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TRI.TO - Q4 2013 Thomson Reuters Corp Earnings Conference Call

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OVERVIEW:

Thomson Reuters announced 2013 revenue growth of 2% and 2013 adjusted EPS of $1.54. 4Q13 revenue grew 1%, and 4Q13 adjusted EPS came in at $0.21.

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PRESENTATION

Operator

Ladies and gentlemen, good morning. Thank you for standing by and welcome to Thomson Reuters' fourth-quarter 2013 earnings conference call. At this time, all lines are in a listen-only mode. Later, there will be an opportunity for your questions and instructions will be given at that time. (Operator Instructions). As a reminder, this conference is being recorded. I would now like to turn the conference over to our host, Vice President, Senior, Investor Relations, Mr. Frank Golden. Please go ahead.

Frank Golden - *Thomson Reuters Corp. - SVP, IR*

Good morning and thank you for joining us as we report our financial results for the fourth quarter and the full year of 2013. Our CEO, Jim Smith, will start today's discussion, followed by Stephane Bello, our CFO. Following their presentations, we will open the call for questions and we would ask and appreciate if you would limit yourselves to one question each to enable us to get to as many as possible as we do have a lot to cover today.

Now, throughout today's presentation, please 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. Let me point out that Stephane will begin his portion of the presentation, presenting our actual results, including all charges incurred in the fourth quarter. For the remainder of his presentation, he will discuss the results excluding charges incurred in the fourth quarter, which will enable you to measure our performance against the 2013 outlook we provided last February.

Lastly, please note that, in today's earnings release, we have provided supplemental information on pages 19 and 20, which exclude the charges for each of the business units to enable you to gauge their underlying performance.

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 Corp. - President & CEO*

Thank you, Frank, and thanks to those of you on the call for joining us. Today, I want to cover three topics. I will begin by discussing how we performed for the year against the outlook we provided one year ago. Next, I will update you on the progress we made last year against the challenges we faced and what we expect to face this year. And lastly, I will provide you with our outlook for 2014. I will then turn it over to Stephane, who will review our results for the fourth quarter and the full year in more detail.

First, let's review our full-year 2013 results. I am very pleased to report that we met each of the 2013 outlook metrics despite what continues to be a challenging environment in our two largest markets. We also crossed several important milestones for nonfinancial metrics, which I will discuss in a moment. We still have more work to do in order to achieve our objectives of returning to mid-single digit growth and higher levels of free cash flow per share, but the trajectory is encouraging and we are making real progress. Additionally, we are redoubling our efforts to simplify our Company as part of our transformation program.

Now let me provide you with a high-level summary of the results for each of our businesses. The Professional businesses were up a healthy 6% for the full year led by strong performances in IP & Science and Tax & Accounting, up 11% and 9% respectively. Legal was up 3% primarily from acquisitions. It was down 1% organically. Excluding US print, which declined 6% for the full year, revenues grew overall. Stephane will discuss this in more detail later.

Financial revenues were down 1%; was a minus 3% organically. We are making very tangible progress both from an operating and competitive perspective, but it will take more time before this progress translates into positive revenue growth for this business. Lastly, we continue to successfully identify growth opportunities in rapidly developing economies as evidenced by the 10% increase in revenues in our GGO operations. That's 5% organic.

As we reported in October, we began implementing a number of actions, which distorted our Q4 results, but will help strengthen our position going forward. These actions include charges related to our transformation program, a fourth-quarter pension contribution, significant debt refinancing, and a ramp-up of our share buyback program. These actions began the process of rightsizing our cost base and are expected to translate into significant savings beginning in 2015.

Importantly, we achieved several significant operational accomplishments, including the upgrade to Eikon, closing of legacy platforms like Bridge, and last week, we launched Eikon 4 to strong reviews. However, we did face several challenges in the fourth quarter that I want to address today. First, the global financial services market remains challenging. Second, net sales in our Financial business were negative in the fourth quarter, as expected, and did not show a year-on-year improvement relative to Q4 2012.

As you will recall from my remarks in Q3, the fourth quarter is always the toughest quarter of the year. The majority of the fourth quarter's negative net sales were due to large accounts and the Bridge platform closure in Q3. Now, as I've said before, one quarter does not make a trend and we remain confident in our net sales trajectory as we enter 2014.

Third, our Legal business reported an organic revenue decline of 2% in the fourth quarter. This is primarily due to a decline in US and Latin American print revenue. The decline in the US print revenues we believe is structural and we are focused on how to best mitigate this dynamic. On the other hand, we believe the decline in Latin American revenues is temporary as the business transitions from print to online and at the same time, we are also rolling out a common order to cash system across various businesses, most of which we acquired over the last three years, and we're harmonizing our commercial policies. This is a painful, but essential step to solidify our platform for future growth.

So there was a lot of activity as we improved our position with customers, launched new products, continued to reduce operating expenses, lowered our financing costs and funded our pension obligations. And yes, we continue to face challenges, but the trajectory is positive and I am confident the actions we have taken and will continue to take will enable us to improve growth and profitability.

Now, let me highlight several key accomplishments for 2013 before I turn to our outlook for 2014. Our growth businesses, which now represent over 50% of our revenues, were up 9%. We define growth businesses as everything other than Financial desktops and Legal's US core research business, which includes print. The success we are achieving in these growth businesses is a direct result of having taken a very targeted investment approach over the last several years. We expect to see continued good growth from these businesses as they comprise an increasingly large proportion of our revenue base.

In the Financial business, the Financial business improved its execution capabilities, which cannot be overstated. We ended the year with essentially all 3000 Xtra customers upgraded to Eikon and now have 55% of our desktop revenue, or $1.7 billion, on Eikon. This was a tremendous accomplishment. We also saw an improvement in our net sales in 2013, still negative for the full year, but much better than 2012. And despite the lower performance in the fourth quarter, net sales in the second half of the year were better than in the second half of 2012.

For 2014, I expect this trajectory of gradually improving net sales to continue with most, if not all quarters targeted to show year-on-year improvement. And we continue to execute. We are making good progress improving our customer satisfaction ratings, which were up 600 basis points for Eikon customers last year. Finally, we continue to make significant progress reducing our cost structure in a sustainable manner with more opportunity ahead in 2014 and 2015. For example, the Company's adjusted EBITDA margin was essentially flat despite a 1% decline in organic revenues and about $100 million of charges in the first nine months of the year.

Importantly, these results were accomplished before the benefits we expect to achieve from the transformation program, which will further simplify our organization and will contribute to drive high organic growth, higher margins and increasing levels of EPS and free cash flow per share. We will have more to share with you on our progress and our goals during the IR Day in March.

