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PRESENTATION

Operator

Good day, everyone, and welcome to the Thomson Reuters Q2 2021 Earnings Call. My name is Simone. I'm your event manager. (Operator Instructions) I'd like to advise all parties the conference is being recorded for replay purposes.

And now I'd like to hand over to 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 second quarter 2021 earnings call. I'm joined today 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. (Operator Instructions)

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

Now today's presentation contains forward-looking statements and non-IFRS financial measures. 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.

Let me now turn 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. Before I speak to our performance for the quarter, I wanted to take a moment to acknowledge the loss of our much-loved colleague and outstanding Pulitzer Prize-winning journalist, Danish Siddiqui. Danish was tragically killed while on assignment in Afghanistan last month. The impact of his loss has been significant for all of us, especially his Reuters News colleagues, and we will continue to honor his memory. Thank you for your respect and acknowledgment of Danish's passing.

Now we'll move to our financial performance for the second quarter. I'm pleased to report the momentum we saw in the first quarter accelerated in the second quarter. Our strong performance was above our expectations and positions us well for the second half of the year.

This strong performance reflects several things: First, the solidity of our franchises, our must-have products and our market positions. Second, the strength of the information services market itself, which is presenting us with opportunities to expand our positions and further accelerate growth. Third, the realization and conviction by our customers that they need to reapportion their spend towards our products and solutions that can fit their workflow and drive growth and productivity. And finally, customers have growing confidence in both an improving economic environment and their own future prospects. So we're pleased with our first half performance, which increases our confidence in our prospects for the second half of the year and for 2022.

Now to the results. Prevailing tailwinds are playing to our strengths and contributing to strong revenue and sales growth. The second quarter's total company organic revenue growth of 7% was the highest in over a decade, and the Big 3 businesses also grew at 7%. This revenue growth was mirrored by strong sales growth across the company as customers position themselves to meet expected demand. We also continued to execute aggressively on our Change Program and achieved run rate savings of $90 million as of June 30. The program is on track and we will continue to ramp it up in the second half.

Given this strong first half performance, we are raising our full year guidance. We now forecast total company organic revenue growth between 4% and 4.5% and organic revenue growth for the Big 3 of between 5.5% and 6%. Total company EBITDA margin is forecast to range between 31% and 32%. And the Big 3 EBITDA margin is now forecast to be approximately 39%. And free cash flow is now expected to range between $1.1 billion and $1.2 billion.

Lastly, today, we announced a new $1.2 billion share buyback program. If we are able to complete the buyback program this year, we will have returned over $2 billion to shareholders in 2021, including dividends.

Second quarter reported revenues were up 9% with organic revenues up 7%. Revenue growth was solid for each business segment, including strong growth from our Latin American and Asia and emerging markets businesses, which grew organically more than 20% and 10%, respectively. Adjusted EBITDA increased 5% and to $502 million, reflecting a margin of 32.7%. Excluding costs related to the Change Program, the adjusted EBITDA margin was 35.4%. This strong performance resulted in adjusted earnings per share of $0.48 compared to $0.44 per share in the prior year period.

Turning to the results for the segments. As I mentioned, the Big 3 achieved organic revenue growth of 7% for the quarter, a very strong performance. Legal second quarter performance was impressive with organic revenue growth of 6%, the highest quarterly growth since 2008, and building on 5% growth for the first quarter. The U.S. legal market is quite healthy, particularly in small law, where sentiment continues to be strong as attorneys anticipate solid demand over the next 12 months.

But this strong growth isn't isolated to small law, it's across the business: small, mid and large firms, government and across our product lines and geographies. A few examples. First, Westlaw Edge continues to achieve strong sales growth and ended the quarter at 57% ACV penetration compared to 52% at year-end 2020. We continue to forecast an ACV penetration rate between 50% -- between 60% and 65% by year-end.

Second, Practical Law, as reported in the Legal segment, continued its strong performance, growing double digit. We forecast similar growth going forward, and we continue to invest in this key growth initiative. Third, our Government business, which is managed within our Legal segment, continues to see good momentum and grew 8% organically. We forecast Government's growth to accelerate in the second half of the year. And fourth, FindLaw and our businesses in Canada, Europe and Asia all grew mid- to upper single digit in the quarter. Finally, legal also achieved very strong sales for both the quarter and half year, recording double-digit recurring sales growth, reflecting the strength and health of the legal market and our customers' willingness to spend.

