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TRI.TO - Q1 2025 Thomson Reuters Corp Earnings Call

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PRESENTATION

Operator

Good day, and welcome to the Thomson Reuters first-quarter earnings call. Today's call is being recorded. At this time, I would like to turn the call over to Gary Bisbee, Head of Investor Relations.

Gary Bisbee - *Thomson Reuters Corp - Head of Investor Relations*

Thank you, Ruth. Good morning, and thank you all for joining us today for our first-quarter 2025 earnings call. I'm joined by our CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will discuss our results, take your questions following their remarks. (Operator Instructions)

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

Today's presentation contains forward-looking statements and non-IFRS and other supplementary financial measures, which are discussed on this special note slide. Actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we provide to regulatory agencies. You may access these documents on our website or by contacting our Investor Relations department.

Now I'll turn it over to Steve Hasker.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Thank you, Gary. Thanks to all of you for joining us today. 2025 started out on a positive note with revenue at the high end of our outlook and profits exceeding expectations. Total company organic revenues rose 6%, with the Big 3 segments growing by 9%. In addition, healthy revenue flow-through and favorable expense timing boosted margins, driving profit ahead of expectations.

We are reaffirming our full year 2025 outlook, calling for organic growth in a range of 7% to 7.5%, including approximately 9% for the Big 3 segments; and for our margins to rise 75 basis points year over year to approximately 39%.

Good momentum continues from many areas in our portfolio. This includes double-digit growth from key products, including CoCounsel, SurePrep, Fegero, Indirect Tax, SafeSend, CoCounsel Drafting and our international businesses.

We continue to invest heavily in innovation, and we remain focused on delivering against a robust product road maps. In the first quarter, we launched CoCounsel Tax, Audit and Accounting, an agentic AI assistant, powered by the 2024 acquisition of Materia. This new solution automates critical workflows and brings an enhanced user experience for our Checkpoint authoritative content.

In April, we launched the CoCounsel chat experience within both Westlaw and Practical Law, enhancing capability and user experience through a more connected suite of legal offerings.

Looking forward to the remainder of 2025, we're focused on delivering new agentic expert-guided workflows, grounded in our trusted authoritative content and subject matter expertise for CoCounsel, Westlaw, Practical Law and other offerings.

Our capital capacity and liquidity remain a key asset. We're focused on deploying to create shareholder value, and we made solid progress on this during the first quarter.

In January, we completed the acquisition of SafeSend for \$600 million, and SafeSend is off to a strong start with the integration going smoothly. In February, we raised our 2025 annual dividend by 10% for the fourth consecutive year to \$2.38 per share.

We remain committed to a balanced capital allocation approach, and we continue to assess additional inorganic opportunities. With our estimated \$10 billion of capital capacity through 2027, we are positioned to be opportunistic in a volatile environment.

Now to the results for the quarter. First quarter organic revenue grew 6%, organic recurring revenues grew 9% and transaction revenues grew 1%, while print revenues declined 5%, in line with expectations, a tough comparison at Reuters' impacted growth rates. Adjusted EBITDA was essentially unchanged year over year at \$809 million, reflecting a 40 basis point margin decline to 42.3%.

Turning to the first quarter results by segment. The Big 3 segment's organic revenue growth accelerated sequentially from 8% to 9%. Legal organic revenues grew 8%, up from 7% in recent quarters, driven by continued momentum from Westlaw Precision and CoCounsel, and stronger Government growth.

Corporates organic revenue increased 9%, driven by offerings from our Legal, Tax and Risk portfolios and the segment's international businesses. Tax & Accounting organic revenues grew 11%, and our Latin American business and tax compliance offerings were key contributors.

Reuters News organic revenues declined 7%, driven by a difficult comparison from significant transactional generative AI licensing revenue in the prior year period. And lastly, Global Print organic revenues met our expectations, declining 5% year on year. And in summary, we're pleased with our Q1 results.

Now let me discuss our improving revenue mix, which is contributing to the revenue growth acceleration that we have delivered.

Over the past five years, we have been on a journey to become a more innovative and faster growth company. We have made significant strides towards this goal as our current outlook for 7% to 7.5% organic revenue growth illustrates. In meeting with investors, we are frequently asked two questions about our revenue growth.

First, what has driven our organic revenue growth acceleration in recent years? And second, why are we confident in our ability to continue our improved growth trajectory into the future? To shed a bit more light on this topic, we've updated a slide from our 2024 Investor Day, which illustrates the improvement in our revenue mix in 2019.

