

S&P Global, Inc. (SPGI)

\$295.48 (As of 02/07/20)

Price Target (6-12 Months): **\$320.00**

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:B

Value: D

Growth: B

Momentum: A

Summary

S&P Global reported better-than-expected fourth-quarter 2019 results. 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. Consistency in dividend payments and share repurchases boost investors' confidence and positively impact earnings per share and consequently its share price, which has outperformed its industry in the past year. On the flip side, S&P Global 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.

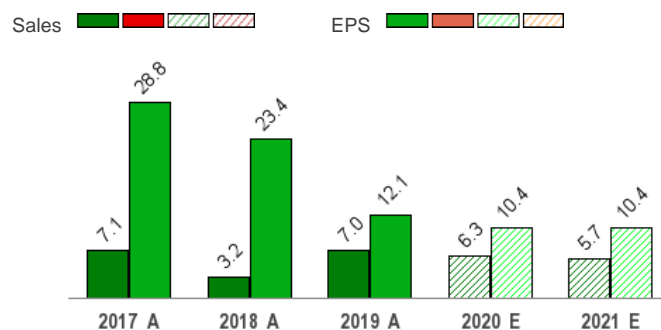
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$300.89 - \$189.21
20 Day Average Volume (sh)	1,073,593
Market Cap	\$72.2 B
YTD Price Change	8.2%
Beta	1.05
Dividend / Div Yld	\$2.68 / 0.8%
Industry	Business - Information Services
Zacks Industry Rank	Top 42% (106 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.0%
Last Sales Surprise	2.0%
EPS F1 Est- 4 week change	0.5%
Expected Report Date	NA
Earnings ESP	1.2%
P/E TTM	31.0
P/E F1	28.1
PEG F1	2.0
P/S TTM	10.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,859 E	1,880 E	1,891 E	1,919 E	7,529 E
2020	1,713 E	1,794 E	1,800 E	1,808 E	7,124 E
2019	1,571 A	1,704 A	1,689 A	1,735 A	6,699 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.70 E	\$2.94 E	\$2.98 E	\$2.98 E	\$11.61 E
2020	\$2.44 E	\$2.73 E	\$2.72 E	\$2.68 E	\$10.52 E
2019	\$2.11 A	\$2.43 A	\$2.46 A	\$2.53 A	\$9.53 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 02/07/2020. The reports text is as of 02/10/2020.

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.

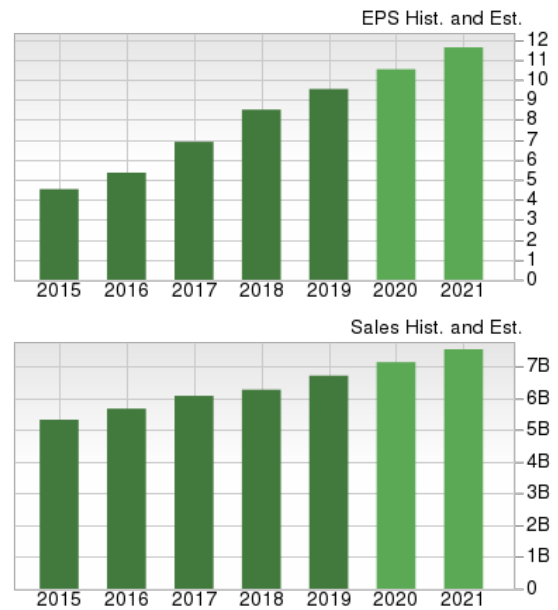
The company operates through four reportable segments: S&P Global Ratings ("Ratings"), S&P Global Market Intelligence ("Market Intelligence"), S&P Global Platts ("Platts") and S&P Dow Jones Indices ("Indices").

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. In 2019, the company has made acquisitions of ESG Ratings Business (from RobecoSAM), Canadian Enerdata, Live Rice Index and Orion technology center. ESG Ratings Business boosts S&P Global's position as a premier resource for essential ESG Data, ratings, benchmarks and insights. 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 \$2.89 billion as of Dec 31, 2019. The company generated \$2.78 billion of cash from operating activities in 2019 and free cash flow came in at \$2.52 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 2019, S&P Global returned \$1.8 billion to shareholders with \$1.2 billion in share repurchases and \$560 million in dividends. In 2018, the company 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 52.2% over the past year, outperforming the 37.7% 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 **12/2019**

Report Date	Feb 06, 2020
Sales Surprise	2.01%
EPS Surprise	4.98%
Quarterly EPS	2.53
Annual EPS (TTM)	9.53

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 **Jan 29, 2020**, S&P Global's board of directors approved a 17.5% dividend hike, thereby increasing the quarterly cash dividend from 57 cents per share to 67 cents. The next dividend will be paid out on Mar 11, 2020, to shareholders of record on Feb 26, 2020. The new annualized dividend rate is \$2.68 per share.

