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PRESENTATION

Frank Golden  Thomson Reuters Corporation - SVP IR

Good morning and thank you for joining us as we report our financial results for the third quarter. Our CEO Jim Smith will start today's discussion followed by Stephane Bello, our CFO. Following their presentations we'll open the call for questions. We'd appreciate it if you would limit yourselves to one question each in order to enable us to get to as many questions as possible.

Throughout today's presentation keep in mind that when we compare performance period on period we look at revenue growth rates before currency as we believe this provides the best basis to measure the underlying performance of the business and is also consistent with the way we've provided our full-year 2015 outlook.

Today's presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we provide to regulatory agencies. You can access these documents on our website or by contacting our investor relations department.

With that I will turn it over to Jim Smith.

Jim Smith  Thomson Reuters Corporation - President & CEO

Thank you Frank and thanks to those of you on the call for joining us. Today we'll begin with a review of the third-quarter result as I discuss the progress we've continued to make across the Company.
Now the results for the quarter. Our third-quarter and year-to-date results are right in line with our expectations and we remain on track to meet our full-year guidance.

You can clearly see the progress we've continued to make as a result of the changes to our operating and capital strategies that we announced two years ago. Underlying growth, profitability and earnings are all improving but they were dampened somewhat in the reported numbers due to unfavorable currency. I'll highlight for you both our reported results for the quarter and our results before currency so you can see the underlying progress we're making.

First, the reported results. Revenues were down 4% as currency negatively impacted our reported revenue by about 500 basis points as expected. We've been cautioning each quarter that increased volatility in foreign currency markets would likely have a higher than usual impact on our results throughout this year and that was again the case this quarter.

Reported EBITDA increased 2% with the margin up 160 basis points. And underlying operative profit was up 7% with the margin up 190 basis points. Adjusted EPS was up 16% to $0.52, $0.07 better than the prior-year period.

Now, moving to the underlying results, or results before currency, revenues are up 1% and EBITDA increased 7% with the margin up 160 basis points, driven primarily by progress in our financial segment. Operating profit was up 13% with the margin up 200 basis points. And EPS increased 24%, $0.11 better than last year.

The improving underlying revenue trend coupled with the savings we're achieving from our simplification programs drove significant increases in profitability and earnings this quarter. I've said for several years that we'll control all the things within our control and we are delivering on that commitment.

Last year we committed to upgrading customers from Financial’s MPLS bond platform in the fourth quarter of this year. I'm very pleased to report that the last customer was moved off earlier this week. The size and complex nature of this project as well as the benefits that we expect to realize not only from cost savings but more importantly from improved network reliability and capacity cannot be overstated.

I want to thank the entire team for all their hard work and dedication in successfully completing this project. Stephane will speak to the expected savings from his platform closure in a moment.

Lastly, we also continued to execute on the capital strategy program we announced in October of 2013. And since that time we've returned over $4.6 billion to shareholders in the form of share buyback and dividends. Based on our year-to-date performance we are reaffirming again our full-year guidance.

Now some additional highlights for the quarter. Financial’s revenues were flat as expected compared to a year ago. However, underlying revenue growth was north of 2% before the expected negative impact of lower recoveries and the commercial pricing adjustments related to the migration of our remaining legacy foreign exchange and buy side customers onto the unified platforms. Both of these migration programs remain on track.

Net sales were again positive this quarter, marking the sixth consecutive quarter of positive net sales for the Financial business. However, net sales were lower than Q3 last year due to a difficult quarterly comparison as Q3 last year was the strongest net sales quarter of the year.

Turning to Legal, revenues grew 1%, slightly less than the 2% recorded in Q2, primarily due to timing-related factors. Excluding US Print revenues grew by 3%.

Importantly, US Online revenues grew 2%, the third consecutive quarter of growth, reflecting improving net sales and higher retention rates for Westlaw. This is a very encouraging sign for what is Legal’s most profitable business segment.
Tax & Accounting continues to execute very well and had another strong quarter with revenues up 8% in a tough prior-year comparison when revenues grew 13%. And our IP & Science business grew 2% with subscription revenues up 4% and transactional revenues down 7%. This is up from flat growth in Q1 and 1% growth in Q2.

Finally, our global growth businesses achieved revenue growth 5%. I will remind you that GGO’s results are included within each of the four business segments.

I want to conclude today by updating you on the progress we’re making against the key objectives I set out using the slide on our Q3 earnings call two years ago. At that time, I announced changes to our operating and capital strategies.

In our Financial business we began to implement various actions aimed at improving net sales, driving simplification and improving profitability. We've made solid progress against each of these goals. I said at the time that we expected these actions would enable us to more quickly achieve Financial’s EBITDA margin target and you can clearly see we're making progress based on our year-to-date results. With the completion of the MPLS bond platform migration we now feel more confident that Cat Financial will achieve that objective of nearing a 30% EBITDA margin in the fourth quarter which would represent an improvement of more than 400 basis points since 2013 on a constant currency basis and with no tailwind yet from top-line growth.

Second, I also said that we needed to bring the full power, depth and breadth of the Company to bear. That means thinking and operating more like one enterprise that shares core capabilities and reaps the benefit of scale in order to better serve our customers rather than operating as a portfolio of individual businesses. That also means focusing more of our resources on driving organic revenue and less on acquisitions.

