

Equifax Inc. Financial Summary, Valuation & Potential Return Profile (\$ in Millions)														
Capitalization Table		Financial Summary										CAGR		
Share Price (05/03/2026)	\$ 173.85	Period	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	'22A - '25A	'25A - '29E	'25E - '31E
Fully Diluted Shares	121.1													
Market Cap	\$ 21,060	Workforce Solutions (EWS)	\$ 2,316	\$ 2,434	\$ 2,582	\$ 2,747	\$ 3,001	\$ 3,290	\$ 3,618	\$ 3,991	\$ 4,418	3.6%	8.4%	9.4%
Plus: Total Debt	5,093	US Information Solutions (USIS)	1,720	1,893	2,079	2,197	2,321	2,453	2,593	2,740	2,896	7.8%	5.7%	5.7%
Plus: Preferred Equity	-	International	1,229	1,354	1,414	1,490	1,570	1,656	1,746	1,842	1,944	7.5%	5.4%	5.5%
Less: Cash	(181)	Total Revenue	5,265	5,681	6,075	6,433	6,893	7,399	7,957	8,574	9,259	5.8%	6.8%	7.3%
Plus: Minority Interests	134	Y/Y Growth %	2.8%	7.9%	6.9%	5.9%	7.1%	7.3%	7.5%	7.8%	8.0%			
Enterprise Value	\$ 26,107	Organic growth %	1.4%	7.5%	7.3%	5.9%	7.1%	7.3%	7.5%	7.8%	8.0%			
		M&A %	2.4%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
		FX impact %	-1.0%	-2.0%	-0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Trading Stats														
52 Week Range	\$166.02 - \$281.03	EBITDA	\$ 1,694	\$ 1,836	\$ 1,935	\$ 2,080	\$ 2,247	\$ 2,425	\$ 2,622	\$ 2,843	\$ 3,090	4.0%	7.8%	8.1%
% of 52-Wk High	62%	% Y/Y Growth	-1.6%	8.4%	5.4%	7.5%	8.1%	7.9%	8.1%	8.4%	8.7%			
30-Day Avg. \$ Volume (USD mm)	\$ 317.0	% Margin	32.2%	32.3%	31.9%	32.3%	32.6%	32.8%	33.0%	33.2%	33.4%			
Float % of Total Shares Outstnd.	99.18%	EBIT	\$ 1,083	\$ 1,166	\$ 1,216	\$ 1,316	\$ 1,470	\$ 1,690	\$ 1,883	\$ 2,103	\$ 2,322	1.5%	11.6%	11.4%
Short Interest	4.29%	% Y/Y Growth	-6.8%	7.7%	4.2%	8.2%	11.7%	15.0%	11.4%	11.7%	10.4%			
Historical Business Quality		% Margin	20.6%	20.5%	20.0%	20.4%	21.3%	22.8%	23.7%	24.5%	25.1%			
2023	2024	2025												
ROIC	8.3%	8.9%	9.5%											
ROE	25.4%	25.0%	25.4%											
ROTC	56.5%	59.5%	65.1%											
CapEx/Sales	11.4%	9.0%	7.9%											
		Net Income	\$ 832	\$ 910	\$ 949	\$ 1,074	\$ 1,202	\$ 1,378	\$ 1,534	\$ 1,711	\$ 1,887	0.6%	13.2%	12.1%
		% Y/Y Growth	-10.8%	9.5%	4.3%	13.2%	11.9%	14.7%	11.3%	11.5%	10.3%			
		% Margin	15.8%	16.0%	15.6%	16.7%	17.4%	18.6%	19.3%	20.0%	20.4%			
		% Incremental Margin	-70.7%	18.9%	9.9%	34.9%	27.7%	34.9%	27.9%	28.7%	25.6%			
		Model Diluted EPS	\$ 8.40	\$ 9.00	\$ 9.27	\$ 10.69	\$ 12.20	\$ 13.90	\$ 15.81	\$ 18.03	\$ 20.24	0.6%	14.4%	13.9%
		% Y/Y Growth	-7.8%	7.1%	3.1%	15.3%	14.2%	13.9%	13.7%	14.1%	12.3%			
		Diluted shares outstanding	123.9	124.9	124.1	118.4	113.3	108.7	104.7	101.1	98.0	0.2%	-4.3%	-3.9%
		% Y/Y Growth	0.5%	0.8%	-0.6%	-4.6%	-4.3%	-4.1%	-3.7%	-3.4%	-3.1%			
		Unlevered FCF	\$ 516	\$ 813	\$ 1,134	\$ 1,246	\$ 1,387	\$ 1,485	\$ 1,606	\$ 1,741	\$ 1,897	104.5%	9.4%	8.9%
		% Y/Y Growth	288.8%	57.7%	39.5%	9.8%	11.3%	7.1%	8.1%	8.4%	9.0%			
		Valuation Summary												
		EV / EBIT	21.5x	19.8x	17.8x	15.4x	13.9x	12.4x	11.2x					
		EV / UFCF	23.0x	21.0x	18.8x	17.6x	16.3x	15.0x	13.8x					
		P / E	18.8x	16.3x	14.2x	12.5x	11.0x	9.6x	8.6x					
		Net Debt / EBITDA	2.5x	2.4x	2.2x	2.0x	1.9x	1.7x	1.6x					
		ROIC	8%	9%	10%	10%	11%	13%	13%	14%	15%			
		ROE	25%	25%	25%	29%	33%	36%	40%	45%	49%			

Recommendation: I recommend a long position in Equifax Inc. (NYSE: EFX). My base case December 2030 price target of \$405 implies a total return of 133% and a 21% IRR including dividends. On a probability-weighted basis across scenarios, my target price is \$414, implying a 138% total return and 21% IRR.

Investment Thesis: EFX is a high-quality business (61% pre-tax ROTC, 25% ROE, 120% FCF conversion) that is temporarily underearning due to a depressed mortgage market (volumes 50% below 2015-2019 levels as measured by hard credit inquiries) and years of heavy technology infrastructure investment. The stock is down over 40% from all-time-high in August 2024 primarily due to AI-related fears impacting business services companies, despite ~90% of EFX revenue generated from proprietary data, and macroeconomic uncertainty clouding EFX's credit and hiring markets exposure.

Following pivotal congressional reform in 2025 via the One Big Beautiful Bill ("OB3") and the completion of EFX's \$3 billion, multi-year cloud transformation in 2026, the company is experiencing a unique inflection point that will likely see EPS compound at a low-to-mid teens rate per year over the next 5 years through a combination of higher revenue growth from increased market penetration, margin expansion from new product innovations and technology-driven operating efficiencies, and accelerated return of capital through accretive share repurchases and increased dividends. In a full mortgage market recovery scenario, which is not assumed in the base case scenario and represents pure upside, EPS CAGR likely expands to 20% and IRR to 33%, including dividends.

