



Infosys Ltd. (INFY)

Updated January 21st, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$21	5 Year CAGR Estimate:	2.4%	Market Cap:	\$86B
Fair Value Price:	\$14	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	03/28/25 ¹
% Fair Value:	147%	5 Year Valuation Multiple Estimate:	-7.5%	Dividend Payment Date:	04/21/25 ²
Dividend Yield:	2.8%	5 Year Price Target	\$20	Years Of Dividend Growth:	9
Dividend Risk Score:	C	Retirement Suitability Score:	C	Rating:	Sell

Overview & Current Events

Infosys Ltd. Is a global information technology corporation that provides services to its customers through a number of subsidiaries, including Progeon, Infosys Technologies, Infosys Consulting, and others. The company's business solutions include consulting, software development, engineering, systems integration, and it also offers banking software services. The company is headquartered in Bangalore, India. United States investors can initiate an ownership stake in Infosys through American Depositary Receipts that trade on the New York Stock Exchange under the ticker INFY.

Infosys reported its third quarter (fiscal 2025) earnings results on January 16. The company announced that it generated revenues of \$4.94 billion during the quarter, which was 6% higher compared to the revenues that Infosys generated during the previous year's quarter. Infosys' revenues were higher than what the analyst community forecasted, beating estimates by a nice \$160 million. The year-over-year growth rate accelerated from the previous quarter, when Infosys only managed to generate a low single-digit increase.

Infosys generated earnings-per-share of \$0.19 during the third quarter, which was in line with the consensus estimate. Management updated its guidance for the current year, fiscal 2025. The company is forecasting revenue growth of 4.5%-5% at constant currency rates this year. Infosys' revenue increase that is expected for the current year will not result in higher earnings-per-share, however, according to the current consensus estimate.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.44	\$0.45	\$0.47	\$0.55	\$0.51	\$0.55	\$0.61	\$0.70	\$0.71	\$0.77	\$0.75	\$1.05
DPS	\$0.18	\$0.18	\$0.19	\$0.22	\$0.23	\$0.26	\$0.29	\$0.40	\$0.43	\$0.43	\$0.58	\$0.85
Shares³	4600	4580	4580	4340	4350	4250	4250	4250	4190	4140	4100	4000

Infosys has managed to generate a solid rate of growth over the last decade. The company has compounded its adjusted earnings-per-share at 6% - 7% per year since 2015. Its profits rose relatively consistently, with year-over-year increases in most years. Infosys also remained profitable during the Great Recession and the COVID pandemic, which indicates that Infosys' recession resilience is strong.

Infosys' profit growth was primarily based on rising revenues in the past, and this will likely remain the case going forward. Due to growing demand for the services Infosys offers to its customers, and due to incentives for outsourcing for Infosys' customers, it is very likely that Infosys will be able to grow its top line during the coming years, too. Infosys has been buying back its shares at a reasonable pace over the last decade, and we believe that buybacks will be a growth driver of the company's earnings-per-share in the future, too. Due to the combination of some business growth and rising margins, combined with the positive impact of share repurchases, earnings-per-share should rise meaningfully in the long run. We assume that Infosys will be able to generate earnings-per-share of \$0.75 during fiscal 2025, and that its growth during the coming years will be roughly in line with its historic growth rate.

¹ Estimated date

² Estimated date

³ 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.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.5	18.8	17.3	14.3	21.0	18.7	31.1	35.4	23.9	23.4	28.0	19.0
Avg. Yld.	1.9%	2.1%	2.3%	2.7%	2.2%	2.5%	1.5%	1.6%	2.5%	2.4%	2.8%	4.3%

Infosys trades at around 28 times this year's expected earnings right now. The valuation has risen compared to the levels seen over the last year, and Infosys trades way ahead of our fair value estimate. We believe that shares are overvalued and that multiple compression will be a meaningful headwind going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	40.9%	40.0%	40.4%	39.1%	43.1%	47.3%	47.5%	57.1%	60.6%	55.8%	77.3%	81.0%

