

CoreLogic, Inc. (CLGX)

\$66.70 (As of 08/20/20)

Price Target (6-12 Months): **\$77.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 07/10/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: F

Summary

CoreLogic's shares have outperformed its industry in the past year, partly due to consecutive earnings and revenue beat in the past four quarters. 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.

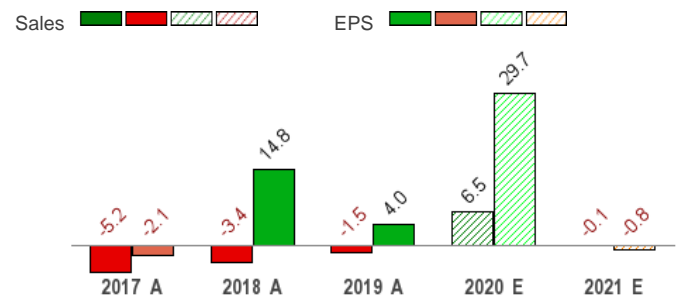
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$69.87 - \$24.69
20 Day Average Volume (sh)	749,634
Market Cap	\$5.3 B
YTD Price Change	52.6%
Beta	1.32
Dividend / Div Yld	\$1.32 / 1.3%
Industry	Consulting Services
Zacks Industry Rank	Top 21% (54 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	10.9%
Last Sales Surprise	2.9%
EPS F1 Est- 4 week change	0.5%
Expected Report Date	10/28/2020
Earnings ESP	0.0%
P/E TTM	19.8
P/E F1	18.2
PEG F1	1.5
P/S TTM	2.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	436 E	467 E	496 E	463 E	1,875 E
2020	444 A	477 A	496 E	459 E	1,877 E
2019	418 A	460 A	459 A	426 A	1,762 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.71 E	\$0.95 E	\$1.05 E	\$0.85 E	\$3.64 E
2020	\$0.76 A	\$1.02 A	\$1.05 E	\$0.82 E	\$3.67 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 08/20/2020. The reports text is as of 08/21/2020.

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.

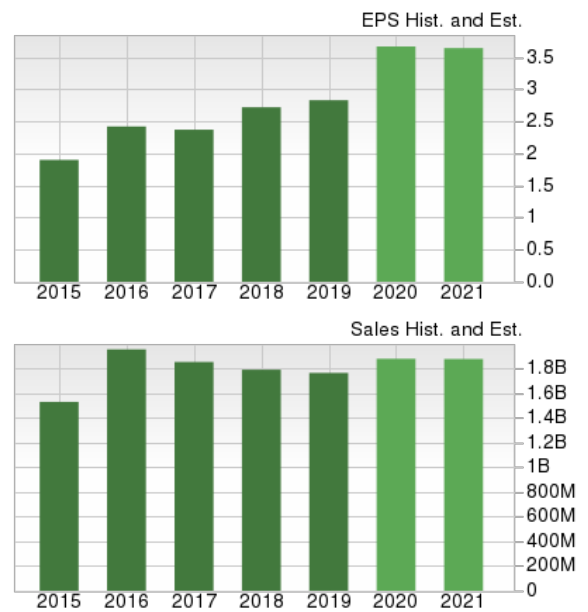
The company's databases encompass more than 900 million historical property transactions, 100 million mortgage applications and property-specific data covering roughly 99% of the United States residential properties, as well as commercial locations, totaling more than 150 million records. CoreLogic has 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 January 2020 acquisition of Location, Inc. should enhance the company's offering for property and casualty insurance by expanding capabilities in predictive, location-based analytics. In 2019, CoreLogic acquired National Tax Search to expand commercial tax capabilities for its customers. The company continues to explore acquisition opportunities that complement its strength and reduce risks.
- ▲ CoreLogic's **shares have gained** 38.4% over the past year, outperforming the industry's growth of 18%. The price performance partly reflects better-than-expected performance in the past four quarters. While the top line is benefiting from strength in the company's core mortgage and insurance and spatial solutions, the bottom line is being aided by revenue growth, operating leverage, better business mix and cost-efficiency programs.

