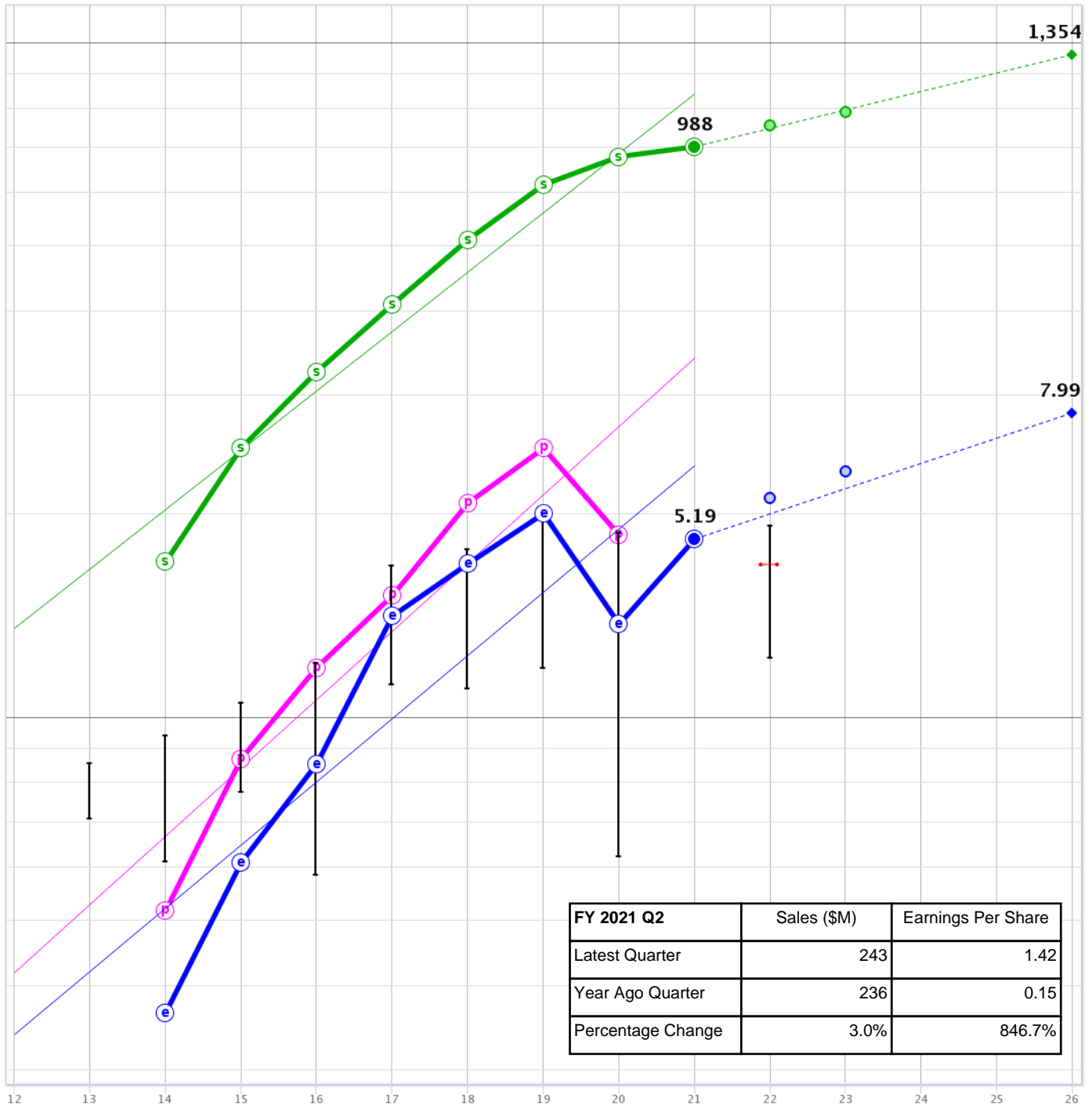


Stock Selection Guide

Company	Essent Gr	Date	08/13/21
Prepared by	MURPHY	Data taken from	BI Stock Data
Where traded	NYS	Industry	Mortgage Finance
Capitalization --- Outstanding Amounts	Reference		
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	112.5	2.5	81.0
Debt (\$M)	322.3	% to Tot Cap	7.3
		% Pot Dil	0.3