Business Overview: Founded in 1899 in Atlanta as the Retail Credit Company by two brothers Cator and Guy Woolford, Equifax (EFX) has evolved from a local merchant-focused credit reporting service into a global data, analytics, and technology company with an operating presence in 24 countries. While the company is widely known as one of the "Big Three" US credit bureaus – alongside Experian [EXPN-GB] and Transunion [TRU-US] – the company is also, unbeknownst to many, the largest provider of automated verification of income and employment (VOIE) services in the US through its "The Work Number" (TWN) business. TWN manages a growing database of over 211M active records covering 146M unique individuals – nearly 60% of the US workforce. TWN has operated as an effective monopoly for the last 20 years, maintaining a dominant market share of over 85%, and has grown revenue from ~\$360 million in 2015 to \$2.2 billion in 2025, a 10-year CAGR of 20% (19% organic).

In 2025, EFX generated \$6.1 billion of revenue and \$1.1 billion of adjusted EBIT, split across three key segments: Workforce Solutions ("EWS", 43% of revenue, 44% Adj. EBIT margin), which primarily includes the TWN business reported under Verification Services (84% of EWS, 36% of total revenue); US Information Solutions ("USIS", 34% of revenue, 23% Adj. EBIT margin), which primarily includes the US credit reporting agency business; and International (23% of revenue, 15% Adj. EBIT margin), which largely mirrors the USIS business but operates across Latin America, Europe, Asia Pacific, and Canada.

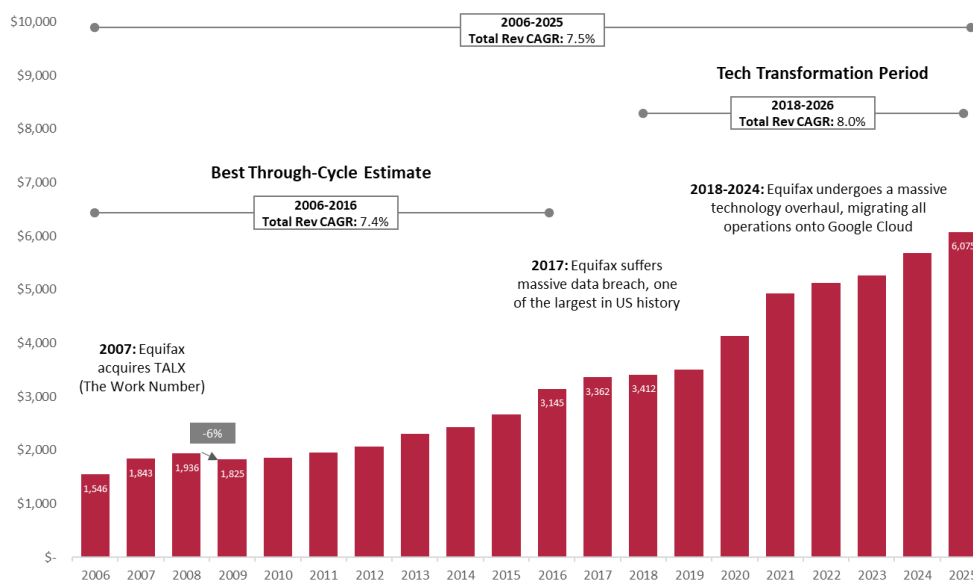


Figure 1: EFX Revenue History

The company has undergone a fundamental transformation over the past two decades. In 2006, EFX was largely a traditional credit bureau business, generating virtually all its revenue and EBIT from credit reporting activities in the US and abroad. In 2007, it acquired TALX Corp. – which owned TWN – and entered the highly attractive income and employment verifications market. By virtue of TWN’s impressive growth, by 2016, EWS generated 22% of total EFX revenue and 28% of EBIT. Today, EWS accounts for 43% of total revenue and 63% of EBIT – and as the fastest-growing segment with the highest margins in the portfolio, it is the primary engine of earnings growth for the foreseeable future.

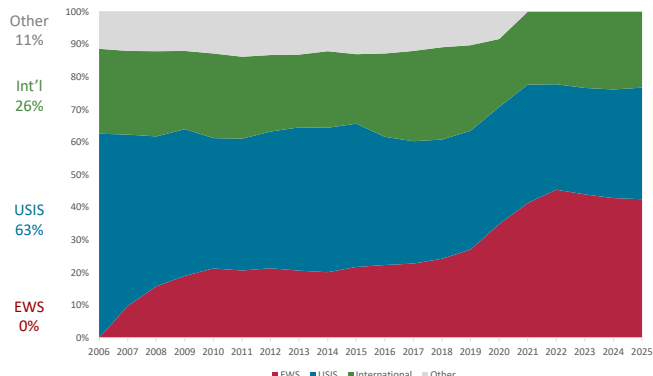


Figure 2: EFX Revenue Mix History

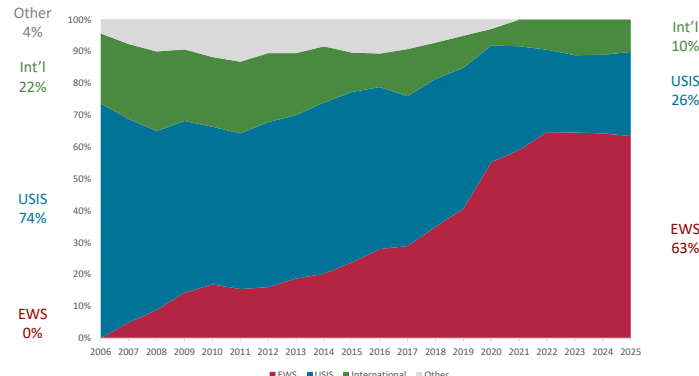


Figure 3: EFX EBIT Mix History

In 2017, EFX suffered one of the largest data breaches in US corporate history, compromising sensitive personal data for over 148 million individuals. The aftermath forced the company to pay out ~\$700 million in settlements and invest over \$3 billion to transform its IT and data security infrastructure – migrating all customer data into a single Google Cloud data fabric. Ironically, a decade of forced reinvestment has positioned EFX as the only cloud-native credit bureau among the Big Three, enabling a structural technology advantage over peers that is now accelerating new product innovation and driving meaningful operating efficiencies.

Variant View: The market is currently fixated on three key concerns: 1) AI-related disruption of business services companies; 2) timing uncertainty around the EWS government revenue ramp; and 3) macroeconomic uncertainty weighing on near-term growth. While these concerns are real, they don’t justify the significant discount currently embedded in EFX’s valuation.

On AI, EFX generates ~90% of revenue from proprietary data assets that AI cannot replicate and is actively deploying AI to sharpen customer solutions and drive operating efficiencies. The more likely outcome is that AI is a net neutral to net positive for EFX – a tailwind to margins and product velocity rather than an existential threat to its data moat.

On the government ramp, management noted on the Q1 2026 earnings call that government pipelines are up over 2x year-over-year, with the bulk of the OB3 opportunity expected to come online in late 2026 and accelerate into 2027 and beyond. Deal closures and activations will be lumpy as states navigate technology implementations and budget constraints – but the market's fixation on near-term quarterly growth is causing it to underappreciate what is shaping up to be a meaningful step-function benefit to organic growth over the next 12-18 months.

