

Thomson Reuters

2024 Investor Day: TRI has the wind in its sails

Maintain Rating: BUY | PO: 180.00 USD | Price: 158.51 USD

We are even more confident in TRI's sales acceleration

We left TRI's 3/12 Investor Day with greater confidence in its ability to accelerate organic sales as it benefits from GenAI/new products and secular industry tailwinds. Its customers are investing in tech amid increased regulation and complexity, the need for efficiency, and demand from Millennial employees for the best tools. TRI reiterated its 2024-26 financial targets from its 2/8 call ([see our Investor Day preview](#)). We maintain our Buy rating; we expect accelerating organic sales to drive shares higher.

Hard to not be enthused about TRI's GenAI opportunity...

While we expected GenAI to benefit TRI's legal business, the Investor Day brought into stark relief that it will likely be transformative for each of its "Big 3" (Legal, Corporate, Tax & Accounting) segments. Each are facing secular pressures that should encourage GenAI adoption. TRI's 2023/24 organic and inorganic (i.e., Casetext) investments, trusted brand, deep content, and skilled legal editors position it to succeed, in our view. We expect a ramp in product launches in 2H24 and into 2025+ to fuel momentum.

...but it's not just a GenAI story

TRI plans to accelerate to +6.5-8.0% 2025/26 organic sales from +5.9% in 2023 with a lift from organic investments and recent M&A (each +50-100bp), partly offset by a (0)-(50)bp from Argentina FX devaluation. Digging deeper, growth drivers include secular Big 3 customer tailwinds, existing Big 3 product momentum, ongoing innovation, recent acquisitions (\$240mn of 2024E rev guided to a +28% 2024-28E CAGR), tech platform and go-to market enhancements, and Print mix shrinking. We think there's room for upside on higher share gains, faster GenAI adoption, higher retention, and higher pricing.

Margin growth in 2025 and beyond

While 2024 EBITDA margins are guided down (to ~38% vs. 2023's 39.3%) due to M&A dilution and GenAI spending, TRI is committed to 2025+ margin expansion. Levers include operating leverage (60-65% of costs are fixed), scaling of M&A/rolling of integration costs, and GenAI efficiencies (not quantified, but there is likely upside to plan). Still, we think faster sales growth is a greater priority, and would not be surprised if TRI pursues additional acquisitions in the next few years that are initially margin dilutive.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.62	3.50	3.60	3.98	4.40
GAAP EPS	2.87	5.70	3.22	3.60	4.02
EPS Change (YoY)	29.7%	33.6%	2.9%	10.6%	10.6%
DPS	1.78	1.96	2.16	2.31	2.47
EPS (YTTRI - C\$)	3.41	4.72	4.86	5.37	5.94
DPS (YTTRI - C\$)	2.32	2.64	2.92	3.12	3.33
Valuation (Dec)					
P/E	60.5x	45.3x	44.0x	39.8x	36.0x
GAAP P/E	55.2x	27.8x	49.2x	44.0x	39.4x
Dividend Yield	1.1%	1.2%	1.4%	1.5%	1.6%
EV / EBITDA*	32.5x	28.3x	27.2x	24.9x	22.8x
Free Cash Flow Yield*	1.9%	2.5%	2.5%	2.6%	2.8%

* For full definitions of *IQmethod*SM measures, see page 5.

13 March 2024

Equity

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Stock Data

Price (NYS / TOR)	158.51 USD / 213.72 CAD
Price Objective	180.00 USD / 243.00 CAD
Date Established	8-Feb-2024 / 8-Feb-2024
Investment Opinion	A-1-7 / A-1-7
52-Week Range	117.46 USD - 161.58 USD
Market Value (mn)	72,150 USD
Free Float	30.7%
Average Daily Value	51.17 USD
Shares Outstanding (mn)	455.2 / 455.2
BofA Ticker / Exchange	TRI / NYS
BofA Ticker / Exchange	YTTRI / TOR
Bloomberg / Reuters	TRI US / TRI.N
ROE (2024E)	15.9%
Net Dbt to Eqty (Dec-2023A)	17.9%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

