

TransUnion (TRU)

\$88.30 (As of 01/03/20)

Price Target (6-12 Months): **\$110.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/18/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM: C

Value: D

Growth: A

Momentum: C

Summary

TransUnion has an attractive business model with highly recurring and diversified revenue streams, significant operating leverage, low capital requirements and stable cash flows. Huge data base is its most distinguishing asset and perhaps the biggest barrier to entry for competitors. The company serves a broad range of customers across multiple geographies and verticals, and boasts millions of customers. Acquisitions have played a major role in its growth over the last five to six years. Due to these positives, shares of TransUnion have outperformed its industry over the past year. However, TransUnion operates in a highly competitive market, which restricts its pricing power and limits profitability to some extent. Its operating segments experiences seasonality. High debt may limit the company's future expansion and worsen its risk profile.

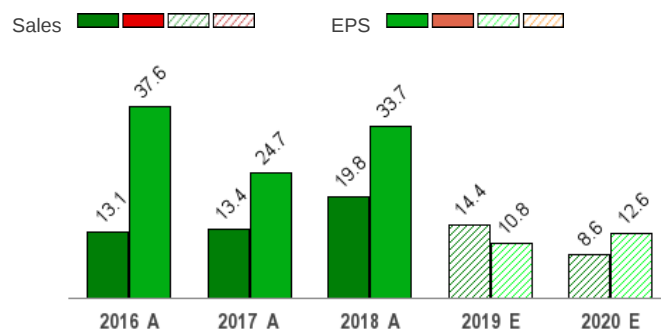
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$88.37 - \$55.34
20 Day Average Volume (sh)	711,583
Market Cap	\$16.6 B
YTD Price Change	3.1%
Beta	0.97
Dividend / Div Yld	\$0.30 / 0.3%
Industry	Business - Information Services
Zacks Industry Rank	Top 31% (79 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	7.0%
Last Sales Surprise	1.8%
EPS F1 Est- 4 week change	-0.2%
Expected Report Date	02/18/2020
Earnings ESP	0.0%
P/E TTM	32.6
P/E F1	28.3
PEG F1	2.0
P/S TTM	6.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	679 E	721 E	748 E	734 E	2,877 E
2019	619 A	662 A	689 A	674 E	2,650 E
2018	537 A	563 A	604 A	613 A	2,317 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.69 E	\$0.79 E	\$0.85 E	\$0.80 E	\$3.12 E
2019	\$0.60 A	\$0.69 A	\$0.76 A	\$0.71 E	\$2.77 E
2018	\$0.57 A	\$0.62 A	\$0.65 A	\$0.66 A	\$2.50 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 01/03/2020. The reports text is as of 01/06/2020.

Overview

Headquartered in Chicago, IL, TransUnion is one of the leading global providers of risk and information solutions to businesses and consumers. The company provides consumer reports, risk scores, analytical services and decisioning capabilities to businesses. What sets TransUnion apart are its distinctive and comprehensive datasets, next-generation technology and its analytics and decision-making capabilities — which enable it to deliver insights across the complete consumer lifecycle. TransUnion boasts rich domain proficiency across a wide range of industry verticals, including insurance, healthcare and financial services. It also caters to verticals like wireless, real estate and general commercial/business information. Possession of both nationwide consumer credit data and comprehensive, diverse public records data, enables the company better predict behaviors, assess risk and address a broader set of business issues for its customers.

