

Thomson Reuters Reports First-Quarter 2010 Results

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[Financial Tables](#)

[Q1 2010 Reconciliations](#)

- Positive net sales momentum continues into first quarter
- First-quarter ongoing revenues up 1%, down 2% before currency
- Professional division revenues up 2%, 1% before currency; Markets division revenues flat, down 4% before currency
- Underlying operating profit of \$555 million, down 6%
- Adjusted EPS \$0.36 vs. \$0.40 in prior-year period
- Integration programs and new product releases delivering results

NEW YORK, NY - 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, 2010. Despite the flow-through effect of weak 2009 net sales, the company reported ongoing revenues of \$3.1 billion, underlying operating profit of \$555 million, underlying profit margin of 17.7% and underlying free cash flow of \$107 million.

"The tentative recovery in our net sales that we began to see in the second half of 2009 has firmed and accelerated in the first quarter of 2010. We continue to expect that we will see revenue growth return in the second half of this year," said Thomas H. Glocer, chief executive officer of Thomson Reuters.

"These improving market trends, coupled with our ongoing investment in new products and scalable infrastructure, position us very well for revenue, operating profit margin and cash flow growth in 2011 and beyond. In particular, the launch of WestlawNext in Legal in the first quarter, the launch of our Elektron data distribution service in Enterprise in the second quarter, and the scheduled launches in the second half of the year of our Eikon desktop in Markets and our new ONESOURCE global tax workstation in Tax & Accounting, equip our sales forces with new flagship offerings to sell into a rising economy."

Consolidated Financial Highlights

	Three Months Ended March 31, (Millions of U.S. dollars, except EPS and Profit Margin)		
IFRS Financial Measures	2010	2009	Change
Revenues	\$3,140	\$3,131	0%
Operating profit	\$321	\$376	-15%
Diluted earnings per share (EPS)	\$0.15	\$0.23	-35%
Cash flow from operations	\$209	\$251	-17%
Non-IFRS Financial Measures*	2010	2009	Change Before Currency
Revenues from ongoing businesses	\$3,139	\$3,119	1% -2%
Underlying operating profit	\$555	\$590	-6%
Underlying operating profit margin	17.7%	18.9%	-120bp
Adjusted earnings per share (EPS)	\$0.36	\$0.40	-10%
Underlying free cash flow	\$107	\$142	-25%

*These and other non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measure in the tables appended to this news release. Additional information is provided in the explanatory note at the end of this news release.

- Revenues from ongoing businesses were \$3.1 billion, an increase of 1% after currency and a decrease of 2% before currency. Good growth in Healthcare & Science, Tax & Accounting, Enterprise and Legal's subscription business was offset by expected softness in print and a decline in Sales & Trading and Investment & Advisory revenues due to flow-through from prior-year negative net sales.
- Underlying operating profit declined 6%, attributable to flow-through from lower revenues, product mix and previously-announced investments.
- Adjusted EPS was \$0.36 compared to \$0.40 in the prior-year period and included integration-related costs of \$0.10 per share (\$0.09 in the first quarter of 2009), which are included in adjusted earnings but excluded from underlying operating profit.
- Underlying free cash flow was \$107 million in what is traditionally the company's weakest quarter.
- Integration and legacy savings programs continue to progress well, achieving run-rate savings of \$1.2 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. All revenue growth and operating profit comparisons are based upon results from ongoing businesses and exclude the results of disposals.

Professional Division

Three Months Ended March 31,
(Millions of U.S. dollars, except EPS and Profit Margin)

	2010	2009	Change	Change Before Currency
Revenues				
Legal	\$825	\$832	-1%	-3%
Tax & Accounting	\$262	\$245	7%	6%
Healthcare & Science	<u>\$208</u>	<u>\$189</u>	10%	9%
Professional Division Total	\$1,295	\$1,266	2%	1%

Operating Profit

Legal	\$210	\$241	-13%
Tax & Accounting	\$35	\$41	-15%
Healthcare & Science	<u>\$44</u>	<u>\$31</u>	42%
Professional Division Total	\$289	\$313	-8%

Operating Profit Margin %

Legal	25.5%	29.0%
Tax & Accounting	13.4%	16.7%
Healthcare & Science	<u>21.2%</u>	<u>16.4%</u>
Professional Division Total	22.3%	24.7%

- First-quarter revenues rose 1%. Healthcare & Science, Tax & Accounting and subscription Legal products combined for 5% growth, but were offset by declines in print and non-subscription products.
- First-quarter operating profit declined 8%, as anticipated, primarily due to the impact of revenue flow-through in Legal, revenue mix and continued investment in the business.

