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EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

Chris Kibarian *Thomson Reuters - President, IP & Science*

PRESENTATION

Unidentified Participant

(audio in progress) Frank Golden and his team who has sat towards the front, and obviously, if you've got any questions much later on after the presentation, you are very welcome to ask Frank.

I think Thomson has sort of made huge strides recently in terms of integrating the Reuters business and has started to sort of really, as we saw from the F&R presentation, started to sort of refocus that business and gain some much better traction.

The IP & Science business competes also with some of the companies you are familiar with like Reed, Informa. So I am delighted to hear the IP & Science story. Thanks, Chris.

Chris Kibarian - *Thomson Reuters - President, IP & Science*

Thank you. All right. Let me just check my equipment. Does this work? Can you hear? Okay, great. Well, first of all, it is a pleasure to talk to you about the IP & Science business. We don't get an opportunity all that often since we are one of the smaller divisions within Thomson Reuters. I will give you just two minutes of my background. I used to -- I have been running the IP & Science business since 2011 and was formally running the legal software businesses, so Elite, FindLaw, Hubbard. Before that, I ran strategy and M&A in the Tax & Accounting business and before that was doing work in the Legal business. So I have been with Thomson Reuters for about 12 years and it has been a lot of fun and nothing has been as fun as running the IP & Science business because it was a division formed in 2011 from different pieces and parts of Thomson Reuters.

So when the Health business was sold, there was a science business left, and there was an IP business associated with Legal that was very different from the core Legal business, and so in 2011, Jim Smith said, it would be great if we put these businesses together because they do have common purpose and that common purpose is innovation. We drive innovation. We are an innovation solutions business and we are one of the few businesses that actually is targeting that space and we will talk about and define that space in a minute.

But Jim also said, look, these businesses need more discipline and rigor and a commercial edge to them because they have always been the remnants of a larger and bigger business. And so fortunately, we have been able to drive and accelerate a significant amount of growth because these assets are very strong. They've got good, strong fundamentals and with rigor, focus, discipline and a bit more of an aggressive attitude, we have been able to accelerate these businesses and we are by no means done.

So as you can see from the chart, we are -- last year, we did about 6% growth, about \$900 million. We will obviously take that significantly higher -- the growth rate significantly higher this year, and get that number closer to about \$1 billion. But when we talk about our -- what is the heritage of IP & Science? It has everything to do with innovation and there is something called the innovation lifecycle and it is not necessarily well understood, but it is how that life-saving drug gets to your nightstand. It is how that electronic device gets into your pocket. It starts with basic science. We are not a general publisher. We are a curator of scientific research, and we have a product called Web of Knowledge, Web of Science (technical difficulty). We take the distillate of the most relevant science (technical difficulty) is the Switzerland of Scientific research because we are not -- we have no bias and every university needs to make sure that the means by which they are evaluating science, the means by which they are curating has no particular bias to a business interest or a particular journal.

When you move from scientific discovery, you are moving from basic research to applied research. You're moving from the public sector to the private sector. Development is applied development, it is R&D, it is the realm of corporate R&D departments. Corporate R&D departments obviously spend an extraordinary amount of money and they are all looking for ROI. They are all looking to make more effective decisions to help accelerate research and development. We provide critical tools to help with patent analysis and planning and in one particular area, Life Sciences, we have some of the most powerful drug discovery tools and platforms that we will talk about in a minute.

Our mission with development is accelerate the pace of R&D -- discover, develop. Now, when Pfizer creates a new drug, when Apple creates a new electronic device, when an engineering company comes up with a new metal alloy to help extract petroleum from deepwater, they go to market and when they go to market, they need a patent, a trademark, a copyright. They protect it under a trade secret. They need a domain name.

Intellectual property is the operating system of innovation. We are the leading provider of intellectual property, tools and solutions, solutions that help companies analyze intellectual property to figure out what is our competitive position, to help commercialize, launch products and also protect intellectual property. That is half of our business, about \$0.5 billion and we just recently completed an acquisition called MarkMonitor at last September, which helps protect brands. We will talk about that in a minute, but one of the most explosive areas of opportunity is online brand protection. It is one thing when someone infringes on your trademark in a patent or a trademark office, but online it is so easy to abuse a brand, to steal and to counterfeit. We have one of the largest and most effective solutions helping corporations protect brand. It is one of those nice, high-growth adjacencies that helps accelerate the growth of our business.

So innovation solutions is about basic research, applied research, commercialization, discover, develop, deliver. Our solutions are squarely focused on each of those three steps of the innovation lifecycle. That is what makes our business unique. There aren't that many companies that I know of that are looking at the innovation solution space, attacking the innovation solutions space, that have market-leading solutions in each one of those areas and what we will talk about in a few minutes is why the innovation solutions space is so exciting and how much money there is in this particular opportunity.