Symbol: ESNT

1 VISUAL ANALYSIS of Sales, Earnings, and Price



- | | | | |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 22.5% | (3) Historical Earnings Per Share Growth | 24.1% |
| (2) Estimated Future Sales Growth | 6.5% | (4) Estimated Future Earnings Per Share Growth | 9.0% |

2 EVALUATING Management

Essent Gr

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Last 5 Year Avg.
Pre-tax Profit on Sales	-28.5%	44.2%	56.8%	64.6%	68.1%	69.1%	76.0%	76.0%	51.3%		68.1%
% Earned on Equity		27.6%	12.0%	14.8%	17.1%	22.1%	21.1%	19.5%	11.6%		18.6%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	6.9%	11.4%	8.6%	7.0%	7.7%		8.7%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 47.60 (08/13/21)

HIGH THIS YEAR 54.22

LOW THIS YEAR 34.60

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2017	47.3	31.5	3.99	11.9	7.9	0.00	0.0	0.0
2018	50.1	31.1	4.77	10.5	6.5	0.00	0.0	0.0
2019	55.8	33.4	5.66	9.9	5.9	0.30	5.3	0.9
2020	53.0	17.5	3.88	13.7	4.5	0.64	16.5	3.7
2021			5.19					
AVERAGE				11.5	6.2		5.4	
CURRENT/TTM			5.19			0.72	13.9	
AVERAGE PRICE EARNINGS RATIO: 8.8				CURRENT PRICE EARNINGS RATIO: 9.2				

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 11.0 X Estimate High Earnings/Share 7.99 = Forecasted High Price \$ 87.8

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 6.7 X Estimate Low Earnings/Share 4.84 = Forecasted Low Price \$ 32.4

(b) Avg. Low Price of Last 5 Years 28.4

(c) Recent Market Low Price

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.72}{3.65\%} = 19.7$

Selected Forecasted Low Price \$ 37.0

C ZONING using 25%-50%-25%

Forecasted High Price 87.8 Minus Forecasted Low Price 37.0 = 50.8 Range. 25% of Range 12.7

Buy Zone 37.0 to 49.7

Hold Zone 49.7 to 75.1

Sell Zone 75.1 to 87.8

Present Market Price of 47.60 is in the **BUY** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{87.8 - 47.60}{47.60 - 37.0} = \frac{40.24}{10.60} = 3.8$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{87.8 - 47.60}{47.60} = 1.8454 \times 100 = 184.54 - 100 = 84.5\%$ % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.64}{47.60} = 0.0151 = 1.5\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{5.3\%}{11.00} = 0.5\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{5.3\%}{8.85} = 0.6\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 13.0 %
Average Yield 0.5 %
Annualized Rate of Return 13.5 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 8.2 %
Average Yield 0.6 %
Annualized Rate of Return 8.8 %