Thesis Overview: I am long EFX for the following reasons:

Thesis #1: EFX's core businesses possess durable, layered competitive advantages that are economically prohibitive for competitors and new entrants to replicate

Equifax operates two structurally advantaged businesses – traditional credit reporting and automated verification of income and employment ("VOIE") – each of which exhibits four key elements of competitive advantage: the powerful twin combination of economies of scale and customer captivity, proprietary supply-side advantages, and network effects. In credit reporting, all four are present and mutually reinforcing; in VOIE, they are present in even more concentrated, and likely more durable, form.

Beginning with the traditional credit reporting agency ("CRA") business, one that traces its roots to 1899, EFX operates in a triopoly alongside Experian and TransUnion that has been entrenched for nearly four decades. The industry's consolidation into three national players was catalyzed in the 1970s and 1980s by computerization: as credit files migrated from index cards to mainframes, the capital costs of building and maintaining national-scale data infrastructure proved prohibitive for the 2,000-plus local bureaus operating at the time, enabling well-capitalized regional players to execute a decade-long acquisition sweep. Equifax alone absorbed 104+ smaller bureaus through the 1980s, achieving national coverage of all 50 states by 1987. By the end of that decade, the market had consolidated from thousands of local operators into three regional giants: Retail Credit Company (now Equifax) dominated the South and East; TransUnion anchored the Central U.S.; and TRW (later sold and rebranded as Experian) anchored the West and Southwest.

The passage of the Fair Credit Reporting Act in 1970 further institutionalized the incumbents' advantage. Strict accuracy standards, dispute resolution requirements, and adverse action notice obligations imposed massive fixed cost burdens – compliance infrastructure spanning legal, technology, and operations must be built before earning a single dollar of revenue, creating a structural cost moat that new entrants simply cannot bridge economically. Compliance costs reinforced and amplified the scale advantages that consolidation had already established.

The CRA business model itself is a reciprocal, contributory two-sided network, whose architecture creates the deepest source of customer captivity. Tens of thousands of data furnishers – banks, credit card issuers, mortgage lenders, auto finance companies – voluntarily provide consumer credit data to the bureaus. Many of those same entities then purchase credit reports to make underwriting and risk assessment decisions, completing the loop. Furthermore, the captivity on both sides is structural, not habitual: lenders integrate bureau data directly into proprietary risk models, loan origination systems, and decisioning infrastructure. Replacing a bureau would require re-validating models under prudential oversight requirements – a multi-year, multi-million-dollar compliance and technology undertaking. This network dynamic, combined with scale advantages, has enabled the Big Three to consistently earn returns on capital well above their cost of capital for the better part of four decades.

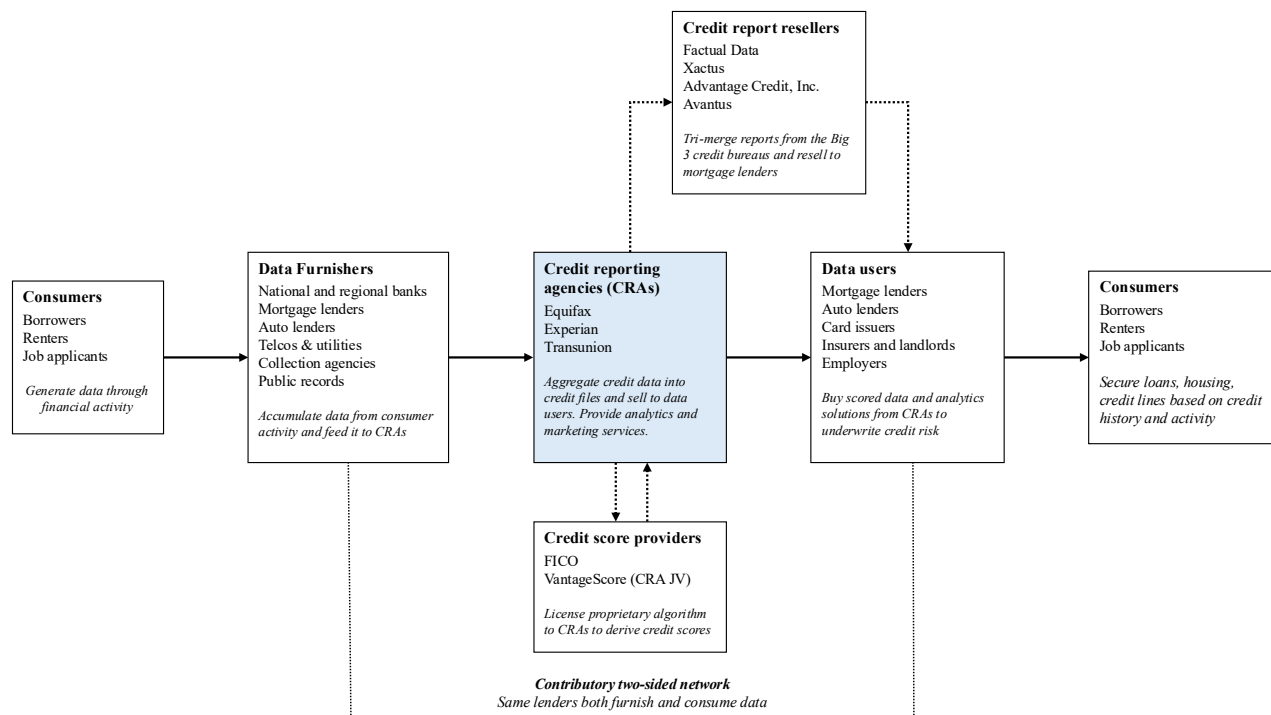


Figure 4: CRA Industry Value Chain

The robustness of these barriers is further demonstrated by the track record of failed disintermediation over the past decade. Every meaningful attempt to bypass the Big Three – leveraging alternative data, novel scoring methodologies, or open banking cash flow analytics – ended not in displacement but in dependence or absorption. Credit Karma, perhaps the most instructive example, raised \$870M, sold to Intuit for \$7.1B, and still relies entirely on Equifax and TransUnion for its core data. Upstart, which marketed itself as a superior alternative to FICO scores, peaked at a \$35B market cap before collapsing to ~\$2.6B – with CRA data remaining its core underwriting input throughout. These outcomes reveal the true nature of the moat: it is data accumulation and institutional integration, not processing technology, that cannot be replicated.