One of the things that is important to understand is there is an innovation ecosystem. Doesn't involve everyone. Your life-saving drug, that next new electronic device is created and developed in an ecosystem that involves scientists, researchers, R&D professionals, IP lawyers, marketers. These are our customers; we are at the center of this innovation ecosystem and we have deep relationships. But many people don't know sort of how this all forms. What is this community about? Research institutions like Harvard, funding agencies like NIH or Max Planck Institute, private global foundations like the Michael J. Fox Foundation or the Bill & Melinda Gates Foundation, this is who we do business with. They are managing hundreds of billions of dollars every single year and they are trying to focus on where are we going to get the most scientific research impact. They use our tools to help make those decisions. It is extraordinarily complex. That is why we have 1000 people with PhDs and chemistry degrees who are curating patents and analyzing information that only someone with scientific depth can understand and curate and feeding it into our products and software and services.

In the commercial area, large pharma, biotech, corporate R&D, this is the lifeblood of innovation. This is the lifeblood of long-term commercial activity. This is the lifeblood of competitive advantage. And these corporations work with us and our tools. Many people don't know, our tools are like the shovels that help the R&D folks mine for gold in their intellectual property, in the realms of science. I was just out in Australia talking with a company that produces polymers for currency. They make currency. That's actually plastic in Australia and Mexico because you can't counterfeit it. They use our products, but what they are looking for now is they need to know who are the leading scientists and institutes around the world that are making advances in certain areas of polymers because that is what gives them competitive advantage.

So corporate R&D departments are looking upstream and saying, no, no, discover. Who is doing the basic science? Where do I actually find those people and those institutions? Who is doing the best research and science so I can get a competitive advantage and what do universities want? What do public institutions want? They want commercial partners. What are these funding environments like? They are tough. And you have got millions of researchers around the world looking for dollars, looking for grant funding to drive science and to drive a commercial benefit.

When it comes to delivery, this is the money phase, this is the commercialization phase. We work with the largest blue-chip companies, leaders that make the Internet happen and the leading IP law firms. This is all part of the innovation ecosystem and as far as I know, there aren't that many people who are targeting a business, a \$1 billion business at this market opportunity right now and yielding good growth and good opportunity.

But as I -- one of the biggest challenges I have had in running IP & Science is that it was a collection of assets and it wasn't well understood. And so part of the challenge is explaining what is the connective tissue around these products and services? How do they all fit together? One of the best ways to do that is with a quick video, so I am going to show you a quick two-minute video that explains who we are and how our products and services work. (video playing) (technical difficulty). So that tells you a little bit about who we are and what we do. The reality is it is not that simple. Scientific discovery is extraordinarily challenging, but it helps explain how the pieces and parts come together and how complicated it is and



actually, we are one of the few businesses that know how those pieces and parts fit together, how those constituencies work together, what they actually need. And putting ourselves at the center of that community is a very good position to be in.

And it reminds me a little bit of our GRC business, Governance, Risk & Compliance. There are many constituencies that enable and drive regulatory compliance -- lawyers, accountants, financiers. At the end of the day, they are all trying to do one thing, but they come at it from different angles. In many respects, we are the same way. We have many different constituencies and we sell them products that they have, they must have. But what are they all doing? They are actually helping drive innovation and in some interesting areas like in Saudi Arabia, for example, the government has said they want to create a knowledge economy by 2025. They created King Abdulaziz City of Science and Technology. We are one of their partners enabling them and providing the tools, the information tools, the understanding of how to create an IP system, the research labs because many organizations and many companies and many governments are actually trying to figure out how do you drive and sustain a knowledge economy? We take it for granted in the US and many developed economies. This infrastructure exists, the funding mechanisms exist. But we have a key understanding of how it all works across that lifecycle and there are just not that many businesses looking at the space that way.

Now what does this mean commercially, financially? This business traditionally was about a 2% growth business. We took control of it in 2011 and we applied what I consider to be a typical Thomson Reuters' set of rigor and discipline to the operating model. We shifted costs from low-value activities to higher-value activities, poured more money into more targeted product development, shifted channel resources from lower growth economies to higher growth economies and where we are finding good growth and good yield.

We automated a lot of our editorial processes and transferred those efficiencies, those headcount efficiencies back into product and also back to the bottom line. This is a business that had -- was relatively mature, had great market positions, but didn't have that sizzle. So we put more of that product, analytical sizzle. What do our customers want? They want more analytics, less basic information, more applications, more software, more solutions. They want it in a more integrated fashion. It is not rocket science, but it is exactly what we are doing.

So we have taken a business, we have sustained those nice, healthy margins in the mid-30% range and as we are growing the business, making targeted acquisitions in high-growth adjacencies, we are transforming a lot of these mature businesses and mature products and getting more growth out of them and getting more yield out of them.

