

IQVIA Holdings Inc.(IQV)

\$154.51 (As of 01/01/20)

Price Target (6-12 Months): **\$168.00**

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: C

Growth: B

Momentum: C

Summary

IQVIA Holdings' looks strong on the back of its 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. With increasing presence in emerging markets, IQVIA Holdings should benefit from the growth opportunities in the life sciences industry. The company's shareholder-friendly moves boost investors' confidence and positively impact earnings per share and consequently its share price. The stock has outperformed its industry in the past year. On the flip side, higher interest expense and increase in depreciation and amortization is likely to weigh on the company's bottom line. High debt may limit the company's future expansion and worsen its risk profile. Foreign currency exchange rate risks is a concern.

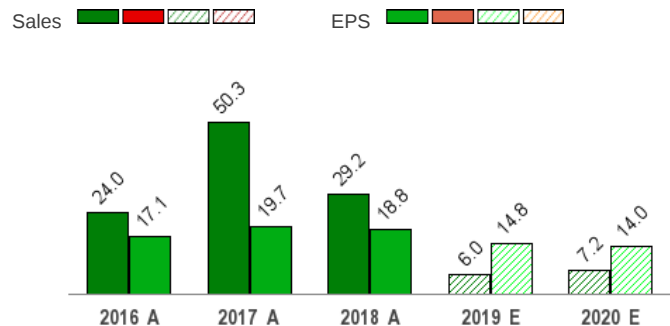
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$164.13 - \$107.79
20 Day Average Volume (sh)	1,310,527
Market Cap	\$30.0 B
YTD Price Change	33.0%
Beta	0.88
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Technology Services
Zacks Industry Rank	Top 28% (72 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.9%
Last Sales Surprise	0.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/13/2020
Earnings ESP	0.0%
P/E TTM	25.1
P/E F1	24.3
PEG F1	1.7
P/S TTM	2.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	2,876 E	2,940 E	2,969 E	3,053 E	11,837 E
2019	2,684 A	2,740 A	2,769 A	2,842 E	11,041 E
2018	2,563 A	2,567 A	2,594 A	2,688 A	10,412 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$1.73 E	\$1.73 E	\$1.80 E	\$2.01 E	\$7.26 E
2019	\$1.53 A	\$1.53 A	\$1.60 A	\$1.72 E	\$6.37 E
2018	\$1.34 A	\$1.29 A	\$1.42 A	\$1.50 A	\$5.55 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 01/01/2020. The reports text is as of 01/02/2020.

Overview

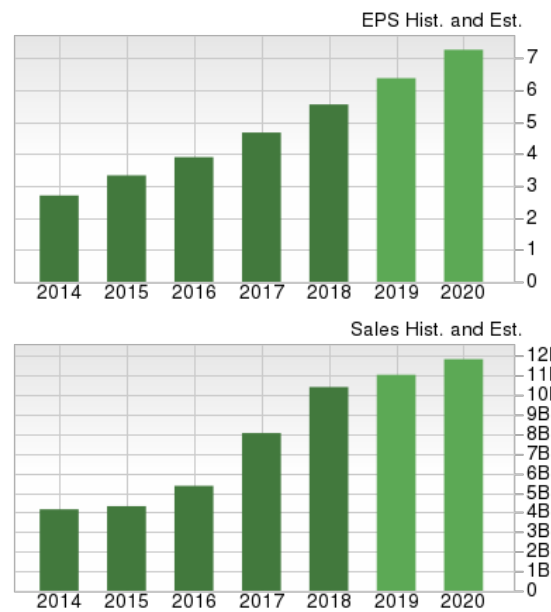
Headquartered in Durham, NC., IQVIA Holdings Inc. provides advanced analytics, technology solutions and contract research services to the life sciences industry. The company was formed through the merger of IMS Health (RX) and Quintiles. The company is focused on helping healthcare clients to better 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 58,000 employees.

In 2018, IQVIA Holdings generated total revenues of \$10.4 billion (up 7.3% 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 2018.

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 2018.

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 2018.



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 307 offices in almost 84 countries, as of Dec 31, 2018. The industry is estimated to have generated approximately \$1.2 trillion revenues in 2018, per the data available from the IQVIA Market Prognosis service. Revenues are expected to grow at a rate of 3% to 6% between 2019 and 2023, 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 2023. 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 2016-2018.
- ▲ 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. The company secured major wins for its tech offerings in the form of different awards and deals with new and old clients, in 2018. Strategic collaborations such as the agreement with Roche, which includes the deployment and usage of IQVIA commercial technologies globally, partnership with Genomics England to build a real-world research platform, which integrates clinical and de-identified genomics data, and a technology deal with Theramex (a global pharmaceutical company dedicated to women's health) should help the company strengthen its technological solutions. Launch of IQVIA Biotech for serving small biotech and biopharma companies through integrated clinical and commercial solutions, two new site portal technology capabilities to streamline clinical trial communications, a SaaS eConsent tool for use in clinical trials and development of SaaS safety platform, aimed at lowering cost and complexity of pharmacovigilance and enhancing organization's focus on patient safety are the other major positives.
- ▲ 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.
- ▲ We are also impressed with IQVIA Holdings' endeavors to **reward its shareholders**. During the first nine months of 2019, IQVIA Holdings repurchased shares worth \$679 million. As of Sep 30, 2019, the company had roughly \$1.6 billion of authorized shares available for repurchase. In 2018, 2017 and 2016, the company had repurchased shares worth \$1.41 billion, \$2.62 billion and \$1.09 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 instil investors' confidence but also positively impact earnings per share. This might have impacted the company's share price, which has improved 40.5% over the past year, compared with the 17.7% growth of the industry it belongs to.