Now, let's look to 2014. We expect the momentum that has been building inside the Company to continue. While the negative net sales of 2013 will combine with still-challenging market conditions to temper our current-year growth, we will continue to improve our competitive position. We cannot control external markets and, like many, we are disappointed with the softening we saw in Q4, particularly in the European banking sector and in emerging markets. That said, I am encouraged by the way our businesses have been able to execute in these conditions and I am confident that as we work more closely with our customers to meet their needs, their confidence in our ability to perform is growing day by day.

Lastly, while we all look forward to a faster-growing global economy, Thomson Reuters is in a position where we can drive costs out and profitability and free cash flow up by pulling the levers we have to transform the Company into a more integrated and efficient organization.

Looking to 2014, we are on a positive trajectory and there are pockets of growth that we can and will exploit. Our Financial business enters this year in a far stronger position. Our salespeople can now focus on new sales as the 3000 Xtra upgrade program is behind us. In 2013, salespeople were more focused on upgrades than new sales. That's not the case this year. We expect to benefit from higher retention rates, a direct result of much-improved products, better customer service and higher customer satisfaction. And we forecast a marked improvement in Financial's EBITDA margin given the benefits expected from the restructuring steps we took in 2013 and will continue to take this year.

Now, the Financial business will confront a number of challenges in 2014. First, banks continue to be under pressure with higher capital constraints, increasing regulation and substantial fines levied, all of which are hindering their growth and returns. Second, negative net sales last year will impact this year's growth. As mentioned earlier, we expect to see continuing gradual improvement in Financial's net sales performance this year. Lastly, we will continue with our ongoing platform and product rationalization programs. These programs, coupled with migrating customers to our new commercial offerings, are expected to result in the loss of some revenues as we strengthen our position and seek to increase market share while building a more profitable business.

As we discussed at Investor Day, a focused management team, combined with better products and improved systems and back-end processes, have enabled us to employ a much stronger commercial discipline. We are far more rigorous in retiring the legacy platforms and products and eliminating less profitable revenues and exiting smaller operations and third-party contracts. The net result of these actions is likely to result in the loss of some revenue in the short term from actions such as closing smaller products, as we did with the Bridge platform, eliminating low-margin communications revenues as we move customers off expensive telecom infrastructure to lower-cost delivery platforms and reducing recoveries revenues as we work with third parties and clients to build directly rather than having us do it on their behalf. So all these actions will impact Financial's revenues in 2014, but we are confident it will drive greater profitability and scale as we work toward our goal of an EBITDA margin nearing 30% in 2015.

Now, turning to the Professional businesses, Legal is on a positive trajectory and is expected to continue to make good progress as it evolves into a solutions business, helping law firms improve productivity, manage their businesses more efficiently and grow more quickly. Legal's growth businesses will represent about 50% of its revenue base this year and are expected to continue to grow strongly. For perspective, these businesses represented less than 40% of Legal's total revenues back in 2011. The challenge in 2014 for legal resides on the core legal research and print side of the business, which represents the other 50% of revenues. Westlaw remains foundational to our business. We are focused on further leveraging and integrating other tools and solutions into Westlaw as we work to boost retention and boost sales.

Print is likely to decline mid to high-single digits this year given the structural changes in the market. However, US print now represents about 15% of Legal's revenues and only 5% of Thomson Reuters' total revenues, so the impact of this business on our overall performance is diminishing.

In 2014, Tax & Accounting and IP & Science are expecting to continue to build from their strong performances last year. The global markets in which they operate continue to expand and they each hold strong market positions, which is expected to help drive growth.

Now, for our 2014 outlook, we forecast that our revenues will be comparable to 2013 for the Company as a whole. Last year's negative net sales in our Financial business and continuing pressure on Legal print revenues will impact 2014. In addition, as indicated during our Q3 earnings call, we expect to complete fewer acquisitions this year than we did over the last three years as we focus the organization on driving organic growth and pushing scale initiatives aggressively throughout the corporation. This strategy will obviously impact our overall revenue growth performance in the near term, but is expected to deliver greater value for our shareholders over the long term.

Second, the adjusted EBITDA margin is expected to range between 26% to 27%. Third, our underlying operating margin is forecast to range between 17% and 18%. Finally, we forecast free cash flow to range between $1.3 billion and $1.5 billion, reflecting the negative impact of an estimated $300 million from the charge announced in Q3 and the loss of about $75 million in free cash flow from disposals.

Lastly, given our strong capital position and our confidence in the cash-generating capacity of the Company, this morning, we announced a dividend increase of $0.02 per share to $1.32 per share. This marks the 21st consecutive annual increase in our dividend.

In addition, we expect to continue to execute on the share buyback program we announced on our third-quarter call where we anticipate repurchasing $1 billion of stock by year-end 2014. With that, I want to thank you and I now turn it over to Stephane to discuss the fourth-quarter results.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Thank you, Jim. And good morning or good afternoon to you all. As Frank indicated earlier, I will speak to revenue growth before currency throughout today's presentation. So this first slide provides a snapshot of our fourth-quarter and full-year results on a reported basis. These reported results reflect the impact of the charge we took during the fourth quarter, consistent with what we announced last October. As you have read in our press release, this charge had a $260 million impact at the EBITDA level and a $275 million impact at the operating profit level.

Now, fourth-quarter revenues were up 1% due to acquisitions. Organic revenues declined 1% primarily due to the continuing lag effects from negative net sales in our Financial segment. Overall, our Professional businesses grew 5% during the quarter, 2% organic, while F&R declined 2% and was down 3% organically. For the full year, revenues were up 2% due to acquisitions. Organic revenues declined 1% due to the same drivers that impacted Q4.

Now, adjusted EBITDA on a reported basis in Q4 was down 32% and our EBITDA margin was 18.7%. This decline was primarily due to the charge I mentioned earlier. Foreign exchange had a 50 basis point positive impact in the quarter. Adjusted EBITDA for the full year was down 7% and the margin declined 210 basis points and here foreign exchange had a 20 basis point positive impact on the EBITDA margin for the full year.

Underlying operating profit in Q4 declined 50%, again, primarily due to the $275 million charge and for the full year, operating profit declined 15%, impacted by the aforementioned charge and increased depreciation and amortization expenses.

Now, for the remainder of this presentation, as Frank mentioned, I will be speaking to our results, excluding the charges incurred in our fourth-quarter results since these results are comparable to the full-year 2013 outlook we did provide in February of last year. So let me focus on the results highlighted in the orange framed box on each slide, which excludes the Q4 charges.

