

IQVIA Holdings Inc.(IQV)

\$149.52 (As of 05/29/20)

Price Target (6-12 Months): **\$159.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 12/30/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: D

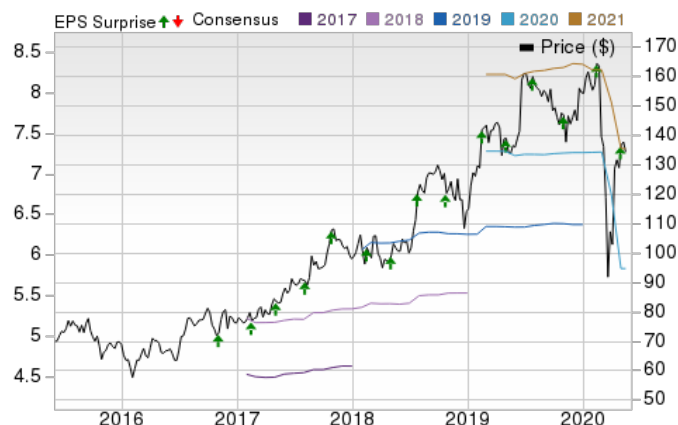
Growth: C

Momentum: B

Summary

Shares of IQVIA Holdings have outperformed its industry in the past year. The outperformance partly reflects better-than-expected earnings and revenue performance in the past four quarters. The company has a solid technological suite. Its efforts to help clients gain a deep understanding of the healthcare system and its related processing by providing access to real-world data is appreciable. Growing presence in emerging markets should help it gain from the growth opportunities in the life sciences industry. Shareholder-friendly moves boost investors' confidence and positively impact earnings per share. However, higher interest expense and rise in depreciation and amortization is likely to weigh on the bottom line. High debt may limit the company's future expansion and worsen its risk profile. Foreign currency exchange risks is a concern.

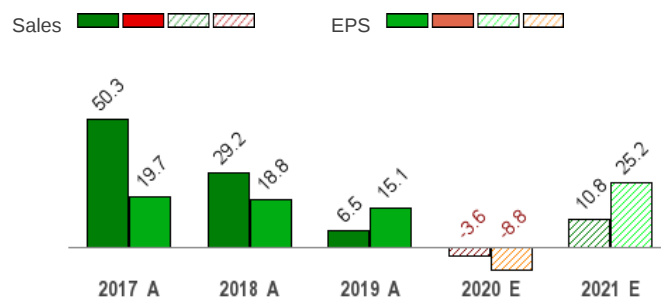
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$169.14 - \$81.81
20 Day Average Volume (sh)	1,037,058
Market Cap	\$28.6 B
YTD Price Change	-3.2%
Beta	1.32
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Technology Services
Zacks Industry Rank	Top 25% (63 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.4%
Last Sales Surprise	1.4%
EPS F1 Est- 4 week change	-0.8%
Expected Report Date	07/22/2020
Earnings ESP	0.0%
P/E TTM	23.5
P/E F1	25.7
PEG F1	1.8
P/S TTM	2.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,871 E	2,751 E	2,873 E	3,066 E	11,837 E
2020	2,754 A	2,405 E	2,590 E	2,939 E	10,686 E
2019	2,684 A	2,740 A	2,769 A	2,895 A	11,088 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.67 E	\$1.61 E	\$1.83 E	\$2.08 E	\$7.30 E
2020	\$1.50 A	\$1.05 E	\$1.41 E	\$1.85 E	\$5.83 E
2019	\$1.53 A	\$1.53 A	\$1.60 A	\$1.74 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 05/29/2020. The reports text is as of 06/01/2020.

Overview

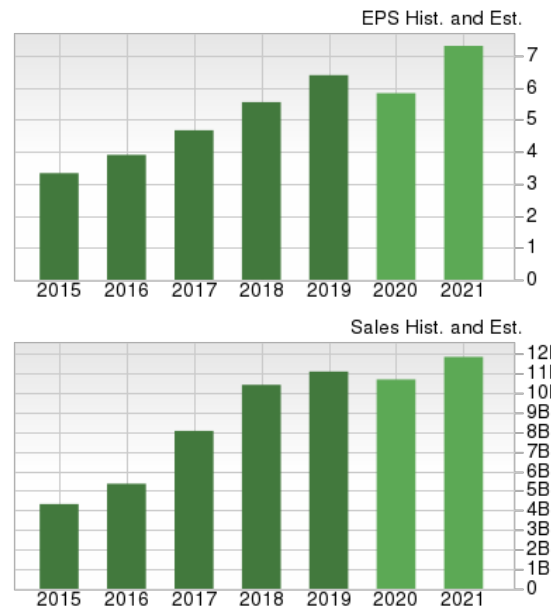
Headquartered in Durham, NC., IQVIA Holdings Inc. provides advanced analytics, technology solutions and contract research services to the life sciences industry. The company was formed through the merger of IMS Health (RX) and Quintiles. The company is focused on helping healthcare clients to better serve patients by bringing in updated and innovative ideas in the process of clinical development and commercialization, speed innovation and accelerate improvements. IQVIA Holdings operates in more than 100 countries, with more than 67,000 employees.

