REFINITIV STREETEVENTS

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PRESENTATION

Operator

Good day, and welcome, everyone, to the Thomson Reuters Quarter 1 2021 Earnings Call. My name is Karen, and I'm your event operator. (Operator Instructions). I'd like to advise all parties the conference will be recorded for replay purposes.

And now I'd like to hand over to your host, Frank Golden, Head of Investor Relations.

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

Good morning, and thank you for joining us today for our first 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)

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

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

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. I'm pleased to report our first quarter performance reflects a strong start to the year, and we're encouraged by the momentum we're seeing build across the business. Our customers are more confident in both an improving economic environment and in the trajectory of their businesses.

Positive prevailing tailwinds drove strong sales across the business as customers brushed off the restraint and caution exhibited in 2020 and bought our solutions in preparation for an expected rebound through the year. However, despite the improving outlook, risks remain given that the global pandemic is still significantly impacting many parts of the world. Notwithstanding this, we're encouraged by the first quarter's results, and that increasing confidence is reflected in our outlook for the second quarter and also in the increase to the lower end of our full year revenue guidance.

Now to the results. As I stated at our Investor Day, we operate in robust and growing legal, tax and risk, fraud and compliance markets, and our first quarter results reflect the strength of those markets and our businesses. And within our core markets, we have advantaged positions in high-growth verticals, including the 7 strategic growth initiatives we outlined at IR Day, which contributed to our strong first quarter results.

This strong performance is reflected in 5% organic growth by our big 3 businesses, our best first quarter post the sale of Refinitiv. This performance was led by Legal's 5% organic growth, the highest quarter since 2018. Strong sales across our businesses were driven by strong prevailing tailwinds and great performances across the board from our salespeople. Law firms see growing demand, with small law segment in particular increasingly positive. The large and midsized firms have done well throughout the past year and continue to do so.

Tax & Accounting Professionals are also busy advising clients on a host of challenges, several of which are related to the U.S. federal stimulus programs. And governments across the U.S. and the world are now modernizing their systems and protocols in an effort to improve access to justice and reduce fraud, motivated by what they've learned during the COVID-related lockdowns over the past year. We believe these strong tailwinds position us well for the balance of the year.

The first quarter's reported revenues were up 4% with organic revenues up 3%. Adjusted EBITDA increased 16% to $558 million, reflecting a margin of 35.3%. Excluding costs related to the Change Program, the adjusted EBITDA margin was 36%. This strong performance resulted in adjusted earnings per share of $0.58 compared to $0.48 per share in the prior year period.

Turning to segments. As I mentioned, the Big 3 businesses achieved organic revenue growth of 5% for the quarter, a strong performance to start the year. We've seen good momentum in our 7 strategic growth priorities with particularly strong sales performance from HighQ, Confirmation and Practical Law.

Legal built on last year's organic growth of 3%, recording 5% organic revenue growth in Q1. Legal also had a strong sales quarter, recording double-digit revenue sales growth -- recurring sales growth, and it saw good growth across the businesses, including Westlaw Edge, which continues to drive strong sales growth and ended the quarter at a 54% ACV penetration versus 52% at year-end 2020. And to reiterate, we expect to achieve a penetration rate of between 60% and 65% and by year-end 2021. Second, Practical Law had a strong start to the year, growing 13% as we continue to invest behind this key growth initiative. And third, our Government business, which is managed within our Legal segment, continues to see good momentum and grew 12% or 8% organically.

Turning to the Corporates business. Organic revenues grew 4% despite a 2% reduction in revenue growth due to a loss of revenues impacted by the Affordable Care Act that was recorded in the prior year quarter but did not reoccur in 2021.

And Tax & Accounting's Q1 organic revenues grew 5% despite the extension of the U.S. tax filing deadline from April to May, resulting in lower transactional revenues. Revenue growth was also negatively impacted due to the acceleration of UltraTax software from January 2021 to December 2020. Organic growth in Q1 would have been 8% normalized for the UltraTax state release timing. We're expecting Tax & Accounting's revenue growth to be very strong in the second quarter, which Mike will discuss.

Reuters News organic revenues grew 2% in the first quarter, a good performance. And Global Print's organic revenues declined 9%, better than expected and helped by higher third-party revenues.

You've heard me say that it's imperative that we elevate our value proposition to customers, enhance the customer experience and maximize our performance. To achieve success, we must execute on our 4 key focus areas and achieve the operational and financial goals and targets that we've set. It's early days for our Change Program, but I'm pleased with the progress we're making and happy to report that we are on track.

