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PRELIMINARY TRANSCRIPT

TRI.TO - Thomson Reuters Corp at Barclays Americas Select Conference

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PRESENTATION

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

All right, good morning actually, guys. Thank you for being here again. We have Thomson Reuters with us now. And for those of you who don't know me, obviously, I'm Manav Patnaik, Barclays' Business and Information Services analyst. So we are lucky to have with us here David Craig, who is the Head of the Financial and Risk business at Thomson Reuters, which I think is the most familiar and also the largest part of Thomson Reuters (inaudible). And we also have with us Frank Golden, who is the Head of the Investor Relations there. And in the event, if you guys have any questions outside of F&R, he can help with that and I'll obviously be leading with some questions as well.

So thank you, gentlemen, for being here, appreciate it. Second in a row. Thanks for coming back.

David again, maybe just to set the stage like we did last year, I think, the first impression when you say Thomson Reuters Financial and Risk business, the risk part is sort of, you almost all you think about is desktop, but it's clearly a lot more than that. And so maybe you can just set the stage for us and give us a little bit of a breakdown of how -- what the mix within F&R is and then we can take it from there?

David W. I. Craig - *Thomson Reuters Corporation - President of Financial and Risk*

Yes, thank you, Manav, good to be back here. People do focus on the desktop, I remind myself that we crossed the rubicon almost 2 years ago now, that we have more uses of the machines and the technology side of it from the human use side. It doesn't mean the desktop is not important. But certainly, the size of our business now in the Elektron data platform and risk and in transactions is larger than the size of the business in desktop. I don't think that trend is going to change, and we are going to see continued high growth in the Elektron data platform and our Risk business. We saw 9% growth coming out of Q1. I think we'll continue to do better than that. And we'll see a flat, maybe slightly down, desktop over the coming years because the pressures of headcount and other things affect the performance of that business. So I think about the 2 together, I think they were together pretty well because, of course, there is a growing need to have exactly the same data that you see in the desktop and the users using, as you see in the middle office, in the back office, in the pricing algorithm and the risk algorithm. And so actually having both of them for us, which not everyone else has, is a pretty strong part of our enterprise offering as well.

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

Got it. And so maybe let's just start on the desktop side. You said flat, maybe slightly down, which actually sounds a lot better than I think a lot of us think the environment would suggest in terms of, call it, the pressure on the sell side, which have been going on also for a long time. It seems like the buy-side pressure is now building up. So how do you -- what is your take sitting from where you are on the health of the buy and sell side?

David W. I. Craig - *Thomson Reuters Corporation - President of Financial and Risk*

Yes, we've made a lot of progress in the last year to shift our business mix from sell side to buy side, where still majority is sell-side, it's about 55-45, in that mix on the desktop. That mix has been a healthy change for us as we've seen the growth in the buy-side. The sell side now is I'd call the most stable environment, you see the Q1 results coming out, many larger institutions (inaudible) pretty, pretty positive. Even Barclays coming



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through that as well. So we're a little bit more optimistic that the pressures are over on the sell-side, we're not going to see the massive headcount cut that we've seen in the past. Desktop franchise on the sell-side is very strong, it's very competitive. Acquisitions are ready for there in the buy-side to sell side. Those actually pretty resolute about low perform on the sell side. Yes, I do think you're right, we're all seeing pressure on the buy side around cost, a lot of questions today around MiFID II, the effect that, that might have. You're seeing some consolidation in the buy-side as well. So a more sanguine that whilst we have good growth in the buy side, particularly around Eikon as we migrate people across, we've lost some as well. And I think the growth in the buy-side in the desktop would be slightly more tempered as we see more pressure on that. But what we're going to see, of course, then is more demand for data and feeds and analytics on the buy side, which is where now they are saying "Well, if we have to move to a MiFID environment, if we have to not buy our research, we might do our own research, more analytics and data mining ourselves," we are seeing growth in our data business and our feeds business and our risk business as that starts to pick up.

