FINAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Frank Golden
Thomson Reuters Corporation - SVP IR

Tom Glocer
Thomson Reuters Corporation - CEO

Bob Daleo
Thomson Reuters Corporation - EVP, CFO

CONFERENCE CALL PARTICIPANTS

Peter Appert
Piper Jaffray - Analyst

Drew McReynolds
RBC Capital Markets - Analyst

Paul Sullivan
Bank of America - Analyst

Paul Steep
Scotia Capital - Analyst

Jonathan Helliwell
Cazenove - Analyst

Vince Valentini
TD Newcrest - Analyst

Colin Tennant
Nomura - Analyst

Jeffrey Fan
UBS - Analyst

Patrick Wellington
Morgan Stanley - Analyst

Tim Casey
BMO Capital Markets - Analyst

Mark O'Donnell
JPMorgan - Analyst

Randal Rudniski
Credit Suisse - Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Thomson Reuters' fourth-quarter and year-end earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session with instructions being given at that time. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Frank Golden, Senior Vice President, Investor Relations. Please go ahead.

Frank Golden - *Thomson Reuters Corporation - SVP IR*

Thank you and good morning. We will begin today with Thomson Reuters' CEO, Tom Glocer, who will be followed by our CFO, Bob Daleo. We would ask that you limit yourself to one question each.

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.

It is now my pleasure to introduce Chief Executive Officer of Thomson Reuters, Tom Glocer.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Thank you, Frank, and thank you for joining us today. As you can see from today's earnings release, our fourth-quarter and full-year results were very good. As global markets slid into recession in 2008, we nonetheless continued to perform well, thanks to our proven business model of providing must-have content and services to professionals on a recurring subscription basis and our well-balanced set of businesses, both by market and by geography.

Thanks to these attributes, we have been fortunate to weather the storm to date. We believe they will continue to serve us well in the coming year despite the more widespread recession gripping world markets.

I plan to cover three topics today before I turn it over to Bob Daleo. First, I will discuss our results and I will highlight our progress against our objectives for our inaugural year. Second, I will recap the progress we have made against the three priorities I presented to you in May of last year. And third, I will discuss our expectations for 2009.

So beginning with 2008, let me say that I am very pleased with the operating performance of the Company and the significant progress we achieved in integrating the acquired Reuters business. And, despite the extraordinary market conditions, we achieved or exceeded the targets set forth in our 2008 outlook.

For the year, total revenue rose 8%, with the Professional Division up 8% and the Markets Division up 7%, a testament to the resilience of the businesses. This marked the third consecutive year of double-digit organic revenue growth for our next billion-dollar business, Tax & Accounting, and the third consecutive year of 6%-plus organic revenue growth for our large Legal business.

I am particularly pleased with the Markets Division performance, given the tough 2007 organic revenue comps when Reuters was up 7% and Thomson Financial was up 5%.

Good flowthrough from the top-line growth, coupled with integration-related savings, led to a 19% increase in underlying operating profit for the year and solid margin expansion. The strength of our business model was certainly in evidence as we continued to deliver excellent free cash flow, $2.3 billion on an underlying basis.

Importantly, we made significant progress with our integration program and have raised our target to $1 billion of synergy savings; and Bob will have a bit more on this in a moment.

Lastly, adjusted earnings per share for the year were $1.91, as we drove revenue growth to the top of the range, kept a tight lid on costs, and underspent projected integration costs.

It was only April of last year when we completed the acquisition of Reuters, and we have continued to drive the pace of activity. I am especially pleased we have been able to accelerate the Reuters integration, significantly increase the savings we expect to achieve, and reach our goal of becoming one company in one year.

Outlined on this slide are several 2008 highlights from a strategic, integration, and financial perspective. I won't read them to you, but would flag the strong brand we've created; the pace of integration; and the debt refinancing we achieved to put the Company on a very firm foundation.

Let me now update you on my three priorities. Nine months ago, I outlined my three priorities -- integration, globalization, and scale economics, or making the whole greater than the sum of the parts. The operating environment has become increasingly difficult, but our strategy remains unchanged for 2009 and so do our three key priorities.

First, integration. We have accomplished a lot here. The Company really pulled together and began to feel like one under our great new brand. Even though some of the tougher systems and infrastructure work remains to be done, we have plans in place and an experienced and focused team to do it. Costs are coming out faster than we originally anticipated, and revenue synergies are beginning to flow.

Second is globalization. We built a good organizational foundation for this last year, and we are taking more of our business global in 2009. Going global will allow us to tap into faster growth rates outside North America and enable us to follow our professional customers as they internationalize.

Our third priority is to achieve scale economics by leveraging our global size, driving efficiencies, and sharing capabilities to drive growth.

So to take advantage of scale and globalization, we have reorganized the Professional Division into three global business segments -- Legal, Tax & Accounting, and now Healthcare and Science. Combining the Scientific and Healthcare segments and streamlining our international operations will provide savings and allow us to better exploit opportunities in the evolving healthcare market.

We have also combined our intellectual property assets into one business within our Legal unit. By joining Scientific's IP assets with Legal's IP and trademark solutions, we will capitalize on the global growth in these markets, especially in Asia.

So we will continue to focus our attention on these three priorities in 2009 because they remain the right levers for us to pull to create long-term value.

Now let me turn to 2009 and why I remain optimistic despite the current market environment. First, I am confident in our prospects but realistic about the challenges. Financial markets are tough, but we are well positioned. Our Professional businesses, while not immune to the economic cycle, have a sound business model and leading franchises. Given how we exited 2008, the strength of our business model, and based on the current environment in our markets, we expect our revenues to grow in 2009.

Second, we expect our underlying profit margin to be comparable with 2008, supported by revenue growth and the expected savings from integration and synergy programs. We will continue to aggressively manage expenses across the entire organization.