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

Risks

- With goodwill constituting more than 55% 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's total debt to total capital ratio of 0.61 was higher than the industry's 0.20 at the end of the the second quarter of 2020. A high debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of \$137 million at the end of the quarter was well below the long term debt level of \$1.6 billion, 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 \$3 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 Earnings Beat Estimates in Q2

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

Adjusted earnings of \$1.02 per share beat the Zacks Consensus Estimate by 10.9% and also surged 69% year over year. Revenue growth, operating leverage, better business mix and cost productivity benefited the bottom line.

Revenues of \$477.5 million beat the consensus mark by 2.9% and also increased 3.9% year over year. The top line improved 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 \$15 million on revenues of both segments.

Other Quarterly Numbers

Underwriting & Workflow Solutions (UWS) revenues came in at \$305 million, up 9% year over year. Property Intelligence & Risk Management Solutions (PIRM) revenues of \$177 million decreased 3.8% year over year.

Adjusted EBITDA of \$158 million improved 18% year over year. Adjusted EBITDA margin of 33% expanded 400 basis points (bps).

The company exited the quarter with cash and cash equivalents of \$137.3 million compared with \$152.8 million recorded at the end of the prior quarter. Long-term debt was \$1.6 billion at the end of the quarter. The company generated \$130.2 million of cash from operating activities and CapEx was \$17.6 million. During the reported quarter, it repurchased 150,000 shares and paid out \$17.4 million in dividends.

Q3 Guidance

CoreLogic expects revenues of \$485-\$515 million. Adjusted EBITDA is projected within \$160-\$175 million. The impact of COVID-19 is expected to be around \$10-\$15 million on both revenues and adjusted EBITDA.

2020 Outlook

CoreLogic raised its guidance for the full year. The company estimates revenues in the \$1.86-\$1.895 billion band compared with the previous anticipation of \$1.84-\$1.88 million. Adjusted EPS is anticipated in the range of \$3.6-\$3.75 compared with the prior prediction of \$3.4-\$3.6.

Adjusted EBITDA is anticipated within \$580-\$600 million compared with the past expectation of \$565-\$586 million.

Quarter Ending 06/2020

Report Date	Jul 23, 2020
Sales Surprise	2.94%
EPS Surprise	10.87%
Quarterly EPS	1.02
Annual EPS (TTM)	3.37

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.

Valuation

CoreLogic shares are up 52.8% in the year-to-date period and 38.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 10% and 0.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 18% and the sector is up 1.8%.

The S&P 500 index is up 4.7% in the year-to-date period and 15.7% in the past year.

The stock is currently trading at 18.75X forward 12-month price-to-earnings, which compares to 26.51X for the Zacks sub-industry, 30.57X for the Zacks sector and 22.77X 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 Outperform recommendation indicates that the stock will perform better than the market. Our \$77.00 price target reflects 21.7X price-to-earnings.

The table below shows summary valuation data for CLGX

Valuation Multiples - CLGX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.75	26.51	30.57	22.77
	5-Year High	26.86	26.51	30.57	22.77
	5-Year Low	9.72	18.67	18.68	15.25
	5-Year Median	19.14	21.18	20.95	17.58
P/S F12M	Current	2.83	1.97	4.23	3.7
	5-Year High	3.18	1.97	4.23	3.7
	5-Year Low	1.16	1.28	3.06	2.53
	5-Year Median	1.96	1.53	3.6	3.05
P/B TTM	Current	5.29	5.67	4.41	4.53
	5-Year High	5.86	7.8	6.71	4.56
	5-Year Low	2.12	3.8	3.28	2.83
	5-Year Median	3.47	6.3	5.22	3.75