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Timestamp: 13 March 2024 12:40AM EDT

iQprofileSM Thomson Reuters

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.4%	10.7%	10.6%	12.3%	13.8%
Return on Equity	9.8%	14.1%	15.9%	19.2%	21.5%
Operating Margin	27.7%	34.3%	26.9%	27.8%	29.0%
Free Cash Flow	1,387	1,783	1,777	1,881	2,046

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.6x	1.4x	1.5x	1.4x	1.4x
Asset Replacement Ratio	4.3x	4.7x	4.7x	4.1x	4.2x
Tax Rate	12.4%	21.0%	19.0%	21.0%	22.0%
Net Debt-to-Equity Ratio	30.9%	17.9%	21.4%	26.7%	21.0%
Interest Cover	9.4x	15.3x	13.0x	14.7x	14.8x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	6,627	6,794	7,247	7,753	8,335
% Change	4.4%	2.5%	6.7%	7.0%	7.5%
Gross Profit	2,347	2,660	2,788	3,043	3,315
% Change	18.7%	13.3%	4.8%	9.2%	8.9%
EBITDA	2,329	2,678	2,788	3,043	3,315
% Change	18.2%	15.0%	4.1%	9.2%	8.9%
Net Interest & Other Income	248	(344)	(150)	(147)	(163)
Net Income (Adjusted)	1,269	1,624	1,629	1,756	1,920
% Change	27.2%	28.0%	0.3%	7.8%	9.4%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,823	1,571	1,460	1,589	1,756
Depreciation & Amortization	724	725	835	885	900
Change in Working Capital	8	457	73	(4)	13
Deferred Taxation Charge	(144)	(388)	44	32	27
Other Adjustments, Net	(429)	(38)	0	0	0
Capital Expenditure	(595)	(544)	(635)	(620)	(650)
Free Cash Flow	1,387	1,783	1,777	1,881	2,046
% Change	2.4%	28.6%	-0.3%	5.9%	8.8%
Share / Issue Repurchase	(1,282)	(1,079)	(999)	(1,750)	(500)
Cost of Dividends Paid	(837)	(892)	(982)	(1,023)	(1,080)
Change in Debt	993	(1,599)	(130)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,069	1,298	1,119	785	1,251
Trade Receivables	1,069	1,122	1,167	1,280	1,405
Other Current Assets	673	501	530	594	657
Property, Plant & Equipment	1,336	1,683	1,579	1,413	1,261
Other Non-Current Assets	17,564	14,080	12,754	12,656	12,557
Total Assets	21,711	18,684	17,148	16,727	17,131
Short-Term Debt	1,647	372	372	372	372
Other Current Liabilities	3,244	2,861	3,001	3,147	3,316
Long-Term Debt	3,114	2,905	2,775	2,775	2,775
Other Non-Current Liabilities	1,757	1,482	1,532	1,591	1,650
Total Liabilities	9,762	7,620	7,680	7,886	8,113
Total Equity	11,949	11,064	9,468	8,841	9,018
Total Equity & Liabilities	21,711	18,684	17,148	16,727	17,131

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Business Services

Company Description

Thomson Reuters is a leading information services provider focused on the legal, tax & accounting, and regulatory end markets. Its deep domain expertise, proprietary data and software and analytics tools are used by roughly 500,000 clients, with roughly 80% recurring revenue. Major brands include Westlaw, Checkpoint, and Reuters News.

Investment Rationale

We are bullish on Thomson Reuters, which we see as an attractively priced defensive compounder. It is a cleaner story following the Refinitiv sale, has strong positions in attractive/growing markets, and is over-capitalized. The "Change Program" calls for accelerating organic revenue growth and meaningfully higher margins by 2023. We see robust EPS/FCF growth in 2023 and beyond, and believe valuation expansion is likely as TRI proves out its ability to deliver. Buy.

