

## IQVIA Holdings Inc

## Solid 4Q23 print &amp; FY24 base business outlook, biopharma spending steady

Reiterate Rating: BUY | PO: 275.00 USD | Price: 243.47 USD

## 4Q results &amp; formal FY24 guide largely as expected.

IQVIA's (IQV) 4Q sales were 2% ahead of Street, Adj. EBITDA was in-line, and EPS beat by \$0.02. The FY24 guide for sales of +3.6% y/y and Adj EPS of \$11.10 at midpoints was largely in-line, while Adj EBITDA of \$3.75bn at midpoint was slightly below BofAe & Street \$3.8bn. See our earlier [First Look note](#) for further detail and pg. 3 for a glossary.

## Guide embeds constructive mkt outlook, led by R&amp;DS

Although IQV's +L-MSD reported sales growth outlook may optically suggest some ongoing level of end-market softness for CROs, we see the guidance details as indicative of a relatively steady-to-improving market backdrop. R&DS is seen growing ~4.2% at midpoint, but this is depressed by a ~350bps headwind from the roll-off of COVID revenues with a further ~100bps from lower passthroughs y/y. Backing these out, the implied +HSD outlook for the base clinical research business is robust. While growth in the relatively discretionary TAS segment is expected to be more muted, Management noted warming customer sentiment during 4Q and expects the business to improve sequentially through FY24. Given lingering concerns over biopharma spending and biotech funding, IQV's FY24 guide is encouraging.

## Leading indicators all supportive of market health

Management also highlighted several trends factoring into their positive view of the market. IQV noted FY24 EBP funding levels reached \$70.9bn, the strongest year on record excluding the pandemic "boom" years of 2020-21. EBP bookings also comprised ~25% of the FY23 total, pointing to an uptick in both activity and funding. Mgmt. also remained constructive on large pharma demand, citing +DD growth in RFPs.

## Update estimates; raise PO to \$275 Reiterate Buy

Overall, it was a solid end to the year for IQV and with the newly initiated guidance this momentum looks set to continue. R&DS continues to perform well, TAS headwinds are fading, and there is growing indication that customer research spend will remain at least stable for the year to come. We update our FY24-F26 estimates, and our PO moves to \$275 (was \$255), now based on 17x (was 16x) our 2024 EV/EBTIDA estimate, but still in-line with the CRO and tech peer group average. We reiterate our Buy rating given IQV's differentiated portfolio and the industry's broader long-term growth drivers.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	10.16	10.21	11.10	12.55	14.30
GAAP EPS	5.73	7.29	7.69	9.40	11.06
EPS Change (YoY)	12.5%	0.5%	8.7%	13.1%	13.9%
Consensus EPS (Bloomberg)			11.08	12.65	14.09
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	24.0x	23.8x	21.9x	19.4x	17.0x
GAAP P/E	42.5x	33.4x	31.7x	25.9x	22.0x
EV / EBITDA*	15.6x	14.7x	13.8x	12.7x	11.7x
Free Cash Flow Yield*	3.5%	3.3%	4.8%	5.5%	6.1%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

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14 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	255.00	275.00
2025E Rev (m)	16,850.0	16,800.0
2026E Rev (m)	18,390.0	18,200.0
2024E EPS	10.95	11.10
2025E EPS	12.60	12.55
2026E EPS	14.70	14.30

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## Stock Data

Price	243.47 USD
Price Objective	275.00 USD
Date Established	14-Feb-2024
Investment Opinion	B-1-9
52-Week Range	167.42 USD - 243.82 USD
Mkt Val (mn) / Shares Out (mn)	45,918 USD / 188.6
Free Float	97.5%
Average Daily Value (mn)	251.66 USD
BofA Ticker / Exchange	IQV / NYS
Bloomberg / Reuters	IQV US / IQV.N
ROE (2024E)	30.0%
Net Dbt to Eqty (Dec-2023A)	207.6%
ESGMeter <sup>TM</sup>	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

# iQprofile<sup>SM</sup> IQVIA Holdings Inc

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.8%	10.9%	9.7%	10.1%	10.2%
Return on Equity	32.8%	32.8%	30.0%	25.9%	23.2%
Operating Margin	14.9%	16.4%	16.3%	17.0%	17.4%
Free Cash Flow	1,586	1,500	2,210	2,536	2,801