And to further strengthen our bench, we continue to supplement our existing teams with seasoned experienced talent, with new additions in product development, digital technology strategy and change management. This combined leadership team is executing well within our new operating company structure and is focused on the 4 key focus areas outlined in this slide: first, reimagining the customer experience by making it easier for our customers to do business with us; second, optimizing and modernizing by simplifying our product portfolio and product development processes; third, simplifying operations and leveraging technology by reducing complexity in our operations and technology organization and finishing the shift to cloud in 2023; and lastly, creating an inclusive culture of world-class talent.

Over the course of the first quarter, I've shared with our employees that similar Change Programs have been successfully implemented at many, many companies over the past decade. We are not first in line, and that's a positive from a learning standpoint as we continue to drive growth and improve efficiencies. In fact, there are numerous success stories we can draw, including Refinitiv's successful program, as we implement our own Change Program, and I'm confident we'll achieve similar success.

Let me now turn it over to Mike, who will provide more detail on the first quarter results.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

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

Let me start by discussing the revenue performance of our Big 3 segments. Total and organic revenues at constant currency were both up 5% for the quarter. This marks the third consecutive quarter our Big 3 segments have grown 5%. Legal Professionals revenues increased 5% and organic revenues were also up 5%. Recurring organic revenue growth of 4% was supplemented by a 17% increase in transaction revenue related to our Government and Elite businesses.

Westlaw Edge continues to drive over 100 basis points to Legal's organic growth while continuing to maintain a healthy premium. Our Government business, which is reported within Legal and includes much of our existing risk, fraud and compliance offerings, had a strong start to the year with total revenue growth of 12% and organic growth of 8%.

In our Corporate segment, total and organic revenues increased 4% despite the loss of $3 million in revenue related to the Affordable Care Act, which Steve mentioned earlier. Recurring and transaction organic revenues were up 4%, driven by our Legal and tax solutions.

And finally, Tax & Accounting's total revenues grew 5%, with organic revenues also up 5%, driven by audit products and Latin America businesses. As previously mentioned, we accelerated the release of some of the UltraTax state software from January to December to align with the traditional December release of our U.S. federal software. Normalizing for this timing, organic revenues for Tax & Accounting were up 8% in Q1.

Moving to Reuters News. Total and organic revenues increased 2% 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 declined 9% in the quarter. This performance was better than we had expected, driven by higher third-party revenues for printing services. Despite this higher performance, we still forecast full year revenues to decline between 4% and 7%. On a consolidated basis, first quarter total and organic revenues each increased 3%.

Similar to last quarter, we are providing color regarding our expectations for the second quarter. We believe second quarter revenue growth will be the high point for the year given the impact of COVID-19 on our results in the second quarter of last year. Starting with the total TR chart on the top left. We estimate second quarter total and organic revenues will grow between 5.5% and 6.5%. The Big 3 total and organic revenues are forecast to grow 6% to 7% in the second quarter.

Growth will benefit from Tax & Accounting's paid for return revenues that shifted from Q1 to Q2 due to the delay in the tax filing deadline. We forecast second quarter revenue growth between 10% and 15% for Tax & Accounting. In 2020, these revenues were shifted from the second quarter to the third quarter.

Moving to Reuters News. We forecast second quarter total and organic revenues to grow between 2% and 3%. This increase is primarily related to Reuters Events. The events team is currently holding all events virtual. We continue to assess when we can resume in-person events based on the local health experts' advice and feedback from our customers. Finally, Global Print second quarter revenues are expected to grow between 1% and 3%, driven by the COVID-19 impact in the prior year and shipment delivery hold releases.

Turning to our profitability performance in the first quarter. Adjusted EBITDA for the Big 3 segments was $523 million, up 21% from the prior year period, and the related margin was up 540 basis points. First, Legal Professionals adjusted EBITDA margin in the first quarter grew 510 basis points to 41.8% compared to the prior year period. Second, Corporates adjusted EBITDA margin was up 620 basis points to 38.1%. And third, Tax & Accounting's adjusted EBITDA margin increased 500 basis points to 43.7%. The strong EBITDA margin improvement from each of the 3 businesses was driven by higher revenue growth and a benefit from 2020 cost savings initiatives.

