

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

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PRESENTATION

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Good morning. For those of you who do not know me, I'm Claudio Aspesi, the European media analyst for Sanford Bernstein. I am delighted to have here for the third year, I think, at this point, Jim Smith, the President and CEO of Thomson Reuters.

We are going to have this as a chat. I will very much hope that you have questions from the audience. We will use the usual system, so please feel free to write down questions. We'll collect them, and I will try to put some organization around them as well.

So, Jim, first of all, thank you for coming.

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

Delighted to be here, Claudio. Thank you.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

We have Jim just a few hours before he actually goes to a different event. He is going to be at an event in which Reuters receives a Pulitzer award for --

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

International reporting.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Now, the question is not -- this is not an infomercial on Reuters; it's just an opening into a more important question, which is: how relevant is the news business still to your overall economics?

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

Look, the news business is incredibly important to our overall business in that all the research that we do shows that it is indeed news that is responsible for keeping people fixated on terminals throughout the day. And news is still a big part of what customers buy our products for.

Obviously, the most important news to most of our customers is the commercial news that we supply. And if you looked at the goals and objectives for our news organization this year, they would all be around things like company coverage, sector coverage, emerging market coverage. It would be pretty hard-edged commercially.



But we do spend about 1% of our overall editorial budget on general enterprise journalism, out looking for interesting stories that no one else is covering, and try and provide a compelling reason to keep users tuning in to our products.

And we're pretty gratified about that. Obviously, there is a great historical tradition there, both on the Thomson family side and on the Reuters side. So it is something we are very, very proud of, but we also think it makes commercial sense as well.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Can you imagine having to put more capital into the business at some point?

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

Into the news business? I think we're in a pretty good position there.

We might put some more capital behind some technological solutions. We are very interested in how the media world is changing these days.

To us it's more about the kinds of content that we're collecting and curating, and the kind of inquiry that we're undertaking, than it is about a delivery mechanism. I guess I'm probably very pleased that we are in a position where we're not having to feed a printing press or fill a broadcast channel today.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

So no more newspapers?

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

No more newspaper.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Not even the AFP?

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

No more newspapers.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Okay. Let's switch gears, so let's go out to the Financial & Risk business. Investors still wonder if you can reach the 30% margin target by 2015.

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

Yes, we can. We wouldn't have put the target out if we didn't think it were achievable and --



Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

What do you need to see happen to get there?

Jim Smith - Thomson Reuters Corporation - President, CEO

I think we have to just get -- we have to execute on the plans that we have in place, and we have to see not a marked deterioration in revenue performance. When we set the nearing 30% margin target, we did that not under the assumption that there would be a massive improvement in our revenue picture, but that there would be a stabilization of our revenue picture. That is certainly what we have seen, and we are confident that we can achieve it.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

The recent weakness of trading numbers -- we had Citi and JPMorgan Chase's boss talk about the deteriorating environment for trading. How does that affect both near-term and the 2015 outlook?

Jim Smith - Thomson Reuters Corporation - President, CEO

Well, I don't think it's of the magnitude to affect overall the 2015 outlook. It does put a little more pressure on margins, no question; because those trading revenues are high-margin revenues for us as they come through.

But it's very difficult to look at transactional revenue like that and get too concerned about the level in any given quarter or any given period. What we like to look at is what are we doing in market share, because we know those things will be cyclical; and we are very pleased with how we are standing in market share.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

So you do think that the transaction levels you are seeing now are the effect of a cyclical rather than a structural decline.

Jim Smith - Thomson Reuters Corporation - President, CEO

I think that there will be shifting in where some of that trading activity takes place. But certainly there were a lot higher volumes at the end of last year, certainly.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

Can you give us an update on the Eikon rollout? Where do we stand?

Jim Smith - Thomson Reuters Corporation - President, CEO

Well, I think we stand -- the Eikon rollout is -- I was asked that question even earlier today and my answer was -- is it on track? It's actually probably not only on a track with our expectations, it's on track with our aspirations because we didn't have any real setbacks last year.

Last year was the big forced migration from Reuters 3000 Xtra onto Eikon and everything that went along with that, which allowed us to begin shutting down legacy platforms that supported the old system and to begin the development for all the new features and functionality that we will want to roll out in the future on the underlying Eikon Elektron platform. That went off without a hitch, and in fact we have now shut down the last of the Reuters 3000 Xtra machines. They don't exist anymore.

