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EDITED TRANSCRIPT

TRI.TO - Q4 2012 Thomson Reuters Corp Earnings Conference Call

EVENT DATE/TIME: FEBRUARY 13, 2013 / 1:30PM GMT

OVERVIEW:

TRI announced 2012 revenues of $12.9b and adjusted 2012 EPS of $2.12. Adjusted 4Q12 EPS came in at $0.60.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Thomson Reuters fourth-quarter and full-year 2012 results. During today's conference, all participants will be in a listen-only mode. Later, we will conduct a question-and-answer session with instructions being given at that time. (Operator Instructions). As a reminder, today's conference is being recorded. I would now like to turn the conference over to our host, Frank Golden, Senior Vice President, Investor Relations. Please go ahead, sir.

Frank Golden - *Thomson Reuters - SVP, IR*

Good morning and thank you for joining us as we report our full-year and fourth-quarter 2012 results. We will begin today with our CEO, Jim Smith, followed by our CFO, Stephane Bello. Following their presentations, we will open the call for questions. We would appreciate it if you would limit yourselves to one question each in order to enable us to get to as many questions as possible.

Now, 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. In addition, in order to present our results on a like-for-like basis with how we have been measuring the Company against the full-year 2012 outlook we provided last February, today's results include Financial & Risk's Corporate Service business, the disposal of which is expected to take place in the second quarter and several smaller businesses. In 2012, these businesses generated $310 million of revenue, $125 million of EBITDA and $119 million of operating profit. Our website includes detailed restatements of our 2012 results, excluding these businesses, and our 2013 outlook is based on the restated 2012 results.

Now, 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. Let me now turn it over to the CEO of Thomson Reuters, Jim Smith.

Jim Smith - *Thomson Reuters - President & CEO*

Thanks, Frank and thanks to those of you on the call for joining us. Today, I want to cover three topics. First, I will begin with a review of the full-year results; then I would like to update you on the progress we have made over the past year against the priorities and strategy I outlined one year ago on my first call as CEO. And lastly, I will provide you with our outlook for 2013. I will then turn it over to Stephane who will review our results for the fourth quarter.

But first, let me review our full-year 2012 results. 2012 was a watershed year for us. First and foremost, we achieved our targets for the full year for revenue, profit and free cash flow. And while our net sales were lower than anticipated, I am nevertheless proud of this performance.

I stated in my opening remarks on last year's fourth-quarter call that if anything has been reaffirmed, it is just how strong this business really is. But 2012 will best be known as the year we turned the tide on our Financial & Risk business. More on that later, but we made foundational progress that will pay off in the years to come.

The transformation of that business is well underway. Our Professional businesses continued to deliver solid results with revenues up 6%, 2% organic. The net result, both the Professional and Financial businesses recorded improving customer satisfaction ratings and improving retention rates for the year, two key performance indicators essential for our long-term success.

Now, let's look at the full-year results. 2012 revenues grew 3%, driven primarily by our Professional businesses -- Legal, Tax & Accounting, IP & Science. The Financial & Risk business grew 1%. EBITDA margin rose 100 basis points, primarily due to the elimination of integration expenses, which had been incurred in the prior year. Operating profit margin declined, primarily due to higher depreciation and amortization and the dilutive impact of acquisitions. Our relentless focus on free cash flow led to growth of 8% with ongoing free cash flow of 20%, two key metrics for us. Finally, adjusted earnings per share rose 8% to $2.12 from $1.96 last year. Currency had a negative impact on EPS of $0.04.

Now, as I said, 2012 was a watershed year despite an economic environment that proved to be even more challenging than we had anticipated and numerous operational issues needing repair. We made more fundamental progress than any year I can recall at the Company. The key priorities listed on this slide are the ones I discussed with you a year ago. It is against these priorities that I measure our progress. We are executing against each of them.

First, we have begun to restart the growth engine in Financial & Risk. In past years, we were playing not to lose. In 2013, we are playing to win. And we have a robust product pipeline. We have improved product quality and customer service. Customer satisfaction ratings and retention rates are improving and we executed on the development and rollout of our foundational future platforms, Eikon and Elektron. In fact, Eikon 3.0 was released last month to very favorable reviews and continues to build momentum now with over 40,000 customers. That is up from 34,000 at December 31 and 12,000 at the end of 2011.

Turning to net sales, I think it is now safe to say that the fourth quarter of 2011 marked the trough in our net sales performance. And while 2012 was far more difficult than we anticipated, net sales did show improving momentum throughout the year. This year, we expect net sales to continue this gradual improvement and turn positive in the second half given the rollout of Eikon and Elektron.

Second, we continue to shift our investment toward our highest growth opportunities -- the acquisition of MarkMonitor, FXall and PLC. Each represents fast-growing businesses that further strengthen our position in key core markets.

Third, we continue to exploit our strengths, particularly at the intersection of regulation and finance. This is one of our fastest-growing areas, evidenced by the 17% organic growth turned in by our Governance, Risk & Compliance business last year. We have a unique opportunity to significantly expand our position in this growing market and we are investing behind it.

And fourth, we continue to accelerate development of our business in fast-growing geographies. Our Global Growth & Operations unit grew almost 20% last year, 10% organic. And it is perfectly positioned to build on that foundation. Just getting better in our core markets will not be sufficient if the majority of global growth happens elsewhere. We are working to expand our position accordingly.

Last year, our Professional businesses grew 6%, another good performance, with Legal up 3%, Tax & Accounting up 16% and IP & Science up 6%. Legal's performance continues to be resilient with 60% of that business up 6% despite continued softness in law firm revenues. Just as impressively, we have successfully maintained profitability. This has been accomplished by balancing profit protection in core Legal with the need to invest in faster-growing markets and in organic new products, like Concourse and Firm Central launched last month.

As I have said before, our Legal business continues to evolve from a content company that also provides some software and services into a true solutions business as we more fully integrate our core Legal information with software and workflow tools. In short, our Legal business is providing customers a smarter way to work by producing unrivaled products that blend content, expertise and technology.

Tax & Accounting had another strong year, growing 16%, 5% organic. In fact, 95% of that business grew 7% organically if we exclude the government portion, which is far more lumpy than our traditional professional and corporate markets. Government was the only unit within Tax & Accounting that saw organic revenues decline as a number of contracts were delayed into the coming year.

IP & Science revenues grew 6% with good growth coming across the business, including IP Solutions, Scientific & Scholarly Research, and Life Sciences. This was driven by strong subscription growth, up 9%, partly offset by a decline in transactional revenues, down 4%.

Now to the Financial & Risk business. 2012 was a year of accomplishment in setting the stage for growth. F&R revenues were up 1% with organic revenues down 1% due to the flow-through from negative net sales and the lagging subscription nature of our business. Certainly we are not where we want to be, but our relative performance in a challenging environment is a testament to the fundamental measurable progress we are making. We have begun to deliver the transformation we promised. And we expect to achieve positive net sales in the second half of this year.

