RELX PLC (RELX)

Updated August 2nd, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	$29.50	**5 Year CAGR Estimate:**	7.4%	**Market Cap:**	$57.07B
Fair Value Price:	$28.60	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	08/05/2021
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date:**	09/13/2020
Dividend Yield:	2.2%	**5 Year Price Target**	$38	**Years Of Dividend Growth:**	10[1]
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	6.5%

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, and 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 $48 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. All numbers have been converted to $U.S. unless otherwise noted.

On July 29th, 2021, RELX PLC reported its half-year[2] results for the six months ended June 30th, 2021. For the six months, adjusted EPS was $0.56, 10% higher than H1-2020, while revenues declined by 3.1% to $4.71 billion. The company's first two business segments (Scientific, Technical & Medical, and Risk) reported sales growth of 5% and 10%, respectively. The Legal segment's revenues also grew, but by a humbler 2%. "Exhibitions" again declined, this time by a sizeable 36%, dragging RELX's results lower, though the decline has been expected due to COVID-19's impact on the event-planning industry. Still, with exhibitions comprising only a small part of its revenues (3.5%), resilient performance in its core segments and smart cost management, the company's profitability remained robust. Management continued expanding its portfolio during the year, completing 5 acquisitions of content, data analytics, and exhibition assets for a total consideration of £46M ($63.9M). For FY2021, management expects underlying growth rates in revenues and adjusted operating profits, as well as constant currency growth in EPS, to be slightly above historical averages. Taking everything into account, we hike our FY2021 EPS estimates from $1.08 to $1.19, assuming constant FX.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EADS[3]	$0.59	$0.88	$0.83	$0.69	$0.70	$0.69	$1.10	$0.92	$1.03	$1.01	***$1.19***	***$1.59***
DPS	$0.34	$0.37	$0.41	$0.41	$0.44	$0.44	$0.53	$0.54	$0.61	$0.65	***$0.65***	***$0.87***
Shares[4]	1,937	1,934	2,210	2,154	2,108	2,062	2,019	1,977	1,943	1,943	***1,943***	***1,943***

EPS CAGR over the past decade has been around 6.2%, while DPS CAGR over the same period has been about 7.5%. 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 interim dividend once again, this time by 5% to 14.3p, which assuming a similar increase to the final dividend, U.S. investors should expect an annual DPS of around $0.65. 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. Buybacks are to remain suspended as per the Board's recommendation.

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[1] Dividends have been growing annually since 2010 in RELX's original listing and original declarations in constant currency.

[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.

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Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Avg. P/E	13.6	13.5	15.2	20.4	21.16	23.1	29.3	19.5	23.2	22.5	***24.8***	***24.0***
Avg. Yld.	3.8%	3.9%	3.0%	2.6%	2.4%	2.4%	2.2%	2.3%	2.4%	2.8%	***2.2%***	***2.3%***

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 remain slightly expanded, to around 24. RELX is one of the U.K.'s most consistent stocks in terms of growth, with massive institutional investment. Therefore, investors are currently buying the stock at a 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, which continues to be the case to date. The stock's yield should remain near 2.2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

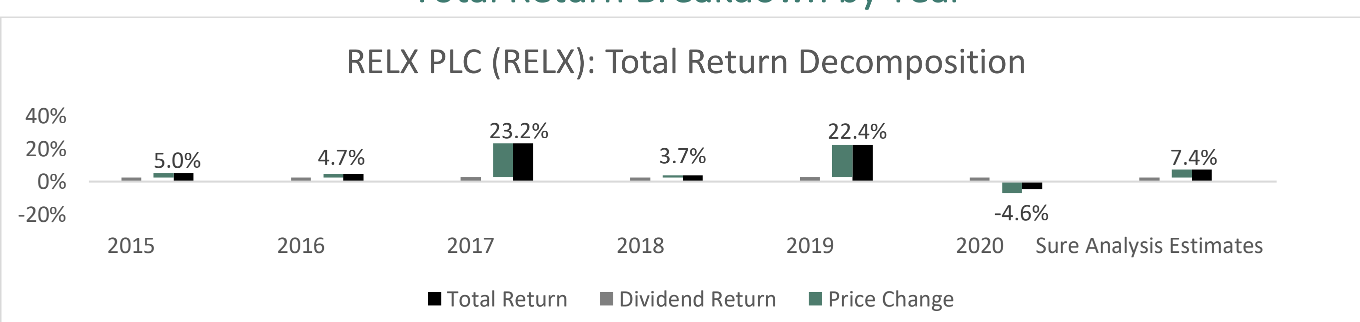
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	58%	42%	49%	59%	63%	64%	48%	59%	59%	64%	***55%***	***55%***

