

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

Jim Smith *Thomson Reuters - President, CEO*

CONFERENCE CALL PARTICIPANTS

Claudio Aspesi *Sanford C. Bernstein - Analyst*

PRESENTATION

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

(audio in progress) -- the analyst for Sanford Bernstein, and I am delighted to have this conversation this afternoon with Jim Smith, the CEO of Thomson Reuters. Most of you are familiar with the format. I will be asking questions for about half-hour. In the meanwhile, we will be collecting cards. You should have them in your chairs next to you. Please feel free to ask all the questions you would like to. I will field for them and ask them to Jim, trying to group them in some logical order.

To kick this off, I think we are going to start by talking about the Financial & Risk business. It's the largest controversy of the moment on the stock, obviously, and still where a lot of investors are wondering about the future. Perhaps the easiest way to formulate the controversy is to say when and where will we start to see the markets turn?

Jim Smith - *Thomson Reuters - President, CEO*

Thank you, Claudio, and thanks for the invite to come and thanks to all of you for being here. And thank you also for starting with the \$64,000 question that I think all of us would like to be able to answer.

The truth of the matter is I don't know exactly when things start to turn. I do think in a macro environment, though -- and boy, you've got to be cautious about saying anything like -- I almost regret saying this as it comes out -- I do believe we are at a point where everything is not getting worse anymore. I mean, if you think about the last three years that we've gone through, certainly in financial services from our perspective, we've had three years of -- until the first quarter of this year where everybody was cutting. Everybody was cutting across the board and cutting back.

The first quarter this year wasn't like that. There are still pockets of cuts, and it is hardly a robust market, but everybody is not cutting everywhere they can see anymore. And I think that is an encouraging sign, certainly, if it holds up.

I think we are seeing some regional differences, of course. I think the US has been very encouraging for us. I think we are starting to see real improvement in the United States. I think that Asia, ex-Japan and ANZ, is an encouraging place for us. It still remains highly challenging in Europe. And of course, Europe is a big footprint for us, so that is an important part of the story. But it is -- in a macro environment, I think it is not getting worse anymore, but it is hardly a robust market.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Will the growth be driven by volume, by price, by market share gains?

Jim Smith - *Thomson Reuters - President, CEO*

I think for us, growth will be driven primarily by two things. Growth will be driven by market share gains, and I think we have plenty of opportunity, after a considerable period of losing market share, to regain some market share. And I think we've already done, I think, a very good job of stabilizing that over the last 18 months. So I think market share gains will contribute to it.



And I also think that just the changing nature of our relationships with customers and the changing nature of what we are being asked to do will also enable us to drive some growth. And by that, I mean the nature of the conversations we are having with our largest customers is different today than it was 18 months ago. It is different today than it was 12 months ago. I think all of --

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

In what sense?

Jim Smith - *Thomson Reuters - President, CEO*

In the sense that part of the cost consciousness and part of the cutbacks on the part of our customers, they are not only questioning what they spend with outside vendors; they are questioning what they spend inside the firm, as well. And I think, particularly at the largest banks, where everyone did everything across the board for themselves, there is now a real sense and a shared realization that if it ain't adding Alpha, why are we doing it? Is this a place where we need to play? Is this a place -- do we all need to run our own legal entity authority? Do we all need to have hundreds or thousands of people clearing client onboarding and checking conflicts and that sort of stuff? Are there more things that we could outsource and make certain that we are focusing on those things where we truly add value and create value for our customers and for our institutions?

So I think that opens up a whole host of opportunities to do not so much outsourcing, although some of the discussions kind of sound like that; it is more creating platforms that the industry can work on and innovate on and productizing ideas that way.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

One of the benefits of moving to a couple of platforms, Eikon and Elektron, is clearly that you should be able to take a lot of cost out.

Jim Smith - *Thomson Reuters - President, CEO*

Yes.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

When will investors see the benefits?

