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## PRESENTATION

### Operator

Good day, everyone, and welcome to the Thomson Reuters Third Quarter Earnings Call. Today's conference is being recorded.

At this time, I'd like to turn the call over to Gary Bisbee, Head of Investor Relations. Please go ahead.

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

Thank you, Ali. Good morning, everybody, and thank you for joining us today for our third quarter 2023 earnings call. I'm joined today by our CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will discuss our results and take your questions following their remarks. (Operator Instructions)

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

I'd like to highlight this quarter a change -- slight change to our non-IFRS measures. Beginning with this quarter's results, we now add back to adjusted earnings the noncash intangible amortization expense related to acquired software. Mike will discuss this change in more detail in a few minutes. To help with your models, note that we've posted a historical restatement or revision of the non-IFRS calculation to the IR website.

Today's presentation contains forward-looking statements and non-IFRS financial measures. Actual results may differ materially due to a number of risks and uncertainties 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.

Let me now turn it over to Steve Hasker.

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

Thank you, Gary, and thanks to all of you for joining us today.

Let me start by saying that we are deeply saddened to learn that on Friday, October 13, Reuters visual journalist, Issam Abdallah, was killed when a shell hit him while he was filming cross-border fire between Israel and Lebanon. Thaer Al-Sudani and Maher Nazeh, 2 other Reuters journalists, and colleagues from AFP and Al Jazeera were also injured in the shelling.

Issam was an experienced, talented and passionate journalist. And his loss is deeply felt in our newsrooms and across Thomson Reuters. Our thoughts are with Issam's friends and family as well as our Reuters colleagues who continue to report in escalating conditions from Gaza. Reporting on world events with accuracy, integrity, independence and freedom from bias is core to what we stand for, and it's critically important for our journalists to be able to do so safely.

Now I'll move to reviewing our Q3 highlights. Solid momentum continued in the third quarter with revenue largely in line and margins ahead of our expectations. As was the case in the second quarter, a majority of the margin beat resulted from the timing of expenses, which we expect to largely normalize in the fourth quarter. Mike will provide further explanation and context.

Total company organic revenues grew 6%, driven by healthy recurring and transactional growth. The Big 3 segments grew 7% organically. We continue to see good momentum from many areas in our portfolio. Westlaw Precision's strong start continues with more than 3,000 sales to date. It is earning a large and rising premium that supports the upcoming launch of generative AI capabilities.

Our international businesses continued their double-digit trajectory with 14% organic growth. And many of our key products remain double-digit growers, including Practical Law, Confirmation, SurePrep and HighQ. These areas of strength are tempered somewhat by an uncertain macro backdrop and tighter customer discretionary budgets, particularly in our Corporates segment. Sales cycles at Corporates remained elongated, and growth from digital advertising and the events business at Reuters News remain subdued.

All in, we are largely maintaining our full year 2023 outlook, including for organic revenue growth, adjusted EBITDA margins and free cash flow. Mike will discuss several tweaks to other guidance items in a few minutes.

Looking forward, our confidence around the generative AI opportunities continues to strengthen. We made good progress against our build, partner, buy approach in the third quarter, closing the Casetext acquisition and continuing progress on our product road maps. Reaction to Casetext and our gen AI pilots has been extremely encouraging. Customers are taking the acquisition, our commitment to heavy investment and our product road maps as a clear sign of our intent to lead in the application of generative AI, and they have expressed their confidence and trust in our ability to do so.

During -- due to our growing conviction in the generative AI opportunities, we're accelerating our investment in the short term, which we expect will pay off through stronger growth over the next few years. And lastly, our capital capacity and liquidity remain a key asset that we are focused on deploying to create shareholder value, and we made good progress on this during the third quarter.

We monetized an additional \$1.5 billion of our LSEG stake in September, completed the acquisition of Casetext in August and have also completed 2 smaller bolt-on purchases. Today, we are launching a new \$1 billion share repurchase program, and we plan to pay down a \$600 million maturing debt issue later this month with cash on hand. We remain committed to a balanced capital allocation approach and continue to assess additional inorganic opportunities.

Now to the results for the quarter. Third quarter organic revenues grew 6%. Organic recurring and transactional revenue grew 7% and 9%, respectively, and Print revenue declined modestly as expected. Reported revenue grew 1% with currency having little impact; and net divestitures, a 5% drag.

Adjusted EBITDA increased 18% to \$632 million, reflecting a 560 basis point margin improvement to 39.6%. The margin expansion resulted in part from Change Program expenses in the prior year and expense timing that will largely normalize in the fourth quarter. Mike will discuss this in more detail. Adjusted earnings per share grew 41% from the prior year period to \$0.82.

Turning to the third quarter results by segment, the Big 3 businesses achieved organic revenue growth of 7%. Legal organic revenue again grew 6%, driven by continued Westlaw Precision momentum. Demand for our key offerings remains healthy, led by Westlaw, Practical Law and HighQ. And customer interest in our AI-driven offerings and product road map remains extremely strong, including for CoCounsel, which we acquired as part of Casetext.

Corporates organic revenue growth remained stable with last quarter at 7%. Recurring revenue grew at 8%, while transaction revenue was slightly lower. Practical Law, Indirect Tax, CLEAR and our international regions remain key growth drivers.

