

THOMSON REUTERS

2021  
INVESTOR DAY  
MARCH 16

# Financial Perspectives & Value Creation Drivers

**Mike Eastwood**  
Chief Financial Officer

Investor Day 2021

# Agenda

## 1. 2018 IR Day Goals vs. 2019 & 2020 Results

## 2. 2020 Recap

## 3. Change Program - Two Powerful Levers to Drive Both Growth & Efficiencies

- Lever #1 - Holding Company to Operating Company
- Lever #2 - Content Provider Company to Content-Driven Technology Company

## 4. Value Creation Drivers

- Organic Revenue Growth + Margin Expansion – Lower Capital Intensity = Free Cash Flow per Share Growth
- LSEG Interest Provides Substantial Optionality
- Significant Value Creation Opportunity

# 2018 IR Day Goals vs. Actual Results

## What We Said in 2018

Greater focus on leading positions we have in Legal, Tax, Corporates & Government businesses

Accelerate organic revenue growth

Reduce costs, increase margins & FCF per share

Well capitalized with significant capacity for organic & inorganic investment & maintain strong capital structure

## Where We Are Today

- Big 3 segments growing mid-single digit
- Reported Adjusted EBITDA margin 33%
- Reduced Corporate costs by half
- Generated 2020 FCF of \$1.3B
- Deployed ~\$1.3B of Investment Fund in core markets and Big 3 businesses
  - Significant capacity before LSEG proceeds
  - \$700 million remains
  - Net debt to Adj. EBITDA ratio of ~1.1x as of 12/31/20

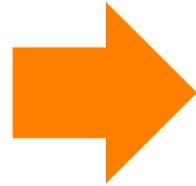
# December 2018 Investor Day Goals compared to 2020 Actual Results

## December 2018 Key Questions

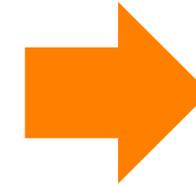
## December 2018 Goals

## 2020

How fast can TRI overcome the loss of FCF/share resulting from Refinitiv transaction?

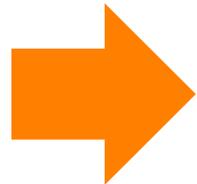


FCF/share of ~\$2.40 in 2020

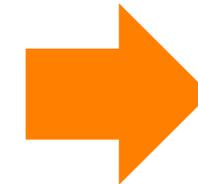


**Achieved \$2.67**

Does the growth profile of “New” TRI warrant a higher valuation multiple?



Big 3 Organic revenue growth of 3.5% to 4.5% in 2020

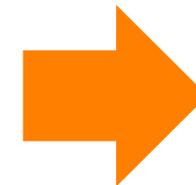


**Organic revenue growth +3.8%**  
**Total revenue growth +4.2% before currency**

What is the value of TRI’s 45% stake in Refinitiv?



45% interest in Refinitiv expected to **appreciate under Blackstone partnership**



**Refinitiv/LSEG value**

- From - \$3.0B  
\$6 per TRI share
- To - \$9.8B  
\$20 per TRI share  
(All pre-tax as of 1/29/21)

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# Thomson Reuters - Successful Execution Through COVID-19

## 1. Acted Early Implementing Key Initiatives to Combat COVID-19 Impact

- Revised 2020 Outlook with transparent dialogue with investor community
- Opportunistic acceleration of investments in core franchises to emerge stronger & take advantage of operating scale & efficiencies alongside cost reduction initiatives
- Proven adaptability by transitioning nearly entire TR workforce to working effectively from home
- Robust capital management to ensure ample financial flexibility alongside strategic hires in C-suite

## 2. Resulting in Successful Execution & Resilient Performance Despite Headwinds

- Operational execution & efficiencies drove positive top-line and bottom-line results
- Prudent balance sheet management ensured flexibility & sustained investments
- Focus on core portfolio & leadership positioning created opportunities to drive organic growth in key end-markets

## 3. Current Position of Strength Provides TR with Flexibility to Invest for Growth while Executing Change Program

# FY 2020 Actual Results vs. Updated Q3 2020 Guidance

Met or Exceeded All Guidance Metrics Provided with Q3 2020 Earnings

## Total Thomson Reuters 2020 Outlook

	2020 Outlook Before Currency	2020 Results Before Currency	2020 Reported
Total Revenue Growth	1.0% - 2.0%	2.1% ✓	1.3%
Organic Revenue Growth	0% - 1.0%	1.2% ✓	1.2%
Adjusted EBITDA Margin	~ 32.0%	32.9% ✓	33.0%
Corporate Costs	\$140 - \$150 million	\$125 million ✓	\$131 million
Free Cash Flow	~ \$1.1 billion	\$1.3 billion ✓	\$1.3 billion
Capital Expenditures as % of Revenue	8.0% - 8.5%	8.4% ✓	8.4%
Depreciation & Amortization of computer software	\$650 - \$675 million	\$672 million ✓	\$669 million
Interest Expense (P&L)	\$190 - \$215 million	\$195 million ✓	\$195 million
Effective Tax Rate on Adjusted Earnings	~ 17% - 19%	16.9% ✓	16.9%

