

comScore, Inc. (SCOR)

NASDAQ: SCOR

Analyst: Zach Collins.

BUY

Price Target: \$38.50

Key Statistics

Market Price:

\$30.62

Industry:

Digital Technology

Services

Market Cap: \$1.75B

52 Week Range:

\$26.21 – \$65.00

Beta: 0.82

Thesis Points:

- Recent merger with Rentrak will provide significant value creation and long term growth
- Recent partnership with Facebook will provide a catalyst for revenue growth and improved marketing
- Market overreaction has led to the undervaluation of this stock
- High growth industry

Company Description:

comScore, Inc. provides trusted, independent, data, metrics, products, and services to clients in the media, advertising, and marketing industries. ComScore delivers digital media analytics that help content owners and advertisers understand the composition of consumer media audiences. This allows their consumers to understand the performance and effectiveness of their advertising to their targeted audiences. This is a technology driven company that measures what people do as they navigate the digital world across multiple technology platforms and devices including smartphones, tablets, televisions, and desktop computers. Their products measure consumer interactions with digital media, including web sites, apps, video programming and advertising. This company was founded in 1999 and is headquartered in Reston Virginia. The primary consumers for ComScore are located in the United States, Europe, Canada, Latin America and Asia. Since the recent merger with Rentrak on February 1st 2016, this unified company now operates in more than 75 countries with more than 3,200 consumers within their global clientele.

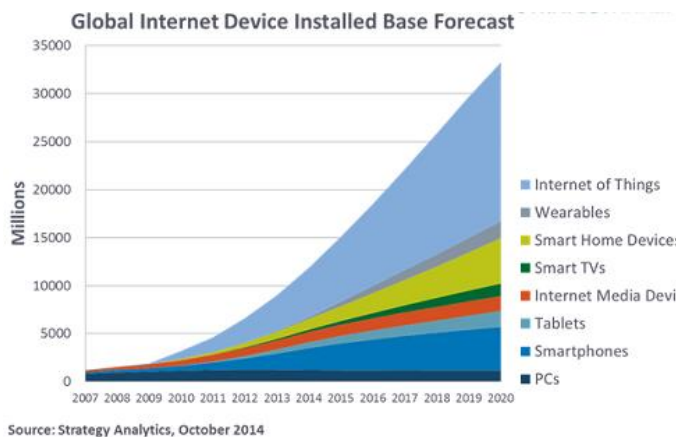


Thesis

ComScore, Inc. is a global leader in analyzing the digital world based on their number of users, product development, and access to advanced technology. With the recent merger between comScore and Rentrak, comScore market share has increased exponentially. One of the primary focuses for top management at comScore is brand recognition, and with the recent partnership with Facebook, their marketing efforts will be significantly improved. The long term partnership with Kantar will continually provide comScore with access to critical television related advertising data. This partnership also provides comScore with the ability to collaborate on certain cross-media analytics. The digital technology services industry is a high growth industry, and comScore has positioned themselves with the potential to achieve high growth within the industry. A recent overreaction in the market has driven down the price of this stock, despite comScore consistently outperforming earnings estimates and improving top and bottom line growth.

Industry Outlook

It is important to understand in recent years, the movement towards a more digital society. Almost everything you can think of can be done digitally now a days, and this trend is only going to continue in the upcoming future. The following graph depicts the growth of global internet devices up to 2020.



As you can see from this graph, every globally installed internet device is forecasted to rise up to 2020. Of which comScore has access to digital data and metrics for each segment of these internet devices. The need for the

services of comScore will increase as the number of globally installed internet devices continues to rise. The primary factors of growth for this industry include rapid advancements in technology as well as the increase in global internet devices per consumer. By the end 2014, nearly 12 Billion devices had access to the internet. Approximately 1.7 devices with internet access per person globally. This number is forecasted to rise to 4.3 devices per person by 2020, approximately 33 billion devices worldwide. The outlook of this industry provides a catalyst for high growth potential for comScore.

Rentrak Merger

The recent merger with Rentrak announced on February 1, 2016 allows comScore to develop an improved model for dynamic, cross-platform measurement on a massive scale. This acquisition is forecasted to increase top and bottom line growth down the income statement for comScore. ComScore paid just over \$800 million in cash considerations, at a premium of 19.11% above market price for Rentrak. This merger brings together two entrepreneurial and highly innovative companies within the digital technology industry.

This acquisition has not only increased market share for comScore, but has provided them access to valuable census and demographic data and technology at Rentrak. Specifically in the areas of television and movie advertisements. This increase in data storage, along with the improvement in analyzing and precisely measuring digital data will help create long term value for comScore as they provide more accurate information to their target consumers.