The proportion of our revenue from products growing at double-digit rate has more than doubled, from 11% in 2019 to 25% in 2024, and on a much larger revenue base. At the same time, the mix from our declining global print business has fallen.

We have taken many actions in the last five years to deliver this improving revenue mix, but I'll briefly mention the three most important. First, we have prioritized resource allocation behind our best businesses and opportunities. For example, our heavy investment in Westlaw has resulted in this key franchise growing at the fastest rate in more than a decade.

Second, we have meaningfully increased our investment and focus on innovation, especially with AI. In combination, these efforts have organically increased the number of our existing products growing at double digits.

And third, our portfolio optimization efforts have paid dividends. This includes both the acquisition of strategic and complementary growth businesses, as well as select divestitures of noncore and typically lower growth assets. Our stable of double-digit growth offerings spans the Big 3 segments and includes, firstly, CoCounsel and HighQ, Practical Law, Indirect Tax and Pagero and Corporates.

And thirdly, Dominion, Confirmation, SurePrep, Cloud Audit suite and, more recently, SafeSend for tax and accounting professions. As these products continue to scale and our print mix declines, our improving revenue mix positions us well with continued strong revenue growth going forward.

I'll now turn it over to Mike to review our financial performance.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Thanks, Steve. Thanks again 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 first quarter revenue performance for our Big 3 segments. Organic revenues grew 9% for the first quarter, accelerating from 8% in the fourth quarter of 2024. Legal Professionals organic revenues grew 8%, a new high watermark for the segment. Key drivers from a product perspective remain Westlaw, CoCounsel, Practical Law, our international businesses and Government, which grew 9% in the quarter.

The FindLaw divestiture also contributed modestly, so this benefit was offset by the impact of several small product sunsets I mentioned last quarter. As it relates to the US government, we remain focused on helping our government customers in areas including efficiency, national security and fraud prevention.

Our Corporate segment organic revenues increased 9%, recurring revenues grew 11%, while transactions rose 5% despite a tough comparison in the year ago period. Practical Law, Direct and Indirect Tax, Pagero and our international businesses were key contributors.

Tax & Accounting had a strong quarter with organic revenue growth of 11%. Recurring and transactional revenues grew 8% and 15%, respectively. Our Latin American business, SurePrep, SafeSend and UltraTax were key drivers.

Moving to Reuters News. Organic revenues decreased 7% for the quarter, driven by a difficult comparison to the prior year period which included \$25 million of generative AI-related transactional content licensing revenue. Adjusting for this, Reuters organic revenues increased approximately 5%.

Lastly, Global Print organic revenues declined 5%, which was in line with our expectations. On a consolidated basis, first quarter organic revenues increased 6%.

At the end of Q1, the percent of our annualized contract value, or ACV, from products that are GenAI-enabled was 20%, up from 18% last quarter. As a reminder, we began to provide this metric with our Q3 2024 results as a way to help you assess our success at bringing GenAI capabilities to our portfolio.

Turning to our profitability. Adjusted EBITDA for the Big 3 segments was \$759 million, up 6% from the prior year period, with a 47.3% margin. Segment margins rose across all Big 3 segments driven by healthy revenue growth and the timing of expenses.

Moving to Reuters News, adjusted EBITDA was \$39 million with a margin of 20%. Year-over-year profit decrease at Reuters was due to the same difficult comparison I mentioned earlier. Global Print's adjusted EBITDA was \$44 million with a margin of 37.8%. In aggregate, total company adjusted EBITDA was essentially unchanged at \$809 million, reflecting a 40 basis point margin decline to 42.3%. So this was nicely ahead of our prior expectations.

Excluding the impact of the Reuters transactional AI licensing revenue in the prior year period, margins would have risen versus the first quarter of 2024.

Turning to earnings per share, adjusted EPS was \$1.12 for the quarter versus \$1.11 in the prior year period. Currency had no impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the first quarter. Reported free cash flow was \$277 million, up 3% from \$271 million in the prior year period.

I will conclude with our 2025 outlook and several other updates. As Steve outlined, we are reaffirming our full year 2025 guidance. We continue to expect organic revenue growth of 7% to 7.5%, with the Big 3 growing approximately 9%. We see 2025 adjusted EBITDA margins of approximately 39%, up 75 basis points versus 2024. And we expect free cash flow of approximately \$1.9 billion.

Turning to the second quarter. We expect organic revenue growth of approximately 7% and our adjusted EBITDA margin to be approximately 36%. As a reminder, the sequential decline in our margin into Q2 is due to the normal seasonality of our Tax & Accounting Professionals business segment, and, to a lesser extent, to the timing of certain expenses.

