



S&P Global (SPGI)

Updated February 18th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$540	5 Year CAGR Estimate:	10.9%	Market Cap:	\$166 B
Fair Value Price:	\$499	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	02/26/25
% Fair Value:	108%	5 Year Valuation Multiple Estimate:	-1.6%	Dividend Payment Date:	03/12/25
Dividend Yield:	0.7%	5 Year Price Target	\$879	Years Of Dividend Growth:	52
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

S&P Global is a worldwide provider of financial services and business information with a market capitalization of \$166 billion and revenue of over \$15 billion. Through its various segments, it provides credit ratings, benchmarks and indices, analytics, and other data to commodity market participants, capital markets, and automotive markets. S&P Global has paid dividends continuously since 1937 and has increased its payout for 52 consecutive years, and it is one of the newest members of the prestigious Dividend Kings.

S&P posted fourth quarter and full-year earnings on February 11th, 2025, and results were much better than expected on both the top and bottom lines. Adjusted earnings-per-share came to \$3.77, which was a staggering 30 cents ahead of estimates. Earnings rose from \$3.13 a year ago. Revenue was up 14% year-over-year to \$3.59 billion, beating estimates by \$90 million. The company posted revenue growth in all of its operating segments, in addition to strong operating margin expansion.

Operating expenses rose slightly from \$2.26 billion to \$2.33 billion year-over-year. That led to operating profit of \$1.68 billion, sharply higher from \$1.39 billion a year ago.

Management offered up initial guidance for this year of \$17.00 to \$17.25 in adjusted earnings-per-share, and we've set our estimate accordingly.

The company also announced a share repurchase authorization of up to \$4.3 billion, with \$650 million of that set to be repurchased in February and March.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.53	\$5.35	\$6.89	\$8.50	\$9.53	\$11.69	\$13.70	\$11.19	\$12.60	\$15.70	\$17.20	\$30.31
DPS	\$1.32	\$1.44	\$1.64	\$2.00	\$2.28	\$2.68	\$3.08	\$3.32	\$3.60	\$3.64	\$3.84	\$6.77
Shares¹	265	258	254	248	246	241	241	322	314	308	300	275

S&P Global's business has benefited from a series of favorable secular trends. Since the Great Recession in 2009, total corporate debt has been on a steady rise, which means more ratings are needed. Lower global interest rates have continued to lead to more and more issuances of debt. However, this tailwind was quickly unwound in Q1 of 2022, at least temporarily. In addition, the company has three other strong segments that aren't as dependent upon rates remaining low, should they rise again in the future. The company saw higher revenue in all of its operating segments once again in the most recent quarter, a sign this diversification is working nicely.

Investors are also becoming increasingly sophisticated and thus demand more real-time data and analytics. Moreover, there is an accelerating demand for index-related investments, such as ETFs.

S&P Global has grown consistently since the financial crisis, boosting revenue and operating margins on a regular basis, with recent results showing a continuation of this trend. We think S&P Global will see a tailwind from its buyback, as well as high-single digit revenue gains, and some measure of margin expansion to get to our target of 12% earnings-per-

¹ Share count in millions

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share growth annually in the coming years. That is lower than the company's historical rate of growth but given the immense growth the company has already seen it is prudent to temper one's expectations. We think S&P Global has a very bright outlook. S&P Global has shown it can continue to raise operating margins and boost the top line organically and via acquisitions. Growth appears to be accelerating once again.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.8	20.3	20.9	22.6	24.2	27.1	29.4	29.9	35.0	31.7	31.4	29.0
Avg. Yld.	1.3%	1.3%	1.1%	1.0%	1.0%	0.8%	0.8%	1.0%	0.8%	0.7%	0.7%	0.8%

S&P Global's 5-year average price-to-earnings ratio is 30.6, and we're assessing fair value at 29 times earnings given the sustained, outstanding performances the company has produced. The stock is currently trading at a price-to-earnings ratio of 31.4, and thus is ahead of our estimate of fair value. We therefore continue to see a headwind to total returns from the valuation in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	29%	27%	24%	24%	24%	23%	22%	30%	29%	23%	22%	22%

