

What is 'Quality'?

The True Driver of Long-Term Shareholder Value



Presented by:

Mayur Thaker, CFA
Analyst, Co-Portfolio Manager

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What is Quality?

- 1) High & durable *Earnings Linearity*
- 2) High & durable *Earnings Growth*
- 3) High & durable *Return on Invested Capital*
- 4) High & durable *Free Cash Flow Conversion*

Companies that meet these criteria over long periods of time tend to be industry leaders with wide moats. This is how we define 'quality'.

DURABILITY:



1. Needs / critically required products & services
2. Solves a pain point / cuts costs / increases utility – do they drive ROI?
2. Recurring subscription / lease revenue
3. Brand value / product experience / customer service
4. Strong capital allocation – are they investing in themselves?

Combined, these factors tell you about the business' ability to *continue high performance into the future.*



CGI

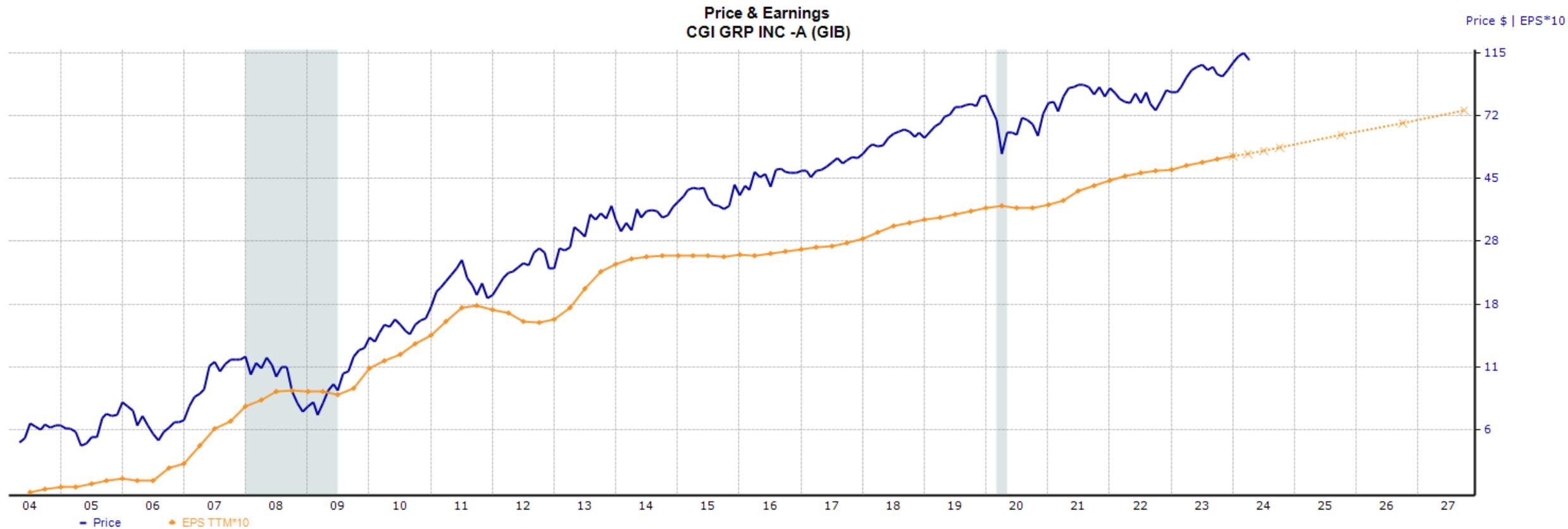
IT Consulting & Systems Integration (45%)
Managed IT (55%)

Deep industry and technology expertise: banking, insurance, government, space, manufacturing, retail, transportation, communications, utilities, oil & gas, and life sciences.

