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THOMSON REUTERS

CORPORATE PARTICIPANTS

Jim Smith *Thomson Reuters Corporation - President & CEO*

CONFERENCE CALL PARTICIPANTS

Claudio Aspesi *Sanford Bernstein - Analyst*

PRESENTATION

Claudio Aspesi - *Sanford Bernstein - Analyst*

Good morning. I am Claudio Aspesi, the European media analyst for Sanford Bernstein and I am delighted to introduce Jim Smith, CEO of Thomson Reuters.

I'm going to jump right into it and I'm going to start from a very simple question. You promised a year ago an extra $1 of EPS in three years' time. You broke that down. About 55% of that will come from cost-saving initiatives; the balance would be in a range that is somewhat bearable, but fundamentally split almost half-and-half between capital actions and growth.

Can you first of all update us on progress across all those three dimensions? Where you are; are you still comfortable with that guidance?

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

Yes, we are extremely comfortable with that guidance and in fact, I think we are well underway. If anything, our confidence has grown in being able to deliver that. And I say that because if you look at -- you say the various components there. The cost side is something that we have gotten our arms around. We feel pretty confident that that is in train and if you look at the capital side, I guess you saw that we just recently approved another $1 billion buyback, which we will execute and we have actually been executing a little bit faster than we had expected. And that's all in train.

And then from the growth side, I think we have seen very good trends in certainly the last five quarters. If you look at our financial business, really 10 of the last 11 quarters have been in positive territory in terms of year-on-year improvement. We've been back into kind of positive net sales growth there. We have seen very encouraging trends underlying in our Legal business. Tax and Accounting business continues to be a very strong growth story for us. So we feel pretty good about our ability to deliver on that near-term guidance.

If I could broaden just a little bit, I have seen my job since I took over as CEO in 2012 in three distinct phases. The first phase was keep the ship from sinking. Out in the world after 2008, the world changed on us and we hit a few icebergs along the way as well and we were actually losing share in our financial business and losing share in a declining market, which is a very tough place to be and a frightening place to be so we had to stabilize. Check, good news is, we have stabilized that. The ship is not going to sink; we know that. The question is where do we want to take it.

Second phase to me has been all about what I call building a platform that can sustainably support our future growth, the buildout on that platform. And we are well on track there. We named a Chief Transformation Officer in Q3 of 2013. We've been executing on that. And the trains are really on track and the track is laid. And so when you think about everything we have to do on the transformation and cost side, there's a lot of work to be done, but I am very confident that work is going to happen. Action plans are in place. People are responsible. The organization is responding and I think you have seen it in a bit of the underlying movement in terms of margin.

And frankly, then if you look at the evolution, there is very little of that kind of 2017 guidance that we have given that relies upon revenue uplift and we are starting to see enough to deliver that. So I think that we feel very confident in phase 1, phase 2 -- phase 2 is there. And that's what we are counting on to deliver the 2017 number. We feel very confident in that.

The exciting thing for me personally now is that, into my fourth year now as CEO, I can turn my attention to the growth story fully and I'm doing that this year because once we get beyond 2017, frankly, we're going to have to see more top-line growth to drive the bottom-line growth and to make sure that this is sustainable. So that is where my energy and attention is focused right now actually on beyond 2017 because I am confident we will be able to deliver 2017.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Now, let's go back to this whole theme of growth. Why is growth important? We have long argued that ultimately with so much of your cost base being driven by wage inflation, anything below 3% organic growth just doesn't really help you expanding margins comfortably unless you restructure and take a lot of cost out, but there is a limit to that. So when you think about the future, when will you be able to go back to 3% growth? I know it is hard to provide the specific guidance, but when will you be able to see 3% or more? Is the environment changing fast enough for you to start seeing that in the future, or are we too far away from it?

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

I think you are right. You point out a really important dynamic in our business and that is 3% is a magic number for us because everything above that -- it's a large fixed cost business and once you kind of get above that number, the flowthrough to the bottom line is remarkable and then the ability also to fund other things is remarkable.

