FactSet Research Systems, Inc. (FDS)

Updated September 27th, 2022, by Yiannis Zourmpanos

Key Metrics

Current Price:	$388	**5 Year CAGR Estimate:**	11.4%	**Market Cap:**	$14.9 B
Fair Value Price:	$425	**5 Year Growth Estimate:**	8.5%	**Ex-Dividend Date:**	08/30/2022
% Fair Value:	91%	**5 Year Valuation Multiple Estimate:**	1.8%	**Dividend Payment Date:**	09/15/2022
Dividend Yield:	0.9%	**5 Year Price Target**	$640	**Years Of Dividend Growth:**	23
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

FactSet Research Systems, Inc. (FDS), a financial data and analytics firm founded in 1978, serves the investment community in the Americas, Europe, the Middle East, Africa, and the Asia Pacific with integrated financial information and analytical tools. The company provides insight and information through research, analytics, trading workflow solutions, content and technology solutions, and wealth management. FactSet currently has a $14.7 billion market cap.

On September 22nd, 2022, FactSet Research Systems announced Q4 2022 results, reporting adjusted diluted EPS of $3.13 for the quarter, up 8.7% year-over-year and beating market consensus by $0.08. In addition, the company reported revenue of $499.3 million, up 21.2% YoY from $411.9 million in the same period last year and surpassed the market estimate by $11.35 million.

The company's operating margin declined to 26.5% in Q4 2022 compared to 28.9% in Q4 2021. The management in the earnings call mentioned that during Q4 2022, the company paid bonuses and the technology expenses were higher as well which led to a nominal decline in operating margins. Furthermore, FactSet increased its user count to 179,982 at the end of the quarter as 6,284 users were added in the previous quarter as the company witnessed growth in wealth management users.

The company provided full year 2023 guidance with full year revenue to be in the range of $2.1 to $2.1 million, while diluted EPS for the year is expected to be in between $14.50 to $14.90. The management expects adjusted operating margin of 34.0% to 35.0% for Fiscal Year 2023. The management highlighted that it was not expecting the recent interest hike and the forward guidance provided by the FED chair. Hence the company has been a bit cautious in providing the margin guidance for fiscal year 2023.

FactSet Research Systems, Inc. accomplishments at the end of 2022 include 42 years of revenue growth, 26 years of consecutive adjusted diluted EPS growth and 23 years of consecutive dividend growth. 2022 was the first year for FactSet being part of the S&P 500.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$4.53	$4.98	$5.80	$8.29	$6.55	$6.90	$9.25	$9.83	$10.56	$10.25	***$13.99***	***$21.04***
DPS	$1.32	$1.48	$1.66	$1.88	$2.12	$2.40	$2.72	$2.98	$3.18	$3.42	***$3.56***	***$5.86***
Shares[1]	43.9	42.4	41.6	40.9	39.4	38.7	38.1	37.9	37.9	37.9	***37.9***	***34.9***

FactSet has grown its earnings-per-share by an average compound growth rate of 9.5% over the last nine years, below its 5-year average of 9.4%. The company's investments and improved product offerings could lead to meaningful margins expansion in the following years. We maintain our forecast of 8.5% earnings growth over the next five years which will lead to an estimated earnings-per-share of $21.04 by 2028.

FactSet has increased its dividend for 23 consecutive years. Provided this streak continues for two more years, the security could become a "Dividend Aristocrat", gaining greater visibility for income investors. However, we do not anticipate a significant increase in the dividend payout and are instead forecasting dividend growth to align with

[1] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

FactSet Research Systems, Inc. (FDS)

Updated September 27th, 2022, by Yiannis Zourmpanos

earnings growth. In addition, the increased earnings arising from expanding margins could be a primary dividend growth driver in the following years. We also believe that the company's continued investments in its digital platforms will continue to drive user-base growth in the coming years.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	22.6	23.9	27.8	19.2	26.7	30.2	28.1	31.6	35.1	*39.9*	***27.8***	***30.4***
Avg. Yld.	1.3%	1.2%	1.0%	1.2%	1.2%	1.1%	1.0%	1.0%	0.9%	*0.8%*	***0.9%***	***0.9%***

FactSet has traded with a relatively high valuation multiple in the last decade. The 10-year average historical P/E ratio of the company is 28.5, and the 5-year average is a multiple of 33.0. We maintain our 30.4 times earnings as a fair value baseline. While the dividend yield remains relatively low at 0.9%, the modest payout ratio and above-average expected growth rate should allow for a long dividend growth runway in the years ahead.