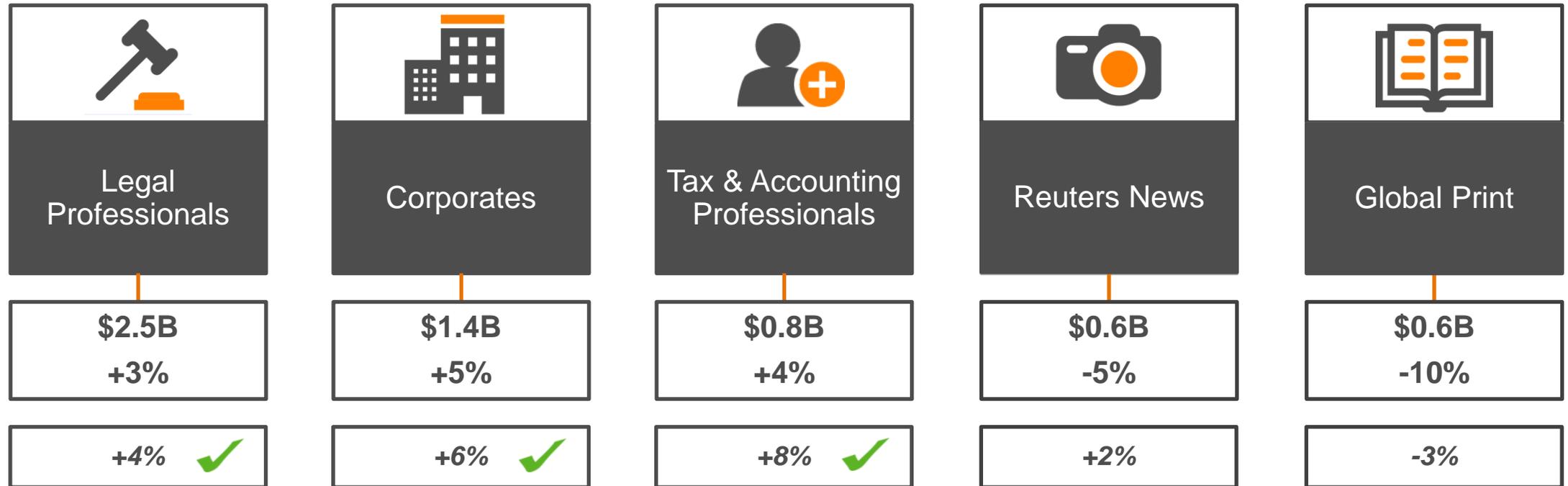
## “Big 3” 2020 Outlook

	2020 Outlook Before Currency	2020 Results Before Currency	2020 Reported
Total Revenue Growth	3.0% - 4.0%	4.2% ✓	3.4%
Organic Revenue Growth	3.0% - 4.0%	3.8% ✓	3.8%
Adjusted EBITDA Margin	37.0% - 38.0%	37.5% ✓	37.8%

# 2020 Results Illustrate the Strength & Resiliency of Our Big 3 Franchises

Legal, Corporates & Tax Achieved 2018 IR Day Growth Targets Set Before COVID-19

“Big 3” = ~80% of revenues grew 4% organically



Dec 2018 IR Day  
Target Growth by 2020

4% - 5%

6% - 8%

6% - 8%

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# Thomson Reuters Change Program

## Key Financial Takeaways

Change Program is Operationally & Financially Structured to Execute Successfully

1

Rigorously  
Designed Value  
Creation Agenda

2

Will Rapidly  
Execute Against  
Clear Timetable &  
Clear Operational  
& Financial  
Metrics

3

This is an Organic  
Growth Plan

4

Designed to  
Deliver Sustained  
Higher Organic  
Growth – Nearing  
40% Margins &  
FCF Per Share of  
\$4.00

- Robust & Growing Legal, Tax and Risk, Fraud & Compliance Businesses
- Strong Prevailing Tailwinds in Our Markets Play to Our Strengths & Contribute to Growth
- Two Powerful Levers to Drive Both Growth & Efficiencies
- This is an Organic Growth Plan Led by a Seasoned Team
- LSEG Ownership Interest Provides Substantial Optionality to Strengthen Our Position

# Thomson Reuters Change Program Have Begun to Implement a 24-month Program

## 1. Estimated investment of \$500 - \$600 million (2021 & 2022)

- Will accelerate organic revenue growth, reduce operating costs, significantly increase margins, lower Capex intensity & increase free cash flow

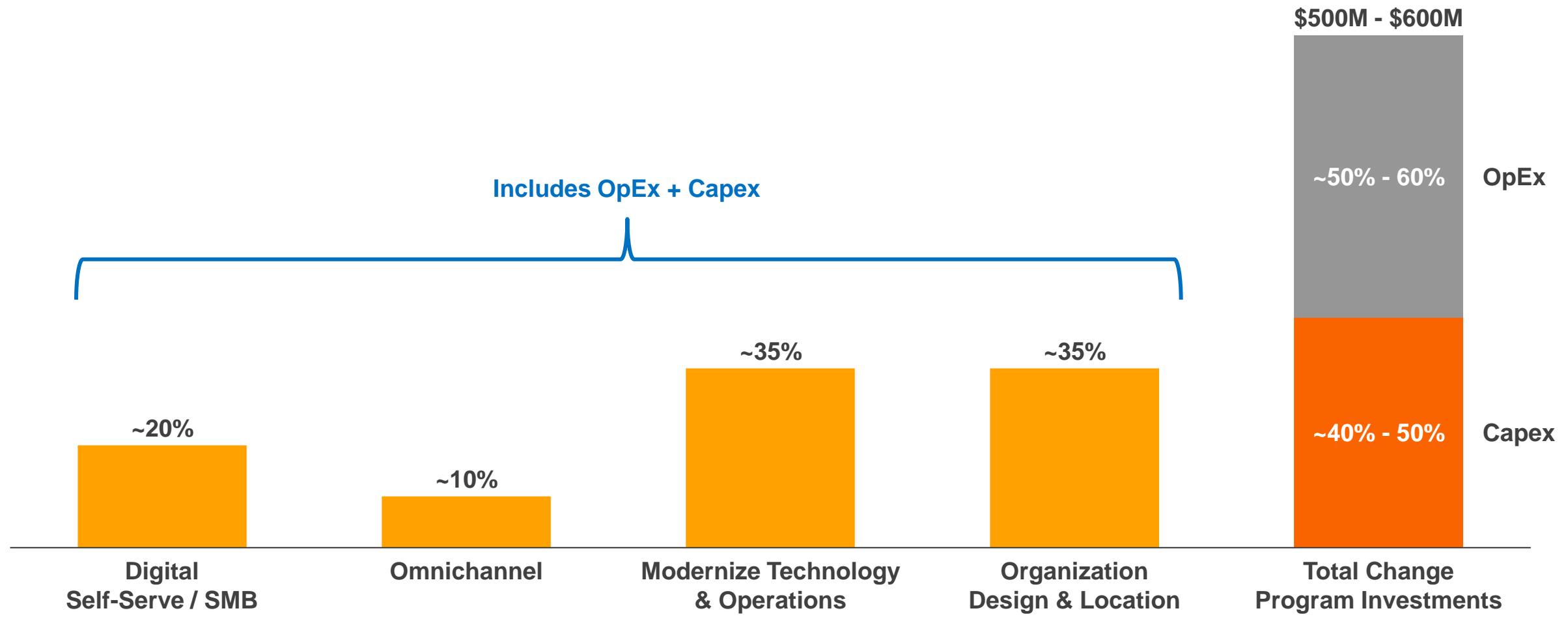
## 2. Estimated to generate additional annual revenues of \$100 million in 2023

