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EDITED TRANSCRIPT

TRI.TO - Thomson Reuters Reports First-Quarter 2013 Results

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OVERVIEW:

Thomson Reuters announced 1Q13 revenue up 2% and adjusted EPS of $0.38. Management reaffirmed its 2013 full-year outlook.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Thomson Reuters first-quarter 2013 earnings conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. (Operator Instructions). As a reminder, today's conference is being recorded and I would now like to turn the conference over to our host, Frank Golden, Senior Vice President of Investor Relations. Please go ahead, sir.

Frank Golden - *Thomson Reuters - SVP, IR*

Good morning and thanks for joining us as we report our first-quarter 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.

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.

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*

Thank you, Frank and thanks to those of you on the call for joining us. Today, we will begin with a review of the first-quarter results and I will update you on the progress we continue to make. I will then turn it over to Stephane who will review the results in more detail.

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Now to the results for the quarter. The first-quarter performance was consistent with our full-year expectation and I am pleased with the positive trajectory of the business as we began the year. We are executing more effectively, launching better products, simplifying our systems and processes and managing with more rigor and discipline, which is why our confidence continues to build.

Total revenues were up 2%, reflecting good growth from the Legal, Tax & Accounting and IP & Science businesses. That was offset by a decline in the Financial & Risk revenues. As discussed during Investor Day, our Financial business is making some significant progress, which I will speak to in a moment.

That said, given the subscription nature of our business and its lag effect, our progress will not translate into top-line improvement in 2013. F&R's revenue performance this year reflects last year's negative net sales. However, the trend in our net sales performance continues to improve and we are making tangible progress on the cost side and in particular EBITDA margin as we work toward rightsizing the business and bringing down our cost structure in a sustainable way. More on these two important metrics in a moment.

At the consolidated level, EBITDA was down only 2% despite incurring a severance charge of $78 million. And underlying operating profit declined 7% due to severance and higher depreciation and amortization expenses. Excluding the severance charge, adjusted EBITDA margin was 260 basis points higher than what was reported and underlying operating profit margin was 250 basis points higher, reflecting the progress we are making on the cost side of the equation. Lastly, we are reaffirming our full-year 2013 outlook.

Now let's look at the results by business segment for the quarter. Financial & Risk's revenues declined 1%. Again, this was expected in light of the negative net sales performance in 2012. Growth in Governance, Risk & Compliance and Marketplaces was offset by a decline in our trading business. Investors revenues were flat. Net sales during the first quarter were negative, though better than both Q1 2012 and Q4 2012. We continue to target a gradual improvement in net sales over the course of the year as Eikon and Elektron continue to ramp up. At March 31, Eikon desktops totaled 47,000, a new 40% increase from year-end.

Legal's revenues rose 4% driven by acquisitions. Organic revenue growth was flat due to the timing of several contracts and a 2% decline in print revenues. The Legal segment sales performance was quite strong in the first quarter and we expect revenue growth to improve throughout the balance of the year.

Tax & Accounting had a very strong quarter with revenues up 7%, 5% organic. IP & Science also had a good start to the year with revenues up 13%, 4% organic and our global growth businesses continue to perform, up 13%, 7% organic and now comprise about $1 billion of our total annual revenues. Let me remind you that GGO results are included within each of our four business segments.

So one quarter into the year, we have far more confidence and are operating from a much stronger foundation than a year ago. The external environment continues to be challenging, but we are on track. Our performance is consistent with our full-year expectations and we expect performance in the second half of the year to be better than the first half.

That said, we are controlling what is within our control, remaining focused on consistent execution, rolling out new products and we believe they will drive organic growth. And we are reducing our cost structure. As you saw at our Investor Day meeting last month, Eikon is real, it is ready and it is rapidly growing and the market is taking note. In fact, just last week, Thomson Reuters was honored as a finalist by the internationally renowned Epson Awards for service and technology innovation for our financial markets desktop, Eikon.

As we continue to build credibility with our customers, I am confident we will benefit from increasing demand for our improved products across the Company. Additionally, our focus on simplification is having success. We now set firm dates to set legacy products and platforms and we meet them. On April 15, we closed the 3000 Xtra Hosted Terminal Access Platform. Two years ago, there were 16,000 desktops reliant on this platform. Today, there are zero and we expect to achieve savings of $7 million per year.

