RELX PLC (RELX)

Updated June 15th, 2020 by Nikolaos Sismanis

Key Metrics

Current Price:	$23	**5 Year CAGR Estimate:**	9.1%	**Market Cap:**	$45.2B
Fair Value Price:	$24	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	04/24/2020
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.7%	**Dividend Payment Date:**	06/02/2020
Dividend Yield:	2.7%	**5 Year Price Target**	$32	**Years Of Dividend Growth:**	4
Dividend Risk Score:	B	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	8.1%

Overview & Current Events

RELX is a global provider of information-based analytics and decision tools for professional and business customers. It operates through four segments: Scientific, Technical & Medical; Risk & Business Analytics; Legal; and Exhibitions. RELX PLC was incorporated in 1903, is headquartered in London, and has a market cap of around $35 billion. The stock trades in the NYSE, though the original 1988 listing remains on the London Stock Exchange. It serves customers in more than 180 countries, has offices in about 40 countries, and boasts a ~$45 billion market cap.

On February 13th, 2020, RELX PLC reported its year-end[1] results for the period ending December 31st, 2019. For the year, EPS was $1.03, 11.9% higher than FY2018, while revenues grew by 9.2% to $10.43 billion. The company made significant portfolio developments throughout the year by completing 14 acquisitions of content, data analytics, and exhibition assets for a total consideration of $545 million. The company was proud to announce a 13.6% ROIC, boosted by a low effective tax rate of 17.6%. Without the tax credits, ROIC would have still beat targets, at 13%. While specifics for FY2020's guidance were not provided, management commented that early trends suggest similar growth to previous years, indicating high single-digit growth both for the top and bottom line.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	$0.52	$0.59	$0.88	$0.83	$0.69	$0.70	$0.69	$1.10	$0.92	$1.03	**$1.09**	**$1.46**
DPS	$0.32	$0.34	$0.37	$0.41	$0.41	$0.44	$0.44	$0.53	$0.54	$0.61	**$0.63**	**$0.84**
Shares[2]	1,933	1,937	1,934	2,210	2,154	2,108	2,062	2,019	1,977	1,943	**1,943**	**1,800**

EPS CAGR over the past decade has been around 8%, while DPS CAGR over the same period has been about 7.4%. The company has had consistent and stable growth over the past decade and has been a top holding in most of the U.K.'s income funds. Management has been adjusting its U.S.-listing DPS to be at least that of the previous year, to protect U.S. investors from F.X. fluctuations. However, in the original LSE listing, dividends have been growing annually since 2010, and have never been cut since 1999. During FY2019, the company deployed $786 million in stock buybacks, while they announced an additional £100 million ($125 million) to be repurchased in FY2020. Buybacks had not been the capital-return method of preference over the past decade. However, amid recent commitment to retiring shares, we expect the share count to continue dropping in the medium term. Being prudent, we expect a lower-than-average CAGR of around 6% in both EPS and DPS in the medium term. Reasons include COVID-19 and the year-to-date depreciation of the U.S. Dollar to the GBP, which may continue to be the case throughout 2020.

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	19.0	13.6	13.5	15.2	20.4	21.16	23.1	29.3	19.5	23.2	**21.3**	**22.0**
Avg. Yld.	4.0%	3.8%	3.9%	3.0%	2.6%	2.4%	2.4%	2.2%	2.3%	2.4%	**2.7%**	**2.6%**

[1] U.K.-based companies like RELX report twice per year. One interim H1 report, and one final, (H1 + H2) report.

[2] Share count is in millions.

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RELX's valuation has been consistent over the years, usually trading around 20 times its underlying earnings. With steady EPS growth over the past decade, and with management's comments for a similar trajectory, we expect the multiple to hover around its usual range. RELX is one of the U.K.'s most consistent stocks in terms of growth, with massive institutional liking. Therefore, investors are unlikely to be given the opportunity to buy at a significant discount. The stock's yield is currently around 2.7%. Considering the company's dividend policy for its NYSE listing, and the recent depreciation of the $U.S., we expect slight DPS growth for FY2020 to $0.63. This could potentially result in a slightly lower yield going forward, as shares appreciate while DPS remains relatively stable.

Safety, Quality, Competitive Advantage, & Recession Resiliency

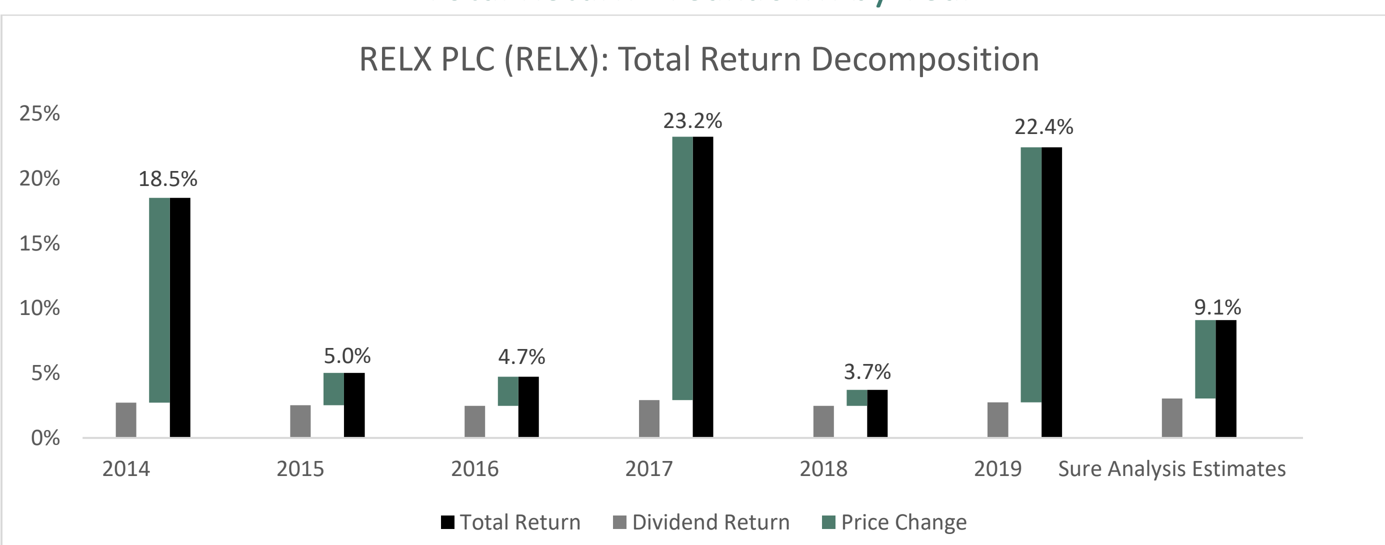
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2025**
Payout	62%	58%	42%	49%	59%	63%	64%	48%	59%	59%	**58%**	**57%**