Jim Smith - *Thomson Reuters - President, CEO*

Well, I think we are already starting to see them. We closed -- we've had a lot of complexity in an organization that was built largely through acquisitions and where integration was lacking. In fact, we have an organization that has greater global reach and has a great global footprint, customer network, all that. But we haven't really enjoyed the benefits of scale the way we should.

So everything we've been working at for the last 18 months or so has been about how can we realize those benefits of scale on multiple levels? We just last month shut down one of our legacy systems, which was a hosted terminal access system that the old Reuters Xtra 3000 used to run on. I think we transferred something like 16,000 of the customers we started with on to the new Eikon, shut down the old platform. We were able to migrate every one except for -- Tim, is 234 is the number you were quoting? 234 of them didn't make the journey with us, but we got everybody else moved over. And we were able to shut down that legacy system. That was the first of the big legacy systems we shut down.



As a result of shutting that system down, we were able to decommission 2000 servers. If you can imagine that -- 2000 servers. It is a data room, like this, full of servers. And it is not only the cost of running those servers. Just think of the complexity. Because we were doing that again and again and again and again.

And we have multiple opportunities to do that. I think we laid out at Investor Day our eight-quarter roadmap for how we are going to move toward consolidating our platforms. We are right on track. The next big one to go down will be at the end of this year; the Bridge network will go down. Our next big release of Eikon should move the vast majority of that Bridge functionality on to the existing platform. We are right on track for being able to execute that as we intend.

So in short, when are you going to see the savings? We are starting to see them now, starting as of last month, with the HTA. That was the first one. And I think we are going to see continued benefits from that.

I have to be honest -- from an offensive capability, it is not just the cost savings I like about that. It is when you remove that complexity from the organization, then we can take some of that to cost savings, yes; but you can also focus everyone else on the remaining platforms, on the platforms of the future and making those better. I liken it to our journey in the legal business, with which I am familiar.

And I think many people here will know I am a 26-year Thomson veteran, and I remember the journey in the legal world, and I remember what it was like because we were early to technology, and we were early to take our content and put it on CD-ROMs. And we were early to take it and move it into online delivery. And I remember the decision about moving to web delivery, and say, okay, henceforth, we are only going to develop to deliver by web browser. Right?

Well, that did have a really interesting impact on the cost structure, in that suddenly we didn't have to have all these various teams supporting whatever mainframe system a large law firm [used to] work for. So we were able to take out some heads.

But even more importantly, we were able to focus everybody else on giving the absolute best experience for delivering the product through your web browser. So people that used to be supporting legacy system -- various legacy systems, that really didn't leverage off each other, were able to do stuff like improve the features and functionality, improve the user interface, and then also work on the information science behind the curtain, at what we called loading and linking and making ever richer those connections between our content and data, and really develop some of the most robust early professional metadata for professional search.

Claudio Aspesi - Sanford C. Bernstein - Analyst

What feedback are you getting from the customers that are adopting Eikon?

Jim Smith - Thomson Reuters - President, CEO

Well, you know --

Claudio Aspesi - Sanford C. Bernstein - Analyst

What do they like? What is it that is still not working?

Jim Smith - Thomson Reuters - President, CEO

Sure. What do they like? Here is what we see. I hear more good news than objections about it. What we see on an absolute, empirical basis is that once someone switches from a Reuters Xtra 3000 to an Eikon, we see a pretty dramatic improvement in customer satisfaction scores. And we do third-party analysis of that on a quarterly basis, and that is improving.



It is quite interesting that we see improvements in our customer service scores. Ironically, I say, because it is customer service that is delivered by the same team, but just a better product, makes it first, there are fewer problems. Two, they are easier to solve, and people just have a general perception.

And we also measure what do you think of Thomson Reuters as a Company, and there is a dramatic increase in what they think of us as a Company for the Eikon customers versus the Reuters Xtra 3000 customers. So I would say it is overwhelmingly positive.

