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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Thomson Reuters Fourth Quarter and Full Year Earnings Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

I would now like to turn the conference over to our host, Frank Golden, Head of Investor Relations. Please go ahead.

Frank J. Golden - *Thomson Reuters Corporation - Head of IR*

Good morning, and thank you for joining us today for our fourth quarter and full year 2020 earnings call. This morning, I'm joined by our CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will report our results and will take your questions following our presentation. They will also discuss the Change Program we announced this morning and our outlook for 2021 through 2023.

(Operator Instructions) Throughout today's presentation, when we compare performance period-on-period, we discuss revenue growth rates before currency as well as on an organic basis as we believe this provides the best basis to measure the underlying performance of the business.

Today's presentation does contain forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties related to the COVID-19 pandemic and other risks discussed in reports and filings that we provide from time to time to regulatory agencies. You may access these documents on our website or by contacting our Investor Relations department.

Now I'll pass it over to Steve Hasker.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Thank you, Frank, and thanks to all of you for joining us today. I'll begin by stating that we're very pleased with our results for the fourth quarter and the full year. Our results met or exceeded our guidance targets for revenue growth, adjusted EBITDA margin and free cash flow. Despite the enormous challenges in 2020 related to the pandemic, our performance reaffirm the resilience of our markets and businesses. We adapted and supported our customers in their evolving ways of working, and I'm very proud and appreciative of how our people performed during this period.

Now to our results. For the fourth quarter, revenues were up 2% and adjusted EBITDA increased 33% to $525 million, reflecting a margin of 32.5%. For the full year, adjusted EBITDA margin was 33% and includes having spent about $70 million in the fourth quarter on initiatives to better position us for 2021 and beyond. This strong performance resulted in adjusted earnings per share of $0.54 compared to $0.37 per share in the fourth quarter of last year.

Turning to the segments. The Big 3 businesses achieved organic revenue growth of 5% for the quarter and 4% for the full year, a very good performance particularly given the global economic environment.

Legal had another good quarter and built on the third quarter's results, with revenues up 5% before currency and organic revenues up 4%. Legal also recorded double-digit recurring sales in the quarter and full year. Legal's recurring revenues, which are 93% of its total revenues, increased 5% organically, up from 4% in Q3.

Westlaw Edge continues to drive strong sales growth and ended the quarter at a 52% ACV penetration. We expect to achieve a penetration rate of between 60% and 65% by year-end 2021. Edge has now been adopted by all U.S. federal government courts and 42 U.S. state court systems.

Practical Law ended the year nearing $400 million in revenue and grew nearly 10%. Our Government business, which is managed within our Legal segment, continues to see good momentum and grew 10% organically in the fourth quarter and nearly 10% for the full year. We forecast a strong performance again for 2021.

Turning to the Corporates business. Organic revenues grew 3% for the fourth quarter, lower than expected due to an 11% decline in transaction revenues driven by lower software implementation services. Encouragingly, organic recurring revenues, which are 87% of Corporates' total revenues, grew 6%. For 2021, we expect stronger revenue growth as recurring revenue is expected to remain healthy and transaction revenues are expected to strengthen as implementations return. For the full year, Corporates total revenues grew 5.5% before currency and organic revenues grew 4.5%.

Tax & Accounting's Q4 organic revenues ended strongly, posting growth of 8%. In Q4, we accelerated the release of some of our UltraTax state tax software from January to December to more closely align with the traditional December release of our U.S. federal software. Reuters News organic revenues were down 3% in Q4, a better-than-expected performance, and Global Print organic revenues declined 10%, in line with our guidance. We expect both Reuters and print to improve their revenue performance in 2021.

For the full year, reported and organic revenues were both up 1% and revenues at constant currency were up 2%. Adjusted EBITDA increased 32% to nearly $2 billion, reflecting a margin of 33% for the year. The combination of organic revenue growth for the Big 3 of 4%, coupled with the effective cost savings measures instituted in the first quarter and not having incurred onetime costs as occurred in 2019, contributed to strong EBITDA margin improvement. This strong performance resulted in full year adjusted earnings per share of $1.85 versus $1.29 per share in 2019, and we are particularly pleased to report that free cash flow per share was $2.67, exceeding the target of $2.40 per share provided at our December 2018 Investor Day. Let me finish up on the financials by pointing out that we met or exceeded each of the financial guidance metrics we provided for 2020, which reflects the resilience of the business and visibility we have into our businesses and markets.

With that, let me now turn to the Change Program we announced this morning. As I said last quarter, there's no doubt we have strong market positions. Our customers love our content, and we're in a solid operating position as evidenced by our 2020 results, but it's imperative that we elevate our value proposition, enhance the customer experience we provide and maximize our performance.

Let me explain. First, some context. It's important to emphasize that we're implementing our Change Program from a position of strength. The first point I'd make is that we operate in robust and growing legal, tax and risk, fraud and compliance markets. Our businesses are rock solid, and we are #1 or #2 in our core Legal, Tax & Accounting, Corporates and risk, fraud and compliance franchises, supported by a trusted brand and a highly engaged group of associates.

Point number two, prevailing tailwinds in our markets play to our strengths and will contribute to our growth. Those tailwinds are blowing in our favor, and they play to our strengths and will help drive our growth. COVID has changed how, when and where people work, which is an opportunity for us. Additionally, our markets are healthy and growing. We operate in stable competitive environments, and our markets are integral to the proper functioning of professional services ecosystems globally. More on this on the next slide.

Point number three, we have 2 powerful levers to drive both growth and efficiencies. Lever #1 is transitioning to an operating company to take full advantage of our scale in the customer experience we provide, the technologies we operate and the products we build. And lever #2 is building a content-driven technology company, extending our unique content with AI and software to create significantly expanded use cases and increase value for our customers. These 2 levers will expand our customer relationships and will enable us to provide a far better customer experience at a lower cost to serve. They will also enable us to expand our market size.

Point number four, this is an organic growth plan, and we have a seasoned team in place. And we believe we can achieve our targets with the momentum we have in our current markets and businesses. Bolt-on acquisitions would be additive.

And we've developed a well-defined plan, and we've begun executing. We've been hiring high-caliber, highly qualified, experienced talent to help lead this transition and who successfully undertook similar programs in their prior organizations. These leaders complement the very experienced Thomson Reuters teams that successfully executed large-scale projects in the past, including the separation from Refinitiv. And point number five, our LSEG position provides substantial optionality as we will have significant capital to deploy beginning in 2023.

I mentioned we are also benefiting from prevailing tailwinds which favor business information services, markets and providers. Let me give you 3 examples.

First, over the course of the past 12 months, we've all learned to work in ways we could never imagine prior to the pandemic. Fundamental shifts are taking place, and these changes are requiring our customers to rethink their strategies, their ways of working, where they allocate employees and how they allocate budgets. The playbook is being written in real time. We do know that trusted, always-on, actionable content combined with unique data, AI and software is a must-have and companies that provide it will win.