Adjusted EBITDA was down 3% and the margin declined 90 basis points due to a 1% decrease in organic revenue growth. The EBITDA decline was primarily related to the Financial and Legal businesses, which I will explain in more detail in a moment. Underlying operating profit was down 5% and the margin was down 100 basis points. Free cash flow for the quarter was $714 million, up 1% from last year and earnings per share was $0.49 as compared to $0.54 in Q4 of last year, primarily due to the decline in underlying profit and to a higher tax rate. For the full year, and again excluding fourth-quarter charges, adjusted EBITDA grew by 1% and the margin went down 10 basis points.

Let me remind you that the numbers on this slide exclude the charges we took in Q4, but they do include $97 million of severance charges we took over the first three quarters of the year. The margin decline of only 10 basis points despite the negative organic revenue decline and despite about $100 million of severance expenses reflects the progress we are making to take costs out on a sustainable basis. Underlying operating profit declined by 2% as the margin was down 50 basis points, primarily related to the charges across the first three quarters and to the increase in depreciation and amortization I mentioned earlier. Free cash flow was $1.7 billion, excluding the $500 million of voluntary pension contribution that we made in the fourth quarter. This was down slightly from last year's free cash flow performance. The primary driver for the free cash flow decline was the loss of about $150 million of free cash flow from divested business. The free cash flow from our ongoing businesses was actually up 7% or over $100 million for the year.

Now let me provide you with some additional color on the performance of our individual businesses, starting with our Legal segment. The US legal market remains challenging. Demand for Legal services as measured by Peer Monitor was down 1% in 2013 following a flat year in 2012. During the quarter, our Legal business grew 2%, but was down 2% organically. This organic revenue decline was due to two main factors. First, as expected, US print continues to be a drag on overall performance. Our US print business was down 5% in the quarter. As Jim mentioned, it is a structural decline, which we do not expect to turn around in the foreseeable future. However, the silver lining is that US print represents an increasingly smaller portion of our overall Legal business. It represented about 15% of Legal's total revenue in 2013, down from about 24% back in 2008. As such, the impact of US print on Legal's overall revenue growth performance should continue to diminish over time.

The second factor which negatively impacted Legal's revenue growth in the quarter was our Latin America business. Overall, our Legal business in LatAm was down 10% organically in 2013 with most of the decline taking place in Q4. This decline is due to a combination of factors. First, we are seeing a slowdown in emerging markets, which is also impacting the Legal publishing market in LatAm. Second, we are in the process of rolling out a new order to cash system across our Legal and Tax & Accounting businesses in Latin America.

As part of this project, we are also harmonizing tighter commercial policies in the region. The implementation of these common processes, policies and systems is causing some short-term pain in our performance, but they are essential in solidifying the platform we've established in the region and they will position us for strong growth in the future. As the last phase of the new system implementation is scheduled for Q2, we expect some additional short-term pain this year, but we remain confident in the growth prospects of our LatAm business in the long term.

If you exclude the impact of [currency] in the US and in Latin America, Legal's organic revenue growth would've been positive 1%. Subscription revenues, which account for 70% of total legal revenues, went up 7% in Q4, 1% organic and transaction revenues, which are 30% of the revenues, these were down 13% primarily due to lower book sales in Latin America.

Turning to our profitability metrics, Legal EBITDA decreased 6% and the margin was down 270 basis points in Q4. The margin decline was due to the revenue decrease in LatAm with dilutive impact of the Practical Law acquisition and the declining core legal research. Finally, operating profit decreased 9% due to the same factors. Although we have made every effort to offset the negative revenue mix impact through cost savings, the decline in Latin American revenue, combined with the dilutive impact of an acquisition the size of PLC, overshadowed these efforts in the fourth quarter.

For the full year, our Legal business grew 3% and was down 1% organically. Excluding US print, which declined 6% for the full year, revenues grew organically. Subscription revenues, again 70% of total Legal revenues, were up 8% for the year and up 2% organically, which reflects expanding sales in our newer lines of business, somewhat offset by a continued challenging core legal research market. Transactional revenues, which represented 14% of total Legal revenues for the full year, were down 5%, again primarily due to lower book sales in Latin America.

Now, again, looking at our profitability metrics for the full year, Legal EBITDA decreased 1% and the margin was down 150 basis points. As you can see on this slide, we experienced a 300 basis points decline in our margin due to the combined effect of the revenue decline in our Latin American business, the dilutive impact of the PLC acquisition and the decline in print, with each of these three factors contributing to a decline of about 100 basis points individually or 300 basis points combined. We were able to offset about half of these declines through an improvement in profitability in our growth businesses and through expense savings.

Finally, operating profit decreased 3% and the margin also declined 150 basis points. So for 2014, we estimate that Legal's EBITDA margin will be flat to down slightly from its 2013 levels as we only experienced the year-on-year impact of the PLC acquisition for the first couple of months of the year.

Finally, here is a more detailed look at the performance of our three subsegments within Legal. US Law Firm Solutions revenues were flat and down 1% organically. This is our largest subsegment representing just over 50% of Legal's revenues for the year. Within that subsegment, Business of Law increased 7% driven by strong growth in FindLaw and Elite, while research-related revenues were down 1%.

The second subsegment, Corporate, Government & Academic, is about a quarter of the total, was up 1% for the year. The last subsegment, Global Legal, which is also a quarter of the total, achieved revenue growth of 14% driven by the acquisition of PLC and was down 1% organically given the decline in Latin America.

Now turning to our Tax & Accounting business, that segment delivered another strong quarter. Revenues grew 11%, of which 7% was organic driven by strong growth across all segments. Recurring revenues, about 85% of Tax & Accounting's revenue base, grew 7% organically and transaction revenues grew 6% organically. From a profitability standpoint, EBITDA and operating profit were each up 10% in the quarter with the related margins up 40 and 50 basis points respectively. For the full year, revenues were up 9%, 5% organic. EBITDA was up 10% with an 80 basis points margin improvement, while operating profit was up 12% with the margin up 90 basis points.

Finally, as you can see on this slide, we achieved strong growth in the Tax & Accounting business for the full year across each segment except Government. However, we did see the start of a turnaround in the Government business in the fourth quarter as revenues increased 7%. We implemented a number of changes to that business in the second half of the year, including a new management team and we expect that this business will continue its turnaround in 2014.

