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PRESENTATION

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Good morning again. This is Heather Balsky, BofA's business and information services analyst. I want to welcome you all to our fireside chat with Thomson Reuters' CEO, Steve Hasker; and Head of IR, Gary Bisbee. Steve, it's a pleasure to have you at our conference today, Gary as well.

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

Thanks a lot.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Before we start and for everyone in the room, we'll offer some opportunity if people have questions. But I also have plenty of questions to ask, so let's get started.

QUESTIONS AND ANSWERS

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Steve, I want to kick it off with you're celebrating 3 years and, I think, 2 days as Thomson Reuters' CEO. Congrats.

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

Thank you.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

What do you view as your biggest accomplishment over the past 3 years?

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

I think we're proud of the transformation program, the Change Program, that we ran. We designed it in 2020. So in sort of my first 9 months at the company, we announced at the start of '21 at Investor Day, and we executed '21/'22. And I think the results are, by and large, what we hoped them to be. It was breathtaking in terms of its depth and breadth.

And I think it positions us in two ways. Firstly, to endure sort of whatever happens this year, and I think every morning, we all get up and read a new headline and sort of see more tremors running through the macro environment. But maybe most importantly, I think it gives us a platform for higher sustained organic growth in the years to come. And so that's -- I'd say that's the biggest, that's been the biggest achievement so far, lots of learnings along the way, and so far, proud of the way the teams have been able to execute.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

And so when you look forward to the next 3 years, what are you most excited about?

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

I think designing and taking a growth plan, a growth program that takes advantage of all the hard work we've done in terms of solidifying our foundations, improving our customer experience, modernizing our tech stack, getting our org right, our talent right.

I think what I'm excited about is sort of translating that hard work into a plan, talking about that at an Investor Day at a date that Gary will decide sort of probably in the fourth quarter and then executing that '24, '25, '26. That's -- it's a simple sort of agenda from transformation to growth. But that's what we're trying to pursue.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

And we're excited, you're going to be busy now.

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

Yes, very much so.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

You mentioned tremors in the macro. There is a lot of uncertainty. And it's impacted some information services companies more than others of late. Have you seen any impact across your key verticals?

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

Well, when we reported our earnings on February 9, we sort of said, "Look, we continue to see elongation or prolonging of some of the sales cycles in Corporates." We continue to see that. We're not seeing deals fall out of the pipeline. But we are seeing them getting pushed from sort of 1 quarter into the next and some more trepidation.

So really no new news, we continue to be on track. However, the way our business works is the third month of every quarter, so in this quarter, March, in terms of sales activity is the biggest. And so I think when we come back and report on May 2, we'll be able to sort of provide more transparency. But so far, so good.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Okay. That's helpful. And thinking about the durability of your business, if there's a recession, how do you think about that? Where is the most risk? Where is the most resiliency? And what's your view on that?

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

Gary, do you want to...

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Yes. So we've talked about the 80% recurring revenue. Clearly -- and a good portion of that locked up in multiyear contracts. So clearly, we believe we're more resilient than average. There's four areas that we would expect to see more of an impact if we had a prolonged slowdown, a recession. And we're monitoring those very closely, as you'd imagine.

And in the four, our print business, where you'd likely see the pace of declines there accelerate for some period of time, the 10% of our revenue that's transactional in nature. And we've done some work on that. And we think at least 1/3 of that is really what we'd call heavily recurring transactional. But certainly, there's some portion of that, that is not and thus is more discretionary. And we'd expect to see that weaken first.

And then not material to total TR, but within our Reuters News business, they have some revenue from digital advertising. And they also have an events business. At the end of the day, it's a discretionary purchase. And those, through to Q4, continue to do well. But certainly, those are areas we'd expect to see weakness.

And so to reiterate the first thing I said, we think we're very resilient certainly on a relative basis, given the revenue model and our customer retention and all of these factors. But those are the areas we'd expect to see weakness if and when it were to occur.

