

Initiated 2026-09-26 · Price \$618.88 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$17.27bn · Healthcare / contract research (CRO) · Model: verified

Rating: Sell — Conviction: Low

Medpace is the best-run CRO for small biotech sponsors. It has net cash, customers prepay it, and Q2 bookings rose 28%. The price, though, is ~30x EBITDA and ~35x 2026 guided EPS, above the model's bull case. Backlog grew only 4.9% while revenue grew 17%, so revenue growth has to slow. The market is paying for a premium multiple that lasts and a biotech funding boom that continues. Conviction is Low because bookings momentum and the funding upswing are real, and a premium CRO multiple has lasted for years before.

MODEL VALUE RANGE VS PRICE



Business overview

Medpace runs Phase I–IV clinical trials end to end for biotech and mid-sized pharma sponsors, with its own labs and imaging. Q2 2026 revenue was \$707.3mm (+17.2%). About 43% of it (\$303.1mm) was reimbursed pass-through costs that carry roughly no margin. Earnings turn on three things: net new awards (a function of biotech funding, cancellations and win rates), the backlog conversion rate (24.1% in Q2, against 21.2% a year earlier), and staff utilization against headcount growing high single digits. Customers pay in advance: current unearned revenue was \$854mm at FY2025, which funds working capital and buybacks.

Competition

The large full-service CROs compete for the same work: IQVIA, ICON, Fortrea and Parexel (private). In Q2 2026, IQVIA's R&D Solutions booked at 1.22x book-to-bill, its best since 2022, and said emerging biopharma is 35% of that segment's revenue. ICON booked at 1.51x, but its revenue grew only 1.2%. Medpace's 1.13x book-to-bill was the lowest of the three, though its revenue growth was far higher. The first sign of pressure would be pricing and win rates on small-biotech RFPs as the large CROs chase the funding rebound. On one definition (stockanalysis, 2026-09-25), IQVIA trades at 19.3x EV/EBITDA and 19.8x forward P/E, and Charles River at 19.8x. ICON's 30.4x is inflated by depressed EBITDA; its forward P/E is 15.6x.

Bull case

- 1. Biotech funding upswing.** Emerging-biopharma funding was ~\$35bn in Q2, about double a year earlier (cited on IQVIA's Q2 call). Medpace reports improving RFP flow and more customers with fresh capital. Plays out if net awards keep growing 20%+ and revenue growth holds at low teens into 2028. *Model: rev_growth*

2. **Margin rises as pass-through falls.** Management expects reimbursable costs to fall as a share of revenue in H2 2026, which lifts reported margin. Plays out if EBITDA margin moves from 22.1% toward 24%. *Model: ebitda_margin*
3. **The premium multiple holds.** Stockanalysis's EV/EBITDA has ranged from 20.6x (FY2024) to 34.4x (FY2021), and the premium has lasted through cycles. Plays out if Medpace keeps growing twice as fast as the large CROs. *Model: exit_ev_ebitda*

Bear case

1. **Conversion reverts, so revenue slows.** Backlog is up only 4.9% while revenue is up 17.2%, because conversion is above historical norms (management's words). Plays out if conversion returns toward 21% and FY2027 revenue growth drops to low single digits, leaving a growing headcount underused. *Model: rev_growth, ebitda_margin*
2. **Customer concentration and cancellations.** The top five customers are now 31% of revenue, up from 20%. Small sponsors cancel when funding shuts, and fewer advances would reverse the working-capital tailwind. Plays out if the biotech equity window closes. *Model: rev_growth, nwc_pct_rev, wacc*
3. **De-rating toward the large CROs.** At 30.5x EBITDA on the model's basis, the stock has no cushion if growth normalizes to the ~8–10% the backlog implies. Plays out if the multiple moves toward IQVIA's ~19x. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM)	27.7x	20.6x (FY2024) – 34.4x (FY2021), FY-end	IQVIA 19.3x · Charles River 19.8x · ICON 30.4x (depressed EBITDA)	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$17.17bn, no leases / FY2025 EBITDA \$563.1mm)	30.5x	n/a (not restated)	n/a (peers not restated)	model-inputs.json
EV/FCF (TTM)	23.9x	17.2x (FY2024) – 32.2x (FY2021)	IQVIA 26.9x · ICON 15.4x · Charles River 45.4x	stockanalysis.com, 2026-09-25
Forward P/E	33.8x	27.3x – 42.2x (FY2021–FY2025)	IQVIA 19.8x · ICON 15.6x · Charles River 23.8x	stockanalysis.com, 2026-09-25

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$242.17 · Base \$451.70 · Bull \$659.57 per share, i.e. implied returns of –60.9% / –27.0% / +6.6% vs \$618.88. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits just below the bull case, so the market is already paying for low-teens growth and a lasting premium. The Base-case return is consistent with the Sell.

