



Equifax Seen to Have Limited Downside into 2020

Ticker/Price: EFX (\$139.50)

Analysis:

Equifax (EFX) with an unusually large trade on 11/18 as the December \$135 puts were sold to open for 8,250 contracts at \$2 to \$1.95 taking in nearly \$1.6M in premium with shares at \$138.60, expecting very little downside over the next month. EFX does not have a lot of notable open interest, a few small call purchases in December \$135 and \$140 strikes and has 1750 of the January \$140 calls in OI. EFX has been a resilient stock despite it being most known now for the data breach in 2017 and shares are up nearly 50% YTD and in May 2018 the CEO bought \$1M of stock near \$115/share. In July EFX agreed to settle for \$700M for the data breach. One of its peers, Experian, reported strong results last week, and another in Fico (FICO) also recently posted a strong quarter. EFX shares recently carved out a base above its rising 200 day moving average and looking to make a move back towards \$150, a level that it peaked just below in 2017 before the data breach sent shares back to \$90. The \$16.8B provider of information solutions and human resources services trades 23.8X Earnings, 16.9X EV/EBITDA and yields a 1.12% dividend with a ROIC in the 9-11% range the last few years. The company is expected to see accelerated topline growth of 5.7% in 2020 with 5% EPS growth. It presented at the JP Morgan Conference last week and discussed some key initiatives like security remediation and the EFX2020 cloud technology transformation which is expected to drive strong growth as well as major cost savings and cash generation. EFX also has a \$900M business called Workforce Solutions that is growing fast with a strong margin profile. Analysts have an average target of \$143 and short interest is 2% of the float and down 37% Q/Q. CSFB raised its target on shares to \$157 back on 10/25 seeing improved revenue trends with the cyber incident behind the company. Hedge Fund ownership rose 5.7% in Q3 filings, Lone Pine Capital with a new \$430M stake and now its 17th largest holding.

Hawk Vision:



Hawk's Perspective: EFX really opened my eyes with its JPM Conference presentation and liking this name a lot into the next year or two.

Confidence Ranking: \$\$