



# THOMSON REUTERS

## THIRD-QUARTER 2016 RESULTS

November 1, 2016

# Agenda

- Welcome / Introduction Frank Golden
- Third-Quarter 2016 Highlights Jim Smith
- Financial Review – Q3 2016 Stephane Bello
- Q & A

# Special Note

## Safe Harbor / Forward-Looking Statements

- This presentation consists of these slides and the associated remarks and comments, which are related and intended to be presented and understood together.
- Certain statements in this presentation and discussion, including, but not limited to, the company's 2016 outlook, are forward-looking. Forward-looking statements are those which are not historical facts and include the company's current expectations regarding adjusted earnings per share in 2017, the planned charge in the fourth quarter and the impact of the charge (including expected run-rate savings), growth and savings opportunities (including initiatives of the company's Enterprise, Technology & Operations group), the use of the remaining proceeds from the sale of the Intellectual Property & Science business and its share buyback program. Forward-looking statements also include the company's expectations for 2016 regarding Financial & Risk's revenue growth and recoveries revenues and Legal's Solutions business and U.S. print revenue performance.
- Our actual results in future periods may differ materially from those currently expected because of a number of risks, uncertainties and assumptions. The risks, uncertainties and assumptions that we believe are material are outlined in our disclosure filings and materials, which you can find on [www.thomsonreuters.com](http://www.thomsonreuters.com). Please consult these documents for a more complete understanding of these risks, uncertainties and assumptions. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. Our outlook is provided for the purpose of providing information about current expectations for 2016. This information may not be appropriate for other purposes.

## Non-IFRS Financial Measures

- This presentation contains disclosures of certain non-IFRS financial measures. These measures include adjusted EBITDA and the related margin, underlying operating profit and the related margin, free cash flow, adjusted EPS and selected measures before the impact of currency.
- Please see our earnings release dated November 1, 2016, which is available on [www.thomsonreuters.com](http://www.thomsonreuters.com), for a reconciliation of each of these measures to the most directly comparable IFRS financial measure. You can also find IFRS reconciliations in the "Investor Relations" section of our website.



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THIRD-QUARTER 2016 HIGHLIGHTS

JIM SMITH  
PRESIDENT & CEO

# Consolidated Q3 2016 Results

Reported	Before Currency
Revenues unchanged compared to prior-year period	Up 1%
Adjusted EBITDA up 4%	Up 2%
<i>Margin 29.7% vs. 28.5% in Q3 2015</i>	<i>Up 20 bps</i>
Underlying operating profit up 7%	Up 3%
<i>Margin 20.4% vs. 19.1% in Q3 2015</i>	<i>Up 30 bps</i>
Adjusted EPS up 20%	Up 13%
<i>\$0.54 vs. \$0.45 in Q3 2015</i>	<i>Up \$0.06</i>

Note: IP & Science is presented as a discontinued operation and is therefore excluded from these consolidated results

# Q3 2016 Revenue Results by Business



**Financial & Risk**  
+1%

**Financial**

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**Risk**

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**Legal**  
0%

**U.S. Online Legal Information**

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**Solutions Businesses**

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**U.S. Print**

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**Tax & Accounting**  
+6%

**Professional**

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**Corporate**

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**Knowledge Solutions**

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**Government**

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Note: Revenue growth rates are before the impact of currency

# Accelerating Pace of Transformation Program

- Planned charge of \$200 - \$250 million to be incurred in Q4 2016
  - Primary goal is to drive further simplification & delayering
  - Estimated cash savings of similar magnitude in 2017 (some to be reinvested in the business)
  - Incurred across the organization (majority in F&R and ET&O)
- Enterprise, Technology & Operations Group (ET&O)
  - **Building the platform for the future of the company**

## **Growth** - Faster time-to-market for new product development

- Prioritizing investments in line with overall TR growth strategy
- More effectively allocating, leveraging & exploiting investments & assets
- Vastly improved flexibility & fungibility of resources across the company