I remain confident that the combination of better products, improved execution and the benefits of our expense-savings initiatives will enable us to continue to show gradual improvement in our performance. For 2013, we are targeting to hold EBITDA margin and free cash flow with 2012 despite the negative impact of the severance costs we are incurring and the loss of about $140 million in free cash flow from disposals this year.

We also continue to target to achieve positive net sales in F&R in the second half of the year, which should lead to higher growth in margins in 2014 and beyond. Now let me turn it over to Stephane.

Stephane Bello - *Thomson Reuters - EVP & CFO*

Thank you, Jim and it is a pleasure to speak with you all today. Let me begin by reiterating what Jim said, that one quarter into the year, we are operating from a much stronger foundation than one year ago. We are on track and our first-quarter performance is consistent with our full-year expectations. We are not yet where we want to be, but we are moving in the right direction.

Now consistent with what we have done in the past, I will speak to revenue growth before currency throughout today's presentation and reported revenues are also highlighted on each slide. First-quarter revenues were up 2% due to acquisitions. Organic revenues declined 1%, as expected, primarily due to the lag effect from negative net sales in F&R last year. At a high level, our Professional businesses grew 6% during the quarter, 2% organic, while F&R declined 1% and was down 3% organically. More on that in a moment.

Adjusted EBITDA was down 2% and the related margin declined 70 basis points, reflecting $78 million of severance charges, as well as the flow-through from lower organic revenues. Severance charges masked the continuing progress we are making to rightsize the business and bring down our cost structure in a sustainable way. Underlying operating profit declined 7% and the margin decreased 130 basis points to 14.9% reflecting severance charges and higher depreciation and amortization expense from recent product launches and acquisitions. Foreign exchange added a 30 basis point negative impact to both our EBITDA and underlying operating profit margins in the quarter. And we believe that the first quarter represents the low watermark for EBITDA and operating profit margins for the full year.

Now let me provide you some additional color on the performance of our individual businesses starting with our Legal segment. Conditions in the US legal market remains challenging, but the investments we have made in our faster-growing businesses continue to pay dividends. Legal's revenues were up 4% during the quarter and were flat on an organic basis. As Jim indicated, sales were quite strong in the first quarter and we expect revenue growth to improve over the balance of the year.

Now there were several factors impacting three of our fast growth businesses, which were mostly timing-related and which led to a decline in transactional revenues during the quarter. Specifically, Pangea3, our Legal outsourcing business, experienced a decline in revenue as it faced a difficult year-on-year comparison. Now, for perspective, Q1 2012 saw Pangea3 grow 44% organically. Elite, our enterprise software business, had low single-digit revenue growth this quarter as the recognition of revenues on large contracts depends on when the systems are fully operational.

And finally, in Latin America, our organic revenue growth was also a bit weaker than in past quarters due to timing as we focus on integrating our recent acquisitions. These are all factors that led to slower growth this quarter, but we do not expect this to be long-term trends impacting the full-year growth rate of these businesses. In fact, in aggregate, subscription revenues, which represents 70% of Legal's revenue base, were up 7% during the quarter, 3% organic, while transactions were down 7% and US print revenues were also down 2%. Now for perspective, transaction revenues showed positive growth in every quarter in 2012. So the decline in Q1 was unusual and it is this decline, which explains the overall flat organic revenue growth in Q1.

Now looking at the performance of our three subsegments in Legal, US Law Firm Solutions' revenues declined 1% and as a reminder, this is our largest subsegment, which represents about 55% of Legal. Within that subsegment, Business of Law revenues increased 6%, led by FindLaw, while research-related revenues declined 3%.

The second subsegment, Corporate, Government & Academic, which is about a quarter of the Legal business, grew 4%, 3% organic with Corporate up 5% and Government up 3%. And our third subsegment, Global Legal, which is 20% of the total, achieved revenue growth of 17% driven by the acquisition of PLC. Organic revenue in that subsegment was a bit weaker than in prior quarters at 1% due to the performance in Latin America, which I previously mentioned.