Organizationally, we are transforming. The leadership team, put in place 15 months ago, has made great strides in changing the culture of the organization. Clear lines of responsibility, accountability and quantifiable performance measures and metrics are in place. Operationally, we are focused on simplification and we are making it easier to do business with us. We have aligned our sales and support operations, consolidated business sectors, simplified our commercial policies and our billing systems, moving over 40 systems onto one as an example. And we are rationalizing our product lineup, shutting down 100 legacy products last year. And the vast majority of Reuters 3000 Xtra desktops will be fully retired by year-end.

These moves allow us to eliminate legacy technology platforms like the bridge network, that will also be retired by year-end and importantly, the Eikon/Elektron foundation will allow us to reset our cost base. Technologically, we are simplifying the front and back end. Not only does this help our cost profile, it also allows us to roll out new product releases much faster. Eikon installs averaged 200 per week early in the year and averaged 2000 per week in December. That is a big reason why the 34,000 Eikon customers at year-end were up nearly 3 times where we entered the year. And earlier this month, we launched Eikon 3.0, the most advanced version yet, which has been very well-received by customers.

And lastly, financially, there is far more rigor, transparency and discipline in the financial business than there was a year ago. This gives us a much better understanding of the cost structure across the business and the levers we can pull to improve profitability. In fact, we will reduce the number of positions in F&R by about 2500 by the end of this year and we expect to spend about $100 million for severance costs, predominately in F&R, in the first quarter. This will enable us to hold EBITDA margin in 2013, including the one-time cost of the program. And it positions us for far greater improvement in 2014. These are not easy decisions, but our cost structure has to meet our customers' requirements.

Now let's turn to the year ahead. We are entering 2013 with far more confidence and a much stronger foundation than we had a year ago. The internal perspective, it is like night and day. We are in a different place. The external environment continues to be challenging, but it feels more stable than a year ago. I said last year that our journey would entail a multi-quarter turnaround. Well, we are halfway through that process.

Financial & Risk's focused strategy is enabling it to better meet its customer needs through a much better aligned, single, open platform strategy to reduce its cost structure and fund the improvements to Eikon and Elektron and to continue to win in our core businesses like Foreign Exchange, Commodities & Energy, Fixed Income, Enterprise Content and Governance, Risk & Compliance, as well as in emerging geographies. That is why I am confident that sharper focus, improved products and better execution will lead to continuing improvement in customer satisfaction ratings, higher retention rates and gradually improving net sales in 2013.

Moreover, gradually improving sales in 2013 will lead to better revenue dynamics in 2014 when the bottom line will also benefit as we continue to shut our legacy systems. Now, several times, you have heard me use the phrase we will cut our coat according to our cloth as we (inaudible) to balance our focus on growth with the imperative of maximizing free cash flow and profitability. We entered 2013 having done just that. Despite the one-time costs of rightsizing in Q1, we are targeting to hold EBITDA margin and free cash flow for the year. And I am confident that these actions position us to achieve more attractive improvement in profits, earnings and free cash flow in 2014.

Now, for our 2013 outlook. First, we forecast our revenues will grow low single digit for the Company as a whole with reported growth hampered by the lagging subscription nature of our business. That means last year's negative net sales in Financial & Risk will flow into the revenue line this year.

Second, adjusted EBITDA margin is expected to range between 26% and 27%. We are targeting to hold it flat for 2012. Third, our underlying operating margin is forecasted to range between 16.5% and 17.5% as our depreciation and amortization expense is expected to be about 9.5% of revenues. Stephane will have more to share on this in a moment.

Fourth, we forecast free cash flow to range between $1.7 billion and $1.8 billion despite the $100 million severance charge and the loss of about $140 million in free cash flow from disposed businesses in 2012. Lastly, given our strong capital position and our confidence in the cash generating capacity of the Company, this morning, we announced the dividend increase of $0.02 per share to $1.30 per share. This marks the 20th consecutive annual increase.

Before I turn it over to Stephane, let me point out we have scheduled an Investor Day on March 22 in Toronto that will focus exclusively on F&R and we will highlight the progress we have been making there. I hope to see many of you at that event. Thank you and now over to Stephane to discuss the fourth-quarter results.

Stephane Bello - *Thomson Reuters - CFO*

Thank you, Jim and it is a pleasure to speak with all of you today. Last year, I began by setting out the priorities of how I would lead the finance organization. What I said at the time is just as true today. It is imperative that the finance organization provide the leadership, control and transparency to support our businesses on the front line every day.

We made good progress in 2012 executing against these priorities, but there is obviously still more to do. Simplification is a key focus and includes simplification around processes, products, systems and even businesses. Jim spoke earlier about some of the accomplishments made last year by our financial business. The progress we have made both [is a result] to simplifying our product platforms, as well as our back-office systems, including moving the majority of F&R on one order to cash system.

We are driving a similar certification effort across the Professional businesses. For instance, Legal has been rolling out a more simple and transparent pricing structure for its core research product and we've also launched an initiative aimed at consolidating over 240 different order to cash systems across Professional into one single system by 2016. We launched this initiative last year in our IP & Science business and we expect to implement additional deployments in other businesses this year. These are just some examples of the simplification initiatives we are pushing throughout the organization.

Today, there is also greater transparency into the financial business. About 75% of its costs are now controllable and visible to the segment managers who have the authority and accountability to make the day-to-day decisions required to help drive F&R forward. Collaboration has also improved. Where we see opportunities, we are more effectively leveraging assets across the Company to drive growth. This is best reflected in the success of our Global Growth organization. Working closely with each of our four business segments, it grew 19%, 10% organic last year.

Restoring our growth engine in F&R has been our number one priority. We have made tangible progress by driving a more focused organic and inorganic capital allocation process. As Jim mentioned, we are encouraged by the positive momentum we are seeing, but F&R's revenue growth performance in 2013 will be lower than in 2012 due to the lagging impact of our net sales performance. For 2013, we expect better net sales than in 2012, which would lead to an improving growth performance in 2014.

And lastly, today, we reported ongoing free cash flow growth of 20% and reported free cash flow growth of 8%. This performance is a direct result of our heightened focus on what we consider to be the most important metric to measure the financial success of our strategy.

Now, as Frank indicated earlier, and we speak to revenue growth before currency throughout today's presentations. Reported revenues are also highlighted on each slide. In addition, for comparability purposes with our previously reported results throughout 2012, today's results include the Corporate Services business in F&R and several small businesses, which we have sold or are in the process of divesting. This makes sense from a 2012 reporting perspective given that these businesses were included in the guidance we provided one year ago and also because we managed these businesses throughout last year.

However, these businesses are excluded from our 2013 guidance and at the end of my presentation, I will provide a walk from our 2012 reported results to the 2012 restated results, which excludes the disposals and also reflect a couple of accounting changes we must adopt under IFRS.

So turning back to our fourth-quarter results, revenues were up 2% due to acquisitions. Organic revenues were unchanged from the prior period. EBITDA was up 11% with the margin of 28.2%, representing an increase of 240 basis points. The margin improvement was primarily driven by the benefit of lower integration expenses and severance costs that incurred in 2011.