## 3. Estimated to achieve annual Operating Expense (OpEx) savings of \$600M by 2023

- \$200M of OpEx savings to be reinvested in growth initiatives
- \$400M OpEx savings net of investment (10% reduction)

# Change Program Investments by Workstream

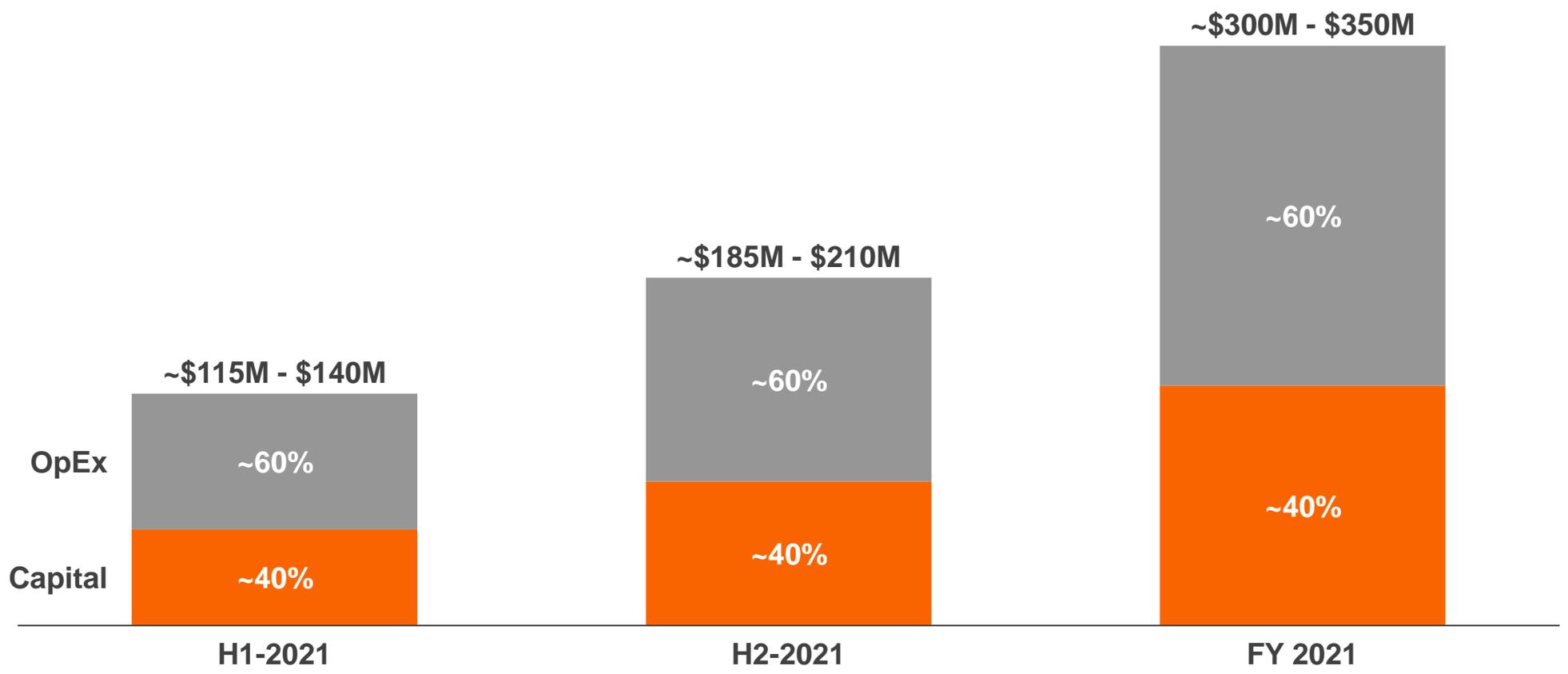
Targeting to Save ~\$400M (~10%) of Operating Expenses in 2023