So now what do we want? Well, we want to be a double-digit growth business with about half of that organic because we see a lot of very compelling adjacencies, fold-ins that are very relevant to our core business and in many respects, we see ourselves as like a distant cousin of a business like IHS. Similarities in that we are -- we provide decision support and tools and software to industries that are making very high impact intellectually-intensive, research-intensive decisions, where to drill for oil, how to actually craft a disease pathway that leads to a multibillion-dollar drug. Those are the types of industries we like.

Now we are more focused horizontally. IP is relevant across the horizontal. Scientific research is relevant across the horizontal. We have one vertical that is very focused on the Life Science because it is so specialized. IHS has more verticals in things like transportation and energy and engineering. Very interesting businesses, but with similar philosophies around how we drive growth. There are a lot of interesting assets to assemble and the assets that we like that we acquire, we like them accretive to growth. We like them accretive to margins. So we like high-growth spaces.

This is why we like the MarkMonitor acquisition so much. The MarkMonitor acquisition was a business targeted -- started out as domain name management, but got into online e-commerce brand protection, antipiracy, anti-counterfeiting. It is like a sister capability to trademarks because, at the end of the day, it's brand, it is ultimately about brand. But in the Web, it is much more complicated and we will talk about that in a minute. But the point is we are taking this business, applying good discipline, good rigor, strong operational focus, much more targeted strategy, operationalizing that strategy, making good, selective acquisitions, not bet-the-farm acquisitions, good, selective acquisitions and getting that growth up to where we like it and we're not quite there yet, but we are moving fast.

What I also like about this business, it has got good, strong bones, good fundamentals, predictable revenue streams. High degree of subscription revenue, 75%. Renewal rates ranging from the high 80% to the mid-90%. Very sticky. Very predictable. Our challenge is getting that incremental growth so that there is more sizzle on the top line. But it is an inherently global business.

Web of Science is sold as is to a lab in Guangzhou because Scientific research is global. The language of science is English. We localize products selectively, but the point is we are getting more than half of our revenue outside of North America because there is so much good growth in China. We have great infrastructure, great teams who have been doing business in China for the last 15 years. India, what are they all trying to do? They are driving their knowledge economy. How hungry are they for this? Very hungry and they have been.

First-tier university, second-tier universities, all of them need to be plugged in to the scientific research community. And with Web of Science, you have a clear understanding of who is doing research where and it is the one global standard, analytical tool that drives science. What are they doing in IP? Hungry for patent trademark. In India, you have got a great generics industry that are very hungry for our regulatory intelligence information and products and generic information and products. The point is it is a good -- it is a real global business; it is not a multi-domestic business. It is a true global business and we are getting good, solid, total organic growth out of a lot of these regions and we've got distribution around the world.

Good, solid margins, mid-30% in spite of the fact that we're driving a lot of growth because we're just working the cost structure as aggressively as we can and maintaining CapEx in that 5% to 6% range. It is one of the good -- it is one of the benefits of having well-established products in good markets, great market position, leading provider of trademark search, leading provider of scientific insight and abstract in research in some of these databases, leading provider of regulatory intelligence in pharma. Great positions. We have got some up-and-coming positions as well, but the point is we are balancing that and getting much more of our revenue from higher growth markets. So good, strong fundamentals underneath this business.

Now what is it about the innovation space that is exciting? What is most exciting to me is the fact that, every year, the world spends about \$1.5 trillion on R&D. The US spend about \$450 billion. China is now the second-largest spender of R&D dollars. They have pegged about 2% of their GDP to R&D and this is public and private sector. That's why you have to look at the whole pool of spending both private and public.

European Union, Japan are sustaining their levels of R&D. It is a massive amount of money. But it is also an amount of money that is poised to double in the next 20 years, but not only that, the number of Scientific researchers employed and working is also poised to double from about \$6 million to about \$12 million. So you've got more money, more people doing scientific research, and more importantly, they have access to the same tools, the same databases, the same computing power.

Our thesis is that we are on the cusp of an era of unprecedented innovation simply because there is more money and there is more effort and there is more energy and there is more technology and there are more people engaged. But what it does is also reinforce the value of the products and services we provide. There is a massive amount of publishing. There are many scientific researchers, they all need to publish, they are all writing papers. There are more journals than there ever were.

What does that create a demand for? Not more journals, more distillate. What's more, it's the analytical insight that -- what is the most relevant science in a particular area? Who are the scientists, what are the -- and it is extraordinarily complex because, like a Scientific article has citations, it is like an inbound link, and in many respects, the algorithm is like our system for how we actually value Scientific research. If you write a paper and 500 scientists cite it and it spawns a whole other realm of new and basic research, that is a very powerful scientists. That is a very powerful piece of work and it is relevant to the body of science and knowledge. And the reality is it is becoming more complex and our tools help create more insight and it is all about return on investment.

