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PRESENTATION

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Audio in progress.

Matthew Walker - *Nomura International - Analyst*

-- the CFO of the Financial & Risk business of Thomson Reuters, and it's been going through something of a renaissance recently, so he is here to tell us a bit more about how they are doing that. Thank you very much.

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Thank you, Matthew. Thank you very much for inviting me here. I thought I might start off with just a few slides, just to give you a little bit more color around F&R and where F&R really fits in with the overall Thomson Reuters business.

So, Frank makes me put this slide in. I am sure you have all read it. We will be asking questions about it later; and you will be pleased to know I won't be restricting myself to IFRS definitions, so hopefully it will be a bit more interesting.

Thomson Reuters as a whole, $12.6 billion of revenue; F&R makes up around 52% of that, and our Financial & Risk business represents about 39% of the operating profits. Obviously, I am very happy for the left-hand side to grow, and I certainly want the right-hand side to grow in terms of percentage points there.

Now let's look in a little bit more detail at F&R's revenue as a whole. Almost three-quarters of our revenue is what I would call recurring, so that is largely subscription-based.

That is a very nice model. It is characterized by long term relationships with customers.

And it has been performing in a little bit of a challenged environment over the recent years. Last year was around a 3% decline there; this year we were slightly less than a 1% decline, so trajectory going very well.

The next part of our model, if I keep going around clockwise, is recoveries. Recoveries is around 11% of our revenue.

The recoveries is a mixture of two real revenue streams. One is the passthrough of telecommunications costs. That number is coming down.

Why is it coming down? Because we are moving lots of our customers to Internet delivery of the product: lower cost of ownership for the customer, lower cost of ownership for us. So not too worried about that revenue declining.

The other part of that recovery section is third-party data. That is a passthrough; really we take other people's content, put it on our platform, and charge customers for that. That is a passthrough.

Increasingly we are seeing some of those suppliers wanting to move to a direct-bill model. We are very happy to do that; it reduces my administrative burden and some other things, but doesn't in fact change my profit number, so I am less worried about that recoveries line moving at all.

The next piece, the blue bit on the bottom right-hand side there is our transaction revenue. People often think that our transactions are only foreign exchange; in fact, we're a mixture of foreign exchange, fixed income, and other transaction models; for example, Autex and BETA businesses.

Transactions is certainly our most volatile of all the revenue streams. You can pretty much correlate our revenue growth to market volatility. It is not a perfect correlation, but it's pretty close to that.

We saw this year a bounce-back. Transactions grew around 3% in the first quarter. I was quite pleased with that growth, and we are encouraged by that business overall.

Now this is a nice kind of chart, again, more detail and other drill down of where revenue comes from. What are the two things you should really look at on this slide? I would pick out the orange and the yellow boxes there. That is -- orange is the Eikon revenue, which is our primary desktop; and the yellow is our non-Eikon desktops.

The first thing to point out -- I am not sure you can add the numbers up -- but actually desktops represent only around 40% of my revenue. Now, that is something that always surprises people, and I will just pause just to make the point: desktops are only around 40% of our revenue.

Why is that important? Well it means we are not as directly correlated to bums on seats in financial services in terms of our revenue. We have, as you can see on the slide there, the same amount of revenue if not more coming from feeds and other types of businesses.

The second thing I would point out with that desktop segment is you have got the right-hand chart, as you can see on the slide there. By the end of this year, we think only roughly 10% of our revenue -- so less than a quarter of our desktops -- will actually not be on Eikon. And that is a big deal for us in terms of that overall simplification.

Now, for those of you who have been following us for a little while, you may note that we have a piece of guidance out there that says F&R will be nearing a 30% EBITDA margin this year. I am sure anybody who has been near me or near Frank know that. I certainly do; I say I was thinking of having it tattooed on my arm just to remind myself, but I haven't.

This slide here is one that I used in Investor Day, and I thought it just might be worth taking you through those three components of revenue, platform simplification, and organization simplification, just to show you where we are in terms of that road to nearing 30%.

The first thing here is really to start with revenue. I will start with the top line; apologies for the formatting here. What that says is we were net sales negative in 2013; net sales negative in Q1 2014; we have been net sales positive since then.

That is a big deal, and that is really an indication of that recurring revenue model turning from decline to growth. I think net sales are an early indicator of really where our revenue is going.

You can see on the bottom half of that slide, our revenue performance: minus 3% in 2013; minus 3% in 2014 and throughout; yet coming back to minus 2% in 2014 and basically flat -- this is before currency -- yet in 2015. That really is the secret to the model. Frank's talked to you about our positive net sales position and why that is important; you can see that coming through now in terms of our revenue.

