

Equifax Inc. (EFX)

\$141.71 (As of 05/04/20)

Price Target (6-12 Months): **\$151.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/21/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:F

Value: F

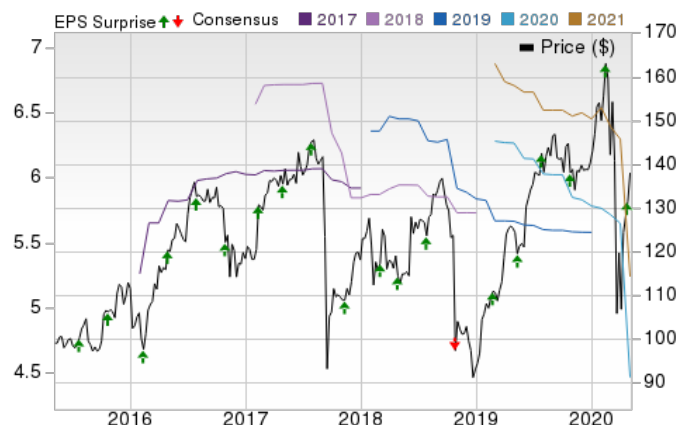
Growth: F

Momentum: D

Summary

Equifax's offerings are of great importance to its customers as they use the credit information and related analytical services and data to process applications for new credit cards, automobile loans, home and equity loans, and other consumer loans. Acquisitions help the company supplement its core business and form joint ventures to expand globally. It's diversified client base is beneficial as weakness in any sector can be balanced with strength in the others. Due to these tailwinds, shares of Equifax have outperformed its industry in the past year. However, Equifax continues to bear the brunt of higher costs as it has increased its spending on technology after the 2017 cyber-attack. High debt may limit the company's future expansion and worsen its risk profile. Seasonality is a concern.

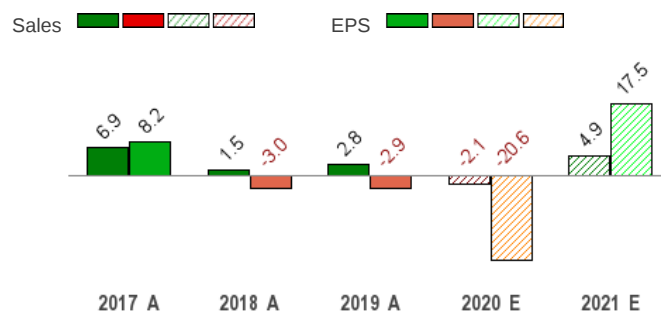
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$164.77 - \$103.01
20 Day Average Volume (sh)	989,855
Market Cap	\$17.2 B
YTD Price Change	1.1%
Beta	1.18
Dividend / Div Yld	\$1.56 / 1.1%
Industry	Financial Transaction Services
Zacks Industry Rank	Bottom 14% (217 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.5%
Last Sales Surprise	4.2%
EPS F1 Est- 4 week change	-20.4%
Expected Report Date	07/22/2020
Earnings ESP	0.0%
P/E TTM	24.4
P/E F1	31.8
PEG F1	3.7
P/S TTM	4.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	904 E	807 E	824 E	861 E	3,602 E
2020	958 A	802 E	818 E	849 E	3,433 E
2019	846 A	880 A	876 A	906 A	3,508 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.25 E	\$1.15 E	\$1.24 E	\$1.39 E	\$5.24 E
2020	\$1.40 A	\$0.86 E	\$0.99 E	\$1.18 E	\$4.46 E
2019	\$1.20 A	\$1.40 A	\$1.48 A	\$1.53 A	\$5.62 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 05/04/2020. The reports text is as of 05/05/2020.

Overview

Equifax Inc. is a global data, analytics and technology company. The company provides information solutions and human resources business-process outsourcing services for businesses, governments and consumers. Its services are based on comprehensive databases of consumer and business information derived from numerous sources including credit, financial assets, telecommunications and utility payments, employment, income, demographic and marketing data.

