

Equifax: What comes after the cloud?

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Audience: MBA students and working professionals

Equifax had spent several years rebuilding its technology infrastructure. The company described the Equifax Cloud as a multi-year investment of more than \$1.5 billion. Its aim was to move applications and data to a new architecture, then use that platform to improve reliability, bring products to market faster and make better use of its data and analytics. By 2022, Equifax reported that about 70% of North American revenue was delivered from the Cloud, up from 50% in 2021. The company had expected to substantially complete North American customer migrations in 2023 and to complete much of its international transformation by the end of 2024.¹

The platform was not an end in itself. Equifax operated across three businesses: Workforce Solutions, U.S. Information Solutions (USIS), and International. Workforce Solutions included employment and income verification as well as employer services. USIS included online information, mortgage solutions, and financial marketing. In each area Equifax sold data, analytics, verification, or decision-support services to businesses and public agencies. Management's strategy depended on combining infrastructure with differentiated data, analytical capabilities, customer relationships and new products.

By the end of 2023, Equifax was approaching a strategic handoff. Management said it was finalizing the Cloud transformation and expected to invest in products, data, analytics and AI. At the same time, the U.S. mortgage market remained weak, the company had reported large cost-reduction actions, and Equifax's public disclosures did not show the economics of individual migration cohorts or new products.

A company with two growth stories

For the full year 2023, Equifax reported revenue of \$5.265 billion, up 3% on a reported basis and 4% in local currency. Net income attributable to Equifax fell to \$545.3 million from \$696.2 million in 2022, and diluted GAAP EPS fell to \$4.40 from \$5.65. The company attributed the pressure in mortgage-related businesses to lower U.S. mortgage-credit inquiries. It reported that mortgage inquiries were down 34% in 2023.²

Other parts of the business were growing. In the fourth quarter, Equifax reported revenue of \$1.327 billion, up 11%. It said non-mortgage businesses represented more than 80% of quarterly revenue and grew 14% in local currency. Its company-defined new-product Vitality Index was 14% for the quarter. Workforce Solutions revenue grew 10%; USIS revenue grew 5%; and International revenue grew 20% as reported, or 22% in local currency. Results across segments differed, however: Employer Services revenue was down 7% in the quarter, and USIS Mortgage Solutions revenue was down 12%.²

Management's 2024 outlook extended both stories. It forecast revenue of \$5.67 billion to \$5.77 billion, with a midpoint of \$5.72 billion, and adjusted EPS of \$7.20 to \$7.50. It expected non-mortgage local-currency growth above 10.5%, while U.S. mortgage-credit inquiries were forecast to decline by more than 16%. Management said the forecast assumed weaker mortgage inquiries in the first half and expected Equifax to outperform the U.S. mortgage market. These were company forecasts, not actual results.²

The transition carries operating costs

Equifax's earlier filings presented the Cloud as a route to new products and a more resilient, efficient infrastructure. The 2022 Form 10-K also warned that migration could cause service interruptions, data inaccuracies, loss of continuity or customer trust, and employee distraction. In 2022, Equifax disclosed that a coding issue in a legacy server scheduled to migrate had affected some credit-score calculations for a three-week period; the CFPB was investigating the issue. The company said the incident had not materially affected its operations or financial results at that time.³

The reported expense picture was mixed. Equifax's 2022 capital expenditures, including accrued expenditures, were \$617.4 million, up from \$490.5 million in 2021. Those expenditures supported software and systems, equipment, compliance, reliability, security and disaster recovery; the figure was not a Cloud-only total. In its Q3 2023 filing, Equifax said year-to-date costs of services had risen by \$115.5 million, with several causes that included people costs, royalties, and production costs such as third-party cloud usage fees and software. Depreciation and amortization also rose, partly because of prior technology-transformation spending. The disclosures did not isolate a steady-state Cloud cost curve.³

Cost actions were part of the transition. In February 2023, Equifax described a plan for \$200 million in spending reductions, including \$120 million in expense reductions and \$80 million in capital-spending reductions. By October, management reported execution of a \$210 million 2023 Cloud-spending-reduction plan and expected \$275 million in 2024 run-rate savings. In February 2024, it again credited execution of the \$210 million plan in its full-year results. These were management-reported spending measures; they were not a product-level return calculation or a dollar-for-dollar bridge to recurring earnings or free cash flow.⁴

An executive decision

For this case, assume you are advising a **hypothetical Equifax strategy committee** at the start of 2024. No such meeting or private deliberation is asserted. The committee must recommend how Equifax should sequence its next phase of investment as it finishes the transformation and responds to weaker mortgage demand.

Three broad paths are available:

1. **Growth-led shift:** finish essential migrations and direct more resources toward Cloud-enabled products, data, analytics and AI, with an emphasis on non-mortgage use cases.
2. **Harvest and protect:** complete essential migration and reliability work, emphasize cost, cash and margin discipline, and require stronger evidence before expanding discretionary product investment.
3. **Stage a targeted portfolio:** ring-fence migration, security and customer continuity, then release incremental product resources against use-case-specific evidence and decision gates.

Equifax did not disclose a single pool of savings available to allocate, nor public economics by product or migration cohort. Your recommendation should therefore specify priorities and evidence gates without treating the \$210 million spending-reduction measure as an investment fund or assuming a Cloud return that is not disclosed.