EBITDA increased 2% and the corresponding margin was down 20 basis points due in part to the acquisition of PLC and operating profit was flat with the margin declining 80 basis points. Now we expect the PLC acquisition to have a negative impact of a little over 100 basis points on Legal's margin this year.

Tax & Accounting had another strong quarter. Revenues grew 7%, of which 5% was organic and this was driven by strong growth across the business, particularly from subscription revenues, which represent about 65% of Tax & Accounting's revenue base and which grew 11% during the quarter, 8% organic. This strong revenue growth reflects the strength of our offerings and the healthy conditions prevailing in the global tax and accounting market. In particular, we are very pleased with the fact that each of our businesses, except Government, grew at least 4% organically this quarter.

Knowledge Solutions grew 7%, 5% organic. The Professional businesses grew 6% and the Corporate tax businesses grew 14%, 10% organic. As was the case in prior quarters, our Government segment, which represents less than 5% of Tax & Accounting's revenues, continues to face headwinds and it was Tax & Accounting's only business showing a revenue decline in the first quarter. Now from a profitability standpoint, EBITDA grew 8% in the quarter and operating profit increased 10% with the related margins up 50 and 70 basis points respectively.

Turning to IP & Science, revenues grew 13% with organic growth of 4%. And that growth was driven by IP solutions, which represents a little more than half of IP & Science total revenue and includes MarkMonitor. IP solutions was up 22%, 3% organic. Scientific & Scholarly Research was up 5% and Life Sciences was up 2%. Subscription revenues, which represent about three-quarters of IP & Science's total revenue base, were up 18% during the quarter, 5% organic, while transaction revenues were flat for the quarter due to a soft environment for trademark searches, as well as the timing of one-time sales of our Web of Knowledge and Web of Science products.

EBITDA decreased 3% with the margin declining 440 basis points to 30% and about half of the margin decline was due to the MarkMonitor acquisition which occurred in the third quarter of last year. And as we previously mentioned, MarkMonitor will be dilutive to the IP & Science margins through 2014 before becoming accretive. Operating profit was down 7% with the margin declining 440 basis points for the same reasons as EBITDA margin.

Now turning to Financial & Risk, revenues were down 1% with a 2% contribution from acquisitions. So organic revenue was down 3% in the quarter reflecting 2012's negative net sales. Recurring revenues, which is 77% of F&R's total revenues, recurring revenues declined 3%. Again, that was due to the flow-through from last year's negative sales. And as Jim mentioned earlier, net sales were negative for the first quarter, as expected, but better than the first quarter of 2012 and a marked improvement versus the fourth quarter.

Transaction revenues were up 17%, 2% organic, due to the higher volumes at both Tradeweb and FXall, recoveries revenues declined 4%, primarily reflecting the continued shift toward exchanges billing customers directly. EBITDA declined by 15% and the corresponding margin was down 320 basis points as F&R took a $65 million severance charge during the quarter. Operating profit declined 26% with the margin declining 390 basis points due to the severance cost and higher depreciation and amortization from new product investments and acquisitions.

Now allow me to spend a moment discussing the impact of the severance charge we took in Q1 on Finance & Risk's margins as this is clearly the segment that incurred the majority of these charges. As you can see on slide 14, if you exclude or add back the severance cost for both the first quarter of 2012 and the first quarter of 2013, F&R's EBITDA margin increased by 40 basis points from the prior year and this is despite experiencing a 3% decline in organic revenue quarter-to-quarter.

Now let me remind you that our target is to keep F&R's EBITDA margin roughly flat for the full-year despite both the negative revenue growth performance and despite the severance cost we are taking to streamline our cost structure. This is somewhat of a stretch target we have set internally, which, if achieved, would demonstrate our ability to improve our margins in this segment going forward. We are not there yet, but the first-quarter performance is quite encouraging from an underlying profitability improvement perspective. Excluding or adding back severance cost again for both periods, operating profit declined 4% and the margin declined 30 basis points.

