

Thomson Reuters Reports Full-Year and Fourth-Quarter 2012 Results

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 [Thomson Reuters Reports Full-Year and Fourth-Quarter 2012 Results](#)

 [Q4 2012 Earnings Presentation](#)

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 [Conference Call Webcast](#)

- Revenues grew 3% for full year and 2% for fourth quarter, before currency
- Adjusted EBITDA margin up 100 basis points for full year and up 240 basis points for fourth quarter
- Underlying operating profit margin down 130 basis points for full year and up slightly for fourth quarter
- Full-year adjusted EPS was \$2.12, up 8% and fourth-quarter adjusted EPS was \$0.60, up 11%
- Board approved \$0.02 annual dividend increase to \$1.30 per share
- 2013 Outlook provided

NEW YORK – Thomson Reuters (TSX / NYSE: TRI), the world's leading source of intelligent information for businesses and professionals, today reported results for the full year and fourth quarter ended December 31, 2012. The company reported full-year revenues from ongoing businesses of \$12.9 billion, a 3% increase before currency. Adjusted EBITDA increased 5% from the prior year and the corresponding margin was 27.4% versus 26.4% in 2011. Underlying operating profit decreased 5% and the corresponding margin was 18.6% versus 19.9% in the prior year.

For the fourth quarter, the company reported revenues from ongoing businesses of \$3.4 billion, a 2% increase before currency. Adjusted EBITDA margin of 28.2% and underlying operating profit margin of 19.6% were both up versus the fourth quarter of 2011.

Full-year adjusted earnings per share (EPS) were \$2.12, up \$0.16 from the prior year while fourth-quarter adjusted EPS was \$0.60, up \$0.06 from the prior-year period.

"2012 was a watershed year for us," said James C. Smith, chief executive officer of Thomson Reuters.

"First and foremost, we achieved our targets for the full year for revenues, profit and free cash flow. Given the headwinds we faced in 2012, that performance reaffirmed just how strong this business really is."

"2012 will best be known as the year we turned the tide in our Financial & Risk business. I said last year that our journey would entail a multi-quarter turnaround; we are halfway through that process. We laid the groundwork for future success with solid improvements in product quality, customer service and execution capabilities."

"We enter 2013 with more confidence and a much stronger foundation."

Consolidated Financial Highlights – Full-Year Results

	Twelve Months Ended December 31,			
	(Millions of U.S. dollars, except EPS and margins)			
IFRS Financial Measures	2012	2011	Change	
Revenues	\$13,278	\$13,807	-4%	
Operating profit (loss) ¹	\$2,651	(\$705)	nm ²	
Diluted earnings (loss) per share (EPS) ¹	\$2.49	(\$1.67)	nm ²	
Cash flow from operations	\$2,704	\$2,597	4%	
				Change Before Currency
Non-IFRS Financial Measures³	2012	2011	Change	
Revenues from ongoing businesses	\$12,899	\$12,743	1%	3%
Adjusted EBITDA	\$3,529	\$3,368	5%	6%
Adjusted EBITDA margin	27.4%	26.4%	100bp	90bp
Underlying operating profit	\$2,405	\$2,541	-5%	-4%
Underlying operating profit margin	18.6%	19.9%	-130bp	-130bp
Adjusted earnings per share (EPS)	\$2.12	\$1.96	8%	
Free cash flow	\$1,737	\$1,602	8%	
Free cash flow from ongoing businesses	\$1,667	\$1,387	20%	

Twelve Months Ended December 31,
(Millions of U.S. dollars, except EPS and margins)

¹ In 2011, operating loss and diluted loss per share included a \$3.0 billion non-cash goodwill impairment charge. This charge is excluded from adjusted earnings, adjusted EBITDA and underlying operating profit.

² nm - not meaningful

³ These and other non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measures in the tables appended to this news release. Additional information is provided in the explanatory footnotes to the appended tables.