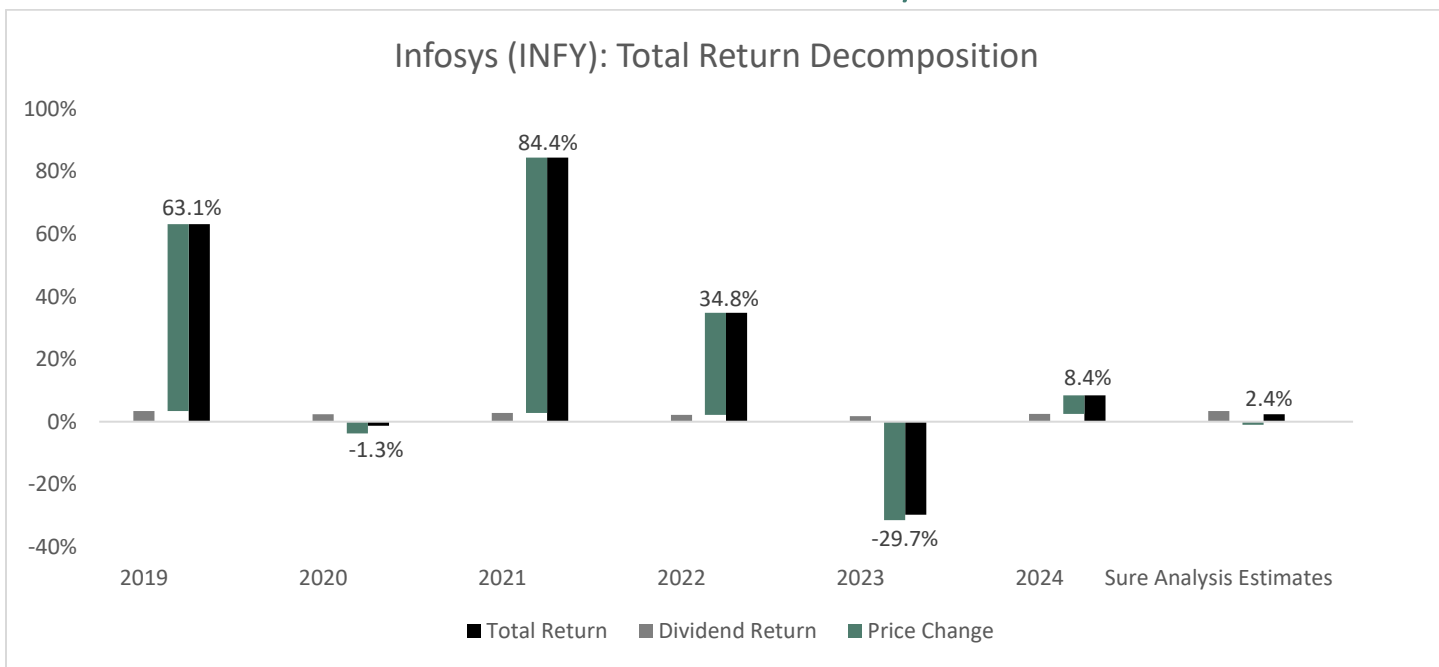
Infosys has raised its dividend payout ratio relatively consistently over the last decade. This is not surprising, as the dividend growth rate was substantially higher than the earnings-per-share growth rate over those ten years. Infosys' dividend payout ratio of around 75% is not dangerously high, but far from low. The dividend cut risk is not negligible.

Infosys competes with a range of peers, but due to the fact that the overall market for the services that Infosys offers continues to grow, competition is not a major problem. Infosys and its peers can all grow profitably without acting overly aggressively towards each other. Infosys remained profitable during the last financial crisis, and it is quite likely that Infosys will remain profitable during future recessions as well. Infosys thus does not look like a fundamentally risky stock, as both competitive threats as well as vulnerability to recessions are relatively negligible.

Final Thoughts & Recommendation

Infosys has experienced sizeable growth in the past, primarily thanks to ongoing increases in the company's top line. Thanks to a solid outlook for the whole industry, it is likely that Infosys will also be able to grow its revenues and profits meaningfully going forward. Infosys' dividend yield is higher than that of the broad market, but with Infosys trading way ahead of fair value, we rate the stock a sell right here.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	8,711	9,501	10,208	10,939	11,799	12,780	13,561	16,311	18,212	18,562
Gross Profit	3,337	3,551	3,762	3,938	4,112	4,228	4,733	5,315	5,503	5,587
Gross Margin	38.3%	37.4%	36.9%	36.0%	34.9%	33.1%	34.9%	32.6%	30.2%	30.1%
SG&A Exp.	890	1,035	1,242	1,279	1,416	1,504	1,408	1,391	1,489	1,578
D&A Exp.	175	222	254	289	287	407	441	466	524	565
Operating Profit	2,329	2,368	2,520	2,659	2,696	2,724	3,325	3,779	3,861	3,849
Operating Margin	26.7%	24.9%	24.7%	24.3%	22.8%	21.3%	24.5%	23.2%	21.2%	20.7%
Net Profit	2,013	2,052	2,140	2,486	2,199	2,331	2,613	2,963	2,981	3,167
Net Margin	23.1%	21.6%	21.0%	22.7%	18.6%	18.2%	19.3%	18.2%	16.4%	17.1%
Free Cash Flow	1,389	1,449	1,688	1,947	1,913	2,146	2,973	3,055	2,534	2,882
Income Tax	805	799	834	657	803	757	973	1,068	1,142	1,177

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	10,615	11,378	12,854	12,255	12,252	12,260	14,825	15,555	15,312	16,523
Cash & Equivalents	4,859	4,935	3,489	3,041	2,829	2,465	3,380	2,305	1,481	1,773
Accounts Receivable	1,554	1,710	1,900	2,016	2,144	2,443	2,639	2,995	3,094	3,620
Goodwill & Int. Ass.	597	717	683	377	612	950	1,115	1,042	1,095	1,042
Total Liabilities	1,853	2,054	2,217	2,295	2,852	3,559	4,323	5,561	6,088	5,918
Accounts Payable	22	58	91	127	255	387	364	547	472	511
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	8,762	9,324	10,637	9,960	9,391	8,646	10,442	9,941	9,172	10,559
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	20.0%	18.7%	17.7%	19.8%	17.9%	19.0%	19.3%	19.5%	19.3%	19.9%
Return on Equity	24.1%	22.7%	21.4%	24.1%	22.7%	25.8%	27.4%	29.1%	31.2%	31.9%
ROIC	24.1%	22.7%	21.4%	24.1%	22.7%	25.8%	27.2%	28.9%	31.0%	31.9%
Shares Out.	4600	4580	4580	4340	4350	4250	4250	4250	4190	4140
Revenue/Share	1.91	2.08	2.23	2.42	2.71	3.00	3.19	3.87	4.35	4.48
FCF/Share	0.30	0.32	0.37	0.43	0.44	0.50	0.70	0.72	0.61	0.70

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

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