Let me close with a few final thoughts. First, for your models, we plan to pay down the approximately \$1 billion bond that matures later this month with cash on hand. Second, and in light of recent questions around the potential for weaker economic activity, I want to remind you we have a highly recurring and resilient business with more than 80% recurring revenues, a healthy mix of multiyear contracts and relatively nondiscretionary offerings.

Transaction revenues are 12% of our mix. A bit more than half of this is what we internally refer to as repeat transactions revenue, which are recognized on a transactional basis, but where customer volumes tend to recur over time based on the cadence of tax filing for audit cycles. This includes revenues from Confirmation, SurePrep and SafeSend, among others.

In combination with our recurring revenues, this highly quality repeat transactional revenue provides a resilient and predictable revenue mix. Add in our strong capitalization with net leverage of 0.6x and healthy cash flow, we believe we are well positioned to weather a range of market environments.

Let me now turn it back to Gary for questions.

Gary Bisbee - Thomson Reuters Corp - Head of Investor Relations

Thank you. Ruth, we're happy to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Scott Fletcher, CIBC.

Scott Fletcher - CIBC World Markets Inc. - Analyst

Hi, good morning. Wanted to ask a question on the demand environment. And if you've seen any changes to buying patterns or willingness to spend or close deals since, obviously, the trade war heated up over the course of this year.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yeah, Scott, it's Steve. I'll start and I'm sure Mike will add. I mean, we're doubling down our efforts to meet and exceed our customers' needs. As you've seen from our results, we have not yet seen a change in the demand environment. And as you know, our business is very resilient, with 80-plus percent of our revenues recurring with a highly diversified customer base and largely nondiscretionary in the content-driven technology space.

Having said that, I think most of our customers across the spectrum are wondering what the sort of economic backdrop for the rest of this year will be. Wondering what the tariff picture, when it settles, if it settles, will look like and what the implications would be. So I think there's a level of nervousness, but we haven't yet seen that play through. Mike?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yeah. I'll supplement, Scott. If you look at our new sales pipeline, our renewal pipeline, no changes there, both the new sales and renewal pipelines remain encouraging. Just looking at April velocity and average order value, they remain very consistent. So we're not seeing any changes, Scott.

Scott Fletcher - CIBC World Markets Inc. - Analyst

Okay. That's good to hear. And then if I think about -- if you think about historically, are there -- any of the segments, be it Legal, Tax or Corporate, that you think would be more impacted in a scenario where buying does slow down?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Well, we don't think so, Scott. I'll focus in the scenario of a softer economy, certainly, given 80% of our revenue is recurring, the resilience that I talked about in the prepared remarks, there are three areas that we would focus on, Scott, in a softer environment.

Number one, the transactional revenue, which, as I mentioned, is 12% of our total. But remember, as I mentioned in the prepared remarks, over 50% of that is what we refer to as repeat. If you look at the Tax & Accounting Professional business, that's over 80%. So it gives us comfort within the transactional area.

The second area to focus on is Global Print. Within Global Print, which is roughly 7% of our total revenue, 45% of that revenue is governed by multiyear contracts, what Jim Prescott refers to as library maintenance agreement that gives us comfort.

And then the third area of focus would be Reuters News, specifically Digital Advertising and Reuters Events. Those two business areas are only about 1.5% of our total revenue. So in the sulfur economy, Scott, those are the three areas that we would focus on and provide you with the continuous updates.

Scott Fletcher - *CIBC World Markets Inc. - Analyst*

Okay, that's really helpful. Thank you.

Operator

Manav Patnaik, Barclays.

Manav Patnaik - *Barclays - Analyst*

Thank you. Good morning. The first question, just to focus on that growth slide. The 68% the other products, I was just hoping you could help us with kind of the average growth there and the opportunity to accelerate those into that high-growth bucket?

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Sure. One data point now there would be about -- a little 20% to 25% would be below 5% for us, in case that's full for us, and that leaves about 40% to 42% that are in that 5% to 10% growth range. Hopefully, that segmentation is helpful, Manav.

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

And I think, Manav, the second part of your question is to sort of how we shift those. I think we're at the start of that playbook. And the answer to every question is not generative AI. But to the extent that we can add more generative AI capabilities to our content sets, it expands the role we play in the success of our customers.

