

S&P Global, Inc. (SPGI)

\$207.78 (As of 03/19/20)

Price Target (6-12 Months): **\$220.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/17/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: D

Growth: A

Momentum: D

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 it generate solid cash flow which is utilized for growth initiatives. Consistency in dividend payments and share repurchases not only boost investors' confidence but also positively impact earnings per share. 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 has been weighing on the company's revenues. Stiff competition is another concern for the company. Partly due to these negatives, shares of S&P Global have declined in the past year.

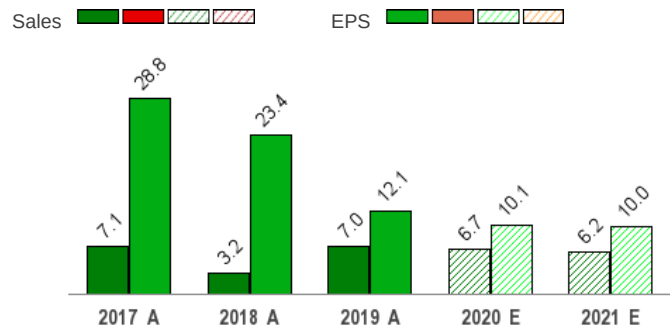
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$312.94 - \$186.06
20 Day Average Volume (sh)	2,801,566
Market Cap	\$50.0 B
YTD Price Change	-23.9%
Beta	1.02
Dividend / Div Yld	\$2.68 / 1.3%
Industry	Business - Information Services
Zacks Industry Rank	Bottom 19% (205 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	-0.3%
Expected Report Date	05/07/2020
Earnings ESP	-0.3%
P/E TTM	21.8
P/E F1	19.8
PEG F1	1.4
P/S TTM	7.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,824 E	1,926 E	1,901 E	1,933 E	7,592 E
2020	1,719 E	1,820 E	1,799 E	1,819 E	7,150 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	\$2.68 E	\$2.97 E	\$2.96 E	\$2.96 E	\$11.54 E
2020	\$2.44 E	\$2.72 E	\$2.70 E	\$2.66 E	\$10.49 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 03/19/2020. The reports text is as of 03/20/2020.

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.

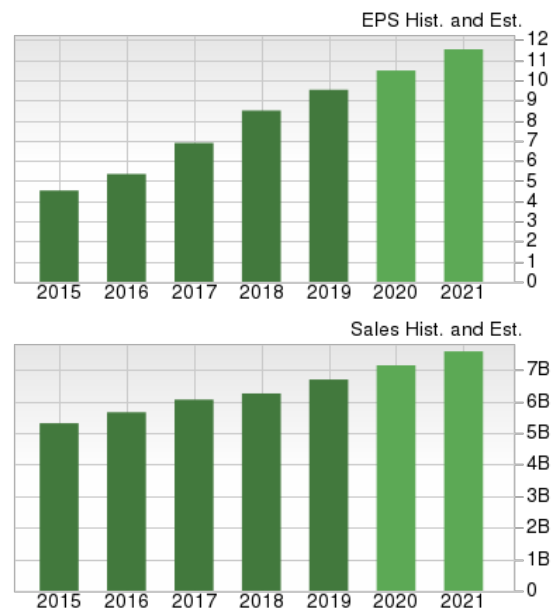
The company operates through four reportable segments: S&P Global Ratings ("Ratings"), S&P Global Market Intelligence ("Market Intelligence"), S&P Global Platts ("Platts") and S&P Dow Jones Indices ("Indices").

Ratings (46% of total revenues in 2019): 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.

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. This may weigh on its share price which has declined 1% over the past year compared with 9.7% decline of the industry it belongs to.
 - ▼ 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.
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S&P Global's results could be negatively impacted by lower bank loan ratings activity.

Last Earnings Report

S&P Global Beats Q4 Earnings Estimates

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

Adjusted earnings per share of \$2.53 beat the consensus mark by 4.9% and improved 14% year over year on the back of revenue growth and benefits of productivity initiatives, partially offset by investment spending, payments associated with the early retirement of company bonds, and a higher effective tax rate.