Now I would like to briefly review the results for the individual segments within Financial & Risk. Trading revenues declined 6%, driven mainly by declines in Equities and Fixed Income associated with the negative net sales in 2012 and continued weakness in Europe. Investors revenues were

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essentially unchanged. Within this business unit, Enterprise Content revenues increased 6% while Investment Management revenues declined 3%. Wealth Management was flat and Banking & Research revenues were down 3%.

Marketplaces revenues increased 4% with organic revenues down 2%. As a reminder, Marketplaces now includes the Foreign Exchange desktop business, which was moved from Trading on January 1 and was included in the end-of-year restatement we posted back in February. Now growth in Marketplaces was driven by a 5% increase in our Foreign Exchange business resulting from FXall. Organic revenues fell 3% due to desktop declines. Tradeweb was up 1% impacted by a difficult prior-year comparable when revenues grew 32%, 11% organically. And finally our Governance, Risk & Compliance revenues increased 8% during the quarter, 6% organically. Organic growth is expected to ramp up on a full-year basis as the first quarter was also impacted by a difficult comparison to the first quarter of 2012.

Now let me turn to a view of consolidated results. Our first-quarter adjusted EPS was $0.38 per share, $0.01 lower than a year ago. This $0.01 decrease was attributable to lower operating profit driven primarily by the $78 million severance charge. This decrease was partially offset by lower interest expense and a lower tax rate. Excluding severance charges in both years, adjusted EPS would have increased by $0.05 versus the prior-year period. About $0.02 of that improvement was due to better operating performance while the remaining $0.03 was due to lower interest expense and taxes. Currency had a $0.03 negative impact on EPS versus the prior year and for the full year, we remain comfortable with our guidance of $470 million to $490 million for interest expense, as well as for an effective tax rate for the year of 11% to 13%.

Turning to free cash flow, the first quarter is usually our weakest quarter from a cash generation perspective and this year is certainly no exception. It is not reflective of what we expect for a full-year performance, which, to remind you, is between $1.7 billion and $1.8 billion. There were three key factors impacting free cash flow negatively this quarter. First, the timing of our CapEx spend. From a cash perspective, we spent $350 million this quarter, which is $70 million more than the first quarter of last year and that was related to a large mature software contract. That accounts for about 35% of the change.

Second, based on the timing of disposals, we had far more cash from businesses outside of ongoing operations last year than we do this year and this accounts for another 25% of the difference.

And finally, changes in working capital offset in part by lower interest and tax payments, all of which are timing-related, make up the rest. In the first quarter of this year, we collected less cash than in the first quarter of last year and again, we believe that this is merely timing as we plan on ramping up collections in the second half of the year. And this brings us to our 2013 outlook, which we reaffirmed today as reflected on this slide.

So in conclusion, let me just reiterate what Jim said. We have made a lot of progress from a product, process and cost standpoint and we feel that we are in a far better position than a year ago. However, we recognize that the external environment remains challenging and as such, we are very focused on the levers which are under our control, namely continuing to improve our products and customer service and reducing our cost structure. With that, let me turn it back over to Frank.

Frank Golden - *Thomson Reuters - SVP, IR*

Great, Stephane and thank you and we would like to go to the Q&A session. So operator, if we could have the first question please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Drew McReynolds, RBC.

Drew McReynolds - *RBC Capital Markets - Analyst*

Yes, thanks very much and good morning. Just on -- my one question on organic revenue growth. Just with the performance within Trading down 6%, obviously, I think a little bit worse than what folks were looking at. Just wondering if you can provide a little bit more granularity on that one. Obviously, you restated kind of sellside FX into Marketplaces. Just wondering if that had an impact.

And then also in terms of the Eikon migration within Trading, are we seeing a little bit more customer churn kind of arise if you look at kind of that net sales dynamic in the back half of last year and how it is flowing through right now?

Stephane Bello - *Thomson Reuters - EVP & CFO*

Hi, Drew. It's Stephane. I am going to try to take that question. As I mentioned during my remarks, the decline in Trading was really driven by a decline we saw in Equities, which showed double-digit declines during the quarter and also in Fixed Income. And if you recall, for the Equities desktop, the release of Eikon 2.0 was really what essentially enabled us to get all the functionality that we need to compete effectively in the Equities desktop market.

