RELX PLC (RELX)

Updated July 29th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	$29	**5 Year CAGR Estimate:**	8.0%	**Market Cap:**	$56.0 B
Fair Value Price:	$29	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	08/04/2022
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	0.1%	**Dividend Payment Date:**	09/08/2022
Dividend Yield:	2.1%	**5 Year Price Target**	$39	**Years Of Dividend Growth:**	10[1]
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Last Dividend Increase:**	10%

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 $58.6 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. dollars unless otherwise noted.

On July 28th, 2022, RELX PLC reported its half-year[2] results for the six months ending June 30th, 2022. For the year, adjusted EPS was $0.57, 14% higher than last year in constant currency, while revenues grew by 13% to $4.83 billion. The company's first two business segments (Scientific, Technical & Medical, and Risk) reported sales growth of 4% and 7%, respectively. The Legal segment's revenues also grew by 4%. The Exhibitions segment, which had been previously adversely impacted by COVID-19's impact on the event-planning industry, recovered strongly, growing revenues by 225%. Still, exhibitions accounted for less than 5% of RELX's operating profits.

Management continued expanding RELX's portfolio during H1-2022, completing six acquisitions of content, data analytics assets for a total consideration of £342 ($416M). For FY2022, management expects underlying growth rates in revenues and adjusted operating profits, as well as constant currency growth in EPS, to remain above historical averages. Taking everything into account, we expect FY2022 EPS of around $1.28, assuming constant currency rates. During the six months, the company repurchased £300M ($364M) worth of stock. Note that U.S.-based investors are currently experiencing notably lower financials due to a stronger dollar against the pound. GBP/USD is down 12.5% YoY.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EADS[3]	$0.88	$0.83	$0.69	$0.70	$0.69	$1.10	$0.92	$1.03	$1.01	$1.18	***$1.22***	***$1.63***
DPS	$0.37	$0.41	$0.41	$0.44	$0.44	$0.53	$0.54	$0.61	$0.65	$0.67	***$0.62***	***$0.83***
Shares[4]	1,934	2,210	2,154	2,108	2,062	2,019	1,977	1,943	1,926	1,926	***1,920***	***1,800***

EPS CAGR over the past decade stands at 3.3%, while DPS CAGR over the same period stands at 6.8%. 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 currency 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 10% to 15.7p. However, U.S. investors should expect a payout of $0.191, lower than last year's $0.197 due to the depreciation of GBP against the USD.

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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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We retain our CAGR expectations to around 6% for both EPS and DPS in the medium term as the company's operations remain robust. The company announced a further £150 million ($182 million) in buybacks to be completed by year end.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.5	15.2	20.4	21.16	23.1	29.3	19.5	23.2	22.5	25.4	***23.9***	***24.0***
Avg. Yld.	3.9%	3.0%	2.6%	2.4%	2.4%	2.2%	2.3%	2.4%	2.8%	2.2%	***2.1%***	***2.1%***

RELX's valuation has been consistent over the years, usually trading around 21 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, we believe 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 is just over 2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

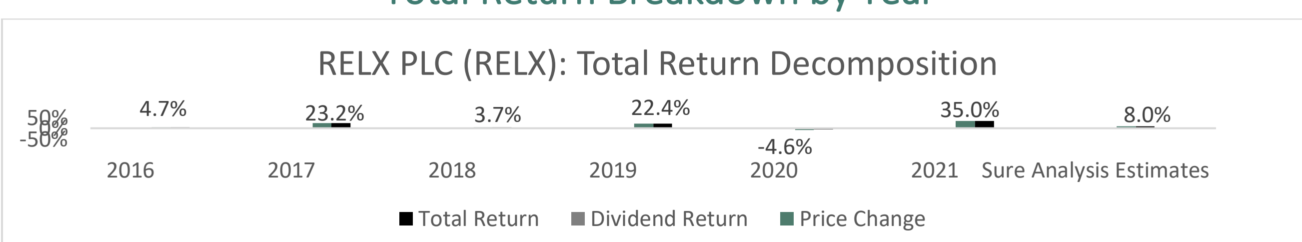
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	42%	49%	59%	63%	64%	48%	59%	59%	64%	57%	**51%**	***51%***