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

Got it. So maybe just sticking with that, so on MiFID and this is obviously very directly relevant to our businesses. What is your take on how it impacts you? Sounds like you just referred to it as an opportunity. And where I guess the puts and takes on MiFID in terms of business and dealing with that?

David W. I. Craig - *Thomson Reuters Corporation - President of Financial and Risk*

Yes, there's a lot of puts and takes. MiFID is a rich tapestry of things happening at the same time, and it's important to understand how all of them play out and it is affecting the buy-side and the sell-side. The first and foremost, the sell side, there is going to be possibly a doubling of data on the sell side as (inaudible) venues that were hidden before come out, they have to have trade reporting, they have to report the trades that happen. We've launched an APA with Tradeweb, where we are providing that reporting service. So we'll see some revenue uplift from providing those kind of things in the market. But importantly, we're going to see more and more need for that data to be distributed around the financial markets, we're the #1 player in real-time data. We're going to carry all of that data on our feeds, in our systems, our Elektron data network, where we've spent 4 years investing, over the last few years is well, well, developed and deployed and capable of handling that kind of volume of data, and clients are going to go to need to consume that. So does that mean, we immediately get an uptick in revenue? Maybe not, but we certainly get a stickier, more valuable proposition on the sell side as that data consumption goes up. Then other services that you have to have like best tax. You have to prove that you got best execution with lots of service, we can do that with a partnership with analytics and data. So on the sell side, you'll see a larger amount of data needs to be consumed, the customers don't necessarily want to pay a lot more money for that, they're going to look to partners like ourselves with that capability. Then you shift over onto the buy side/sell side relationship, and undoubtedly there are going to be pressure on the research houses, where now the buy-side is forced to pay for that research. And so I think there's going to be some pressure on headcount on the sell side and the research side. There is no doubt that's going to happen. We may get affected by some of that, but also, we are the largest provider of research distribution and we have a mechanism that allows sell side research to be distributed, to be tracked, to be complied and to be paid for, we see some uptick in that service as we roll that out to our sell side and institutions as well. And then on the buy-side, yes, there is a choice there, do they continue buying or they start paying the research that they've got for free now? And the question is much are they going to pay? I think the industry still to work that through. Or the larger houses, certainly what we've seen, many of them have come to us and said, "We want to create our own data analytics capability, we are selling our bold, our big open linked data and real-time data into several clients now, I want to hear how they map the data out around it, how they use data mining and other tools that we supply. So we're seeing some puts and takes on the industry. The net of all this is I think, I think we see some uplift. There is undoubtedly going to be pressure. The buy side has been told to unbundle its services, cost pressure, I think we'll have a net negative effect on the buy-side.

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

Got it. And then maybe I just take a step back on the Eikon side of the business. I think -- I think it's important to illustrate what Eikon is in the sense that you've consolidated all your multiples of tens of different brands and products that you have this platform. So maybe if you could just take a step back and for the benefit of the audience just give some perspective on the enormous effort you've made to just refer to the desktop as Eikon today.