# Phasing of Change Program Investments - 2021

Forecast More Than Half of Change Program Costs Will Be Incurred in 2021

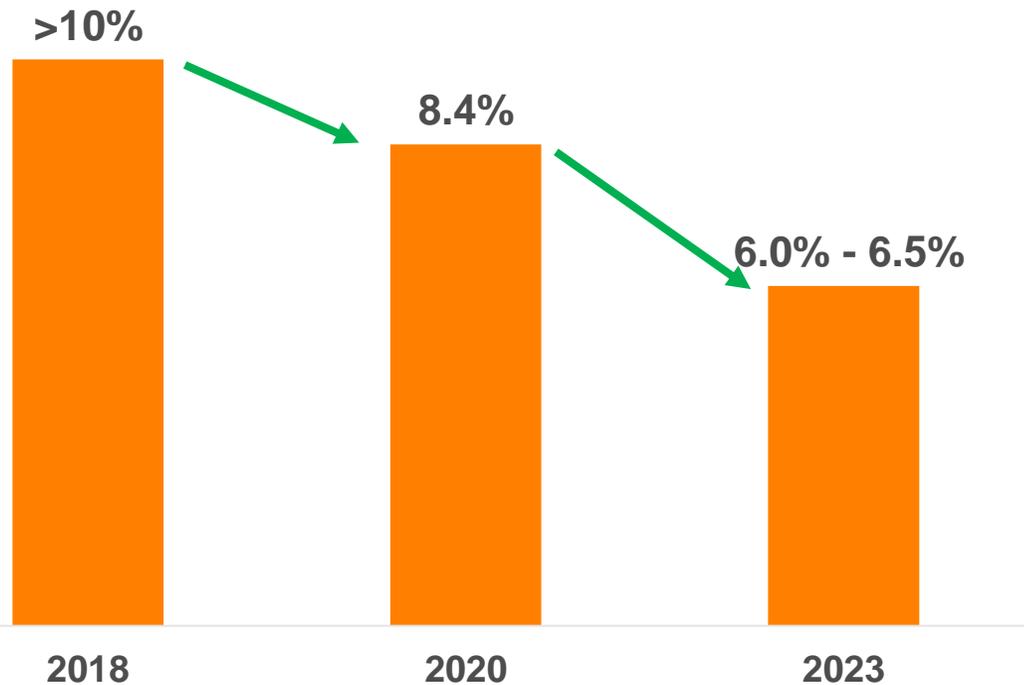
## 2021 Phasing



# Tech Modernization, Product Integration & Focused Capital Agenda Will Improve Capital Efficiency

**Targeting to Reduce Capex to 6.0% - 6.5% of Revenues in 2023**

**Capital Efficiency Evolution**  
(Capital Expenditures as % of Revenue)



## Capital Efficiency Drivers

- 1
**Technology Modernization**
  - Modernized & simplified technology architecture
  - Completing shift to the Cloud
  
- 2
**Integration & Shared Capabilities**
  - Reducing the number of product versions while increasing the adoption of cross-product capabilities
  
- 3
**Value-Based Provisioning Process**
  - Placing fewer bets
  - Channel investment toward growth acceleration projects
  - Reducing KTLO & infrastructure project spend across the business

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# 7 Strategic Investment Priorities

## Strong Growth Verticals Accelerating Organic Growth

	Strategic Priorities	2020 Revenue
Legal <sup>(1)</sup>	1 THOMSON REUTERS® <b>Practical Law™</b>	~\$400M
	2 THOMSON REUTERS® <b>HighQ</b> THOMSON REUTERS <b>CONTRACT EXPRESS™</b>	~\$200M
	3 THOMSON REUTERS <b>WESTLAW™</b>	~\$1,500M <sup>(4)</sup>
Government <sup>(2)</sup> (Risk, Fraud & Compliance)	4 THOMSON REUTERS <b>CLEAR</b> TRSS P O N D E R A PART OF THOMSON REUTERS	~\$400M
Tax & Accounting	5 THOMSON REUTERS®   <b>ONVIO™</b>	~\$500M
	6 THOMSON REUTERS <b>Cloud Audit Suite</b> CONFIRMATION Part of Thomson Reuters	~\$100M <sup>(3)</sup>
Corporate Tax & Trade	7 THOMSON REUTERS THOMSON REUTERS <b>Direct Tax</b> <b>Indirect Tax</b>	~\$400M
		<b>~\$3.4B</b>

**7 Priorities**  
**Est. Revenue CAGR**  
**Upper Single-Digit**  
**2020 – 2023**  
**+ SMB Opportunity**

(1) Products reported in Legal Professionals and Corporates Segments  
 (2) Government is reported within the Legal Professionals Segment  
 (3) Products reported in Tax & Accounting Professionals and Corporates Segments  
 (4) Includes \$100M of revenue also recorded in Government

# Thomson Reuters & Big 3 - 2021 – 2023 Outlook

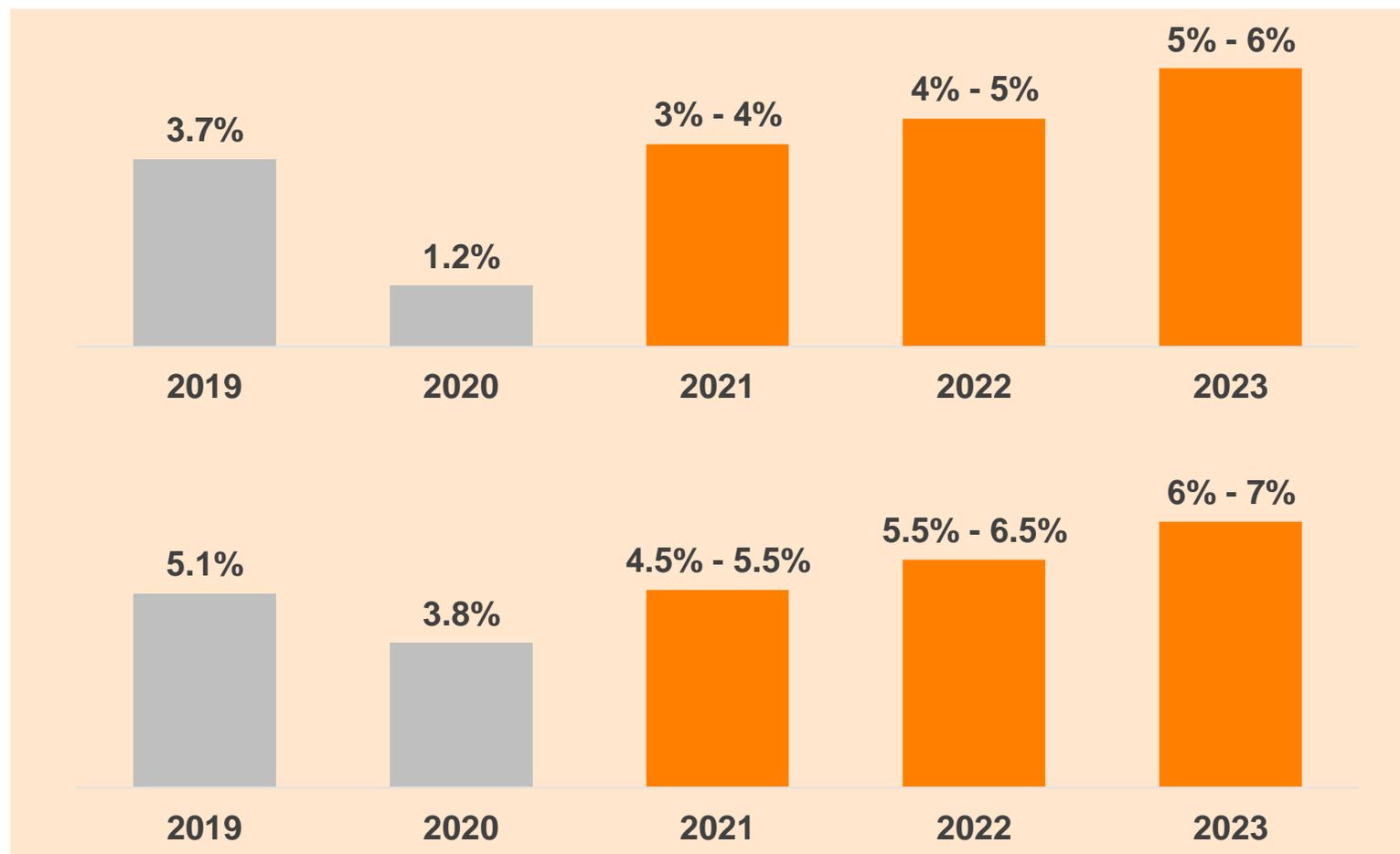
## Targeting Higher Organic Revenue Growth