Heather Nicole Balsky - BofA Securities, Research Division - VP

Got it. And so you've also -- talking about the Change Program, you've taken a lot of legacy cost infrastructure out of business. Do you think there's more opportunity from here? You're doing a real estate sort of optimization, too, right now, right?

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

Yes. We own, simply put, massive facilities in Eagan, Minnesota, in Ann Arbor, Michigan and in Dallas. We also own half of the building here in Times Square. And under any circumstance, we just don't need the space that we used to need. And I think that goes of any business in the sector, not just us. So that's one area that Mike called out on February 9 is something we'd like to work through to this year and beyond.

And I think the -- I don't view the 39% margin, EBITDA margin that we're shooting for this year is in any way a ceiling. I think there is more opportunity. We've run a 2-year transformation program. Those of you who have endured these before will know that the sort of -- if you do it right, the results roll forward. And you see more and more opportunity, you get better and better at prioritizing and driving efficiencies. And I think we're on that path. So I think we can and should move up in terms of our margin profile over time.

I think one of the questions that we're wrestling with at the moment, and this will be sort of, I think, one of the biggest inputs, too, and discussions at our Investor Day, is as we drive for higher organic growth in future years, we have pretty good operating leverage, as you can imagine, given our business model. And the question is how much of that leverage will we reinvest to drive further growth, both on OpEx and the CapEx front?

We haven't decided that yet. It's a nice problem to have. But I think we ought to see margins push up as we get better and better at prioritizing and more and more rigorous about our cost base, addressing more and more of the legacy infrastructure and tech issues. But the question is, well, how much of that will we reinvest? And that's what we're really debating at the moment.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Got it. Getting excited for the Investor Day. A key goal of the Change Program is to accelerate innovation and product development to drive organic growth. So you're talking about that right now. Can you talk about the steps you've taken, you're taking internally to get there to get innovation ramping? And do you have a target in terms of the pace of new product introductions?

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

Yes, we do. We haven't sort of -- we haven't talked about that publicly. So I won't put our Head of Engineering or Product under even more pressure than they're under by revealing it. But essentially, I mean, for those of you who follow Thomson Reuters for a long time, organic product innovation was just not an area of focus. It wasn't something the company was well-known for. There wasn't a lot of evidence of sort of regular impactful product iterations and releases.

And so we went out and hired David Wong from Facebook as our Head of Product. And he'd sort of spent time there under Chris Cox and others. And so he really understands what it is to be a world-class product leader, and equally importantly, how to make investments and translate them in an iterative way into product releases to meet and exceed customer needs. We also elevated Shawn Malhotra, who's Head of Engineering. And Shawn Malhotra started -- he's been at TR for a while. But he started his career at Intel and has that sort of pedigree of innovation. And so the two of them are really working on this.

And I think the first example was Practical Law Dynamic. The second example was Westlaw Edge -- Westlaw Precision. And we've got a number of -- we've got probably another four or five reasonable-sized, at least for us, product innovations coming this year. But the aspirations are, to your question, to get faster and better, so with releases, with the speed of releases and also just fundamental improvements to the product, new features, new functionality in addition to new products.

And we're starting from a pretty modest position. We think there's a lot of upside. And we'd like to see that sort of convert at the right pace into better price over time. So that's what we're very focused on. I mean, it's one of the reasons that we went through the hard work in the Change Program. And it's one of the things that we're very explicitly as a team calling out and that our Board are holding us accountable for. So exciting times if we can execute.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Yes. So you're touching on price and the opportunity there. And we've seen it, to some extent, I think, with Westlaw. But sort of -- I mean, I guess, how do you think about value pricing in that opportunity?

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

Yes, I'll start. I'm sure Gary will have an addition, too. But I think if you -- for those of you who've talked to our customers, you realize that we serve sort of stable growing end markets. The switching costs away from our products tend to be pretty high. And often, the sort of relationships between our people and the customers themselves are very strong.