We've made significant progress in deploying common technology platforms and tools across the business and we're starting an effort to standardize our pan-Thomson Reuters go-to-market approach. The tangible results of these efforts is starting to shine through in the improving trajectory of both organic revenue growth and profitability. That said there is much more to be done to enable us to return to mid-single-digit revenue growth and further simplify our business with an eye toward achieving our target of double-digit earnings per growth per share growth on a compound annual basis between now and 2017.

The third component focused on our capital strategy. I said at the time that it needed to evolve to reflect the shift in our business strategy and that I believe we could drive stronger returns to our shareholders from improving performance, share buybacks and modest dividend increases.

Two years later I remain confident in our ability to continue to gradually improve our top-line growth and to achieve additional simplification savings which will lead to improving free cash flow per share and earnings per share. That improving free cash flow combined with lower acquisition spend and a modest increase in our leverage target has enabled us to return over $4.6 billion of capital to shareholders without compromising either our growth strategy or our commitment to a solid investment grade rating.

So to conclude I am pleased but not yet satisfied with the progress we’ve made. We’ve come a long way the past several years and our strategy is working. I believe the next steps that we plan to take will enable us to deliver even greater value to our customers, will accelerate our growth and will further increase shareholder value.

With that I want to thank you. And I will now turn it over to Stephane to discuss the third-quarter results.

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**Stephane Bello - Thomson Reuters Corporation - EVP & CFO**

Thank you, Jim, and good morning all or good afternoon to you all. As Jim just indicated, currency again had a significant impact on our results during the third quarter as reflected in the 500 basis point swing between reported revenues which were down 4% and revenues before currency which were up 1%.
For the rest of this presentation I will speak to revenue growth before currency in line with the way we have always done it. So on a constant currency basis third-quarter revenues were up 1%. Our Financial business was flat to the prior-year period while our three other businesses grew 3% in aggregate during the quarter.

Adjusted EBITDA was up 2% with an EBITDA margin of 28.1%, up 160 basis points compared to the prior year. Excluding currency EBITDA was up 7% and the margin was also up 160 basis points.

Our operating profit was up 7% and the margin was up 190 basis points. And again excluding currency our operating profit was up 13% and the margin was up 200 basis points.

Now as you may recall, we booked charges in Q3 2014 that had a negative 50 basis points impact on both EBITDA and operating profit margins. But even if you exclude these charges the margin improvements are meaningful, 110 basis points at the EBITDA level and 150 basis points at the operating margin level. And this reflects a genuine improvement in the underlying performance of the business.

Let me provide you with some additional color on the performance of our individual segment starting with Legal. Based on data provided by Peer Monitor, demand for legal services in the US market was essentially flat in both Q3 and year to date. Demand at large law firms is better, up 2%, with smaller firms a bit weaker.

As Jim mentioned Legal grew 1% during the third quarter, slightly below our growth rate in Q2. This was due to some timing factors primarily in our US Print and Solutions businesses. Q3 should represent the low point of the year for Legal in terms of revenue growth.

Transaction revenues for the quarter which are primarily services revenues and represent 13% of the total were up 1% as compared to up 13% during the first half. Subscription revenues which accounted for about three-quarters of the total were up 3% all organic. As mentioned during our second-quarter call we continue to expect full-year revenue growth for our Legal segment to come in at about 2%.

Turning to our profitability metrics for the quarter, the EBITDA margin was up 90 basis points and before currency that margin was up 30 basis points. The operating profit margin increased 200 basis points and was up 130 basis points before currency. And for the full year we continue to forecast that Legal’s EBITDA margin will be flat to down slightly compared to 2014.

Here is a more detailed look at the revenue performance of the three main subsegments in our Legal business. US Online information which is 40% of total revenues was up 2% in Q3, up from marginally positive in the first half of the year. So this marks the third consecutive quarter of positive growth for this segment.

The continued improvement in Westlaw retention is contributing to this positive trajectory and Practical Law continues to perform very strongly. That business was up 50% in the quarter versus the prior year.

As a final reminder we are in the process of sunsetting our Westlaw Classic offering. And we expect this migration to be completed by the end of this year at which time all our US clients will be using WestlawNext.

US Print revenues were down 8% during the quarter as expected. If you exclude the impact of US Print the rest of our Legal business grew 3%.

Finally the Solutions business made up 46% of revenues in the third quarter. Revenue growth of 4% was a bit lower than in the first half of the year but as mentioned earlier this was related to some timing factors and lower growth in some of our transaction businesses. Year to date our Solutions businesses are up 6% which is more in line with what we expect to report for the full year. As a reminder these businesses consist of everything except US Online Legal Information and US Print.

Now turning to Tax & Accounting, that business had another strong quarter with revenues up 8%, all the more impressive given last year’s Q3 growth was 13%. Recurring revenue, about 85% of the total, was up 9% in the quarter. From a profit standpoint EBITDA was up 10% in the quarter with the margin increasing 180 basis points due to strong revenue growth and flow-through. Before currency the margin was up 110 basis points.
And for the third quarter the operating profit was up 16% with a margin increasing 200 basis points for the same reasons that impacted EBITDA.
And before currency the operating margin was up 120 basis points.

As you can see on this next slide our Professional and Corporate segments which represent 65% of the business maintained the strong performance they recorded in the first half of the year with organic growth rates of 11% and 9% respectively. In Knowledge Solutions organic growth was a healthy 6% in the quarter which was partly timing related.

Our smallest segment, the Government business, saw revenue declining 9%. As we have stated before revenues for the Government business are less predictable in nature and so from time to time we do see results such as this one in a given quarter.

