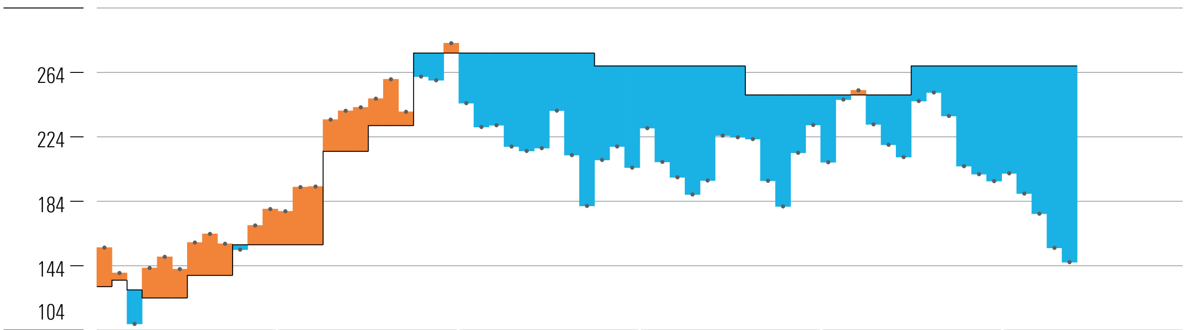
Morningstar Equity Analyst Report | Report as of 7 May 2025 22:03, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC. Page 1 of 24

IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

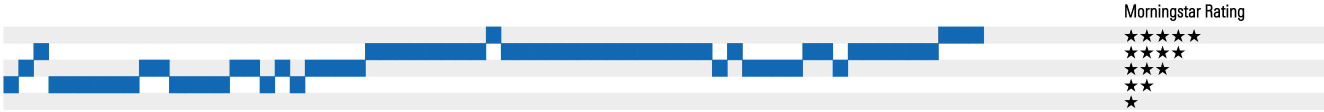
Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
146.20 USD 6 May 2025	268.00 USD 22 Jul 2024 21:56, UTC	0.55	26.69 USD Bil 7 May 2025	Narrow	Mid Blend	Medium	Standard	2 Apr 2025 05:00, UTC

Price vs. Fair Value



	2020	2021	2022	2023	2024	YTD	
	1.14	1.02	0.76	0.93	0.73	0.55	Price/Fair Value
	15.96	57.47	-27.38	12.93	-15.07	-25.60	Total Return %

Morningstar Rating



Total Return % as of 06 May 2025. Last Close as of 06 May 2025. Fair Value as of 22 Jul 2024 21:56, UTC.

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Important Disclosure

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The primary analyst covering this company does not own its stock.

[1]The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

IQVIA Earnings: Near-Term Headwinds From Macro Issues; AI Investments Support Long-Term Growth

Analyst Note Rachel Elfman, Equity Analyst, 7 May 2025

IQVIA reported solid performance in the first quarter despite a challenging macroeconomic environment, as total revenue increased 2.5%, driven by 6.4% sales growth from the technology and analytics solutions segment. IQVIA's research and development solution backlog at year-end was $31.5 billion, up 4.8% year over year, and the company's book-to-bill ratio for the quarter was 1.02. Macroeconomic issues have led IQVIA's customers to slow down their decision-making processes, resulting in delays in proposals moving to contracts during the quarter. However, as a global leader with strong customer relationships and extensive capabilities, we believe narrow-moat IQVIA remains resilient amid these challenges. We maintain our positive long-term outlook and our fair value estimate of $268 per share. We view shares as very undervalued, currently trading in 5-star territory.

We forecast 2025 revenue will grow about 5% year over year, supported by high-single-digit revenue growth in the TAS segment and low-single-digit growth in the R&DS business. Longer term, we anticipate 5-year compound annual growth about 7%. We appreciate that IQVIA has multiple segments that have diverse customers, which is especially beneficial during a challenging macroeconomic environment.

IQVIA's investment in artificial intelligence through its collaboration with NVIDIA is continuing to make progress. IQVIA's highly specialized industry AI agents cover three use cases across commercial, real-

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IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

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Sector	Industry
Healthcare	Diagnostics & Research

Business Description

Iqvia is the result of the 2016 merger of Quintiles, a leading global contract research organization, and IMS Health, a leading healthcare data and analytics provider. The research and development segment focuses primarily on providing outsourced late-stage clinical trials for pharmaceutical, device, and diagnostic firms. The technology and analytics segment provides aggregated information and technology services to clients in the healthcare industry, including pharmaceutical companies, providers, payers, and policymakers, as well as data and analytics capabilities for clinical trials, including virtual trials. The company also has a small contract sales business.

world, and R&DS, and the company is already seeing positive results and productivity gains from the AI agents. One agentic system in commercial allows IQVIA to reduce delivery time by two-thirds with a net 30% cost reduction. As IQVIA continues to expand and scale its AI capabilities, we anticipate that it will lead to operating margin expansion during our 10-year forecast period.

Business Strategy & Outlook Rachel Elfman, Equity Analyst, 25 Apr 2025

Iqvia (formerly QuintilesIMS) is the result of the merger of Quintiles, a leading late-stage contract research organization, and IMS Health, a dominant player in life sciences data and analytics. The combined company has become a leader among CROs and in the life sciences data and analytics industry. Further, as a result of the merger, the company leads in real-world evidence, in which data from sources such as patient records or medical claims can be used to create clinical evidence for regulatory approval.

Roughly half of revenue comes from the research and development segment (outsourced clinical trials), and most of the remainder comes from the technology and analytics segment (legacy IMS Health, cloud solutions for life sciences, and real-world data trial offerings). A small portion of revenue (about 5%) comes from the contract sales business. The research and development segment focuses on late-stage research, which requires the enrollment of thousands of patients across the globe. Iqvia easily belongs in the top tier of large, global CROs with the infrastructure to win these contracts, and its size means it works on more clinical trials than any competitor, further sharpening its clinical and regulatory expertise and network of clients.

The firm's comprehensive data set of de-identified patient records and script data enhances its ability to attract and retain healthcare customers throughout the life cycle of a drug. Iqvia compiles data from over 150,000 data suppliers, including pharmacies, medical claims, and electronic health records, and has access to over 1 billion patient records. This unmatched database, layered with proprietary methodology, enables clients to set informed strategies to most effectively commercialize their drugs. As a result, the business commands a pricing premium and high retention rate of existing clients. Access to this data helps inform patient recruitment for clinical trials and trial design. The company can also leverage the cohorts of de-identified patient data sets in real-world evidence trials, where the data is used in lieu of traditional clinical trial cohorts for regulatory approval.

