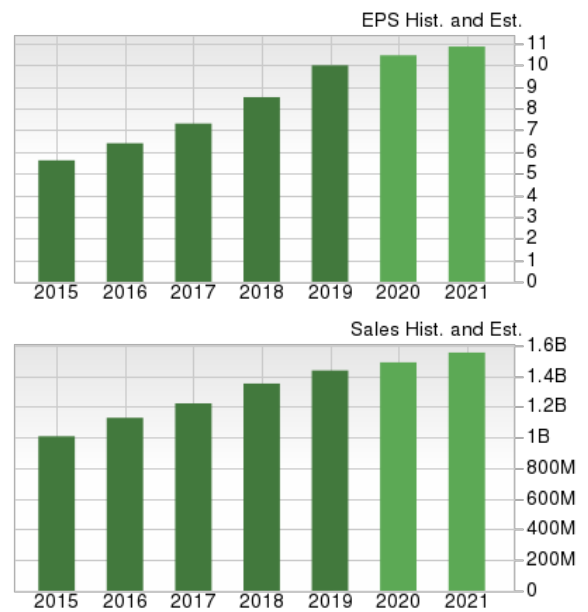
The U.S. segment (62% of total revenues in fiscal 2019) has offices in fourteen states throughout the United States, including our corporate headquarters in Norwalk, Connecticut as well as two additional offices located in Brazil and Canada.

The European segment (29%) maintains office locations in Bulgaria, Dubai, England, Finland, France, Germany, Italy, Latvia, the Netherlands, Spain, South Africa and Switzerland.

The Asia Pacific segment (9%) operates offices in Australia, China, India, Japan and Singapore.

In terms of services, FactSet has offerings – Research Solutions, Analytics Solutions, Wealth Solutions, and Content and Technology Solutions.

FactSet is part of the financial information services industry which is highly competitive. The company's big rivals are Bloomberg L.P., Thomson Reuters Inc. and S&P Global Market Intelligence. Other competitors and competitive products include online database suppliers and integrators and their applications such as MSCI Inc., Morningstar Inc., BlackRock Solutions and RIMES Technologies Corporation.



---

## Reasons To Buy:

- ▲ FactSet's growing customer base, **high client retention rate** (89%), solid revenue growth and a competitive pricing strategy, should positively impact results over the long term. In fiscal 2019, organic revenues improved 6.2% to \$1.44 billion. The company added 432 clients in fiscal 2019, taking the total number to 5,574. The company's ASV of \$1.46 billion increased 5% year over year on a reported basis as well as organically. Region wise, FactSet's ASV generated \$909.7 million revenues from the United States, up 4.7% from the prior-year quarter. Internationally, it came in at \$548.3 million revenues, up 4.6% on a reported basis and 6.3% organically.
- ▲ FactSet is strengthening its **global presence**, especially in the Asia Pacific region. The company has opened an office in Shanghai, China in May 2018 through which it offers data and analytic solutions to an increasing number of investors and investment managers. FactSet has been working with the Chinese investment community since 1996. The company is witnessing robust growth across its European operations that includes Asia Pacific and Europe. Collectively, FactSet earned 37.7% of revenues from its international operations in fiscal 2019 that grew 6.4% year over year.
- ▲ FactSet is highly optimistic about the **integrated data-related products** and services within its analytical suite, which it offers to the investment community. With the market adapting a quantitative approach to save time, reduce operating expenses and increase work efficiency, FactSet's innovative analytical product suite should benefit. To this end, inclusion of Data Exploration (a cloud-based data platform) in July 2018 and launch of Open: FactSet Marketplace in May 2018 looks exciting. While FactSet Data Exploration is expected to help financial professionals evaluate financial datasets and generate investment applications with the help of Microsoft Azure, Open:FactSet Marketplace is a new online platform which offers core financial and alternative datasets to address the growing demand for integrated data. Such offerings raise optimism about the company's CTS suite.
- ▲ Over the years, FactSet has made several **acquisitions** to expedite growth. The most noticeable acquisitions include the buyout of BISAM, IDMS, Portware LLC, Code Red, Revere Data LLC, StreetAccount, etc. These acquisitions are aimed at helping FactSet broaden its product suite, thereby delivering innovative products and evolve as a global financial database company. It will also help FactSet to maximize value for its partners and provide customers with exclusive content sets. Notably, the acquisitions of BISAM and IDMS have increased the company's international footprint, particularly in Europe. We believe the buyouts have been boosting international ASV contribution to the company's total ASV which came in at 37.6% in fiscal 2019, in line with that of fiscal 2018 and higher than 37.3% in fiscal 2017 and 34.4% in fiscal 2016.
- ▲ We are impressed with FactSet's consistent efforts of **rewarding its shareholders** in the form of share repurchases and dividend payments. In fiscal 2019, the company repurchased shares worth \$220.4 million and paid dividend of \$100.1 million. During fiscal 2018, the company repurchased shares worth \$303.9 million and paid dividend of \$89.4 million. In fiscal 2017, the company repurchased shares worth \$260.9 million and paid dividends worth approximately \$80.9 million. Such moves indicate the company's commitment to create value for shareholders and underline its confidence in its business. These initiatives not only instill investors' confidence but also positively impact the company's earnings.
- ▲ FactSet's shares have gained 22.4% year to date, outperforming the industry's growth of 9.6%. The **outperformance** partly reflects better-than-expected earnings performance in the last four quarters.

