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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to Thomson Reuters' third-quarter 2014 earnings conference. (Operator Instructions). As a reminder, today's conference call is being recorded. At this time, I'll turn the conference over to our host, Frank Golden, Senior Vice President, Investor Relations.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

Good morning. And thanks for joining us as we report our third-quarter results. We'll begin today with our CEO, Jim Smith, followed by our CFO, Stephane Bello. Following their presentations, we'll open the call for questions. We appreciate it if you would limit yourselves to one question each in order to enable us to get to as many questions as possible.

Throughout today's presentation, keep in mind that when we compare performance period on period, we look at revenue growth rates before currency as we believe this provides the best basis to measure the underlying performance of the business.

Today's presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we provide to regulatory agencies. You can access these documents on our website or by contacting our Investor Relations department. Let me now turn it over to the CEO of Thomson Reuters, Jim Smith.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Thank you, Frank and thanks to those of you on the call for joining us. Today, I'll discuss the third quarter's results and our expectations for the balance of the year. Stephane will then review the third-quarter results in more detail.

Now to results for the quarter. I am pleased to report, even at the risk of sounding like a broken record, that the third-quarter results were again in line with our expectations and built on the first half's improving trend lines. In Q3, total revenues were up 1%, reflecting another very strong quarter for Tax & Accounting, good growth from IP & Science and improving underlying growth for Legal.

As expected, revenue growth was negative for the quarter in our Financial business, which reflects the lagging impact of aggregate negative net sales in the prior 12 months, particularly Q4 last year. Nevertheless, our Financial business continues to make good progress and achieved positive net sales for the second consecutive quarter. Net sales were positive in all regions and we've now seen year-over-year sales improvement in seven of the last eight quarters.

For perspective, this is the first time we've seen positive net sales in all regions since the acquisition of Reuters in 2008. And importantly, the third quarter's performance has driven our year-to-date net sales performance into positive territory. While it's too early to predict whether we'll be net sales positive for the full year because Q4 is always the most difficult quarter, we are confident that Q4 net sales will again show year-on-year improvement, which is why we expect F&R revenue growth performance in 2015 to improve over 2014.

We're also very pleased that our Legal business returned to positive organic revenue growth in the quarter for the first time since the second quarter of 2013. It's very encouraging that the trajectory continues to improve for our two largest businesses.

At the consolidated level, both EBITDA and operating profit declined 3%. Unfavorable foreign exchange movements had a higher than usual impact on margins in Q3 and we also incurred charges of $18 million in the quarter compared to $10 million in Q3 last year. Excluding the impact of currency charges in both periods, the EBITDA margin declined 10 points and the operating margin increased 20 basis points. Adjusted EPS was $0.45 for the quarter, $0.03 below last year. We've also continued to return more capital to shareholders and as of September 30, we have repurchased over 28 million shares at a cost of over $1 billion since we began the program in October of last year. So the trend lines continue to improve and I remain pleased with the trajectory of the business enabling us to reaffirm our full-year outlook.

Lastly, healthier global professional markets and strengthening trends in the business are encouraging, but the macro news is still mixed. Given this environment, we are investing in those pockets of growth where we have strong positions and where we can win. We will continue to do what we've done for the past 2.5 years, namely control the things within our control and remain focused on our overarching objective, building a platform to achieve higher, more sustainable and more profitable growth.

Now let's look to the results by business segment for the quarter. Financial's revenues declined 2% as expected. Let me remind you that last year negative net sales peaked in the fourth quarter and therefore, it's challenging to report revenue growth until we lap Q4. Despite the revenue decline, Financial & Risk is a different business than it was two years ago. We've transformed product teams and regional sales organizations to become more focused on customer needs and service delivery. We've simplified our technology platforms, service platforms and supporting IT organization. We've increased the ratio of front-line staff in our workforce while reducing overall staff by about 20%. And we've invested in growth areas such as commodities, feeds and risk.

Our efforts are beginning to yield tangible results. Customer sentiment has improved as measured by better customer satisfaction ratings. Retention rates have increased in every region and net sales have improved significantly. As I just mentioned, year-to-date net sales were positive and we are particularly pleased with the progress being made in Europe where we achieved positive net sales in Q3 for the first time in three years.

As I discussed last quarter, we're in the early stages of migrating our remaining legacy users to new products and packages on the unified platform. The early results are encouraging, but these migrations may lead to lower price realization for some customers. This is likely to dampen the overall benefit we would normally expect to realize from our annual price increase; however, we anticipate that the improving trends in net sales will partly mitigate this impact and will contribute to an improvement in top-line growth in 2015.

