



## 5 Reasons to Invest in Thomson Reuters Corporation

### Description

News and information company **Thomson Reuters Corporation** ([TSX: TRI](#))(NYSE: TRI) provides information to businesses and professionals worldwide. Thomson Reuters sells electronic content and services, and the company reaches over one billion people each day. In 2013, 91% of its information was delivered electronically over the Internet and to mobile devices.

The following five strengths of the company are its foundation for continuing to offer value to its shareholders.

#### 1. Customer groups

Thomson Reuters is diversified across a broad-based customer grouping. Its four main customer groups are Financial and Risk, Legal, Tax and Accounting, and Intellectual Property and Science. The company has leadership positions in the markets it serves. Furthermore, no single customer is responsible for greater than approximately 1% of revenues. This customer diversification is a foundational strength of Thomson Reuters.

Last year, 40% of Thomson Reuters' revenues came from outside the Americas. Europe, Middle East, and Africa accounted for 29% of revenues while Asia accounted for 11%.

#### 2. Revenue model

Thomson Reuters primarily earns subscription-based revenues. An important strength of the company is that 87% of its portfolio is recurring revenue. Therefore, this offers income stability for the company and its investors.

Thomson Reuters is changing from a conglomerate to an enterprise model. Focusing on cost savings, it will have fewer technology platforms and a common approach (via common processes and shared assets) to the way it produces and manages content. Its goal is to realize around \$400 million in savings each year. These cost savings will finance the company's growth programs.

### 3. Growth strategy

In Q2 2014, Thomson Reuters had 5% combined growth from its Tax and Accounting, Legal, and Intellectual Property and Science businesses. The company's intention is to target its resources to specific growth areas. These areas include Tax and Accounting products. More than 80% of Fortune 500 companies use Thomson Reuters' legal research.

Thomson Reuters' growth segments performed well in 2013 and the company believes that its changing revenue mix should foster measured improvements in its overall revenue growth rate. For Q2, Tax and Accounting revenues grew 14%; Legal revenues grew 1%, and Intellectual Property and Science revenues grew 7%.

### 4. Financial and Risk business

For Q2, Financial and Risk segment revenues were down 2%. However, the Thomson Reuters Financial business is a strong brand, which serves over 40,000 customers and 400,000 end users globally. The Financial and Risk segment of its business had 2013 revenues of \$6.6 billion and a 24.5% EBITDA margin.

### 5. Free cash flow focus

Along with the above strengths, the company emphasizes free cash flow (\$1.2 billion in 2013) and its 2014 outlook for free cash flow is \$1.3-1.5 billion. Its cost saving initiatives should boost both earnings per share and free cash flow per share. The company also offers a healthy current dividend yield of 3.45%. Thomson Reuters instituted a 2014 dividend increase of \$0.02 per share to \$1.32.

Since 2004, Thomson Reuters has returned roughly \$11 billion to shareholders. Increased free cash flow should enable continued dividend increases to shareholders. Thomson Reuters has had 21 consecutive years of dividend increases.

Consider Thomson Reuters as a publishing industry component to your portfolio. Driven by the above-mentioned growth in its Tax and Accounting and Legal divisions, it recently reported a higher-than-expected quarterly profit.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

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