So what you're seeing in terms of the revenue decline this year is really a reflection of the net sales that we had last year where we did not have a completely competitive product. So we would expect the trend to improve over time. And I think that is really what explains, as I said, most of the decline in the Trading segment.

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, good morning. I am hoping you can give us an update on the trajectory around Eikon? It looks like you added about 1000 during the month of March, which might be -- looks like a bit of a slower pace than what we have seen recently. So I'm hoping that you can give us an update on that and how the trajectory has been in April?

Jim Smith - *Thomson Reuters - President & CEO*

Yes, I think we are pretty confident with kind of what our average trajectory was throughout the first quarter and that is what we are projecting for the balance of the year. Any given month or couple week period can be affected by one-off installations and pace at individual customer sites. So we try not to build too much into any given week or month, but rather look at it on a quarterly basis and we don't see -- what we have seen in the first quarter is that we continue to build more capacity so we are able to take on more customers than we ever have been. We don't think there is any kind of overall change in the trajectory.

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

Great. Thank you. And then as a follow-up, have you communicated plans now to shut down the Reuters 2000 Xtra platform to clients. I think you were planning to do that by the end of the year and I am wondering if you have, how the reaction has been so far?

Stephane Bello - *Thomson Reuters - EVP & CFO*

We are not offering Reuters 3000 Xtra to new customers and that I think we mentioned during Investor Day. I think Peter Moss made the comment that our hope is to convert most of the existing Reuters 3000 Xtra by the end of the year. It's hard to say whether we are going to convert everyone to the last one, but most of them should be converted to Eikon by the end of the year.

Jim Smith - *Thomson Reuters - President & CEO*

Yes, and I think if I could add just a little bit of color to that. I think the reception has been overwhelmingly well-received. There are pockets of customers, of course, who want to make sure that they are going to be properly supported through any transition and we have committed to do that, which is why I think we have said we have set an aspirational target of moving everyone -- of being ready to make all the moves by the end of this year. Of course, we are not going to leave customers in the lurch either. So we will be very careful and be mindful of their needs.

But I would say overall customers, particularly when they see the features and functionalities that are going to be able to gain, the increased reliability that they are going to get from this transition, I think are largely supportive and comforted, provided we are going to be able to support them in their transition and don't push them too fast.

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

Thank you.

Operator

Peter Appert, Piper Jaffray.

George Tong - *Piper Jaffray - Analyst*

Hi, this is George Tong for Peter Appert. Could you discuss what kind of a pricing increase you expect from the rollout of Eikon and what implications that can have for net sales and revenue performance this year and next year? And also as a follow-up what the Eikon rollout timeline looks like for the US. Thanks.

Stephane Bello - *Thomson Reuters - EVP & CFO*

Sure, let me try to take the first part of the question. As we roll out Eikon and we really roll new product in the form of an upgrade to the increasing product to customers, so there is no price increase associated with this rollout, we are just essentially providing all customers with what is a much better product versus what they have now as the goal is really to try to have a strong penetration from Eikon as quickly as possible. So there is no immediate price impact associated with the rollout of Eikon per se.

And to be completely frank, we are not essentially rolling Eikon by regions, but rather looking at it by customer and by segment. So that is why last year and this year, we very much focused on converting all our customers in the Trading segment. At the same time, we are very much upgrading the functionality of the product from an Investor or (technical difficulty) Investment Management standpoint. We expect to have that functionality largely done by the end of the year. So we are starting to roll out Eikon in our Investors segment, but we are doing that more slowly and most of the rollout will likely happen next year. Hopefully that answers your question.

George Tong - *Piper Jaffray - Analyst*

Yes, thank you.

Operator

Andrew Steinerman, JPMorgan.

Andrew Steinerman - *JPMorgan Chase - Analyst*

Hi, it's Andrew. Stephane, you used the term 70% of F&R being recurring, but for the other segments, you used the word subscription. Could you go over, in F&R, what percentage of our revenues are subscription and what does recurring mean that is sort of outside of subscription in F&R?

Stephane Bello - *Thomson Reuters - EVP & CFO*

In F&R, it is pretty much the same thing, Andrew. You can assume 70% of the revenue is really largely subscription-based. So I apologize if I wasn't (multiple speakers).

