

S&P Global, Inc. (SPGI)

\$279.04 (As of 01/06/20)

Price Target (6-12 Months): **\$300.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/15/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: D

Growth: B

Momentum: B

Summary

S&P Global remains well poised to gain from growing demand for business information services. Acquisitions have helped it innovate, increase differentiated content and develop new products. Effective management execution has helped the company generate solid cash flow which is utilized for growth initiatives. Consistent dividend payment and share buybacks boost investors' confidence and positively impact earnings per share and consequently its share price, which has outperformed its industry in the past year. However, the company remains vulnerable to proceedings, investigations and inquiries with respect to the ratings provided, leading to legal charges, damages or fines. Lower bank loan ratings activity remains a concern. The company operates in a highly competitive market of credit rating, research, investment and advisory services.

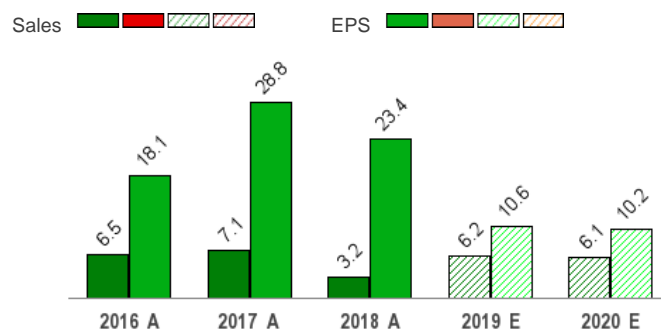
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$279.07 - \$171.91
20 Day Average Volume (sh)	973,781
Market Cap	\$68.2 B
YTD Price Change	2.2%
Beta	1.05
Dividend / Div Yld	\$2.28 / 0.8%
Industry	Business - Information Services
Zacks Industry Rank	Top 33% (85 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.6%
Last Sales Surprise	2.0%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	02/06/2020
Earnings ESP	2.5%
P/E TTM	30.3
P/E F1	26.9
PEG F1	2.0
P/S TTM	10.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	1,703 E	1,772 E	1,762 E	1,784 E	7,051 E
2019	1,571 A	1,704 A	1,689 A	1,689 E	6,644 E
2018	1,567 A	1,609 A	1,546 A	1,536 A	6,258 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$2.40 E	\$2.65 E	\$2.67 E	\$2.64 E	\$10.36 E
2019	\$2.11 A	\$2.43 A	\$2.46 A	\$2.40 E	\$9.40 E
2018	\$2.00 A	\$2.17 A	\$2.11 A	\$2.22 A	\$8.50 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 01/06/2020. The reports text is as of 01/07/2020.

Overview

Incorporated in December 1925, S&P Global Inc. is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

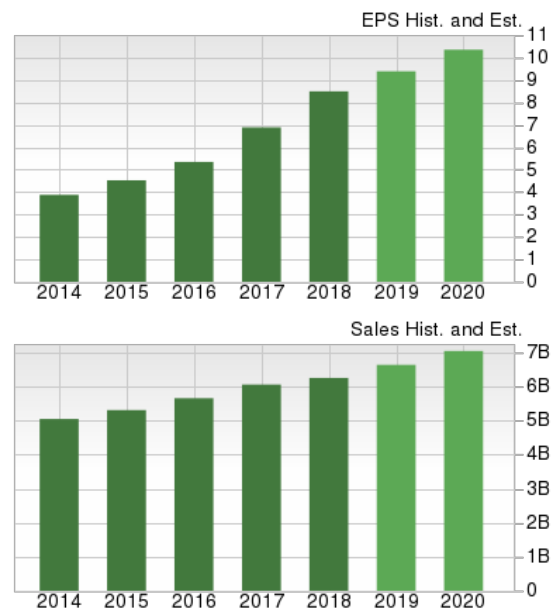
The company operates through four reportable segments: S&P Global Ratings ("Ratings"), S&P Global Market Intelligence ("Market Intelligence"), S&P Global Platts ("Platts") and S&P Dow Jones Indices ("Indices").

Ratings (46% of total revenues in 2018): Ratings operates as an independent provider of credit ratings, research, and analytics, offering investors and other market participants information, ratings and benchmarks. With offices in more than 25 countries globally, Ratings holds an important position in the world's financial infrastructure. Ratings revenues is differentiated between transaction and non-transaction revenues.

Market Intelligence (29%): It is specialized in helping investment professionals, government agencies, corporations and universities — track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform evaluations and assess credit risk. It mainly serves investment managers, investment banks, private equity firms, insurance companies, commercial banks, corporations, professional services firms, government agencies and regulators. Desktop, Data Management Solutions and Risk Services are the business lines included in the segment.