- Revenues from ongoing businesses were \$12.9 billion, a 3% increase before currency.
- Adjusted EBITDA increased 5% and the corresponding margin increased to 27.4% versus 26.4% in the prior year driven by higher revenues, the elimination of integration expenses in 2012 and the continued focus on cost containment, partially offset by investments in customer service and customer administration.
- Underlying operating profit decreased 5% and the corresponding margin was 18.6% versus 19.9% in the prior year due to higher depreciation and amortization expense related to recent acquisitions and new product launches.
- Adjusted EPS was \$2.12 compared to \$1.96 in the prior year. The increase was primarily attributable to the elimination of integration expenses and a lower tax rate, partially offset by lower underlying operating profit. Foreign exchange had a \$0.04 negative impact on adjusted EPS.
- Free cash flow was \$1.7 billion, up 8% compared to the prior year. Free cash flow from ongoing businesses was \$1.7 billion, up 20% from 2011.

Unless otherwise noted, all revenue growth comparisons in this news release are before the impact of foreign currency as Thomson Reuters believes this provides the best basis to measure the performance of its business.

Full-Year Business Segment Highlights

Financial & Risk

- Revenues were up 1% (-1% organic) from the prior year as growth in Trading's Commodities & Energy and Elektron Managed Services businesses, Investors Enterprise Content business and Marketplaces Tradeweb and FXall businesses was offset by weakness in other segments, primarily Trading's Equities business and Investors Investment Management business. Governance, Risk & Compliance grew 43% (17% organic).
- EBITDA of \$1.8 billion declined 7% and the related margin declined 140 basis points versus the prior year driven by a 1% decline in organic revenue and continued investments into the business.
- Operating income of \$1.2 billion declined 13% and the related margin declined 220 basis points versus the prior year due to a decline in organic revenue and a \$50 million increase in depreciation and amortization primarily from new product launches and investments made in prior periods.

Trading

- Revenues decreased 3% with growth in Commodities & Energy, Data Feeds and Elektron Managed Services offset by legacy desktop cancellations primarily in Equities and Fixed Income.
- Recoveries revenues were flat.

Investors

- Revenues declined 1%. A 10% increase in Enterprise Content and a 1% increase in Wealth Management were offset by a 7% decline in Investment Management (due to the impact of negative net sales) and a 2% decline in Corporates.

Marketplaces

- Revenues increased 8% (1% organic) driven by the acquisition of FXall and a 19% increase (5% organic) in Tradeweb (due to the acquisition of Rafferty in 2011).

Governance, Risk & Compliance

- Revenues grew 43% (17% organic) to \$219 million driven by new sales and continued strong demand for risk and compliance solutions.

Legal

- Revenues increased 3% (1% organic). US Law Firm Solutions grew 1% driven by a 12% increase in Business of Law (FindLaw and Elite), offset by a 2% decline in research-related revenues. Corporate, Government & Academic and Risk & Compliance revenues increased 3%. Global businesses grew 8% with solid growth in Latin America.

- US print revenues declined 5% as firms continued to control discretionary spending. Excluding US print, revenues grew 5% (3% organic).
- EBITDA increased 3% and the corresponding margin was 37.8% compared to 37.6% in the prior year.
- Operating profit increased 2% and the corresponding margin was 29.3% compared to 29.2% in the prior year.

Tax & Accounting

- Revenues increased 16% (5% organic) driven by acquisitions and strong growth from the ONESOURCE suite and software sales to accounting firms. Government (5% of total revenues) declined 29% and was the only business within Tax & Accounting that saw organic revenues decline as the number of new government contracts slowed.
- EBITDA increased 13% and the related margin decreased 40 basis points to 31.2%. Excluding Government, EBITDA rose 20% and the related margin increased more than 100 basis points.
- Operating profit increased 10% and the related margin decreased 100 basis points to 21.6% due to software amortization from acquisitions. Excluding Government, operating profit rose 22% and the related margin increased more than 100 basis points.