Turning to the Corporates business. Organic revenues grew 4%. We forecast revenues will accelerate in the second half of the year with healthy growth expected from our direct and indirect tax businesses, risk, the Legal products sold into Corporates and from Europe, Latin America and Asia and emerging markets.

Tax & Accounting's organic revenues grew 15%, benefiting from a 43% increase in transactional revenues, primarily driven by the year-over-year timing of individual tax filing deadlines. Recurring revenue growth was also strong at 9%.

Reuters News' organic revenues grew 6% in the quarter, a very good performance driven by the Professionals business, including strong Reuters Events growth as it begins to recover from the negative impact from COVID-19 in 2020. And Global Print organic revenues also grew 6%, partly due to an easier prior year comparable, but also attributable to a gradual return to office by our customers and higher third-party revenues.

In summary, it was a very strong quarter and our businesses are in a solid position. But we take nothing for granted, and we still have much hard work to do in executing our Change Program. With this in mind, I would like to express my gratitude to our employees, our colleagues for a strong first half performance, which will allow us to intensify our investments in the health and growth of our businesses, enabling us to further support our customers in the second half and into next year.

A final point before I turn it over to Mike. The increase in our full year 2021 organic revenue guidance puts us on a path to exceed our pre-COVID 2019 organic revenue growth rates for both total company and the Big 3. And it also increases our confidence to achieve our 2023 revenue growth target of 5% to 6%. Our confidence is also increasing as our Legal business is now achieving 5%-plus organic growth. We believe Legal has multiple levers to pull to drive organic growth to between 5% and 6% by 2023. And the Corporates segment is expected to build on its first half 2021 results over the balance of this year. We continue to forecast organic growth for Corporates between 7% and 9% by 2023. And we forecast Tax & Accounting will achieve solid organic revenue growth this year and be able to achieve a growth of 6% to 8% by 2023.

So in closing, we're working to transform Thomson Reuters into a leading content-driven technology company. We're making good progress, but we still have much to accomplish. We're off to a strong start, and we're confident that 2021 is setting the foundation to position us to be able to consistently and sustainably drive strong operating and financial performance that builds value for our customers, colleagues and shareholders for the long term.

Let me now hand it off to Mike, who will discuss the second quarter's results in detail.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you, Steve, and thanks 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 second quarter revenue performance of our Big 3 segments. Organic revenues and revenues at constant currency were both up 7% for the quarter. This marks the fourth consecutive quarter our Big 3 segments have grown at least 5% and represents the highest growth for our Big 3 segments in over a decade.

Legal Professionals revenues increased 7%, and organic revenues were up 6%. Recurring organic revenue grew 6%, and transaction revenues increased 14% due to our Westlaw, Practical Law and Government businesses. Please note, 60% of Practical Law's revenues are recorded in the Legal Professionals segment and 40% is recorded in the Corporates segment.

Westlaw Edge continued to contribute about 100 basis points to Legal's organic revenue growth while continuing to maintain a healthy premium. And Edge has now been adopted by all U.S. federal government courts and by courts in 44 states.

Our Government business, which is reported within Legal and includes much of our risk, fraud and compliance offerings, had a strong quarter with total revenue growth of 10% and organic growth of 8%. In our Corporates segment, total and organic revenues increased 4%, led by recurring organic revenue growth of 5%. Transactions organic revenue grew 1% due to a difficult prior year comparison when $4 million of onetime CLEAR revenue was recorded and did not reoccur this year. We forecast Corporates revenue to accelerate in the second half of the year.

And finally, Tax & Accounting's total and organic revenues grew 15%. Growth was driven by the Latin American businesses, audit solutions, which includes Confirmation, and a 43% increase in transaction revenues resulting from the year-over-year timing of individual tax filing deadlines. I will remind you, last year, pay-per-return revenue shifted from the second quarter to the third quarter. Normalizing for this timing, organic revenues for Tax & Accounting were up 10% in Q2.

Moving to Reuters News. Total and organic revenues increased 6% primarily due to our Professional business, which includes Reuters Events. This performance was slightly better than we had anticipated. And Global Print total and organic revenues increased 6% in the quarter. This performance was better than expected, driven by higher third-party revenues for printing services and a gradual return to office by our customers. Despite this higher performance, we still forecast full year revenues to decline between 4% and 7%. On a consolidated basis, second quarter total and organic revenues each increased 7%.