Turning to Legal, this segment's revenues rose 1%, all organic, with a strong performance from the Solutions Businesses, which are up 7%. Growth was tempered by an 8% decline in US Print revenues as expected. Excluding US Print, revenues grew 3% organically. Stephane will provide more detail on this in a moment.

Tax & Accounting had another very strong quarter with revenues up 13%, 9% organic. This business continues to benefit from increased market demand for global tax solutions and strong execution. IP & Science revenues grew 3% with subscription revenues up 5%. This was partly offset by a decline in transactional revenues. And our global growth businesses continued to perform, up 8%. Let me remind you that GGO results are included within each of the four business segments. So I am pleased with our performance for the quarter and year-to-date.

So as we look to close out the year, things are tracking to plan and I continue to be pleased with the substantial progress we're making. Now despite uncertain macroeconomic and political conditions, the global financial and legal markets we serve are steadier now than they've been since 2008 and these healthier global professional markets, combined with our improved products and service, are enabling us to achieve better sales performance, which underpins our confidence as we look to the future.

While we try not to spend too much time worrying about the things outside our control, it's heartening to feel the headwinds subside a bit. At the same time, the things within our control are now starting to pay off. Lastly, our transformation simplification programs are providing us with self-help on the bottom line as we simplify the business and reduce costs. This is particularly the case in the Financial business where the underlying margins continue to improve on a pre-FX basis despite revenue declines. When the positive trend in net sales begins to translate into positive revenue growth, the flow-through from that revenue growth will contribute to our ability to achieve the financial targets that we've laid out previously. Now, let me turn it over to Stephane.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Thank you, Jim and good morning or good afternoon to you all. As usual, I will speak to revenue growth before currency throughout today's presentation. These slides provide a snapshot of our third-quarter and nine-month results, which do reflect the impact of the charges, which we flagged earlier this year. These charges had an $18 million impact at the EBITDA level for the third quarter and a $58 million impact for the first nine months. For the comparable periods last year, we incurred charges of $10 million and $97 million respectively. We still expect charges for the full year to total $120 million with about $60 million having been incurred through September. This effectively means that we expect to incur an additional $60 million in the fourth quarter primarily within our Financial & Risk business.

Our third-quarter revenues were up 1% with flat organic revenue growth and this is in line with our guidance for the full year. Our Financial & Risk segment declined 2% and was down 3% organically while our other businesses grew 4% in aggregate during the third quarter and were up 3% organically. Adjusted EBITDA was down 3% with an EBITDA margin of 26.5%, down 100 basis points from the prior-year period. Excluding charges from both periods, the EBITDA margin was 27% in the third quarter compared to 27.8% last year.

As Jim just indicated, foreign exchange had a higher than usual impact on the EBITDA margin this quarter. Excluding the impact of currency and the charges from both periods, the consolidated EBITDA margin was down 10 basis points compared to Q3 last year.

Finally, underlying operating profit in Q3 declined 3% with the margin down 70 basis points. Excluding currency and charges, the consolidated margin was up 20 basis points year-over-year. We continue to expect margins for the full year to be within the guidance we provided you last February.

Now let me provide you with some additional color on the performance of our individual businesses starting with Legal. Demand for legal services in the US market, as measured by Peer Monitor, improved over the second quarter and marks the strongest quarter since Q4 2012. Transactional practice areas continued to show improvement; however, demand for litigation, which is the largest practice area in the US from a revenue perspective, remained below historical averages.

During the quarter, Legal grew 1%, all organic and this marked a return to organic revenue growth for the first time since the second quarter of 2013. As expected, US Print revenues continued to be a drag on revenue growth, declining 8%. Excluding the impact of US Print, revenues rose 3% organically. I'll get back on this in a moment.

Transactional revenues, which represent 12% of the total, were up 1% and were flat organically. Subscription revenues, which accounted for about 75% of the total, were up 4% and 3% organic. The continued strong organic performance of our subscription revenues during the quarter is a good indicator of the underlying strength of the business.

Turning to our profitability metrics, the EBITDA margin was down 10 basis points while the operating profit margin increased 30 basis points. So the Legal business continues to do an excellent job of maintaining margins against the backdrop of declining US Print revenues, which, as we have said in the past, makes up for a challenging revenue mix.