Third, we expect underlying free cash flow to be comparable to 2008, adjusted for certain timing benefits that Bob will address.

Fourth, ensuring we are in the right businesses and have the right positioning is critical, especially during these times. This requires a disciplined approach to investment capital. We will maintain our strong balance sheet, focus on free cash flow, and underscore our approach capital strategy so as to maximize value for the long term.

Fifth, our strong balance sheet and highly cash-generative businesses have enabled us to increase our dividend by $0.04 to $1.12 per share.

Now, you can't pick up a newspaper, turn on the television, or look at your Thomson Reuters screen anywhere in the world today without being constantly reminded of how difficult the economic environment is in 2009. So, why am I optimistic about our prospects? There are three primary reasons.

First, we have the financial wherewithal to keep investing for growth, and we will continue to invest in strategic products precisely at the moment when many of our competitors are scaling back. That alone puts us way ahead of many companies these days. Two of our largest investments are in the Common Platform in Markets and building the next generation of Westlaw in Legal. These are two game changers.

Second, we have the right business model. We sell digital content and software on a recurring subscription basis to professionals around the world. Our information is delivered at exactly the right time and in exactly the right formats to fit the workflow of busy professionals. This is not a luxury good or a discretionary purchase. This is must-have information which our customers need in order to run their businesses.

The third reason I am optimistic is because Thomson Reuters is financially sound and has a strong balance sheet and generates substantial cash flow. So in a nutshell, we are global; we serve the right markets with the right products and with the right business model as well; and we have the financial strength to continue to invest for the future. Let me now turn it over to Bob Daleo.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Thank you, Tom, and good morning, everyone. I have two topics I would like to cover today. First, I will discuss the results for the fourth quarter; and then I will provide you with an update on our integration initiatives.

This chart reflects the strength and diversity of our business and helps to explain how we achieved strong growth in 2008. The green, blue, and yellow portions of the pie chart reflect growth rates for each of those businesses. The diversity afforded by our customer sets, product mix, and global footprint enabled our faster-growing businesses to more than compensate for those businesses that were impacted by the deteriorating economic environment.

Every segment in the chart grew organically in 2008. 30% of our portfolio grew 7% or more, and 87% grew at least 4%. Now, we are well aware that past performance certainly is not indicative of future results; but it certainly helps explain why we have such confidence in our business model.

Now let's move on to the results for the quarter. The strength of the US dollar over the latter half of 2008 had a negative impact on reported revenue growth in the fourth quarter for the vast majority of our businesses. Now, margins were less impacted as our exposure to the euro and the sterling largely offset each other.

Throughout today's presentation, I will speak to revenue growth before currency as we believe this is a more relevant metric in measuring the performance of the business. Reported revenues are highlighted on each slide.

Pro forma consolidated revenues in the fourth quarter were $3.4 billion, up 5%, and all of this was organic. Underlying operating profit was up 13%, and the operating profit margin increased 190 basis points. Currency had a negligible impact on margins for the quarter.

On a full-year basis, our revenues rose 8%. 6% of this was organic, and 2% was acquisitions. Underlying operating profit rose 19% and the margin rose 190 basis points. Again, currency did not have a significant impact on the margins within the year.

Now I would like to discuss the operating performance of the businesses, starting with the Professional Division. This division performed very well in this important fourth quarter, a quarter in which it typically produces one-third of its annual operating profit. Organic revenue growth for the quarter was 6%. All four businesses contributed to organic growth in the quarter, driven by online and software services offerings, which represented 72% of fourth-quarter revenue and grew at collectively 10%. Operating profit rose 8% and the margin increased 170 basis points over the fourth quarter of last year, as we anticipated.

Full-year revenue increased 8% -- 6% organic, 2% from acquisitions. The operating profit rose 9% and the margin increased 20 basis points to 29.5%.

Now I will turn to the results for the four units that comprise the division. For the fourth quarter, the Legal segment's revenues grew 6% -- 5% organic and 1% from acquisitions. Online solutions grew 7%. Software and services revenue grew 13%. Print and CD declined 1%. For the full year, Legal revenues rose 6%, entirely organic; and full-year print and CD revenue was up 1%.

Tax & Accounting's fourth-quarter revenues grew 13%, of which 11% was organic. All three of the Tax & Accounting businesses recorded strong organic growth. In the quarter I should note we recognized a one-time benefit of $5 million from our property tax business. Tax & Accounting's full-year revenues rose 22% -- 10% organic and 12% from acquisitions.

The Scientific segment's fourth-quarter revenues rose 6%; this was all organic. Full-year revenues rose 8%, of which half was organic and half came from acquisitions.

Healthcare's revenues increased 1% in the fourth quarter including the Physicians Desk Reference. However, excluding the PDR, Healthcare's revenues actually grew 6% organically. Full year, the revenue rose 4%, all organic.

Now turning to the operating profit for the segments, Legal's operating profit for the quarter grew 4% and the margin increased 70 basis points. Full-year profit was up 9% and the margin increased 60 basis points.

Tax & Accounting's profit grew 27% for the quarter. The margin increased 430 basis points, reflecting revenue flowthrough and a favorable comparison to the prior-year period, which included some unfavorable impacts from acquisition accounting which I actually highlighted last year. Historically, over 50% of the unit's profits is generated in this important fourth quarter.

Full-year operating profit was up 19%, but the operating margin declined 70 basis points, primarily due to the effect of acquisitions and, in part, to the shift in business mix towards faster-growing but lower-margin software and services businesses. I believe last quarter I pointed out that these businesses, while have lower margins, have higher returns on invested capital because they require less capital infusion.