And so you sort of walk away from those conversations as I do and say, "Okay, there's more opportunity for us to drive price than we traditionally have or do." But we don't want to get in a position where we're sort of overextending and putting the book of business under pressure, renewals under pressure and so forth. So this innovation agenda is critical to this.

Because our ability to get price, if the product is significantly better this quarter than it was last quarter and the next release is coming fast on the heels and can show real tangible value and translate to an ROI for a customer, the ability of our salespeople to get price, the ability for us to drive price through our digital channels is just that much better. And so again, I won't quantify it because we sort of haven't gone that specific yet with investors. But that's the sort of path we're on.

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Yes. The only thing I'd add is I think if you look at the portfolio, there's products that are in different areas. But the focus on driving growth is price, but there's also volume and mix, right? And in some cases, volume, you've got products where there's a big runway of new customers or more users at a customer, however that works. And then there's some where the key value driver is incremental capability that gets you price. I think of that more as mix than just sort of price for price's sake.

So Westlaw Precision, you get a significantly better outcome. We charge more to give you that better product, but -- so I think we've got price for price's sake, which is inflation and backed up by some capability enhancement. We've got significant capability improvements that are driving sort of this mix. And then we also have a lot of products in the portfolio where there's a real volume play as a key driver of that growth. And we're focused on delivering all three of those in the algorithm that delivers the revenue growth that we're targeting.

Heather Nicole Balsky - BofA Securities, Research Division - VP

You know what, I was going to ask about Precision, but I'm going to hold off and just follow up on what you said about the customer opportunity. When you think about that, I think -- I guess, when you say that, I think of things like Practical Law and some of the high-growth Legal products and what you're doing in terms of the Corporate side. Is that how to think about it?

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Yes. I mean, I think you could look at any of the Big 3 segments, and we could talk about this. So you've got in Legal, Practical Law, HighQ, which is a workflow collaboration software, which is early days from a penetration. You've got the CLEAR, part of our Government and Risk, Fraud & Compliance. That's really an opportunity in Corporates, where it's growing incredibly rapidly. And we're just scratching the surface of that potential.

In Tax, certainly, Dominio, our Latin American business, is a significant volume grower. Confirmation business, an audit tool we acquired a number of years ago, has strong volume growth. And in Corporates, it's Practical Law, it's CLEAR, it's HighQ, off a small base but rapid growth. It's several of these other products. Confirmation is a revenue stream there.

And so there's a diversified mix. But certainly, we have volume growth across each of the segments. And we realize we need to do a better job telling the stories and trying to inform some people can get that confidence we have in the ability to deliver that. But certainly, we see a lot of drivers of volume across our portfolio.

Heather Nicole Balsky - BofA Securities, Research Division - VP

You guys have started honing in on different segments of your business during the call, which has been...

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Thank you for those.

Heather Nicole Balsky - BofA Securities, Research Division - VP

Very helpful. So yes, thank you for that. And so I want to go back to Westlaw Precision. Because it was a big, long-awaited product launch, and it just came out. Can you help us think about that launch and how it benefited from the Change Program, first off?

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

Yes. So a very important part of Westlaw Precision and the work that Mike Dahn and his product group did was embedding huge amounts of AI to support the attorney editors. So we hired an additional 250 attorney editors. And sort of Mike's shorthand is if we hadn't equipped them with AI to make their sort of fundamental classification, quantification, note application work more productive, that would have been 1,300. And we would have had 1,300 people working for 2 years versus the 200, 250 that we had.

And so where we sit today is we want to apply more and more AI to that product and its next iterations, firstly. And I think we're well placed to do that, given the investments in labs and the investments in our content modernization. And then we'd also like to expand the number of practice areas as we go, so Westlaw Precision, focused on a relatively small number of practice areas.

It -- they have been very well received. We're sort of nearing the turn at 1,000 sales or thereabouts. It's on the same track or better as -- in terms of penetration as Westlaw Edge 4, 5 years ago. But we view it as sort of start of the journey rather than the end. And we're just going to keep investing in it in both the human side of it and also increasingly the AI side of it to support that trajectory.