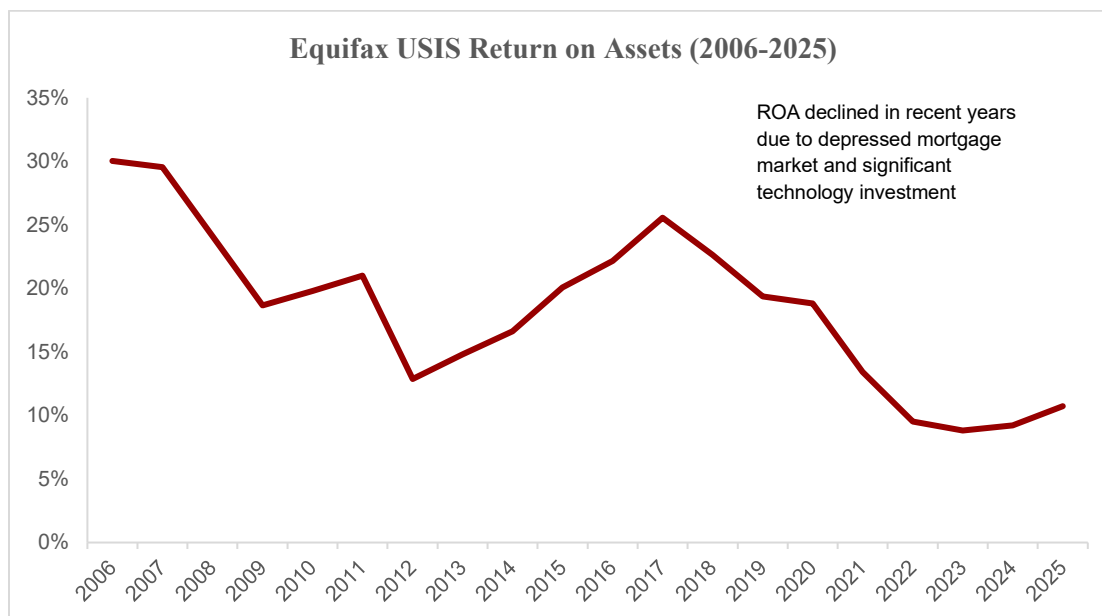


Figure 5: Equifax USIS return on assets (Adj. EBIT / Segment Assets)

While EFX's CRA business is a good business, its automated VOIE business is an even better business. The Work Number ("TWN"), EFX's crown jewel, has operated as an effective monopoly for close to two decades – first consolidated by TALX Corp. through an aggressive industry roll-up, then acquired by Equifax in 2007 at a point when TALX already commanded ~85% market share. TWN is yet another dominant two-sided network: the more employers and payroll platforms such as ADP, Paychex, and Workday contribute

payroll records, the more indispensable TWN becomes to verifiers on the demand side – including mortgage and auto lenders, background screeners, federal and state government agencies, and others that require real-time income and employment data to make high-stakes decisions.

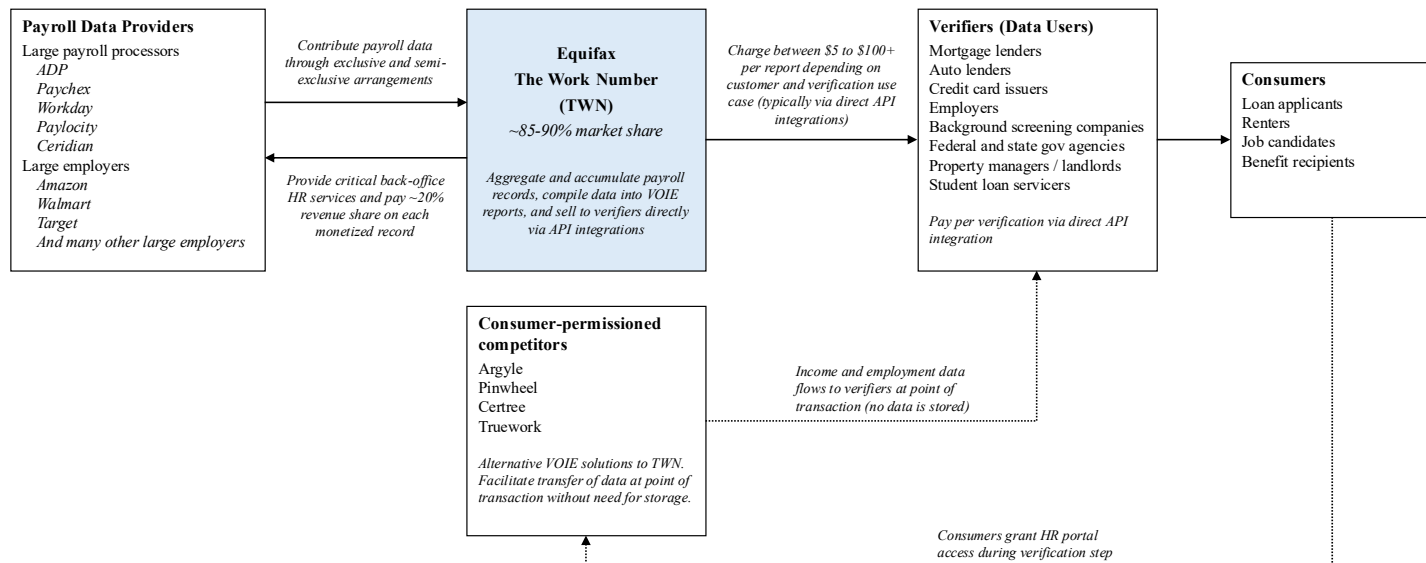


Figure 6: Verification of Income and Employment (VOIE) Industry Value Chain

TWN's structural lock-in operates through several reinforcing mechanisms. On the supply side, TWN has historically maintained exclusivity agreements with payroll data furnishers – paying a revenue share of ~20%+ on each monetized record in exchange for sole access to the data. While exclusivity seems to be weakening modestly at the margins as large payroll providers become more commercially sophisticated, TWN retains a durable scale advantage: records accumulated under prior exclusive arrangements don't automatically flow to competitors when contracts lapse, leaving challengers with a coverage gap that takes years and significant capital to close. Per primary research contacts and industry sources, TWN commands ~85-90% revenue share in the VOIE market and has maintained that position for over 20 years. Furthermore, this dominant record coverage is reinforced by the back-office services TWN provides furnishers – unemployment claims management, I-9 and onboarding services, ACA compliance management – creating operational switching costs that make the data relationship stickier than a simple commercial contract.

On the demand side, verifier captivity is equally entrenched. The price per verification is often economically trivial relative to the cost of the underlying transaction: approving a multi-hundred-thousand-dollar mortgage, onboarding a new employee, or administering a large government benefit program. There is little operational and financial incentive for a lender to absorb integration costs and coverage risk to switch to a smaller competitor over a line item that is immaterial to the total cost of a loan – a cost that they often pass on to the end consumer. Furthermore, verifiers are also deeply integrated with TWN through system-to-system APIs and data feeds embedded directly into loan origination systems, adding further barriers to switching.