Scientific's operating profit increased 2% for the quarter and the margin increased 70 basis points. Full-year operating profit was up 4%. The operating margin decreased 70 basis points, primarily because of some increased investments. Healthcare's operating profit increased 9% for the quarter, and the margin was up 270 basis points due to good flowthrough of revenues and certain cost controls. Full-year operating profit was flat, and the operating margin decreased 60 basis points primarily due to the PDR.

I want to point out for 2009 we expect Professional margins to decline slightly due to a shift to higher-growth software and service products which have lower margins but, as I noted, higher returns. Margins will also be impacted by investments in the global expansion initiatives. Over the longer term, we expect margins to recover as we realize the benefits of these initiatives.

The Markets Division fourth-quarter revenues grew 4%, against tough year-ago comparables, when Reuters grew 8% and Thomson Financial grew 6%. As noted, the strengthening dollar did have a substantial impact on reported revenues in the quarter.

Now by asset class, our Corporates, Retail Wealth Management, Investment Management, and Commodities & Energy businesses all delivered good revenue growth. This helped offset weaknesses in areas like investment banking.

By region, organic revenue for the Americas was down 1%, Asia grew 4%, and EMEA rose 7%. By product, we continue to see very good customer demand for high-value analytics and content in datafeed form as customers focus on managing risk, controlling costs, and increasing automation.

Operating profit was up 7% in the quarter, representing a 160 basis point improvement in the margin. Currency did not materially impact margins in the quarter. Full-year revenue grew 6%. 2008 margins increased 260 basis points to 17.7%, with about 30 basis points of this growth related to currency.

Now let me review the performance of the Markets' four business units. Sales & Trading's fourth-quarter revenue rose 2%. This unit is more exposed to desktops than the other parts of the Markets Division. Despite these headwinds, we saw good growth in areas of Commodities & Energy and solid performance of our Treasury franchise versus some really challenging comparables. Full-year Sales & Trading grew 4%, all organic.

Investment & Advisory fourth-quarter revenues rose 5%, of which 4% was organic. We continue to seek good growth in our Corporates, Wealth Management, Investment Management businesses, partly offset by the declines in investment banking. Our Corporates businesses continues to benefit from geographic expansion and cross-selling opportunities, while our Investment Management franchise once again saw good demand for datafeeds and our advanced analytics. Full-year I&A revenue grew 8%, of which 7% was organic.

Enterprise delivered excellent growth of 13% in the quarter, all organic. Our Enterprise business continues to see strong demand for datafeeds as customers look for ways to reduce costs, manage risk, and drive returns. We saw particularly good growth in the quarter in Enterprise information and also in infrastructure, where we had strong outright revenue sales. Full-year Enterprise revenue growth was 13%, and this was all organic.

Finally, Media's fourth-quarter revenue declined 5%. While our Agency business performance was good in the quarter, we saw sharp declines in our advertising-driven businesses, which serve the Professional Publishing and Consumer segments. These advertising-driven niches are small relative to our business as a whole. Full-year Media revenues were flat.

Now this slide identifies the Markets Division's sources of growth in 2008. About half of the organic growth came from datafeeds, software, and professional services, anchored by our Enterprise and Investment & Advisory units, none of which is directly related to headcount.

Desktops were a source of growth in 2008 as we improved yields by adding more content and analytics. 2008 was the third consecutive year in which desktops declined while organic revenue grew 5% or better. The balance of our growth came from transactions and recoveries.

Furthermore, the Markets Division growth was also geographically diverse, with Asia up 10%, EMEA up 8%, and the Americas up 3%. These factors help to explain why our financial services business continued to grow throughout 2008 against the backdrop of market volatility. These core strengths, combined with our Professional Division, constitute a portfolio that we believe is well positioned and diversified.

Now turning to corporate costs, in the quarter total corporate costs increased by $34 million from the prior period to $140 million. This is entirely attributable to our integration and synergy expenses. Core corporate costs were down $33 million due to timing and substantial synergy savings which ramped up steadily throughout the year. For the full year, corporate costs were $243 million, 5% lower than last year.

This next slide shows the pro forma adjusted earnings per share calculation. Let me remind you that to calculate this pro forma EPS we begin with our underlying operating profit figure, which excludes amortization of intangibles and all costs associated with the Reuters acquisition. We then deduct the items you see on the slide to arrive at our adjusted EPS. Pro forma earnings for the quarter were $478 million, and diluted earnings per share of $0.57 per share, and $1.91 for the full year.

Moving on to the important metric, cash flow. Our business continued to focus on free cash flow in 2008 and they did an outstanding job. Reported free cash flow for 2008 was $1.8 billion. Removing the one-time cost of integration and synergy expenses, underlying free cash flow was $2.3 billion.

Now, free cash flow is not pro forma. A more normalized 2008 free cash flow number requires adjusting for certain timing items in order to get to a run rate of true cash generation for the business. First, interest costs were substantially lower in 2008 as we benefited from having interest income and only a partial year of interest expense related to the Reuters acquisition debt. A level of run rate interest consistent with our current debt load would add about another $350 million.

Second, we acquired Reuters early in the second quarter last year, thus avoiding their first quarter, in which they normally consumed cash. This represents approximately $100 million. These two items total about $450 million; and adjusting for them results in a normalized underlying free cash flow of about $1.9 billion.

And while I'm on the subject of cash flow, let me mention that Thomson Reuters pension plans are sufficiently funded; and at this time we do not anticipate having to make any significant contributions in 2009.

Our strong free cash flow and prudent approach to capital management position us very well for the short term and the long term. We ended 2008 with $840 million of cash on hand. We have $1.7 billion of debt maturing in the next two years and anticipate -- anticipating the capital markets when the opportunity arises. We have an untapped fully committed $2.5 billion credit facility that could be used to cover our debt maturities through the end of 2011, if necessary.

Our 2008 pro forma net debt to EBITDA figure was 1.9 times; and this is in line with our target of 2.0. Our rapid deleveraging post the Reuters acquisition is just further evidence of the highly cash-generative nature of our business.