Heather Nicole Balsky - BofA Securities, Research Division - VP

And what's the customer reception been? And I recall you guys talking about the fact that you have customers who didn't adopt Edge but went to Precision. So I was curious about that.

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

Yes. I've spoken with a lot of customers about this, both those who bought, those who were considering buying and those who were sitting on the fence. And a couple of sort of punch lines here. One is the step forward in terms of innovation and impact for litigators from Precision is larger, significantly larger than it was for Edge. So they look at this and say, "Wow, this is really a big step forward."

And essentially, what it does is it produces twice as good a research results in half the time. That's sort of the punch line for the vast majority of use cases. So again, we're just going to continue on that path. And so far, the reaction has been really strong. And Mike and his team are very good at this. So we had a lot of confidence in making that investment and backing him. But you never know until you put it into the marketplace. And there, the pipeline continues to grow, the sales continue to come through. And so we're pretty happy with where we are.

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Yes. I think we said in the event we did last fall, we believe this is the largest step-up in capability, meaning larger than it was in Edge. And I think if you ask our team, the ability of a salesperson to walk them through the value proposition, it's resonating really well, arguably better. And so I think we feel really good about the potential.

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

I think it also speaks to it's the biggest single example of this content-driven technology approach, so combining unique content with AI and machine learning and best-of-breed software. We did it with Practical Law Dynamic on a smaller scale. We've done it with Westlaw Precision. Next year, we'll launch a new version of CLEAR. I mean, there's a whole series of pipeline of sort of applying this sort of combination of capabilities for the benefit of customers. And we learn a lot each time, and we get a little bit better at it each time. We make sure that the team sort of share those learnings and go forward on that basis.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Interesting to hear. And this may come up actually in this case. But I wanted to talk about your recent M&A as well and the SurePrep deal. So recently acquired, what attracted you to the business? And what's the opportunity?

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

Yes. So we've done 2 deals in the last 6 months, both in AI. So the first one was ThoughtTrace, which is content-driven, AI-driven contract analysis, a smaller acquisition. And then we spent about \$500 million on SurePrep, which is the leader in AI-driven automation of document ingestion for tax returns. I mean, it's...

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Exciting stuff.

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

Very exciting stuff. But it's extremely valuable. Because basically, what SurePrep does is it uses AI to take all of the documents, be they pieces of paper or be they digital inputs, and it basically runs through those and then puts them -- produces a first draft version of a tax return. And so it just takes an enormous amount of front work out of that process in the Tax & Accounting Professionals and a real pain point that they endure in completing a customer's tax return.

It frees them up to provide more value-added advisory services. It enables them to change their business model in really healthy ways. And so we partnered with ThoughtTrace prior to acquiring them. And we partnered with SurePrep. We had a good 12 to 18 months in the marketplace selling SurePrep and Ultra Tax and GoSystem Tax together. And so we entered that M&A conversation with real confidence that we knew exactly what Dave Wyle and his team had built. We knew who they were, they knew who we are. And I think that gave us great confidence that this was the one for us to do.

And so as we think about sort of broader M&A, Heather, and the capital we have, the firepower we have to deploy, we don't see the need to do anything crazy. We don't see the need to sort of -- we don't have massive yawning gaps that we need to sort of do an unusual deal that will surprise you. We think we've got lots of runway in the Big 3. We'll focus on the Big 3. We'll focus on existing and new customers within those. And this idea of sort of partnering before we buy, where we can pursue that, we will so that we sort of derisk it.

And then the playbook, there are a couple of different flavors of the playbook. But the one that sort of worked -- that has worked very well for us is this idea that we pursued first with Practical Law, then with HighQ, then with Confirmation, now with ThoughtTrace and SurePrep, which is taking a small but valued product and pushing it through our distribution, and so basically availing it to all of our salespeople and really ramping it up. And that's -- Practical Law was less than \$100 million in revenue before we bought it. It's now at \$500 million. We shoot for a much higher number as we go forward.