Second, these accelerated changes are enabling us to better serve customers and are opening new markets for companies like ours. It's allowing us to deliver our quality content to anyone, anywhere. Digital technologies and software are democratizing ways of working. An attorney or accountant in Missoula, Montana has the same access to high-quality legal and tax solutions as his or her counterpart in Chicago. Our self-serve omnichannel offerings will enable us to reach smaller customer groups and SMB firms, which we believe will contribute to higher growth.

And third, we have an advantaged position with exposure to high-growth verticals within our core markets. Demand for solutions in areas such as direct and indirect tax, audit, legal how-to and broader workflow software tools for risk, fraud and compliance solutions are all growing in markets, and we are well positioned to serve these customers. These tailwinds are accelerating the pace for change and driving our customers to extract more value from our information, benefiting them commercially and competitively, which will enhance our relationships, competitive position and growth.

Now to the Change Program. Lever #1 of the Change Program is the transition to an operating company. On the left side of this slide was our holding company structure, and on the right is the operating company structure to which we are transitioning. Our business segments will focus on go to market and will be supported by pan-PR functions that will manage customer service and support, technology and product development. This will significantly enhance our customer experience and will improve efficiencies by building once and deploying many times.

Our overall cost to serve will decrease, which will free up investment to pursue new growth opportunities. Our objectives are to make it easier for our customers to do business with us, to significantly modernize and simplify our product portfolio and product development groups and to reduce complexity in our operations and technology organization. And from a talent standpoint, we will continue to simplify our organization, break down silos and shift to a more innovative culture.

Lever #2 of the Change Program is transitioning from a content provider to a content-driven technology company. Our content is a significant competitive advantage. It differentiates us and builds our brand. Our new structure positions us to achieve greater success by leveraging that valuable content, enriching it with world-class AI and best-of-breed software and delivering it in the cloud.

We have started this journey with Westlaw Edge and Checkpoint Edge, and we're expanding the playbook to our other solutions. This will provide a better, more modern customer experience that will enable us to reach a wider number of clients, particularly in the SMB markets where we can drive higher revenue growth.

Let me now discuss specifics regarding how we will better serve our customers and access new customer groups. We're confident this program will drive deep long-lasting transformation. It's designed to simultaneously drive revenue growth and improve efficiencies as we transition to a simpler, more integrated and fast company.

The work streams for the 4 focus areas on this slide are underway, and let me describe the changes for each area. Firstly, reimagining the customer experience. We're creating fast, frictionless, connected, transparent and personalized customer experiences. This includes upgrading and scaling digital marketing and driving enhanced sales and service from data and analytics. The end result in 2023 will be significant portions of the customer experience enhanced through digitization and automation.

Secondly, we're optimizing our products and portfolio. We're shifting our focus to a smaller number of higher-growth product categories where synergies exist and where we can build and maintain our leadership positions. This will be supported by a conservative push to world-class product proposition and strategy, development, pricing, delivery and management. The end result in 2023 will be a more focused and integrated set of products that drive valuable outcomes for customers.

Thirdly, we're simplifying operations and leveraging technology. We're scaling up machine learning, reengineering underlying processes and creating shared technology platforms that support agile product development and significantly enhance customer experience. The end results in 2023, we have a modernized, simplified technology architecture and operations footprint.

And finally, we're building and strengthening an inclusive culture of world-class talent. We're implementing new talent management processes, supported by external hires and increased investment in training and development. The end result in 2023 will be a self-replenishing pipeline of world-class internal talent.

In parallel with the Change Program and executing against these focus areas, we're also investing in 7 strategic growth priorities within the Big 3 segments. These investments are expected to accelerate organic growth and contribute to achieving our growth target of 5% to 6% in 2023. We've already begun shifting our focus and investment to these 7 priorities, and we're expected to grow upper single digit over the next several years.

We also continue to see opportunities for tuck-in M&A to accelerate our position across these 3 product -- these product categories, and we have an active pipeline of potential acquisitions across the Big 3 business segments, which we regularly review and assess. We continue to believe that there are attractive opportunities in which to invest inorganically in our current markets. We plan to provide a deep dive on each of these product categories at our Investor Day on March 16.

Now to the financial targets. The Change Program is expected to take 24 months to largely complete, and we've begun executing with urgency. It will require an investment of between $500 million and $600 million in 2021 and 2022. This investment is forecast to deliver additional annual revenues of $100 million in 2023; annual operating expense savings of $600 million, $200 million of which will be reinvested in growth initiatives for a net savings of $400 million; and a reduction in capital spending as a percent of revenue between 6% and 6.5%. I'll also note that targets embedded in the Change Program have been fully incorporated into our annual incentive plans.

I will now discuss our 3-year outlook resulting from the Change Program. In 2023, we forecast total company organic revenue growth between 5% and 6%; and for the Big 3, between 6% and 7%. Adjusted EBITDA margin in 2023 is expected to range between 38% and 40%. And with adjusted EBITDA margin in that range and lower capital expenditures, we forecast free cash flow per share to range between $3.60 and $4 in 2023, substantially higher than 2020's $2.67 per share.

Given the resilience of our businesses, the health of our markets and the team we've assembled, I'm confident we'll achieve our goals. The net result of the Change Program will be faster revenue growth, significantly higher margins, higher free cash flow and record free cash flow per share.

I'll conclude by saying we're excited and energized with the rollout of our Change Program. It's truly a transformative program for the company. And beyond the operational and structural changes we will make, which are essential, the Change Program will lead to Thomson Reuters being acknowledged as a leading content-driven technology company and recognized as a leader in the markets in which we operate, powering professionals in the legal, tax, risk, fraud and compliance and news markets.

We also want to be acknowledged by our customers as an innovator and builder of products that delight them. This will afford us the opportunity to expand our customer relationships from delivering accurate content to powering customers' businesses. And by 2023, we expect to have essentially redesigned our customer experience to match our customers' expectations by delivering a seamless experience and enabling access to new customer groups, including SMBs.

And finally, our ownership interest in LSEG provides substantial optionality to further strengthen our position. We forecast we could have financial capacity of as much as $15 billion by 2025, which will allow us to assess options to further drive growth and shareholder value. That said, we understand that we must successfully execute our Change Program and earn the right to deploy that capital if opportunities were to present themselves.

Let me now turn it over to Mike.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you, Steve, and thanks to all of you for joining us today. As a reminder, I will talk to revenue growth before currency and on an organic basis.

Let me start by discussing the revenue performance of our Big 3 segments. Organic revenues and revenues at constant currency were both up about 5% for the quarter. Legal Professionals revenues increased 5% and organic revenues were up 4%. Recurring organic revenue growth of 5% was partially offset by a 6% decline in transaction revenues, primarily related to our Elite business.

Westlaw Edge continues to drive over 100 basis points to Legal's organic growth while continuing to maintain a healthy premium. Our Government business, which is reported within Legal, had another strong quarter with total revenue growth of 14% and organic growth of 10%.