We work with NIH. NIH is trying desperately to show to Congress how that \$30 billion a year they're getting from taxpayers is yielding commercial benefit. They don't want to find a new way of sharing their scientific research papers with other scientists. They want to show how it is being used in Pfizer, in Merck, how commercial providers are turning that into jobs, commercial opportunity. Everyone is looking for return on investment, everyone around the world as well and it is an inherently and increasingly global business.

It used to be that two people might collaborate on a scientific research paper. Now same thing, like 15 cross-border. A drug might be developed by dozens of different labs in dozens of different countries and they use our tools and our tools are increasingly interoperable, SaaS-based, and enable collaboration across the world. We are seeing extraordinary growth in places like China. That is one of the reasons why we have got great presence there and we are seeing so much opportunity there. Significant amounts of spend. These are massive annual increases in spend.



But, at the end of the day, the precipitate is IP. It is the system of property rights that makes innovation happen and there is much more at stake. And as you can see, there is a lot more deals happening in the IP space. A lot more trading of intellectual property, a lot more value, but also there is an explosion of counterfeit IP. The Web has created this almost like a wild west environment where logos and trademarks can be nabbed and stolen. Counterfeiting is so much easier and we will explain a little bit more how that is an opportunity for us and how one of our acquisitions, MarkMonitor, helps corporations protect against brand theft and piracy.

Now in our market, there is a lot that is changing and we are pivoting our business -- this is where we're getting much more focused and attuned to where the market is going. The market doesn't necessarily have a challenge with data. They have a challenge with big data. And a lot of the tools that we provide, that distill massive amounts of information into visualizations is what the market needs and wants and it is our core competency, it's our core skill. We will show you in a few minutes some of those visualizations and those capabilities.

Our customers don't want information. 20 years ago, we buy databases, we are in the information business. We're not an information business; we are a solutions business and we will show you how we have taken information businesses in Life Science, put them onto a platform and turn them into solutions, solutions that help drive drug discovery, that help workflow, that provide analytics and dashboards that are extraordinarily powerful, and emblematic of what our customers want and also indicative of what they don't want. They don't want raw information anymore.

What is also happening is that the physical world of trademarks and brands is being eclipsed by the electronic world. There is so much more activity and so much more kind of the wild west attitude out in the Web because it is so easy to grab a logo, to squat on a domain name and there is no adjudicating body. And this is one of the challenges for brand protection and one of the opportunities that we are exploiting right now.

So now this is a tough picture, so I will focus your picture on the right and it is called -- it's a patent theme scape. I will explain what that is. It is an example of the power of our visualization tools. Remember, we've got 1000 people, scientists in India alone, who are doing our editorial curation in a highly automated way. They are bioengineers, they are chemists, they are biologists. They are reading patents and they are marking them up and extracting their intelligence and turning them into different analytical tools. This is a tool that helps translate massive amounts of patent information into a topographical map.

So those dots are patents. But the intelligence in the algorithm is how those dots are coalesced around a particular area. So this is, let's say, a theme scape about clean energy. What constitutes clean energy? Lightweight polymers, wind energy, solar nanotubes, electrical transmission. There are patent clusters in each one of those particular areas, so if you are the UK government and you're trying to figure out how do I support clean energy technology, I have to find out where are the UK patents? Where are they clustered? What are the components of that industry I am actually trying to protect or enable? If you are entering a new market for let's say beauty care products, who has actually got protections and patents around particular areas? Where should I be going into? Where do I have -- where are their light commercial -- what can I license versus invent?

These theme scapes are extraordinarily powerful examples of a type of visualization and underneath it is this massively complex engine. It is very automated, but it still requires human beings. It still requires very smart, intelligent human beings to analyze and curate patent information and turn it into something so powerful, so visual, so intuitive and these are just some of the examples of how we harness good technology to create very simple solutions for our customers using, again, you call it the big data, you can call it whatever you want, we have been doing big data for a long time.

Now this is a picture that illustrates our Life Sciences platform called Cortellis. It is an example of how a traditional business like Thomson Reuters evolves from an information business to a solutions business. Over the years, we bought regulatory information databases, we bought competitive intelligence information databases and sold them to pharma companies. Now they don't want that. They want a platform, an integrated platform, which we built, which we have developed, which is in market. We just converted Amgen most recently. This whole year, we are converting most of our Life Sciences customer base onto the Cortellis platform. It is going great and customers love it. Why? They don't want many different databases. They don't have the capacity to curate all of this information. They want a platform and a taxonomy that we provide and we develop so that they can mash up our data, their data, third-party data and spit out what? Analytics, customized dashboards, workflow solutions.

To develop a drug, it takes the better part of a decade, hundreds of people, billions of dollars in many different locations. You need a fungible information platform and an analytical platform that can be used and reused. So when we sell Cortellis, it is embedded into a group for years on

end and that is the whole point of having platforms and it is an example of how Thomson Reuters makes good, smart investments, take those information assets, those leading positions and transform them to get the next decade plus of growth out of their -- out of our businesses.