Legal

- First-quarter revenues declined 3%. Subscription-based products grew 3%, led by 15% growth in FindLaw. Non-subscription revenues declined 8% and print products declined 17% due to tightened customer budgets and timing benefits

in the first half of 2009.

- First-quarter operating profit declined 13% and the associated margin was 25.5%. Lower revenues, particularly from high-margin print and non-subscription products, more than offset efficiency savings.
- WestlawNext launched on February 1, 2010 and has strengthened the company's competitive position with its clean, modern interface and powerful search functionality. With approximately 2,300 WestlawNext customers to date, the product is well ahead of initial expectations and customer feedback has been extremely positive.

Tax & Accounting

- First-quarter revenues grew 6%. Workflow & Software Solutions, which comprised two-thirds of the segment's revenues, grew 10%, led by income tax products and growth in the global tax businesses. Business Compliance & Knowledge Solutions declined 3% as Checkpoint's growth of 6% was offset by a 12% decline in print, which comprised 9% of the segment's revenues.
- First-quarter operating profit declined 15% and the related margin fell to 13.4%. The anticipated declines were largely attributable to the dilutive impact of 2009 acquisitions. Tax & Accounting is a seasonal business with nearly 50% of its operating profit traditionally generated in the fourth quarter.

Healthcare & Science

- First-quarter revenues grew 9%. Growth was driven by continued demand for healthcare spending analytics in Payer (up 10%), and outright sales and an acquisition in Scientific & Scholarly Research (up 13%).
- First-quarter operating profit increased 42% versus 2009, and the corresponding margin was up almost 500 basis points to 21.2%. These increases were attributable to flow-through from revenue growth, continued focus on expense management and one-time technology costs in the prior-year period.

Markets Division

	Three Months Ended March 31, (Millions of U.S. dollars, except profit margin)			
	2010	2009	Change	Change Before Currency
Revenues				
Sales & Trading	\$891	\$913	-2%	-7%
Investment & Advisory	\$560	\$566	-1%	-4%
Enterprise	\$315	\$294	7%	3%
Media	<u>\$80</u>	<u>\$81</u>	-1%	-5%
Markets Division Total	\$1,846	\$1,854	0%	-4%
 Operating Profit	 \$323	 \$337	 -4%	
Operating Profit Margin %	17.5%	18.2%		

- First-quarter revenues declined 4%, attributable to flow-through from weak 2009 net sales.
- By geography, Asia was flat, while Europe, Middle East and Africa (EMEA) and the Americas declined 4% and 7%, respectively.
- By market, growth in Commodities & Energy, Investment Banking and Enterprise was more than offset by declines in Fixed Income, Exchange Traded Instruments and Investment Management.
- Sequential quarterly revenues from recurring subscriptions, transactions and recoveries were each up 2% in the first quarter of 2010 compared to the fourth quarter of 2009.
- First-quarter operating profit declined 4% with the related margin declining, as expected, to 17.5%. The margin decline was attributable to the impact of lower revenues.

Sales & Trading

- First-quarter revenues decreased 7%. The decline was due to continued pressure on recoveries revenues and desktop reductions in the Exchange Traded Instruments and Fixed Income segments.

- The Commodities & Energy sector benefitted from increased investment and a resilient market, growing 4% in the quarter. Treasury was down 3% despite a 4% increase in foreign exchange transaction revenues.

Investment & Advisory

- First-quarter revenues declined 4%. The Investment Banking business grew 6% benefiting from improving market conditions and strong sales of ThomsonONE.com as well as certain timing effects. Corporates grew 6%, driven primarily by recent acquisitions.
- Investment Management revenues declined 9% in the first quarter as weak net sales in the first half of 2009 flowed through to reported results. Revenues were stable in the first quarter of 2010 versus the fourth quarter of 2009.
- Wealth Management revenues declined as a result of the retirement of legacy desktop products (including ReutersPlus and ILX) as well as mergers among clients.

Enterprise

- First-quarter revenues increased 3% against a difficult year-ago comparable period when revenues grew 11%. Recurring revenues increased 5%, but overall growth was dampened by a decline in outright and transactions revenues.
- Information Management Systems revenues (15% of total Enterprise revenues) increased 14%. Enterprise Information revenues (60% of total Enterprise revenues) rose 4% driven by continued strong demand for pricing and related data. Risk Management revenues were flat in the quarter.
- Enterprise continues to benefit from the shift in demand from desktop to machine-based trading.

Media

- First-quarter revenues declined 5% driven by weakness in the Agency business which continues to be impacted by tightened customer budgets. The Consumer business transitioned to growth in the quarter.