Before turning to profitability, let's look closer at recurring and transaction revenue results for the second quarter. Starting on the left side, total company organic revenue for the second quarter of 2021 was up 7% compared to a 2% decline in the second quarter of 2020 due to the impact of COVID-19. If we look at Q2 2021 performance for the Big 3, you will see organic revenues increased 7%, a strong performance and well above the 2% performance in Q2 2020. Total company recurring organic revenues grew 5% in Q2, 210 basis points above Q2 2020. And the Big 3 recurring organic revenues grew 6%, which was above last year's second quarter growth of 4%.

Turning to the graph on the bottom right of the slide, transaction revenues were up significantly year-over-year as the second quarter of 2020 was impacted by COVID-19, which affected our implementation services and the Reuters Events business. We continue to remain encouraged by the momentum in 2021, especially for recurring revenues, giving us confidence in the trajectory of the business and the sustainability of higher revenue growth beyond 2021.

We are also providing guidance for the third quarter given the various impacts related to COVID-19. Starting with the total TR chart on the top left, we estimate third quarter total and organic revenues will grow between 3.5% and 4%. The Big 3 total and organic revenues are forecast to grow between 5% and 5.5% in the third quarter. Big 3 growth will be slightly depressed due to the timing of Tax & Accounting's pay-per-return revenues in 2020 that shifted $6 million from Q2 to Q3 due to the delay in the tax filing deadline. We forecast third quarter revenue growth of low single digit for Tax & Accounting. On a normalized basis, we expect revenue growth of mid-single digits for Tax & Accounting.

Moving to Reuters News. We forecast third quarter total and organic revenues to grow between 2% and 3%, driven by all Reuters News business lines. Finally, Global Print third quarter revenues are expected to decline between 5% and 8%, and we forecast full year revenues to decline between 4% and 7%.

Turning to our profitability performance in the second quarter. Adjusted EBITDA for the Big 3 segments was $487 million, up 14% from the prior year period, and the related margin increased 180 basis points due to strong margin improvement across each of the segments. The strong EBITDA margin improvement for each of the 3 businesses was driven by higher revenue growth and a benefit from 2020 cost savings initiatives. I will remind you the Change Program operating costs are recorded at the corporate level.

Moving to Reuters News. Adjusted EBITDA was $35 million, $10 million more than prior year period driven by revenue growth, 2020 cost savings initiatives and timing. Global Print's adjusted EBITDA was $56 million with a margin of 37.9%, a decline of about 260 basis points due to higher costs and the dilutive impact of lower-margin third-party print revenue.

So in aggregate, total company adjusted EBITDA was $502 million, a 5% increase versus Q2 2020. The increase resulted in higher revenues partially offset by Change Program costs, which I will address in a moment. The second quarter's adjusted EBITDA margin was 32.7% and was 35.4% on an underlying basis, excluding costs related to the Change Program.

This slide provides more granularity regarding our expectations for our reported adjusted EBITDA margin for the full year 2021. For the first 6 months, total company adjusted EBITDA margin was 34.1%, and the Big 3 segment's adjusted EBITDA margin was 40.5%. On an underlying basis, excluding Change Program cost, total company adjusted EBITDA margin was 35.7%.

And as Steve mentioned, we are increasing our full year total company guidance for adjusted EBITDA margin to a range of 31% to 32%, and for the Big 3 segments to approximately 39%. And while first half performance is impressive, we continue to recommend you assess our adjusted EBITDA margin on a full year basis as we expect the margin to decline in the second half for several reasons.

First, we expect to increase our investment in the Change Program, which will have a negative impact of between 150 to 200 basis points for the total company. Second, we forecast additional business-as-usual investments outside of the Change Program in advance of 2022. For example, we will invest more in go-to-market initiatives, enterprise technology and data and analytics capabilities. This will dilute the margin between 150 and 200 basis points for the total company and between 200 and 250 basis points for the Big 3 segments. And finally, savings from the Change Program are forecast to provide a benefit to total company and Big 3 adjusted EBITDA margin of 100 to 150 basis points.

We believe we have good visibility into the levers at our disposal to achieve our updated full year margin guidance and are confident in our ability to achieve our target of 31% to 32%.

Now let me turn to our earnings per share, free cash flow performance and Change Program cost. Starting with earnings per share. Adjusted EPS was $0.48 per share versus $0.44 per share in the prior year period, a 9% increase. The increase was mainly driven by higher adjusted EBITDA. Currency had no impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the first half. Our reported free cash flow was $618 million versus $340 million in the prior year period, an improvement of $278 million. Consistent with previous quarters, this slide removes the distorting factors impacting free cash flow performance.

