



Thomson Reuters Corp.'s Q1 EPS Jumps 23.1%: Should You Buy Now?

Description

Thomson Reuters Corp. ([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 26, and its stock has reacted by rising about 2%. Let's take a closer look at the quarterly results and the fundamentals of its stock to determine if we should be long-term buyers today or if we should wait for a better entry point in the trading sessions ahead.

Breaking down the mixed results

Here's a summary of Thomson Reuters's first-quarter earnings results compared with what analysts had projected and its results in the same period a year ago.

Metric	Q1 2016 Actual	Q1 2016 Expected	Q1 2015 Actual
Adjusted Earnings Per Share	US\$0.48	US\$0.44	US\$0.39
Revenue	US\$2.79 billion	US\$2.81 billion	US\$2.82 billion

Source: Thomson Reuters Corp.

Thomson Reuters's adjusted earnings per share increased 23.1% and its revenue decreased 1% compared with the first quarter of fiscal 2015. Its very strong earnings-per-share growth can be attributed to its adjusted net earnings increasing 19.2% to \$367 million and its weighted average number of diluted shares outstanding decreasing 4.4% to 762.2 million.

Its slight decline in revenue can be attributed entirely to the negative impact of foreign currency translation. Excluding the impact of foreign exchange, Thomson Reuters's revenue increased 1%, and excluding foreign exchange and recoveries, its revenue increased 2%.

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

1. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased

- 1.9% to US\$748 million
2. Adjusted EBITDA margin improved 80 basis points to 26.8%
3. Underlying operating profit increased 8% to US\$498 million
4. Underlying profit margin improved 150 basis points to 17.8%
5. Reported free cash flow of US\$223 million, compared to a cash use of US\$65 million in the year-ago period
6. Repurchased 11.7 million of its shares for a total cost of approximately US\$432 million, US\$260 million of which were part of the US\$1.5 billion share-repurchase program that was announced in February

Thomson Reuters also announced that it will be maintaining its quarterly dividend of US\$0.34 per share, and the next payment will come on June 15 to shareholders of record at the close of business on May 19.

Should you buy Thomson Reuters today?

It was strong quarter overall for Thomson Reuters, so I think the market has reacted correctly by sending its shares higher. I also think the stock will continue higher from here and that it represents a great long-term investment opportunity for two reasons.

First, it's undervalued. Thomson Reuters's stock trades at just 20.7 times fiscal 2016's estimated earnings per share of US\$2.02 and only 18.1 times fiscal 2017's estimated earnings per share of US\$2.31, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 41.6 and its industry average multiple of 27.1. These multiples are also inexpensive given its estimated 10.6% long-term earnings growth rate.

Second, it has a great dividend. Thomson Reuters pays an annual dividend of US\$1.36 per share, which gives its stock a high and safe yield of about 3.25%. Investors must also note that its 1.5% dividend hike in February has it on pace for fiscal 2016 to mark the 23rd consecutive year in which it has raised its annual dividend payment.

With all of the information provided above in mind, I think Thomson Reuters represents a very attractive long-term investment opportunity. Foolish investors should strongly consider beginning to scale in to positions today.

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1. NASDAQ:TRI (Thomson Reuters)
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Date

2025/08/22

Date Created

2016/04/26

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