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 51%, allowing for excess cash to be allocated in future acquisitions. Further, while RELX's net borrowings position is at heavy $7.25 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 a consistent history of shareholder valuation creation. 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. We forecast annualized returns of around 8.0% in the medium-term. In the meantime, investors should receive a modest, but reliable dividend, currently yielding 2.1%. RELX is one of the U.K.'s most reputable companies to hold long-term and add to existing positions on rare dips. We rate shares a hold, and believe the stock is suitable for dividend growth portfolios with limited risk, though investors shouldn't expect extraordinary returns either. U.S.-based investors should also be wary of FX-related risks, as the company reports its earnings in GBP. We saw the possible effects of unfavorable FX movements in the latest report.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	9691	9442	9516	9125	9342	9478	9996	10054	9125	9966
Gross Profit	$6,302	$6,128	$6,209	$5,871	$5,971	$6,085	$6,468	$6,536	$5,933	6441
Gross Margin	65%	64.9%	65.2%	64.3%	63.9%	64.2%	64.7%	65%	65.0%	64.6%
SG&A Exp.	$4,228	$4,021	$3,958	$3,682	$3,707	$3,673	$3,891	$3,906	$3995	3889
D&A Exp.	$879	$886	$856	$795	$812	$847	$869	$872	$1,082	996
Operating Profit	$2,074	$2,107	$2,252	$2,190	$2,264	$2,412	$2,578	$2,630	$1,938	2552
Operating Margin	21.4%	22.3%	23.7%	24%	24.2%	254.%	25.8%	26.2%	21.2%	25.6%
Net Profit	$162	$127	$443	$455	$1573	2128	1897	1922	1571	2024
Net Margin	9691	9442	9516	9125	16.8%	22.5%	19.0%	19.1%	17.2%	20.3%
Free Cash Flow	---	---	---	---	1828	2014	2165	2182	1584	2310
Income Tax	---	---	---	---	412	84	390	432	353	448

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	17799	17306	17256	16571	16367	17071	17763	18080	19280	18700
Cash & Equivalents	$1,036	$218	$430	$181	$199	$150	$145	$181	$120	153
Accounts Receivable	$1,947	$2,048	$2,041	$2,089	$2,120	$2,166	$2,210	$2,321	$2,626	2203
Inventories	$257	$234	$221	$234	$257	$266	$269	$285	$327	341
Goodwill & Int. Ass.	12637	12697	12677	12425	12280	12377	13238	13474	14510	14400
Total Liabilities	14059	13311	13930	13344	13471	13945	14770	15208	16410	14350
Accounts Payable	$490	$544	$518	$361	$365	$324	$237	$227	$4443	147
Long-Term Debt	$6,264	$5,382	$5,935	$5,759	$5,932	$6,571	$7,620	$7,961	$9,333	8043
Shareholder's Equity	$3,684	$3,941	$3,278	$3,176	$2,850	$3,097	$2,955	$2,840	$2,861	4362
LTD/E Ratio	1.7	1.3657	1.8105	1.813	2.0815	2.1213	2.5784	2.8033	3.27	1.84

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	9.3%	9.9%	9.1%	9.1%	9.6%	12.7%	10.9%	10.7%	8.4%	10.7%
Return on Equity	47.1%	45.5%	43.6%	47.7%	52.2%	71.6%	62.7%	66.3%	55.1%	56.0%
ROIC	16.6%	17.9%	16.9%	16.9%	17.7%	23.0%	18.7%	17.9%	13.6%	16.5%
Shares Out.	1957.2	2239.1	2178.7	1125.9	2079.8	2035.2	1990.8	1956.2	1938	1939
Revenue/Share	$4.95	$4.22	$4.37	$8.10	$4.49	$4.66	$5.02	$5.14	$4.71	5.14
FCF/Share	$0.87	$0.75	$0.84	$1.49	$0.88	$0.99	$1.09	$1.12	$0.82	1.19

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