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TRI.TO - Q3 2024 Thomson Reuters Corp Earnings Call

EVENT DATE/TIME: NOVEMBER 05, 2024 / 1:30PM GMT

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PRESENTATION

Operator

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

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

Thanks. Good morning and thank you all for joining us today for our third quarter 2024 earnings call. I'm joined by Steve Hasker of Chief Executive Officer and our CFO, Michael Eastwood, each of whom will discuss our results, take your questions following their remarks.

To enable us to get to as many questions as possible, we would appreciate it if you'd limit yourself to one question and one follow-up each when we open the phone lines. Throughout today's presentation, fully compare performance period on period we did 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.

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

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

Thank you, Gary, and thanks to all of you for joining us today. Good momentum continued in the third with revenue and margin modestly a head of our expectations. Total company organic revenues growth rose 7% and the Big three segments growing by 9%. As expected, the pace of organic and inorganic investments picked up in the third quarter as we work to position the Company for faster revenue growth in 2025 and beyond.

To incorporate a strong year to date, we are modestly increasing our full year 2024 organic revenue growth outlook to approximately 7%, including approximately 8.5% for the Big three segments.

We continue to see healthy momentum from many areas in our portfolios. This includes double digit growth from key products, including Practical Law, confirmation for Garrow, indirect tax and our international businesses. Interest in our generative offerings remains strong with West Slope precision & Co. council momentum continuing.

Our 2024 investment plans are on track as we execute against the ambitious product roadmap we discussed at our March Investor Day, we made important progress against our road map in the third quarter, including the launch of Coke council to Dato, which I will discuss in a few minutes. We remain focused on driving innovation across our portfolio of markets, particularly as it relates to AI. To this end, our investments in AI and now running at more than \$200 million annualized, which is a pace we expect to continue over the next few years and is income operated within our 2024 to 2026 financial framework.

In addition to our organic efforts, we have made two small but strategically important inorganic investments to that reflect our continued confidence in the generative AI opportunity. The acquisitions of safe, signed technologies and materials, bring key talent and accelerate our generative AI roadmap.

We also recently announced the signing of a definitive agreement to sell our Findlaw intimate brands. While Findlaw is a premier provider of customer acquisition and marketing services for small law firms. Its offerings differ from our primary focus within the legal profession of helping lawyers practice more effectively and efficiently through the use of content enabled technology.

This has led in recent times to our size management focus on the business relative to its scale. The transaction will allow both Thomson Reuters and Internet Brands to concentrate on their perspective, strategic priorities, ensuring customers continue to receive top-tier service and support from Findlaw.

We remain extremely well capitalized and focused on shareholder value creation. We currently estimate \$10 billion of capital capacity through 2027, up from our previously discussed \$8 billion through 2026. We continue to assess additional inorganic opportunities. But now to the results for the quarter.

Third quarter organic revenues grew 7%, modestly ahead of expectations, organic recurring and transaction revenue grew 8% and 12% respectively, while print revenues declined 6% in line with expectations. Adjusted EBITDA fell 4% to \$609 million, reflecting a 430 basis points margin decline to 35.3% with lower profitability was expected and results from organic and inorganic investments that we are making in 2024 to position the company for accelerating profitable revenue growth.

Turning to the third quarter results by segment, the Big three segments delivered 9% organic revenue growth. This is the fourth consecutive quarter of 8% or better growth for the big three legal. Organic revenue grew 7%, driven by continued momentum from Westlaw precision and cocoa council. Corporates organic revenue grew 10%, driven by earnings from our legal tax and risk portfolios.

Tax and Accounting organic revenues grew 10% now Latin American business and tax compliance offering. Reuters organic revenues rose 8%, driven by additional generative AI related transactional content licensing revenue and growth from the news agreement with the data and analytics business as well London Stock Exchange Group.

While we have called out the transactional benefits for replaces from generative, I related licensing revenue it is worth noting that there is also a growing recurring revenue component to these contracts for the use of our Reuters news content in AI applications beyond model trade signing

these contracts with both transactional and recurring revenue will highlight the value of our Reuters news content. And lastly, Global Print organic revenues met our expectations, declining 6% year on year.

And in summary, we're pleased with our results. Let me close my prepared remarks with a few updates on our product portfolio and innovation efforts. At our March Investor Day, we discussed a robust product roadmap that we've executed well to deliver strong value for our customers and improving growth (inaudible) for Thomson Reuters.

The third quarter featured important progress against this roadmap, including a number of new capability law launches. In August, we introduced Code Council to Dato a major upgrade for the Code Council AI assistant. The new version delivers results three times faster brings important connectivity to the customer documents and includes a highly requested document comparison tool along with several other user experiences enhancements.

During the quarter, we also launched council drafting Checkpoint Edge with CoCounsel and the claims Explorer tool in Westlaw precision. Customer feedback on these offerings has been positive, and we continue to work toward delivering additional enhancements and launches over the next few quarters.