Platts (13%): Platts operates as an independent provider of information and benchmark prices for the commodity and energy markets. It specializes in offering essential price data, analytics and industry insight. It mainly serves producers, traders and intermediaries within the energy, petrochemicals, metals and agriculture markets. Platts' revenues is generated from subscription revenues, non-subscription revenues and sales usage-based royalties.

Indices (13%): Indices is a global index provider that maintains a wide variety of valuation and index benchmarks for investment advisors, wealth managers and institutional investors. Indices mainly derives revenue from asset-linked fees based on the S&P and Dow Jones indices and also from subscription and transaction revenues.



Reasons To Buy:

- ▲ S&P Global is well poised to gain from growing **demand for business information services**. Constantly increasing volume of data from private and government organizations has augmented the demand for improved enterprise-wide financial performance visibility. Augmented demand for news, information, and analytics solutions will drive the growth of the market. Further, the industry is benefiting from rising demand for risk mitigation. Changes in market dynamics are more or less a constant phenomenon and keep companies exposed to credit fund and operational risks. Accurate market and financial information is required for risk mitigation and that spurs demand for business information services.
- ▲ **Acquisition** is a key growth strategy for S&P Global and help it continuously innovate, increase differentiated content and develop new products. On Nov 21, 2019, S&P Global announced that it has inked a deal to acquire the ESG Ratings Business from RobecoSAM. Subject to customary closing conditions, the deal is expected to complete in the first quarter of 2020. Prior to this in 2019, the company has made acquisitions of Canadian Enerdata, Live Rice Index and Orion technology center. Canadian Enerdata enhances S&P Global's Platts division's energy analytical capabilities and strengthens its foothold in North American natural gas market. Live Rice Index is a great addition to S&P Global's Platts global agriculture offering. Orion technology center provides access to the latest technologies and global communications infrastructure to the company's employees. In 2018, the company has made acquisitions of RateWatch, Kensho and Panjiva. RateWatch is a great addition to S&P Global's bank data offering. The Kensho acquisition is expected to help S&P Global to improve its core operations by applying actionable insights through the use of AI solutions and sophisticated algorithms, thereby augmenting its efficacy. Panjiva buyout is likely to enhance the company's Global Market Intelligence's data and analytical offerings for diverse customers across the globe, generating higher revenues. Going ahead, we expect S&P Global to continue adding advanced technology and data sets through acquisitions, which in turn, should boost the company's top- and bottom-line growth.
- ▲ **Management has executed** its strategies well in the recent times. This has helped S&P Global build cash, cash equivalents, and restricted cash of \$2.02 billion as of Sep 30, 2019. The company generated \$2.06 billion of cash from operating activities in 2018 and free cash flow came in at \$1.80 billion. The significant amount of cash provides it the flexibility to pursue any growth strategy.
- ▲ We are impressed with S&P Global's endeavours to reward its shareholders through **share repurchases and dividend payments**. In 2018, S&P Global returned \$2.2 billion to shareholders, which includes \$1.7 billion through share repurchases and \$503 million in dividend payments. In 2017, the company returned \$1.4 billion to shareholders, which includes \$1.0 billion through share repurchases and \$421 million in dividend payments. In 2016, the company returned \$1.5 billion to shareholders which includes \$1.1 billion through share repurchases and \$380 million in dividend payments. Such shareholder friendly 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 earnings per share. This might have impacted the company's share price, which has improved 59.2% over the past year, outperforming the 40.4% rise of the industry it belongs to.

Acquisitions enable S&P Global innovate, increase differentiated content and develop new products.

Reasons To Sell:

- ▼ S&P Global remains vulnerable to proceedings, investigations and inquiries with respect to the ratings provided, leading to **legal charges**, damages or fines. The company had earlier faced a lawsuit filed by the U.S. Department of Justice against its subsidiary, Standard & Poor's Financial Services or S&P Ratings. The company was accused of deliberately providing high ratings over the 2004–2007 time frame to underperforming U.S. collateralized debt obligations and residential mortgage-backed securities, thus triggering off the housing market collapse. Such lawsuits have hampered the credibility of the company and adversely impacted its financial results.
- ▼ **Lower bank loan ratings** activity (due to reduced issuance volumes in the United States) has been weighing on S&P Global's transaction revenues, which, in turn has been weighing on S&P Global's Ratings revenues. Transaction and Non-transaction revenues make up S&P Global's Ratings revenues.
- ▼ The market for credit ratings, financial research, investment advisory services, market data, index-based products and commodities price assessments is **highly competitive**. S&P Global's four reportable segments — Ratings, Market Intelligence, Platts and Indices — competes globally on the basis of several attributes such as quality of their offerings, client service, reputation, price, geographic base, range of products and technological innovation. Industry bellwethers, Moody's Corp. and Fitch Ratings through their investor friendly moves may hurt S&P Global's market share, and in turn weigh upon the top line and strain margins.