So overall, I am pretty pleased with our revenue performance in Q1 versus when we gave guidance. Pretty close to where we were on recurring; pretty close to where we were on recoveries; and slightly lower than we thought we would be on transactions. Again, primarily due to the market volatility, nothing just particular to our business.

It is not just a revenue story. There is also the platform simplification.

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You can see this is the slide I used again; this morning you just see that the slide now has more ticks on it, meaning we're really getting closer and closer with our products infrastructure simplification. Importantly, when you look at this, we have shut down most of our legacy products now. Note 2000Xtra, European Mid-Tier, etc.

Really now this year we are focusing on the ThomsonONE buy-side products and our dealing products. Pretty much, as you saw from the last slide, by the end of this year, we are broadly done.

I keep pointing out to Frank we're not actually completely done; there is still some work to do. But for the purpose of this audience, we are broadly done by the end of this year in terms of that product infrastructure migration.

The second part of that is our real-time data networks. We talked to you about shutting down the Bridge Network, and we talked about shutting down the full-tick network last year, which is our lowest-latency network.

The thing we are doing now is really the hairy, horrible one, which is closing down our BON networks, our band optimized network. What that really is, is rewiring the infrastructure of all of our products into our customers.

There is big savings both for us and for the customer there. I am pleased to say it's pretty much on track, and I would expect that both of those things will deliver good margin improvement for us this year.

But it's not just the technology piece that is important here. What we have done as an organization, if you think about it, the less infrastructure you have, the less products you have -- we're roughly down to just around 300 products from around 800 two or three years ago -- you add that together with the simplification of our infrastructure, that means the whole business becomes simpler.

That means there are less duplication in terms of content networks. There is less duplication in sales. There is less duplication in products administration. There is less complexity across the whole business. There is less complexity for our salespeople.

That is a big deal for us. And that has contributed partly to our ability to reduce our FTEs.

But it's not just that. During this period, we have also been investing. We have been investing in automation, so we have automated much more of what we can do in terms of our billing processes, our admin processes, our helpdesk processes, etc.

That, combined with our simplification of our infrastructure, has really enabled us to reduce headcount quite dramatically through that process. I would point out that we had very little one-time charges in recent time in order to achieve those; and again I think we are getting much cleverer about managing our cost base and using attrition to do that.

So overall, what did that mean for our margin? I will take Q1 as an example.

Our margin improved by 250 basis points pre-currency to around 27.3% in the quarter. Again, a good performance; at least for me it's a very good performance and well on our way to that nearing 30%.

Importantly, when I look at this and how I judge our own business, I tend to focus on trying to control the things that we can control. I can't control market volatility in terms of transactions; but I can control how fast I automate; I can control how fast I shut down products.

So I am very pleased in both internally our staff's response to that, but more importantly also our customers' response to how they are taking on both our new networks and new products. So overall, I am pretty happy where we are both in the products and the upgrades that we have talked about, and I am pretty confident that we will be nearing 30% through the end of this year. Thank you.

QUESTIONS AND ANSWERS

Matthew Walker - *Nomura International - Analyst*

Okay. If we sit down (technical difficulty) do a few more questions and answers. Essentially, I guess, what would be useful is if you could explain or update us a little bit on the external environment and competitive dynamics as far as you see them in the financial services markets?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Okay. (multiple speakers) start with. So I can give you the short answer, which is I think it's improving, both improving in terms of the general industry but also improving for Thomson Reuters in that space.

What would I pick out? We are not, sadly, back to the boom times of banking and financial services; but I think our customers in the industry now is much clearer on what it wants to be, what banks want to do, what products they want to sell, what businesses they want to be in. I think they are also clearer on what regulation is doing for them and where they can exist and compete comfortably in regulation.

A bit wider now, I think the buy-side continues to grow in stature and influence in terms of the market. Certainly does for us. We spend a lot of time in the buy-side and rolling out more buy-side products, and I think that is good.

I think the sell-side, characterized by continued obsession with driving out cost. I take that -- that is very good news for somebody like a Thomson Reuters, because again we're seeing our customers focus on total cost of ownership, really what it really costs them to run this or that product, what it really costs them to run this or that trading platform. As a result, we tend to see the people move more to the big players in that bucket, and that is good for Thomson Reuters overall.

On regulation, I mentioned regulation briefly. Regulation is a really important part. I think it has taken some people out of the market in terms of transactions, in terms of speculative positions, or propositions that they can carry themselves, and that has changed the dynamic of the market. Again, to my mind it pushes much more of that trading activity more into the buy-side than it used to be.

But I think regulation, on the other hand, actually is very good for us. It's very good for our Risk business, for example, which is really centered around regulation. It is very good for our pricing and reference services in terms of more transparency of pricing.

So I think regulation is always somebody's friend and somebody's enemy. I think it's net good for Thomson Reuters as a whole.