As discussed in the past, our organic innovation efforts as supplemented with partnerships and strategic M&A through our build partner by strategy, we made two small but strategically significant acquisitions in recent months. In August, we acquired safe signed technologies, which brings a strong team affiliated Cambridge and Harvard Universities that is developing a legal specific language models.

In addition to its unique talent, our testing of safe signs models in development has shown potential to enhance outcomes and improve accuracy of our generative AI offerings in the future.

In October, we acquired materia, which has developed and recently launched an agenda tick generative AI assistant for accounting tax and audit professionals. We believe materia will meaningfully accelerate our AI road map in the Texan, tax and accounting and audit spaces.

Thomson Reuters benches, an early investor in materia and lead our proof of concept that allowed certain checkpoint uses to leverage its content through materia's AI assistant. The promising initial result from this work provides confidence in our joint potential to deliver significant value, the tax accounting and audit professionals.

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

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Thanks, Steve. Thanks again for joining us today. As a reminder, I will talk to revenue growth before currency and on an organic basis. Let me start by discussing the third quarter revenue performance for our Big three segments. Organic revenue grew 9% for the third quarter, continued brand of 8% or better growth we have delivered in recent quarters.

Legal Professionals organic revenue grew 7%, consistent with the first half. E-Drivers from a product perspective remain Westlaw Code Council and our international businesses. Government grew 6% in the quarter and Findlaw remained a headwind to the segment growth rate.

Legal Professionals revenue growth continues to benefit from the migration of customers from a global print product to Westlaw. This added \$5 million year over year revenue growth in the quarter. Our corporate segment had a strong quarter with organic revenue growth of 10%.

Recurring revenue grew 9%, while transactional rose 13%. Trust, particallaw, direct and indirect tax in our international businesses were key contributors. Tax & Accounting continues to deliver robust growth with another quarter of 10% organic revenue growth. Recurring and transactional revenues grew 10% and 13%, respectively.

Our Latin American business, one source ultra tax and confirmation for key drivers. Moving to Reuters News organic revenue increased 8% for the quarter posted by transactional revenue from additional generative AI content licensing agreements signed in the quarter. Excluding this revenue reorders, organic revenue increased approximately 4%.

On a year-to-date basis, we have recorded \$33 million of transactional revenue from the AI content licensing agreements, up from EUR18 million in 2023. As a reminder, we will face difficult comparisons for orders and for a total TR in the next two quarters as we lap the \$18 million in \$25 million of transactional revenue that occurred in the fourth quarter of 2023 and the first quarter of this year, respectively.

Lastly, Global Print organic revenues declined 6% for 3% when excluding the impact of the migration of customers from a global print product to Westlaw, it was in line with our expectations. On a consolidated basis, third quarter organic revenues increased 7%. Before I turn to our profitability, I would like to discuss a new metric we are introducing this quarter to help you track our success at bringing generated capabilities into our product portfolio.

The metric is the percent of our annualized contract value or ACV from products that are Gen AI enabled. At September 30, 2024, approximately 15% of our ACV is from the Gen AI currently Westlaw precision and particalaw dynamic the largest contributors with CoCounsel, CoCounsel drafting and checkpoint with CoCouncil also contributing.

As we grow penetration of these products, introduced new Gen AI enabled products and add Gen AI tools to other existing offerings we expect to generate a product enabled ACV penetration percentage will continue to rise in the future.

Turning to our profitability adjusted EBITDA for the Big three segments was \$555 million, down 2% from the prior year period with a 39.5% margin. The lower profitability results from organic and inorganic investments we're making in 2024 to position the company for improving profitable revenue growth in 2025 and beyond.

We expect a higher level of investments to continue through Q4. Moving to Reuters News adjusted EBITDA was \$40 million with a margin of 20.4%. Global prints adjusted EBITDA was \$43 million with a margin of 33.1%. In aggregate, total Company adjusted EBITDA was \$609 million, a 4% decline versus Q3 2023.

Turning to earnings per share, adjusted EPS was \$0.8 for the quarter versus \$0.82 in the prior year period. Currency had no impact on adjusted EPS quarter. Let me now turn to our free cash flow. First nine months of 2020 for our free cash flow was \$1.40 billion, up 12% from \$1.26 billion in the prior year period. Our EBITDA was the largest driver of the increase.

I will conclude with a few thoughts on the financial impact of recent M&A and our updated 2024 outlook. On October 3, 2024, we announced defining a Findlaw business to Internet brands in a transaction valued up to \$410 million. We expect the transaction to close later in the fourth quarter. For modelling purposes, Findlaw remains in our financial results through the close date.

The business has approximately \$300 million of annual revenue with margins somewhat below overall TR levels. Looking forward and on an annualized basis, we expect to sell to our total company organic revenue growth by approximately 30 basis points and be roughly neutral to margins when including stranded costs. We expect minimal impact on our full year 2024 results.