Three or four of the big -- I guess it depends on what you call a big platform -- but a number of the big platforms that supported those systems have been turned off. And we have turned all of our development attention onto the new platforms.

So I think we are in very, very good shape there. We can now turn the sales force away from the migration challenge, from one platform to the other, on to going out and generating new sales in the area where we are fit-for-purpose, and the developers on a more steady and managed migration of products for the buy-side onto the new platforms.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Now, one of my questions has always been whether from a strategic point of view you see this business evolve into Fortress Bloomberg and Fortress Reuters -- or Thomson Reuters, to be more precise -- with each fundamentally leading in a very visible way in very specific areas. So for example, FX or commodity trading for you. Or whether you see opportunity for large changes in share in the years to come.

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

I think there are -- I think that's a very reasonable assumption and I think that --

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Sorry, the first or the second?

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

Well to both, actually. Look, I think there is no doubt that certainly in the near term what you're going to have is all the competitors growing around the areas where they have specific strengths, right?

And you're right. In FX, in C&E, places like that, we have a very strong value proposition. And we have lots of competition, but we have a good competitive position.

Bloomberg has its positions. FactSet has positions in the -- it's a big market. There's lots of opportunity for lots of us, I think, to have successful and growing businesses.

Then I think the question will become: how do we compete around the edges? And how do we start moving into -- we'll all add features and functionality to try to grab a little bit of share, and we'll see how that plays out.

I suspect, though, that it would be foolish of us to ignore the areas where we're strong. So we will continue to put more money into making certain we maintain the edge in those areas.

That is why we made the move to buy FXall. That is why we will continue to invest in our C&E proposition. And I suspect that's the reason our competitors will continue to invest in areas where they're strong as well.

So I don't think it's unreasonable to think that there will be multiple successful players in the data provision space in the market. But I think it remains to be seen exactly where those boundaries and lines will be drawn.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Messaging. A thorn in your side for many years.



Jim Smith - Thomson Reuters Corporation - President, CEO

Yes.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

Where do we stand on that?

Jim Smith - Thomson Reuters Corporation - President, CEO

Well, I think messaging is becoming a thorn in the side of the industry in general right now. So, what are we seeing?

We're seeing a lot of interest and a lot of discussion about the open market initiative that we joined with Markit and a number of the industry players. We continue to believe and hear feedback from the industry that an open and federated messaging system would and will be welcomed by the industry, and a lot of people are talking about that.

Now, that said, the Bloomberg messaging system is entrenched; it has been entrenched for a long time. I think on top of that, you're seeing a great deal of discussion and scrutiny, not of our open messaging initiative versus a closed Bloomberg messaging initiative, but of messaging in general in the industry and what the future is going to look like.

Because certainly the regulatory scrutiny that is being brought to the messaging environment is at unprecedented levels. And I think that certainly what we saw coming out of the messaging investigations around LIBOR, which certainly raised a lot of hackles, I think what we are hearing around the messaging investigations into FX are certainly bring a great deal more scrutiny into the whole messaging environment.

I think a lot of our biggest customers are really giving a rethink as to what the future of messaging is going to look like, particularly in the trading world, but in the financial services world in general. So I think it's going to be a very hot topic for the next few years and I think we'll see some new models emerge there.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

A year ago one of the hot topics, to use your expression, was privacy. Exactly a year ago, we were in the midst of the Bloomberg privacy issues. With the insight of today, has that changed anything competitively or in your business practices, or in any shape or form changed the industry?

Jim Smith - Thomson Reuters Corporation - President, CEO

No. As I said last year when we were talking about that, it gave us and has given us an opportunity to talk about how we are different. It has given us an opportunity to have a discussion with customers who may or may not -- who were unhappy at finding themselves in that position.

But it's not something that's redirected a sea change in the industry. Right?

And as I said at this time last year, we will win or lose in the market based upon the quality of our products, the quality of our service, and the job we do every day, not one incident or not one own goal by a competitor, but how that plays out over time. So I don't think it's changed and I think it has played out, frankly, exactly as I would have expected it to play out.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

How well is the enterprise business doing at the moment? Are you still happy with it?

