

IQVIA Holdings Inc.(IQV)

\$141.36 (As of 03/03/20)

Price Target (6-12 Months): **\$149.00**

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:B

Value: C

Growth: A

Momentum: D

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. 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. Partly due to these negatives, shares of IQVIA Holdings have declined in the past year.

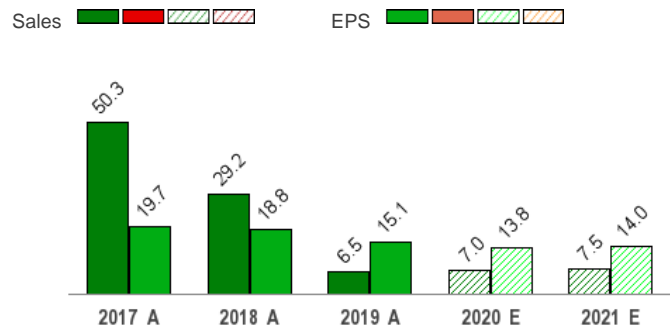
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$169.14 - \$130.77
20 Day Average Volume (sh)	1,733,467
Market Cap	\$27.2 B
YTD Price Change	-8.5%
Beta	0.94
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Technology Services
Zacks Industry Rank	Top 28% (72 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.2%
Last Sales Surprise	1.9%
EPS F1 Est- 4 week change	-1.8%
Expected Report Date	05/06/2020
Earnings ESP	-0.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,047 E	3,139 E	3,191 E	3,355 E	12,762 E
2020	2,820 E	2,935 E	2,978 E	3,133 E	11,868 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	\$1.93 E	\$2.03 E	\$2.07 E	\$2.22 E	\$8.29 E
2020	\$1.64 E	\$1.76 E	\$1.83 E	\$2.04 E	\$7.27 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.

P/E TTM	22.1
P/E F1	19.4
PEG F1	1.4
P/S TTM	2.5

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/03/2020. The reports text is as of 03/04/2020.

Overview

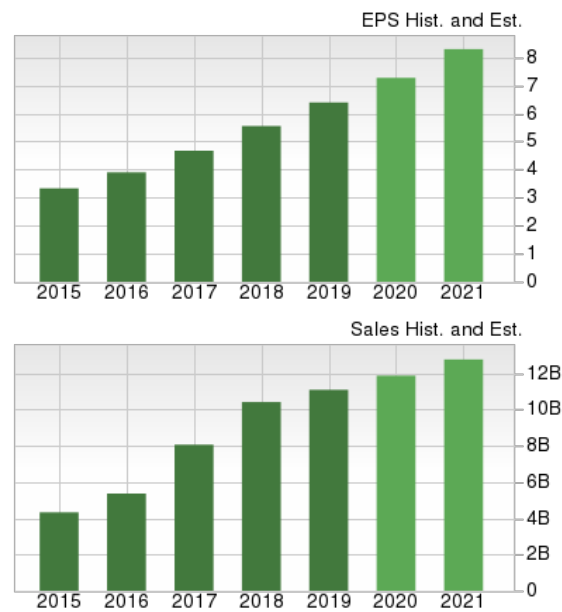
Headquartered in Durham, NC., IQVIA Holdings Inc. provides advanced analytics, technology solutions and contract research services to the life sciences industry. The company was formed through the merger of IMS Health (RX) and Quintiles. The company is focused on helping healthcare clients to better 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 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 Dec 31, 2019, long-term debt was \$11.5 billion while cash and cash equivalents were \$837 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 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. This may weigh on its share price, which has declined 0.1% in the past year compared with the industry's loss of 11.3%.
- ▼ 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 Beats on Q4 Earnings and Revenues

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

Adjusted earnings per share of \$1.74 beat the consensus mark by 1.2% and increased 16% on a year-over-year basis. The reported figure exceeded the midpoint (\$1.7) of the guided range of \$1.65-\$1.75.

Total revenues of \$2.9 billion outpaced the consensus estimate by 1.9% and increased 7.7% year over year on a reported basis and 8.5% on a constant-currency basis. The reported figure came above the guided range of \$2.807-\$2.857 billion.