In 2019, IQVIA Holdings generated total revenues of \$11.1 billion (up 6.5% y/y). The company manages business through the following three reportable segments - Technology & Analytics Solutions (formerly Commercial Solutions), Research & Development Solutions and Contract Sales & Medical Solutions (formerly Integrated Engagement Services).

Technology & Analytics Solutions Segment: This segment delivers critical information, technology solutions and real-world insights and services to the company's life science customers. Technology & Analytics Solutions offerings include Technology solutions, Real-World Insights, Analytics and consulting services, National information offerings, Sub-national information offerings and Reference information offerings. The segment accounted for 40% of total revenues in 2019.

Research & Development Solutions Segment: This segment is focused on research and development and delivers outsourced clinical research and clinical trial related services to biopharmaceutical customers. Research & Development Solutions offerings include Project Management and Clinical Monitoring, Clinical Trial Support Services, Q Solutions, Strategic Planning and Design and Virtual Trials. The segment contributed 52% to total revenues in 2019.

Contract Sales & Medical Solutions Segment: This segment provides contract sales to the broader healthcare market as well as biopharmaceutical customers. Contract Sales & Medical Solutions offerings include Health Care Provider Engagement Services, Patient Engagement Services and Medical Affairs Services. The segment accounted for 8% of total revenues in 2019.



Reasons To Buy:

- ▲ IQVIA Holdings serves the life sciences industry (which is a major part of the global healthcare system) and has a vast geographic presence. It had approximately 303 offices in almost 82 countries, as of Dec 31, 2019. The industry is estimated to have generated approximately \$1.25 trillion revenues in 2019, per the data available from the IQVIA Market Prognosis service. Revenues are expected to grow at a rate of 3% to 6% between 2020 and 2024, globally. Additionally, the IQVIA Institute estimates that spending on pharmaceuticals in emerging markets will expand at a CAGR (compound annual growth rate) of 5% to 8% through 2024. On the back of the expanding global healthcare system, IQVIA Holdings is also hopeful of witnessing multiple acquisition opportunities across the industry. Life sciences organizations are also expected to commercialize their operations in the emerging markets just as they did in the developed markets. The larger ones will require a comprehensive suite of knowledge regarding the localities and their market condition, for their operations. This growing presence in emerging markets like Asia-Pacific and Africa will open up more growth **opportunities for IQVIA Holdings in the life sciences industry**, in the future. Revenues from emerging markets like Asia-Pacific and Africa have shown marked improvement from 2017-2019.
- ▲ IQVIA Holdings look strong on the back of its **technological suite**. The company offers an extensive range of technology solutions in the form of cloud-based applications and related services. The company's Software as a Service ("SaaS") solution supports a vast range of clinical and commercial processes such as clinical trial design and planning, site start-up, patient consent, site payments, content management, multi-channel marketing, customer relationship management ("CRM"), performance management, incentive compensation, territory alignment, roster management, call planning, compliance reporting and master data management. By combining its database, healthcare expertise and therapeutic information collected from over 100 countries, IQVIA Holdings creates its Global Market Insight offerings such as MIDAS, Analytics Link and Disease Insights. All these solutions and services are used by healthcare and pharmaceutical companies to organize, enhance and implement their clinical and commercial strategies in a coordinated manner. 2019 turned out to be a crucial year for the company's technology business. Its Orchestrated Customer Engagement (OCE) platform has gained significant traction earning deserved credibility in the market with 50 new OCE deals in 2019, reflecting an improvement from 30 deals in 2018. The company now has nearly 60,000 contracted seats to deploy, along with four top 15 pharma clients, which is an added positive. While deployment with Roche is complete for several countries in Asia, IQVIA Holdings is working to accelerate the rollout globally to enable Roche's worldwide digital strategy. The Novo Nordisk deployment is under process and it has earned positive responses. Further, the company is looking forward to its first large U.S. deployment. During 2019, it increased investments in the clinical technology space as well.
- ▲ IQVIA Holdings' **efforts to help its clients** gain an accurate and deep understanding of the entire healthcare system and its related processing by providing access to real-world data is appreciable. The company allows its clients to use patient-level data (identity kept hidden) to understand treatments, outcomes and expenses associated, to help them in advanced healthcare decision making. The datasets are integrated with medical claims, prescriptions, electronic medical records, biomarkers and government statistics. This makes them suitable for research purpose. By applying advanced technologies and analytical skills on the data, the company tries to help payer, government, and biopharmaceutical clients understand the effectiveness and economic efficiency of drugs in real-world use. Such efforts have helped the company strengthen its real-world business, which is evident from its client wins. The company continues to make significant investments in the expansion of its real-world platform and capabilities. To this end, the company has been making enhancements to its patented technology platforms, E360 Genomics, which will advance research in the real-world space through the use of non-identified genomic data linked to rich patient analytics. The real-world team continues to invest in rich clinical data assets, which has now grown to 800 million non-identified patients globally.
- ▲ We are also impressed with IQVIA Holdings' endeavors to **reward its shareholders**. In 2019, 2018 and 2017, the company had repurchased shares worth \$945 million, \$1.41 billion and \$2.62 billion, respectively. Such moves indicate the company's commitment to create value for shareholders and underline its confidence in its business. These shareholder-friendly initiatives instill investors' confidence in the stock. These initiatives not only instill investors' confidence but also positively impact earnings per share.
- ▲ IQVIA Holdings' **shares have gained** 12.5% over the past year against the industry's loss of 3.6%. The price performance partly reflects better-than-expected earnings and revenue performance in the past four quarters.