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

Yes, still happy with it. It's still a growing business.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

How much can it grow? Does it need to rely primarily on pricing? Is it still a market-share play? Is it still a play of converting customers who do things in-house to external vendors? Is it a matter of selling more to existing customers?

Where do you see the growth now, and where you see the growth in the next year?

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

Look, frankly, I think it's all of the above. It's still a relatively emerging business across the whole of the industry, and I think more and more of our customers are interested in talking about the enterprise feeds. And more customers who don't take enterprise feeds today are talking about how we can provide them with enterprise feeds.

So I think it's all of the above. I think it's one of these instances where you have new technologies and new players who are interested in those feeds as well.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

What is your estimate for penetration of external suppliers? How much is still done in-house?

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

Yes, look, I think a great deal is still done in-house, and I think a great deal is patched together. So I think there is enormous opportunity there. We could go deeper on a discussion of that at a future point.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Now for some of the businesses that have also been great growth businesses. Tax & Accounting has done terrific. How much more potential does it have? Where is it going next?

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

Look, I think there is enormous potential. Our question about the Tax & Accounting business is: how big should we dream, and to what should we aspire?

Now, it was great to have 10% organic growth in the first quarter. Do we think 10% organic growth is the new normal or the new floor? No. I sure would like to think so, but it has consistently been and I think will be a consistent high-single-digit organic growth business that is capable of double digits in certain times.

And the really exciting thing about that is that it's really finding global legs for the first time and has over the last couple of years. I think that the Tax & Accounting business, and as we are defining it -- and we just had a good, long session with them yesterday -- has a lot of legs because it's not just -- remember that business was until two years ago primarily a US domestic tax business. But as we have expanded our corporate solutions we are finding opportunities to take that around the world.

I think as we define not only things like the big corporate tax planning, whether it's entity structure, transfer pricing models, provisions, and those kind of things that corporate tax departments do, but you get down into the operational details of global corporations and you see the pain points around global trade, around indirect tax, and those differences around the world, and you see the applicability of some of our software solutions to that.

I think we see lots of legs there, and that is an area in which we are very interested in growing and also an area in which we have an opportunity to both build solutions and buy content sets in a very effective way. So I think that the tax story as we have today is one of the real bright spots in our portfolio and one that, as we think about reimagining it around the world and think about global trade and not just the kind of corporate tax that we have served in the past, I think it's really interesting.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

How far can margins go in that business?

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

Can margins go?

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Margins, right.

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

The question will be how much we continue to invest in growth. There is plenty of margin capability in that business. Most of those are typical -- or the biggest chunk of that is typical software kind of businesses, so I think there is lots of margin opportunity.

The question always is -- and it was again at the beginning of this year -- we added significant sales capability in some areas where we think we have opportunity to grow. So the trade-off every year in the tax business is: how much of the growth do we anticipate, do we take to the bottom line, versus much do we reinvest to drive growth?

So I think it's a -- we've seen good growth over the last five years or so in the margin of the business, and we will make those trade-offs every year between growth and margin.

Because again, my belief about our business is that margin is just one number; and my ultimate job is to drive the maximum sustainable rate of bottom-line growth. Right? Margin is one way to get it; revenue is another way to get it. And if you can get a sustainable, growing revenue stream, that is the best way to get it.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Now let's talk about some of the less exciting stories. Legal: when does the decline in core Legal services stop?



Jim Smith - Thomson Reuters Corporation - President, CEO

I think we're in a secular decline in the print business, right? I have lived through a few of these cycles in the print business.

But the one thing that is inevitable is that the print business is going to be a smaller chunk of what we sell. For us, it's still a very big and very profitable part of the business.

How will that slow? In the past, you've seen it drop off a cliff and then it slows down, maybe even stabilizes as times get better. That might happen.

But inevitably I think the print business is in structural decline. That is not a cyclical. It may be cyclically staged, but it is a secular decline.

As far as the core Legal research business, I don't know that that goes back to the good old days of 6% to 8% organic growth, but I do think it gets back to growth. I think some of that is a bit of a cyclical phenomenon that we are seeing.