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David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Yes, I mean, we've taken about 30 of our desktop capabilities and propositions, which were all great in their own life and put them into the Eikon platform. And an Eikon really is a platform because it's not just a one-size fits all box. Actually, it comes in different variance at different price points according to the workflow usually that is around that. It needs both the needs of the sell side trader, sell side research analyst that we talked about before or M&A or banking or the buy-side portfolio manager or the analyst as well. We've created a singular experience, a singular sign-on and building all the capabilities around that. We've also made it available in different variants, so price point that people can take it is right and fit for what their needs are. And we continuously will look at that price point and how we slice it and dissect as the market evolves. We've got well over 125,000 permission users, we have actually seen a net increase of around 5% this year in Eikon. As we finish off the migrations of the T1 asset management and over that, with that migration complete this quarter, I don't see the same uplift in Eikon, I think we're going to see a fairly static picture because of a headcount pressure out there. But the usage is very high, the feedback is excellent and it's seen as a great offering alongside our data as an enterprise offering that Thomson Reuters can give into the market that not many of our competitors can do.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. And referring to competitive, maybe just in -- on the desktop side of things first. Has that landscape changed? Or is it -- any update on just the competitive nature there?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Yes, guess, it's becoming all competitive. I think the old model of where everything was in one desktop and everything was available, exchanging, I think people are looking to unbundle more. I mean, our messaging platform is a great example of that. We were first to provide messaging outside the desktop, a very successful move that we made, we have 300,000 messaging users in total at the moment. Because of that unbundling, I think that's one good example of where you see the competitive dynamic changing. You've got other competitors coming in offering lower prices as an aggressive price activity happening in the buy-side, no doubt, hearing about that and we see that, we see that happening. But I still think there's also a strong demand for full analytics, data capability, data quality, the service around that, very, very important. And whilst things might look cheaper and easier to consume, actually they fall over by the lack of service, the lack of resilience in the system. The quality of the data analytics or the quality of the content in itself, I mean let's not forget that we call it a desktop, but actually what's really powering our desktop is our Elektron data platform, it's the broadest set of data content in the financial market world, and that's what's really powering the content the people are paid to see.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. And your message -- I mean, you talked about messaging in there and the messaging platform. That's been something where, I guess, we've been following (inaudible) several years and it sounds like we would have had some sort of resolution solution where we are today. And I'm referring all (inaudible) the Symphony and you guys partnering with them and then trying to go after the Bloomberg dominance and so forth. Can you just give us the latest state of the markets in messaging and where that's probably evolved to?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Yes, I mean we welcome (inaudible) trade up initiative by many sell-side institutions to get together behind something that can break this deadlock of the competitive messaging platform. It's no secret that we are working with them to help on that. We see that as a net positive. We've always had a line that we think customers should have choice over messaging. We have an open messaging network we interface to other messaging networks, we've unbundled it from the desktop. For many years, we think messaging is like downtime of the industry and needs to be open and flexible and more available. I think the other thing that is changing as well is MiFID II and the idea that the only way to get price transparency is through a closed messaging network. I think that's going to be challenged under MiFID II. With more price (inaudible) available in the market



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around OTC instruments, maybe the need for closed messaging network where you've got price discovery and price passing going on is less important. I mean, time will tell on that.

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

Got it. Okay, so let's just shift gears a bit to Elektron now. And again, just for the benefit of the audience maybe less familiar, I think they're all familiar with Eikon, what it is, again it's an effort of bringing a lot of things together into one, so just help set the stage there?

David W. I. Craig - *Thomson Reuters Corporation - President of Financial and Risk*

Yes, so Elektron actually is, it's a few things. Firstly, it's a massive collection -- it's a collection network. It has over 700 high-speed collection around the world. So as we exchange every source of important data, we are collecting in real time the data that is required. We are doing them on resilient 24/7 basis. It's then on distribution network. How do I then multi cross that data around the world in high-speed, low latency to 190 countries, to over 3.5 thousand trading floors around the world. Very, very strong and resilient distribution network, which is our Elektron backbone to do that. We spent many years shutting down 3 distribution networks and putting Elektron in place. Last and not least, it's been the distribution of the client side. So a client may consume, it might be a small client they consume it over the cloud or they may just have a couple of servers or may have a complete Elektron platform which is helping them fan out and distribute high-speed, low-latency data consumed across trading and operations as well. So you can see, it's a very sophisticated distribution network. I think sometimes people think of this as feeds. It's far more different than just a feed. It's the whole management of the entire service around that collection, distribution and distribution on-site into the client environment. A couple of unique things, too, is that we have an open data approach. We carry our data, we carry competitors' data, we carry third-party data. In a world where our clients are trying to move to fewer suppliers and reduce the complexity of the cost, that's a very valuable part of our offering than any way we can offer if you want a full breadth of the data that's actually required.