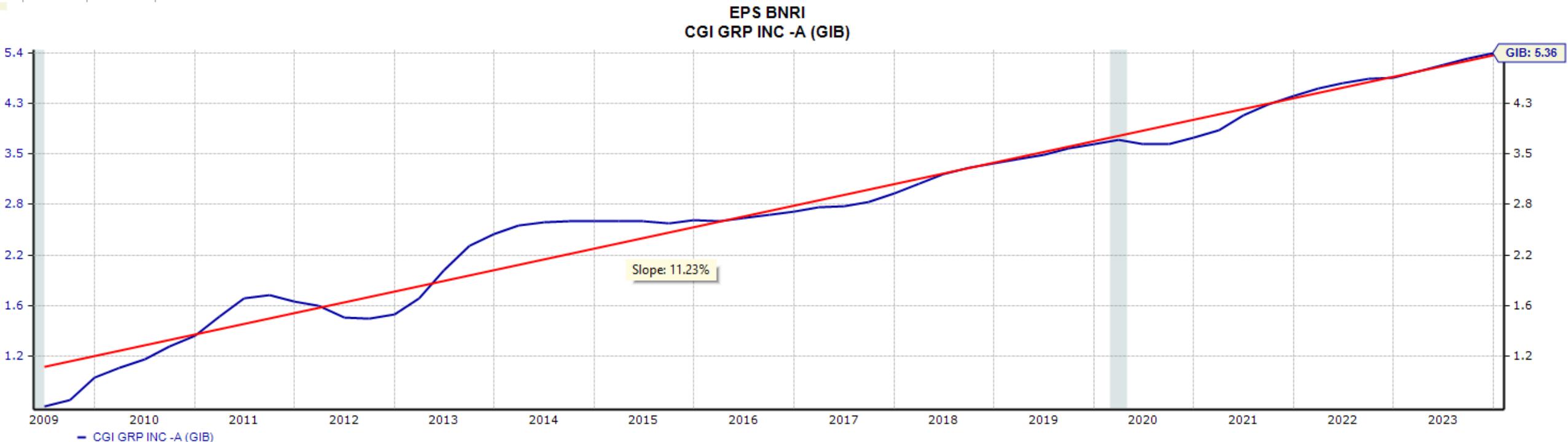
EARNINGS LINEARITY:



1. Shows business durability over time
2. Shows business visibility into the future

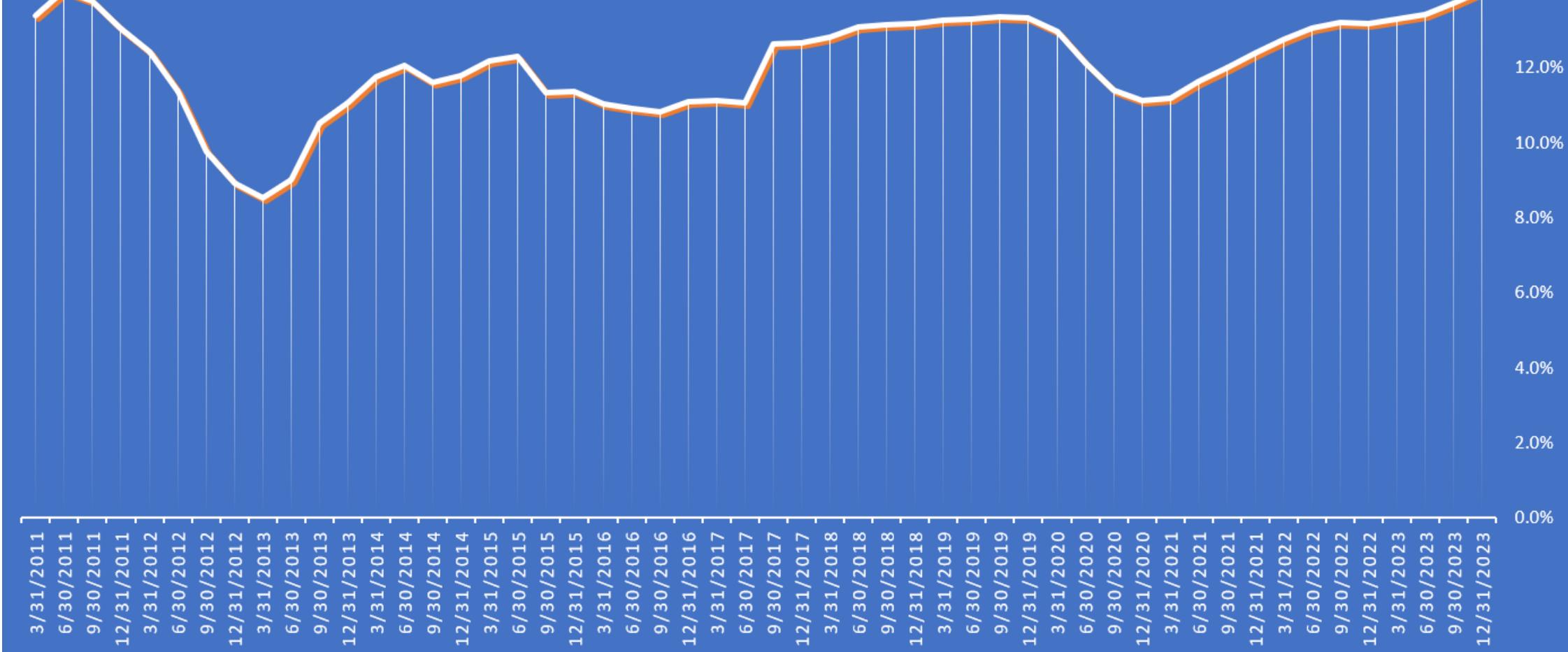


CGI Inc Earnings Growth



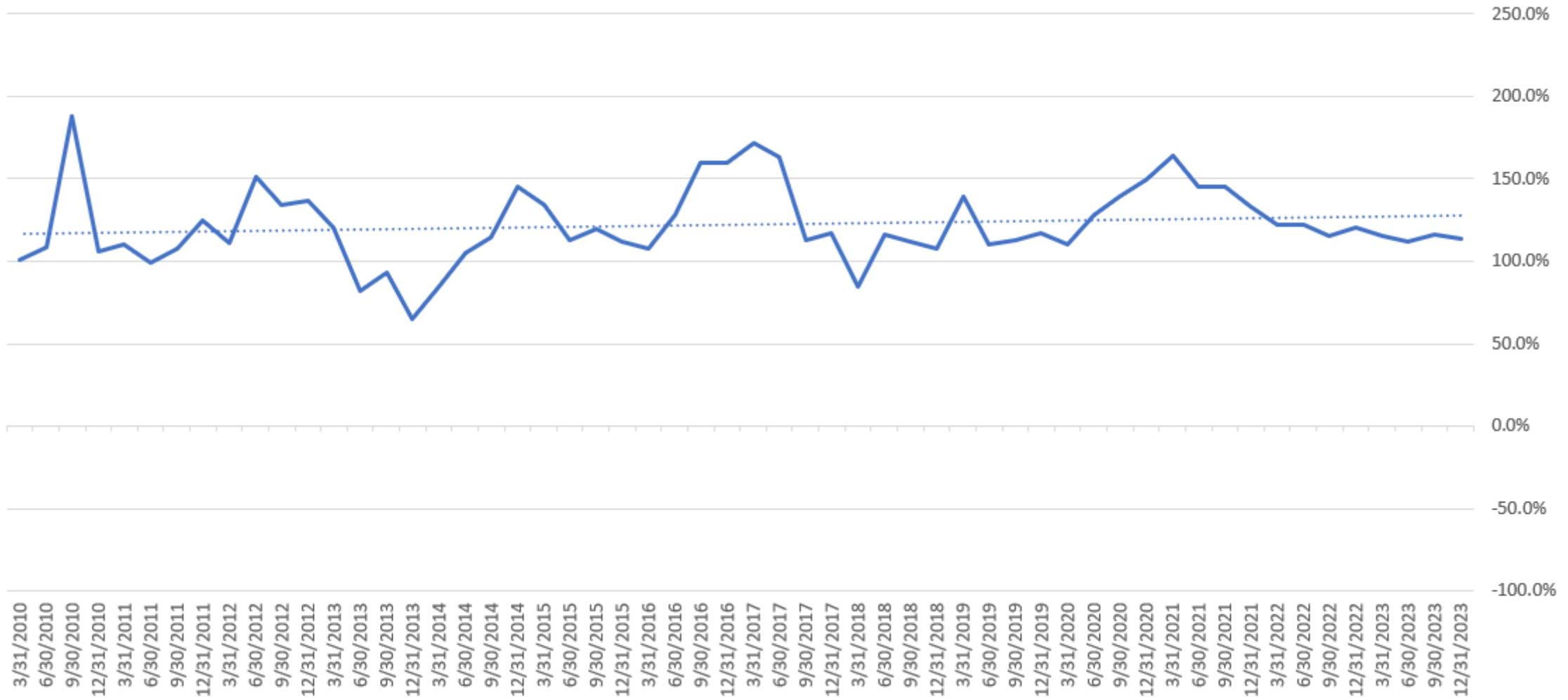
RETURN ON INVESTED CAPITAL

— ROIC





Free Cash Flow Conversion





Technology Consulting Services | Deep Industry Research

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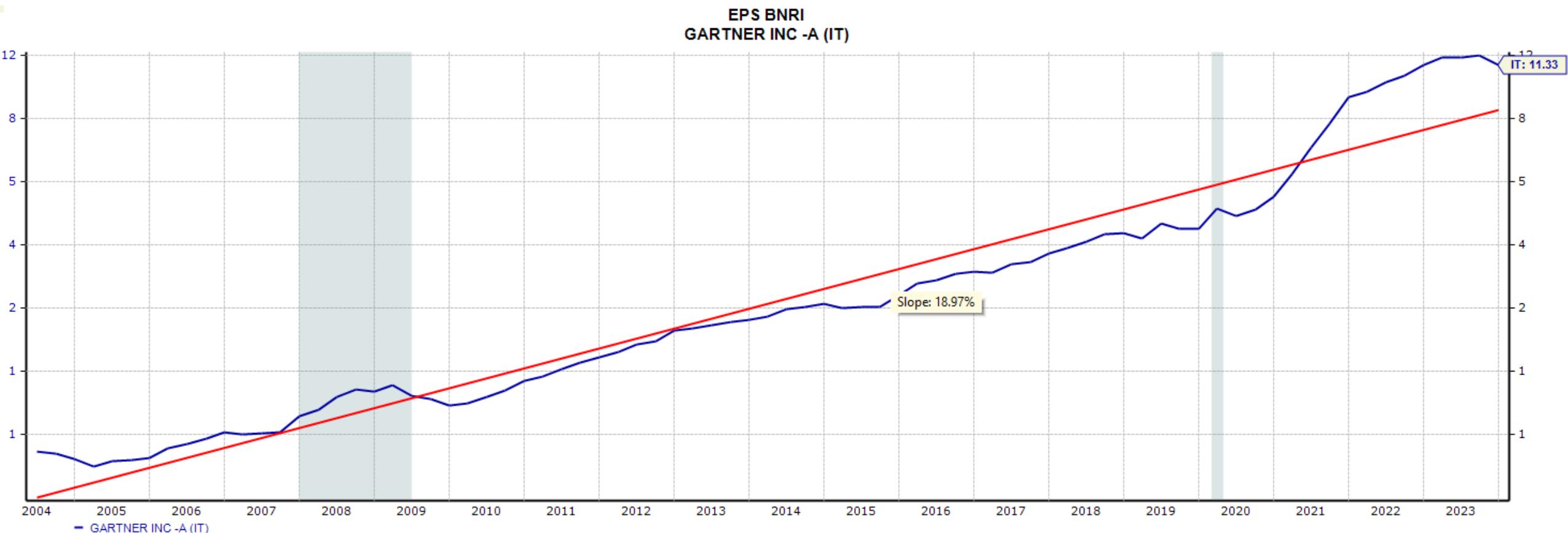
Gartner (IT) is the worldwide leader in technology consulting services. They have built exceptional insights into all aspects of technology and help their clients leverage it to maximize ROI.

While CGI directly assists their clients with IT infrastructure implementation, Gartner focuses much of their resources in publishing deep research, organizes and hosts prestigious conferences and trade shows, provides prestigious and highly desirable rankings (similar to JD Power) and also high-level consulting services directly with C-suite executives that leverage their intel.

This business exemplifies everything we look for in the Zacks Earnings Certain strategy: highly profitable businesses with a deep moat in the form of **brand value** and **deep industry expertise** and leadership.