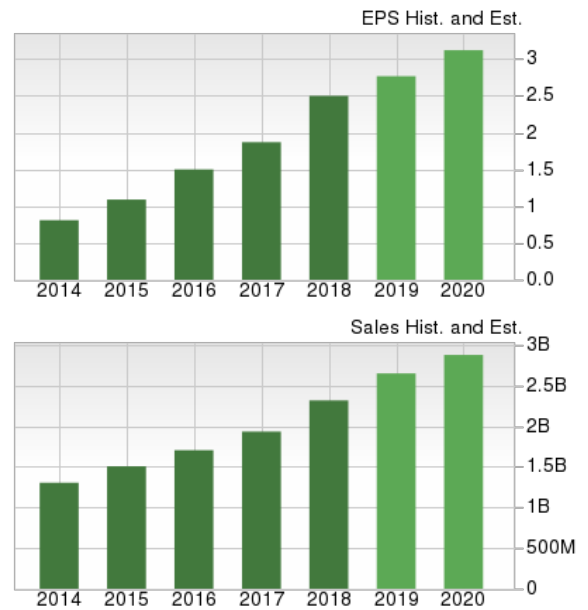
With a presence in more than 30 countries and territories, TransUnion is spread across North America, Latin America, the United Kingdom, Africa, Asia Pacific and India.

The company's operations are organized into three operating segments: U.S. Information Services (USIS), International and Consumer Interactive.

USIS segment (62% of total revenue in 2018) offers consumer reports, risk scores, analytical services and decision-making capabilities. Its services are used to acquire new customers, assess consumers' ability to pay for services, identify cross-selling opportunities, measure and manage debt portfolio risk, verify consumer identities, and investigate potential fraud, among others.

International segment (21%) delivers online data services, marketing services, credit reports, analytics, decision services, and other value-added risk management services as well as consumer services.

Consumer Interactive segment (20%) provides solutions including credit reports and scores, credit monitoring, fraud protection and resolution and financial management solutions. These solutions enable consumers easily manage their personal finances and take precautions against identity theft. Its products are provided through user-friendly online and mobile interfaces. It serves consumers through both direct and indirect channels.



Reasons To Buy:

- ▲ TransUnion's addressable market includes the **burgeoning Big Data and analytics market**, which is expanding at a rapidly accelerating pace as companies comprehend the advantages of building an analytical enterprise where decisions are derived from data and insights. Numerous underlying trends are supporting this market growth, including the creation of massive amounts of data; advances in technology and analytics that allow data to be processed more swiftly and efficiently; and mounting demand for these business insights across industries and geographies. Research firm IDC projects that worldwide revenues for big data and business analytics (BDA) solutions will grow at a five-year compounded annual growth rate ("CAGR") of 13.2%, and will reach \$274.3 billion in 2022. In order to capitalize on the immense potential growth in this market, TransUnion has leveraged its next-generation technology to strengthen its analytics capabilities and has further expanded its database.
- ▲ TransUnion's **gigantic treasure trove of data** is its most distinguishing asset and also perhaps the biggest barrier to entry for competitors. TransUnion has over 65 petabytes of data, growing at an average of over 25% annually, since 2010. Acquiring or building such data involves huge costs, making it extremely difficult for a new company to build the contacts and data that TransUnion already has. This fortifies TransUnion's ability to sustain its competitive advantage and protect its market share.
- ▲ TransUnion's successful **acquisition strategy** has played an important role in its growth over the last five to six years. The strategy focuses on investment in unique and differentiated data assets, acquiring new capabilities for expanding in vertical markets and expanding international footprints. The recent acquisition of TruSignal, a people-based marketing technology company, is expected to strengthen TransUnion's digital marketing solutions. In 2018, TransUnion has acquired Rubixis, Callcredit, iovation and Healthcare Payment Specialists. These buyouts are helping the company with new market entry and portfolio diversification. They are contributing significantly to the company's top-line growth.
- ▲ TransUnion serves a **broad range of customers** across multiple geographies and verticals. The company has an attractive business model with highly recurring and diversified revenue streams, significant operating leverage, low capital requirements and strong and stable cash flows. In addition, the inherent nature and significance of its solutions in customers' decision-making endow it with high customer retention and revenue visibility. Impressively, TransUnion deals with top 10 largest U.S. consumer lending banks, the top ten credit card issuers, the biggest 25 auto lenders, the top 20 largest auto insurance carriers and thousands of healthcare providers as well as federal, state and local government agencies. The company has made significant investments to modernize its infrastructure and facilitate the seamless transition to the latest Big Data and analytics technologies. These enable TransUnion to expand its business and improve its cost structure.
- ▲ As emerging market economies continue to develop and mature, TransUnion is well-positioned to gain from the associated **favorable socio-economic trends**. Additionally, increased risk of identity theft due to data breaches and higher consumer awareness about the importance and usage of their credit information are propelling the demand for TransUnion's consumer solutions.
- ▲ TransUnion's shares have gained 58.8% over the past year, outperforming the industry's 41.6% rally of the industry. The **outperformance** partly reflects better-than-expected earnings performance in the first three quarters of 2019 and raised guidance for the full year. Moreover, prospects over the company's exposure to rapidly expanding Big Data and analytics market are benefitting the stock.