And what I mean, by that is, not all, but typically those slower-growth products are sort of more static content sets. And the addition of GenAI, for example, over time to Westlaw and Westlaw Precision has enabled us to get in the business of a first draft of a research memo.

And as we move through to expert guided workflows, really expands the role we play in the life of a legal professional. So as we think about injecting GenAI into more and more parts of our portfolio and more and more of these content sets, we think that, that order shift the dial in healthy ways in terms of the underlying growth rate.

Manav Patnaik - *Barclays - Analyst*

Got it. Thank you. And Mike, I think your comments around Government. I'm just curious, like any updates you can give us on the exposure there, to those websites? Obviously, there's lots of contracts here and there, that would be helpful.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Right. Yeah, we're certainly familiar with the -- website. Manav, overall, we've had no material impacts to our Government business as reflected in the 9% organic growth in Q1. A few data points if helpful for you and others, Manav. Government represents about 8% of our total TR revenue.

That revenue is reported in Legal Professionals externally. If you break that 8% down further, 60% is state and local, 40% is US federal government. If you look at it by product or offering perspective, 60% to 65% are Legal products, including Westlaw. And then if you look at the remainder, 35% to 40% would be Risk and for all products, including CLEAR and other TRSS products.

I would just emphasize, as I mentioned in the prepared remarks, the opportunities that we see in supporting our Government customers are in three vectors, the efficiency opportunities, national security, fraud prevention. Take nothing for granted, Manav, but no material impacts today.

Manav Patnaik - Barclays - Analyst

Got it. Thank you. Helpful.

Operator

Aravinda Galappathige, Canaccord Genuity.

Aravinda Galappathige - Canaccord Genuity LLC - Analyst

Good morning. Thanks for taking my question. I was wondering whether you could maybe just revisit the drafting side of the opportunity. I know that you launched sort of the CoCounsel Drafting product last year. Maybe just remind us of sort of the TAM there and the progress you've been able to make, and sort of the outlook that you see in the near term?

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yeah, sure, Aravinda. So there's a point of view that suggests that drafting is one of the most important tasks that a legal professional undertakes. And therefore, the opportunity to sort of automate that to varying degrees and introduce a step-change in terms of the efficiency and the accuracy of the first draft, is a big opportunity.

I don't have a TAM for you because I think it's a -- there's a -- we can throw around some big numbers on the basis of the headcount and the time spent today. We're very happy with the start that we've made. And it's a credit to Emily Colbert and Kredi Sharma, our product executives who sit across the CoCounsel, Westlaw and Practical Law products. And we think our differentiation there is our unique and proprietary content sets.

So the opportunity to lean into Westlaw and Practical Law and -- as the basis of sort of creating the most accurate draft, we think positions us very well in a new and emerging space. But nevertheless, a pretty exciting one.

Aravinda Galappathige - Canaccord Genuity LLC - Analyst

Thank you, and just a quick follow-up. I think on the last call, you mentioned that the AI-related investments sort of at the \$200 million level through 2024. I was wondering, has there been an uptick as we look at '25? Or is it pretty much the same run rate? Thank you.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Just a slight uptick, Aravinda. And for calendar year 2025, we remain committed. Just as a reminder, that roughly \$200 million plus investment is split roughly 50-50 million between operating expenses and capital expenditures. That \$200 million investment is reflected in our results and full year guidance.

Aravinda Galappathige - Canaccord Genuity LLC - Analyst

Thank you.

Operator

Vince Valentini, TD Cowen.

Vince Valentini - TD Cowen - Analyst

Hey, thanks very much. Two questions I'll throw at you and you can take whatever word you want. The margin impact from foreign currency, you mentioned that was a tailwind in Q1. Can you just remind us what the main drivers of that are? Is it simply that you have less of your cost in US dollars versus the percentage of revenue? Are there any key currency exposures we should keep our eye on for Q2 and Q3 margin impacts?

Second question, going back to your good slide number 9, that's already been referenced here, that 25% bucket that's growing 10% or more, can you identify what percentage of that 25% bucket are businesses that you did not own in 2019, so you've been able to augment the growth through acquisition?

And I'm thinking of that as with -- you have a huge amount of cash you can use for acquisitions, perhaps things are going to get cheaper if the macro environment is choppy. Can we think about that 25% bucket getting to 50% in the next five years and partially by using your acquisition funds in a savvy way? Thanks.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yeah. Let me try to attack each of those questions, Vince, and I'll ask Steve to supplement. First, in regards to your question on Q1 in regards to FX, that's about 40 basis points, Vince, for Q1. If you think about currencies that have the biggest impact on us, it's the British pound, Argentine peso and the Brazil real.