FactSet looks strong on the back of higher organic revenues, increase in annual subscription value, strong global network and innovative portfolio.

---

## Risks

- FactSet continues to face **stiff competition** from other players in the market providing financial market data, analytics and related services. These competitors may be able to expand their offerings and data content more effectively, price their products more aggressively or respond more rapidly to situations developing in the marketplace, to attract new clients and retain the existing ones. Despite enjoying a technological advantage, pricing pressure continues to act as a major headwind for FactSet, resulting in reduction in revenues and loss of market share.
  - FactSet's international presence makes it vulnerable to **foreign currency exchange rate fluctuations**. The company generated 37.7% of revenues from operations outside the United States in fiscal 2019, 37.6% in fiscal 2018 and 35.8% in fiscal 2017. The increase in the proportion of revenues coming from international operations reflect the company's growing dependence in them. Internationally, FactSet's businesses transact in several currencies such as the British pound sterling, euro, Indian rupee, Japanese yen and Philippine peso. Thus, appreciation or depreciation of the dollar versus these foreign currencies impacts the company's financial results. In fiscal 2019, foreign currency exchange rate fluctuations decreased the company's European revenue growth rate by 30 basis points year over year.
  - While it is true that FactSet has grown through acquisitions, combined performance has often been below expectations due to underestimation of inter-company revenues. Apart from this, integrating newly acquired businesses is a distraction for management and also consumes financial and other resources. Since the company continues to pursue acquisitions as one of its growth strategies, it is likely to face **integration issues** in the future as well.
  - FactSet has a **debt-laden balance sheet**. Total debt at the end of second-quarter fiscal 2020 was \$860 million, up from \$840 million at the end of the prior quarter. Further, the company's cash and cash equivalent of \$367 million at the end of the second-quarter fiscal 2020 was well below this debt level, underscoring that the company doesn't have enough cash to meet this debt burden. The cash level, however, can meet the short-term debt of \$28 million.
-

## Last Earnings Report

### FactSet Surpasses Q3 Earnings Estimates, Revenues Miss

FactSet Research Systems reported mixed third-quarter fiscal 2020 results, wherein earnings topped the Zacks Consensus Estimate but revenues missed the same.

The company reported adjusted earnings per share of \$2.86, which surpassed the Zacks Consensus Estimate by 17.2% and increased 9.2% on a year-over-year basis driven by lower employee-related operating expenses in response to the coronavirus pandemic.

FactSet's revenues of \$374.1 million marginally missed the Zacks Consensus Estimate and increased 2.6% year over year. The uptick was driven by higher sales of analytics, content and technology solutions, and wealth management solutions.

Quarter Ending 05/2020

Report Date	Jun 25, 2020
Sales Surprise	-0.90%
EPS Surprise	17.21%
Quarterly EPS	2.86
Annual EPS (TTM)	10.60

### Revenues in Detail

Organic revenues increased 2.6% year over year to \$375.3 million. Region-wise, U.S. revenues increased to \$231 million from \$227 million in the year-ago quarter. EMEA revenues were \$105.4 million compared with \$102.5 million in the year-ago quarter. Asia Pacific revenues were \$37.7 million compared with \$35.1 million in the year-ago quarter.