Revenues of \$1.74 billion beat the consensus estimate by 2% and improved 13% 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 \$820 million increased 24% year over year. Non-transaction revenues improved 2% to \$391 million on the back of increased fees associated with surveillance and intersegment royalties. Transaction revenues increased 55% to \$429 million, owing to strong bond rating activity partially offset by lower bank loan rating revenues.

Market Intelligence revenues were up 5% year over year to \$502 million, primarily driven by solid growth in Data Management Solutions and Credit Risk Services.

Platts revenues rose 1% to \$213 million.

S&P Dow Jones Indices revenues increased 9% to \$233 million driven by increased asset-linked fees, partially offset by decreased derivatives trading activity.

Operating Results

Adjusted operating profit increased 14% year over year to \$866 million. Adjusted operating profit margin improved 40 basis points (bps) to 49.9%.

Segment wise, Ratings adjusted operating profit increased 29% to \$473 million. Adjusted operating profit margin improved 220 bps to 57.7%.

For Market Intelligence, adjusted operating profit declined 6% to \$172 million. Adjusted operating profit margin decreased 410 bps to 34.4%.

Platts' adjusted operating profit increased 6% to \$107 million and adjusted operating profit margin increased 220 bps to 50.4%.

S&P Dow Jones adjusted operating profit increased 10% to \$158 million. Adjusted operating profit margin improved 70 bps to 67.8%.

Balance Sheet and Cash Flow

S&P Global exited fourth-quarter 2019 with cash, cash equivalents, and restricted cash of \$2.89 billion compared with \$2.02 billion at the end of the prior quarter. Long-term debt came in at \$3.95 billion compared with \$2.97 billion in the prior quarter.

The company generated \$1 billion of cash from operating activities in the reported quarter. Free cash flow was \$923 million. Capital expenditures totaled \$38 million.

Share Repurchases & Dividend Payout

The company returned \$1.8 billion to shareholders in 2019 with \$1.2 billion in share repurchases and \$560 million in dividends. As of Dec 31, 2019, the company had 4.7 million authorized shares available for repurchase. On Jan 29, 2020, the company's board of directors approved an additional repurchase authority of 30 million shares.

On Jan 29, 2020, the company'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.

2020 Guidance

S&P Global unveiled its full-year adjusted EPS guidance in the range of \$10.40-\$10.60. Free cash flow excluding certain items is expected to be \$2.6-\$2.7 billion.

Recent News

On **Mar 9, 2020**, S&P Dow Jones Indices announced the launch of the S&P GSCI Carbon Emission Allowances (EUA) EUR. The new index offers investors with a reliable and publicly available investment performance benchmark for European Carbon Emission Allowances and is an expansion of the single-commodity series of indices based on the S&P GSCI.

On **Feb 24, 2020**, S&P Global Platts announced the launch of the new Platts Platform and accompanying mobile app at its London Oil & Energy Forum.

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.

Valuation

S&P Global shares are down 1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are down 9.7% and 19.9%, respectively, over the past year.

The S&P 500 index is down 16.8% in the past year.

The stock is currently trading at 6.98X forward 12-month price-to-sales, which compares to 6.37X for the Zacks sub-industry, 2.82X for the Zacks sector and 2.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 10.49X and as low as 3.74X, with a 5-year median of 6.48X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$220.00 price target reflects 7.39X forward 12-month earnings price-to-sales.

The table below shows summary valuation data for SPGI

Valuation Multiples - SPGI					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12 M	Current	6.98	6.37	2.82	2.58
	5-Year High	10.49	6.37	3.94	3.43
	5-Year Low	3.74	3.34	2.82	2.54
	5-Year Median	6.48	4.63	3.57	3
P/B TTM	Current	94.51	6.17	3.12	3.23
	5-Year High	771.2	9.18	6.68	4.55
	5-Year Low	28.55	4.29	3.12	2.85
	5-Year Median	64.3	6.22	5.19	3.63
EV/EBITDA TTM	Current	14.86	12.99	9.25	8.87
	5-Year High	22.1	18.64	13.24	12.88
	5-Year Low	10.7	11.01	8.52	8.31
	5-Year Median	16.14	15.2	10.46	10.79

