RELX PLC (RELX)

Updated July 30th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$47	**5 Year CAGR Estimate:**	4.1%	**Market Cap:**	$88 B
Fair Value Price:	$38	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	08/02/2024
% Fair Value:	125%	**5 Year Valuation Multiple Estimate:**	-4.3%	**Dividend Payment Date:**	09/10/2024
Dividend Yield:	1.6%	**5 Year Price Target**	$53	**Years Of Dividend Growth:**	14[1]
Dividend Risk Score:	B	**Retirement Suitability Score:**	D	**Rating:**	Sell

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 $79.7 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 25th, 2024, RELX PLC reported its half-year[2] results for the six months ending June 30th, 2023. For the period, adjusted earnings-per-share was $0.76, 10% higher than last year in USD terms. The rise in EPS was mainly driven by higher revenues, which grew by 7% to $5.81 billion. The company's first two business segments, Scientific, Technical & Medical, and Risk, reported sales growth of 4% and 8%, respectively. The Legal segment's revenues grew by 7%. The Exhibitions segment, which had been previously adversely impacted by COVID-19's impact on the event-planning industry, continued its recovery, growing revenues by 16%.

Management continued expanding RELX's portfolio in FY-2024, completing two acquisitions for a total consideration of £61 million ($77 million), and three small disposals. For FY-2024, management expects to see positive momentum across the group and strong underlying growth in revenues, operating profits and EPS. Based on our initial estimates, we expect FY2024 EPS of around $1.57. RELX also declared an interim dividend of 18.2 pence ($0.2345), up 7% compared to last year. We don't speculate on the FY2024 dividend amount.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EADS[3]	$0.69	$0.70	$0.69	$1.10	$0.92	$1.03	$0.87	$1.03	$1.03	$1.20	***$1.57***	***$2.20***
DPS	$0.41	$0.44	$0.44	$0.53	$0.54	$0.61	$0.65	$0.67	$0.66	$0.75	***$0.77***	***$1.08***
Shares[4]	2,154.4	2,108.6	2,062.3	2,019.4	1,977.2	1,943.5	1,926	1,928	1,919	1,892	***1,860***	***1,750***

EPS has grown at CAGR of 6.3% over the past decade, while DPS has grown at a CAGR of 6.9% over the same period. 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. In the original LSE listing, dividends have been growing annually since 2010 and have never been cut since 1999.

We have our CAGR expectations to around 7% for both EPS and DPS in the medium-term as demand for the company's solutions remains robust across all segments. Buybacks should also aid EPS growth. RELX deployed £500 million on share buybacks in 2022 and £800m in 2023. Management mentioned that due to RELX's strong financial performance, they intend to deploy £1 billion in buybacks in 2024, £750 million of which had already been repurchased as of July 25th.

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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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	20.4	21.16	23.1	29.3	19.5	23.2	22.5	25.4	27.9	25.7	***29.9***	***24.0***
Avg. Yld.	2.6%	2.4%	2.4%	2.2%	2.3%	2.4%	2.8%	2.2%	2.3%	2.4%	***1.6%***	***2.0%***

RELX's valuation has been consistent over the years, with its average P/E standing at 24 times. Despite management's positive future outlook, we believe that shares are currently somewhat overvalued at a P/E of nearly 30, and have set our fair P/E target in line with its historical average. Still, we note that RELX is one of the U.K.'s most consistent stocks in terms of growth with a big institutional presence. Investors have been willing to pay premium valuation over the past few years, even during the pandemic and during 2022-2023's shaky environment. As we've said in past reports, it could be that investors won't have an opportunity to purchase RELX shares at a discount, and this continues to hold true.

Safety, Quality, Competitive Advantage, & Recession Resiliency

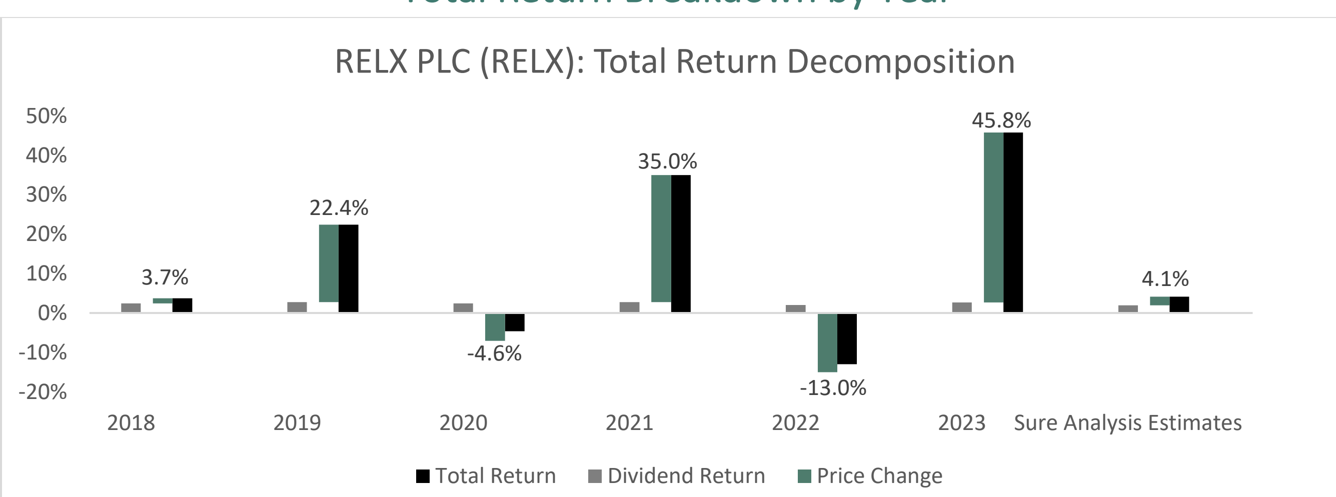
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	59%	63%	64%	48%	59%	59%	75%	65%	64%	63%	***49%***	***49%***

