

TransUnion (TRU)

\$87.71 (As of 08/14/20)

Price Target (6-12 Months): **\$93.00**

Long Term: 6-12 Months

Zacks Recommendation: Outperform

(Since: 06/29/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: D

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. Buyouts have played a major role in its growth over the last five to six years. However, TransUnion operates in a highly competitive market, which restricts its pricing power and limits profitability to some extent. Adverse developments in the debt, consumer credit and financial services markets could hamper the company's growth. Seasonality is a concern. Partly due to these negatives, the stock has underperformed its industry year to date.

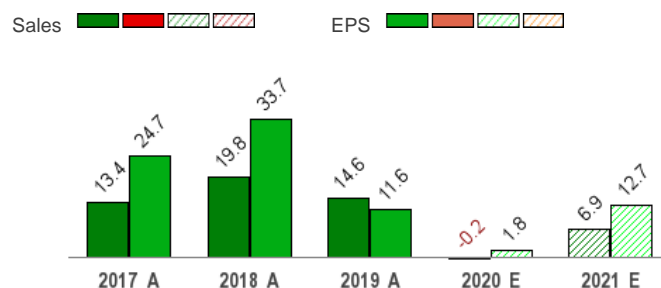
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$101.16 - \$52.50
20 Day Average Volume (sh)	1,288,246
Market Cap	\$16.7 B
YTD Price Change	2.5%
Beta	1.17
Dividend / Div Yld	\$0.30 / 0.3%
Industry	Business - Information Services
Zacks Industry Rank	Top 18% (45 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	34.7%
Last Sales Surprise	6.2%
EPS F1 Est- 4 week change	10.9%
Expected Report Date	NA
Earnings ESP	1.6%
P/E TTM	30.3
P/E F1	30.9
PEG F1	4.5
P/S TTM	6.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	669 E	684 E	704 E	714 E	2,833 E
2020	688 A	634 A	662 E	667 E	2,651 E
2019	619 A	662 A	689 A	686 A	2,656 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.73 E	\$0.78 E	\$0.84 E	\$0.84 E	\$3.20 E
2020	\$0.73 A	\$0.66 A	\$0.73 E	\$0.74 E	\$2.84 E
2019	\$0.60 A	\$0.69 A	\$0.76 A	\$0.75 A	\$2.79 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 08/14/2020. The reports text is as of 08/17/2020.

Overview

Headquartered in Chicago, IL, TransUnion (TRU) 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.

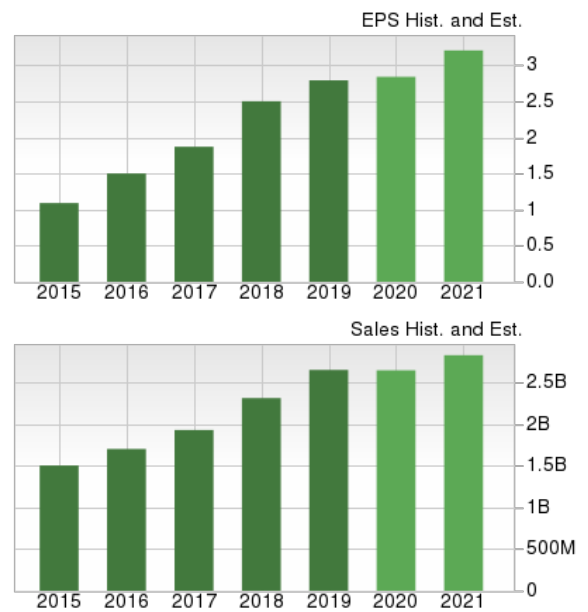
With a presence in more than 30 countries and territories, TransUnion is spread across North America, Latin America, the United Kingdom, Africa, Asia Pacific and India.

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. The segment 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. 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. In 2019, the company acquired TruSignal, a people-based marketing technology company. This should 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 has an attractive business model with highly recurring and diversified revenue streams, significant operating leverage, low capital requirements and strong and stable cash flows.

Risks

- 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. This may weigh on the company's share price which has gained 2.4% year to date, underperforming its industry's growth of 17.6%.
 - TransUnion has a **debt-laden balance sheet**. Total debt at the end of second-quarter 2020 was \$3.63 billion, flat sequentially. The total debt to total capital ratio of 0.62 is higher than the industry's 0.55 and the previous quarter's 0.61. An increase in debt to capitalization ratio indicates higher risk of insolvency in challenging times. Further, the company's cash and cash equivalent of \$432 million at the end of the second 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 \$56 million.
 - 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.
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Last Earnings Report

TransUnion's Q2 Earnings and Revenues Beat Estimates

TransUnion reported solid second-quarter 2020 results, wherein its earnings and revenues surpassed the Zacks Consensus Estimate.