It has a large and diversified group of clients, including financial institutions, corporations, governments and individuals.

Currently, Equifax operates in four global regions: North America (U.S. and Canada), Asia Pacific (Australia, New Zealand and India), Europe (the United Kingdom (U.K.), Spain and Portugal) and Latin America (Argentina, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Paraguay, Peru and Uruguay).

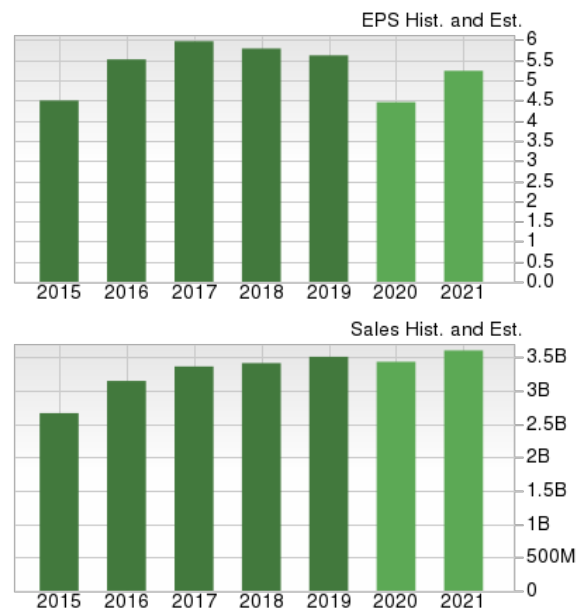
The company reports its businesses through four operating segments — U.S. Information Solutions (USIS), International, Workforce Solutions and Global Consumer Solutions.

USIS segment (37% of 2019 revenues) provides consumer and commercial information services (online information, decisioning technology solutions, fraud and identity management services, analytical services, portfolio management services, mortgage reporting and marketing services) to businesses in the U.S.

The International segment (26%) comprises Canada, Europe, Latin America and Asia-Pacific business units. It offers products and services similar to those available in the USIS operating segment but with variations by geographic region. It also provides information, technology and services to support debt collections and recovery management.

Workforce Solutions (27%): This segment includes employment, income and social security number verification services as well as complementary payroll-based transaction services and employment tax management services.

Global Consumer Solutions (10%): This segment includes credit information, credit monitoring and identity theft protection products sold directly and indirectly to consumers via the internet and through various hard-copy formats in the U.S., Canada, and the U.K.



Reasons To Buy:

▲ Equifax's offerings are of great importance to its customers as they use the credit **information and related analytical services** and data to process applications for new credit cards, automobile loans, home and equity loans and other consumer loans. The company uses advanced statistical techniques and proprietary tools to analyze all available data, creating customized insights, decision-making solutions and processing services. This helps customers understand, manage and protect their clients' information and take more informed financial decisions. We believe that a solid product portfolio and a clear understanding of the sector will keep Equifax ahead of its peers.

Management's efforts, such as strategic initiatives for product innovation and expansion of data assets through acquisitions should act as tailwinds.

▲ **Revenues have shown decent growth rates** in the last few years. Total revenues have grown at a compounded annual growth rate (CAGR) of 6% in the last five years (2015-2019). We believe synergies from acquisitions in addition to continued general consumer credit activity, product innovation, initiatives to foster enterprise growth and efficient business executions will continue to drive its revenues over the long run. This might have impacted the company's share price, which has improved 14.4% over the past year, outperforming the 3.8% growth of the industry it belongs to.

▲ Equifax has made **strategic acquisitions** to supplement its core business. Acquisitions, over time, have enabled the company to provide a broad insight into consumer performance, financial status, capabilities of customers and market opportunities. The acquisition of commercial credit risk underwriting and management solutions provider PayNet in 2019, is expected to strengthen the company's Commercial business, data assets, and analytics capabilities. The 2018 acquisition of DataX has added alternative credit and payment data, analytics and identity solutions for underbanked consumers to Equifax core credit database. This, in turn, enables Equifax expand borrowing options for the underbanked population in installment loan, rent-to-own and lease-to-own markets.