I guess that when I look at our business, I think if I split it into regionally, I think the Americas is doing pretty well. Again, driven by lots of buy-side, lots of asset management work. Again, I think probably the most confident of the three markets that we would be in.

Asia, I'm pretty close to them. I have a joke between the two people who run our Asian and or Americas operation, which one is going to be the fastest-growing this year. I hope they both win, obviously. But I think Asia was characterized by nonlocal banks removing and retrenching from the market, and we are already seeing the market rebound from that and the local providers absorb that and continue to grow.

Then Europe, Europe is obviously is our biggest market. Was probably the most overbanked market, but very encouraged by it. In fact if you look at Q1, as an example, if I take out the FX and the [AM] adjustments that we talked about earlier on, Europe grew.

In fact, all three regions grew in the first quarter. So overall, much happier than if you had asked me a year ago.

Matthew Walker - *Nomura International - Analyst*

Great. You indicated on the slide about how net sales have been moving. What do you think the progress is with net sales? And what do you think a realistic expectation would be for the full year in net sales?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

For sales, so -- you're right. Net sales -- this is the fourth quarter we have been positive in net sales, and we were net sales positive in every region in the first quarter, which again for much [had] -- is very encouraging for me.

I'm biased; I think we should always be net sales positive. That means we're going to be revenue growing. I think -- and then to me there is a little bit of volatility in that; but I would be disappointed if we weren't net sales positive for the year.

And it might just be worth mention -- maybe if I just explain a little bit what I -- why net sales are so important, if you'll indulge me a second. I think that what the net sales metric really does, it's a measure of volume. Yes?

So it measures the net adds or subtracts from our recurring revenue business. In other words, we take out all of our new sales, minus all of our cancellations, and that is the number that we report as a net sales number.

Now, when do we recognize those sales? We recognize a sale when a customer actually signs the order form. So if you cancel or you bought a new product today, I recognize that today. And that product wouldn't be installed today, because you might be a new analyst going somewhere; you might be taking more people onto your team.

So in all cases the sale is recognized before the revenue implications. So if you're net sales positive, that is a pretty good indication that you will be revenue positive going forward. Again, it is really designed to measure that volume increase. So I would be disappointed if we weren't net sales positive for the year.

Matthew Walker - *Nomura International - Analyst*

I guess leading on from that, there is a delay, but what about revenue growth, organic revenue growth for the full year? Maybe do you want to think about what the trajectory is into next year?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Okay. If I look at our revenue, I put it into four buckets and then maybe currency [impacts] at the end. The four buckets I would talk about would be, first of all, recurring revenue.

As I just said, net sales positive for four quarters, to me that indicates we will be positive in terms of our underlying recurring revenue for the year. Importantly, I think I would describe it as slow but steady progress with that revenue line.

Offsetting that is the second item, which is we have taken -- we have an annual price rise that we put through in our products. But we have taken a deliberate choice to adjust some of the commercials for both one of our FX products but also our asset management product. And that roughly offset that this year.

Third, recoveries. I want to spend one second on recoveries in terms of we're looking at a slow decline in recoveries; it doesn't change our overall profit or overall numbers now, probably, nor for the purposes of this conversation.

The fourth thing is, and my flippant remark is going to be: your guess is as good as mine what happens with volatility for the rest of the year [as] in transactions. I think that is probably the most difficult number in terms of forecasting whether that will -- where that will play out.

Then of course we have FX rates, which have an impact on our reported numbers. So before reported numbers, I think Q1 is a pretty good barometer for what we would be for the rest of the year.

Matthew Walker - *Nomura International - Analyst*

Okay. I guess you have already mentioned the commercial realignment on FX and buy-side, and that basically offset the price rise. If you talk about it on a more normalized basis, what would you think a price rise would do, if you didn't have that commercial realignment?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

So, price rise is a contractual right we have in our contracts with our customers for pretty much all of our recurring revenue. It's not the same on the transaction side, but it's our recurring revenue.

That price rise is contractual. We are able to put through inflations, OECD inflation, whichever metric we happen to have. This year that would've been around a 2% yield; so if you extrapolate that out, the implication is for the FX and the AM products roughly a 2% implication for that trade. So without that, it would've been roughly 2%.

Matthew Walker - *Nomura International - Analyst*

Perfect. You also mentioned you are achieving good progress towards the 30% margin. I guess two questions here.

First of all, what do you think in terms of progression? Would that be linear, or would it be back-half weighted? And why?

And then I think in the first quarter, it looks like there was a 150 basis point impact on the reported margin from FX. If rates stayed the same as they are today, what do you think the impact will be on margin for the full year in terms of FX?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Okay. Let me do the second one first, if I may. So foreign exchange, I will split foreign exchange into two pieces and present revenue and profit.