Turning to IP & Science, fourth-quarter revenues grew 11% with organic revenue up 9%. Each of the IP & Science businesses recorded good organic growth for the quarter. There were several large contracts signed by our Life Sciences and our Scientific & Scholarly Research business in the quarter that did drive the growth. The strong revenue growth led to a 70% increase in both EBITDA and operating profit. As I've said previously, full-year results are much more representative of the performance of the business. On a full year basis, revenues were up 11%, 4% organically. EBITDA grew 8% with the margin declining 60 basis points due to the dilutive impact of the MarkMonitor acquisition. Operating profit grew 6% with the margin declining 100 basis points.

Now, we have shown this last slide in prior quarters and we've just updated it to show you the full-year balance between subscription and transactional revenues for IP & Science. As you can see, the majority of the revenue is subscription-based and showing strong growth. Subscription revenues in the fourth quarter were up 8%, all organic and represent about three quarters of IP & Science's total revenue base. Transaction revenues in Q4 were up 16% due to several large one-time deals that were closed in the fourth quarter. And for the full year, subscription revenues were up 12%, off of which 5% was organic, driven by strong growth from Life Sciences and Scientific & Scholarly Research, both of which were up 7%. Finally, transaction revenues for the year were up 6%, of which 4% was organic.

Financial & Risk revenues were down 2% with a 1% contribution from acquisitions. So organic revenue went down 3%. These declines reflect the continued impact of our sales performance over the past 12 months and a repeat of the lower transaction values we saw in the third quarter. Recurring revenues, which are 76% of the total, declined 2% organically. Transaction revenues increased 2%, but they were down 4% on an organic basis as a result of lower volumes across the industry. As we noted in Q3, this decline in transaction revenues is largely market-related. Recoveries, which are about 10% of total revenue, declined 5% due to a combination of desktop losses and the fact that some exchanges have moved to billing customers directly. As a reminder, recoveries are low-margin revenues.

The EBITDA margin was down 100 basis points and the operating margin was down 140 basis points. As we said on the third-quarter call, we did not anticipate the same margin improvement in Q4 as we saw in Q3, but this decline was in line with our expectations. That said, we expect the improvement in the trajectory of the EBITDA in OI margins for F&R to continue and our full-year margin performance is far more indicative of the underlying expense savings the business is achieving.

So for the full year, Financial's revenues were down 1% with a 2% contribution from acquisitions, so organic revenues were again down 3%. Recoveries contributed to 50 basis points of the organic revenue decline with the remainder a result of the sales performance in the second half of 2012 and the first half of 2013. Adjusted EBITDA declined 4%. Let me remind you that these results include $73 million of severance charges that were incurred in the first three quarters of the year.

So Financial & Risk's full-year EBITDA margin declined a modest 40 basis points for the full year despite a 3% decline in organic revenues and despite incurring $73 million of severance charges. It is a testament to the success the F&R team is having in taking costs out by effectively managing headcount, shutting down platforms and operating more efficiently. Underlying operating profit was down 8% with the margin decreasing by 90 basis points and depreciation amortization was up $26 million compared to the prior year.

So at the end of the fourth quarter, we had installed 122,000 Eikon desktops with essentially all legacy 3000 Xtra customers upgraded to Eikon. So F&R almost tripled the number of installed Eikon desktops from 45,000 at the end of 2012 to 123,000 as of today. As we have said before, the lag between build and installed Eikons would be eliminated over time and you can see that that was the case as of January 31.

Now here is an update on a slide we presented last quarter. You can see on this slide that, at year-end 2013, 55% of our Financial desktop revenue base has now been upgraded to Eikon. This represents about $1.7 billion in annual revenue. The remaining 25%, which is still to be upgraded, represents largely ThomsonONE accesses and it is expected to be completed over the next couple of years. As such, reporting the quarterly increase in Eikon desktop will be a less relevant metric going forward now that all the 3000 Xtra terminals have been upgraded. As a reminder, desktop revenues make up around 45% of the total revenue of Financial & Risk.

Now I would like to update you on our capital position, free cash flow and earnings. As Jim said, 2013 was a very active year from a capital structure standpoint. We issued $2.8 billion of debt in 2013, including $800 million to redeem and pre-fund some bonds maturing October 2014. Through these various transactions, we took advantage of the very favorable interest rate environment to extend the average maturity of our debt portfolio from seven to nine years while at the same time reducing our average interest rate to about 5%. We ended up the year with a net debt to EBITDA ratio of 2.1 times and we have $6.7 billion of net debt outstanding. We also bought back $400 million of our outstanding shares, out of which $300 million was executed in the fourth quarter alone and this puts us well on our way to achieve a $1 billion buyback target by the end of 2014.

Free cash flow for the full year was above $1.2 billion and this number included the voluntary $500 million pension contribution, about $27 million of severance payments made in the fourth quarter, as well as the loss of $150 million related to disposals. So full-year 2013 ongoing free cash flow, which excludes the pension contribution and severance payments, was $1.6 billion, $100 million higher than in 2012, representing a 7% year-on-year increase.

Adjusted EPS for the fourth quarter was $0.21 per share, down $0.33 from the prior year, primarily due to $275 million of charges incurred in the fourth quarter. Excluding these charges, EPS for the quarter was $0.49. A higher tax rate had a negative $0.02 impact on EPS during the quarter and currency had a positive $0.01 impact in the quarter. Full-year 2013 adjusted EPS was $1.54 per share, down $0.35 versus the prior year, driven again by severance expenses incurred in the fourth quarter. Excluding fourth-quarter charges, full-year EPS was $1.83 and currency had no impact on full-year EPS.

Now Jim has presented our key metrics for the 2014 outlook, so I will speak to those that he did not address. Capital expenditures are expected to remain at approximately 8% of revenue, similar to 2013. I would like to remind you that CapEx has remained flat since 2011. Interest expense is expected to range between $450 million and $475 million and reflects lower interest rates resulting from debt refinanced in 2013. The projected interest expense is comparable to 2013 despite an expected increase in average debt outstanding. And we forecast that our effective tax rate will range between 13% and 15% in 2014, up slightly from 12% in 2013.

I would like to remind you that we historically pay more in cash taxes than our effective tax rate may imply. For instance, our cash taxes in 2013 were over $300 million as compared to the $87 million booked tax expense based on our effective tax rate. This is somewhat unusual and attributable to multiple factors. For instance, a number of non-cash expenses we book under IFRS, including amortization expense or intangible assets, related to most of our acquisition activity. These expenses are not deductible from a cash perspective. Also, we obviously continue to pay cash taxes from the businesses we are in the process of divesting, but we exclude the results from these businesses and the associated taxes from our adjusted earnings.