Underlying operating profit increased 2% and the margin was 19.6%, up slightly. For the full year, revenues rose 3% to $12.9 billion due largely to acquisitions. Organic growth was flat. Full-year EBITDA increased 5% with the margin up 100 basis points driven by the same factors which impacted the fourth quarter's performance. Underlying operating profit declined by 5% with a decline of 130 basis points in margin.

Now a new metric I would like to speak about is EBITDA less CapEx, or as we refer to it internally, cash OI. This is a key metric we use to drive additional focus internally on the capital intensity of our business. Starting in 2012, cash OI, along with revenue growth and free cash flow were the three metrics used in our annual bonus plan across the Company. And last year, cash OI was up 7% and the related margin rose 110 basis points versus the prior year.

We like cash OI because it treats both OpEx and CapEx investments equally. Any cash investment hits this metric immediately whether you capitalize or expense the investment. So the increase of 7% in our 2012 cash OI related to the 5% EBITDA growth is a reflection of lower CapEx spend last year, which was exactly what we were hoping to achieve with this new metric.

Let me now spend a moment on another way to view revenue across the Company. As you can see on this next slide, over 75% of our business segments delivered positive revenue growth last year. The five segments which experienced declining revenues were all in the Financial business. Equities and Investment Management experienced the biggest declines. These are also the sectors for which we are introducing more functionality with Eikon in 2013. We did so in the first quarter for Equities and Investment Management will be upgraded later in the year.

Finally, we will exit our Corporate Service segment in the first half with the sale of that business to NASDAQ. And if we aggregate the green portions of the pie for the F&R business, they represent about 60% of F&R's total revenues and grew 6% last year. The Professional businesses grew 6% and actually they were up 8% if we exclude US print, which is a good performance overall.

Now, let me review the fourth-quarter results for our individual business segments starting with Legal. Now, as we discussed in prior earnings calls, growth in the US Legal research market continues to face headwinds; yet, we continue to deliver strong performance in areas away from core legal research. We have now converted 76% of our annual contract value to WestlawNext and close to 47,000 legal professionals are now WestlawNext customers.

During the fourth quarter, Legal's overall revenues were up 2%, 1% on an organic basis. The US print revenues, which represent about $600 million in annual sales, were down 5%. So excluding US print revenues, Legal revenues grew 4% in the fourth quarter, 3% organic. For the full year, Legal revenues were up 3%, of which 1% was organic and again, excluding US print, revenue for Legal grew by 5%, 3% organic in 2012.

EBITDA and operating profit increased for the fourth quarter and for the full year with margins expanding slightly for both periods. Our Legal business continues to prudently manage its cost base in core legal research as margins for the other faster-growing businesses continue to improve as they gain scale.

Let me provide a bit more color on this. Out of Legal's total revenue base of $3.3 billion, 40%, or about $1.4 billion, consist of core legal research sold to US law firms. For perspective, that percentage was closer to 50% back in 2008. The remaining 60% of Legal's revenues grew 6% both for the fourth quarter and for the full year, which reflects the success we have had in diversifying the business over the past four years by investing in faster-growing geographies and higher-growing adjacent markets.

US Law Firm Solutions, which is our largest subsegment at 54% of the total, increased by 1% for the full year, driven by a 12% growth in Business of Law Services, offset by a decline in resource-related revenues, up 2%. In Corporate, Government & Academic, revenues were up 3% for the full year, 2% organic. This was driven primarily by the strong performance of our legal process outsourcing business.

And finally, our global Legal revenues grew 8% for the full year, of which 5% was organic and this was once again driven by a very strong growth performance in Latin America, which was up 18% in 2012.

Now, on the prior slide, I spoke about how we have been diversifying our Legal business over the past four years from what used to be a very research-centric business towards what we refer to as a true solution business in which our legal content is enhanced through broader software and service offerings. This strategy rested on a deliberate capital allocation process, which saw a fairly significant shift over the last few years and this slide speaks to that point.

Our US core legal research business sold to US law firms, including both online and print, represented 49% of Legal's total revenue base back in 2008. The other 51% of our revenue base back then included businesses such as FindLaw, Elite, our corporate and government business, as well as our global businesses outside of the US. These businesses in aggregate grew by 7% per year on average over the last four years, both through acquisitions and fast organic growth. As a result, these other businesses went from representing 51% of our revenue base in 2008 to representing a forecasted amount of 61% in 2013. And we expect that shift to continue over the coming years.

I mentioned at the start of this year we began allocating capital to these higher growth sectors four years ago. As you can see on this slide, the proportion of our capital investments going towards these higher growth segments has increased dramatically from 39% in '08 to a forecasted 62% in 2013. Importantly, our Legal segment has been able to achieve a higher level of investment in its growth businesses while at the same time reducing total CapEx as a percentage of revenue from 7.6% in '08 to about 7.2% this year.

Our early focus on WestlawNext kept us at the forefront of legal research innovation and success now enables us to deploy more capital to the promising growth areas that have been and will continue to drive growth over the next five years.

The product of these investments is starting to show up as we introduce new, software-based products this year, including Concourse and Firm Central, a new generation of powerful matter-centric workflow tools. We have applied an even bigger focus on growth sectors in our acquisition spending. Legal completed over 50 acquisitions over the last four years, including PLC, which just closed.

Of the amount we spent on these acquisitions, 97% has been in high-growth segments, 52% in growth sectors and 45% targeted towards international expansion. We are confident that continuing to focus our investment in these areas will enable us to meet and anticipate our customers' needs as we continue to build on our century-long legacy of innovation by connecting our unrivaled legal information with new software and service solutions in a thoroughly new way.

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Let me now turn to the results of our Tax & Accounting business. For the quarter, revenues grew 4%, but organic growth was only 1%, unusually low for this business. This is explained by the fact that a strong underlying performance by 95% of the business was marred by a lumpy government contract revenue flow and a difficult period-on-period comparison.

Government revenues, which represent about 5% of Tax & Accounting revenues, declined over 50% during the fourth quarter versus the year-ago period. The remaining 95% of the Tax & Accounting business grew 6% organically in the quarter. This lower-than-expected growth was nearly entirely due to the slowing of government-related contracts and the signing of a large government software sale in Q4 last year that did not recur this year.

Let's look at this more closely on the next slide. For the full year, revenues grew 16%, 5% organic. And full-year organic revenue growth was 7% excluding government and speaks to the growing global Tax & Accounting market and the demand for our products. On this slide, you can see how well each of the other segments performed for the year. Corporate revenues were up 18%, 10% organic. Professional grew 18% with organic growth of 8% and Knowledge Solutions was up 9% with organic growth of 4%. On the other hand, government organic revenues were down 29% in 2012.

Now turning back to the reported numbers. In the fourth quarter, EBITDA declined by 4% and EBITDA margin was 37.3%, a 260 basis point decline. Excluding government, EBITDA grew 9%. Fourth-quarter operating profit decreased 6% and the operating margin declined by 300 basis points. Excluding government, that margin increased 30 basis points.