Tax & Accounting organic revenue growth rose 12% with recurring revenue up 9% and transactional up 20%. Our Latin America operations, Confirmation and SurePrep each contributed meaningfully to growth.

Reuters News organic revenues rose 3%, aided by the newest agreement with Data & Analytics business of LSEG and by timing in the events calendar, with more events in Q3 compared with the prior year. Digital advertising revenue improved slightly compared with recent quarters, though uneven macro trends remained a headwind.

And lastly, Global Print organic revenues met our expectations, declining 4% year-over-year. In summary, we're pleased with our results and the solid momentum in the business.

So before I turn it over to Mike, I'll provide a brief update on the Casetext acquisition and our generative AI product road map. We are very pleased to have closed the acquisition of Casetext on August 17. And we're excited CEO, Jake Heller, and his team are now part of Thomson Reuters. Early integration is off to a very good start, and collaboration amongst the teams is strong.

For example, our product teams are working well together as we begin to execute against the joint product road map. Integration of the Casetext go-to-market sales team into our Legal segment is underway. And we're moving quickly to take advantage of the high customer interest in our joint generative AI offerings. This includes work to accelerate our time line to bringing Casetext's non-research CoCounsel skills into several key overseas markets.

While the product road map work remains in its early stages, we have agreed on several key principles that will guide our generative AI approach. First, we are taking a best-of approach to bring generative AI to our legal research offerings that will result in a single legal research AI capability. This will leverage our extensive and proprietary Westlaw content and the best technology from Casetext and Thomson Reuters. Our teams are working well together, and our early testing shows this best-of-breed approach is yielding superior results.

Second, we plan to brand all generative AI capabilities within our legal portfolio under the CoCounsel name. Industry reception to CoCounsel has been very strong, and we see an opportunity to leverage a consistent identity across our growing portfolio of generative AI offerings.

And third, we are working to embed and distribute the CoCounsel AI assistant across our legal offerings. Currently, while CoCounsel has very compelling skills, they're only available through the Casetext website. We see a big opportunity to bring CoCounsel's capabilities to the places attorneys work, including Westlaw, Practical Law, HighQ and third-party applications like Microsoft Word and Teams.

In addition to the branding and distribution, we see significant value for users from the AI assistant experience. CoCounsel will help to find the right skill for the problem the customer is trying to solve, which when available across a range of applications should provide meaningful workflow automation and user experience enhancements.

And fourth, we will continue to aggressively invest to expand the skill that CoCounsel offers outside of legal research. Its current 7 non-research skills are an exciting opportunity for Thomson Reuters, and we have a compelling road map of future new skills in development. Our focus is to preserve the pace of development and innovation that Casetext brings as we grow the roster of skills and capabilities offered through CoCounsel.

And lastly, we're building on a single technology platform. As part of our integration, we're building a common AI skills factory platform informed by Casetext technology that we believe will allow us to build future skills in a more scalable and faster way.

So looking forward, our confidence in the generative AI opportunity continues to strengthen. Our teams have moved with the speed and decisiveness never seen before at Thomson Reuters. Customer feedback and reaction to the Casetext acquisition, the Microsoft intelligent drafting announcement and our early pilots have all been very positive. We're excited about our product road map, which includes multiple key launches over the next few months.

First up is bringing generative AI capabilities into Westlaw Precision, which will be debuted at a November 15 launch event in New York City. The AI-Assisted Research tool in Westlaw Precision provides an enhanced search experience and quality legal research memo output that leverages Westlaw's leading content along with technology from both TR and Casetext. Customer pilots have gone very well, and excitement around this capability drove September to be the strongest month to date for Precision upgrades.

We expect to deliver a number of additional key product launches by January 2024, including CoCounsel Core and Practical Law Answers. CoCounsel Core is our new offering based on the non-research skills currently offered in CoCounsel and will be supplemented by additional skill launches in Q4 2023 and 2024.

Practical Law Answers is our generative AI-driven conversational experience within Practical Law. We expect to bring the Westlaw AI-Assisted Research, CoCounsel Core and Practical Law Answers offerings to additional geographies, including the U.K., Canada and Australia in 2024. And we have a strong pipeline of additional launches and capability enhancements that we expect to deliver through 2024.

I'd also note that while this discussion is focused on our legal offerings, our teams are also innovating with generative AI in our Tax and Corporates markets. And we'll be sharing with customers a number of generative AI proof of concepts at our SYNERGY user conferences later this month. We look forward to updating you on our progress and the continued pipeline evolution over the next few quarters.

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

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

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 third quarter revenue performance of our Big 3 segments. Organic revenue grew 7% for the third quarter, continuing the trend of 6% or better Big 3 growth that began in the second quarter of 2021. Total revenue rose 1%, including the impact of divestitures.

Legal Professionals organic revenue grew 6%, driven by continued Westlaw Precision momentum, the Elite divestiture and a partial quarter benefit from Casetext. Key drivers from a product perspective remain Westlaw, Practical Law, HighQ and our international businesses. We expect good momentum to continue in the fourth quarter.

