

## Equifax Inc. (EFX)

**\$151.02** (As of 01/16/20)

Price Target (6-12 Months): **\$162.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 02/21/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: F

## 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. Moreover, acquisitions help the company supplement its core business and form joint ventures to expand globally. Its diversified client base is also a positive. 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 2018 cyber-attack. Seasonality affects the company's revenues streams. Moreover, high debt may limit the company's future expansion and worsen its risk profile.

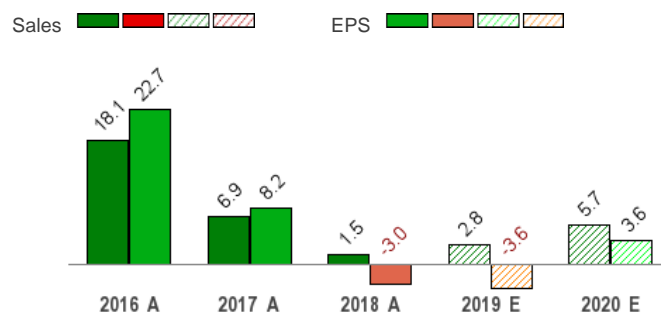
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	\$152.66 - \$101.49
20 Day Average Volume (sh)	563,059
Market Cap	\$18.3 B
YTD Price Change	7.8%
Beta	1.19
Dividend / Div Yld	\$1.56 / 1.0%
Industry	<a href="#">Financial Transaction Services</a>
Zacks Industry Rank	Top 19% (48 out of 254)

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	2.8%
Last Sales Surprise	0.3%
EPS F1 Est- 4 week change	-0.0%
Expected Report Date	02/19/2020
Earnings ESP	0.0%
P/E TTM	27.7
P/E F1	26.1
PEG F1	3.1
P/S TTM	5.3

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	901 E	933 E	933 E	946 E	3,707 E
2019	846 A	880 A	876 A	897 E	3,508 E
2018	866 A	877 A	834 A	835 A	3,412 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$1.28 E	\$1.45 E	\$1.45 E	\$1.58 E	\$5.78 E
2019	\$1.20 A	\$1.40 A	\$1.48 A	\$1.49 E	\$5.58 E
2018	\$1.43 A	\$1.56 A	\$1.41 A	\$1.38 A	\$5.79 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 01/16/2020. The reports text is as of 01/17/2020.

## 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).

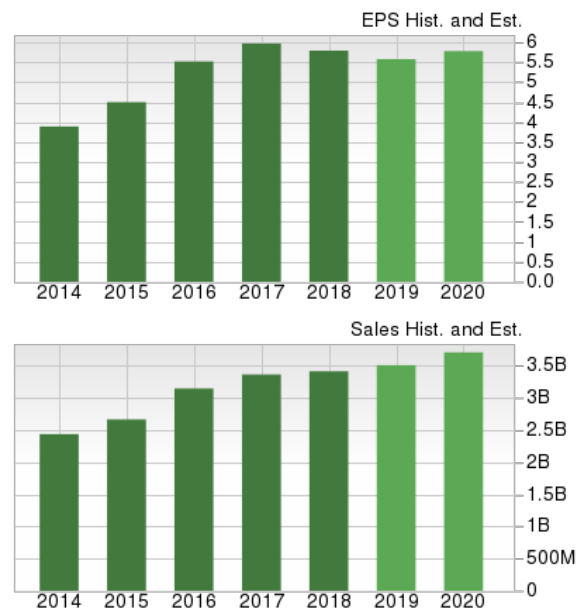
The company reports its businesses through four operating segments — U.S. Information Solutions (USIS), International, Workforce Solutions and Global Consumer Solutions.

USIS segment (37% of 2018 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 (31%) 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 (24%): 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 (11%): 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.



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## 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 7% in the last five years (2014-2018). 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 46.7% over the past year, outperforming the 44.7% rise 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.

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## 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 2018 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 is bearing the brunt of higher costs as it has increased its spending on technology after the cyber-attack incident. The company has a **highly leveraged balance sheet**. Long-term debt at the end of the third-quarter 2019 was \$2.83 billion while cash and cash equivalents were \$167.5 million. Such a cash position implies that Equifax needs to generate adequate amount of operating cash flow to service its debt and also continue with investments. Further, high debt may limit the company's future expansion and worsen its risk profile.

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

## Last Earnings Report

### Equifax Q3 Earnings & Revenues Top Estimates

Equifax reported solid third-quarter 2019 results, wherein the company's earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings of \$1.48 per share beat the consensus mark by 4 cents and improved 4.9% on a year-over-year basis. The reported figure exceeded the guided range of \$1.41-\$1.46.

Revenues of \$875.7 million outpaced the consensus estimate by \$2.5 million and improved 5% year over year on a reported basis and 7% on a local currency basis. The reported figure came within the guided range of \$865-\$880 million.