On the revenue side, we are broadly -- well F&R, Financial & Risk, is a truly global business. We have a limited amount of currencies we price our product in, but some; so we are really long euro, long sterling, long yen in terms of revenue line. And that's where you saw that big difference, I think around 6% in the first quarter.

At the operating profit level, also we have costs that offset some of those things. So the material number from a profit perspective is that we are long euro. So the answer to the question is, if you can guess what the euro is going to be doing for the rest of the year.

Matthew Walker - *Nomura International - Analyst*

No.

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

A, if you can, can you come and work for us? It would be very helpful.

And that is the biggest. So at the moment I would see no real change from where we saw in Q1. It is too hard for me to talk.

In terms of helping everyone out with their model in terms of quarter-on-quarter, there's two or three things that I would just point to. It would not be linear, and it would not be linear for predominately two reasons.

One, we obviously have some one-time adjustments we make in terms of, let's say merit rise; that would be a Q2 event for us this year; it was a Q3 last year. So that will take us down.

But probably the biggest single thing that will change the linear nature of that will be the shutdown of our BON network. Today, we have customers who dual-run both the new network and the old network; that has dual-running cost for us.

So as that customer comes off that and shuts down, you will see the cost fall directly through. So I would expect to see a faster ramp up in margin in the second half of the year than you would in the first half of the year.

Matthew Walker - *Nomura International - Analyst*

Does that mean then that we should see the Q4 margin -- obviously, adjusted for currency -- but do you think that would be above the 30% in Q4?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

I'd like to be nearing 30% in Q4, yes.

Matthew Walker - *Nomura International - Analyst*

Then in terms of your retention rates in F&R, what can you tell us about that?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Only good news I can tell you about that, because it is good news on the retention rate. So actually retention rate to me is the most important metric that I look at. It is the single most important metric for me.

Why? Well, it is really -- and let me just explain what retention rate is. It's simply the book of business we came into the year with, less those things that canceled.

So why is that important? Well, retention rate really is the biggest indication you have of what your customers think of your product, what they think of your service, what they think of your proposition, and how well you are doing against the competition.

Now, you will be pleased to know -- I am certainly pleased to be able to report that our newer products have much, much higher levels of retention than the historical products do. Again, good news, fairly obvious. They are much more modern; but really a big difference.

But it's not just that. Some of the automation I talked about earlier on was investing in tools that we understand really where our customers aren't using this product. What is going wrong? We are able to get sales teams out much earlier in terms of addressing those potential cancellations.

So just this year in terms of last year we have seen roughly a 2% improvement in our retention rate. And that is a big deal in the recurring revenue model. That is a big swing.

So again, in my earlier slide I talked about net sales becoming positive. Retention is a big driver of that.

And what that says to me is our customers are voting with their pocket. They are much happier. They are staying with us. It's much cheaper for us to keep our customer than to find a new one, and so very encouraged by it overall.

Matthew Walker - *Nomura International - Analyst*

Okay. On the buy-side and the FX migrations, how are they doing?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

They are good. There was -- again, it is the same as the BON issue. They really are hard work; it requires customers to be engaged, customers to change things. Just to put it in context, it is roughly a $700 million operation that we are talking about.

FX in terms of the commercial is a little bit further ahead. We are probably, I don't know, two-thirds-ish done in that respect and maybe a little less than a third from this -- quite a bit less than a third now on the asset management migrations. By the end of the year, I expect it to be roughly two-thirds, maybe 70% complete in that process.

So overall, yes; pretty encouraged by our customers' reaction to that. I think they like the new products.

It's funny. I was talking to Frank on the way over here. The younger you are the more you like the Eikon product; that's a challenge for everyone in the room. The younger you take an Eikon product. But yes; overall, pretty pleased with how we are getting on.

Matthew Walker - *Nomura International - Analyst*

On the transaction revenues, you mentioned there was around 3% growth. You are pretty pleased with that. There was quite a lot of volatility around that period. Do you think it should have been -- could've been a little bit better?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

No. And I think maybe -- so when I look at transactions, our transaction revenues are predominantly two or three areas. The main two are foreign exchange, which everyone assumes we're only foreign exchange. But foreign exchange grew well in the quarter.

Let me pick FXall as an example. That grew double digits in the first quarter, so we are very pleased with that.

Volatility does help our transaction business, as I said. But we're seeing much, much fiercer price competition in the FX space in the first quarter than we have seen previously.

But also, just because volatility rises doesn't mean your revenue growth is linear. Because again, the more you trade on our platforms generally the cheaper the price is; so it is not a straight dollar-for-dollar as you go up.

The second piece of that is, our fixed income business Tradeweb has a big transaction revenue. And sadly, volatility in the fixed income market is nowhere near where I would like it to be. Despite great talk in this country of more interest rate rises, nothing seems to happen; so hopefully we can get a bit more volatility there and it will come back.