Bulls Say Rachel Elfman, Equity Analyst, 22 Jul 2024

- Iqvia's leading position in outsourced clinical trials allows it to create sticky client relationships, further honing clinical and regulatory expertise.
- The merger with IMS Health provided access to an unparalleled database of patient data, which should strengthen its clinical trial offerings.
- The ongoing shift to outsourced R&D should provide the CRO industry with steady growth regardless of

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IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

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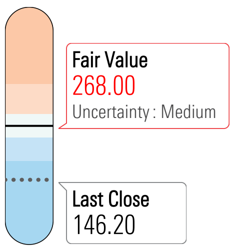
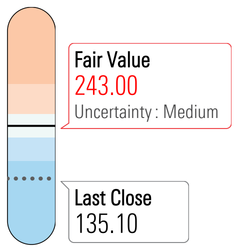
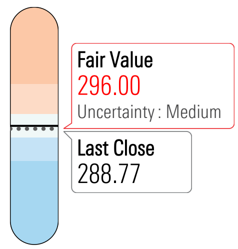
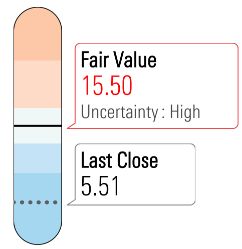
Competitors

	IQVIA Holdings Inc IQV	Icon PLC ICLR	Medpace Holdings Inc MEDP	Fortrea Holdings Inc FTRE
				
Economic Moat	Narrow	Narrow	Narrow	Narrow
Currency	USD	USD	USD	USD
Fair Value	268.00 22 Jul 2024 21:56, UTC	243.00 1 May 2025 22:34, UTC	296.00 24 Apr 2024 13:42, UTC	15.50 4 Mar 2025 05:58, UTC
1-Star Price	361.80	328.05	399.60	24.03
5-Star Price	187.60	170.10	207.20	9.30
Assessment	Undervalued 7 May 2025	Undervalued 7 May 2025	Fairly Valued 7 May 2025	Undervalued 7 May 2025
Morningstar Rating	★★★★★7 May 2025 21:24, UTC	★★★★★6 May 2025 21:54, UTC	★★★6 May 2025 21:48, UTC	★★★★★6 May 2025 21:58, UTC
Analyst	Rachel Elfman, Equity Analyst	Rachel Elfman, Equity Analyst	Rachel Elfman, Equity Analyst	Rachel Elfman, Equity Analyst
Capital Allocation	Standard	Standard	Standard	Standard
Price/Fair Value	0.55	0.56	0.98	0.36
Price/Sales	1.71	1.36	4.26	0.18
Price/Book	4.26	1.13	14.51	0.36
Price/Earning	18.96	12.33	22.02	—
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Market Cap	26.69 Bil	11.03 Bil	8.62 Bil	509.74 Mil
52-Week Range	135.97—252.88	133.28—347.72	250.05—459.77	4.77—37.24
Investment Style	Mid Blend	Mid Value	Small Growth	Small Blend

trends in global research and development spending.

Bears Say Rachel Elfman, Equity Analyst, 22 Jul 2024

- The company's next-generation solutions could lose traction among clients or fail to gain traction with regulatory bodies.
- Iqvia's contract sales segment is largely a no-moat business that lacks a competitive advantage.
- Changes in data privacy or other regulations could make it easier for competitors to gain access to de-identified patient data.

Economic Moat Rachel Elfman, Equity Analyst, 25 Apr 2025

We award Iqvia a narrow moat rating based on its proprietary data analytics solutions and significant late-stage clinical trial exposure, which is supported by intangible assets and high switching costs. Iqvia was formed through the 2016 merger of IMS Health, which was a leading data and analytics company in life sciences, and Quintiles, which was a global CRO with the largest market share in the industry. We think Iqvia's proprietary data and clinical development expertise have positioned the firm well among top health information technology companies and global CROs. Exposure to late-stage clinical trials is crucial for moats in the CRO space as late-stage trials are larger in scope, more complex, often multinational, and have higher risks of failure, which enforces switching costs. As more complex trials provide room for differentiation, global CROs leverage their expertise to shorten the clinical trial time frame and ensure accuracy and precision.

Drugs typically have a 20-year patent life span, which begins at discovery. This means that clinical trials consume a significant portion of what could otherwise be patent-protected profits before generic drugs come to market. As a result, biopharma companies seek to shorten the drug development period as much as possible while maintaining the precision and accuracy necessary for a drug's approval. This is the driving force in the CRO business model, in which CROs leverage their assets and expertise to design a trial tailored to regulatory technicalities, quickly identify target patients at sites around the world for rapid enrollment, and then advise on data collection and analysis for regulatory approvals. The speed and quality of these trials are essential since late-stage clinical trials are expensive and the stakes for a successful outcome are high. There is a high risk of failure at each step of a drug’s development process, and clinical trials are very expensive. According to a 2020 study released on JAMA, the median cost of developing a new drug was $985 million with the average cost totaling $1.3 billion. The study was based on data for 63 drugs developed by 47 companies between 2009-18.

The firm's CRO business deserves a narrow moat rating because of its global infrastructure, diversified client base, and late-stage trial exposure. Late-stage trials are complex and provide room for differentiation, and global CROs leverage their expertise to shorten the clinical trial time frame and ensure accuracy and precision. Iqvia maintains the top spot in the CRO industry, representing nearly 15% market share in 2021, and most of its CRO revenue comes from late-stage trial work.

The firm has a diversified client base, split between small/midsize customers and larger biotech and pharmaceutical companies. Additionally, its broad portfolio of capabilities spans from central lab work through commercialization. A diversified client base strengthens Iqvia's competitive advantage as small/ midsize clients are likely to need full outsourcing solutions, while large pharmaceutical companies offer profitable preferred partnerships with high switching costs, choosing one or a few trusted CROs to which they funnel most of their new business. Clinical trial outsourcing has increased from 36% in 2007 to about 60% in 2020, and we expect outsourcing penetration will continue to grow steadily as trials become more complex.

Iqvia's technology and analytics business also deserves a narrow moat due to its intangible assets. Its proprietary data set is sourced from over 150,000 data suppliers such as pharmacies, claims registries, and patient records, and it includes more than 1 billion patient records. A high barrier to entry is created by the scale of Iqvia's data and best-in-class analytical technology. Iqvia is known for its expertise in collecting, cleaning, analyzing, and presenting its proprietary data in its user-friendly technology solutions.

