

**Research Analyst:**

Matthew Veretto and Dylan Baker

matthew.veretto@uconn.edu &amp; dylan.g.baker@uconn.edu

# Undergraduate Student Managed Fund IQVIA Inc.

(NYSE: IQV)

Target Price: \$289.00

Current Price: \$242.00

Stop loss: \$181.50 (25%)

52 Week High/Low: \$285.61-181.13

Market Cap (\$B): \$46.3

Dividend Yield: 0%

Beta: 1.44

% Held by Institutions: 92%

Financial Strength: A+

P/E Ratio: 47

EPS: \$3.93

Book/Share: 30.50

Cash Flow/Share: 13.04

February 14, 2022

## Company Overview

Leading global provider of advanced analytics, healthcare technology and clinical research services for the life sciences industry. IQVIA operates as a contract research company that develops clinical strategies, R&D management and consulting services for the pharmaceutical, biotechnology, and healthcare industries. Their revenues come from three main segments being research & development solutions, technology & analytics solutions, and contract sales & medical solutions. Some of their products include Orchestrated Customer Engagement (OCE), AI & Machine Learning, and IQVIA Connected Intelligence.

## Industry Outlook

Iqvia serves the life sciences industry, which is projected to grow at a 3-5% CAGR through 2025. Although this is important for their customers to be growing at a decent rate, this only drives demand for their services. The more important industries we want to focus on are the contract research services and pharmaceutical industries. First, the contract research industry is projected to grow to \$90B in revenue by 2027. This gives contract research an 8% CAGR through the next 5 years. Lastly, we focused on the pharmaceutical and biotechnology industry, which is projecting a CAGR of 6-9% in spending over the next few years. These 3 industries drive growth for Iqvia and similar companies, allowing them to obtain new customers at relatively low costs. As these industries grow, Iqvia will be able to capture a portion of the growth and assist them with many analytical and professional research services.

Based on S&P 1500 Indexes  
Five-Year market price performance through Feb 15, 2020



## Investment Thesis

Iqvia is a fast-growing company in an industry where their services are needed to survive. There are many great reasons to buy IQV stock at the current price of \$242. First, they are a global leader in clinical research, recently being named the number one most admired healthcare company to work for and work with in 2022. Next, their FCF growth is quite impressive, with very strong growth rates over the last few years. We are projecting double digit growth in FCF over the next few years, and eventually lowering it to high single digit organic growth thereafter. Another major point we made as a case to buy IQV is that they are providing innovative and transformative IT and consulting solutions to their clients. Their ability to retarget clients and offer many different services gives them a leg up over their competition, who usually specializes in one area. Lastly, Connected Intelligence is the foundation of their business, with connected systems that gather and protect client data, giving them room for growth and establishing trust with clients. This not only helps their business and relationships grow, but it shows their good morals and integrity as a business, making more companies want to work with them.

Implied Equity Value and Share Price	
PV of Cash Flows	\$15,070
PV of Terminal Value	\$49,146
Enterprise Value	\$64,216
Less: Total Debt	\$10,719
Plus: Cash and Cash Equivalents	\$1,814
Implied Equity Value	\$55,311
Shares Outstanding	191
<b>Implied Share Price</b>	<b>\$289.59</b>
Current Stock Price (as of 2/11/22)	\$250.43
Margin of Safety	15.6%

Implied Perpetuity Growth Rate	
Terminal Year Free Cash Flow	\$4,485
WACC	9.5%
Terminal Value	\$77,368
<b>Implied Perpetuity Growth Rate</b>	<b>3.5%</b>

# Financial Performance

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010			
<b>Income Statement Analysis (Million USD)</b>													
Revenue				22,977	20,609	18,358	15,082	13,880	12,702	11,778	10,421	9,188	8,065
Operating Income				15,438	13,604	12,362	10,024	9,078	8,150	7,242	6,239	5,463	4,544
Depreciation + Amortization				299	301	271	243	243	237	224	201	186	138
Interest Expense				533	612	563	427	3	8	NA	NA	NA	72
Pretax Income				14,884	12,806	11,694	8,012	8,995	7,724	7,257	2,207	5,656	4,638
Effective Tax Rate				18.8	19.6	42.7	25.2	29.6	29.6	31.4	2.9	35.5	36.1
Net Income				12,080	10,301	6,699	5,991	6,328	5,438	4,980	2,144	3,650	2,966
Net Income (Normalized)				9,470	8,228	7,433	6,204	5,621	5,104	4,541	3,932	3,486	2,873
<b>Balance Sheet and Other Financial Data (Million USD)</b>													
Cash				12,074	11,709	13,356	8,938	6,015	3,950	4,255	2,817	3,398	4,051
Current Assets				20,970	18,216	19,023	14,313	10,021	9,562	7,822	11,786	9,190	8,734
Total Assets				72,574	69,225	67,977	64,035	39,367	38,569	35,956	40,013	34,760	33,408
Current Liabilities				13,415	11,305	9,994	8,046	5,355	6,006	4,335	7,954	3,451	3,498
Long Term Debt				16,729	16,630	16,618	15,882	NA	NA	NA	NA	NA	32
Total Capital				51,413	50,636	51,127	48,794	29,842	27,413	26,870	27,630	26,437	25,058
Capital Expenditures				756	718	707	523	414	553	471	376	353	241
Cash from Operations				12,784	12,941	9,317	5,574	6,584	7,205	3,022	5,009	3,872	2,691
Current Ratio				1.56	1.61	1.90	1.78	1.87	1.59	1.80	1.48	2.66	2.50
% Long Term Debt of Capitalization				32.5	32.8	32.5	NA	NA	NA	NA	NA	NA	0.1
% Net Income of Revenue				52.6	50.0	36.5	39.7	45.6	42.8	42.3	20.6	39.7	36.8
% Return on Assets				13.6	12.4	11.7	12.1	14.6	13.7	11.9	10.4	10.0	8.6
% Return on Equity				35.2	30.9	20.4	19.1	22.1	20.0	18.3	7.9	14.2	12.3

In terms of financial performance, we are excited by the growth in cash over the past few years on the balance sheet as well as the relatively small amount of debt.

## Investment Risks

- (1) The biggest potential risk Iqvia faces is the accuracy of data to keep a great reputation. There is very little room for error in their trial services and data measurements. They have to be extremely careful to keep accurate data so that top tier companies continue to work with and trust them.
- (2) Another threat they face is the threat of political regulation. Operating in over 100 countries worldwide, they need to stay aware that the pharmaceutical industry is very volatile depending on the country they are operating in. There could be regulations and limitations put on them and the industry as a whole at any time.
- (3) The last risk would be the risk of new technology appearing from their competitors. If their top competitors are able to develop technology and innovate at a faster pace, the companies working with Iqvia can very easily move to a new supplier of research services. Iqvia has been able to stay ahead of the competition for the most part, but they need to keep this edge in order to retain customers in the future.

## ESG Considerations

Iqvia is a company that prides itself on integrity of data and honesty in their work. There are several ESG initiatives that they have taken on recently. Iqvia has strengthened their board governance and reinforced their ethics program. They also joined UN Global Impact, and increased disclosure requirements on diversity and inclusion. They are clearly making an effort to be a good corporate citizen and it shows in their ESG score below from CSRHub.