We are very excited about the safe side and material acquisitions as Steve indicated from a financial perspective, both our early-stage start-up businesses. They've signed is developing legal specific language models that in the future could bring performance and or cost benefits to our Gen AI offerings materials on the cost of generating revenue, having recently released synergetic AI assistant filling strong early potential.

Both say sign and material will be loss making in 2025, but we plan to absorb this within the framework we have discussed for delivering 75 basis points of margin expansion in 2025. We remain focused on strategic M&A and are optimistic we will be able to complete additional transactions over the next year. As a reminder, we follow a rigorous financial approach to M&A grounded by 10 year IRR NPV framework that is used to assess all acquisitions.

We target an IRR of at least two times our weighted average cost of capital and consider a number of additional metrics, including payback period, integration complex, return on investment capital, organic growth impact and accretion dilution to free cash flow and margins.

We also risk adjust this analysis based on the characteristics of the particular transaction being cantered. As Steve outlined, we are raising our 2024 outlook for organic revenue growth for TR and the big three by 50 basis points each to incorporate strong year-to-date performance. We now see organic revenue growth of approximately 7%, up from 6.5% and organic Big three revenue growth of approximately 8.5%, up from 8%.

We maintain our outlook for the remaining line items this includes our total revenue growth outlook, which is unchanged despite the higher organic growth due to the impact that the Findaw divestiture. Looking forward, we remain confident in delivering to the 2025 and 2026 financial framework we discussed earlier this year.

We are currently in our 2025 planning cycle and will provide more detailed 2025 and 2026 guidance on our Q4 conference call in February. But let me provide one early view on 2025. We expect our effective tax rate to be approximately 19% to 19.5%, up from approximately 18% in 2024 has the full impact from the OECD global minimum tax regulations materializes.

We expect our cash tax rate to increase by a similar amount but remain roughly 5% below our effective tax rate. Based on currently enacted tax legislation, we would expect our tax rate to remain stable in 2026 at the 19% to 19.5% level. These estimated increases in our effective and cash tax rate are already included in our 2025 to 2026 financial framework.

Turning to the fourth quarter, we expect organic revenue growth of approximately 5% and adjusted EBITDA margin to be approximately 37%. As a reminder, Q4 revenue growth will be impacted by 1% from a tough comparison, driven by the \$18 million of Borders generative AI content license revenue recognized in the fourth quarter of 2023. We also expect a moderation of revenue growth from our Corporates and Tax & Accounting segments due primarily to the seasonal mix of revenue.

Let me now turn it back to Gary for questions.

Gary Bisbee - Thomson Reuters Corp - Head of Investor Relations

Thanks, we are ready to begin the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator instruction)

We'll go first to Scott Fletcher with CIBC.

Scott Fletcher - CIBC - Analyst

Hi, good morning, everyone. I wanted to ask a question on M&A, given there's from a capacity on the balance sheet from a particularly as it relates to AI deals. You've now got a few of some of the smaller end of the key facts on the larger side, at least from a capital deployed standpoint. I'm just wondering, as you get further down the road map of general high, are you more comfortable looking at larger die deals that involve a significant GenAI component? Or does the risk reward and get more challenging as you start to look at larger deals? On the Gen AI standpoint,

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

Scott, I'll start and I'm sure Michael will supplement. What I would say is we have I spent \$2.2 billion over the last 12 months or 18 months on the deals that we've spent a lot of time on these calls on. We are happy with each of those. We are happy with the so the way we identify them the way we prosecuted those deals and the subsequent integration efforts.

So, the I think you'll (inaudible) the targets are there, and they meet our criteria you'll see us do more of those kinds of deals in terms of size and scale and being additive to the customer experience within the Big three potential anything bigger we're going to keep the bar really high. So we will not be we won't get deal favour, notwithstanding the capital capacity that we have and we're going to stay very rigorous and very disciplined about how we identify those deals to an and look to them to execute a Mike, anything to add?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Scott just mentioned, when we think about M&A, we also have to think about the financial capacity, which Steve just mentioned, which we have the \$10 billion through 2027 check the box there. The other item that we consider is integration our capacity throughput within our organization operationally commercially, which we think we're in good shape there with the resources that we've added, Scott. And as Steve mentioned, the bar remains high, but we'll consider acquisitions or for our shareholders and customers.

Scott Fletcher - CIBC - Analyst

Okay, great. And then just to follow up on the M&A front, is there anything you can you provide any detail on sort of how much of the margin impact in the quarter, which was organic versus inorganic in terms of integration?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Scott, that's one. We'll ask Gary, to follow up on with you later on today. I think as a follow-up to with you if that's okay. Does it mean certainly our scope of this combination of organic and inorganic impact on the Q4, I'm sorry Q3.

Scott Fletcher - CIBC - Analyst

Tha's fine, thanks.

Operator

Okay, and go next to him. Manav Patnaik of Barclays.