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

Got it. And just one thing that popped to my head since you mentioned data bunch timely is the focus on data security and driver security in those kind of things, there's just been a recent attack. How is your spend on data, data security track and just maybe a little touch and focus on fiber as well?

David W. I. Craig - *Thomson Reuters Corporation - President of Financial and Risk*

Yes, I mean, clearly this is a big focus for everyone in the industry. The interesting thing about data security, data control is actually the industry had to do this for all time because of provisioning. So a lot of the data that we are carrying is not our data or it might be an exchanges data. They want to see a fee for that, they won't have that charge for. We have to manage an infrastructure that does permissioning, that can manage that for our clients and actually make sure they're not in foul of any compliance rules around data. So we're used to actually an environment where data is not just throw it out and it's free, it's actually got to be quite controlled. The biggest issue or threat we would see in this is not the this is market data, this is relatively not that really sensitive in some areas where we do that, making sure the data is available and we don't have attacked that stopped that being distributed, which is why the multipoint architecture of Elektron is so important, there is no single point of failure which can be interrupted. To do that we spent a lot of money over the last few years making sure that is available and that can do it. What we are seeing now is that our services become far more into the analytical space, we are taking more client data, doing analytics and provide (inaudible). Best tax, great example of that. And then you're going into the area of client data now, architecture is client data, how do I secure that, manage that, make sure that's not accessible to all people in other areas, very, very high tolerances on data security are required and that's why we've been investing a lot of money over the last few years to do that.



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Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. In Elektron, I guess, in that market, who would you classify as your competition? Clearly, across your businesses, there are a lot of competition. But on the desktop side, we saw that know it's Bloomberg, FactSet, maybe CapIQ. When you think about Elektron, who should we think of as competition?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

It's interesting (inaudible) so the exchanges themselves you've seen they want to get more into big data businesses. And sometimes they try and go direct, they try and go direct to their clients and so that they built the -- that can work well or they use us to carry that service as well. So in fact, our partners who we're carrying their data for also our competitors also carry a lot of client base, a lot of the data that we carry is contributed data or priced data or other things and say we're working through that ecosystem where our customers' data also provided on our system, we'll provide that to the community as well. So it's kind of interesting competitive partner dynamic that's happening on the traditional IDC on the nonreal time space is our competitor on our PRS service. On nonreal time space, you've got Bloomberg who are trying to come in with a lower-tier kind of alternative from that beta and have the infrastructure to be built over many years to do this. I think where we really differentiate is the, if you need the full breadth, the full speed on a global basis, in particular, then it's very hard to choose an alternative from where we are at the moment, particularly with the API and the (inaudible) and other things that we provide with the (inaudible) as well.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. You said Eikon was flat to slightly down, how should we think about the growth in Elektron platform?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

In Q1, our risk business, we haven't (inaudible) around 9% and that's the kind of outlook that we're looking for, if not slightly higher as the demand increases for data or things like MiFID and the next big regulatory shift on the sell side come through, so very positive about continuing accelerating that growth in the Elektron business and in our Risk business as well.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. And just (inaudible) desktop I think is about 40%, 45% of the F&R mix, what's Elektron in this if there's a way to break that out?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

So the 40%, 60% between Elektron and risk, depending I think that puts transactions in the desktop. So our transaction is about \$700 million. So between desktop and transactions, we've got just under 45%, 46%. The rest will be risk and Elektron nonreal time and real time.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. Okay, helpful. So that's a good segue then into the risk business, right, which is being one of the more, I guess, exciting areas, it's an investment focus by James and Stephane as well (inaudible) call those out. So again, let's set the stage, what's in this risk business? What are the different pieces here?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Yes, risk business is very large, actually (inaudible) before I did the F&R role. We set out in a few focus areas, risk a very broad area, you can get lost in 200 definitions of risk. Financial crime market leader with World-Check protecting customers from onboarding clients who may be in foul of