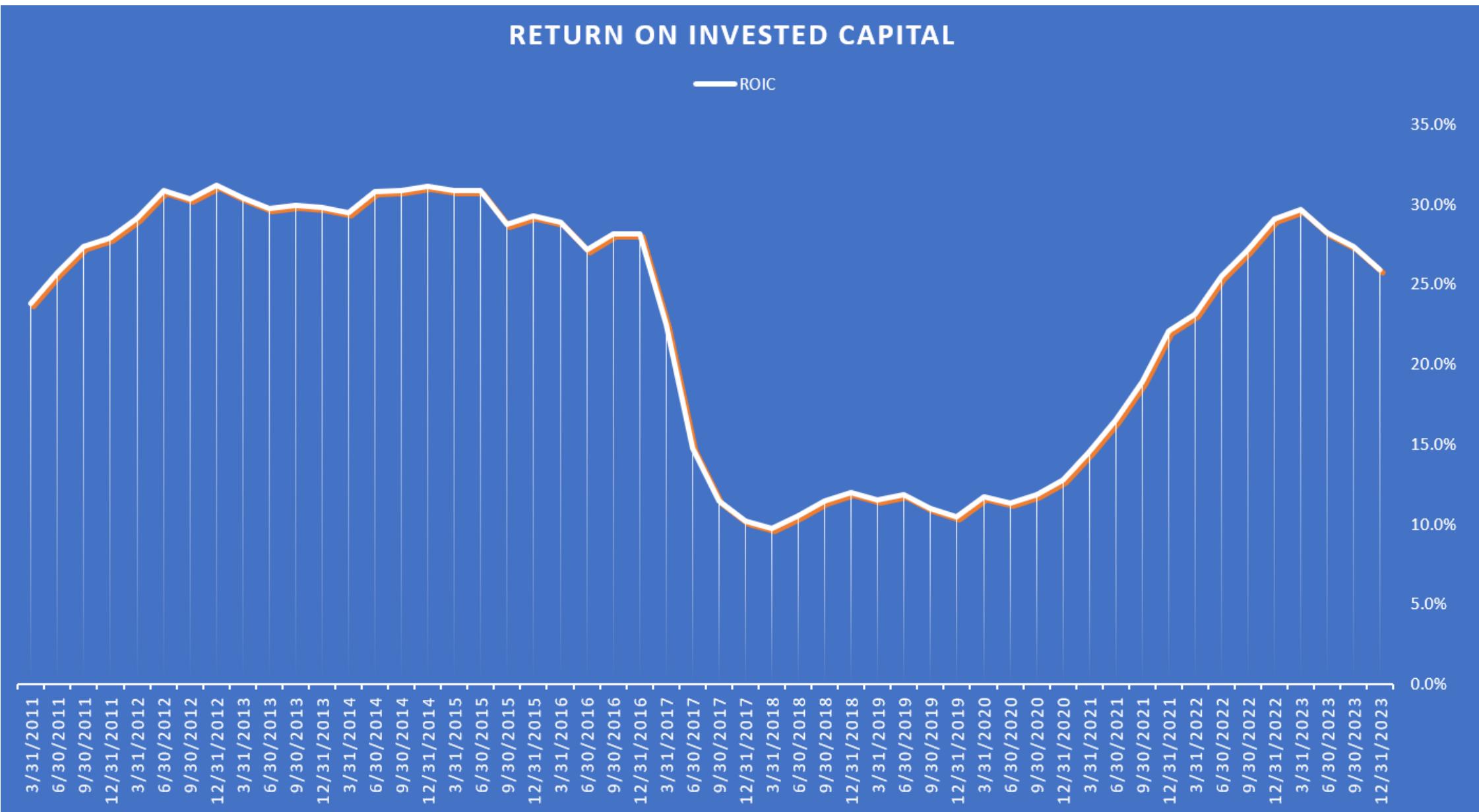
The company scores well across all four criteria we look for: high earnings linearity (0.92), high and durable ROIC (25%), high and durable free cash flow conversion (116%), and high and durable growth (15% CAGR in FCF/share).