What are still some of the hurdles? The hurdles are largely technological. It is still -- it is a pretty thick memory user. And if you don't have adequate bandwidth within your shop, if you don't have adequate RAM on the machine where it is running, it can be a bit of a power hog, or you have to upgrade a little bit too much to take it. We are working overtime to continually thin that out. But that is an area where we have to continue to work.

I think if -- depending on asset class, if you are in commodities and energy, what we hear universally is this is by far the best product because we got all the features and functionality that you need. We are completely fit for purpose there.

I think in some other areas, where folks are taking Eikon because they like the ease of navigation, but we may not have complete content sets or we haven't adapted over all the tools and analytics that we have in some other products yet, it is still lacking -- how quickly can you get to me? And I think that calls up what the biggest complaint is, is that folks that are seeing it and want to sign up, we are just not ready to go to market in certain areas, particularly in investment management, particularly in the US, because we haven't built out all the features and functionality yet.

Claudio Aspesi - Sanford C. Bernstein - Analyst

In interviews over time, whenever you spoke to people who were on trading floors, salesforces, et cetera, they all mention instant messaging as one of the single most important features that Bloomberg has and that they believe they have to have.

Jim Smith - Thomson Reuters - President, CEO

Yes.

Claudio Aspesi - Sanford C. Bernstein - Analyst

What is the strategy to deal with that?

Jim Smith - Thomson Reuters - President, CEO

Well, we think there is -- we have a strategy to deal with that. You are exactly right; one of the stickiest features that Bloomberg has is the community that they've built through their messaging network. And we have been working for some time now with a number of industry players to see if there is an alternative that we could create from that. I will build upon that.

Our approach to the entire ecosystem we are trying to build is to be the open alternative to Bloomberg. We believe that an open ecosystem will be a very effective in the space, is very attractive to a number of market participants, is attractive to folks who don't want any one provider, Bloomberg, or us, frankly, to become to dominate in the space. They want competition, they want choices, and we very much want to be one of those choices.

Everyone recognizes that messaging is a very sticky component that they have, and a number of us have been talking for quite some time about alternatives that we might be able to put together. I know some stuff has leaked in the press in recent weeks about what might be going on there. I think it is premature for us to be discussing openly what we might do exactly and when we might have an announcement exactly. But I think

there is an opportunity for us to offer a different alternative in the marketplace that is more open, that combines market participants, sharing their own internal address books and directories so that alternate networks could be constructed.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Let's shift gears and move to the Legal business.

Jim Smith - *Thomson Reuters - President, CEO*

Okay.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Tough market out there.

Jim Smith - *Thomson Reuters - President, CEO*

Tough market out there.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Is it going to change, or is it going to continue to decline?

Jim Smith - *Thomson Reuters - President, CEO*

I think it is going to continue to be a very challenging market, and I think it is going to continue to be a market that sees a great deal of structural change. I feel really good about our position in the legal market, and I think we have great, deep relationships with a number of players in the market and with the industry in general, and I feel very privileged to be part of that market.

All that said, I think if you look at the traditional products that most folks define as the competitive battleground, I think the world of legal research tools, of Westlaw versus Lexis versus new entrants from Bloomberg, I don't think that will define the success of any of the participants anymore. I think that increasingly, our strategy is to help folks in the legal market not only with practice of law, but with building the business of law.

So to the extent we can have more software, solutions, tools that help law firms, be it large or small, run their legal practices, to build their businesses, to grow their firms, I think those are going to be the richer veins for us. And those are right now probably going to be the higher growth areas of our business. So you will see us continue to grow there.

I think it is a business that, particularly in the large law market, that is changing pretty dramatically. But I think that change offers opportunity. It won't be the traditional opportunity that all of us have seen. And I think if you look at the smartest firms out there, they are all sensing that opportunity, and they are starting to do business in different ways.