Iqvia's data and analytics capabilities allow it to be well positioned to carry out next-generation decentralized trials. Decentralized, or remote, trials have seen increased adoption as a result of the covid-19 pandemic. Biotech and pharmaceutical companies are also encouraging regulatory agencies to continue building out a framework for evaluating real-world evidence for the use in regulatory decisions. Iqvia is using its vast patient data to inform and accelerate clinical trial planning and execution for its clients. In addition to real-world evidence solutions and analytics, Iqvia's technology and analytics segment also offers software-as-a-service solutions to support a wide range of clinical and commercial processes, including clinical trial planning, patient consent, site payments, and performance management.

We believe Iqvia's reputation and assets in the data space are unparalleled, as evidenced by its over 99% retention rate of its top 1,000 clients. Its biotech and pharmaceutical clients use Iqvia's services for critical functions such as planning new product launches, forecasting revenue, marketing, and commercialization. Clients are likely to continue choosing Iqvia based on its trusted reputation. Iqvia's leadership within the CRO market and continuous technological advances give us confidence that it will be able to maintain its trusted brand name and keep up with the ongoing innovation in the industry.

Iqvia's significant CRO market share and noteworthy data capabilities allow it to be well positioned to lead the way with real-world evidence work, and it has several real-world trials ongoing with its Big Pharma clients. As a leader in the CRO industry, Iqvia has helped spur the expansion into data solutions across the industry. Following the IMS Health and Quintiles merger, several other CROs began to build out their data capabilities with acquisitions and partnerships, although to a much smaller degree compared with Iqvia.

Fair Value and Profit Drivers Rachel Elfman, Equity Analyst, 22 Jul 2024

We are raising our fair value estimate to $268 per share from $250 due to healthy demand for Iqvia's technology and analytics business and outsourced clinical trial services.

The company remains resilient despite clients' cautious spending in the commercial business amid macroeconomic challenges. We continue to have a positive outlook for Iqvia, and it remains a market leader in the CRO industry thanks to its healthy backlog, global scale, and strong customer relationships that support long-term growth. We appreciate that Iqvia is investing in novel technologies and changing customer demands through artificial intelligence and real-world safety and efficacy studies, and we think these investments will support healthy long-term growth.

We continue to have a positive outlook for Iqvia as we anticipate outsourcing from biotech and pharma companies will further drive growth for large contract research organizations. We forecast mid-single-digit revenue growth in 2023.

In the long term, we believe Iqvia will gain share in the CRO space with its research and development segment growing at a slightly higher clip than the industry. We believe the technology and analytics segment will grow in the midsingle digits over the next several years as life sciences data and analytics continue to play a larger role in clinical trials and other mission-critical processes for the biopharma industry.

We forecast reduced costs in the long term, resulting in a steadily increasing gross margin over the next several years. In the research and development solutions segment, we expect Iqvia to push fixed-price contracting where it has more visibility into costs, allowing it to retain a higher margin. We also think there is more room for margin expansion in the technology and analytics segment with automation helping to reduce costs. Further, we expect mix to play a role, with growth in higher-margin real-world evidence trials that use de-identified patient data cohorts as evidence for regulatory approval. Additionally, as Iqvia moves out of the implementation phase of its CRM offering and related solutions, high-margin recurring revenue will drive margin improvement as well.

We believe the firm will acquire smaller technology and analytics companies, and we model continued tuck-in acquisitions over the next 10 years, in line with the company's historical strategy. We assume midcycle capital expenditures will be about 3% of sales.

Risk and Uncertainty Rachel Elfman, Equity Analyst, 25 Apr 2025

We believe Iqvia has a Medium Morningstar Uncertainty Rating, with risks offset by its large, diversified revenue base. The contract research organization industry is highly dependent on the research and development spending and outsourcing preferences of its customer base: biotech and pharmaceutical companies. While we don't believe a decrease in R&D spending or outsourcing is likely in the near term, all CROs are exposed to these risks if biopharma funding is constrained, if there are changes in the drug approval regulatory landscape, or if the biopharma industry faces other macroeconomic headwinds. Further, there's a wide range of outcomes related to clinical trial starts and enrollment during the coronavirus pandemic.

Iqvia is the largest player in the CRO space and has a well-diversified revenue base with no single client accounting for more than 10% of sales. As a result, we think the company is protected against client concentration risk, where individual trial cancellations can have a sizable impact on a CRO's business results.

Product governance is a key ESG risk for Iqvia and the rest of the CRO industry. CROs must ensure that trials meet strict quality and safety standards from a variety of regulatory entities. Iqvia is exposed to the risk of losing market share to competitors if its trials lag on quality.

The company is also susceptible to shifts in clinical trial and data privacy regulations. While the company is a leader in real-world evidence, its success is highly dependent on regulatory cooperation, as real-world evidence offerings will only be worth a premium if they're completely embraced by the US Food and Drug Administration and other regulatory entities. The company's operations depend heavily on the use of de-identified patient data for both its technology and analytics segment as well as the R&D segment, so changes in privacy guidelines could affect the supply or use of the data, or make it easier for competitors to amass patient data.

Capital Allocation Rachel Elfman, Equity Analyst, 25 Apr 2025

We assign Iqvia a Standard Capital Allocation Rating. Our analysis evaluates what we determine to be the three key facets of management decision-making from the perspective of shareholders: balance sheet strength, investment efficacy, and distributions. Our Standard rating results from a sound balance sheet, fair investment strategy, and an assessment of shareholder distributions as appropriate.

Iqvia's balance sheet is sound, with its revenue cyclicality and operating leverage each possessing a medium rating. Iqvia ended 2023 with about $1.4 billion in cash and recorded a net leverage ratio of 3.45 times trailing 12-month adjusted EBITDA.

We view Iqvia's investment decisions as fair. Due to the $9 billion merger of Quintiles and IMS Health in 2016, adjusted returns on invested capital had been dampened (but nevertheless above WACC) over the last few years since the deal. The Quintiles and IMS Health merger was a strategic bet on the future of data and analytics in the clinical research space, but we note that the transaction significantly decreased levels of adjusted returns on invested capital, which we believe is one of the most important measures of shareholder value. Before the merger, the Quintiles business enjoyed sky-high returns on invested capital. With careful execution from management, we believe ROICs will increase steadily as the company integrates, and we're continuing to watch how Iqvia leverages the IMS Health data and analytics assets in clinical trials.

Since the merger, Iqvia's capital allocation decisions have largely been funneled toward developing the business, tech-focused acquisitions, and heightened capital expenditures. We think these investments have helped secure accelerated revenue growth for the firm in the long term. The continued integration of data and analytics with its CRO business could help strengthen the company's intangible assets and switching costs. We also forecast Iqvia will make some tuck-in acquisitions in the long run; however, continuing to pay down debt will be a priority.

