



Is Thomson Reuters Corporation Headed to New 52-Week Highs?

Description

Thomson Reuters Corporation ([TSX:TRI](#))(NYSE:TRI), the world's leading source of intelligent information for businesses and professionals, announced second-quarter earnings results before the market opened on July 29, and its stock has responded by rising over 3%. Let's take a closer look at the results to determine if this could be the start of a sustained rally higher, and if we should consider initiating long-term positions today.

The results are in

Here's a summary of Thomson Reuters's second-quarter earnings results compared with what analysts had anticipated 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	\$0.52	\$0.50	\$0.51
Revenue	\$3.04 billion	\$3.07 billion	\$3.16 billion

Source: *Financial Times*

Thomson Reuters' adjusted earnings per share increased 2% and its revenues from continuing operations decreased 3.8% compared with the second quarter of fiscal 2014. The company noted that its results were heavily impacted by foreign exchange headwinds during the quarter, which reduced its earnings per share by \$0.06 and its revenues by 6%. Excluding the impact of currency, its earnings per share increased 13.7% to \$0.58 and its revenue increased 2%.

Here's a quick breakdown of 12 other notable statistics from the report compared with the year-ago period:

1. Adjusted net income decreased 1.2% to \$410 million
2. Organic revenues increased 2%
3. Cash flow from operations increased 6.3% to \$931 million
4. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased

2.4% to \$856 million

5. Adjusted EBITDA margin expanded 40 basis points to 28.2%
6. Excluding the impact of currency, adjusted EBITDA increased 3% and the adjusted EBITDA margin expanded 50 basis points
7. Underlying operating profit decreased 0.9% to \$576 million
8. Underlying operating profit margin expanded 60 basis points
9. Excluding the impact of currency, underlying operating profit increased 7% and the underlying profit margin expanded 100 basis points
10. Free cash flow increased 8.7% to \$709 million
11. Repurchased 8.5 million shares of its common stock for a total cost of approximately \$348 million
12. Diluted weighted-average number of common shares outstanding decreased 3% to 788.9 million

Even though Thomson Reuters was heavily impacted by foreign exchange headwinds in the second quarter, it did go on to reiterate its full-year outlook on fiscal 2015, calling 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 will be maintaining its quarterly dividend of \$0.335 per share, and the next payment will come on September 15 to shareholders of record at the close of business on August 20.

Could the rally continue?

It was a great quarter overall for Thomson Reuters, so I think the pop in its stock is warranted. I also think this could be the start of a sustained rally to new 52-week highs because its stock still trades at very attractive forward valuations, because it has a high dividend yield with an extensive track record of increasing its annual payment, and because it has been actively repurchasing its shares.

First, Thomson Reuters' stock trades at just 25 times fiscal 2015's estimated earnings per share of \$2.02 and only 22 times fiscal 2016's estimated earnings per share of \$2.30, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 42.6.

Second, Thomson Reuters pays an annual dividend of \$1.34 per share, which gives its stock a 3.2% yield at today's levels. The company has also increased its dividend for 22 consecutive years, making it one of the top dividend-growth plays in the market today, and its increased amount of free cash flow could allow this streak to continue for the foreseeable future.

Third, Thomson Reuters has been actively repurchasing its shares, including \$1.02 billion in repurchases in fiscal 2014 and \$696 million in repurchases in the first half of fiscal 2015, and this will help boost earnings growth going forward. This repurchase activity and its dividend-growth history also shows that the company is deeply dedicated to maximizing shareholder returns.

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 strongly consider beginning to scale in to positions over the next couple of trading sessions.

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