We just had a retreat recently where we invite the managing directors of the 100 largest firms in the world to go off for a couple of days and talk about the issues affecting the industry. And I can tell you from that dialogue, they are all grappling with how to change, with how to survive in a world -- you know, it's interesting. The buy side has got more power today in the legal world as well.

And the corporations are no longer just paying the bills that come through with any markup or passing along expensive legal research fees like they used to. And folks are having to think about pricing and how they go to market and how they manage their firms in different ways. And look, I think it will be different, but I think there is great opportunity.

Claudio Aspesi - Sanford C. Bernstein - Analyst

You mentioned the business of law. The business of law seems to be a slightly different market. In legal research, effectively there was a duopoly.

Jim Smith - Thomson Reuters - President, CEO

Yes.

Claudio Aspesi - Sanford C. Bernstein - Analyst

Is a duopoly sustainable in the business of law, or is every time a win or a loss, and therefore with much more volatility, depending on whether you get chosen or your key competitor gets chosen?

Jim Smith - Thomson Reuters - President, CEO

Yes, I just think the competitive set is different. And I also think we've got a pretty -- if you think about the various elements of business of law, I think we have a pretty solid position. So I like our chances of remaining kind of market share leaders there.

And I think if you look at where we are positioned, whether it is in kind of -- the Elite Time and Billing system for large law firms, we are clearly the leader there. If you look at the ground we've gained with our FindLaw service relative to other business development services, we've got a very solid market position there.

We've got some really interesting new products that we've brought out for general councils to help them both manage their matters within the firm and coordinate their relationships with outside counsel. That is pretty exciting. And we face there more niche kind of competitors. I think the dynamics have yet to evolve there. But I think we've been -- again, kind of early in, I think we've been smart acquirers of startup companies.

And it remains to be seen. I like our competitive position there, and I don't think it is necessarily all win/loss. I think the competitive battleground might just be different and more bifurcated. If you looked at the market map in those segments, there would be more other in the (multiple speakers).

Claudio Aspesi - Sanford C. Bernstein - Analyst

Unsurprisingly, questions from the audience go back to Eikon.

Jim Smith - Thomson Reuters - President, CEO

Okay, unsurprisingly.

Claudio Aspesi - Sanford C. Bernstein - Analyst

Unsurprisingly. So let me try to summarize some of them. One is very bluntly -- were recent headlines -- with the recent headlines run by Bloomberg, is there any potential negative fallout for them that will benefit you?



Jim Smith - Thomson Reuters - President, CEO

You know, I think that remains to be seen. Time will tell, Claudio. Time will tell. I've said for 18 months now that one thing that has surprised me has been the extent to which the market wants choices, the market wants there to be a competitive dynamic, and the market doesn't want any one player to become too dominant for a number of reasons. I think that is still the case today. I don't think any of the recent headlines change that dynamic.

I also think the competitive nature of what we do and the dynamics of sales cycles and how intimately woven into the workflow both of us are means that market share doesn't shift dramatically. Folks don't just turn on a dime and make decisions about chucking out one vendor and bringing in another vendor.

We have now for 18 months been building a different kind of dialogue with our customers. I think that continues. I'm working very hard with inside the firm to make sure we stay focused on the things that we can control. Because at the end of the day, the market will determine what is a big deal and what is not and what are important factors to consider and what is not. But we are going to win or lose based on the quality of the products that we produce, the quality of the service that we deliver, and that is what we are trying to stay focused on today.

Claudio Aspesi - Sanford C. Bernstein - Analyst

By way of reminder and to help the audience, can you remind us of what are the market shares for you and for Bloomberg? And how much market share has Eikon gained?

Jim Smith - Thomson Reuters - President, CEO

I think -- Tim, we don't give out market share numbers in that regard. I think that depending upon the way you look at it, we had always been perceived to be slightly ahead in aggregate in the market over Bloomberg. And last year or so -- they have gained a good bit of share over the last several years, and I think everyone would acknowledge that they moved into the lead in the last year or two.