On Westlaw Precision, I am happy to report penetration trends continue to go well. After 13 months, Precision is at 15% penetration and is 25% ahead of Edge on a dollar basis.

In our Corporates segment, organic revenue again grew 7%. We continue to feel the impacts of the sales cycle lengthening we have mentioned in recent quarters and expect fourth quarter growth to soften slightly, in part due to a difficult comparison.

Tax & Accounting had another good quarter, growing 12% organically. Recurring and transactional revenue grew 9% and 20%, respectively. We expect growth to moderate somewhat in the fourth quarter, driven by a lower seasonal mix from our fastest growth offerings.

Moving to Reuters News, organic revenues increased 3%, meeting our expectations. Lastly, Global Print organic revenues decreased 4%, also in line with our expectations. On a consolidated basis, organic revenues increased 6% for the third quarter.

Turning to our profitability, adjusted EBITDA for the Big 3 segments was \$566 million, up 7% from the prior year period with the 44% margin rising 210 basis points. This exceeded our prior expectations due to the timing of several expenses, including incentive compensation, acquisition integration-related costs and productivity initiatives. We expect certain of these timing factors to normalize in the fourth quarter.

Moving to Reuters News, adjusted EBITDA was \$37 million, up \$4 million from the prior year with a margin of 20.4%. Revenue growth and a currency benefit drove margins. Global Print's adjusted EBITDA was \$55 million with a margin of 39.6%, up 520 basis points. Editorial and plan expense timing benefited profitability, though we expect these to reverse in the fourth quarter.

In aggregate, total company adjusted EBITDA was \$632 million, an 18% increase versus Q3 2022. Excluding costs related to the Change Program in the prior period, adjusted EBITDA increased 9%.

Turning to earnings per share. Third quarter adjusted EPS was \$0.82, up from \$0.58 from the prior year period. The increase was mainly driven by higher adjusted EBITDA with the last 12-month share repurchases also contributing. Currency had no impact on adjusted EPS in the quarter.

Let me explain the change we're making to our non-IFRS adjusted net earnings and EPS definitions. Beginning with this quarter's results, we now add back to adjusted earnings the noncash intangible amortization expense related to acquired software. We have historically added back non-software M&A-related intangible amortization, but not the software component. This change in definition aligns our reporting more closely with how peer companies treat M&A-related intangibles.

On a year-to-date basis, the change increases our adjusted EPS by \$0.08, including \$0.04 in the third quarter. To help with your models, we have posted a historical restatement of our non-IFRS earnings calculation to our Investor Relations website.

Let me now turn to our free cash flow performance for the first 9 months. Reported free cash flow was \$1.3 billion versus \$814 million in the prior year period. 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 inflow from discontinued operations was \$24 million, which is a \$90 million improvement from the prior year period. Also in the 9 months, we made \$80 million of Change Program payments as compared to \$275 million in the prior year period. If you adjust for these items, comparable free cash flow from continuing operations was \$1.3 billion, \$159 million higher than the prior year period due largely to higher EBITDA.

Next, I will provide an update on our London Stock Exchange Group holding. During September, we sold an additional 15 million shares in a public market transaction. We have now sold 55.1 million shares year-to-date and have 16.9 million shares remaining.

A couple of additional points. First, as part of our September transaction, we also wrote call options on 3.5 million additional shares with exercise dates running through next March, and we have an additional 6.1 million shares that become eligible for sale in 2024.

Second, our tax basis on the remaining 16.9 million shares is approximately \$750 million. For your math, we would assume a 25% capital gains tax rate on gains above \$750 million.

Third, the value of foreign exchange hedges held against our LSEG stake were \$90 million as of September 30. We currently have approximately 92% of our remaining LSEG position hedged.

Bolstered by the LSEG monetizations and healthy free cash flow, our capitalization remains strong with a net debt-to-EBITDA leverage ratio of only 0.8x. This remains well below our 2.5x long-term target. Due to the strong liquidity, we plan to repay \$600 million bond maturity later this month with cash on hand. And as Steve mentioned, we have announced a new \$1 billion NCIB share repurchase program.

These announcements continue our work to deploy our capital capacity. Year-to-date, we have invested \$1.2 billion in strategic M&A, returned \$2.7 billion through share repurchases and the June return of capital transaction and grown our per share dividend by 10%. We remain focused on following a balanced capital allocation approach that drives long-term shareholder value creation.

Let me conclude with our updated 2023 outlook. Let me start by providing a bit of color on the financial impact of our recent acquisitions. In addition to the Casetext acquisition Steve discussed, we have closed 2 smaller tuck-ins: Imagen, a digital media asset management platform from Reuters; and the buyout of our joint venture partner for Westlaw Japan.

Imagen brings compelling capabilities to Reuters News Agency customers through a cloud-native digital media management and distribution platform. And fully owning Westlaw Japan positions us to bring enhanced technology and better innovation for our legal customers in the world's third largest economy.

The total purchase price across these 3 transactions was approximately \$700 million, which we funded with cash on hand. In aggregate, we see these 3 businesses contributing \$60 million or more of revenue in 2024, growing in excess of 25%. Casetext is expected to contribute more than half of this revenue.

