

Should You Buy Thomson Reuters Corporation Today?

Description

Thomson Reuters Corporation ([TSX:TRI](#))(NYSE:TRI), the world's leading source of intelligent information for businesses and professionals, announced its fourth-quarter earnings before the market opened today, and its stock has responded by falling over 1%. Let's take a thorough look at the results and the company's outlook on fiscal 2015 to determine if we should consider using this weakness as a long-term buying opportunity.

Breaking down the fourth-quarter results

Here's a summary of Thomson Reuters fourth-quarter earnings compared to what analysts had anticipated and its results in the same quarter a year ago.

Metric	Reported	Expected	Year Ago
Earnings per share	\$0.43	\$0.46	\$0.21
Revenue	\$3.21 billion	\$3.23 billion	\$3.27 billion

Source: *Financial Times*

Thomson Reuters' adjusted earnings per share increased 104.8% and its revenues from ongoing businesses decreased 1.7% compared to the fourth quarter of fiscal 2013. The company's very strong earnings per share growth can be attributed to its adjusted net income increasing 104.1% to \$347 million. Its slight decline in revenue can be attributed to sales falling in three of its five major segments, led by a 4.5% decline to \$1.6 billion in its financial and risk segment and a 2.2% decline to \$269 million in its intellectual property and science segment. However, these declines were partially offset by a 7.9% increase to \$397 million in its tax and accounting segment.

Here's a quick breakdown of seven other notable statistics and updates from the report compared to the year-ago period:

1. Organic sales increased 1%.
2. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 30.2% to \$794 million.
3. Adjusted EBITDA margin expanded 600 basis points to 24.7%.
4. Underlying operating profit increased 65.2% to \$499 million.
5. Underlying operating profit margin expanded 630 basis points to 15.5%.
6. Free cash flow increased 204.8% to \$570 million.
7. Repurchased approximately 7.8 million shares of its common stock for approximately \$297 million during the quarter.

Also, on a very positive note, Thomson Reuters announced a 1.5% increase to its quarterly dividend to \$0.335 per share, bringing its annual payment to \$1.34 per share and giving its stock a yield of

approximately 2.7% at current levels. This marked the 22nd consecutive year in which the company has raised its dividend, showing that it and its management team are strongly dedicated to maximizing shareholder value.

Thomson Reuters also provided its outlook on fiscal 2015, calling for the following results:

- Positive organic revenue growth.
- Adjusted EBITDA margin in the range of 27.5-28.5%.
- Underlying operating profit margin in the range of 18.5-19.5%.
- Free cash flow in the range of \$1.55 billion-\$1.75 billion.

Should you buy Thomson Reuters' stock on the dip?

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals, and continued demand for its products and services led it to a solid fourth-quarter performance, but the results came in below analysts' expectations, so its stock has responded by falling over 1%.

I think the post-earnings weakness in Thomson Reuters' stock represents a great long-term buying opportunity because it trades at favorable current and forward valuations, including just 26.5 times fiscal 2014's earnings per share of \$1.85 and just 22 times analysts' estimated earnings per share of \$2.23 for fiscal 2015, both of which are very inexpensive compared to its five-year average price-to-earnings multiple of 49.6.

Furthermore, the company now pays an annual dividend of \$1.34 per share, giving its stock a generous 2.7% yield at current levels, and I think this qualifies it as both a value and dividend play today.

With all the information above in mind, I think the post-earnings weakness in Thomson Reuters' stock represents a great long-term buying opportunity, so investors should take a closer look and strongly consider initiating positions today.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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