Moving to Reuters News. Adjusted EBITDA was $28 million, $9 million more than the prior year period, driven by revenue growth, 2020 cost savings initiatives and timing. Global Prints adjusted EBITDA was $57 million with a margin of nearly 40%, a decline of about 60 basis points due to the decrease in revenues. So in aggregate, total company adjusted EBITDA was $558 million, a 16% increase versus Q1 2020 due to higher revenues, partially offset by Change Program costs, which I will address in a moment.

This slide provides more color on the various factors impacting our first quarter 2021 reported adjusted EBITDA margin. They exclude the impact of Change Program costs in order to provide you with an understanding of the underlying trajectory of the adjusted EBITDA margin. As you can see, the first quarter's adjusted EBITDA margin was 35.3%, which represents a 370 basis points improvement over Q1 2020.

There were 2 main factors in 2021 that drove a significant increase over the prior year period. First, the permanent acceleration of UltraTax revenues to Q4 2020 had about a 30 basis point negative impact. And second, the savings from the cost savings initiatives in 2020 provided a benefit to the margin of 490 basis points.

On an underlying basis, excluding Change Program costs in the first quarter, the adjusted EBITDA margin was 36%. While this performance is impressive, we continue to recommend you assess our adjusted EBITDA margin on an annual basis. We will continue to increase our investment in the Change Program throughout the year, which will depress margin We have good visibility into the levers at our disposal to achieve our full year margin target of 30% to 31%.

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 $0.58 per share in the first quarter versus $0.48 per share in the prior year period. The increase was mainly driven by higher adjusted EBITDA, partially offset by an increase in depreciation and amortization, higher income taxes and interest expense. Currency had a $0.01 positive impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the quarter. Our reported free cash flow was $239 million versus $35 million in the prior year period, an improvement of over $200 million. Consistent with previous quarters, this slide removes the distorting factors impacting our free cash flow. Working from the bottom of the page upwards, the cash outflows from the discontinued operations component of our free cash flow was $22 million more than the prior year period. This was primarily attributable to payments to the U.K. tax authority related to the operations of our former Refinitiv business.

Also in the current quarter, we made $12 million of Change Program payments as compared to Refinitiv-related separation cost of $63 million in the prior year period. So if you adjust for these items, comparable free cash flow from continuing operations was $288 million, $175 million higher than the prior year period, primarily due to higher EBITDA and favorable working capital movements.

Next, I'd like to provide an update on the financial components of our Change Program. First, in the first quarter, we invested $20 million of the $300 million to $350 million estimated to be incurred in 2021. Second, we have achieved $19 million of annual run rate operating expense savings. As a reminder, we anticipate saving $600 million by 2023 while reinvesting $200 million back into the business for a net savings of $400 million. And third, as I previously shared, our first quarter adjusted EBITDA margin excluding Change Program costs was 36% compared to our 2023 target of between 38% and 40%.

Now an update on our Change Program costs for the first 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 first quarter was lower than we expected at $20 million, including $11 million of OpEx, plus $9 million of CapEx and was primarily timing related. We expect Change Program spend to pick up in the second quarter and over the balance of the year.

We now anticipate to have about $85 million to $110 million total spend in the first half and $215 million to $240 million in the second half. For the full year, we continue to expect to spend between $300 million and $350 million related to the Change Program. The spend will vary quarter-to-quarter but we do not expect a change to the full year estimate at this time, 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.

And finally, as I mentioned, we are providing revenue guidance for the second quarter, and we are increasing the bottom end of our full year revenue guidance for total TR and the Big 3. We are also reaffirming the balance of our full year 2021 guidance based on the strong start to the year and our confidence in the trajectory of the business and markets, and we also reaffirm our 2022 and 2023 guidance.

Let me now turn it back to Frank for questions.

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

Thanks very much, Mike. And that concludes our formal remarks, and we would now like to open the call for questions. So Karen, if we could have the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is coming from the line of Kevin McVeigh of Crédit Suisse.

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

Great. Congratulations on the results. I don't know if this would be for Steve or Mike, but I wonder if you could just compare and contrast a little bit the recovery you're seeing today versus the GFC because my sense is you folks are better positioned coming out of COVID than maybe the GFC, but maybe some of the puts and takes. And the reason I mentioned, Mike, is obviously, you were CEO last time, but any color from either one of you would be super helpful.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Happy to start with that, Kevin. I'm sure Steve would want to supplement.