## **Savings** – ET&O \$3.3B cost base provides far greater visibility

- Further simplify & streamline the business - No longer 3 separate business units
- Fewer & more robust development sites with high caliber development talent
- Reducing offices from >500 in 2012 to <200 by 2020

# Q3 2016

## Execution of Strategic Priorities on Track

- Focused on a strong finish to 2016
  - Core business demonstrating resiliency
- Strong growth in profitability
  - Q3 Adjusted EBITDA margin an historic high for the company
- ET&O Group supporting improved execution and operating efficiencies
  - Transformation program is providing additional “self-help”
- Well positioned to build on leadership positions in serving customers
- Setting the stage for 2017
  - Further margin improvement anticipated
  - Forecasting double-digit adjusted EPS growth as we work to achieve target of ~\$2.35



# FINANCIAL REVIEW

STEPHANE BELLO  
CHIEF FINANCIAL OFFICER

# Consolidated Results

(\$ millions)	Third-Quarter				Nine-Months			
	<u>2016</u>	<u>2015</u>	<u>Change</u>	Change Before Currency	<u>2016</u>	<u>2015</u>	<u>Change</u>	Change Before Currency
Revenues	2,744	2,747	0%	+1%	8,306	8,370	-1%	+1%
Adjusted EBITDA	814	782	+4%	+2%	2,319	2,287	+1%	0%
<i>Adjusted EBITDA Margin</i>	<i>29.7%</i>	<i>28.5%</i>		<i>+20 bp</i>	<i>27.9%</i>	<i>27.3%</i>		<i>-10 bp</i>
Underlying Operating Profit	559	524	+7%	+3%	1,562	1,495	+4%	+2%
<i>Underlying Op. Profit Margin</i>	<i>20.4%</i>	<i>19.1%</i>		<i>+30 bp</i>	<i>18.8%</i>	<i>17.9%</i>		<i>+30 bp</i>

Note: IP & Science is presented as a discontinued operation and is therefore excluded from these consolidated results

# Legal

(\$ millions)

Third-Quarter

Nine-Months

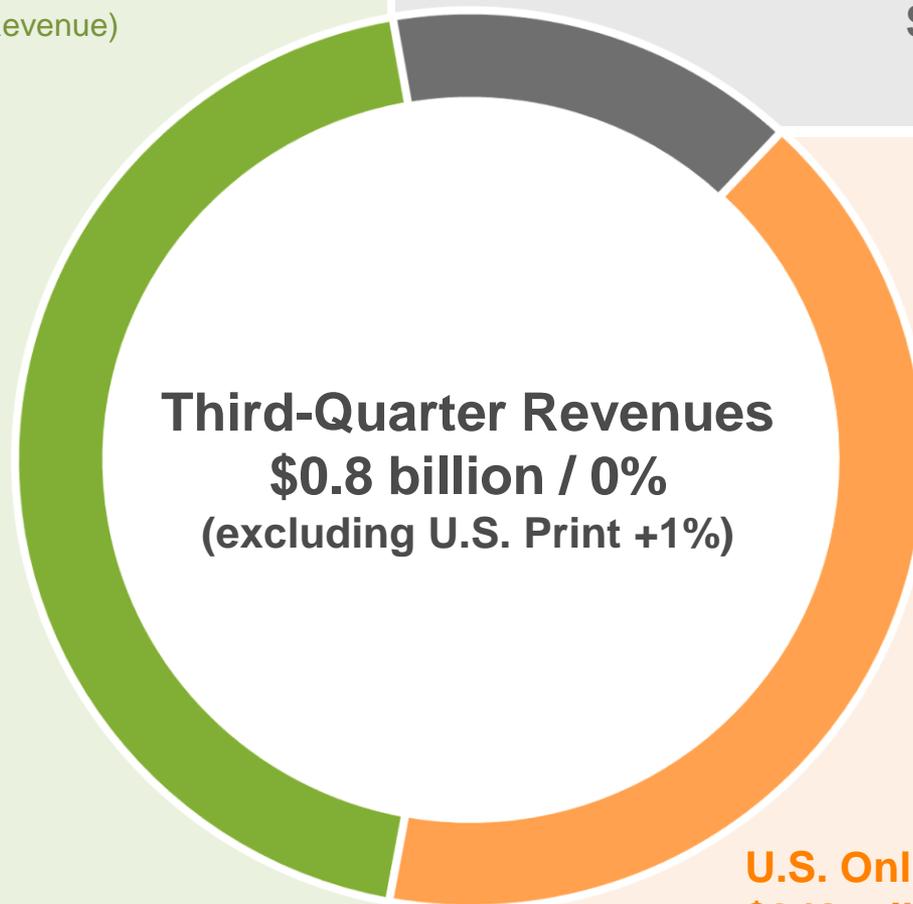
	<u>2016</u>	<u>2015</u>	<u>Change</u>	Before Currency	<u>2016</u>	<u>2015</u>	<u>Change</u>	Before Currency
Revenues	835	851	-2%	0%	2,503	2,527	-1%	+1%
EBITDA	328	334	-2%	-1%	936	941	-1%	0%
<i>EBITDA Margin</i>	<i>39.3%</i>	<i>39.2%</i>		<i>-30 bp</i>	<i>37.4%</i>	<i>37.2%</i>		<i>-30 bp</i>
Operating Profit	264	271	-3%	-1%	749	749	0%	0%
<i>Op. Profit Margin</i>	<i>31.6%</i>	<i>31.8%</i>		<i>-40 bp</i>	<i>29.9%</i>	<i>29.6%</i>		<i>-10bp</i>