Now, this is an example of what is happening in IP. Now World Wrestling Entertainment, Inc. is a customer. They have 14 million viewers every week and they have brands to protect, they have trademarks, right, these different names. So in the old traditional world, someone, some company might register a trademark. It might look like one of those images. It might sound like it. In our trademark business, we would say, okay, well, we will send a notice to our client, WWE, and say there is a potential infringement here. So they would work with the PTO or work with a counterparty and work out an arrangement so that there wasn't trademark infringement.

Now online, it is a completely different world. There are many different ways of infringing on a domain name, infringing on a brand, stealing an image or a logo. Taking some of these images, putting them on a sneaker or a product and selling them in any number of online locations, this is brand protection. This is online counterfeiting, online fraud, online piracy. It is a -- we're talking about hundreds of billions of dollars lost every year and this is why major corporations, major branded corporations use products like ours at MarkMonitor to help manage and protect.

So we actually -- we can find out from a website with these powerful algorithms that someone selling a purple Coach bag -- Coach doesn't make a purple bag because we know that. Coach is a client. Someone selling Adidas with two stripes. Adidas sneakers don't have two stripes. There are so many different ways that the algorithms work to help identify where there is fraud, where there is counterfeiting, where there is piracy, and more importantly, shut it down. You send a cease and desist letter to someplace in Lithuania, it is not going anywhere and it is not going to happen. There is no adjudicating body. This is one of those high-growth adjacencies you identify and exploit because it is part and parcel of what IP is about.

So our trademark business, which has a growth trajectory that ties very much to GDP, is vastly accelerated by marrying it with the MarkMonitor acquisition because together we have an end-to-end, global, corporate, enterprise, brand protection solution. No one else has that. It is just one of the ways we make good, smart investments to help juice and stimulate the growth in our businesses in adjacencies that are very high growth and very attractive and very close to our core.

Now, in a nutshell, we are called IP & Science, but we are an innovation solutions business and there is something called an innovation lifecycle and it does have an upstream component and if you are going to be good at innovation and good at providing solutions that drive innovation, you have to know the upstream sources of Scientific insight and the basic bodies of knowledge. We have that. You have to know how it is applied. What do corporate R&D departments around the planet care about? What stimulates and drives R&D? What accelerates R&D? Everyone is looking for ROI. That is what we do. We provide more and more of those tools and solutions to more and more verticals.

But if you don't know how innovation is delivered to market, if you don't know how patent --how important patent analysis and research is to protecting and commercializing products and driving revenue, you don't have an innovation solutions business. We have one of the deepest -- not largest, but deepest understandings across IP, trademark, copyright, and it is a nice, growing, steady space because you simply cannot have innovation, you cannot have growth without the operating system for innovation. We have a deep understanding of that.

We are accelerating growth. We have only had this business for two years. And again, it is a typical Thomson Reuters business, great bones, great structure, great market positions, with little focus, energy, effort, strategic planning, get a lot more growth and a lot more profitability out of it and this opportunity that we are targeting is big. It's vast, it is global. So it has got good fundamentals, good engine under the hood and hopefully as we attempt to drive more growth and more opportunity out of it. So, thank you for your time. Questions, comments?

QUESTIONS AND ANSWERS

Unidentified Participant

Thanks very much. Just looking at your business, it seems to be, as you said, the growth is accelerating, more investment is being put in. There is obviously opportunity within the -- within I guess both the Science business and also the Life Science business. What do you see as -- I guess two questions really. What do you see as your main focus? So the sort of number one project that you are working on right now.

And also you mentioned also compression of costs. Maybe you could explain what are the key components of costs within your business? Is it data, is it people? Is it marketing? Some of those elements, and maybe some of the specific things that you are doing to keep those costs below the growth of the revenue so that hopefully over time margin will expand. I understand that some of the acquisitions are slightly lower margins. I understand that that is having an impact in the short term, but if you could talk to the sort of underlying nature of the cost growth and where you see margins going, that would be great.

Chris Kibarian - Thomson Reuters - President, IP & Science

Sure, well, the first question was about focus and we are focusing very squarely on, in sort of in order, IP -- the IP business, the Life Science business and the SSR business. In IP, we just see an extraordinary amount of opportunity in asset management, in brand protection, and these are opportunities that we kind of have to run at now and so we are focusing on them because there is a -- it is an increasingly competitive space and we just have a lot of opportunity to align our businesses more aggressively. So we are focusing a lot more on the IP side of our business.

Now that we have in Life Sciences our Cortellis platform built and we are now essentially in market and we are converting the biggest clients and our clients are saying this is so much better than having lots of different point solutions, we're just getting started looking for opportunities to add more utility, content, software onto the Cortellis platform. So in many respects, that is why it is kind of the now opportunity that we are focusing squarely on.

