

COMPANY PROFILE

# Thomson Reuters Corporation

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## COMPANY OVERVIEW

Thomson Reuters Corporation (Thomson Reuters or 'the company') is one of the leading providers of intelligent information for businesses and professionals. The company sells electronic content and services to professionals, primarily on a subscription basis. Thomson Reuters serves professionals across investment, trading, financial, corporate, legal, investigation, business, government, and accounting companies. Major brands of the company include Checkpoint, Onesource, CS Professional Suite, Onvio, Aumentum, Digita and DT Max. The company has business presence across the Americas, Europe and Asia Pacific. Thomson Reuters is headquartered in New York City, New York, the US.

The company reported revenues of (US Dollars) US\$11,333 million for the fiscal year ended December 2017 (FY2017), an increase of 1.5% over FY2016. In FY2017, the company's operating margin was 15.3%, compared to an operating margin of 12.4% in FY2016. In FY2017, the company recorded a net margin of 12.3%, compared to a net margin of 27.7% in FY2016.

The company reported revenues of US\$1,379.0 million for the first quarter ended March 2018, a decrease of 53.2% over the previous quarter.

## KEY FACTS

<b>Head Office</b>	Thomson Reuters Corporation 333 Bay St Suite 400 Toronto Ontario Toronto Ontario CAN
<b>Phone</b>	1 646 2234000
<b>Fax</b>	
<b>Web Address</b>	<a href="http://www.thomsonreuters.com">www.thomsonreuters.com</a>
<b>Revenue / turnover (USD Mn)</b>	11,333.0
<b>Financial Year End</b>	December
<b>Employees</b>	46,100
<b>Toronto Stock Exchange Ticker</b>	TRI

## SWOT ANALYSIS

Thomson Reuters Corporation (Thomson Reuters) is one of the leading providers of intelligent information for businesses and professionals. Strong market position, recurring business and diversified product portfolio are the major strengths of the company, whereas declining liquidity position remains as an area of concern. In future, cloud computing markets, strategic agreements, and launch of new products could provide ample growth opportunities for the company. However, intense competition, regulatory changes and free online information sources could affect its future growth operations.

<p><b>Strength</b></p> <p>Strong market position Recurring Business Diversified product portfolio</p>	<p><b>Weakness</b></p> <p>Liquidity position</p>
<p><b>Opportunity</b></p> <p>Launch of new products Cloud Computing Markets Strategic Agreements</p>	<p><b>Threat</b></p> <p>Intense competition Growing use of free online information sources Uncertain regulatory environment in financial services industry</p>

### Strength

#### Strong market position

Thomson Reuters has strong market position in the various markets it serves. The company is either the leader or the second leading player in all the markets in which it serves. In addition, the company had a market leadership position in its legal, and tax and accounting business in the North American market. The company's legal research is also widely used. These indicate the formidable reach the company enjoys. Moreover, Thomson Reuters is the largest company in the business and industry information space with revenues of US\$11,333 million in FY2017, while its competitors RELX Group and Pearson Plc recorded revenues of GBP7,355 million and GBP4,513 million respectively. The company's market position is strengthened by its strong brands in the various markets it serves and its operating scale. Strong market position provides a competitive advantage as the company has access to a large customer base which facilitates cross selling.

#### Recurring Business

The company generates a significant portion of its revenues from recurring business. The company's recurring revenue is derived from subscriptions and similar contractual arrangements, which are renewed from year-to-year. The majority of the company's subscription arrangements has a term of one year or renew automatically under arrangements. The remaining portion is largely for two or three year terms,

after which the arrangement renews automatically or is renewable at the customer's option. Since a high proportion of the company's revenues are recurring, its revenue patterns are generally more stable compared to other business models that primarily involve the sale of products in discrete or one-off arrangements. Furthermore, in some subscription arrangements with clients, Thomson Reuters realizes additional fees based upon usage. By media, the company derived 93% of its total revenue in FY2017. Furthermore, in FY2017 and FY2016, approximately 86% of the company's total revenues were from subscription or similar contractual arrangements, which most customers renew from year to year. High contribution from recurring business provides stability to the company's operations. Consequently, Thomson Reuters is less susceptible to cyclical headwinds.