But I think that as we begin to reimagine where core Legal research fits in the workflow of lawyers, and we begin to think about more practical practice-area guides and solutions -- i.e., the Practical Law Company acquisition that we made a couple years ago -- I think we can see a world in which that gets back to growth on the core Legal information bit of the business. And I think we see what we call reimagining the way law firms work and lawyers work around workflow tools, productivity tools, case management tools, litigation management tools, even docketing systems in the courts -- so ways of automating and improving the workflow in the legal system, I think those are all attractive areas for us and can be growing areas.

So I am optimistic. We saw a solid improvement in the first quarter in both our performance in terms of a turnaround of where we had been; then we saw -- touch wood -- an even more encouraging performance in the underlying demand in the legal sector for the first quarter. And one is always hesitant to proclaim a trend off of a quarter or even hope for a trend off of a quarter, but it's the best quarter we have seen in a couple of years. Yes.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

How is the competitive position? Bloomberg Law seems to have just reached its niche position but not grown out of it. Anything that worries you or excites you from a competitive point of view?

Jim Smith - Thomson Reuters Corporation - President, CEO

No, look, I think the competitive dynamics in that space are fairly well established. I don't see any changes upon what I hear from our sales forces, and what I read from our own proprietary research or from other research, like yours. I think that's a dynamic that really hasn't played much.

I think Bloomberg has established a niche position there, but it is a niche position that we don't see as detracting from us. Does it have the potential to detract perhaps a bit from LexisNexis? Yes, maybe; I don't know.

But I don't think the future will play out as a game of Westlaw versus Lexis versus Bloomberg. I think the future will play out based upon how we integrate the right answers for practicing attorneys, for managing partners who are running firms, for court systems.

It's how we build the solutions for the future from the positions that we have built in the past, I think will be far more important than any one product moving market share. Particularly in the US, those are shares that have been established over a long period of time, and they're going to be difficult to move in meaningful ways.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Four or five years ago, your predecessor and I were having a similar conversation at the time, and he thought that 2015 was the year when the Factiva contract came up for renegotiation and it will provide an opportunity to potentially take a much more aggressive stance against LexisNexis. How do you think about that today?

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

Well, they renewed the contract, okay? So they renewed the contract for a longer period of time.

And in fact it wasn't the Factiva contract per se. What our research shows -- and I don't know if you asked this question or not -- it's actually the archival Wall Street Journal --

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

The Wall Street Journal, yes, it's the Wall Street Journal archive.

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

It's all about the Wall Street Journal archival information that they use in research in the United States, and they have extended that I think through 2017 or something like that. So I don't think it changes that particular dynamic.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Investors must have been asking you about whether the restructuring plans are largely done or if there is more to come. How do you think about restructuring and cost?

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

The way I think about restructuring and cost is I think we have a good plan and we are executing against that plan. So on the one hand, I don't spend my days waking up every day thinking about how we're going to drive a cost plan.

We have a good plan. We have structure around it. We have a Chief Transformation Officer in. We have teams and workstreams attacking the cost base, and we're committed to delivering on the cost plan that we put in place.

That said, I think that being smart and thoughtful about cost is just part of table stakes for doing business today. I think that we're always going to have to be very thoughtful about how we go after our cost base and making certain that we don't spend a penny on things that don't matter, so we have the money that we need to invest in the things that do matter.

So I think that on one level the cost plans that we put in place we're confident we're going to achieve those, and I don't worry about them. On another level, I think it's part of a culture change in our organization that says we have to be focused on the cost base forever going forward.

So I think we'll continually be going after those costs. Hopefully, hopefully, by taking a longer-term view at this, we will be able to manage them without the kind of seismic upheaval that we have had over the last year or so inside the Company, with the kind of layoffs and headcount take-out that we have had to implement.



In an organization the size of ours, if we can be very effective at controlling things like turnover, at being thoughtful about our location strategy and being thoughtful about our workforce planning, I think we can do it in a far more orderly and organized way. And that, frankly, is where we are spending a lot more time this year than we did last year targeting cost take-out.