Finally, two important reminders. First, our EBITDA and OI margin outlook for 2014 includes about $120 million of charges announced in Q3, which we expect to take over the balance of the year. Most of these charges will consist of severance expenses and additional (inaudible) writedowns we will take in connection with our lower headcount.

Second, our free cash flow projection reflects the cash impact of the charge we took in Q4 and the majority of the additional $120 million charge we expect to take throughout 2014. We expect the total cash impact of this charge to be around $300 million on our 2014 free cash flow performance. Finally, our 2014 free cash flow will also be negatively impacted by the loss of about $75 million of cash coming from the businesses we divested last year. So our free cash flow projection for 2014 reflects the impact of these two items, which, in aggregate, amounts to close to $400 million. With that, let me turn it back over to Jim.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

So in closing, I would characterize 2013 as a year of solid progress. The turnaround in our Financial business continues with meaningful improvement in execution across product development, platform consolidation, back-office systems integration and product deployment. These successes are being recognized by our customers as reflected in higher retention rates and improving customer satisfaction ratings.

In addition, although net sales were negative, they improved over 2012 and we ended the year with more than 122,000 installed Eikon customers, nearly triple the number from a year ago, with 55% of desktop revenues now upgraded to Eikon. And our growth businesses exceeded 50%, a very important milestone, and they grew 9% in 2013. We are also pleased with the progress we are making with our cost-reduction programs, as evidenced by our ability to hold margins despite a 1% decline in organic revenue growth and charges of $100 million in the first nine months of the year.

During the 2014, we are confident we will continue to make steady progress this year. Top-line growth will be tempered by headwinds in the global banking and legal markets, as well as the fact that we will be making fewer acquisitions. That being said, we will aggressively pursue growth in those areas where we have strong positions. Finally, we are making good progress with our transformation program and we will have more to share with you during our upcoming Investor Day in March. Now let me turn it back over to Frank.

Frank Golden - *Thomson Reuters Corp. - SVP, IR*

Thanks very much, Jim and Stephane. That concludes our formal remarks. So operator, we would now like to open the call for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Steinerman, JPMorgan.

Andrew Steinerman - *JPMorgan Chase - Analyst*

Good morning, gentlemen. When thinking about the great milestone of sunsetting the 3000 Xtra family and the Bridge sunsetting late last year, how much savings should you have in 2014 and how does that play into your margin expectations for the F&R segment in 2014?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

All right, Andrew. Let me take on that question. It's Stephane and good morning to you. I would expect that we will see additional improvement in F&R's margin this year, both on a reporting basis, obviously, but also more importantly on an underlying basis. This being said, keep in mind that F&R will still incur additional charges in 2014. The majority of the $120 million that we mentioned will actually be concentrated in F&R. So, once again, their margin or the progress they are making in their margin will be somewhat obfuscated by this charge.

So to try to give you a little bit more color, from an underlying basis, F&R margin was 24.5% in 2013. So in order for us to get to the level of approaching 30% by 2015, which is, as we mentioned earlier, an internal target that we've set for ourselves, we need to see an improvement of close to 500 basis points over two years. Obviously, we plan on giving you more detail on this during the IR Day that we are going to have next month. Both David Craig and Tim Collier, CFO of F&R, will be there to provide you that detail.

But, at a high level, I would expect that this 500 basis point margin improvement will likely be more back-loaded in 2015 and this is due to a number of reasons. The first one is that, obviously, we will see more impact of the platform shutdowns in 2015 than we will in 2014. The second point, as I mentioned earlier, 2014 will still be -- the margin that we are going to report will still be impacted by these charges that we just announced. And finally, given our assumption that net sales will continue to improve, I would hope that F&R's revenue growth will be better in 2015 and 2014. So overall, if you were to ask me, I would expect that we should stick (inaudible) progress towards that internal target that we've set, but it would be more likely early in 2015.

Andrew Steinerman - *JPMorgan Chase - Analyst*

Right, and why does it take till 2015 to benefit the shutdown of Xtra and Bridge?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

I was making that more as a general comment. For instance, this year, we are going to shut down a couple more important platforms, the IDN platforms and so you're going to see the benefit of that really flowing through in 2015 really much more visibly than in 2014.

Frank Golden - *Thomson Reuters Corp. - SVP, IR*

Andrew, this is Frank. The savings associated with the Bridge shutdown, as well as [ENT] and HTA, I think we mentioned early, not on this call, but previously, that we expected savings of about $40 million flowing through from those.

Andrew Steinerman - *JPMorgan Chase - Analyst*

Great, thank you very much.

Operator

Paul Steep, Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Great, thanks. I guess first one for Jim and then actually a clarification for Stephane. What's the milestones we should be watching for within F&R and Legal to fuel the organic growth initiatives into 2015 and beyond? And then secondly, the clarification for Stephane, on the 500 basis point lift you just talked about in 2015, your third point, how much of it is responsible or how much would happen if you neutralized organic revenue growth in the period? i.e. if net sales just stayed flat, what type of lift do we end up with? Thank you.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Thanks, Paul, and I will tackle that. I think, as always, the kind of underlying sales trajectory is the thing we have got to look at and what we will be looking for and trying to manage is that continued improvement and the overall leading indicator, which is net sales. I think next year as well or this year, what we will try to do is to give you a little more color because we will be managing it carefully about how we are proceeding in strategic segments. We're entering a pretty important phase here for us. The Xtra 3000 replacement program was all about replacement and we are working really, really hard to convert folks to a better -- existing customers to a better product that we knew would be stickier overall.

As we began to move throughout 2014 and into 2015, more to the buy side, more to the investor side, investment management side and consolidating the old ThomsonONE products onto the Eikon/Elektron platform, I think we will be more focused and going after new customers. So grabbing that new ground is going to be important for us and the progress that we are making by strategic segment will be something we will be talking about in greater detail this year and in coming years because we want to make certain that we are driving to the kind of long-range profitable business that we really want to cultivate here.

So it's all about sales trajectory and sales momentum. We will continue to talk about that, but it's also about making sure we are getting that sales momentum in the right places that are going to power the business for the future and we will be sharing that with you -- more about that on Investor Day and more about that, I think, quarter by quarter.

Paul Steep - *Scotia Capital - Analyst*

Thank you.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

To answer your second question, when we provided that internal target last year at Investor Day, we were assuming very modest organic growth for F&R over the period of time. Obviously, given the guidance we've just given, I don't think it's prudent to expect organic growth for F&R this year. And I think we would expect some -- maybe something -- it's too soon to call 2015, but that margin target is not relying on the very large revenue growth rate in 2015. If anything, it could be very modest.