In the Scientific business, we have got a great position, but we are not looking to go deeper into Academic. We're not looking to go deeper into publishing. We see that -- we like the asset that we've got. We like the market position that we have and we are actually looking to see how it pivots more towards the commercial side of the innovation lifecycle. So our focus is IP, Life Science and then Scientific.

When it comes to the cost structure, our business has been -- is actually a product of maybe a dozen, two dozen different acquisitions, so we have assets all over the world. We have 4000 people in 26 countries. So part of the rationale in terms of our cost structure is trying to figure out, okay, well, what is an effective and efficient operating model that doesn't layer on too much cost? We are part of Thomson Reuters, so we use -- we share a lot of services in things like financial back-office, billing. So we get efficiency and scale from that. But we have also looked at things like site consolidation, automation. Automation has been -- editorial automation was really big for us because we had editorial teams all over the world in dozens of different places and years ago, we brought them all to Hyderabad and Chennai and when you put all your editorial capabilities under one roof, one of the things you realize is we have four people curating the same patent. You can do that once and do it in a much more efficient automated way.

So the first thing we did when we got our hands on this business was drive editorial automation, to get -- depend much less on labor arbitrage and depend much more heavily on editorial technology. That is kind of one of the most -- the underlying efficiency to the engine that we have got. Part of it has also been -- a lot of our cost is technology, is editorial capability. So therefore, it is people, but like we said, we are getting a lot of efficiency out of that, and it is also a lot of just good sort of prudent business 101, controls around how money leaks out of the business normally, travel and entertainment, purchasing, billing.

It is not rocket science and it is not sexy, but the point is we apply a lot of that rigor and discipline because we want to put as much to the bottom line and also feed as much into product development. By the way, product development hasn't been a massive incremental investment. We are making what we think are smarter, more high-impact investments. So for example in the Science side, we're focusing much more on scientific analytics and our customers do -- there is a bit of a dynamic tension. When you go to Max Planck in Germany, they say we'd like more European journals curated and analyzed. When you go to China, they say we'd like more Chinese journals curated. And the reality is there are many ways we can do that, but, at the end of the day, it is the analytic insight into what is the most relevant and best science because no one is looking for every single piece of information; they are looking for the most relevant to inform a decision.

Also when it comes to our cost structure, we are just laser-focused on phased -- very careful in terms of how we hire, we have got -- we inherited two technology organizations, so we mashed them together and got more efficiency. And so when you bring things together, you actually find a lot of redundancy. So in the first year, we took out a lot of just basic operational redundancies around finance technology, HR, and we are by no means done.

Unidentified Participant

Can I ask a quick follow-up? I mean it sounds actually that you are sort of more of a disinterested observer of this, but in terms of the trends in science towards Open Access, what do you see? How do you see that developing? Is it going to have any impact on you? Probably not, it sounds like; maybe it's even going to be beneficial. How would you see that playing out -- how would you see that sort of playing out?

Chris Kibarian - Thomson Reuters - President, IP & Science

It is a great question because it is -- there are significant trends shaping Scientific research and the reality is, remember, we are Switzerland, so whatever happens in the realm of Scientific publishing and journal publishing, we are neutral. And at the end of the day, we don't care where the science comes from as long as it has quality and merit. So I think there are opportunities for us actually to put a little bit more order and discipline around the explosion of Open Access.

Open Access is a very different model and actually some of the things we have seen are fraudulent Open Access journals. It is a weird thing, but people are creating fake journals and convincing scientific researchers to pay them money to be published. They don't realize this is not the same epidemiology journal I thought it was because it is slightly different and it is a little -- it is interesting to see how, when you take away the decades and centuries of control around peer-review, the traditional model, it makes it a little bit chaotic, but the reality is I don't see the models changing radically.

At the end of the day, Open Access is just another business model. I think it is actually up to us to say no matter where the science comes from, is there a layer of integrity? Can we provide a validation, almost like a seal of approval for research and that is something actually that we do to ensure that no matter where research comes from, whether it is Open Access journal, or a privately owned journal that is more traditionally peer-reviewed, that it has integrity, and I just -- I don't -- one of the things I've noticed about this market, though, is that the evolution and change is modest. It happens over time; it is a little bit glacial and I think that is a good thing and a bad thing.

Good in the sense that it is very stable compared to a lot of our businesses in our markets. The '08 to '12 period could have been much more jarring given what happened to state and federal budgets and budget environments around the world. But, at the end of the day, governments and universities pay for science and they pay for -- and that is the heart and lifeblood of these institutions, and there is pricing resilience and there is -- even though models may shift and change, I don't see it as being an overnight shift or change.

Unidentified Audience Member

Could you talk about the pricing of a small research shop and they want to develop the new, I don't know, plastic or something like you were saying. What would the cost of the service be? I imagine the range is tremendous, but just to get some sense?

