Is Thomson Reuters Corp. Attractive at Current Levels?

Description

Thomson Reuters Corp. (TSX:TRI)(NYSE:TRI) has seen steady growth over the past five years, more than doubling over that period. The company is a media and financial news giant, competing with large players such as *Bloomberg LP* and **News Corp.'s** Dow Jones unit in this space.

I'm going to take a look at Thomson Reuters for long-term investors considering taking a position in one of the largest companies by market capitalization trading on the TSX.

Positive outlook supplemented by strong earnings

At the end of April, Thomson Reuters posted better-than-expected earnings and revenue numbers, boosted by growth across each of the company's business segments. The company's Q1 2017 net income numbers were up more than 13% year over year from $272 million last year to $314 million this year.

Among the business segments reporting solid results, Thomson Reuters's Financial & Risk division performed exceptionally well, posting strong sales numbers in Europe, Asia, Africa, and the Middle East that outpaced cancellations during the first quarter. The Financial & Risk division is the company's largest, and these strong revenue numbers have largely been looked to as indicative of a changing perspective in financial markets from one of pessimism to a more positive outlook.

That said, looking forward, Thomson Reuters has given somewhat bearish guidance, preparing investors and analysts for "slow and steady" growth numbers moving forward with subsequent growth in coming quarters amounting to an annual revenue increase in the single-digit range for 2017.

Fundamentals

Thomson Reuters is a growth and dividend stock, combining steady capital appreciation potential over the years with its solid dividend yield, which hovers around 3.2% today. The company's dividend yield has bounced around over the years, and investors can expect that this company may experience cyclicality to both its capital appreciation profile as well as the expected dividend distributions.

From a valuation perspective, Thomson Reuters appears to be fairly valued compared with its peers. Its price-to-book ratio of 2.4, price-to-sales ratio of 2.7, and its trailing price-to-earnings ratio of 10.2 are neither “value” numbers, nor “rich” valuations, in my opinion. The company’s strong margins (top and bottom line) combined with the business diversification this company provides investors with has allowed Thomson Reuters to continue to grow in a somewhat challenging market.

Bottom line

Thomson Reuters is one of the largest and well-known names on the TSX, and one which has done very well for long-term investors who’ve bought and held TRI over the years. The company appears to be fairly valued, and with volatility increasing of late, the cyclical nature of Thomson Reuters’s business may mean investors would be better served to wait for the next downturn before investing in this company.

Stay Foolish, my friends.

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