

# EARNINGS BUSTERS

A SABRIENT PORTFOLIO

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## PORTFOLIO REVIEW

We are renewing Essent Group Ltd. (ESNT).

Essent offers private mortgage insurance and reinsurance for residential mortgages. ESNT is one of only a few businesses to operate in a market that is transitioning away from primarily being controlled by the government. Over the last year, ESNT has been able to achieve growth in key business metrics that analysts are expecting to continue over the next year. ESNT is currently included in Sabrient's Small Cap Growth and Defensive Equity UITs.

ESNT's stock has outperformed the market over the past year and many of the same catalysts that were present a year ago remain in place today. Over the last year, ESNT realized attractive growth in both total investments and cash flow from operating activities. Investments grew by \$250 million, 25% increase. Cash from operating activities also increased 25% to \$256 million. ESNT also offers a strong free cash flow yield of 9.6%. Analysts are projecting this growth to translate into bottom line growth over the next year as it has over the past year.

ESNT is currently undervalued based on its expected growth over the next year. The stock is also undervalued when compared to the overall market. Unfortunately for comparison purposes, ESNT's peer group is too small to make appropriate industry comparisons. When compared to the S&P 500, ESNT has a price-to-earnings ratio of 11.4 compared to an average of 22.0 for the S&P 500. ESNT's projected EPS growth rate of 24.4% over the next year is greater than the projected growth rate of 18.1% for the S&P 500.

### Renew

Essent Group Ltd. (ESNT)

Market Cap: Small

Sector: Financials

Industry: Mortgage Insurance

Dividend Yield: 0%

Forward P/E Ratio (Next 12 months): 11.4

Price When Picked: \$26.75 (closing price on 10/27/16)

## **BUSINESS SUMMARY**

Essent Group Ltd., through its subsidiaries, provides private mortgage insurance and reinsurance for mortgages secured by residential properties located in the United States. The company also provides information technology maintenance and development services; customer support-related services; and contract underwriting services. It serves originators of residential mortgage loans, such as regulated depository institutions, mortgage banks, credit unions, and other lenders. The company was founded in 2008 and is based in Hamilton, Bermuda.

**Full disclosure:** Sabrient produces portfolios for UITs and indices that are tracked by ETFs. At any given time, we may have 800 of our top-ranked stocks in one or more of these portfolios. Some of the stocks selected for the Earnings Busters portfolio may also be in one or more of our UITs or indices portfolios. We will try to point out when a recommended stock is in one of our UITs or indices.

**Editor's Note:** The *Sabrient Earnings Busters* newsletter is written by Daniel Vickers, analyst at Sabrient. Daniel also assists in the selection of stocks and maintenance of the portfolio. He can be reached at [dvickers@gradientanalytics.com](mailto:dvickers@gradientanalytics.com)

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