We don't -- I'm not yet comfortable talking about us gaining share overall, because I can't prove that and it depends upon how you define the market. I am quite comfortable, however, in saying that we are no longer losing share on the desktop. And I say that because prior to last year, when the market was in this kind of vicious downturn and everything was a competitive bake-off and it was two to one -- if you had two desktops, you go to one, or three to one, or three to two. Every time we got put in those competitive bake-offs, virtually every time, we lost. Right? We were one of the odd players out.

I can say that doesn't happen anymore. That is not the case anymore. And in fact on the desktop, we are winning our fair share. We are winning our fair share. And by that, I mean holding our own, and we track every single competitive situation that we are in. And that is against Bloomberg and against FactSet, by the way. That is not just the Bloomberg comparison.

I think in enterprise feeds, we continue to grow faster than anyone else in the business on the enterprise side. I think to some extent, that is continuing to gain share in some areas, but it's also just a reflection of continued growth in that market. So that has been for a few years now for us a double-digit growth market. It is now a billion-dollar business; grew 6%, I think, in the first quarter, and still continues to hold a lot of promise for us.

Claudio Aspesi - Sanford C. Bernstein - Analyst

Can you also please remind us of your migration plans? When will you be done with the conversion to Eikon on the desktop? And what could accelerate your plans? What could you imagine providing a further acceleration?



Jim Smith - Thomson Reuters - President, CEO

Well, I think we've got, I guess, the 140,000 to 150,000 sell-side Eikon terminals that are out there right now. We are going to have all those migrated by the end of the year. And then we are going to move to -- begin moving to the investments management side, to converting over what were the old ThomsonONE terminals, which will begin at the end of this year and move through next year, and probably full functionality because -- into the next. But the vast majority -- not the vast majority, all of the Reuters Xtra 3000s on the sell side, we will move out of this year. And then we will be able to, again, start retiring those legacy systems.

What could help us accelerate it? Increased client demand. I think if we could -- it is as much -- particularly on the investment management side, it is the development cycle for moving over the tool, the portfolio analytics, the tools that are all pretty powerful and bespoke and just take time. Right? So what we did over the past year or so -- in June of last year, we knew in order to move down this path, we -- in June, we moved over all of the product developers who were developing for investment management on to the Eikon development team. So they have been working for now a year on developing all that product to go onto the Eikon platform.

If we should be able to get fit-for-purpose product sooner, we would move more quickly. We will move as fast as we can. But our roadmap, that is where our roadmap takes us. We will see where we are at the end of the year.

And I feel pretty confident that we are on track. I feel very confident, actually, that we are on track for our targets for this year. If I am pleasantly surprised and we are ahead of track as we get to the end of the year, we will pull forward everything that we can pull forward.

Our goals and our world look so much better when we get onto a common platform system, for all the benefits of scale we talked about, for all the complexity we can take out of the organization. And for putting a better product in front of our customers, we will move as fast as we possibly can to do that.

Claudio Aspesi - Sanford C. Bernstein - Analyst

I have a follow-up on what you just said. And it is a question that other investors have also formulated, as you know. How are you going to ensure that that complexity doesn't creep back in and the costs associated with them?

Jim Smith - Thomson Reuters - President, CEO

Well, look, it is -- it is a different management team. We've got a different business ethos. And frankly, part of the reason we are moving methodically through this process is I wanted to be sure that we had installed inside the business enough transparency into what the hell was actually going on, enough rigor and discipline into the business systems and the operating approach so that we could be sure that when we took stuff out, it didn't creep back in.

I think we have far stronger controls around technology, around architecture, around commercial policy and practices and pricing and discounting. I mean, it is just a different game that we have installed. And I just have confidence in the management team and the operational systems that we are installing that we will be able to make it stick.

Claudio Aspesi - Sanford C. Bernstein - Analyst

A couple of questions from the audience that fundamentally play on the same theme. Do you prefer the soft formulation or the blunt formulation?