As of 08/20/2020

Industry Analysis Zacks Industry Rank: Top 21% (54 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
CBIZ, Inc. (CBZ)	Outperform	1
FTI Consulting, Inc. (FCN)	Outperform	2
Huron Consulting Group Inc. (HURN)	Outperform	3
Charles River Associates (CRAI)	Neutral	3
Exponent, Inc. (EXPO)	Neutral	3
Gartner, Inc. (IT)	Neutral	3
PAGEGROUP PLC (MPGPF)	Neutral	4
NV5 Global, Inc. (NVEE)	Neutral	1

Industry Comparison Industry: Consulting Services				Industry Peers		
	CLGX	X Industry	S&P 500	FCN	HURN	MPGPF
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Outperform	Neutral
Zacks Rank (Short Term)	1	-	-	2	3	4
VGM Score	D	-	-	B	A	A
Market Cap	5.30 B	693.88 M	23.46 B	4.32 B	1.09 B	1.71 B
# of Analysts	6	3	14	2	3	1
Dividend Yield	1.32%	0.00%	1.65%	0.00%	0.00%	0.00%
Value Score	D	-	-	B	A	B
Cash/Price	0.03	0.08	0.07	0.07	0.08	0.08
EV/EBITDA	18.59	12.61	13.34	12.56	12.66	6.06
PEG Ratio	1.51	1.53	3.00	NA	2.00	NA
Price/Book (P/B)	5.29	2.82	3.12	2.92	2.03	4.13
Price/Cash Flow (P/CF)	12.94	12.85	12.60	16.38	10.45	8.31
P/E (F1)	18.17	20.84	21.61	20.84	27.99	104.00
Price/Sales (P/S)	2.93	1.27	2.44	1.79	1.13	NA
Earnings Yield	5.50%	4.75%	4.43%	4.80%	3.57%	0.96%
Debt/Equity	1.56	0.65	0.76	0.32	0.74	0.00
Cash Flow (\$/share)	5.16	1.61	6.93	7.20	4.55	0.63
Growth Score	D	-	-	B	A	A
Hist. EPS Growth (3-5 yrs)	11.04%	11.18%	10.44%	34.13%	-8.42%	NA
Proj. EPS Growth (F1/F0)	29.57%	-8.29%	-5.53%	-2.41%	-37.96%	-87.80%
Curr. Cash Flow Growth	4.63%	8.06%	5.20%	36.49%	9.24%	24.80%
Hist. Cash Flow Growth (3-5 yrs)	9.71%	9.73%	8.52%	18.21%	-1.64%	10.59%
Current Ratio	1.68	1.83	1.33	2.18	1.95	1.80
Debt/Capital	60.98%	39.51%	44.50%	24.41%	42.59%	0.00%
Net Margin	8.09%	4.45%	10.13%	8.07%	-0.08%	NA
Return on Equity	25.08%	12.61%	14.67%	13.63%	10.81%	NA
Sales/Assets	0.44	0.86	0.51	0.89	0.84	NA
Proj. Sales Growth (F1/F0)	6.50%	0.00%	-1.54%	5.12%	-7.54%	-18.16%
Momentum Score	F	-	-	F	A	A
Daily Price Chg	-0.15%	0.00%	-0.59%	0.57%	-0.17%	0.00%
1 Week Price Chg	-0.87%	0.00%	1.09%	1.37%	3.14%	0.00%
4 Week Price Chg	-2.29%	2.10%	1.91%	5.12%	7.55%	NA%
12 Week Price Chg	34.78%	5.57%	6.82%	-3.39%	3.43%	NA
52 Week Price Chg	38.41%	-6.88%	1.47%	10.01%	-22.17%	-5.45%
20 Day Average Volume	749,634	114,965	1,873,576	401,201	133,998	352
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.46%	3.30%	1.79%	2.17%	29.77%	0.00%
(F1) EPS Est 12 week change	28.07%	3.88%	3.35%	2.17%	29.77%	266.67%
(Q1) EPS Est Mthly Chg	21.37%	0.00%	0.42%	-3.19%	8.97%	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	D
Growth Score	D
Momentum Score	F
VGM Score	D

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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