Safety, Quality, Competitive Advantage, & Recession Resiliency

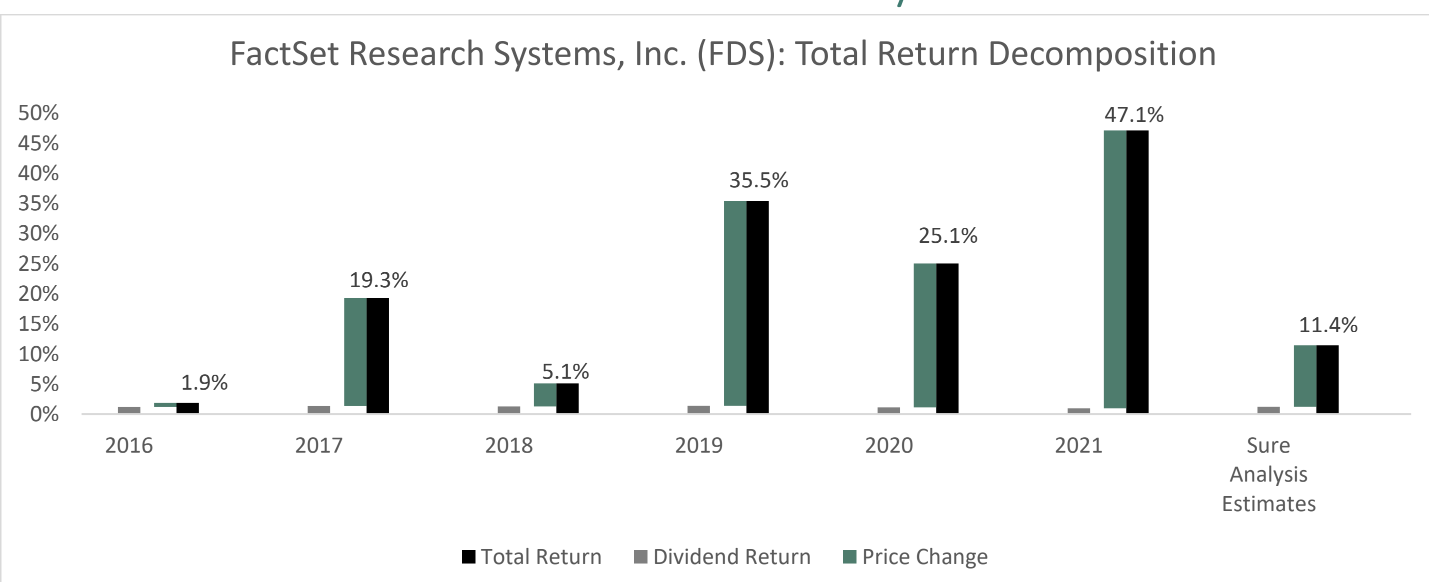
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	29%	30%	29%	23%	32%	35%	29%	30%	30%	*33%*	***25%***	***28%***

FactSet faces competition from Axioma, MSCI, Aladdin, S&P Capital IQ, Refinitiv, and Bloomberg. The company's proprietary data offerings differentiate the company in the marketplace, but alternative solutions by the other providers will dilute this competitive advantage over time. The high switching costs tied to changing providers provide the company some protection and visibility over its cash flow because of its subscription-based offerings. However, the company remains exposed to the fluctuations of the financial-services industry, and any economic downturn that may lead to staffing contraction in the investment management industry will deteriorate FactSet's performance.

Final Thoughts & Recommendation

FactSet offers a safe, consistent, and steady long-term dividend growth record. Despite the forecasted 11.4% annualized total returns for the medium term, derived from the forecasted earnings-per-share growth of 8.5% and the 0.9% dividend yield, we maintain our hold rating on the stock amidst the turbulent macro-economic conditions

Total Return Breakdown by Year



Click here to rate and review this research report. Your feedback is important to us.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

FactSet Research Systems, Inc. (FDS)

Updated September 27th, 2022, by Yiannis Zourmpanos

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	858	920	1,007	1,127	1,221	1,350	1,435	1,494	1,591	1,844
Gross Profit	552	567	601	640	655	691	772	799	805	973
Gross Margin	64.3%	61.6%	59.7%	56.8%	53.6%	51.2%	53.8%	53.5%	50.6%	52.7
SG&A Exp.	282	264	270	290	302	325	334	359	331	433
D&A Exp.	36	34	31	38	48	57	60	101	107	
Operating Profit	269	302	332	350	352	366	438	440	474	540
Op. Margin	31.4%	32.8%	33.0%	31.0%	28.8%	27.1%	30.5%	29.4%	29.8%	29.3%
Net Profit	199	212	241	339	258	267	353	373	400	397
Net Margin	23.1%	23.0%	23.9%	30.1%	21.1%	19.8%	24.6%	25.0%	25.1%	20.1%
Free Cash Flow	251	247	281	283	284	352	368	428	494	
Income Tax	72	92	93	122	86	85	69	54	68	47

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	690	663	737	1,019	1,413	1,419	1,560	2,083	2,225	4,014
Cash & Equivalents	197	116	159	228	195	209	360	586	682	503
Acc. Receivable	73	90	95	98	148	157	146	155	151	204
Goodwill & Int.	281	327	348	546	881	851	810	831	889	2,862
Total Liabilities	148	152	205	502	854	894	888	1,187	1,209	2,683
Accounts Payable	30	27	34	46	59	72	80	82	86	108
Long-Term Debt	---	---	35	300	575	575	574	574	575	1,982
Total Equity	542	511	532	517	560	526	672	896	1,016	1,331
LTD/E Ratio	---	---	0.07	0.58	1.03	1.09	0.85	0.64	0.57	1.48

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	28.7%	31.3%	34.4%	38.6%	21.2%	18.9%	23.7%	20.5%	18.5%	
Return on Equity	36.3%	40.2%	46.2%	64.6%	48.0%	49.2%	58.9%	47.5%	41.8%	
ROIC	36.3%	40.2%	44.7%	49.0%	26.5%	23.9%	30.1%	27.5%	26.1%	
Shares Out.	43.9	42.4	41.6	40.9	39.4	38.7	38.1	37.9	37.9	
Revenue/Share	19.23	21.42	23.84	27.25	30.81	34.29	36.92	38.66	41.26	
FCF/Share	5.63	5.75	6.65	6.85	7.16	8.94	9.46	11.08	12.81	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.