Jim Smith - Thomson Reuters - President, CEO

The blunt formulation will work.



Claudio Aspesi - Sanford C. Bernstein - Analyst

All right. So the blunt formulation goes like this. Bloomberg came into my office and asked what they needed to do to put you out of business. How do you differentiate yourself from Bloomberg?

Jim Smith - Thomson Reuters - President, CEO

Look, I think we are an open alternative to Bloomberg. I think we are not a monolithic company that offers one choice and one solution at one price only. I think we are open. We are more collaborative with the industry and with our customers. We encourage third-party developers and our customers and their customers to develop on our products. We have opened our APIs up to development for years; we have over 50,000 applications, well over 50,000 applications that run on our products right now. We offer multiple products and multiple bundles at multiple price points. So we are a heck of a lot more flexible in that regard, as well.

Claudio Aspesi - Sanford C. Bernstein - Analyst

How do you rank relative to Bloomberg on services?

Jim Smith - Thomson Reuters - President, CEO

I think we are not as good as Bloomberg on service today. I think they have a history of remarkable customer service. I think we are improving our customer service every day. And as I said, part of that is the customer service operation, but part of it also is the quality and the simplicity of the product, and the complexity of everything behind the scenes. So the more complexity we can take out -- the more quality we can put into the product, the fewer customer service complaints we have. The more complexity we can take out of the process, the easier it is for us to respond to customer issues as they pop up.

Claudio Aspesi - Sanford C. Bernstein - Analyst

They took your word, so the questions are becoming blunter.

Jim Smith - Thomson Reuters - President, CEO

Good.

Claudio Aspesi - Sanford C. Bernstein - Analyst

So the next one on, the blunt style, is my guess is that if we polled the room, the vast majority of people are not using your products. How can you win them back?

Jim Smith - Thomson Reuters - President, CEO

Well, I think take a trial. Take a trial. There has been nothing like people trialing the product to change their minds. I completely and utterly understand that. We have been out a bit over the last few weeks, and the reception we get in rooms where people have tried the product and had it sitting on their desk is completely different than the reception we get from people whose last experience with us was ThomsonONE or Reuters Xtra 3000.



Try the product. Nothing speaks for what we are doing like the product. And I think that is why when we did the Investor Day at the end of March, we just said, look, let's -- you lead it with a product demo, because the product speaks for itself.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Now, somebody disagrees with you. They said, my first experience with Eikon was not as positive as what you say is overwhelmingly the feedback. And particularly so, some due to the product, a lot due to service and support.

How would you rate Eikon as a product relative to competition from 1 to 10, and how would you rate your service compared to competition on a 1 to 10 scale?

Jim Smith - *Thomson Reuters - President, CEO*

So I guess I have a further question. Is it Eikon 3.0, or is it 2.0, or which version of Eikon was it (multiple speakers)?

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

We're acting under anonymity (multiple speakers).

Jim Smith - *Thomson Reuters - President, CEO*

So, look, I wouldn't doubt that if you are on something before Eikon 3.0, that it is less than overwhelming. 3.0 was a major, major upgrade, which I am surprised if it would be underwhelming.

If it is a service issue, we would love to deal with it. I think the product, frankly, is a superior product. On 3.0, and -- well, 3.2 now -- is that correct? We have a 3.2. For 3.0 to now we are at 3.2, I think it is a superior product for a heck of a lot of people. It depends upon -- it kind of depends upon what you are doing, but it is a superior product for a lot of people. So I don't know that I would give it a 1 to 10, but I think it is a superior product.

On service, I think we are still behind. I think we still have a way to go in terms of service, and we just have to keep putting more effort around our customer service operation and making our systems simpler.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Is it a matter of time, or is it a matter of resources and money, to (multiple speakers) service?