### ASV Plus Professional Services

FactSet's Annual Subscription Value ("ASV") plus professional services was \$1.5 billion, up 5% organically. Buy-side and sell-side ASV growth rates were 4.8% and 5.6%, respectively. Nearly 84% of organic ASV was generated by buy-side and the rest by sell-side firms performing functions like mergers and acquisitions advisory work, equity research and capital markets services.

ASV generated from the United States was \$931.5 million, up 5% from the prior-year quarter's level. ASV from EMEA and Asia Pacific regions were \$411.9 million and 150.4 million, up 3.7% and 8.9% year over year, respectively. FactSet added 55 clients in the reported quarter, taking the total number to 5,743. Annual client retention was 89%. At the end of the quarter, total employee count was 10,065, up 7.5% year over year.

### Operating Results

Adjusted operating income came in at \$133.4 million, up 8.6% from the year-ago quarter's figure. Adjusted operating margin increased to 35.5% from 34% in the year-ago quarter. Selling, general and administration expenses decreased 2.1% to \$81.7 million. Total operating expenses increased 2.1% to \$252.4 million.

### Balance Sheet and Cash Flow

FactSet exited third-quarter with cash and cash equivalents of \$457.7 million compared with \$343.5 million in the previous quarter. Long-term debt of \$574.3 million was flat with the prior quarter figure. In the quarter, the company generated \$151 million of cash from operating activities and capital expenditure was \$11 million. Free cash flow was \$139.9 million.

### Fiscal 2020 Outlook

FactSet updated its fiscal 2020 outlook provided previously on Sep 26, 2019.

The company now anticipates adjusted EPS in the range of \$10.4 and \$10.6, compared with the previous anticipation of \$9.85 to \$10.15. The company expects revenues between \$1.485 billion and \$1.49 billion, compared with the previous expectation of \$1.49 billion to \$1.50 billion. Organic ASV plus professional services for fiscal 2020 is projected to increase in the range of \$60-\$75 million over fiscal 2019. The prior expectation was an increase of \$65-\$85 million. Adjusted operating margin is projected in the range of 33%-33.5%, compared with the previous projection of 28.5%-29.5%. The annual effective tax rate is expected between 15.5% and 16.5%.

## Recent News

On **Jun 24, 2020**, FactSet announced the appointment of Robin Abrams as chair of its board of directors on Wednesday. The company also announced the appointment of Lee Shavel and Siew Kai Choy and as two new directors, who will both serve as Audit Committee members.

On **May 5, 2020**, FactSet's board of directors approved a 7% dividend hike, raising the quarterly cash dividend from 72 cents per share to 77 cents. This marks the fifteenth consecutive year of dividend hike. The dividend will be paid on Jun 18, 2020, to holders of record at the close of business on May 29, 2020.

## Valuation

FactSet shares are up 22.4% in the year-to-date period and 14.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 9.6% while those in the Zacks Business Services sector are down 2.9% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 18.2% and 0.5%, respectively.

The S&P 500 index is down 5.2% in the year-to-date period but up 3.6% in the past year.

The stock is currently trading at 31.4X forward 12-month price-to-earnings, which compares to 29.57X for the Zacks sub-industry, 29.33X for the Zacks sector and 21.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.09X and as low as 19.09X, with a 5-year median of 23.29X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$378.00 price target reflects 36.13X price-to-earnings.

The table below shows summary valuation data for FDS

Valuation Multiples - FDS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	31.4	29.57	29.33	21.87
	5-Year High	33.09	29.57	29.33	22.14
	5-Year Low	19.09	19.56	18.68	15.25
	5-Year Median	23.29	22.32	20.83	17.52
P/S F12M	Current	8.1	6.23	4.07	3.42
	5-Year High	8.44	6.35	4.07	3.44
	5-Year Low	4.54	3.43	3.06	2.53
	5-Year Median	5.74	4.73	3.58	3.02
P/B TTM	Current	17.36	9.69	4.57	4.24
	5-Year High	18.1	9.83	6.71	4.56
	5-Year Low	10.12	4.29	3.24	2.83
	5-Year Median	13.42	6.22	5.21	3.69