Now as you can see on this slide, the underlying trends in the Legal business are encouraging. As a reminder, US Print revenues represent about 15% of total Legal revenues. So the graph on this slide shows the growth trend for the remaining 85% of Legal's revenue base. As I just mentioned, Legal's total revenue growth was 1%; however, when we strip out US Print revenues, you can clearly see the improving trends in the business on this slide. The remaining 85% from the Legal revenue base has improved sequentially over the past four quarters with a 400 basis point improvement over the last 12 months.

Here is a more detailed look at the revenue performance of the three main subsegments in our Legal business. This graph provides a good depiction of the changing revenue mix dynamics as our Solutions Businesses become an increasingly larger proportion of Legal's total revenue base. As a reminder, these Solutions Businesses consist of everything except US Online Legal Information and US Print. In aggregate, they made up 47% of Legal's total revenues in the third quarter, up from 45% last year and they grew 7%, 6% organically, driven by strong growth in Elite, Pangea3 and Practical Law.

US Print revenues were down 8%, as mentioned earlier and finally, US Online Legal Information, which is 38% of total revenues, declined 1%. We have seen a gradual improvement in this business since the beginning of the year and we are encouraged by this slowly improving trajectory.

Our Tax & Accounting business continued to build on its momentum and is having a strong year. Revenues for Q3 grew 13%, of which 9% was organic. Recurring revenues, about 85% of the total, grew 8% organically. From a profitability standpoint, EBITDA grew 9% in the quarter while the margin declined 50 basis points due to organic investments we are making in what is our highest growth business. And for the nine-month period, the EBITDA margin increased 60 basis points.

During the third quarter, operating profit was up 26% with the margin up 170 basis points reflecting the impact of lower acquisition-related amortization expenses. Full-year margins are more reflective of the segment's underlying performance and small movements in the timing of revenues and expenses can impact margins in any given quarter.

And as you can see on this slide, we achieved strong growth in most segments of our Tax & Accounting business during the quarter. In particular, both the Corporate and Professional segments delivered organic revenue growth of 11%. Knowledge Solutions was up 4% and 2% organically and Government revenues were up 8%.

IP & Science revenues were up 3%, all organic. This performance was driven by growth across all business segments with Life Sciences displaying the strongest performance, up 6% and 5% organically. EBITDA was down 5% and operating profit declined 11% due to the impact of negative revenue mix, as well as some investments we are making in the IP & Science business. Similar to our Tax & Accounting business, full-year margins are more reflective of this segment's underlying performance because small movements in the timing of revenues and expenses again can impact margins in any given quarter. During the third quarter, recurring revenues for IP & Science represented about three-quarters of their total revenues and grew 5%, all organic. And transaction revenues in the third quarter were down 4%.

Now turning to the third-quarter results for our Financial & Risk business. Revenues were down 2% with a 1% contribution from acquisitions. So organic revenues were down 3%. This organic revenue decline reflected the continued impact of our aggregate negative net sales performance over the prior 12 months with Q4 of last year having a disproportionate impact on that period.

As Jim discussed earlier, net sales were positive in the third quarter and are positive year-to-dated. It is too early to say whether net sales will be positive for the full year, but we expect the trend of year-on-year improvement to continue in Q4 as it has in seven of the last eight quarters. Now let me remind you that net sales primarily measures the impact of volume on future revenues and as Jim mentioned, we recently began migrating our remaining legacy buy side and foreign exchange products to our unified platform, which may lead to lower price realization for some customers. This is likely to dampen the overall benefit we would normally expect to realize from our annual price increase; however, we anticipate that the improving trend in net sales and greater price discipline will partly mitigate this impact and will contribute to a year-on-year improvement in the top-line growth performance of our Financial business in 2015.

The EBITDA margin was down 130 basis points with charges of $18 million this quarter versus $5 million last year. Excluding charges from both periods, the EBITDA and operating profit margins were each down 50 basis points versus Q3 of last year. Now foreign exchange had a significant negative impact on the F&R EBITDA margin this quarter due to our very large cost base in the UK and the strengthening of the pound. Excluding the impact of foreign exchange and the $18 million of charges incurred during the quarter, the EBITDA margin would have been 27.1%, which would represent an improvement of 100 basis points over Q3 2013.