S&P Global's results could be negatively impacted by lower bank loan ratings activity.

Last Earnings Report

S&P Global Beats Q3 Earnings Estimates

S&P Global reported solid third-quarter 2019 results, wherein the company's earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings per share of \$2.46 beat the consensus mark by 13 cents and improved 16% year over year on the back of revenue growth and benefits of productivity initiatives. Revenues of \$1.69 billion beat the consensus estimate by \$33.2 million and improved 9% year over year.

Quarter Ending **09/2019**

Report Date	Oct 29, 2019
Sales Surprise	2.00%
EPS Surprise	5.58%
Quarterly EPS	2.46
Annual EPS (TTM)	9.22

Segmental Revenues

Ratings revenues of \$789 million increased 13% year over year on the back of strong high-yield issuance in the United States and Europe and strong U.S. investment-grade issuance. Transaction revenues of \$402 million increased 25%, driven by solid debt rating activity and increase in bank loan rating activity. Non-transaction revenues improved 2% to \$387 million.

Market Intelligence revenues were up 5% year over year to \$488 million, primarily driven by solid growth in Data Management Solutions, Credit Risk Solutions and Desktop.

Platts revenues rose 4% to \$212 million owing to growth in both core subscription business and Global Trading Services.

S&P Dow Jones Indices revenues increased 14% to \$232 million driven by 17% gain in asset-linked fees and 12% increase in exchange-traded derivative fees.

Operating Results

Adjusted operating profit increased 14% year over year to \$877 million. Adjusted operating profit margin improved 230 basis points (bps) to 51.9%.

Segment wise, Ratings adjusted operating profit increased 19% to \$472 million. Adjusted operating profit margin improved 340 bps to 59.9%.

For Market Intelligence, adjusted operating profit declined slightly to \$167 million. Adjusted operating profit margin decreased 160 bps to 34.3%.

Platts' adjusted operating profit increased 5% to \$107 million and adjusted operating profit margin increased 40 basis points to 50.7%.

S&P Dow Jones adjusted operating profit increased 19% to \$163 million. Adjusted operating profit margin improved 280 bps to 70.1%.

Balance Sheet and Cash Flow

S&P Global exited third-quarter 2019 with cash, cash equivalents, and restricted cash of \$2.02 billion compared with \$1.92 billion at the end of the prior quarter. Long-term debt came in at \$2.97 billion compared with \$3.66 billion in the prior quarter.

The company generated \$762 million of cash from operating activities in the reported quarter. Free cash flow was \$690 million. Capital expenditures totaled \$31 million.

Share Repurchases & Dividend Payout

During the third quarter of 2019, the company returned \$640 million to shareholders. This includes \$500 million through share repurchases (through an accelerated share repurchase (ASR) that was initiated in August) and \$140 million in dividends.

2019 Guidance

S&P Global raised its full-year adjusted EPS guidance from the range of \$9.10-\$9.25 to the range of \$9.30- \$9.40.

Recent News

On **Nov 21, 2019**, S&P Global announced that it has inked a deal to acquire the ESG Ratings Business from RobecoSAM. Subject to customary closing conditions, the deal is expected to complete in the first quarter of 2020.

On **Sep 3, 2019**, S&P Global's division, S&P Global Platts announced that it has completed the acquisition of Canadian Enerdata Ltd., a provider of energy data and information in Canada, to strengthen its natural gas offering across North America.

On **Sep 2, 2019**, S&P Global's division, S&P Global Platts announced that it has completed the acquisition of Live Rice Index (LRI), a global provider of information and benchmark price assessments for the rice industry. The buyout extends Platts portfolio of agricultural price assessments while expanding its data and news coverage in key export regions for international grains.

Valuation

S&P Global shares are up 59.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 40.4% and 26.9%, respectively, over the past year.

The S&P 500 index is up 24.5% in the past year.

The stock is currently trading at 26.9X forward 12-month price-to-earnings, which compares to 26.61X for the Zacks sub-industry, 24.45X for the Zacks sector and 18.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 29.59X and as low as 16.36X, with a 5-year median of 21.92X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$300.00 price target reflects 28.92X forward 12-month earnings.