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.

Valuation

S&P Global shares are up 52.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 37.7% and 24.3%, respectively, over the past year.

The S&P 500 index is up 21.9% in the past year.

The stock is currently trading at 27.77X forward 12-month price-to-earnings, which compares to 27.23X for the Zacks sub-industry, 26X for the Zacks sector and 19.13X 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 22X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$320.00 price target reflects 30.08X 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	27.77	27.23	26	19.13
	5-Year High	29.59	27.32	26	19.34
	5-Year Low	16.36	19.42	18.77	15.18
	5-Year Median	22	21.92	20.57	17.46
P/S F12M	Current	10.1	6.05	4.12	3.53
	5-Year High	10.3	6.16	5.13	3.53
	5-Year Low	3.74	3.34	3.09	2.54
	5-Year Median	6.41	4.55	3.63	3
P/B TTM	Current	NA	9.06	5.09	4.54
	5-Year High	NA	9.1	6.72	4.56
	5-Year Low	28.55	4.28	4.13	2.85
	5-Year Median	63.38	6.21	5.27	3.62

As of 02/07/2020

Industry Analysis Zacks Industry Rank: Top 42% (106 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	B	-	-	B	C	B
Market Cap	72.22 B	10.57 B	24.00 B	32.31 B	31.60 B	7.58 B
# of Analysts	8	8	13	4	10	3
Dividend Yield	0.77%	0.59%	1.78%	0.72%	0.85%	1.13%
Value Score	D	-	-	D	D	A
Cash/Price	0.03	0.02	0.04	0.00	0.00	0.05
EV/EBITDA	24.75	23.08	14.07	NA	23.08	9.86
PEG Ratio	2.04	2.58	2.04	2.85	2.34	1.02
Price/Book (P/B)	134.73	8.39	3.28	13.99	3.83	3.22
Price/Cash Flow (P/CF)	28.25	24.07	13.58	24.47	22.59	2.80
P/E (F1)	28.09	29.48	18.86	34.20	28.11	12.25
Price/Sales (P/S)	10.78	7.49	2.65	NA	7.16	1.17
Earnings Yield	3.56%	3.39%	5.30%	2.92%	3.56%	8.17%
Debt/Equity	8.52	1.12	0.71	1.41	0.58	3.65
Cash Flow (\$/share)	10.46	3.61	6.89	1.45	3.56	7.61
Growth Score	B	-	-	A	A	B
Hist. EPS Growth (3-5 yrs)	21.28%	15.36%	10.80%	NA	15.68%	-10.24%
Proj. EPS Growth (F1/F0)	10.36%	8.82%	7.23%	7.22%	8.78%	-3.65%
Curr. Cash Flow Growth	8.40%	18.62%	9.51%	-0.90%	5.92%	93.50%
Hist. Cash Flow Growth (3-5 yrs)	17.16%	15.15%	8.55%	-1.45%	24.83%	16.47%
Current Ratio	1.52	1.33	1.20	0.43	0.66	1.10
Debt/Capital	92.73%	53.97%	42.90%	58.51%	36.75%	78.48%
Net Margin	31.69%	14.61%	11.76%	NA	11.39%	-19.46%
Return on Equity	496.20%	22.75%	16.98%	NA	10.95%	21.91%
Sales/Assets	0.65	0.42	0.54	NA	0.27	0.42
Proj. Sales Growth (F1/F0)	6.04%	5.05%	4.15%	6.69%	3.46%	1.74%
Momentum Score	A	-	-	A	B	F
Daily Price Chg	-0.01%	-0.01%	-0.64%	-0.78%	-0.53%	0.42%
1 Week Price Chg	-0.37%	-0.78%	-2.60%	-0.78%	-1.29%	-3.59%
4 Week Price Chg	2.04%	2.85%	0.72%	5.08%	2.85%	5.97%
12 Week Price Chg	13.65%	11.54%	4.69%	11.54%	12.40%	3.65%
52 Week Price Chg	51.53%	33.25%	16.01%	39.00%	54.03%	-16.67%
20 Day Average Volume	1,073,593	58,308	1,961,054	124,983	2,391,949	3,158,873
(F1) EPS Est 1 week change	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.49%	0.00%	-0.00%	-0.32%	0.42%	0.00%
(F1) EPS Est 12 week change	0.91%	-0.20%	-0.16%	0.32%	-0.08%	-5.17%
(Q1) EPS Est Mthly Chg	0.58%	0.00%	0.00%	NA	1.30%	0.00%

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.