

EQUITY RESEARCH

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Flash Research

THOMSON REUTERS CORPORATION

Returning \$2.2 Billion Through Cash Distribution

Outperformer

Our Conclusion

Thomson Reuters announced plans to return \$2.2 billion to shareholders through a cash distribution of \$4.67/share in combination with a reverse share split that will reduce the number of common shares outstanding. The return of capital plan is in keeping with management's previous commentary and allows TRI to return proceeds from its 2023 LSEG share sales in relatively short order. With ~17.5 million LSEG shares still available to be sold in 2023, we believe further capital return remains on the horizon for TRI shareholders.

TRI-NYSE, Sector: Industrials

Current Price (4/3/23): US\$131.02

Price Target (12-18 mos.): US\$126.00

Key Points

Transaction Details: The return of capital transaction will result in TRI paying a cash distribution of \$4.67/share and undergoing a share consolidation via a reverse stock split proportional to the cash distribution. At TRI's current share price and assuming the entire \$2.2 billion is returned to shareholders, the outstanding share count would be reduced by ~3.5%. The transaction is structured to be tax free for Canadian shareholders and non-Canadian resident shareholders are able to opt out of the transaction. An illustration of the mechanics of the transaction is included in Exhibit 1 below. The same cash distribution/reverse stock split structure was used by TRI to return a portion of the proceeds from the sale of the Refinitiv business to shareholders in 2018.

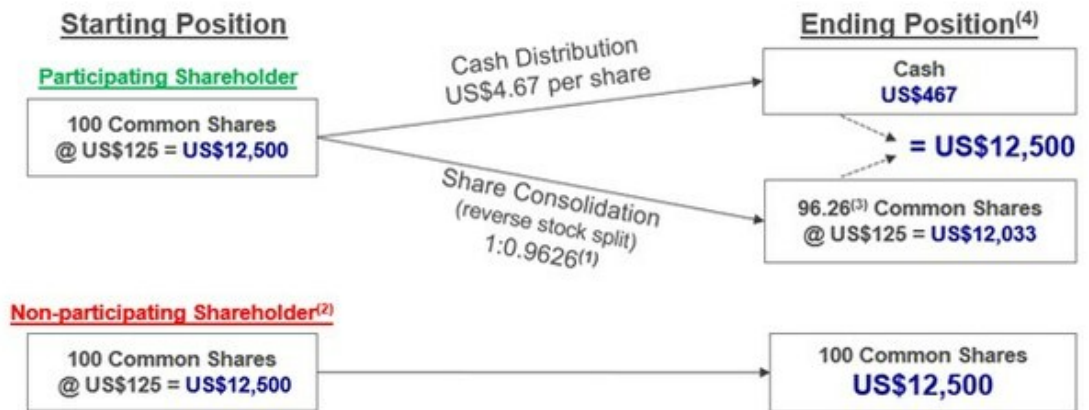
Expect Further LSEG Sales In 2023: The return of capital comes after TRI sold ~10.5 million LSEG shares to [Microsoft](#) in January and 13.6 million shares in a [private placement](#) in March. Following the share sales, TRI is still able to sell ~17.4 million LSEG shares in 2023, which would result in gross proceeds of ~\$1.6 billion at the current LSEG share price. We note that there is a 90-day lockup on share sales in place following the private placement, and TRI will be able to sell additional shares starting on or around June 8. Given the recent share sales, we expect TRI to continue to monetize its LSEG shares through larger block sales/private placements. Looking further out, 22 million LSEG shares come off of lockup in 2024 and the remaining 8 million LSEG shares are eligible to be sold in 2025.

NCIB Still Active: In addition to larger return of capital transactions, we expect TRI to remain active on its NCIB program. The current NCIB, expiring June 12, 2023, allows TRI to repurchase 5% of the shares outstanding and insider filing details on SEDI show that TRI was an active repurchaser through February 2023.

All figures in US dollars unless otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on page 2. For required regulatory disclosures please refer to "Important Disclosures" beginning on page 3.

Exhibit 1: TRI – Return Of Capital Illustration



Source: Company Reports.

Notes:

- 1) The share consolidation ratio used in this example is for illustrative purposes only. The actual share consolidation ratio will be based on the VWAP of the common shares on the NYSE For the five trading days immediately prior to the return of capital becoming effective. The ratio in this example is based on a share price of US\$125.
- 2) Only taxable non-Canadian resident shareholders (which includes taxable U.S. resident shareholders and others) will be able to opt out of the transaction.
- 3) Fractional shares will not be issued as part of the transaction, subject to certain expectations disclosed in the management proxy circular.
- 4) This example does not address tax consequences to shareholders.

Price Target Calculation

Our price target is based on our EV/EBITDA valuation, in which we apply a 20x EBITDA multiple to TRI's core Legal, Tax & Accounting, and Corporates segments, a 7.5x multiple to value Global Print and Reuters News and back out normalized corporate costs using an 18.7x multiple. We also carry TRI's stake in LSEG at mark-to-market value.

Key Risks To Price Target

Execution Risk With Change Program: The change program is expected to result in a material lift to EBITDA margins given a number of operational changes. If the change program does not meet management targets for margin improvement, investors are likely to discount the multiple they are willing to pay.

Execution Risk With New Product And Version Launches: Part of Thomson Reuters' growth strategy involves developing new products or services and improving existing products to meet the needs of end customers. There is risk in new product introduction and stemming from missed product expectations and disruptions of service.

Acquisition Risk: Some portion of Thomson Reuters' growth still stems from acquisitions, and the company continues to look for opportunities to enter new product markets that complement the existing business lines. There is risk associated with realizing returns from these investments and elevated costs associated with integration.

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Neutral	NT	Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.
Underperformer	UN	Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.
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CIBC World Markets Inc. Price Chart

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