Now looking at Financial & Risk revenue in a bit more detail, recurring revenues, which were 76% of the total, declined 3% during the quarter and this decline was the result of the negative net sales in the prior 12 months. Recoveries, about 11% of the total, were up 1% for the quarter and let me remind you that recoveries are low margin revenues. Transaction revenues, which is 13% of the total, increased 3%, but were down 5% on an organic basis. So this is the third consecutive quarter of negative growth in F&R's transactions business this year. This is due to the low level of volatility we have seen in the markets until very recently.

For the first nine months of the year, transaction revenues were down 6% organically. Since transaction revenues are highly profitable, this is obviously hurting F&R's margin performance, which would have been better had transaction revenues been more stable as was the case in prior years. The silver lining is that we did see a rebound in transaction volumes in the last 10 days of the quarter. As we said before, we do need to see some improvement in the transaction revenues in order for F&R to return to positive growth next year and the fourth quarter will be an important indicator in that regard.

Looking at revenues for the third quarter by geography, Europe, Middle East and Africa, which is F&R's largest geographic segment, was down 4% reflecting the continued impact of last year's negative net sales. Revenues in the Americas were flat and down 3% organic due to the net sales flow-through, as well as the impact of low fixed income transaction volumes, which predominantly affect this region. And revenues in Asia were flat and down 1% organically. Once again, this reflected the 2013 net sales flow-through offsetting the revenue impact of the positive sales we have seen in the region for the first three quarters of the year.

Now let me turn to the review of our consolidated results. Third-quarter adjusted EPS was $0.45 per share, $0.03 lower than a year ago. The $0.03 decrease was attributable to lower operating profit and a higher tax rate, 15% this year versus 11% last year. Foreign currency and the higher tax rate each had a $0.02 negative impact on EPS in the quarter as compared to the prior-year period. For the full year, we remain comfortable with our guidance for interest expense of between $450 million and $475 million, as well as an effective tax rate of between 13% and 15%.

Now turning to our free cash flow performance for the first nine months of the year and working from the bottom to the top of this slide. Free cash flow for the first nine months of the year was $875 million. This included $212 million of simplification costs, as well as a decrease of $75 million of cash flow related to disposals. As such, ongoing free cash flow, excluding the impact of disposals, was down 3% during the first nine months of the year and finally, ongoing free cash flow, excluding the impact of simplification charges, was about $1.1 billion or $59 million higher than the prior-year period, which represented a 6% increase.

So to wrap up, we are pleased with our year-to-date financial results and based on these results, we are reaffirming our outlook for the full year, which is summarized on this slide. With that, let me now turn it back over to Frank.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

Thanks very much, Stephane and we'd like now to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Toni Kaplan, Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Hi, thanks for taking my questions. So regarding the $120 million in charges that you're expecting for this year, we can now see it's largely weighted towards the fourth quarter. Has there been a delay in your plans for reducing headcount? If you don't hit the $120 million number, should we assume that the cost savings will be lower than you originally thought or that it will be delayed?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Hi, Toni; it's Stephane. I wouldn't assume too much out of the timing of these charges. It's kind of hard to predict with a lot of precision, but we do expect, based on the visibility we have at this time, that we will take the additional $60 million in Q4 and we have obviously better visibility now since we are in the quarter. And as I mentioned on the call, I believe that the majority of these charges will impact our Financial & Risk segment.

Toni Kaplan - *Morgan Stanley - Analyst*

Okay, great. And can you give any additional color on how you're able to maintain the margins in Legal despite the declining Print business?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

It is what I mentioned. It's a very tough balancing act because what we try to do, what the whole management team in Legal is trying to do is really balance that objective of keeping our margin flat while at the same time making sure that we make sufficient reinvestments in the part of the business that are growing nicely and you can see that we're doing a pretty nice job from both perspectives with the margin been pretty much flat year-to-date while you see good growth in these Solutions Businesses. So I can only attribute it to really good execution from the management team in the Legal segment.

Toni Kaplan - *Morgan Stanley - Analyst*

Terrific. Thanks.

Operator

Drew McReynolds, RBC.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thanks very much. Just two quick ones from me. You touched a lot on the net sales trajectory and expectations for Q4, which was great. Specifically on the Thomson ONE migration, can you just kind of flesh out a little bit more in terms of what you're seeing with retention rates and pricing dynamics versus what your expectations were going into this and how far along are you on the migration? And then just on Legal, nice to see the continued uptick ex-Print. Just wondering when you look at the Solutions Businesses in aggregate, are you getting a cyclical tailwind here? Is this new products? Are you gaining marketshare? Just what's the source of the renewed momentum? Thank you.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Do you want to take the first one, Stephane and I'll take the second one?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Happy to take the first one, Drew, on the migration. Let me put into context because I suspect I'm going to get that question later. So we stated before that desktop revenues represent about 42% of Financial & Risk's total revenue base. So that's about call it 42% of $6.5 billion, $6 billion is about like $2.7 billion. We have now migrated about almost 60% of that revenue base to Eikon. So we've got like the balance to migrate. And that's spread between the buy side segment and our foreign exchange dealing platform. Those are very much the products we are now rolling out on the new platforms.

