



TransUnion Calls Accumulate as Shares Consolidate

Ticker/Price: TRU (\$93.20)

Analysis:

TransUnion (TRU) with 500 September \$95 calls being bought for \$7 this morning, nice bull flag forming in a 2020 top pick, and action continuing all morning with volume up to 1150X in a name with no other notable open interest. The \$17.65B provider of risk and information solutions will not report until 2/18 but many peers reporting over the next week. TRU shares are trading 30X Earnings, 6.85X Sales and 37X FCF with a small 0.32% dividend yield. Forecasts are calling for revenue growth to move to single digits at 8-9% the next two years forward while EPS growth in the 13-15% range. It operates in three segments: US Informational Services which provides consumer reports & risk score, International, and Consumer Interactive which provides credit monitoring and fraud protection. TRU has been posting upside to estimates throughout 2019 and continues to benefit from healthy consumer credit trends and new product launches while also capturing lost market share from peers that have negative news flow. TRU has a strong position in the Insurance vertical and is expanding into emerging verticals like Healthcare. Its Financial Services business should see further benefits from strong mortgage activity in 2020 with rates low. In Emerging Verticals, Key drivers continue to include trended/alternative data, fraud, innovation, and lapping of faster-growing acquisitions (iovation). TRU is seeing strength across all its businesses and sees further opportunity for revenue growth and margin expansion while generating strong FCF to expand into attractive high growth adjacent markets. Analysts have an average target of \$92.25 and short interest low at 1.5% of the float. MSCO upgraded shares to Overweight with a \$100 target on 1/7 seeing consensus numbers underestimating growth potential. Hedge Fund ownership fell 15% in Q3 filings, Atlanta Capital a \$700M stake holder.

Hawk Vision:



Hawk's Perspective: TRU remains a favorite and think it can be owned at these levels via stock or these calls.

Confidence Ranking: \$\$