# Legal Revenue by Segment

**Solutions Businesses +1%**  
**\$377 million** (45% of Revenue)

Subscription: +5%  
Transactional: -9%

**U.S. Print -8%**  
**\$110 million** (13% of Revenue)



**U.S. Online Legal Information +2%**  
**\$348 million** (42% of Revenue)

# Legal Revenue Growth By Type: Solutions Subscription Growth Remains Solid



# Tax & Accounting

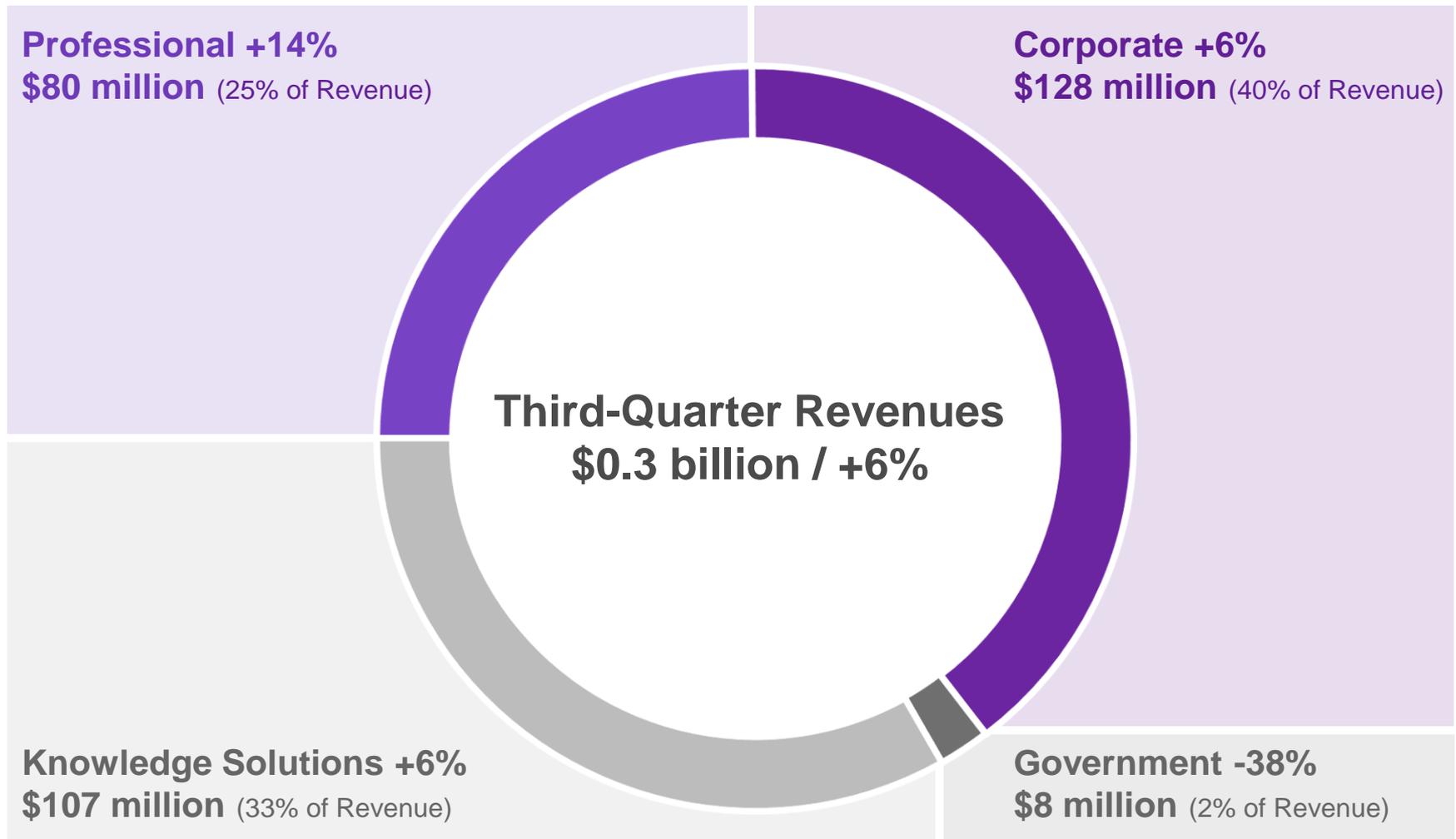
(\$ millions)

Third-Quarter

Nine-Months

	<u>2016</u>	<u>2015</u>	<u>Change</u>	Before Currency	<u>2016</u>	<u>2015</u>	<u>Change</u>	Before Currency
Revenues	323	307	+5%	+6%	1,036	1,007	+3%	+5%
EBITDA	87	79	+10%	+9%	283	295	-4%	-5%
<i>EBITDA Margin</i>	<i>26.9%</i>	<i>25.7%</i>		<i>+70 bp</i>	<i>27.3%</i>	<i>29.3%</i>		<i>-300 bp</i>
Operating Profit	59	50	+18%	+14%	197	211	-7%	-9%
<i>Op. Profit Margin</i>	<i>18.3%</i>	<i>16.3%</i>		<i>+120 bp</i>	<i>19.0%</i>	<i>21.0%</i>		<i>-280 bp</i>

# Tax & Accounting Revenue by Segment



# Financial & Risk

(\$ millions)

Third-Quarter

Nine-Months

	<u>2016</u>	<u>2015</u>	<u>Change</u>	Before Currency	<u>2016</u>	<u>2015</u>	<u>Change</u>	Before Currency
Revenues	1,516	1,517	0%	+1%	4,549	4,621	-2%	0%
EBITDA	460	420	+10%	+7%	1,340	1,251	+7%	+6%
<i>EBITDA Margin</i>	<i>30.3%</i>	<i>27.7%</i>		<i>+160 bp</i>	<i>29.5%</i>	<i>27.1%</i>		<i>+160 bp</i>
Operating Profit	313	271	+15%	+10%	905	786	+15%	+13%
<i>Op. Profit Margin</i>	<i>20.6%</i>	<i>17.9%</i>		<i>+160 bp</i>	<i>19.9%</i>	<i>17.0%</i>		<i>+220 bp</i>