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

Reasons To Sell:

- ▼ IQVIA Holdings' **balance sheet is highly leveraged**. As of Sep 30, 2019, long-term debt was \$11.4 billion while cash and cash equivalents were \$863 million. Such a cash position implies that the company needs to generate adequate amount of operating cash flow to service its debt. Also, high debt may limit the company's future expansion and worsen its risk profile.
- ▼ IQVIA Holdings is seeing **higher interest expense** due to an increase in average debt outstanding. In the first nine months of 2019, interest expense of \$331 million increased 9.2% 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 the first nine months of 2019, D&A of \$888 million increased 4.8% 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' **global presence makes it vulnerable to the risks associated with foreign currency exchange rate fluctuations**. In the first nine months of 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 \$138 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 Beats on Q3 Earnings and Revenue Estimates

IQVIA Holdings reported solid third-quarter 2019 results wherein the company's earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings per share of \$1.60 beat the consensus mark by 3 cents and increased 12.7% on a year-over-year basis. The reported figure exceeded the guided range of \$1.53-\$1.59.

Total revenues of \$2.77 billion outpaced the consensus estimate by \$5 million and increased 6.7% year over year on a reported basis and 7.9% on a constant-currency basis. The reported figure came within the guided range of \$2.73 billion-\$2.78 billion.

Segmental Revenues

Revenues from Technology & Analytics Solutions (TAS) totaled \$1.10 billion, up 8% on a reported basis and 10% on a constant-currency basis. The segment accounted for 40% of total revenues.

Research & Development Solutions (R&DS) revenues of \$1.47 billion increased 6.1% on a reported basis and 6.8% on a constant-currency basis. The segment contributed 53% to total revenues.

Revenues from Contract Sales & Medical Solutions (CSMS) totaled \$208 million, up 5.1% on a reported as well as constant-currency basis. The segment accounted for 7% of total revenues.

Operating Performance

Adjusted EBITDA was \$593 million, up 5.7% year over year. Adjusted EBITDA margin declined to 21.4% from 21.6% in the year-ago quarter.

Operating income was \$204 million, up 12.7% from the year-ago quarter. Operating income margin increased to 7.4% from 7% in the year-ago quarter.

Total selling, general and administrative expenses of \$395 million were down 7.9% from the year-ago quarter.

Balance Sheet and Cash Flow

IQVIA exited the quarter with cash and cash equivalents balance of \$863 million compared with \$938 million at the end of the prior quarter. Long-term debt at the end of the quarter was \$11.4 billion compared with \$11.3 billion at the end of the previous quarter.

The company generated \$330 million of cash from operating activities in the reported quarter and CapEx was \$149 million. IQVIA repurchased shares worth \$313 million during the quarter.

Q4 Guidance

For fourth-quarter 2019, IQVIA projects adjusted earnings per share in the range of \$1.65-\$1.75. Revenues are expected between \$2.807 billion and \$2.857 billion. Adjusted EBITDA is anticipated in the range of \$635-\$649 million.

2019 Guidance

IQVIA updated its guidance for full-year 2019. The company now projects adjusted earnings between \$6.30 and \$6.40 per share compared with the previously guided range of \$6.25-\$6.45. Revenues are now expected between \$11 billion and \$11.05 billion compared with the previously guided range of \$11-\$11.15 billion. Adjusted EBITDA is now anticipated in the range of \$2,393 - \$2,407 million compared with the previously guided range of \$2,385 - \$2,415 million.

Quarter Ending **09/2019**

Report Date	Oct 30, 2019
Sales Surprise	0.16%
EPS Surprise	1.91%
Quarterly EPS	1.60
Annual EPS (TTM)	6.16

Recent News

On **Oct 2, 2019**, IQVIA Holdings announced the launch of a new cloud-based software as a service (SaaS) patient engagement solution - Orchestrated Patient Engagement (OPE). It is aimed at reducing the gap between life sciences companies and patients.

Valuation

IQVIA Holdings shares are up 40.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 17.7% and 36.7%, over the past year, respectively.

The S&P 500 index is up 30.7% in the past year.