Let me spend a moment on the recent evolution of the business mix of Tax & Accounting segment. This slide shows the evolution of its revenue mix since 2010. As you can see our faster growing Software & Services businesses increased from 60% of total revenues in 2010 to over 70% today.

The slower growing but still robust Online revenue businesses now makes up just under a quarter of total revenues, decreasing from 30% in 2010. And importantly we are not far less exposed to shrinking print revenues which now make up only 5% of the business versus 10% five years ago.

The increasing proportion of our revenues in fast-growing sectors and the reduction in print revenues has led to a more attractive financial profile for our Tax & Accounting segment. We are now pursuing a similar strategy in our Legal business, placing a greater emphasis on Software & Service solutions revenues. The transition from a traditional content provider takes time but it does pay off in the long term.

IP & Science revenues were up 2% for the quarter before currency. The performance was primarily the result of growth in subscription revenues, partially offset by a lower number of transactional deals compared to the prior year. This is very similar to what we had seen in the first half of the year.

Turning to margins, both EBITDA and operating profit margins were negatively affected by a 7% decline in transaction revenues which are very profitable. The EBITDA margin was up 30 basis points due to favorable currency, so if you exclude currency the margin declined 90 basis points. And the operating margin was down 30 basis points before currency and down 120 basis points, I'm sorry, the margin was down 30 basis points on the reported basis and was down 120 basis points before currency.

Subscription revenues which make up about three-quarters of the total continued to perform well and were up 4% during the quarter. Transaction revenues declined 7% primarily due to softer sales in the Academic and IP segments.

We believe that a portion of the decline we have seen in transaction revenues both in the third quarter and year to date is partly due to the appreciation in the US dollar. For customers outside the US transactions are US dollar denominated. So the currency movements of the last year have made these discretionary-type purchases significantly more expensive for our customers which we believe is contributing to the decline in transactional revenues.

Let me now turn to our Financial & Risk business. Third-quarter revenues were down 7% on a reported basis with currency once again having a significant impact.

Before currency revenues were flat compared to the prior year. However, if you exclude recoveries revenues which were down 7% in Q3 revenue growth improved 300 basis points compared to Q3 last year from minus 2% to plus 1%.

As a reminder recoveries are these low-margin pass-through revenues. And you may recall from our Q2 earnings call that we had expected an acceleration of the decline in recoveries in the second half of the year as some of our partners moved to a direct billing arrangement with our customers. We are not concerned about these changes in billing arrangements since they have very little impact on F&R's EBITDA and free cash flow but they do impact our reported revenue growth negatively.
In addition to lower recoveries revenues were also impacted by flat transaction revenues, more on that in a moment, and by the ongoing commercial pricing adjustments on our remaining legacy foreign exchange and buy side desktop products. Excluding recoveries and these pricing adjustments F&R’s revenues would have increased north of 2% in the third quarter. As a reminder the foreign exchange commercial pricing adjustments are expected to be completed in the first half of 2016.

Now turning to profitability metrics, EBITDA was up 3% and the margin for the quarter was up 260 basis points due to the simplification actions we took in 2014. Before the impact of currency and backing out the impact of the charges we took in Q3 last year the margin was also up 260 basis points to 28.8%, a very solid performance, particularly in light of the week transaction revenues.

As Jim mentioned earlier, we just completed the MPLS bond network migration earlier this week. This was an extremely complex migration that effectively required us to rewire nearly 1,800 client sites around the world over the last 12 months.

Besides the resiliency and capacity benefits which Jim outlined earlier this migration was also one of the biggest drivers of cost savings in the technology platform consolidation roadmap of F&R. And we expect to realize an incremental $50 million to $60 million of savings from this migration alone in 2016.

Operating profit was up 8% during the quarter with the margin up 240 basis points. And again excluding the impact of currency and last year’s charges the underlying margin was up 250 basis points.

Looking at the Financial & Risk revenue in a bit more details, recurring revenues which were 77% of the total were up 1% during the quarter due to the annual price increase. Once again this is the portion of Financial’s revenues base that is impacted by the pricing adjustments taking place in our legacy foreign exchange and buy side desktops.

Recoveries which are about 10% of total revenues as I said earlier were down 7% for the quarter.

And as we had previously stated, we do expect the decline to remain at dampening factor on F&R’s overall growth rate in Q4 and throughout 2016 at some of our third-party partners move to a direct billing arrangement with customers. This was case in Q3 and we expect the decline in recoveries to accelerate in Q4 and in 2016 but once again this will have very little impact either on F&R’s EBITDA or free cash flow.

Transaction revenues which is 13% of the total were flat compared to last year. Volumes in July and August were up but September was a very, very quiet month by comparison to last year.

As we have stated before transaction revenues are very profitable and they are by definition hard to predict. So we could certainly benefit from a return to higher trading volumes in the currency and fixed income markets as this would have a positive impact on both our revenue growth and margin performance.

And finally I want to review Financial & Risk’s progress relative to its EBITDA margin target as we do every quarter. As was the case in the first and the second quarter currency had a negative impact on F&R’s EBITDA margin in the third quarter which amounted to 110 basis points.

On this slide we have excluded the impact of currency and the negative impact of the charges we took in Q3 last year in order to get to an underlying margin growth of 260 basis points. This reflected another solid performance putting us one step closer to achieving our Q4 targets of nearing 30%.