During the reported quarter, Equifax entered into a partnership with Urjanet while continuing to progress well in its multi-year \$1.25 billion EFX 2020 cloud technology and security transformation program.

Quarter Ending **09/2019**

Report Date	Oct 23, 2019
Sales Surprise	<b>0.29%</b>
EPS Surprise	<b>2.78%</b>
Quarterly EPS	<b>1.48</b>
Annual EPS (TTM)	<b>5.46</b>

### Segmental Revenues

Revenues in the USIS division came in at \$315.5 million, up 2% from the year-ago quarter's number. Within the division, Online Information Solutions revenues of \$233 million were up 5% year over year. Mortgage Solutions revenues of \$36.7 million declined 6% year over year. Financial Marketing Services revenues came in at \$45.8 million, down 2% year over year. The segment contributed 36% to total revenues.

Revenues in the International division totaled \$230.5 million, down 2% year over year on a reported basis but up 5% on a local currency basis. Asia Pacific revenues of \$77.4 million declined 4% year over year on a reported basis but grew 2% on a local currency basis. Revenues from Europe came in at \$64.8 million, which fell 5% year over year on a reported basis and slightly on a local currency basis. Latin America revenues of \$49.2 million improved 1% year over year on a reported basis and 15% on a local currency basis. Canada revenues of \$39.1 million rose 5% year over year on a reported basis and 6% on a local currency basis. The International segment contributed 26% to total revenues.

Revenues in the Workforce Solutions segment totaled \$240.6 million, up 19% from the year-ago quarter figure. Within the segment, Verification Services revenues of \$185.3 million were up 19% year over year. Employer Services revenues of \$55.3 million were down 5% year over year. Workforce Solutions contributed 28% to total revenues.

Revenues in the Global Consumer Solutions segment amounted to \$89.1 million, up 1% year over year on a reported basis and local currency basis. The segment contributed 10% to total revenues.

### Operating Results

Adjusted EBITDA in third-quarter 2019 improved 10% year over year to \$304.1 million. Adjusted EBITDA margin rose to 33.9% from 33% in the year-ago quarter.

Adjusted EBITDA margin for USIS was 44.4% compared with 46.2% in the year-ago quarter. Adjusted EBITDA margin for the International segment was 30.9% compared with 29.4% in the prior-year quarter. Workforce Solutions' adjusted EBITDA margin was 48.8% compared with 47.5% a year ago. Adjusted EBITDA margin for Global Consumer Solutions was 24.9% compared with 28.3% in the year-ago quarter.

### Balance Sheet and Cash Flow

Equifax exited third-quarter 2019 with cash and cash equivalents of \$167.5 million compared with \$135.8 million at the end of the prior quarter. Long-term debt of \$2.83 billion was flat with the prior quarter.

The company used \$164.9 million of cash in operating activities and capex was \$97.2 million. Also, Equifax paid out dividend of \$47.2 million to shareholders in the reported quarter.

### Q4 Guidance

For the fourth quarter of 2019, Equifax expects revenues in the range of \$885-\$900 million, indicating year-over-year local currency growth of 7.5-9.5%. Adjusted EPS is anticipated between \$1.47 and \$1.52 (including a negative foreign exchange impact of 2 cents).

### 2019 Guidance

Equifax updated its full-year 2019 guidance for revenues while lowering the same for earnings.

For 2019, revenues are now expected between \$3.507 and \$3.522 billion compared with the previously guided range of \$3.425-\$3.525 billion. The current guidance indicates year-over-year local currency growth of 5% and 2% negative impact from foreign exchange movement. Adjusted EPS is now anticipated between \$5.55 per share and \$5.60 per share compared with the previously guided range of \$5.57-\$5.77. The current guidance includes 15 cents of negative impact of foreign exchange movement.

## Recent News

On **Dec 12, 2019**, Verisk announced that it has entered in to a strategic agreement with Equifax to jointly develop the Inflection Insurance Score. Inflection is a credit-based scoring solution that integrates Equifax's credit data with Verisk's insurance expertise and analytics. It is aimed at enabling personal auto and property insurers improve underwriting.

On **Nov 7, 2019**, Equifax's board of directors declared a quarterly dividend of 39 cents per share, to be paid out on Dec 13, 2019, to shareholders of record as of the close of business on Nov 22.

On **Sep 30, 2019**, Equifax's subsidiary Equifax Canada Co. has partnered with M3 Group for optimization of the mortgage credit decision-making process in Canada.

## Valuation

Equifax shares are up 46.7% over the trailing 12-month period. The Zacks sub-industry, sector and S&P 500 index are up 44.7%, 28% and 24.9%, respectively in the same time frame.

