

CoreLogic, Inc. (CLGX)

\$66.06 (As of 07/13/20)

Price Target (6-12 Months): **\$76.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 07/12/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: B

Summary

CoreLogic's shares have outperformed its industry in the past year, partly due to consecutive earnings and revenue beat in the four quarters of 2019 and raised full year 2020 guidance. 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 bottom line in good shape in the foreseeable future. Acquisitions have helped 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. A debt-laden balance sheet and high customer concentration acts as major concerns for the company.

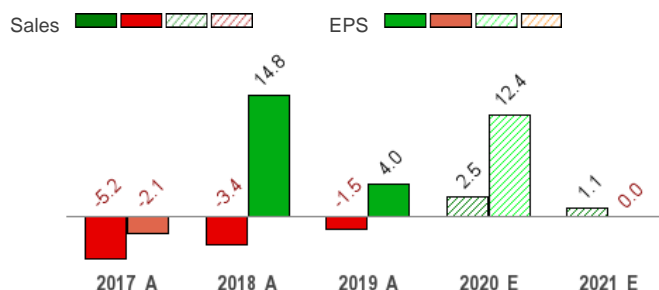
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$69.36 - \$24.69
20 Day Average Volume (sh)	2,268,857
Market Cap	\$5.2 B
YTD Price Change	50.7%
Beta	1.34
Dividend / Div Yld	\$0.88 / 1.3%
Industry	Consulting Services
Zacks Industry Rank	Bottom 17% (209 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.1%
Last Sales Surprise	0.5%
EPS F1 Est- 4 week change	11.0%
Expected Report Date	07/22/2020
Earnings ESP	11.9%
P/E TTM	20.8
P/E F1	20.8
PEG F1	1.7
P/S TTM	2.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	414 E	444 E	459 E	429 E	1,825 E
2020	444 A	464 E	456 E	426 E	1,806 E
2019	418 A	460 A	459 A	426 A	1,762 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.50 E	\$0.82 E	\$0.92 E	\$0.84 E	\$3.18 E
2020	\$0.76 A	\$0.82 E	\$0.87 E	\$0.75 E	\$3.18 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 07/13/2020. The reports text is as of 07/14/2020.

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.

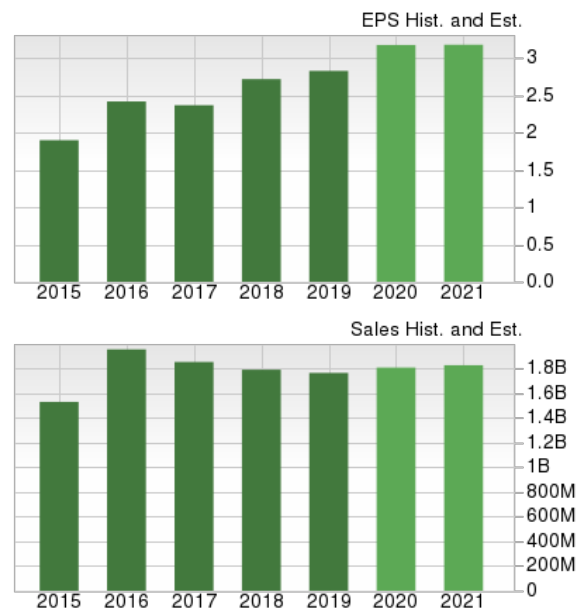
The company's databases encompass more than 900 million historical property transactions, 100 million mortgage applications and property-specific data covering roughly 99% of the United States residential properties, as well as commercial locations, totaling more than 150 million records. CoreLogic has 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's **shares have gained** 49.7% over the past year, outperforming the industry's growth of 9.2%. The price performance partly reflects better-than-expected earnings and revenue performance in all four quarters of 2019. While the top line benefited from strength in the company's core mortgage and insurance and spatial solutions, the bottom line was aided by revenue growth, operating leverage, better business mix and cost-efficiency programs. Additionally, the company has raised the guidance for the second quarter as well as full year 2020. For second-quarter 2020, the company now expects revenues of \$455-\$465 million compared with the prior guidance of \$420-\$445 million, provided along with first-quarter results on Apr 30. Adjusted EBITDA is now anticipated between \$145 million and \$150 million compared with the prior guidance of \$120-\$135 million. For full year, the company now expects revenues of \$1.84-\$1.88 billion for 2020 compared with the prior guidance of \$1.69-\$1.73 billion. Adjusted earnings per share are now anticipated between \$3.40 and \$3.60 compared with the prior guidance of \$2.80-\$3.00. Adjusted EBITDA is now anticipated between \$565 million and \$585 million compared with the prior guidance of \$500-\$525 million. The new financial guidance indicates market share gains, major new business wins and the latest estimates of housing market activity.