Corporate & Other

First-quarter corporate costs were \$163 million compared to \$149 million in the prior-year period. The increase was primarily related to integration program costs of \$97 million, up \$9 million, and fair-value currency-related adjustments (non-cash) of \$9 million, which were up \$8 million. Core corporate costs were \$57 million, down \$3 million.

Integration Programs

Thomson Reuters achieved combined run-rate savings of \$1.2 billion at the end of the first quarter of 2010 from the Reuters integration and legacy savings programs. An incremental \$125 million increase in run-rate savings was attributable to content consolidation and organizational realignment in the Markets division and leveraging of the Thomson Reuters global footprint by the Professional division. Integration-related costs in the quarter totaled \$97 million.

Recent Developments

In March 2010, Thomson Reuters issued \$500 million principal amount of 5.85% notes due 2040. The company used the net proceeds from this offering (together with available cash resources) to redeem all of its outstanding \$700 million principal amount of 6.20% notes due 2012. As a result of these transactions, the company extended the average maturity for its long-term debt to approximately eight years.

Business Outlook (Before Currency)

Thomson Reuters today reaffirmed its business outlook for 2010 that was previously communicated in February.

Based on the current environment in the markets that the company serves, Thomson Reuters expects its revenues to be flat to slightly down in 2010 due to the impact of negative net sales in 2009. The company expects net sales to strengthen throughout 2010.

The company expects its underlying operating profit margin to be comparable to 2009 before investments in the major new

products and platforms launching this year. These investments are expected to have an impact of approximately 100 basis points.

The company's plan to continue its aggressive investment focus to drive growth and capture efficiencies is likely to result in 2010 underlying free cash flow being slightly down on the prior year.

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

As previously announced, Thomson Reuters increased its 2010 dividend by \$0.04 per share, resulting in a quarterly dividend of \$0.29 per share and an annualized dividend of \$1.16 per share. Thomson Reuters will pay a quarterly dividend on June 15, 2010 to shareholders of record as of May 20, 2010.

Annual Renewal of Share Repurchase Facility

Thomson Reuters today announced that it has received approval from the Toronto Stock Exchange (TSX) to renew its annual Normal Course Issuer Bid (NCIB) share repurchase facility for an additional 12-month period. Under the NCIB, up to 15 million common shares (representing less than 2% of the total outstanding shares) may be repurchased in open market transactions on the TSX or the New York Stock Exchange between May 13, 2010 and May 12, 2011. On April 30, 2010, there were 831,123,337 Thomson Reuters shares outstanding. In accordance with TSX rules, any daily repurchases would be limited to a maximum of 258,267 shares, which represents 25% of the average daily trading volume on the TSX for the six months ended April 30, 2010. Although Thomson Reuters has not repurchased any shares since 2008, it may buy back shares (and subsequently cancel them) from time to time as part of its capital management strategy.

Thomson Reuters

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Thomson Reuters will webcast a discussion of its first-quarter 2010 results today beginning at 8:30 a.m. U.S. Eastern Daylight Time (EDT). You can access the webcast by visiting www.thomsonreuters.com and clicking on "Investor Relations" at the top of the page and then "Thomson Reuters Reports First-Quarter 2010 Results" on the right side of the page. An archive of the webcast will be available in the "Investor Relations" section of the Thomson Reuters website.

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 "Integration Programs" and "Business Outlook (Before Currency)" sections and Mr. Glocer'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 2010. 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 material assumptions underlying the company's 2010 business outlook are based on various external and internal assumptions. Economic and market assumptions include, but are not limited to, positive global GDP growth 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, the successful execution of the company's new product release programs, globalization strategy, other growth initiatives and efficiency programs, including the integration program.

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; increased accessibility to free or relatively inexpensive information sources; failure to develop new products, services, applications and functionalities to meet customers' needs, attract new customers or expand into new geographic markets; failure to maintain a high renewal rate for subscription-based services; failures or disruptions of network systems or the Internet; detrimental reliance on third parties for information and other services; changes to legislation and regulations; failure to meet the challenges involved in operating globally; failure to protect the reputation of Thomson Reuters; impairment of goodwill and identifiable intangible assets; inadequate protection of intellectual property rights; threat of legal actions and claims; downgrading of credit ratings and adverse conditions in the credit markets; fluctuations in foreign currency exchange and interest rates; failure to recruit and retain high quality management and key employees; 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; failure to fully derive anticipated benefits from future or existing acquisitions, joint ventures, investments or dispositions; and failure to achieve benefits from integration programs to the extent, or within the time period, currently expected. 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.

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