TransUnion Research

Description: Founded in 1968 and is headquartered in Chicago, Illinois, they provide risk and information solutions. The company operates in three segments:

1. U.S. Information Services (USIS)

   a. The USIS segment provides consumer reports, risk scores, and analytical and decisioning services for businesses. These businesses use its services to acquire new customers; assess consumer ability to pay for services; identify cross-selling opportunities; measure and manage debt portfolio risk; collect debt; verify consumer identities; and investigate potential fraud. This segment serves customers in the financial services, insurance, healthcare, and other industries

2. International

   a. The International segment offers online data services, marketing services, credit reports, analytics, decision services, and other value-added risk management services; and consumer services, which enable consumers to manage their personal finances. This segment serves customers in financial services, insurance, automotive, collections, and communications industries through direct and indirect channels

3. Consumer Interactive

   a. The Consumer Interactive segment provides credit reports and scores, credit monitoring, fraud protection and resolution, and financial management solutions that enable consumers to manage their personal finances and take precautions against identity theft. This segment offers its products through online and mobile interfaces, as well as through direct and indirect channels. The company serves businesses and consumers in the United States, South Africa, Brazil, Canada, Hong Kong, and India, as well as other countries in Africa, Asia, and Latin America.

Ticker: TRU

Price: $60.53

Market Cap: $11.6B

Performance: +10.5% YTD

There are two other companies we believe act as a good comparison and they are Equifax (EFX) and Experian (EXPGF).

The comparison will be in the following format: TRU vs. EFX vs. EXPGF

Annual Revenues: $2.2B vs. $3.4B vs. $4.8B

P/S: 5.2x vs. 3.5x vs. 4.6x

P/E: 28.4x vs. 27x vs. 26.7x

F P/E: 22.9x vs. 17.2x vs. 24x

PEG: 1.7x vs. 2.7x vs. N/A

So looking above the valuations are pretty neck and neck. Let's analyze the balance sheets a bit:

Long Term Debt: $4.1B vs. $2.6B vs. $3.1B

Cash & ST Investments: $226M vs. $253M vs. $182M

Current Ratio (Current Assets / Current Liabilities): 1.6x vs. 1.2x vs. 0.5x

Net Debt/ EBITDA: 5.0x vs. 2.6x vs. 2.3x

Other Stats:

Dividend Yield: 0.5% vs. 1.6% vs. 2.6%

Rev Growth: 25% vs. 2.5% vs. 11%

Let's talk more about TRU now. We really like what we're seeing from the company quite honestly. Not only did they grow revs by about 25%, they're growing their bottom line even better. As of their latest Q3 report, EPS grew by 33% as EBITDA margins grew by 190 basis points to 39.4%.

Across their three business lines mentioned above there is also solid growth. USIS revs grew 20%, International grew 53% (a 138% increase in revs from international developed markets), and their Consumer Interactive segment grew 11%. For Q4, the company is guiding for 23-24% rev growth and 24-26% EPS growth. (edited)

With rates only going up as well as debt, the need for people to check their credit scores will only become more important as companies and consumers need to be much more in the know these days. It isn't as simple as writing down your net income and getting approved anymore. Just from my own experience, I recently got a car and the credit check took the longest. Based on TRU's revenue growth alone we think its safe to say that the market is saying the same thing.

While TRU's debt may be a little high, it doesn't look like it will be a problem going forward. The company has generated about $384M in levered free cash flow over the last twelve months and we can see this number growing even more in 2019 as their top and bottom line are growing very well alongside better margins.

Data is everything today and we believe at 22.9x forward earnings with these growth rates it's more than reasonable and the fact that hedge funds own about 11.2% of the shares we'd say they're feeling the same way as back in 2016 this number was around 4.25%.