We've just really started that effort in earnest in the late third quarter and we expect that effort to essentially go through 2015 and be hopefully largely complete by the end of next year. There may still be some that flow through in 2016. As we said before, this is not the same kind of transition as what we did for the 3000Xtra, which has been migrated. It's a much more delicate transition to the new platform.

What we've seen, and that's why you are seeing the results that we've seen in terms of net sales, is where we've rolled out Eikon much more, which is again in Europe. You start seeing much higher and better retention rates. So if you were looking at retention rates in Europe versus the Americas for instance, you would see like a marked improvement in Europe because a lot of the desktop footprint is now on Eikon in Europe and in America, you would see a marked difference between the customers that have enrolled on Eikon where the retention rates are higher in our legacy product. So we do expect to see an improvement in the retention rates in the Americas as we roll out Eikon to the rest of the desktop footprint.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Yes, and to your second question on Legal, I think it's hard to say because it's a combination of factors I think on the Legal side. It's incredibly encouraging for us to see those solution products coming back and I think as Stephane alluded as well, even the underlying subscription products are showing improved performance as well. I think part of it is due to better execution inside the business; there's no question. I think another part of it, I'd hate to call it cyclical because it doesn't feel like any cycle I've ever lived through before, but we are seeing underlying improvement I think in the Legal space. Stephane alluded to a couple of consecutive quarters now of improving demand in our Peer Monitor index.

And I think while we see improvement not only in Legal, but in all the Professional segments that we serve, it's hardly back to a robust phase of the cycle and the green shoots are tempered by I think increasing macroeconomic fears, particularly when it comes to geopolitical concerns. So I do think we are getting a little bit of a lift from an improved environment in the professional services firms and industries that we serve and I think we're executing better.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thank you.

Operator

Ato Garrett, Deutsche Bank.

Ato Garrett - *Deutsche Bank - Analyst*

Good morning. I just had a question about the declining transaction volumes that you mentioned within Financial & Risk. Is that being influenced primarily due to just declining market volatility or is the transition away from over-the-counter trading towards exchange-based trading influencing that as well?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

We believe it's primarily driven by market volatility, so if we could see a little bit more volatility in the market as we've seen in the last couple of weeks of September and the beginning of October, that actually should help transaction revenues.

Ato Garrett - *Deutsche Bank - Analyst*

Okay, great. And then just a quick follow-up. You mentioned that you're making some investments in the pockets of growth where you feel you have the ability to win. Could you give a little bit more details about where you're investing in the firm currently?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Sure, Ato. It ranges from putting more resources in our go-to-market or our salesforce headcount. That's probably what we do, for instance, in our Tax & Accounting business to investing into new solutions. For instance, in our Governance, Risk & Compliance business and Financial & Risk, we do make some investments and in IP & Science, we do invest in new solutions. So it's a mix of go-to-market resources and new solutions.

Ato Garrett - *Deutsche Bank - Analyst*

Great, thank you.

Operator

Vince Valentini, TD Securities.

Vince Valentini - *TD Securities - Analyst*

Thanks. First, the foreign exchange hit to your margins this quarter, I know there's usually a lot of moving pieces in there in terms of hedging you do and maybe some timing on working capital items. Do you have any visibility at this point as to what that impact could be in the fourth quarter? Do you expect it to be as negative?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

No, we don't have much visibility. It's hard to predict what foreign exchange will be. As I mentioned on the call, Vince, the largest component is really what I would refer to as our short pound sterling exposure and as you know, that primarily resides within Financial & Risk where we have a lot of our cost base still in the UK. So what happened in Q3, if you look at the average rate of the pound sterling against the dollar in the third quarter of this year compared to the third quarter of last year, it was up 8% and that's really what was the primary driver and we always will give you what the margin is excluding foreign exchange. We do that every quarter. This quarter, it had a pretty unusually high impact. I would hope that in future quarters it's more moderate, but we will continue obviously to point out what the margin is excluding foreign exchange.