Segmental Revenues

Revenues from Technology & Analytics Solutions (TAS) totaled \$1.21 billion, up 7.7% on a reported basis and 9% on a constant-currency basis. The segment accounted for 42% of total revenues.

Research & Development Solutions (R&DS) revenues of \$1.47 billion increased 7.5% on a reported basis and 8.1% on a constant-currency basis. The segment contributed 51% to total revenues.

Revenues from Contract Sales & Medical Solutions (CSMS) totaled \$210 million, up 8.8% on a reported and 8.3% on a constant-currency basis. The segment accounted for 7% of total revenues.

Operating Performance

Adjusted EBITDA was \$642 million, up 10.1% year over year. Adjusted EBITDA margin increased to 22.2% from 21.7% in the year-ago quarter.

Operating income was \$166 million, down 19.8% from the year-ago quarter. Operating income margin decreased to 5.7% from 7.7% in the year-ago quarter.

Balance Sheet and Cash Flow

IQVIA exited the quarter with cash and cash equivalents balance of \$837 million compared with \$863 million at the end of the prior quarter. Long-term debt at the end of the quarter was \$11.5 billion compared with \$11.4 billion at the end of the previous quarter.

The company generated \$583 million of cash from operating activities in the reported quarter and CapEx was \$137 million.

2020 Guidance

The company projects adjusted earnings between \$7.15 and \$7.35 per share. Revenues are now expected between \$11.8 billion and \$12 billion. Adjusted EBITDA is now anticipated in the range of \$2,565 - \$2,620 million.

Quarter Ending **12/2019**

Report Date	Feb 12, 2020
Sales Surprise	1.87%
EPS Surprise	1.16%
Quarterly EPS	1.74
Annual EPS (TTM)	6.40

Recent News

On **Feb 20, 2020**, IQVIA Holdings announced the launch of Avacare Clinical Research Network. Avacare Clinical Research Network is a technology-based global site network that opens opportunities for more clinical trials at experienced clinical and research sites.

On **Feb 13, 2020**, IQVIA Holdings announced that it has agreed to purchase 1,000,000 shares of its common stock in a private transaction from certain of its existing stockholders.

On **Feb 3, 2020**, IQVIA Holdings announced the launch of the FluSTAR mobile application, aimed at helping consumers manage their health during flu and cold season.

Valuation

IQVIA Holdings shares are down 0.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 11.3% over the past year, while those in the Zacks Business Services sector are up 8.3%.

The S&P 500 index is up 6.2% in the past year.

The stock is currently trading at trailing 12-month EV/EBITDA of 13.1X, which compares to 17.25X for the Zacks sub-industry, 11.22X for the Zacks sector and 10.93X for the S&P 500 index.

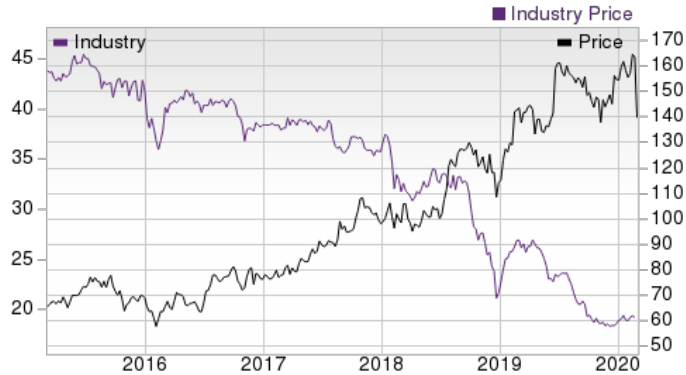
Over the past five years, the stock has traded as high as 23.78X and as low as 10.31X, with a 5-year median of 14.17X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$149.00 price target reflects 20.03X forward 12-month earnings.

