Quest Diagnostics Inc. (DGX)

Updated August 24th, 2026 by Felix Martinez

Key Metrics

Current Price:	$224	**5 Year Annual Expected Total Return:**	-1.7%	**Market Cap:**	$26.9 B
Fair Value Price:	$167	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	10/06/26
% Fair Value:	146%	**5 Year Valuation Multiple Estimate:**	-7.3%	**Dividend Payment Date:**	10/21/26
Dividend Yield:	1.4%	**5 Year Price Target**	$204	**Years Of Dividend Growth:**	15
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 $26.9 billion and has delivered fifteen consecutive years of dividend growth.

On July 23rd, 2026, Quest Diagnostics reported second quarter results for Fiscal Year 2026. The company reported second-quarter 2026 revenues of $3.04 billion, a 10.2% increase from the prior year, driven almost entirely by 10.0% organic growth across physician, hospital, and consumer channels. Reported diluted EPS rose 15.0% to $2.84, while adjusted diluted EPS increased 19.1% to $3.12. Organic requisition volume grew 13.0%, although revenue per requisition declined 2.8%. Operating income and adjusted operating income both expanded, reflecting strong demand for diagnostic services.

The company advanced several strategic initiatives during the quarter, including expanded Co-Lab Solutions and a joint venture laboratory with Corewell Health, new kidney-care capabilities with Fresenius Medical Care, and robust growth in Advanced Diagnostics such as Alzheimer's blood tests and cardiometabolic assays. It also secured New York State approval for its Haystack MRD test and launched operational improvements, including additional lab automation and the IntelliDraw specimen-collection tool for physician customers.

On the strength of these results, Quest Diagnostics raised its full-year 2026 guidance. Net revenues are now expected between $11.95 billion and $12.05 billion, reported diluted EPS between $9.97 and $10.17, and adjusted diluted EPS between $11.05 and $11.25. Cash from operations is projected at approximately $1.80 billion, with capital expenditures remaining near $550 million.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$5.15	$5.67	$6.31	$6.56	$11.18	$14.24	$9.95	$8.71	$8.93	$9.85	***$11.16***	***$13.58***
DPS	$1.65	$1.80	$2.03	$2.12	$2.24	$2.48	$2.60	$2.79	$2.96	$2.96	***$3.38***	***$4.74***
Shares[1]	142.0	140.0	139.0	136.0	136.0	128.0	118.0	113.0	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 $13.58 per share for 2031.

[1] Share count is 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	17.9	17.4	13.2	16.3	10.7	12.2	15.7	15.8	16.7	17.6	***21.9***	***15.00***
Avg. Yld.	1.8%	1.8%	2.4%	2.0%	1.9%	1.4%	1.7%	2.0%	2.0%	1.8%	***1.4%***	***2.3%***

The company has a PE of 21.9x as of this report, which is higher with its ten-year average of 15.4x, and higher than its five-year average of 16.6x. We think that a fair PE multiple of 15x is reasonable. This could lead to annualized multiple compression of -7.3%. The current dividend yield of 1.4% is lower to its ten-year average and the five-year average of 1.9% and 1.8%, respectively.