The stock is currently trading at 25.98X forward 12-month price-to-earnings, which compares to 28.14X for the Zacks sub-industry, 25.65X for the Zacks sector and 18.97X for the S&P 500 index.

Over the past five years, the stock has traded as high as 28.98X and as low as 14.48X, with a 5-year median of 21.43X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$162.00 price target reflects 27.88X 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	25.98	28.14	25.65	18.97
	5-Year High	28.98	28.14	25.65	19.34
	5-Year Low	14.48	20.78	18.76	15.17
	5-Year Median	21.43	22.92	20.56	17.44
P/S F12M	Current	4.92	10.63	4.05	2.53
	5-Year High	4.96	11.65	5.13	3.53
	5-Year Low	3.07	7.19	3.09	2.54
	5-Year Median	4.33	8.69	3.63	3
P/B TTM	Current	7.15	8.21	4.86	4.5
	5-Year High	7.15	12.79	6.73	4.5
	5-Year Low	3.35	5.34	4.13	2.85
	5-Year Median	5.35	7.87	5.34	3.61

As of 01/16/2020

## Industry Analysis Zacks Industry Rank: Top 19% (48 out of 254)



## Top Peers

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

Industry Comparison Industry: Financial Transaction Services				Industry Peers		
	EFX Neutral	X Industry	S&P 500	FISV Neutral	FLT Neutral	GPN Neutral
<b>VGM Score</b>	<b>F</b>	-	-	<b>C</b>	<b>C</b>	<b>B</b>
Market Cap	18.29 B	2.51 B	24.61 B	81.73 B	26.81 B	58.89 B
# of Analysts	11	6	13	14	10	14
Dividend Yield	1.03%	0.00%	1.74%	0.00%	0.00%	0.40%
<b>Value Score</b>	<b>D</b>	-	-	<b>D</b>	<b>D</b>	<b>D</b>
Cash/Price	0.01	0.07	0.04	0.01	0.06	0.04
EV/EBITDA	27.01	18.93	14.24	44.63	18.93	49.36
PEG Ratio	3.10	1.75	2.07	1.75	1.47	1.43
Price/Book (P/B)	7.15	4.51	3.38	2.42	6.86	2.11
Price/Cash Flow (P/CF)	17.89	17.89	13.75	26.08	22.20	22.13
P/E (F1)	26.53	22.83	19.09	24.25	22.83	25.92
Price/Sales (P/S)	5.32	5.14	2.68	10.62	10.34	15.48
Earnings Yield	3.83%	4.34%	5.24%	4.13%	4.38%	3.86%
Debt/Equity	1.11	0.34	0.72	0.66	0.85	0.32
Cash Flow (\$/share)	8.44	2.62	6.94	4.61	13.91	8.85
<b>Growth Score</b>	<b>F</b>	-	-	<b>B</b>	<b>B</b>	<b>A</b>
Hist. EPS Growth (3-5 yrs)	8.15%	16.43%	10.56%	16.43%	19.45%	21.58%
Proj. EPS Growth (F1/F0)	3.60%	17.60%	7.57%	22.72%	15.16%	22.50%
Curr. Cash Flow Growth	0.23%	10.67%	14.73%	18.73%	18.48%	25.04%
Hist. Cash Flow Growth (3-5 yrs)	9.86%	10.92%	9.00%	8.93%	24.67%	24.12%
Current Ratio	0.57	1.15	1.24	1.08	1.12	1.17
Debt/Capital	52.56%	36.09%	42.99%	39.69%	45.89%	24.33%
Net Margin	-11.13%	10.25%	11.14%	12.11%	37.08%	10.59%
Return on Equity	24.39%	19.33%	17.16%	16.73%	26.81%	9.05%
Sales/Assets	0.47	0.44	0.55	0.26	0.22	0.17
Proj. Sales Growth (F1/F0)	5.68%	10.47%	4.16%	6.99%	10.62%	63.92%
<b>Momentum Score</b>	<b>F</b>	-	-	<b>B</b>	<b>C</b>	<b>A</b>
Daily Price Chg	0.83%	0.95%	0.89%	1.43%	1.94%	0.81%
1 Week Price Chg	2.69%	2.07%	0.39%	0.65%	0.55%	3.28%
4 Week Price Chg	9.61%	5.93%	2.65%	3.18%	6.96%	6.85%
12 Week Price Chg	9.68%	9.40%	7.55%	16.20%	4.30%	21.53%
52 Week Price Chg	49.45%	44.01%	22.12%	61.36%	60.41%	72.75%
20 Day Average Volume	563,059	406,787	1,536,375	2,275,852	860,571	1,228,649
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.03%	0.00%	0.00%	0.18%	0.11%	0.08%
(F1) EPS Est 12 week change	-3.73%	0.16%	-0.40%	3.48%	0.31%	6.61%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.24%	1.37%

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## 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.

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### 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	F
Momentum Score	F
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.

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