

Thomson Reuters Reports Second-Quarter 2010 Results

July 29, 2010 2:07 PM ET

 [Financial Tables](#)

 [Q2 2010 Reconciliations](#)

- **Consolidated net sales were positive and accelerated through Q2, led by strong performance in Legal and Markets**
- **Second-quarter ongoing revenues down 1% before currency**
- **Professional division revenues up 2% before currency; Markets division revenues down 3% before currency**
- **Underlying operating profit of \$655 million, down 17%**
- **Adjusted EPS of \$0.47 vs. \$0.58 in prior-year period**
- **Underlying free cash flow of \$751 million, down 11%**
- **2010 Outlook reaffirmed**

NEW YORK - Thomson Reuters (TSX / NYSE: TRI), the world's leading source of intelligent information for businesses and professionals, today reported results for the second quarter ended June 30, 2010. The company reported ongoing revenues of \$3.2 billion, underlying operating profit of \$655 million, underlying operating profit margin of 20.4% and underlying free cash flow of \$751 million.

"I am pleased with the continuing progress the company has made in the first half of the year. While our markets are only slowly improving, we have seen accelerating results in terms of revenues, net sales and customer uptake of our new products," said Thomas H. Glocer, chief executive officer of Thomson Reuters. "Based on these encouraging trends, we expect that Thomson Reuters will return to revenue growth in the third quarter."

"We attribute our expected return to growth to our decision not to cut investment in innovation and new product platforms in 2010. While investments in the launch of products like WestlawNext, Thomson Reuters Eikon and the ONESOURCE global tax workstation are still expected to suppress margins by some 100 basis points in 2010, they will enable us to drive growth, strengthen our competitive position and improve margins for years to come."

Consolidated Financial Highlights

IFRS Financial Measures	Three Months Ended June 30,		
	(Millions of U.S. dollars, except EPS and Profit Margin)		
	2010	2009	Change
Revenues	\$3,216	\$3,293	-2%
Operating profit	\$435	\$475	-8%
Diluted earnings per share (EPS)	\$0.35	\$0.38	-8%
Cash flow from operations	\$888	\$1,006	-12%

Non-IFRS Financial Measures*	2010	2009	Change	Change
				Before
				Currency
Revenues from ongoing businesses	\$3,216	\$3,275	-2%	-1%
Underlying operating profit	\$655	\$792	-17%	-12%
Underlying operating profit margin	20.4%	24.2%	-380bp	
Adjusted earnings per share (EPS)	\$0.47	\$0.58	-19%	
Underlying free cash flow	\$751	\$846	-11%	

*These and other non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measure in the tables appended to this news release. Additional information is provided in the explanatory note at the end of this news release.

- Revenues from ongoing businesses were \$3.2 billion, a decrease of 2% after currency and a decrease of 1% before currency. Good growth in Enterprise, Legal's subscription businesses and Tax & Accounting was offset by expected softness in Legal print and non-subscription revenues and a decline in Sales & Trading and Investment & Advisory revenues due to flow-through from prior-year negative net sales.
- Underlying operating profit declined 17%, attributable to lower revenues, product mix, previously announced investments and unfavorable currency movements. Underlying operating profit declined 12% before currency.
- Adjusted EPS was \$0.47 compared to \$0.58 in the prior-year period. The decline was largely attributable to lower underlying operating profit.
- Underlying free cash flow was \$751 million, a decline of 11% versus the prior-year period.
- Integration and legacy savings programs continue to progress well, achieving run-rate savings of \$1.3 billion towards a previously announced goal of \$1.6 billion of run-rate savings by the end of 2011.

Second-Quarter Business Segment Highlights

Unless otherwise noted, all revenue growth comparisons in this news release are before the impact of foreign currency as Thomson Reuters believes this provides the best basis to measure the performance of its business. All revenue growth and operating profit comparisons are based upon results from ongoing businesses and exclude the results of disposals.

Professional Division

Revenues	Three Months Ended June 30,			Change Before Currency
	2010	2009	Change	
Legal	\$936	\$934	0%	0%
Tax & Accounting	\$243	\$225	8%	8%
Healthcare & Science	<u>\$214</u>	<u>\$210</u>	2%	3%
Professional Division Total	\$1,393	\$1,369	2%	2%
Operating Profit				
Legal	\$306	\$341	-10%	
Tax & Accounting	\$32	\$36	-11%	
Healthcare & Science	<u>\$48</u>	<u>\$52</u>	-8%	
Professional Division Total	\$386	\$429	-10%	-10%
Operating Profit Margin %				
Legal	32.7%	36.5%		
Tax & Accounting	13.2%	16.0%		
Healthcare & Science	<u>22.4%</u>	<u>24.8%</u>		
Professional Division Total	27.7%	31.3%		

- Second-quarter revenues rose 2% driven by good growth from Legal subscriptions, Tax & Accounting and Healthcare & Science products, somewhat offset by declines in Legal print and non-subscription products.
- Second-quarter operating profit declined 10%, as anticipated, primarily due to revenue mix and continued investment in the business.