Market Overreaction

On March 4th, comScore was trading at a price above \$40 per share. The following Monday, (March 7th) comScore announced a delay in the release of their 10k as a result of accounting discrepancies. This is an announcement that wall street does not take lightly, as shares of comScore plummeted 28% on this news to \$27 per share. Since then the stock has slowly shown signs of recovery, however, is still only trading slightly above their 52 week low. Despite the delayed 10k and recent decline in price, the short interest in comScore is only 7%. As comScore continues to outperform earnings estimates at this low valuation, this stock

presents an attractive buying opportunity. And when their 10k is released, this stock has the potential to realize large gains.

Facebook Partnership

On April 20, 2016, comScore announced a partnership with Facebook. This partnership will allow comScore to report viewable data directly in the Ad Validation module of validated Campaign Essentials (vCE) directly to Facebook. This module measures gross rating points, demographics, and behavioral profiles of audiences reached by video campaigns. As well as the extent to which the video ads were made viewable for the target audience. This global partnership includes viewability metrics for video and display campaigns running on Facebook, for both desktop and mobile platforms. This independent ad verification partnership will ensure to advertisers that their digital data is accurate

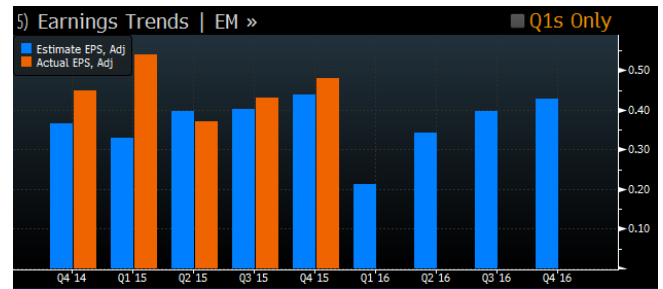
The partnership permits the clients of comScore to gain access to this data in the vCE platform, and provides these clients with a more complete view of the overall performance of their campaign. This partnership will enable advertisers to minimize their advertising spending, and ensure that these ads are reaching their target audience. Facebook is one of the most well-known companies on the planet. This partnership will further promote the services of comScore.

Financials

A brief look at the financials for comScore show an improvement in profitability in terms of overall sales revenue, as well as EBITDA and net margins.

Revenue, Adj	255.2	286.9	329.2	368.8	388.8	520.3	625.4
est - Growth % YoY	9.8	12.4	14.7	12.1	12.1	41.1	20.2
Gross Profit, Adj	168.8	196.9	231.7	252.7	252.7	353.4	433.6
est - Margin %	66.2	68.6	70.4	68.5	65.5	67.9	69.3
EBITDA, Adj	20.4	33.3	28.4	47.1	47.1	124.1	161.9
est - Margin %	8.0	11.6	8.6	12.8	12.8	23.8	25.9
Net Income, Adj	-8.7	1.2	1.8	2.5	2.5	67.6	96.9
est - Margin %	-3.4	0.4	0.5	0.7	0.7	13.0	15.5
EPS, Adj	-0.26	0.03	0.05	0.06	0.03	1.30	1.95
est - Growth % YoY	-181.6	-	63.6	20.4	47.9	1,915.4	50.5
Cash from Operations	44.9	44.6	49.5	59.9	59.9	-	-
Capital Expenditures	-7.6	-4.6	-7.6	-7.1	-7.1	-10.9	-10.1
Free Cash Flow	37.3	40.0	41.8	52.8	52.8	78.3	115.8

As you can see from these financials, comScore has increased their level of profitability through both top and bottom line growth. A trend that analysts' are forecasting to continue.



As you can see from this chart of past earnings performance, comScore has continually outperformed earnings estimates in terms of earnings per share. A trend that is likely to continue as the financial strength of comScore improves.

ComScore also possess a clean balance sheet, with minimal long term debt. This shows that comScore has little financial risk as they don't have to worry about large interest payments.

Conclusion

After taking into consideration the high growth of the digital technology services industry, as well as the acquisition of Rentrak and recent partnership with Facebook, comScore shows signs of significant growth potential. The markets over reaction on the news of the delayed 10k provides a catalyst for high returns when their 10k is released. The financial improvement of comScore as well as little debt on hand, and a 7% short interest in the market shows this a relatively low risk company. Based on the analysis of their financials and high growth potential, I recommend a buy on comScore.

comScore, Inc. (scor)
CENTER FOR GLOBAL FINANCIAL STUDIES
NEUTRAL

Analysis by Zach Collins
4/30/2016

Current Price: \$31.05
Divident Yield: 0.0%

Intrinsic Value: \$27.61
Target Price: \$35.11

Target 1 year Return: 13.07%
Probability of Price Increase: 84%

Description
comScore, Inc. operates as a cross-platform measurement company that measures audiences, brands, and consumer behavior worldwide.