IQVIA Holdings serves the life sciences industry with the help of advanced analytics, technology solutions and contract research services.

Reasons To Sell:

- ▼ IQVIA Holdings is seeing **higher interest expense** due to an increase in average debt outstanding. In 2019, interest expense of \$438 million increased 7.9% year over year. The same rose 19.7% year over year in 2018 and more than 100% in 2017. Additionally, the company is witnessing an **increase in depreciation and amortization (D&A)** on the back of higher intangible asset balances as a result of acquisitions. In 2019, D&A of \$1.2 billion increased 5.4% year over year. The same rose 12.9% year over year in 2018 and more than 100% in 2017. Hence, the bottom line is likely to remain under pressure going forward.
- ▼ IQVIA Holdings has a **debt-laden balance sheet**. Total debt at the end of first-quarter 2020 was \$12.4 billion, up from \$12.04 billion at the end of the prior quarter. The debt-to-capital ratio of 0.68 is higher than the previous quarter's 0.66. An increase in debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of \$990 million at the end of the first quarter 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 \$139 million.
- ▼ IQVIA Holdings' global presence makes it vulnerable to the risks associated with foreign currency **exchange rate fluctuations**. In 2019, the company earned around 40% of its total revenues in 55 different currencies outside the United States. Notably, the company's top line was unfavorably impacted by foreign currency fluctuations of \$159 million in the said time frame.

Higher interest expense, high debt and foreign currency exchange risks act as headwinds to IQVIA Holdings' growth.

Last Earnings Report

IQVIA Surpasses Q1 Earnings & Revenue Estimates

IQVIA Holdings reported solid first-quarter 2020 results, wherein the company's earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings per share of \$1.50 beat the consensus mark by 1.4% but decreased 1.9% on a year-over-year basis. The reported figure lies within the guided range of \$1.46-\$1.51.

Total revenues of \$2.75 billion outpaced the consensus estimate by 1.4% and increased 2.6% year over year on a reported basis and 3.7% on a constant-currency basis. The reported figure came above the guided range of \$2.71-\$2.74 billion.

Quarter Ending **03/2020**

Report Date	Apr 28, 2020
Sales Surprise	1.38%
EPS Surprise	1.35%
Quarterly EPS	1.50
Annual EPS (TTM)	5.88

Segmental Revenues

Revenues from Technology & Analytics Solutions (TAS) totaled \$1.12 billion, up 3.9% on a reported basis and 5.5% on a constant-currency basis. The segment accounted for 41% of total revenues.

Research & Development Solutions (R&DS) revenues of \$1.44 billion increased 1.8% on a reported basis and 2.4% on a constant-currency basis. The segment contributed 52% to total revenues.

Revenues from Contract Sales & Medical Solutions (CSMS) totaled \$196 million, up 1.6% on a reported and 2.6% on a constant-currency basis. The segment accounted for 7% of total revenues.

Operating Performance

Adjusted EBITDA was \$562 million, down 4.3% year over year. Adjusted EBITDA margin decreased to 20.4% from 21.9% in the year-ago quarter.

Operating income was \$193 million, down 8.8% from the year-ago quarter. Operating income margin decreased to 7% from 7.8% in the year-ago quarter.