In our Corporates segment, total revenues increased 4% and organic revenues were up 3%. Recurring organic revenues were up a healthy 6%, but transaction revenues declined 11% primarily due to lower implementation revenues.

And finally, Tax & Accounting's total revenues grew 6% with organic revenues up 8%. The difference between total growth and organic growth was mainly related to the sale of our government tax business in November 2019. Also, we accelerated the release of some of our UltraTax state software from January to December to align with the traditional December release of our U.S. federal software. Excluding this timing benefit, organic revenues were still up a healthy 5.5%.

Moving to Reuters News. Revenues declined 1% with organic revenues down 3% mainly due to lower news agency revenues and the cancellation of in-person conferences at Reuters Events due to COVID-19. This performance was slightly better than we had anticipated due to the conversion of several in-person conferences to virtual events.

And Global Print revenues declined 10% in the quarter with organic revenues also down 10% as expected. We expect an improvement in print's 2021 full year performance but we still forecast revenues to decline between 4% and 7%. On a consolidated basis, fourth quarter revenues each increased 2%.

Before turning to profitability, let's look closer at recurring and transaction revenue results for the fourth quarter. Starting on the left side. Total company organic revenue for the fourth quarter of 2020 was up 2% compared to 4% growth in the fourth quarter of 2019. But if you look at the Q4 2020 performance for the Big 3, you will see organic revenue increased 5%, a strong performance and only slightly below the 6% performance in Q4 2019.

And as you can see at the top right of this slide, the recurring revenue growth continues to be very encouraging. Total company recurring organic revenue grew 5% in Q4, only 30 basis points below Q4 2019. And the Big 3 recurring organic revenues grew 6%, in line with last year's fourth quarter.

Turning to the graph in the bottom right of the slide. Transaction revenues were down over 900 basis points year-over-year, impacted by COVID-19, which affected our implementation services and the Reuters Events businesses. So despite the COVID-19-related disruptions, we continue to remain encouraged by the momentum we carried into 2021, especially for recurring revenues, giving us confidence in the trajectory of the business.

Turning to our profitability performance in the fourth quarter. Adjusted EBITDA for the Big 3 segments was $495 million, up 11% from the prior year period, and the related margin was up 230 basis points.

This strong performance for the Big 3 reflected 4 key items: first, strong revenue growth across all 3 segments. Second, Legal Professionals adjusted EBITDA margin in the fourth quarter grew 300 basis points to 37.5% compared to the prior year period driven by higher revenue growth. Third, Corporates adjusted EBITDA margin was up 110 basis points to 31.1% due to higher revenues. And fourth, Tax & Accounting's adjusted EBITDA margin increased 240 basis points to 51.1% due to solid revenue growth, which included the accelerated release of some of our UltraTax state software mentioned earlier.

Moving to Reuters News. Adjusted EBITDA was $6 million, $4 million less than the prior year period primarily due to several nonrecurring costs in the quarter. Global Print's adjusted EBITDA margin for the quarter declined about 480 basis points due to the decline in revenue. So total company adjusted EBITDA was $525 million, a 33% increase versus Q4 2019.

This next slide provides more color on the various factors impacting our full year 2020 adjusted EBITDA margin. As you can see, our reported 2020 full year adjusted EBITDA margin was 33%. There were several factors in 2020 that drove the significant increase over the prior year period.

First, M&A activity had a 40 basis point positive impact on margin. Second, lower revenues related to COVID-19 had a 220 basis point negative impact on margin. However, the savings from the $100 million cost savings initiative we announced in the first quarter more than offset the dilution from COVID-19 impact. And we exceeded our $100 million cost savings target and reinvested a portion of the savings in the fourth quarter. The net cost savings improved the margin by 180 basis points.

On an underlying basis, excluding stranded and onetime costs in the prior year, the adjusted EBITDA margin expanded 150 basis points, which was primarily related to the cost savings measures as a response to COVID-19. We continue to expect these savings will be permanent. Overall, we believe the investments made in the fourth quarter and the visibility into the levers at our disposal provide us with a solid position as we enter 2021 and began to execute on the Change Program.

Now let me turn to our earnings per share and free cash flow performance. I will also update you on our capital structure. Starting with earnings per share, adjusted EPS increased by $0.17 to $0.54 per share in the fourth quarter. The increase was mainly driven by higher adjusted EBITDA, partially offset by higher income taxes. Currency had a $0.01 positive impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the year. We finished the year on a very strong footing and significantly exceeded our forecast, thanks to strong collections in Q4. This strong performance also reflects the resiliency of our customers and their ability to successfully manage their businesses and practices despite COVID-19 impacts.

Reported free cash flow was $1.3 billion or $2.67 per share and was better than the $2.40 per share we had forecast at our December 2018 Investor Day, a great achievement. The $1.3 billion in 2020 compares to $159 million in the prior year period, an improvement of nearly $1.2 billion. Consistent with previous quarters, this slide removes the distorting factors impacting free cash flow performance.

Working from the bottom of the page upwards, the Refinitiv-related component of our free cash flow was better by $147 million from the prior year period. 2019 included residual payments for employee cost and tax expenditures related to the operations of our former F&R business. And in 2020, we made $95 million of payments for separation costs incurred in 2019 related to our transformation program. And in the prior year period, we made a pension contribution and other payments totaling $746 million, primarily related to the Refinitiv transaction. So if you adjust for these items, comparable free cash flow from continuing operations was $1.3 billion, approximately $230 million better than the prior year period primarily due to higher EBITDA and lower income taxes.

A quick update on our capital structure and liquidity. As you can see, our capital structure and liquidity position remained strong as we exited 2020. We generated $1.3 billion of free cash flow last year. We had $1.8 billion of cash on hand at December 31. We have an undrawn $1.8 billion revolving credit facility, and we also have a $1.8 billion commercial paper program.

From a liquidity and capital structure standpoint, we enter 2021 in a very strong position, and we would like to put that capital to work. We have a pipeline of potential acquisitions within our core markets. But as we all know, a transaction requires a willing buyer and seller, and we will see where the discussions lead. We do have the ability and desire to move quickly if an opportunity presents itself this year.

Let me also note we have completed the repurchase of 200 million common shares under the normal course issuer bid which began in January. We do not currently intend to repurchase additional shares in 2021 as we have set a target to maintain approximately 500 million common shares outstanding.

And lastly, we recently received notice we will have to pay the U.K. tax authorities $90 million in March related to an ongoing tax dispute. We expect to receive additional notices in 2021 to pay as much as an additional $600 million to $700 million. While we believe we will prevail on these issues and be refunded substantially all of the payments, we are required to pay the disputed amounts upfront while contesting them.

The largest portion of these issues relate to our F&R business, which was divested in 2018. Any payment made by us would not reflect our view on the merits of the case because we believe our position is supported by the weight of law. We expect our existing sources of liquidity will be sufficient to fund any required payments. As a final note, the majority of these potential payments will be recorded in discontinued operations and will not impact our free cash flow.