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 payout ratio currently stands at relatively comfortable level of 55%, allowing for excess cash to be allocated in future acquisitions. Further, while RELX's net borrowings position is at heavy $8.75 billion, operating cash flow covers interest payments by more than 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 2020, a year that revealed the vulnerability in many businesses, with its non-exhibition segments still growing. However, as the company's profitability recovers and stock repurchases have ceased, we expect medium-term CAGR returns of around 7.4%. In the meantime, investors should be enjoying a modest but reliable dividend, currently yielding 2.2%. 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 shares a Hold, being suitable for dividend growth portfolios with limited risk, though investors shouldn't expect extraordinary returns either. U.S.-based investors should be wary of FX related risks, as the company reports its earnings in GBP.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	9624	9691	9442	9516	9125	9342	9478	9996	10054	9125
Gross Profit	$6,215	$6,302	$6,128	$6,209	$5,871	$5,971	$6,085	$6,468	$6,536	$5,933
Gross Margin	64.6%	65%	64.9%	65.2%	64.3%	63.9%	64.2%	64.7%	65%	65.0%
SG&A Exp.	$4,386	$4,228	$4,021	$3,958	$3,682	$3,707	$3,673	$3,891	$3,906	$3995
D&A Exp.	$901	$879	$886	$856	$795	$812	$847	$869	$872	$1,082
Operating Profit	$1,830	$2,074	$2,107	$2,252	$2,190	$2,264	$2,412	$2,578	$2,630	$1,938
Operating Margin	19.0%	21.4%	22.3%	23.7%	24%	24.2%	254.%	25.8%	26.2%	21.2%
Net Profit	$268	$162	$127	$443	$455	$1573	2128	1897	1922	1571
Net Margin	2.8%	9691	9442	9516	9125	16.8%	22.5%	19.0%	19.1%	17.2%
Free Cash Flow	---	---	---	---	---	1828	2014	2165	2182	1584
Income Tax	---	---	---	---	---	412	84	390	432	353

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	17724	17799	17306	17256	16571	16367	17071	17763	18080	19280
Cash & Equivalents	$1,119	$1,036	$218	$430	$181	$199	$150	$145	$181	$120
Accounts Receivable	$2,000	$1,947	$2,048	$2,041	$2,089	$2,120	$2,166	$2,210	$2,321	$2,626
Inventories	$293	$257	$234	$221	$234	$257	$266	$269	$285	$327
Goodwill & Int. Ass.	12670	12637	12697	12677	12425	12280	12377	13238	13474	14510
Total Liabilities	14339	14059	13311	13930	13344	13471	13945	14770	15208	16410
Accounts Payable	---	$490	$544	$518	$361	$365	$324	$237	$227	$4443
Long-Term Debt	$6,585	$6,264	$5,382	$5,935	$5,759	$5,932	$6,571	$7,620	$7,961	$9,333
Shareholder's Equity	$3,347	$3,684	$3,941	$3,278	$3,176	$2,850	$3,097	$2,955	$2,840	$2,861
D/E Ratio	1.9678	1.7	1.3657	1.8105	1.813	2.0815	2.1213	2.5784	2.8033	3.27

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	6.7%	9.3%	9.9%	9.1%	9.1%	9.6%	12.7%	10.9%	10.7%	8.4%
Return on Equity	36.9%	47.1%	45.5%	43.6%	47.7%	52.2%	71.6%	62.7%	66.3%	55.1%
ROIC	12.0%	16.6%	17.9%	16.9%	16.9%	17.7%	23.0%	18.7%	17.9%	13.6%
Shares Out.	1952.5	1957.2	2239.1	2178.7	1125.9	2079.8	2035.2	1990.8	1956.2	1938
Revenue/Share	$4.93	$4.95	$4.22	$4.37	$8.10	$4.49	$4.66	$5.02	$5.14	$4.71
FCF/Share	$0.77	$0.87	$0.75	$0.84	$1.49	$0.88	$0.99	$1.09	$1.12	$0.82

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