Full-year EBITDA growth was 13% as margin declined 40 basis points. If you exclude government, EBITDA growth was close to 20%, which would have translated into an EBITDA margin improvement of more than 100 basis points for the full year, a strong performance. Full-year operating profit increased 10% and the margin declined 100 basis points and once again, excluding government, the margin would have increased by 100 basis points. The long-term prospects for our government tax automation business remained positive, so we are not changing our long-term strategy in that space just because of planning issues in any given period.

Now turning to IP & Science, revenues grew 12% in the fourth quarter with organic growth of 3%. Growth was driven by our Scientific & Scholarly Research business, which was up 7% organically and by our Life Science business, which was up 6%, all organic. Revenues in our IP Solutions business were up 20% primarily driven by the MarkMonitor acquisition. Organic revenues were flat for the quarter, primarily due to weak transaction revenues in our trademark business.

For the full year, IP & Science revenues grew 6%, of which 3% was organic. Now, subscription revenue growth was very strong for the year, the transaction revenues were softer than expected and you can clearly see this dynamic on this next slide.

Given the weaker global economy, customers are focused on controlling their discretionary or transaction spend. For IP & Science, full-year 2012 transactional revenues represented about 25% of the total and these revenues declined by 4%. On the other hand, subscription revenues, which represented about three-quarters of the total, continued to perform well, growing 9%, of which 5% was organic and in fact, organic revenue growth for IP & Science subscription revenues has been in the mid-single digits for the last six quarters.

IP & Science's EBITDA and operating profit both increased for the fourth quarter. However, EBITDA and operating margins declined due to the dilutive impact of the MarkMonitor acquisition. And for the full year, EBITDA grew by 2% with an 80 basis points decline in margin while operating profit declined by 1% with a 150 basis point decline in margin.

Let me remind you that we had previously said that the MarkMonitor acquisition would have diluted impact on EBITDA margins in 2012 and 2013, but is expected to become accretive in 2014.

Turning to Finance & Risk, the fourth-quarter revenues were up 1% with 2% coming from acquisitions. As such, organic revenues declined by 1% during the quarter. Recurring revenues, which represent about 75% of F&R's revenue base, were down 1% as the benefit of this year's price increase was offset by the impact of negative net sales over the course of the year.

Recoveries were flat and outright revenues, which together accounted for 13% of total revenues, were up 9% led by our GRC business. Finally, transactions revenues, which represented 12% of the total, were up 12% due to acquisitions of FXall and Rafferty. Organic transaction revenues declined by 1% reflecting lower market volumes versus last year.

Fourth-quarter EBITDA and operating profit both increased as F&R benefited from tighter cost controls and lower reorganization costs that were incurred in the prior-year period. EBITDA margin and operating profit margin expanded 150 basis points and 70 basis points respectively.

For the full year, revenues also grew 1% with 2% from acquisitions and a 1% decline in organic revenues. EBITDA was down 7% with the margin declining 140 basis points and the operating profit was down 13% with the margin down 220 basis points due to the decline in organic revenue and a $50 million increase in depreciation and amortization versus the prior-year period resulting from new product launches.

Now, I will briefly review the results for the individual segments within our Financial business. Trading's fourth-quarter revenues declined 3% as Commodities & Energy and Data Feeds and Elektron Managed Services businesses were all up. However, this was offset by desktop cancellation in Equities and Fixed Income and lower revenues in (inaudible) related to lower transaction volume.

Investors' revenues were flat for the quarter. Enterprise Content and Wealth Management revenues were up 9% and 5% respectively. Banking & Advisory was flat and Corporate Services declined 3%.

Lastly, Investment Management revenues declined 7% due to the flow-through from negative net sales. Marketplaces revenues increased 11% driven by acquisitions as organic revenues were flat. And our Governance, Risk & Compliance business continues to perform strongly with organic revenues up 18% in the quarter and 17% for the full year. Demand continues to be strong across the business.

Lastly, a small housekeeping item. In 2013, all of our $1.4 billion of FX-related revenues will be managed and recorded in Marketplaces. Our restated results on our IR website reflect this change of moving about $550 million of revenues from Trading to Marketplaces. Foreign exchange is a strategic priority for us and we have the assets to provide a powerful integrated offering that is a winning end-to-end proposition for the market and our customers.

Now, let me turn back to our consolidated results. Adjusted EPS for the fourth quarter was $0.60 per share, up $0.06 from the prior year, primarily due to the elimination of integration expenses and higher underlying operating profit. These two factors contributed to an $0.08 increase in EPS. This was partially offset by a higher effective tax rate this quarter versus a year ago, 12% compared to 10%.

Our full-year 2012 adjusted EPS was $2.12 per share, up $0.16 versus the prior year, driven again by the elimination of integration expenses incurred in 2011 and offset by lower operating profit. These two factors combined had a positive impact of $0.08 on full-year EPS. And the balance of the full-year (inaudible) increase was primarily due to a lower tax rate and finally, currency had a $0.04 negative impact on full-year EPS.

Free cash flow for the full year increased 8%, in line with our guidance of 5% to 10% growth. And we are particularly pleased to report that free cash flow from ongoing businesses increased by 20% and was at the top end of our guidance of 15% to 20% growth. The year-over-year improvement was primarily attributable to the elimination of integration spending, lower cash taxes and our increased focus on cash OI, as I described earlier.

Let me now turn to 2013. We thought it would be helpful to provide a walk from our 2012 actual results to our 2012 restated results and we will use these restated results as the basis for 2013 outlook.

So moving from left to right on this slide, we first removed disposals. The numbers in that (inaudible) reflect primarily the impact of our Corporate Services business, which we sold to NASDAQ. There are also several small disposals across the business, which make up the balance. In aggregate, these divestitures have an $0.11 per share impact on our 2012 results. For perspective, we expect to generate gross proceeds of about $0.5 billion for these businesses, which we will collect in 2013.

We then have two required IFRS adjustments. The first is the removal of $19 million, or $0.02 per share, related to joint ventures that must now be accounted for as equity investments. This relates principally to our equity interest in Omgeo.

The second adjustment is a non-cash pension accounting change that became effective on January 1. Under the new rules, the return on pension assets must be computed using a rate of return equivalent to a portfolio comprised of high-quality corporate bonds with the same interest rate used to discount the pension liability. This results in a net decrease to pretax income of $111 million, or $0.10 per share after tax. Because we are also reclassifying the net interest component of our pension expense to interest expense, this results in an operating profit for 2012 being reduced by $48 million and restated interest, again non-cash, increasing by $63 million. Due to these changes, ours 2013 results will be lower than we would otherwise have reported.

A bit more on free cash flow and our expectations for 2013 having now just walked through our restated financials for 2012. As Jim mentioned earlier, we expect to incur about $100 million of severance costs this year and divestitures executed in 2012 in 2013 will also continue to negatively impact free cash flow in 2013 as shown on this slide.