And finally, I am pleased to report today we announced a $0.10 or 7% annualized dividend increase to $1.62 per share, the largest increase since 2008. This marks the 28th consecutive year of annual dividend increases for the company. The increase will be effective with our Q1 dividend payable next month. These annual dividend increases speak to the solidity of our business and consistent and growing free cash flow generation even during unprecedented times like 2020.

Now an update on our investment in Refinitiv. The agreement to sell Refinitiv to the London Stock Exchange Group closed on January 29, and we are confident Refinitiv has found a good home with LSEG. We look forward to a mutually beneficial relationship as a shareholder and a Board member.

The pretax value of our 82.5 million shares is currently $11.2 billion or $23 per share in TR stock price, up from $6.7 billion or $13 per TR share at the time we announced the transaction in July 2019. We plan to sell shares equivalent to $1 billion, and we'll use the net proceeds of $750 million to pay $700 million in taxes related to the transaction in 2021. Our future equity interest in LSEG will represent a store of value which can be monetized over time and will provide us a significant level of financial flexibility. We expect to receive annual dividends from LSEG of about $75 million per year based on LSEG's current annual dividend payout.

Lastly, regarding the accounting treatment for our ownership interest, we will account for our indirect interest in LSEG at fair value each reporting period based on the price of LSEG stock. We will remove the impact from non-IFRS measures. Because we own the investment indirectly through a joint entity with Blackstone, the impact will be reported through the single line item share of post-tax income and equity method investments. We will include dividends from the investment as part of our free cash flow.

Now let me turn to our outlook for 2021 through 2023. As we look to 2021, I will first speak to our total company organic revenue growth forecast. We expect organic revenue growth for 2021 to range between 3% and 4%, returning to pre-COVID-19 organic growth rates. We believe we can build upon 2021's growth with organic growth of 4% to 5% in 2022 and 5% to 6% in 2023. We forecast the Big 3 organic revenues to grow between 4.5% and 5.5% in 2021.

Let me provide some additional color on how we expect each segment to drive the overall acceleration. We will share more at our upcoming Investor Day on March 16. Starting with Legal. We finished the year with strong sales momentum which should lead to an acceleration in organic revenue growth in 2021.

Our confidence stems from several items. First, the continued success of Westlaw Edge as we ended 2020 with 52% ACV penetration and expect this to increase to between 60% to 65% in 2021 while continuing to command an attractive premium. Second, our Government business is in a strong position in a rapidly growing market, evidenced by its nearly double-digit organic growth in 2020. We expect a similar performance in 2021. And third, products and workflow tools such as HighQ and Practical Law continue to see increased demand given their productivity, collaboration and efficiency benefits with Legal Professionals. In summary, we are confident we will see continuing improvement in Legal's organic revenue growth rate in 2021.

The Corporates segment is expected to build on its 2020 growth rate of 5% as transaction revenues improve over 2020. And finally, we forecast Tax & Accounting will again achieve solid organic revenue growth, fueled by continued growth in our UltraTax, audit and Latin American businesses. Finally, we expect Reuters News to grow low single digit driven by improvement in our Reuters Professional business, which provides news, analysis and events for decision-makers. And we expect Global Print revenues to decline between 4% and 7%.

We have not traditionally provided quarterly guidance but did so last year due to COVID. We are also providing guidance for the first quarter since the impact of COVID is still with us. We want to provide greater clarity regarding expectations. We believe our first quarter revenue growth will be the low point for the year.

Starting with the total TR chart on the top left. We estimate first quarter total revenues and organic revenues will grow between 1.5% and 2.5%, negatively impacted by Global Print. The Big 3 total revenues are forecast to grow 4% to 5%, and organic revenues are forecast to grow 3.5% to 4.5% in the first quarter. And we anticipate the first quarter will be the low watermark for Legal Professionals organic growth for the year at between 3% and 4%.

Moving to Reuters News. We forecast first quarter total revenues and organic revenues to be between negative 1% and 1%. The events team is currently holding all events virtual. We continue to assess when we can resume in-person events based on the local health expert advice and feedback from our customers.

Finally, Global Print first quarter revenues are expected to decline between 13% and 15%. This is partially due to an expected continuing delay in shipping some print materials. We continue to believe these print materials are viewed as critical content by law firms and government agencies. Overall, the first quarter does not reflect what we expect for the full year, evidenced by our total and organic revenue growth guidance of 3% to 4% for 2021.

Turning to our adjusted EBITDA margin and free cash flow. Our guidance in 2021 reflects the dilutive impact of the Change Program investments. Adjusted EBITDA margin is forecast to range between 30% and 31%. Excluding the Change Program investment, the adjusted EBITDA margin would have been between 33% and 34%. Free cash flow is forecast to be between $1 billion and $1.1 billion. If we were to exclude the Change Program spending in 2021, underlying free cash flow would range between $1.2 billion and $1.3 billion.

In 2022, we forecast we will begin to see the benefits of the Change Program with higher revenue growth and cost savings helping to lift adjusted EBITDA margin to between 34% to 35% and free cash flow to between $1.2 billion and $1.3 billion. And in 2023, following the completion of the

Change Program, we forecast the adjusted EBITDA margin will reach a record high of between 38% to 40%, and free cash flow is forecast to range between $1.8 billion to $2 billion.

Taking a closer look at our free cash flow growth. We forecast free cash flow per share in 2023 to range between $3.60 to $4, significantly higher than 2020's $2.67 per share. And we have several levers to pull to enable us to achieve that target as you can see on this slide. Bottom line, the changes we are implementing are intended to enable us to achieve record free cash flow per share in 2023.

A little more on capital efficiency and effectiveness. Today, our capital-to-revenue ratio is 8.4%, down from 10% 2 years ago. There are 3 drivers we are focused on to drive further capital efficiency. First, we are scaling up machine learning, reengineering underlying processes and creating shared technology platforms to create a modernized technology approach across the organization. Second, we are simplifying the product portfolio and building world-class cross-product capabilities. And lastly, we are shifting our focus to a fewer number of higher-growth product categories. As a result, we anticipate CapEx as a percentage of revenue to be between 6% and 6.5% by 2023.

Let me provide some guidance on the Change Program cost phasing. We anticipate approximately $300 million to $350 million of total OpEx and CapEx Change Program spend in 2021. You can see on the slide the anticipated split of about 60% OpEx and 40% CapEx, with about $115 million to $140 million total spend in the first half and $185 million to $210 million in the second half. We will continue to provide quarterly updates on our Change Program spend as we move throughout the year.

One housekeeping item to mention related to the expected variance between free cash flow per share and adjusted earnings as we look ahead. First, we expect our capital expenditures will be less than our depreciation and amortization by about $75 million to $125 million in 2021. There will be a quicker impact to free cash flow due to the timing of the depreciation runoff.

And second, there should be about $50 million to $75 million of miscellaneous items that impact the P&L but not free cash flow. We expect annual pension contributions to be lower than annual pension expense. In addition, there are expenses related to our employee stock purchase program and stock-based compensation that have no impact on free cash flow.

