

Thomson Reuters Reports First-Quarter 2008 Results

May 1, 2008 4:56 PM ET

 [Financial Tables](#)

 [Q1 2008 Reconciliations](#)

- *The Thomson Corporation reports GAAP revenue growth of 10%; 7% organic*
- *Thomson Reuters pro forma revenues increase 12%; organic growth up 8% on strong customer demand*
- *Strong pro forma underlying operating profit*
- *Results reflect strong performance in both Markets and Professional Divisions*
- *Thomson Reuters expects 2008 pro forma revenue growth of 6% - 8%; nearly all organic Integration plan accelerated; targets raised*

NEW YORK, NY - Thomson Reuters (NYSE: TRI; TSX: TRI; LSE: TRIL; NASDAQ: TRIN), the world's leading source of intelligent information for businesses and professionals, today reported results for the first quarter ending March 31, 2008. As The Thomson Corporation's acquisition of Reuters Group PLC was completed on April 17, 2008, first-quarter results reflect the performance of the two legacy companies reported under Canadian GAAP in U.S. dollars. Thomson had first-quarter revenues of \$1.8 billion, an increase of 10% over the first quarter of 2007, while Reuters had revenues of \$1.4 billion, a 13% increase.

Assuming that Thomson's acquisition of Reuters had been completed on January 1, 2007, pro forma revenue for Thomson Reuters for the quarter would have been \$3.3 billion, an increase of 12% over the prior year period.(1)

"Our combined first quarter results and guidance for the full year reflect the robustness of our business, even in turbulent markets. Our Markets Division holds leading positions in higher growth segments of the financial markets, including foreign exchange, commodities, energy and emerging markets. Our leading positions in the less cyclical Professional markets of legal, tax & accounting, scientific and healthcare information also grew strongly in the quarter. These are high quality businesses with attractive profit margins and strong cash flow characteristics," said Thomas H. Glocer, chief executive officer of Thomson Reuters.

"Thomson Reuters is extremely well-positioned to capitalize on the growing demand across the world's business and professional communities for intelligent information – insightful, high value content that can be used by human beings and machines. As an enlarged global business, Thomson Reuters will now also benefit from the value created by more diversified revenue streams, a larger capital base and synergies resulting from the combination of our businesses."

(1) For an explanation of pro forma financial information, see note at bottom of page.

Consolidated Pro Forma Financial Highlights for Thomson Reuters – First-Quarter 2008*

- Pro forma revenue increased 12%, and pro forma organic growth was 8%.
- Pro forma underlying operating profit grew 37% to \$579 million.

Professional Division

Thomson Reuters Professional Division is made up of four business segments: Legal, Tax & Accounting, Scientific and Healthcare.

- Revenue for the Professional Division grew 11% to \$1.3 billion, led by strong growth in the Legal, Tax & Accounting and Scientific business segments. Organic growth was 7% in the quarter with foreign exchange adding 1%. Online, services and software comprised 80% of total revenue and grew 13%. Print represented 20% of total revenue and grew 5%.
- Operating profit for the Professional Division was \$299 million in the first quarter, a 6% increase from the prior year period. Operating profit margin for the first quarter was 23.5%, representing a 120 basis point decline compared to the first quarter of 2007. The margin decline was due to investments in certain growth initiatives, and the impact of accounting adjustments associated with recent acquisitions.

* Reflects removal of purchase accounting revenue adjustment which also flows through to operating income.

Legal

- Revenues increased 9% in the first quarter to \$809 million. Organic revenue growth was 7% in the quarter with foreign exchange adding 2%.
- Organic revenue growth reflected strong performance for online solutions in both the U.S. and internationally. Software and services also contributed solidly in the first quarter, posting significant double-digit revenue growth, led by FindLaw.
- Print revenue represented approximately 30% of total revenue for the quarter and was up 7%, in part due to timing.
- First-quarter segment operating profit grew 9%, to \$225 million. Operating profit growth was driven by strong revenue. Corresponding operating margin for the quarter was 27.8%, unchanged from the first quarter of 2007.

