



Thomson Reuters Stock Gains After it Beats Q3 Earnings and Revenue Estimates

Description

Shares of **Thomson Reuters** ([TSX:TRI](#))(NYSE:TRI) are trading 0.5% higher today at the time of writing, after the company reported its Q3 results, beating revenue and earnings estimates in the quarter.

Thomson Reuters reported revenue of US\$1.52 billion in Q3, which was 6% higher compared to the year-ago period. Comparatively, its adjusted earnings per share rose 18% year over year to US\$0.46 in Q3. Wall Street forecast the company to post revenue of US\$1.5 billion and adjusted earnings of US\$0.38 in the September quarter.

The company also expects revenue in 2021 to increase between 4.5% and 5% year over year, which indicates sales of around US\$6.25 billion at the midpoint forecast. Analysts [expect sales to touch](#) US\$6.28 billion in 2021.

Key financial metrics for Thomson Reuters in Q3

Thomson Reuters' "Big Three" business segments, which consist of Legal Professionals, Corporates, and Tax & Accounting Professionals, account for 79% of total sales. These three segments reported revenue growth of 6% in Q3.

The company's operating profit fell 11%, as the year-ago period included inflows from the revaluation of warrants Thomson Reuters previously held with Refinitiv, which were sold to the London Stock Exchange Group in early 2021.

Its adjusted EBITDA also fell 7% on the back of rising costs associated with the company's Change Program. The EBITDA margin fell to 30% in Q3 of 2021 from 34% in the year-ago period, as costs associated with the Change Program negatively impacted margins by 350 basis points.

However, Thomson Reuters's adjusted EPS increased, as lower depreciation and amortization expenses as well as lower income taxes offset the decline in adjusted EBITDA. Its operating cash flow declined, as higher revenue was offset by rising expenditures and tax payments. Comparatively, free

cash flow also fell due to lower operating cash flow, and as the prior-year period included proceeds from the sale of real estate.

What is TRI's Change Program?

Earlier this year, Thomson Reuters unveiled a two-year Change Program, as it aims to transition from a holding company to an operating company and from a content provider to a content-driven technology company. The Change Program is expected to be completed by the end of 2022 and will require between \$500 million and \$600 million in investments.

The key goals of this program include

- Taking an 360-degree view of the customer journey;
- Creating a comprehensive omnichannel experience for the customer;
- Providing tools to sales and support employees;
- Utilizing shared capabilities and data & analytics, and completing the transition to cloud; and
- Leveraging digital capabilities to grow with small and medium businesses.

What's next for Thomson Reuters stock?

Thomson Reuters is one of the largest Canadian companies [valued at a market cap](#) of over \$70 billion. The stock has gained more than 500% in the last decade after adjusting for dividends and has delivered stellar returns to shareholders. However, this also valued TRI stock at a forward price-to-2021-sales multiple of 9.4 and a price-to-earnings multiple of 61.7, which is extremely steep, given the company's growth forecasts.

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