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terrorist financing or risk of AML, that's a huge service for us. It's done extremely well and we are expanding and investing all the time. The latest innovation was the launch, not just the data service, but a managed service, which is our KYC old ID. We now have over 26 clients around the world with the acquisition of (inaudible), we've got 2.5 million, (inaudible) 2.5 million managed entities in that. And in a world where the sell side is still in enormous pressure to make sure that onboarding not just safely and understanding who their clients are but they go there quickly as well, that's a fantastic proposition into the marketplace. We see just lined up for the service as well, we see a whole pipeline of people joining that. So the financial crime around World-Check, screening and KYC and old ID extending into supply chain, very, very healthy part of our business, doing extremely well. We then have our whole pricing in reference This is how do we value instruments extremely well, we are partner with many providers in the industry. The demand for that continues to accelerate, particularly on the buy side now where there is more demand to value just the liquid but the illiquid instruments and things that people have. FRTD, I think, is another opportunity for us to offer services and all that. And then we have the whole area of enterprise risk management, how do I manage the risk portfolio that I have, how do I consume regulatory intelligence, the information from the regulators around the world and track how I'm managing and fulfilling my obligations to manage risk, which is a combination of data feeds, regulatory intelligence, software solutions. So within those 3 parts, we've seen growth here in double-digit figures, we are exceeding \$700 million. We are seeing the leverage with the rest of the business as well as we can offer through our enterprise platform not just price market data but also risk and regulatory information as well as area investing. And also investing in the areas of digital ID. We rolled out a permanent identifier, PermlD, some years ago. We are seeing opportunities to enter more of the electronic payments, the electronic e-commerce kind of space where now any financial transaction you have to understand the counterparties on each side and are they valid people to do business with. So we see tremendous growth opportunity over the coming years with the risk business.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. Maybe within the Risk business, the one area that we've heard a lot about is KYC. And we've heard about it for many years, and feels like only now, at least from your standpoint, it seems to be coming to fruition, if that's the right word, since you bought Clarient, your competitor stop talking about or talking about it less, so maybe there's a scale factor. Is that what KYC needed, the scale? Or what was -- what was, what is the roadblock and how should we think about the opportunity here?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Yes, KYC which is institutional KYC so how do I onboard a hedge fund, a corporate, an asset manager or a trading entity? Really delighted with the progress we are making now. Almost I think 4 years in and 3 years live in operation. We're onboarding about 3,000 or 4,000 entities a week, just to show the scale of how this operate. Of course, as you get larger and bigger, we hope that ratios increase. So yes, we are projecting overlap ratios in a couple of years, maybe up to 50% from a 25% to 30%, which is where we are now. As the scale picks up, that will get bigger. And I think what's happening to is that as you get larger, spend has become more acceptable. One of the challenges this problem is that every single institution had a slightly different way and a slightly different requirement for the data that they would collect of their customers. Made it very inefficient for the sell side, made it very annoying for the buy side because they were asking for different set of. Now what we do is we present the Thomson Reuters portal to asset manager or hedge fund, they submit their information to us, they do it once in a standard way and then we make available that information as we manage to the sell side screen to manage and build it. Far, far simpler. We are seeing onboarding times go down from 100 days to less than 1 day. Imagine the value that generated in your front office, you're not sitting there waiting before it can start working with the client, waiting for 100 days. Now 24 hours. that's an extraordinary enabler to the frontline as well because of cost take out that come through, which is generally around 30% to 40% (inaudible) that we're seeing.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. And I noticed this morning, I mean, we get a lot of PR alerts from Thomson Reuters, but I noticed that today you put out the announcement about the KYC initiative- in South Africa and that intrigued me in terms of you talked about standardization and that seems like you are the go to KYC in South Africa. And is that possible because that market's more concentrated and it's going to take a lot longer to do the same thing in the U.S? Or is that now sort of a poster child for telling everybody else like what you go to do the same thing.