Working from the bottom of the page upwards, the cash outflows from discontinued operations component of our free cash flow was $36 million more than the prior year period. This was primarily due to payments to the U.K. tax authority related to the operations of our former Refinitiv business. Also in the first half, we made $28 million of Change Program payments as compared to Refinitiv-related separation cost of $76 million in the prior year period. So if you adjust for these items, comparable free cash flow from continuing operations was $692 million, $311 million better than the prior year period. This increase is primarily due to higher EBITDA, favorable working capital movements and dividends from our interest in LSEG.

Now an update on our Change Program costs for the second quarter and the rest of 2021. Let me start by saying none of the annual estimates have changed from what we provided last quarter for the full year. Spend during the second quarter was within the range provided last quarter at $71 million, including $41 million of OpEx plus $29 million of CapEx. This brings the first half total spend to $91 million. We now anticipate spending between $210 million and $260 million in the second half, OpEx plus CapEx. Spend is forecast to step up related to cloud migration, streamlining internal systems, third-party contractors to support the Change Program and higher capital expenditures.

For the full year, we expect Change Program spend, OpEx plus CapEx to be at the lower end of the range of $300 million to $350 million. And there is no change in the anticipated split of about 60% OpEx and 40% CapEx. We will continue to provide quarterly updates on our Change Program spend as we move through the year.

Now an update on our run rate Change Program savings for the second quarter. In the second quarter, we achieved $71 million of annual run rate operating expense savings. This brings the total annual run rate operating expense savings up to $90 million for the Change Program. We are currently on track with our run rate savings expectations.

As a reminder, we anticipate operating expense savings of $600 million by 2023 while reinvesting $200 million back into the business for a net savings of $400 million. We will continue to provide quarterly updates on our annual run rate Change Program savings as we move through the year.

And as Steve outlined, today, we increased our full year outlook for revenue growth, margin and free cash flow, which is reflected on the slide. Lastly, we reaffirmed the balance of our full year 2021 guidance as well as our 2022 and 2023 guidance previously provided and we remain confident in achieving the targets for all metrics.

Let me now turn it back to Frank for questions.

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

Thank you, Mike. And that concludes our presentation for the second quarter. So we would now like to open the lines for questions.

QUESTIONS AND ANSWERS

Operator

Your first question is from the line of Gary Bisbee from BofA Securities.

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

Encouraging set of results here. I guess a couple of things stood out to me. The first I wanted to ask is just you talked about having had the strongest half -- first half bookings in a while, and yet a lot of the investments and change you're making to improve the user experience and improve and innovate around the products haven't really taken hold yet. So what's driving? Are there any sort of either big areas of success or themes you're seeing that are driving those strong new bookings?

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

Yes. Gary, thanks for the question. I'd say 2 things, and I'm sure Mike will supplement. So the first is we've seen a pretty -- a gradual but pretty constant sort of improvement through the second quarter in the sentiment of our customers. They've got more confidence in making longer-term investments in their own businesses. And so that, I think, has helped. The second -- having said that, the last 2 weeks, obviously, there's been a bit of a shake in confidence, but we don't see any impact on that so far on our businesses.

I think the second thing is the 7 growth initiatives that we called out at our Investor Day, we're starting to see, I think, the green shoots from those investments and the focus on those areas. And we're increasingly optimistic about those growth initiatives.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, Gary, I would just supplement with a little additional granularity in regards to the 7 strategic initiative: Practical Law, which is split between Legal Professionals and Corporates, as I mentioned, 10% organic growth in the second quarter. Government risk, fraud and compliance, which I mentioned, 8% organic growth in the second quarter, and that business is driving to nearly $500 million for the full year. Confirmation that we acquired in July of '19 along with HighQ in July of '19 continue to perform very well. Confirmation, part of the overall audit offerings that we discussed during Investor Day.

Gary, you mentioned in regards to the bookings. Very pleased with the overall net sales for the first and second quarter of this year across the board, including within our Corporates business. Corporates was up 4% in the second quarter. As we go into Q3, Q4, based on the net sales improvement that we've seen in recent quarters there, we have high confidence that Corporates will accelerate into Q3, Q4, but very pleased with the overall performance of our sales and account management teams in the first half of the year, Gary.