Tax & Accounting

- Revenues increased 28% to \$205 million. Organic revenues grew 13%, with growth from acquisitions contributing 15%.
- Strong organic revenue growth was seen across all three businesses: Research & Guidance, Professional Software & Services, and Corporate Software & Services driven by core products including Checkpoint and InSource.
- Acquisition revenue growth was driven by the successful integration of the Property Tax Services and CrossBorder acquisitions, as well as the acquisition of TaxStream in the first quarter.
- Operating profit increased 3% to \$39 million for the quarter. The operating margin was 19.0% compared to 23.8% in the prior year period, due to lower initial margins for the above-mentioned acquisitions related to purchase accounting adjustments. As the acquisition accounting treatment normalizes throughout the year, the margin is expected to return to historical averages for the full year.

Scientific

- Revenues grew 9% to \$163 million. Organic growth contributed 4%, acquisitions added 4%, and foreign exchange added an additional 1%.
- Information Solutions, which includes Web of Science, Thomson Pharma and Corporate Solutions, contributed 62% of segment revenues and was the driver of revenue growth in the quarter.
- ISI Web of Knowledge demonstrated continued momentum in the quarter on the strength of a new release launched in the fourth quarter of 2007.
- Operating profit declined 6% to \$32 million for the quarter. Operating margin of 19.6% was 320 basis points lower than the prior year due to investments associated with localization of content in certain Asian markets, and acquisition-related items.

Healthcare

- Revenues increased 3% in the first quarter to \$95 million. Organic revenues grew 2%, with acquisitions contributing 1%.
- The Payer business (35% of total revenue) posted a revenue increase of 9%, reflecting strong renewals and new business from Medstat, and the Provider business (62% of total revenue) was up 4% led by Solucient and Micromedex. However, a decline in PDR (Physicians' Desk Reference) revenue offset the revenue growth in the aforementioned businesses. Organic revenue growth was 6% excluding PDR.
- Operating profit was \$3 million for the quarter, a decline of \$1 million compared to the first quarter of last year. Operating margin declined 110 basis points to 3.2%. Operating profit and margins were impacted by the decline in PDR revenue. Healthcare is highly seasonal with approximately 70% of operating profit historically generated in the fourth quarter.

Markets Division

The Markets Division is made up of four businesses – Sales & Trading, Investment & Advisory, Enterprise and Media. With the acquisition of Reuters, Thomson Financial became part of the Markets Division. For the purpose of this release, first-quarter results are provided for the four legacy Reuters Group PLC businesses, as well as Thomson Financial.

Pro Forma First-Quarter 2008

- Markets Division revenue growth was 11%, 9% organic.

- Markets Division operating profit was \$353 million, up 69%.

Reuters Legacy Business Segments – Actual First-Quarter 2008

Sales & Trading

- Sales & Trading revenue was \$876 million in the first quarter, an increase of 9% over the prior year, with 7% organic growth. A key driver of organic revenue growth was usage revenue, which increased 22%, reflecting the strength of Reuters foreign exchange business. Growth in Reuters premium desktop product *3000 Xtra* was also strong.
- Revenue from the Trader family products declined 11% organically, representing a significant improvement compared to the same period in 2007 when revenue declined 21%. The improvement in large part reflected the absence of revenue attrition from Telerate migrations as well as strong growth in next generation Trader products.

Investment & Advisory (Formerly Research & Asset Management)

- Revenue was \$214 million, an increase of 27%, of which 20% was organic growth. Revenue growth was driven by continued strength in Investment Banking and Investment Management, with strong organic revenue growth driven by demand for content feeds and sales of Reuters Knowledge desktops.
- Revenue from Wealth Management grew 7% organically, mainly attributable to demand for online feeds and web-based solutions, as well as growth in Lipper funds' information revenue.

Enterprise

- Enterprise revenue grew 18% to \$239 million for the quarter, based on continued strong performance across the product range. Organic growth was 14% for the period.
- Revenues for the Pricing and Reference Data business grew strongly, responding to a growing demand for independent pricing and valuations.
- Reuters Data Feed products continued to deliver double digit revenue growth, driven by a strong demand from algorithmic trading engines and other client applications.