Manav Patnaik - Barclays - Analyst

Thank you. I just wanted to ask you to be at 15% of ACV from Gen AI enabled products. I'm guessing most of that is on the legal side, listen, Tax & Accounting. And I guess over time, what is the right number that that 15% should grow to?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

You're correct dominate in regards to currently that that 15% primarily relates to the Westlaw precision AI. Secondly, the PracticalLaw dynamic and then to a lesser extent right now but growing is the CoCounsel and we have CoCounsel drafting and then checkpoint. So, council in regard to the right percentage number will continuously increase. I think it's difficult to say what that percent will be continuous improvement in increases on a monthly quarterly basis, which we will provide certainly with the additional acquisitions at the same sign and materia we have optimism isn't

that the tax and accounting corporate-related products will continue to help us on this evolution, but we'll see that 15% continuously expand manner.

Manav Patnaik - Barclays - Analyst

And Mike, maybe just a follow-up just on the moving parts apologies, I missed it, but I guess you mean the organic guide this 50 basis points for the overall growth of the same. So, what is the moving pieces on the divestiture and the two acquisitions?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yes, the impact there. The reason we did not increase the total revenue growth is the impact of the Findlaw on divestiture. Normally, we've had this year about a 50% of 50 basis points delta, but with the pending close of Findlaw, we factored that in Manav. And that's why we did not increase the total revenue growth percentage is defined by the divestiture.

Manav Patnaik - Barclays - Analyst

Okay, thank you.

Operator

We'll go next to Vince Valentini with TD Cowen.

Vincenzo Valentini - TD Cowen - Analyst

Thank you very much. And I start with a clarification. The 15% ACV is that just on Big three recurring revenue or doesn't include news in print, does it include transaction revenue?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

That's on the big three advanced. Thanks for the clarification points there, basically think of the underlying ACV, big three are recognized recurring revenues at Victory events.

Vincenzo Valentini - TD Cowen - Analyst

Thank you. And a question, and there's not much to criticize and what you guys are doing it. It's obviously great execution but if I can take a little, I mean, finalized looks like you're getting four times EBITDA for it, and you can't do any better now with the assets you're looking to sell, or should we expect other non-core stuff to be that low on the divestiture pricing? And if it's that cheap one, what I just keep it flat, really hurting you is it?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

These are multiple things to consider, certainly the financial lands that you just apply. But the additional lands that I don't think it's reflected in your comment is in regard to the leadership focus or as I think about the management time that's required a similar to last year when we acquired elite Findlaw requires a significant amount of outsized management time and bandwidth.

So, when you think about the opportunity cost of what it takes to lead Findlaw versus some of the other opportunities we have to balance the financial metrics that you just mentioned, which are obviously important with the bandwidth that it requires. That was certainly a factor an additional factor events similar to lead a Findlaw is a little different than the core Legal Professionals business, meaning if you think about legal professionals are helping lawyers practice more effectively, and that's outside the scope.

Last point is Steve may want to supplement with Findlaw. We have additional industry dynamics, more cyclical, more macro there, but I would just doubled down and emphasize that the amount of management time how that sound final was requiring data.

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

And the other thing I'd add is I think we've seen over the last 12 months, we have on sharpened and I think enhanced how our strategy as it pertains to serving a law firms and in-house lawyers, court systems, attorneys, general and so forth. And a lot of that, not all of that, but a lot of that is around this Gen AI opportunity and that has focused the mind.

And we also see significant international growth opportunities for our legal professionals and corporates legal (inaudible) and with that, as the backdrop, the times and navigating (inaudible) algorithm changes and the disruptive impact of Gen AI on our on this lead generation business, that is for small law firms that is fine low. We just felt that distraction was we're starting to go too far and away our outweigh the size and benefit of holding none of that business, which is why we did the deal that we did.

Vincenzo Valentini - TD Cowen - Analyst

Thank you.

Operator

Our next question comes from the line of Kevin McVeigh with UBS.

Kevin McVeigh - UBS Equities - Analyst

Great. Thanks so much. Just wanted to just clarify that the \$200 million of Gen AI investment up from \$100 million, is that all kind of reflected in the P&L is well set? I mean, you're seeing some pretty good momentum on the license sales, things like that. But just is that all sounds like 24 for making and just maybe help us understand that a little bit because it is a critical part to the story.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Sure, Kevin. Let me break that down into multiple pieces. Certainly, for calendar year 2023, it was slightly over \$100 million when we reference the \$200million. That includes both operating expense and capital expenditure. It does not include any cost of acquisition so that strike within our core operating P&L and underlying CapEx stood at \$200 million, Kevin does reflect the amount you go back 20 months ago.

And Gen AI really began to accelerate we remarked X amount for it, when we acquired case tax in August of 2023, that certainly added an additional amount to our run rates, both OpEx and CapEx. And as we began 2024, we were very purposeful and intentional as we set our 2024 management plan to make additional investments, OpEx and CapEx in Gen Ai.