TransUnion has an attractive business model with highly recurring and diversified revenue streams, significant operating leverage, low capital requirements and strong and stable cash flows.

Reasons To Sell:

- ▼ TransUnion's operating segments experiences **seasonality**. Evidently, the U.S. Markets witnesses soft sales in the first and fourth quarter relative to second and third quarters. The Consumer Interactive segment experiences weaker demand in the second half of the year. The company's International segment revenues fluctuate depending on local economic conditions and macroeconomic market trends. Seasonality causes considerable fluctuations in revenues and profits, thus making forecasting difficult.
- ▼ TransUnion's revenues are considerably influenced by the overall macroeconomic conditions, such as interest rates, employment levels, consumer confidence, accessibility of affordable credit and capital, inflation and housing demand. Revenues are also significantly affected by industry trends, including the demand for information services in insurance, financial services and healthcare industry. **Adverse developments in the debt, consumer credit and financial services** markets could hamper the company's growth.
- ▼ TransUnion has a **highly leveraged balance sheet**. As of Sep 30, 2019, long-term debt was \$3.65 billion while cash and cash equivalents were \$235.9 million. Such a cash position implies that TransUnion needs to generate an adequate amount of operating cash flow to pay its debt. Moreover, high debt may limit its future expansion and worsen its risk profile.
- ▼ TransUnion caters to a **highly competitive market**. Its competitors widely vary according to its business segment, geographical market and industry vertical that its solutions address. The high degree of competition restricts its pricing power and puts a strain on the bottom line.

TransUnion operates in a highly competitive market, which restricts its pricing power and limits profitability to some extent.

Last Earnings Report

TransUnion Q3 Earnings & Revenues Surpass Estimates

TransUnion reported solid third-quarter 2019 results, wherein its earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings of 76 cents per share outpaced the consensus mark by 5 cents and improved 16.9% year over year.

Total revenues of \$689.3 million beat the consensus mark by \$12.5 million and increased 14% year over year on a reported basis, 15% on a constant-currency basis and 15% on an organic constant-currency basis.

Adjusted revenues (excluding the impact of deferred revenue purchase accounting reductions and other adjustments to revenues for the company's recently acquired entities) came in at \$689 million, up 11% year over year on a reported basis, 12% at constant currency and 11% at organic constant currency.

Revenue Growth Across All Segments

The U.S. Markets revenues of \$420 million increased 12% year over year on a reported basis and 11% on an organic basis. Within the segment, Financial Services revenues of \$225 million increased 13% year over year on a reported and organic basis. Emerging Verticals revenues, including Healthcare, Insurance and all other verticals, were \$195 million, up 11% year over year on a reported basis and 8% on an organic basis.

International revenues rose 24% year over year on a reported basis and 28% at constant-currency basis to \$160 million. Adjusted revenues also came in at \$160 million, up 10% year over year on a reported basis and 14% at constant-currency basis. Revenues from Canada, Latin America, United Kingdom, Africa, India and Asia Pacific increased year over year on a reported as well as constant-currency basis.