There's others that have less significant impact, but those are the three that would have the larger impact in a given period. We would expect a smaller FX impact in Q2, assuming stable FX rates. So hopefully that addresses your questions on FX.

Then if you go into the questions on the revenue mix, Gary, that's probably one that we can follow up in the analyst calls later today, if it's okay, Gary. So Vince, we'll take that as an action item when Gary speaks with each of you later today. He'll share that breakdown in regards to products that we did not have in 2019, so you have additional visibility.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. And just -- I mean, it's a great question, Vince. I would say a couple of things. The first is the growth -- the sort of growth improvement and the improvement in that trajectory has been driven both by product -- organic product investments. So investments in existing franchises.

I talked in my prepared remarks about Westlaw enjoying its highest growth rate in a decade, in addition to sort of the portfolio moves that we've made. And I share your view in terms of the M&A pipeline. We've got a rock solid balance sheet and, therefore, can afford to be opportunistic.

And we're somewhat optimistic that we'll start to see some pretty interesting opportunities through the back end of this year. But you may remember, we said the same sort of coming out of the pandemic and as the interest rate environment changed. And the best assets continue to be fully priced.

So I think we've got some optimism, but we're not going to promise anything today in terms of what we might see come into a view from an M&A perspective.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

So I had a couple of tidbits, and Gary will be more fulsome later today. We acquired Confirmation and HighQ in July of 2019. Those two are included on the higher growth. Likewise, we acquired SurePrep, Casetext in 2023, they're included. And Pegaro acquisition in 2024, SafeSend 2025, they're all included in the list. But Gary will go into more detail, Vince.

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - Morgan Stanley & Co. LLC - Analyst

Thanks so much. I was hoping to ask a broad question on your investment spend strategy. So if you did start to see a slowdown, which it sounds like you have not so far, but if you saw a slowdown in the -- in demand and the pipeline, would you pull back on investment?

Or because of the resiliency of your business and focus on future growth, does it make sense to sort of spend through that? So just wanted to get sort of your head on where you are with regard to that strategy.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yeah. I think, Toni, just given the resiliency of our business, I would not anticipate much change in regards to our strategic investments. Certainly, we always have to be prudent in the discretionary areas. So would we be more rigorous there? Yes.

But if you look at our overall strategic investments and our priorities, we would continue those both organically and inorganically, and we have the confidence there.

And the resiliency of our business with the recurring revenue, but also if you look at that -- the transactional revenue that I mentioned earlier, such a large portion of that being repeat, gives us confidence. So I would not see any significant impact in our investment strategy.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. And just to add to that, Toni, I think the sort of one of the principal proposition -- value propositions of our content-driven technology is inefficiency.

And so whether that's within a government agency or whether that's in overcoming talent shortages, in the tax accounting and audit spaces or in the sort of broader transformation of the legal profession, these are our tools and software that can and do create significant efficiencies within our customer base.

And so to the extent that the environment gets difficult, we actually see that the sort of medium to longer-term demand, let alone the shorter-term demand, will increase. So we would, to Mike's point, sort of investing through that in a sensible way.

Toni Kaplan - *Morgan Stanley & Co. LLC - Analyst*

Yep. Wanted to ask my follow-on Pagero. I wanted to -- it sounds like that is in your higher growth bucket and wanted to just get a sense on the additional demand that you're seeing there and the integration. And if, I guess, all the uncertainty and things that are going on are actually a big help in that area, just what's the opportunity you're seeing there? Thanks.

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Yeah. So Toni, as you know, Pagero has the leading sort of singular e-invoicing platform that applies to multiple jurisdictions. So for any company that operates across multiple geographies, multiple countries, Pagero has a pretty unique value proposition relative to its competitors.

And so the tailwind here is the rollout of e-invoicing mandates, which was particularly prevalent in Europe, but we're increasingly starting to see movement from the government and tax authorities in Southeast Asia and Latin America. And so that tailwind, we think, continues to prevail.

Having said that, the dates do move around a little bit. So there may be a '26 mandate that gets pushed into '27 or BRLought back. But by and large, the the demand characteristics are exactly what we envisaged when we bought that business, and perhaps even a little bit better.

The integration is on track. I think we've got lots of lessons learned from the integration. Acquiring a public company resident in Gothenburg is not something we've done before. So lessons learned from that and things we've done well and things we've done not so well.