Now turning to our consolidated results, let me start with our free cash flow performance for the first nine months the year. And working from the bottom to the top of this slide you can see that free cash flow through September was $1.1 billion compared to $875 million in the prior year. This represents a 25% improvement. However, the prior-year period included $212 million of cash payments related to our simplification programs as compared to only $65 million incurred in the same period this year. So free cash flow excluding the impact of the simplification related charges that was about $1.2 billion which is $71 million higher than in the prior year, representing a 7% increase.
Now a quick update on our share buyback activity during the quarter. As you recall we announced a third $1 billion buyback tranche in May and we have repurchased approximately $650 million of stock under that program. We expect to complete this program in the first half of 2016.

Year to date we have repurchased $1.25 billion of stock. We did accelerate our share buyback activities during the third quarter. And we were comfortable doing so because of our reduced acquisition activity which is very consistent with the strategy we had laid out in October 2013 to drive growth organically and to drive scale.

In addition you may have seen that we completed a series of private transactions with several Canadian banks which enabled us to repurchase shares at a slight discount to the prevailing market price. For various reasons our counterparties were in a position to offer us a more attractive discount if we repurchased these shares in the third quarter. As such we ended up buying about 7 million shares for approximately $260 million using private transactions and we do not expect to rely on such transactions to nearly the same extent in Q4.

Overall our buyback activity for the full year is higher than last year which is entirely due to lower acquisition activity. And we continue to expect to stay within our stated leverage target of 2.5 times net debt to EBITDA.

Now turning to our earnings per share performance third-quarter adjusted EPS was $0.52 per share, $0.07 better than a year ago, a 16% improvement. Foreign currency had a $0.04 negative impact, so before currency EPS improved by $0.11, a 24% increase with about half of this improvement driven by improved underlying operating profit and the other half driven by the absence of charges that we incurred in Q3 last year, lower interest cost and the beneficial impact of our share repurchase program.

So to wrap up we are pleased with our continuing progress in the third quarter. And based on the year-to-date results we are reaffirming our outlook for the first year.

With that let me now turn it back over to Frank for questions.

Frank Golden - Thomson Reuters Corporation - SVP IR

Very good Stephane. Thanks very much.

So that concludes our formal remarks and we would now like to open the call for questions. So if we could have the first question please.

Q U E S T I O N S  A N D  A N S W E R S

Operator

(Operator Instructions) Paul Steep, Scotia Capital.

Paul Steep - Scotiabank - Analyst

Great, thanks. Jim, maybe you could we could talk just a little bit with regards to where we’re at on the overall platform shutdown and migrations across F&R to date and what's to come and maybe the rough timing as we move into 2016? Thank you.

Jim Smith - Thomson Reuters Corporation - President & CEO

Sure, I think we're right on track. And in fact I think if you look at the roadmaps that we've put together everything is coming together quite nicely. If you will look back over the last couple of years when we started this journey we laid out in fact on a slide at Investor Day a series of platforms...
that we were going to be shutting down and some of them were big and some of them are small and we've been just ticking them off exactly on the schedule that we had anticipated.

In fact, we're pushing them harder and looking for more things to add to the consolidation roadmap. And I think we've got, if you look inside the Company I think we've got a really good operational plan, we've got accountability design.

And I think we have a pretty solid road ahead of us and a lot of opportunity to continue to accelerate that consolidation of platforms onto fewer, more common, more modern, reliable, robust platforms. So we're right on track at achieving everything that we laid out two years ago and in fact I think we see increased opportunity to go even further.

**Paul Steep - Scotiabank - Analyst**

And just I guess the only follow-up on that would be around customer service. How close do you think you are in terms of consolidating a lot of customer service operations across the various platforms? Thanks.

**Jim Smith - Thomson Reuters Corporation - President & CEO**

I don't quite know what you mean by consolidating customer service operations. But I do think that we have some real pockets of excellence and made a lot of progress on customer service. In fact, the person who runs our customer service operations in the Financial business accepted an award from salesforce this year for best deployment of that technology to improve customer service, so we were quite proud of that.

So I think we will begin to spread more common excellent platforms across the organization. And I think that if you look at it I think our customer satisfaction rates continue to go up. So I think that has a lot to do with the fact that we are doing a better job of customer service around the organization.

And we'll look to be more consistent with those practices. And we'll look to leverage more common technologies. But as far as consolidating into one customer service operation that's not on the roadmap at this point.

**Operator**

Andrew Steinerman, JPMorgan.

**Andrew Steinerman - JPMorgan - Analyst**

Hi, it's Andrew. Stephane, I have nerdy question to begin with. The D&A looked much lower in the third quarter, $273 million for both D&A together, is this a new run rate for D&A going forward?

**Stephane Bello - Thomson Reuters Corporation - EVP & CFO**

Yes, Andrew, if you look at the details by segment I think you see it was primarily in our Legal business as you saw the D&A expense dropped a bit. And that's a reflection I think primarily of the fact that WestlawNext, the investments associated with WestlawNext are starting to be more fully depreciated.

So I think overall if you recall when Jim and I took our respective roles we put a much bigger emphasis on what we refer to internally as cash OI as a key metric, which is what's the absolute level of cash that we spend. Doesn't matter if it gets capitalized or expensed through the P&L, and that has led on a fair bit of discipline. We've kind of like kept our CapEx spending flat over the years.
And for a number of years depreciation has been running way above our CapEx as a percentage of revenue. Eventually the two should start converging as the discipline on cash spending is starting to shine through. And so I think what you just mentioned is the beginning of seeing that impact.

Andrew Steinerman - JPMorgan - Analyst

Great. And Jim if I could ask about the migration of FX desktops to Eikon, how is that going? When do you anticipate that migration for FX desktops to be complete?