Now we're thinking about what we need the organization and the workforce to look like, where it needs to be located, and making certain that as -- again, in our organization with our turnover of 6,000 or so folks a year, how do we manage that turnover in an effective way to make sure we have the workforce that looks like the workforce we're going to need in the future? And one that we can -- in a footprint that we can grow into more effectively.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

But aren't you fundamentally talking to a situation where you have to continue restructuring even on the workforce? One puts together a few facts, right? 45% of your costs are wages, roughly.

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

Yes.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Unit wage inflation is around 2% to 3% a year, pretty much steadily. Your organic revenue growth has been struggling to meet that 2% to 3% number for quite some period of time; and the immediate outlook is not a lot better.

So for the economic model to work and for margins to expand at some point, you either need organic revenue growth to grow faster or you need to restructure and take cost out.

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

You are exactly right. And I think the paper you published at the end of last week, I believe it was, I think does hit the nail on the head. At the end of the day you have to get back to organic revenue growth.

Our notion and our plan at the moment is that we are attacking the cost base aggressively now. We have got another 18 months or so to go at the aggressive cost take-out that we have identified. And that will propel the bottom-line growth.

At the same time, we need to be turning up the organic growth. And if we can get to a place where we can get -- our goal is to get back to mid-single-digit organic growth. If we can get to a point where we can have low-single-digit organic growth and we can work more efficiently and effectively inside the organization, we can continue to see some margin expansion on the bottom line, but certainly solid growth in profitability.

But you are exactly right. You have to get -- the organic revenue growth has to come through. You can't cut your way to success forever.

I don't know if it's fortunate or unfortunate, we have and I see in our Company lots of opportunity in the near term to drive the bottom line through the cost reduction. If you think about a Company like ours that has been built so aggressively through acquisition in the past, it's probably not a surprise that we do have opportunity to take costs out by moving to more common platforms, common ways of doing things, and more standard procedures across the Company.



Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Before I ask you the next question, if you have any questions, please we will collect them now so that I can pose those questions.

You mentioned acquisitions. In your guidance for EPS growth in the next year, about a quarter roughly, let's say 20% to 25%, of the growth is driven by better -- by uses of capital; and you left that definition open. So it could be both M&A but it could also be stock buybacks. It's deploying capital that will allow you to increase EPS for about a quarter of your guidance, which is an extra \$1.00 a share.

Where do you see the most interesting opportunities today? Is it more on the acquisitions front? Is it more on the buyback front?

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

Well, look, I think we are being more balanced in that deliberation than we have ever been in the past, right? Ours is a Company where the dividend has always been an important part of the value-creation story, right? We've raised the dividend for 20 consecutive years; it's an important part of the mix.

That said, it's a relatively high proportion of free cash flow. In the past, we had devoted virtually all the other free cash flow toward acquisition, toward M&A.

We have consciously slowed down M&A, particularly the smaller tactical M&A that we had done over the past several years, but at pretty high velocity over the past several years as we built out positions. We have slowed it down for a couple of reasons.

First and foremost, inside the Company I have felt it's really important that we begin knitting the companies that we bought together, that we build what I call a platform and a sustainable platform for future growth, and for profitable future growth. So right now, strategically every acquisition that comes forward that adds to complexity has a really high bar, not only from a financial perspective but from a complexity standpoint, because we're really trying to simplify the organization, simplify the Company, simplify our commercials. So there are strategic reasons for slowing down on the tactical M&A as well.

There is also just -- in this environment, if you just put up the math and weigh every investment in an acquisition versus the returns that you could get from buying back shares, that is another hurdle that we look at. So I think going forward we will continue to survey what is out there, but I think you can expect from us a much, much lower level of volume of transactions; and I think you can expect a much higher bar in terms of the materiality of the transaction, in terms of moving the needle.

And that doesn't mean we're out looking for a massive acquisition. That's not what I am talking about.

I'm talking about: can we buy something that we couldn't build in an area that we believe is going to be important to us in 2020? Right? And if it meaningfully moves that needle, we will still be interested in looking at it, albeit within the confines of our capital envelope that we have talked about.

But I think you're going to see a much more robust discussion about where that capital goes, whether it goes to share buybacks or whether it goes into acquisitions. And then I think the more successful we get at the ongoing cost take-out, you will see a big debate about how much goes to margin improvement versus how much goes to invest in growth.

Again, I grew up in the Company and we have said for a long, long time that we would always trade a point of margin for a point of growth any day. And we still believe that.