On an annualized basis, we expect these acquisitions to be approximately 80 basis points dilutive to our adjusted EBITDA margins, including roughly 30 basis points from nonrecurring integration expenses that should fall off within 24 months. For 2023, we see a 30 basis point headwind to margins from these acquisitions with an incremental 50 basis points impact in 2024. Profitability from the acquired assets is expected to improve nicely in 2025, and we see these businesses trending towards our total company margins over the long term.

Let me close with a discussion of our outlook. As Steve outlined, we are largely maintaining our full year 2023 outlook, including for organic revenue growth of 5.5% to 6%, adjusted EBITDA margin of approximately 39% and free cash flow of approximately \$1.8 billion.

We are making 2 updates to our 2023 outlook. First, we are lowering our interest expense outlook to \$170 million to \$180 million from the prior \$190 million. This incorporates the accelerated pace of LSEG monetization that continued in Q3 and also the benefit from higher interest rates on our cash balances.

Second, we're updating our outlook for depreciation and amortization of software to incorporate the recent acquisitions and narrow the range with 1 quarter left in the year. We also have broken this down into 2 line items to support the new non-IFRS adjusted earnings presentation. Amortization of acquired software, which will now be added back to adjusted earnings, rises by \$20 million due to the recent M&A.

Looking forward, we are currently in our 2024 planning cycle, and we'll provide more detailed 2024 guidance on our Q4 conference call in February. However, given the significant opportunities to expand our medium- to longer-term growth profile through gen AI and growth investments, we currently anticipate reinvesting much of our underlying operating leverage during 2024.

We remain confident in our ability to continue to expand margins over the mid to long term given our business model's operating leverage. We have conviction these organic and inorganic investments will pay off over the next few years through accelerated revenue growth. We will discuss this in more detail on our Q4 call and at an Investor Day we are planning for mid-March.

I will provide one more early view on 2024. We expect our effective tax rate to be approximately 19%, rising roughly 2% due to the adoption of the OECD global minimum tax regulations across several of our key markets. We expect our cash tax rate to increase by a similar amount, but remain roughly 5% below our effective tax rate.

[As we enter] the fourth quarter, we expect organic revenue growth to be within our full year 5.5% to 6% range. We see our fourth quarter adjusted EBITDA margin at approximately 37%, impacted by the timing normalization of certain expenses, select growth investments and productivity initiatives and the aforementioned M&A dilution.

Let me now turn it back to Gary for questions.

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

Thank you. Ali, we're ready to begin the Q&A.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And we'll go ahead and take our first question from Drew McReynolds with RBC.

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

Just 2 ones for me. First on -- and maybe for you, Mike, just on organic revenue growth in Q3. Are you able to let us know what the contribution is from divestitures and acquisitions in the quarter?

And then secondly, a little bit bigger picture maybe for you, Steve, on just on the gen AI road map. Thank you for all the granularity, which is nice to see. Can you just comment on as you continue to work through and evolve this road map, how are you looking at monetization of everything you're putting in place? And what are you seeing on the competitive landscape as you move through the year here?

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Yes. Drew, on the first question in regards to the impact of M&A for Q3, it was up 5 percentage points. Our organic revenue growth was 6%. And if you factor in the reported revenue, it was 1%, leaving that delta of 5%. I just want to ensure, Drew, that I was addressing your question.

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

Yes, that's fine, Mike.

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Okay. And I think the second question related to the gen AI, Steve?

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

Yes. Thanks, Drew. So we expect -- in terms of sort of revenue generation from the road map, we expect to deliver some revenue as a result of gen AI in 2024, especially in the second half of the year. However, I mean based on that sort of road map timing with a bunch of releases this year and a bunch in the first quarter and the lag between bookings and revenue in our annual subscription business model, we'll see a larger ramp in '25 and beyond than we will in '24.

In terms of the competitive landscape, we've certainly seen a couple of announcements in the last couple of weeks from our sort of traditional competitors in Legal. We haven't seen as much in Tax & Accounting or Risk, Government and so forth. But without sort of -- hopefully without a hint of arrogance, we're confident in where we sit, first and foremost, because of the customer reaction to that, which we've put in front of them.

And I think secondly, that reaction in the road map we're putting forward reflects the fact that our starting point is, we believe, superior, unique and proprietary content with Casetext to have a pretty sizable lead in terms of access to ChatGPT-4 and the sort of science behind combining large language models with proprietary unique data sets.

And we love what Jake Heller and the team are bringing to TR in the early going and then supplement that with some of the talent that we have, particularly David Wong, our Head of Products; Shawn Malhotra, Head of Engineering; and Joel Hron, who's our Head of TR Labs. So we're pretty confident, I hope not arrogant, Drew, but we'll keep our eye on the competitors, but first and foremost, our eye on the customer.

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Steve, do you want to expand, we're starting with Legal, but we see great [opportunities] across Tax and our full slate of offerings?

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

Yes, I saw -- I mean I talked in my remarks about Westlaw and Practical Law and HighQ. We'll also bring gen AI in the short term into Checkpoint. And then next year, you'll see us expand into our other tax and ultimately our risk products. So we're going to move through that through the gears there in a very, very disciplined and rigorous way.