#### Diversified product portfolio

Diversified product portfolio ensures that the company does not rely on a single product category for a majority of its revenues. The company offers its products and services three segments: financial and risk, legal, and tax and accounting. The financial and risk segment provides critical news, information and analytics, enables transactions and brings together communities that allow trading, investing, financial and corporate professionals to connect. It also provides regulatory and operational risk management solutions. The company's legal segment provides critical online and print information, decision support tools, software and services to legal, investigation, business and government professionals around the world. The tax and accounting segment provides integrated tax compliance and accounting information; software and services for professionals in accounting firms; corporations; law firms and government. Diversified product portfolio reduces the company's business risks in the highly competitive financial services industry.

### **Weakness**

#### Liquidity position

The company's liquidity declined in FY2017. Low liquidity is an indication of the decreasing ease in funding the company's day to day operations, which also limits its ability to capture growth opportunities in the market. The company's current ratio was 0.6 at the end of FY2017 when compared to a current ratio of 1 at the end of 2016. The company's current ratio was lower than that of its major competitors, FactSet Research Systems Inc. and International Business Machines Corp, which reported a current ratio of 2 and 1.3 during the same period. The decrease in current ratio could be due 5.1% increase in total current liabilities, which increased from US\$4,562 million in FY2016 to US\$4,796 million in FY2017, due to increase in accounts payable and accrued expenses.

### **Opportunity**

#### Launch of new products

Launch of new and improved products at regular intervals may help Thomson Reuters retain and attract new customers. In March 2018, the company through its partnership with MarketPsych Data launched a new version (3.0) of MarketPsych Indices for trade and risk management. In April 2017, Thomson

Reuters launched ADVICE, a digital wealth advisory services for its relationship managers. In February 2017, it also developed a multi-factor authentication app to provide security controls that offer convenient and secure user authentication for firm staff and firm clients. In the same month, it launched MiFID II-Ready Data Analytics Platform to provide ultra-high-speed processing of real-time, streaming and historical data. In January 2017, the company developed Davos, a news and analysis application for Eikon users; and NEXTRA for National Commodity & Derivatives Exchange Limited (NCDEX).

### Cloud Computing Markets

Cloud-based operations enable enterprises to scale their operations instantly, handle fluctuations in demand, and access systems and services over a variety of devices at a lower cost. According to in-house research, the global cloud computing market is expected to grow at a CAGR of 28.3% to reach US\$69,929.6 million by 2022 from US\$18,687.2 million in 2017. During the forecast period, Software-as-a-Service (SaaS) is expected to be the major contributor with a market share of 53.2%, followed by Infrastructure-as-a-Service (IaaS) with 24.3%, and Platform-as-a-Service with 22.5%. The US is expected to account for 58.3% market share, followed by Europe (19.6%), Asia-Pacific (12.8%), Rest of the World (9.2%), and the Middle East (0.2%) during 2017-2022.

### Strategic Agreements

Strategic agreements could bring ample opportunities for the company and help it to grow financially. In March 2018, the company entered into a contract with Longreach Harvest Quant Investors to provide its QA Direct data management solution to manage, maintain and integrate quantitative analysis and investment data. In the same month, it entered into collaboration with eBrevia to deliver AI-Driven contract remediation solution. In the same period, the company through its partnership with MarketPsych Data launched a new version(3.0) of MarketPsych Indices for trade and risk management. In February 2018, Thomson Reuters entered into a partnership with Siam Commercial Bank for an effective investment tool for its Wealth customer group.