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David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

I think it's a global, first of it's a global service. What happened in Africa is 3 banks, actually Barclays Africa, one of the big proponents of this, came together and said, "If we do this together, we will immediately bring scale to the problem versus us here one by one (inaudible). So 3 banks came together and said let's pull all of our entity requirements with Thomson Reuters into the utility and do it much faster than we've done it anywhere else in the world. I think a couple of unique things about the African market, it is more concentrated, so those 3 banks have some 30%, 40% of the coverage immediately. I think the risk profile is also, let's face it greater, I think the banks are having a bigger problem with client onboarding than you've seen in other regions of the world. Our World-Check business was started in Africa. It's been running there for 14 years out of Cape Town. WE have a very good understanding of how to collect information in the 40 or so countries around Africa and how to do that. So it made perfect sense to actually accelerate the progress of KYC in the African market and do it there. Couldn't be more happier with the results of what's going on. You saw this release about Standard Charter delighted that we've got a great pipeline of international banks also saying we want to join that service because we see that as a way that frankly not having to pull out in some of these markets because we're worried about the risk. If we can use a trusted provider like Thomson Reuters to manage the information collection and the management of the creation of that record, we have much higher trust and confidence that we know who we are banking with. We can get them onboard more quickly and we can actually operate in the country.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. I want to touch a little bit around the recent M&A. For the last several years, Jim and Stephane, right discipline sort of lockdown on M&A. But in the last year, we have seen Clarient, (inaudible) and REDI. So maybe, just touch on what's different about these 3? And what we should look for in terms of strategy specific to F&R I guess going forward?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Yes, I mean, it's also just not M&A, when I picked up this job 5 years ago, [we only have 150 products] that was pretty complex to manage, it was quite complex for our customers. And to move into a 3 platform approach, it really simplified that relationship and had driven the margin improvement and many other things, got the retention up, unified service, et cetera, so absolutely the right thing to do. As we look forward though, there are certain conditions where we could build these things organically or if we want to leapfrog and get quickly into a position where we cannot deploy our platform, integrate now into it, then we would do that. REDI is a great example. It gives us over 3,000 traders on the buy-side. We will integrate REDI very quickly, we're going to announce that quite soon with Eikon, so we can deliver on Eikon plus messaging plus REDI capability into the buy side and connect them to the sell side and help accuracy build and be simpler and easier to manage. So a great example where we could have done that organically, but frankly, it would've taken many years to build that kind of footprint. We spent several years looking at the right kind of acquisition to do, we selected REDI because it was by far the best one. And the combination of the owners of Goldman and Barclays now thus made it very appealing. So that was a good example of where a strategic choice to give us reposition. I think Clarient and Avox, again, the industry wanted us to consolidate. They felt that it wasn't going to work to have 2 or 3 utilities in KYC and needs to move to a single standard. Industry felt that this was the right thing to do and supported as us in that move, again another targeted acquisition in a very strategic space. We will continue to look at that kind of opportunity where we can quickly bring things onto our platform, not run them separately, deliver that kind of \$1 billion, 1 account management, 1 experience, that position ourselves in markets where we see the growth opportunity and the ability to leverage.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. So if you put the 3 units together, Eikon, Elektron, risk and just talk about numbers for a second. So in first quarter, you guys grew 1%. I think ex the transition and so forth, it was maybe 2%. Should we be seeing a 3% number going forward because if you have 2 of these 3 businesses growing high single-digit, call it, what is the time frame, time line? Like what should be the reasonable expectation for us in terms of the growth?