Given our strong balance sheet and cash-generation capabilities, as Tom mentioned, we announced this morning a $0.04 per share dividend increase to $1.12, continuing a long tradition of annual dividend increases.

We have always had a strong commitment to total shareholder return. And in these difficult times, when many companies are cutting their dividend, being able to continue to return more cash to our shareholders is further evidence of the faith we have in our business.

Turning to integration, we made excellent progress through 2008, delivering on our objective of creating one company in one year. I showed this land slide last quarter, but a few noteworthy projects have been added. Importantly, we began the process of retiring multiple products, applications, and systems. This helps simplify our business, making it more agile, more responsive and -- importantly -- more profitable.

We will continue to focus on integration in 2009 with plans to retire more legacy products, consolidate data centers, and carry out migrations that will move our customers to new, robust, and market-leading products. This is complex work involving many people within the Company. But our plans are clear, and the business is aligned to execute. We will meet our integration target savings and, just as importantly, build a business platform that can become an engine for growth.

Let me now update you on the progress we continue to make on our integration programs. In May of 2007, we committed to achieving $500 million in annual run rate savings by the end of three years. We raised the target to $750 million, and now expect to deliver a total of $1 billion -- importantly, for the same cost. This is twice our original estimate within the same time frame and budget. These savings are in addition to the $400 million from our legacy efficiency programs.

The incremental savings are within the Markets Division and corporate functions, but also include new opportunities to achieve further operating efficiencies in the Professional Division, resulting from its ability to take advantage of the Company's global infrastructure.

Now let me turn to the costs associated with this program. As I mentioned, the important point here is we are delivering more savings for the same dollars. Two additional points.

First, although it is not costing us more to deliver the incremental savings, there has been a shift in the timing of spend. We spent much less in 2008 than anticipated. Some of this spend now moves forward to subsequent years.

Second and importantly for clarity, we are presenting costs on a P&L basis. When we initially outlined the cost of our synergy and integration programs, we did so on a cash basis. We originally estimated $1.4 billion of cash costs, with the vast majority running through the P&L and the remainder going through the balance sheet. We believe that the cash costs and P&L costs will track each other closely in the future.

There is minimal CapEx related to the integration and synergy programs, as the majority of CapEx spent at the outset of the combination relates to projects that are normal course business projects, such as the Common Platform. These investments will run through the P&L as they are depreciated.

I do want to call out that we incurred $200 million of transaction-related costs and capitalized severance-related costs in 2008 that by definition do not appear on our pro forma P&L. However, they do count against the total cost program. So you add the $200 million to the $1.175 billion in that get you to the original estimate of $1.4 billion.

Now let me turn this back over to Frank.

Frank Golden - *Thomson Reuters Corporation - SVP IR*

Thanks very much, Bob. Before I open it for Q&A, just two housekeeping items I would like to mention. First, earlier Tom had discussed the fact that the Professional Division has been reorganized into three global business segments -- Legal, Tax & Accounting, and Healthcare and Science. And we will report on this basis beginning with our first-quarter 2009 results. Prior to the Q1 earnings call, we will post the restated quarterly 2008 results reflecting this structure on our website.

Secondly, several additional financial metrics for 2009 which we have traditionally provided, such as depreciation and amortization, interest expense, and tax rates are also provided on our website today.

Finally, a pie chart that reflects revenue and expenses by major currency for 2008 can also be located on our website. So with that, I would like to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Peter Appert, Piper Jaffray.

Peter Appert - *Piper Jaffray - Analyst*

Thanks. Good morning. Tom or Bob, could you give us any color on the progression of revenues through the quarter and renewal rates for the quarter? Specifically, right, if we are seeing any deterioration in the business as the quarter progressed that might signal a more cautionary view as we get into '09.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Peter, I will start and if Tom will jump in as he sees fit. I think that the quarter for us as a Company, just like for everyone else, certainly as we ended December it was not as strong as when we started the quarter. It's consistent with what we have said all along, that we believe that the rate of growth was decelerating. And so we certainly have seen that.

On the other hand, we have seen certain exceptions to that. We have seen strong quarterly performance as you have seen in Tax & Accounting, which was very robust. We saw really good sales to large law firms. And we actually saw interestingly some very good one-time sales in the Scientific area.

So again, it is this spread and diversity of the business where we have seen some have continued to weaken a bit, but others continue to delight us in the sense of they seem to be resilient in this current market environment. So it is a mixed bag.

But I certainly wouldn't -- I would characterize it as saying that when we got to the end of the year, certainly December is a little bit more difficult environment than October was.

Peter Appert - *Piper Jaffray - Analyst*

Thank you.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - *RBC Capital Markets - Analyst*

Yes, thanks very much. Good morning. A few questions here. Just first on your 2009 guidance, just was wondering. I think, Tom, in your comments you kind of stressed current environment is kind of what predicates the 2009 guidance. Just wondering what kind of macro assumptions you are assuming as we go through 2009.

And just as a kind of follow up to that, just comment on the visibility you have in terms of looking forward in your business out the full year.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure. Well, I will start with the visibility and go on to the guidance itself. You know, we obviously don't have perfect visibility. This is a recurring subscription business by and large across its business units; so we have, I think, better visibility than many businesses -- let's say, advertising-supported ones.

So we are giving you the guidance that we feel comfortable with, good about. We do expect our revenues in 2009 to grow.

I suppose it is always based on the current environment, because that is the one out of which you are forecasting. But this year in particular, we think it's worth flagging it, because we've seen so much volatility.

So in terms of macro assumptions, we are assuming that, for example, five more large banks aren't just allowed to fail in disorderly bankruptcies and that in general, although the situation doesn't need to get dramatically better, we are not going to see a huge notch down as we head through the year. More than that, we can't really forecast.

