

CoreLogic, Inc. (CLGX)

\$36.81 (As of 04/08/20)

Price Target (6-12 Months): **\$41.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/28/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:A

Value: B

Growth: B

Momentum: C

Summary

CoreLogic's investment in products and solutions, operational capabilities, technology platforms and infrastructure to build strong client partnerships ensures long-term revenue growth. Laser focus on operational excellence should keep the company's bottom line in good shape in the foreseeable future. Acquisitions overtime have enabled the company increase its market share in mortgage, real estate, insurance, capital markets, public sector and rental property markets. On the flip side, with goodwill constituting more than half of its total assets, CoreLogic's capital structure puts investors at risk, thereby weighing on the stock that has declined significantly over the past year. A high debt may limit the company's future expansion and worsen its risk profile. High customer concentration is also a concern for the company.

Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$51.75 - \$24.69
20 Day Average Volume (sh)	1,200,310
Market Cap	\$2.9 B
YTD Price Change	-15.8%
Beta	1.06
Dividend / Div Yld	\$0.88 / 2.4%
Industry	<u>Consulting Services</u>
Zacks Industry Rank	Top 10% (26 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.5%
Last Sales Surprise	1.5%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	04/22/2020
Earnings ESP	0.0%
P/E TTM	12.9
P/E F1	12.5
PEG F1	1.1
P/S TTM	1.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	430 E	447 E	428 E	404 E	1,729 E
2020	432 E	454 E	431 E	402 E	1,719 E
2019	418 A	460 A	459 A	426 A	1,762 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.55 E	\$0.84 E	\$0.65 E	\$0.50 E	\$2.99 E
2020	\$0.68 E	\$0.88 E	\$0.76 E	\$0.61 E	\$2.95 E
2019	\$0.45 A	\$0.82 A	\$0.82 A	\$0.77 A	\$2.83 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/08/2020. The reports text is as of 04/09/2020.

Overview

CoreLogic is a leading provider of property information, analytics, and data-enabled software platforms and services. The company offers software platforms and value-added business services to mortgage, insurance, real estate, capital markets, rental property markets and public sector in North America, Western Europe and Asia Pacific.

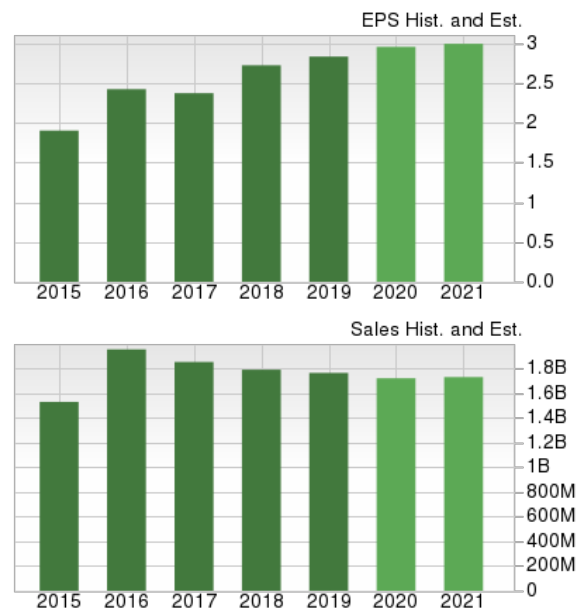
The company's databases encompass more than 900 million historical property transactions, 100 million mortgage applications and property-specific data covering roughly 99% of the United States residential properties, as well as commercial locations, totaling more than 150 million records. CoreLogic has built a proprietary parcel database that covers more than 150 million parcels across the United States. These databases provide clients with detailed coverage of property, mortgages, property risk and replacement cost, consumer credit, location, tenancy, hazard risk and related performance information.

CoreLogic operates two segments, **Property Intelligence & Risk Management Solutions (PIRM)** and **Underwriting & Workflow Solutions (UWS)**.

The PIRM segment is a provider of property-level insights, predictive analytics, and risk management capabilities by combining property, mortgage and consumer information. It also offers proprietary technology and software platforms to access, automate, or track this information and help clients with decision-making and compliance tools in the insurance, real estate, and the single and multifamily industry. This segment serves mortgage lenders and brokers, commercial banks, investment banks, real estate agents, fixed-income investors, property and casualty insurance companies, MLS companies, title insurance companies, government agencies, and government-sponsored enterprises.

The UWS segment is a provider of comprehensive mortgage origination and monitoring solutions that include underwriting-related solutions and data-enabled valuations and appraisals. The segment serves national and regional mortgage lenders and servicers, brokers, commercial banks, fixed-income investors, credit unions, government agencies, and property and casualty insurance companies.

Formerly, CoreLogic was The First American Corporation. It changed its name and went public in June 2010.