Let me now turn to our outlook. Given the size and scope of the Change Program, we think it is important to provide as much transparency as possible to enable you to track our progress. This is our detailed guidance for 2021, 2022 and 2023. It reflects our view we can achieve faster revenue growth, higher profitability, lower capital intensity and significantly higher free cash flow as we benefit from transitioning to an operating company.

We are very excited and energized with the rollout of our Change Program. As always, success will require effective execution, but we are clear-eyed as to the work streams and deliverables required to meet our objectives. We are confident we can do so.

As we have said, our goal is to transform Thomson Reuters into a leading content-driven technology company. When we are successful, Thomson Reuters will be built to consistently and sustainably drive strong operating and financial performance that builds value for shareholders for the long term.

Let me now turn it back to Frank for questions.

Frank J. Golden - *Thomson Reuters Corporation - Head of IR*

Thanks very much, Mike and Steve. That concludes our formal remarks and presentation.

Before we open it up for questions, I want to mention and reiterate what Steve and Mike had said, that we'll be hosting a Virtual Investor Day on Tuesday, March 16. Now that session will run from 8:30 in the morning until about 12 noon with presentations from our management team who'll provide a more detailed discussion regarding our Change Program, and they will also be highlighting our growth initiatives, including the 7 strategic priorities Steve had discussed. We'll be sending more information on the Investor Day later this week, including a link to register for the meeting.

So with that, I would like to open it up for questions. So if we could take the first question, operator, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And we'll go to the line of Toni Kaplan with Morgan Stanley.

Toni Michele Kaplan - *Morgan Stanley, Research Division - Senior Analyst*

I wanted to talk about the levers that you mentioned, the transitioning from a holding company to an operating company and from a content provider to content-driven technology company. I guess do you see this as a significant change in culture at the company? Or do you think that just with the $500 million, $600 million investment and new direction, that you can get there?

Just trying to understand what it means for turnover and for hiring. Just anything on sort of that aspect.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. Toni, it's Steve. I'll start. Look, I think we have a very strong existing culture. It's been built up over decades, and it's built around integrity and trust. And if you speak with our customers, they'll reflect that. They trust what we say and what we do. And so we want to continue that, and I think that's an important sort of foundation stone for our activities going forward and for the Change Program.

We have real strengths in content. Our content is -- in many cases, if not most cases, where we're providing solutions for customers, our content is unique. But to that, we need to add more AI and machine-learning capabilities, more software capabilities, more cloud expertise and more SaaS expertise. We've started to do that, and we've made some really good progress with Westlaw Edge and Checkpoint Edge. And we've made some really good progress in terms of the hires that have come onboard, including Kirsty Roth, David Wong, Sunil Pandita and Pat Wilburn, all of whom have those kinds of expertise in the space.

So from a culture standpoint, I think it's much more of an evolution than it is a revolution. And I think in terms of the formulation of our teams, you'll see us continue to build the skills within the associates who've been here for long periods of time but also supplement those skills where we need to.

Toni Michele Kaplan - *Morgan Stanley, Research Division - Senior Analyst*

Got it. And just for follow-up, you talked about bringing CapEx down to 6% to 6.5% of revenue. I guess if you're becoming more of a technology-driven company, is that -- why is that the right level? I understand the main motivation is free cash flow, and I appreciate that. Just wanted to understand if maybe the CapEx level needs to be higher than that just on a sustainable basis.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Toni, Mike here. We've had a lot of debate and discussion internally. One data point that I would share with you that we have worked on a lot with Kirsty Roth, David Wong and others is currently about 33% of our capital is spent on keep the lights on, more of the legacy. We think over time, which we'll discuss more at the Investor Day, we can decrease that to -- in the 15% range.

What that actually means is that we can decrease our absolute level of spend, Toni, but actually spend more on our product development. So ultimately, that's where our focus is, is deploying our capital to the growth initiatives. Right now, we're spending an exorbitant amount on the KTLO portion of our business. So that's where we see it.

Certainly, as opportunities arise going forward, whether it be organically or inorganically, we won't be shy if we think there's a customer need to meet there. But that's how we modulated that 6% to 6.5%, Toni, is really that driver on keep the lights on and the legacy.

Operator

And we'll go to the line of Drew McReynolds with RBC.

Drew McReynolds - *RBC Capital Markets, Research Division - MD of Canadian Telecommunications & Media Research and Analyst*

Just to broaden Toni's question out a little bit, maybe for you, Steve. Your 2023 outlook is well above, I think, forecast out there, certainly above what Thomson has done historically. What gives you confidence that you can kind of pull this kind of lift up in the business?

And the follow-up for Mike. You've architected a lot of restructurings and carve-outs at Thomson over the years. Can you just size this one up in terms of complexity and achievability?

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. Thanks, Drew. With regard to the confidence point, I'm glad you picked that up because we're -- I think as a team, we are confident. And that confidence is built through the sort of design and early stages of execution of the Change Program, and it comes from 3 places.

I think the first is the sort of resilience of our core franchises. 2020 was a tough year for our customers and therefore, a tough year for us. And yet, we posted pretty solid organic growth within the Big 3. So we look at that resilience and say we're starting from a position of strength.

Secondarily, we've spent a lot of time in the COVID environment deeply connected with our customers. We really doubled down with a bit of a mantra when the pandemic hit of when in doubt, call a customer. And when in doubt, provide just more and more support and more and more help for customers. And what we've seen across the segments, across all of the professionals that we serve is a change in their behavior and an appetite to make increased and smart investments in information and technology. So if we get it right, we're going to have a really powerful tailwind there, which gives us confidence.

And then thirdly, we have put together a team of folks who are very experienced here at Thomson Reuters and have driven change before and added some highly talented folks from the outside. And both the team and that Change Program are purpose built to create an operating company and to create a content-driven technology company.

So it's sort of a combination of where we started from, what we're seeing in the external markets and the team and program that we've constructed. And all of those things together, I think, just give us a great deal of confidence. And that's not to say we'll get every aspect right. I mean I think we've built in enough room to move to be able to experiment and make some mistakes along the way. But we do, as you said, start from a position of significant confidence. Mike?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Drew, I'll compare the '21 to '23 Change Program to what we did in 2018 and 2019. Back in 2018 to 2019, we had 3 primary vectors or goals. One was to eliminate the stranded costs. Pre Refinitiv or pre Blackstone, we had $280 million of corporate costs, and we're down to roughly $130 million in 2020. So we accomplished that.

Our second goal back in 2018 was to separate from Refinitiv. And thanks to a hell of a lot of work from Stewart Beaumont, John Lyons, [Robin Wynn], [Jim Smith and many, many others, Tom Kim, we are largely complete with the separation. So I think you put 2 checkmarks there.

The third element of the 2018 initiative was really to advance our efforts in regards to digital and then also our lead to cash, really consolidating multiple systems internally to improve the customer experience. We still have more work to do on that third one.