Forecasting 2021 Total TR and Big 3 Organic Revenue Growth to Rebound to 2019 levels

Forecasting Consistent Revenue Growth – 2023 TR Revenue Growth of ~5% to 6% & Big 3 Growth of ~6% to 7%

Total TR  
Organic Revenue  
Growth

Big 3  
Organic Revenue  
Growth  
(~80% of Total Revenues)



\*2019 included the Q4 2019 UltraTax acceleration.

Excluding this acceleration, Total TR organic growth was 3.4% and 4.8% for the Big 3

# Thomson Reuters 2023 Outlook

## The Path to 5% - 6% Organic Revenue Growth



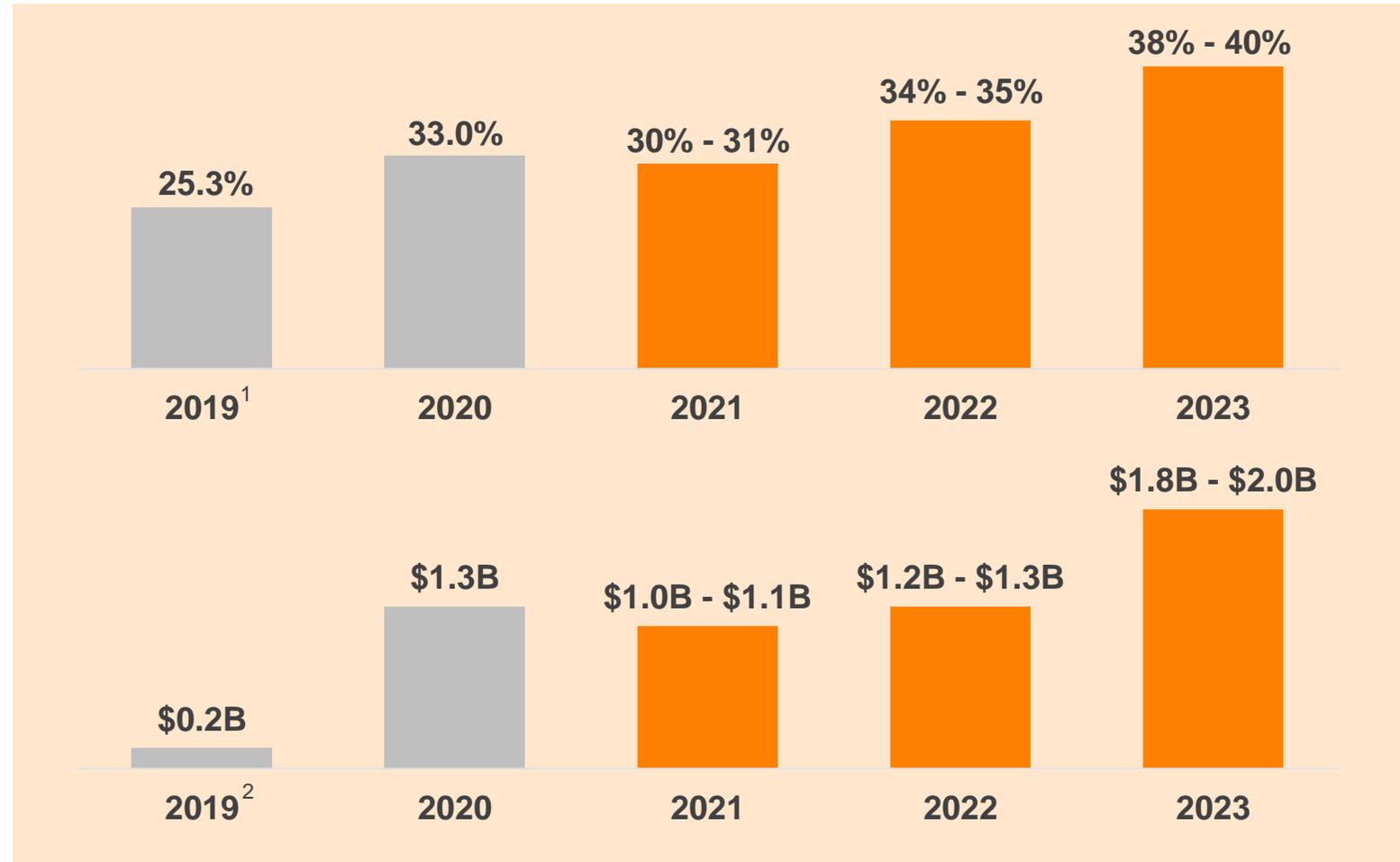
# Thomson Reuters 2021 – 2023 Outlook

## Targeting Higher Adj. EBITDA Margin & Free Cash Flow

Strong Adj. EBITDA Margin Improvement & Free Cash Flow Growth

Total TR  
Adj. EBITDA Margin

Total TR  
Free Cash Flow



Note: 2021 – 2023 before currency

1) Excluding Stranded and Separation costs Total TR EBITDA margin was 31.5%

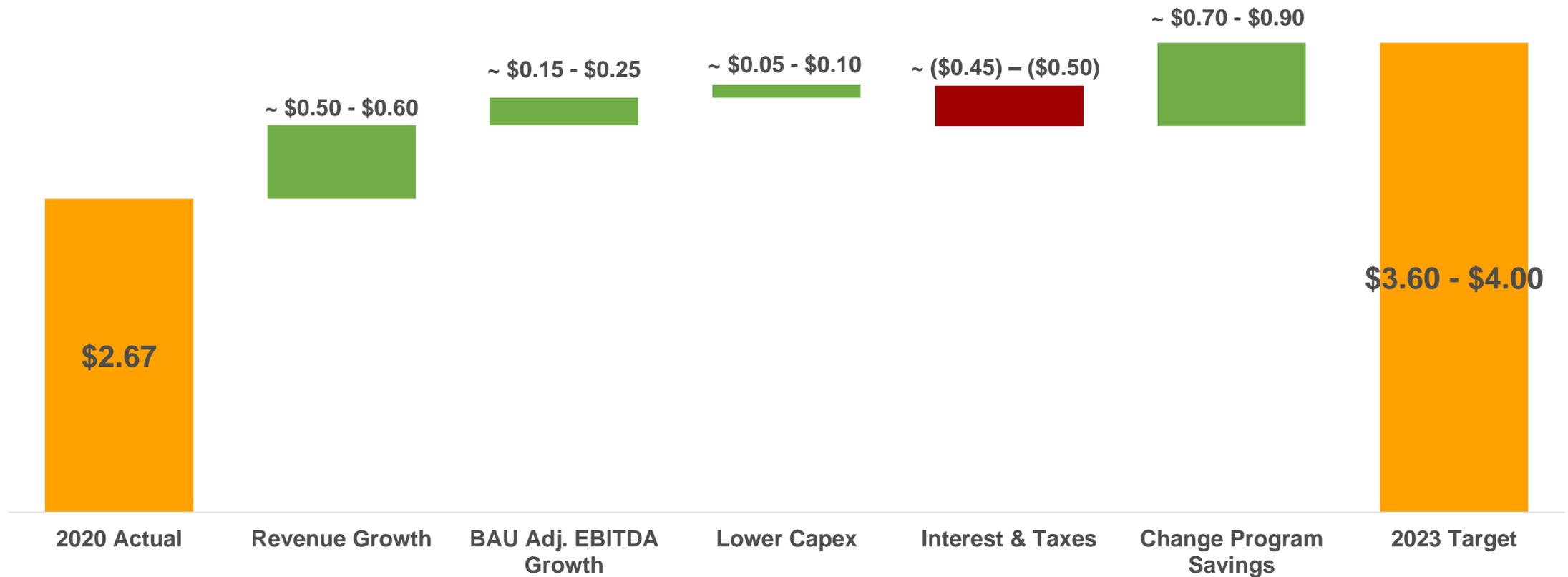
2) Excluding Separation costs, one-time Cash taxes and one-time Pension Plan contributions Total TR FCF was \$1.1B

# Thomson Reuters 2023 Outlook

## Free Cash Flow per Share

4 Designed to Deliver Sustained Higher Organic Growth - 40% margins & FCF per share nearing \$4.00

Higher Revenue Growth + Higher EBITDA – Lower Capital Intensity = Record Free Cash Flow per Share