Media

- Media revenue grew 12% to \$91 million; organic revenue increased 9%. Revenue from text and TV subscriptions experienced consistent growth. Consumer Services revenue grew at double-digit rates, driven by online syndication and advertising.

Thomson Financial – Actual First-Quarter 2008

- First-quarter revenues grew 7%, to \$565 million, with organic revenue up 6% and foreign exchange adding 1%.
- Organic revenue growth was driven by strong performance across multiple customer segments, including Investment Management, Corporate Services, Omgeo and Retail Wealth Management. Other areas contributing to organic revenue growth included Tradeweb Markets and Enterprise solutions. Continued good growth in Europe and Asia also contributed to the strong increase in organic revenue.
- First-quarter segment operating profit increased 16%, to \$110 million. The related margin increased 150 basis points, to 19.5%, driven by strong revenue growth and operating efficiency and savings attributable to deferred spending due to the Reuters acquisition.

The Thomson Corporation – Actual First-Quarter 2008

- Revenues increased 10%, to \$1.8 billion, led by strong growth in the Legal, Financial and Tax & Accounting business segments. Organic revenue growth was 7%.
- Operating profit was \$216 million, a decline of 4% from the first quarter of 2007, resulting in an operating margin of 11.8% compared to 13.5% in the prior year period. Operating profit includes costs related to the Reuters transaction and THOMSON*plus* initiatives of \$68 million and \$13 million, respectively. Historically, approximately 17% of operating profit is generated in the first quarter.
- Underlying operating profit, which excludes amortization of acquired intangible assets, Reuters transaction costs in the first

quarter and THOMSON*plus* costs for both the first quarter of 2008 and 2007, increased 12% to \$359 million from \$320 million a year ago. As a result, underlying operating profit margin was 19.6% compared to 19.3% in the first quarter of 2007.

- Corporate and Other expenses increased \$40 million in the quarter, to \$131 million. The increase was primarily due to \$68 million in costs during the quarter related to the Reuters acquisition, offset by lower spending on THOMSON*plus*.
- Earnings attributable to common shares were \$192 million, or \$0.30 per share, compared to \$223 million or \$0.35 per share in the same period in 2007.
- Adjusted earnings from continuing operations were \$249 million or \$0.39 per share, compared to \$144 million or \$0.22 per share in the first quarter of 2007.
- Adjusted earnings from continuing operations, excluding acquisition-related amortization expense of intangibles, was \$311 million or \$0.48 per share compared to \$205 million or \$0.32 per share in the first quarter of 2007.
- Net cash provided by operations was \$284 million compared to \$287 million a year ago.
- Free cash flow was \$155 million, up 13% from a year ago.

Reuters Group PLC – Actual First-Quarter 2008**

- Reuters first-quarter revenue increased 13% to \$1.4 billion driven by continued customer demand for transaction and information products in foreign exchange, commodities and energy markets; for enterprise information products, and from growth in emerging markets.
- Organic revenue growth of 10% was aided by new features and products developed in the Core Plus program, including the addition of high value content to Reuters Knowledge, electronic trading initiatives such as Prime Brokerage, and expanded enterprise solutions such as Reuters Datascope.
- Operating profit was \$335 million in the first quarter, representing a 242% increase compared to the same period in 2007. The corresponding margin was 23.6% compared to 7.8% for the first quarter of 2007. Operating profit includes a favorable accounting adjustment of approximately \$115 million associated with the re-measurement of the assets and liabilities of a pension plan at March 31, 2008. Operating profit and margins further benefited from operating leverage, as revenue grew significantly.
- Underlying operating profit, which excludes amortization of acquired intangible assets and other items affecting comparability, increased 88% to \$248 million from \$132 million in the prior year. Underlying operating profit margin increased 700 basis points to 17.5%.
- During the first quarter, Reuters Group PLC had cash outflows of approximately \$500 million relating to its share buyback program and an acquisition.

** Reuters Group PLC results are presented in U.S. dollars under Canadian GAAP. IFRS comparable information in British pounds sterling is included in the accompanying tables.