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

Risks

- With goodwill constituting more than 50% of its total assets, CoreLogic's **capital structure** puts investors at risk. This is because such a large percentage of assets won't actually fetch any cash if there is any problem with the company.
 - CoreLogic has a **debt-laden balance sheet**. Total debt at the end of first-quarter 2020 was \$1.67 billion, in line with the prior quarter. The total debt to total capital ratio of 0.64 is higher than the industry's 0.20 and the previous quarter's 0.63. An increase in debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of \$153 million at the end of the first quarter was well below this debt level, underscoring that the company doesn't have enough cash to meet this debt burden. The cash level, however, can meet the short-term debt of \$78 million.
 - **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.
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Last Earnings Report

CoreLogic Surpasses Q1 Earnings and Revenues Estimates

CoreLogic reported better-than-expected first-quarter 2020 results.

Adjusted earnings of 76 cents per share beat the Zacks Consensus Estimate by 4% and surged 69% year over year. Revenue growth, operating leverage, better business mix and cost productivity benefited the bottom line.

Revenues of \$444 million marginally beat the consensus estimate as well as increased 6% year over year. Revenues benefited from strength in the company's core mortgage and insurance and spatial solutions.

In the quarter, the company witnessed coronavirus-related negative impact of around \$6 million on volume and revenues, mainly in its consumer credit-related businesses.

Other Quarterly Numbers

Underwriting & Workflow Solutions ("UWS") revenues came in at \$276 million, up 13% year over year. Property Intelligence & Risk Management Solutions ("PIRM") revenues of \$173 million decreased 2% year over year.

Adjusted EBITDA of \$130 million improved 33% year over year. Adjusted EBITDA margin was 29% expanded 600 basis points (bps). Operating income of \$67 million soared more than 100% and operating margin advanced a whopping 1000 bps to 15%.

The company exited the March-end quarter with cash and cash equivalents of \$152.8 million compared with the \$105.2 million recorded at the end of prior quarter. Long-term debt was \$1.6 billion at the end of the first quarter. The company generated \$112.9 million of cash from operating activities and CapEx was \$14.3 million. During the reported quarter, it repurchased 50,000 shares for \$2.4 million and paid out \$17.4 million in dividends.

Q2 Guidance

CoreLogic expects revenues of \$420-\$445 million, the mid-point (\$432.5 million). Adjusted EBITDA is projected at \$120-\$135 million.

2020 Outlook

CoreLogic estimates revenues in the \$1.69-\$1.73 billion band. The Zacks Consensus Estimate is pegged at \$1.71 billion. Adjusted EPS is anticipated in the range of \$2.8-\$3. Adjusted EBITDA is anticipated in the range of \$500-\$525 million. The company expects adjusted EBITDA margin to be 30%.

Quarter Ending **03/2020**

Report Date	Apr 30, 2020
Sales Surprise	0.54%
EPS Surprise	4.11%
Quarterly EPS	0.76
Annual EPS (TTM)	3.17

Recent News

On **Jul 7, 2020**, CoreLogic announced that its board of directors has rejected the acquisition proposal of \$65 per share, or \$7 billion, from Senator Investment Group LP and Cannae Holdings Inc. (received on Jun 26). Further, the company's board stated that the acquisition proposal not only undervalues the company but also raises serious regulatory concerns. It also does not seem to be a promising move for its shareholders.

On **Jul 7, 2020**, CoreLogic announced that it has raised the guidance for full year 2020. The company now expects revenues of \$1.84-\$1.88 billion compared with the prior guidance of \$1.69-\$1.73 billion. Adjusted earnings per share are now anticipated between \$3.40 and \$3.60 compared with the prior guidance of \$2.80-\$3.00. Adjusted EBITDA is now anticipated between \$565 million and \$585 million compared with the prior guidance of \$500-\$525 million. Further, the company also provided financial guidance for 2021 and 2022. For 2021, the company expects revenues in the range of \$1.91-\$1.95 billion. Adjusted EBITDA is anticipated between \$595 million and \$615 million. For 2022, the company expects revenues in the range of \$2.00-\$2.04 billion. Adjusted EBITDA is anticipated between \$630 million and \$650 million. The new financial guidance indicates market share gains, major new business wins and the latest estimates of housing market activity.

On **Jun 26, 2020**, CoreLogic announced that it has raised the guidance for the second quarter of 2020. The company is optimistic about its quarterly results on the back of persistent gains in market share along with operational efficiency, driven by higher U.S. mortgage market volumes. It now expects revenues of \$455-\$465 million compared with the prior guidance of \$420-\$445 million, provided along with first-quarter results on Apr 20. Adjusted EBITDA is now anticipated between \$145 million and \$150 million compared with the prior guidance of \$120-\$135 million.

On **Jun 22, 2020**, CoreLogic announced an agreement to offer its HomeVisit visual and marketing solutions to the 6,300 members of the Rhode Island State.

On **Apr 30, 2020**, CoreLogic announced that its board of directors has declared a quarterly cash dividend of 22 cents per share, payable on Jun 15, 2020 to shareholders of record on Jun 1, 2020.

Valuation

CoreLogic shares are up 50.7% in the year-to-date period and 49.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 2.8% while those in the Zacks Business Services sector are down 2.3% in the year-to-date period. Over the past year, the Zacks sub-industry is up 9.2% but the sector is down 1.8%.

