Quest Diagnostics Inc. (DGX)

Updated December 17th, 2025 by Felix Martinez

Key Metrics

Current Price:	$179	**5 Year Annual Expected Total Return:**	2.1%	**Market Cap:**	$19.9 B
Fair Value Price:	$147	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	01/13/26
% Fair Value:	121%	**5 Year Valuation Multiple Estimate:**	-3.8%	**Dividend Payment Date:**	01/28/26
Dividend Yield:	1.8%	**5 Year Price Target**	$179	**Years Of Dividend Growth:**	14
Dividend Risk Score:	C	**Sector:** Health Care		**Rating:**	Hold

Overview & Current Events

Quest Diagnostics Inc. is the world's leading provider of diagnostic information services. The company offers diagnostic testing services for cancer, cardiovascular disease, infectious disease, neurological disorders, COVID-19, and employment and court-ordered drug testing. Quest operates in the United States, Puerto Rico, Mexico, and Brazil. The company was initially founded as Metropolitan Pathology Laboratory, Inc., in 1967 by Paul A. Brown, MD. Through acquisitions and spinoffs, Quest Diagnostics Inc. was formed on December 31, 1996. Quest annually serves one in three adult Americans, half the physicians and hospitals in the United States, and nearly 50,000 employees. The company trades under the ticker DGX on the New York Stock Exchange. The company has a market cap of $19.9 billion and has fourteen consecutive years of dividend growth

On October 21st, 2025, Quest Diagnostics reported third quarter results for Fiscal Year (FY)2025. The company reported a strong third quarter, delivering $2.82 billion in revenue, up 13.1% year over year, and adjusted EPS of $2.60, beating expectations. Growth was driven by solid organic volume gains, acquisitions, and rising demand for diagnostic and wellness services. Operating leverage improved, with adjusted operating margin expanding to 16.3%, while year-to-date operating cash flow surged 63% to $1.4 billion, reflecting strong earnings quality and efficient working capital management.

Strategically, Quest continued to expand its competitive position through partnerships, acquisitions, and innovation. Key developments included a major lab services joint venture with Corewell Health, expansion of dialysis testing through Fresenius Medical Care, and deeper integration into consumer wellness platforms such as WHOOP and ŌURA. The company also advanced its oncology and neurological diagnostics pipeline, including FDA breakthrough designation for its Haystack MRD™ cancer test, reinforcing Quest’s leadership in high-value, specialized testing.

Given its strong year-to-date performance, management raised full-year 2025 guidance, now expecting revenue of $10.96–$11.00 billion and adjusted EPS of $9.76–$9.84. Operating cash flow is projected at approximately $1.8 billion, supporting continued investment, share repurchases, and dividends. Overall, Quest’s diversified growth drivers, expanding margins, and robust cash generation position the company well for sustained earnings growth beyond 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.77	$5.15	$5.67	$6.31	$6.56	$11.18	$14.24	$9.95	$8.71	$8.93	***$9.81***	***$11.94***
DPS	$1.52	$1.65	$1.80	$2.03	$2.12	$2.24	$2.48	$2.60	$2.79	$2.96	***$3.06***	***$4.29***
Shares[1]	145.0	142.0	140.0	139.0	136.0	136.0	128.0	118.0	113.0	113.0	***113.0***	***111.0***

Quest Diagnostics has a market-leading position in several testing fields, and the company targets continued growth through Health Plan expansion, increased Hospital Health market share, advanced diagnostics, and increased shares of Direct-to-Consumer testing methods. However, we estimate that earnings will grow at 4% for the next five years, giving an EPS of $11.94 per share for 2030.

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[1] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	14.9	17.9	17.4	13.2	16.3	10.7	12.2	15.7	15.8	16.7	***18.2***	***15.00***
Avg. Yld.	2.1%	1.8%	1.8%	2.4%	2.0%	1.9%	1.4%	1.7%	2.0%	2.0%	***1.8%***	***2.4%***

The company has a PE of 18.2x as of this report, which is higher with its ten-year average of 15.1, and higher than its five-year average of 14.2. However, we think that a fair PE multiple of 15x is reasonable. This provides a multiple headwind compression of (3.8)%. The current dividend yield is in line with its ten-year average and the five-year average, 1.9% and 1.8%, respectively.