▲ Apart from acquisitions, Equifax has remained enthusiastic about forming **joint ventures** that could expand its business internationally. Joint ventures keep operating costs down and need no integration time while diversifying the revenue source. To tap the immense growth opportunity in the Brazilian credit data market, Equifax merged credit reporting operations of its Brazilian subsidiary with Boa Vista Servicos S.A., one of the largest consumer credit bureau in Brazil. Equifax owns 15% equity interest in Boa Vista. Equifax also owns 59.37% interest in the Indian credit reporting agency, Equifax Credit Information Services Private Limited. The company expects its investments in the joint ventures to yield desired results and help it to register solid growth over the long term.

▲ Equifax serves a **wide range of industries**, such as financial, mortgage, consumer, employees, telecommunications, automotive, commercial, retail, government, resellers, and others. This diversified client base is extremely beneficial as weakness in any sector can be balanced with strength in the others.

Reasons To Sell:

- ▼ The **cyber attack** at Equifax, under which criminals stolen highly sensitive personal data of approximately 143 million of its consumers, has heavily tarnished the brand image, reputation and credibility of the company. We believe that the incident will certainly have an adverse impact on the company's financial performance in the near term. Equifax's 2019 earnings faced the brunt of data breach where customers were seen cautious about the company's cybersecurity practices thereby deferring their purchases.
- ▼ **Seasonality** affects Equifax's revenue streams. Revenues from the online consumer information services component of the company's USIS segment are lowest during the first quarter of each year as consumer lending activity is at a seasonal low. Revenues from the Employer Services business unit within the company's Workforce Solutions segment are lower in second, third and fourth quarters compared with the first quarter. Revenues generated from financial wealth asset products and data management services in the company's Financial Marketing Services business are lower in first, second and third quarters compared with the fourth quarter of a year.
- ▼ Equifax has a **debt-laden balance sheet**. Total debt at the end of first-quarter 2020 was \$3.51 billion, up from \$3.38 billion at the end of the prior quarter. The debt-to-capital ratio of 59.1 is higher than the previous quarter's 56.3. An increase in debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of \$370 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 \$3 million.

The massive data breach at Equifax will certainly have an adverse impact on its financial performance in the near term.

Last Earnings Report

Equifax Tops Q1 Earnings and Revenue Estimates

Equifax reported solid first-quarter 2020 results, wherein the company's earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings of \$1.40 per share beat the consensus mark by 8.5% and improved 16% on a year-over-year basis. The reported figure exceeded the guided range of \$1.29-\$1.34.

Revenues of \$957.9 million outpaced the consensus estimate by 4.2% and improved 13% year over year on a reported basis and 15% on a local currency basis. The reported figure exceeded the guided range of \$915-\$930 million.

Quarter Ending **03/2020**

Report Date	Apr 20, 2020
Sales Surprise	4.22%
EPS Surprise	8.53%
Quarterly EPS	1.40
Annual EPS (TTM)	5.81

Segmental Revenues

Revenues in the USIS division came in at \$343.2 million, up 15% from the year-ago quarter. Within the division, Online Information Solutions revenues of \$252.8 million were up 16% year over year. Mortgage Solutions revenues of \$42.8 million improved 33% year over year. Financial Marketing Services revenues came in at \$47.6 million, down 2% year over year. The segment contributed 36% to total revenues.

Revenues in the International division totaled \$216 million, down 4% year over year on a reported basis but up 3% on a local currency basis. Asia Pacific revenues of \$69.7 million declined 5% year over year on a reported basis but grew 3% on a local currency basis. Revenues from Europe came in at \$66.4 million, which decreased 3% year over year on a reported basis and 1% on a local currency basis. Latin America revenues of \$43.2 million declined 8% year over year on a reported basis but grew 9% on a local currency basis. Canada revenues of \$36.7 million rose 1% year over year on a reported basis and 2% on a local currency basis. The International segment contributed 23% to total revenues.