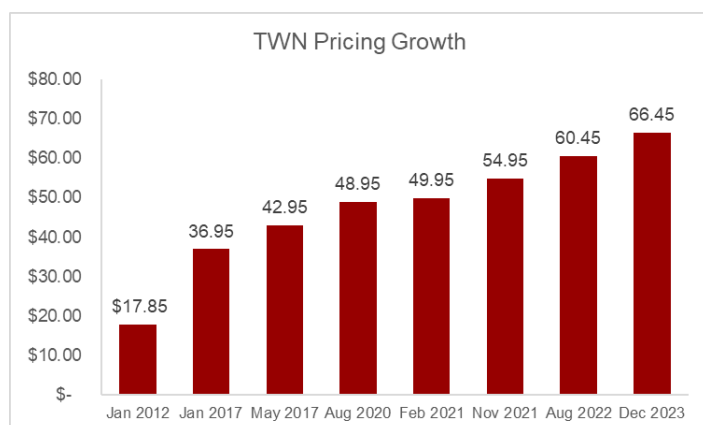


Figure 7: TWN average price per report. Source: Greystone Mortgage Inc. et al v. Equifax Workforce Solutions LLC et al

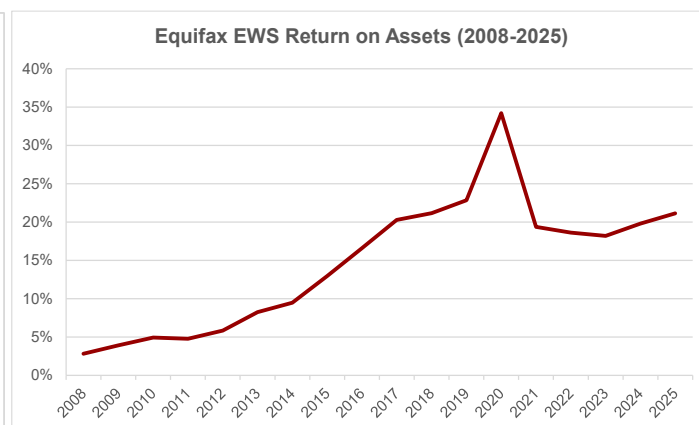


Figure 8: Workforce Solutions segment return on assets (Adj. EBIT / Segment Assets). Equifax acquired The Work Number in 2007.

TWN's pricing history [Figure 7] illustrates the practical consequence of this captivity. Per data from an ongoing antitrust complaint filed by mortgage lenders against EFX, TWN raised its price per report from ~\$18 in January 2012 to ~\$66 in December 2023 – a ~12% CAGR over 12 years and a ~272% cumulative increase – with virtually no customer attrition. The return on assets trajectory of the Workforce Solutions segment [Figure 8] over this period is equally telling.

Consumer-permissioned solutions – offered by Argyle, Certree, Pinwheel, and others – represent the most credible attempt to bypass TWN's model. Rather than storing payroll records, these platforms facilitate real-time data exchange at the point of transaction, requiring the applicant to log into their HR or payroll portal and grant consent on the spot. The technology is improving and consumer adoption is growing, but two structural problems limit how far these platforms can go. First, they have no stored records for former employers, whose HR systems a borrower may no longer be able to access, and their coverage of active employers remains far below TWN's. For mortgage underwriters or background screeners who need three and seven years of verified income history, respectively, across multiple employers, this presents a material gap. Second, consumer-permissioned verification introduces friction at precisely the wrong moment: a mortgage closing is not when a lender wants to ask a borrower to locate their Workday login. Lenders value speed over cost in the origination process. Per industry contacts, consumer-permissioned solutions currently account for ~10-15% of verifications and sit lower in most lenders' waterfall hierarchies as a result. Ultimately, coverage is the name of the game in VOIE, and TWN's three-decade head start in stored, structured payroll records is not something a real-time consent platform can effectively replicate any time soon.

Thesis #2: Large and growing TAM presents an attractive growth runway, further accelerated by cloud technology transformation and new product innovation

EFX's addressable market has expanded ~3x over the past decade, from ~\$17B in traditional credit reporting to over \$50B today, composed of three large adjacencies: Government (\$5B), Talent (\$5B), and Identity & Fraud (\$19B). EFX's share of the \$19B ID&F market remains small (<2%), making it more of a long-duration optionality play. The near-term opportunity is concentrated in Government and Talent, where EFX's dominant VOIE position provides a significant competitive edge. As of year-end 2025, EFX holds ~14% combined share across these two verticals – meaning ~86% of the \$10B TAM remains in manual workflows that are increasingly costly for verifiers to maintain. EFX is uniquely positioned to convert a meaningful portion of this whitespace over time, with the Government vertical representing the most concrete near-term lever (discussed further in Thesis #3).

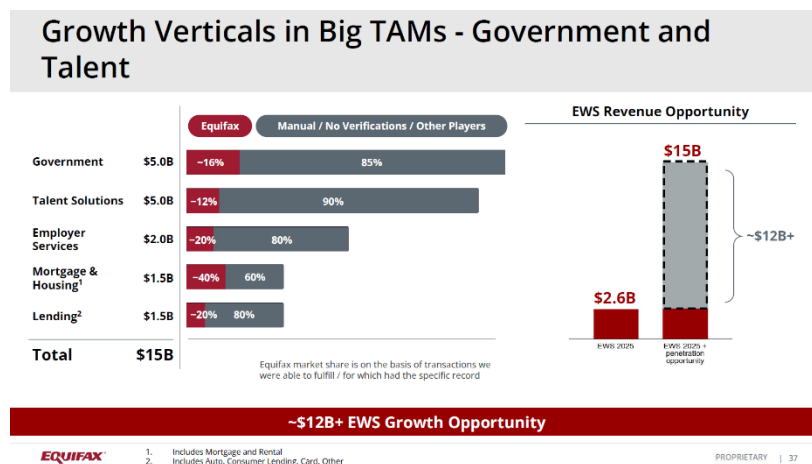


Figure 9: EWS TAM Opportunity.
Source: 1Q 2026 EFX Earnings Review Presentation

The completion of EFX's \$3B cloud migration, after seven years of investment, is the second leg of the growth runway and arguably the more underappreciated one. The transformation consolidated 100+ siloed data repositories into a single unified data fabric, enabling EFX to combine TWN income data, credit file data, alternative data, wealth data (IXI), and incarceration records (Appriss) into multi-data products that were previously infeasible. This is showing up directly in the metrics: the Vitality Index, EFX's measure of revenue from products launched in the prior three years, has more than doubled from 5% pre-cloud to 15% in 2025, with Q1 2026 reaching 17%, meaningfully above the 10% long-term goal. New product launches have grown from <90 per year pre-cloud to ~150 today, with speed-to-market improving ~60% from ~220 days to ~90 days. Approximately 50% of new USIS products now combine multiple proprietary data sources, which not only differentiates EFX competitively but deepens customer stickiness and integration.

In turn, the cloud platform is also enabling EFX to effectively deploy AI across both its products and its operations. On the product side, all new models are now being built with EFX.AI, delivering an average ~30% performance lift over legacy models, and EFX has built a portfolio of over 400 explainable AI patents pending or granted. On the operations side, management has guided to ~\$75M of annual AI-driven productivity savings over the next 2-3 years from deployment across call centers, paper processing in Workforce Solutions, and software development. Combined with high incremental margins on each new product or data asset sold (the next credit file, the next TWN record), this should support EBITDA margin expansion well above the 50-bps long-term framework – a dynamic

already evident in 2026 guidance of 75 bps margin expansion ex-FICO and Q1 2026 actuals of 80 bps. Put together, the combination of TAM expansion, accelerating product innovation, and AI-driven operating leverage gives EFX a credible path to 7-10% organic revenue growth and double-digit EPS growth over the medium-term horizon.

Thesis #3: Government business is at a structural inflection point and poised to grow revenue at ~20%/yr over the next 5 years

EFX's government vertical within EWS represents the company's single biggest growth driver. Over the past five years, EFX's government business has roughly quadrupled – from ~\$200 million in 2020 to ~\$800 million in 2025 – a CAGR of 32% driven by three key factors: COVID-19-accelerated digital adoption among state agencies; the Appriss Insights acquisition (October 2021), which integrated with TWN into TotalVerify to enable simultaneous employment and incarceration verification through a single API; and continuous scale benefits from an expanding records database.