As of 06/04/2020

## Industry Analysis Zacks Industry Rank: Top 23% (58 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
TransUnion (TRU)	Outperform	1
Black Knight Financial Services, Inc. (BKI)	Neutral	3
CoreLogic, Inc. (CLGX)	Neutral	2
Equifax, Inc. (EFX)	Neutral	2
Envestnet, Inc. (ENV)	Neutral	3
INTERTEK GP PLC (IKTSY)	Neutral	4
IHS Markit Ltd. (INFO)	Neutral	3
Verisk Analytics, Inc. (VRSK)	Neutral	3

Industry Comparison Industry: Business - Information Services				Industry Peers		
	FDS	X Industry	S&P 500	BKI	INFO	VRSK
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	B	-	-	D	D	B
Market Cap	12.44 B	10.84 B	21.75 B	10.88 B	31.86 B	27.62 B
# of Analysts	9	9	14	7	9	10
Dividend Yield	0.94%	0.63%	1.93%	0.00%	0.90%	0.63%
Value Score	D	-	-	D	D	D
Cash/Price	0.03	0.03	0.07	0.01	0.00	0.01
EV/EBITDA	25.89	20.41	12.71	23.45	23.28	29.59
PEG Ratio	3.69	2.84	2.86	2.50	2.27	3.53
Price/Book (P/B)	17.37	6.45	2.97	5.67	3.83	13.29
Price/Cash Flow (P/CF)	27.97	21.50	11.71	22.00	21.21	26.39
P/E (F1)	31.40	33.62	21.23	37.46	27.26	35.93
Price/Sales (P/S)	8.43	8.43	2.30	9.18	7.34	10.34
Earnings Yield	3.18%	2.97%	4.48%	2.67%	3.67%	2.78%
Debt/Equity	1.16	0.77	0.76	0.81	0.59	1.37
Cash Flow (\$/share)	11.74	3.58	7.01	3.30	3.56	6.45
Growth Score	B	-	-	D	D	B
Hist. EPS Growth (3-5 yrs)	15.22%	15.22%	10.93%	16.98%	14.04%	10.56%
Proj. EPS Growth (F1/F0)	4.62%	0.27%	-9.77%	-2.66%	5.32%	8.15%
Curr. Cash Flow Growth	14.30%	6.86%	5.51%	6.76%	5.92%	6.53%
Hist. Cash Flow Growth (3-5 yrs)	12.63%	12.63%	8.62%	43.76%	24.83%	13.86%
Current Ratio	2.63	1.27	1.30	1.33	0.70	0.51
Debt/Capital	53.71%	44.70%	44.41%	44.70%	37.28%	57.81%
Net Margin	25.45%	12.71%	10.62%	11.16%	18.43%	18.23%
Return on Equity	59.11%	23.01%	15.75%	13.80%	10.66%	34.93%
Sales/Assets	0.86	0.44	0.55	0.30	0.27	0.40
Proj. Sales Growth (F1/F0)	3.70%	0.00%	-2.43%	-0.12%	-2.81%	6.30%
Momentum Score	A	-	-	A	B	B
Daily Price Chg	0.51%	0.24%	1.41%	0.92%	3.68%	3.57%
1 Week Price Chg	8.24%	-0.66%	-3.90%	1.24%	0.92%	-0.79%
4 Week Price Chg	7.71%	-0.65%	-1.62%	-5.89%	6.34%	-0.44%
12 Week Price Chg	22.63%	18.77%	15.67%	17.15%	18.77%	15.65%
52 Week Price Chg	12.17%	9.76%	-8.07%	18.60%	16.76%	14.54%
20 Day Average Volume	328,712	150,678	2,699,706	1,013,045	2,399,459	941,887
(F1) EPS Est 1 week change	5.27%	0.00%	0.00%	0.30%	0.50%	0.00%
(F1) EPS Est 4 week change	5.27%	0.23%	0.00%	0.92%	0.45%	0.11%
(F1) EPS Est 12 week change	5.44%	-7.11%	-10.28%	-4.73%	-0.03%	-3.18%
(Q1) EPS Est Mthly Chg	3.90%	2.29%	0.00%	1.52%	2.29%	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	D
Growth Score	B
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

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.