The table below shows summary valuation data for IQV

Valuation Multiples - IQV					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	13.1	17.25	11.22	10.93
	5-Year High	23.78	17.96	12.54	12.88
	5-Year Low	10.31	9.12	8.74	8.49
	5-Year Median	14.17	12.16	10.4	10.79
P/E F 12M	Current	18.99	55.9	23.4	17.15
	5-Year High	35.82	55.9	25.25	19.34
	5-Year Low	14.96	12.61	18.76	15.18
	5-Year Median	19.5	37	20.56	17.44
P/S F 12M	Current	2.26	2.19	3.75	3.16
	5-Year High	4.13	2.55	4	3.43
	5-Year Low	1.42	1.53	3.08	2.54
	5-Year Median	2.31	2.01	3.63	3.01

As of 03/03/2020

Industry Analysis Zacks Industry Rank: Top 28% (72 out of 255)



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	B	-	-	F	A	B
Market Cap	27.19 B	157.80 M	22.14 B	24.91 B	63.15 B	32.70 B
# of Analysts	10	2	13	9	7	13
Dividend Yield	0.00%	0.00%	1.98%	0.90%	1.54%	1.48%
Value Score	C	-	-	D	C	B
Cash/Price	0.03	0.10	0.05	0.05	0.09	0.10
EV/EBITDA	18.98	-0.26	12.79	20.69	40.45	9.93
PEG Ratio	1.39	1.67	1.92	1.88	1.54	1.33
Price/Book (P/B)	4.38	2.58	3.00	5.14	1.08	2.96
Price/Cash Flow (P/CF)	11.42	13.32	11.97	20.26	5.23	11.84
P/E (F1)	19.44	22.55	17.43	23.55	10.95	14.67
Price/Sales (P/S)	2.45	1.60	2.48	4.76	3.92	1.95
Earnings Yield	5.14%	0.47%	5.74%	4.25%	9.13%	6.81%
Debt/Equity	1.91	0.04	0.70	0.37	0.32	0.13
Cash Flow (\$/share)	12.38	-0.04	6.94	3.96	36.72	5.04
Growth Score	A	-	-	F	A	B
Hist. EPS Growth (3-5 yrs)	16.64%	2.09%	10.85%	12.32%	4.06%	11.62%
Proj. EPS Growth (F1/F0)	13.74%	17.66%	6.48%	9.65%	-0.65%	1.87%
Curr. Cash Flow Growth	8.25%	3.36%	6.03%	9.85%	-3.45%	-2.96%
Hist. Cash Flow Growth (3-5 yrs)	37.91%	10.10%	8.52%	-2.46%	11.44%	10.46%
Current Ratio	1.05	1.28	1.23	1.64	1.01	2.55
Debt/Capital	65.60%	12.43%	42.57%	26.93%	24.18%	11.59%
Net Margin	1.72%	-13.12%	11.57%	14.59%	-32.76%	10.98%
Return on Equity	17.65%	-11.80%	16.66%	20.49%	9.82%	20.60%
Sales/Assets	0.48	0.66	0.54	0.57	0.17	1.05
Proj. Sales Growth (F1/F0)	7.04%	12.33%	4.07%	6.85%	-0.06%	3.12%
Momentum Score	D	-	-	A	A	D
Daily Price Chg	-3.89%	-0.67%	3.82%	-2.01%	-0.98%	-2.80%
1 Week Price Chg	-14.65%	-9.74%	-12.06%	-9.40%	-4.74%	-13.07%
4 Week Price Chg	-9.98%	-7.22%	-6.43%	-3.83%	0.94%	-6.02%
12 Week Price Chg	-3.26%	-3.10%	-5.15%	-3.15%	3.41%	-2.44%
52 Week Price Chg	-0.09%	-34.65%	4.77%	0.73%	36.94%	-16.50%
20 Day Average Volume	1,733,467	100,811	2,363,047	2,322,937	2,993,665	4,462,249
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.75%	-0.19%
(F1) EPS Est 4 week change	-1.78%	0.00%	-0.04%	-0.07%	3.23%	-1.44%
(F1) EPS Est 12 week change	-1.78%	0.00%	-0.33%	-0.03%	3.20%	-1.62%
(Q1) EPS Est Mthly Chg	-7.36%	0.00%	-0.38%	-4.76%	1.92%	0.42%

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	A
Momentum Score	C
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.

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