Finally, we assess overall shareholder distributions as appropriate. Even though the company does not currently pay a dividend, we view this as appropriate since Iqvia is growing quickly and investment helps build its value and support its narrow moat. Management continues to utilize debt to fund heavy share buybacks, totaling about $6.7 billion in repurchases since the 2016 merger. We find this strategy of allocating capital to share repurchases as somewhat additive since we view shares as currently undervalued.

We believe Iqvia's leadership team has appropriate experience spanning consulting, clinical research, healthcare, and data and analytics. After the merger in late 2016, Ari Bousbib, the former IMS Health CEO and board chairman, took the same positions in the combined company. Bousbib had led IMS Health since 2010, after holding several leadership roles at United Technologies, and we think the company's capital allocation was relatively shareholder-friendly under his leadership. After the merger, former Quintiles CEO Thomas Pike served as vice chairman and president of R&D solutions before retiring from the company a couple of months later. While Pike's early departure raised eyebrows, we think the CRO business remains in steady hands under the current leadership of Costa Panagos, who joined the company in 1999 as part of the legacy Quintiles organization, and has held numerous sales, operational and executive leadership roles during his career with the company.

While we prefer to see the chairman and CEO roles separated, the remainder of the board is made up of independent directors. Some of these directors were designated by groups that were previously substantial shareholders, including TPG, the Canada Pension Plan Investment Board, and Bain Capital. Their ownership stakes have substantially decreased over the years as Iqvia bought back shares. TPG, CPPIB, and Leonard Green took IMS Health private in 2010. The presence of private equity is not uncommon in the CRO industry, as many top global players were previously restructured into their current firm under periods of private equity ownership.

Analyst Notes Archive

Iqvia Earnings: Solid Results Highlight Resilience of CRO Business; Positive Long-Term Outlook

Rachel Elfman,Equity Analyst,7 Feb 2025

Narrow-moat Iqvia delivered solid year-end results amid a challenging macroeconomic environment, highlighted by revenue of nearly $15.4 billion, representing growth of nearly 3% from the prior year. The technology and analytics solutions, or TAS, business delivered revenue of $6.1 billion, up about 5% from 2023, as it rebounded from macroeconomic challenges that had hurt its customers earlier this year. We appreciate that Iqvia's research and development solutions, or R&DS, backlog at year-end was $31.1 billion, which is up 5.5% year over year, and the third-quarter book-to-bill ratio was a healthy 1.20. We maintain our fair value estimate of $268 per share. We view shares as undervalued, currently trading in 4-star territory at a 22% discount to our fair value estimate.We forecast 2025 overall revenue will grow about 3.6%, supported by mid-single-digit revenue growth in the TAS segment and low-single-digit growth in the R&DS business. Longer term, we anticipate a five-year compound annual growth rate of about 5%. Iqvia's strength within the contract research organization industry and strong customer relationships support its narrow moat rating, which is based on intangible assets and high switching costs associated with running late-stage clinical trials. We continue to have a positive outlook for Iqvia,

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and it remains a market leader in the CRO industry thanks to its healthy backlog, global scale, and strong customer relationships that support long-term growth. Iqvia's strength as a leader in the CRO industry was demonstrated by the renewal of all its large pharma strategic partnerships in 2024, even as many clients reevaluated their portfolios and consolidated their outsourcing alliances.

Iqvia Earnings: Near-Term Headwinds From Trial Delays, but Positive Long-Term Outlook Rachel Elfman,Equity Analyst,1 Nov 2024

Narrow-moat Iqvia delivered solid third-quarter results, highlighted by revenue of nearly $3.9 billion representing 4% growth versus the prior year. The technology and analytics solutions, or TAS, business continued to rebound from macroeconomic challenges that had impacted its customers earlier this year (which only grew 0.6% in the first quarter of 2024). In the third quarter, the TAS business delivered $1.55 billion in revenue, increasing 8.6% year over year. We maintain our fair value estimate of $268 per share. We view shares as undervalued, currently trading in 4-star territory at a 22% discount to our fair value estimate.Management lowered its revenue outlook for 2024 by 0.65% due to delays in two fast-burning mega trials caused by client-related short-term logistical challenges. We see this as a near-term headwind, and we have adjusted our 2024 sales forecast to $15.37 billion, representing growth of about 2.6%. Longer term, we anticipate a five-year compound annual growth rate of 5.5%. Iqvia's strength within the contract research organization industry and strong customer relationships support its narrow moat rating, which is based on intangible assets and high switching costs associated with running late-stage clinical trials. We appreciate that Iqvia's research and development solutions backlog stands at a record $31.1 billion, which is up 8% year over year. The third-quarter book-to-bill ratio was 1.06, which includes the impact of a large program cancellation due to drug futility (excluding this cancellation, it would have been a healthy 1.22).We continue to have a positive outlook for Iqvia, and it remains a market leader in the CRO industry thanks to its healthy backlog, global scale, and strong customer relationships that support long-term growth.

IQVIA Earnings: Healthy Results Drive Long-Term Growth; Raising Fair Value Estimate to $268 Rachel Elfman,Equity Analyst,22 Jul 2024

IQVIA delivered solid second-quarter results, highlighted by stronger-than-expected performance from the technology and analytics, or TAS, segment, which rose 2.7% from the prior year and brought in nearly $1.5 billion in revenue. Macroeconomic challenges have led IQVIA's customers to spend more cautiously in the last few quarters, which had negatively affected sales in TAS by only growing 0.6% in the first quarter of 2024. Total second-quarter revenue of $3.8 billion represented 2.3% growth versus the prior year.Investors reacted positively to the results and sent shares up 7%. We are raising our fair value estimate to $268 per share from $250 due to healthy demand for IQVIA&'s technology and analytics business and outsourced clinical trial services. Shares are currently trading at a 10% discount to our fair value estimate.We forecast total sales growth of 3.5% in 2024, leading to roughly $15.5

billion in revenue. Longer term, we anticipate a 5-year compound annual growth rate of 5.9%. IQVIA's strength within the contract research organization industry and strong customer relationships support its narrow moat rating, which is based on intangible assets and high switching costs associated with running late-stage clinical trials. IQVIA's research and development solutions backlog stands at a record $30.6 billion, which is up nearly 8% year over year.We continue to have a positive outlook for IQVIA, and it remains a market leader in the CRO industry thanks to its healthy backlog, global scale, and strong customer relationships that support long-term growth. We appreciate that IQVIA is investing in novel technologies and changing customer demands through artificial intelligence and real-world safety and efficacy studies. The company received recognition for its investment in new technologies by winning the award for Best Use of Artificial Intelligence in Healthcare out of 4,500 nominations in the MedTech Breakthrough Awards.