The S&P 500 index is down 0.7% in the year-to-date period but up 6.5% in the past year.

The stock is currently trading at 20.72X forward 12-month price-to-earnings, which compares to 25.29X for the Zacks sub-industry, 29.55X for the Zacks sector and 22.69X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.86X and as low as 9.72X, with a 5-year median of 19.14X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$76.00 price target reflects 23.9X 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	20.72	25.29	29.55	22.69
	5-Year High	26.86	25.29	29.55	22.69
	5-Year Low	9.72	18.67	18.68	15.25
	5-Year Median	19.14	21.1	20.89	17.52
P/S F 12M	Current	2.94	1.85	4.09	3.55
	5-Year High	3.18	1.85	4.09	3.55
	5-Year Low	1.16	1.28	3.06	2.53
	5-Year Median	1.96	1.52	3.59	3.02
P/B TTM	Current	5.64	5.49	4.62	4.37
	5-Year High	5.88	7.8	6.71	4.56
	5-Year Low	2.12	3.8	3.28	2.83
	5-Year Median	3.45	6.33	5.21	3.7

As of 07/13/2020

Industry Analysis Zacks Industry Rank: Bottom 17% (209 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
CBIZ, Inc. (CBZ)	Neutral	3
Charles River Associates (CRAI)	Neutral	4
Exponent, Inc. (EXPO)	Neutral	3
FTI Consulting, Inc. (FCN)	Neutral	3
Huron Consulting Group Inc. (HURN)	Neutral	4
Gartner, Inc. (IT)	Neutral	4
PAGEGROUP PLC (MPGPF)	Neutral	2
NV5 Global, Inc. (NVEE)	Underperform	3

Industry Comparison Industry: Consulting Services				Industry Peers		
	CLGX	X Industry	S&P 500	FCN	HURN	MPGPF
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	4	2
VGM Score	B	-	-	D	D	-
Market Cap	5.23 B	644.52 M	21.41 B	4.06 B	976.11 M	NA
# of Analysts	6	3	14	2	3	1
Dividend Yield	1.34%	0.00%	1.92%	0.00%	0.00%	%
Value Score	C	-	-	C	D	C
Cash/Price	0.03	0.08	0.07	0.05	0.15	NA
EV/EBITDA	18.42	12.33	12.70	12.12	12.13	NA
PEG Ratio	1.73	1.73	2.87	NA	2.33	NA
Price/Book (P/B)	5.64	2.57	3.02	2.77	1.86	NA
Price/Cash Flow (P/CF)	12.78	12.96	11.61	15.22	9.39	NA
P/E (F1)	20.77	22.38	21.07	19.77	32.61	NA
Price/Sales (P/S)	2.93	1.16	2.23	1.69	0.99	NA
Earnings Yield	4.83%	4.49%	4.47%	5.06%	3.07%	NA%
Debt/Equity	1.71	0.68	0.76	0.33	0.99	NA
Cash Flow (\$/share)	5.16	1.61	6.94	7.20	4.55	0.40
Growth Score	B	-	-	D	D	F
Hist. EPS Growth (3-5 yrs)	10.57%	11.46%	10.85%	33.55%	-8.79%	NA
Proj. EPS Growth (F1/F0)	12.31%	-10.43%	-9.37%	-4.48%	-52.19%	-65.85%
Curr. Cash Flow Growth	4.63%	7.21%	5.51%	36.49%	9.24%	NA
Hist. Cash Flow Growth (3-5 yrs)	9.71%	9.73%	8.55%	18.21%	-1.64%	10.88%
Current Ratio	1.38	2.08	1.30	2.36	3.01	NA
Debt/Capital	63.16%	40.57%	44.46%	25.08%	49.71%	NA
Net Margin	4.56%	4.67%	10.59%	8.76%	-0.39%	NA
Return on Equity	24.23%	12.91%	15.75%	14.89%	11.03%	NA
Sales/Assets	0.43	0.88	0.55	0.90	0.86	NA
Proj. Sales Growth (F1/F0)	0.76%	-0.87%	-2.54%	2.06%	-11.10%	-26.82%
Momentum Score	B	-	-	C	C	-
Daily Price Chg	-1.92%	-0.60%	-0.19%	-1.58%	-0.60%	NA%
1 Week Price Chg	1.04%	-1.16%	-0.41%	-5.73%	-2.18%	NA%
4 Week Price Chg	38.49%	0.42%	-0.91%	4.99%	0.42%	NA%
12 Week Price Chg	85.06%	5.47%	10.22%	-16.57%	-10.63%	NA
52 Week Price Chg	49.66%	-20.74%	-7.40%	18.03%	-20.74%	NA
20 Day Average Volume	2,268,857	153,003	2,267,087	748,433	130,422	0
(F1) EPS Est 1 week change	7.96%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	10.98%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	9.49%	-17.71%	-6.60%	-5.06%	-53.27%	566.67%
(Q1) EPS Est Mthly Chg	23.58%	0.00%	0.00%	0.00%	0.00%	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	C
Growth Score	B
Momentum Score	B
VGM Score	B

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.

Disclosures

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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