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

Great. And then the quick follow-up is what changed in your thinking around the buybacks? Obviously, that's a very positive announcement and sort of a change from how you've framed it historically. And should we read into that any less optimism around near-term M&A potential?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

The optimism is as high as ever, Gary. We're very blessed and fortunate to have a lot of optionality in being able to balance both buybacks with also acquisitions. We continue to look at acquisitions, primarily within our Big 3 segments. So we are prepared, ready and willing, Gary, to put additional capital to work with acquisitions in the Big 3 as we identify candidates that we are very comfortable with. But that has to include candidates that we can certainly integrate very quickly, that meets the needs of our customers and accelerate our organic growth. But Gary, please do not read buybacks as any less optimism equal to higher optimism, but we just have the ability to do both buybacks and acquisitions, Gary.

Operator

So your next question is from the line of Drew McReynolds of RBC Capital Markets.

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

My question's already answered out of the gate here. Steve, just cutting it maybe slightly different and just looking for a probably simple answer here. We've seen 2 consecutive increases in your 2021 outlook, and both of those coming a quarter after you provided the initial outlook. So with your kind of 4 drivers of growth here, is there 1 single driver here that is really lifting the trajectory? And then if there is 1 or 2, does that just continue to lift as we kind of go forward here?

And then second question just around, I guess, renewed COVID impacts. Last quarter, you talked about still some uncertainty internationally. There's a little bit more certainty now domestically here, in North America, in particular, in the U.S. Maybe talk to your working assumptions here as to what unfolds in the back half of the year.

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

Yes. All right. Thanks, Drew. So the 3 parts of the question. The first part, we're not -- the beauty of this business is we're not unduly reliant on any one lever. So we've got strength across the Big 3. And within the Big 3, we have multiple growth bets. And so we're pleased with the trajectory we see against those growth bets, but we're not unduly reliant on any one of them to fire on all cylinders for us to achieve or exceed our guidance going forward.

In terms of the -- your question, will things continue to lift? We're now 6 months into the Change Program. As we are -- Mike and I outlined in our comments, we are happy with the start that we've made. But having said that, the next 6 months will be crucial in our execution. So we're very focused on that execution, led by Kirsty Roth and [Andrew Pearson] and people across our businesses. And so I would say let's focus on that, let's get through that before we shift out gaze to sort of further lift some further optimism.

What we're trying to do is fundamentally reinvent the customer experience, to your point. We still got an awful lot of work to do to get through that, but we are very optimistic that in success, it's going to create a much higher customer satisfaction and give us the ability to grow our business in compelling and interesting ways.

And then in terms of the sort of uncertainty around COVID and the Delta variant, we saw the impacts of COVID on our business in 2020, particularly Reuters Events, the ship and build halts in print and the softness in transactional. In 2021, we've seen strength on a rebound in all of those areas.

And so I think as we go forward, we're sort of cautiously optimistic that things will continue to improve. But certainly, when we talk to our colleagues in places like Brazil, India, Indonesia, we don't see any improvement yet. So we're keeping our expectations perfectly modest there. And we're watching very carefully as to what happens in the United States and if things continue to open up and confidence continues to increase or if there's a pause in that improvement. But as we sit here today, we're confident that our products and solutions will be more relevant and more valuable to our customers across the Big 3 in a -- in no matter what environment they move to, but particularly in a sort of hybrid, more flexible working environment.

Operator

Your next question is from the line of Kevin McVeigh, Crédit Suisse.

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

Great. I actually wanted to start with just extending our sympathies for your loss, and congratulate you folks on the results. I want to talk a little bit about Change Program, specifically as it relates to kind of the cloud conversion and how we should think about that within the context of the retention, specifically within Legal, Steve, if we could. Because I think there's a real big opportunity kind of mid or down market on the Legal side. So just how are we thinking about that in terms of retention around those initiatives?

And are you starting to see the signs of that already, just given the strength you're already seeing in Legal? Is that the strength of the clients relative to the last cycle? Is that product? Is that Change Program? Maybe just help us understand because obviously, really, really nice outcome on the Legal side.

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

So just as a reminder, in terms of our cloud migration, we started the year at 20% of our revenues in the public cloud. We're now at 33%, and we're on track to get to our stated target of 90% or more into 2023. So on track from that perspective. And credit to our technology and operations team for all their hard work in guiding us through that.