IQVIA Earnings: Large Trial Cancellation Spooks Investors, but Long-Term Outlook Remains Positive

Rachel Elfman,Equity Analyst,3 May 2024

IQVIA reported first-quarter results in line with our expectations. Total quarterly revenue of $3.7 billion represented 2.3% growth versus the prior year. Investors sent shares down nearly 5% on the news of a cancellation of a significant central nervous system program comprising about $250 million of IQVIA's backlog. As a result, the first-quarter book/bill ratio was 1.23 times, which is down from 1.31 times in the fourth quarter of 2023. Excluding this cancellation, IQVIA's book/bill ratio would have been over 1.3 times. We are not too concerned about this cancellation, as it appears to be an outlier compared with typical cancellations in the range of $15 million-$20 million. We maintain our fair value estimate of $250 per share. Shares are currently trading at an 11% discount to our fair value estimate.Macroeconomic challenges have led IQVIA's customers to introduce cost reduction programs, which has led to more cautiousness spending. This has negatively affected sales, particularly in the technology and analytics segment, which grew 0.6% from the prior-year period. IQVIA's research and development solutions segment remains resilient, as evidenced by revenue growth of 3.4% over the prior year period. We appreciate that IQVIA has multiple segments that have diverse customers, which is especially beneficial during a challenging macroeconomic environment.IQVIA's strength within the contract research organization, or CRO, industry and strong customer relationships continue to support its narrow moat rating, which is based on intangible assets and high switching costs associated with running late-stage clinical trials. IQVIA's research and development solutions backlog stands at a record $30.1 billion, which is up nearly 8% year over year.We continue to have a positive outlook for IQVIA, and it remains a market leader in the CRO industry thanks to its healthy backlog, global scale, and strong customer relationships that support long-term growth.

IQVIA Earnings: Robust Demand for Outsourced Clinical Trials Drives Growth; Shares Fairly Valued

Rachel Elfman,Equity Analyst,15 Feb 2024

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IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
146.20 USD 6 May 2025	268.00 USD 22 Jul 2024 21:56, UTC	0.55	26.69 USD Bil 7 May 2025	Narrow	Mid Blend	Medium	Standard	2 Apr 2025 05:00, UTC

IQVIA reported strong year-end results highlighted by revenue of $14.9 billion, representing 4% growth versus the prior year. Despite a challenging macroeconomic environment, demand for IQVIA's clinical research services remains resilient. Investors reacted favorably, sending the stock up 12% based on the quarter's solid results, healthy backlog, net new business, and positive outlook for 2024. We maintain our fair value estimate of $250 per share, and we now view shares as fairly valued as they have moved into 3-star territory.As seen in recent quarters, IQVIA's clients have been cautious with their spending in the commercial business, impacting sales in the technology and analytics segment, which grew 2% compared with the fourth quarter of 2022. IQVIA's research and development solutions segment remains resilient, as evidenced by strong demand for outsourced clinical trials and quarterly revenue growth of 4.5% over the prior-year period. We like that IQVIA has multiple segments that have diverse customers, which is especially beneficial during a challenging macroeconomic environment.We have a positive outlook for IQVIA, and it remains a market leader in the contract research organization, or CRO, industry thanks to its healthy backlog, global scale, and strong customer relationships that support long-term growth. We forecast about 4% sales growth in 2024, leading to roughly $15.6 billion in revenue. Longer term, we anticipate a five-year compound annual growth rate of 5.8%.IQVIA's strength within the CRO industry and strong customer relationships continue to support its narrow moat rating, which is based on intangible assets and high switching costs associated with running late-stage clinical trials. IQVIA's research and development solutions backlog stands at a record $29.7 billion, which is up over 9% year over year, and the company's fourth quarter had a healthy book-to-bill ratio of 1.31 times, which is up sequentially from 1.24 times in the third quarter.

IQVIA Earnings: Strong Outsourced Clinical Trial Demand Drives Growth; Shares Undervalued Rachel Elfman,Equity Analyst,2 Nov 2023

IQVIA reported third-quarter results highlighted by revenue of $3.7 billion, representing a nearly 5% increase versus the prior year. We maintain our fair value estimate of $250 per share, and we view the stock as undervalued, currently trading in 4-star territory about 26% below our fair value estimate.As seen in the previous quarter, IQVIA's clients have remained cautious with their spending in the commercial business, impacting sales in the technology and analytics segment. However, the clinical business remains resilient, as evidenced by strong demand for outsourced clinical trials. We have a positive long-term outlook for IQVIA, and we anticipate outsourcing from biotech and pharma companies will further drive growth for large contract research organizations. Additionally, we view the $600 million of COVID-19-related revenue stepdown and the negative impact of foreign exchange headwinds as near-term headwinds impacting 2023. IQVIA remains a market leader in the CRO (contract research organization) industry and possesses a healthy backlog, scale, and strong customer relationships to support long-term growth. We forecast mid-single-digit sales growth in 2024, leading to roughly $15.5 billion in revenue. Longer term, we anticipate revenue growth in the midsingle digits to high single digits over our 10-year forecast period.IQVIA's strength within the CRO industry and strong

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IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
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customer relationships support its narrow moat rating, which is based on intangible assets and high switching costs associated with running late-stage clinical trials. IQVIA's research and development solutions backlog stands at a record $28.8 billion, which is up 12% year over year. IQVIA's R&DS segment achieved bookings of $2.6 billion during the quarter, representing a healthy book-to-bill ratio of 1.24 times.

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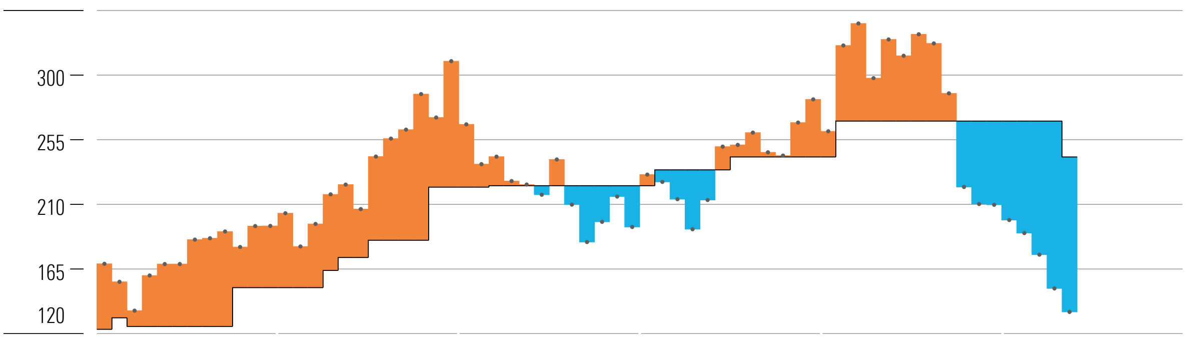
IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