RELX holds a sort of legendary status in the U.K.'s investing culture, posing as one of the safest growth stocks one can own, having achieved consistent market-beating returns. With prudent capital allocation, the company secures its future advancements while growing its dividends and maintaining a healthy payout ratio. While its long-term debt position is near an all-time high at around $5.4 billion, operating cash flow covers interest payments by 10.1 times, highlighting the company's resilient profitability. We find RELX's ability to withstand a potential recession strong, as the need for analytics is vital to operate any modern business. The industry, however, is under heavy competition. With new technologies in the sector being developed by the day, RELX has to be continually innovating and acquiring other companies to stay ahead of the curve.

Final Thoughts & Recommendation

RELX is a well-managed company, with an impressive history of market-beating returns. We believe that EPS and DPS will continue their upward trajectory. Despite our prudent assumptions in terms of growth, we still expect RELX to achieve medium-term CAGR returns of around 9%. This should be supported both by the underlying earnings advancements and the recent commitment to buybacks. In the meantime, investors should be enjoying a modest but reliable dividend, currency yielding 2.7%. RELX is one of the U.K.'s most reputable companies to hold long-term and add to existing positions on the rare dips. We rate RELX as a strong hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	9334	9624	9691	9442	9516	9125	9342	9478	9996	10054
Gross Profit	$5,929	$6,215	$6,302	$6,128	$6,209	$5,871	$5,971	$6,085	$6,468	$6,536
Gross Margin	$4,283	$4,386	$4,228	$4,021	$3,958	$3,682	$3,707	$3,673	$3,891	$3,906
SG&A Exp.	$897	$901	$879	$886	$856	$795	$812	$847	$869	$872
D&A Exp.	$1,646	$1,830	$2,074	$2,107	$2,252	$2,190	$2,264	$2,412	$2,578	$2,630
Operating Profit	$990	$1,172	$1,654	$1,737	$1,574	$1,540	$1,573	$2,128	$1,897	$1,922
Operating Margin	$1,606	$1,494	$1,702	$1,687	$1,825	$1,681	$1,828	$2,014	$2,165	$2,182
Net Profit	$185	$268	$162	$127	$443	$455	$412	$84	$390	$432
Net Margin	9334	9624	9691	9442	9516	9125	9342	9478	9996	10054
Free Cash Flow	$5,929	$6,215	$6,302	$6,128	$6,209	$5,871	$5,971	$6,085	$6,468	$6,536
Income Tax	$4,283	$4,386	$4,228	$4,021	$3,958	$3,682	$3,707	$3,673	$3,891	$3,906

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	17221	17724	17799	17306	17256	16571	16367	17071	17763	18080
Cash & Equivalents	$1,145	$1,119	$1,036	$218	$430	$181	$199	$150	$145	$181
Accounts Receivable	$1,988	$2,000	$1,947	$2,048	$2,041	$2,089	$2,120	$2,166	$2,210	$2,321
Inventories	$352	$293	$257	$234	$221	$234	$257	$266	$269	$285
Goodwill & Int. Ass.	12190	12670	12637	12697	12677	12425	12280	12377	13238	13474
Total Liabilities	14181	14339	14059	13311	13930	13344	13471	13945	14770	15208
Accounts Payable	---	---	$490	$544	$518	$361	$365	$324	$237	$227
Long-Term Debt	$6,606	$6,585	$6,264	$5,382	$5,935	$5,759	$5,932	$6,571	$7,620	$7,961
Shareholder's Equity	$2,999	$3,347	$3,684	$3,941	$3,278	$3,176	$2,850	$3,097	$2,955	$2,840
D/E Ratio	2.2028	1.9678	1.7	1.3657	1.8105	1.813	2.0815	2.1213	2.5784	2.8033

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	5.6%	6.7%	9.3%	9.9%	9.1%	9.1%	9.6%	12.7%	10.9%	10.7%
Return on Equity	34.1%	36.9%	47.1%	45.5%	43.6%	47.7%	52.2%	71.6%	62.7%	66.3%
ROIC	9.9%	12.0%	16.6%	17.9%	16.9%	16.9%	17.7%	23.0%	18.7%	17.9%
Shares Out.	1942.9	1952.5	1957.2	2239.1	2178.7	1125.9	2079.8	2035.2	1990.8	1956.2
Revenue/Share	$4.80	$4.93	$4.95	$4.22	$4.37	$8.10	$4.49	$4.66	$5.02	$5.14
FCF/Share	$0.83	$0.77	$0.87	$0.75	$0.84	$1.49	$0.88	$0.99	$1.09	$1.12

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.