Vince Valentini - *TD Securities - Analyst*

Okay, I appreciate that color. And then second question, in terms of the net sales for the fourth quarter, obviously, you're a bit cautious in terms of visibility, that it can remain positive. Do you know -- is there a significant number of contract renewals in the fourth quarter this year, more than you would normally have or is it just normal seasonality in Q4 that gives you the lack of visibility?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

I think it's more the latter, Vince. For perspective, for net sales in the fourth quarter, as Jim mentioned, the fourth quarter is always the toughest quarter in terms of net sales; the most important quarter also. And for perspective, since the Reuters acquisition, so as long as we can remember, net sales have been negative in the fourth quarter. So turning positive would be a pretty big achievement frankly.

Vince Valentini - *TD Securities - Analyst*

Is it fair to say once you get Eikon fully rolled out, this Q4 headwind you always face may start to dissipate if you start to have better retention rates and then the Q4 contract renewals won't be a negative anymore?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

I would say that Q4 is probably always going to remain the toughest quarter, but once we've got Eikon rolled out, the net sales should be better because obviously the retention rate improves as we roll out Eikon.

Vince Valentini - *TD Securities - Analyst*

Thanks, guys.

Operator

Sara Gubins, Merrill Lynch

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

Hi, thank you. Could you help us think through the impact of the metered pricing because of the migration in terms of maybe magnitude next year? And just trying to understand a little bit more about what is happening with pricing. Is there a discount to get clients to migrate or are they buying fewer products as they do the migration?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

What's going on is that -- and that's also, Sara -- it's a good question -- this is also why we have stopped talking about the Eikon migration in terms of number of desktops because what you had, you have customers -- as you know, on the buy side, we have like a multitude of products and we call these access points. These access points will all -- and these products will all be migrated to the Eikon platform. So a customer that used to buy three or four discrete products from us may now have one Eikon desktop, one Eikon solution.

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In some cases, as we said, this may reduce not only in the vastly improved solution for the customer; it may also result in a better commercial situation for them. It will very much vary from one client to the other, so it's hard to predict what the impact is going to be, but we think we are going to see an impact as we are rolling out the buy side products on Eikon now. We will know more as we go about what the impact will be as we essentially go through that transition over the course of next year.

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

Okay, great. And then Legal, the US Print revenue down 8% in the third quarter. Is it fair to assume that that rate of decline continues or does it begin to get better just as the segment shrinks a little bit?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

I would use that kind of assumption going forward. It's a revenue base that is in structural decline. The good news is that it becomes proportionately smaller and smaller as we go -- as we move on in time.

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

Okay. And then just last question on margins. Within F&R, is there anything that's come up that would suggest that it will either be more difficult or easier for you to make your 2015 margin targets? Thanks.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Achieving a margin target for 2015 depends on two primary factors. First, it's execution on the cost take-out and there, we are very focused on that and the team is very much on plan in terms of that cost take-out. The second thing we mentioned is that -- and you remember Tim Collier mentioning that at the Investor Day -- we need to see slightly positive revenue growth in 2015 in order to achieve that objective. That I think will depend on a number of factors. The two biggest ones I can think about is what will our net sales performance be in the fourth quarter and the evolution of transaction revenues. Transaction revenues are very profitable and frankly, as I said on the call, we need them to get a bit more normalized in order to get where we need to be. So we should have better visibility on these two items when we talk to you in early February and we provide the guidance for 2015.

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

Thank you.

Operator

Andre Benjamin, Goldman Sachs.

Andre Benjamin - *Goldman Sachs - Analyst*

Thank you, good morning. One more question on Eikon, specifically the efforts to penetrate new buckets of buy side clients. I know you've called out PWM as an area in the past. I was wondering how that effort is progressing and any color on which types of clients, whether it be by investment type, size or geography, where you expect to see the most success.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

I think historically what we've seen in places where we're most fit for purpose -- across Europe, for example, we're having pretty good success across the board. We have success again by asset classes and by groups of customers where we have very, very strong differentiated content. Commodities and energy would be a good example of an area of where we're strong. And I think we continue to develop around those areas where we have differentiated content.

So I don't want to go into too great a detail about what the rollout plans will be because we're in the early days there, but suffice it to say, we'll build behind areas where we're strong first and then at the same time be building out capability into other areas. And as Stephane alluded earlier, this is really early days of our move on the buy side. We're still doing a lot of building and we're just beginning selling on the FX side and just beginning selling in the Americas on the buy side generally. So early days yet.