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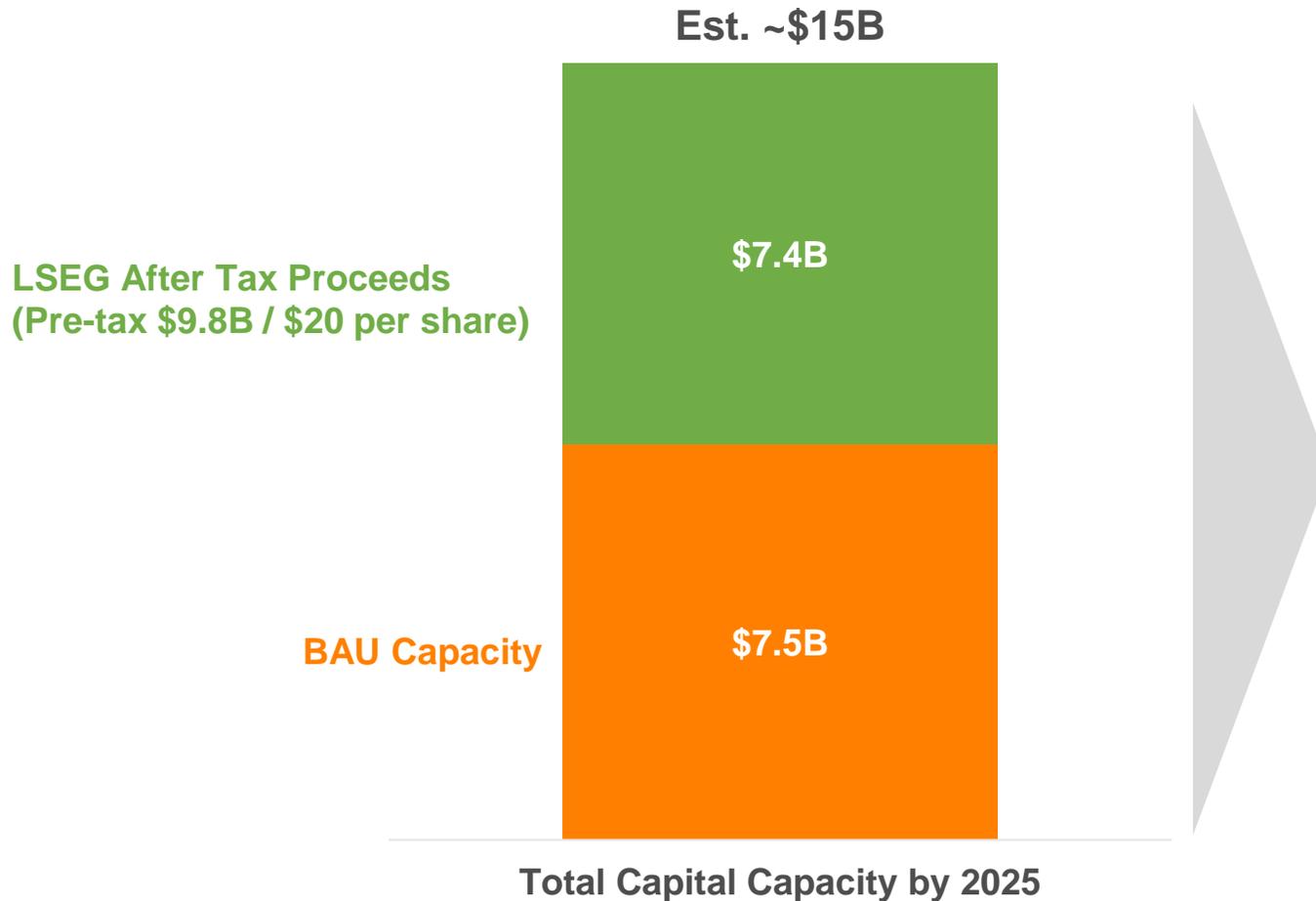
# Thomson Reuters Ownership Stake in London Stock Exchange Group

## Significant Store of Value - Provides Substantial Optionality

- **Refinitiv / LSEG transaction closed January 29, 2021**
- **At the time of closing:**
  - TRI ownership interest in LSEG = 82.5 shares
  - LSEG Value = ~\$9.8B / ~\$20 value within TRI stock price [LSEG 01/29/21 closing price]
  - Tax of \$700 million payable on gain on sale of Refinitiv
    - Liquidate(d) \$1 billion of LSEG shares (net proceeds \$750 million) to pay \$700 million
    - Estimate TR will receive dividends = ~\$75 million per year (after sale of \$1B of LSEG shares)
- **Will be assessing optimal uses of proceeds**