But it's on track, and we're very excited about the future of that business, both in terms of its application to the core markets in Europe, but also extending into Latin America and maybe, most excitingly, Southeast Asia as we go forward over the next few years.

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Yeah. Toni, I'll just confirm that Pagero is in our high-growth category and then also our ONESOURCE indirect tax product is also continuing to perform well.

Toni Kaplan - *Morgan Stanley & Co. LLC - Analyst*

Yeah, thanks very much.

Operator

Drew McReynolds, RBC.

Drew McReynolds - *RBC Capital Markets - Analyst*

Good morning. Vince stole my question on the now famous slide 9, which is great. Another question on that slide, just -- and Mike, you may have addressed this, I may have missed it, but the 68%, I guess, slice of the play, are there products in there that are underperforming from your perspective in the lens you put on these businesses? And then just with respect to kind of lower growth businesses, what's the latest and greatest thoughts on just the strategic importance of Print Global & Reuters News?

And then a second question, Steve, just for you on your comments on a slowdown and the importance of efficiency for your customers. Just taking one step further with respect to AI and agentic AI and GenAI, do you see the scenario -- and I'm not saying we're going down this path, but a scenario of a recession that does lead to more structural change in your customers?

Is that potentially an accelerant to get them to change and shift more quickly to kind of automation and burn kind of driving more of your advanced products and services? Thank you.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

[Vince], I think there are at least three questions there. I'll take the first 2. In regards to the infamous slide 9 now, our position in regards to portfolio optimization, we do not foresee any significant divestitures like we had in 2023 with the Legal or FineLaw in 2024. With that said, will we continue to refine our portfolio. As we move forward, we will.

There's nothing specific to report on today. But any continued refinement would be small in nature, consistent with the two divestitures that we completed in Q4 of 2024. And we also had a few other smaller ones in '22, '23. So any refinements to the portfolio would be small in nature.

Second question was related to Global Print and Reuters. No change in our position from prior calls that we have there. As a reminder, Global Print will generate about \$165 million of free cash flow in full year calendar 2025, which is certainly important for us. And then the Reuters business, not in there. Steve, I think the last question was for you.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yeah, I'd say on that portfolio -- I forgot get to last question, all parts of our business have to perform and they have to contribute across the portfolio. And Global Print and Reuters News are no different than any other part of the portfolio.

And as Mike said, we don't envisage any significant divestitures, but the bar is high and as you'd expect it to be, the truth. In terms of the a sort of a potential recession leading to an acceleration of -- and a structural change in terms of the adoption of AI and particularly agentic. The answer to that, Drew, is we do not see that yet.

But certainly, if we look back through all of our careers, it's been in the sort of the moments of economic stress that things have changed the fastest. So we're certainly looking at that and making sure that our product road maps and our sales pitches really bring to life the efficiency-based ROI of our tools, such that if we start to see that accelerated structural change, we'll be well positioned. But I think at the moment, it's too early to call.

Drew McReynolds - RBC Capital Markets - Analyst

Okay, thank you.

Operator

Andrew Steinerman, JPMorgan.

Andrew Steinerman - JPMorgan - Analyst

Hi, it's Andrew. A couple of questions. First, Mike, you talked about expense timing, maybe lower expenses in the first quarter getting shifted. So if you could tell us how much expenses shifted from the first quarter? And is that what's going to land in the second quarter? Any other comments around the second quarter guided margin?

And then, Steve, one for you. When you look at law firms and in-house legal clients that are already paying for Thomson Reuters AI products, so that's legal products, how is end user adoption been so far?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Andrew, I'll start on your first question. I'll emphasize that we reaffirm today our EBITDA margin guidance for the full year of approximately 39%. Our confidence remains very high in delivering on it.

Your specific question in regards between Q1, Q2, certainly, there were some expense items that we had originally plan to incur in Q1 that shifted into Q2. If you look at the first semester, Q1 and Q1 together, 42%, 36%. If you balance those out, it's roughly 39%, which is consistent with our full year. So that's how I would look at it.

Our focus on the full year, there's going to be some variation by quarter, especially with the impact of our Tax & Accounting Professionals business with the seasonality. But if you shift those items into Q2 that did not occur in Q1, Andrew, I think you're pretty close to what you would have expected for Q2.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

And then, Andrew, with regard to the adoption of our tools in the in-house legal environment, as you know, this is the sort of an opportunity for us. We have not typically been focused on in-house relative to outside counsel. And therefore, I think we see more greenfield opportunity and upside in the Corporate and Legal departments.