Andre Benjamin - *Goldman Sachs - Analyst*

Thank you. And then I think you talked a fair amount about Legal organic growth improving as the mix improves with the growth of your businesses that you call Solutions becoming a bigger part of the bucket. Is there anything that you're seeing in terms of client interest or end-market demand that would say specifically that part of the business should accelerate from that mid-single digit organic growth that we are seeing now or should we simply assume it remains there and Legal improvement is simply a matter of mix?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Let me try to take that question. If you look at what we call Solutions Businesses, it's a number of different businesses, so that would include Practical Law, Elite, FindLaw or emerging markets. If you look at them each separately, they all have the potential to grow more than the 5%, 6% organic we've seen recently. However, what the outstanding assumption should be is that not everything is always going to run at 100%. There's always going to be one or the other of these segments that may be in a cyclical period of weakness. So if we can get that overall revenue base to grow in aggregate by 5%, 6% organically, we actually would be very pleased.

Andre Benjamin - *Goldman Sachs - Analyst*

Okay, that's fair. Thank you.

Operator

Paul Steep, Scotia Capital.

Paul Steep - *Scotiabank - Analyst*

Great, thanks. I guess Jim or Stephane, either one of you, as things sort of emerge and it looks like trends are improving through 2014, how much are you thinking about in your 2015 planning process that you're now starting getting more aggressive and accelerating investments in key areas of the business? And maybe within that context, what is your comfort with the overall portfolio at this point? Is there a thought to maybe returning to more M&A or divestitures? Thanks.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

We're very comfortable with the portfolio that we have and we're very comfortable with the plan we're executing right now, which means we're being very aggressive on the cost base, across the base of the Company while picking those key selected areas where we believe we have higher growth opportunities and a higher chance to win. We don't believe that requires stepping back into the M&A game at the level we were at historically or in the past few years. And we do believe that, within the spending envelope that we have, that we have sufficient resources to fund the growth initiatives that we find so attractive.

So it's really hand in glove. We're able to provide some self-help not only to our bottom line, but to free up resources and to make pretty difficult and sometimes ruthless reallocation decisions on where we're going to put our resources. So we see no shortage of growth opportunities within the businesses that we have today and we don't think we need to go out and be acquiring new fields in which to play.

Paul Steep - *Scotiabank - Analyst*

Perfect. Thank you.

Operator

Manav Patnaik, Barclays.

Manav Patnaik - *Barclays Capital - Analyst*

Good morning, gentlemen. It's nice to hear your commentary early on on the positive net sales across all regions and geographies I think is what you mentioned. I was wondering if you could help us just parse things out a little bit in terms of the environment. Obviously, on the equity side, we've heard, on the buy side at least, there's some improved momentum. Can you just help talk about the sell side? And just also in the context of you hear a lot of pressure and layoffs on the fixed income side of the business, maybe not as much in equity, so maybe just a little more color on what dynamics you're seeing in the overall environment.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Sure. I hate to disappoint on that one, but I think frankly we saw pretty solid strength across the face of our customer base. So I don't think it broke down -- I can't provide much more color on that because, if I remember the distribution chart I saw, particularly on the sales side, it looked to be improving across the board.

Manav Patnaik - *Barclays Capital - Analyst*

Okay. And then I guess can you just remind us -- the fourth quarter, why that's again the toughest for net sales? Is that just because a lot of the contract renewals get redone? Is that what it is?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

I think it's like a lot of our large customers. That's really when they look at their budget for the next year and that's where they tend to make adjustments.

Manav Patnaik - *Barclays Capital - Analyst*

Okay. All right, fair enough. Thank you, guys.

Operator

Peter Appert, Piper Jaffray.

Peter Appert - *Piper Jaffray - Analyst*

Thanks. So Jim or Stephane, is it possible to give us any finer quantification of the net new sales number in the third quarter and the change from the second quarter?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

We've never given out the aggregate net sales numbers or the exact numbers, so I don't think we want to start doing that now.

Peter Appert - *Piper Jaffray - Analyst*

It would be a great day to start. For the fourth quarter getting to positive net new sales, how dependent is it on the transaction volumes? Is that the key?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

No, not at all.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

No, no, transactions are not included in net sales.