Revenues at the Consumer Interactive segment improved 7% from the prior-year quarter number to \$128 million.

Margin Expanded

Adjusted EBITDA was \$281 million, up 15% year over year on a reported basis, 16% on a constant-currency basis and 15% on an organic constant-currency basis. Adjusted EBITDA margin came in at 40.7% compared with 39.4% in the prior-year quarter.

Balance Sheet and Cash Flow

TransUnion had \$235.9 million in cash and cash equivalents at the end of third-quarter 2019 compared with \$194.7 million at the end of the prior quarter. Long-term debt was \$3.65 billion, compared with \$3.83 billion in the prior quarter. The company generated \$279.4 million in cash from operating activities and CapEx was \$44.1 million. The company paid out \$14.1 million in dividends in the quarter.

Q4 Outlook

For the fourth quarter of 2019, TransUnion expects adjusted revenues between \$667 million and \$672 million, suggesting an improvement of 7-8% year over year.

Adjusted EPS is expected between 69 cents and 71 cents, indicating a rise of 5-7% year over year. The Zacks Consensus Estimate of 71 cents came in line with the higher end of the guided range.

Adjusted EBITDA is anticipated in the range of \$264-\$268 million, suggesting an increase of 6-8%.

2019 View

TransUnion raised its 2019 guidance. The company now expects adjusted revenues between \$2.644 billion and \$2.649 billion, indicating year-over-year increase of 13%. The previous guidance was between \$2.628 billion and \$2.638 billion.

Adjusted EPS is anticipated in the band of \$2.74-\$2.76, suggesting improvement of 10%. The previous expectation was in the band of \$2.66-\$2.69.

Adjusted EBITDA is expected in the range of \$1.048-\$1.052 million, indicating year-over-year increase of 14-15%. The previously anticipated range was \$1.036-\$1.044 million.

Quarter Ending **09/2019**

Report Date	Oct 22, 2019
Sales Surprise	1.84%
EPS Surprise	7.04%
Quarterly EPS	0.76
Annual EPS (TTM)	2.71

Recent News

On **Nov 15, 2019**, TransUnion announced that the company has declared a cash dividend of \$0.075 per share for the third quarter of 2019. The dividend was payable on Dec 12, 2019 to shareholders of record on Nov 27, 2019.

On **Sep 19, 2019**, TransUnion announced that it has collaborated with Rate Reset for a digital solution that brings FinTech experience to the credit union industry. Known as "The Button", it is a digital instant pre-qual solution that combines TransUnion's credit data and risk capabilities with Rate Reset's technology platform. It offers loan modification and batch preapproval capabilities.

Valuation

TransUnion shares are up 58.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 41.6% and 28.3%, respectively, over the past year.

The S&P 500 index is up 25.7% in the past year

The stock is currently trading at 28.24X forward 12-month price-to-earnings, which compares to 26.64X for the Zacks sub-industry, 24.47X for the Zacks sector and 18.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 34.43X and as low as 17.93X, with a 5-year median of 25.45X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$110.00 price target reflects 35.18X price-to-earnings.

The table below shows summary valuation data for TRU

Valuation Multiples - TRU					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	28.24	26.64	24.47	18.71
	5-Year High	34.43	27.32	24.49	19.34
	5-Year Low	17.93	19.42	18.76	15.17
	5-Year Median	25.45	21.85	20.56	17.44
P/S F12M	Current	5.77	6.05	3.87	3.47
	5-Year High	6.24	6.16	5.13	3.47
	5-Year Low	2.37	3.34	3.09	2.54
	5-Year Median	4.27	4.49	3.63	3
P/B TTM	Current	7.81	8.46	4.86	4.41
	5-Year High	7.81	8.82	6.73	4.45
	5-Year Low	2.8	4.28	4.13	2.85
	5-Year Median	5.57	6.21	5.34	3.6

As of 01/03/2020

Industry Analysis Zacks Industry Rank: Top 31% (79 out of 252)