I think if you look at the trajectory of our business, about half -- we are at a point where about half of our business is in markets that are flat to declining, or has products that are flat to declining. But the other half of our businesses are in markets that are growing greater than 6% and many of those businesses are growing far greater than that 6% number. So the natural evolution of the portfolio as the businesses that are in growing markets becomes a greater part of the mix, that natural evolution of the portfolio will get us back into low single-digit growth combined with the rebound in the financial business. So I feel confident in getting back to that low single digit. Is it 2%, is it 3% and what quarter does it break out, I don't know or what particular half-year, but you can see that coming.

Where I focus now on growth is to say, okay, what does the future look like and what is our long-term growth strategy. So getting us back to that low single-digit growth is all a part of what I call enabling the core and part of that is building that sustainable platform to support our future growth because also while we are taking costs out by consolidating platforms, we are also building more scalable, reliable, effective platforms. We are improving products at the same time by being able to create new products, by being able to more readily share content across multiple business units and multiple product sets. So that's enabling growth as well, but that is the first leg of really a three-pronged growth strategy.

A second part of the growth strategy and one that is kind of the most eminently actionable is all about becoming world-class and go-to-market. That is world-class in everything that has to do with sales, customer service, marketing support, pricing, that stuff and this year, at the beginning of the year, I formed a new position and put one of our senior executives into the role of Chief Customer Officer and that Chief Customer Officer is responsible for all things touching customers.

Our organization has pockets of excellence in terms of all things customer, but we don't have consistent policies and practices across the firm and we want to make certain that we are doing that. And frankly, I believe that being world-class at sales, marketing, customer support, pricing, being really disciplined about that can add a point to two points of growth and I've seen it in other various individual business units. And I think if you look at where we are, the opportunity to bring very rigorous targets and programs around retention, around customer acquisition and stuff like that and then pricing discipline in a consistent way across the firm, I think that can add growth that gets us back into that -- toward that mid-single digit number.

And then the third leg is all about doubling down, which is a euphemistic -- investing a disproportionate amount of our resources in those markets that can return the greatest growth rates for us. And what we began last year was a bit of a strategic review of the business, not like a strategic review of the portfolio that people talk about, but rather looking at the markets we serve today, where are the pockets of growth, what is the opportunity for us to grow, do we need to be looking for new fields to plow, or what can we sell to current customers or what products that we have could we sell to customers that might fall near adjacency or between the cracks. And the good news is we came away from that and with broad agreement from our Board and support from the Board, we think we have pretty sustainable opportunities there and substantial opportunities without massively going out and looking for new fields.

Claudio Aspesi - *Sanford Bernstein - Analyst*

So let us [guess]. Some of the growth opportunities in markets where there is growth will probably be around productivity tools rather than traditional content, probably software more than traditional content. Which geographies -- can you take us through some of the (multiple speakers)?

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

Sure, I'm happy to do that. In fact, broadly speaking, they fall at the intersection of regulation and commerce. So tools that help businesses comply with regulatory compliance risk, regulation in general, taxation; you are exactly right. So it is the intersection of regulation and commerce. And it is also the intersection of, not surprising, technology and information and they are around more software than just the pure information tools and combination of what I like to call content-enabled software. If you look at our fastest-growing individual business unit, it is our Tax & Accounting business. That business now derives 60% of its revenue from software sales. So I think you're going to see software sales, you are going to see workflow productivity tools into the current markets that we serve play a much bigger percentage of the growth story.

And I also think there's an opportunity for us to extend those tools into markets that we currently don't serve specifically, or serve as an adjunct. And broadly speaking, that is nonfinancial corporates, nonfinancial corporates and governments and taking some of the tools that we have and designing them to solve pain points in governments. We think there's enormous opportunity there.

The interesting thing about the software tools is there -- and the workflow productivity tools -- is they are largely portable globally. And if you look at that Tax & Accounting business that I was mentioning, it is quite interesting. Three years ago, it would have been 99% US domestic. Last year, it closed 20% of the revenues coming outside of the United States and we have added pretty aggressively to put feet on the street in the most attractive emerging markets that we see.

