

CoreLogic, Inc. (CLGX)

\$50.45 (As of 02/18/20)

Price Target (6-12 Months): **\$55.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/28/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

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 helped the company increase its market share in mortgage, real estate, insurance, capital markets, public sector and rental property markets. However, 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 underperformed the industry in 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.

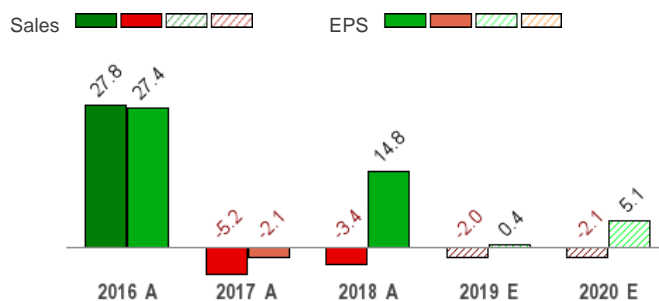
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$50.76 - \$35.62
20 Day Average Volume (sh)	631,793
Market Cap	\$4.0 B
YTD Price Change	15.4%
Beta	0.72
Dividend / Div Yld	\$0.88 / 1.7%
Industry	Consulting Services
Zacks Industry Rank	Top 33% (84 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-1.2%
Last Sales Surprise	1.6%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/25/2020
Earnings ESP	0.0%
P/E TTM	19.6
P/E F1	17.6
PEG F1	1.6
P/S TTM	2.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	419 E	449 E	438 E	407 E	1,716 E
2019	418 A	460 A	459 A	417 E	1,753 E
2018	445 A	488 A	452 A	403 A	1,788 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.57 E	\$0.83 E	\$0.82 E	\$0.65 E	\$2.87 E
2019	\$0.45 A	\$0.82 A	\$0.82 A	\$0.66 E	\$2.73 E
2018	\$0.52 A	\$1.00 A	\$0.72 A	\$0.48 A	\$2.72 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 02/18/2020. The reports text is as of 02/19/2020.

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.

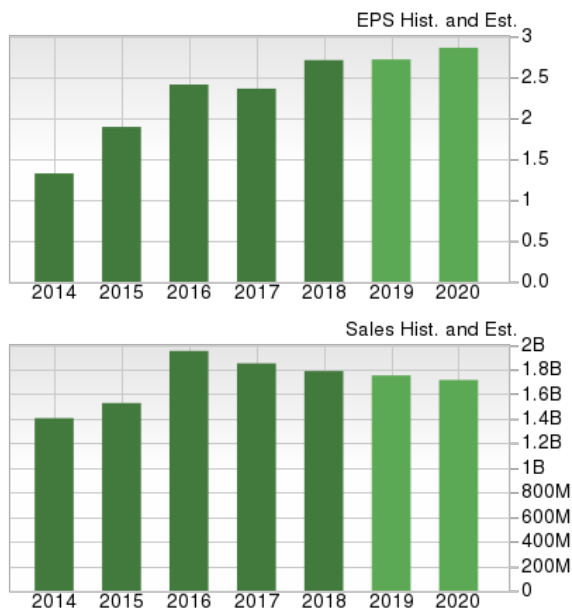
The company's databases encompass more than 900 million historical property transactions, 100 million mortgage applications and property-specific data covering roughly 99% of the United States residential properties, as well as commercial locations, totaling more than 150 million records. CoreLogic has 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.

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 underperformed the industry in the past year, gaining 26% compared with the industry's growth of 26.1%. 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 Sep 30, 2019, long-term debt was \$1.6 billion while cash and cash equivalents were \$88.2 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 31.3% of its operating revenues in 2018. 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 Lags Q3 Earnings Estimates, Beats on Revenues

CoreLogic reported mixed third-quarter 2019 results wherein earnings missed the Zacks Consensus Estimate but revenues beat the same.

Adjusted earnings per share of 82 cents missed the consensus mark by a penny but improved 13.9% year over year. Revenues of \$459 million beat the consensus estimate and the year-ago quarter's figure by 1.5%.

Operating income from continuing operations came in at \$74 million and grew 23% year over year. Operating margin of 16% went up roughly 280 basis points. Adjusted EBITDA of \$137 million grew 6% year over year. Adjusted EBITDA margin of 30% went up roughly 140 basis points.

At the end of third-quarter 2019, the company had cash and cash equivalents of \$88.2 million compared with \$82 million at the end of prior quarter. Long-term debt was \$1.64 billion compared with \$1.67 billion at the end of prior quarter.

During the reported quarter, the company repurchased 700,000 shares for \$33 million.

2019 Outlook

CoreLogic raised 2019 guidance for revenues, adjusted earnings per share and adjusted EBITDA. Revenues are now expected in the range of \$1.74-\$1.76 billion compared with the prior guided range of \$1.7-\$1.74 billion. Adjusted EPS is anticipated in the range of \$2.65-\$2.75 compared with the prior guided range of \$2.45 - \$2.70. Adjusted EBITDA is expected in the range of \$485-\$495 million compared with the prior guided range of \$460-\$490 million.