What makes the current Change Program different for me, Drew, is the really, really intense focus on improving the end-to-end customer experience, which I believe will improve our NPS. Currently, our Net Promoter Score is significantly below the industry B -- the B2B industry average. But our goal is not to get to the industry average, it's to far exceed that. And as we improve the NPS and the customer experience, I'm quite optimistic we'll be able to accelerate our revenue. And to Steve's point earlier and to Toni's question, the pivot to the operating company, I think, will yield some efficiencies for us along the way.

Last point I would make, Drew, is in regards to confidence level. I think I and the full team, the Thomson Reuters team learned a hell of a lot in the last 12 months with COVID, especially in regards to what's possible. That might sound very basic. But a lot of things that we accomplished in the last 12 months, I'm not confident we would have, unfortunately, without COVID because it really eliminated some of the myth busters within our company and, I'm sure, in the economy overall.

So my confidence and conviction is quite high, Drew. And I think on March 16, you'll hear from 10 additional colleagues who will go deeper into the story.

Operator

We'll go to the line of Vince Valentini with TD Securities.

Vince Valentini - *TD Securities Equity Research - Analyst*

Just looking at the dividend. If you take the new dividend over $1.62 in the midpoint of the 2021 free cash flow guidance, that's obviously a bit of an elevated payout ratio at 77%. But if we just assume that 7% is now the new normal and you increased it 7% in each of the subsequent 2 years, you'd be back to just under 50% by my math on your 2023 guidance.

So I just want to make sure you can level set us on that. Is 7% some sort of one-off catch-up dividend increase? Or should we take this as a signal of what you think the dividend growth potential is for the next couple of years as you go through this cycle?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Several points there, Vince. Your math is correct. Our payout ratio for '21 and '22 will be above our target of 50% to 60%. We had discussions with our Board regarding 2021, and we set our dividend increases in January of each year with Board approval.

So to your first point, your math is correct. As we go into 2023, based on our target, Vince, we will be below that 50% to 60%. The 7% is not a fixed target as we go forward. We'll assess that on an annual basis going forward as we did in 2021. But based on the current targets, Vince, for 2023, we would certainly have some optionality there.

Vince Valentini - *TD Securities Equity Research - Analyst*

Okay. And just to clarify on taxes. The money you're talking about, $90 million soon and then another $600 million to $700 million owed in the U.K., is that a separate amount from the $700 million on the LSE transaction?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Vince, good question. Let me break it down. It's 2 separate categories of payments. First, in regards to the London Stock Exchange, the $700 million is due on the closing of the transaction. That's the portion that's not tax deferrable that was related to the Tradeweb piece. So that's the first piece.

The second piece relates to some disputes we have with the U.K. HMRC. And the majority of that actually, Vince, relates to our divestiture of the Intellectual Property & Science business and also the F&R business. But it's 2 separate items.

The first piece, Vince, in regards to the LSEG transaction would not be refunded. We believe, on the second piece, we'll have to advance it just due to the U.K. tax regulation. But in our viewpoint, we will be refunded the majority of that because we think we have a very strong position. We have multiple external advisers, and they have the same strong view as us.

Operator

We'll go to the line of Gary Bisbee with BofA Securities.

Gary Elftman Bisbee - *BofA Securities, Research Division - MD & Research Analyst*

Congratulations on announcing the program. I guess -- I'm sure there'll be more detail at the Investor Day, but I'd love some more detail on 2 areas. First, where does the $600 million of cost saves come from? Can you bucket some of the key buckets, like numbers?

And then what are the key things to drive the revenue acceleration? I see focusing on the 7 product categories. You mentioned SMB several times. But can you break down some of the key factors?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Gary, there are multiple pieces there. I'll start and ask Steve to supplement. You didn't ask the first part that I'm going to mention, Gary, but it might be helpful for the overall audience.

The $500 million to $600 million investment, we break that down into 3 tranches, Gary. First is in regards to the omnichannel, digital, SMB. That's the first 1/3. The second 1/3 relates to what we call modernized technology and operations. Some of you will be familiar that at the end of 2020, we had completed the majority of our cloud migration with the exception of our data center in Eagan, Minnesota outside Minneapolis. And then we have a few small leased data centers around. So that will be a big objective for us as we work through with Andy Martens, Paul Fischer and the legal group, along with Kirsty and David. And then the third tranche is organization and location. So 1/3, 1/3, 1/3 in regards to the actual investments.

In regards to your question on savings, multiple categories there as we work through it, Gary. Certainly, attrition will be a portion of that as we work through it. As we pivot to the operating company, we think there's a lot of opportunity within product, technology, editorial because we have a lot of legacy acquisitions that we still have not fully integrated, and we think we will be able to be more efficient with those parts of the business.

And then lastly, I would mention sourcing and procurement as a category and then real estate. If you go back 6 or 7 years, we had over 500 office locations. We're down to 100 now. Mary-Alice Vuicic, our Chief People Officer, has done a wonderful job in the last 12 months evolving our workplace of the future and really the workplace of today. So a lot of key learnings there that will help us continue to optimize our footprint as we move forward.

Let me pause to see if Steve wants to add anything to that as -- before I go to the revenue piece, Gary.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Well said, Mike. I think, Gary, we've been -- I think we've looked comprehensively across our activities and most importantly, focused on the customer experience. And the investments that we're making are in and around the omnichannel/digital, they're in and around the underlying operations and technology that support our customer experience and they're in and around both the people and real estate footprint that serves that. And that then flows through into the cost base. We think if -- when we get this right, we're going to have a significantly lower cost to serve and to Mike's earlier point, a higher Net Promoter score from our customers.

So that's the sort of equation that we work against here. But Mike, back to you on the revenue.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Gary, I'll start on the revenue piece. I'm sure Steve will want to supplement. The first word I'm going to use, Gary, is focus. And that might sound incredibly basic, but around July 1 of this year, we -- or 2020, we had Elizabeth Beastrom -- Elizabeth is our President of the Global Print business, but we asked her to double hat and lead our Practical Law business, which is a product used by our Legal Professional customers and also our Corporate customers. And I think with the focus that Elizabeth has put on this in the last 8 months -- not just Elizabeth but Elizabeth and the team, we have also now began to apply that to our indirect tax with Sunil Pandita, our new President of the Corporates business. So focus I'll mention first.

Let me get a little bit more tactical, Gary. NPS -- our retention is already 90%, but we're quite optimistic that we can continue to improve our retention as we move forward. As you know, each percentage point on retention is roughly $50 million to $60 million for us.

And then pricing. I think as we improve our customer experience, we can maintain the pricing that we currently experience. It's about 3% overall, which varies by segment for us. David Wong with product innovation, I think we're just scratching the surface with our product innovation. Charlie Claxton recently joined David's team as Head of Design. And we'll continue to add more talent within our product area.