General Information
Sector: Information Technology
Industry: Internet Software and Services
Last Guidance: November 3, 2015
Next earnings date: May 1, 2016
Estimated Country Risk Premium: 4.84%
Effective Tax rate: 35%
Effective Operating Tax rate: 58%

Market Data

Market Capitalization	\$1,717.07
Daily volume (mil)	0.20
Shares outstanding (mil)	56.67
Diluted shares outstanding (mil)	37.88
% shares held by institutions	78%
% shares held by investments Managers	54%
% shares held by hedge funds	7%
% shares held by insiders	2.01%
Short interest	5.54%
Days to cover short interest	3.22
52 week high	\$65.00
52-week low	\$26.21
Levered Beta	1.88
Volatility	46.06%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2014	3.30%	-86.29%
3/31/2015	-1.69%	-114.46%
6/30/2015	-0.30%	-47.81%
9/30/2015	-2.79%	-51.03%
12/31/2015	-4.45%	-41.70%
Mean	-1.18%	-68.26%
Standard error	1.3%	13.9%

Management

Management	Position	Total compensations growth	Total return to shareholders
Abraham, Magid	Co-Founder and Executive Cha	12.05% per annum over 5y	4.98% per annum over 5y
Matta, Serge	Chief Executive Officer and	244.95% per annum over 2y	83.56% per annum over 2y
Fulgoni, Gian	Co-Founder and Executive Cha	2.04% per annum over 5y	4.98% per annum over 5y
Wesley, Melvin	Chief Financial Officer and	N/M	0% per annum over 0y
Meierhofer, Cameron	Chief Operating Officer	89.36% per annum over 2y	83.56% per annum over 2y
Lin, Christiana	Chief Privacy Officer, Execu	-100% per annum over 3y	6.06% per annum over 3y

Profitability

	scor (LTM)	Industry (LTM)
ROIC	2.9%	13.83%
NOPAT Margin	3%	18.6%
Revenue/Invested Capital	0.59	0.74
ROE	2.7%	14.95%
Adjusted net margin	4%	17.1%
Revenue/Adjusted Book Value	0.64	0.88

Invested Funds

	scor (LTM)	Industry (LTM)
Total Cash/Total Capital	15.5%	71%
Estimated Operating Cash/Total Capital	7.4%	N/A
Non-cash working Capital/Total Capital	0.0%	-13%
Invested Capital/Total Capital	92.0%	45%

Capital Structure

	scor (LTM)	Industry (LTM)
Total Debt/Common Equity (LTM)	0.06	0.09
Cost of Existing Debt	4.36%	2.92%
Estimated Cost of new Borrowing	3.77%	2.92%
CGFS Risk Rating	BB	BB
Unlevered Beta (LTM)	1.82	1.08
WACC	12.60%	10.70%

Target Price Distribution--P(price↑)=84%

Sensitivity Attribution Analysis

Category	Percentage
Revenue	53.0%
Operating Expenses	18.5%
Dividends	0.0%
NWC	0.7%
CAPEX	25.6%
Operating Cash	2.2%

Porter's 5 forces (scores are out of 100)

Period	Revenue growth	Valuation	ROIC/WACC
Base Year	12.1%	NOPAT margin	4.8%
12/31/2016	40.2%		0.23
12/31/2017	17.7%		1.43
12/31/2018	12.8%		1.34
12/31/2019	20.6%		1.33
12/31/2020	14.0%		1.43
12/31/2021	13.2%		1.36
12/31/2022	11.2%		1.32
12/31/2023	9.1%		1.27
12/31/2024	7.1%		1.32
12/31/2025	5.0%		1.27
Continuing Period	3.0%		1.22
			1.15
			1.15
			1.08
			1.01
			1.01

Period	Invested Capital	Net Claims	Price per share
Base Year	\$282.48	\$73.07	\$29.89
12/31/2016	\$386.30	\$33.62	\$37.44
12/31/2017	\$478.66	-\$68.10	\$45.57
12/31/2018	\$584.20	-\$226.36	\$54.33
12/31/2019	\$621.38	-\$375.02	\$64.12
12/31/2020	\$871.35	-\$558.40	\$74.64
12/31/2021	\$1,122.60	-\$763.85	\$85.78
12/31/2022	\$1,335.40	-\$1,000.57	\$97.48
12/31/2023	\$1,523.20	-\$1,255.44	\$109.52
12/31/2024	\$1,785.86	-\$1,531.45	\$121.64
12/31/2025	\$2,043.73	-\$1,822.79	\$133.56
Continuing Period			