Having said that, we are seeing a healthy adoption of CoCounsel and good demand for CoCounsel, both in terms of the accuracy of the product built on our content and also its potential to drive efficiency. And to your question, the end user adoption is healthy. One of the things we watch very carefully is, post sale, what sort of usage are we seeing? How many people, how frequently and what specific use cases. >And we like to look at those trends.

And we are supporting that with some pretty big investments in customer success, which is not entirely new to us as a company, but certainly, Raghu Ramanathan who runs Legal and Laura Clayton McDonnell runs Corporates, Raghu from S&P and Laura in from ServiceNow, as you know, they've really brought that DNA with them and have been very thoughtful in terms of getting those customer success investments up and running and having impact within the customer base.

Andrew Steinerman - JPMorgan - Analyst

Makes sense. Thank you.

Operator

Jason Haas, Wells Fargo.

Jason Haas - Wells Fargo Securities, LLC - Analyst

Hi, good morning, and thanks for taking my questions. I'm curious if you could talk about what drives the implied acceleration in organic growth through the remainder of the year? Thanks.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Sure, Jason. I'll start there. If you look at our underlying book of business today, Q1, we had a very good net sales and bookings. So that's the starting point in regards to our acceleration into the remainder of the year. That really is across each of our Big 3 segments.

As a reminder, Jason, for 2026, we had committed for Legal 8% to 9% organic growth; Corporates, 9% to 11% in 2026; and Tax & Accounting Professionals, 11% to 13%. So if you look at our current performance, our bookings, coupled with our product road map and the recent acquisitions that we've made, we'll continue to scale those acquisitions and we'll continue to get tailwinds from our product portfolio.

Jason Haas - Wells Fargo Securities, LLC - Analyst

Got it. Thank you. And then as a follow-up, can you talk us about if there's any more opportunity for GenAI licensing revenue in the Reuters News segment?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

That's possible, Jason. We certainly do not have any in our forecast. We do not have any in our guidance. The approach that we have taken over the last 18 months is when we have those opportunities, we'll provide updates on these calls.

But hand on heart today, we do not have any additional ones in the bag. But could additional ones materialize? Possibly. But I do not have any visibility on specific timing that I could share today. We'll keep you updated.

Jason Haas - Wells Fargo Securities, LLC - Analyst

Great, thank you.

Operator

Doug Arthur, Huber Research.

Doug Arthur - Huber Research Partners - Analyst

Yes. Mike, can you take me -- take us through the organic dynamics of Legal in the first quarter. And not so much organic because that obviously was very strong, but the divestiture looks to be about 11% impact. Is that likely to linger for a couple of quarters until you annualize? It was a little larger than I expected.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Sure. I'll make sure I address each of the points there, Doug. For Legal Professionals, 8% organic growth, which was a high watermark, as I mentioned in the prepared remarks. Let me take the FindLaw divestiture there. Did that provide a tailwind?

Yes, but it was fully offset by a headwind from the recent product sunsets that I mentioned last quarter. So for clarity, FindLaw provided a tailwind, but that was completely offset with headwinds from the product sunsets that I mentioned last quarter.

If you look at the acceleration in Legal Professional from 7% up to 8%, two key factors. One was the Government business performance at 9%, and the second was the continuing scaling of our AI offerings to our Legal Professional customers. If I take it one step further into second quarter, do we expect that 8% to continue? We do, and we expect it to continue for the full year 2025, Doug.

Doug Arthur - *Huber Research Partners - Analyst*

And in terms of the impact of FindLaw, is that likely to linger in the magnitude it was in Q1 for the rest -- for the next couple of quarters?

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Yes, that would be a reasonable directional estimate, Doug, for the remainder of the year. Given that, that divestiture closed in December of 2024, that's a reasonable estimate, Doug.

Doug Arthur - *Huber Research Partners - Analyst*

Okay, helpful. Thank you.

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Indeed.

Operator

George Tong, Goldman Sachs.

George Tong - *Goldman Sachs & Company, Inc. - Analyst*

Thanks, good morning. You're seeing good adoption of GenAI product across the business. Can you broadly talk about your strategy of GenAI monetization, if you're deploying different strategies across different segments or experimenting with different monetization strategies?

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Yes, happy to start, George, and then I'll ask Steve to supplement. Consistent with prior conversations, first and foremost, our overall mantra is to price to value. We are continuing with our enterprise-wide pricing versus the per seat. So enterprise-wide has continued to be our focus.

As we look at the pricing, we're certainly very focused on all of the variable costs, including costs associated with the large language models. So we're always prudent as we look at each offering, each use case, each customer base, but fairly consistent with our conversations previously. And pleased with the overall pricing, George.