Stock Data

Average Daily Volume	322,816
Shares / Common - Dual Listed	1.00

Quarterly Earnings Estimates

	2023	2024
Q1	0.84A	0.98E
Q2	0.87A	0.86E
Q3	0.82A	0.81E
Q4	0.98A	0.95E

Exhibit 1: "Big 3" segments overview

The "Big 3" segments account for 80% of total TRI revenues

	"Big 3" Segments		
	Legal Professionals	Tax & Accounting	Corporates
2023 revenue	\$2.81bn	\$1.06bn	\$1.62bn
% of total 2023 revenue	41%	16%	24%
Vended market	\$10bn	\$7bn	\$9bn
TAM pre-GenAI	\$19bn	\$16bn	\$37bn
Total TAM with GenAI	\$23bn	\$18bn	\$42bn
Market growth rate	6-8%	7-9%	8-11%
2023 organic sales growth	6%	10%	7%
2026 organic sales growth target	7-8%	10-12%	8-10%
2023 recurring revenues	95%	76%	85%
2023 retention	91%	91%	90%
Customer count	~90,000	~100,000	~50,000

Source: Company presentation

BofA GLOBAL RESEARCH

Price objective basis & risk

Thomson Reuters (TRI / YTRI)

Our \$180 price objective (C\$243) is based on 41x CY25E P/FCF (vs. 37.5x CY24E P/FCF prior). This reflects greater confidence in the durability of TRI's sales growth and a premium to peers at 24x. We think a premium is warranted given our view of TRI's resilient business model and margin expansion potential from its Change Program.

Downside risks: 1) failure to deliver revenue acceleration or margin targets associated with the "Change Program" could hurt valuation, 2) drag from Global Print and Reuters News accelerates, and 3) risks associated with Woodbridge's controlling stake. Upside risks: 1) successful execution of go-to-market strategies could accelerate revenue growth, 2) tuck-in M&A and/or share buybacks could boost earnings, and 3) rising value in TRI's LSEG stake.

Analyst Certification

I, Heather Balsky, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Business, Education & Professional Services Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alight Inc	ALIT	ALIT US	Heather Balsky
	APi Group	APG	APG US	Heather Balsky
	Aramark	ARMK	ARMK US	Heather Balsky
	Cintas	CTAS	CTAS US	Heather Balsky
	CoStar Group	CSGP	CSGP US	Heather Balsky
	Driven Brands	DRVN	DRVN US	Robert F. Ohmes, CFA
	Dun & Bradstreet Holdings, Inc.	DNB	DNB US	Heather Balsky
	Equifax	EFX	EFX US	Heather Balsky
	Gartner	IT	IT US	Heather Balsky
	Moody's Corp.	MCO	MCO US	Heather Balsky
	Petco	WOOF	WOOF US	Kendall Toscano
	Rollins Inc.	ROL	ROL US	Heather Balsky
	S&P Global	SPGI	SPGI US	Heather Balsky
	Strategic Education	STRA	STRA US	Heather Balsky
	Thomson Reuters	YTRI	TRI CN	Heather Balsky
	Thomson Reuters	TRI	TRI US	Heather Balsky
NEUTRAL				
	AutoZone Inc.	AZO	AZO US	Robert F. Ohmes, CFA
	FactSet Research Systems Inc	FDS	FDS US	Heather Balsky
	First Advantage Corporation	FA	FA US	Heather Balsky
	Verisk Analytics	VRSK	VRSK US	Heather Balsky
UNDERPERFORM				
	ASGN Inc.	ASGN	ASGN US	Heather Balsky
	Clarivate PLC	CLVT	CLVT US	Heather Balsky
	ManpowerGroup	MAN	MAN US	Heather Balsky
	MSCI Inc	MSCI	MSCI US	Heather Balsky
	Robert Half	RHI	RHI US	Heather Balsky
	TransUnion	TRU	TRU US	Heather Balsky