But all of our transaction businesses grew in the quarter.

Matthew Walker - *Nomura International - Analyst*

I have a few more questions for later but I am going to throw it open to the floor. Obviously everyone uses these products, financial services products, so they are deeply familiar with this. So any questions from the floor?

Unidentified Audience Member

Could you just quickly update us a little more specifically on the Risk business? (inaudible) your customer (inaudible)?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Yes, of course. So our Risk business overall is around a $600 million business in total, split predominantly across our pricing reference services, financial crime, and our enterprise risk management business. Pricing reference services, that's one of the ones I mentioned earlier on in terms of how regulation is helping.

Overall, the Risk business grew double digits. Pricing reference services is well into double-digit growth, so we are very pleased with how that business is going.

In terms of KYC, interesting. Thomson Reuters has been involved in KYC for some years. For example, we own World-Check, which is a premier database and search engine for PEPs and sanctioned individuals. We also own IntegraScreen, which is an enhanced due diligence offering.

And in fact, in 2013 we bought a company called GoldTier, which took us into the onboarding service for KYC. So in terms of what is happening with the market for KYC -- and in particular I think you are driving the managed service that people are offering today -- I think that is a great example of the point I made earlier on around the market wanting to drive cost out. Onboarding a customer, whilst essential, you absolutely need to comply with regulation, you need to get that right, it's not a value-added service anymore. It's a necessity we have to do.

So by mutualizing it, by bringing it to one place you can drive massive economies of scale and make sure you are best in class and driving better customer service but also compliance with the regulation.

I can't resist a commercial, if you will forgive me. We were the first to launch a managed KYC service. Actually, it is about a year; I think we launched it in Q1 last year.

Doing incredibly well. We have by far the biggest number of records in our database, current records, than anybody out there. Adding literally hundreds a week. It's a great service for us.

The market has reacted very well to that. We have -- I have to remember exactly who I'm allowed to say we have signed up. On the buy-side I know I'm allowed to talk about Amundi, Man Group, but also BlackRock have always signed with us.

On the sell-side, I can remember less exactly which names I am allowed to say. But we just signed up a big French bank, for example, and a big dealer broker has already signed with us, and many more to come. There are obviously more than that; I am just not allowed to disclose all of those names.

So overall, I am very pleased with our KYC offering. I think we have a unique ability to deliver all aspects of the onboarding, and not just the onboarding itself. I.e., when you come back into screening, enhanced due diligence, which I talked about -- IntegraScreen and World-Check. So yes, pretty pleased with where we are.

Unidentified Audience Member

What is your biggest synergy (inaudible) (technical difficulty)?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Hadn't thought of the second question. So on the first one, I think one of the biggest synergies that we've found so far has been on the technology side. So managing both -- we manage our data centers now -- this would be across the whole of Thomson Reuters as part of the move towards to an enterprise operation. So we have seen big benefit from there in terms of much bigger, robust data centers for that.

I think we see good synergy with our Legal business, particularly on our KYC and Risk offerings that we talked about just now from the revenue side. Honestly I think there is more to come. I think we can do better there, and I think we will continue to do that.

The same on our Tax & Accounting business. I see much more application on the revenue side for that, which is doing well.

In terms of dyssynergies, that is a good question. I don't see many dyssynergies today from it.

It means, for example, on the data center we need to be much clearer what -- let me think of an example. So in Financial & Risk, most financial service companies want five-9s availability on their data centers; not necessarily the same for a Legal business, or for a Tax & Accounting business. We need to make sure we get that right.

Is [there] a potential for dyssynergy? I think it probably is a net synergy there in terms of combining it.

I think we have to be careful on combining some of our products in terms of as we sell more, for example, in financial crime, combining the World-Check offerings with some of the CLEAR offerings in our Legal department. Legal team needs to be careful about those to make sure we're not cannibalizing one product versus the other. But I think we are going in with our eyes open.

Matthew Walker - *Nomura International - Analyst*

Quick question. My guess is you get this everywhere you go, but if you look at the competitors quickly, if you look at it on sell-side versus buy-side, you said on the sell-side that driving down of costs was good for the big guys (multiple speakers) maybe driving out some of the smaller ones. How is it working between the major competitors at the moment?

Do you think there is any change in market share going on with you, FactSet, Bloomberg, etc.? Can we sort of disaggregate it by sell-side versus buy-side?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

The two things that you picked -- both have great products, both formidable competitors. But they are competitors that frankly I gave share to over the last three years. I think I said on my slide earlier on, I've been going backwards 3%; they haven't.

The fact that my retention rates are up 2% I would argue yes, [as] we are coming back and taking share back from them. And that is probably the easiest indicator to point to.