Reasons To Buy:

- ▲ CoreLogic is working on **strategic initiatives** aimed at long-term growth. It is investing in products and solutions, operational capabilities, technology platforms and infrastructure to build strong strategic client partnerships. It is building capabilities focused on data quality, structures and visualization, technology platforms and automation techniques to strengthen its position across multiple verticals and geographies and increase margin expansion capabilities.
- ▲ The company has a laser focus on **operational excellence**. It targets at least 30% adjusted EBITDA margin during 2020 though managing costs, consolidating facilities, simplifying the organization and automating certain activities. That should keep the bottom line in good shape in the foreseeable future.
- ▲ **Acquisitions** overtime have helped CoreLogic increase its market share in mortgage, real estate, insurance, capital markets, public sector and rental property markets. The company continues to explore acquisition opportunities that complement its strength and reduce risks. In 2018, CoreLogic acquired eTech Solutions, Breakaway Holdings, a la mode technologies and Symbility Solutions for total net cash of \$219.6 million. In 2019, CoreLogic completed the acquisition of National Tax Search for total net cash of around \$13.2 million. In 2020 so far, the company completed the acquisition of Location, Inc., a leader in geographic data sciences and predictive, location-based analytics for businesses across the U.S. and Canada.

CoreLogic benefits from operational capabilities, data and technology platforms, and acquisitions.

Reasons To Sell:

- ▼ With goodwill constituting more than 50% of its total assets, CoreLogic's **capital structure** puts investors at risk, thereby weighing on the stock that has declined 6.1% over the past year. This is because such a large percentage of assets won't actually fetch any cash if there is any problem with the company.
- ▼ CoreLogic's balance sheet is **highly leveraged**. As of Dec 31, 2019, long-term debt was \$1.6 billion while cash and cash equivalents were \$105.2 million. Such a cash position implies that the company needs to generate adequate amount of operating cash flow to service its debt. Also, high debt may limit the company's future expansion and worsen its risk profile.
- ▼ **Customer concentration** is high for CoreLogic. The company's 10 largest clients accounted for 29.8% of its operating revenues in 2019. Thus, loss of any of these customers or consolidation among them will have a significant material impact on the company's top line.

A highly leveraged balance sheet and customer concentration are concerns for CoreLogic.

Last Earnings Report

CoreLogic Surpasses Q4 Earnings and Revenues Beat Estimates

CoreLogic reported better-than-expected fourth-quarter 2019 results.

Adjusted earnings of 77 cents per share beat the Zacks Consensus Estimate by 8.5% and improved 60.4% year over year. Revenue growth, better business mix, and ongoing productivity and cost efficiency programs benefited the bottom line.

Revenues of \$426 million beat the consensus estimate by 1.5% and increased 5.6% year over year. Revenues benefited from the company's core mortgage and real estate solutions, improved U.S. mortgage unit volumes and an insurance-related acquisition in 2018. Benefits were partially offset by impacts of appraisal management company (AMC) transformation and divestment of technology-related platforms.

Other Quarterly Numbers

Underwriting & Workflow Solutions ("UWS") revenues came in at \$259 million, up 8% year over year. Property Intelligence & Risk Management Solutions ("PIRM") revenues of \$171 million increased 2% year over year.

Adjusted EBITDA of \$129 million improved 26% year over year. Adjusted EBITDA margin was 30% compared with 25% in the prior year. Operating income of \$56 million was up 95% and operating margin increased 600 basis points (bps) to 13%.

The company exited the quarter with cash and cash equivalents of \$105.2 million compared with \$88.2 million at the end of prior quarter. Long-term debt was \$1.6 billion at the end of the quarter.

The company generated \$117.1 million of cash from operating activities and CapEx was \$28.4 million. During the reported quarter, it repurchased 625,000 shares for \$25 million.

2020 Outlook

CoreLogic expects revenues in the range of \$1.69-\$1.73 billion. Adjusted EPS is anticipated in the range of \$2.8-\$3. Adjusted EBITDA is expected in the range of \$500-\$525 million. The company expects adjusted EBITDA margin to be 30%.

Quarter Ending **12/2019**

Report Date	Feb 26, 2020
Sales Surprise	1.50%
EPS Surprise	8.45%
Quarterly EPS	0.77
Annual EPS (TTM)	2.86

Recent News

On **Mar 12, 2020**, CoreLogic released the Home Equity Report for the fourth quarter of 2019. Per the report, U.S. homeowners with mortgages (which account for nearly 63% of all properties) have witnessed 5.4% year over year growth in equity. This represents a gain of almost \$489 billion since the fourth quarter of 2018.

On **Feb 11, 2020**, CoreLogic released its monthly Loan Performance Insights Report. Per the report, nationally, 3.9% of mortgages were in some stage of delinquency in November 2019. This represents a 0.1% decline in the overall delinquency rate compared with November 2018, when it was 4%.

Valuation

CoreLogic shares are down 15.8% in the year-to-date period and 6.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are down 17.9% and 15.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 6.8% and 9.1%, respectively.

The S&P 500 index is down 14.5% in the year-to-date period and 5% in the past year.

The stock is currently trading at 12.43X forward 12-month price-to-earnings, which compares to 19.25X for the Zacks sub-industry, 21.66X for the Zacks sector and 16.99X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.1X and as low as 11.78X, with a 5-year median of 19.34X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$41.00 price target reflects 13.85X price-to-earnings.