Chris Kibarian - Thomson Reuters - President, IP & Science

Well, for -- when you're talking about like an R&D department, for example, these are -- these might be \$50,000, \$100,000 solutions depending on seats, but depending on number of users and I think we have built a lot of our solutions for big corporate R&D departments and the reality is there is a lot of opportunity in that long tail and we're actually looking at creative pricing strategies to be able to chunk up some of our solutions because that theme scape, that is a very powerful tool and it has been behind sort of a traditional, big, heavy iron sort of application. But the reality is we can potentially put those into point applications and smaller slices in particular areas that are very interesting and very exciting. So that is one of the ways we're looking at this broad portfolio of products and saying there is a down market for everything. There are small biotechs, there are small research organizations. There are individual researchers that are actually looking at some of these tools and the reality is we want to be more commercial and I think one of the things we also want to do is sort of break out of some of our traditional go-to-market models and expose more of this innovation community to the power of some of these tools and technologies because there is scale. There certainly -- we were already getting that scale, but there is more, there is certainly more runway.

But pricing is actually interesting in the sense that it is -- in certain areas, it is tough. I think on the IP side, law firms have had a tough time. A lot of our exposure is corporate IP, though, so it is a very different selling environment, different pricing environment. But there is pricing resilience in Scientific and Academic. There is -- it is a bit competitive and tight in Life Science, but we are talking about a vast pool of spend. And so it is not so much pricing; it is shifting. R&D departments are shifting how they are spending money and what they are putting value on and what they are spending money on, which is why we are literally in early days with Cortellis.

Unidentified Audience Member

Within the IP solutions business, I think trademark searches were a bit weak last year. What is your sort of forecast and outlook going forward for that business?

Chris Kibarian - Thomson Reuters - President, IP & Science

Yes, trademarks tie very much to GDP and the reality is it is -- they are a little bit flattened in like US and Europe, but going up considerably in developing markets in places like China, which is why we are shifting a lot more of our focus and attention and product localization on emerging markets.

We're just getting started in Latin America. We are, in some respects, just getting started in the Middle East, Africa, Russia. Our positions in Asia are pretty strong and our markets that we like are China, Korea, Japan, and so -- and this is also one of the reasons why we're trying to aggressively transform the trademark business because trademark plus -- the trademark business plus MarkMonitor is global brand protection and that is one of the -- actually we just had one of our first cross-sell wins and that was one of the parts of kind of the thesis. When we would -- we have huge corporate relationships where we are in the IP departments and we manage and watch trademarks for major corporations and when we introduce them to our MarkMonitor colleagues and they realize that, okay, I can actually have one global institution like Thomson Reuters putting their arms and protection around all of my brand portfolio and it is trademarks, as well as online domain names, all of the manifestations of how a brand manifests itself and a trademark manifests itself online.

Thomson Reuters has thousands of domain names. Companies, believe it or not, any company that does anything relatively commercial has thousands and thousands of domain names to manage and those are trademarks and those are elements of IP that are critical and there's, in many respects, an explosion that is helping I think lift some of the -- and changing some of the growth dynamics of the trademark business in general.

Unidentified Audience Member

Hi. If you look at the capacitors that you have identified in the different businesses, like Corso, CPA Global, Minesoft, ProQuest, all these people, also Google Scholar, can you talk to maybe who you think is the most competitive against you in each of the three divisions and are they doing anything sort of which is really significantly different? And the other thing, I guess, maybe more controversial, which is you are in the solution -- as you said in the presentation, it was all about solutions, not being in the publishing business so much. Do you see the publish -- the actual Scientific publishing business as exemplified by Springer, Reed, Informer, etc., is that an attractive business, or is it just okay, but not as good as what you have got?

Chris Kibarian - Thomson Reuters - President, IP & Science

Yes, that's a great question and I will start talking about competition on the Science side. It is -- Scientific publishing, journal publishing is tricky in the sense that there are many, I think, clouds forming around the space. It is a -- and it is challenging to sort of predict, but I think there is resilience in the space and I think there is extraordinary profit margin and profit pools and sustainable profit pools in the space, but growth is a challenge and this is one of those areas where it is a tricky space to get excited about for -- like what does the next 10 years look like? And I have a little bit of trouble saying what -- if I were running one of those businesses, how would I get that mid-single digits growth out of those businesses and there is great solid margin in there.



So I think they are all looking for ancillary pathways to drive growth and those logical ancillary pathways are in corporate markets and those are very -- it is a very different business, just very different. It is like night and day. So journal publishing and R&D software is just -- and I think where there is commercial utility in the corporate space, it is just very different from general publishing. And so although I don't think it is going to change overnight, we do care a lot about how Elsevier in the Scientific space. They have clearly got their arms around a lot of different areas in Science and Life Science and they are formidable, and we obviously take them very, very seriously.