And we think that it not only helps us better serve our existing customers, it will, particularly in '25 and beyond, open up some new TAMs for us in terms of workflow software in and around legal, tax, risk and some of the other customer segments we serve. So we're excited about exploring that over time as well.

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**Operator**

And our next question will come from Aravinda Galappathige with Canaccord Genuity.

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

My question was around sort of organic growth. I mean you've consistently delivered in that sort of 6 -- 5%, 6% organic growth and closer to 7% for the Big 3. I wanted to understand, to what extent has the price component of that growth changed over the last several quarters? I mean, is it -- are you seeing more of that come from price? Is it less of it? How should we think of that dynamic going forward?

And my more general follow-up was on your incremental investments into AI. Maybe for Steve, like how are you thinking of sort of assessing that in the near term, call it, the next 12 months, where you may not see a lot of revenue? Maybe just help us understand what sort of the main metrics are that you're looking for as you sort of ramp up this spend.

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Yes. Aravinda, in regards to your first question in regards to pricing impact in 2023, we would estimate approximately 30 to 40 basis points in total across the firm for calendar year '23 versus '22. Just as a reminder, we do have the multiyear contracts that come into play in regards to pricing opportunities with legal having about 60% of their contracts for multiyear, normally 3 years in nature. But your direct question, 30 to 40 basis points of price lift, incremental price lift in '23 versus '22.

I think the second part of the question, Steve, really...

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

Yes, so the gen AI investments. Yes, thanks, Aravinda. So look, we view generative AI and its transformative impact on professionals as a once-in-a-generation disruptive change and one that plays to our strengths and one that we've moved, I think, very quickly in 2023 to position ourselves against.

The principal way that we are assessing and will continue to assess our investments is in the customer reaction to the proofs of concepts, the pilots, the beta versions and, ultimately, the GA releases of those products. And I'm more optimistic today than I was the last time we talked about gen AI investments based purely on that customer reaction.

Two other comments. We're going to apply the same rigor to this set of investments over the next 3-or-so-year period as we did to the Change Program. And I'll just assure you, we will be our toughest critics in terms of making sure that we have line of sight to a better customer impact, firstly; and secondly, expanding TAMs.

And as I say, we're growing in confidence around those signals, but we will stay very, very close to our customers in the markets. And we'll keep you apprised of what we're hearing.

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**Operator**

Next question comes from Vince Valentini with TD Cowen.

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**Vince Valentini** - TD Securities Equity Research - Analyst

Mike, your commentary about margins in 2024, I want to make sure I understand that properly. So I mean very quick rough math, if we assume 6% revenue growth and 3% normalized increase in your fixed costs, that would drive in a normal year 150 to 160 basis points of margin expansion. That's what I would think of as normal operating leverage. So when you say most of that is going to be reinvested, does that mean the entire 150 or maybe you can still grow margins by 50 basis points, but 2/3 of what the normal growth would have been would be reinvested?

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Vince, from our perspective, when we talk about operating leverage at roughly 6% organic, we see about 75 basis points of operating leverage. That applies just, I'll call it, quick math, 4% increase to our fixed costs, which are about 65% in nature. And then you assume the remaining variable costs grow proportionately. If you apply those assumptions, it would yield approximately 75 basis points of operating leverage for total TR.

What we're reflecting currently based on our preliminary planning, we see significant growth opportunities to reinvest that operating leverage of approximately 75 basis points in 2024. But really emphasizing from my prepared remarks, as we go into '25, '26, we have confidence we'll expand our margin in '25, '26, given that operating leverage. But we want to take full advantage. We see an obligation to make those investments organically, inorganically in '24 that should propel further growth acceleration in '25, '26, Vince.

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**Vince Valentini** - TD Securities Equity Research - Analyst

Okay. And a follow-up just on the sort of the nature of how you provide guidance. Last quarter, you told us Q3 was going to be weak because of OpEx timing, sort of talking down to maybe 36% margins, and you've delivered 39.6%. Now you're just saying that's going to roll into Q4.

It seems like something else is happening. I don't know if you're deciding to pile a lot of discretionary expenses into Q4, some of the gen AI investments that you could have made next year, you can accelerate those into Q4. Is it more that? Or is it more you're just padding yourself to try to be more cautious because of macro or competitive headwinds of some kind?

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Yes, I'll hit head on, no padding involved, Vince. With the business our size, you're always going to have a number of puts and takes. One factor that comes into play -- I'll mention 4 items into Q4 events. We have M&A dilution in Q4 from Casetext and from SurePrep. That's number one.

Number two, the level of growth investments will increase in Q4, not only gen AI. We talked a lot about gen AI, but we have additional growth opportunities across the firm that we are pursuing. That's item two.

Number three, which really is part of your question, we call it a normalization of expenses. There have certainly been some timing items in the last couple of quarters that we have transparency that will normalize in Q3 -- Q4, I'm sorry.

And the fourth element is productivity initiatives that we have in play that will materialize in Q4. For those 4 reasons, Vince, we have strong visibility into the 37% EBITDA margin for Q4, which would yield approximately 39% for the full year.

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**Vince Valentini** - TD Securities Equity Research - Analyst

We'll wait an update on that on February.

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Look forward to providing the update.