So I think the impact of that are just starting to be felt. So to your point, Kevin, within Legal, I think the strength of our Legal business is based on a couple of things: firstly, Westlaw Edge; and secondarily, Practical Law; thirdly, HighQ. So in other words, our product bets are paying off, and we've got a lot of talent and a lot of investments to those products bets, and it's paying off. And we continue -- and we plan to continue that focus and that level of investment in those key bets, firstly.

Secondly, I think we're seeing a very vibrant legal market, particularly in the United States. If you speak with the heads of law firms, they'll talk about shortage of associates. Their biggest challenge is hiring talent and meeting the needs of their customers, scheduling the meetings and the calls that they have with their clients. So there's a pretty robust level of activity going across mid -- small, mid and large firms.

I don't think that the impact of the Change Program and the improvement in customer experience has been felt in Legal yet. We're just at the start. And so I think that is -- as I said earlier, that requires great execution for us, and we're very focused on that. And we're cautiously optimistic that once we execute, we'll see some upside benefits.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, Kevin, I would supplement. In addition to the cloud conversion being an enabler for our retention -- by the way, Legal's overall retention was slightly over 90% year-to-date. The digital work that we're doing, including at David Wong and Karen Stroup's areas there, will also help us, Kevin, especially within small law. I think as you're aware, we have lower retention in small law, higher retention in the global law, led by the strength of Westlaw of 95%. So the combination, as Steve mentioned, cloud conversion, digital, omnichannel work that we're doing, optimistic that we'll see the improvement in retention. I've stated on prior calls that we're forecasting 100 basis points for total TR. Over the time horizon, certainly remain confident with that.

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

Great. And then just real quick a follow-up. The buyback, does Woodbridge participate in that? Or it will be open market? Or just -- it sounds like you also referenced a 10b5, Mike, at one point. But just any thoughts in terms of clarity on the buyback?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Kevin. Certainly, Woodbridge will have the opportunity to participate, just like all shareholders. And Woodbridge has always been a great shareholder and a great supporter of ours. So they have the opportunity to participate, Kevin.

Operator

Your next is from the line of Andrew Steinerman at JPMorgan.

Andrew Charles Steinerman - *JPMorgan Chase & Co, Research Division - MD*

I heard the Westlaw Edge penetration numbers for the quarter and for the year-end. I wasn't sure if I heard the Westlaw Edge revenue -- organic revenue growth contribution to Legal. I remember in the past, that's been like 100 basis points to Legal. How long do you think Westlaw Edge could continue to add at this rate? And maybe make a mention about the Westlaw Edge product road map. As you add more modules, will that be additional revenues for current Westlaw Edge customers?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Andrew, a great series of questions there. 57% ACV penetration as of June 30. Forecast that very confident we'll be in the 60% to 65% by year-end. That continues into 2022 before we peak out there.

As we approach the latter part of 2022, Andrew, I would anticipate us launching what we refer to internally as Westlaw Edge 2.0. That's the next version of Westlaw Edge. Andy Martens briefly referenced it during the March Investor Day. But 100 basis points lift in the second quarter, which is consistent with what we've been seeing, Andrew, in prior quarters there. So no change there. We anticipate that continuing for several more quarters. And we think Westlaw Edge 2.0 can help continue with that momentum.

So we do not see any decrease in Westlaw overall in the midterm time horizon, Andrew. We're very confident there. We -- Steve and I were in Minneapolis in fall with Andy Martens, David Wong, Mike Dahn recently and making good progress on Westlaw Edge 2.0.

Operator

Your next question is from the line of Toni Kaplan of Morgan Stanley.

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

Corporates was a little bit lighter than I was expecting. And I think there's still a way to go to get to the 7% to 9% target that you mentioned. You mentioned that Corporates will accelerate in the back half of the year. So just maybe what's going on in Corporates? And what are the main drivers that are going to help it accelerate and get up to the target level by '23.

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

Yes. Thanks, Toni. Thanks for the question. So just by way of context, in the sort of history of Thomson Reuters, Corporates as a distinct segment is a relative newcomer. And so I think it's fair to say that when Sunil Pandita, the President of Corporates, stepped into that role in December of last year, it's -- in the context of our Big 3, it's something of a start-up. And so he's been working hard on a number of things.