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David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Yes, we are confident in seeing the progression of growth underlying growth of 2% in Q1, reported was 1, we had headwinds and recoveries the FXT reprice, which (inaudible) but also, the final migrations of the T1 asset management onto Eikon. Those are coming off this quarter and the next quarter, so we are going to see a progression on that 1% growth as we go through the year.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. And tied to top line, obviously, the margins. Over the years, you guys have cost cutting and margins have really come up. Should 29, 30 plus percent EBITDA margins be the norm, like is there a ceiling or because of the level of competition just trying to manage it the base level?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

Well, the great thing about our margin development is because our platform approach, the cost efficiencies we have taken out, we're getting margin improvement from flow-through. And we saw that in Q1, and we'd hope to see that continue into Q2 and Q3 as we keep the topline momentum going. We do want to invest more as well, so we see that as an opportunity, not just to potentially increase margin slightly or keep it at least at that level but also invest more into some of the areas where we see the (inaudible), further data enhancements and further other areas.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. And then a broader question in terms of your involvement with the other businesses at Thomson Reuters with legal, tax and accounting. I mean how much, -- what level of interaction connectivity, working together is there between F&R and those 2 businesses?

David W. I. Craig - Thomson Reuters Corporation - President of Financial and Risk

The few areas where it's really important in the bank clients are huge consumers of tax and legal information, one of the biggest opportunities we get unlocking is using our account management and relationship management organization to open up opportunities for legal into our largest financial services clients. In fact, some of Legal's largest customers now are back and I don't think that trend is going to go away. And so the leverage that we have and relationship has been very powerful. Whilst F&R moved to a single CRM system or on salesforce as 1 instance, the other business units run on separate systems. We don't plan to bring the whole lot together because there are some unique aspects of them, but we have a singular client identifier now supporting that the system, so we can singularly identify Barclays if the customer or JPMorgan is a customer, whoever, and treat them as one customer. And through that more progressively make improvements to that relationship management as we go through. And then there are opportunities where we can bring our assets together. We put, for example, Court Wire into Eikon. Court Wire is a new service where we have literally legal reporters sitting in courts getting the latest breaking news of court decisions. So that's pretty powerful if you are an investor. Just one in the world actually on Eikon for doing that. We deploy tracker solution with our tax colleagues as well, that's been very successful about putting together our risk information and our tax information. And actually, KYC, the old ID uses many of the tax, legal technologies that we've had. One of the other areas of leverage that we're really starting to exploit now is starting last year, we brought our entire technology organization under 1 group, ET&O. So all the technology, delivery and operations for tax and for legal and for F&R, is in 1 organization, and we are getting tremendous leverage in these. In areas that kind of surprise us even think about for it, we are also investing, 6 laps around the world, we are doing that as the Thomson Reuters each business unit, our investments in machine learning or in robotics or in data analytics now leveraged across the group, we get much more bang for our buck in doing that. So we are seeing a lot of softer leverage actually coming through from having a single ET&O organization to do it.

Frank J. Golden - Thomson Reuters Corporation - SVP of IR

And if I can just jump in on that point also, just to give some further clarity to investors as it relates to the ET&O group and it reverts back to the question you had on potential margin improvement in the business over the course of the next couple of years for financial and risk. Dave is



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absolutely right, we are looking at the flow-through associated with the revenue, improving revenue growth to be the bulk of the contributors (inaudible). But with \$3.3 billion of our \$10 billion cost base now housed in this ET&O group, that is a new structure that we've only put in place, as you know, in January of '16, it gives us far better visibility and transparency into the overall cost base. And I think that as we get further and further into this, again, we are only less than 1.5 years into this structure, we're finding more and more opportunities to take those costs out. As those costs come out, the costs that David may find within his financial business itself are additive. But the cost that come out from an ET&O standpoint, will essentially wind up being divvied up amongst the 3 business units. And obviously with the size of David's business, they'll be entitled to at least their fair share of whatever those savings are. So I think we're feeling pretty good in terms of the trajectory of the margin improvements in the financial business, and the company as a whole as we look ahead.

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

Got it. And maybe Frank, let's just stick with you for a second here. Started about F&R expectation of growth to improve, Tax & Accounting sounds like it's a good mid-teen business but it's also the smallest part of the business. So maybe 2 minutes in just legal and where we are in that market and when does that growth and margins, some color on that?