This negative impact appears as we only received cash flow from the businesses during the period of the year in which we own them and as you can see, cash from disposed businesses is forecasted to drop by about $140 million in 2013 from $180 million to $40 million. Now, the exact timing of when these sales close will determine their ultimate contribution. Despite this negative impact of $240 million, we are targeting free cash flow to be in line with 2012 coming somewhere between $1.7 million and $1.8 billion. This effectively implies that we are also targeting another year of strong improvement in the free cash flow from our ongoing businesses, more than covering the $100 million in severance costs we will be taking.

As I have said before, free cash flow is the most important metric to track our ability to create value for our shareholders while also fueling reinvestment back into the business and returning capital. In 2012, we made good progress, but there is far more to accomplish and we will continue to increase our efforts across the organization to ramp up free cash flow growth.

Now Jim has already provided our outlook for 2013 for most of the metrics on this slide, but there are three items I would like to address. First, we expect our depreciation and amortization expense to increase by about $100 million from the 2012 level, reaching approximately 9.5% revenues. This is primarily due to additional depreciation and amortization related to Eikon/Elektron and software amortization from acquisitions.

As a result, our underlying operating margin is expected to range between 16.5% to 17.5% down from last year's 17.7% restated number. These are non-cash costs embedded in our balance sheet primarily for past investments that we have no ability to alter. However, what we can control and what we will be focusing the organization on is our cash OI performance, i.e., or EBITDA, minus the CapEx investments that we are making this year. As I said earlier, cash OI was up 7% in 2012 as we increased our focus on managing capital investments. Our CapEx as a percentage of revenues was 7.6% in 2012 and we expect a similar performance in 2013 with a lower level than we experienced back in 2009/ 2010 when CapEx as a percentage of revenue was closer to 9% on average.

As stated earlier, we have turned the focus of the organization more squarely on this cash metric and the impact on our D&A expense will become visible in future years, but not yet in 2013.

Second, interest expense is expected to range between $470 million and $490 million and this projected range includes the non-cash component related to the required IFRS pension accounting adjustment. This means that cash interest expense will be about and $60 million to $70 million less than total interest expense. Cash interest expense is expected to be similar to 2012.

And third, we expect our effective tax rate to range between 11% and 13% for the full year. Now, I would like to remind you that this effective tax rate understates the amount of cash taxes we pay. In other words, our cash tax rate was higher than our effective tax rate over the last couple of years, which is mostly attributable to the fact that the number of non-cash expenses we book under IFRS, including pension expense and the $620 million amortization expense for intangible assets related to acquisition activity, are not deductible from a cash tax perspective and this explains why we paid higher taxes than our effective tax rate may imply.

So in conclusion, let me share with you the key priorities I presented to my finance team last month for 2013. First, driving for growth remains our top priority and we will continue to do this organically and through tactical acquisitions. To achieve this, we will keep shifting our revenue mix from mature businesses to higher-growth businesses as we have successfully done in our Professional business for several years now.

Second, we are aggressively focusing on our cost structure as we seek to cut our coat according to our cloth, to use Jim's now famous expression. In the year ahead, we will continue to look for ways we can streamline costs and increase free cash flow by making improvements to our infrastructure that can deliver meaningful savings.

And lastly, we continue to simplify our systems and processes across the organization. We made some early progresses in 2012, but there is more opportunity to simplify and reduce costs. As Jim said, we entered 2013 in a much better place than we were a year ago and we are on track with regard to our turnaround efforts.

With that, let me turn it back over to Frank.

Frank Golden - *Thomson Reuters - SVP, IR*

Thanks very much, Stephane and Jim. That concludes our formal remarks. So we would now like to open the call for questions. So if we can have the first question, please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Drew McReynolds, RBC Capital Markets.

Drew McReynolds - *RBC Capital Markets - Analyst*

Yes, thanks very much and good morning. Just a clarification on the $500 million in proceeds. Stephane, is that net of tax?

Stephane Bello - *Thomson Reuters - CFO*

These would be gross proceeds. There would be some tax implication, but we expect it will not be humongous, so the net proceeds will end up being somewhere between $400 million and $500 million.

Drew McReynolds - *RBC Capital Markets - Analyst*

Okay, thank you. And just my real question here, Jim, can you just talk a little bit more about the migration plan onto the Eikon platform post-2013 once all of Eikon is rolled out? We are just trying to understand, with some of your kind of major accounts, what that migration timeline would look like.

Jim Smith - *Thomson Reuters - President & CEO*

Look, our plan is to migrate as fast as possible and as fast as our customers are willing and able to move. I think we are going to be in really good shape to do that, as evidenced by our ability to onboard the dramatic uptick in that. I don't think we are going to have any gating factors once we get all the platform buildout completed this year. I think the only gating factor will be how quickly our customers can move and how much internal build they have to do and internal modification they have to do to move onto the new platforms. But I think that is going to be a relatively rapid uptake dictated by how quickly the customers can move.

I can tell you that in our discussions, particularly since the launch of the Eikon 3.0, there is pretty solid and unified excitement out there in the customer base and an appetite to move even more quickly. So I feel pretty confident that that will move the pace.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thank you.

Operator

Sara Gubins, Bank of America-Merrill Lynch.

Sara Gubins - *Bank of America-Merrill Lynch - Analyst*

Hi, thank you. There are a lot of moving parts in 2013 and I am wondering if you can help us with the quarterly progression of revenue, margins and earnings throughout the year.

Stephane Bello - *Thomson Reuters - CFO*

Sure, good morning. I'm going to take that question. We would expect that revenue growth will improve throughout the year with the first half being the lowest point, due essentially to the flow-through from negative sales in 2012 in Financial & Risk. The F&R net sales in the first half of 2012 were quite a bit weaker than in the first half of 2011. While if you look at net sales in the second half of last year, while still negative, they were slightly better than in the second half of 2011. So that is why you should see an easier year-over-year comparison as you look at revenue growth on a year-on0year basis and that is why revenue growth should improve throughout the year.

Now if you look at EBITDA margin, they should also improve sequentially throughout the year with Q1 probably being the low point because of the severance cost that Jim referred to and which we have included in our guidance.

Sara Gubins - *Bank of America-Merrill Lynch - Analyst*

Okay. And then secondly, just as I think about net sales and F&R turning positive in the second half, what does that mean for underlying organic revenue growth for F&R in 2013 into '14? How long is the lag between that turning positive and you seeing positive growth in F&R?

Stephane Bello - *Thomson Reuters - CFO*

I would say if we manage to hit our expectations of turning positive in -- turning net sales positive by the end of the year, that would mean we enter 2014 with good momentum in net sales. And you've got to remember that the net sales performance does not include the price increase we get every year. So we can have slightly negative net sales and still be able to generate flat to slightly positive revenue organic growth rate. So because net sales were quite, as I say, negative in 2012, I would expect such a revenue decline for F&R this year. But if we ended the year with a positive net sales momentum, that should turn back to positive growth in 2014.

Sara Gubins - *Bank of America-Merrill Lynch - Analyst*

Thank you.

Operator

Vince Valentini, TD Securities.