Gartner Earnings Linearity & Growth



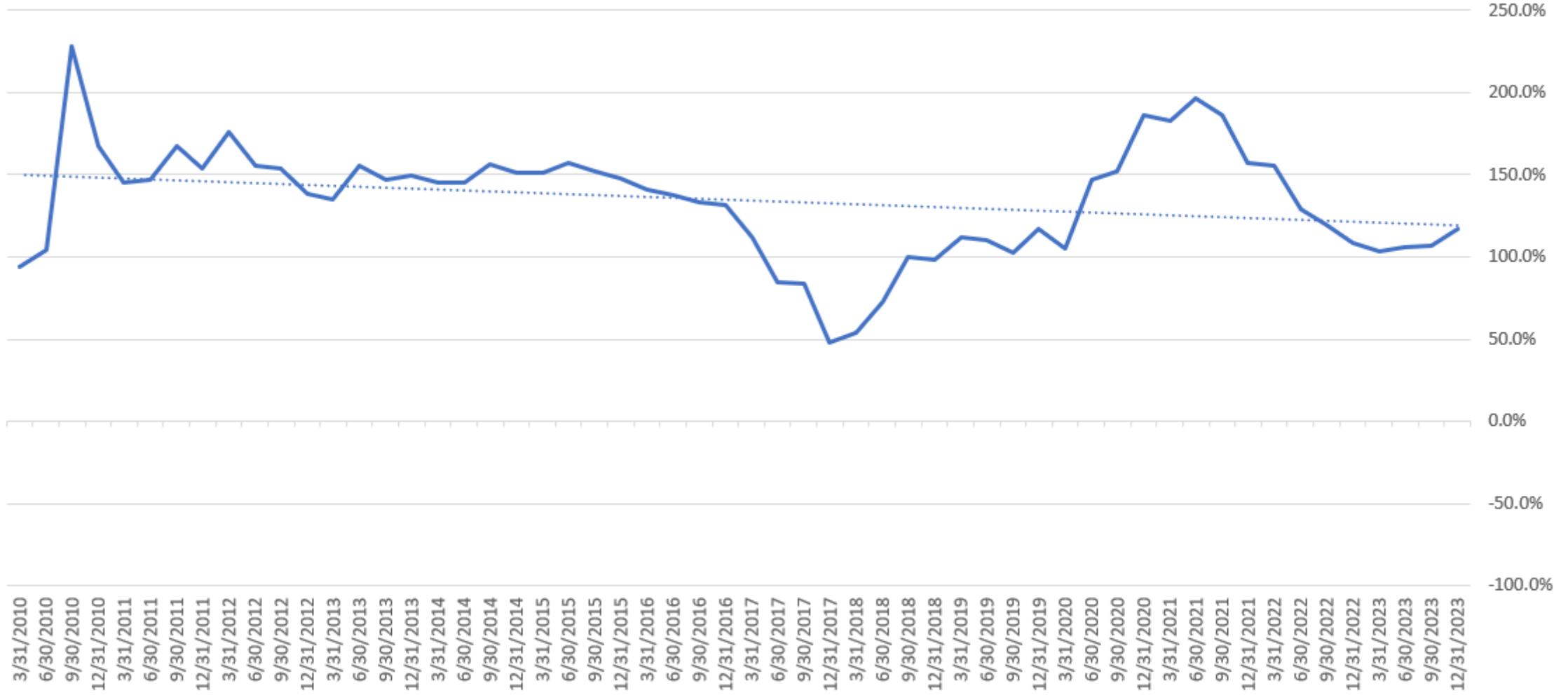
RETURN ON INVESTED CAPITAL

— ROIC





Free Cash Flow Conversion





Gartner has an extremely capital light business model, as a firm focused on research, trade shows, and events.

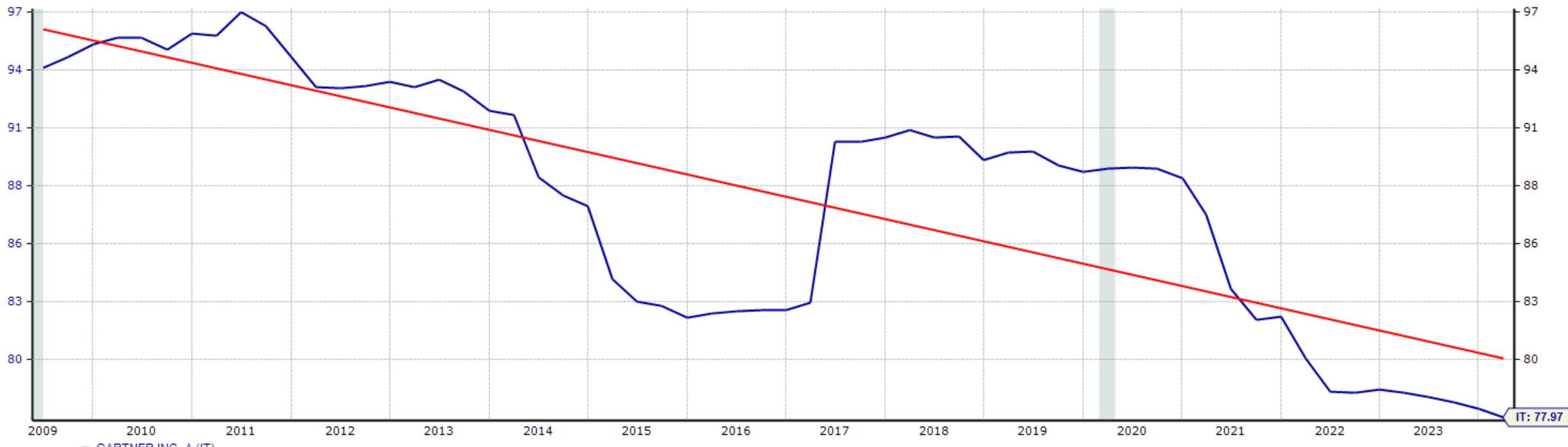
This is a highly scalable business model with very little incremental capital needed to grow.