Revenues in the Workforce Solutions segment totaled \$301.6 million, up 32% from the year-ago quarter's figure. Within the segment, Verification Services revenues of \$220.2 million were up 48% year over year. Employer Services revenues of \$81.4 million were up 2% year over year. Workforce Solutions contributed 31% to total revenues.

Revenues in the Global Consumer Solutions segment amounted to \$97.1 million, up 3% year over year on a reported basis and local currency basis. The segment contributed 10% to total revenues.

Operating Results

Adjusted EBITDA margin in the first quarter of 2020 rose to 32.4% from 30.5% in the year-ago quarter.

Adjusted EBITDA margin for USIS was 44.7% compared with 42.9% in the year-ago quarter. Adjusted EBITDA margin for the International segment was 27.8% compared with 25.3% in the prior-year quarter. Workforce Solutions' adjusted EBITDA margin was 51.5% compared with 49.4% a year ago. Adjusted EBITDA margin for Global Consumer Solutions was 23.1% compared with 23.9% in the year-ago quarter.

Balance Sheet and Cash Flow

Equifax exited first-quarter 2020 with cash and cash equivalents of \$369.9 million compared with \$401.3 million at the end of the prior quarter. Long-term debt was \$3.51 billion compared with \$3.38 billion at the end of the prior quarter.

The company generated \$30.8 million of cash from operating activities and capex was \$88 million. Also, Equifax paid out dividend of \$47.3 million to shareholders in the reported quarter.

Recent News

On **Apr 27, 2020**, Equifax announced that it has decided to hold its 2020 annual shareholders meeting virtually, considering the current situations related to coronavirus outbreak. Further, the meeting time has also been set as per the technical requirements of the virtual meeting website.

On **Apr 9, 2020**, Equifax announced that it has appointed Lindsay Parker to a dual role of enterprise chief marketing officer and U.S. Information Services (USIS) marketing officer, effective Apr 13.

On **Feb 24, 2020**, Equifax declared a quarterly dividend of 39 cents per share, which is payable on Mar 13 to shareholders as of Mar 4.

On **Feb 24, 2020** Equifax announced a new Mortgage Servicing Product Bundle, a fully-customized package of its solutions that are designed to support financial institutions throughout the loan servicing lifecycle

On **Feb 14, 2020**, Equifax announced a strategic relationship with V12 to deliver digital marketing solutions for the automotive industry.

Valuation

Equifax shares are up 1.1% in the year-to-date period and 14.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are down 9.8% and 12.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 3.8% but the sector is down 7.6%.

The S&P 500 index is down 11.7% in the year-to-date period and 3.3% in the past year.

The stock is currently trading at 29.99X forward 12-month price-to-earnings, which compares to 27.82X for the Zacks sub-industry, 25.77X for the Zacks sector and 20.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.14X and as low as 14.48X, with a 5-year median of 21.53X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$151.00 price target reflects 31.96X price-to-earnings.

The table below shows summary valuation data for EFX

Valuation Multiples - EFX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	29.99	27.82	25.77	20.16
	5-Year High	30.14	28.03	25.77	20.16
	5-Year Low	14.48	20.78	18.68	15.19
	5-Year Median	21.53	23.09	20.56	17.44
P/S F 12M	Current	4.93	10.22	3.66	3.19
	5-Year High	5.28	10.7	3.94	3.44
	5-Year Low	3.07	7.19	3.05	2.54
	5-Year Median	4.36	8.7	3.57	3.01
P/B TTM	Current	7.08	6.82	4.04	3.75
	5-Year High	7.52	12.79	6.69	4.55
	5-Year Low	3.35	5.23	3.19	2.84
	5-Year Median	5.46	8.08	5.18	3.64