Frank J. Golden - *Thomson Reuters Corporation - SVP of IR*

Sure. Those of you who follow us, when you think legal, you probably think about court or legal research, traditional legal research, Westlaw versus Lexis and so forth, which really obviously had been the way that the legal market had evolved over 50-plus years. As you see how we wind up reporting, you see that now that is around 40-some-odd percent of our business overall. And we've made investments going back a decade now in what we refer to as our Solutions businesses. So think about ways that law firms go about marketing themselves, the way they manage themselves and so forth. That's where most of our investment has been going since we launched WestlawNext about 4, 5 years ago. Terrific product, still leader in the market. But the Solutions side of business is really where we see growth because the court legal research market really is not growing much. And if you look at the BLS numbers, the number heads in the legal profession are up slightly, but just slightly. And law firms have really struggled to adapt to the new pricing models post 2008. There was no more sending an invoice to a customer that says for services rendered for the month of May, (inaudible) That model really exist any longer. So fix pricing, contracts and so forth for a year or longer is much more the case now. And so it's taken law firms a while to get there. So that side of the business is essentially steady grower, more sell on price than volume. And we expect that, that will continue. It's really on the other side, the Solutions side of the business, where firms have to invest, right? They have to become more efficient. They have to learn ways of generating new revenues. And we have some very strong products in that space. That is a segment of our business that's now actually larger than our core legal research business that we expect to be able to grow mid-single-digit as we look ahead. And it's 1 of the 4 areas that our CEO has identified as one of our growth segments. So that's what we think will boost the overall legal growth rate, albeit modestly, at least in the near term. But nevertheless, we still expect to see improving trajectory in that business.

Manav Shiv Patnaik - *Barclays PLC, Research Division - Director and Lead Research Analyst*

Got it. All right, back to you David, in just to sort of in the last few minutes here, bigger-picture question, we heard a lot about AI, machine learning, we heard about blockchain, FinTech investment, (inaudible). On one side, you could see that as being a threat to a lot of business models, on the other side it's clearly an opportunity to use technology. So how would you balance that pro and con when you think about all these different opportunities?

David W. I. Craig - *Thomson Reuters Corporation - President of Financial and Risk*

It's quite an opportunity. You're going to see a lot of a change coming. We've embraced not just the technology machine learning, one example of it, for many years or sentiment mining, which we've done with our new stem. We've also embraced many of the FinTech companies. We've opened up our platform. We have over 30 FinTech firms actually deploying on Eikon as an open App Studio. You can go into there and use them and leverage their capabilities as a partner. We have a big partner network, we have 9,000 data or content or analytics partner now on the platform. So our business ecosystem, we can't keep up, we're a big company, we can't keep up with all of these people and the speed that they can move.



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But all of them want our data, they want our API, they want our distribution to get into the marketplace. We have embraced a lot of these firms. We have a partner network. We have over 50 people that manage around the world. We're seeing some exciting stock coming out of Asia, no surprise, in terms of innovation. If you go onto our platform today, you'll see great evidence of many of these firms actually coming onto the platform and doing. I think the other our distributor ledger what would that do for the industry, how will they change it, there's hundreds of experiments and prototypes and things happening at the moment. It's undoubtedly going to change the payments industry and connect the transactions. We are not directly in the, but what we are doing is actually making our KYC, our World-Check and our pricing capabilities available for smart contracts. We've got a prototype actually running in London now. So I think this is going to be a big change for many of our clients. I don't think it's going to happen quite as quickly as maybe some people profess to it. But I certainly think that anywhere where you've got highly complex nonautomated transaction flows, mortgages or trade finance or other areas, are going to be put onto a federated chain and that's going to change completely how they operate. We would want to support them. However, we are not directly in the cross-hairs of that part of the business.

Manav Shiv Patnaik - Barclays PLC, Research Division - Director and Lead Research Analyst

Got it. All right, that's perfect timing, we are out of time. But thank you, everybody, for being here. Thanks, David and thanks, Frank, as well.

Frank J. Golden - Thomson Reuters Corporation - SVP of IR

Thank you.

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