

CoreLogic Inc.

Initial Coverage Letter

The aim of this initial coverage letter is to briefly introduce the reader to CoreLogic Inc., its products and services, its competitiveness in its industry, and additional notes/risks so that the reader is well briefed for the in-depth analyst report. The analyst report will extensively cover the financial valuation, analysis of comparable companies and future outlook for the company.

COMPANY OVERVIEW

CoreLogic Inc., based in Irvine, CA, provides platforms and customized services focused on the real estate, mortgage, insurance, public sector, capital and rental property markets, giving business intelligence and insight on properties across the globe utilizing advanced data science and analytics. The company's mission statement is: "Empowering our clients to make smarter decisions through data-driven insights."

In June, 2010, First American Corporation formally separated into two independent publicly-traded companies; the original title insurance and escrow business became First American Financial Corporation, while the newer financial data business became CoreLogic Inc. (CoreLogic Inc. began trading under a new symbol (CLGX) while First American Financial (FAF) remained trading under the parent company's symbol) Each share of the parent company was replaced by a share in each of the two companies due to concerns of vast differences in interest for each business. Closing prices for CLGX and FAF on the day of the distribution were \$18.76 and \$14.10 respectively, indicating that the market valued the data solutions business more than the insurance business following a tumultuous real estate market in 2008. The insurance business is much more related to shifts in the property markets while the financial data business is able to sell its services less dependently. Since the split, CLGX has a slightly higher compound annual growth-rate for revenues at 7.2% compared to FAF at 6.2% and grew its share prices at a compound annual growth of about 15%. Moreover, CoreLogic Inc. has been able to become a larger player, focusing its resources to expand its coverage and mix of data solutions, and acquiring industry-leading technology and companies. Between 2013 and 2016, CoreLogic Inc. bought Case-Shiller, Weather Fusion, FNC Inc., and RELS, improving the company's outlook by adding the widely-used Case-Shiller home-price index, enhanced hail, wind, and lightning weather risk management capabilities, and better real estate appraisal services to the company's portfolio.

CoreLogic Inc.'s business can be organized into two segments, Property Intelligence & Risk Management Solutions ("PIRM") and Underwriting & Workflow Solutions ("UWS"). The value added from CoreLogic Inc.'s two segments allow clients to improve business operations by using relevant, tailored information/services and mitigating risk from insightful information. The company's PIRM segment focuses on property insights, forecasted analytics and risk management abilities while its UWS segment covers underwriting solutions and valuations to assist clients in vetting, on-boarding, and monitoring property values. Together, CoreLogic Inc's business segments offer customers a comprehensive national database that covers real property, mortgage information, judgements and liens, building and replacement costs, criminal background information, evictions, non-prime lending records, credit and tax info, and more data types.

CoreLogic Inc.'s data is the foundation of their product in that it drives their strategy, solutions, and revenue. CoreLogic Inc. has databases filled with information including property data, mortgages, liens, costs, geospatial, eviction, criminal, tax and credit information. They collect data from a variety of public sources, clients, and industry leading data-aggregators and turn it into valuable property insight for each coverage area, helping their clients to make informed business decisions. Under its model, CoreLogic Inc.'s data drives its customer base and the customer base drives the data. Customers use the company's products and services as an extension of their own business and CoreLogic Inc. provides solutions to help manage the ever-changing opportunities and risks of each client's business. Consequently, large clients tend to have long-term relationships as CoreLogic Inc. provides them with various, updated data solutions and due to the depth of these relationships, CoreLogic Inc. derives large parts of its revenues from its biggest clients.

CoreLogic Inc. receives a majority of its revenue from clients in the U.S. residential real estate, mortgage origination, and mortgage servicing markets and the company serves specific clients such as real estate brokers & agents, credit unions, commercial/investment banks, fixed-income investors, MLS companies/users, property managers, REITS and government agencies.

PRODUCTS, SERVICES, AND RISKS

CoreLogic Inc.'s products, platforms and services rely heavily on its collected data; the data can be categorized into property, mortgage and consumer information bins. Data collected from public and private sources are combined with AI, analytics and machine learning processes to enhance solutions. The aggregation of outside data, the breadth, quality, and exclusivity of key datasets, the ability to maintain such a volume of data, and the effective integration of CoreLogic's platforms and solutions into client systems allows the company to maintain its competitive edge.

Including Property Insights and Insurance & Spatial Solutions, under the company's PIRM business segment, clients are provided with the information through their website, software platforms or alternatives. Using CoreLogic Inc.'s patented predictive analytics, they help customers acquire and retain properties, identify and avoid fraud, increase mortgage transaction time while decreasing costs, understand trends within the real estate market and follow performance. This segment also includes services provided to organizations to help seek revenue opportunities and refine customer experience. The Insurance and Spatial Solutions assist the assessment and management of assets and risks for property and casualty insurers. Location data, owner workflow solutions, and property content and are also used in helping provide solutions for the client.

CoreLogic Inc.'s UWS segment covers underwriting solutions and valuations including credit, tax, and flood data. In this segment, the valuation solutions combine data, services, and analytics to advise on collateral risk and to help ensure security, CoreLogic Inc. offers credit, income, and employment verification services through a large business and consumer database. The company collects data from more than 20,000 tax authorities to guide mortgage originators and servicers. In the UWS segment, CoreLogic competes based on the ability to provide quality, scalable services at competitive prices, to provide integrated platforms, and to provide some level of risk mitigation.

CoreLogic Inc. is relatively susceptible to supply risk because the company extensively relies upon its acquired data. If data sources limit use, enter competition, or increase purchase prices of data, there could be adverse effects on long-run financial positions. CoreLogic's attempts to protect its data supply include building supply chains with multiple suppliers, forming dedicated suppliers who rely on their insight and experimenting with product designs. Additionally, many of CoreLogic's products/services are in markets which have frequent new product and service releases and so the company must timely introduce new products/services to avoid their services from becoming less relevant. New entrants to the market bring innovation and proprietary tools which put pressure on CoreLogic through lower pricing strategy, reducing costs, and providing additional value through new product/service propositions.