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**Operator**

Our next question will come from Heather Balsky with Bank of America.

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

I was hoping to hone in on the Legal business and expectations for the fourth quarter, but also just how things shaped up versus your 3Q expectations. You exited Elite. You kind of had [hostile] Government business getting better in the back half. There's supposed to be some acceleration. I'm curious about the puts and takes in the quarter and then how you think about the fourth quarter from here.

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

Yes, Heather, I'll -- it's Steve. Thanks for the question. I'll start, and then I'm sure Michael will add. As a general point, we see growing strength in our Legal business. Paul Fischer and his team, particularly Neil Sternthal and Liz Zimick, Mark Haddad, supported by our product and engineering folks, have done a very good job of strengthening our core products. I've talked quite a lot about Westlaw and Practical Law and HighQ. And certainly, those are increasing in their sort of health and their growth prospects.

So as a general point in the fourth quarter, we expect to see that growing strength and having it carrying into the next year and beyond. And the integration of generative AI really builds upon that. We're injecting generative AI into very healthy products and healthy franchises, and we think that's a good starting point.

Mike, what would you add?

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

It is a good summary, Heather. I would just, as always, emphasize Practical Law, led by Emily Colbert, continues to perform really well for us. And HighQ that we acquired back in July of 2019 continues to be one of our strongest growth assets. We talked a lot about Westlaw Precision and gen AI, as we should.

But if you think about the full breadth and depth of assets that Paul Fischer has within Legal, Practical Law and HighQ continued very strong growth trajectories. You asked about Government there, continuing to monitor that pipeline very closely. And we have a strong pipeline in Q4, Q1, and it's a matter of timing closing those deals, Heather.

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

Maybe a follow-up. Was Government the reason that you didn't see the acceleration in the third quarter? Or was it something else?

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

Really just timing. Any time we deal with government agencies, the level of precision in regards to the timing of those closures is a little less precise than what we see with the nongovernment customers there. But based on our pipeline view, we're optimistic on a strong Q4 and Q1.

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**Operator**

Next question will come from Scott Fletcher with CIBC.

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**Scott Fletcher** - CIBC Capital Markets, Research Division - Research Analyst

I want to ask a question on the organic growth and maybe a little longer term. So when you look out to 2025, when you start to really feel the impact of the gen AI initiatives, do you have a sense of internally of how much you're hoping that will impact the organic growth rate? I'm sort of trying to get an idea of, is this a significant step change? Or is it more of an incremental increase in growth rate when you look out to 2025?

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

Scott, it's Steve. Thanks for the question. I'll start, Michael will add. Look, I think we'll say more about that in February, and we'll say more at an Investor Day in March. I think we're still in the process of sort of learning and quantifying. As I said a couple of times, the most important sort of yardstick for us is the customer reaction to the product investments that we're making. And that has been better than -- certainly better than I expected, more forceful, more trust, more confidence, more exciting from our customers than perhaps I'd even hoped for.

As to sort of what that results, as I say, we'll come back in February and Investor Day and be more specific. But we see meaningful revenue acceleration particularly sort of through the '25, '26, '27 as a result of these investments. And as I said before, we're going to apply the same rigor as we did in the Change Program to that to every dollar of the investment that we make, both in terms of OpEx and CapEx. And we'll be very rigorous about ensuring that, that flows through.

Mike, what would you add?

**Michael Eastwood** - Thomson Reuters Corporation - CFO

I would say, Scott, during the March Investor Day, each of our segment presidents [will dig] deeper and to your specific question on the organic growth for Tax & Accounting Professionals, it's Legal, international, et cetera. So I think that will be quite helpful for you, Scott.

**Scott Fletcher** - CIBC Capital Markets, Research Division - Research Analyst

Okay. Yes, all good. Okay. And then maybe just a quick follow-up, like in terms of the -- do you see most of the future growth coming from the expanding functionality of the current product set or on the new opportunities you've talked about, sort of the TAM expansion?

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

Scott, we think it's probably too early to quantify to give you a percentage, but we think it will be pretty balanced. We see at least sort of 3 different cases. The first is pretty significant value from our core existing products. And that's going to result in, we think, a little bit more price and a meaningful uptick in retention, which is something we've been focused on for a period of time, but we're yet really to see the results of that.

The second is in these new skills, particularly that which builds upon the Casetext CoCounsel skill set, and extending that into legal workflows and ultimately taking the same kind of capabilities into Tax & Accounting and risk workflows.

And the third is we've got our eyes on some new addressable markets, some of those domestically in the United States and North America and some of those are in international markets. So I won't give you the sort of proportionality between the 3 of those. But again, when we come back at Investor Day, we'll be able to be much more specific about this.

**Operator**

Next question will come from Manav Patnaik with Barclays.

**Manav Shiv Patnaik** - Barclays Bank PLC, Research Division - MD, Business & Information Services Equity Research Analyst.

Steve, I just wanted to get your latest thoughts on, I think, the additional inorganic opportunities you called out earlier in the call. I mean you obviously have a super solid balance sheet, cash is piling up. Just is it going to be more larger deals, a bunch of midsized deals? How do you think about what we should be thinking about when you mentioned that?