Drew McReynolds - *RBC Capital Markets - Analyst*

Okay, thanks very much for that. Maybe two quick questions for Bob, if I may, just on the CapEx and tax rate guidance. Obviously, nudging up a little higher than 2008 ranges. Are we in 2009 kind of approaching the upper limits of both CapEx and tax rates that you have noted?

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Certainly from a capital expenditure perspective, I made a comment about how we had these programs that we were part of the integration; and the answer to that is yes. We think that we have given out guidance and I stand by it. Longer term we believe that this business is probably a 7%, 8% CapEx expenditure business.

But as Tom noted, we have got a couple of important projects going on -- the Common Platform and the new Westlaw platform or the new Westlaw front-end. So I do think that we are very excited about this, and was making these investments now. So I do think that, yes, it will trend down to a lower level as we get out to past 2009.

In terms of the tax rate, I think again, there we do see that there is some timing here relative to some of the tax planning that we have done. It will take a little bit of a time, but we do expect the rate to drift down to probably in the lower 20s as time goes on.

Drew McReynolds - *RBC Capital Markets - Analyst*

Okay, thanks very much.

Operator

Paul Sullivan, Bank of America.

Paul Sullivan - *Bank of America - Analyst*

Good morning. Afternoon, guys. Just a couple of questions. Can you just clarify on the revenue growth assumption for this year? Are you assuming that is organic or is there an element of bolt-on acquisitions in there?

Then secondly, can you just sort of provide an update on the budget negotiations or conversations you are having with customers within Financial at the moment?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure. Well, first question, the answer is both. It was mostly organic, as was the case in 2008; but we do expect to be able to continue to make bolt-on acquisitions, which I certainly hope, and of adding revenue rather than taking it away.

In terms of the budget negotiations with customers, obviously they are difficult. But one of the advantages we bring as a united Thomson Reuters is to carry a lot of tools in our tool chest. Since we have ways in which we can help our customers reduce their costs, most notably by automating processes, which helps them take out heads, those are permanent cost savings for the banks rather than just sort of one-time take cost out.

Everyone, the folks I am talking to, are really focused on the issue of -- how do we need to reengineer our business models for an environment in which there will be less leverage, there will be less risky exotic asset classes? And that tends to play well with our enterprise approach. You can see it borne out in the success, including in the fourth quarter, of our Enterprise unit within Markets.

Paul Sullivan - *Bank of America - Analyst*

What would it take for Markets to grow this year organically?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Well, it would take a price increase from 2008 effective into '09, which is there. It would take a backlog and full-year effect from positive sales in 2008, which we in fact come into the year with. But then it would take a stabilization and a continuing ability to find pockets of growth.

I don't want to go beyond that. We are giving guidance for the firm as a whole, A, because that is consistent with what we have done before; and B, because you buy a share of Thomson Reuters stock, whether it happens to be in Toronto or London, you are buying into the whole enterprise, not one division or the other.

Paul Sullivan - *Bank of America - Analyst*

Great, thank you very much.

Operator

Paul Steep, Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Great, thanks. Tom, maybe you could talk a little bit about where Common Platform stands? On one of Bob's slides it says -- it sounds like it is on track since it is one of the key developments here. Maybe where we are heading towards a beta of hopefully later in the year?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Yes, the project itself is on track, very ably managed by Devin Wenig and his team. It is exciting for us for a variety of reasons. Partly because the industry as a whole hasn't seen an exciting new terminal product in years, and we expect this will be a very good one. And partly because the infrastructure build allows us to really get on with the integration. So if it hadn't existed in standalone Reuters as a project, we would've had to invent something like this to integrate and allow us to bring some of the great content sets that have come from Thomson Financial on.

In terms of timing, it has always been a second-half this year item. In terms of actual revenues, it is going to be more of a 2010 story just because our larger clients tend to have pretty long-running migration plans. But we are real excited about it.

Paul Steep - *Scotia Capital - Analyst*

Great. Just one other quick follow-up would be on the enterprise contract side for large customers. I guess there is one historic Thomson deal and a previous Reuters deal that are due roughly in the next six months. Any sort of feedback on those big agreements as to how clients are viewing those these days, and possibility of renewal, or how those might change? Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure. Just a quick mini tutorial for those on the line. We have tended to use enterprise in a sort of broad way, and it means different things depending specifically on the subject. Paul has asked it about our enterprise agreements which are longer, multiyear, sort of across the firm contracts in our Markets Division. We obviously have an Enterprise unit which reports revenue in Markets and into which some of these enterprise agreement revenues fall, but I just wanted to clarify that. I also sometimes refer to enterprise solutions as being these large capabilities we can offer.

Specifically, about the enterprise agreements, we have had a good ability to continue to renew and turn these over. Typically, they are doing a lot of the heavy lifting on the infrastructure side in our clients. They are plumbed into their risk management systems, portfolio valuation, trading systems. The good news, which has gone largely unreported in the sell-side, is the traditional old flow businesses and the ability to use what is now very cheap capital in more conventional, less exotic trading has been good.

FX -- folks by and large had a very good year in FX last year. So they are not obviously immune to the general trend out there, but there is no specific worry we have on the enterprise agreements.

Paul Steep - *Scotia Capital - Analyst*

Great. Thanks, guys.

Operator

Jonathan Helliwell, Cazenove.

Jonathan Helliwell - *Cazenove - Analyst*

A couple of things, actually. The first is, I love the chart with the colors, Bob's chart with the different segments. That is very helpful. I think if you could, could you talk us through the fixed income?

I think you said your fixed-income sector grew 4% to 6% in 2008. It would be lovely to get a bit of color on how it managed that. We have obviously heard a very different story from Bloomberg's side. I think it might help us all understand a bit more about the resilience of the business.