Growth decelerated to ~10% in 2025 as states absorbed a funding shift: the prior administration restructured CMS and USDA reimbursement practices, requiring states to fund a portion of data verification costs that had previously been 100% federally reimbursed. This created a temporary budget air pocket that impacted new deployments and contract signings throughout the year.

In July 2025, the One Big Beautiful Bill ("OB3") was passed, which stands to materially reset EFX's government growth trajectory by fundamentally restructuring state incentive calculus. A key priority of the legislation is to clamp down on the \$162 billion of improper payments across government benefit programs, as estimated by the US Government Accountability Office ("GAO") for fiscal year 2024. Historically, improper payments proliferated at programs like Medicaid and SNAP because states bore no financial consequences for errors – benefits were federally funded, leaving states with no incentive to ensure payment accuracy and integrity.

OB3 mandates have restructured these misaligned incentives. For SNAP, states with payment error rates above the 6% threshold must now fund either 5% (for error rates between 6-10%) or 15% (for error rates above 10%) of their total SNAP benefit costs from their own budgets. In FY 2024, the 6% threshold was exceeded by 44 of 53 states and territories, with 21 above the 10% maximum, implying ~\$12B of costs shifting from the federal government to states at current error rates. For Medicaid, OB3 increases redetermination frequency from annually to every six months effective January 2027, effectively doubling redetermination transaction volume for the ~20M expansion adults. Additionally, OB3 mandates new work and community engagement verification requirements for the ~15M non-exempt adults within that population, layering an additional verification use case on top of the redetermination cadence.

EFX is uniquely positioned to benefit as the only provider with a database of sufficient scale to deliver the instant, authoritative income and employment verification these mandates require. The value proposition to state agencies is straightforward: avoiding billions in potential penalties and simultaneously reducing the labor cost of manual eligibility verification, which EFX estimates is 57% more expensive than an automated TWN query. Commercial discussions with state agencies have ramped meaningfully since OB3's passage, with revenue impact expected to accelerate in the second half of 2026 and into 2027. EFX is already seeing traction with its newest Continuous Evaluation for SNAP product, launched in Q4 2025, with three states already activated, and is gearing up to launch the Continuous Evaluation for Medicaid product in 2H 2026.

A conservative bottom-up analysis of increased verification frequency and penetration across benefit programs implies ~\$1.0B of incremental run-rate government revenue by 2030 – supporting 20%+ organic growth in the Government vertical over the next five-plus years, which is above the 13-15% EWS long-term framework, and consistent with management's repeated commentary that Government will be EWS's fastest-growing vertical going forward.

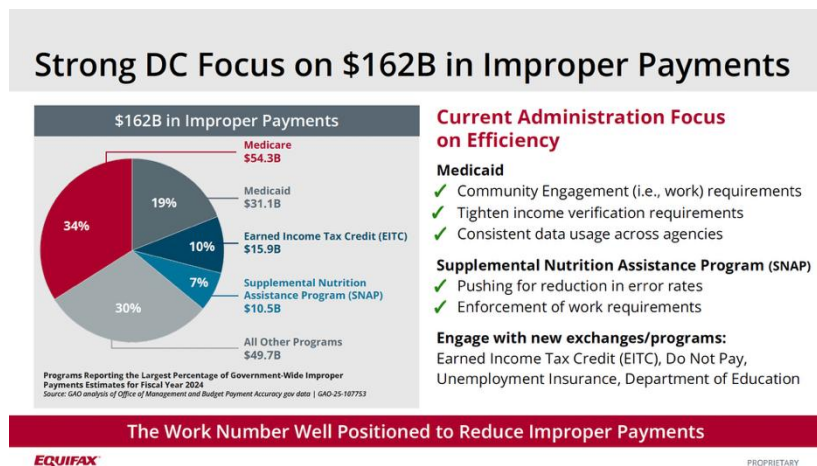


Figure 10: EFX 2025 Investor Day Presentation

Thesis #4: EFX's current trading levels ascribe little to no value to an eventual mortgage market recovery, providing an attractive free call option.

The U.S. mortgage market is in one of its most prolonged downturns in recent history – hard credit inquiries are running ~50% below the 2015–2019 average, pressuring EFX through two channels: lower Workforce Solutions revenue as lenders pull fewer income and employment verifications during origination, and lower USIS revenue from reduced tri-merge credit report pulls on GSE-conforming mortgages.

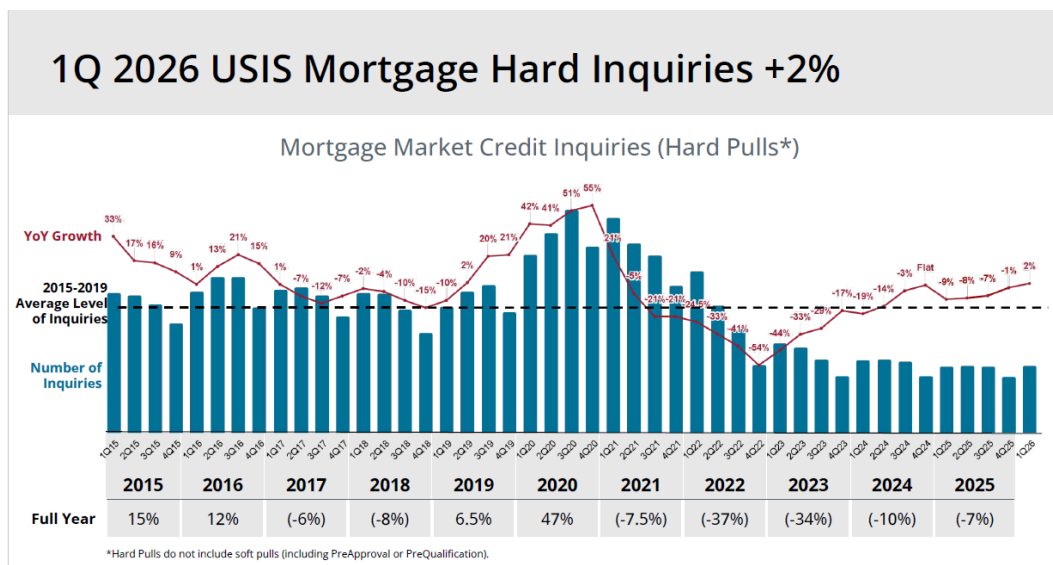


Figure 11: EFX 1Q 2026 Earnings Review Presentation (Slide 46)