Safety, Quality, Competitive Advantage, & Recession Resiliency

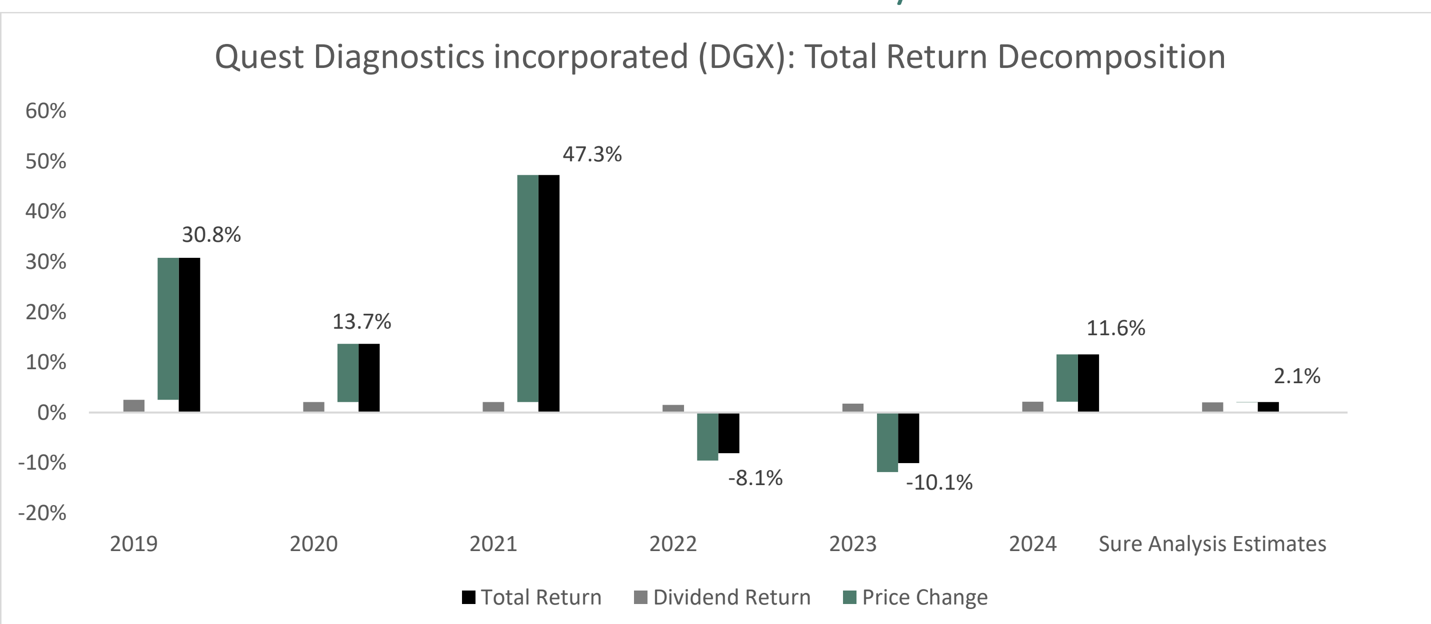
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	32%	32%	32%	32%	32%	20%	17%	26%	32%	33%	***31%***	***36%***

Quest's competitive advantage is that it is a mature and market leader Company in the diagnostic information services industry. While this field is technically more susceptible to competition, it will require a lot of capital to build lab capacities. During the Great Recession, Quest grew earnings during that period. In 2008 EPS was $3.23 per share, and in 2009 it rose 20% to $3.88 per share. During the COVID-19 pandemic, earnings saw a tremendous growth of 70% as the company provided most of the COVID-19 tests. Quest has a BBB+ credit rating, which is an investment grade. The debt/equity ratio is 0.8, which is excellent, and the company has interest coverage of 5.6. Overall, the balance sheet is very healthy. The dividend payout ratio is low, and the company has had a dividend growth rate of 6.4% over the past five years. So, the dividend will continue to grow at a high rate.

Final Thoughts & Recommendation

Overall, Quest Diagnostic Inc. is a well-run company with a history of steady growth in earnings. The risk with purchasing shares of this company would be the post-pandemic normalization. We estimate a 2.1% total annualized rate of return for the next five years. Thus, we rate the stock a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	7,493	7,214	7,402	7,531	7,726	9,437	10,788	9,883	9,252	9872
Gross Profit	2,836	2,598	2,683	2,605	2,689	3,633	4,209	3,433	3,053	3244
Gross Margin	37.8%	36.0%	36.2%	34.6%	34.8%	38.5%	39.0%	34.7%	33.0%	32.9%
SG&A Exp.	1,679	1,380	1,443	1,424	1,457	1,550	1,727	1,874	1,642	1770
D&A Exp.	304	249	270	309	329	361	408	437	439	493
Operating Profit	1,065	1,159	1,165	1,101	1,231	1,971	2,381	1,428	1,262	1346
Operating Margin	14.2%	16.1%	15.7%	14.6%	15.9%	20.9%	22.1%	14.4%	13.6%	13.6%
Net Profit	709	645	772	736	858	1,431	1,995	946	854	871
Net Margin	9.5%	8.9%	10.4%	9.8%	11.1%	15.2%	18.5%	9.6%	9.2%	8.8%
Free Cash Flow	558	823	923	817	843	1,587	1,830	1,314	864	909
Income Tax	373	429	241	182	247	460	597	264	248	273

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	9,962	10,100	10,503	11,003	12,843	14,026	13,611	12,837	14,020	16150
Cash & Equivalents	133	359	137	135	1,192	1,158	872	315	686	549
Accounts Receivable	901	926	924	1,012	1,063	1,520	1,438	1,195	1,210	1304
Inventories	84	82	95	99	123	223	208	192	190	188
Goodwill & Int. Ass.	6,889	6,949	7,454	7,770	7,740	8,040	8,262	8,312	8,899	10620
Total Liabilities	5,249	5,440	5,548	5,736	7,156	7,217	7,128	6,830	7,604	9257
Accounts Payable	279	231	224	222	263	446			378	287
Long-Term Debt	3,651	3,764	3,855	3,991	4,858	4,168	4,012	3,980	4,842	6379
Shareholder's Equity	4,684	4,628	4,921	5,216	5,641	6,759	6,444	5,893	6,307	6778
LTD/E Ratio	0.78	0.81	0.78	0.77	0.86	0.62	0.62	0.68	0.77	0.94

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.2%	6.4%	7.5%	6.8%	7.2%	10.7%	14.4%	7.2%	6.4%	5.8%
Return on Equity	15.8%	13.9%	16.2%	14.5%	15.8%	23.1%	30.2%	15.3%	13.8%	13.1%
ROIC	8.6%	7.7%	9.0%	8.1%	8.7%	13.3%	18.6%	9.2%	8.0%	7.1%
Shares Out.	145.0	142.0	140.0	139.0	136.0	136.0	128.0	118.0	113.0	113.0
Revenue/Share	51.68	50.80	52.87	54.18	56.81	69.39	84.28	83.75	81.88	87.36
FCF/Share	3.85	5.80	6.59	5.88	6.20	11.67	14.30	11.14	7.65	8.04

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