Andrew Steinerman - *JPMorgan Chase - Analyst*

And when you say subscription you mean kind of on a per [seed] basis?

Stephane Bello - *Thomson Reuters - EVP & CFO*

It is not necessarily on a per seed basis. Some of our [feed] business, which really is not per seed is also subscription-based.

Andrew Steinerman - *JPMorgan Chase - Analyst*

Okay. And can I just sneak in one other question? On the F&R margin, the adjusted margin of 21.5%, is there anything else that is one-time to call out other than severance?

Stephane Bello - *Thomson Reuters - EVP & CFO*

Not that I can think of in the first quarter.

Andrew Steinerman - *JPMorgan Chase - Analyst*

Okay, perfect. Thank you very much.

Operator

Vince Valentini, TD Securities.

Vince Valentini - *TD Securities - Analyst*

Yes, thanks very much. You mentioned the one platform that you shut down April 15. I am just thinking about your net sales outlook and all the sort of decommissioning of legacy platforms you are doing. Do you expect there to be much deliberate lost revenue in the back half of this year as you start to shut down more platforms? And if there is that expectation, do you still expect to have positive net sales over and above that sort of good revenue launch, if I can call it that, that leads to the cost cutting?

Jim Smith - *Thomson Reuters - President & CEO*

Yes, I think we have been positively encouraged as we have been moving into this platform consolidation effort and one hates to predict future success based upon early experience, but we have been pleasantly surprised at the level of revenue loss by shutting these down. We do not think that is going to be a material impact on the business. Nor do we think it is going to factor into anything about when and whether we turn net sales positive. It's just early on. We have been encouraged by the response and by our ability to eliminate and limit the revenue loss. So we are pretty encouraged and we are not anticipating it is going to be a major factor over the latter half.

Vince Valentini - *TD Securities - Analyst*

Okay, thanks.

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Hi, thanks for taking my question. I know Investor Day was only a little over a month ago, but can you give us an update on the market environment? And do you think that you have already seen the full extent of the impact from already announced sellside headcount reductions or do you expect that to continue to be impacting your business?

Stephane Bello - *Thomson Reuters - EVP & CFO*

It's Stephane. As we mentioned in our remarks, the market environment remains tough; there is no question about that. It is really hard to predict what will happen in the future in terms of additional headcount reductions that may be announced by our customers and that is why really our focus is entirely on the things we can control, which is really making sure that we continue to improve the functionality of our product and also -- and the customer service. And as I said also, importantly, that we attack the cost structure in a smart way by essentially simplifying products and platforms so that it is a durable addback to the cost structure and not just a temporary one.

Jim Smith - *Thomson Reuters - President & CEO*

And I think just to add a tiny bit of color on that, it really depends -- when you see the cutbacks, it kind of depends customer by customer and where they are making the cuts as to where we are impacted and certain -- in places where we are strong, we will feel it and if it is places where we have less penetration or less product out there, we feel it last.

But to Stephane's point, it is -- we live in the same marketplace that everyone else competes in. So we can't escape the operational gravity there. That said, we are in a heck of a lot better competitive place than we have ever been. So when those cuts do come, we are in a stronger position to compete in the remaining operations and to compete for greater marketshare. We are not sitting back waiting for the overall market to turn around into a different direction in order for us to get back to a positive growth trajectory. In fact, we are going after gains in marketshare and we think we have plenty of opportunity to do that with the improvements we have both in our products and in our customer service and our more effective sales operations.

Toni Kaplan - *Morgan Stanley - Analyst*

Thanks. And just a quick follow-up in terms of the gains in marketshare. How quickly do you think that you might be able to see those? Thank you.

Jim Smith - *Thomson Reuters - President & CEO*

Well, I think we are already seeing a change in the competitive dynamic right now. As I have said for the past couple of quarters, we are finding out that we are no longer losing every competitive bake-off anymore; in fact, we are winning our fair share now. So we certainly think we have at least stemmed the tide of losses in marketshare. So I think we are in a very competitive position now.