So the first is I think he's assembled a world-class team, pulling together a bunch of folks with extensive experience at TR, with some very, very talented newcomers from predominantly software environments. Secondarily, he and that team spent the last 6 months prioritizing the big areas of opportunity within Corporates and serving general counsels and heads of techs and heads of risk. And we see, I think, some pretty significant growth opportunities, which is reflected not only in our second half projections, but also our outlook for the next couple of years. And they include indirect tax and the recently announced partnership with Oracle. They've also -- this also includes the increased penetration of some of the key Legal products, like Westlaw and Practical Law to the General Counsels offices.

And then last but certainly not least, our risk, fraud and compliance business, which previously has been more focused on government agencies through Steve Rubley and his team, we see a pretty big opportunity to better serve the heads of risk and compliance within Corporations with CLEAR and TRSS and some of the other products we have there. So all of that adds up to the accelerating growth rate that you see in our commentary.

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

Great. Also wanted to ask about what you're seeing in terms of your own hiring. We've heard from some of the other info services companies that turnover is maybe a little bit higher right now because of the better labor market. So just in terms of what are you seeing in terms of voluntary turnover and ease of finding good people.

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

Yes, Toni. So one of the things that I'm -- I think we're very proud of in our last 18 months or so has been our ability to attract world-class talent. We have an objective to create the best team in business information services, and we started that journey.

Our most recent addition to the team was Sarah Wilkinson, who is our Chief Information Officer. She joined from NHS Digital, where she was previously the CEO. And Sarah is the latest in a long line of, I think, great new talent that we've added to the existing long-tenured TR bench of talent.

So just -- as I look at that vital sign of, are we getting the people that we need and want externally? I think the answer is yes. And then secondarily, is our talent development -- new talent development approach working for existing TR talent? And I think I'd give a cautious yes to that with more work to go.

We are seeing up and down our organization an uptick in attrition, in voluntary attrition. The labor market is hot. And of course, the virtual -- the working -- virtual working environment, I think, has given people not only at TR, but across the industry, a little -- has broadened their aperture a little bit in terms of the kinds of opportunities that they're prepared to entertain and the types of calls they're prepared to take. So we are remaining very vigilant to make sure that attrition doesn't become a problem for us. It's not today, it's ticked up, but it's still manageable. And we'll put in place all the measures we need to ensure that, that stays the case.

Operator

Your next question is from the line of George Tong, Goldman Sachs.

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

You're seeing very good traction with your Change Program with respect to efficiency gains and benefits to the top line as well. Just wanted to explore the potential for margins longer term. Certainly, you have the 2023 target out there for EBITDA margins that were reiterated. But as you think longer term, where do you think overall corporate EBITDA margins can trend to with -- given your progress so far with change initiatives?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, George, we're certainly remaining very confident in regards to the guidance that we provided for '22 and for '23. So for 2023, it's 38% to 40%. We remain very confident on that.

We're not prepared today, George, to talk about '24 or '25 today. I would just say as we go into '24, we should certainly see continued sustainability, some potential increases given the operating leverage that we have in our business. As discussed before, once we hit that 3% organic growth, which we are, the operating leverage kicks in, given that about 60% to 65% of our costs are fixed in nature. So we'll focus on '22, '23 guidance now, George.

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

Understood. And then maybe a follow-up question on the Corporates side. You talked about various drivers to accelerate the growth to your longer-term targets and for -- by 2023 of 7% to 9%. As you think about cross-selling, how big of a lever is that? Cross-selling Legal and Tax & Accounting within Corporates in terms of your goal of getting to that 2023 target? How big of a driver is cross-selling?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. George, before I address the cross-sell question, I would just supplement Toni's question previously that Steve addressed. One of the reasons we have optimism with our Q3, Q4 uptick in Corporates' overall organic revenue is the underlying book of business that we've built in Q1, Q2. So the net sales performed really well in the first half of the year.

In regards to cross-sell, George, we are at the early stage, the early innings right now in cross-sell. We are optimistic there, especially with Sunil Pandita, as Steve mentioned earlier, in the chair about 7 or 8 months now. So we still believe we have good optimism in regards to accelerating. It's a relatively small portion now for total TR. About 15% of our gross sales are generated via cross-sell activity, comparable within Corporates. So we have significant opportunity over the time horizon to generate more cross-sell activity. And that's something that Sunil is working with David Wong and Shawn Malhotra and product and engineering to ensure that as we enhance our products and build new products, that they will enhance our opportunities for further cross-sell.