Adjusted earnings of 66 cents per share outpaced the consensus mark by 34.7% but declined 4.3% year over year.

Total revenues of \$634 million beat the consensus mark by 6.2% but decreased 4% year over year on a reported basis, and 3% on both a constant-currency and 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) also came in at \$634 million, down 4% year over year on a reported basis, and 3% at both constant currency and organic constant currency.

TransUnion stated that in response to the COVID-19 pandemic, the company continues to follow the work-from-home model and is trying to be disciplined in managing investment priorities and cost structure. The company has withdrawn its third-quarter and full-year 2020 financial guidance.

Quarter Ending **06/2020**

Report Date	Jul 28, 2020
Sales Surprise	6.19%
EPS Surprise	34.69%
Quarterly EPS	0.66
Annual EPS (TTM)	2.90

Revenues by Segments

U.S. Market revenues of \$405 million were flat with the year-ago quarter both on a reported and an organic basis. Adjusted revenues stayed flat as well. Within the segment, Financial Services revenues of \$222 million climbed 4% year over year on a reported and an organic basis. Emerging Vertical revenues, including Healthcare, Insurance and all other verticals, were \$183 million, down 5% year over year on a reported as well as an organic basis.

International revenues declined 21% year over year on a reported basis and 15% on a constant-currency basis to \$120 million. Adjusted revenues also came in at \$120 million, down 22% year over year on a reported basis and 16% on a constant-currency basis.

Revenues from Canada decreased 5% on a reported basis and 2% on a constant currency basis to \$24 million. Revenues from the U.K. came in at \$39 million, down 16% on a reported basis and 13% on a constant currency basis. India revenues declined 29% on a reported basis and 23% on a constant currency basis to \$18 million. Asia-Pacific revenues came in at \$13 million, down 10% on a reported basis and 12% on a constant currency basis.

Revenues from Latin America decreased 34% on a reported basis and 22% on a constant currency basis to \$17 million. Africa revenues were down 36% on a reported basis and 21% on a constant currency basis to 9 million.

Consumer Interactive segment revenues improved 4% from the prior-year quarter figure to \$128 million.

Operating Performance

Adjusted EBITDA was \$243 million, down 8% year over year on a reported basis and 7% on a constant-currency as well as organic constant-currency basis. Adjusted EBITDA margin came in at 38.2%, down 150 basis points.

Key Balance Sheet and Cash Flow Figures

TransUnion had \$432 million in cash and cash equivalents at the end of the second quarter compared with \$306 million at the end of the prior quarter. Long-term debt was \$3.6 billion, flat year on year. The company generated \$253 million in cash from operating activities and CapEx was \$46 million. It paid out \$14.3 million in dividends in the quarter.

Recent News

On **Aug 06, 2020**, TransUnion announced that its board of directors declared a cash dividend of 7.5 cents per share for second-quarter 2020. The dividend will be paid on Sep 04, 2020 to shareholders of record on Aug 20, 2020.

On **Jun 18, 2020**, TransUnion announced the launch of CreditVision Acute Relief Suite. It encompasses trended credit attributes and accompanying score, and uses Fair Credit Reporting Act data to deliver an explicit view of customers impacted by severe economic conditions.

On **May 07, 2020**, TransUnion announced that it has partnered with Horizon Media to expand its identity capabilities.

On **May 06, 2020**, TransUnion announced the formation of its Global Fraud & Identity Solutions Group. The group unites all aspects of the company's fraud risk offerings, and the hiring of industry veteran, Shai Cohen, to lead the group.

Valuation

TransUnion shares are up 2.4% in the year-to-date period and 4.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are up 17.6% and 1.4% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 18.6% and 2.6%, respectively.

The S&P 500 index is up 4.5% in the year-to-date period and 15.4% in the past year.

The stock is currently trading at 28.59X forward 12-month price-to-earnings, which compares to 30.22X for the Zacks sub-industry, 29.78X for the Zacks sector and 22.87X for the S&P 500 index.