Competitors Price vs. Fair Value

Icon PLC ICLR

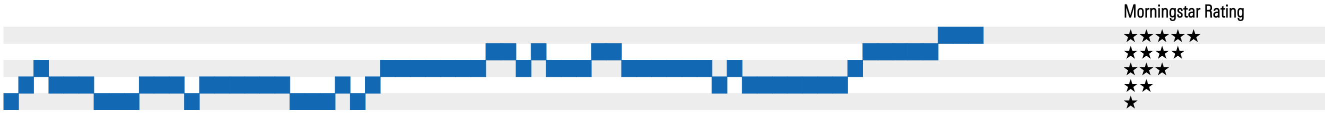


Fair Value: 243.00
1 May 2025 22:34, UTC

Last Close: 135.10
Overvalued
Undervalued

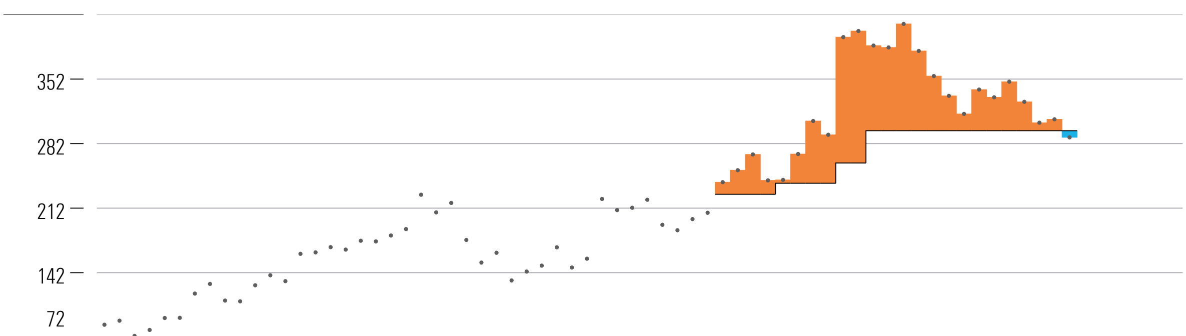
	2020	2021	2022	2023	2024	YTD
Price/Fair Value	1.28	1.40	0.87	1.16	0.78	0.56
Total Return %	13.21	58.84	-37.28	45.72	-25.92	-35.58

Morningstar Rating



Total Return % as of 06 May 2025. Last Close as of 06 May 2025. Fair Value as of 1 May 2025 22:34, UTC.

Medpace Holdings Inc MEDP

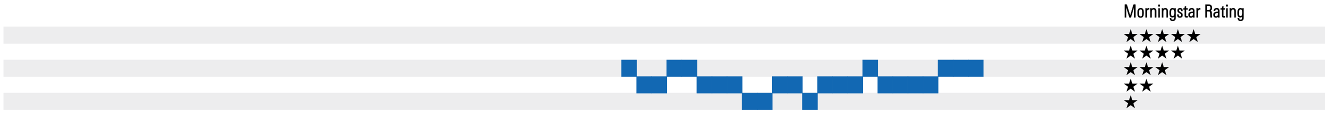


Fair Value: 296.00
24 Apr 2024 13:42, UTC

Last Close: 288.77
Overvalued
Undervalued

	2020	2021	2022	2023	2024	YTD
Price/Fair Value	—	—	—	1.28	1.12	0.98
Total Return %	65.60	56.35	-2.40	44.31	8.38	-13.08

Morningstar Rating



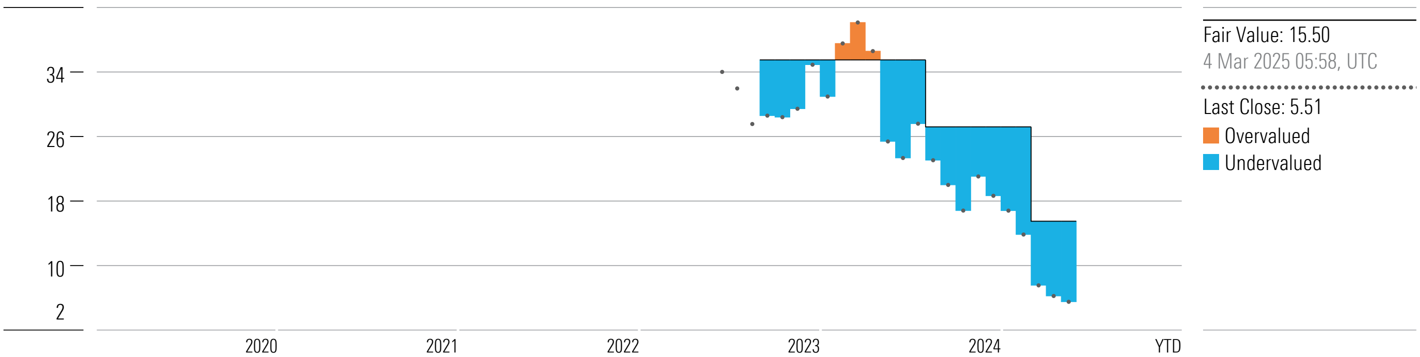
Total Return % as of 06 May 2025. Last Close as of 06 May 2025. Fair Value as of 24 Apr 2024 13:42, UTC.

Morningstar Equity Analyst Report | Report as of 7 May 2025 22:03, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC.

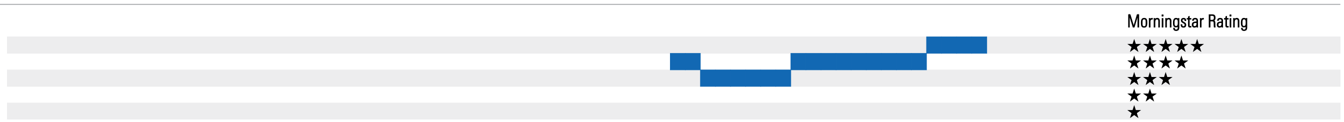
IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

Competitors Price vs. Fair Value

Fortrea Holdings Inc FTRE



	2020	2021	2022	2023	2024	YTD
Price/Fair Value	—	—	—	0.98	0.69	0.36
Total Return %	—	—	—	—	-46.56	-70.46



Total Return % as of 06 May 2025. Last Close as of 06 May 2025. Fair Value as of 4 Mar 2025 05:58, UTC.