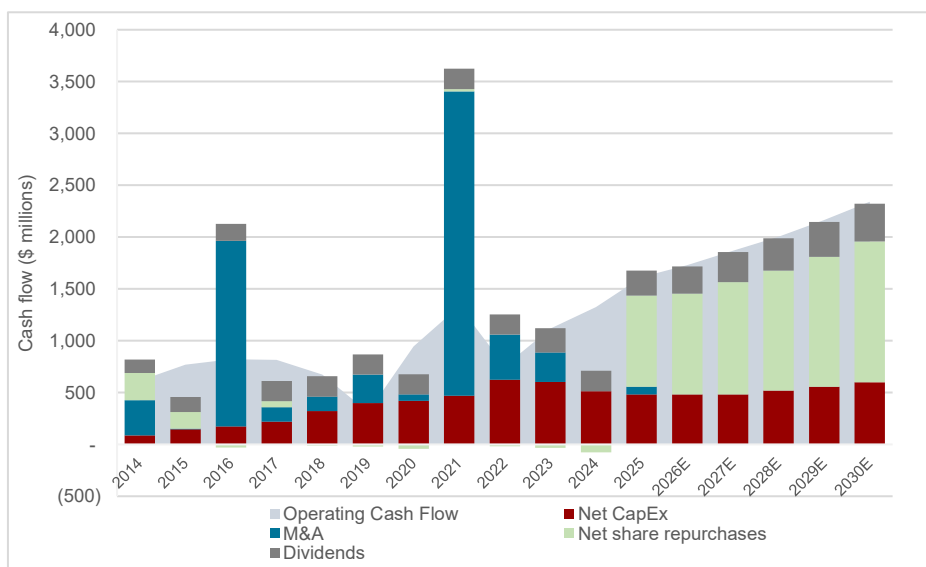
The recovery optionality embedded at current trading levels is significant. Management estimates that a full recovery to 2015-2019 average origination volumes – with no assumed price growth and VantageScore conversion – would generate an incremental ~\$1.2 billion of revenue, ~\$700 million of EBITDA, and ~\$4 of EPS. Layering in a mid-single-digit price CAGR consistent with historical realized pricing expands the incremental upside to ~\$1.5 billion of revenue, ~\$930 million of EBITDA, and ~\$6.90 of EPS by 2030. The base case assumes no recovery – meaning any normalization is pure upside – and management has been explicit that incremental mortgage cash flow will be returned to shareholders through buybacks.

Thesis #5: Capital allocation shift toward return of capital will drive meaningful shareholder returns over the next 3-5 years

The 2017 cybersecurity incident triggered a prolonged reinvestment cycle: CapEx as a % of revenue roughly doubled from ~5% pre-incident to an average of ~10% between 2018 and 2025 as EFX rebuilt its technology infrastructure and executed a full cloud transformation. With the cloud migration expected to be fully complete by year-end 2026, management has guided CapEx to normalize to a long-term target of 6–7% of revenue, freeing up significant incremental FCF for shareholder returns.

Going forward, the capital return math is compelling. In FY 2025, EFX generated ~\$1.1 billion of FCF (net of CapEx) and allocated ~\$880 million (or 78% of FCF) to share

repurchases and \$239 million (21% of FCF) to dividends. Assuming the same buyback and dividend allocation ratio and CapEx normalizing to ~7% of revenue, EFX will be able to retire ~20% of shares outstanding over the next 5 years, accelerating EPS growth and shareholder returns.



Valuation: EFX currently trades at ~19x 2026 earnings or 16x earnings adjusted for amortization of acquired intangibles. I've utilized a multiples-based methodology (P/E) and earnings power valuation to estimate the intrinsic value range for the company.

In my multiple-based valuation, I considered four operating scenarios – bear, base, bull, and mortgage recovery – with varying assumptions for organic revenue growth across the key segments and corresponding margins. The mortgage recovery scenario reflects the potential return outcome for EFX in the event mortgage activity returns to 2015-2019 levels and the company generates an incremental ~\$1.5 billion of revenue, ~\$930 million of adjusted EBITDA, and \$6.90 of EPS – consistent with management's expectations but assuming 5% price growth for the interim period. My 2030 base case target price is \$405 and my probability-adjusted value \$414, implying a total return of 138% or total IRR of 21% including dividends.

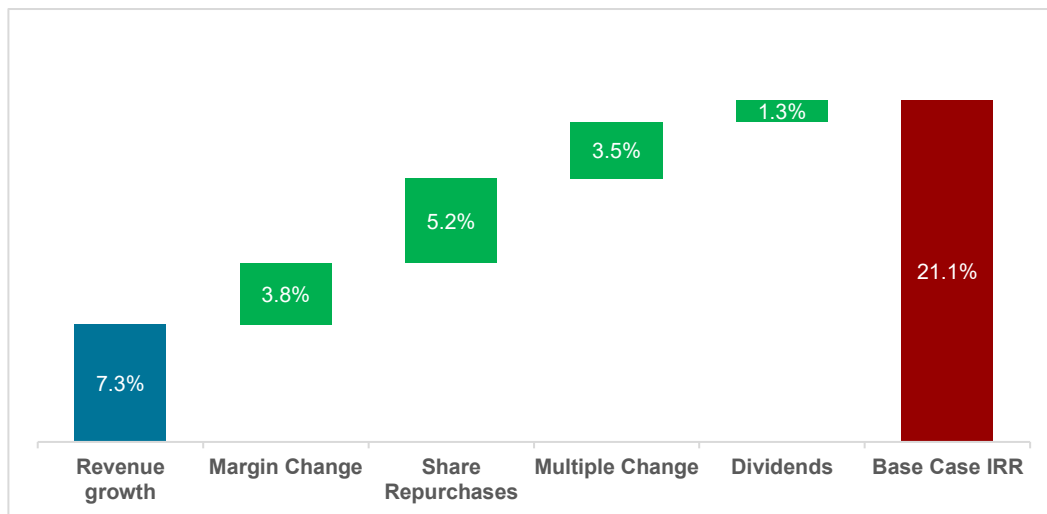
Using an earnings power value (EPV) framework, I considered two normalized scenarios: one in which the government business is fully ramped, and one that combines a ramped government business with a mortgage recovery. As shown in the table, EPV based on 2025 figures implies ~\$11.7 billion of value attributable to growth equity – reflecting temporarily depressed earnings from a weak mortgage environment, elevated fixed costs from recent technology investments, and an underearning government segment.

Under the normalized government scenario, growth equity declines to ~\$1.4 billion or 7% of the current market cap. Under a mortgage recovery scenario, it falls even further to negative \$4.5 billion. Given the company's sustainable competitive advantages, returns on capital, and growth runway, we're not paying much for the defensible moat and government ramp, and are getting all the mortgage recovery for free at current prices.