Toni Kaplan - *Morgan Stanley - Analyst*

Thanks a lot.

Operator

Paul Steep, Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Maybe you can talk just a little bit about the key milestones not only in the terminal side, but also on the infrastructure side and is that a Q3 or Q4 event? And then I guess for Stephane, even ballpark, how material or not would these be in terms of cash charges that we should sort of be starting to think about towards the back end of the year? Thanks.

Stephane Bello - *Thomson Reuters - EVP & CFO*

If you remember the discussion we had during Investor Day, I think you had hopefully a good overview of what F&R is trying to do in terms of milestones. It doesn't happen just in Q3 or Q4; it is really going to be an ongoing process over the next couple of years as we essentially are able to fully eliminate some platforms and consolidate them into Eikon. So it goes in stages. While the first stage is to make sure that Eikon has all the functionality and more of the old platform and then begins the transition period of the upgrade where we essentially move all the customers that use that legacy platform into Eikon and only once you move all the customers, you can start shutting it down.

As Jim mentioned, one platform that was closed in the first quarter, we have also announced that we were going to close all at once like the bridge platform, which is important, as I said, supporting our equity desktop offerings in the second half of the year. You are going to continue to see over the course of time and frankly, some of the severance costs that we took in the first quarter were in anticipation of that.

As we mentioned, our intent is to continue to do the right thing for the business. We will continue to take essentially like severance costs across the course of the year. If they are like really significant, we will make sure that we explain them to them and disclose them to you. But if they are kind of small as we have done in the past in Professional, we will just include them in our run rate.

Paul Steep - *Scotia Capital - Analyst*

Thanks.

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Operator

Tim Casey, BMO.

Tim Casey - *BMO Capital Markets - Analyst*

Thanks. Good morning. Could you give us an update on acquisitions and divestitures for the year? I guess specifically any more information you can give on the magnitude of PLC that went through this year and update us on your announced divestitures in terms of magnitude and timing? Thanks.

Jim Smith - *Thomson Reuters - President & CEO*

I will answer the first part and let Stephane can answer the second part on divestitures if that's okay. I think as we said at Investor Day, you should anticipate that there will be a decreased level of acquisition activity than there has been over the past two to three years. We had an abnormally high level as we saw opportunities to move into faster-growing sectors of our market. I think we will be back to more of a tactical fold-in kind of ongoing run rate that you have come to expect from us, but primarily small fold-ins.

As you know, we don't comment on the specific prices on specific acquisitions, but we have completed several acquisitions through the first quarter, the largest of which would have been PLC and we anticipate more tactical acquisitions I think through the balance of this year and I would say even into next year. As I say more in line with kind of our ongoing practice and pattern, not the levels to which we have been spending in the past couple of years.

Stephane Bello - *Thomson Reuters - EVP & CFO*

And in answer to your second question, the timing and some details about the divestitures. I think if I am correct, there is really like two more transactions that are going on right now. One is our IR/PR business in F&R. And as you remember, we announced that we had signed a definitive purchase agreement to sell that business. We expect that transaction to close hopefully in the second quarter and that is the largest one in terms of proceeds, several hundred millions. And then we have got a small business in our Tax & Accounting business where we just really are starting the process. That is going to be less meaningful from a proceeds perspective and that one I would expect may close in the third quarter.

Operator

Doug Arthur, Evercore.

Doug Arthur - *Evercore Partners - Analyst*

Yes, two questions. Stephane, can you just take us through the components that dropped Corporate & Other from negative $84 million a year ago to negative $47 million this year. And then, Jim, how confident are you in organic growth picking up in the overall Legal complex for the rest of the year? Thanks.

Stephane Bello - *Thomson Reuters - EVP & CFO*

Let me take the first question. The operating profit in Corporate was better by over $30 million on the year-on-year basis and that was primarily driven by lower severance costs. If you remember in the first quarter of last year, we took about $28 million in total in terms of severance and most of that was booked at the Corporate level. And this year, we didn't take any severance costs at the Corporate level. So that was the primary driver.