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.2x	1.1x	1.4x	1.5x	1.4x
Asset Replacement Ratio	0.6x	0.6x	0.6x	0.6x	0.6x
Tax Rate	19.1%	6.9%	17.7%	17.8%	18.2%
Net Debt-to-Equity Ratio	200.0%	207.6%	140.5%	106.4%	78.5%
Interest Cover	5.3x	3.9x	3.9x	4.6x	5.3x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	14,410	14,984	15,585	16,800	18,200
% Change	3.9%	4.0%	4.0%	7.8%	8.3%
Gross Profit	5,028	5,248	5,516	6,030	6,587
% Change	8.3%	4.4%	5.1%	9.3%	9.2%
EBITDA	3,346	3,569	3,783	4,115	4,457
% Change	10.7%	6.7%	6.0%	8.8%	8.3%
Net Interest & Other Income	(436)	(527)	(450)	(425)	(400)
<b>Net Income (Adjusted)</b>	<b>1,937</b>	<b>1,901</b>	<b>2,043</b>	<b>2,269</b>	<b>2,543</b>
<b>% Change</b>	<b>10.1%</b>	<b>-1.9%</b>	<b>7.4%</b>	<b>11.1%</b>	<b>12.1%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,101	1,352	1,405	1,690	1,957
Depreciation & Amortization	1,130	1,125	1,230	1,255	1,280
Change in Working Capital	(96)	(280)	49	108	137
Deferred Taxation Charge	(115)	(269)	0	0	0
Other Adjustments, Net	240	221	228	239	246
Capital Expenditure	(674)	(649)	(701)	(756)	(819)
<b>Free Cash Flow</b>	<b>1,586</b>	<b>1,500</b>	<b>2,210</b>	<b>2,536</b>	<b>2,801</b>
<b>% Change</b>	<b>-31.1%</b>	<b>-5.4%</b>	<b>47.3%</b>	<b>14.7%</b>	<b>10.5%</b>
Share / Issue Repurchase	(1,239)	(1,053)	0	(1,000)	(1,000)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	936	752	(500)	(100)	(100)

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,216	1,371	2,081	2,517	3,218
Trade Receivables	2,917	3,033	3,155	3,401	3,684
Other Current Assets	848	882	917	989	1,071
Property, Plant & Equipment	532	532	532	532	532
Other Non-Current Assets	19,824	20,614	21,440	23,112	25,038
<b>Total Assets</b>	<b>25,337</b>	<b>26,432</b>	<b>28,126</b>	<b>30,550</b>	<b>33,543</b>
Short-Term Debt	152	152	152	152	152
Other Current Liabilities	5,426	5,635	5,841	6,267	6,769
Long-Term Debt	12,595	13,347	12,847	12,747	12,647
Other Non-Current Liabilities	1,399	1,455	1,513	1,631	1,767
<b>Total Liabilities</b>	<b>19,572</b>	<b>20,589</b>	<b>20,353</b>	<b>20,797</b>	<b>21,335</b>
<b>Total Equity</b>	<b>5,765</b>	<b>5,843</b>	<b>7,773</b>	<b>9,754</b>	<b>12,208</b>
<b>Total Equity &amp; Liabilities</b>	<b>25,337</b>	<b>26,432</b>	<b>28,126</b>	<b>30,550</b>	<b>33,543</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Healthcare Technology & Distribution

## Company Description

IQVIA (IQV) is a leading global provider of advanced analytics, technology solutions, and contract research services to the life sciences industry. The company was formed through the merger of IMS Health and Quintiles, the world's largest contract research organization (CRO). IQV seeks to improve clinical drug development, commercialization and healthcare outcomes through the application of data science.

## Investment Rationale

We are positive on IQV due to the company's differentiated and growing Technology & Analytics solutions, healthy CRO industry fundamentals, and proven track record of capital deployment to support growth. We think that IQV can deliver mid-to-high single digit organic revenue growth, augmented by M&A, and double-digit adj. EPS growth in the upcoming years.

## Stock Data

Average Daily Volume 1,033,658

## Quarterly Earnings Estimates

	2023	2024
Q1	2.45A	2.50E
Q2	2.43A	2.65E
Q3	2.49A	2.80E
Q4	2.84A	3.15E

## Glossary

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CRO: Contract Research Organization

DD: Double digit

EBP: Emerging Biopharma

HSD: High-single digits

LSD: Low-single digits

MSD: Mid-single digits

R&DS: Research & Development Solutions

RFP: Request for Proposal

TAS: Technology & Analytics Solutions

## Price objective basis & risk

### IQVIA Holdings Inc (IQV)

Our \$275 price objective is based on 17x our 2024 EV/EBTIDA estimate, in-line with the CRO (contract research organization) and technology peer group average. We believe that this multiple is warranted as IQV's evolving portfolio and recent technology win rates and CRO bookings should help improve growth over the next years.

Downside risks to our PO are soft drug R&D and commercial spend, downturn in biotech financing, technology, data supply/security and regulatory risks, competition, execution risk, and biopharma customer consolidation.