Quarter Ending **09/2019**

Report Date	Oct 23, 2019
Sales Surprise	1.62%
EPS Surprise	-1.20%
Quarterly EPS	0.82
Annual EPS (TTM)	2.57

Recent News

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%.

On **Dec 11, 2019**, CoreLogic announced initiation of quarterly cash dividend. A dividend of 22 cents per share is payable on Jan 24, 2020 to shareholders of record as of Jan 10, 2020.

Valuation

CoreLogic shares are up 26% over the trailing 12-month period. The Zacks sub-industry, sector and S&P 500 index are up 26.1%, 24.7% and 20.3%, respectively in the same time frame.

The stock is currently trading at 17.44X forward 12-month price-to-earnings, which compares to 24.02X for the Zacks sub-industry, 26.67X for the Zacks sector and 19.3X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.1X and as low as 12.9X, with a 5-year median of 19.4X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$55.00 price target reflects 19.03X 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	17.44	24.02	26.67	19.3
	5-Year High	27.1	24.12	26.67	19.34
	5-Year Low	12.9	18.67	18.78	15.18
	5-Year Median	19.44	20.97	20.59	17.47
P/S F12M	Current	2.33	1.71	4.27	3.57
	5-Year High	2.47	1.73	5.14	3.57
	5-Year Low	1.44	1.28	3.1	2.54
	5-Year Median	1.97	1.5	3.64	3
P/B TTM	Current	4.3	6.02	5.23	4.66
	5-Year High	4.49	7.8	6.72	4.68
	5-Year Low	2.51	4.78	4.13	2.85
	5-Year Median	3.42	6.43	5.27	3.62

As of 02/18/2020

Industry Analysis Zacks Industry Rank: Top 33% (84 out of 255)



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	B	-	-	F	A	C
Market Cap	4.01 B	657.64 M	24.50 B	11.20 B	7.39 B	28.11 B
# of Analysts	6	3	13	7	2	11
Dividend Yield	1.74%	0.00%	1.78%	0.00%	2.55%	0.58%
Value Score	B	-	-	F	B	D
Cash/Price	0.02	0.05	0.04	0.00	0.20	0.01
EV/EBITDA	12.43	16.87	14.25	26.70	7.35	26.69
PEG Ratio	1.61	1.60	2.08	2.48	NA	3.37
Price/Book (P/B)	4.30	2.92	3.28	6.00	1.67	13.62
Price/Cash Flow (P/CF)	10.17	16.58	13.68	24.20	9.42	28.47
P/E (F1)	17.67	21.82	19.12	37.16	12.67	35.43
Price/Sales (P/S)	2.31	1.65	2.67	9.52	1.19	10.78
Earnings Yield	5.69%	4.55%	5.23%	2.70%	7.89%	2.82%
Debt/Equity	1.75	0.30	0.70	0.84	0.00	1.40
Cash Flow (\$/share)	4.96	1.43	6.93	3.10	6.98	6.03
Growth Score	B	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	12.88%	14.89%	10.84%	17.77%	19.36%	11.20%
Proj. EPS Growth (F1/F0)	5.26%	8.05%	7.11%	1.29%	-9.90%	10.56%
Curr. Cash Flow Growth	14.15%	11.86%	7.81%	12.61%	16.76%	26.68%
Hist. Cash Flow Growth (3-5 yrs)	8.51%	6.95%	8.25%	200.58%	17.71%	13.83%
Current Ratio	1.11	1.77	1.24	1.35	0.83	0.85
Debt/Capital	63.69%	23.32%	42.37%	45.68%	0.00%	58.26%
Net Margin	1.83%	5.58%	11.76%	10.31%	11.41%	17.26%
Return on Equity	18.36%	12.24%	16.86%	13.88%	15.69%	33.93%
Sales/Assets	0.42	0.93	0.55	0.29	0.54	0.41
Proj. Sales Growth (F1/F0)	-2.13%	5.79%	4.05%	2.65%	2.03%	8.70%
Momentum Score	C	-	-	F	B	C
Daily Price Chg	0.52%	0.00%	-0.38%	0.70%	0.44%	0.11%
1 Week Price Chg	3.74%	2.51%	1.65%	8.25%	7.50%	1.34%
4 Week Price Chg	11.20%	1.86%	0.39%	13.09%	9.89%	6.36%
12 Week Price Chg	22.01%	6.51%	4.84%	19.26%	3.22%	16.09%
52 Week Price Chg	26.89%	13.65%	14.99%	42.85%	30.05%	37.88%
20 Day Average Volume	631,793	122,847	1,996,897	930,740	695,181	617,482
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.48%	1.96%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.01%	-0.48%	1.96%	-0.26%
(F1) EPS Est 12 week change	0.04%	0.00%	-0.21%	-2.40%	-0.70%	-0.13%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-0.26%	-2.56%	7.14%	0.00%

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	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.

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