# Financial & Risk Revenue by Segment

**Desktop -4%** (-2% excluding pricing adj.)  
**\$0.6 billion** (38% of Revenue)

**Feeds, Risk & Other +9%**  
**\$0.6 billion** (39% of Revenue)

**Third-Quarter Revenues**  
**\$1.5 billion / +1%**  
(excluding Recoveries +2%)

**Transactions +4%**  
**\$0.2 billion** (15% of Revenue)

**Recoveries -12%**  
**\$0.1 billion** (8% of Revenue)



FREE CASH FLOW

CAPITAL RETURN

EARNINGS PER SHARE

# Adjusted Earnings Per Share (EPS)

(\$ millions except per share amounts)

## Third-Quarter

## Nine-Months

	<u>2016</u>	<u>Change</u>	<u>% Change</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
<b>Underlying Operating Profit</b>	<b>\$559</b>	<b>\$35</b>		<b>\$1,562</b>	<b>\$67</b>	
Interest Expense	(\$108)	(\$6)		(\$304)	\$10	
Income Tax <sup>(1)</sup>	(\$34)	\$22		(\$109)	\$48	
Other <sup>(2)</sup>	(\$14)	\$0		(\$38)	\$11	
<b>Adjusted Earnings<sup>(1)</sup></b>	<b>\$403</b>	<b>\$51</b>		<b>\$1,111</b>	<b>\$136</b>	
<b>Adjusted EPS<sup>(1)</sup></b>	<b>\$0.54</b>	<b>\$0.09</b>	<b>+20%</b>	<b>\$1.47</b>	<b>\$0.23</b>	<b>+19%</b>
Currency Impact	<b>\$0.03</b>			<b>\$0.04</b>		

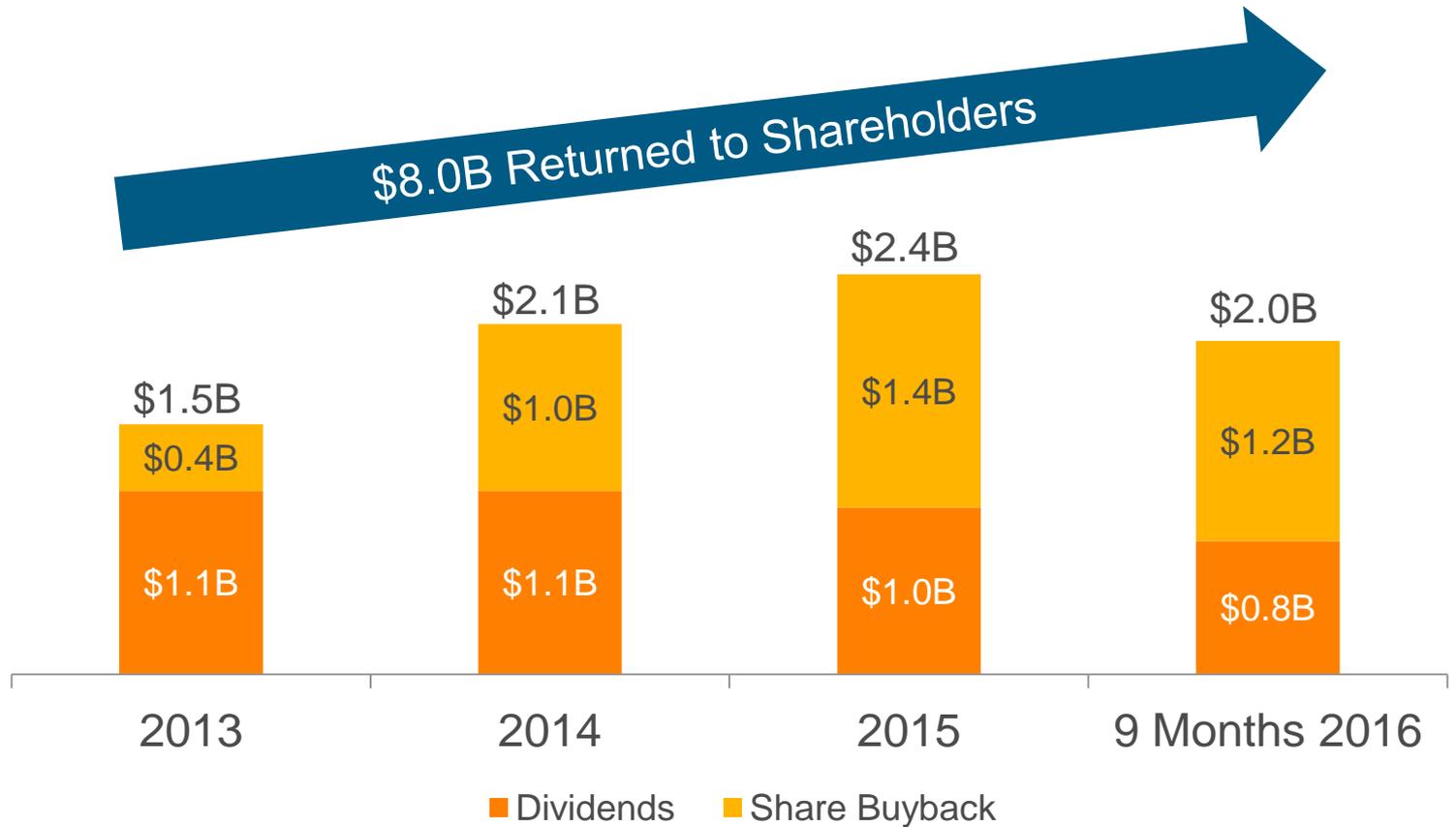
(1) *Income Taxes, adjusted earnings and adjusted EPS are presented under the redefined methodology announced in July 2016 as part of the company's Q2 2016 earnings, for all periods referenced*