Peter Appert - *Piper Jaffray - Analyst*

Oh, okay, sorry. And then one other thing, on the messaging service, how critical do you think that is to your competitive positioning and differentiation can you talk about any momentum you're seeing from that?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Look, I think certainly Bloomberg's messaging service is a significant part of making their service so sticky. So it is a significant discussion that's happening in the industry right now and as you well know, there are tons of discussions, numerous discussions that are happening around messaging in the industry. I think it's far too soon to say what the ultimate result of those discussions are going to be. We're involved in many of those discussions. And I guess suffice it to say, we're very, very supportive of an open solution and it's just too early to tell what the ultimate outcome of all that discussion is going to be.

Peter Appert - *Piper Jaffray - Analyst*

It sounds like you wouldn't call that out as a factor that's necessarily an important contributor to getting back to the positive net sales?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

No.

Peter Appert - *Piper Jaffray - Analyst*

Okay, thank you.

Operator

Doug Arthur, Evercore.

Douglas Arthur - *Evercore Partners - Analyst*

Two questions. Jim, I just wanted to clarify something you said earlier in the call about going back to this pricing issue. The implication was that the -- I don't know if you want to call them concessions or metered or whatever -- that depending on pricing in the rollout of the desktops, it could impact the overall impact of net sales on total revenue growth in F&R 2015. Was that the implication or did I misunderstand that?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

No, I think you did understand that. What I'm saying is there's going to be some -- there will be some pricing impact as we put together multiple products into new bundled solutions on one platform. So I think what we're trying to signal is you can't just take net sales times a 2% yield on a price; it won't be that straightforward as we work through the buy side because all revenues aren't created equal. And it's not just a one-for-one product swap with a price increase on top, right? There will be some impact of that mix.

Douglas Arthur - *Evercore Partners - Analyst*

Okay, great, thank you. And then, Stephane, just as a follow-up on IP & Science, transactions, a small percent of total revenues, but they were down a fair amount in the quarter. What caused that?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Transactions in IP & Science consist primarily of sales of what we call back year files to certain customers and these can be pretty lumpy. And that's why we always carve out transactions. They tend to be more volatile, frankly. But, as you said, it's a small proportion of the total revenue base of our smallest businesses, but it's a little lumpy.

Douglas Arthur - *Evercore Partners - Analyst*

Okay, thank you.

Operator

Tim Casey, BMO.

Tim Casey - *BMO Capital Markets - Analyst*

Thanks. Just revisiting the pricing discussion, when you implement price increases, are they implemented throughout the year or is that more of a Q1 dynamic? And is it an enterprisewide practice? So most of the pricing discussion has been related to F&R, but do you expect to be able to put through price increases across Legal and Tax & Accounting? Thanks.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Thank you. That's a good question. We do expect to implement price increases across the segments. When we've been speaking about pricing on this call, I think it has related primarily to our Financial business and in that business, the price increase happens in the first quarter.

Tim Casey - *BMO Capital Markets - Analyst*

Thank you.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

Operator, we'd like to take one final question please.

Operator

Matthew Walker, Nomura.

Matthew Walker - *Nomura Securities - Analyst*

Thanks for taking the question. Just two small ones. Could you maybe be -- you mentioned -- is it stability you need in transactions in F&R to get to positive organic growth, so roughly around zero for transactions to get to positive overall F&R organic growth? And second question is do you anticipate any -- is it too early to say or do you anticipate any charges in 2015?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Hi, Matthew; it's Stephane. I think what we would like to see is actually transaction returning to some level of growth. It doesn't have to be staggering growth, but we need transactions to return to some level of growth. And in terms of your question on charges, we don't have anything to announce beyond what we've announced so far. So it's very much in line with what we've said. We've got another $60 million to take in the fourth quarter. And in 2015, at this stage, yes, there may be some charges, but we would expect to incur them in the run rate of the business. And if that were to change and if we see an opportunity to accelerate getting to some of the financial targets that we've laid out by taking a charge, we would obviously lay it out very clearly, but that's not the expectation at this time.

Matthew Walker - *Nomura Securities - Analyst*

Okay, that's very clear. Thank you.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

That will be our final question. We'd like to thank you all for joining us for our third-quarter results this morning. Have a good day.

Operator

Thank you. Today's conference call will be available for replay beginning at 10:30 AM and running through November 7 at midnight. You may access the AT&T replay system by dialing 1-800-475-6701 or for international callers, 320-365-3844 and an access code of 338529. Those numbers again are 800-475-6701 or 320-365-3844 with an access code of 338529. That does conclude our conference for today. We thank you for your participation and for using AT&T executive teleconference. You may now disconnect.