

Thomson Reuters Reports First-Quarter 2013 Results

April 30, 2013

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First-quarter performance consistent with full-year expectations

- Revenues grew 2% before currency
- Adjusted EBITDA declined 2% to \$757 million with a margin of 24.4%
- Underlying operating profit declined 7% to \$462 million with a margin of 14.9%
- Severance expense of \$78 million incurred (an \$0.08 impact to adjusted EPS)
- Adjusted earnings per share were \$0.38
- 2013 Outlook affirmed

NEW YORK – Thomson Reuters (TSX / NYSE: TRI), the world's leading source of intelligent information for businesses and professionals, today reported results for the first quarter ended March 31, 2013. The company reported revenues from ongoing businesses of \$3.1 billion, a 2% increase before currency. Adjusted EBITDA declined 2% and the corresponding margin was 24.4% versus 25.1% in the prior-year period. Underlying operating profit decreased 7% and the corresponding margin was 14.9% versus 16.2% in the prior-year period.

First-quarter adjusted earnings per share (EPS) were \$0.38, down \$0.01 from the prior-year period.

"The first-quarter performance was consistent with our full-year expectations and I am pleased with the positive trajectory of the business as we begin the year," said James C. Smith, chief executive officer of Thomson Reuters.

"We are executing more effectively, launching better products, simplifying our systems and processes and managing with more rigor and discipline, which is why our confidence continues to build and we can affirm our full-year 2013 Outlook."

Consolidated Financial Highlights

IFRS Financial Measures	Three Months Ended March 31,		
	(Millions of U.S. dollars, except EPS and margins)		
	2013	2012	Change
Revenues	\$3,175	\$3,315	-4%
Operating profit	\$390	\$364	7%
Diluted (loss) earnings per share (EPS)	(\$0.04)	\$0.35	nm ¹
Cash flow from operations	\$116	\$267	-57%

¹ nm - not meaningful

As Thomson Reuters simplifies and consolidates technology and content assets in order to achieve greater efficiencies, the company took a \$235 million tax charge in the first quarter of 2013 which was the primary driver resulting in an IFRS loss of \$0.04 per share in the quarter compared to \$0.35 of EPS in the prior-year period.

For IFRS purposes, the entire charge was recorded in the first quarter. The charge will be amortized within the non-IFRS measure 'adjusted earnings' on a straight-line basis over the seven-year period that the company expects to pay the tax.

Non-IFRS Financial Measures ²	Three Months Ended March 31,			
	(Millions of U.S. dollars, except EPS and margins)			
	2013	2012	Change	Change Before Currency
Revenues from ongoing businesses	\$3,097	\$3,072	1%	2%
Adjusted EBITDA	\$757	\$772	-2%	1%
Adjusted EBITDA margin	24.4%	25.1%	-70bp	-20bp
Underlying operating profit	\$462	\$497	-7%	-3%
Underlying operating profit margin	14.9%	16.2%	-130bp	-70bp
Adjusted earnings per share (EPS)	\$0.38	\$0.39	-3%	

Three Months Ended March 31,

(Millions of U.S. dollars, except EPS and margins)

Free cash flow	(\$231)	(\$4)	nm ¹
Free cash flow from ongoing businesses	(\$224)	(\$58)	nm ¹

² 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 \$3.1 billion, a 2% increase before currency.
- Adjusted EBITDA declined 2%, and the corresponding margin was 24.4% versus 25.1% in the prior-year period. The decline was entirely due to severance expense.
- Underlying operating profit decreased 7% and the corresponding margin was 14.9% versus 16.2% in the prior-year period primarily due to severance expense and an increase of \$20 million in depreciation and amortization expense, which had a 60 basis point impact on the margin.
- Adjusted EPS was \$0.38 compared to \$0.39 in the prior-year period. The impact of higher severance expense was partially offset by lower interest expense and a lower tax rate.
- Severance expense of \$78 million was incurred in the quarter (\$65 million of which was in Financial & Risk) compared to \$28 million (\$22 million in Corporate and \$6 million in Financial & Risk) incurred in the first quarter of 2012.
- Excluding severance expense from both periods:
 - Adjusted EBITDA was up 4% and the related margin was up 100 basis points to 27.0% (140 basis points before currency).
 - Underlying operating profit was up 3% and the related margin was up 30 basis points (90 basis points before currency).
 - Adjusted EPS was \$0.46.
- Free cash flow was negative \$231 million versus negative \$4 million in the prior-year period. The decline was primarily due to timing of higher capital expenditures, loss of free cash flow from disposals and working capital requirements. For the full year, the company continues to expect to achieve free cash flow of between \$1.7 billion and \$1.8 billion.

First-Quarter Business Segment Highlights

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.