Morningstar Equity Analyst Report | Report as of 7 May 2025 22:03, UTC | Reporting Currency: USD | Trading Currency: USD | Exchange: NEW YORK STOCK EXCHANGE, INC. Page 15 of 24

IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
146.20 USD 6 May 2025	268.00 USD 22 Jul 2024 21:56, UTC	0.55	26.69 USD Bil 7 May 2025	Narrow	Mid Blend	Medium	Standard	2 Apr 2025 05:00, UTC

Morningstar Valuation Model Summary

Financials as of 07 May 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Revenue (USD Mil)	14,410	14,984	15,405	16,189	17,188	18,406	19,802	21,374
Operating Income (USD Mil)	1,827	2,061	2,269	2,487	2,982	3,376	3,841	4,344
EBITDA (USD Mil)	2,493	2,584	2,783	2,908	3,200	3,536	3,954	4,418
Adjusted EBITDA (USD Mil)	3,408	3,569	3,640	3,804	4,053	4,364	4,730	5,153
Net Income (USD Mil)	1,091	1,358	1,373	1,552	1,970	2,294	2,698	3,120
Adjusted Net Income (USD Mil)	1,388	1,412	1,916	2,168	2,532	2,823	3,195	3,581
Free Cash Flow To The Firm (USD Mil)	629	1,309	1,832	2,710	2,825	3,027	3,290	3,574
Weighted Average Diluted Shares Outstanding (Mil)	191	186	183	181	181	181	181	181
Earnings Per Share (Diluted) (USD)	5.72	7.29	7.49	8.58	10.90	12.69	14.93	17.26
Adjusted Earnings Per Share (Diluted) (USD)	7.28	7.58	10.45	11.99	14.01	15.61	17.67	19.81
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Margins & Returns as of 07 May 2025		Actual			Forecast					
	3 Year Avg	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**5 Year Avg**
Operating Margin %	10.0	12.7	13.8	14.7	15.4	17.3	18.3	19.4	20.3	15.1
EBITDA Margin %	—	17.3	17.3	18.1	18.0	18.6	19.2	20.0	20.7	—
Adjusted EBITDA Margin %	—	23.7	23.8	23.6	23.5	23.6	23.7	23.9	24.1	23.8
Net Margin %	8.5	7.6	9.1	8.9	9.6	11.5	12.5	13.6	14.6	12.4
Adjusted Net Margin %	10.5	9.6	9.4	12.4	13.4	14.7	15.3	16.1	16.8	15.3
Free Cash Flow To The Firm Margin %	8.3	4.4	8.7	11.9	16.7	16.4	16.5	16.6	16.7	16.6

Growth & Ratios as of 07 May 2025		Actual			Forecast					
	3 Year CAGR	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**5 Year CAGR**
Revenue Growth %	3.6	3.9	4.0	2.8	5.1	6.2	7.1	7.6	7.9	6.8
Operating Income Growth %	17.1	29.3	12.8	10.1	9.6	19.9	13.2	13.8	13.1	13.9
EBITDA Growth %	5.2	4.2	3.7	7.7	4.5	10.0	10.5	11.8	11.7	9.7
Adjusted EBITDA Growth %	6.4	12.8	4.7	2.0	4.5	6.6	7.7	8.4	8.9	7.2
Earnings Per Share Growth %	14.8	15.6	27.4	2.7	14.6	27.0	16.4	17.6	15.6	18.2
Adjusted Earnings Per Share Growth %	14.8	24.1	4.1	37.8	14.8	16.8	11.5	13.2	12.1	18.2

Valuation as of 07 May 2025	Actual			Forecast				
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Price/Earning	28.1	30.5	18.8	12.2	10.4	9.4	8.3	7.4
Price/Sales	2.6	2.8	2.2	1.6	1.5	1.4	1.3	1.2
Price/Book	6.8	7.1	5.9	3.5	2.8	2.2	1.8	1.5
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	14.5	15.3	12.8	—	—	—	—	—
EV/EBIT	27.0	26.6	20.5	—	—	—	—	—
Dividend Yield %	—	—	—	—	—	—	—	—
Dividend Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 07 May 2025	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
ROA %	4.3	5.1	5.1	5.5	6.5	7.0	7.7	8.3
ROE %	18.9	22.2	22.6	20.4	20.5	19.3	18.5	17.6
ROIC %	7.2	7.8	8.5	9.5	11.6	13.2	15.0	16.9

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IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
146.20 USD 6 May 2025	268.00 USD 22 Jul 2024 21:56, UTC	0.55	26.69 USD Bil 7 May 2025	Narrow	Mid Blend	Medium	Standard	2 Apr 2025 05:00, UTC

Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Debt/Capital %	25.5	24.8	28.4	24.8	23.0	21.3	19.3	17.5
Assets/Equity	4.4	4.4	4.4	3.7	3.2	2.7	2.4	2.1
Net Debt/EBITDA	4.7	4.8	4.4	4.5	3.4	2.4	1.5	0.6
Total Debt/EBITDA	3.8	3.9	3.9	4.4	4.1	3.8	3.4	3.0
EBITDA/ Net Interest Expense	284.0	—	-728.0	—	—	—	—	—

Forecast Revisions as of 7 May 2025	2025		2026		2027	
Prior data as of 7 Feb 2025	**Current**	**Prior**	**Current**	**Prior**	**Current**	**Prior**
Fair Value Estimate Change (Trading Currency)	268.00	268.37	—	—	—	—
Revenue (USD Mil)	16,189	15,965	17,188	16,817	18,406	17,920
Operating Income (USD Mil)	2,487	2,572	2,982	2,930	3,376	3,368
EBITDA (USD Mil)	3,804	3,732	4,053	3,973	4,364	4,289
Net Income (USD Mil)	2,168	2,195	2,532	2,474	2,823	2,825
Earnings Per Share (Diluted) (USD)	8.58	8.83	10.90	10.61	12.69	12.67
Adjusted Earnings Per Share (Diluted) (USD)	11.99	11.91	14.01	13.42	15.61	15.33
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00

Key Valuation Drivers as of 07 May 2025	
Cost of Equity %	9.0
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	8.1
Long-Run Tax Rate %	19.0
Stage II EBI Growth Rate %	4.0
Stage II Investment Rate %	10.0
Perpetuity Year	15

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 07 May 2025	**USD Mil**
Present Value Stage I	24,575
Present Value Stage II	10,283
Present Value Stage III	27,297
Total Firm Value	**62,156**
Cash and Equivalents	1,843
Debt	17,036
Other Adjustments	0
Equity Value	**46,963**
Projected Diluted Shares	181
Fair Value per Share (USD)	**268.00**