Intellectual Property & Science

- Revenues were up 6% (3% organic), driven by strong subscription growth (up 9%), somewhat offset by a decline in transactional revenues (down 4%). IP Solutions grew 3%, Life Sciences increased 5% and Scientific & Scholarly Research increased 2%.
- EBITDA increased 2% with the corresponding margin declining 80 basis points to 33.9% primarily due to the dilutive impact of the MarkMonitor acquisition and the decline in high-margin transaction revenues.
- Operating profit decreased 1% with the corresponding margin declining 150 basis points to 26.3%. The decline in the margin reflected the same items that impacted the EBITDA margin as well as an increase in depreciation and amortization due to products released in the second half of 2011.

Consolidated Financial Highlights – Fourth-Quarter Results

IFRS Financial Measures	Three Months Ended December 31,			Change Before Currency
	2012	2011	Change	
(Millions of U.S. dollars, except EPS and margins)				
Revenues	\$3,399	\$3,577	-5%	
Operating profit (loss) ¹	\$557	(\$2,593)	nm ²	
Diluted earnings (loss) per share (EPS) ¹	\$0.45	(\$3.11)	nm ²	
Cash flow from operations	\$954	\$942	1%	
Non-IFRS Financial Measures³	2012	2011	Change	
Revenues from ongoing businesses	\$3,358	\$3,308	2%	2%
Adjusted EBITDA	\$948	\$852	11%	13%
Adjusted EBITDA margin	28.2%	25.8%	240bp	260bp
Underlying operating profit	\$658	\$646	2%	3%
Underlying operating profit margin	19.6%	19.5%	10bp	20bp
Adjusted earnings per share (EPS)	\$0.60	\$0.54	11%	
Free cash flow	\$707	\$669	6%	
Free cash flow from ongoing businesses	\$698	\$602	16%	

¹ In 2011, operating loss and diluted loss per share included a \$3.0 billion non-cash goodwill impairment charge. This charge is excluded from adjusted earnings, adjusted EBITDA and underlying operating profit.

² nm - not meaningful

³ These and other non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measures in the tables appended to this news release. Additional information is provided in the explanatory footnotes to the appended tables.

- Revenues from ongoing businesses were \$3.4 billion, a 2% increase before currency.
- Adjusted EBITDA increased 11% and the corresponding margin was 28.2% versus 25.8% in the prior-year period. The margin improvement was driven by the elimination of integration expenses, lower reorganization costs and continued cost containment, partially offset by flat organic revenue growth.
- Underlying operating profit increased 2% and the corresponding margin was 19.6% versus 19.5% in the prior-year period driven by continued cost containment and lower reorganization costs, offset in part by flat organic revenue growth and higher depreciation and amortization expense (40 basis point impact) from investments made in prior periods.
- Adjusted EPS was \$0.60, an increase of \$0.06 from the prior-year period. Higher underlying operating profit and the

elimination of integration expenses were partially offset by a higher tax rate. Foreign exchange had a \$0.01 negative impact on adjusted EPS.

Fourth-Quarter Business Segment Highlights

Financial & Risk

- Revenues were up 1% versus the prior-year period as the benefit from acquisitions was offset by a 1% decline in organic growth. Growth in Marketplaces and Governance, Risk & Compliance was offset by a decline in the Trading business. Investors revenues were unchanged from the prior-year period.
- Recurring subscription-related revenues decreased 1%. Transactions-related revenues increased 12% (-1% organic) due to acquisitions. Recoveries revenues were flat and Outright revenues increased 9%.
- By geography, revenues in Europe, Middle East and Africa (EMEA) were down 3%, revenues in the Americas were up 6%, while revenues in Asia declined 3% primarily related to Japan.
- EBITDA was \$483 million, up 5%, with a related margin of 26.7%. EBITDA margin increased 150 basis points from the prior-year period due to effective cost control and the \$44 million of reorganization charges incurred in the prior-year period that did not repeat.
- Operating profit was \$324 million, up 4%, with a related margin of 17.9%. Operating profit margin increased 70 basis points related to the same items that impacted the EBITDA margin, offset by higher depreciation and amortization primarily from new product launches and investments made in prior periods.
- Eikon desktops totaled 33,900 at the end of the fourth quarter, up approximately 33% from the end of the third quarter of 2012.