As of 05/04/2020

Industry Analysis Zacks Industry Rank: Bottom 14% (217 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Cardtronics PLC (CATM)	Neutral	4
Diebold Nixdorf, Incorporated (DBD)	Neutral	3
Fiserv, Inc. (FISV)	Neutral	3
FleetCor Technologies, Inc. (FLT)	Neutral	4
Global Payments Inc. (GPN)	Neutral	4
Usio Inc (USIO)	Neutral	3
WEX Inc. (WEX)	Neutral	4
The Western Union Company (WU)	Neutral	4

Industry Comparison Industry: Financial Transaction Services				Industry Peers		
	EFX	X Industry	S&P 500	FISV	FLT	GPN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	4	4
VGM Score	F	-	-	C	C	F
Market Cap	17.20 B	1.84 B	19.65 B	68.68 B	19.80 B	48.74 B
# of Analysts	11	6	14	15	11	14
Dividend Yield	1.10%	0.00%	2.19%	0.00%	0.00%	0.48%
Value Score	F	-	-	D	F	F
Cash/Price	0.02	0.08	0.06	0.01	0.08	0.03
EV/EBITDA	1,271.04	11.98	11.76	26.81	14.21	31.78
PEG Ratio	3.80	1.70	2.48	1.63	1.64	1.56
Price/Book (P/B)	7.08	2.81	2.63	2.00	5.42	1.74
Price/Cash Flow (P/CF)	16.77	10.81	10.38	15.16	15.55	23.11
P/E (F1)	32.48	22.64	18.81	22.37	20.58	26.85
Price/Sales (P/S)	4.75	3.39	2.02	6.74	7.47	9.92
Earnings Yield	3.15%	4.36%	5.07%	4.47%	4.86%	3.73%
Debt/Equity	1.44	0.35	0.73	0.62	0.89	0.32
Cash Flow (\$/share)	8.45	2.63	7.01	6.70	14.90	7.03
Growth Score	F	-	-	A	B	D
Hist. EPS Growth (3-5 yrs)	5.44%	17.05%	10.87%	17.05%	19.65%	21.70%
Proj. EPS Growth (F1/F0)	-20.67%	-6.07%	-8.14%	13.47%	-4.48%	-2.76%
Curr. Cash Flow Growth	0.48%	13.97%	5.88%	147.85%	8.28%	50.80%
Hist. Cash Flow Growth (3-5 yrs)	8.37%	14.60%	8.55%	29.38%	19.24%	39.74%
Current Ratio	1.00	1.10	1.25	1.08	1.03	1.22
Debt/Capital	59.06%	34.92%	44.07%	38.74%	46.99%	24.47%
Net Margin	7.45%	8.29%	11.00%	8.77%	33.79%	8.77%
Return on Equity	27.87%	19.57%	16.43%	11.78%	27.07%	7.25%
Sales/Assets	0.48	0.47	0.55	0.22	0.22	0.17
Proj. Sales Growth (F1/F0)	-2.13%	-3.64%	-1.76%	41.57%	-3.45%	22.58%
Momentum Score	D	-	-	D	C	F
Daily Price Chg	2.77%	0.00%	-0.01%	1.29%	-0.46%	0.48%
1 Week Price Chg	4.92%	4.63%	0.53%	4.11%	4.59%	5.64%
4 Week Price Chg	24.47%	11.29%	6.66%	5.93%	12.45%	12.99%
12 Week Price Chg	-8.41%	-20.13%	-20.38%	-17.59%	-26.12%	-20.64%
52 Week Price Chg	14.38%	-12.46%	-13.44%	15.65%	-9.69%	10.24%
20 Day Average Volume	989,855	582,376	2,567,149	3,756,582	769,933	1,915,496
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-20.36%	-9.23%	-6.96%	-5.89%	-12.30%	-20.73%
(F1) EPS Est 12 week change	-22.58%	-22.83%	-13.90%	-8.76%	-17.63%	-23.08%
(Q1) EPS Est Mthly Chg	-37.19%	-19.75%	-13.62%	-10.79%	-19.58%	-36.86%

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	F
Growth Score	F
Momentum Score	D
VGM Score	F

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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