Then the second thing is definitely could you tell a bit more at this stage about the new Westlaw platform or front-end that you are talking about, and why you see it as a game changer?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure. All right. I can pick up; Bob will chime in. So, fixed income on the slide shows it's up 4% to 6%. That is in large part driven by real good success at Tradeweb in the second part of the year. You will recall Tradeweb is the electronic execution system that primarily traded US Treasuries but is now adding multiple asset classes. So we saw good performance in Tradeweb in the second half of the year.

You know, that is probably a worthwhile trend just to mention, which is -- as the fixed-income business is transforming, and the heart of darkness has been the asset-backeds, obviously the mortgage-backeds, the CDO-squareds, et cetera. The plain vanilla flow business -- Treasuries, agencies, sovereigns, corporate, munis -- there is sort of a return to basics in the fixed-income business; and that has been the place typically that Thomson Reuters is present. And that has been a relatively healthier bit. That was not the case, obviously, over the last five years where the other parts were storming.

In terms of Westlaw as a platform, we are not talking much about next-generation yet publicly. I think the important thing here to say is that Westlaw is sort of pulling away from the pack in terms of its competitive strength, its market share. And rather than sitting back as one might be tempted to do in a difficult overall environment, we are continuing to invest in the strengths.

It's something that I think that Thomson Corp -- I certainly always admired it when I was over on the Reuters side. Don't rest on your laurels; keep investing; keep a little level of paranoia about your future. So I have every reason to believe, based on the track record of the folks developing the new Westlaw, that it is just going to take that business on to more and more heights.

Operator

Vince Valentini, TD Newcrest.

Vince Valentini - *TD Newcrest - Analyst*

Thanks very much. First, just to follow up on the enterprise licensing deals, Tom, you mentioned you were having good success on the renewals. But can you give us any more color on what the minimum volume guarantees look like relative to the current rates of revenue you'd be getting from some of those big customers?

Then a second question, I think a little more important, would be you mentioned your guidance does not include any more bank failures or major disasters, I guess. Can you give us any sort of postmortem a few months after the fact here, on what you have seen from guys like Lehman and Bear Stearns? How much of that revenue do you actually keep after you get big failures? Or if you want to comment on some of the big nationalizations as well, do you end up keeping 30%, 40% of that business when all is said and done? Or do you lose 100%? Or is it a better keep rate?

Can you give us any color there in case there are more failures, so we have some context in the future? Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure. Well, much like this call, where I am really pleased to see from the leadoff that Peter Appert used to call from Goldman and he is now at Piper; and Paul Sullivan announced himself at BofA rather than Merrill, what we are seeing in the market is -- yes, the headlines are Lehman fails. And God knows that was dramatic and painful.

But we have been pleased to pick up business at Barclays, primarily in the US piece. At Nomura in Europe and Asia, and that is great from a human point of view, because we care about our clients and a lot of them have gone on to new roles.

In terms of business, although I haven't looked at the aggregated number in the last quarter, I am sure we haven't made more than Lehman represented standalone. We have managed to keep by far the lion's share of that business; and that is already reflected coming through our numbers.

Bear, similarly, in JPMorgan. We were relatively less exposed because Bear was just so much more of a fixed-income shop.

In terms of how that all relates to guidance, we have always been able -- it's the natural course of consolidation in financial services -- we can take mergers and even banks disappearing in stride.

What we are referring to in terms of basing our guidance on current market conditions is we don't suddenly see an about-face in the Treasury and they say, well, why don't we just let Citi and Bank of America fail? I don't think that is going to happen. Therefore, we feel pretty good about where we sit.

Final question on very specifically the enterprise agreements and renewal rates and minimas, the whole nature of those agreements is that they tend to be very custom tailored. It is one of the advantages I think we offer customers, is when it is that large an account and spending in so many areas we sit down and it is not a product-by-product sale. And therefore it is very difficult to generalize about what the minima may or may not be in a given client.

Bob, Frank, and I will take it off-line. We'll take a look to see if there is any trend worth sharing out of the recent renewals and come back to you if there is.

Vince Valentini - *TD Newcrest - Analyst*

Thank you.

Operator

Colin Tennant, Nomura.

Colin Tennant - *Nomura - Analyst*

Hi, everybody. A couple of things if I can. First of all, on the Professional Division, particularly Legal and Tax, where you put in strong growth there in a market where we are seeing quite a lot of activity amongst lawyers in particular letting people go. I just wondered if you could give us a bit more color to what extent this might turn into a late-cycle story in the second half of the year, or even into 2010; or if you are offsetting that competitively.

The second thing was just on the comments that you made about margins and cash flow, where you say comparable levels with 2008. I wonder if you can maybe define comparable a little bit more closely, just to give us an idea of what your flexibility is on that, which I guess is additional investment that you are putting in, which keeps the margin where it is. Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

I will let Bob take the comparable one; and I will jump into Legal and Tax. I think you are sitting very much, Colin, in London in the area where the large firms have seen the most pain. There was an extraordinary expansion by the Magic Circle firms over the last five to 10 years as they grabbed more and more international capital markets activity. And we've seen everything from, call it, 9% layoffs at Allen & Overy to partners being asked to give back capital at places like Clifford Chance.

In terms of its overall effect on our business, the US legal market, while there has also been cases of a couple of law firms doing layoffs, by and large the large law firms where we are the strongest have compensating benefits.

So let's take the Lehman's bankruptcy, with which unfortunately you're too well familiar. That was a bonanza not just for Weil Gottschalk but for a whole bunch of big US firms involved, representing various creditors, etc., and continues to be a huge firm.