Notes: ESNT 8/15/21

Date	Subject	Description	Type
08/15/21	ESNT 2Q 8/15/2021	<p>Owned since Sept. 2020--less than a year. Barron's (6/28/2021) featured 2-page article on three mortgage insurers, ESNT , MGIC, and NMI Holdings, that looked appealing. All look good with net income to increase 10% next year. Longer term depends on rates and the pace of mortgage defaults. Two headwinds: federal moratorium on foreclosures where borrowers get a hiatus of up to 18 months on payments, and then lenders can start initiating foreclosures potentially saddling insurers with claims, and 2), the housing market may be peaking, damping demand and loan volume thus pressuring insurer's stocks.</p> <p>Few analysts follow ESNT, and VL short report is dated May 28. Manifest Investing gives a 66 for quality, higher than its peers, an average PE of 10, and a PAR of 14.5, higher than its peers. Book value growth rate for industry is only 6.5, with an industry ROE of 13%, with ESNT 11.3 . It is a small company, and is cyclical, so depends on the market economy.</p> <p>This Q, ESNT showed strong earnings and generated excess capital in a favorable operating climate: high housing demand, and credit normalizing. Their change in business operation from a "Buy and Hold" strategy of servicing their loans in-house, to a "Buy, Manage, and Distribute" model is paying off. New insurance written Q2 was 25B, Q1 was 19B; expense ratio lowered from 19.3% to 18.9%; provision for losses 2Q 9.7M from Q1 32.3M. And, dividend payable Sept. 20 is .18, upped from .17 last quarter.</p> <p>As a small company, I expect a growth rate of eps above 12%, but my estimated rate is only 9. Give them another quarter and then see how the market is faring. Recommend HOLD all though SSG shows a Buy.</p>	Study
08/15/21	MMAC removed from peer listing	<p>The "Refresh Study Data" function removed MMAC from peer listing as of 08-15-2021 because it is no longer covered in the BetterInvesting stock data.</p>	Study
05/13/21	5/13/2021 ESNT MicNOVA	<p>Positives this qtr: raised div a penny to .17; announced \$250M share repurchase. Starting to normalize results after poor 2020 covid year. Insurance in force y/y up but down from Dec. qtr; new insurance written down slightly from year ago but up 30% from Dec, qtr; expense ratio down from year ago, but up 3% from Dec qtr; loss provision halved from Dec. qtr but up y/y; and loans in default only 3.7% this qtr, down from 24% year ago and 44% in Dec. qtr. A mixed bag.</p> <p>Company has changed from a Buy & Hold (of its own mortgages) to a Buy, Manage and Distribute approach using its own reinsurance subsidiary for its own portfolio.</p> <p>Using judgments from last quarter, SSG gives a buy, but I recommend a HOLD. Housing market has been on a tear but is cyclical. Would have expected ESNT to do better--act like a small growth company rather than mirroring the steady, stable slow 7% growth of a mature company.</p>	Study

03/10/21	ESNT March 2021	<p>Club has owned for 6 months. Sales on upward trend but eps and ppt both down the last 4 quarters.</p> <p>Housing industry is thriving, so hard to understand why eps and ppt are down. In 4th quarter, reserves for losses was down, loans in default had improved, indicating that business was picking up. Total losses and expenses were doubled in 2020 from 2019. Return on average equity dropped from 20.8% in 2019 to 12.1% this past year. In the 4th quarter, their expense ratio improved from 19.9 to 16.6. I have left the sales forecast at 7% (low for a small company) and the eps reduced from the 11% of previous months. PE high is still 12% and low PE at 7, and low price is the low of three of the last 5 years. SSG, at today's price, rates it barely a 3:1.</p> <p>I recommend a hold to see if ESNT can't resume its successful trajectory of earnings trending up like sales. Give it a few more quarters. They have instituted a \$.16 dividend this past quarter which we will get this month</p>	Study
12/12/20	TSIC Meeting ESNT Analysis	<p>ESNT is a Small-Cap stock. The 10yr Avg Sales Growth rate should be >12% based on BI company size criteria. 3-5yr projected EPS growth rate, based on the Preferred Procedure Calculation (PPC) default values should be 1.9% or less. The Avg High and Low P/E plots are both on a downward slide. The selected Avg High P/E should be less than the 2019 High of 9.9. The selected Avg Low P/E should be less than the 2019 Low of 5.9. Using these values result in a HOLD recommendation.</p>	Community
07/21/20	1A Sales Growth	<p>The current Qtr 12mth Sales Growth is 14.1% . Sales growth over the last 5yrs has trended down from 28.6 to 20.6. The company is close to becoming a mid-sized stock (Sales >\$1,000M).</p> <p>The estimated sales growth Range is 23.5% (3yr History) to 5.5% (Yahoo). 2yr projected growth rate options are 3.65% (Cnn), 5.8% (Yahoo), and 6.5% (ACE). The selected 5yr growth rate of 11.0% is the lower 1/3 of the range and is influenced by the short term (2yr) analyst projections. Starting with the 2021 revenue est (\$983M), each year '22-'24 is est by multiplying by the 1.11 growth factor. These numbers are entered into the Detailed Estimates plot. The 2024 Revenue value is then used as the basis to calculate the combined 5yr Growth Rate of 9.0%.</p>	Community
07/21/20	1 Visual Analysis	<p>Graph plots are UP, mostly Straight, and essentially Parallel except for several years in the 1st 5 year period.</p> <p>Removed Sales and EPS up to 2014 resulting in flatter Trend lines more representative of last 5 years growth.</p> <p>The historic growth rate is appropriate for this small size company.</p> <p>Current price is near the 2019 52 week low price.</p>	Community