We've seen really good trajectory with HighQ and Confirmation. We're optimistic about ThoughtTrace and SurePrep. It's not a complicated playbook by any means. But as we think about with a sort of look-back in 3 to 5 years' time as to did we deploy that capital very effectively, the M&A component of it, we think sticking to that playbook gives us a pretty good chance of having all of you say, "Okay, that was value-creating M&A."

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

And so I've got to ask, what's the general M&A environment like right now for you? Are there other type -- are there other SurePrep or ThoughtTrace-type transactions in your pipeline?

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

Yes. We have a pretty full pipeline that we sort of constantly go forward and turn over. I think we got lucky in a sense that in '21 and '22, when valuations were extremely high for high-growth software and SaaS businesses, we were focused on our transformation program and sort of getting our health and fitness to the level that we think it now is. So we didn't get distracted.

ThoughtTrace was a small deal, SurePrep, a little bit bigger. And as we look forward, we think our timing might be good in the valuations. There seems to be more downward pressure on valuations than upward. Certainly, in the public markets, that's the case. The best private companies are still pretty -- particularly those that are showing good growth and add profitability up close, they're still pretty highly valued.

I'd like to see them come down a little bit more. So we may need to be a bit patient as we go through that. So optimistic about this one. But we're not going to get a deal fever. We'll sort of stick to our playbook and make sure it works for our shareholders. And where we see that being the case, we'll bring those deals forward. Where we won't, we'll keep moving.

Heather Nicole Balsky - BofA Securities, Research Division - VP

I'm going to stick in a question here then. You guys talked about once you finish your current buyback authorization or buyback program, do another \$2 billion. You have the cash coming in from London Stock Exchange or already had some of that come in. I guess, how did you kind of weigh the decision around buybacks and M&A?

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

I think for us, it's sort of both. So as we think about sort of ticking through the different components, the first one is increasing our dividend, which we consistently do and plan to continue doing. The second is looking at a focused set of M&A opportunities. And then the third is returning capital. The NCIB and the return of capital, we've talked about commencing in the third quarter of this year.

And it really is a balanced look. We can obviously -- if we don't find the acquisitions that we like, we can sort of increase the portion of returns of capital over time. But we're hopeful that it will -- but when the dust settles and we get to sort of the end of 2025, we will have pursued a pretty balanced approach between increased dividends, accretive M&A or value-creating M&A and buybacks and returns of capital.

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

No, I think that's right. We believe balance is a good strategy. And as Mike Eastwood emphasizes a lot, this is an and situation, not an or. We plan to do all three: grow the dividend, use M&A, and we have the luxury, given our capitalization, the LSEG shares and our strong underlying cash flow, to also return cash. And we'll do all 3 this year and I think over the next 3 years.

Heather Nicole Balsky - BofA Securities, Research Division - VP

Okay, got it. I just wanted to just check very quickly if anyone in the audience might have a question. Back to my list, not a problem. Let's stay to get through. I want to go back to something from your fourth quarter call. You said there's an opportunity to get the Big 3 growth to exceed the 6.5% to 7% 2023 outlook over the next few years. What are going to be the growth drivers? And we've probably hit on it a little bit during this conversation. But I just kind of want to put it all together in terms of products, go-to-market strategy that gets you there.

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

Yes, I think I'd sort of make a comment across all of the Big 3 and then I'll -- a sentence or two on each one. So across all the three, we think we have a pretty significant medium- to longer-term tailwind here, which is that the complexity associated with compliance, legal compliance, tax compliance, risk compliance, potentially ESG compliance is going up. I defy anyone to sort of say, "No, it's going to -- the tax code is going to get simpler or the legal environment is going to be streamlined. The risk environment, we've got fraud under control and no problem."