Vince Valentini - *TD Securities - Analyst*

Thanks. The question is also on net sales, a couple different angles. I guess if you are expecting the first half to be negative, can you just confirm that the January was negative and any commentary on how it would have fared versus January last year? And secondly, your confidence that you will have net sales pickup and be positive in the second half of the year, can you give us a little more color on what drives that? Is that new products that you are rolling out or is it conversations you are having with customers about their demand and appetites or just some more color to give us some sense of how you have that confidence at this early stage in the year? Thanks.

Stephane Bello - *Thomson Reuters - CFO*

So on your first question, net sales were still negative in January, but they were, if I recall, they were maybe better than last year. And then on your second question --.

Jim Smith - *Thomson Reuters - President & CEO*

Oh, yes, I am happy to answer that. I mean what drives our confidence really is a couple things, is the momentum that we have built throughout the latter half of last year, the improvement in our customer satisfaction scores and the reaction to the Eikon 3.0 rollout. It is very strong. We are still in the midst of rolling it out to salesforces around the world but I can tell you that, at our early sales conferences, we got a pretty enthused sales organization out there because of the quality of the product and we want to demo all of that capability to everyone on the call, if you haven't seen it. On March 22, we'll go deeper in that at our Investor Day and I think that is what will show you why we have the confidence. It is on the back of the improvements that we've made in the product, the improvements that we made in the service for both Eikon and Elektron and we will tell both of those stories at our Investor Day.

Stephane Bello - *Thomson Reuters - CFO*

And just one thing I would add to that, if I may. As Jim said, the product is more competitive, which will help, if you want, gross [net] improving, but also as you introduce a better product, retention rates should gradually improve over the course of the year and that is what, if you recall, that is what we really have seen with WestlawNext. So we expect to see a similar performance for Eikon and Elektron.

Vince Valentini - *TD Securities - Analyst*

Great, thanks.

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Hi, thanks for taking my question. Just directionally, if you had to split out your growth in Legal over 2012, how much was from pricing and how much from taking marketshare? And then also in Q4, I guess, there were a couple positive data points with regard to demand for legal services and rates. And so I was wondering if you are viewing the outlook for the legal industry a bit better than it was in 2012. Thank you.

Stephane Bello - *Thomson Reuters - CFO*

The overall demand for legal services in 2012 remained pretty weak as it was in 2011. So where we are seeing the growth in our Legal business is really what I tried to describe earlier, which is in these new service and software solutions that we provided. That is really the segment that is growing. Core legal research is declining across the board and essentially the game here is to move as quickly as possible our revenue mix away from core legal research and into these new services.

If I can give you a little bit more specificity, I would say that within core legal research, the piece that has declined the fastest is obviously the print business and as I described, US print revenues account for about $600 million of the revenue base in Legal and if you were to exclude US print revenues from our numbers, if you look at the growth of everything else including online research and the solution businesses, Legal's organic growth rate has been between 2.5% and 3% every single quarter last year.

Toni Kaplan - *Morgan Stanley - Analyst*

Okay. And do you have any color on pricing versus taking share?

Stephane Bello - *Thomson Reuters - CFO*

I think where you see our share is mainly on core legal research. I don't think there is massive share movements between LexisNexis and ourselves. We are obviously the two key players. I don't think there is much happening in terms of share of one one way or the other. And as I said, overall revenue growth rates are actually declining in that business, I think, for both of us.

Toni Kaplan - *Morgan Stanley - Analyst*

Thanks very much.

Operator

Andrew Steinerman, JPMorgan.

Andrew Steinerman - *JPMorgan - Analyst*

Good morning. I wanted to talk about the Eikon platform launch from a couple weeks ago. I wanted to know which segments it covered. I believe it is foreign exchange, commodities, energy and fixed income, so I wanted to just verify that. And then what segments still need an Eikon update and what is the plans for any update to an Investment Management product this year.

Jim Smith - *Thomson Reuters - President & CEO*

Yes, I think you are right at the beginning, but we also -- the rollout also included some really strong upgrades in the equity side as well. And something we've worked very hard with customers over the course of the past year to build in, so it is a much, much richer and deeper Equities platform as well.

And I think -- I will come back -- what's left at the end of the year is we are moving it into the Investors segment. We had always targeted the end of this year for migrating our Investor products onto the platform, but we have made a major commitment to doing that and to moving everything to the platform. It will be -- the fourth quarter of this year is kind of the development path for the tools that move into the Investors segment. Although I would have to say that in many Investor segments outside of North America, we are already beginning to sell Eikon as a tool into the Investor segment, particularly in emerging markets. So it is kind of fit for purpose there depending on the content.

So the bulk of the build will be completed this year across all of the areas. I think in terms of functionality, it is not just the functionality of what we have built into Eikon; it is the fact that we actually for the first time with this rollout married up the underlying what were separate Eikon and Elektron platforms, which gave full depth of book to all of our content sets, either through the desktop or either through a feed and that is a critical piece of our strategy going forward, to be able to deliver that, all that content in a joined-up fashion and that is well underway and very encouraging.

Andrew Steinerman - *JPMorgan - Analyst*

And do you expect this Eikon upgrade to have a revenue impact this year?

Jim Smith - *Thomson Reuters - President & CEO*

Well, I guess it will. I mean yes. The revenue impact -- anything we are selling in January will have a revenue impact this year. As Stephane explained earlier, and I think kind of one of the strengths of our businesses, but one of the facts of our businesses is that this lagging subscription model that we have takes out a lot of peaks and takes out a lot of peaks and valleys and tends to add more stability than many businesses see. But it also means the business is slower to turn into a downturn and slower to climb out of a downturn and I don't think the Eikon sales this year, particularly early in the year, can offset the negative net sales in the prior periods.

Andrew Steinerman - *JPMorgan - Analyst*

Thanks, Jim. I appreciate it.

Operator

Doug Arthur, Evercore.

Doug Arthur - *Evercore Partners - Analyst*

Yes, there has been a lot of discussion about Eikon. Turning to Elektron, can you update us sort of on the momentum there? Obviously, a lot of cyclical and consolidation issues, your headwinds. But how do you characterize the progress of Elektron?

Jim Smith - *Thomson Reuters - President & CEO*

It has been the quiet hero of the business last year. While everybody was talking about Eikon, Elektron was motoring along and making a heck of a lot of improvements, improving stability, doing the same stuff in customer service and adding features and functionality. And in fact, two of our fastest-growing units within F&R were both the Managed Services business in Elektron and the Content & Data Feeds business, both of which were up solidly double digits and both of which have continued strong demand. And as I say, when we do our Investor Day in March, we are going to highlight Elektron alongside Eikon so you get a full view as to what the features and functionalities we have there and the potential for that business as well.

Doug Arthur - *Evercore Partners - Analyst*

Okay, great. Thank you.

Operator

Paul Steep, Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Great, thanks. Stephane, I guess, just on the F&R, the cost savings from the headcount action that you are going to take, maybe you can handle the following. One, what does the timing look like for the implementation and then if we think, without putting you on the spot for 2014 guidance, but asking you directionally what is that lift going to look like? Are the savings all going to go straight to the bottom line or are you going to reinvest some of the money into the business? And then, finally, just clarifying where that charge is going to go. You mentioned it in the guidance, but whether you are going to break it out or it's going to be embedded in the cost base in Q1.