To your point, in terms of geographies, we think that emerging markets are an important part of the story for us and not just because we want to have kind of a multi-domestic strategy of planting a flag in every country and having even the strongest domestic player in each and every country. I think what we see our role and what we see our purpose and the real business opportunity for us as a company that has operated in more than 100 countries for more than 100 years is the opportunity to connect global commerce, to empower the global commercial ecosystem and to provide a platform for a world in which there is greater transparency and to support a war where the rule of law governs the conduct of commerce. So it's along those lines that we think there is enormous opportunity broadly at the intersection of regulation and commerce.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Now more software means probably or potentially more capital intensity. How else is your economic model going to change?

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

Look, I think if you look -- I am not certain that it does mean more capital intensity. I think it means more focused intensity. We spend $1 billion a year on capital right now. It's not like we are massively underserved. 8% or so of revenues now are devoted to CapEx and I think we see an opportunity to redirect a lot of that capital, particularly as we begin shutting down legacy systems. We've I think worked pretty effectively to redirect capital in the past to building these sustainable platforms for the future and to aggressively move towards shutting down legacy platforms.

I think the more effective we get at that, the more capital that we are going to have available to put toward developing the tools of the future. I also think that the approach we are taking by having more standardized platforms and more standardized toolsets mean that we can develop more effectively across the organization. We are doing more stuff centrally than we have ever done before. I don't mean that in an, oh, Lord, we are driving product development. I mean we are driving the technological platforms that will be used. We are driving the metadata that will be used. We are driving the tools and developing the tools so that we are using common toolsets across the organization. So I think we can do it again more by redirecting where we spend our CapEx than by requiring a massive increase in CapEx.

Claudio Aspesi - *Sanford Bernstein - Analyst*

You mentioned the transition away from some of the legacy systems. That obviously leads us into a conversation about financial and risk. Can you tell us where the transition is today in that business?

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

That transition is well underway and I think we kind of laid out the path. We talked about a number of legacy -- three years ago, we talked about a number of legacy platforms that we would be shutting down and if you kind of walk through the history, there was the bridge network, [tick], there was a whole bunch of them that we've done and we have kind of walked along and we've ticked those off kind of on time, on schedule, gotten the savings that we predicted.

The last kind of big piece that we laid out at our last Investor Day two years ago is a global real-time network. That is a big chunk of the savings we are looking for in the platform savings in our financial business and that is to come off in the latter half of this year. Good news that I just got a report about that last week. I would say if anything management is growing increasingly confident that we will be able to deliver on those timelines. If you look at it, and I don't know if we have reported this, probably not, but I can say about 60% of the customer -- remember this is big global real-time network -- you can't turn it off until the last customer is off or somebody's trading floor goes dark. So you've got to run it until you switch it off all at once. About 60% of the customer base has now been converted over to the new platform. About half of those have gone dark on the old platform. We have weekly targets for who gets switched over and who gets the last mile turned on. And I think there is increasing confidence that we will get through that migration this year on plan and that will be another milestone in the journey. So we are feeling increasingly confident on that.

So it's not just about platforms. If you look at the Financial & Risk business, we are most encouraged by the underlying sales trends that we have seen. And the other thing about our business model is not only is it -- it does have a lot of leverage in it and does revenue flow through above 3%, it's also a slow ship to turn in that this year's sales translate into next year's revenues and there's a considerable lag to making a sale and recognizing the revenue. But the underlying sales trends have been encouraging.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Are they picking up in Europe as well? A year ago you, were still concerned about Europe.

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

Europe was positive and I was just in Paris last week and the team is confident and they have been net sales positive in Europe in two of the last three quarters, including the beginning of this year. So I think the European business has, particularly the European business in the banking sector, has stabilized. And I think if you look across the financial sector, I think the financial sector has stabilized. In many instances, you may not like where we have landed. You may not like the regulatory environment, but there is not the same kind of new wave of regulation coming out every day. And I think from our discussions with our clients, people are now figuring out how to deal with the new world and moving forward with some sense that we know what the playing field is going to look like. Like it or not, we know what it is going to look like over the next couple of years and that is more stable. So those underlying trends in financial services look better. It doesn't look robust by any stretch of the imagination, but it does look better and to see growth in that sector, again, is encouraging to us and underlying.