The table below shows summary valuation data for CLGX

Valuation Multiples - CLGX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	12.43	19.25	21.66	16.99
	5-Year High	27.10	24.11	25.13	19.34
	5-Year Low	11.78	18.67	18.67	15.19
	5-Year Median	19.34	20.9	20.52	17.44
P/S F 12M	Current	1.69	1.42	3.27	2.94
	5-Year High	2.47	1.73	3.94	3.44
	5-Year Low	1.41	1.28	3.05	2.54
	5-Year Median	1.97	1.5	3.56	3
P/B TTM	Current	3.06	4.41	3.37	3.54
	5-Year High	4.49	7.8	6.68	4.55
	5-Year Low	2.12	3.8	3.1	2.84
	5-Year Median	3.43	6.4	5.18	3.63

As of 04/08/2020

Industry Analysis Zacks Industry Rank: Top 10% (26 out of 253)



Top Peers

First American Financial Corporation (FAF)	Outperform
Black Knight Financial Services, Inc. (BKI)	Neutral
Broadridge Financial Solutions, Inc. (BR)	Neutral
Equifax, Inc. (EFX)	Neutral
Fair Isaac Corporation (FICO)	Neutral
RealPage, Inc. (RP)	Neutral
TransUnion (TRU)	Neutral
Verisk Analytics, Inc. (VRSK)	Neutral

Industry Comparison Industry: Consulting Services				Industry Peers		
	CLGX Neutral	X Industry	S&P 500	BKI Neutral	FAF Outperform	VRSK Neutral
VGM Score	A	-	-	C	A	C
Market Cap	2.91 B	478.58 M	19.05 B	9.49 B	5.11 B	24.16 B
# of Analysts	6	3	13	7	2	11
Dividend Yield	2.39%	0.00%	2.23%	0.00%	3.89%	0.73%
Value Score	B	-	-	D	A	D
Cash/Price	0.05	0.07	0.06	0.00	0.33	0.01
EV/EBITDA	13.08	13.08	11.47	20.75	3.27	26.23
PEG Ratio	1.19	1.13	2.00	2.09	NA	2.78
Price/Book (P/B)	3.08	2.60	2.56	4.99	1.15	10.78
Price/Cash Flow (P/CF)	7.14	12.85	10.14	19.18	6.27	23.06
P/E (F1)	13.12	16.25	16.97	31.34	8.45	30.39
Price/Sales (P/S)	1.65	1.15	2.01	8.06	0.82	9.27
Earnings Yield	8.01%	6.17%	5.81%	3.19%	11.85%	3.29%
Debt/Equity	2.03	0.42	0.70	0.77	0.00	1.26
Cash Flow (\$/share)	5.16	1.56	7.01	3.30	7.22	6.45
Growth Score	B	-	-	B	A	B
Hist. EPS Growth (3-5 yrs)	10.75%	12.56%	10.92%	17.77%	19.36%	10.81%
Proj. EPS Growth (F1/F0)	4.30%	6.39%	-0.64%	1.44%	-7.03%	11.71%
Curr. Cash Flow Growth	4.63%	6.37%	5.93%	6.76%	20.75%	6.53%
Hist. Cash Flow Growth (3-5 yrs)	9.71%	9.73%	8.55%	43.76%	18.51%	13.86%
Current Ratio	1.23	1.80	1.24	0.98	0.81	0.50
Debt/Capital	67.01%	29.39%	42.36%	43.56%	0.00%	55.85%
Net Margin	2.80%	5.09%	11.64%	10.31%	11.41%	17.26%
Return on Equity	20.87%	12.31%	16.74%	13.77%	15.68%	33.49%
Sales/Assets	0.42	0.88	0.54	0.29	0.54	0.40
Proj. Sales Growth (F1/F0)	-2.45%	2.70%	0.61%	2.04%	2.03%	8.22%
Momentum Score	C	-	-	A	C	C
Daily Price Chg	7.32%	2.58%	4.33%	2.13%	7.05%	1.04%
1 Week Price Chg	-12.67%	0.09%	-4.40%	1.42%	-9.15%	2.82%
4 Week Price Chg	-19.28%	-7.89%	-1.70%	0.00%	-21.49%	-1.96%
12 Week Price Chg	-17.91%	-18.83%	-20.64%	-3.96%	-23.44%	-6.27%
52 Week Price Chg	-6.12%	-17.06%	-12.97%	15.80%	-15.85%	10.34%
20 Day Average Volume	1,200,310	191,798	4,016,075	1,309,409	1,885,252	1,314,392
(F1) EPS Est 1 week change	0.00%	0.00%	-0.26%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	-1.54%	-5.64%	0.00%	0.00%	-0.83%
(F1) EPS Est 12 week change	2.23%	-1.30%	-7.49%	-0.29%	5.21%	0.58%
(Q1) EPS Est Mthly Chg	0.00%	-3.75%	-9.90%	0.00%	0.00%	-1.10%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	B
Momentum Score	C
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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