Trading

- Revenues decreased 3% with growth in Commodities & Energy, Data Feeds and Elektron Managed Services offset by legacy desktop cancellations primarily in Equities and Fixed Income.
- Recoveries revenues were down 3%.

Investors

- Revenues were flat versus the prior-year period. Enterprise Content grew 9% and Wealth Management grew 5%. This was offset by a 7% decline in Investment Management (due to the impact of negative net sales) and a 3% decline in Corporates. Investment Banking was flat versus the prior-year period.

Marketplaces

- Revenues increased 11% (flat organic) driven by the acquisitions of FXall and Rafferty in Tradeweb.

Governance, Risk & Compliance

- Revenues grew 22% (18% organic) to \$61 million.

Legal

- Revenues increased 2% (1% organic). US Law Firm Solutions declined 1% with Business of Law revenues (FindLaw and Elite) growing 6% and research-related revenues declining 3%. Corporate, Government & Academic revenues rose 2%. Global businesses grew 10% with continued strong performance by Latin American operations.
- EBITDA was up 5% from the prior-year period and the associated margin increased 100 basis points to 38.0%.
- Operating profit was up 5% and the related margin was 29.8% compared to 28.9% in the prior-year period.
- 76% of Westlaw revenue was converted to WestlawNext as of the end of the fourth quarter.

Tax & Accounting

- Revenues increased 4% (1% organic). Excluding Government, organic revenues rose 6%.
- EBITDA declined 4% and the corresponding margin decreased 260 basis points to 37.3%. Excluding Government, EBITDA rose 9% and the related margin was flat.
- 35% of full-year 2012 EBITDA was generated in the fourth quarter.
- Operating profit decreased 6% and the related margin decreased 300 basis points to 29.3%. Excluding Government, operating profit rose 10% and the related margin rose 30 basis points.
- 39% of full-year 2012 operating profit was generated in the fourth quarter.
- Small movements in the timing of revenues and expenses can impact margins in any given quarter for the Tax & Accounting business. Full-year margins are more reflective of the segment's underlying performance.

Intellectual Property & Science

- Revenues were up 12% (3% organic). Life Sciences increased 6% and Scientific & Scholarly Research revenues increased 7%. IP Solutions revenues were up 20% related to the MarkMonitor acquisition in the third quarter of 2012.
- EBITDA increased 5% with the corresponding margin declining 200 basis points to 33.6% primarily due to the dilutive impact of the MarkMonitor acquisition.
- Operating profit increased 3% with the corresponding margin declining 200 basis points to 26.4%. The decline in the margin reflected the same items that impacted the EBITDA margin.
- Small movements in the timing of revenues and expenses can impact margins in any given quarter for the Intellectual Property & Science business. Full-year margins are more reflective of the segment's underlying performance.

Corporate & Other (Including Media)

Media revenues for the full year 2012 were \$331 million, up 1% from the prior year. Corporate & Other costs for the full year 2012 were \$270 million, unchanged from the prior year.

Fourth-quarter Media revenues were \$87 million, up 1% from the prior-year period. Fourth-quarter Corporate & Other costs were \$92 million compared to \$84 million in the prior-year period.

Business Outlook (Before Currency)

Thomson Reuters today issued its business outlook for 2013. The company expects:

- revenues to grow low single-digits;
- adjusted EBITDA margin to range between 26% and 27%;
- underlying operating profit margin to range between 16.5% and 17.5%; and
- free cash flow to range between \$1.7 billion and \$1.8 billion in 2013.

Our 2013 business outlook is based on expectations including adjustments for two new accounting pronouncements as well as the reclassification of certain businesses into disposals. To facilitate comparison with our 2013 outlook, Appendix A revises our 2012 actual results to a comparable basis.

The information in this section is forward-looking and should be read in conjunction with the section below entitled "Special Note Regarding Forward-Looking Statements, Material Assumptions and Material Risks."