It's really a culmination cabin of OpEx CapEx on solution, which is all factored into our operating expense and capital directionally, it's about half-and-half. If you think about OpEx and capital directionally, Kevin, it does that help athletes happy to go deeper.

Kevin McVeigh - UBS Equities - Analyst

No, that's super helpful. And Mike, that would be the same or split is the \$100 million goes up to \$200 million in the same split in terms of OpEx as opposed to CapEx.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

But directionally, certainly in a given quarter, you're going to have a little bit of even flow. But if you look at it on an annualized basis, that's roughly 50-50. I haven't

Kevin McVeigh - UBS Equities - Analyst

Got it. And then just real quick, especially real at Investor Day, it feels like the organic growth in the Big three is accelerating kind of even faster than what we would have thought. Is that the kind of pacing of the Gen AI or and just maybe is at retention starting to improve? Just any thoughts around the broad strokes here on the organic growth?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

That's very fair question, Kevin. If you go back to February, when we set guidance and an expanded out in March Investor Day three things have evolved over the time horizon, first is the corporate segment 45 basis points for longer than we had anticipated, Kevin at the beginning of the year, huge credit to our Clay McDonald, President of Corporate segment and for our leadership team, execution has been phenomenal.

As a reminder, 7% organic growth in calendar year 2023 be over 9% this year. Second item is contributed is Tax & Accounting Professional obviously 9.5% last year were 5.5% this year, about 20 basis points stronger than we anticipated in Tax & Accounting. And then the third vector, Kevin, is orders deny we certainly did not anticipate the incremental Gen AI, we had baked into plan for \$25 million in Q1 that we were very trends parent about. But the most recent Gen AI content licensing deal was accretive. So, in summary, corporates about 45 basis points, Tax & Accounting 20 basis points and Borders Gen AI about 20 basis points, Kevin.

Kevin McVeigh - UBS Equities - Analyst

Super helpful. Thank you.

Operator

Our next question comes from the line of Aravinda Galappathige from Canaccord Genuity.

Aravinda Galappathige - Canaccord Genuity - Analyst

Good morning and thanks for taking my question. Is just a quick come down, I guess housekeeping question before the main one with respect to corporate costs. I mean it does look like you're tracking below the guide meaningfully when I look at the nine-month numbers, is there anything we should sort of consider when you look at Q4 there?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

I know everyone is a very fair question. There is still a little bit of variability or seasonality with our corporate costs, if you just annualize through year to date, nine months it would appear that we're going to be below our guidance. I believe our vendor we're going to be spot on at least the

lower end of our corporate cost is due to a call its seasonality that we are expecting in Q4 have good visibility into that area and so I think we'll be within the range that we have provided. A very fair question.

Aravinda Galappathige - *Canaccord Genuity - Analyst*

Okay, great. And then maybe just going back to the \$200 million in spend. Obviously, you have the space to continue to invest in and then sort of the encouragement from the results you're seeing so far that tap the 75 basis points margin expansion that you originally guided for 2025, is that \$200 million level, recognizing, of course, only half of that is OpEx or can that is there more room to grow that within that margin guide? I just wanted some colour on that. Thank you.

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

A couple of points. I would just add clarity, as I referenced in my prepared remarks, if you look at 2025, we committed to 75 basis points of margin expansion, which we've reaffirmed today. That means that we'll be able to absorb this \$200 million of Gen AI the portion that's OpEx.

Also, as I mentioned in the prepared remarks, we'll be able to support the dilution from the sale sign acquisition and a materia acquisition. one item to consider vendor is we go back historically up, talked about 75 basis points of natural operating leverage at 6% organic growth figure to 7% organic growth. That natural operating leverage increases from 75 basis points to slightly over 100 basis points. So when you look at that decision in regard to margin expansion versus reinvestment, that incremental operating leverage, now that we're at 7% down to afford us that optionality. But we are comfortable absorbing the the Gen AI at the 200 basis points in addition to the acquisitions that we mentioned today.

Aravinda Galappathige - *Canaccord Genuity - Analyst*

Thank you very much.

Operator

So, we'll go next to Andrew Steinerman with JPMorgan.

Andrew Steinerman - *JP Morgan - Analyst*

Hi, Steve, as law firms have embraced Thomson Reuters Gen AI enabled products in I have you seen law firms change any of their intentions around hirings and or practices around value billing?

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

Andrew, the short answer is not yet. There are very active conversations going on amongst law firm partnerships from amongst the partners as to firstly, what happens to the per our billing and how much of the year agencies will be shared with customer partnerships themselves. And with the general counsels, let's assume from these also active conversations around how much they spend and what sort of in-house data analytics, data science, technology, talent they need.

And so on, I think with starting to see a law firms resolve, they're going to spend a bit more on technology and then trying to figure out sort of where that where that funding and investments going to come from as they think about the people spend, their real estate spend a number of law firms in through the middle of this year, sort of said we're thinking about holding the number of new graduates that we hire or perhaps even reducing that number in as we go forward in the next few years.

