

Equifax Inc. (EFX)

\$159.33 (As of 08/21/20)

Price Target (6-12 Months): **\$169.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: D

Growth: B

Momentum: A

Summary

Equifax's shares have outperformed its industry year to date, partly due to consecutive earnings and revenues beat in the past four quarters. The company'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 supplement core business and joint ventures help expand globally. A diversified client base is beneficial as weakness in any sector can be balanced with strength in others. On the flip side, Equifax continues to bear the brunt of higher costs as it has increased its spending on technology after the 2017 cyber-attack. High debt and seasonality continue to act as headwinds for the company.

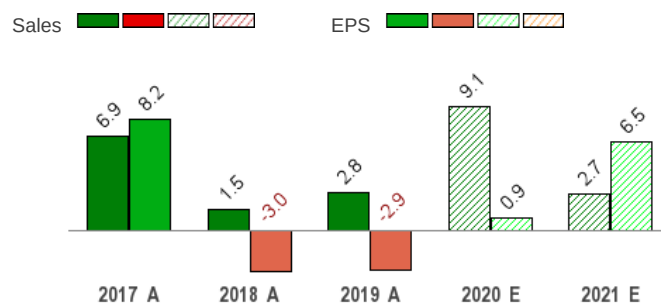
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$181.76 - \$103.01
20 Day Average Volume (sh)	613,216
Market Cap	\$19.4 B
YTD Price Change	13.7%
Beta	1.15
Dividend / Div Yld	\$1.56 / 1.0%
Industry	Financial Transaction Services
Zacks Industry Rank	Top 37% (93 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	22.1%
Last Sales Surprise	6.4%
EPS F1 Est- 4 week change	10.3%
Expected Report Date	NA
Earnings ESP	0.3%
P/E TTM	26.5
P/E F1	28.1
PEG F1	3.3
P/S TTM	5.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	952 E	965 E	979 E	982 E	3,931 E
2020	958 A	983 A	949 E	952 E	3,827 E
2019	846 A	880 A	876 A	906 A	3,508 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.40 E	\$1.52 E	\$1.56 E	\$1.56 E	\$6.04 E
2020	\$1.40 A	\$1.60 A	\$1.41 E	\$1.36 E	\$5.67 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 08/21/2020. The reports text is as of 08/24/2020.

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).

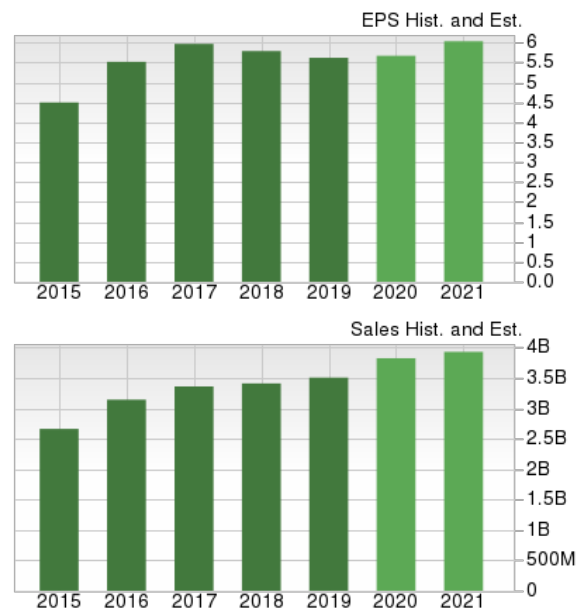
The company reports its businesses through four operating segments — U.S. Information Solutions (USIS), International, Workforce Solutions and Global Consumer Solutions.

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.

▲ 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.

▲ Shares of Equifax have gained 13.7% year to date, outperforming its industry's gain of 3.9%. The **outperformance** partly reflects better-than-expected earnings and revenue performance in the last four quarters.

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 second-quarter 2020 was \$4.4 billion, up from \$3.5 billion at the end of the prior quarter. Further, the company's cash and cash equivalent of \$1.3 billion 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 \$504 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 Q2 Earnings and Revenue Estimates

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

Adjusted earnings of \$1.60 per share beat the Zacks Consensus Estimate by 22.1% and improved 14.3% on a year-over-year basis. The reported figure exceeded the guided range of 78-88 cents.

