

S&P Global, Inc. (SPGI)

\$318.80 (As of 05/28/20)

Price Target (6-12 Months): **\$335.00**

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:B

Value: D

Growth: A

Momentum: A

Summary

Shares of S&P Global have outperformed its industry in the past year. The outperformance partly reflects better-than-expected earnings and revenue performance in the last four quarters. The company remains well poised to gain from growing demand for business information services. Buyouts 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. Dividend payments and share buybacks boost investors' confidence and 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. High debt may limit the company's future expansion and worsen its risk profile.

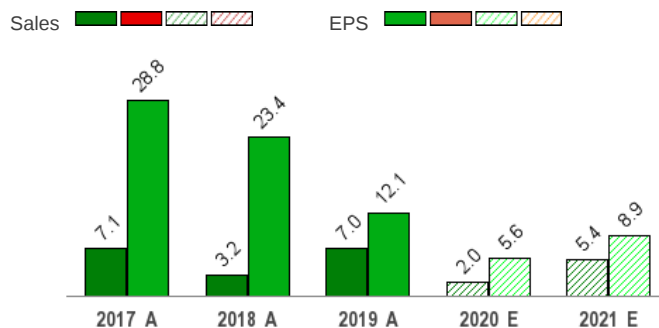
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$323.52 - \$186.06
20 Day Average Volume (sh)	1,186,886
Market Cap	\$76.8 B
YTD Price Change	16.8%
Beta	1.04
Dividend / Div Yld	\$2.68 / 0.8%
Industry	Business - Information Services
Zacks Industry Rank	Bottom 39% (154 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	15.7%
Last Sales Surprise	4.6%
EPS F1 Est- 4 week change	1.6%
Expected Report Date	08/06/2020
Earnings ESP	3.6%
P/E TTM	31.4
P/E F1	31.7
PEG F1	3.2
P/S TTM	11.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,810 E	1,735 E	1,769 E	1,848 E	7,203 E
2020	1,786 A	1,680 E	1,658 E	1,706 E	6,833 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	\$2.74 E	\$2.64 E	\$2.70 E	\$2.82 E	\$10.96 E
2020	\$2.73 A	\$2.42 E	\$2.42 E	\$2.51 E	\$10.06 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 05/28/2020. The reports text is as of 05/29/2020.

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.

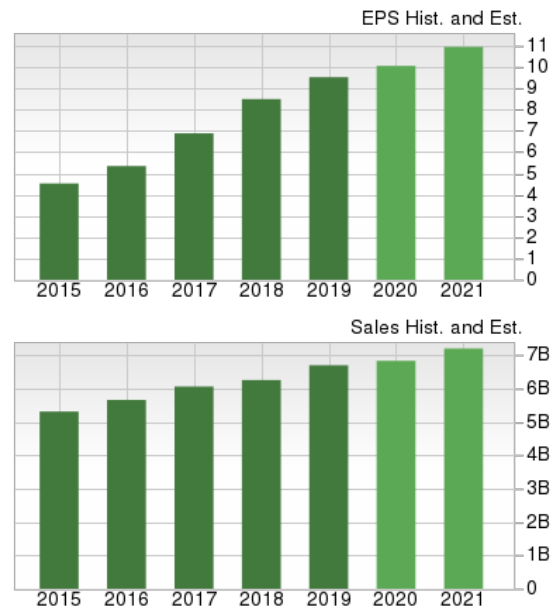
The company operates through four reportable segments: S&P Global Ratings ("Ratings"), S&P Global Market Intelligence ("Market Intelligence"), S&P Global Platts ("Platts") and S&P Dow Jones Indices ("Indices").

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.
- ▲ 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.
- ▲ S&P Global's shares have gained 39.4% over the past year, outperforming the industry's 14.4% growth of the industry. The **outperformance** partly reflects better-than-expected earnings and revenue performance in the last four quarters. While the company's bottom line continued to gain from revenue growth and benefits of productivity initiatives, the top line performed well on the back of strength across all the segments namely S&P Global Ratings, S&P Global Market Intelligence, S&P Global Platts and S&P Dow Jones Indices.

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.
- ▼ S&P Global has a **debt-laden balance sheet**. Total debt at the end of first-quarter 2020 was \$4.55 billion, almost in line with \$4.56 billion at the end of the prior quarter. The debt-to-capital ratio of 1.05 is higher than the industry's 0.59 and the previous quarter's 0.89. An increase in debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of \$1.95 billion at the end of the first quarter was well below this debt level, underscoring that the company doesn't have enough cash to meet this debt burden. The company has no short-term debt to clear off.
- ▼ 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 has a debt-laden balance sheet and operates in a highly competitive market.

