2 Tech Stocks on the Move Following Their Q2 Reports

Description

Earnings season is in full swing, and tech giants **DH Corp.** (TSX:DH) and **Thomson Reuters Corp.** (TSX:TRI)(NYSE:TRI) announced their second-quarter results on Tuesday and Thursday, respectively. Let's take a closer look at each company, the most notable information from their reports, their stocks' performances since the release of their reports, and their fundamentals to determine if you should buy one of them today.

DH Corp.

DH Corp. is one of the leading providers of financial technology to the world's financial institutions. It provides global transaction banking, lending, payments, and integrated core solutions to nearly 8,000 banks, credit unions, specialty lenders, governments, and corporations worldwide.

After the market closed on Tuesday, July 26, DH released better-than-expected second-quarter earnings results. Here are some highlights from the report compared with the same period a year ago:

- Adjusted revenues increased 13.4% to $425.3 million, surpassing analysts' expectations of $421.6 million
- Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 5.7% to $116.5 million
- Adjusted net income decreased 1.2% to $58.9 million
- Adjusted earnings per share decreased 8.3% to $0.55 per share, surpassing analysts' expectations of $0.52
- Adjusted operating cash flow increased 12% to $79.6 million

Even though DH's results were not incredibly impressive, they did surpass analysts' expectations, so its stock responded by rising about 4% in Wednesday's trading session. However, it fell nearly 6% on Thursday, erasing all of Wednesday's gains and then some.

With all of this being said, I think DH represents a great investment opportunity for the long term for two primary reasons.

First, it's undervalued. DH's stock is trading at just 14.2 times fiscal 2016's estimated earnings per share of $2.33 and only 12.4 times fiscal 2017's estimated earnings per share of $2.67, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 30, its industry average multiple of 25, and the sector average multiple of 26.4.

Second, it has a great dividend. DH pays a quarterly dividend of $0.32 per share, representing $1.28 per share on an annualized basis, which gives its stock a yield of about 3.9%. It's also worth noting that it has maintained this annual rate since 2013, and its very strong growth of operating cash flow, including its 62.4% year-over-year increase to an adjusted $146.8 million in the first half of 2016, could allow it to continue to do so going forward or allow it to announce a hike in the near future.

Thomson Reuters Corp.

Thomson Reuters Corp. is the world's leading source of intelligent information for businesses and professionals. It describes intelligent information as "a unique synthesis of human intelligence, industry expertise, and innovative technology that provides decision-makers with the knowledge to act, enabling them to make better decisions faster."

Before the market opened on Thursday, July 28, Thomson Reuters released mixed second-quarter earnings results. Here are some highlights from the report compared with the same period a year ago:

- Revenues decreased 1.2% to US$2.77 billion, falling short of analysts' expectations of US$2.83 billion
- Adjusted EBITDA decreased 1.8% to US$757 million
- Underlying operating profit decreased 1% to US$505 million
- Adjusted earnings per share increased 11.1% to US$0.50 per share, surpassing analysts' expectations of US$0.49
- Free cash flow decreased 26% to US$525 million

It was a fairly weak quarter overall for Thomson Reuters, and its revenue fell well short of analysts' expectations, so its stock responded by falling over 2% in Thursday's trading session.

With all of this being said, I think Thomson Reuters represents a great investment opportunity for the long term for reasons similar to that of DH Corp.

First, it's undervalued. Thomson Reuters's stock is trading at just 20.5 times fiscal 2016's estimated earnings per share of $2.06 and only 18 times fiscal 2017's estimated earnings per share of $2.35, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 42.1, its industry average multiple of 37.1, and the sector average multiple of 26.4.

Second, it has a high dividend and is a dividend-growth play. Thomson Reuters pays a quarterly dividend of US$0.34 per share, representing US$1.36 per share on an annualized basis, which gives its stock a yield of about 3.2%.

It’s also very important to note that its 1.5% dividend hike in February has it on pace for 2016 to mark the 23rd consecutive year in which it has raised its annual dividend payment, and its very stronggrowth of free cash flow, including its 16.2% year-over-year increase to $748 million in the first half of2016, could allow this streak to continue for many years to come.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

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2. TSX:TRI (Thomson Reuters)

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