And then I think upsell and cross-sell. The cross-sell, you've been hearing us discuss that for a while now. I think as Kirsty Roth and others help us with our internal systems, which we're making progress on, that will make it easier for Brian Peccarelli's sales organizations, Michael Friedenberg within Reuters to really cross-sell and support our customers.

So those are some of the areas, not to mention SMB. As you know, Gary, about 1/3 of our business today comes from small firms, but we think we have the opportunity to drive further reach within SMB. I'll pass to Steve.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. Just one other comment on this, Gary. We'll talk a lot more about this at Investor Day. And I hope at Investor Day, you get a sense for at least 2 things. One is this set of elevated growth expectations, pretty broadly diversified across these growth initiatives. So we're not overly reliant on sort of one big bet or a Hail Mary or anything like that.

And the second is there's lots of upside here in terms of attracting new customers and maybe most importantly, our ability to shift to new products. I think we've had a pretty modest cadence in terms of product -- organic product innovation. And I hope that you'll get a sense at Investor Day certainly from many of the team but specifically from David Wong and Shawn Malhotra who's our Head of Engineering that we have very high expectations of our ability to innovate in and around the marketplaces that we operate today.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Gary, if I could just add one additional point. I know you were focused rightly on the organic side, but we'll -- as I mentioned in my remarks, we have the ability and desire to deploy capital when the opportunity is right for our customers and for our shareholders there. As you know, we have about $700 million of the $2 billion reinvestment fund that we set aside a couple of years ago with the Blackstone transaction. So we'll continue to look here for opportunities to supplement the organic items that Steve and I mentioned with inorganic opportunities.

Operator

We'll go to the line of Kevin McVeigh with Crédit Suisse.

Kevin Damien McVeigh - *Crédit Suisse AG, Research Division - MD*

Great, and congratulations. Steve or Mike, this might be better suited for Mike, but I think one of the underappreciated parts of this initiative is how much better positioned you are internally from an operational perspective. And maybe just compare and contrast the transition away from Refinitiv back in '18 because I feel a key part of it is just management's ability to execute just given a much more streamlined business. If there's anything you'd call out there just as you put this plan together because I think that's a more subtle point that really increases the probability of success as you engage these next couple of years.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. Kevin, I'll start. So Mike has obviously been here for longer and seen -- can give you more -- a better historical perspective than I can. But here's sort of, in my mind, the key difference, right? And that is that we don't have F&R in the portfolio anymore, right? So -- and that was, as you know, a very different business. And it is a very complex business by nature of sort of the markets in which it operates and the customers that it serves.

And so we don't have that on the agenda. Instead, we've got the Big 3 segments, print and Reuters. And we feel that is a manageable portfolio, and there are some real similarities across the customer needs and the customer experience we need to provide. And to that, we've added, I think, an extraordinary amount of expertise to an already strong associate base here at Thomson Reuters, people like Kirsty Roth who've done this before at significantly larger scale in very similar, if not tighter, time frames under -- shifting sands from an external point of view.

And so those are the 2 things that I think differentiate it in my mind at least from where we might have been. But I'll turn it over to Mike.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Kevin, I'll just add one small item. In addition to F&R is now with LSEG, the amount of time all the colleagues that I mentioned had to spend on the separation is more time that we can really focus on building our products now. We tried to kind of ring-fence that group as much as possible, but we can now deploy that -- those funds and resources to building and accelerating new products and capabilities.

Kevin Damien McVeigh - *Crédit Suisse AG, Research Division - MD*

Super helpful. And then just with retention at 90%, kind of where do we think we can get that to?

And then if this is a third, I respect it if you can't answer. But that new product innovation, the $200 million, is that in the organic target? Or would that be something in addition if you execute on that?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Let me break it down first. In regards to retention, Kevin, I think we'll get a better feel with the Investor Day. Certainly, we feel like we can get 1 percentage point as we move forward. We have a lot of customer pain points that we are addressing. We're very straightforward with our customers in that regard.

And then as we continue to add more and more capabilities, you're very familiar with all the work that Andy Martens and Mike Dahn have done on Westlaw Edge just illustratively, and Charlotte Rushton in Tax & Accounting Professionals is now working on the other initiatives that she'll discuss. So I wouldn't be surprised, Kevin, if we can get another 1% lift. But we'll closely monitor that and keep you up to date as we move forward. And then Kevin, in regards to the revenue lift from the Change Program, that is reflected in the targets that we've provided today.

Operator

We'll go to the line of Aravinda with Canaccord.

Aravinda Suranimala Galappatthige - *Canaccord Genuity Corp., Research Division - MD*

My first question is on -- and I have a follow-up after that. My first question is on the software and services component. I think Mike, in the past, you've been kind enough to kind of give us a breakdown as to what that component was in some of the key divisions, including Legal, and also on a consolidated basis. As you look to sort of your 2022 and '23 targets, is there a number or a percentage you have in mind as to where that would transition to?

And as my follow-up, with respect to the $600 million to $700 million in tax on the disputed item, I know you talked about $90 million in Q1. Is there any sort of color as to how that would -- how the remainder would sort of phase out? And I apologize if I missed the commentary on that.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Aravinda, let me take the second question first. The $90 million we estimate would be paid in Q1 of this year. And then the $600 million to $700 million estimate that I referenced, if -- we're still contending that. If paid, it would be Q3 of 2021.

While we're on the topic of tax, the tax associated with the LSEG transaction, Aravinda, those would be made quarterly, April 15, June 15, 9/15, 12/15 there, just from a timing perspective. All of these items are factored into our liquidity forecast for the full year.

Let me just provide some grounding on the software and content, and I'll ask Steve to share his thoughts, respectively. Today, if you look at the Legal business, about 30% estimated is software. Within Corporates, it's about 6%; and in tax, about 75%. So for total TR, looking at about 40% software. So I'll ask Steve to share his thoughts, respectively.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. Look, I think part of this transition, Aravinda, to a content-driven technology company is to explicitly increase that software portion. I think if you look at -- we're at sort of 35%, 35% -- 35% to 40% of software today. There's quite a bit of upside there.

But one of the things we'll do, I think, is that we will blur that, right? And I think our customers are demanding we do that. They basically say to me when I speak with them, "Look, we love your content, but we need it delivered in different, more innovative, more customer-friendly ways and more usable ways." And so I think you'll see more and more of this blend of unique content, world-class AI and machine learning and best-of-breed software that will really blend the solution. And as long as we're solving the customer problem better than anyone else, I'm confident that, that will translate into these healthy growth rates.

Operator

And we'll go to the line of George Tong with Goldman Sachs.

Keen Fai Tong - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

You mentioned that your $500 million to $600 million in investment breaks out into 3 tranches: the omnichannel, SMB; modernization of tech and operations; and the broader organization. Can you talk a little bit more about these initiatives within the tranches and how this compares with where your 7 strategic investment priorities fall?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. I'll start and then ask Steve to supplement. First category, I'm going to call it more of the go to market, which includes smaller customers, more digital self-serve in SMB and the omnichannel. At the heart of that, George, is addressing our internal systems.