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

Yes, Manav, thanks. We don't need or particularly want larger deals. I mean if something came along that we thought was very much in the interest of our customers and our shareholders, then we wouldn't hold back. But we don't sit here and sort of say, gee, it'd be great to do sort of some larger, more transformative deals. We don't want them, and we don't think we need them.

So it's more in that sort of in the category of a SurePrep, which we're very excited about. We think Dave Wyle and his team have done a wonderful job of both continuing to accelerate that business and also integrating into TR. So a couple of different areas. I mean building on Casetext, if there are other generative AI capabilities we can add that accelerate our progress into legal workflow software. Tax & Accounting automation is something building on SurePrep that we're always looking out for under Elizabeth Beaström's leadership.

And then the other areas that Dave Larson and the team have, I think, gotten in -- gotten us all very well educated and keen to sort of look for opportunities is Risk, Fraud & Compliance, building upon the CLEAR and TRSS starting point. And we really need to find the right one there. So no promises as to what we might do in the short term.

And the other area that builds upon our core capabilities, our content and our relationships with general counsels and heads of tax and other executives is ESG. And so we'll continue to look at ESG. But as always, no promises. We're going to keep the bar really high for those deals and make sure that they're beneficial to our shareholders.

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**Manav Shiv Patnaik** - *Barclays Bank PLC, Research Division - MD, Business & Information Services Equity Research Analyst.*

Got it. And then, Mike, just to follow up on your margin commentary. I guess that 75 basis points you talked about, that is before the dilution from the deals you called out, is that correct?

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**Michael Eastwood** - *Thomson Reuters Corporation - CFO*

That's correct. Really, 2 components there, Manav, that we were addressing roughly the 80 basis points cumulative dilution for the M&A activity as we head into 2024. And then I was mentioning our current intent to reinvest the operating leverage of 75 basis points. So 2 separate components there.

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**Operator**

Our next question will come from Andrew Steinerman with JPMorgan.

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

I think I heard a comment earlier in the call that net realized price for all Thomson was about 30 to 40 basis points better in '23 than '22. So just tell me, did I hear that right? And then if you can, just tell us what net realized price is trending in '23 overall and some of the color in the segments.

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**Michael Eastwood** - *Thomson Reuters Corporation - CFO*

Yes, Andrew, you heard that correctly. It's approximately 30 to 40 basis points incremental in '23 versus '22. If you look at total TR firm-wide, we're in the 3% to 3.5% range, Andrew, for total TR, which varies by segment. I've shared in prior calls that the higher price realization normally happens in our Tax & Accounting Professionals business followed by Corporates and then Legal. That's going to sequentially help from high to low in regards to the annual price increases.

And to my comment earlier, those annual price increases, the realized price increase is influenced by the multiyear nature and when those contracts come up for renewal. So quick answer, 30 to 40 basis points higher in '23 versus '22, and then on average, roughly 3% to 3.5% for total TR.

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

Right. Anything interesting in News or Print in terms of pricing?

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**Michael Eastwood** - *Thomson Reuters Corporation - CFO*

It certainly varies. If you think about the new -- the Reuters business, you have to break it into 2 components: the LSEG contract and then all other components. We have a contractual calculation that's driven by CPI and FX movements for the LSEG contract, which varies year-to-year. And then others within Print business, depending on the print titles, there's quite a wide distribution for price increases for Print.

**Operator**

Our next question will come from Toni Kaplan with Morgan Stanley.

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

Just regarding Casetext, have you been able to retain the people that you want to keep so far? And are you keeping Casetext separately like so that they can continue innovating there? Or is the plan to integrate them into the larger organization?

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

Toni, both with Casetext and SurePrep, we're close to batting a thousand so far in terms of keeping the talent. So we're thrilled with that. And we'll just keep focusing on it, making sure that those folks see the opportunity here and both in terms of our purpose and their own career opportunities. But so far, I would say it's been really exciting from that point of view.

I mentioned in my remarks, we are -- the go-to-market with Casetext, where we have integrated that or in the process of integrating that, completing that integration into Paul Fischer's teams. That's going well. And that obviously provides more career development opportunities for the go-to-market executives within Casetext.

David Wong is working closely with Jake Heller on the product side in conjunction with engineering and labs to make sure that we at TR move at Casetext's speed and continue to do so. And in the first few months, we are very much on track with that and made in my comments -- I made the comment that our teams have moved with the speed and decisiveness never seen before at TR. So we're off to a good start. And it's up to us, Toni, just to continue that trajectory.

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

Terrific. That sounds great. And then just for my follow-up, just looking at your clients, maybe corporates or law firms, anything to discuss with regard to sort of budgets going into the end of the year and how you're thinking about just pressure on the given macro uncertainty or like into the end of the year and then into next year?

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

Yes. So with regard to the law firms, our Legal business has held up well in 2023, notwithstanding a reduction in billable hours for many of our customers' capital markets and corporate divisions. So they've seen fewer equity and debt raisings, less M&A transactions flowing through their billable hours. However, their litigation practices, their restructuring practices and 1 or 2 other areas have, to varying degrees, picked up the slack. And so that part of our business has remained robust, as has Tax & Accounting.