But I think it's too early to tell us to sort of exactly how this is going to play out across the large, medium and small firms. We're obviously every single day conversation and providing support monitoring those conversations and they are recurring and I think they are healthy, but it is early in the context of that broader transformational change.

Andrew Steinerman - *JP Morgan - Analyst*

Makes sense. Thank you.

Operator

Our next to Mehar Yaghi with Scotiabank. Great.

Maher Yaghi - *Scotiabank - Analyst*

Thank you for taking my question. And just my first one relates to your NCIB program I noticed that you did not buy any stock during the Q3 because you exhausted your NCIB back in Q2. As we stand today, your leverage is very healthy at 0.5 times. What are your plans in terms of returning capital shareholders here for with another potential NCIB program?

And if so, what should we expect a similar size to 2023, or the formulaic requirements allow you to see or to buy more than the EUR10 million of last year? The second question is on case tax, so with one year now under your belt, can you update us on the performance that you have been able to achieve on the right assets to close the transaction? Maybe if you can provide some metrics on revenues or amplification implications to existing products, (inaudible) of delivering on your expectations and the returns of expectations? Thank you.

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

I will take the first one regards the NCIB, I think we foreshadowed on the August earnings call not to expect any NCIB or share buyback in Q3 or Q4 and that's really driven by the current interest rate environment. Certainly, we have seen a decline in interest rates, but at the current interest rates based on our calculations and assessment was still slightly dilutive.

So, I would not expect any share buybacks or NCIB in Q3 Q4. As you go into calendar year 2025, we remain very open to considering NCIB or share buybacks, but the timing will be directly correlated to the interest rate cuts in interest rate environment.

In regard to size we certainly have optionality given our \$10 billion worth of capital capacity will discuss if we decide to move forward with an NCIB we will certainly discuss with our Board. But given at the beginning of 2024, we committed to 75% capital return over the time horizon.

If you look at just our dividends, our dividend gets about 50% to 55% so mathematically, we would need on an annualized basis about \$500 million of an NCIB in calendar year 2025 to hit that 75% capital return guidance that we provided so early earlier this year. So to summarize, we do not anticipate any NCIB in Q4. The timing in 2025 will be based on interest rate environment and then the size will be based on a multitude of factors to consider and including the timing of potential strategic M&A.

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

And then maybe Steve, (inaudible) we don't provide sort of product-by-product revenue guidance for something like high-stakes. But unequivocally, from my point of view, this one is on or ahead of track relative to the acquisition case we made and the price we paid. And there's a few reasons for that, the first is we're seeing really good growth in the core CoCounsel product in the United States and of course, we put out CoCounsel to auto, and we're excited themselves I mentioned in my prepared remarks.

And secondly, CoCounsel is a vehicle through which we plan to have to explore international growth in the legal field in a way that perhaps we haven't in the past given the association of research with some with common law rather than civil law hub markets. And then thirdly, up, we've extended CoCounsel to checkpoin, checkpoint with CoCounsel and also most recently under the leadership of right grow about one of our product executives in about one source suite.

And so not only is it sort of within that core Legal franchise, we're seeing real applications. And I think excitement from customers beyond that and of course, the materia acquisition, we think it is additive here and will be an accelerant for that extension of the core AI assistant capability. So in summary, we're excited about what-to-what case text has bought to TR. And we are equally or even more excited about what the next few years use will hold up for that creative capabilities and the impact it'll have on our customers.

Maher Yaghi - *Scotiabank - Analyst*

Great. Thank you very much.

Operator

Our next question comes from the line of Toni Kaplan with Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Thank you. I wanted you go back to the last half and I definitely understand the growth challenges you've been having their and unnecessary focus that you're paying to it, just wondering if the sale also represents a shift in strategy with regard to small law firms, is there less of a focus their wishes and this was not the right product to be selling to them and you're better off selling AI products? Thanks.

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

Yes, Toni and it does not represent the shift away from small law firms we are excited about that segment under the leadership of (inaudible). He and his team are doing a great job and specifically, what we have seen is an interesting shift, which is as we've brought to market some of these five, we've seen the very smallest of our law firm customers pick them up as quickly as the global large law firms and I think historically that was not the case.

We still have a large law firm with very sophisticated, both teams, research and knowledge teams and budgets that would be first in adopting these products. And the smaller firms will much farther down the line. We've seen a pretty equal balance. So now we're very excited about the small law firm segment and Eren's leadership of thereof. And the reason for the divested Findlaw, as I said before, this strategy has sharpened and Findlaw with just not part of it and we felt it was increasing distraction.

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

Toni, I would just supplement small law firm is over 25% of our Legal revenues. Hopefully that amplifies the importance of small all the Erin leads for us.

Toni Kaplan - *Morgan Stanley - Analyst*

Very helpful. I was also hoping you could give us an update on your thoughts here how you're pricing the Kolkata product, if there's been any changes to that and how you think about pricing at across different customer types?