Legal

- Second-quarter revenues were unchanged from the prior-year period. Subscription revenues grew 5%, led by 17% growth

in FindLaw. Non-subscription revenues declined 5% and print products declined 9% due to tightened customer budgets and some timing benefits in the second quarter of 2009. Print attrition has slowed substantially from the prior-year period and is nearing historical levels.

- Second-quarter operating profit declined 10% and the associated margin was 32.7%. Lower revenues from high-margin print and non-subscription products and the impact of investments in strategic growth initiatives more than offset efficiency savings. Over time, margins are expected to return to historical levels as revenues recover.
- WestlawNext has been sold to approximately 5,700 customers to date since its launch in February 2010. We are well ahead of the company's initial expectations and customer feedback continues to be extremely positive.

Tax & Accounting

- Second-quarter revenues grew 8%. Workflow & Software Solutions, which comprise two-thirds of the segment's revenues, grew 12%, led by income tax products and growth in the global tax businesses. Business Compliance & Knowledge Solutions revenues were flat versus the prior-year period as Checkpoint's growth of 8% was offset in part by a continued decline in print, which comprised 10% of the segment's revenues.
- Second-quarter operating profit declined 11% and the related margin fell to 13.2%. The anticipated declines were largely attributable to the dilutive impact of 2009 acquisitions. Tax & Accounting is a seasonal business with nearly 50% of its operating profit historically generated in the fourth quarter.

Healthcare & Science

- Second-quarter revenues grew 3%. Growth was driven by continued demand for healthcare spending analytics in the Payer business, which was up 6%, offset by an expected short-term decline in the Provider business, which was down 6%. Growth in Scientific & Scholarly Research, which was up 10%, was driven by core information offerings.
- Second-quarter operating profit decreased 8% versus 2009, and the corresponding margin was 22.4%. The decline in operating profit was primarily attributable to timing and a difficult prior-year comparison. Year-to-date, the margin is 21.8%, up 100 basis points versus 2009.

Markets Division

Three Months Ended June 30,
(Millions of U.S. dollars, except profit margin)

Revenues	2010	2009	Change	Change Before Currency
Sales & Trading	\$869	\$925	-6%	-5%
Investment & Advisory	\$551	\$587	-6%	-6%
Enterprise	\$326	\$314	4%	6%
Media	<u>\$79</u>	<u>\$82</u>	-4%	-3%
Markets Division Total	\$1,825	\$1,908	-4%	-3%
Operating Profit	\$319	\$424	-25%	-15%
Operating Profit Margin %	17.5%	22.2%		

- Revenue trends continue to improve with second quarter revenues down 3% compared to a 4% decline in the first quarter, and a 5% decline in the fourth quarter of 2009. The decline was attributable to flow-through from weak 2009 net sales and some one-time revenues in the second quarter of last year.
- The second quarter marked the second consecutive quarter of sequential revenue growth (Q2 2010 vs. Q1 2010), led by growth in transactions and recurring subscriptions.
- By geography, Asia declined 1%, while Europe, Middle East and Africa (EMEA) and the Americas declined 3% and 4%, respectively.
- By market, growth in Enterprise, Corporates and Commodities & Energy was more than offset by weak performance in Exchange Traded Instruments and Investment Management.
- Second-quarter operating profit was \$319 million (down 25%) with the related margin declining, as expected, to 17.5%.

The margin decline was attributable to the flow-through from lower revenues, investment in new product platforms and a challenging prior-year comparison. Excluding the impact of currency, operating profit declined 15%.

- As scheduled, the innovative Thomson Reuters Eikon desktop went into broad beta release in the second quarter and is on track for full commercial launch in the second half of the year.
- In addition, Reuters Insider was launched in the second quarter and has already captured 40,000 subscribers from approximately 8,000 companies.

Sales & Trading

- Second-quarter revenues decreased 5%. The decline was due to continued pressure on recoveries revenues and desktop reductions in the Exchange Traded Instruments and Fixed Income businesses, where revenues have been negatively impacted by the retirement of low margin legacy products. Tradeweb revenues rose 4% due to stronger volumes from U.S. federal government treasuries and Commodities & Energy revenues grew 3%.
- The Treasury business declined 1% in the quarter due to the flow-through from weak 2009 net sales, despite a significant increase in foreign exchange volumes. Overall, Sales & Trading transaction revenues were up 6%.