  - First tranche can be sold in January 2023

# 2025 Capital Capacity Forecast

Total Capital Capacity as much as ~ \$15 billion by 2025 (final 1/3 of LSEG shares exercisable)



## Potential Allocation Options

- 1 Acquisitions
- 2 Share Buybacks
- 3 Debt Reduction
- 4 Return of Capital / Special Dividend

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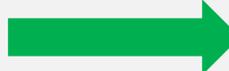
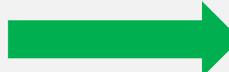
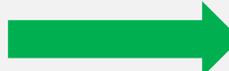
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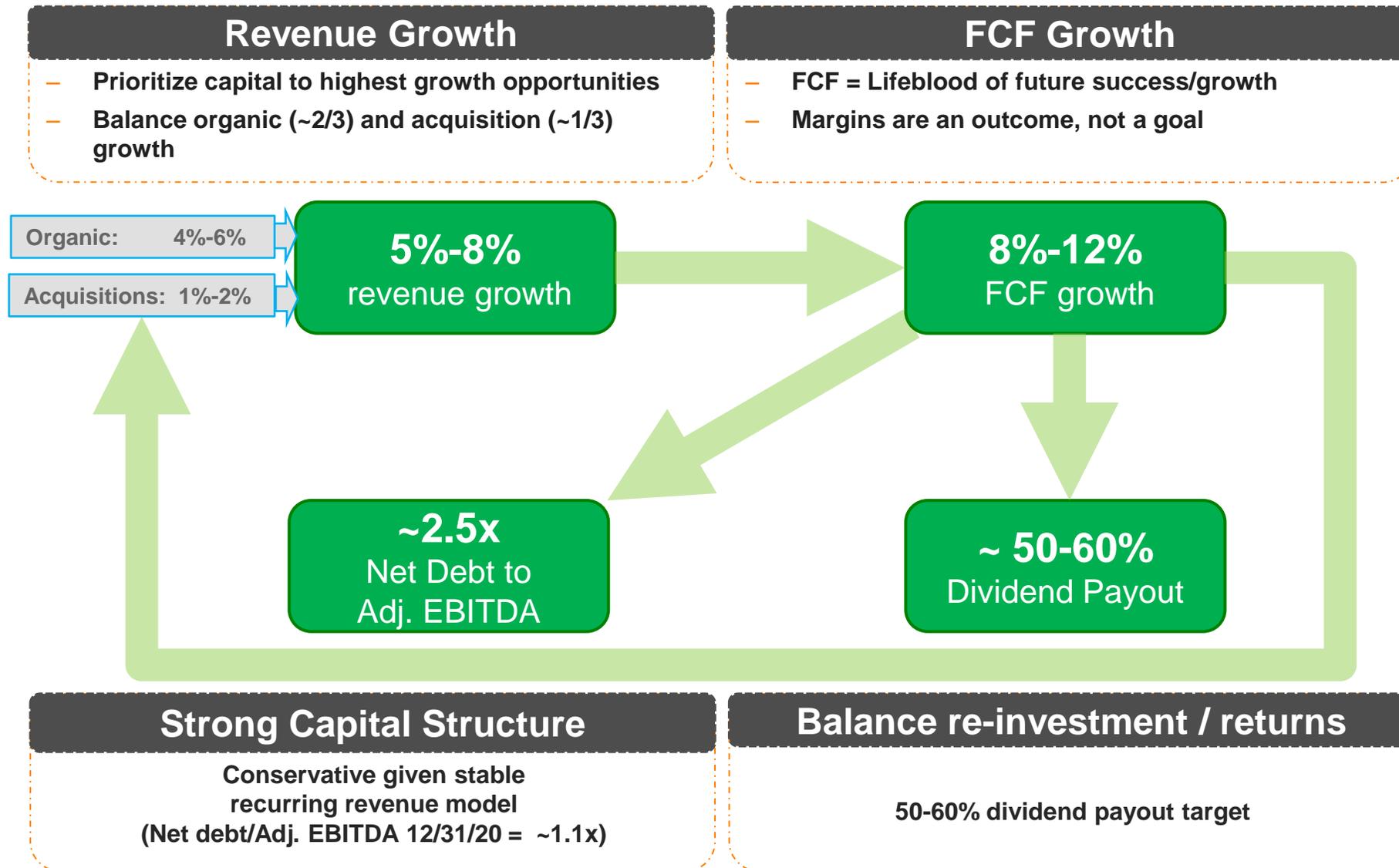
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# Change Program is Forecast to Deliver Higher Revenue Growth, Margins & Free Cash Flow