Jim Smith - Thomson Reuters Corporation - President & CEO

I think the majority of the commercial arrangements have been completed. I think about 80%, 80% of the commercials have been negotiated. We're beginning to now to roll out the actual desktops themselves. So that'll come in two phases. And we suspect that we'll be completed with that in the first half of next year.

Andrew Steinerman - JPMorgan - Analyst

Great. And is it the same comment for just the buy side desktops in general migrating to Eikon?

Jim Smith - Thomson Reuters Corporation - President & CEO

Early days very, very early days on that.

Operator

Sara Gubins, Bank of America.

Sara Gubins - BofA Merrill Lynch - Analyst

Hi, thanks, good point. In F&R you're heading into the important 4Q renewal season. Could you give us any sense of whether or not based on current conversations you think we could see positive net new sales in the fourth quarter?

Jim Smith - Thomson Reuters Corporation - President & CEO

I will take that. Stephane you can add any color that I miss.

As you know, the fourth quarter has traditionally been the biggest quarter for us and it's also been the most volatile quarter for us. So and last year was the first year that we ever had a positive net sales since the Reuters acquisition in the fourth quarter.

Because of that tends to be the quarter in which the biggest banks adjust up or down based upon their plans for the coming year, it's a difficult quarter to predict so I wouldn't want to call any quarter. And as I've said in the past when you're slightly above positive or slightly below positive any one of those big bank appreciations could offset progress in a dozen smaller buy side firms where we're making progress.

So it's a tough quarter to call. I would say we've never been in a better competitive position going into a Q4. And I would not expect the swing either above or below to be of the material amount that it had been in prior years from 2008 through 2013.
Sara Gubins - BofA Merrill Lynch - Analyst

Okay great. Then following up on that I know it’s still early so maybe a little bit of an unfair question, but as we start to think about organic revenue growth in F&R next year you’ve had the positive sales so far over the last several quarters.

Next year you get less of an impact from lower pricing in the second half but still negative recoveries. So I’m trying to think through whether or not low single-digit organic constant currency revenue growth might be a reasonable expectation somewhere in the 2%ish range?

Stephane Bello - Thomson Reuters Corporation - EVP & CFO

You’ve got a number of dynamics. Let me take that question. All the dynamics are I think positive on the recurring revenue base.

For all the reasons you’ve mention we get improving net sales. We do have the benefit of this annual price increase that will shine through the revenue performance next year. There’s going to be still the impact of these commercial pricing adjustments, but I would say that the peak impact if you want would probably be in Q4, maybe Q1 and then it’s going to start to be diminishing from there pretty rapidly.

So on the recurring revenue base I would say you can see the trends starting to improve probably after Q1. Now remember the comments I made in the prepared remarks about recovery revenues. These will continue to decline and I think we could see an acceleration of the decline as more of our partners are moving to these direct billing arrangements.

It really has no impact on EBITDA or free cash flow generation and that’s really what we’re very focused on. So we will continue to provide you with the numbers as they look like if you exclude recoveries because they will maybe distort a little bit the reported figure for a while. But as I said they are not very profitable revenue so we don’t really mind so much about these ones.

And then in transaction, your guess is as good as mine. So hopefully these other factors you could take into consideration as you look at F&R’s organic revenue growth rate for next year. And I’m sure we will be able to give you a bit more color as we give you guidance for the full-year 2016 February.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - RBC Capital Markets - Analyst

Thanks very much. Jim or Stephane, just switching gears over to Legal, a little bit better on the margin side ex-FX versus what we were expecting.

Just wondering with the re-acceleration or renewed growth in US Online which is obviously higher margin is that where we’re getting the year-over-year expansion? And then secondly as you sunset the legacy Westlaw do you expect some cost savings associated with that? Thank you.

Stephane Bello - Thomson Reuters Corporation - EVP & CFO

So let me take that question. I think you’re right, we were very pleased in this quarter to see our US Online segment grow 2%. It has been a long time we’ve seen that kind of growth and it’s massively important given the profitability of that segment. So I think that you are absolutely right, this is one of the factors that has enabled a better margin performance in the business.

Now the shutdown of Westlaw Classic will have some impact. It’s not huge; if I’m correct, I think it’s about $10 million this year and maybe another $10 million or so next year. That’s so it will have a positive impact.

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But what has to be pointed out is the really remarkable work that the management in our Legal business is doing to continuously try to upset that negative mix impact that I've been speaking about for a number of quarters now where our Solutions business are growing faster than the rest of the business is. And they've got improving very, very markedly improving margins but the margins are still much lower than the rest of the business. So keeping the margins flat while this change in mix is happening it is quite a phenomenal performance.

Drew McReynolds - RBC Capital Markets - Analyst

And if I can just follow up, just with respect to the timing factors just on the top line, sorry if I missed this in your prepared remarks, just can you just drill down into those a little bit more granularity?

Stephane Bello - Thomson Reuters Corporation - EVP & CFO

Sure. So just what I said was that we do expect that the third quarter will mark the trough for Legal in terms of the revenue growth performance so it should be better in Q4. The timing events that I referred to were twofold.

First, US Print declined by 8% and the decline in the first half was closer to a 6% decline so that if an impact on the overall growth rate. And second our Legal Solutions business grew by about 4% and for the full year we would expect that business to be closer to 6% and that's also what it has been year to date, so by definition you can assume what we expect for the fourth quarter. We expect that the growth rate in the business to rebound a little bit from the 4% this year, this quarter sorry.

