Should Thomson Reuters Corporation Be Added to Your Portfolio Today?

Description

Thomson Reuters Corporation (TSX:TRI)(NYSE:TRI), the world's leading source of intelligent information for businesses and professionals, announced mixed first-quarter earnings results on the morning of April 29, and its stock has responded by making a slight move to the downside. Let's take a closer look at the results and the company's outlook on the rest of the year to determine if this weakness represents a long-term buying opportunity.

Breaking down the first-quarter results

Here's a summary of Thomson Reuters' first-quarter earnings results compared with what analysts had expected and its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Reported	Expected	Year-Ago
Adjusted Earnings Per Share	$0.44	$0.45	$0.46
Revenue	$3.04 billion	$3.04 billion	$3.13 billion

Source: Financial Times

Thomson Reuters' adjusted earnings per share decreased 4.5% and its revenues from ongoing businesses decreased 2.7% compared with the first quarter of fiscal 2014. The company noted these weak results could be attributed to the negative impact of foreign currency, which reduced its adjusted earnings per share by $0.06 and its revenues by 5%. Excluding the impact of currency, adjusted earnings per share increased 8.7% and revenues increased 2% year over year.

Here's a quick breakdown of 10 other notable statistics from the report compared to the year-ago period:

1. Organic revenues increased 1%
2. Cash flow from operations increased 109.7% to $237 million
3. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 2.1% to $803 million

4. Adjusted EBITDA margin expanded 20 basis points to 26.4%
5. Excluding the impact of currency, adjusted EBITDA increased 4% and the margin expanded 60 basis points
6. Underlying operating profit decreased 2.5% to $515 million
7. Underlying operating profit margin remained unchanged at 16.9%
8. Excluding the impact of currency, underlying operating profit increased 6% and the margin expanded 60 basis points
9. Free cash flow was negative $65 million, compared with negative $135 million in the year-ago period
10. Diluted weighted-average common shares outstanding decreased 2.8% to 797.57 million

Even though the first quarter was relatively weak, Thomson Reuters reiterated its full-year outlook on fiscal 2015, which calls for the following performance:

- 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 $1.55-1.75 billion

Thomson Reuters also announced that it would be maintaining its quarterly dividend of $0.335 per share, and the next payment will come on June 15 to shareholders of record at the close of business on May 21.

Should you be a buyer of Thomson Reuters today?

I think Thomson Reuters' stock has responded correctly to the earnings release, but I think the weakness represents an attractive long-term buying opportunity. I think this because the stock trades at favourable forward valuations and pays a generous dividend.

First, Thomson Reuters stock trades at just 24 times fiscal 2015's estimated earnings per share of $2.04 and only 21.3 times fiscal 2016's estimated earnings per share of $2.30, both of which are very inexpensive compared with its five-year average price-to-earnings multiple of 49.4 and the industry average multiple of 26.8.

Second, Thomson Reuters pays a quarterly dividend of $0.335 per share, or $1.34 per share annually, giving its stock a 2.7% yield at today's levels. It is also very important to note that the company has increased its annual dividend payment for 22 consecutive years, making it one of the top dividend-growth plays in the market today.

With all of the information provided above in mind, I think Thomson Reuters represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider using today's weakness to begin scaling in positions.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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