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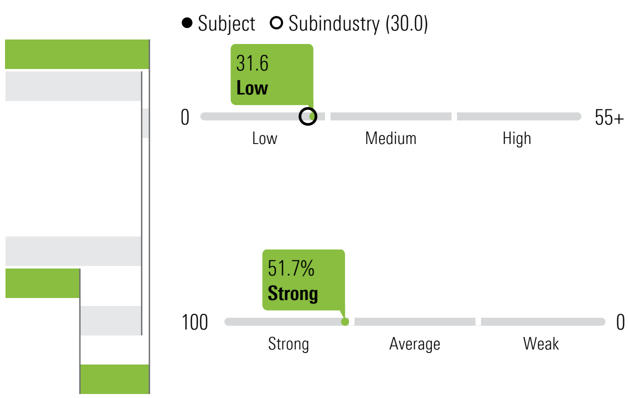
IQVIA Holdings Inc IQV ★★★★★ 7 May 2025 21:24, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
146.20 USD 6 May 2025	268.00 USD 22 Jul 2024 21:56, UTC	0.55	26.69 USD Bil 7 May 2025	Narrow	Mid Blend	Medium	Standard	2 Apr 2025 05:00, UTC

ESG Risk Rating Breakdown

Exposure	
Company Exposure[1]	31.6
– Manageable Risk	29.9
Unmanageable Risk[2]	**1.6**

Management	
Manageable Risk	29.9
– Managed Risk[3]	15.5
Management Gap[4]	**14.4**
Overall Unmanaged Risk	**16.1**



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating

ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 51.7% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]

ESG Risk Rating is of Apr 02, 2025. Highest Controversy Level is as of Apr 08, 2025. Sustainalytics Subindustry: Laboratory Equipment and Services. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 02 Apr 2025

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure	Management	ESG Risk Rating
IQVIA Holdings Inc	31.6 | Low (0 – 55+)	51.7 | Strong (100 – 0)	16.1 | Low (0 – 40+)
Icon PLC	30.3 | Low (0 – 55+)	51.1 | Strong (100 – 0)	15.6 | Low (0 – 40+)
Medpace Holdings Inc	28.8 | Low (0 – 55+)	33.4 | Average (100 – 0)	19.7 | Low (0 – 40+)
Fortrea Holdings Inc	30.2 | Low (0 – 55+)	41.1 | Average (100 – 0)	18.4 | Low (0 – 40+)
—	— | — (0 – 55+)	— | — (100 – 0)	— | — (0 – 40+)

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Appendix

Historical Morningstar Rating

IQVIA Holdings Inc IQV 6 May 2025 21:45, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	—	—	★★★★★	★★★★★	★★★★★	★★★★	★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★★	★★★★	★★★★	★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★	★★★	★★★	★★★	★★	★★★	★★	★★★	★★★	★★	★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★★★	★★★	★★

Icon PLC ICLR 6 May 2025 21:54, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	—	—	★★★★★	★★★★★	★★★★★	★★★★	★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★★	★★★★	★★★	★★	★★	★★	★★	★★	★★	★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★	★★	★	★	★	★★	★★	★★	★★	★★	★★	★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★★	★★	★	★	★	★★	★★	★★	★★★	★★	★

Medpace Holdings Inc MEDP 6 May 2025 21:48, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	—	—	★★★	★★★	★★★	★★	★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★	★★	★★★	★★	★★	★★	★	★★	★★	★	★	★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★	★★	★★★	★★★	★★	★★	★★★	—	—	—	—	—
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
—	—	—	—	—	—	—	—	—	—	—	—

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Fortrea Holdings Inc FTRE 6 May 2025 21:58, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	—	—	★★★★★	★★★★★	★★★★★	★★★★★	★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★★	★★★★	—	—	—	—	—	—	—	—
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
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Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

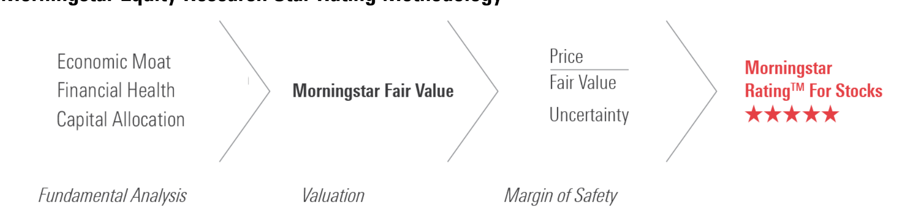
Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future outcomes for the intrinsic value of a company, and any-

Morningstar Equity Research Star Rating Methodology



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thing that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

Qualitative Analysis Uncertainty Ratings	Margin of Safety ★★★★★Rating	★Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

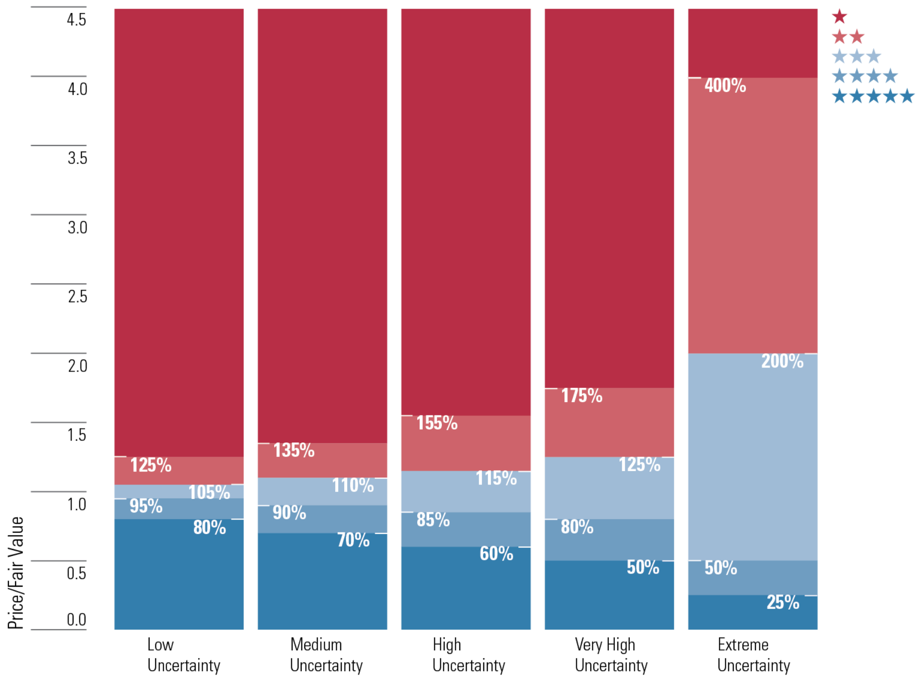
4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com

Morningstar Star Rating for Stocks

Morningstar Equity Research Star Rating Methodology



Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider compan-

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ies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

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Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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