## Analyst Certification

I, Derik de Bruin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Avantor, Inc.	AVTR	AVTR US	Michael Ryskin
	Bruker Corporation	BRKR	BRKR US	Derik de Bruin
	Certara	CERT	CERT US	Michael Ryskin
	Charles River Laboratories	CRL	CRL US	Derik de Bruin
	Elanco Animal Health	ELAN	ELAN US	Michael Ryskin
	Exact Sciences	EXAS	EXAS US	Derik de Bruin
	Guardant Health	GH	GH US	Derik de Bruin
	ICON plc	ICLR	ICLR US	Derik de Bruin
	IQVIA Holdings Inc	IQV	IQV US	Derik de Bruin
	LabCorp	LH	LH US	Derik de Bruin
	Maravai	MRVI	MRVI US	Michael Ryskin
	Qiagen	QGEN	QGEN US	Derik de Bruin
	Qiagen N.V.	XQGNF	QIA GY	Derik de Bruin
	Quest Diagnostics	DGX	DGX US	Derik de Bruin
	Stevanato Group S.p.A.	STVN	STVN US	Derik de Bruin
	Thermo Fisher Scientific	TMO	TMO US	Derik de Bruin
	West Pharmaceutical Services	WST	WST US	Derik de Bruin
	Zoetis Inc.	ZTS	ZTS US	Michael Ryskin
<b>NEUTRAL</b>				
	10x Genomics, Inc.	TXG	TXG US	Michael Ryskin
	Agilent Technologies	A	A US	Derik de Bruin
	Danaher Corporation	DHR	DHR US	Michael Ryskin
	Evotec SE	EVO	EVO US	Michael Ryskin
	Hologic, Inc.	HOLX	HOLX US	Derik de Bruin
	IDEXX Laboratories	IDXX	IDXX US	Michael Ryskin
	Mettler-Toledo	MTD	MTD US	Derik de Bruin
	NeoGenomics Inc.	NEO	NEO US	Derik de Bruin
	Revvity Inc	RVTY	RVTY US	Derik de Bruin
	Schrodinger, Inc.	SDGR	SDGR US	Michael Ryskin
	Waters Corp.	WAT	WAT US	Derik de Bruin
<b>UNDERPERFORM</b>				
	Align Technology	ALGN	ALGN US	Michael Ryskin
	Fortrea	FTRE	FTRE US	Derik de Bruin
	Ginkgo Bioworks Holdings, Inc	DNA	DNA US	Derik de Bruin
	Illumina, Inc.	ILMN	ILMN US	Michael Ryskin
	Myriad Genetics	MYGN	MYGN US	Derik de Bruin
	Phibro Animal Health	PAHC	PAHC US	Michael Ryskin

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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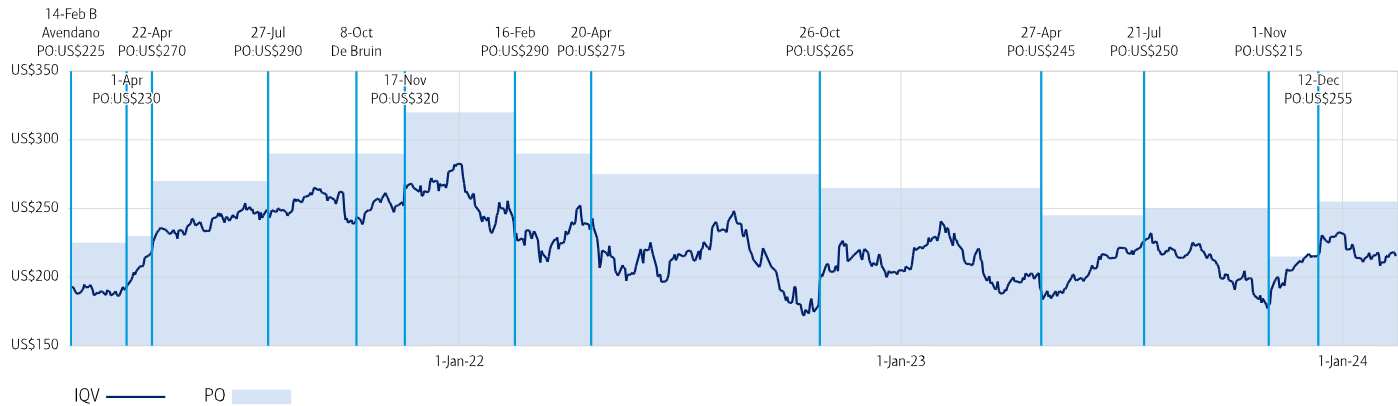
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### IQVIA Holdings (IQV) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
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