I think the thing that we're seeing right now is just really great relentless performance from our sales and account management teams, I think, (technical difficulty), Kevin, if you look back over the last decade, and I think that was really amplified in 2020. So I think the performance -- net sales will be a key barometer that I would focus on, Kevin, in the first quarter. We were up over $20 million in the first quarter net sales versus prior year, and we see that momentum continuing into Q2. In regards to the print business, Kevin, we see that continuing to chip away in regards to when customers get back to the office.

So those would be some initial thoughts, Kevin, but really, kudos to our sales and account management team. And I think the relationships with our customers are stronger than ever. In regards to -- one other additional point. Structural changes that we've had in Legal, if you go back to 2008 and 2009, is another factor, Kevin.

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

Yes. Just to add to that, I think, Kevin, we're -- the way I'd frame it is we're cautiously optimistic. Obviously, the vast majority of our business and our revenues are in the United States, where we're starting to see sort of real signs of a return to confidence and activity, preparedness to invest amongst our customers and their businesses, including many of our solutions. So that's -- I think that's the optimistic side.

I think where we're cautious for obvious reasons is in places like Brazil and Argentina and India, where they're in the thick of it. And our businesses in those territories have held up well and performed well in the first quarter, but we're not naive. It's -- they've got a tough few quarters ahead of them. So there's lots and lots of work to do and lots of business continuity planning to get through in those places.

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

That's super helpful. And then just a quick follow-up. I was surprised -- it seems like the small law firm sentiment, probably picking up a little faster than what I would have thought. Any thoughts around that and then just thoughts on retention as it relates to maybe legal or accounting?

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

Yes. I mean small law, as you remember, was pretty -- as a sector was pretty hard hit when the pandemic started. All of the sort of work around personal injury and a lot of work around divorce and accidents and so forth just went away as people retreated to their homes, stopped going to their places of work and so on and so forth. So I think we've seen a pretty -- notwithstanding that, I think our teams under Mark Haddad did a great job throughout 2020 in ensuring that our level of activity stayed at good levels. But we've seen a return to activity and confidence amongst those small law firms.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Kevin, I would just supplement. We attempted during 2020 to support our customers as much as possible, and I think that's showing in 2021.

Operator

Your next question is coming from Toni Kaplan of Morgan Stanley.

(technical difficulty)

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

Hopefully, that's better. I picked up a headset. The first quarter EBITDA margins were really strong, up over 350 basis points. Can you just help us bridge to the 30% to 31% guidance for the year? Is it that T&E or other costs are coming back? Just help us with that cost bridge.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Sure, Toni. A couple of things. The biggest factor, Toni, would be the Change Program investments that we'll make, only $20 million in Q1 in total. A portion of that being [expedited]. That will significantly accelerate as we go into Q2.

Kirsty Roth, who you met at the Investor Day, has recently completed engagements with our partner to complete the migration of our Eagan data center to the cloud. Kirsty has also completed a contract with one of our partners in regards to the content modernization that we also talked about. So those are 2 of the key initiatives. [Kieran Strup], who leads our digital self-serve, we're making good progress there, Toni.

So the biggest factor is the acceleration of our Change Program investments through the remainder of this year. Certainly, in Q1, we received some continued benefits from the discretionary costs like T&E. We certainly expect those to pick up as we go through the year. And we also have some additional investments in areas like indirect tax and Practical Law, Toni, that we will make to help accelerate -- sustain and accelerate growth in those areas. But the Change Program is the biggest factor, Toni.

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

That's great. And Steve, just given your new operating strategy, just maybe give us an update on how you're thinking about M&A, what you're looking for in terms of assets that you'd be interested in acquiring.

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

Yes. Thanks, Toni. So we made a couple of small acquisitions in 2020, and we've got an active pipeline of opportunities that we continue to sort of assess and turn over and replenish. I'd sum it up by saying that, that pipeline is focused in and around the Big 3. So we don't have plans to make any acquisitions beyond the Big 3 at this point.

The acquisitions are mostly, if not entirely, sort of bolt-on and complementary to both the Big 3 and the Change Program. So we're looking at -- just to give you a sense of the kinds of areas we're looking at. It's building on our sort of great start in risk, fraud and compliance with CLEAR and TRSS and Pondera, places where we can help our customers automate within the Big 3 activities. We're interested in supplementing some of our growth plays in places like indirect tax and legal software, building on HighQ. And we're always on the lookout for SMB and international opportunity.