Jim Smith - *Thomson Reuters - President, CEO*

It is more a matter of time. It is more a matter of time. I think we have to take some of the complexity out of the back end before we can get to truly world-class service levels. We've moved more resources toward it, right? And I think we are doing a better job, but it is not a snap your -- service takes more time.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

In the essence of the other questions from the audience, we will change gears again. One of the questions that has come up before is whether there is something you would like to add to your portfolio of businesses. Where are you not today that you think you should be in the future at some point when the resources allow it?

Jim Smith - Thomson Reuters - President, CEO

I think the big macro answer to that question is that I am pretty comfortable in the customer sets and the markets where we are playing today. I think we have plenty of opportunity in the professional markets we serve to grow. And I don't think that we are going to need to make major acquisitions in adjacent fields. That is not on my radar at all right now. So that's not -- it is just not in the cards.

Because I think there is great opportunity in all the change that is going on in the fields that we serve and our opportunity to build out our products, our services, our offerings to those customers. And to move from, for example, the 2% of legal revenues that gets spent on legal information services, moving into the IT budgets, moving into the business development budgets, moving into other areas of spend within the firm. And I think that is the same within all of the customer sets that we serve. So that is where our focus is today.

I think you will see us continue to add software capabilities. I think you will see us continue to add technological capabilities. I think we will look in the future -- I talk inside the firm a lot about the fact that in five years' time, I think we will look more like an IT company certainly than we do today, from our traditional publishing heritage. So I think there will be some capability building that we will need to do.

The example I often give is the acquisition we did last year of a small company in the UK called Apsmart, which was founded by the guy -- one of the original designers of Shazam. And we acquired it not because we wanted to be in the mobile application business, but because we wanted to bring that skill and capability in-house. And it complemented a small center of excellence that we built at the Corporate Center to help teach all of our businesses how to be really smart using -- in developing products for mobile, because mobile is a huge game-changer in our space. And we wanted to make certain that we were executing at contemporary professional standards. And we wanted to, again, get the benefits of scale by having one central team that negotiated with Apple over position in the iTunes store and all that kind of stuff. So I think you will see us kind of within the parameters of where we are.

Are there other places that kind of look like the places where we thrive today? The answer is probably yes. But I think if you look at the insurance space, it feels a lot like places where we are. If you look at risk in general, portfolio risk, kind of that big R risk, we are more in operational risk today and regulatory risk today, but risk maybe.

But frankly, that is just not high on our priority list moving into new spaces, because we think we see plenty of runway in the places where we are playing today.

Claudio Aspesi - Sanford C. Bernstein - Analyst

Question from the audience on the Company overall. The Professional Division will likely trade at a much higher multiple. Why don't you get it (inaudible)? Why not just (inaudible) the Company?

Jim Smith - Thomson Reuters - President, CEO

Look, I think we are at a position in the Company. And as I said last year when I took over, we are very much in an execution mode of a multi-quarter turnaround. And that is exactly where our head is; it is on executing. And that is not an option that is in the cards right now. It is not an option -- again, I am a 26-year Thomson guy. If we ever saw an opportunity or thought we had a better opportunity by making a big strategic decision, we've certainly never hesitated from pulling the trigger, whether it is selling out of newspapers, which is where the Company started, switching out of the education space, getting out of the education space, making fundamental changes back to the composition of the business when we had an oil and gas business and a travel business, for God's sake. So I guess it is just something that is not on our horizon right now.

Frankly, we are working very closely right now to see where we can maximize the points of leverage between the Company. We share things like data center support across the Company. We have common metadata architecture that helps us to use data, underlying information about companies, about transactions, about legal matters and filings and regulatory actions, and be able to share those things across the Company. So we are still at the early stages of exploring where those possible synergies would lie.

And to the extent it makes sense, to look like we look today, we will look like we look today. To the extent there is some kind of great value creation opportunity for us out there, we've never shied away from a tough decision in that area.

Claudio Aspesi - Sanford C. Bernstein - Analyst

What are your priorities for using cash flow going forward, between debt servicing, dividend, acquisition? Can you give us a sense of your thinking on (multiple speakers)?