Paul Steep - *Scotia Capital - Analyst*

Thank you.

Operator

Sara Gubins, Bank of America Merrill Lynch.

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

Thank you. On F&R and Eikon, could you give us an update on retention and could you also -- I'm curious on market share if you think that your market share in F&R is holding. Thank you.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

I'll take that, Stephane, and if you have the specific numbers on retention. What we've seen on retention is that it's up significantly where we have replaced Eikon. I think it was 500 or 600 basis points improvement in customer satisfaction scores and we are seeing retention up. Encouragingly, Sara, we are seeing it up particularly amongst our largest customers and in fact, that retention rate moved very nicely for our top 80 banks that we currently -- that we classify as the global banks. So that's quite encouraging and shouldn't be surprising given how much better the product is than the previous product. So we are very encouraged by the retention there.

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

And then, secondly, you mentioned -- I thought I heard you say that you are expecting Legal margins to be flat to down slightly in 2014. I wanted to check to see if that includes any incremental charges. I'm actually surprised that it wouldn't be down more given the print decline.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Well, you've seen the slide I showed earlier detailing the reasons for the downward drift in our margins in 2013 and I said it was like really attributable to three factors, one of which was the acquisition of Practical Law. On the year-over-year basis, that's no longer going to be a factor because we made that acquisition in February of last year.

So I think that, in 2014, what you're going to see hopefully is a return to what we've been able to do in prior year where we have been able to offset the negative revenue mix impact that we've had in the business through two factors -- number one, cost-cutting actions and number two, the fact that our growth businesses are gaining scale and thereby, the margins in these businesses are at least remaining lower than core legal research business. The margin in our growth business is also improving. And that's why we are making that assessment of overall margin to be flat to maybe down slightly.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Sara, I should come back in and I realized I didn't answer the second part of your question there, which I very much want to do. I mentioned the strategic sectors that we are going after. I can tell you this about market share. Definitions of market share depend upon your definitions of market and how things get measured and I can tell you that all the strategic sectors where we are going head-to-head with our key competitors, I'm still in a position where I believe that we are no longer losing market share and in fact, when we go head-to-head with competitors, we win more than our fair share these days.

Now if you look at the whole of the financial services market and how some third parties might calculate that, I just can't speak to their calculations. We did divest a considerable amount of businesses over the last 18 months and I suspect if you look at the overall numbers as a whole, then that would show up that we would've gone backwards in the overall market. But I can tell you where we go head-to-head with competitors in our key strategic segments, we are holding our own. I do not believe we're losing market share.

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

Great, thanks very much.

Operator

Manav Patnaik, Barclays.

Manav Patnaik - *Barclays Capital - Analyst*

Good morning, gentlemen. If you could, just from a growth perspective, help parse out what the desktop revenue, which you said I guess was 45%, how that grew organically versus sort of the non-desktop revenues. And then add back to your comment where I guess this year the focus was on new -- this coming year, the focus will be on new sales versus upgrade the prior year. Maybe if you could dive into that a little more, talk about what the new Eikon business has been thus far and what you expect.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Let me try to address the first part of your question. I can tell you that the revenue decline in our Financial desktops this year was in the area -- was in the mid-single digit range, so 5% to 6% decline. So this is still a very heavy decline, which is directly related to the net sales performance we had in the prior 12-month period. I would expect that rate of decline over the coming years to hopefully improve as a result of the introduction of Eikon, which is obviously a much better program. Sorry, could you repeat your second question?

Manav Patnaik - *Barclays Capital - Analyst*

Well, I mean just related to that, the non -- like the feeds business and transactions, how does that grow generally?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

These businesses are still growing nicely, so that's why you get to an average organic rate that's better than the 5%, 6% I just mentioned.

Manav Patnaik - *Barclays Capital - Analyst*

Okay, and then I just asked on sort of the focus on new sales versus upgrades and just a little more color on how that has performed and your expectations.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

I think that we had the whole of the salesforce focused on getting those Eikon migrations done as quickly and upgrades as quickly as we could because we knew a better product would result in better customer satisfaction and better retention and in fact, it has. So that was exactly the right thing to do. This year, we've got them focused on new sales and we would expect our gross sales performance to pick up and we would expect our retention rates to hold.

Also, we have some really incredibly compelling new products both now in the market and in the pipeline for later this year. So as we -- Eikon 4 is now out, we think that is going to be a very compelling product and it's going to attract new customers. If you will remember last year, our success rate was that, for every five Eikons that we upgraded, we got one add-on sale. Now we can focus on those add-on sales. We are bringing out some strong new product as well, consolidating the ThomsonONE various products onto the Eikon/Elektron platform, but we think that will be attractive in investment management and to the buy side in general. So we are going to target those areas for market share gains and we are encouraged by that.

We've got some strong plans, and I don't want to telegraph them too much, for significant improvements in the FX market as well throughout the year. So I think we've got a good product pipeline, good plans and a salesforce that's going after new sales this year. So we would hope to see an increase in both the pickup in our gross sales and better retention from the Eikon product that we have.

Manav Patnaik - *Barclays Capital - Analyst*

All right, thank you very much.

Operator

William Bird, FBR.

William Bird - *Friedman, Billings, Ramsey - Analyst*

Good morning. Jim, I was wondering if you could talk about the expected run rate savings from some of the 2014 platform sunsetting.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Stephane, you might be better positioned to answer that.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Yes, Bill, I'm not sure we want to speak specifically about one-quarter shutdown versus the other. I mean we are giving you like an overall margin objective and obviously, that margin objective assumed that we achieved significant run rate savings from the platform shutdown. We will go into more details about that during the meeting in March. But I think what you should focus on is obviously the improving -- continuing improvement in margin for F&R and that improvement in margin happening despite the fact that they are still very much in a position of generating negative organic revenue growth at this point in time.

William Bird - *Friedman, Billings, Ramsey - Analyst*

Okay, and then separately, as you migrate customers from multiple products to Eikon, are you able to preserve pricing? How are you managing the price transition?

Jim Smith - *Thomson Reuters Corp. - President & CEO*

I think we going to do that very strategically and that will be tricky. We've done a lot of work on that over the last year at understanding the most effective combinations and pricing strategy and I hope you can appreciate that I don't want to telegraph that in great detail at this point. I think there will be places where we will make short-term sacrifices in terms -- in pricing in order to penetrate key strategic markets and I think there are other places where a more effective bundling strategy per se could yield, in fact, higher long-term total uptake. So I think there are risks and opportunities in a move like this. Obviously, we think the opportunities outweigh the risks or we wouldn't be doing it. And again, I just don't want to telegraph exactly what I'm going to do there because of the competitive nature of what those pricing decisions mean.