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

Yes. I mean, without giving too much away, Toni, we've been in test and learn mode. I think since we acquired CoCounsel. This is a dynamic market with a brand-new proposition to a set of existing and prospective customers so that there has been a degree of sort of testing and eroding. What I would say is we price to value, firstly. Secondly, we prefer enterprise-wide pricing rather than per-seat we've never gone down that path and we don't plan to stop and we're always very mindful of covering more than covering the arm, the variable cost components associated with ping-pong language models, which is obviously a relatively new dynamic for us.

So, I would say so far, so good on the pricing front, the single component, and we'll just stay diligent and continue to be flexible as we see the market evolve anything to add on that, Mike,

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

I think that's a good summary.

Toni Kaplan - Morgan Stanley - Analyst

Thanks, guys.

Operator

We'll go next to Drew McReynolds with RBC.

Drew McReynolds - RBC Capital Markets - Analyst

Thank you and good morning and the hopped on late, so hopefully not repetitive here. I did hear an earlier question, Mike, on the organic revenue growth guidance increment, where you broke it down in terms of three components. So super helpful their bigger picture when we look at the 7% kind of guided growth for 2024 and an acceleration in 2025 or kind of firmly into high single digits here, which I think the long-standing tops and followers is great to see on at that high level, can you just kind of update us on whether you had the components are drivers of that growth has changed with respect to price?

Obviously can't expansion you talk at your March Investor Day market share on how much of this is asset mix, evolution, etc, just again at a high level? And then second, maybe for you, Steve, on the Gentex AI. acquisition with material. I'm fascinated from my perspective on kind of the next generation capability here on the agency side on, can you kind of give us a sense schedule what additional capabilities that acquisition projects? Thank you.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

It grew on the first one in regard to the 7% and is driving that first in regard to pricing, pricing today is very consistent with what we expected and forecasted at the beginning of the year. I think we've consistently stated about 3.5% price lift on a year-over-year basis if you look across all of our total TR, it certainly varies by segment and subsegment there. If you look at the convergence of factors, we're certainly doing better on new sales, new logos, cross-sell, upsell, certainly helping the one item if you dissect that kind of some of the parts for TDRs corporates which I earlier mention on the call 7% organic growth last year and protein very 9.5% this year, that's been a key factor for us.

And that's part of this the sales execution that we referenced earlier on this call and on prior calls there. So we've seen good execution sales-wise by corporate we saw throughout calendar year 2024. So if I were to isolate one item, that would be at the second one, which I've references on the water side, the Gen AI content licensing deal, that's certainly helping us in Q2 and Q3.

But pricing is very consistent through our retention just slightly higher. It's incremental I think Kevin asked a related question earlier. We have not seen a significant uptick yet in retention we remain optimistic there, but it was just a small incremental increase thus far this year and it's Steve on the agentic.

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

Yes, Drew. Firstly, congrats on the three 32 New York City Marathon at serving some extraordinary achievements. And then as it pertains to hedge, it pertains to a materia and the agenda tick capabilities that Kevin and Lucas and the team there have built out we're pretty excited about this one for a few reasons.

The first is you're obviously, in layman's terms what the agentic capabilities enable the material to do is performing sequencing in parallel, multiple related tasks and then be able to bring them together to provide answers to more sophisticated questions and problems. And what Kevin electricity from day one was grills built, big set of capabilities around agentic models so that's sort of been the heritage and starting point for that capability. So that was one of the reasons we're really intrigued.

The second reason is they have dedicated their time to tax and accounting and orders. And as we think about Elizabeth (inaudible) teams and all the activities that are going on there and the work that Dave, while he's doing and leading our audit capabilities, we are very excited about taking that capability starting this week at our synergy become customer conference in Orlando and to our customers.

And then last but not least the other thing Materia did in a very unique way, put them put together the ability to interrogate and integrate customers documents. And that, of course, sits these capabilities on a whole new sort of path to value creation and that's something that our head of engineering jobs were on has been focused on for a period of time and so when he was able to get to know given and Lucas and understand the capabilities, I think our excitement crew here. So it's early days with this one but done but starting this week in Orlando, we're excited about the journey.

Drew McReynolds - RBC Capital Markets - Analyst

Thanks for the context.

Operator

We'll go next to George Tong with Goldman Sachs.

George Tong - Goldman Sachs - Analyst

Hi, good morning. The legal business has been 7% organic revenue growth for several quarters now. Can you talk about when you expect legal organic growth to accelerate and what the top drivers will be?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Certainly, George Q3 Legal Professionals was consistent stable with our Q2 performance, slightly over 7% rounding to 7% there. If you look at a longer time horizon over the last 12 months to 18 months has been a meaningful step up in the legal profession channels organic growth rate driven by Westlaw precision and also the Gen AI launches that we discussed there.