Jim Smith - Thomson Reuters - President, CEO

Yes, sure. Look, we -- our thinking is largely unchanged on that, to be honest. We are committed to an investment grade balance sheet, and we are there. We are certainly committed to living within our means in order to stay there. We've had 20 consecutive years of dividend increases. The dividend is very important to us. It would be a big boo for me to be the CEO who broke that string, so we are committed to that.

I think that we've always said we would be smart about the excess free cash flow. In the past, we've always found ample opportunity for tactical acquisitions that help support organic growth in future years. We've always prioritized that over general buybacks.

We've also generally bought back enough shares every year to cover the dilution of our equity programs, of our equity compensation programs. And that has generally been our practice. I don't see us changing that.

All that said, we remain thoughtful and would be opportunistic. If we didn't have the tactical acquisition opportunities, we'd consider doing more buybacks or paying down debt. We just did a big refinancing at very, very favorable rates and attractive rates. So that is probably not high on the priority list right now. But given the opportunities that present themselves, we will just be smart about it.

Claudio Aspesi - Sanford C. Bernstein - Analyst

On the tactical acquisitions front, where are the areas where you are more likely to put capital?

Jim Smith - Thomson Reuters - President, CEO

Buy technology capability, software capability into solutions spaces. I think we are very interested around the areas of governance, risk and compliance. We really like where we are positioned, as I like to describe it, at the intersection of regulation and commerce. And I think there are a number of small tactical opportunities there, nothing big and nothing that anyone here would consider strategic. But I think there are tactical opportunities there.

I think there will be tactical opportunities to build out in areas of strength, if we can add to our strong position as we did in FX with the acquisition of FXall. That was a smart place to be, if we can add in commodities and energy where we are small.

Where we are strong, we will continue to build on our positions of strength, if there is an opportunity to shore up weaknesses. But in a tactical sort of way, we will do that as well. But what we tend to like to do is to back winners more than -- and build in areas of strength rather than shoring up weaknesses.

Claudio Aspesi - Sanford C. Bernstein - Analyst

Final question. Other than jetlag, what keeps you up at night?

Jim Smith - Thomson Reuters - President, CEO

I think I have been asked that question a couple of times in the last couple of weeks. The thing that keeps me up at night the most is the external environment. And not for the reasons you think. Because I feel very confident on the trajectory we are on, and I think the external environment is only going to dictate the timing of when we come out and when we start to really soar. I feel very, very good.

I worry about the fragility of the external environment in its impact inside the firm. We've had a hell of a turnaround over the last two years -- 18 months, specifically. And it has been a hell of a lot of hard work. We've had people give up a lot of weekends and holidays and burn a lot of midnight oil to turn this ship around. And we've got a great group of employees who put their heart and soul into this thing. Right? And I want them to sense success.

And I -- and you can feel confidence growing by the day. You've got a better product out there. The customer reception generally is much better. You start to feel some traction. And I want to keep that traction and momentum going.

So what keeps me up at night, is oh God, another extraneous event that slows the train down for another period of time, where you get these -- you know, we've all seen this now over the last three or four years -- times when everybody sits on their hands on buying decisions and nothing happens and things kind of stall. I worry about that impact, not long-term on where we are going, not on the trajectory, but on just the internal morale of the staff, because they worked so damn hard for so long.

And most -- all of us sitting in this room who work closely around the financial industry know what morale has been like in the industry in general, and that can be a very powerful thing. We've got to keep people pumped up. We've got to keep them driving forward. And that is what I lose sleep over at night.

Claudio Aspesi - Sanford C. Bernstein - Analyst

We are about seven seconds over time, so we will close it here. Thank you very much. It was very interesting. And we look forward to hearing progress in the years to come.

Jim Smith - Thomson Reuters - President, CEO

Thank you, Claudio. Appreciate it.

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