William Bird - *Friedman, Billings, Ramsey - Analyst*

Stephane, is there any pension contribution in your 2014 free cash flow guidance?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

That's a good question. We always have ongoing normal pension [contributions] that we do to our plants around the world. I would say in 2013, those were around $60 million or $70 million and I would expect the same run rate going forward. We do not expect the need to make a large one-time contribution such as the one we did last year and I referenced. The last time we had to make these external pension contributions was almost 10 years ago in 2002, 2003. So with the pension contribution we made in the fourth quarter, our overfunded status now is about 95%. That's why we do not expect the need to make additional pension contribution of a large scale like the one we did last year.

William Bird - *Friedman, Billings, Ramsey - Analyst*

Thank you.

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Hi, thanks. Can you talk about the competitive environment in core legal research? And related I guess, in print, is there increased aggressiveness in pricing by competitors? Thanks.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Yes, the answer is no. I don't think there is increased competitiveness. The market remains dynamic, as it has been. I think there has not been a real significant change in any way in the competitive dynamic there. We have seen obviously pricing pressures from, obviously, Lexis in the US market, but that's primarily on the electronic side.

In the print side, we are just such a dominant player, particularly in the US, that it's not necessarily around competitive price; it's around paying the price for both print and online and a shift in customers who prefer to consume their information online and are buying -- just buying less books overall. We have a significantly larger print business than anyone else, particularly in the US, so that's why it impacts us to a greater degree. But there's no real change in the competitive dynamics and no price pressure contributing on the print side. It's just a general preference for online. We are in a position really in the United States where we have the luxury of almost charging twice for things because the vast -- almost virtually all of the information that is contained in our print publications is now online as well. So it's a supplemental sale.

Toni Kaplan *- Morgan Stanley - Analyst*

Great. Then in Latin America, there's not too much you can do about the overall market, but in terms of just positioning for the market, I know you have at least one initiative in place that has cost $1 billion, but anything else in place you are doing to reaccelerate growth there?

Jim Smith *- Thomson Reuters Corp. - President & CEO*

Listen, we are very, very positive and I'm very bullish on Latin America overall. And what you see in terms of the top-line numbers there are very deliberate commercial decisions that we've made to tighten commercial policy and forgo short term for what we believe is a very attractive long term. We think there's great opportunity for us to grow, particularly in our electronic products, particularly in our software solutions, particularly in our global tax and workflow solutions, but we want to move aggressively. We think it's a far more profitable, sustainable and predictable model if we can move Latin America where we sell primarily through third-party bookstores into more of a subscription nature electronic arrangement. We are moving aggressively to both put content online in our online services and to deploy what we think is killer e-reader technology to move those books onto tablets as well. So this is a deliberate decision there to forgo kind of status quo short-term revenue in order to migrate that market to what we think is a more attractive model.

Operator

Peter Appert, Piper Jaffray.

Peter Appert *- Piper Jaffray - Analyst*

Thanks. So Jim, just to be clear, the weaker fourth-quarter net sales in F&R, you attribute it completely to market weakness, not any flavor or competitive dynamic, correct?

Jim Smith *- Thomson Reuters Corp. - President & CEO*

Yes, look, that's exactly right.

Peter Appert *- Piper Jaffray - Analyst*

Okay.

Jim Smith *- Thomson Reuters Corp. - President & CEO*

It is also -- there are two things, particularly in the emerging -- Europe was generally softer and when I say emerging markets, there was the deliberate steps we took in legal and regulatory in Latin America. That was part of it and the other stuff in emerging markets was Asia ex-Japan. Japan was actually pretty strong for us. When I think about emerging markets, we got hit with two things, right, or three things actually. One, when you think about big global banks pulling back from emerging markets, we serve those big global banks and so their pullbacks affected their contracts with us.

Also, with some of the product shutdowns, the Bridge network shutdown, the migration off of Xtra 3000 onto Eikon, we suffered some losses in the long tail of small customers across Asia who didn't make the migration to the new products with us. And then I think just generally, as a lot of people reported in Q4, there was just a general softening in what had been very hot, fast-growing markets that also flowed through.

But, yes, I contribute all of that to just surprising market weakness in Q4. I would only add to that -- while again we don't give -- we don't quarter-by-quarter guidance or anything, it's too soon to talk about a whole quarter, but we are encouraged at the way the year has started after that downtick. And again, in our business model, particularly in the Financial business, Q4 tends to be the place at which the big seismic changes are concentrated. It's always that tough year. It's always that tough period in which banks kind of reset the foundation for the next year. It was a tougher-than-expected period outside.

Peter Appert - *Piper Jaffray - Analyst*

Helpful. Could I ask two follow-ups then? One, should we expect then that the first-quarter net sales could be positive? And then, two, specifically in the fourth quarter, was the US positive offset by weakness elsewhere or was the US also negative?

Jim Smith - *Thomson Reuters Corp. - President & CEO*

The US was stronger, but was not positive, but it was stronger than the other regions. And for the first quarter, as I've said many times, I expect to see an improved net sales position over the prior year in the quarter and we expect to see that trend continue throughout the year. I don't want to get into the place of predicting quarter by quarter where we are going to pop above the positive or pop down to negative because I wouldn't over-read that.

To me, what's important is the trajectory, just like when I've looked at the second half, I don't -- one quarter doesn't a trend make and I don't look at the fourth quarter as being a break in the momentum inside the business or a break in the momentum with our customers. I rather look at the whole of the second half being better than the whole of the second half last year. I am relying upon all the conversations I have had with customers throughout that fourth quarter, although it was tougher, and certainly as we go into this year. So what we are looking for is an improvement in the trend, but I don't want to get into living and dying on whether or not we pop slightly into positive or slightly into negative, particularly because one or two big swings, one or two big accounts can make that difference.

Peter Appert - *Piper Jaffray - Analyst*

Understood. Thanks, Jim.

Operator

Andre Benjamin, Goldman Sachs.

Andre Benjamin - *Goldman Sachs - Analyst*

Hi, good morning. My question is, I understand you don't want to telegraph exactly what the pricing strategy is in the transition to Eikon, but to better understand how things are changing versus prior comments, could you comment on whether or not you are still seeing 2% to 3% increases across the entire business or is it now something less than that on a blended basis?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

I would expect it would be less than that on a blended basis for 2014.