Matthew Walker - *Nomura International - Analyst*

And that has to do primarily you think with Eikon being a better product than what you were offering before?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Yes, I mean --

Matthew Walker - *Nomura International - Analyst*

Is that the main driver?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

It's the main driver, and I think we are much -- we [turn] a lot of money and a lot of investment on tailoring Eikon to be what we need it to be to compete and what our customers need it to be for the future. Things like our open Eikon, where a -- the platform, [where] now to build you can now build apps on top of Eikon.

Very different than most people. We are very open with that. And our open technology, I think people are really starting to understand what that means for their business going forward.

Matthew Walker - *Nomura International - Analyst*

Okay.

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Yes, I think -- if I might talk a bit, let me take an example. If I look at some of our asset management products, they would've had pretty poor retention rates in terms of the legacy products. Some of these products hadn't been invested in since shortly after I left school.

And now we're moving to a brand-new product that is open, it's very intuitive to use, has natural language search, etc. There is a very, very different feeling.

In terms of buy-ins, when I use a -- so I have an iPhone; I used to have a BlackBerry. It took me a long time to get off my BlackBerry. I was used to how it works.

I then went -- I had my iPhone and my BlackBerry. So I read my messages on my iPhone, replied on my BlackBerry, because I like the keyboard.

It wasn't till I went cold turkey and got rid of my BlackBerry that I used my iPhone now, and it works. Some of the thing, the older -- generally certainly the older you are the more embedded you are with your old product. So the younger generation particularly we see taking Eikon.

Matthew Walker - *Nomura International - Analyst*

On messaging, I have been coming to these conferences for longer than I care to remember, and there has always been a messaging challenge to Bloomberg in financial services. There is more buy-in coming from some of the major financial institutions now.

But can you say where you are with messaging and how important is that to the whole F&R business? Obviously not in terms of revenue terms, but in terms of customer attraction, retention; how important is it to drive towards creating your messaging platform?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

I think the core of what F&R and what Thomson Reuters stands for is openness. We want free, open, competitive communications (inaudible) financial markets. That is good for us.

Eikon Messenger is already open. We are happy for -- we have to write controls over it, obviously, but we're happy for people to federate with us.

In fact, you mentioned some of the other competitors in that space. We had already teamed up with Markit, for example, and MSG Network to federate, to share our directories, etc.

Obviously a new competitor, Symphony, is now out there who has now -- has taken that market directory. We are working with them today, in conversations with them today to try and make sure that that messaging framework will federate with us, will work with our directory and to work with our messaging protocol.

So, honestly, my personal view is anything that continues to drive openness in the financial market has to be good.

Matthew Walker - *Nomura International - Analyst*

I guess in terms of just looking longer-term and more theoretically, this is not at all any kind of -- not meant to be any kind of revenue forecast. But if I was just thinking about -- when I am thinking about my modeling and I am thinking about, let's say you have stability in market share, you have net sales, modest growth in net sales, and you've got the 2% price rise with no degradation from people moving platforms or discounting, etc., or at least not -- normal commercial activity, shouldn't it be possible for the F&R business to get back to, say, 4% growth? So 2% from customer growth and 2% from price rise. Would that not be a logical theoretical (multiple speakers)?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

I understand exactly your logic and, yes, I think that is it. That would be -- that single-digit growth rate I think is exactly where we should be.

But need to make sure -- I think the secret to that is, as I mentioned, retention rates. Our retention rate continues to rise.

Let me take the Risk products, as an example. No big surprise; we are growing double-digit there. They have our best retention rates, pretty much all of the products there.

So yes, I think -- I see there is no reason why we shouldn't be approaching those numbers.

Matthew Walker - *Nomura International - Analyst*

On acquisitions, one of the successes I guess of the -- one of the things that has driven the Thomson share price over the last year or so has been the reorientation from senior management away from acquisitions and more towards organic growth. Have they got to the point where people internally are now pushing more for acquisitions? Is there anything that makes sense in terms of acquisitions out there?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

There is always (multiple speakers)

Matthew Walker - *Nomura International - Analyst*

(multiple speakers) we've been in the mindset of no, let's just focus on (multiple speakers)

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

I am not sure the mindset is absolutely no acquisitions come hell or high water. We still do acquisitions. I think we are just much more fussy around which ones we do.

If you look across -- one of the challenges about doing lots of acquisitions, you have to integrate them. If you don't integrate them, they just essentially sit as orphans in your organization and that drives massive complexity.

The management team and myself have been spending a lot of time trying to drive out the complexity. I'm not going to let 20 small acquisitions do that.

If we saw a nice acquisition -- I mean, let's think of an example. We bought FXall a couple of years ago. That I think is a great example of a game-changing acquisition for us that brought something to Thomson Reuters that we couldn't build organically quickly enough ourselves.