We did see a slight uptick in the recurring revenue in Q3 we had undertaken the transactional revenue had mentioned government was 6% had some of that transactional relates to government there. So, you have and the correlation, if you look at Q4 2024, calendar year 2025, we do anticipate a modest improvement as we go forward. We'll price there with the Featherstone here that the council. Certainly we're optimistic there. Westlaw, we still have more room on the West Block precision penetration that we've discussed in prior quarters there. So a very solid 7%, and we anticipate modest improvements as we go forward, George.

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

Just to add to that, George, I would say we talked at Investor Day about potentially the potential for our TAM to expand Gen AI and its ability to enable us to book to play a larger role in the success of our customers. Everything we've seen since March 12, 2024, supports that for the other thing we said on Investor Day was this will require a degree of change management within and across the law firms and it was really central to address documents affiliate question.

That process is underway we will play a role in supporting our customers through that transformation, but we're not the sole determinant and so we're focused on the long-term growth opportunity and expansion of the role we play with. And for the profession rather than the quarter to quarter, we'll keep ourselves accountable quarter to quarter, but we are laser focused on that longer-term expansion. And we're not going to do anything in the short term that compromises our ability to up to meet or exceed our customers' interest and pursue that.

George Tong - Goldman Sachs - Analyst

Got it. That's helpful. And then you touched a little bit about your pricing philosophy with vertical Council. Can you discuss how you plan to monetize journey on more broadly across the segments, given the step-up in investments, how much of a pricing for revenue uplift in return you expect from Gen AI?

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

I think it's we've obviously talked about this percentage of ACV that that has a Gen AI component, and we'll keep you apprised of that, George. I think it's a bit early to sort of say here are the direct through lines between the Gen AI capabilities and explicit pockets of revenue we've seen good growth of Westlaw precision since we put the AI functionality in the marketplace, same with part of the lawsuit with checkpoint, as Mike talked about CoCounsel.

So, all of those points, I think, to a two to a positive, a positive outcome. But the focus, as I said, is on ensuring that these capabilities out of the benefit of our customers. And that's what we're focused on. That's what we're starting to see and as long as we stay focused on that, I think you'll sell out now how growth rates so expand as we are as we believe they will.

George Tong - Goldman Sachs - Analyst

Got it. That's helpful. Thank you.

Operator

We got next Doug Arthur from Huber Research.

Doug Arthur - *Huber Research Partners - Analyst*

Yes, thanks. Just on Reuters News, you made an interesting comment that some of the AI modelling a tower is becoming recurring in nature of this does that sort of change your outlook for that business of the intermediate term basis?

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

Thanks for the question, Doug. No, it doesn't because you got to bear in mind that the Hopper more than half of the revenues of Reuters news relates to the 30-year use agreement with the data and analytics side of the London Stock Exchange Group.

So, there's a fair point weight of that business there. And it's and we believe that's a real strength of the business and our ability to do a better and better job of serving is a laser and primary focus pull basket bear, Alessandra, Tony and the team from the We've obviously benefited in the fourth quarter and through this year from these deals.

As I said earlier, I think it's too early to tell post to sort of what the longer-term run rate of recurring run rate will look on these deals were pretty optimistic. We're focused on it showing that that the customers see value and an incentive to expand and renew those over time. But it's, as I said earlier, Doug, I think it's a bit early to tell and of course the agency side of the business, the new subscription, the events side of the business or bring up some variability. So, we're sort of optimistic, and I think growing in confidence, but it really is early in this journey.

Doug Arthur - *Huber Research Partners - Analyst*

Got it. Okay. Thank you.

Operator

First, we'll take our last question from Sami Kassab from Exane BNP Paribas.

Sami Kassab - *EXANE BNP - Analyst*

Thank you, very much and good morning, everyone. I'm trying to put some context around the 15% share of ACV from Gen AI and every product. Now given the relative contract length across the big three, I'm tempted to fill that every year renewal from the new good professional division probably account for around 15% to 20% of total decrease ACV and therefore given that most of the Gen AI revenue sitting the legal profession, am I right to conclude that it moves over the last 12 months or so pretty much every single law firm that had to renew decided to trade up to a Gen AI product, would that be a fair statement or if not, then could you comment on the share of renewables in legal that trade-up to Gen AI? Thank you, Steve.

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

Yes, Sami, I'll start and certainly we've been sharing the ACV penetration for the Westlaw precision products. I think we're around 37% there as you'll remember, with Westlaw Edge the previous version earlier version of Westlaw, we reached around 75%, I think was the last percentage that we applied. So, it's difficult to provide a direct correlation to your question there, Sami.

I would say certainly as contracts come up for renewal, we have a very strong hit rate in regard to customers adopting the Westlaws precision that the Gen AI enabled. I think that's probably as much specifics as we could provide today.

Sami Kassab - *EXANE BNP - Analyst*

Thank you.

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

Bruce, I think that brings us trust the end of the Q&A session. So, thanks, everybody, for your interest and attention.

Operator

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

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