Savings Outlook

- Thomson Reuters estimates it will achieve run rate savings of \$1.0 billion by December 31, 2010, earlier than originally anticipated, and \$1.2 billion by December 31, 2011.
- The aggregate savings through 2011 includes the benefits from: THOMSON*plus* (\$160 million), Core Plus (\$300 million) and Thomson Reuters integration-related savings (\$750 million).
- At March 31, 2008, the THOMSON*plus* and Core Plus programs had achieved combined run rate savings of \$300 million, leaving an additional \$900 million to be realized by December 31, 2011. The cost to achieve the savings to date has been approximately \$570 million.
- The estimated cash cost to achieve the remaining \$900 million of savings is \$1.2 billion through 2011.
- Going forward, Thomson Reuters will track quarterly savings and costs as a combined total.

2008 Business Outlook for Thomson Reuters

The following represents Thomson Reuters current business outlook for full-year 2008 on a pro forma basis (assumes Thomson acquired Reuters on January 1, 2007).

- Revenue growth (excluding currency effects) is estimated to be between 6%-8% - nearly all organic.
- Underlying operating profit margin is estimated to be between 19% and 21%.
- Free cash flow margin, excluding synergy and integration costs, is estimated to be between 11% and 12% of revenue.

Share Buyback Program

On April 18, 2008, Thomson Reuters commenced its previously announced \$500 million share repurchase program. Through April 30, 2008, Thomson Reuters has repurchased approximately 3.3 million ordinary shares of Thomson Reuters PLC, for a total cost of approximately \$103 million. Thomson Reuters share repurchase activity underscores its financial strength and commitment to a strong capital structure. Thomson Reuters will manage its capital structure and set its cash distribution policy in order to maintain a strong and efficient balance sheet.

Decisions regarding the timing of future repurchases will be based on market conditions, share price and other factors. Thomson Reuters may elect to suspend or discontinue the program at any time. Shares repurchased will be cancelled.

Dividend

The first Thomson Reuters dividend will be paid on September 15, 2008 to shareholders of record as of August 21, 2008, in the amount of \$0.22253 per share. This dividend is based on the 2008 quarterly dividend rate per share of \$0.27 as adjusted for an interim dividend payment paid on May 1, 2008 in connection with the closing of the Reuters acquisition. Thomson Reuters will return to a normal quarterly dividend payment of \$0.27 per share in December 2008.

Thomson Reuters declares dividends in U.S. dollars. Holders of Thomson Reuters Corporation common shares will receive their dividends in U.S. dollars, unless they elect to receive their dividends in Canadian dollars or British pounds sterling. Holders of Thomson Reuters PLC ordinary shares will receive their dividends in British pounds sterling, unless they elect to receive their dividends in U.S. dollars, Canadian dollars and certain other local currencies. Holders of Thomson Reuters PLC ADSs will receive their dividends in U.S. dollars. Information for Thomson Reuters shareholders who wish to elect to receive dividends in other currencies is provided in the Investor Relations section of www.thomsonreuters.com under "Dividend Timetable".

Over the course of 2008, Thomson Reuters controlling shareholder, The Woodbridge Company Limited, plans to reinvest the equivalent of 50% of the dividends that it receives in the first three quarters of the year. Woodbridge's dividend reinvestment in additional Thomson Reuters Corporation common shares will be in accordance with the terms of Thomson Reuters Corporation dividend reinvestment plan. Woodbridge's reinvestment decision reinforces Thomson Reuters commitment to a strong capital structure and balance sheet.

About Thomson Reuters

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs more than 50,000 people in 93 countries. Thomson Reuters shares are listed on the New York Stock Exchange (NYSE: TRI); Toronto Stock Exchange (TSX: TRI); London Stock Exchange (LSE: TRIL); and Nasdaq (NASDAQ: TRIN). For more information, go to www.thomsonreuters.com.

Thomson Reuters will webcast a discussion of first-quarter results beginning at 10:00 a.m. ET today. To participate in the webcast, please visit www.thomsonreuters.com and click the "Investor Relations" link located at the top of the page. A copy of this news release along with slides and other materials for the webcast are available at www.thomsonreuters.com.