I think it is those sorts of acquisitions that you will see us more do, albeit on a reduced scale, than lots of little acquisitions. I think culture has changed, to answer your [other] question.

Matthew Walker - *Nomura International - Analyst*

And just adjacent to that, one of the things I was thinking about was -- and you mentioned some of the attractions of the Risk business. If you look at the types of -- I mean, Risk seems to be an extremely attractive business to other professional data services companies. You've got Verisk, so probably in health; and you've got [Reed] in auto; you've have got some Experians in some of the risk-style businesses.

Could you maybe just say in Risk what are the key areas in terms of those verticals where you would like to play and where you see the most potential?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Okay, so (multiple speakers) we obviously talk about (multiple speakers).

Financial crime. Financial crime is a big piece of that, and I think the importance of our financial crime, besides it's very important in itself is it's a really global phenomenon. So the places that we want to compete and we want to operate are the ones that are global. That is really where competitive edge is.

So, for example our World-Check databases is global. Our KYC offering, I was asked a question earlier on, one of the things that differentiates us in that offering is we are truly global in that offering as well; we are not just a North American operation or a line.

I think if you keep rolling that logic through, I think supply chain naturally leads you through into that in terms of understanding how the commodity is priced as it is coming into you. Is there money laundered through that process? I think you can continue to see, in particular, the buildout of financial crime and supply chain would be two [items]. Not only those, but two I would highlight to you.

Matthew Walker - *Nomura International - Analyst*

Okay, and going back to the question --

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

(multiple speakers) give all my secrets away.

Matthew Walker - *Nomura International - Analyst*

Okay; not a problem (inaudible). But going back to the question about synergies with the rest of the group and also driving the margins, you've got the 30% target out there. What do you think is theoretically possible in terms of -- we talked a bit before about what the revenue potential might be. I am guessing that you won't want to necessarily just settle for the 30% margin.

What do you think might be the longer-term margin potential of a business like F&R? And how would you -- what would the further steps to get there? Is there more you can do on technology rationalization or lower-cost product development? Or is there something -- or is it really operational gearing?

Do you think: okay, well it's not really going to be FTE reduction; it's not really going to be platform rationalization, because those things are done. What kind of drop-through can you get from operational (multiple speakers)

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Maybe I will give you -- I will try not to give you a number.

Matthew Walker - *Nomura International - Analyst*

That's a lot of questions.

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

But I will try and explain the model and maybe that will -- this is how I think about the Financial and Risk business. So the revenue line is recurring, which is good; means it's generally sticky. Our retention rates are up, continuing to improve.

So my focus is to make sure I can drive that revenue number. Let's make it easy; let's [expect] it's 2% from price and 2% from volume growth, just pick a -- just make my maths easy here.

The important thing for my model is that roughly two-thirds of my costs are people, roughly; I am just rounding to make a point here. And my price rise roughly should equal my merit rise. Again, for the purposes of the [show] roughly equal to 2.

Therefore the answer to your margin question is how fast I can grow my revenues and what number I need to invest to get that additional 2% growth there. I think that is always the challenge therefore that you have as a business, between how much you want to invest today to get revenue tomorrow.

And that recurring model sadly means that the revenue growth is generally slower than you see in the traditional manufacturing. I don't bring new plants online and sell 1 million more TVs this month or whatever.

So the secret to your question is it really is operational gearing, operational leverage in that model. The thing I have to do as one of the managers in the business is to make sure I keep my costs firmly under control.

So I continue to drive that automation and make sure that -- one of the jargons that we use internally is: how much did it cost me to keep those lights on? How much did it cost me to run that basic infrastructure and continue to invest in that?

I think in the past we maybe made the mistake of trying to squeeze that infrastructure too hard, and you have seen that partly in terms of that catch-up we're having to do now in terms of removing all that legacy. So that is the secret. The secret to the model is continue invest in your platform to make sure it stays current, and that should be able to drive better than market top-line growth, which should -- if we're successful in that -- drive the margin.

Matthew Walker - *Nomura International - Analyst*

Okay. Any further questions? Charles?

Unidentified Audience Member

(inaudible - microphone inaccessible)

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Yes, certainly I can try. So it's still hand-to-hand combat for every user in every firm out there. Today, there's two or three aspects that I would highlight.

One is, the product speaks for itself. The products are good now. It is not perfect for everybody, and we still continue to invest in that to roll it out.

But customers like the product. They use it. For now -- again, I was talking to Frank and [Ben] on the way over here; there was a customer that they were at actually earlier in the week that a year ago had no Eikons. Didn't like Eikons; shut the Bridge down; didn't launch it; didn't want to deal with us, you know? But now there is a [reason] (inaudible) smallest buy-side [from] that is 52 Eikons there. Why? Because they are now seeing the functionality and the functionality speaks for itself.