Over the past five years, the stock has traded as high as 38.56X and as low as 17.93X, with a 5-year median of 25.92X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$93.00 price target reflects 30.31X 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	28.59	30.22	29.78	22.87
	5-Year High	38.56	30.39	29.78	22.87
	5-Year Low	17.93	19.56	18.68	15.25
	5-Year Median	25.92	22.6	20.95	17.58
P/S F12M	Current	6.03	6.91	4.16	3.7
	5-Year High	6.71	6.91	4.16	3.7
	5-Year Low	2.37	4.43	3.06	2.53
	5-Year Median	4.49	4.76	3.6	3.05
P/B TTM	Current	7.46	9.98	4.44	4.52
	5-Year High	8.14	10.08	6.71	4.56
	5-Year Low	2.8	4.29	3.28	2.83
	5-Year Median	5.78	6.26	5.22	3.74

As of 08/14/2020

Industry Analysis Zacks Industry Rank: Top 18% (45 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
FactSet Research Systems Inc. (FDS)	Outperform	2
Alliance Data Systems Corporation (ADS)	Neutral	4
Broadridge Financial Solutions, Inc. (BR)	Neutral	3
Equifax, Inc. (EFX)	Neutral	3
Fidelity National Information Services, Inc. (FIS)	Neutral	3
Fiserv, Inc. (FISV)	Neutral	3
Gartner, Inc. (IT)	Neutral	3
Paychex, Inc. (PAYX)	Neutral	3

Industry Comparison Industry: Business - Information Services				Industry Peers		
	TRU	X Industry	S&P 500	EFX	FISV	PAYX
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3	3
VGM Score	C	-	-	C	C	C
Market Cap	16.67 B	12.43 B	23.68 B	20.01 B	66.81 B	26.66 B
# of Analysts	10	7.5	14	11	14	12
Dividend Yield	0.34%	0.34%	1.68%	0.95%	0.00%	3.34%
Value Score	C	-	-	D	C	D
Cash/Price	0.03	0.03	0.07	0.07	0.01	0.04
EV/EBITDA	20.17	21.32	13.36	1,408.35	26.23	14.18
PEG Ratio	4.47	3.13	2.99	5.01	1.39	3.38
Price/Book (P/B)	7.46	7.09	3.22	7.32	2.02	9.58
Price/Cash Flow (P/CF)	19.24	22.86	12.82	19.50	14.90	17.54
P/E (F1)	30.99	34.93	22.06	28.99	22.60	27.06
Price/Sales (P/S)	6.18	9.13	2.51	5.38	4.64	6.60
Earnings Yield	3.24%	2.76%	4.30%	3.45%	4.42%	3.70%
Debt/Equity	1.60	0.72	0.77	1.42	0.65	0.32
Cash Flow (\$/share)	4.56	3.94	6.94	8.45	6.70	4.24
Growth Score	C	-	-	B	B	A
Hist. EPS Growth (3-5 yrs)	26.35%	16.10%	10.41%	4.53%	17.88%	10.82%
Proj. EPS Growth (F1/F0)	1.76%	2.81%	-6.32%	1.13%	10.36%	-8.44%
Curr. Cash Flow Growth	14.29%	7.63%	5.20%	0.48%	147.85%	5.65%
Hist. Cash Flow Growth (3-5 yrs)	19.23%	12.63%	8.55%	8.37%	29.38%	12.12%
Current Ratio	1.83	1.36	1.33	1.27	1.04	1.23
Debt/Capital	61.50%	41.86%	44.59%	58.61%	39.73%	24.32%
Net Margin	11.62%	11.78%	10.13%	8.03%	5.82%	27.18%
Return on Equity	23.04%	23.04%	14.51%	28.46%	8.34%	40.76%
Sales/Assets	0.38	0.45	0.51	0.47	0.19	0.46
Proj. Sales Growth (F1/F0)	-0.19%	0.00%	-1.43%	9.10%	37.55%	-3.64%
Momentum Score	D	-	-	B	C	F
Daily Price Chg	-2.08%	-0.38%	0.12%	-1.20%	0.29%	-0.22%
1 Week Price Chg	-2.45%	1.25%	2.30%	2.51%	4.13%	2.13%
4 Week Price Chg	1.89%	2.26%	4.41%	-0.28%	0.39%	2.16%
12 Week Price Chg	8.15%	13.36%	13.66%	12.30%	-3.68%	10.25%
52 Week Price Chg	8.51%	9.76%	5.80%	16.60%	-5.42%	-7.22%
20 Day Average Volume	1,288,246	78,939	1,984,154	800,090	4,384,617	1,743,203
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%
(F1) EPS Est 4 week change	10.91%	2.88%	2.08%	10.87%	0.32%	0.00%
(F1) EPS Est 12 week change	17.36%	1.91%	2.66%	24.42%	0.55%	-3.99%
(Q1) EPS Est Mthly Chg	14.05%	2.00%	0.94%	19.07%	3.03%	0.00%

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	C
Growth Score	C
Momentum Score	D
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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