Business and Information Services

2024 Business & Information Services conference wrap: Info Services take-aways

Industry Overview

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Key take-aways from our Information Services coverage

We hosted Clarivate, CoStar, Dun & Bradstreet, Equifax, S&P Global, Thomson Reuters, TransUnion, and Verisk for fireside chats, and Gartner, Moody's, and MSCI for group meetings at our March 14th Business & Information Services conference in New York City. Below are some of our key take-aways.

Clarivate (CLVT): We hosted Henry Levy, President, Life Sciences & Healthcare, and Jonathan Collins, EVP & CFO, and IR. Levy noted opportunities to improve sales at the LS&H segment through product innovation, a focus on commercializing Real World Data, and modernizing its platform. Investments in GenAI will play a key role in the turnaround strategy. LS&H's customer base positions it well to cross sell products across CLVT's other segments. At the conference, management also messaged that they took a more cautious approach to guiding 2024.

CoStar Group (CSGP): We hosted Scott Wheeler, CFO, and IR. He indicated that Homes.com had the best first month launch of any of CSGP's new products. On the back of an aggressive marketing push and with significant sales support, this is not too surprising. However, we think this momentum should help reduce some investors' concerns about Homes.com ability to succeed. CSGP plans to grow the Homes.com sales team from 100 to ~300-350 people by year-end, ~600-700 by the end of 2025, and ~750 by mid-2026. Wheeler's commentary also gave us confidence that the Homes.com investment cycle was largely complete (except for the salesforce additions). For the Commercial business, CSGP's 2024 sales guide was cut by 100-200bp between 3Q and 4Q23; that change was primarily because CSGP decided in Dec. to use its entire salesforce to sell Homes.com.

Dun & Bradstreet (DNB): We hosted Bryan Hipsher, CFO, and IR. 2024 guidance for 4.1-5.1% organic sales growth reflects ~2.5% from pricing, as well as benefits from up/cross-selling, new product growth, and new customer growth. Retention is expected to be stable. Management is bullish on opportunities across new verticals, such as capital markets providers, and internationally. The mid-term 5-7% organic growth target reflects even higher pricing ("north of 3%"). DNB is focused on delevering and continues to target ~3x net debt, but it also views its stock as highly attractive, implying it will also put excess cash to buybacks.

Equifax (EFX): We hosted John Gamble, CFO, and IR. Gamble indicated that the consumer lending environment has been stable over the last few months. For EWS, the company is guiding mortgage revenue to outperform the market by 11% in 2024, a deceleration from 2023's ~20% of outperformance, which benefited from product innovation (ie. Mortgage 36). Long-term, management expects ~11-12% of outperformance to the market driven by 4-5% from price, 3-4% from record growth, and the remainder from new products. That said, over the last few years EFX has been outperforming on that algorithm, and it thinks that it can keep doing that.

See below for IT, MCO, MSCI, SPGI, TRI, TRU, and VRSK

Additional take-aways

Gartner (IT): We hosted Gartner's IR. The company expects material sales declines in 2024 across its non-subscription tech vendor sale. Management is focused on improving the quality of leads, which is driving short-term declines in volumes. However, there's potential upside to pricing from this strategy rehaul. Additionally, management has a history of beating its margin guidance. Upside to its 2024 outlook is most likely to come from sales upside as costs are largely locked in. Some investors are trying to track Gartner job postings and using it as a read-through for how Contract Value is trending in January / February. We think this is misguided. The company expects to finish the year with client facing headcount up mid- to high-single digits y/y, and past trends indicate that management can ramp hiring very quickly (eg. 2022).

Moody's (MCO): We hosted David Platt, Chief Strategy Officer, Andrew Bockelman, GM-Data Solutions, Emily Dunn, CFO - Moody's Analytics, and IR. Management confirmed Moody's Analytics 2024 revenue outlook includes benefits from GenAI. The company launched its research assistant in December, and is also previewing two new tools (a loan memo tool for CreditLens and an early alert warning tool).

MSCI (MSCI): We hosted MSCI's IR. For the index business, MSCI utilizes a value-based pricing strategy. Market swings do not drive big moves in pricing. The company views its products as being beneficial to client's investment process rather than being an index barometer. For ESG & Climate, management is bullish on climate and thinks there are significant use cases across a broad set of clients and can potentially be bigger than ESG.

S&P Global (SPGI): We hosted Martina Cheung, President, S&P Global Ratings, and IR. January's +66% billed issuance growth was very strong, but not a surprise for management. Cheung noted that issuance in 4Q-January has benefitted from the market relief that rates have plateaued. This has led to more favorable spreads and more constructive pricing. While the year is off to a strong start, she reaffirmed guidance for 2H supply growth to lag 1H. However, there's opportunity for upside if rates fall faster, driving opportunistic issuance (eg. M&A). On the private credit / direct lending front, Cheung highlighted how S&P is benefitting from a multi-pronged strategy and support from some LP's invested in direct lending funds. Some examples of how S&P is generating revenues in direct lending, includes rating funds, structured financings, and corporate borrowers (that are borrowing from private lenders).

Thomson Reuters (TRI): We hosted Steve Hasker, President & CEO, and Mike Eastwood, CFO, and IR. Management struck a bullish tone regarding their ability to accelerate organic sales through 2026, benefitting from M&A, GenAI, and other investments in growth. On the GenAI front, the company is ahead of schedule in terms of what its product and engineering teams are doing, and the company has a pipeline of launches that ramp in 2H24+. In Legal, TRI is well positioned given its investments, strong editorial content, and trusted relationships. Importantly, most law firms don't have robust technology R&D teams, so they are reliant on third-party tools. On pricing GenAI tools, the company favors enterprise contracts with value-based prices, but is are keeping an open mind. With $8bn in capital capacity the company is focused on strategic M&A. The Pagero acquisition puts the company as the #3/4 player in e-invoicing. TRI holds #1/2 positions in most of its "Big 3" segments and we see an opportunity for TRI to win share and improve its positioning.

TransUnion (TRU): We hosted Todd Cello, CFO, and IR. Management noted that after a tough September, the consumer lending environment remained stable in 4Q, January, and into the first couple of weeks of February. The company has seen some of its customers get back "a little bit more" into growth mode but at a smaller scale. The company expects to drive margin improvement in 2024 thanks to its transformational cost cutting program, which includes savings from rationalizing its software costs / completing its cloud transition savings ("Project Rise"), expanding its Global Capability

Centers, and standardizing its technology platform ("OneTru"). Management expects OneTru to help fuel product growth, especially after it moves its credit products onto the platform in 2024-25. One area of investor debate is if Neustar is at risk as third-party cookies go away. However, cookies are just one input of many for Neustar, so the business isn't reliant of third-party cookies like some competitors.

Verisk (VRSK): We hosted Elizabeth Mann, Chief Financial Officer, and IR. Higher pricing on auto insurance led to increased insurance shopping last year. For 2024, management thinks it has largely anniversaried that behavior, and expects those trends to go back down to more normalized historical levels. On the pricing front, 20-25% of VRSK's revenues are on contracts that have some input from insurers' net written premiums (NWP) on a two-year lag. 2023 benefitted from 2021's NWP's, and 2024 benefits from 2022's. Notably, pricing in 2023 was slightly above the 3-4% historical range, and 2024 is also expected to be slightly above but to a lesser extent. Although management narrowed its 2023 margin range to 54-55% from 54-56% with last quarter guidance, it still thinks its Investor Day guidance for +25-75bp in 2025 is reasonable.

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