There is a little bit of softening in the smaller firms and also in state and local governance. But by and large, the Legal business has held up pretty well. The thing we expect to see in 2009 is more and more litigation. Madoff again is a good example; I am sure Stanford will be the same thing, where everyone is trying to sue anyone left with any assets standing. And that generally tends to be good for the litigation business, and we are quite correlated to that.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Colin, in response to your question about comparable, in my mind comparable means the same thing it means in your mind. Which is, it is going to be approximately in the same range we are in 2008; and certainly we are going to be getting the benefits of our integration programs. But we are definitely investing in our businesses as I mentioned about Professional and the spending we are doing in Markets.

So that from our perspective, we are at this point in time balancing, we believe, both the short-term requirements to drive performance of the business and a long-term need to invest for when we come out on this -- which we obviously will -- to make sure we are positioned with the right products. And that is why we have given that level of guidance in that particular fashion.

Colin Tennant - *Nomura - Analyst*

Okay, thanks very much.

Operator

Jeffrey Fan, UBS Securities.

Jeffrey Fan - *UBS - Analyst*

Thanks very much. Maybe just a couple of housekeeping questions. One, last quarter you guys talked about the impact of transaction revenue and how much it benefited. I think in Q3 you guys had said that those revenue streams were up mid to high single digits in Q3. Wondering if you can provide some color on how those revenue streams did in Q4.

Then also, as you guys talked about, there was some surprisingly strong outright sales within Markets in Q4 as well. Wondering if you can give us some -- quantify that and give us some numbers on that. Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Okay, it's Tom. I don't recognize the low single digits numbers of transactions, but --

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Jeffrey Fan - *UBS - Analyst*

I think it was mid to high single digits. That was the reference in Q3.

Tom Glocer - *Thomson Reuters Corporation - CEO*

I can give you some sort of general feel for how we ended the year. I have already mentioned Tradeweb, which saw good transaction volumes and in fact built into and through the fourth quarter.

The FX business, what we usually call our matching and prime brokerage in the FX business, had a tremendous year through the first three quarters. My sense of it talking to a lot of people in the business was people actually shut down their books round about November. They had a very good year and they wanted to bank that year. So we saw a little bit of trail-off in market volumes. I think EBS saw the same thing in December.

Then the other transaction revenues come from elements like BETA in the Retail Wealth Management world in Investment & Advisory, which does the back-end equities clearance and settlement systems. They saw strength towards the end of the year.

So all in all, it would be difficult to repeat the growth performance transactions had in 2008 because it was such a strong year, but we like where we are positioned there, and it will continue to be an important component -- although not as large, obviously, as subscription.

In terms of outright, maybe it is not as surprising to me in that, again, a lot of our outright revenues in Markets are related to automation systems. So risk management did very well and it's obviously a timely theme. A lot of the biggest players are looking at their risk systems, which typically in Tier 1 banks have been in-house and not from an outside vendor.

Managements are beginning to ask the question, well, gee, how good were our risk systems? And why do we have to keep on doing them internally? So as a theme, we think that remains a good business.

Then on the enterprise trading room systems business, we continue to push the limits of the ultralow latency automated trading. As the flow business comes back, that continues to be really important. People are doing a lot of very short-term trading at the moment.

So I don't have any particular numbers for you. They're obviously embedded in our forward guidance; but both the outright and the transactions ended the year in good shape.

Jeffrey Fan - *UBS - Analyst*

Okay, thanks.

Operator

Patrick Wellington, Morgan Stanley.

Patrick Wellington - *Morgan Stanley - Analyst*

Morning, Tom. Morning, Bob. Wanted to two questions. Tom, I wanted to ask why you are so reluctant to split out the Markets growth, because you obviously had a tremendous finish to 2008. So are we to presume that you think that Markets will go negative in [2009] and that is why you won't tell us about it?

Or, is the continued growth in Markets in 2009 the final proof that this isn't a sort of lagging-the-cycle business? That there isn't a wave of cancellations going to come across you in 2009, as presumably there wasn't in the December period? And that actually we should be looking out to maybe stronger growth in 2010?

So I'm trying to get a shape of that, whether there is a cycle of cancellations and where we might be on it?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Patrick, how I miss these verbal joustings. I guess, having watched people say from -- or really when we came out of the blocks with Thomson Reuters in April, that second quarter will be okay, but third quarter will be awful; and third quarter was okay, but we all know the fourth quarter is a terrible time. In the end you probably won't be happy unless I gave you 2013 revenues for Markets.

You know, the reason we have stuck to the guidance we have given is, A, we are seeing a whole bunch of companies just do away with guidance totally. We thought the story is a good one, and we wanted to give you the visibility we had.

Even last year, when Markets was obviously very, very strong, we still only guided for the whole firm, and we think it's important.

I guess the final one is maybe more of a sort of London-centric thing. I still think people don't pay enough attention to the really high-quality professional businesses. We don't break out our growth for Healthcare and Science. We don't break out Legal, even though that is a tremendous story. We want people to start thinking about the way we run this Company, which is as an integrated whole. So that is why we are really guiding to it. There is not a lot of other magic or thinking to it.

Patrick Wellington - *Morgan Stanley - Analyst*

On the theory, therefore, which you can finally debunk then, that there is a trend of outstanding cancellations due to come through in the business, we can forget about that? And we can look forward to probably improved growth against whatever number it is in 2010 relative to 2009 in Markets?

Tom Glocer - *Thomson Reuters Corporation - CEO*

The one thing I can guarantee you is there will be cancellations and there will be new outright -- not just outright, I mean new recurring subscription sales. Actually, the year isn't off badly on that score, and I should probably leave it at that.

Patrick Wellington - *Morgan Stanley - Analyst*

Thanks.

Operator

Tim Casey, BMO.