When you go across to Corporates, that's where the elongated sales cycles have hurt us. And we mentioned that probably 4 or 5 quarters ago, and it's continued. It's not getting worse, but we don't see it getting better either. So we're monitoring it carefully.

And the other comment I'd make is Laura Clayton McDonnell is now 6 months into her role as President. So I think as we enter into next year, no matter what the macro environment brings, some of the moves that Laura is making and her leadership, I think, will start to reflect in our -- in the impact we're making with our corporate customers.

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**Operator**

Our next question will come from Maher Yaghi with Scotiabank.

**Maher Yaghi** - Scotiabank Global Banking and Markets, Research Division - Analyst

Steve, I wanted to ask you, how is the current economic environment educating your view on how 2024 is going to look like? I know it's -- we're not in guidance mode here, but if you can just help us understand your views on, qualitatively, on '24 compared to '23.

And maybe just to close the loop on '24 margins, Mike. So if I start at 39% in 2023 on the EBITDA margin, that 75 basis points improvement in operating leverage, as you said, is going to be invested. So the -- incrementally, basically, the 50 basis point incremental dilution in '24 from the acquisition of Casetext, that's basically your landing zone is 38.5% for 2024. Am I understanding this properly?

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

Maher, yes, let me -- it's Steve. Let me start off. Thanks for the question. Mike and [Riana Evans], our Head of FP&A, have just been driving us through the planning process for 2024. So we've got a lot of that thinking done. But the -- not all of it, but a lot of it done. The underlying assumption for '24 from a sort of a macro perspective is more of the same.

I think where we look at a year where we're likely to have 2 wars going on, we're likely to have a higher-for-longer interest rate environment and the presidential election. It's sort of hard, I think, to expect -- I think it would be foolhardy for us or anyone else to bank on a quick rebound. And that's the assumption that Mike is sort of putting through our budgeting and forecasting process for '24. Mike?

**Michael Eastwood** - Thomson Reuters Corporation - CFO

Yes. And the second part of the question in regards to 2024 margin, once again, not providing guidance today, but your math sounds directionally reasonable based on the components that you laid out, but directionally reasonable.

**Operator**

Next question will come from George Tong with Goldman Sachs.

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

You had previously guided to legal organic growth accelerating in the second half of the year. Can you elaborate on any factors that may have pushed this acceleration now, particularly given the organic benefits from Casetext coming in and Elite coming out?

**Michael Eastwood** - Thomson Reuters Corporation - CFO

Sure. We still continue, George, to anticipate a higher tick-up as we go into Q4 and then into 2024. Our FindLaw business tempered the growth some in Q3 for us, and it's a factor for us to consider into Q4 there. And the other component is the timing of Government. So the 2 items that really flexes when you get into rounding of Legal Professionals is FindLaw and the Government business, George. But we're very pleased with the trajectory of Legal overall as we go into Q4 and to the full year 2024, George.

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

Got it. That's helpful. And then on the Tax business, very strong growth there driven by Latin America. But can you talk a little bit about some of the sustainability of that growth? Is that being driven by regional inflation? Is it persistent? Is it more onetime? How would you think about Tax growth going forward?

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

Yes. Sorry, Mike, can I -- Mike will give you a more thoughtful answer, George, than I will. But I think it's driven by superb execution from Adrian Fognini and [Macron Desbulbert] and their teams down in Brazil. I mean their ability to understand and anticipate customer needs before or as customers are having those needs and incorporate it into the Dominio product is the best I've ever seen. And as long as we continue to do that, we'll continue to see great performance from that part of the business.

And the next, I suppose, obvious thought you may have as well, can we take that DNA and spread it throughout Thomson Reuters? And that's certainly something that [Beck Teen], our Head of International, is focused on.

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

George, I would just emphasize that the 12% organic growth for tapping Q4, 10% for the full year, roughly, is not solely driven by Latin America. We've got strong assets across in SurePrep, and Steve mentioned earlier Dave Wyle, the Founder, CEO of SurePrep. And then Confirmation that we acquired back in July of 2019 continue to do incredibly well.

So I think Elizabeth Beaström, the President, is really managing the full breadth and depth of assets there. So LatAm is performing well, but likewise SurePrep, Confirmation and other assets within Tax & Accounting.

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**Operator**

And the last caller will come from Doug Arthur with Huber Research.

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

Everything has been covered. Just I guess a question on your ownership position in LSEG. Any updated thoughts on the remaining piece?

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**Michael Eastwood** - Thomson Reuters Corporation - CFO

No, Doug, we'll continue to monetize at the pace that we have discussed previously. Currently, we're looking at Q1 2024 and Q1 2025 contractually when the next tranches are eligible to be monetized. It doesn't mean we have to monetize in Q1 '24 and Q1 '25. I'd just emphasize, we continue to hold LSEG as a financial investment. We're pleased with the level of accelerated monetization in calendar year '23. And we hope to continue to pace in '24, '25, but very pleased with the overall monetization there.

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

Thank you, Doug.

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

All right. I think we'll end the call there. Thank you very much, everyone. And feel free to reach out to the IR team if we can help with follow-ups.

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**Operator**

And with that, that does conclude today's call. Thank you for your participation. You may now disconnect.

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