



## Investors: Why You Need to Buy Thomson Reuters (TSX:TRI) Right Now

### Description

Shares of **Thomson Reuters Corporation** ([TSX:TRI](#))(NYSE:TRI) have gained 38.5% year to date. The stock is trading at \$89.5, which is 5% below its 52-week high and 42.3% above its 52-week low. Shares have almost doubled in the last five years. So, why is TRI a good buy despite gaining significant value in 2019?

### Thomson Reuters stock is undervalued

Thomson Reuters is a leading provider of business and financial information services, with several tools and software products for business, tax and compliance professionals.

Analysts expect TRI to increase sales from \$5.5 billion in 2018 to \$5.93 billion in 2019, a rise of 7.8% year over year. Sales are then estimated to rise by 4.8% to \$6.2 billion. So why am I excited about a company that is growing sales in the single digits?

TRI is able to grow the bottom line at a far higher pace. In 2019, TRI's earnings per share (EPS) is estimated to grow by 61.3%. The company is also expected to increase EPS by 60.3% in 2020 and at an annual rate of 44% in the next five years.

Comparatively, TRI stock is trading at a forward price-to-earnings multiple of 46, indicating that the stock is undervalued looking at its earnings growth. Its operating leverage is expected to increase from 1.9 times in 2019 to 7.5 times in 2020, which will help the firm expand profit margins at a robust pace.

TRI's high operating leverage will help improve EBITDA from \$1.36 billion in 2018 to \$2.01 billion by the end of 2021. Operating profit is expected to rise from \$855 million to \$1.41 billion in the same period.

### Organic growth driving sales higher

Thomson Reuters launched two artificial intelligence-powered products in the second quarter of 2019.

It also completed two acquisitions in the June quarter. The company is optimistic about creating shareholder value over the next few years driven, by the merger of its former market data and trading assets with the London Stock Exchange Group.

In the June quarter, TRI's organic sales rose 4%, the company's highest organic growth since 2008. This growth was driven by recurring sales that rose 5% and transaction revenue that rose 2%.

Recurring sales for TRI's Legal, Corporate and Tax & Accounting businesses were 88% of total sales and rose 6% year over year in the second quarter. The company expects the strong performance of these segments to drive revenue for the rest of 2019.

Company CEO Jim Smith, is optimist about long term growth and during the earnings call he stated, "As we look to 2020 and beyond, we're working to build a faster growing business based on a sustainable, recurring revenue model that should drive consistent margin improvement and steady growth and free cash flow per share."

It appears that Thomson Reuters has managed to successfully turnaround its performance, as [things were looking quite bleak](#) couple of years back.

## The verdict

TRI is looking to bank on the growth of technology-led workforce solutions that help enterprises improve efficiency and employee productivity. It aims to complement organic growth by acquiring businesses that will have a multiplier effect when integrated with in-house and existing workflow solutions.

The current valuation of Thomson Reuters provides significant upside potential for investors. It is a stable company with strong fundamentals and should be an attractive pick at the current price.

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**Date**

2025/08/20

**Date Created**

2019/09/13

**Author**

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