And so we're one of the few companies we think who can help corporations, government agencies and the advisers to corporations, government agencies navigate this environment using content-driven software. And so that's the reason we think that if we're at 6.5%, 7% this year, that we can grow at a higher rate on a sustainable basis over the next few years. As we look at Legal, I think we're just at the start of a technology-driven transformation. All firms, small, medium and large, are saying, "Look, we realized we've spent too much on real estate over time and not enough on information and technology."

And we think we're one of the players that if we get our -- continue to get our product set right, we'll benefit from that shift and that growth [in spend]. And bear in mind, the starting point is pretty modest. If you compare the legal profession and the percent of their revenues that they spend on information technology, it's very low relative to other professions. We could argue all day whether that's comparable, but that's certainly a fact. And we think there's upside there.

Tax & Accounting, there's an interesting dynamic going on, which is the number of returns keeps going up and the complexity of returns keeps going up. And yet the Tax & Accounting profession, particularly at the sort of medium to smaller end that we focus on or have always focused on, there's a lot of retirements coming. So they tend to be further into their careers and longer-tenured. And there just aren't the number of new graduates coming through. And so the industry is going to be increasingly dependent on technology and automation. And we think we're well positioned to really play through that.

And then within Corporates, this is our newest segment, and I think we've got a lot of improvement ahead of us in terms of our sales motion and the ways in which we go to market. I think we're still pretty clunky and we still got lots of opportunity. I also think though that something like Risk, Fraud & Compliance, we are a relative niche player in that today. It's sort of argued that it's a \$30 billion TAM around fraud investigation, detection, prevention, growing at mid-teens. And so that's a place we'll look to focus our M&A activity.

That's a place where we've got an interesting starting point with CLEAR and the TRSS capabilities. We think we can be one of the players that really has an important role and impactful role to play there. So that's why as we look across, we're more optimistic than not about our ability to lift our organic growth going forward. And it's why we're very focused on getting our product investments right and our rate of innovation up because that's the sort of dependency. And I think the signs are good, but we're staying very focused on that.

Heather Nicole Balsky - BofA Securities, Research Division - VP

Interesting to hear. What you mentioned on the Legal side was interesting because we did a call a while back that was saying that law firms are also being motivated by the fact that some of their customers are asking law firms how much they invest in technology, how innovative they are. So there's a pull from that side as well.

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

There's pull from the client side. There's also a pull from the young talent side. So when the top sort of graduates of law schools are considering which firm to join, one of the things, they're asking some very difficult questions about the firm's purpose and ESG credentials and so forth. But they're also asking about which tools do you have available? And what am I going to be working with?

And that's sort of a relatively new phenomenon in the profession, but it's a really important one. And if they get a sense that the firm is sort of stuck in the dark ages and not -- hasn't adopted Westlaw Precision, isn't on HighQ, isn't adopting some of these tools, then they'll sort of turn their attention to a competitive firm. So there's pressure coming from both ends, which we think for us is healthy.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Yes. I think in finance, we kind of understand that analogy very well. I wanted to talk to you a little bit about the margin dynamic, especially kind of 2023 because inflation has been a topic for you guys. I mean, it's been a topic in general. But the 2023 margins, just how is inflation, even after pricing, what's that impact on your margin? Is there an opportunity to catch up further with regards to inflation? And I mean, we already talked about your approach to pricing. But I wanted to kind of touch on that.

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

Yes, let me start, and I'm sure Gary will add here or correct. So the -- we -- less than half of our organic revenue growth comes from price at the moment. And so we think there's an opportunity for us to get better at that, particularly, as I said, as our rate of innovation goes up. One of the constraints though is one of our great strengths, which is the multiyear contracts a lot of our recurring revenues are under. And so that means that when you see the inflationary environment kick up, our ability to sort of roll through price increases is a little bit dependent on when -- or very dependent on when those contracts roll over.