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Yeah, I think that's -- the only thing I'd add is, as best we can, of price to value, and that is to the extent that the tools are driving a reduction in hours to perform specific tasks or reduction in hours over the course of a week per professional, try as best we can to sort of match that pricing up to that value.

It's still pretty early days to sort of get an accurate read on that, but we're monitoring it closely. And I think it built in enough flexibility that we can move things around as we see the impact improve.

George Tong - *Goldman Sachs & Company, Inc. - Analyst*

Makes sense. And then for my follow-up, I wanted to focus on the Tax & Accounting business. That segment grew the fastest this quarter for the 2026 framework. It's also guided to grow the fastest. Can you talk about what secular trends you're seeing that's fueling that kind of growth that allows Tax & Accounting to surpass all the other segments in growth?

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Yeah. So look, it's a sort of a combination of a couple of things, George. I think the most important is something we've talked about a little bit, which is a pretty chronic talent shortage across the tax and accounting and audit industries. And coupled with continual increases in the complexity of returns and the complexity of audits, both in the United States and in Brazil, which is where our two biggest business.

So when you put those two things together, we've got a highly diversified and robust customer base who have a talent shortage problem. And the technology needs to and must step into that void over the next couple of years. So that's driving, I think, the sort of underlying demand.

In addition to that, we have invested heavily in this business over the last couple of years, and I'll give you a couple of examples. First and foremost, we've invested in the sort of underlying health of and stability of the product and the support. A number of years ago, we had a few outages and we had some issues. We have invested heavily to sort of get ourselves into a very strong position as it pertains to serving our valued customers.

The second is we've made a number of highly targeted acquisitions, and SurePrep and SafeSend and Materia, amongst others, as well as some much smaller bolt-ons in Brazil. And those have been -- I think, each and every one of them have added to the -- both the product set and the road map going forward.

And on top of that, we have a what we think is an exciting road map in terms of ready-to-review and ready-to-advise going forward, which we think will take the industry into new territory in terms of efficiency. So that's what's driving both our recent performance and our optimism going forward. And it's really over to us to execute that road map and deliver against it.

George Tong - *Goldman Sachs & Company, Inc. - Analyst*

Thank you.

Operator

Joshua Dennerlein, Bank of America.

Joshua Dennerlein - *BofA Global Research - Analyst*

Yeah, hey guys. Thanks for the time. I just wanted to go back to slide 9. That product growing 10% or more segment, is there -- do you have any color on how long -- like once product starts growing 10%, how long it typically stays in there? I'm very focused on like duration of growth.

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Okay. It certainly is going to vary, Josh, with the -- if you look at these products that have been with, if you go back to Vince's question, I think it was Vince who asked for additional color in regards to maturity longevity there.

If you look at Practical Law, for example, Practical Law within our Corporate segment, we acquired it in 2013, it continues to grow in excess of 10%, would be a great example. If you look at our direct tax business that we -- part of ONESOURCE that we've had for many years, decades, that is growing more than 10%. I mentioned indirect tax, a portion of ONESOURCE there.

I'm just giving you a few examples. Dominio, we acquired in 2014, continues to be a very high growth. Now, 20%-plus CAGR for 11 consecutive years. That's just a few examples, Josh, of products that have been with us over a decade.

Joshua Dennerlein - *BofA Global Research - Analyst*

Okay. Appreciate that color.

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

I'd add just to that. I think -- my read is that these sort of growth trends are on the more durable side relative to that which you monitor and follow elsewhere. And I talked about the shortage in tax accountants, that is not something that's going to disappoint quickly.

I think the broader transformation in Legal, both on the in-house council side of the law, the court systems, the judiciary and so forth, I think that's going to be a multiyear or even decades long kind of transition.

So we feel like these trends are durable. And I'd come back to my point, to the earlier question, which is it's up to us to execute. And I think the early signs and execution that are giving us cause for some optimism, but we've got the work ahead of us.

Joshua Dennerlein - *BofA Global Research - Analyst*

Awesome. I'll leave it there. Thanks, guys.

Gary Bisbee - *Thomson Reuters Corp - Head of Investor Relations*

All right. I think that was the end of the call. So thanks, everybody, for tuning in and reach out to me and the IR team anytime if we can help with follow-ups. Have a good day.

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Thanks, Ruth.

Operator

Thank you. This does conclude today's conference call. Thank you for your participation. You may now disconnect.

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