Investment & Advisory

- Second-quarter revenues declined 6%. The Corporates business grew 9% primarily driven by the acquisition of the Hugin Group that occurred in the fourth quarter of 2009, offset by several timing-related items and declines in other parts of the business due to weak prior-year sales. However, the Investment Management business declined 10% and continues to be impacted by 2009 cost cutting initiatives from buy-side customers.
- Wealth Management declined 7%, attributable to the planned retirement of certain products and difficult prior-year comparables which included one-time benefits.
- Momentum in Investment & Advisory has continued to improve in 2010 with positive net sales recorded in June.

Enterprise

- Second-quarter revenues grew 6%, driven by continued strong demand for data feeds. The Enterprise Information segment, comprised of both real-time and historical data, grew 9%. The Risk Management business grew 6%, led by strong outright sales of software. The Platform business (formerly Information Management Systems) also grew 6%, driven by good sales of recurring products. Omgeo's revenues were flat in the quarter.
- Elektron, Thomson Reuters next generation data distribution platform, was launched in the second quarter and has seen strong customer uptake.

Media

- Second-quarter revenues declined 3%, driven by weakness in the Agency business which continues to be impacted by tightened customer budgets. However, net sales in the quarter turned positive driven by the win of a major contract at CNN.
- The Consumer business experienced double-digit revenue growth in the quarter due to improved advertising activity. In addition, the Consumer business has successfully launched several new mobile products, including NewsPro for the iPad.

Corporate & Other

Second-quarter corporate costs were \$104 million compared to \$255 million in the prior-year period. The decrease was primarily related to changes in fair value currency-related adjustments (non-cash) which provided a benefit of \$36 million in the second quarter of 2010, versus an expense of \$87 million in the prior-year period in 2009. In addition, integration program costs of \$90 million were \$17 million less than the prior year. Core corporate costs were \$50 million, down \$11 million, benefiting from tight cost controls.

Financial Highlights - Six Months 2010

IFRS Financial Measures

Six Months Ended June 30,
(Millions of U.S. dollars, except EPS and Profit Margin)

2010	2009	Change
------	------	--------

Revenues	\$6,356	\$6,424	-1%
Operating profit	\$756	\$851	-11%
Diluted earnings per share (EPS)	\$0.50	\$0.60	-17%
Cash flow from operations	\$1,097	\$1,257	-13%

	2010	2009	Change	Change Before Currency
Non-IFRS Financial Measures*				
Revenues from ongoing businesses	\$6,355	\$6,394	-1%	-2%
Underlying operating profit	\$1,210	\$1,382	-12%	-12%
Underlying operating profit margin	19.0%	21.6%	-260bp	
Adjusted earnings per share (EPS)	\$0.84	\$0.98	-14%	
Underlying free cash flow	\$858	\$988	-13%	

- Revenues from ongoing businesses were \$6.4 billion, a decrease of 1% after currency and a decrease of 2% before currency.
- Underlying operating profit was \$1.2 billion, down 12% compared to the prior-year period, with a corresponding margin of 19.0%.
- Adjusted earnings per share were \$0.84 compared to \$0.98 in the prior-year period.
- Underlying free cash flow was \$858 million, down 13% compared to the prior-year period.

Integration Programs

Thomson Reuters achieved combined run-rate savings of \$1.3 billion at the end of the second quarter of 2010 from the Reuters integration and legacy savings programs. The incremental \$75 million in run-rate savings during the quarter was largely attributable to further communications, content and data center consolidation within the Markets division and leveraging of the Thomson Reuters global footprint by the Professional division.

Integration-related costs totaled \$90 million in the quarter, and \$187 million year-to-date. Full-year costs may come in slightly below the previously forecast \$475 million, with the balance shifted into 2011.

Business Outlook (Before Currency)

Thomson Reuters today reaffirmed its business outlook for 2010 that was first communicated in February and later confirmed in May as part of the company's first-quarter results.

Based on the current environment in the markets that the company serves, Thomson Reuters expects its revenues to be flat to slightly down in 2010 due to the impact of negative net sales in 2009. The company expects net sales to strengthen throughout 2010.

The company expects its underlying operating profit margin to be comparable to 2009 before investments in the major new products and platforms launching this year. These investments are expected to have an impact of approximately 100 basis points.