Revenues of \$982.8 million outpaced the consensus estimate by 6.4% and improved 12% year over year on a reported basis and 13% on a local-currency basis. The reported figure exceeded the guided range of \$785-\$805 million.

Quarter Ending 06/2020

Report Date	Jul 22, 2020
Sales Surprise	6.41%
EPS Surprise	22.14%
Quarterly EPS	1.60
Annual EPS (TTM)	6.01

Segmental Revenues

Revenues in the U.S. Information Solutions division came in at \$365.6 million, up 10% from the year-ago quarter. Within the division, Online Information Solutions' revenues of \$262.9 million were up 7% year over year. Mortgage Solutions' revenues of \$51.2 million improved 44% year over year. Financial Marketing Services' revenues came in at \$51.5 million, up 1% year over year. The segment contributed 37% of total revenues.

Revenues in the International division totaled \$180.5 million, down 21% year over year on a reported basis and 15% on a local-currency basis. Asia Pacific revenues of \$65.2 million declined 14% year over year on a reported basis and 9% on a local-currency basis. Revenues from Europe came in at \$48 million, which decreased 27% year over year on a reported basis and 25% on a local-currency basis. Latin America revenues of \$34.2 million declined 28% year over year on a reported basis and 14% on a local-currency basis. Canada revenues of \$33.1 million declined 16% year over year on a reported basis and 13% on a local-currency basis. The International segment contributed 18% of total revenues.

Revenues in the Workforce Solutions segment totaled \$352.9 million, up 53% from the year-ago quarter's figure. Within the segment, Verification Services' revenues of \$251.9 million were up 46% year over year. Employer Services revenues of \$101 million were up 75% year over year. Workforce Solutions contributed 36% of total revenues.

Revenues in the Global Consumer Solutions segment amounted to \$83.8 million, down 5% year over year on both reported and local-currency basis. The segment contributed 9% of total revenues.

Operating Results

Adjusted EBITDA in the second quarter of 2020 came in at \$353.2 million compared with \$296.2 million in the year-ago quarter. Adjusted EBITDA margin rose to 35.9% from 33.7% 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 second-quarter 2020 with cash and cash equivalents of \$1.35 billion compared with \$369.9 million at the end of the prior quarter. Long-term debt was \$3.87 billion compared with \$3.51 billion at the end of the prior quarter.

The company generated \$251.2 million of cash from operating activities and capex was \$104.8 million. Also, Equifax paid out dividends of \$47.3 million to shareholders in the reported quarter.

Recent News

On **Jul 16, 2020**, Equifax launched two products "Equifax Credit Monitor" and "Equifax Complete" that enables customers to monitor their Equifax credit reports and protect against theft.

On **Jul 2, 2020**, Equifax has unveiled an unemployment insurance ("UI") fraud prevention solution for state government agencies.

On **May 21, 2020**, Equifax Launched New 'Response DIGITAL' Solutions to boost online business in social distancing economy.

On **May 14, 2020**, Equifax announced that it has appointed Cecilia Mao to the newly-created position of chief product officer. She will also be a member of the company's Extended Senior Leadership Team.

On **May 7, 2020**, Equifax Board of Directors declared a quarterly dividend of 39 cents per share (Equalized: \$1.56 per share annually) payable on Jun 12, 2020, to shareholders as of May 22, 2020.

Valuation

Equifax shares are up 13.7% in the year-to-date period and 11% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 3.9% and 0.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 7.6% and 3.3%, respectively.

The S&P 500 index was up 5.4% in the year-to-date period and 18.2% in the past year.

The stock is currently trading at 26.97X forward 12-month price-to-earnings, which compares to 31.55X for the Zacks sub-industry, 30.5X for the Zacks sector and 22.85X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.11X and as low as 14.48X, with a 5-year median of 21.6X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$169.00 price target reflects 28.6X price-to-earnings.