Thomson Reuters Corporation is incorporated in Ontario, Canada with a registered office at Suite 2706, Toronto Dominion Bank Tower, P.O. Box 24, Toronto-Dominion Centre, Toronto, Ontario M5K 1A1, Canada. Thomson Reuters PLC (registered no. 06141013) is registered in England & Wales with a registered office at The Thomson Reuters Building, South Colonnade, Canary Wharf, London E14 5EP, United Kingdom.

This news release includes certain non-GAAP financial measures. We use these non-GAAP financial measures as supplemental indicators of our operating performance and financial position. These measures do not have any standardized meanings prescribed by GAAP and therefore are unlikely to be comparable to the calculation of similar measures used by other companies, and should not be viewed as alternatives to measures of financial performance calculated in accordance with GAAP. These non-GAAP

financial measures are defined and reconciled to the most directly comparable GAAP measures in the following tables.

PRO FORMA FINANCIAL INFORMATION

Pro forma financial information included in this news release is for information purposes only and is unaudited. The pro forma financial information was prepared in U.S. dollars in a manner consistent with accounting policies that applied to Thomson under Canadian GAAP prior to the closing of the acquisition and which currently apply to Thomson Reuters. The pro forma financial information should not be considered indicative of actual balance sheet data or operating results that would have been achieved had Thomson acquired Reuters on January 1, 2007, or of results which may occur in the future. The pro forma financial information should be read in conjunction with historical financial results for Thomson and Reuters. The Reuters historical financial information has been converted from British pounds sterling to U.S. dollars for purposes of the pro forma financial information presented using average exchange rates applicable during the periods presented.

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This news release, in particular the sections under the headings "Savings Outlook" and "2008 Business Outlook for Thomson Reuters", includes forward-looking statements that are based on certain assumptions and reflect Thomson Reuters current expectations. Forward-looking statements are those that are not historical facts and also include Thomson Reuters expectations about its future prospects and share repurchase plans. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Some of the factors that could cause actual results to differ materially from current expectations include risks related to Thomson Reuters ability to achieve the anticipated benefits from the Reuters transaction and other cost savings initiatives (including within the time periods currently expected), develop additional products and services to meet customers' needs, attract new customers, general economic conditions and actions of competitors. In addition, Thomson Reuters does not control Woodbridge and Woodbridge is not obligated to reinvest its dividends in Thomson Reuters Corporation common shares. Additional factors are discussed in materials filed by Thomson Reuters Corporation and Thomson Reuters PLC from time to time with securities regulatory authorities. In preparing its Savings Outlook and Business Outlook, Thomson Reuters material assumptions were that (i) there will be no change to existing prevailing worldwide macroeconomic conditions; (ii) there will be no material adverse events which will have a significant impact on Thomson Reuters financial results; (iii) a portion of Thomson Reuters anticipated 2008 revenue growth will come from tactical acquisitions made during the year; (iv) the anticipated 2008 underlying operating profit margin includes benefits of savings programs and excludes synergy and integration costs and acquisition-related expenses of amortization of intangibles; (v) the anticipated 2008 free cash flow margin excludes synergy and integration-related costs; (vi) the Outlooks reflect the continuing operations of Thomson Reuters business as of March 31, 2008; (vii) the Business Outlook includes integration-related costs together with various cost savings initiatives; (viii) the Outlooks assume Thomson had acquired Reuters on January 1, 2007; and (ix) the Outlooks include preliminary estimates of pro forma adjustments based on estimated fair values of assets. Thomson Reuters disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law, rule or regulation.

Contacts

Fred Hawrysh

Global Head of Corporate Affairs, External Communications

+1 203 539 8314

[Email](#)

Frank DeMaria

Global Director, Corporate Media Relations

+1 646 223 5507

[Email](#)

Frank Golden

Senior Vice President, Investor Relations

Tel: +1 646.223.5288

[Email](#)

Victoria Brough

Head of External Affairs, EMEA

Tel: +44 (0) 207.542.8763

[Email](#)