Google Scholar is interesting because many people don't realize it, but Google Scholar is like, in many respects, like a public service and we actually work with them and we see them as more of a partner and in a previous life, I ran a business called FindLaw, FindLaw.com and it was a business that had -- that where we looked at Google and we thought, well, if Google creates Google Law, this is a major threat, but we found a way to work with them symbiotically and drive significant growth and profit potential and working kind of in harmony in a partnership with them. So in many respects, Google helps make the market, but Google, and it is always -- you can't overestimate what the challenge might be.

Google Scholar and Web of Science are actually very complementary to each other, for things like -- the searches that -- a general search that an undergraduate might do or a graduate student might do, Google Scholar is a great place to go for the first step, but when you are making major decisions about tenure, when you're making major decisions about who -- with whom you are partnering, when you're making major decisions about where you deploy hundreds of millions of dollars, you use Web of Science. That is the gold standard, period. That is it. There is no question about it. And although we haven't announced it yet, we have -- we will announce something -- a very unique and neat relationship with Google Scholar and Web of Science that should be (technical difficulty) openly discussed in maybe a matter of weeks.

Now when it comes to things like R&D space, it is a lot more of a vulcanized set of competitors, a lot smaller and it is not as clearly defined because the space is not as clearly defined. R&D solutions kind of depends on what vertical you are in. So our R&D solutions, we have a horizontal, Thomson Innovation, but we have Cortellis focusing on Life Sciences. We are actually just beginning to explore other verticals that are very specialized and focused and the R&D requirements -- R&D solution for an automotive company or for an engineering company, very different, very unique. And so I think that is a whole kind of -- it really is situational competition.

In IP, CPA is owned by [Sinvinder]. It is the second sponsor/owner of that particular asset and they are a formidable competitor, but there again with a different heritage. I am much more focused on asset management and annuity payments and so one of the -- when I look at competition, I think it is a -- it is not a monolith, by any stretch. There are lots of little competitors in all the different spaces, but our strategies are very commercially and competitively oriented in the sense that we are here to win, to be number one or number two in the space. We actively and aggressively pursue growth strategies and competitive and product development strategies where we drive clear competitive differentiation and advantage and in some areas, we have fallen behind; in some areas, we are still way ahead.

But make no mistake, we put a pretty aggressive commercial skin on everything that we do with our business and that is how we have transformed it. And a lot of what customers want is not rocket science to discern and it just requires a good, aggressive focus. So the competitive space I think is formidable and respectable, but we have every intention of being number one or number two in each space that we can.

Unidentified Participant

When you compete for capital with the other guys or in the other divisions and you have to go and talk to Jim Smith and say I need to do this, what sort of metrics are you presenting to him to get over that hurdle rate to allow him to give you the capital? What do you say to him? Okay, I'm going to generate what sort of growth, what sort of margin do you need to sort of project to get the money?

Chris Kibarian - Thomson Reuters - President, IP & Science

Well, I mean our aspiration from the day we started was double-digit top, half of which is organic. The deals we have in the pipeline are accretive to that growth and to those margins and so what we also show is that -- so we have the aspiration and the pathway. So it is a clear pathway, so that is one of the elements of how we actually compete for capital. We are also showing our ability to sustain margins despite the fact that we are growing aggressively and despite the fact that we are making significant acquisitions and bets.



We are managing that cost structure aggressively so that we still are creating shareholder value in those profit pools and that growth. What we are also showing is -- we don't talk about return on invested capital all that much, but it is healthy. It is very healthy. It is one of the -- among the healthier in the business and it is a reflection of the maturity, but also the life and the vibrance in many of these products and services that were I think neglected for many years.

The other thing is also a lot of the growth that are plans for growth don't require that much capital. We are not asking for significant amounts to sustain competitive advantage in many of our products and services. We always want more, we are a bit -- we orient towards belt and suspenders when it comes to having those fundamental underpinnings on product, but the reality is, pricing is strong, channel is strong, markets are strong and resilient and stable. And so the bets we are making are modest and we are also seeing good assets in our space. And so accretive acquisitions, nice fold-ins. Now that we have the Cortellis platform, the whole point about having a platform is you get to put stuff on it. Very cost-effective.

We just started -- we haven't even started that activity, but -- so a lot of the investments are now, I think, creating a fertile ground for how to get that good growth, and also growth that is diversified across different spaces, right? It is not like we have this one, big competitive monolith that we have to -- it is a death march and it is a duopoly. It is diverse, but a lot of the competitors that we are dealing with are small, they don't have the same competitive advantage, they don't have the breadth of products, they don't have the channel, they don't have the capital, they don't have a lot of things. And the reality is when we hit on all cylinders and we are driving growth, driving acquisition, getting scale economies and automating a lot of our back-office systems, they are -- it becomes really hard to break into a lot of the spaces that we are in.

Unidentified Participant

Looks like we're done. Thank you so much for coming in and shedding light on that topic. It was very, very interesting.

Chris Kibarian - Thomson Reuters - President, IP & Science

Thank you. Appreciate the opportunity.

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