As of 03/19/2020

Industry Analysis Zacks Industry Rank: Bottom 19% (205 out of 254)



Top Peers

Black Knight Financial Services, Inc. (BKI)	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
Experian PLC (EXPGY)	Underperform

Industry Comparison Industry: Business - Information Services				Industry Peers		
	SPGI Neutral	X Industry	S&P 500	EXPGY Underperform	INFO Neutral	NLSN Neutral
VGM Score	C	-	-	B	D	C
Market Cap	50.01 B	7.59 B	16.45 B	20.59 B	22.17 B	5.40 B
# of Analysts	8	9	13	4	10	5
Dividend Yield	1.29%	0.79%	2.67%	1.13%	1.30%	1.59%
Value Score	D	-	-	F	D	B
Cash/Price	0.05	0.03	0.06	0.01	0.00	0.08
EV/EBITDA	15.51	15.51	10.36	NA	17.09	8.50
PEG Ratio	1.44	1.87	1.49	1.84	1.54	NA
Price/Book (P/B)	94.51	4.73	2.16	8.91	2.49	2.26
Price/Cash Flow (P/CF)	19.82	16.39	8.92	15.59	14.65	2.28
P/E (F1)	19.83	21.03	13.12	22.06	18.52	8.80
Price/Sales (P/S)	7.47	6.14	1.72	NA	5.02	0.83
Earnings Yield	5.04%	4.77%	7.54%	4.54%	5.41%	11.36%
Debt/Equity	8.52	1.04	0.70	1.41	0.58	3.25
Cash Flow (\$/share)	10.48	3.61	7.01	1.45	3.56	6.64
Growth Score	A	-	-	A	A	C
Hist. EPS Growth (3-5 yrs)	21.24%	15.68%	10.85%	NA	15.68%	-10.68%
Proj. EPS Growth (F1/F0)	10.02%	7.09%	4.90%	5.93%	7.11%	-4.44%
Curr. Cash Flow Growth	8.40%	6.86%	6.03%	-0.90%	5.92%	-12.59%
Hist. Cash Flow Growth (3-5 yrs)	16.19%	13.24%	8.55%	-1.45%	24.83%	9.33%
Current Ratio	1.52	1.10	1.23	0.43	0.66	0.79
Debt/Capital	92.73%	53.97%	42.57%	58.51%	36.75%	76.48%
Net Margin	31.69%	12.98%	11.57%	NA	11.39%	-6.39%
Return on Equity	496.20%	22.54%	16.74%	NA	10.95%	22.20%
Sales/Assets	0.65	0.42	0.54	NA	0.27	0.43
Proj. Sales Growth (F1/F0)	6.74%	2.80%	3.13%	6.52%	2.80%	2.22%
Momentum Score	D	-	-	A	F	C
Daily Price Chg	7.61%	0.00%	1.03%	-3.53%	-6.07%	-5.85%
1 Week Price Chg	-8.47%	-10.87%	-11.01%	-18.07%	-19.26%	-8.01%
4 Week Price Chg	-31.52%	-31.96%	-33.45%	-38.91%	-35.16%	-31.96%
12 Week Price Chg	-24.05%	-27.84%	-30.67%	-33.17%	-30.46%	-25.35%
52 Week Price Chg	-0.95%	-7.96%	-23.69%	-17.56%	-5.95%	-44.79%
20 Day Average Volume	2,801,566	110,345	3,981,936	186,564	4,393,507	5,682,113
(F1) EPS Est 1 week change	-0.12%	-0.09%	-0.01%	-0.24%	-0.30%	0.00%
(F1) EPS Est 4 week change	-0.29%	-0.36%	-0.85%	-0.24%	-1.96%	-2.79%
(F1) EPS Est 12 week change	1.28%	-0.90%	-1.70%	-1.52%	-1.55%	-2.79%
(Q1) EPS Est Mthly Chg	0.16%	0.00%	-0.88%	NA	-5.64%	-12.26%

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	A
Momentum Score	D
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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