Stephane Bello - *Thomson Reuters - CFO*

Sure, Paul. Thank you. That is actually a good question; I am glad you asked the question. Let me start with the second half, which I think is quite important. The severance cost is going to hit the F&R results, so this is subtle, but profound change from the way we used to take restructuring costs in the past. We are taking them directly in the business and the business essentially has to overcome these costs. And the management team at F&R understands that very clearly and is very committed to doing that.

So you're not going to see much beneficial impact of the severance action we are taking in F&R this year. We are going to take most of this in the first quarter, actually most of the notifications have already come out. But you are not going to see the full benefit impact, the flow-through benefit impact until 2014. But sufficient to say that you have seen our EBITDA margin guidance and you have heard Jim saying that our hope is that we target to at least maintain EBITDA. Given the negative revenue mix we always incur in our Professional segment, that means, by definition, that F&R has to maintain margins this year. And so hopefully that gives you a little bit more color about how that is going to flow through.

Paul Steep - *Scotia Capital - Analyst*

Just on the cost save, I guess the last part of that would just be the clarification of whether or not -- obviously, this year, you are going to look to hold flat. Next year, you'd have the full benefit of that reduction. Are you going to reinvest a portion of that? Like if we said it was $1 to $1 sort of savings, likely closer to $1.5 to $1 savings or is a portion of that just going to all flow to the bottom line?

Stephane Bello - *Thomson Reuters - CFO*

Yes, we probably would reinvest some of that, but by the same token, the more transparency we are getting on the cost structure of F&R and the management team, David Craig and (inaudible) have done an exceptional job in getting that transparency in the business. As (inaudible) more, they see the Company (inaudible) confident that there is room for us over the next few years to really improve F&R's margins and that is going to happen as we essentially simplify our product and platform profile and as we eliminate the legacy platforms.

A lot of the redundancies you have seen this year essentially are related both to kind of middle management type eliminations, but also starting to eliminate people associated with specific products and platforms that we are shutting down. So that is going to continue in the years ahead progressively. Can't really give you any specific guidance here by year, but the trend will continue.

Paul Steep - *Scotia Capital - Analyst*

Thank you.

Operator

Peter Appert, Piper Jaffray.

Peter Appert - *Piper Jaffray - Analyst*

Thanks. Good morning. So Jim, in terms of thinking about the rollout of Eikon, the 40,000 plus users now would represent exclusively existing Thomson customers or is there any component that would represent new sales for you guys. And then I guess more importantly related to this, I am just interested in your take on sort of the evolution in the competitive environment and how you are seeing that currently.

Jim Smith - *Thomson Reuters - President & CEO*

Sure. About a third of our Eikon sales are to new customers. About two-thirds of those are upgrades to existing customers and about a third are new customers. So those are -- and those are competitive wins largely. So I think, again, it is early in the year, right and it is early in the game, so you never want to be overstating or overly optimistic I guess is the word. But I can't help but feel very good about our competitive position and I can tell you we are in a heck of a lot better competitive position today than we were one year ago today and we see that in the marketplace with head-to-head competitive wins with all of our key competitors. And spin back 18 months in those head-to-head competitions, we were losing all the time.

And as I said in my remarks, we were playing not to lose, how do we hang on. We now have a strong product that allows us to play offense and we like our position. We have a lot of marketshare to gain out there and we think we have a strong product to lead with and what David Craig and the management team in our Financial business have been emphasizing to the troops for the past several months is we are now back on the front foot and we are playing offensive again and we are playing to win. We like that competitive position and I can tell you we are meeting with receptive audiences out there and we feel far more confident sitting here today than we did last year.

Peter Appert - *Piper Jaffray - Analyst*

Okay, just as a follow-up to that, any specific feedback from sales in terms of pricing dynamic or features that the customers are coming back to on these competitive wins in terms of what is driving that?

Jim Smith - *Thomson Reuters - President & CEO*

No, I think it is the mix of all of the above. And I think we have always been able to go in with, particularly on the -- with talking Eikon, the Eikon product here -- we have always been able to go in with a superior value proposition and we could always win over the folks who made purchasing decisions, looking at the total cost of ownership. But now, we have a product that appeals to people on the desks, the actual end users and that has always been a bit of the issue that we face.

We feel very, very good now that we can go in with a product that the end users want to use with a dramatically improved user interface, with dramatically improved content and with some real game-changing technology in there backed up by improved customer service. So it is that combination, I think, that gives us confidence this year that we didn't have last year.

Peter Appert - *Piper Jaffray - Analyst*

Thank you.

Operator

William Bird, Lazard.

William Bird - *Lazard Capital Markets - Analyst*

Good morning. What needs to happen to hit the top end of your margin guidance range and where are you in the process of really having an informed view on portfolio decisions given the improved transparency? Thank you.

Stephane Bello - *Thomson Reuters - CFO*

What would need to happen to hit the high end of our margin projections would be a restrengthening in the environment, in the external environment, which would lead to better transaction volumes, which, as you know, flow straight to the bottom line. And what was your second question, Bill, sorry?

William Bird - *Lazard Capital Markets - Analyst*

Yes, the second question is just kind of where are you in the process of having an informed view on portfolio decisions? When you set out to improve transparency, my impression was that you would have a better ability to kind of evaluate the businesses you like and the ones you don't.

Stephane Bello - *Thomson Reuters - CFO*

Yes, no, absolutely. Good question. Look, it's better and better, the transparency is obviously much better now than 12 months ago. That is really what has enabled us to do some transactions like the sale of our Corporate Services business. Look, at this point in time, we obviously don't want to be too explicit about what other portfolio moves may come, but I would say we have a good enough transparency to start implementing more of these moves if we wanted to.

William Bird - *Lazard Capital Markets - Analyst*

Thank you.

Operator

Matt Chesler, Deutsche Bank.

Matt Chesler - *Deutsche Bank - Analyst*

Yes, good morning. So on the topic of retiring legacy systems, which you highlighted would happen by the end of the year and presumably would be a benefit to future costs and margins, is there a level of desktops, Eikon or other products that the ability to do that is tied to?

Stephane Bello - *Thomson Reuters - CFO*

I think you have to look at it really segment by segment. For instance, as Jim said earlier, Eikon 3.0 included a pretty significant upgrade in terms of functionality related to Equities and that is really what we needed to start retiring the bridge platform. So this is what you are going to see happening. Sometime in the course of this year, the bridge platform will essentially be retired. So it is not going to happen obviously magically because we achieve a certain number of Eikon desktops out there. It is going to happen -- it is going to continue to happen over time as we add specific functionality that are currently supported by legacy platforms.

Matt Chesler - *Deutsche Bank - Analyst*

And then your operating -- your cash OI metric, which you guys are now focusing the business more on, what level of growth in cash OI are you gunning for in 2013?