I think in this environment, it's tougher to convince me that that point of growth will come, right? So I think we really stress-test those growth plans.



The good news is, as I said earlier, we've got the cost initiative underway. The transformation -- we have a Chief Transformation Officer, we have teams and workstreams, so that work is well underway.

That's not the thing that I think about when I get up every morning. I think that is in really, really good hands, although I do monitor it closely.

Where I'm spending the vast majority of my time today is identifying those growth opportunities that we have and figuring out how we can redirect even more resources behind those growth vectors.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

When you look at the landscape of activities you do not cover today, are there any areas where you wish you will be and where you could start to think M&A could lead you? Or are you ruling out doing deals that will step you into new business?

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

It's interesting. I think if you look across the commercial, legal, and regulatory landscape, I think there's lots of growth opportunities either within the wheelhouse of our businesses or right between the joins of our businesses. So I don't see us going out and identifying a whole new leg, looking at big sectors where we don't play today that have the kind of information velocity characteristics, application of technology and analytics. Boy, let's go out and get into a new leg, a fifth leg or however you would describe that.

I do think that we will be looking for areas where we can both buy and build into emerging sectors. In our Risk business, for example, particularly the areas around compliance risk, that is quite interesting. I referenced earlier in our Tax & Accounting business, when you think about global trade -- and not just from a tax perspective. If you talk about the legal and regulatory world as not only those things that get resolved in courts of law, be they common-law or civil law, courts of law, but those things that get adjudicated by regulatory bodies, those are things that you say: geez, does that fall in my Tax business, in my Legal business, in my Financial business? How would we go about attacking that?

For me, a perfect vein would be one of those opportunities where you see emerging needs, for example on global supply chain, that attack entirely new markets within corporations that we don't serve today but also support our Legal proposition, our Tax proposition, our Financial proposition, and/or our IP patent protection proposition, for example.

So I think we have a number of opportunities like that that fall between the verticals or across the verticals, and that's where I am looking right now first, as opposed to looking for entirely new fields to plow.

I also think that we have interesting opportunity on top of our underlying Scientific business to apply more commercial lens and develop more industry-specific products, from putting an industry focus on that underlying scientific information. We have the best patent database in the world, and mining that thing is -- we've done it pretty successfully in the pharma space, in the life sciences space particularly. But I think we have other areas there to mine.

So I think we have a lot on our horizon right now, and that's where I'm focusing today.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Do you have enough management resources to do all these things?



Jim Smith - Thomson Reuters Corporation - President, CEO

You know, I think we made some changes at the end of last year, and we made those changes at the end of last year because to me the answer is yes. We had a lot of really good talent one level down that frankly I thought was incumbent that they got put into a position where they could make a bigger difference in the organization.

I think no CEO is going to sit and tell you that he or she has all the talent that you're going to need for the future. We are always looking for ways of, first, developing the talent inside the organization -- and we have lots of it; and also looking outside the organization to fill gaps that we might have. So, obviously we're doing that like anyone else would be doing.

But we've got a lot of really bright, aggressive, energetic people inside the organization. In fact, it's a great joy in our organization to be able to work with so many professional colleagues. So yes, I feel pretty good about that.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

Are there any questions from the audience? I will just ask you if anybody wants to ask some. Raise your hand if you -- well, it looks like I will go on for a few more minutes.

You mentioned the Scientific business. People thought that after you sold healthcare it was going to be too small to stand on its own. How do you think about it?

Jim Smith - Thomson Reuters Corporation - President, CEO

No, I don't -- if we were going to sell the Scientific business, the time to have done it would have been when we sold the Healthcare business. But I think our Scientific business was different than our Healthcare business.

Our Healthcare business at the time we sold it was almost all, 95%, US domestic-based. The greatest value proposition in it was based upon figuring out the cost and quality of healthcare under the rules of the US system, which are unlike any other healthcare system in the world. Fine business; it just wasn't globally expandable for us.

Our Scientific business is the most global business we have. It has been forever 50% in North America, 50% outside North America. It's a business that just ports seamlessly around the world.

And it's one where, frankly, as innovation becomes more important everywhere around the world we think it's a good place to be. And it's one which we've historically had a strong scholarly publishing and academic backbone to the business but, as I said earlier, which I increasingly think we can put a more commercial framework around.