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

Yes, George, the other thing I'd add to that is that we're excited about the possibilities that will accrue to TR from the Oracle partnership. And it's a learning experience for us. It's -- partnerships are not something that the company has done a lot of in the past. And we're cautiously optimistic that with those learnings, we can both expand that relationship and consider others in different parts of our product set.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

And George, just one final point. Steve mentioned Sarah Wilkinson, Kirsty, Andrew, others working on the Change Program. A core component thereof is expanding our salesforce.com and in common instances there of Salesforce, that will certainly help. If you think about the infrastructure and underlying business systems, that just makes it easier for our go-to-market teams, led by Brian Peccarelli, to drive cross-sell.

Operator

So your next question is from the line of [Tolecki Domina], TD Securities.

Vince Valentini - *TD Securities Equity Research - Analyst*

I assume that's for me. Can you guys hear me?

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

Yes, we can.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

We can hear you, yes.

Vince Valentini - *TD Securities Equity Research - Analyst*

It's Vince Valentini. So first off, congrats on the results in the share price today. I assume a new all-time high will help with that employee retention that you were talking about earlier.

My question really is quite simple. There's a ton of optimism in the results here and in your commentary so far to several of the questions, whether it's Westlaw Edge traction, whether it's the improvement in Corporates, I mean, across the board. Is there a reason you're not increasing your 2023 targets yet? Is that just simply saying that's still a ways off, and you want to be conservative? Or I have to assume there's an upward bias to those targets now, unless there's some unforeseen sort of macro negative event between now and then. Is that a fair conclusion?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, Vince, I would address it as follows. Our optimism is balanced with the reality that we have to execute like hell every day and we have to win every day. That's our approach today, and that's going to be our approach tomorrow. We're not going to take anything for granted, and we have to earn it. So there are a lot of quarters between now and 2023. So we're confident in our team, but we also are grounded in the reality that we have a lot of work to do with our Change Program, as Steve referenced earlier, in the rest of this year and into 2022.

So what I would say, Vince, is we reaffirm we're very confident today in 2023. And we'll provide an update in February on '22 and '23. So we're going to continue to work our Change Program. We're going to work on accelerating the top line. We're going to work on improving our customer experience. And we take care of our employees and we take care of our customers. I think our confidence level in 2023 will just continue to increase. That would be my viewpoint, Vince.

Operator

Your final question is from the line of Tim Casey, BMO Capital Markets.

Tim Casey - *BMO Capital Markets Equity Research - Equity Research Analyst*

Yes. Two for me. Can we just revisit the change in the buyback messaging? I mean, Mike, you've been pretty consistent that you wanted to retain a certain level of float and whatnot. Just if you could walk us through how your thinking has changed there. And what we investors should think about in terms of how much you plan to execute on the buyback program?

And second one for you, Steve. One of the levers you haven't talked about is pricing power. Can you just, from a high level, maybe walk us through your thinking on that in terms of how that factors in, in terms of your organic growth assumptions?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Tim, let me focus on the first question first. I'm going to give you a two-part answer. First, historically, we've talked about 70% being an important threshold in regards with Woodbridge ownership. Prior to today's announcement on the buyback, 66% ownership by Woodbridge, and we've talked about maintaining it at around 70%.

Based on our recent analysis, a different way to look at it is the availability of public float, given that our market cap now exceeds $50 million. Working with our outside advisers, they feel like $10 million -- $10 billion of public float is really a sufficient amount. So right now, we have $20 billion. So that gives us great confidence in being able to do the $1.2 billion today, Tim, and we can certainly consider more if the Board agrees over the time horizon, certainly balancing that with M&A.

So I think it's a combination, Tim, of that kind of 70% threshold that we've discussed in the past, but also balancing that with the availability of public float, which exceeds $20 billion today. And our advisers believe that we are in a very good position to be able to do additional buybacks like today, Tim.

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

And then, Tim, the second part of your question with regard to pricing. As you know, we have a good a good record of getting price as appropriate, particularly as we add new features and functionality to our products. The Change Program is about transforming the customer experience. And we're more focused on improving our retention, on taking opportunities where they exist around cross-sell, as Mike outlined, and growing the number of net new customers. We're more focused on those levers than we are on price.

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

Okay. Well, that will be our final question, and we'll conclude our call. We'd like to thank you all for joining us. Happy to do any follow-ups that you may have. And we look forward to speaking with you over the course of the next couple of months and when we report Q3 in early November. Have a good day.

Operator

Thank you all, presenters, and thank you, everyone, for joining. That concludes your call. Please disconnect your lines, and enjoy the rest of your day.