The stock is currently trading at trailing 12-month EV/EBITDA of 14.26X, which compares to 18.05X for the Zacks sub-industry, 12.28X for the Zacks sector and 12.01X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.78X and as low as 10.31X, with a 5-year median of 14.14X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$168.00 price target reflects 26.37X 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	14.26	18.05	12.28	12.01
	5-Year High	23.78	18.05	12.55	12.86
	5-Year Low	10.31	6.76	8.74	8.49
	5-Year Median	14.14	12.07	10.38	10.65
P/E F 12M	Current	24.25	74.59	28.5	20.3
	5-Year High	35.82	74.59	28.5	20.3
	5-Year Low	14.96	12.61	18.75	15.17
	5-Year Median	19.49	33.74	20.55	17.44
P/S F 12M	Current	2.72	2.16	4.12	3.51
	5-Year High	4.13	2.54	5.13	3.51
	5-Year Low	1.42	1.55	3.09	2.54
	5-Year Median	2.29	2.01	3.63	3

As of 12/31/2019

Industry Analysis Zacks Industry Rank: Top 28% (72 out of 253)



Top Peers

Agilent Technologies, Inc. (A)	Neutral
Allergan plc (AGN)	Neutral
Cerner Corporation (CERN)	Neutral
Cognizant Technology Solutions Corporation (CTSH)	Neutral
Laboratory Corporation of America Holdings (LH)	Neutral
Nielsen Holdings Plc (NLSN)	Neutral
Perrigo Company plc (PRGO)	Neutral
Verisk Analytics, Inc. (VRSK)	Neutral

Industry Comparison Industry: Technology Services				Industry Peers		
	IQV Neutral	X Industry	S&P 500	A Neutral	AGN Neutral	CTSH Neutral
VGM Score	C	-	-	B	A	B
Market Cap	29.98 B	174.34 M	23.93 B	26.46 B	62.76 B	33.96 B
# of Analysts	10	3	13	9	9	12
Dividend Yield	0.00%	0.00%	1.78%	0.84%	1.55%	1.29%
Value Score	C	-	-	D	B	B
Cash/Price	0.03	0.10	0.04	0.05	0.07	0.09
EV/EBITDA	21.59	-0.24	13.95	21.83	93.79	9.73
PEG Ratio	1.73	2.16	2.12	2.00	1.78	1.42
Price/Book (P/B)	4.69	2.44	3.33	5.56	1.07	3.19
Price/Cash Flow (P/CF)	13.93	13.57	13.67	21.52	5.17	12.58
P/E (F1)	24.18	22.05	19.66	25.00	11.32	15.64
Price/Sales (P/S)	2.76	1.92	2.69	5.13	3.97	2.04
Earnings Yield	4.12%	-0.60%	5.08%	4.00%	8.84%	6.40%
Debt/Equity	1.85	0.04	0.72	0.38	0.33	0.13
Cash Flow (\$/share)	11.09	-0.03	6.94	3.96	37.01	4.93
Growth Score	B	-	-	B	B	C
Hist. EPS Growth (3-5 yrs)	17.29%	2.09%	10.56%	9.28%	3.87%	12.48%
Proj. EPS Growth (F1/F0)	15.30%	0.00%	0.00%	9.72%	2.00%	-12.05%
Curr. Cash Flow Growth	9.13%	3.36%	14.83%	9.85%	-6.41%	11.93%
Hist. Cash Flow Growth (3-5 yrs)	40.99%	7.77%	9.00%	-2.46%	35.89%	14.81%
Current Ratio	1.12	1.35	1.23	1.53	1.00	2.53
Debt/Capital	64.93%	13.19%	42.92%	27.39%	24.73%	11.88%
Net Margin	2.24%	-12.77%	11.08%	20.74%	-58.50%	12.60%
Return on Equity	16.95%	-21.83%	17.10%	20.13%	9.08%	20.23%
Sales/Assets	0.48	0.64	0.55	0.57	0.16	1.05
Proj. Sales Growth (F1/F0)	0.00%	0.00%	0.00%	7.08%	0.00%	0.00%
Momentum Score	C	-	-	A	C	B
Daily Price Chg	0.69%	0.10%	0.33%	0.48%	0.31%	0.60%
1 Week Price Chg	-0.97%	0.00%	0.13%	0.27%	0.58%	-1.68%
4 Week Price Chg	7.79%	0.00%	3.67%	6.50%	3.28%	-1.16%
12 Week Price Chg	6.91%	1.02%	10.64%	17.68%	14.40%	5.30%
52 Week Price Chg	33.00%	-4.45%	27.46%	26.46%	43.03%	-2.30%
20 Day Average Volume	1,310,527	86,947	1,693,267	1,464,570	1,800,094	2,376,504
(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%	0.03%	-0.06%	0.00%
(F1) EPS Est 12 week change	0.32%	0.00%	0.14%	-0.01%	1.16%	0.15%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	1.12%	0.11%

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	B
Momentum Score	C
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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