Dividend and Share Repurchases

The board of directors approved a \$0.02 per share increase in the annual dividend to \$1.30 per share. A quarterly dividend of \$0.325 per share is payable on March 15, 2013 to common shareholders of record as of February 25, 2013. This dividend increase marks the 20th consecutive annual dividend increase by the company.

In 2012, the company repurchased 5.9 million shares for an aggregate purchase price of \$168 million pursuant to its Normal Course Issuer Bid (NCIB). The company repurchased 4.3 million shares under the current NCIB program which was renewed in May 2012 and authorizes the company to purchase up to 15 million shares.

Thomson Reuters

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NON-IFRS FINANCIAL MEASURES

Thomson Reuters prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

This news release includes certain non-IFRS financial measures. Thomson Reuters uses these non-IFRS financial measures as supplemental indicators of its operating performance and financial position. These measures do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies, and should not be viewed as alternatives to measures of financial performance calculated in accordance with IFRS. Non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measures in the appended tables.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS, MATERIAL ASSUMPTIONS AND MATERIAL RISKS

Certain statements in this news release, including, but not limited to, statements in the "Business Outlook (Before Currency)" section and Mr. Smith's comments, are forward-looking. These forward-looking statements are based on certain assumptions and reflect our company's current expectations. As a result, forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. There is no assurance that the events described in any forward-looking statement will materialize. A business outlook is provided for the purpose of presenting information about current expectations for 2013. This information may not be appropriate for other purposes. You are cautioned not to place undue reliance on forward-looking statements which reflect expectations only as of the date of this news release. Except as may be required by applicable law, Thomson Reuters disclaims any obligation to update or revise any forward-looking statements.

The company's 2013 business outlook is based on various external and internal assumptions. Economic and market assumptions include, but are not limited to, positive GDP growth in the countries where Thomson Reuters operates led by rapidly developing economies and a continued increase in the number of professionals around the world and their demand for high quality information and services. Internal financial and operational assumptions include, but are not limited to, continuing operational improvement in the Financial & Risk business and the successful execution of the company's ongoing product release programs, globalization strategy, other growth initiatives and efficiency initiatives.

Some of the material risk factors that could cause actual results or events to differ materially from those expressed in or implied by forward-looking statements in this news release include, but are not limited to, changes in the general economy; actions of competitors; failure to develop new products, services, applications and functionalities to meet customers' needs, attract new customers or expand into new geographic markets; increased accessibility to free or relatively inexpensive information sources; failures or disruptions of network systems or the Internet; failure to maintain a high renewal rate for subscription-based services; dependency on third parties for data, information and other services; changes to law and regulations, including the impact of the Dodd-Frank legislation and similar financial services laws around the world; failure to adapt to recent organizational changes; failure to recruit, motivate and retain high quality management and key employees; failure to meet the challenges involved in operating globally; failure to protect the brands and reputation of Thomson Reuters; additional impairment of goodwill and identifiable intangible assets; inadequate protection of intellectual property rights; threat of legal actions and claims; risk of antitrust/competition-related claims or investigations; downgrading of credit ratings and adverse conditions in the credit markets; fluctuations in foreign currency exchange and interest rates; the effect of factors outside of the control of Thomson Reuters on funding obligations in respect of pension and post-retirement benefit arrangements; actions or potential actions that could be taken by the company's principal shareholder, The Woodbridge Company Limited; and failure to derive fully the anticipated benefits from existing or future acquisitions, joint ventures, investments or dispositions. These and other factors are discussed in materials that Thomson Reuters from time to time files with, or furnishes to, the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission. Thomson Reuters annual and quarterly reports are also available in the "Investor Relations" section of www.thomsonreuters.com.

Thomson Reuters will webcast a discussion of its full-year and fourth-quarter 2012 results today beginning at 8:30 a.m. Eastern Standard Time (EST). You can access the webcast by visiting the "Investor Relations" section of www.thomsonreuters.com. An archive of the webcast will be available following the presentation.

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