Tim Casey - *BMO Capital Markets - Analyst*

Thanks. Tom, can you talk a little bit about how you're seeing business flows across various geographies? It is sort of the one metric you haven't spent a lot of time on. I am just wondering if that reflects a softening in some of the areas were quite strong in the midyear. Or are the trends relatively stable there? Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Bob will help me on this one as well. You know, what we see quite characteristic for this sort of a recession is the US going in earlier and going in more sharply. So in the fourth quarter, we saw in Markets the Americas coming down pretty firmly. We still saw very good growth in the year in Europe and Asia; well, first in Europe. And then Asia I think should be able to stay positive through the year. And that's a trend pretty much across our businesses.

So we are quite nicely diversified with about, what, 60% of our revenues, a little bit, less from the Americas; 30% or so from Europe; and 10% for Asia, for the whole firm. So I'm not sure, Bob; is there are any particular trend you want to call out?

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Just that earlier in the year of 2008 we saw growth in the Americas and we reported toward the end of the year we actually saw -- that's where the decline occurred. Just to emphasize the point you previously made about we tend to be in it first and hopefully out of it first.

Tim Casey - *BMO Capital Markets - Analyst*

Do you expect a wide dispersion in growth rates from those three geographic areas in '09?

Tom Glocer - *Thomson Reuters Corporation - CEO*

I think what you will see, obviously enough, is Europe, which was a very strong for us in '08, will come down partly because of the knock-on effects from Eastern Europe back into Austria, Italy, and Germany; and partly just generally the growth rates are coming down there. GDP is coming down.

Asia, everyone is focused on the drop in growth in places like China. But the good story is even if China grows more slowly, there is still growth. And the countercyclical trend, both in Asia and in the Gulf for us, is that these markets are earlier in their overall stage of professionalization. In good markets you get both GDP growth and an extra accelerator as more bankers, doctors, lawyers, et cetera.

But even in a bad market you are still seeing universities opening up branches in the Gulf, and hospitals doing the same, which drive revenues in our Scientific business. So that is pretty much how it looks to us.

Operator

Mark O'Donnell, JPMorgan.

Mark O'Donnell - *JPMorgan - Analyst*

Hi, everyone. It's Mark O'Donnell at JPMorgan. I just wanted to know. You mentioned revenue synergies that the Reuters integration is providing the Professional Division. Could you quantify broadly how much you think these can add to the top line?

My second question is just in terms of price increases. Could you give us an idea of broadly how much price increases are being put through at the end of '08 and in the current contract renewals? Thank you.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Bob and I will split this somehow. The revenue synergies is -- there are two categories, I would say. One is clearly identifiable revenues, bolt-ons, news sold through the legal channel internationally.

The other are softer in the sense of how -- what are the additional sales possible because of the integrated brand, the channel around the world?

For the former, the harder synergies, they are in the low millions of dollars into 2009, but I expect will certainly ramp up.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

In terms of price increases, I will try to answer in a simple way what is a very, very complex process -- how a company our size goes about doing that.

But in essence, the vast majority of price increases are really what I would call value based. They are just not simply 5%; you paid us this, pay us 5% more next year. They tend to be related to services that we provide and the ability to demonstrate that, for example, in Legal where there is increased usage we are rightly seeking a price increase.

I would say on average across the Company, broadly those would range somewhere between 2% and 3%, on average across the Company. I think that is the best way I could give you a sense of it.

Mark O'Donnell - *JPMorgan - Analyst*

Okay, perfect.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Operator, we would like to take one final question, please.

Operator

Randal Rudniski, Credit Suisse.

Randal Rudniski - *Credit Suisse - Analyst*

Thanks and good morning. I wanted to ask Bob a question on free cash flow adjustment. It just wasn't clear to me what that adjustment is for.

In terms of the outlook for free cash flow, which of those two numbers on slide 25 are you pointing us to in terms of being comparable?

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Mainly it would be the normalized underlying free cash flow of roughly $1.9 billion. In essence, the adjustments I am talking about are -- at the risk of repeating it, but trying to bring more clarity to it. If you think about our Company in 2008, you know that we sold Thomson Learning; and we took that money -- and back then you could actually take cash and invest it and get a return on it. And we did.

So as a result of that, for that first quarter rather than having interest expense we had interest income. So, obviously, I am talking about the cash expenditures there.

So to try to level-set what is the cash generation of the business, what we have said was you should really add that $300 million roughly into interest expense to come back to what is a comparable expense, cash we would have to spend on interest payments. Right? So that is what we are trying to do there to set it normalized.

Then the second point, the last point, is that in Reuters the nature of the cycle of the business -- I'm not talking about that they would lose money -- but the cycle of the business was such and their expenditure pattern was that historically they would consume cash in the first quarter. We acquired Reuters April 17. So therefore in 2008, what we received was the cash-generation portion of the transaction.

As a consequence, when you look at our business, you need to be able to add back that portion to say -- because this year in the first quarter our Markets Division will certainly -- I don't know whether it will consume cash, but it will certainly -- if it doesn't, it will produce less cash than we would normally think throughout the cycle.

So those two items are meant to just level-set and say this is the run rate. If you were to look at 2008 this is really the run rate of cash generation that Thomson Reuters produced in a normal environment that would be comparable to what we would expect in 2009.

Randal Rudniski - *Credit Suisse - Analyst*

That second component (multiple speakers)

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Beg your pardon?

Randal Rudniski - *Credit Suisse - Analyst*

So the second component is really just the seasonality of revenues versus investment?

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

That's right.

Randal Rudniski - *Credit Suisse - Analyst*

Okay. That's helpful. Thank you.

Tom Glocer - *Thomson Reuters Corporation - CEO*

All right. That will conclude our call. We would like to thank you all for joining us today.

Operator

Okay, thank you. Ladies and gentlemen, this conference will be made available for replay after 12.00 p.m. today until March 3 at midnight. You may access the AT&T executive playback service at any time by dialing 1-800-475-6701, entering the access code 984498. International participants dial 1-320-365-3844. Again, those numbers are 984498.

That does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference service. You may now disconnect.