Andre Benjamin - *Goldman Sachs - Analyst*

Okay, then in terms of the restructuring charges, just understanding what drove you to increase the charges and then not necessarily make any change to the run rate of $300 million by 2015? I'm trying to understand kind of what inning you are in terms of reevaluating opportunities. And I guess I'm really just trying to understand are you reinvesting some of that savings, which is why you didn't take the number up? Is it that you are offsetting cost increases somewhere else or is it some other factor that we are not thinking of?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Sure, Andre, I think the main driver of the charge increasing a little bit from the earlier guidance was the fact that we included what's referred in accounting terms to [onerous leavers], which means essentially with a reduction in headcount, we need less space and as we vacate floors or buildings, we essentially had to write down the remaining lease obligation we had on these spaces. So I believe that was the main driver. We have really focused more on the severance expense in the earlier indications we had and again, the change is not really very significant. But I think that's the biggest part of it.

And in terms of your second question, why we didn't increase the run rate, it's about the same, maybe a little higher. But, as you said, we obviously -- we can't expect to see the full run rate flowing through an improvement in margins when you have still low revenue growth and when we still have to make investments in the business, as you pointed out and we very much intend to continue to make investments in the business.

Andre Benjamin - *Goldman Sachs - Analyst*

Thank you.

Operator

Doug Arthur, Evercore.

Doug Arthur - *Evercore Partners - Analyst*

Stephane, just going back to slide 37 on the guidance, this perhaps is an obvious point, but the adjusted EBITDA margin guidance of 26% to 27% includes the $120 million of anticipated additional charges, so essentially about 1% of revenues. Ergo the adjusted adjusted margin would be up about 100 basis points from the adjusted ex-charge margin in 2013. Is that a fair way to look at it?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

It's a very fair way. It's a good idea. We may introduce the adjusted adjusted margin.

Doug Arthur - *Evercore Partners - Analyst*

Yes, that seems -- so essentially flat revenues --.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Exactly right. Your analysis is exactly right, Doug.

Doug Arthur - *Evercore Partners - Analyst*

Thank you very much.

Operator

Drew McReynolds, RBC.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thanks very much. Maybe, Jim, just for you, kind of big picture here, as you look over I guess through to 2015, if I can push you a little bit here, what kind of visibility do you have on a return to positive organic revenue growth in F&R? And specifically, what are the kind of key deltas or assumptions that would get you there, whether it's in respect to a recovery in Europe or emerging markets, maybe stronger growth in FX? Does it require you to get to positive organic revenue growth in desktop? Maybe all of the above or part of the above? If you could just kind of flesh that out for us.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Sure, I think we've got to continue the trajectory overall in net sales, right and we've got to get back at least to flat net sales overall, so that some of the price can stick. And that can get -- so we don't have to get in positive territory for the whole year, but we've got to get -- we've got to continue to see that trajectory improve on net sales overall and I think it doesn't mean we have to get positive in desktops. No, not necessarily overall, but it means we have to be making progress. We need to make more progress on the buy side. It means we have to see our feeds business continue to grow as it's growing now. We have to be strong in our trading and marketplaces businesses as well. And we have to continue to win in the FX market. So I think overall it's that blend that will get us there. I don't think there's one key area that's going to offset the other. We've got to continue to make improvement overall in net sales because that gets us back to the place where we can have that revenue growth.

In terms of visibility, look, I like the sales pipelines that we have set up. I can tell you that the salesforce loves the new products, the ones that they have in their hands today and are selling and they are very excited about the ones that are to come throughout the year with some significant launches throughout the year. So I like our chances there, but it's hand-to-hand combat in a very volatile market and absolute visibility into where we will be in January of 2015 is difficult right now.

Drew McReynolds - *RBC Capital Markets - Analyst*

Okay, I appreciate that. And then maybe just one follow-up for you, Stephane. I think on the buyback, you have been moving quite nicely through the kind of $1 billion target by the end of 2014. It looks like you are ahead. If we get to May and you have kind of gone through the $1 billion, seems to be flexibility in the balance sheet to kind of continue to buy back as you renew the NCIB, can you just give us your updated thoughts there?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Sure, you're exactly right. We've been moving, as promised, essentially with pace on the buyback program. We have essentially completed $300 million of the program in the fourth quarter. I would expect a good pace to continue and then we reevaluate the program with the Board when we complete this $1 billion. But as we said, our goal when we set that target was not just to a set a high number and say it's a new number, we can tell you what we are going to do under the program, which is very much to execute on that program and complete the $1 billion. So we should definitely be able to do that before the end of the year and maybe even a little bit sooner.

Drew McReynolds - *RBC Capital Markets - Analyst*

Okay, thanks very much.

Operator

Matt Walker, Nomura.

Matt Walker - *Nomura Securities - Analyst*

Thanks. I've got a question and I will be quick. A quick question I guess for either Jim or Stephane is the net sales in Financial, do you expect the net sales to be positive for -- clearly, it's very difficult to say in the short term, but do you expect the net sales to be positive for the full-year 2014? Can you also comment on have you had to give -- you clearly had a big drive for installations to get all the 3000 Xtra people over by the end of the year or very close to the end of the year? Have you had to give any kind of discounts or incentives or something like that in order to achieve the closing out of the 3000s?

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Well, I will answer the second question first. No, we didn't. In fact, we migrated folks at the exact terms that they had for Reuters Xtra 3000 and we used it as an opportunity to upgrade products (inaudible). As far as overall net sales being positive or negative for the year, we are not going to give a prediction on that at this time. We are going to continue to see the trajectory improve and we are confident we will be able to keep the trajectory improving. As I said earlier, whether it pops in for one or two or three quarters into that positive territory, it's just too tough to say right now. We will let you know as the year progresses if we get any greater visibility into that.

Matt Walker - *Nomura Securities - Analyst*

Okay, thank you.

Frank Golden - *Thomson Reuters Corp. - SVP, IR*

Terrific, so that will conclude our call. Let me just mention, as Jim had during his presentation, that we will be hosting an Investor Day in Toronto on March 20. You can expect more information coming from us over the course of the next few days on that. Feel free to contact my office if you have any questions. With that, that will conclude our fourth-quarter call, so thanks very much for joining us.

Operator

Ladies and gentlemen, this conference will be available for replay after 10.30 AM this morning and running through February 19 at midnight. You may access the AT&T executive playback service at any time by dialing 1-800-475-6701 and entering the access code of 316118. International participants may dial 320-365-3844. (Operator Instructions). That does conclude our conference for today. We thank you for your participation and using the AT&T executive teleconference. You may now disconnect.