We also had a number of smaller items, which impacted the first-quarter performance and which were either one-time or timing-related. I would say for the full year, we would expect Corporate costs to be roughly in line with 2012, maybe slightly less, but roughly in line with 2012 as the savings we realized in Q1 will be mostly offset by other small one-time benefits, which did favorably impact the Corporate center in the course of 2012.

Jim Smith - *Thomson Reuters - President & CEO*

From my perspective, the odd thing is, in a lag business like ours, you live in a world where I know what is going on well before it flows to the revenue line. So I am actually feeling very bullish on our Legal business right now. I think we have been very encouraged by the overall sales environment, particularly in the first quarter of the year as Stephane said. We are quite confident that we are going to see improvement in Legal and in fact, when we had done our planning for this year, we had anticipated in our internal plans that this would be a low watermark in the first quarter reflecting really the flow-through of activities in the prior year. So we are quite confident and counting on pickup in our Legal business.

Doug Arthur - *Evercore Partners - Analyst*

Okay, great. Thank you.

Operator

Matt Chesler, Deutsche Bank.

Matt Chesler - *Deutsche Bank - Analyst*

Good morning. So you're shooting for nearly flat margins in F&R EBITDA. Can you talk about some of the puts and takes on getting that and how revenue dependent that might be. And then just, Jim, a quick follow-up on Legal. Where is that strength in Legal based on net sales coming from more specifically in terms of that segment and the product areas?

Stephane Bello - *Thomson Reuters - EVP & CFO*

Okay, sure, Matt. On the drivers for the target we have internally for flat margin performance and EBITDA level at F&R, it essentially -- the prior factors are on the negative side that we can (inaudible) severance charge we are taking. Most of it was taken during the first quarter and again that was a $65 million negative impact. And the other leg of the factor is that we are expecting an essentially negative organic growth rate for F&R for the full year.

So targeting flat EBITDA margins in an environment where you like essentially have declining organic revenues for F&R and you are taking a large amount of severance expenses, I think if we are able to achieve that, we are only going to be able to achieve that if there is a real decrease in the overall cost structure of the business and that is really what we are targeting. So that is what it is depending on, the ability to bring down the cost structure of F&R. And as I said, I think the first-quarter performance is quite encouraging from that perspective because if you take away the noise of the severance charge, they had really a good performance from an underlying profitability standpoint.

And on the second question, Legal, I think if you -- what I mentioned is that in the first quarter, if you look at the strength of the subscription portion of the revenue base of Legal, which again is about 70% of their total revenue, these revenues grew 7% during the quarter. The organic growth from a subscription perspective was like 3%. So that shows that there is strength, underlying strength in the business. So what was done during the quarter was really the remainder and the remaining 30% is about -- (inaudible) 15% is transaction-related business and those were about 7% and the other half was essentially US print, which was down 2%.

So net sales -- Jim may want to add some additional color, but I think net sales were actually good across the board in Legal. It was -- we had good sales in core research as well as in the new software and services solutions.

Jim Smith - *Thomson Reuters - President & CEO*

Yes, I think that is right. So the encouraging part is that we are feeling the strength based upon the strength of Westlaw and our core subscription businesses as Stephane said. That is quite encouraging for us. We are seeing, and if you look at the kind of leading indicators, in sales, we are seeing good results in the first quarter in both large law firms and in small law firms and it is coming from the core Westlaw products and from new products that we have introduced, particularly new product aimed at small law firms, which is encouraging and a new product aimed at general counsels in the Corporate space as well. So this is kind of good performance of our core businesses and our new products. So that is where we are seeing it.

Matt Chesler - *Deutsche Bank - Analyst*

All right, thanks a lot.

Frank Golden - *Thomson Reuters - SVP, IR*

So that is our final question for this quarter's call. We would like to thank you all for joining us and that concludes our call today.

Operator

Ladies and gentlemen, this conference will be available for replay after 11.30 a.m. today through midnight on May 7, 2013. You may access the AT&T teleconference replay system at any time by dialing 1-800-475-6701 and entering the access code 288409. International participants may dial 320-365-3844 and again, those numbers are 1-800-475-6701 and 320-365-3844 again entering the access code 288409. That does conclude your conference for today. Thank you for your participation and for using the AT&T executive teleconference service. You may now disconnect.
