

# Corporate Credit > U.S. Investment Grade



## Thomson Reuters Corp. (TRI)

Updated: Nov. 1, 2015

### Trade Idea:

- ▶ Buy long dated Thomson Reuters bonds.

### Investment Rationale:

- ▶ Following underperformance versus the IG Index in 2013 & early 2014, and pressure on TMT spreads over the past month, we still believe that TRI spreads look compelling. TRI long bonds used to trade flat to through the Index and are now 75-80 bp behind on an OAS basis. TRI has outperformed media peers YTD. While a concession to IG is warranted (primarily event risk – the treasury rally has pushed some bonds well above the \$101 Change of Control price), investors appear to be compensated for some of the risks. Stability is aided by the Thomson family ownership.
- ▶ TRI is a relatively stable credit that offers leading data solutions and information services. Barriers to entry are high. Annual revenues are \$13 billion and TRI's market cap. is \$30 billion. Revenues growth is muted and concentrated in the Financial Services/Legal Sectors (both of which are struggling to find growth which directly impacts TRI's growth trajectory), TRI does benefit from a significant portion of recurring subscription revenues. These revenues account for more than 80% of the total and lend to FCF stability.
- ▶ In 2013, TRI raised its leverage target to 2.5x from 2.0x as many companies have given low interest rates and an improved economic outlook. That combined with operating headwinds drove modest downgrades. With the event seemingly behind us, we believe that there is a carry and spread concession opportunity into 2016.

### Recommendation(s):

View	Trade Horizon	Ticker	CPN	Maturity	Ratings		CCY	Issue Size	Yield	Spread			Cash Price	ISIN
					S&P	Moody's				Entry	Target	Loss		
Outperform	12 mo	TRICN	5.65	11/23/2043	BBB+	Baa2	USD	350	5.13	227	195	250	107.6	US884903BP96