Financial & Risk

- Revenues were down 1% as the benefit from acquisitions was more than offset by a 3% decline in organic growth due to the impact of negative net sales in 2012. Growth in Governance, Risk & Compliance and the transactions platforms of Marketplaces was offset by a decline in Trading desktop revenues. Investors revenues were essentially unchanged from the prior-year period.
- Recurring subscription-related revenues decreased 3% as a result of negative net sales in 2012. Transactions-related revenues increased 17% (2% organic) primarily due to the acquisition of FXall. Recoveries revenues were down 4% and Outright revenues increased 4%.
- By geography, revenues in Europe, Middle East and Africa (EMEA) were down 3%, revenues in the Americas were up 2% (down 3% organic), while revenues in Asia declined 2%.
- EBITDA was \$360 million, down 15%, with a related margin of 21.5%. The EBITDA margin decreased 320 basis points from the prior-year period primarily due to the impact of severance expense of \$65 million (compared to \$6 million in first quarter of 2012). Excluding severance expense from both periods, the margin rose 40 basis points from the prior-year period.
- Operating profit was \$200 million, down 26%, with a related margin of 11.9%. Operating profit margin decreased 390 basis points due to severance expense and higher depreciation and amortization expense (\$7 million). Excluding severance expenses from both periods, the margin declined 30 basis points from the prior-year period. Currency had a negative impact of approximately 100 basis points on operating profit margin for the quarter (-110 basis points excluding severance expense).
- Eikon desktops totaled nearly 47,000 at the end of the first quarter, up 38% from December 31, 2012.

Trading

- Revenues decreased 6% with growth in Feeds & Analytics and Elektron Managed Services offset by legacy desktop cancellations primarily in Equities and Fixed Income.
- Recoveries revenues were down 6%.

Investors

- Revenues were essentially unchanged versus the prior-year period. Enterprise Content increased 6%, while Asset

Management (Investment Management, Lipper and Datafeeds) declined 1%, including a 3% decline in Investment Management (versus a 10% decline in the first quarter of 2012). Banking & Research declined 3% and Wealth Management was flat.

Marketplaces

- Revenues increased 4% driven by the acquisition of FXall. Tradeweb was up 1%, impacted by a difficult prior-year period comparable when revenues grew 32% (11% organic).

Governance, Risk & Compliance

- Revenues grew 8% to \$55 million driven by new sales and continued strong demand across all risk and compliance segments.

Legal

- Revenues increased 4% (flat organic). US Law Firm Solutions declined 1% as a 6% increase in Business of Law (FindLaw and Elite) was offset by a 3% decline in research-related revenues. Corporate, Government & Academic revenues increased 4%. Global businesses grew 17% (1% organic).
- US print revenues declined 2% as firms continued to control discretionary spending. Excluding US print, revenues grew 5% (1% organic).
- EBITDA increased 2% and the corresponding margin was 34.8% compared to 35.0% in the prior-year period.
- Operating profit was flat and the corresponding margin was 25.3% compared to 26.1% in the prior-year period. Depreciation and amortization expense increased \$6 million related to recent acquisitions.
- 78% of Westlaw revenue has been converted to WestlawNext as of the end of the first quarter.

Tax & Accounting

- Revenues increased 7% (5% organic) driven by 11% growth in subscription revenues and greater than 4% organic growth across all business segments except Government.
- EBITDA increased 8% and the related margin increased 50 basis points to 30.9%, driven by flow-through of higher revenues.
- Operating profit increased 10% and the related margin increased 70 basis points to 21.8%.
- 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 13% (4% organic), driven by 18% subscription growth (5% organic). IP Solutions grew 22% (3% organic) driven by MarkMonitor, Life Sciences increased 2% and Scientific & Scholarly Research increased 5%. Transaction revenues (25% of total) were flat for the quarter.
- EBITDA decreased 3% with the corresponding margin declining 440 basis points to 30.0% with half of the decline related to the dilutive impact of the MarkMonitor acquisition and approximately 100 basis points of the decline due to \$3 million of severance expense.
- Operating profit decreased 7% with the corresponding margin declining 440 basis points to 21.9%. The decline in the margin reflected the same items that impacted the EBITDA margin.
- The MarkMonitor acquisition is expected to be about 100 basis points dilutive to Intellectual Property & Science's operating margin in 2013.
- 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 Reuters News)

Reuters News revenues for the first quarter were \$81 million, up 1% from the prior-year period. Corporate & Other costs for the quarter were \$59 million, down \$33 million compared to the prior-year period, driven mainly by lower severance expense (\$22 million in the first quarter of 2012). For the full year 2013, the company expects Corporate & Other costs to be roughly in line with the previous year.

Business Outlook (Before Currency)

Thomson Reuters today reaffirmed 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.

The company's 2013 Outlook includes the impact of an expected \$100 million of severance expense in 2013, \$78 million of which was incurred in the first quarter. The 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 the company's 2013 Outlook, revised 2012 actual results prepared on a comparable basis to that used in 2013 are available in the "[Investor Relations](#)" section of www.thomsonreuters.com.

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

As previously announced, Thomson Reuters increased its 2013 annual dividend by \$0.02 per share to \$1.30 per share. A quarterly dividend of \$0.325 per share is payable on June 17, 2013 to common shareholders of record as of May 23, 2013.

The company did not repurchase any shares in the first quarter of 2013. As of April 29, 2013, the company has repurchased 4.3 million shares pursuant to its Normal Course Issuer Bid (NCIB). The current NCIB program 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 and identify areas of higher growth; 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 derive fully the anticipated benefits from existing or future acquisitions, joint ventures, investments or dispositions; 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; and actions or potential actions that could be taken by the company's principal shareholder, The Woodbridge Company Limited. 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 first-quarter 2013 results today beginning at 8:30 a.m. Eastern Daylight Time (EDT). 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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