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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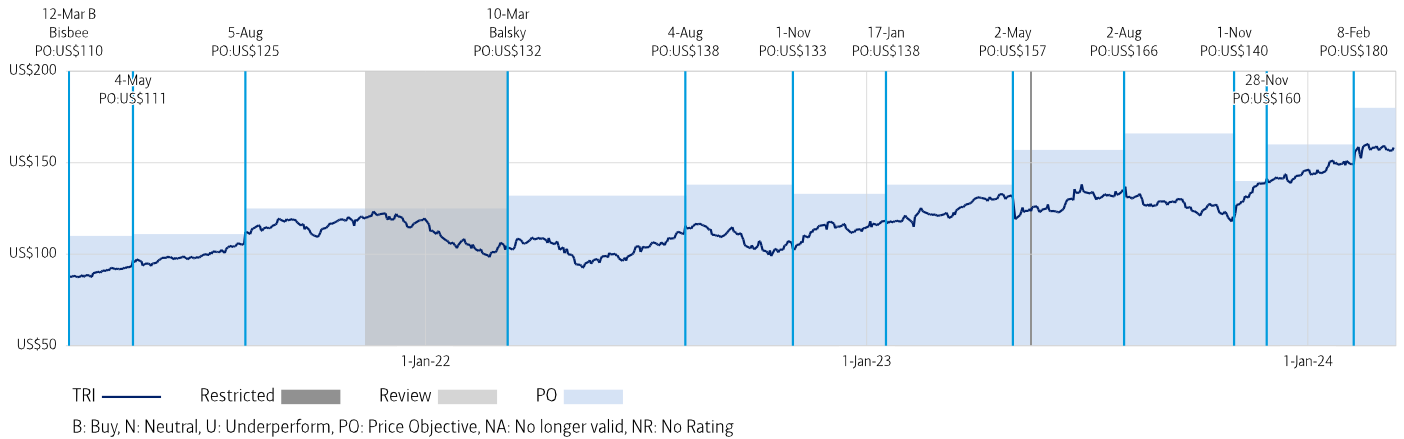
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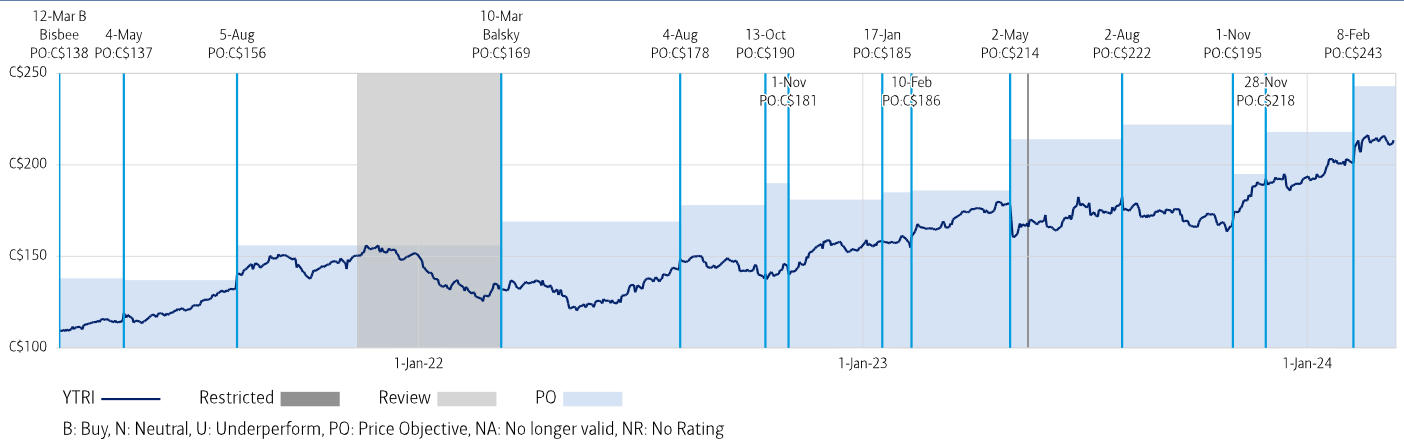
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Thomson Reuters (TRI) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Thomson Reuters (YTRI) Price Chart



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Equity Investment Rating Distribution: Business Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	26	55.32%	Buy	17	65.38%
Hold	8	17.02%	Hold	3	37.50%
Sell	13	27.66%	Sell	11	84.62%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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