RELX PLC (RELX)

Updated July 26th, 2020 by Nikolaos Sismanis

Key Metrics

Current Price:	$21	**5 Year CAGR Estimate:**	7.5%	**Market Cap:**	$41.67B
Fair Value Price:	$20	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	07/23/2020[1]
% Fair Value:	107%	**5 Year Valuation Multiple Estimate:**	-1.3%	**Dividend Payment Date:**	09/02/2020
Dividend Yield:	2.9%	**5 Year Price Target**	$26	**Years Of Dividend Growth:**	5
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Last Dividend Increase:**	12.9%

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 and is headquartered in London, the United Kingdom, and has a market cap of around $42 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, and has offices in about 40 countries.

On July 23rd, 2020, RELX PLC reported its half-year[2] results for the six months ending June 30th, 2020. For the period, EPS was $0.466, 21.2% lower than H1-2019, while revenues fell by 12% to $4.4 billion. The company's first two business segments reported sales growth of 3% and 5% respectively. However, "Exhibitions," declined by a whopping 71%, dragging RELX's results lower. The segment's decline was caused by COVID-19, which diminished the demand for event-planning. Management's outlook remains optimistic, as the majority of its non-exhibition business revenues are subscription-based.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EADS[3]	$0.52	$0.59	$0.88	$0.83	$0.69	$0.70	$0.69	$1.10	$0.92	$1.03	**$0.90**	**$1.20**
DPS	$0.32	$0.34	$0.37	$0.41	$0.41	$0.44	$0.44	$0.53	$0.54	$0.61	**$0.63**	**$0.83**
Shares[4]	1,933	1,937	1,934	2,210	2,154	2,108	2,062	2,019	1,977	1,943	**1,929**	**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. The company increased its dividend once again, declaring $0.418.

During H1-2020, the company deployed $191 million in stock buybacks, 75% lower than the year before, as management suspended repurchases in April to maximize its liquidity position. With its dividend growth commitment towards shareholders, we retain our CAGR expectations to around 6% in both EPS and DPS in the medium term. Excluding exhibitions, the company's operations remain robust. Investors must be aware of the F.X. risks, and the year-to-date depreciation of the $ U.S. to the GBP, which may continue to be the case throughout 2020.

[1] Estimated date
[2] U.K.-based companies like RELX report twice per year. One interim H1 report, and one final, (H1 + H2) report.
[3] Earnings per American Depository Share
[4] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	19	13.6	13.5	15.2	20.4	21.16	23.1	29.3	19.5	23.2	**23.4**	**22.0**
Avg. Yld.	4.0%	3.8%	3.9%	3.0%	2.6%	2.4%	2.4%	2.2%	2.3%	2.4%	**2.9%**	**3.1%**

RELX's valuation has been consistent over the years, usually trading around 20 times its underlying earnings. Enjoying steady EPS growth over the past decade, and with management's positive future outlook, 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 currently trading the stock at premium valuation compared to its historical one. As we mentioned in our latest report, it is unlikely that investors will be given the opportunity to buy at a significant discount. The stock's yield remains at around 2.9%.

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%	**70%**	**69%**

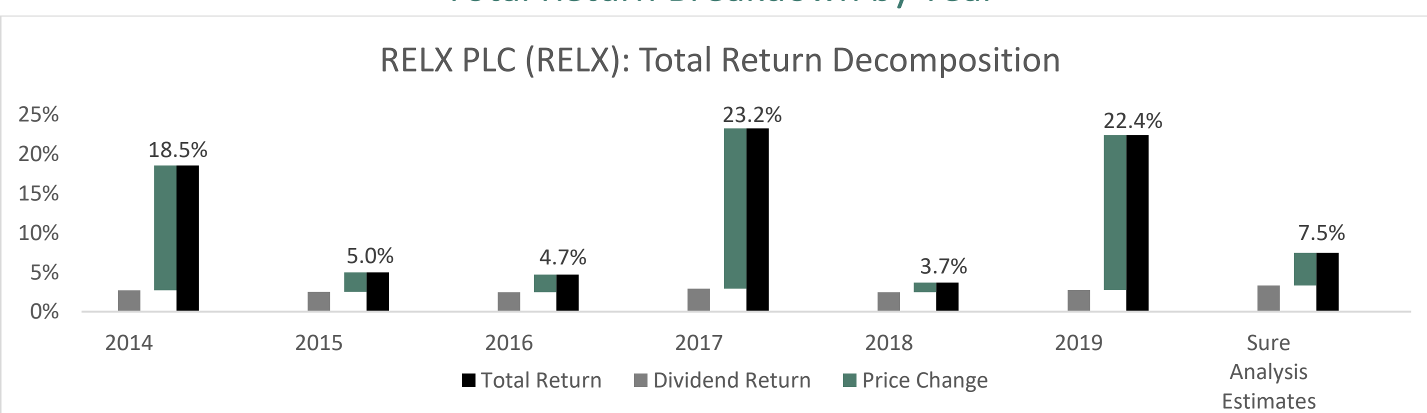
RELX holds a sort of legendary status in the U.K.'s investing culture, posing as one of the safest growth stocks one can own, having achieved consistent market-beating returns. With prudent capital allocation, the company secures its future advancements while growing its dividends and maintaining a healthy payout ratio. The ratio has currently reached higher levels due to earnings temporary lagging but remains safe.

Further, while RELX's long-term debt position is near an all-time high at around $5.44 billion, operating cash flow covers interest payments by nearly ten times, highlighting the company's resilient streams of income. 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 must continually innovate and acquire 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. The company's resiliency was proven in H1-2020, with its non-exhibition segments still growing. However, as the company's profitability recovers and stock repurchases have ceased, we expect lower medium-term CAGR returns of around 7.5%. In the meantime, investors should be enjoying a modest but reliable dividend, currency yielding 2.9%. RELX is one of the U.K.'s most reputable companies to hold long-term and add to existing positions on the rare dips.

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.