Stephane Bello - *Thomson Reuters - CFO*

Cash OI is a pretty simple metric. By the way, we call it cash OI, it is really EBITDA minus CapEx. So we give you guidance for both these metrics in terms of what EBITDA margin will do and what CapEx as a percentage of revenue will do. For the reasons we mentioned on this call, including the large severance costs we're going to take this year and also frankly the still low revenue growth we are projecting, we are not expecting a major improvement in EBITDA margin and we expect to keep tight control on CapEx. So that should not -- these two assumptions should not drive big cash OI increases in the course of 2013, but, again, as you look at 2014 hopefully position us to do better improvements.

Matt Chesler - *Deutsche Bank - Analyst*

Maybe just on that broader topic then, as you look at sort of the delta between your EBITDA and your operating income margin over time, it has widened in recent years. Can you just kind of comment on overall what has been driving that and when you see that converging again?

Stephane Bello - *Thomson Reuters - CFO*

Yes, absolutely, and it is an excellent question. If you look at 2012, our depreciation and amortization expense was about $80 million, up in '12 from '11. So it moved from, if I recall correctly, 8.7% of revenue and for 2013, we are saying it is going to go up again and approach 9.5% revenue. So effectively, what we see now is a lot of the product development, capital spending that was associated with Eikon and Elektron is flowing through the P&L.

Let me give you one interesting anecdote. Over the three-year period going from 2009, '10 and '11, we spent close to $0.5 billion building Eikon and Elektron. During these three years, however, the depreciation and amortization expense we took because the products were not getting serviced was less than $100 million. So that is what essentially is creating the disconnect. What you are seeing is effectively the CapEx that we incurred back in these years is now flowing through the P&L. This is just accounting. This is just the way it goes.

That is why Jim and I are very much focusing the organization on this cash OI metric because we are saying what matters is what we can control today and what we can control today is the level of CapEx that we incur in 2012 and that we are going to incur in 2013 and that is very much what we are essentially incentivizing the leaders of the business to -- which is a different [sort] we did in the past. So hopefully that answers your question.

Jim Smith - *Thomson Reuters - President & CEO*

Yes, I would like to just add to that. I can't add to the -- I thought it was very eloquently explained, so I can't add a specific explanation, but I just wanted to point out that what Stephane just mentioned is fundamental to the changes we have been trying to drive in this business and you have heard me talk a lot about the things under our control and we are on track with the things that are under our control and that is exactly what's -- we can't do anything about things that happen in prior years that are going to flow through. But we can focus on those things that are under our control and we can improve our visibility into the real dynamics that are driving the top and the bottom line.

So that is why we've tried to put more transparency into the various units. That is why we are handling the severance cost the way we are doing them this year. We are not trying to have big buckets and then explain around them. So the greater visibility we can get into the business and our operators can have of their business and those dynamics, the greater transparency we can provide to you. And we're working very hard to get past these historical issues and get to a world where you have greater transparency because we have greater transparency.

Frank Golden - *Thomson Reuters - SVP, IR*

We would like to take one final question operator, please.

Operator

Matthew Walker, Nomura.

Matthew Walker - *Nomura Securities - Analyst*

Thanks for taking the question. It was about where is growth coming from because clearly net sales are still negative, but they are going to get positive, so where is growth coming from? You have mentioned Commodities, Energy, Data Feeds, etc., but is it right that geographically though there's quite big differences in the growth of the desktop and how much price increase are you putting through -- how much of the net price increase are you putting through in 2013?

Stephane Bello - *Thomson Reuters - CFO*

Our price increase in 2013 is essentially something that is included in most of the contracts, which we have, which is essentially based on inflation. So it will be probably in the area of 2%, I would say, in Financial & Risk. So that is obviously one key element where growth is coming from.

And then as you described, Matthew, it is coming from the higher-growth segments, the ones that you mentioned and that is offset by the negative net sales performance we have had in a lot of our other segments, as I described earlier on this -- wheel slide I showed during the presentation.

Jim Smith - *Thomson Reuters - President & CEO*

And I would just say anecdotally we do see regional differences. We are seeing strong performance frankly in the Americas and we feel very good about that. We are seeing strength in Asia ex-Japan. Japan was certainly challenged last year and continues to be so. And we see the most difficult environment we face, Europe, as Stephane mentioned earlier. So growth comes from both taking advantages of those markets where we can actually sell more and accelerate our positive momentum, but growth also comes from stopping decline in places that are going backwards. And the closer we can get to flat on those drags then the better off our overall growth rate turns out to be.

And as Stephane pointed out, it is a really important thing to remember about our business particularly in F&R, these multiyear contracts have built into them price increases year-upon-year so we can get revenue lift even without the sales lift.

Matthew Walker - *Nomura Securities - Analyst*

I have one quick follow-up, which is on Legal, which is do you agree with [Reid Lexus] that when the US economy recovers, core legal research, which includes print, will start growing again or has there been a structural change, which basically means that is not going to happen even when the economy recovers?

Jim Smith - *Thomson Reuters - President & CEO*

Look, there is no question that when the economy recovers, it is a generally more favorable trading environment. What we have seen historically is that those downdrafts that I just mentioned in my prior remark, those downdrafts get lessened, and what we have seen historically is that, for us, print is the first thing that gets hit when you enter into a downturn and then as the general economic conditions improve, print stops getting hit so hard as people are no longer looking at aggressive cost actions to respond to a downturn in their revenue line. So I think the general environment always helps.

That said, I think there have been some fundamental changes in the legal world and I think legal -- there's -- particularly large law firms are managed more like other large professional services firms or other large corporations these days and they are very focused on costs. And I think that we are in a world where that dynamic is never going to go back to where it was five years ago and I think if you look at kind of that core legal research world, that is always going to be an area that is going to be under pressure and I think it is not going to be the driver of the growth parade that it has been historically for any of us. That is why we are so aggressively moving into other areas of workflow tools and services that we think are higher-growth areas in the market than just that core legal research.

So short answer is a good economy does indeed lift all boats, but I think the nature of competition is changing as well.

Matthew Walker - *Nomura Securities - Analyst*

Okay. Thank you very much.

Frank Golden - *Thomson Reuters - SVP, IR*

So that will be our last question and we would like to thank you all for joining us on our fourth-quarter call. Let me just repeat what Jim had mentioned earlier that we are going to have an Investor Day in Toronto on March 22. We will be sending out further details early next month regarding location, times and so on and so forth. But thanks very much for joining us today and we will speak to you again soon.

Operator

Thank you. Ladies and gentlemen, this conference will be available for playback beginning today at 10.30 a.m. Eastern time running through Wednesday, February 20, 2013 at midnight Eastern time. You may access the AT&T playback service by dialing 1-800-475-6701 and entering the access code of 279687. International participants please dial 320-365-3844 with the access code of 279687. Once again, this conference will be available for playback beginning today at 10.30 a.m. Eastern time running through Wednesday, February 20, 2013 at midnight Eastern time. You may access the AT&T playback service by dialing 800-475-6701, international participants 320-365-3844 with the access code of 279687. That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.

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