	2020		2023
<b>Organic Growth</b> <ul style="list-style-type: none"> <li>Total TR</li> <li>Big 3 Segments</li> </ul> 	1.2% 3.8%		5% - 6% 6% - 7%
<b>Adj. EBITDA Margin</b> 	33.0%		38% - 40%
<b>Capex as % of Revenue</b> 	8.4%		6.0% - 6.5%
<b>Operating Expense Savings (net of investment)</b> 	n/a		~ \$400M
<b>Free Cash Flow</b> 	\$1.3B		\$1.8B - \$2.0B

# Success = Sustainable Value Creation

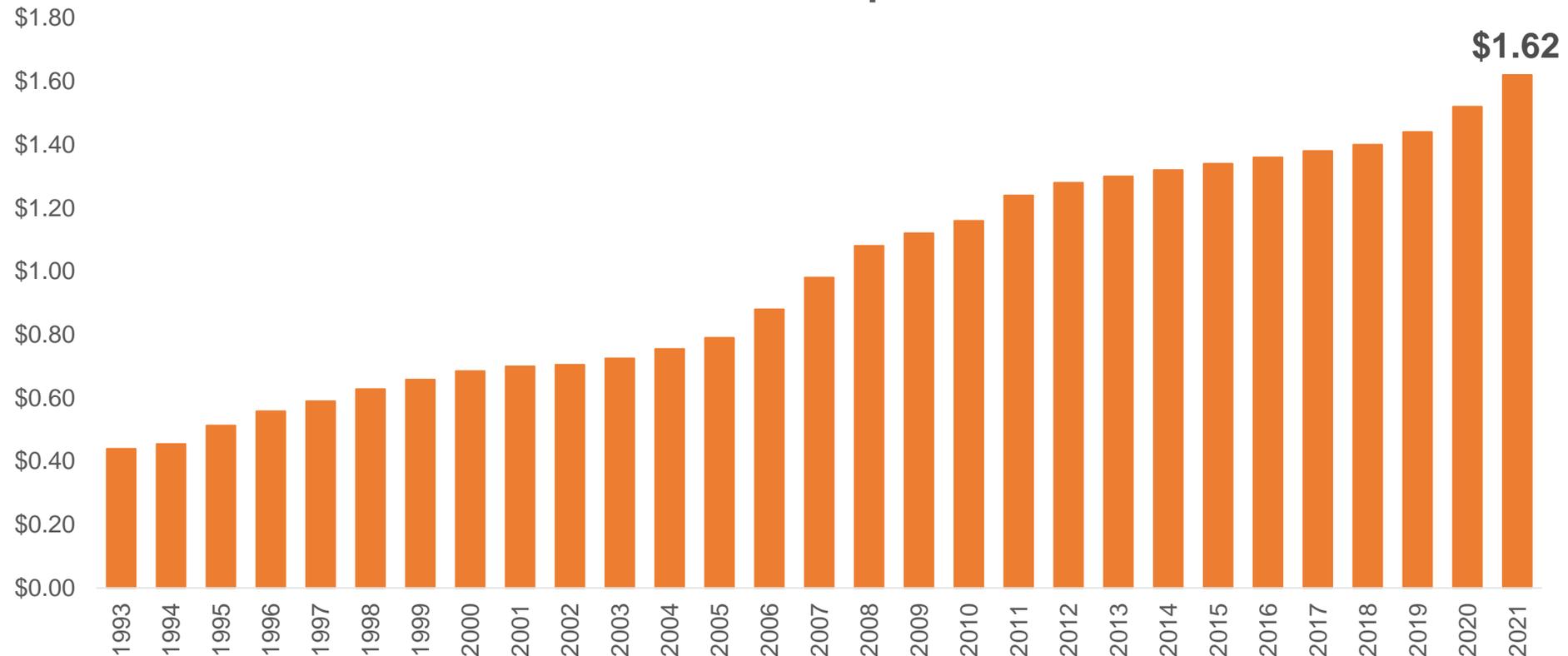


# Long History of Returning Cash to Shareholders

28 Consecutive Years of Annual Dividend Increases

2021 Annualized Dividend Increase of \$0.10 (+7%) – Largest Increase Since 2008

## Annualized Dividend per Common Share



# Q&A