So we're not one of these firms that can sort of just kick into high gear and jack prices up as perhaps some of the industrials and others have done. But we are very focused on increasing that. And I think as it pertains to our margin, one of the things we do, we set out the sort of margin guidance of 39% back when we launched the Change Program. I think we originally said we were going to be 38% to 40%. In February, we said we're reasserting at 39%. And that was when inflation was at 1.6% or 1.4%.

Gary Elftman Bisbee - *Thomson Reuters Corporation - Head of IR*

1.3%.

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

1.3%. Okay, thank you, Gary. So 1.3%. Now we're in an environment -- and certainly, the cost structure that we carry into 2023 is not at that sort of rate. So what we've had to do is a lot of prioritization and asked some really difficult questions of our teams about what comes first and what do they want to do and what do we not need to do. And so as we sit here today, we're confident, as we said in February 9, that we can meet those expectations.

But I wouldn't kid anyone. It's not been easy. It's required real (inaudible) and the sort of team coming together. So I think the price lever, we've pulled a little bit or as much as we think is sensible. But there's more upside there over time. But it does take us a little bit longer to realize it. On the cost side, we -- with Mike as our CFO, we're pretty rigorous. We think there's more opportunity, but it's involved some trade-offs.

Gary Elftman Bisbee - *Thomson Reuters Corporation - Head of IR*

Yes. The only thing I'd add is because of that dynamic of multiyear contracts, I think it's safe to assume we have a bit more price in '23 than '22. I think it's -- we had a little more in the second half of '22 than the first half. And that dynamic will play out this year. Mike said, I believe it was on the fourth quarter call, by the end of 2023, not every single bit, but effectively, the book will have been repriced, too.

And that dynamic is because 60% of law firms have 3-year contracts or multiyear. And so it just takes time. We have price escalators in all of those. But not a lot of them historically were CPI-based. And so I think there has been some margin pressure, as Steve alluded, that we've made decisions to weather that. But certainly, better pricing helps, but we continue to be focused on investment. And inflation remains real today for sure.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Yes, we just had CPI, so yes. And I wanted to just -- you have London Stock Exchange cash, but you also have a free cash flow story. And so now that you're rolling off Change Program investments, can you just remind us what the cash flow story is from here and kind of some of the unexpected headwinds in 2023, modest headwinds but headwinds? And then I know 2024 is a while from now, you're not guiding to 2024. But anything we should be thinking about as we think about the next year?

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

Do you want to take that?

Gary Elftman Bisbee - *Thomson Reuters Corporation - Head of IR*

Yes. So we -- as you recall on this last call, we guided to \$1.8 billion in free cash flow for 2023. And we called out three factors within that. There was a modest drag from the divestitures we did last year. There is a modest drag from investment we're making in the ThoughtTrace and SurePrep acquisitions. And there is also -- I think it's fair to call it more of a nonrecurring spend we expect to have as we pursue this real estate optimization. If you bucket those three together beyond '23, they should be accretive to growth in profits. And so these are decisions we're making this year that we believe are long-term positives.

I'd say two other things about free cash flow. So Q1 of last year, you may remember, Mike had a slide in his portion of our earnings call, where he discussed why our free cash flow is meaningfully ahead of our adjusted net income. And the -- I'll let you go back and look at that for all the detail. But an important factor is our cash tax rate is approximately 5 percentage points below our book effective tax rate. And we expect that to be the case for many more years into the future.

And so our free cash flow generation, we think, grows beyond this year for sure as we grow the business. As you know with these business models, there's always a decision of incrementally how much do you invest in growth. And certainly, we work through that. And given our desire to grow faster, we'll not be shy about making investment -- high-return investments to deliver that. But I would think about that free cash flow base growing over the next few years. Roughly in line with profits is probably a fair assumption.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Thank you. And so pretty much at the end, so I want to thank you for your time and...

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

Thanks, Heather.

Gary Elftman Bisbee - *Thomson Reuters Corporation - Head of IR*

Thanks, Heather.

Heather Nicole Balsky - *BofA Securities, Research Division - VP*

Coming to our conference. Thank you, guys.

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

Great.

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