Last Earnings Report

S&P Global Surpasses Q1 Earnings & Revenue Estimates

S&P Global reported solid first-quarter 2020 results, wherein the company's earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings per share of \$2.73 beat the consensus mark by 15.7% and improved 29.4% year over year on the back of revenue growth, benefits of productivity initiatives and reduced business travel. Revenues of \$1.79 billion beat the consensus estimate by 4.6% and improved 13.6% year over year.

Quarter Ending 03/2020

Report Date	Apr 28, 2020
Sales Surprise	4.57%
EPS Surprise	15.68%
Quarterly EPS	2.73
Annual EPS (TTM)	10.15

Segmental Revenues

Ratings revenues of \$825 million increased 19% year over year owing to solid issuance in the United States, in particular, record investment-grade issuance in March. Non-transaction revenues improved 6% to \$393 million. Transaction revenues increased 33% to \$432 million owing to an increase in global bond issuance and increased bank loan rating activity.

Market Intelligence revenues were up 8% year over year to \$519 million, primarily driven by growth in Data Management Solutions, Credit Risk Solutions, and Desktop and the inclusion of 451 Research.

Platts revenues rose 4% to \$215 million backed by growth in both core subscription business and Global Trading Services.

S&P Dow Jones Indices revenues increased 20% to \$259 million driven by 59% growth in exchange-traded derivative fees and 11% increase in asset-linked fees.

Operating Results

Adjusted operating profit margin improved 580 basis points (bps) to 53.1%.

Segment wise, Ratings adjusted operating profit increased 41% to \$521 million. Adjusted operating profit margin improved 1,010 bps to 63.1%.

For Market Intelligence, adjusted operating profit improved 5% to \$160 million. Adjusted operating profit margin decreased 80 bps to 30.9%.

Platts' adjusted operating profit increased 11% to \$114 million and adjusted operating profit margin increased 320 bps to 52.9%.

S&P Dow Jones adjusted operating profit increased 21% to \$183 million. Adjusted operating profit margin improved 90 bps to 70.6%.

Balance Sheet and Cash Flow

S&P Global exited first-quarter 2020 with cash, cash equivalents, and restricted cash of \$1.95 billion compared with \$2.89 billion at the end of the prior quarter. Long-term debt of \$3.95 billion was flat year over year.

The company generated \$680 million of cash from operating activities in the reported quarter. Free cash flow was \$618 million. Capital expenditures totaled \$11 million.

During the reported quarter, the company returned \$1.3 billion to shareholders including \$1 billion through an ASR program that was initiated in early February, \$150 million through open market share repurchases in January and February, and \$161 million in dividends.

2020 Guidance

S&P Global lowered its full-year adjusted EPS guidance in the range of \$9.95-\$10.15 from the prior guidance of \$10.40-\$10.60.

Recent News

On **May 13, 2020**, S&P Global's board of directors declared a quarterly cash dividend of 67 cents per share, payable on Jun 10, 2020, to shareholders of record on May 27, 2020. The annualized dividend rate is \$2.68 per share.

On **Apr 9, 2020**, S&P Global Market Intelligence announced the launch of S&P Global Machine Readable Filings. It is a new data offering which applies cleansing and parsing techniques to generate machine readable text extracted from SEC Regulatory Filings.

On **Apr 8, 2020**, S&P Dow Jones Indices announced that it has entered into a partnership with IHS Markit for fixed income and credit markets.

On **Apr 2, 2020**, S&P Global announced the appointment of Dan Draper as CEO of S&P Dow Jones Indices effective June 15, 2020.

On **Mar 24, 2020**, S&P Global announced that its charitable unit, S&P Global Foundation has allocated an initial amount of \$2 million in funds to aid the global response to the Novel Coronavirus Disease (COVID-19).

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.

Valuation

S&P Global shares are up 16.7% in the year-to-date period and 46.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 6% but those in the Zacks Business Services are down 5.2% in the year-to-date period. Over the past year, the Zacks sub-industry and the Zacks Business Services sector are up 22.4% and 0.5%, respectively.

The S&P 500 index is down 5.9% in the year-to-date period but up 8.4% in the past year.