Re-rating. The exit method assumes a de-rating: 25x against today's 30.5x (–18%), and it gives \$565.44. The Gordon method gives \$337.97, 40% lower than the exit method. A 10.9% WACC with 4% terminal growth embeds a terminal multiple of roughly half today's (est.), so the Gordon value is a severe de-rating. Even the exit method alone is –9%. The bull exit method (30x) gives \$826.82, which is the price's best argument.

Tail, quantified. A harsher case was run outside the committed model, with a cancellation wave: revenue +11%, –5%, 0%, +3%, +3%; EBITDA margin 18%; NWC –24% of revenue (advances shrink); 15x exit; 12.4% WACC; 2.5% terminal growth. That gives **\$173.63 (–72%)**.

Balance sheet: net leverage not meaningful (net cash \$502.7mm, no funded debt); coverage not meaningful; liquidity \$502.7mm cash plus an undrawn revolver (size not verified); no material maturities; ratings n/a (unverified). Buybacks were \$917.4mm in FY2025 and \$294.7mm in Q2 2026, with \$527.0mm of authorization left.

Model note:

- Tier `full` , status `built` , verification `verified` (LibreOffice recalculation matched every formula cell). No unverified inputs and no assumptions without basis. Scenario consistency is `OK` on all 14 rows.
- Base Y1 EPS of \$17.65 is within the \$17.25–17.95 guide.
- Revenue includes ~43% zero-margin pass-through, so the margin driver moves partly with mix.

- Shares are the Q2 diluted average (28.554mm), above the 27.91mm outstanding after Q2 buybacks.

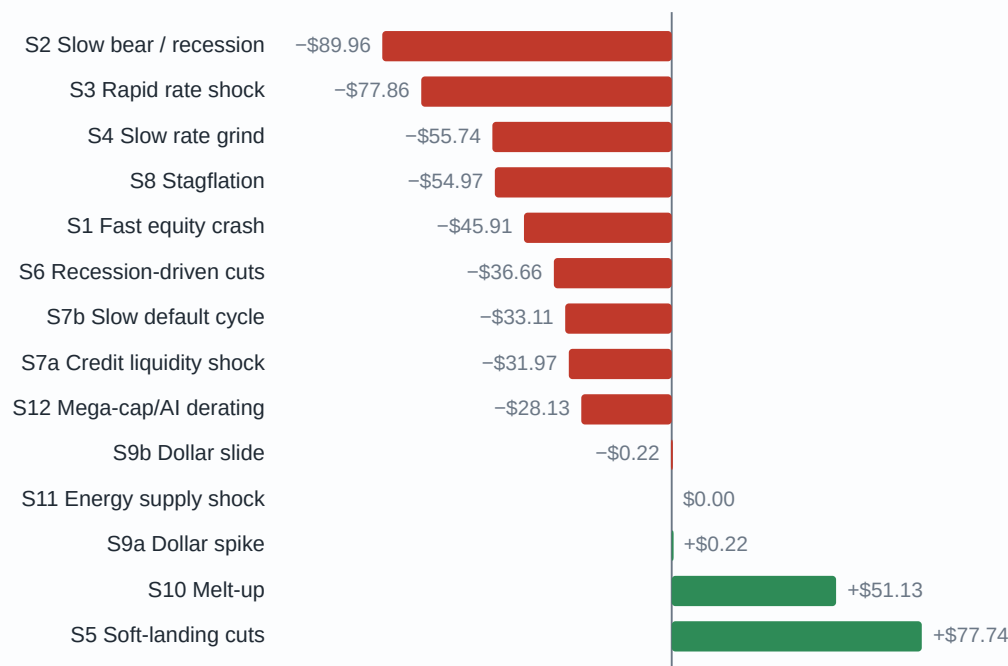
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	High-multiple stock de-rates; the biotech funding window shuts briefly	Med	–\$45.91
S2 Slow bear / recession	–	Biotech funding dries up; cancellations rise; utilization falls. Smaller than Base – Bear (\$209.53) on purpose: transitory, while the bear case is a permanent slowdown and de-rating	High	–\$89.96
S3 Rapid rate shock	–	Higher discount rate on a long-duration multiple; higher rates close the biotech equity window	High	–\$77.86
S4 Slow rate grind	–	Same channels, grinding	Med	–\$55.74
S5 Soft-landing cuts	+	Lower rates reopen biotech funding; more small-sponsor trial starts	High	+\$77.74
S6 Recession-driven cuts	–	Funding stress for small sponsors outweighs the lower discount rate	Low	–\$36.66
S7a Credit liquidity shock	–	Net cash, so no balance-sheet channel; a brief funding freeze delays awards	Low	–\$31.97
S7b Slow default cycle	–	Cash-poor small biotechs fail or cancel trials	Low	–\$33.11
S8 Stagflation	–	Higher discount rate; clinical-staff wage inflation; tighter funding	Med	–\$54.97
S9a Dollar spike	+	USD-priced contracts with European and Asian staff costs	Low	+\$0.22
S9b Dollar slide	–	Mirror of S9a	Low	–\$0.22
S10 Melt-up	+	Biotech IPO window opens; momentum lifts the premium multiple	Med	+\$51.13
S11 Energy supply shock	0	No material effect, not modeled	Low	\$0.00
S12 Mega-cap/AI derating	–	Premium-multiple growth stocks de-rate in a leadership unwind	Low	–\$28.13