We, as you know, have had many acquisitions over the years. So we're looking to consolidate the many disparate systems that we have today into as few as possible. What that does is improves our operational efficiency, but more importantly, it improves the sales go-to-market team's efficiency. Because they're dealing with fewer systems day to day, they get the full view across total TR in regards to the cross-sell that we mentioned earlier.

Also within this is SMB. We're building the capabilities. We mentioned Kirsty earlier and David. Karen Stroup, our Chief Digital Officer, is working on this. We have about 500,000 customers today. That number has been fairly constant over the last few years. We think these SMB capabilities will allow us to attract and retain additional new customers as we move forward.

The second tranche in regards to modernizing our technology and operations, Kirsty, Shawn Malhotra and David Wong will discuss more at our Investor Day. I mentioned earlier the cloud migration. But we have some more older underlying editorial-type technology that we're in the process of investing in, in the next 2 years that will accelerate our time to market.

And then lastly, on organization and location, in different parts of our organization now, we might have like, for example, call centers or in finance, different areas that are kind of repeated multiple times. As we pivot to the operating company, we'll be able to have leverage there. And I mentioned the locations a few minutes ago. Steve?

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. I think very explicitly, if you look at those 3 buckets, right, so digital and omnichannel customer experience, modernizing ops and tech and the organization and location footprint, they feed into the 7. So products like Practical Law, HighQ, Westlaw, Pondera and Onvio, the cloud audit suite and indirect tax, all of these we believe will be significantly enhanced by those 3 investments. So there's a very explicit link between the investment we're making and the upgrade and innovation around those products. And that's what we'll dive into on the 16th of March.

Keen Fai Tong - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Very helpful. And then just as a follow-up, you mentioned that organic revenue growth should reach 6% to 7% in the Big 3 by 2023. Can you break out what that growth might look like within Legal, Tax & Accounting and Corporates, just assumptions in there that's included in that target?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

George, we'll go deeper on that with the March 16 Investor Day. Paul Fischer will cover Legal; Charlotte Rushton, tax; and Brian and Aaron will cover the Corporates. But we'll share more on that then, George.

Operator

And we'll go to the line of Manav Patnaik with Barclays.

Manav Shiv Patnaik - *Barclays Bank PLC, Research Division - Director & Lead Research Analyst*

Just to follow up slightly there. I mean on a high level, that 6% to 7% growth rate, like how much of that is market growth that you're assuming? Because you compared the transition or the evolution to F&R before, and one of the problems, I think, was the market at F&R. And our impression has always been Legal is a tough market as well.

So just curious how you guys have factored what the market growth looks like. Or is this all innovation-driven?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Manav. Once again, we're going to hear more about this from the segment presidents on March 16. We've certainly updated our total addressable market data, and as we kind of triangulate, what we see from a market growth perspective to our internal estimates is fairly consistent.

Once again, we'll share both the TAM estimates by subsegment along with our estimates of the Big 3 that George just asked about on March 16. But from our viewpoint, there's pretty good symmetry in regards to the TAM estimates that we see and then our -- also the internal.

There are some deviations if you look at a Westlaw product that has really, really strong presence in the market. And then some of our earlier projects that -- products that are in the earlier stages may not be a huge growth contributor today, but we see a lot of upside going forward. But we think we have good symmetry between our internal estimates, Manav, and then also the TAM estimates.

Manav Shiv Patnaik - *Barclays Bank PLC, Research Division - Director & Lead Research Analyst*

Okay. Fair enough. I'll wait for that in the Investor Day.

And then the other question I had was -- this obviously seems like a pretty big organic lift, but I think along the way, you mentioned a few times that you still want to do deals. And I was just curious what the capacity there is. I'm guessing these are all small deals. Or is there capacity to integrate a large deal amidst all this change going on?

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. I'll talk about it from sort of an organizational capacity. And then, Michael, remind us of the financial capacity. We're very focused on meeting and exceeding our customer needs and the Change Program. That is our laser-focus for 2021 and 2022.

So in terms of our capacity for inorganic activity, we're going to be open to acquisitions that are reinforcing of the Change Program and reinforcing our ability to meet and exceed customer needs today within the Big 3. And so ideally, we would do a number of tuck-in acquisitions this year and next that meet that criteria, but we're going to be pretty hard-edged about making sure that our focus stays on the Change Program and that the acquisitions indeed meet that criteria.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Manav, I was going to a similar reference. I'll say execute the Change Program like hell. I mean that's our first, second, third priority. And then we have the capacity to make an acquisition -- small or midsized acquisitions if it is the right time and also meets our customer needs is the way I view it.

But the $700 million that I referenced earlier that remains from the $2 billion original investment fund, obviously, our capacity far exceeds the $700 million, but we don't have an urgency to put it to work. We will put it to work at the right time for our customers and shareholders.

Operator

Our final question will come from Doug Arthur with Huber Research.

Douglas Middleton Arthur - *Huber Research Partners, LLC - MD & Research Analyst*

Steve, in terms of the addressable market that this transformation is targeting, is this kind of a dual track? Do you think your large -- for instance, legal companies are going to -- the COVID issue has dramatically changed the way they will work going forward, so this is meant to address that. But it seems, on the same vein, that this is all about expanding the market into SMBs and really growing that customer base. I mean I'm just trying to get a sense of priority.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Yes. I think certainly, this year and into next, the priority is to meet and exceed the needs of our existing customers. And so you refer to the large law firms. I've spent a lot of time over the last 12 months with the managing partners, the chairs of the large law firms. And as I've mentioned before, in this environment, every single one of them in their own words has said a version of, "We need to spend less on real estate, more on information technology."

And our focus is on making sure that we're part of that, we're part of that solution set. And so we do think there's upside. Despite our very high share with the large law firms, we think there's real upside as they change the ways of working and move their budgets around appropriately to serve that.

The SMB opportunity for us is, we think, a big one, but it's a slightly longer-term one. We're going to -- we're building those capabilities today. That process is going well. We'll get it online as soon as we can. But the focus is very much on that first category with a clear eye towards the second.

Frank J. Golden - *Thomson Reuters Corporation - Head of IR*

Thanks, everyone, for joining us today. That will conclude our call. If you have any follow-up questions, feel free to reach out to me.

As I mentioned, we will be sending out a notice regarding our Investor Day on March 16 later this week. If you do not receive that for some reason, either you're not on our distribution list, please reach out to me. We'll make sure we get it to you.

And we look forward to sharing more with you 3 weeks from today. Thank you.

Stephen John Hasker - *Thomson Reuters Corporation - President, CEO & Director*

Thanks, everyone.

Operator

And ladies and gentlemen, this conference is available for replay beginning at 10:30 a.m. Eastern time today running through March 2 at midnight. You may access the AT&T replay system at any time by dialing (866) 207-1041 and entering the access code 9880039. International dialers may call (402) 970-0847.

That does conclude our conference for today. Thank you for your participation and for using AT&T event conferencing. You may now disconnect.