Assignment

Prepare a recommendation for the hypothetical committee. Select a path or a clearly defined combination, and explain:

- how Equifax should balance Cloud completion, reliability and security against product and market investment;
- which business or use cases should receive priority, and why the available evidence supports that choice;
- what measures and thresholds should govern the next investment releases; and
- how the recommendation changes if mortgage demand, product adoption, cloud operating costs or migration timing differ from management's assumptions.

Do not treat management guidance as an achieved result. Distinguish reported GAAP results from adjusted measures, and reported revenue growth from local-currency or organic local-currency growth. The record does not establish how much Cloud caused the reported non-mortgage growth, new-product revenue or cost reductions.

Exhibit 1. Equifax reported results and management outlook

Measure	FY2022 reported	FY2023 reported	FY2024 management outlook
Revenue	\$5,122.2m	\$5,265.2m; +3% reported, +4% local currency	\$5,670m-\$5,770m; midpoint \$5,720m
Net income attributable to Equifax	\$696.2m	\$545.3m	-
Diluted GAAP EPS	\$5.65	\$4.40	-
Adjusted EPS	-	\$6.71	\$7.20-\$7.50; midpoint \$7.35
U.S. mortgage-credit inquiries	-	down 34%	management forecast: down more than 16%

FY2023 figures were released on February 7, 2024 and were not yet in a filed annual report at the cutoff. Adjusted EPS is a non-GAAP measure; the release provides its definition and reconciliation. The mortgage-inquiry figures are company-reported volume measures, not revenue changes.²

Exhibit 2. Selected fourth-quarter 2023 results

Business / measure	Q4 2023 result	Comparison / definition
Consolidated revenue	\$1,326.5m	+11% reported and local currency versus Q4 2022
Non-mortgage business	More than 80% of revenue	Company description of Q4 revenue mix
Non-mortgage revenue growth	14%	Local-currency growth
New-product Vitality Index	14%	Company-defined measure; revenue from products introduced within the prior three years
Workforce Solutions revenue	\$559.5m	+10% reported
USIS revenue	\$427.7m	+5% reported
USIS Mortgage Solutions revenue	\$22.9m	down 12% reported
International revenue	\$339.3m	+20% reported; +22% local currency; +6% organic local currency

These segment figures and growth rates are not all measured on the same basis. “Reported,” “local currency,” and “organic local currency” should not be combined as if they were interchangeable.²

Exhibit 3. Cloud transformation and spending actions

Item	Amount / status	Interpretation
Multi-year Equifax Cloud investment	More than \$1.5bn	Company description; not a disclosed cash-flow return calculation
North American revenue delivered from Cloud in 2022	About 70%, up from 50% in 2021	Company-reported migration metric
North American migration plan	Substantial completion targeted for 2023	Management target stated before the cutoff
FY2022 capital expenditures, including accruals	\$617.4m	All-company capex, not Cloud-only
2023 spending-reduction plan, announced Feb. 2023	\$200m: \$120m expense; \$80m capital spending	Original management target
2023 Cloud-spending-reduction execution, reported by management	\$210m	Management-reported spending reduction; no recurring cash-flow bridge supplied
2024 run-rate savings expectation, reported Oct. 2023	\$275m	Management forecast, not a realized benefit at the case date

Sources distinguish capital spending from expense reductions and reported execution from forecasts. None of these figures shows the incremental economics of a specific product,

migration cohort or customer.^{1 3 4}

Exhibit 4. Migration risks disclosed by Equifax

Equifax's 2022 Form 10-K identified potential risks from its technology transformation, including:

- service disruption or failure to meet response-time and availability requirements;
- data accuracy errors, customer loss or reputational damage during transition;
- reduced continuity, institutional knowledge or efficiency;
- diversion of management and employee attention; and
- cyber, privacy, regulatory and specialized-talent risks.

The same filing described Cloud migration as an opportunity to improve resilience and system functionality. These are company-disclosed risks and expected benefits, not quantified probabilities or measured effects.³

Source notes

1. Equifax 2023 definitive proxy, "Leverage Equifax Cloud Capabilities"; Equifax 2022 Form 10-K, Item 1, "Our Business Strategy." See the dossier's source register for direct filing links and locators.
2. Equifax Q4/FY2023 results release, Exhibit 99.1 to Form 8-K, Feb. 7, 2024, pp. 1-3 and segment tables. SEC accession 0000033185-24-000008, accepted Feb. 7, 2024, 4:25:53 p.m. ET.
3. Equifax 2022 Form 10-K, Items 1A and 7, and Q3 2023 Form 10-Q, Item 2 MD&A, especially printed pp. 26-30. See the dossier's source register for direct filing links.
4. Equifax Q4/FY2022 results release, Exhibit 99.1 to Form 8-K, Feb. 8, 2023; Q3 2023 results release, Oct. 18, 2023; and Q4/FY2023 release, Feb. 7, 2024. Spending actions and expected savings are presented as management statements.

Case boundary: This case contains only information public by February 7, 2024, 4:25:53 p.m. ET. Equifax's February 8 earnings call, the subsequently filed FY2023 Form 10-K and all later outcomes are excluded.