Valuation Summary				
2031 Estimates - Core Cases				
Scenarios	Bear	Base	Bull	Mtg. Recovery
Revenue	\$7,253	\$9,259	\$9,976	\$10,867
2025-2031 CAGR %	3.0%	7.3%	8.6%	10.2%
EBIT	\$1,724	\$2,322	\$2,552	\$3,037
% Margin	23.8%	25.1%	25.6%	27.9%
Diluted EPS	\$14.61	\$20.24	\$22.52	\$28.21
2025-2031 CAGR %	7.9%	13.9%	15.9%	20.4%
Multiple (P/E)				
2031 EPS	\$14.61	\$20.24	\$22.52	\$28.21
EV / EBIT Multiple	15.0x	20.0x	25.0x	22.0x
2030 Target Price	\$219	\$405	\$563	\$621
MOIC	1.3x	2.3x	3.2x	3.6x
Total Price Return %	26%	133%	224%	257%
IRR (including divs)	6%	21%	30%	33%
Probability	15%	65%	10%	10%
Prob. adj. value	\$414			
Total Return %	138%			
IRR (including div.)	21.0%			

EPV Valuation				
	Current	Normalized	Normalized (Mtg)	
Revenue	\$ 6,075	\$ 8,574	\$ 10,105	
Operating margin	20.0%	22.5%	25.0%	
EBIT	\$ 1,216	\$ 1,929	\$ 2,526	
Adjustments				
Over-depreciation	\$ 166	\$ 171	\$ 171	
Excess amortization	250	250	\$ 250	
Other restructuring	41	116	\$ 116	
Total adjustments	\$ 457	\$ 537	\$ 537	
Total Adj. EBIT	\$ 1,673	\$ 2,466	\$ 3,063	
Tax Rate	20%	20%	20%	
Adjusted NOPAT	\$ 1,338	\$ 1,973	\$ 2,451	
WACC	8%	8%	8%	
EPV Op. Business	\$ 16,728	\$ 24,661	\$ 30,633	
(+) Cash	181	181	181	
(-) Debt & MI	(5,227)	(5,227)	(5,227)	
EPV Equity	\$ 11,682	\$ 19,615	\$ 25,586	
Current MC	\$ 21,060	\$ 21,060	\$ 21,060	
Growth Equity	\$ 9,379	\$ 1,445	\$ (4,526)	

Base Case IRR Bridge:



Management & Incentive Compensation: CEO Mark Begor joined Equifax in April 2018 and holds stock, options, and deferred units worth over \$60 million. Interestingly, Mark voluntarily deferred payout of his equity awards until after his retirement, most of which will be paid out over 10 years. Prior to becoming CEO at Equifax, he was a Managing Director at Warburg Pincus (2016-2018) and spent 35 years at GE in various leadership roles, including President and CEO of GE Energy Management, GE Capital Real Estate, and GE Capital Retail Finance (Synchrony Financial). He's had significant experience working with Equifax on the customer side prior to joining. Management compensation is predominantly at-risk: 93% variable for the CEO and 85% for other NEOs. Short-term incentives are tied to adjusted revenue (19% weight) and adjusted EPS (81% weight); long-term awards are governed by 3-year relative TSR vs. the S&P 500 and adjusted EBITDA performance.

Risks and Mitigants:

1. **Cybersecurity risk:** As a centralized repository of highly sensitive personal data – Social Security numbers, income histories, employment records, and credit files – for virtually the entire adult population, EFX is a structurally attractive target for sophisticated hackers. This risk is likely amplified in the age of AI, particularly if powerful models such as Claude Mythos were to ever fall in the wrong hands.
 - a. **Mitigant:** The 2017 breach forced one of the most extensive cybersecurity overhauls in corporate history. Since 2018, EFX has invested over \$3 billion migrating its entire infrastructure to Google Cloud and rebuilding security protocols from the ground up. The results are measurable: per the 2025 Investor Day, EFX has exceeded all industry security benchmarks for five consecutive years, with mean time to threat detection below 60 seconds (vs. a 60-minute industry benchmark) and incident response below 24 minutes (vs. 24 hours). Additional hardening measures include end-to-end encryption across all consumer data, enterprise-wide biometric authentication replacing passwords entirely, and quantum-resistant encryption algorithms developed in partnership with NIST.
2. **Antitrust litigation:** In May 2024, mortgage lenders Greystone Mortgage and First Financial filed a class-action antitrust complaint against EFX, alleging monopolization of the VOIE market through exclusive data contracts, revenue-sharing agreements, and anticompetitive M&A — pointing to price increases from \$17.85 (2012) to \$66.45 (2023), a ~272% cumulative increase (~12% per year). A successful suit could force EFX to procure payroll data on a non-exclusive basis, directly threatening TWN's demand-side data moat.
 - a. **Mitigant:** EFX faced a somewhat similar FTC antitrust challenge in 2008 and, despite resulting customer contract restrictions, TWN's moat emerged fully intact over the following ~20 years – suggesting competitive advantages here are more durable than the litigation risk implies. Worth monitoring, but it's unlikely that an adverse outcome would significantly impair TWN's competitive position.
3. **Tri-merge to bi-merge risk:** FHFA Director Bill Pulte has been openly critical of mortgage-related fees and has floated eliminating the tri-merge requirement for GSE-conforming originations; the MBA reinforced the pressure in December 2025, sending Pulte a formal letter requesting a "Single-Report" option for borrowers with scores above 700 – citing 40–50% price hikes from the bureaus. The market fears EFX could lose ~\$480m (~1/3 of USIS tri-merge mortgage revenue) if bi-merge displaces tri-merge as the conforming standard, though the FHFA has since reversed course on the bi-merge requirement.
 - a. **Mitigant:** Worst-case P&L impact is manageable – \$160m of revenue and ~\$104m of EBIT, or just ~8.5% of total EBIT – and EFX is proactively defending its position by bundling TWN data with credit reports at no charge to differentiate its product. Actual displacement risk appears low: non-conforming lenders continue to pull tri-merge reports overwhelmingly even absent any GSE obligation to do so.
4. **White-collar hiring recession due to AI:** Talent represents \$490m or 19% of EWS segment revenue and 8% of total revenue. This vertical primarily represents white collar income and employment verifications. Given significant advancements in AI, there's plausible concern for a protracted hiring slump due to AI in the medium-to-long term.
 - a. **Mitigant:** We can track BLS hiring and employment data. The most recent hiring data according to JOLTS from February 2026 was -9.4% MoM, -7.5% YoY, and -4.6% YTD YoY, suggesting significant deterioration in hiring. Despite weak hiring markets, Equifax has still been able to grow Talent revenue in the HSD range due to price, increased penetration, and record additions. Government vertical also provides a natural offset as unemployment rises.
5. **FICO Direct Mortgage License Program:** In October 2025, FICO launched FICO Direct, a program allowing mortgage resellers to bypass the bureaus and calculate scores directly when compiling tri-merge reports; opting-in resellers face one of two pricing structures beginning in 2026: 1) a flat \$10/score or 2) \$4.50/score plus a \$33/loan closing fee per borrower.

- a. **Mitigant:** Net neutral impact to EFX. The company has historically passed through FICO score costs at zero margin within the credit file transaction, so reseller adoption of the new program has no meaningful P&L impact.

Key Signposts

- Reacceleration in revenue growth for EWS government segment
- Inflection in US mortgage origination activity
- Continued margin improvement across segments above 50 bps management guidance
- Continued robust growth in TWN payroll records

Pre-Mortem

- Macroeconomic environment weakens while inflation spikes, causing unemployment to rise and forcing the Fed to increase interest rates. EFX has to lower guidance for EWS Talent Solutions segment and USIS as hiring/employment trends and credit markets deteriorate.
- AI labor disruption accelerates, significantly depressing hiring activity, and impairing EWS Talent Solutions long-term earnings growth

Primary Research / Value-added Research (VAR) Contact Log

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