The table below shows summary valuation data for SPGI

Valuation Multiples - SPGI					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	26.9	26.61	24.45	18.71
	5-Year High	29.59	27.32	24.49	19.34
	5-Year Low	16.36	19.42	18.76	15.17
	5-Year Median	21.92	21.85	20.56	17.44
P/S F 12M	Current	9.66	6.05	3.87	3.47
	5-Year High	10.23	6.16	5.13	3.47
	5-Year Low	3.74	3.34	3.09	2.54
	5-Year Median	6.34	4.49	3.63	3
P/B TTM	Current	NA	8.46	4.86	4.41
	5-Year High	NA	8.82	6.73	4.45
	5-Year Low	28.55	4.28	4.13	2.85
	5-Year Median	62.51	6.21	5.34	3.6

As of 01/06/2020

Industry Analysis Zacks Industry Rank: Top 33% (85 out of 254)



Top Peers

Black Knight Financial Services, Inc. (BKI)	Neutral
Experian PLC (EXPGY)	Neutral
FactSet Research Systems Inc. (FDS)	Neutral
INTERTEK GP PLC (IKTSY)	Neutral
IHS Markit Ltd. (INFO)	Neutral
Nielsen Holdings Plc (NLSN)	Neutral
TransUnion (TRU)	Neutral
Verisk Analytics, Inc. (VRSK)	Neutral

Industry Comparison Industry: Business - Information Services				Industry Peers		
	SPGI Neutral	X Industry	S&P 500	EXPGY Neutral	INFO Neutral	NLSN Neutral
VGM Score	C	-	-	B	C	B
Market Cap	68.20 B	9.86 B	23.66 B	30.56 B	30.57 B	7.29 B
# of Analysts	8	8	13	3	10	3
Dividend Yield	0.82%	0.34%	1.79%	0.76%	0.00%	1.17%
Value Score	D	-	-	D	D	A
Cash/Price	0.03	0.02	0.04	0.00	0.00	0.05
EV/EBITDA	23.09	23.31	13.88	NA	29.80	9.68
PEG Ratio	1.95	2.45	1.99	2.68	2.22	0.98
Price/Book (P/B)	169.65	7.81	3.36	13.19	3.71	3.10
Price/Cash Flow (P/CF)	29.42	22.91	13.62	23.07	22.30	2.69
P/E (F1)	26.93	27.62	18.74	32.15	26.69	11.74
Price/Sales (P/S)	10.49	7.01	2.67	NA	7.01	1.13
Earnings Yield	3.71%	3.62%	5.32%	3.10%	3.75%	8.54%
Debt/Equity	8.91	1.12	0.72	1.41	0.61	3.65
Cash Flow (\$/share)	9.49	3.61	6.94	1.45	3.42	7.61
Growth Score	B	-	-	A	B	B
Hist. EPS Growth (3-5 yrs)	21.28%	14.82%	10.56%	NA	NA	-10.24%
Proj. EPS Growth (F1/F0)	10.27%	8.60%	7.41%	7.56%	10.53%	-3.23%
Curr. Cash Flow Growth	20.06%	20.06%	14.83%	-0.90%	13.25%	93.50%
Hist. Cash Flow Growth (3-5 yrs)	17.16%	15.15%	9.00%	-1.45%	28.98%	16.47%
Current Ratio	1.10	1.20	1.23	0.43	0.71	1.10
Debt/Capital	93.31%	53.97%	42.92%	58.51%	38.09%	78.48%
Net Margin	32.22%	14.61%	11.08%	NA	8.74%	-19.46%
Return on Equity	448.14%	22.75%	17.10%	NA	10.35%	21.91%
Sales/Assets	0.66	0.42	0.55	NA	0.27	0.42
Proj. Sales Growth (F1/F0)	6.13%	5.10%	4.20%	6.44%	3.49%	1.71%
Momentum Score	B	-	-	D	C	D
Daily Price Chg	0.77%	0.33%	-0.61%	0.33%	0.55%	2.04%
1 Week Price Chg	0.96%	0.00%	0.13%	-1.52%	0.24%	-0.54%
4 Week Price Chg	2.57%	2.74%	2.60%	3.49%	4.28%	2.50%
12 Week Price Chg	11.01%	8.94%	8.87%	8.40%	11.87%	-0.34%
52 Week Price Chg	60.70%	38.90%	29.34%	39.72%	54.55%	-18.04%
20 Day Average Volume	973,781	63,612	1,603,615	63,612	1,347,732	3,497,724
(F1) EPS Est 1 week change	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.07%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	2.20%	0.03%	-0.57%	-0.95%	-0.36%	-5.17%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	NA	0.00%	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	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.

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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.

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