(2) *Other includes earnings attributable to non-controlling interests and dividends on preference shares*

# Consolidated Free Cash Flow

(\$ millions)	Nine-Months			
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
<b>Free Cash Flow (excluding IP &amp; Science)</b>	<b>\$1,122</b>	<b>\$885</b>	<b>\$237</b>	<b>27%</b>
Free Cash Flow - IP & Science	\$145	\$208	(\$63)	-30%
<b>Free Cash Flow</b>	<b>\$1,267</b>	<b>\$1,093</b>	<b>\$174</b>	<b>16%</b>

# Returning Capital to Shareholders



Shares Repurchased (millions)	2013	2014	2015	9 Months 2016
	10.9	28.3	35.9	31.2

# 2016 Outlook

	2016 YTD (9 months)	2016 Outlook <sup>(1)</sup> Provided February	2016 Outlook <sup>(1)</sup> Including Charge
Revenue Growth <sup>(1)</sup>	1%	Low Single Digit	
Growth Excluding Recoveries <sup>(1)</sup>	2%	2% - 3%	
Adjusted EBITDA Margin	27.9%	27.3% - 28.3%	25.0% - 26.0%
Underlying Operating Profit Margin	18.8%	18.4% - 19.4%	16.0% - 17.0%
Free Cash Flow <sup>(2)</sup>	\$1.3B	\$1.7 - \$1.9B	
Capital Expenditures % of Revenue	~8%	~8%	
Interest Expense (P&L)	\$304M	\$420 - \$460M	
Effective Tax Rate on Adjusted Earnings	~9%	10% - 13%	



# Q3 2016 Conclusion

- Focused on a strong finish to 2016
- Q3 strong growth in profitability
  - Record adjusted EBITDA margin
  - Adjusted EPS up 20%
- ET&O making substantial progress with more opportunity ahead
- Setting the stage for 2017
  - Further margin improvement anticipated
  - Forecasting double-digit Adjusted EPS growth as we work to achieve our target of ~\$2.35

Q&A