The stock is currently trading at 30.57X forward 12-month price-to-sales, which compares to 29.09X for the Zacks sub-industry, 29.14X for the Zacks sector and 22.02X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.57X and as low as 16.36X, with a 5-year median of 21.98X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$335.00 price target reflects 32.19X forward 12-month earnings price-to-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	30.57	29.09	29.14	22.02
	5-Year High	30.57	29.09	29.14	22.02
	5-Year Low	16.36	19.42	18.68	15.23
	5-Year Median	21.98	22.19	20.69	17.49
P/S F12M	Current	11	5.29	3.97	3.42
	5-Year High	11	6.35	3.97	3.44
	5-Year Low	3.74	3.34	3.05	2.53
	5-Year Median	6.63	4.67	3.57	3.01
P/B TTM	Current	NA	9.16	4.16	4.14
	5-Year High	NA	9.36	6.69	4.56
	5-Year Low	NA	4.29	3.19	2.83
	5-Year Median	64.56	6.21	5.18	3.65

As of 05/28/2019

Industry Analysis Zacks Industry Rank: Bottom 39% (154 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Black Knight Financial Services, Inc. (BKI)	Neutral	3
Experian PLC (EXPGY)	Neutral	4
FactSet Research Systems Inc. (FDS)	Neutral	3
INTERTEK GP PLC (IKTSY)	Neutral	4
IHS Markit Ltd. (INFO)	Neutral	2
Nielsen Holdings Plc (NLSN)	Neutral	4
TransUnion (TRU)	Neutral	4
Verisk Analytics, Inc. (VRSK)	Neutral	2

Industry Comparison Industry: Business - Information Services				Industry Peers		
	SPGI	X Industry	S&P 500	EXPGY	INFO	NLSN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	2	4
VGM Score	B	-	-	B	D	C
Market Cap	76.81 B	11.38 B	21.49 B	32.02 B	29.37 B	5.21 B
# of Analysts	8	9	14	4	9	5
Dividend Yield	0.84%	0.35%	1.98%	0.72%	0.98%	1.64%
Value Score	D	-	-	D	C	B
Cash/Price	0.03	0.02	0.06	0.00	0.01	0.07
EV/EBITDA	23.83	21.70	12.50	NA	21.70	8.41
PEG Ratio	3.17	2.88	2.87	2.77	2.09	NA
Price/Book (P/B)	NA	6.68	2.95	13.86	3.51	2.33
Price/Cash Flow (P/CF)	30.41	24.25	11.81	24.25	19.41	2.20
P/E (F1)	31.69	33.19	21.33	33.19	25.08	9.33
Price/Sales (P/S)	11.11	7.83	2.28	NA	6.60	0.80
Earnings Yield	3.16%	3.01%	4.50%	3.01%	3.99%	10.75%
Debt/Equity	-23.46	0.79	0.76	1.41	0.59	3.46
Cash Flow (\$/share)	10.48	3.58	6.96	1.45	3.56	6.64
Growth Score	A	-	-	A	D	D
Hist. EPS Growth (3-5 yrs)	21.37%	15.32%	10.87%	NA	15.20%	-11.07%
Proj. EPS Growth (F1/F0)	5.57%	-0.23%	-10.48%	4.17%	4.78%	-13.00%
Curr. Cash Flow Growth	8.40%	6.76%	5.39%	-0.90%	5.92%	-12.59%
Hist. Cash Flow Growth (3-5 yrs)	16.19%	12.63%	8.55%	-1.45%	24.83%	9.33%
Current Ratio	1.24	1.26	1.29	0.43	0.70	0.78
Debt/Capital	92.73%	49.20%	44.54%	58.51%	37.28%	77.58%
Net Margin	34.02%	15.47%	10.59%	NA	19.74%	-7.33%
Return on Equity	758.90%	23.51%	16.26%	NA	10.94%	23.01%
Sales/Assets	0.66	0.42	0.55	NA	0.28	0.44
Proj. Sales Growth (F1/F0)	2.00%	0.00%	-2.53%	0.47%	-2.51%	-0.94%
Momentum Score	A	-	-	B	D	D
Daily Price Chg	1.07%	0.00%	-0.65%	1.32%	-0.48%	0.97%
1 Week Price Chg	2.88%	2.88%	4.99%	12.13%	0.68%	6.92%
4 Week Price Chg	8.85%	8.68%	4.28%	17.61%	2.69%	-0.81%
12 Week Price Chg	14.50%	1.42%	-3.05%	-1.76%	-3.88%	-12.25%
52 Week Price Chg	46.80%	10.44%	0.01%	17.53%	19.53%	-34.66%
20 Day Average Volume	1,186,886	150,340	2,425,602	150,340	1,762,369	2,929,733
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	1.63%	-2.75%	-1.70%	-3.63%	0.00%	-6.20%
(F1) EPS Est 12 week change	-4.32%	-6.68%	-16.00%	-5.13%	-7.76%	-10.15%
(Q1) EPS Est Mthly Chg	-0.79%	-3.65%	-3.25%	NA	-0.91%	-12.57%

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	A
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

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