The second part is, we are seeing people move away from smaller shops to us, which obviously helps. That gives us an ability to actually show the Eikon or to show the Elektron to show how it works, which is very different.

And three, the market likes competition. I can't think of a large customer that hasn't got a program with us where they want to displace somebody else with our desktops. So without giving away any trade secrets, I am happier than I have ever been sitting here in terms of our product capabilities and what they are doing for us.

Matthew Walker - *Nomura International - Analyst*

What about the thin-client version versus the data? Because I remember one of the issues used to be that the client would have to install a lot of infrastructure or [computer], install a lot of infrastructure in their own building, and there was a lot of cost for upkeep of that. That was one of the issues of the penetration on the buy-side.

What has been happening more recently in terms of (multiple speakers)

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Do we have thin versions?

Matthew Walker - *Nomura International - Analyst*

-- penetration on (multiple speakers) how --?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Yes, the thin version is [coming] in your iPad. You're now going [need] virtually mobile device you can think of, you can get the product on now.

One of the biggest changes, and your point is exactly right, lots of our historical products were deployed products. They had lots of customer hardware and software at the customer side. Every time you wanted to do something to the product, you had to get the customer to do it; they had to go in with a screwdriver to change things, etc.

Today, I can't remember the exact numbers, but roughly half of our installed base of Eikon is now [tactic] product over the Internet, so implying there isn't that infrastructure behind. One of the big things we are doing on our FX side and our dealing products is actually moving away from being such a heavy deployed software into that. I would hope more people would [take] that over the Internet. A little bit harder if there [ultimately] want their own network given what the product they are dealing is. But we are seeing much more of that.

And that is really linked to the point I talked about earlier on in terms of cost of ownership. Customers now understand exactly what it costs them, why they need another network, why they need these things.

Does everybody in the middle office need real-time data? Does everybody need their own network to do that? No. So we are seeing a much, much bigger take-up of that type of product from us.

Matthew Walker - *Nomura International - Analyst*

Would you say the thin client was outselling the fat client by 2 to 1, or --?

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

I don't know the split. I don't know the split. But yes, it's certainly the thing that gets talked about the most. Yes.

Matthew Walker - *Nomura International - Analyst*

Could you maybe demystify for me -- because only for my purposes -- the data feed market? Because this is quite a complicated market, and it is quite difficult to understand what the market shares of the various players are in data feed.

That has certainly been one of the businesses that through this has been more growing for you rather than the desktop side. It was seen, I think by some people, that there may be -- always we talk about a Bloomberg data feed, various other companies with data feed products as well, sometimes banks wanting to connect direct into the exchanges.

Can you maybe explain to us how the data feed market works and how things are moving inside it? Because it is certainly quite opaque from my perspective.

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Well, okay.

Matthew Walker - *Nomura International - Analyst*

Because you emphasize that data feed is actually quite a huge product.

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

It is a huge product. Maybe the -- let me think how best to split. Maybe I will split data feeds into two, to start with: one is real-time and one is nonreal-time.

Nonreal-time might be an end of day price. It might be to price a [casidy] portfolio. You might want to price your end of day positions. Again, it's a static data that we deliver to you.

We provide those services linked on top -- on to the back of those you'd have things like [evaluative] pricing services that go into that. And the market is competitive for that, but as I say we are doing well in space.

There's then what I would describe as real-time feeds. That will be us delivering a massive pipe that plugs into the side of your building that pumps some the data that you want either really, really fast or a great volume of it. You may be using that to drive your other trading models; it may be to drive your own desktop, your own proprietary network.

And we are seeing -- we see good growth in that. We see good growth in both of those. Probably, the real-time feed is probably growing in the single-digit level; the nonreal-time feed is growing maybe in the double-digit level. Again, regulation driving more transparency, more need for that.

In terms of competitors for that, there are a number of them. There are some people who deal in just the very, very, very fastest, to the latest latency, the fastest piece. They are very specialty providers, which we don't compete in that ultra-ultra-ultralow-latency space.

But we compete, and I would argue we are the leading provider, in the feeds business across the world. (inaudible) answer to your question, or --?

Matthew Walker - *Nomura International - Analyst*

Well, it's helpful. Thank you. Any last questions from the --? Okay. With that, I would like to thank you very much for coming along and speaking to us and explaining (multiple speakers)

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Thank you very much, Matthew.

Matthew Walker - *Nomura International - Analyst*

Definitely helpful. Thank you.

Tim Collier - *Thomson Reuters Corporation - CFO Financial & Risk*

Thank you.

Matthew Walker - *Nomura International - Analyst*

Okay, thank you.

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