So there's a sort of a sense for the kinds of things we're looking at. But as you know, valuations are full at the moment. And in a way, that's healthy because it just means that we have to be very confident that we are an advantaged owner and that in many places, those acquisitions can be helpful to more than one of our segments. So when you add all that up, we're going to continue to be very rigorous and prudent as it pertains to our M&A activity. But we are hopeful in the back half of this year that we'll have a candidate or 2 to bring forward.

Operator

We have your next question coming from David Chu of Bank of America.

So just to advise, we're taking your next question at the moment from Andrew Steiner (sic) [Andrew Steinerman] of JPMorgan.

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

It's Andrew Steinerman. I don't think I heard your expectation for organic revenue growth for each of the Big 3. I definitely heard a Tax & Accounting comment for second quarter. So that's my first question.

My second question is I was intrigued by the Reuters announcement around introducing a paywall. I wanted to know if you feel like this is going to be a revenue needle mover for news this year and maybe what the capture rate you think will be at the subscription price you're proposing.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Andrew, I'll take the first one in regards to organic growth rates for the Big 3. We do not break that down on a recurring basis, Andrew. We stick to the Big 3.

Back on Investor Day, we did provide some life cycle trends for each of those, for the Big 3. We'll stick with that. I would say that we're quite optimistic in each of them as we progress during the year. As Steve mentioned earlier and I did, Legal had a really great Q1, and we see that continuing to build throughout the year.

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

And then on the Reuters paywall, Andrew, a couple of thoughts. One is we've noticed, as I think everyone in the news business has noticed, that the sort of consumer and prosumer preparedness to pay for very high-quality news has gone up. So that landscape had changed over the last couple of years. I think the Reuters team have done a wonderful job in sort of doing the hard part, which is ensuring that our content is at a sufficient premium to justify the price point; and secondarily, putting all the machinery in place to enable us to move to a paywall later this quarter.

But let me just finish by saying we're being very, very conservative as to what the financial implications of this will be. We want to launch the paywall. We want to learn from our audiences and look at those uptake numbers and review the pricing and then move from there. So certainly, this year, there's very limited financial expectations. I think we view it as a very promising initiative and one that we'll learn a lot from, but from a financial standpoint, really nothing to see.

Operator

Your next question is coming from David Chu of Bank of America.

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

I think we're continuing to have some audio difficulties with David.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Let's move on.

Operator

We have your next question from Vince Valentini.

Vince Valentini - *TD Securities Equity Research - Analyst*

If I come back to the EBITDA margin for this year question again from a slightly different angle. Given that you've set these sort of targets through 2023, can you fill us in on how management compensation is working? If there's big beats on EBITDA in 2021, does that drive the bulk of management bonuses? Or is the targets for 2023 now more impactful to how you guys get paid?

And a second question, sorry, if I can. Mike, given the proposed corporate tax changes, can you give us any update on your ability to sort of move intellectual property around the world and keep your tax rate low? Or should we be expecting directionally an increase with whatever gets approved by the U.S. government?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Vince. Let me tackle the first one in regards to our long-term incentive plan. Just for everyone's benefit, we have a 3-year long-term incentive plan for 2021, '22 and '23. It consists of 2 levers: 50% based on organic growth rate, 50% on free cash flow per share. So there's equal weighting events in regards to '21, '22, '23. For management to earn out just on the core baseline, we have to earn out each year, Vince, there. So that's how the long-term incentive plan works. So the targets that we provided to you during Investor Day, we have to hit those for the long-term incentive for all 3 years.

In regards to the taxes, it's something that we're watching on a daily basis. It's difficult to quantify it today, Vince. What we'll commit to, as any legislation actually passes, we'll provide real-time updates on these calls. I would give you one directional measure, Vince, in case it helps. In the U.S., if the 21% were increased to 28%, the impact on our effective tax rate would be between 1% to 2% kind of directionally.

The other piece that we're monitoring closely that you referenced is potential global minimum tax. Our intellectual property, we're watching closely there internally with our tax team and tax advisers. Too early to speculate on that one yet, Vince, but we're watching all of those items. For 2021, we feel very confident in achieving the ETR that we provided.

Operator

Your next question is coming from the line of Drew McReynolds.

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

I guess 2 for me. A clarification, maybe over to you, Mike, on the Legal side. Last quarter, you said Q1 would be a low point for Legal. I think it was 3% to 4%, and you did 5%. Just wondering if that's still a low point for Legal for the remainder of the year.