Claudio Aspesi - *Sanford Bernstein - Analyst*

A reminder, by the way, you have cards for questions on your chairs. Please feel free to fill them out and we will collect them and we will ask the questions on your behalf, if you have any. Can you take us through your latest thinking on the competitive landscape in Financial & Risk? You and I have had this discussion many times before whether we were heading for a world where there was fortress Bloomberg in some businesses and fortress Reuters in some businesses or whether you could really contend the whole field with the risks and the opportunities in places in that. Where do you stand today?

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

Look, I am very familiar with your thesis on those two fortresses and I think that's a perfectly valid argument to make. I think where we might disagree is where the middle ground and the contended area would be. And you're right. Look, and it is not just -- add FactSet into the mix and add some other folks into the mix. The financial services market is huge and there is plenty of opportunity for multiple folks to thrive, let alone survive serving the financial services market.

There is no question that there are certain parts of the market in fixed income, certain aspects of the buy side where Bloomberg has strength that we don't have and I suspect it will be very strong for a long period of time to come. There are other aspects of the market where we have things that they don't have. We have positions they don't have and I think we will continue to thrive for a long time to come.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Can you remind (multiple speakers)?

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

Well, like foreign exchange, which is a strong franchise for us, commodities and energies was a strong franchise for us, wealth management, which is a strong franchise for us and remember for a moment, we're talking about kind of desktop footprint here. Desktop is 40% of our Financial & Risk business and 60% is other stuff other than desktops. And if you would ask me where -- we had to improve the features and functionalities of our desktop and we have to be competitive and we will continue to be competitive. And to finish that thought, as we roll out more to the buy side, we just moved through really the new Eikon platform for the sell side. We are this year moving it through for the buy side. We will be more competitive on the buy side when we get that completed this year to early next year. We will be a lot more competitive there. But again that is in the desktop space.

If you ask where a lot of our focus, energy and attention is going is to the non-desktop space. It is the feeds that we provide into the market. It is to the Risk & Compliance pricing reference data side of the market. That is a nice healthy growing part of the business for us and that business has and those businesses have been growing nicely.

The trading businesses themselves are subject to the volatility of the market and they will come and go, but I think it's important to remember, when we think about the growth of our financial business long term, it is more than just a desktop. I think your thesis is a valid one. But in the middle there, what we find is we have a different strategy. We are not one price, one box. We offer tiered pricing models for what you need. So in many instances, we can offer a competitive price to some of the premium alternatives and for certain users inside certain institutions who are using a fraction of the functionality of one of the other providers, there is a real incentive to say if you are only using a fraction of that functionality, we can provide a good enough alternative in some markets where we may not be fit for purpose.

If you need full connectivity to middle and back office functionality as a portfolio manager, FactSet has got a more integrated offering than we do. If you are an analyst, take a look at our new buy side product. I think we've got an attractive proposition because we've got natural language search, a very slick clean interface and some interesting content.

Claudio Aspesi - *Sanford Bernstein - Analyst*

What is the competitive picture in the feed business in particular? Are you seeing any new competitors come in? Is it fundamentally a business where you continue to gain share?

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

We like our position in the feeds business. There are lots of people trying to get into the feeds business and people who are making efforts in the feeds business and people who are selling some feeds. And I think many of our competitors would like to increase their position in the feeds business. It's a place -- the good news about the feeds business is it's very, very sticky. Once you get wired into the internal systems of your customers, there has to be a compelling reason to make a switch because it's a fairly, I guess, nontrivial exercise to rebuild your internal market data system.

Claudio Aspesi - *Sanford Bernstein - Analyst*

And are you still seeing a lot of companies which used to do this on their own now buying their solutions from you?

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

I think the breadth of our conversations with our customers across the globe has never been greater. So every single large bank at the top is reevaluating what they need -- what is it they uniquely do, what really creates a (inaudible) for them. And to the extent they can replace something you have to spend money on internally with an, quote, industry utility model, or a third-party outsource model, they are finding that very attractive.

