



Is the Thomson Reuters Corporation Turnaround Story Real?

Description

Investors are starting to believe in the turnaround story at **Thomson Reuters Corporation** ([TSX: TRI](#))(NYSE: TRI).

The business of selling news and information is a difficult one these days, and Thomson Reuters has been on a multi-year mission to acquire new technology, improve efficiency, and cut operating costs across its various business units.

Majority-owned by Canada's Thomson family, the company was created in 2008 when Thomson Corporation bought Reuters Group. The combined company has more than 50,000 employees around the globe.

An acquisition binge

Since 2009, the company has made more than 25 strategic acquisitions to drive growth in its core markets of operation: financial and risk, legal, tax and accounting, and intellectual property and science.

The merger with Reuters and the integration of all the new acquisitions has been challenging for the company, but management appears to be making progress.

The company's competitive advantage lies in its ability to combine industry expertise with leading-edge technology to deliver timely and important information. Thomson Reuters' clients use the company's products and services to help them make key decisions.

Earnings surprise

Thomson Reuters reported Q2 earnings on July 30 of \$249 million, or \$0.31 per share. This is compared to \$248 million, or \$0.30 per share, for Q2 2013. Total revenue for the quarter was \$3.16 billion.

Operating profit increased in all four of its business units, ranging from 2% in both the financial and risk and the legal divisions, to 14% in the tax and accounting division. Intellectual property and science saw

a jump of 5%.

Margins increased in three of the four units, with only the intellectual property and science division reporting a slightly lower margin due to the dilutive impact of acquisitions in 2013.

News revenue fell just 1% to \$82 million, suggesting that it has also stabilized.

The company didn't knock the numbers out of the park, but instead, investors were shown that management continues to hit solid singles and the odd double as it restructures the company.

Rewarding shareholders

Thomson Reuters reaffirmed its full-year outlook for 2014. This includes flat year-over-year revenue, operating profit margins of 17% to 18%, and free cash flow coming in at \$1.3 billion to \$1.5 billion.

As a nod to shareholders for their patience, Thomson Reuters bumped up the dividend by \$0.02 a share to \$1.32 and announced a new \$1 billion share buyback plan to be completed by the end of 2015.

The company also plans to make fewer acquisitions moving forward, and this should free up more cash to return to shareholders as the company focuses on organic growth.

The markets were pleased with the overall performance, driving the company's shares up by more than \$1 to \$38 in New York. In Toronto the shares finished the day at \$41.42, just shy of its two-year high.

Thomson Reuters pays its dividends in U.S. dollars. At \$1.32, the yield is almost 3.5%.

The company appears to be on the right track. For investors who are comfortable being paid to wait, now might be a good time to invest in Thomson Reuters.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. TSX:TRI (Thomson Reuters)

Category

1. Investing

Date

2025/08/24

Date Created

2014/07/31

Author

aswalker

default watermark