And then secondly, maybe over to you, Steve. You talked about where you're cautious with the overall business. But certainly, strong out of the gate here in Q1, an easier comp in Q2. Just wondering, are you being somewhat conservative with the full year guidance here? Or do you see certainly the tougher comp in the second half of this year kind of kicking in? I just want to level set expectations here.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Drew, I'll start with regards to the Legal question. The way you summarize it is correct. We do view Q1 organic as the low point for the full year. We spent a lot of time with Paul Fischer and his full management team. We're very encouraged by the momentum coming out of Q1, both with the sales and revenue activity. And as we look at the pipeline, Westlaw Edge continues to do really, really well. We're getting the 100 basis points of lift there, which would have been their Practical Law, which Steve mentioned, the Government business, 10% -- nearly 10% organic growth in Q1.

Steve Rubley is driving that business. So Drew, very, very pleased with Legal for Q1 and encouraged -- equally encouraged as we look out. With that said, we have to monitor the sales every day as we move forward, but the recurring net sales from Q1 gives us encouragement there.

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

And Drew, with regard to your point about sort of strong out of the gate and are we being somewhat conservative, I think, unequivocally, yes, we are being somewhat conservative. And there's a few reasons for that. I mean firstly, we're all learning as it pertains to this pandemic, and I think we're optimistic. We are hopeful, we're upbeat about where the United States is headed. But our headquarters is in Toronto, as you know, and Canada has still got some progress to make.

We don't have significant exposure to the countries that are really struggling, but we have some exposure. And I think things will get harder before they get better in places like Brazil and Argentina and India. In addition to that, our folks are sort of poised in the second half of the year to return to office, but we've got to execute against that. And Mary-Alice Vuicic and our people team are very focused on it, but we've got to get that done. A lot of our business -- the fourth quarter is an important quarter for us.

And then lastly, we're overlaying the Change Program. And we're very excited about the first quarter or so progress in the Change Program. But as you've seen from Mike's comments on the investment intensity, that ramps up through the rest of this year. So we're going to overlay a lot of change on the team here as well. So they are the reasons for our sort of caution and our conservative approach. I mean as I said, we are optimistic and we're pleased with how we started the year and where we're headed, but I think sort of a bit of conservatism is healthy.

Operator

Your next question is coming from Marissa Vargas (sic) [Manav Patnaik] of Barclays.

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

Can you guys hear me?

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

Yes.

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

Okay. So I guess that is me. That's not my name. But anyway, I just had one question. One was -- and that was around -- just talking about the competitive environment. I was just curious, with all the changes you're making, if you're seeing your competitors take notice, if they're reacting. Just any thoughts there would be appreciated.

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

Yes, Manav. Great question. So as I think you know, we have a lot of respect for our competitors, both the folks who have been around a long time and have competed in legal and tax and risk, fraud and compliance. And we also watch carefully what some of the newer players are doing and some of the sort of pure digital and innovators are doing. I think the competitive intensity is the same today as it was when I started 13, 14 months ago. It's not more and it's certainly not less. So I don't think we've seen a market change in my time at the company. Mike can provide you obviously a much longer time horizon here.

But we are -- one of the reasons that we're sort of so aggressive in pursuing the Change Program is we do want to create a much better customer experience, and we want to lead our sectors in terms of the customer experience we provide. And we're pretty confident that if we get that right -- we're always going to be very diligent about competitive dynamics in our markets. But if we get that right, we'll be in good shape.

Operator

Your next question is coming from Aravinda Galappatthige of Canaccord Genuity.

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

Just going back to the -- some of the outlook comments you made with respect to Legal. I was wondering if you can develop with respect to international growth there. I know that previously, you had talked about traction in the U.K., obviously Practical Law is part of that; as well as Canada. I was wondering if you can sort of expand a little bit on the international growth element there.

And secondly, just as a follow-up with respect to the tax comments, is there an update on the U.K. tax dispute? I know that there is an additional component that we're waiting for, a larger component, I think, worth $600 million that Mike had alluded to in the prior conference call. I was just looking for an update there.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Aravinda. Let me touch on each of those. In regards to international, I'll kind of do more expansive than just Legal. As you know, outside of North America, we're about 20% of our revenue. We would certainly like to see that expand to maybe as much as 30% in the years to come. I think Lucinda and the team is doing a great job in regards to UKI that you referenced there. Certainly, Practical Law is very, very important for us in the U.K.