Jim Smith - Thomson Reuters Corporation - President & CEO

If I might just add one little bit of color on that in thinking about the Print, it's really dangerous in our business. We try to look at this on an annualized basis and not look at every quarter as setting a trend. And frankly some of that just has to do with the timing of either product introductions one year to the next shifting or in the case of Print when publications, when titles are published and they tend to get published on a recurring basis every year or every two years and they don't line up necessarily to compare to prior quarters. So that Print was a result of just the publishing schedule as opposed to an acceleration of a trend.

Operator

Manav Patnaik, Barclays.

Manav Patnaik - Barclays Capital - Analyst

Hi, good morning gentlemen. A quick question for you, maybe it's early I'm not sure but I was wondering if you could provide any color if you've seen it in terms of we've heard or started reading in the papers a lot more about how the volatility is hitting performance and so you've seen funds and so forth that are closing down. I was just wondering if that sort of headcount-type reduction if you've started to see any of that impact at all in the business?

Stephane Bello - Thomson Reuters Corporation - EVP & CFO

You're referring to the Financial business I assume.

Manav Patnaik - Barclays Capital - Analyst

Yes, correct. Sorry.
Jim Smith - Thomson Reuters Corporation - President & CEO

No, I think if you look at what happened in terms of the quarter I wouldn't say there's been a long trend in the financial industry of restructuring that we've been dealing with. You saw the financial -- we were just referring to them, the same reports that we've seen throughout the third quarter. But if you break that apart I think what we've seen in our business is a continued increase in the buy side activities and a decrease in that kind of transaction volumes in the bank to bank market. So I suspect that bank to bank market is not going to return to a growth footing anytime soon but we are still seeing overall increased transactional revenues in our buy side activities.

Manav Patnaik - Barclays Capital - Analyst

Got it. And within that I was wondering is there any particular notable trends and maybe there isn't just in your pricing and reference data businesses, is competition or just any trends there to call out?

Jim Smith - Thomson Reuters Corporation - President & CEO

It's a very strong business for us and it's performing well this year.

Manav Patnaik - Barclays Capital - Analyst

Thanks a lot, guys.

Operator

Bill Bird, FBR.

Bill Bird - FBR - Analyst

Yes, good morning. I was wondering if you could talk about some of the cost saves that are kind of known and reliable that you carry into next year.

You've touched on a couple MPLS and sunsetting Westlaw Classic. Are there any others that are notable that you'd highlighted?

And then just separately how do you see CapEx developing really over the next couple of years? Thank you.

Stephane Bello - Thomson Reuters Corporation - EVP & CFO

Yes, Bill, hi. It's Stephane, I'm going to try to take these two questions.

Let me start with the CapEx question. We have tried to maintain our CapEx budget very consistent over the last four years and we would expect it to remain like that.

Now we do make changes in the allocations of our investments. We really are increasingly focused on what we see is the highest areas for growth and that is where we are directing the CapEx and we are doing that by effectively redeploying the savings we achieved in combining some of our infrastructure investments. But the overall size of the CapEx spending hasn't changed and I would not expect it to change in the near term.
In terms of your other question about the various cost savings that we're doing and what we can rely upon there is a pretty broad and ambitious transformation program that we're moving forward with. You're seeing the impact of some of the simplification initiatives primarily in our Financial business so far.

As Jim alluded to we see certainly more opportunities as we dig deeper into this program. But I would say that our focus is probably it was very important for us in the Financial business to hit that target of ours which was nearing 30% margin and as we said on the call we hope that hopefully we can hit that target in the fourth quarter.

The focus now is really evolving, as Jim always says it’s maximizing the level of free cash flow per share growth and earnings per share growth over time. And I would say we're very cautious to try to really work on both levers at the same time, meaning we continue to drive reduction in our cost structure but at the same time make sure that we invest behind where we see the growth opportunities of the business and because we define success not just in terms of hitting our EPS target but also hitting the target while at the same time improving the underlying organic growth rate of the business. We've seen progress, as Jim said you cannot look at it quarter to quarter but year over year, we expect to see continued progress on that metric.

Operator
Aravinda Galappatthige, Canaccord Genuity.

Aravinda Galappatthige - Canaccord Genuity - Analyst

Good morning, thanks for taking my question. I just was wondering if you could give us an update on the long-term cost rationalizations that you discussed in the previous Investor Day. I'm referring to the broad economies of scale around your technology and content and your international offices.

I think you were targeting something around the range of $400 million in savings by 2017. I was wondering where you were in the process and how much more we have to go as we look ahead to the next couple of years?

Stephane Bello - Thomson Reuters Corporation - EVP & CFO

Yes, as Jim said we're very much on track with that program. It's hard -- we don't really want to say where we are with that program specifically because at the end of the day what matters is hitting our overall bottom-line targets that we've laid out.

We redeploy a number of the savings that we generate in the business and we really reinvest pretty heavily in the business. But doing that while at the same time being able to improve profitability you can start seeing that payoff of that strategy in these numbers. But anecdotally we are making good progress.

I will give you one example. Jim can give you 100 others. It looks the program covers technology content, real estate, everything.

On the real estate side for us since we used to have back in 2012 over 500 different sites. I think we're down, on the last report I said we're down to 303 sites around the world. So it gives you a sense of the magnitude.

Our goal is to get to 250. So to give you a sense we're certainly not where we want to be yet but we're making good progress.

Operator
Toni Kaplan, JPMorgan.
Hi, it’s for Morgan Stanley but thank you. As you have been rolling out Eikon I just wanted to get a sense of if you’ve changed your sales strategy over time.