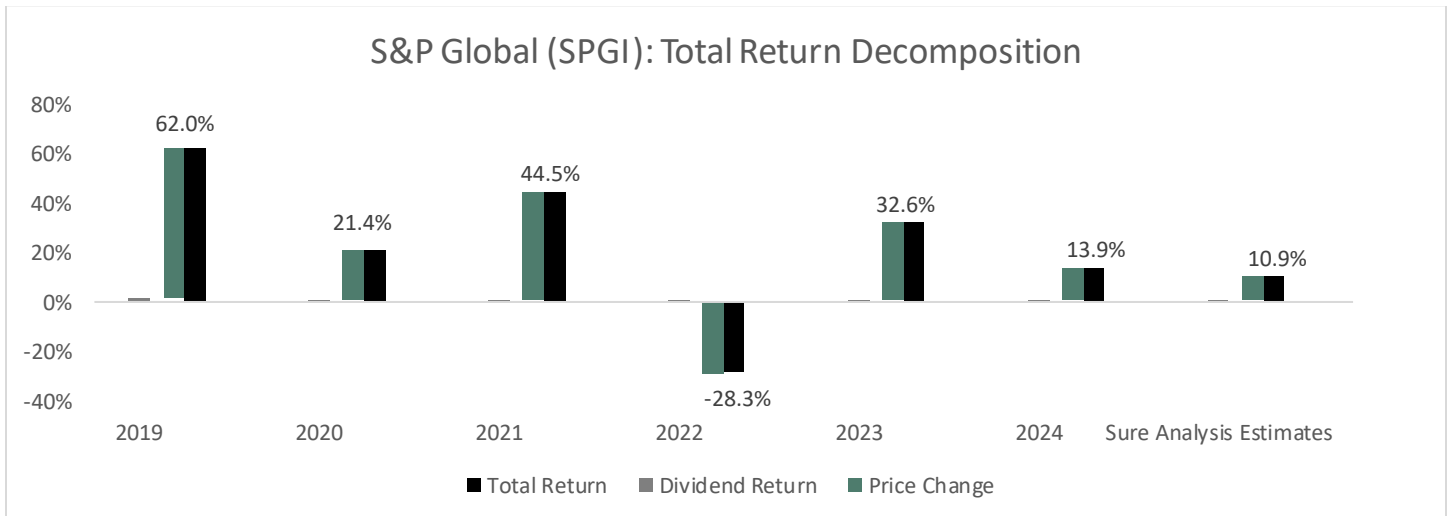
The most important feature of S&P Global is its strong competitive position. It operates in the highly concentrated financial ratings industry where the three well-known rating agencies control over 90% of global financial debt ratings.

On the other hand, S&P Global is vulnerable to recessions, as companies, countries and individuals become much more conservative during such periods, and thus their interest in financial services and debt issuance greatly decreases. This was evident in the Great Recession, when S&P Global's earnings-per-share fell 21%, from \$2.94 in 2007 to \$2.33 in 2009. However, given that it was a financial crisis and most companies saw their earnings collapse, the performance of S&P Global was solid overall. To its credit, S&P Global's earnings thrived in 2020 despite a sharp recessionary period.

Final Thoughts & Recommendation

S&P Global enjoys the advantage of an oligopoly in the ratings industry and has ample room to keep growing at a rapid pace in all its segments for years. With earnings growth of 12%, we expect 10.9% average annual returns over the next five years after accounting for the 0.7% yield and a 1.6% valuation headwind. S&P Global is a Dividend King, and given strong prospective total returns, we're reiterating the stock at a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,313	5,661	6,063	6,258	6,699	7,442	8,297	11,181	12,497	14,208
Gross Profit	3,595	3,888	4,369	4,420	4,723	5,348	6,102	7,415	8,356	9,817
Gross Margin	67.7%	68.7%	72.1%	70.6%	70.5%	71.9%	73.5%	66.3%	66.9%	69.1%
SG&A Exp.	1,532	1,467	1,606	1,424	1,342	1,541	1,714	3,383	3,159	3,166
D&A Exp.	157	181	180	206	204	206	178	1,013	1,143	1,173
Operating Profit	1,906	2,240	2,583	2,790	3,177	3,601	4,210	3,019	4,054	5,478
Operating Margin	35.9%	39.6%	42.6%	44.6%	47.4%	48.4%	50.7%	27.0%	32.4%	38.6%
Net Profit	1,156	2,106	1,496	1,958	2,123	2,339	3,024	3,248	2,626	3,852
Net Margin	21.8%	37.2%	24.7%	31.3%	31.7%	31.4%	36.4%	29.0%	21.0%	27.1%
Free Cash Flow	217	1,445	1,893	1,951	2,661	3,491	3,563	2,514	3,567	5,565
Income Tax	547	960	823	560	627	694	901	1,180	778	1,141

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,183	8,669	9,425	9,441	11,348	12,537	15,026	61,784	60,589	60,221
Cash & Equivalents	1,481	2,392	2,777	1,917	2,866	4,108	6,497	1,286	1,290	1,666
Accounts Receivable	991	1,122	1,319	1,449	1,577	1,593	1,650	2,494	2,826	2,867
Goodwill & Int. Ass.	4,405	4,455	4,377	5,059	4,999	5,087	4,791	52,851	52,248	51,473
Total Liabilities	7,020	6,888	7,307	7,137	8,544	9,185	9,490	22,040	22,489	22,713
Accounts Payable	206	183	195	211	190	233	205	450	557	553
Long-Term Debt	3,611	3,564	3,569	3,662	3,948	4,110	4,114	10,956	11,459	11,398
Shareholder's Equity	194	650	709	628	479	509	2,032	36,388	34,200	33,159
LTD/E Ratio	18.61	5.48	5.03	5.83	8.24	8.07	2.02	0.30	0.34	0.34

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	15.5%	25.0%	16.5%	20.8%	20.4%	19.6%	21.9%	8.5%	4.3%	6.4%
Return on Equity	339%	499%	220%	293%	384%	474%	238%	16.9%	6.7%	10.2%
ROIC	33.4%	41.6%	27.1%	33.6%	33.4%	32.9%	35.3%	10.8%	5.2%	7.8%
Shares Out.	265	258	254	248	246	241	241	319	319	312
Revenue/Share	19.35	21.35	23.42	24.72	27.13	30.74	34.31	35.11	39.19	45.55
FCF/Share	0.79	5.45	7.31	7.71	10.78	14.42	14.74	7.89	11.19	17.84

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

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