Top Peers

Alliance Data Systems Corporation (ADS)	Neutral
Broadridge Financial Solutions, Inc. (BR)	Neutral
Equifax, Inc. (EFX)	Neutral
FactSet Research Systems Inc. (FDS)	Neutral
Fidelity National Information Services, Inc. (FIS)	Neutral
Fiserv, Inc. (FISV)	Neutral
Gartner, Inc. (IT)	Neutral
Paychex, Inc. (PAYX)	Neutral

Industry Comparison Industry: Business - Information Services				Industry Peers		
	TRU Neutral	X Industry	S&P 500	EFX Neutral	FISV Neutral	PAYX Neutral
VGM Score	C	-	-	F	C	C
Market Cap	16.63 B	9.90 B	23.66 B	17.30 B	79.12 B	30.36 B
# of Analysts	10	8	13	11	14	11
Dividend Yield	0.34%	0.34%	1.79%	1.09%	0.00%	2.92%
Value Score	D	-	-	D	D	D
Cash/Price	0.01	0.02	0.04	0.01	0.01	0.02
EV/EBITDA	25.30	23.36	13.88	25.74	43.50	17.19
PEG Ratio	1.97	2.44	1.99	2.86	1.70	3.90
Price/Book (P/B)	7.81	7.15	3.36	6.76	2.35	11.82
Price/Cash Flow (P/CF)	21.80	22.90	13.62	16.92	25.24	21.17
P/E (F1)	27.91	27.54	18.74	24.71	23.52	27.30
Price/Sales (P/S)	6.44	7.03	2.67	5.03	10.28	7.53
Earnings Yield	3.53%	3.63%	5.32%	4.05%	4.25%	3.67%
Debt/Equity	1.71	1.07	0.72	1.11	0.66	0.35
Cash Flow (\$/share)	4.05	3.61	6.94	8.44	4.61	4.01
Growth Score	A	-	-	F	B	C
Hist. EPS Growth (3-5 yrs)	29.88%	14.82%	10.56%	8.15%	16.43%	10.85%
Proj. EPS Growth (F1/F0)	12.79%	8.60%	7.41%	3.63%	23.44%	9.41%
Curr. Cash Flow Growth	32.38%	20.06%	14.83%	0.23%	18.73%	10.82%
Hist. Cash Flow Growth (3-5 yrs)	38.05%	15.15%	9.00%	9.86%	8.93%	12.37%
Current Ratio	1.42	1.30	1.23	0.57	1.08	1.17
Debt/Capital	63.13%	52.82%	42.92%	52.56%	39.69%	25.87%
Net Margin	14.17%	14.61%	11.08%	-11.13%	12.11%	26.72%
Return on Equity	23.59%	22.75%	17.10%	24.39%	16.73%	41.21%
Sales/Assets	0.36	0.42	0.55	0.47	0.26	0.44
Proj. Sales Growth (F1/F0)	8.57%	5.10%	4.20%	5.68%	6.99%	10.17%
Momentum Score	C	-	-	D	B	A
Daily Price Chg	0.56%	0.00%	-0.61%	0.34%	0.74%	-0.34%
1 Week Price Chg	0.08%	0.17%	0.13%	1.15%	0.35%	-0.48%
4 Week Price Chg	3.02%	2.28%	2.60%	3.57%	1.38%	0.47%
12 Week Price Chg	10.64%	8.78%	8.87%	0.96%	10.68%	1.05%
52 Week Price Chg	63.07%	41.22%	29.34%	56.42%	65.98%	32.59%
20 Day Average Volume	711,583	62,630	1,603,615	535,270	2,167,345	1,393,452
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.22%	0.00%	0.00%	-0.83%	-0.01%	0.01%
(F1) EPS Est 12 week change	1.89%	0.03%	-0.57%	-3.84%	1.92%	-0.01%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-0.68%	-0.40%	-1.73%

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	A
Momentum Score	C
VGM Score	C

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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