Balance Sheet and Cash Flow

IQVIA exited first-quarter 2020 with cash and cash equivalents balance of \$927 million compared with \$837 million at the end of the prior quarter. Long-term debt at the end of the quarter was \$11.9 billion compared with \$11.5 billion at the end of the previous quarter.

The company generated \$163 million of cash from operating activities in the reported quarter and CapEx was \$141 million.

Share Repurchase

During the reported quarter(prior to the coronavirus outbreak turning into a pandemic in March), the company had repurchased shares worth \$321 million, including the purchase of one million shares in connection with the February 2020 private resale by certain stockholders.

After the coronavirus was declared a pandemic in March, the company temporarily suspended its share repurchases. As of Mar 31, 2020, the company had nearly \$1 billion of share repurchase authorization remaining.

Second-Quarter 2020 Guidance

IQVIA expects the second quarter to be affected the most by the COVID-19 crisis. Revenues are expected between \$2.37-\$2.44 billion. Adjusted earnings per share are expected to be between \$1.00 and \$1.09. Adjusted EBITDA is anticipated between \$445 million and \$470 million.

2020 Guidance

IQVIA lowered its full-year guidance. The company now projects adjusted earnings between \$5.75 and \$6.10 compared with the prior guidance of \$7.15 and \$7.35 per share. Revenues are now expected between \$10.6-\$10.9 billion compared with the prior guidance of \$11.8 billion and \$12 billion. Adjusted EBITDA is now anticipated between \$2,200 million and \$2,300 million compared with the prior guided range of \$2,565 - \$2,620 million. The guidance includes the total estimated impact from general business disruption caused by the COVID-19 virus and around \$75 million unfavorable foreign currency impact on revenues.

Recent News

On **May 21, 2020**, IQVIA Holdings announced the launch of HCP/O Engagement Management, the industry's first end-to-end, orchestrated healthcare professional/organization (HCP/O) solution, aimed at processing the planning, management, contracting, and payment of HCP/Os globally.

On **May 20, 2020**, IQVIA Holdings announced that it has chosen by the Walter and Eliza Hall Institute of Medical Research to manage COVID SHIELD, a Phase II/III randomized, double-blinded clinical study of preventive care for frontline healthcare workers fighting the coronavirus outbreak.

On **Apr 29, 2020**, IQVIA Holdings announced that it has joined the ACCORD-2 collaboration, which is expected to enhance fast-track development of new treatments for COVID-19. IQVIA will provide a single research platform across the United Kingdom, enabling hassle-free multiple clinical trials. This strategic alliance will examine the effectiveness of repurposed medicines, potential new drugs, and unlicensed therapies for treating COVID-19 patients.

On **Apr 7, 2020**, IQVIA Holdings announced the launch of its COVID Active Research Experience (CARE) Project at helpstopcovid19.com.

On **Apr 7, 2020**, IQVIA Holdings unveiled its new technology-enabled COVID-19 Trial Matching Tool at c19trials.com. This is one of the world's first online platforms which links individuals with specific COVID-19 studies, aimed at supporting clinical research projects.

On **Apr 3, 2020**, IQVIA Holdings trimmed its Q1 guidance thanks to COVID-19 disruptions. The company expects adjusted EPS between \$1.46 and \$1.51 compared with the previous view of \$1.59 and \$1.65. Revenues are expected between \$2.71 billion and \$2.74 billion (earlier guidance was between \$2.79 billion and \$2.84 billion). EBITDA (Non-GAAP) metric is now projected to increase in the range of \$555-\$565 million compared with the previous projection of \$595-\$610 million.

Valuation

IQVIA Holdings shares are down 3.2% in the year-to-date period but up 12.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 3.3% while those in the Zacks Business Services sector are down 4.6% in the year-to-date period. Over the past year, the Zacks sub-industry is down 3.6% while the sector is up 3.5%.

The S&P 500 index is down 5.4% in the year-to-date period but up 11.1% in the past year.

The stock is currently trading at trailing 12-month EV/EBITDA of 13.74X, which compares to 26.58X for the Zacks sub-industry, 11.97X for the Zacks sector and 11.27X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.78X and as low as 9.41X, with a 5-year median of 14.17X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$159.00 price target reflects 24.68X forward 12-month earnings.