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

If one thinks back, everything you mentioned, one gets the impression that you are thinking much more globally about the playing field for Thomson Reuters than perhaps it was ever before. It was largely -- in many ways the Company was a leader in North America in many of its businesses, in Legal, in Tax & Accounting, in the Healthcare business, etc. But it had a very strong orientation in this part of the world; and with it seemed to come also very high margin.

An extension to global markets seem to actually be a threat of better growth opportunities and dilution of margin. Has something changed that leads you to think that global growth can be also very profitable?



Jim Smith - Thomson Reuters Corporation - President, CEO

Yes, I think it has, Claudio, and I think it's the way we think about global growth. We're not interested in global growth simply to add another company in another country, nor to expand one of our existing businesses to another country.

The way I think about global growth is about connecting in a global commerce, about serving our global customers as they pursue their commercial aims around the world. But we're interested in doing that where we can do it in a scalable way, right?

So just buying another Legal business in a particular country or a Financial business in a country or a Tax business in a country is not what we're talking about. We're talking about things that can bolt on to our global platforms.

In fact if you look at our business, I am seeing it more about serving global commerce in a scalable way again, about the cities in the world where we do business even more so than the countries in the world where we do business. And if you look at our unique proposition, we have a vast array of commercial data around the world.

We have far and away the greatest repository of regulatory information around the world as it applies commercially. We have the best tax data in a lot of jurisdictions. We have incredible software that applies around the world in the corporate tax arena.

And we have this history that came with the Reuters acquisition of having deep roots in a lot of important places, right? We've been in more than 100 countries for more than 100 years. And as the world grows more global, that counts on the ground in markets.

When I think about our Company, you look at -- it's not quite the 80/20 rule; but if you take our revenues, the vast majority of our revenues come from the top 20 cities in the world. And if you look at where growth is going to come from, it's more kind of a city view around the world.

So it's important that we serve not only those traditional global hubs of New York, London, Tokyo, Hong Kong, Paris, right? But also and increasingly so those emerging markets like Singapore, Dubai, Sao Paulo, etc., etc. And in those places as well, we have got deep roots in operations that have the opportunity to scale up.

So I think it's just in some ways we're blessed to have that global footprint. But I do think our view has evolved, certainly my view has evolved, about the global opportunity that we have because of that footprint, but also about being very smart at attacking it in a scalable way.

So we are not interested in just adding a business in a country to add a business in a country. It's what does that -- and frankly --

Claudio Aspesi - Sanford C. Bernstein & Company - Analyst

Even if that country is as large as India or China?

Jim Smith - Thomson Reuters Corporation - President, CEO

Even if that country is as large as India or China. Where we will play first is in serving our global customers who want to enter those countries, or regional aspirates who want to join into global commerce and want to come out. So inbound or outbound is a place where we can play effectively.

You have to think really long and hard about competing on the ground for what -- we identify the opportunities: Tier 1, Tier 2, Tier 3; being global, kind of regional, and the Tier 3 in-country domestic solutions. We think really long and hard about on the ground in-country solutions, particularly in places like India and China where the price points are completely different, where I always question what scale we're bringing to an operation like that.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Final question. You mentioned a couple of times what you don't do when you wake up in the morning. So, other than think about where is the nearest cup of coffee, what does matter to you when you wake up in the morning? What do you really think about?

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

What I really think about is: where is the growth going to come from? Where is the growth going to come from, and how do we move faster toward that growth?

I think that the one great concern -- I was asked in a town hall in Washington just a couple of weeks ago, and my answer was -- the things that keep you up at night -- that we will be able to change fast enough, because the world is changing fast. I think that probably every CEO, certainly every smart CEO probably worries about that.

The nature of any business, right? You wake up every day with all your resources [decked] to the products ahead. You know the products of the past and the things that made you successful; and you see the opportunities of the future. And trying to make that pivot is the thing that keeps me getting up every day and keeps me out on the road and trying to support the troops as they really drive us there.

Claudio Aspesi - *Sanford C. Bernstein & Company - Analyst*

Thank you very much. Jim Smith, CEO of Thomson Reuters.

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

Thank you, Claudio.

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