Safety, Quality, Competitive Advantage, & Recession Resiliency

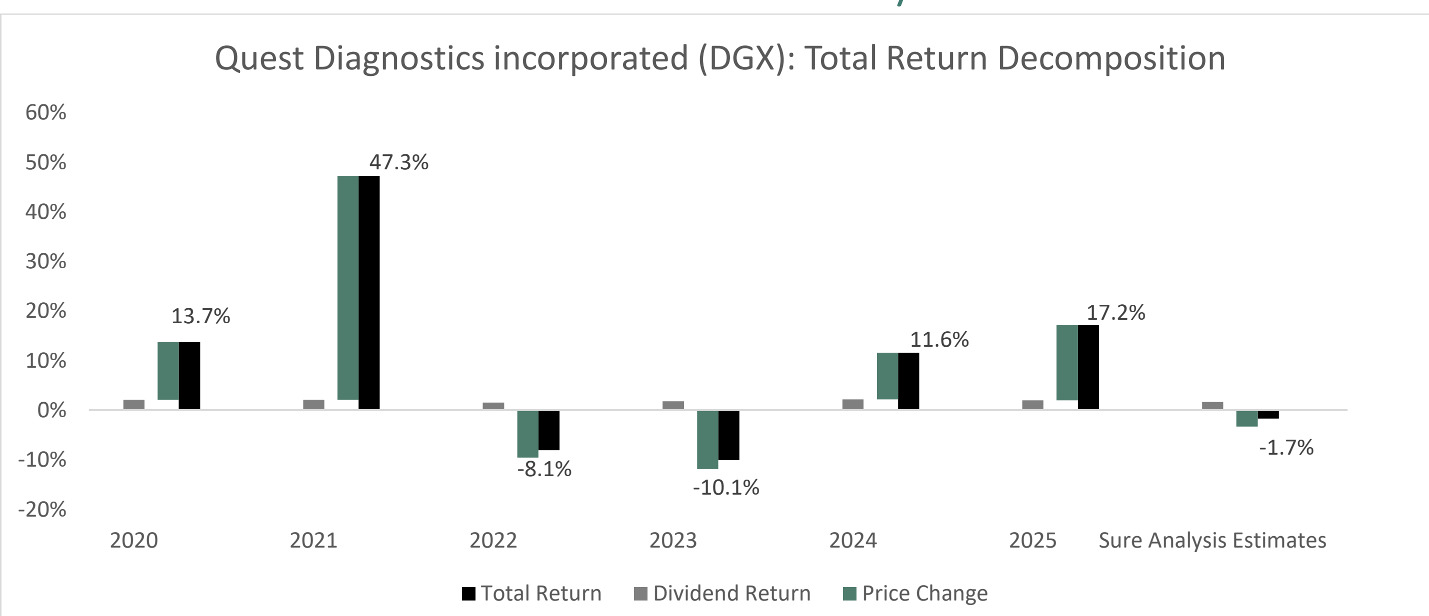
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	32%	32%	32%	32%	20%	17%	26%	32%	33%	30%	***30%***	***35%***

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 puts it in the investment grade tier. The debt/equity ratio is 0.8, which is excellent, and the company has interest coverage of 5.6. Overall, the balance sheet is 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 should 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 a normalization of its P/E multiple. We estimate a -1.7% 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	7,214	7,402	7,531	7,726	9,437	10,788	9,883	9,252	9872	11035
Gross Profit	2,598	2,683	2,605	2,689	3,633	4,209	3,433	3,053	3244	3665
Gross Margin	36.0%	36.2%	34.6%	34.8%	38.5%	39.0%	34.7%	33.0%	32.9%	33.2%
SG&A Exp.	1,380	1,443	1,424	1,457	1,550	1,727	1,874	1,642	1770	1967
D&A Exp.	249	270	309	329	361	408	437	439	493	570
Operating Profit	1,159	1,165	1,101	1,231	1,971	2,381	1,428	1,262	1346	1556
Operating Margin	16.1%	15.7%	14.6%	15.9%	20.9%	22.1%	14.4%	13.6%	13.6%	14.1%
Net Profit	645	772	736	858	1,431	1,995	946	854	871	992
Net Margin	8.9%	10.4%	9.8%	11.1%	15.2%	18.5%	9.6%	9.2%	8.8%	9.0%
Free Cash Flow	823	923	817	843	1,587	1,830	1,314	864	909	1359
Income Tax	429	241	182	247	460	597	264	248	273	314

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	10100	10,503	11,003	12,843	14,026	13,611	12,837	14,020	16150	16225
Cash & Equivalents	359	137	135	1,192	1,158	872	315	686	549	420
Accounts Receivable	926	924	1,012	1,063	1,520	1,438	1,195	1,210	1304	1408
Inventories	82	95	99	123	223	208	192	190	188	189
Goodwill & Int.	6,949	7,454	7,770	7,740	8,040	8,262	8,312	8,899	10620	10581
Total Liabilities	5,440	5,548	5,736	7,156	7,217	7,128	6,830	7,604	9257	8939
Accounts Payable	231	224	222	263	446			378	287	307
Long-Term Debt	3,764	3,855	3,991	4,858	4,168	4,012	3,980	4,842	6379	5704
Shareholder's Equity	4,628	4,921	5,216	5,641	6,759	6,444	5,893	6,307	6778	7170
LTD/E Ratio	0.81	0.78	0.77	0.86	0.62	0.62	0.68	0.77	0.94	0.92

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.4%	7.5%	6.8%	7.2%	10.7%	14.4%	7.2%	6.4%	5.8%	6.1%
Return on Equity	13.9%	16.2%	14.5%	15.8%	23.1%	30.2%	15.3%	13.8%	13.1%	14.2%
ROIC	7.7%	9.0%	8.1%	8.7%	13.3%	18.6%	9.2%	8.0%	7.1%	8.1%
Shares Out.	142.0	140.0	139.0	136.0	136.0	128.0	118.0	113.0	113.0	113.0
Revenue/Share	50.80	52.87	54.18	56.81	69.39	84.28	83.75	81.88	87.36	97.66
FCF/Share	5.80	6.59	5.88	6.20	11.67	14.30	11.14	7.65	8.04	12.03

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