And if you look at Latin America and other territories, I think we're continuing to do a good job there with [Ajun Panini] leading our efforts in Latin America. So I think we'll continue to be very surgical, Aravinda, in regards to identifying buying some potential acquisition targets that would help us expand our legal and really our full suite of products in very specific geographic areas.

In regards to tax for U.K. HMRC, very consistent with the last update that I provided in Q1. We did make the initial payment of roughly $100 million that related back to the 2016 disposition of the Intellectual Property & Science business. We currently are forecasting that we may -- emphasize may, we may have to make a payment in Q3 related to the 2018 divestiture of the Refinitiv business. We're continuing to work through it. But certainly, we factor that into our forecast as a potential payment that we would have to make -- potentially have to make in Q3.

Operator

Your final question is coming from George Tong of Goldman Sachs.

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

I just wanted to dive into the Legal segment. You mentioned 1Q should be the low watermark growth, should accelerate organically from the 5% you saw in the first quarter. Westlaw Edge, Practical Law, Government, all tailwinds. Just wanted to perhaps have you elaborate on the growth drivers. I mean if we go above 5%, certainly, that would be the strongest level of organic growth we've seen from the Legal segment in some time and perhaps fold in the increasing contributions you're expecting from the Change Program and how that's going to lift organic growth in Legal to new recent highs.

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

Yes, George. Thanks for the question. So look, a couple of things have driven, I think, a strong start to the year. First and foremost, the work that Paul Fischer and his team have done in their outreach to our customers throughout 2020 and into 2021. I think I cannot say enough about the way in which they've wrapped their arms around customers and supported them throughout a very difficult period of time. And as the sort of level of activity of our legal customers picks up, so too does our business. So that's the first thing.

I think the second thing is Andy Martens took you through Westlaw Edge, and we also profiled the progress with Practical Law. We have made, I think, very solid -- historically very solid product bets around those products. And as a group, we're very focused on making sure that we continue to out-invest our competition in those products to ensure that their value is distinctive relative to any competitive offering. So that's -- from a product perspective, they've really driven performance.

We acquired HighQ in the last couple of years. HighQ had a good first quarter. And we're excited about what HighQ can do, and we're excited about the way in which the team in Eagan and across the world have embraced HighQ. And we're excited about the way the Corporates team under Sunil Pandita have embraced HighQ.

So those are a few of the building blocks. But what I would say is that there's been a change in Legal -- in sort of the mindset of our legal customers. And it started early in the pandemic amongst the largest of the firms, and it's really starting to flow down into the medium -- to the mid- and small groups. And that is that they're reviewing their real estate expenses, and they're starting to look at increasing their investments in information and technology.

And I think that provides a real opportunity for us if we get it right. We're hard at work to figure out what additional products and services and potentially what acquisitions we might make to serve that. It's early days though, George. And so I think we're happy with where we are, but there's some real potential upside if we get it right. And we've got some work to do and some execution to undertake to get there. Anything to add to that, Mike?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

No, good summary.

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

George, you have one more?

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

Yes, a quick follow-up. At the Analyst Day, your medium-term target for the Corporates segment was the highest among all your segments. And so given the strength that we're seeing in legal, could you perhaps touch on Corporate -- what's going to drive the growth in Corporate to achieve that of Legal over the next 2 to 3 years?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. The Corporates business, a few thoughts, George. Sunil Pandita joined us in December of 2020. So we look forward for him joining us to some investor conferences coming up.

If you think about the Corporates business, Practical Law that we've discussed quite a bit today, the direct tax, indirect tax, we're very enthused about global trade management, full portfolio there. This is where, at Investor Day, Erin Brown and Brian Peccarelli talked about our full suite of ONESOURCE. So if you really focus on the ONESOURCE suite of products, specifically the indirect tax, we're very excited about that. If you look over the time horizon, I think you'll see a very significant increase in our Corporates growth as we go through '22, '23 to achieve the ranges that we discussed with Investor Day.

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

Okay. Well, that will conclude our first quarter earnings call. We appreciate you all joining us this morning and this afternoon, wherever you may be. If you have any follow-up questions, feel free to reach out to me or to Megan. And we look forward to speaking with you at a number of upcoming conferences over the course of the next several weeks, and we'll also speak to you again in early August. Have a good day.

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

Thanks, everyone.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you.

Operator

So just to advise everyone, that concludes your conference call for today. You may now disconnect. Thank you for joining, and have a very good day.