The table below shows summary valuation data for IQV

Valuation Multiples - IQV					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	13.74	26.58	11.97	11.27
	5-Year High	23.78	26.58	13.34	12.86
	5-Year Low	9.41	7.33	8.53	8.26
	5-Year Median	14.17	12.3	10.5	10.81
P/E F 12M	Current	23.21	80.37	29.27	22.09
	5-Year High	35.82	80.37	29.27	22.09
	5-Year Low	12.36	13.61	18.68	15.23
	5-Year Median	19.34	28.57	20.74	17.49
P/S F 12M	Current	2.56	1.91	3.99	3.43
	5-Year High	4.13	2.28	3.99	3.44
	5-Year Low	1.34	1.39	3.05	2.53
	5-Year Median	2.32	1.86	3.57	3.02

As of 05/29/2020

Industry Analysis Zacks Industry Rank: Top 25% (63 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Agilent Technologies, Inc. (A)	Neutral	3
Cerner Corporation (CERN)	Neutral	3
Cognizant Technology Solutions Corporation (CTSH)	Neutral	4
Laboratory Corporation of America Holdings (LH)	Neutral	3
Nielsen Holdings Plc (NLSN)	Neutral	4
Perrigo Company plc (PRGO)	Neutral	3
Syneos Health, Inc. (SYNH)	Neutral	2
Verisk Analytics, Inc. (VRSK)	Neutral	3

Industry Comparison Industry: Technology Services				Industry Peers		
	IQV	X Industry	S&P 500	A	CTSH	SYNH
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	2
VGM Score	C	-	-	C	A	C
Market Cap	28.55 B	170.25 M	21.48 B	27.29 B	28.65 B	6.35 B
# of Analysts	11	2	14	7	10	6
Dividend Yield	0.00%	0.00%	1.96%	0.82%	1.66%	0.00%
Value Score	D	-	-	C	B	B
Cash/Price	0.04	0.13	0.06	0.05	0.15	0.05
EV/EBITDA	19.77	-0.63	12.56	22.55	8.90	19.19
PEG Ratio	1.83	3.27	2.87	2.90	1.40	NA
Price/Book (P/B)	4.92	3.03	2.92	5.72	2.70	2.13
Price/Cash Flow (P/CF)	12.08	12.10	11.74	22.23	10.52	11.73
P/E (F1)	25.70	29.81	21.35	28.98	15.41	21.55
Price/Sales (P/S)	2.56	2.30	2.27	5.21	1.70	1.35
Earnings Yield	3.90%	0.28%	4.52%	3.45%	6.49%	4.64%
Debt/Equity	2.11	0.06	0.76	0.38	0.30	1.03
Cash Flow (\$/share)	12.38	-0.07	6.96	3.96	5.04	5.20
Growth Score	C	-	-	B	A	D
Hist. EPS Growth (3-5 yrs)	15.65%	10.23%	10.87%	14.42%	10.74%	10.97%
Proj. EPS Growth (F1/F0)	-8.81%	-10.52%	-10.48%	-2.21%	-13.78%	-12.38%
Curr. Cash Flow Growth	8.25%	7.02%	5.39%	9.85%	-2.96%	-1.58%
Hist. Cash Flow Growth (3-5 yrs)	37.91%	3.53%	8.55%	-2.46%	10.46%	39.36%
Current Ratio	1.09	1.29	1.29	1.63	2.90	1.23
Debt/Capital	67.88%	17.46%	44.54%	27.27%	22.97%	50.84%
Net Margin	1.93%	-12.82%	10.59%	13.04%	10.46%	4.13%
Return on Equity	18.48%	-15.35%	16.26%	20.76%	20.90%	10.33%
Sales/Assets	0.48	0.67	0.55	0.57	1.04	0.63
Proj. Sales Growth (F1/F0)	-3.62%	0.00%	-2.53%	0.15%	-4.80%	-5.84%
Momentum Score	B	-	-	D	B	C
Daily Price Chg	2.27%	0.00%	-0.11%	1.67%	-1.30%	-0.21%
1 Week Price Chg	6.48%	4.97%	4.99%	4.15%	2.53%	7.85%
4 Week Price Chg	4.86%	8.49%	4.40%	14.98%	-8.65%	9.32%
12 Week Price Chg	8.18%	-9.10%	-2.75%	9.55%	-11.56%	-14.35%
52 Week Price Chg	9.84%	-31.69%	0.07%	31.77%	-15.01%	47.39%
20 Day Average Volume	1,037,058	140,351	2,425,602	2,270,079	3,694,895	455,306
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	2.49%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.84%	0.00%	-1.70%	3.01%	-7.95%	12.69%
(F1) EPS Est 12 week change	-20.71%	-22.17%	-16.00%	-10.81%	-15.37%	-24.32%
(Q1) EPS Est Mthly Chg	-7.36%	-3.94%	-3.25%	0.87%	-16.63%	-25.71%

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	C
Momentum Score	B
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.

Disclosures

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