## Threat

### Intense competition

Thomson Reuters faces intense competition across all of its business segments. The company's financial business primarily competes with a range of large and specialist providers which include Bloomberg, FactSet, S&P/Capital IQ, FIS, Interactive Data, SIX Financial Information, Dow Jones and large IT vendors, such as IBM. The foreign exchange (FX) business competes with large inter-dealer brokers, such as ICAP's EBS platform and other electronic communication networks (ECNs) such as Bloomberg. Tradeweb's principal competitors include MarketAxess and Bloomberg. The financial business also competes with single-dealer and multi-dealer portals. Thomson Reuters' risk's products and services compete with a wide variety of global, regional and niche competitors. Risk's compliance, audit and risk products primarily compete with Wolters Kluwer Compliance Resource Network, Protiviti, SWIFT, Depository Trust & Clearing Corporation (DTCC)/Clariant Entity Hub, IHS Markit, Genpact, Bwise and MetricStream. In the financial crime market segment, key competitors include Dow Jones, LexisNexis (owned by RELX Group) and Actimize, Risk's pricing and reference services business primarily competes

with Interactive Data/GlobalRisk, Bloomberg, McGraw-Hill Financial and a number of smaller asset pricing and reference data providers.

The primary competitors for the company's legal business include RELX Group (which operates LexisNexis) and Wolters Kluwer. It also competes with other companies that provide legal and regulatory information, including Bloomberg BNA, as well as practice and matter management software companies, client development providers and other service providers who support legal professionals. In addition, its tax and accounting business competes with Wolters Kluwer (which includes CCH). Its other competitors include Intuit in the professional software and services market segment and CORPTAX (owned by Corporation Services Company) in the corporate software and services market segment and Bloomberg BNA in the tax research market segment. Tax and accounting business also competes with accounting firms and ERP vendors. In addition, Reuters News Agency business competes with Associated Press, Agence France-Presse, Bloomberg and Dow Jones. Intense competition across segments could lead to pricing pressures, thereby adversely affecting the market share and profitability of the company.

#### Growing use of free online information sources

Free information sources have enhanced their product offering resulting in increased competition for companies, including Thomson Reuters in recent years. The emergence of Google, Yahoo! and other websites has increased the availability of free information with relatively user-friendly search capabilities. Some governmental and regulatory agencies have also increased the amount of free information that they make available to the public. In addition, several companies and organizations have made certain legal and financial information publicly available at no cost. Also, open source software that is available for free provides some functionality similar to that in some of the company's products.

Additionally, the increasing usage of internet as a source of information resulted in continued growth of free sources. Though the company does differentiate its product from that of the free sources, the increasing availability of free public information sources may result in substitution due to cost-cutting initiatives at certain companies and organizations. This substitution would adversely affect the demand for the company's products and services, thereby impacting the financial results.

#### Uncertain regulatory environment in financial services industry

Thomson Reuters operates in more than 100 countries worldwide and its earnings are subject to taxation in many different jurisdictions and at different rates. The company may be impacted by legislative and regulatory changes that impact its customers' industries, in particular customers of its financial and risk business. For instance, in 2016, the European Commission and the US adopted Privacy Shield, a new framework structure to govern transfers of personal data from the European Union and Switzerland to the United States. Certain privacy groups have launched legal challenges against Privacy Shield. Furthermore, in May 2018, a new EU General Data Protection Regulation (GDPR) will replace the existing EU Data Protection Directive. The GDPR will introduce new data protection requirements and related compliance obligations in the EU and significantly increases fines for breaches. In addition, the company is also subject to data localization laws in certain countries.

Existing and proposed legislation and regulations, such as the US Foreign Corrupt Practices Act and the UK Bribery Act, some of which may be conflicting on a global basis, may also increase the company's

cost of doing business or require it to change some of its existing business practices. The company could be subject to fines or penalties as well as reputational harm for any violations. In addition, changes in tax laws and/or uncertainty over their application and interpretation may adversely affect the company's results. Uncertain regulatory environment in the financial services industry could impact the company's business performance in the near future.



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