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 a relatively comfortable level of 48%, allowing for excess cash to be allocated in future acquisitions and share repurchases. Further, while RELX's net debt position is at a heavy $8.6 billion, operating cash flow covers interest payments by nearly 8.5 times. Hence, we believe the company should be able to absorb rising interest rates aright. We also 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 shareholder value creation. We believe that EPS and DPS will continue their upward trajectory. Its resiliency was proven in 2020, a year that revealed the vulnerability in many businesses, with all segments, excluding exhibitions, still growing. We forecast annualized returns of around 4.1% in the medium-term, as valuation headwinds could largely offset returns to be powered by our earnings growth of 7% and the 1.6% dividend yield. We rate shares a sell, as a result

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	9516	9125	9342	9478	9996	10054	9125	9966	10,590	11,400
Gross Profit	$6,209	$5,871	$5,971	$6,085	$6,468	$6,536	$5,933	6441	6,821	7,398
Gross Margin	65.2%	64.3%	63.9%	64.2%	64.7%	65%	65.0%	64.6%	64.4%	64.9%
SG&A Exp.	$3,958	$3,682	$3,707	$3,673	$3,891	$3,906	$3995	3889	3,968	4,117
D&A Exp.	$856	$795	$812	$847	$869	$872	$1,082	996	883	892
Operating Profit	$2,252	$2,190	$2,264	$2,412	$2,578	$2,630	$1,938	2552	2,853	3,280
Operating Margin	23.7%	24%	24.2%	254.%	25.8%	26.2%	21.2%	25.6%	26.9%	28.8%
Net Profit	$443	$455	$1573	2128	1897	1922	1571	2024	2,023	2,216
Net Margin	9516	9125	16.8%	22.5%	19.0%	19.1%	17.2%	20.3%	19.1%	19.4%
Free Cash Flow	---	---	1828	2014	2165	2182	1584	2310	2,433	2,464
Income Tax	---	---	412	84	390	432	353	448	596	631

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	17256	16571	16367	17071	17763	18080	19280	18700	19,160	19,000
Cash & Equivalents	$430	$181	$199	$150	$145	$181	$120	153	404	197
Accounts Receivable	$2,041	$2,089	$2,120	$2,166	$2,210	$2,321	$2,626	2203	2,911	2,580
Inventories	$221	$234	$257	$266	$269	$285	$327	341	374	405
Goodwill & Int. Ass.	12677	12425	12280	12377	13238	13474	14510	14400	14,420	14,350
Total Liabilities	13930	13344	13471	13945	14770	15208	16410	14350	14,610	14,620
Accounts Payable	$518	$361	$365	$324	$237	$227	$4443	147	4,861	218
Long-Term Debt	$5,935	$5,759	$5,932	$6,571	$7,620	$7,961	$9,333	8043	7,924	8,097
Shareholder's Equity	$3,278	$3,176	$2,850	$3,097	$2,955	$2,840	$2,861	4362	4,570	4,408
LTD/E Ratio	1.8105	1.813	2.0815	2.1213	2.5784	2.8033	3.27	1.84	1.73	1,837

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.1%	9.1%	9.6%	12.7%	10.9%	10.7%	8.4%	10.7%	10.7%	11.6%
Return on Equity	43.6%	47.7%	52.2%	71.6%	62.7%	66.3%	55.1%	56.0%	45.3%	49.7%
ROIC	16.9%	16.9%	17.7%	23.0%	18.7%	17.9%	13.6%	16.5%	16.3%	17.8%
Shares Out.	2178.7	1125.9	2079.8	2035.2	1990.8	1956.2	1938	1939	1938	1,903
Revenue/Share	$4.37	$8.10	$4.49	$4.66	$5.02	$5.14	$4.71	5.14	5.47	5.99
FCF/Share	$0.84	$1.49	$0.88	$0.99	$1.09	$1.12	$0.82	1.19	7.92	1.30

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