I know you’re still focused on converting the legacy customers to shut down platforms. But have you changed to also hunting and prospects and is the upsell success similar to what you’ve had in the past? Thanks.

Was, I think that’s right. We’re doing a lot more hunting and prospecting than we were.

If you think about the Eikon journey, the Eikon journey was always as quickly as we could to get the conversion done on the sell side. And now we’re focused on and we did that successfully, we did it right along the schedule we’ve laid out. And today we’re going after new customers and new ground and I think if you look at both the combination of the gross sales performance that we have supported by the strong and proven retention rates that we have that’s proving very, very successful, particularly on the sell side.

As we now move into the asset management space we do have a slight change in the way we’re going to market. And that is as opposed to selling what are 14 or 15 different buy side information feeds as we did with the old Thomson ONE products.

We’re now grouping them into three tiered packages for the asset management industry. We think we’re going to have much more attractive commercials for our customers there and also much more attractive packages. Because folks who were taking one or two products couldn’t really appreciate or can’t really appreciate the full power of the full depth of book that we offer.

And I can tell you having been in some of those demos myself folks are reacting very well to both the added depth and breadth of the content that they are getting and how that functionality has been put together in a very useful format. So it is a bit of a different strategy there in that we’re bringing a different approach to kind of a tiered pricing structure to the asset management side and then continuing to execute on the sell side.

All right great. And just as a follow-up it sounds like Europe got a little bit worse in F&R in terms of the EMEA net new sales being negative. Could you give us a sense of in the fourth quarter if you’re continuing to see weakness there? Thanks.

I wouldn’t over read that one. We were positive in the Americas and in Asia and slightly down in Europe. I wouldn’t look to that as some kind of acceleration of a trend.

And I think when I look back to prior year and we make prior-year comments as well, last year was our strongest net sales performance in Q3 and the leader of the pack in Q3 last year was Europe. Europe had a particularly strong Q3 in 2014. So I wouldn’t overread that.
Tim Casey - BMO Capital Markets - Analyst

Thanks, good morning. There has been a lot of press speculation on a recent startup called Symphony and its potential ability to disrupt some of the businesses that you’re and in some of your competitors. Jim, I’m wondering if you could comment on any thoughts you have on what Symphony represents and any potential alliance you might have with them?

Jim Smith - Thomson Reuters Corporation - President & CEO

Sure. And I won’t go into any specifics on any discussions obviously but let me just start at a higher level and say this. We’ve been pretty consistent for a long time in a couple of statements and views which are we’re becoming even more convinced.

First and foremost the industry does not want to be overly reliant on anyone platform or provider. And I think that’s behind a lot of discussions that have been going on around messaging over the last few years.

We’ve been involved in all of those discussions and at least all of those discussions that we know about. We’ve had a pretty consistent approach there. That approach is that we believe what the industry needs is an open solution and we believe that what the industry needs what will win in the industry is an open solution.

We’re pushing the concept of a common dial tone or chat tone if you will for the industry. Because it’s hard to imagine that in any scenario if you move to a mobile phone analogy that in the future it’s going to work, if Verizon cell phone customers can only talk to other Verizon cell phone customers, they need to talk to AT&T customers and Rogers and Vodafone customers.

So we think ultimately an open federation there is going to win. The exact nature of what that will look like will play out over time but we’re committed to being part of that, to helping support that and I think that’s where the industry will move toward without getting overly specific there.

As far as the nature of competition that opens, it’s hard to say which messaging platform is going to win in the end. I suspect that the nature of competition overall will get more fierce on all kinds of fronts and I think the world that we imagine is an open world in which our ability to help connect the financial services community means that we’ll supply content, other third parties will supply content on our platforms and other platforms and this notion of co-opetition is something that’s going to be very real.

It’s very real today and it’s going to become increasingly prevalent in the future. I think we’ll see all kinds of new competitors and I think we’ll see all kinds of new alliances and partnerships and just as we’ve announced a few in the last couple of weeks. And we’ve got a really interesting approach with our open Eikon approach and we’ve got an app store up now.

We’ve got developers working on applications that will run on our platform to our standards and be interoperable with other networks. So we think an open platform is going to win at the end of the date and that’s what we’re designing for.

Operator

Andre Benjamin, Goldman Sachs.

Andre Benjamin - Goldman Sachs - Analyst

Thanks, good morning. I was wondering if you could talk a little bit about the transactions business and F&R?
I know 3Q was flatter, again it grosses 3% in the first half and we know the FICC businesses have been under pressure at the bank. But I was just wondering is that softer comp year over year a function of just the macro or is there something else that you’re seeing in terms of decoupling of volumes right now for that business?

**Stephane Bello** - Thomson Reuters Corporation - EVP & CFO

Yes, Andre, it's Stephane. Let me try to address this one. We actually have seen the convergence coming back between volume transaction volumes and volatility, the problem is it happens at a lower level in Q3.

It was overall in the quarter a little bit less volume overall. Where we've seen that much, much more strongly than anywhere else I think Jim alluded to that earlier is really in the interbank trading market. We see a marked decline in volumes there which obviously results in less liquidity being available in these markets.

On buy side businesses transaction business are actually growing but the interbank markets are primarily foreign exchange dealing and foreign exchange matching products where we are seeing the decline. It's pretty clear that large banks are staying on the sidelines at this point in time.

You've seen the trading results that most banks have reported in the last year the trading volumes are down dramatically. And so it's not so surprising that you see it happening in our results also.