Currently active/on watch per the playbook: `state.md` lists S3 as partially active, and the macro log records all three legs crossed on 2026-09-24/25 (10Y 5.17%). S8, S10 and S11 are on watch. S3 is a High row here, and S8 and S10 are Med.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- Backlog growth reaccelerates above 10% y/y with book-to-bill above 1.2x for two quarters, so today's growth rate is funded; or
- The price falls toward ~25x EBITDA without a change in fundamentals.

Downgrades (conviction) if:

- Q3 or Q4 book-to-bill falls below 1.1x, or cancellations rise; or
- FY2027 guidance implies revenue growth below 8%.

Watch items

- **W1:** Q3 2026 net new awards, book-to-bill (Q2 1.13x) and cancellations. Source: Q3 2026 release (late October 2026). *Model: rev_growth*
- **W2:** Backlog growth y/y (Q2 +4.9%) and conversion rate (Q2 24.1%). Source: Q3 2026 release. *Model: rev_growth*
- **W3:** EBITDA margin against the 22.1% FY2026 guide midpoint, and pass-through share of revenue. Source: Q3 2026 release. *Model: ebitda_margin*
- **W4:** FY2027 guidance for revenue and EBITDA. Source: Q4 2026 release (February 2027). *Model: rev_growth, ebitda_margin*

Sources

- Medpace statistics, financials, cash flow, balance sheet, ratios — <https://stockanalysis.com/stocks/medp/statistics/> · <https://stockanalysis.com/stocks/medp/financials/> · <https://stockanalysis.com/stocks/medp/financials/cash-flow-statement/> ·

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- Medpace Q2 2026 results (8-K ex. 99.1, 2026-07-22) — <https://www.sec.gov/Archives/edgar/data/0001668397/000166839726000023/medp-2026722exx991.htm> — accessed 2026-09-26
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- ICON Q2 2026 results — <https://www.iconplc.com/news-events/press-releases/icon-reports-second-quarter-2026-results-0> — accessed 2026-09-26 (via search summary)
- IQVIA Q2 2026 earnings call highlights — <https://finance.yahoo.com/healthcare/articles/iqvia-holdings-inc-iqv-q2-210045582.html> — accessed 2026-09-26 (via search summary)
- Peer statistics: IQVIA <https://stockanalysis.com/stocks/iqv/statistics/> · ICON <https://stockanalysis.com/stocks/iclr/statistics/> · Charles River <https://stockanalysis.com/stocks/crl/statistics/> — accessed 2026-09-26
- Daily macro log (10Y, S3 status), [logs/macro-2026-09.md](#), 2026-09-25 entry

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.