The company's plan to continue its aggressive investment focus to drive growth and capture efficiencies is likely to result in 2010 underlying free cash flow being slightly down on the prior year.

The information in this section is forward-looking and should be read in conjunction with the section below entitled "Special Note Regarding Forward-Looking Statements, Material Assumptions and Material Risks."

Dividend

As previously announced in February, Thomson Reuters increased its 2010 dividend by \$0.04 per share, resulting in a quarterly dividend of \$0.29 per share and an annualized dividend of \$1.16 per share. Thomson Reuters will pay a quarterly dividend on

September 15, 2010 to shareholders of record as of August 19, 2010.

Thomson Reuters

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, healthcare and science and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs 55,000 people and operates in over 100 countries. Thomson Reuters shares are listed on the Toronto and New York Stock Exchanges (symbol: TRI). For more information, go to www.thomsonreuters.com.

Thomson Reuters will webcast a discussion of its second-quarter 2010 results today beginning at 8:30 a.m. Eastern Daylight Time (EDT). You can access the webcast by visiting www.thomsonreuters.com and clicking on "Investor Relations" at the top of the page and then "Thomson Reuters Reports Second-Quarter 2010 Results" on the right side of the page. An archive of the webcast will be available in the "Investor Relations" section of the Thomson Reuters website.

NON-IFRS FINANCIAL MEASURES

Thomson Reuters prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

This news release includes certain non-IFRS financial measures. Thomson Reuters uses these non-IFRS financial measures as supplemental indicators of its operating performance and financial position. These measures do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies, and should not be viewed as alternatives to measures of financial performance calculated in accordance with IFRS. Non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measures in the appended tables.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS, MATERIAL ASSUMPTIONS AND MATERIAL RISKS

Certain statements in this news release, including, but not limited to, statements in the "Integration Programs" and "Business Outlook (Before Currency)" sections and Mr. Glocer's comments, are forward-looking. These forward-looking statements are based on certain assumptions and reflect our company's current expectations. As a result, forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. There is no assurance that the events described in any forward-looking statement will materialize. A business outlook is provided for the purpose of presenting information about current expectations for 2010. This information may not be appropriate for other purposes. You are cautioned not to place undue reliance on forward-looking statements which reflect expectations only as of the date of this news release. Except as may be required by applicable law, Thomson Reuters disclaims any obligation to update or revise any forward-looking statements.

The material assumptions underlying the company's 2010 business outlook are based on various external and internal assumptions. Economic and market assumptions include, but are not limited to, positive global GDP growth led by rapidly developing economies and a continued increase in the number of professionals around the world and their demand for high quality information and services. Internal financial and operational assumptions include, but are not limited to, the successful execution of the company's new product release programs, globalization strategy, other growth initiatives and efficiency programs, including the integration programs.

Some of the material risk factors that could cause actual results or events to differ materially from those expressed in or implied by forward-looking statements in this news release include, but are not limited to, changes in the general economy; actions of competitors; increased accessibility to free or relatively inexpensive information sources; failure to develop new products, services, applications and functionalities to meet customers' needs, attract new customers or expand into new geographic markets; failure to maintain a high renewal rate for subscription-based services; failures or disruptions of network systems or the Internet; detrimental reliance on third parties for information and other services; changes to law and regulations, including the impact of the Dodd-Frank legislation; failure to meet the challenges involved in operating globally; failure to protect the reputation of Thomson Reuters; impairment of goodwill and identifiable intangible assets; inadequate protection of intellectual property rights; threat of legal actions and claims; downgrading of credit ratings and adverse conditions in the credit markets; fluctuations in foreign currency exchange and interest rates; failure to recruit and retain high quality management and key employees; the effect of factors outside of the control of Thomson Reuters on funding obligations in respect of pension and post-retirement benefit arrangements; actions or potential actions that could be taken by the company's principal shareholder, The Woodbridge Company Limited; failure to fully derive anticipated benefits from future or existing acquisitions, joint ventures, investments or dispositions; and failure to achieve benefits from integration programs to the extent, or within the time period, currently expected. These and other factors are discussed in materials that Thomson Reuters from time to time files with, or furnishes to, the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission. Thomson Reuters annual and quarterly reports are also available in the "Investor Relations" section of www.thomsonreuters.com.

Contacts

MEDIA

Calvin Mitchell III

Senior Vice President, Corporate Affairs

Tel: +1 646.223.5285

[Email](#)

Victoria Brough

Head of External Affairs, EMEA

Tel: +44 (0) 207.542.8763

[Email](#)

INVESTORS

Frank Golden

Senior Vice President, Investor Relations

Tel: +1 646.223.5288

[Email](#)