So there are a number of things that we think we can help them automate and if you -- across the face of the bank from market data operations, particularly the client onboarding, customer screening, those kinds of things. We can never step into the shoes of a financial services customer in terms of assuming the risk that they have and they will always have to have their final review on decision-making, but if you look at the chain at work on customer onboarding, for example, the KYC screening and all that kind of stuff, it's largely -- up to the point of the decision-making process, it is -- there's 80% overlap. Everybody is doing the same damn thing again and again and again and if you look at an area where banks are actually now hiring people today and where costs are going up because they've been driven by regulation, tens of thousands of bodies are being thrown at that and we think there's a real opportunity to automate that, provide real industry utility there and help take costs out that are now being handled by labor. Probably the only place in most banks where you are still hiring thousands of people.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Let's switch gears to the Legal business. You referred, in the context of financial services, you referred to a world before 2008, a world after 2008. Isn't that the case for Legal as well?

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

Absolutely. But to stretch the analogy, I use financial services term here, the power in the legal industry as well has shifted to the buy side. I think we've seen it in both of our industries and now, once upon a time, and we have a wonderful legal business, but once upon a time, it was hourly rate, cost plus, every cost that you had you just passed through immediately to your customers and the world before 2008 was a very happy place. Remember when we used to have inflation and you can get inflation plus premium for nice premium products.

Today, the power shifted to the buy side, particularly the large corporate clients that drive the bulk of revenue for the large law firms are being far more judicious about what they are willing to pay. They are being far more demanding of their firms. They are looking for efficiency, they are looking for effectiveness, they are looking for less variability in their cost base. So you're seeing far greater amounts of work being done on a fixed fee basis as opposed to by the hour and tell me after you have done all the work. And that is driving really in the industry a need for efficiency tools and workflow tools, the same kind of stuff we talked about on the financial services side.

And again, if you are around long enough, you remember the old days, the good old days when we were talking about how to market early improvements in Westlaw and I remember being cautioned by the grizzled old veterans to be careful of talking about efficiency to people who charge by the hour. Well, today, I can tell you that law firms and lawyers and general counsels certainly are very interested in efficiency. So anything we can do to help improve that efficiency is very attractive and we are finding a lot of ways to do that. Some ways are streamlining our content. We do have in terms of legal research, WestlawNext is the best legal research tool. It does get you to the answer much more quickly than anything that has come before it or anything else in the market and that is attractive and it's authoritative.

But we also have a number of tools that help both law firms manage their practices, build their businesses, client development tools, things like that and we have tools that are very effective at helping general counsel manage their relationship and matters with outside law firms and keep very tight track of the spending with outside firms.

So to the extent we can continue to help provide productivity tools into the legal services arena, we think that is quite an attractive growth opportunity for us. Again, we talk about the world before 2008 and the world after 2008. It's a different place, which means the opportunities are probably going to come from different spots in the market, but they are still opportunities. Any time markets start to change, it presents opportunities and either strong incumbents like us will take advantage of that and shift and more, or someone else is going to step in and grab that opportunity.

Claudio Aspesi - *Sanford Bernstein - Analyst*

That begs the question what is the competitive landscape today?

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

I think you know as well as I do what the competitive landscape looks like. I think increasingly you look at the bottom and you see lots of upstarts that are coming in and looking for point solutions and designing good point solutions and trying to be disruptive in markets.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Are they successful?

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

To some degree, you see some. They are primarily successful at coming in and attracting a buyer from one of the established players. In the established markets that we serve, particularly in Financial, Legal and even in Tax, we are seeing less disruption of players than smart point solutions that somebody is buying and building into a platform that they already own. I think you are seeing increasing competition from nontraditional players, meaning technology companies that are trying to move into spaces that we would have traditionally occupied by using -- by automating things that might have been feeds before. I think we are seeing software companies that are increasingly interested in the space.

So I think we know what the competitive dynamic looks like with the established players, but I do think if I think about our world at large and the opportunity to serve that intersection of regulation and commerce, we would come at it from having deep vertical knowledge around the regulatory space, around the legal space, around the market data space. Other folks would come at it from a technology space -- from every -- broad skills around the technology side, the software side and then try to solve pain points from that perspective.

So I do think it is changing and I think the nature of competition will continue to change and I can tell you increasingly when we talk to our biggest customers about solutions, you see other people at the table trying to pitch their solutions that start with technology where we start with kind of the pain point and the concept.

Claudio Aspesi - *Sanford Bernstein - Analyst*

How do you see international markets in Legal? You have had different approaches over time. You have sold some of the businesses. So we are established in specific countries or regions. What is your latest thinking on that?