The table below shows summary valuation data for EFX

Valuation Multiples - EFX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.97	31.55	30.5	22.85
	5-Year High	36.11	31.68	30.5	22.85
	5-Year Low	14.48	20.78	18.68	15.25
	5-Year Median	21.6	23.31	20.95	17.58
P/S F12M	Current	4.97	11.37	4.23	3.71
	5-Year High	6.15	11.37	4.23	3.71
	5-Year Low	3.07	7.18	3.06	2.53
	5-Year Median	4.43	8.78	3.6	3.05
P/B TTM	Current	7.08	7.26	4.41	4.56
	5-Year High	8.97	12.78	6.71	4.56
	5-Year Low	3.35	5.22	3.28	2.83
	5-Year Median	5.53	8.07	5.22	3.75

As of 08/21/2020

Industry Analysis Zacks Industry Rank: Top 37% (93 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Cardtronics PLC (CATM)	Neutral	3
Diebold Nixdorf, Incorporated (DBD)	Neutral	3
Fiserv, Inc. (FISV)	Neutral	3
FleetCor Technologies, Inc. (FLT)	Neutral	3
Global Payments Inc. (GPN)	Neutral	3
Usio Inc (USIO)	Neutral	3
WEX Inc. (WEX)	Neutral	3
The Western Union Company (WU)	Neutral	2

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)	3	-	-	3	3	3
VGM Score	B	-	-	B	C	C
Market Cap	19.35 B	2.83 B	23.62 B	64.04 B	20.06 B	50.33 B
# of Analysts	11	6.5	14	14	11	15
Dividend Yield	0.98%	0.00%	1.65%	0.00%	0.00%	0.46%
Value Score	D	-	-	C	C	D
Cash/Price	0.07	0.08	0.07	0.01	0.06	0.04
EV/EBITDA	1,367.28	15.75	13.29	25.40	14.64	32.22
PEG Ratio	3.26	1.51	3.03	1.33	1.95	1.31
Price/Book (P/B)	7.08	5.08	3.11	1.94	6.76	1.82
Price/Cash Flow (P/CF)	18.86	15.62	12.69	14.28	16.01	23.93
P/E (F1)	27.84	26.32	21.51	21.62	21.90	26.67
Price/Sales (P/S)	5.20	4.85	2.43	4.44	7.82	7.55
Earnings Yield	3.56%	3.68%	4.46%	4.62%	4.57%	3.75%
Debt/Equity	1.42	0.45	0.76	0.65	1.08	0.31
Cash Flow (\$/share)	8.45	2.39	6.93	6.70	14.90	7.03
Growth Score	B	-	-	B	C	C
Hist. EPS Growth (3-5 yrs)	4.53%	17.88%	10.44%	17.88%	19.47%	20.99%
Proj. EPS Growth (F1/F0)	0.94%	-6.86%	-5.53%	10.57%	-7.54%	1.37%
Curr. Cash Flow Growth	0.48%	13.06%	5.20%	147.85%	8.28%	50.80%
Hist. Cash Flow Growth (3-5 yrs)	8.37%	14.80%	8.52%	29.38%	19.24%	39.74%
Current Ratio	1.27	1.29	1.33	1.04	0.96	1.03
Debt/Capital	58.61%	36.58%	44.50%	39.73%	51.91%	23.40%
Net Margin	8.03%	6.22%	10.13%	5.82%	29.88%	5.68%
Return on Equity	28.46%	16.87%	14.67%	8.34%	29.52%	5.61%
Sales/Assets	0.47	0.47	0.51	0.19	0.22	0.15
Proj. Sales Growth (F1/F0)	9.10%	-3.07%	-1.54%	37.55%	-9.06%	28.15%
Momentum Score	A	-	-	A	D	B
Daily Price Chg	-1.32%	-0.01%	-0.15%	-1.41%	-1.05%	0.25%
1 Week Price Chg	-1.14%	-0.87%	1.09%	-3.98%	-0.14%	-1.33%
4 Week Price Chg	-9.80%	1.09%	1.64%	-6.42%	-7.97%	-3.89%
12 Week Price Chg	3.46%	13.12%	6.72%	-9.94%	-3.55%	-5.48%
52 Week Price Chg	10.71%	-1.58%	1.00%	-11.58%	-20.56%	3.64%
20 Day Average Volume	613,216	517,226	1,873,576	4,469,025	733,513	1,859,702
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	10.29%	2.19%	1.79%	0.22%	2.51%	6.23%
(F1) EPS Est 12 week change	24.18%	6.31%	3.35%	1.39%	4.45%	6.54%
(Q1) EPS Est Mthly Chg	18.82%	6.50%	0.42%	3.12%	4.36%	10.74%

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	B
Momentum Score	A
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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