

## Quarterly Report for Essent (ESNT) 2Q22

August 8, 2022

Percentage change in Sales from year ago quarter: **-4.4%**

Percentage change in Earnings per Share from year ago quarter: **52%**

Is company meeting our target sales & earnings estimates: **Somewhat**

Pre-tax Profit on sales trend: **Up**

Return on equity trends: **Down – actually very uneven**

Debt: **Not applicable**

Current PE: **5.2**

Where does it fall in my estimated High/low range of PE's? **Low end**

Signature PE: **8.5**

Club cost basis for this stock: **\$40.087**

Current price: **\$42.69**

Current fair value: Morningstar **4 star, \$49.26**

My SSG Total Return: **25.1%**

Projected Average Return: **19.5%**

### What will drive future growth:

Not much. ESNT sells private mortgage insurance (PMI). The declining single family home sales will reduce ESNT's revenue growth. The SSG assumes a 7% growth rate.

### Additional comments:

The PMI market is largely priced based. ESNT uses a proprietary model to qualify home buyers. It may sell some buyers insurance that others won't for the same rate. Defaults by buyers have not been a problem for ESNT.

The SSG shows a high PAR because the price of the stock has been relatively flat since January 2021. (See weekly price chart below.) This is reflected in the low P/E of 5.2. Unless the housing market heats up again, which is unlikely, ESNT's share price probably won't move much.

Per the SSG ESNT is a strong **HOLD** but recommend that we challenge and replace it.