One thing I would say though is that to keep that into perspective transaction for us is 10% of F&R’s revenues to 5% of the total revenue for the Company. And although we would love to see that growing faster it's not having a dramatic impact on the overall revenue picture of the Company.

**Andre Benjamin** - Goldman Sachs - Analyst

Thank you.

**Operator**

Peter Appert, Piper Jaffray.

**Peter Appert** - Piper Jaffray & Co. - Analyst

Stephane, I know you said you liked the 2.5 leverage ratio but I'm wondering just in the context of the success you've had in driving the margin improvement, the free cash flow improvement if you'd be potentially thinking about stretching a little bit on that over the next year or two and how you think about perhaps the buyback strategy beyond 2016?

**Stephane Bello** - Thomson Reuters Corporation - EVP & CFO

Thanks, Peter. It's a good question.

When we look at our capital strategy something that we look at over a very, very long period of time. So when we decided in 2013 to modify our leverage target from what was at the time to 2 times to 2.5 times we really did that with a view of that being a decision for the fairly long term. So I don't think that you'll see us changing in the near term certainly.
Vince Valentini, TD Securities.

Thanks very much. Most of my questions have been answered, so let me ask about a sector we don't talk about much.

IP & Science, do you see any risk there going forward given the pharmaceutical industry seems to be coming under a fair amount of regulatory scrutiny? Any discussions with your clients that may lead you to think they will be trimming back some of their R&D budgets?

Jim Smith - Thomson Reuters Corporation - President & CEO

No, I think we're still bullish on R&D and in lots of places around the world. So I don't see that as a particular material risk at this point.

We do remain concerned and you see it in the numbers this year. Particularly in the scientific side of the business this is a year that's been tough for the transactional businesses. And particularly we sell a lot of database products to governments and to universities one way or another funded by government grants and whatnot.

And this has been a tough year for discretionary purchases of additional databases for libraries, particularly where we're building out in emerging markets and particularly in emerging markets that are heavily dependent upon oil prices which have been strong for us in the past. So we think those are temporary one-offs issues related to the transactional revenues. We don't see a huge threat there, Vince.

Frank Golden - Thomson Reuters Corporation - SVP IR

Operator, we'd like to take one final question please.

Claudio Aspesi, Bernstein.

Good morning. 18 months ago you gave us your EPS growth targets. If I remember correctly about 25% to 30% or so of that extra dollar of EPS was going to come from revenue growth. You seem to be very comfortable with the target but I was wondering whether you believe that the revenue component of that growth will turn out to be as significant as you predicted a year ago or whether you will have to, or 18 months ago, whether you need more cost savings and more buybacks effectively to make up for some of the revenue or whether you still think that the mix is roughly right?

Stephane Bello - Thomson Reuters Corporation - EVP & CFO

That's a good question. Thank you for asking it. I'd say the following.

As you said when we laid out our target achieving that target rested primarily on our ability to drive transformation and simplification savings and also to a lesser extent but to a large extend also on the capital strategy changes that we had announced. So that's why we said it's mostly with levers that are under our control that we can achieve that target. That hasn't changed and you can see in the progress we're making from a margin perspective you can see in the pace of our buyback program that we are obviously moving swiftly on those two levers.
Now on the revenue component it was I would say based on a couple of things we assume some level of modest acquisition in that revenue target. If anything I would say the level of acquisition has been even lower than we thought it was going to be. The organic performance, though, is very much in line with what we were expecting.

There are puts and takes, we were hoping to do a little bit better on the transaction side with F&R. But on the other hand we’ve done better than we expected in other areas which is always what you would expect in business. So I would say overall not much change maybe other than the fact that as I said our acquisition volume has been a little less even than we thought as we have really as the organization has really taken to heart that call to arms that Jim said to focus on driving organic growth through innovation and investments behind the highest growth opportunities and also importantly driving scale by taking away the complexity that had been accumulated over years of acquisition activity.

Jim Smith - Thomson Reuters Corporation - President & CEO

Yes I’m just a little bit of qualitative way to answer that as well. I think we have incredible visibility into what we need to do on the cost side to deliver and I think we have plans in place. And if we have to squeeze harder that’s capable -- that’s possible as well but that’s not what we’re planning on.

We think if we execute as we have planned we will get there and if anything we’re more encouraged about what we see on the revenue line long-term. I desperately do not want to be in a position where we drive to some number we’ve given you and hit that finish line out of gas. I’ve spent most of this year focused on the top line.

I will continue to spend most of this year focused on the top line. When I look at our growth prospects I’m a very encouraged by what I see particularly on the underlying trends. As Stephane says transactional stuff will come and go.

Currency can come and go but if we can keep those subscription revenues flowing and we can capitalize on some of the opportunities we’re seeing around Risk & Compliance, around KYC, around the new Org ID product that we’re getting a lot of traction on around Global Tax Solutions I think there’s a really good opportunity for us on the revenue line as well. And so we’re trying to manage both lines for the future.

Frank Golden - Thomson Reuters Corporation - SVP IR

So that will be our final question. And we very much appreciate you joining us for this call today and we’ll speak to you again in February. Thanks.

Operator

Ladies and gentlemen, this conference will be available for replay after 10:30 a.m. today through October 30 at midnight. You may access the AT&T executive replay system at any time by dialing 800-475-6701 and entering the access code 370123. International participants can dial 320-365-3844 and those numbers again are 1-800-475-6701 and 320-365-3844 and the access code is 370123.

That does conclude our conference today. We’d like to thank you for your participation and for using AT&T teleconference. You may now disconnect.