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

I think that our Legal strategy matches our overall corporate strategy, which is I am less interested in having a multi-domestic business than I am in connecting the global ecosystem. And to the extent we can have a strong national player that serves our multinational customers, that is pretty attractive, but I am not that interested in just planting flags in countries and owning multi-domestic businesses.

Obviously, there are some very large and important global countries where, if we had the right opportunity to enter the market and have a strong position, I would be very interested in exploring that. But just to have a Legal business in Italy, to have a Legal business in Italy, no, not necessarily. And frankly, as we redefine kind of the legal and regulatory world to be not only stuff that happens in courts, but stuff driven by regulatory bodies, I think I see an opportunity for us to build and/or license content into solutions. We don't necessarily have to go out and buy underlying legal businesses to feed content.

And if you think about that and getting back to that regulatory side -- if you look at what we do today, we physically cover more than 500 regulatory agencies around the world. Every single day, update every regulatory change and if you asked me what is most important on the Compliance side for our key global customers, it is those kinds of regulatory changes and then us helping them stitch together a network of kind of multi-domestic solutions.

I am pleased though that we are the -- if you look at the legal market around the world, there is -- the US legal market is far and away the biggest. If you want to be a leader in the global legal market, it is good to start by being the leader in the biggest, by far, legal market in the world and I think the statistic that the US legal market is larger in and of itself than the next eight countries combined.

Claudio Aspesi - *Sanford Bernstein - Analyst*

That gives a sense of scale. Tax & Accounting. Is that a business that has a pre-2008 after 2008 story to it as well or not?

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

I think it's more -- I think yes because I think everything in the world has a pre and post. That is just a great underlying business. That's a great business that has grown -- as I say, has now grown outside the United States and it's beginning to globalize and I think again it is 60% software, which is more portable globally. And it's interesting, post-2008, in the new regulatory environment and in the restructuring of global commerce and global trade, what we have done in that business is to redefine -- think about global tax and trade. And we have tools that help companies deal with their global tax planning, big corporations' global tax planning. We have tools that help corporations deal with their global tax submissions and compliance. And we have tools that help deal with cross-border tax and tariff issues.

But if you think about global trade more broadly, particularly as a lot of multilateral and parties -- treaties are getting signed, tax and tariff is just the tip of the iceberg of the regulatory world when goods and services cross borders. So I think we see real opportunity to build out that business again more broadly from just tax and tariff, but incorporating more holistic bits of regulation into the kind of software tools that we have. So in some ways, 2008 has changed -- and the world after 2008 has changed our thinking about the global economy and it has changed, I think, the horizon for our Tax & Accounting business to be -- to live more at that intersection of tax and other regulations that affect global commerce.

Claudio Aspesi - *Sanford Bernstein - Analyst*

There seems to be a lot of political pressure in many countries, at least in Europe, to drive more local taxation at the expense of multinational transactions. There's a sense that countries like Ireland or Luxembourg have perhaps unfairly or again, it's a political question, but perhaps unfairly profited from establishing themselves as low taxation countries and other drivers to have taxes being paid back in the large European countries. Is that move toward simplification, if you want to call it this way, of some of these trade flows and tax flows going to help or hurt the long-term growth of Tax & Accounting?

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

I think the -- look, massive simplification of global tax regimes would not be good for our Tax & Accounting business. The complexity is where -- sorting through the complexities is what we do. I don't believe we're going to get massive simplification of tax regimes anytime soon. So I think the business has a very bright future and frankly should there be massive changes in tax regimes, that will be very good for us certainly in the near term while we figure out what the next chapter looks like. But I frankly believe the global tax and treaty world is getting more complicated, not simpler.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Now, your business is very much driven by the corporate side much more than the traditional accounting firm side. This was a big strategic decision you made years ago and it has also given you much better growth than most of your peers. Other than trade, is there any other big idea that you are working on? Is there anything outside that's going to move middle-market or is there anything else that you can do that even further supplements the growth of Tax & Accounting?