Growth with little incremental capital needed = free cash flow growth

Free cash flow growth = share buybacks



Shares Outstanding GARTNER INC -A (IT)



Title	High	Low	Median	Current	Start Date	End Date
GARTNER INC -A (IT)	97.26	77.97	89.42	77.97	06-30-2009	03-31-2024



Zacks Earnings Certain Proxy is a list of 76 of such high-quality businesses that exhibit high quality characteristics.

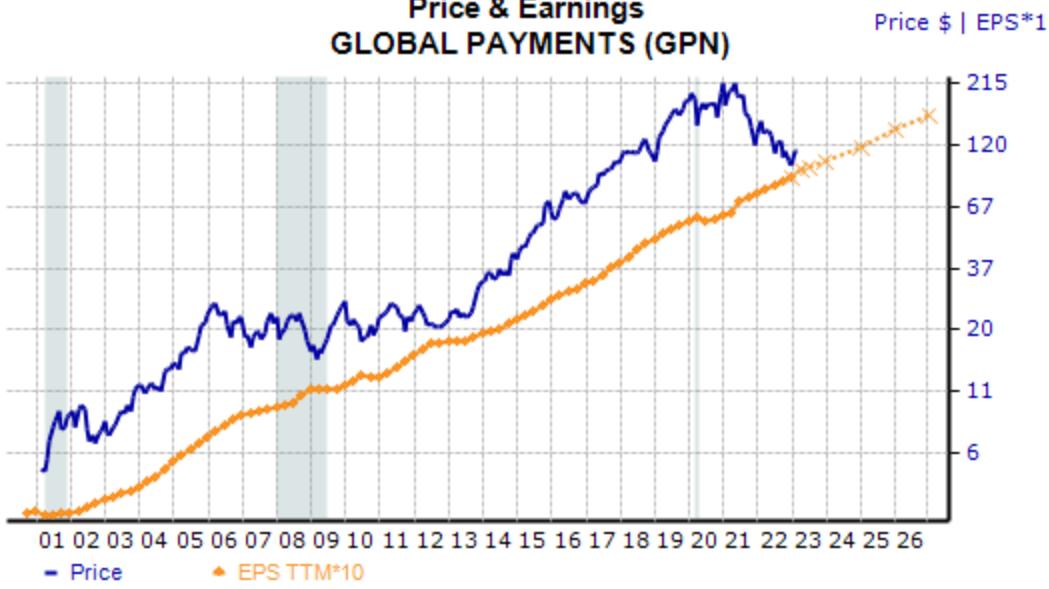
Zacks Earnings Certain Businesses



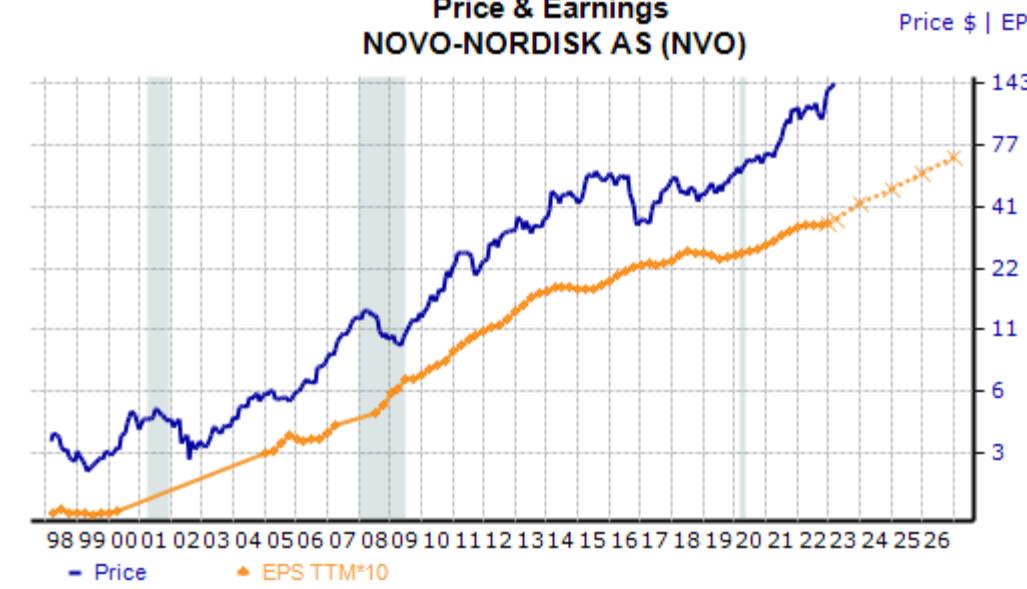
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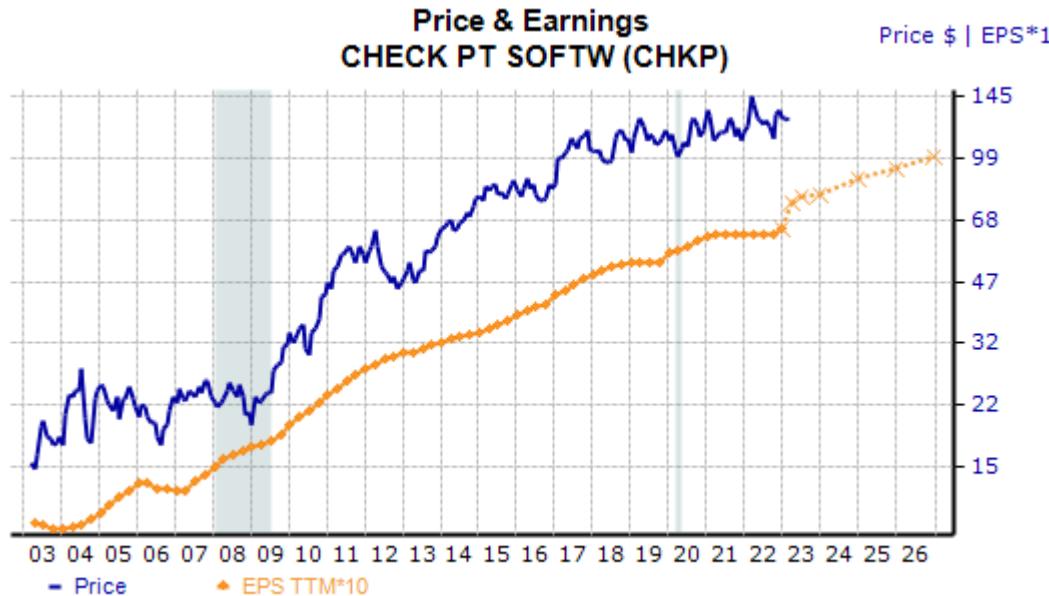
Price & Earnings
GLOBAL PAYMENTS (GPN)



Price & Earnings
NOVO-NORDISK AS (NVO)



Price & Earnings
CHECK PT SOFTW (CHKP)



Price & Earnings
METTLER-TOLEDO (MTD)



Thank You for Attending!



Mayur M Thaker, CFA

Analyst, Senior Relationship Manager

Zacks Professional Services

Support: 866.794.6065 | ZRS@Zacks.com

Twitter: @freshjiva

[linkedin.com/in/mayur-m-thaker-cfa-86234235/](https://www.linkedin.com/in/mayur-m-thaker-cfa-86234235/)

Questions?



Any questions or requests for the PowerPoint used in this presentation can be addressed to the below.

Email:

ZRS Clients: ZRS@Zacks.com

Advisor Tools Clients: ZAT@Zacks.com

Phone: **(866) 794-6065**

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