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

Yes, I think if you look at it, we have a pretty good SME presence in the United States. We have a pretty good SME presence in certain parts of Latin America and we are looking at the SME opportunities in other countries around the world. And it is entirely possible that we could expand our presence in SME markets around the world and there are -- and when I say in Latin America, in a couple of countries in Latin America, we have a nice SME presence in Brazil and Argentina and we think there's a nice frankly SME opportunity in Mexico and we are currently trying to plan how best to address that. And the question becomes do we do it through -- by extending our technology platform and putting localized content in it, or what does that platform need to look like or is there a different inorganic way that we should be thinking about entering the market. But we are looking very intently at what SME opportunities there are around the world, particularly in markets that we need to have a strong presence in to support the corporate footprint as well. Because for MNCs, tax planning can be global, but compliance is local.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Last business to talk about is Science. You may not be able to answer directly the question, but ultimately where is the opportunity in Science for Thomson Reuters at this point?

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

I think the thing about our Science business and our IP business, which are managed together, is that while the end-users look a lot different and the end markets are a lot different, the problems that they are trying to solve are pretty similar because it is all about applying technology to complex and changing data sets. And what we have tried to do in our IP and Science business is to look for ways of commercializing and doing a better job of commercializing some of the underlying databases that we originally bought for academia. So we've done that pretty effectively in pharma and we have a number of products that feed into the pharma channel.

What we are exploring right now is what are the other industry verticals that would look attractive and basically is how do we take on many sources, but things like the Derwent Patent Database and mine the Derwent Patent Database for commercial purposes. So really what we are trying to do in the IP and Science business is figure out how to help primarily businesses manage the whole commercialization of innovation from idea to patent to protecting that patent and then to protecting your intellectual property worldwide. And we've gotten some very interesting businesses there. As I said, we've had a lot of luck in pharma. We are looking at other industry verticals and on the IP management and brand protection side, we've got some pretty interesting businesses in online brand management and protection. (inaudible) a very interesting business that certainly fits in that mold of helping businesses in their global commercial aims. So we are making investments and spending a lot of time and effort trying to get these growth factors up and running and performing better.

Claudio Aspesi - *Sanford Bernstein - Analyst*

Final question, every decade or so, this Company makes some very bold moves. You abandoned the newspaper business. Probably a good decision in retrospect. You doubled down or more than doubled down in finance seven years ago. So we are almost coming to the decade. In the past few years, as you finally cleaned up the cost structure, you'll have some more time to think about big ideas. Now obviously you're not going to tell us today what your next big idea necessarily is, but how is that process managed and what are some of the logical things that you will have to keep in consideration as you think about whether in a few years' time the need comes for another big idea like that?

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

Oh, God -- look, we're not looking at the big idea today, honestly, because I outlined those three phases. We are still in an execution phase and I am not looking at M&A as the answer to my prayers or the ultimate game plan here. In fact, I am trying to build a machine that can deliver the maximum sustainable rate of profit growth over time.

Claudio Aspesi - *Sanford Bernstein - Analyst*

With the existing portfolio?

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

With the existing portfolio. That's exactly what we are looking at. What influences thinking? What influences thinking and what would prompt -- and you are right when you talk about the past three decades. I'm in my 29th year, so I have been around for a lot of those moves and involved in many of them. I think what changes thinking is where is the opportunity for growth, one and that is the most positive thing, or do you see an industry that you think is really shifting away from you. And as you look at your growth opportunities, do you have the resources to adequately go after the most attractive ones?

And I have always believed that and said you could only have so many baby birds in the nest because they need to be fed. If you own a business, you've got to believe in the growth story, you've got to fund that growth story at what you believe to be an adequate level and we are constantly evaluating that. So as we look to the future, if we see a real opportunity to go big in an area that we are convinced would offer superior returns, we wouldn't shy away from doing something like that because it is in our DNA to think about taking big bold moves when they are warranted. I would just say it is not on the top of my operating agenda today. I don't see one of those out there. In fact, I see great opportunity today in building into those areas I have described earlier at that intersection of compliance, of regulation and commerce.

And frankly, we have the best assets in those spaces today and I see more opportunity to kind of organically build and maybe tack a few things on than I see big bold moves. See a big bold move and it makes sense, we wouldn't hesitate to consider it.

Claudio Aspesi - *Sanford Bernstein - Analyst*

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

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

Thank you.
