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THOMSON REUTERS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Thomson Reuters' second-quarter earnings call. (Operator Instructions). As a reminder, today's conference call is being recorded. I would now like to turn the conference over to the Senior Vice President of Investor Relations, Frank Golden. Please go ahead.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

Thank you and good morning, everyone. Thanks for joining us today. Our CEO, Jim Smith and our CFO, Stephane Bello, will review the results for the second quarter in a moment. When we open the call for questions, we'd appreciate it if you would limit yourself to one question each to enable us to get to as many questions as possible.

Today's results are shown for our continuing operations defined as Legal, Tax and Reuters News and I will remind you that consistent with how we reported Q1, the Financial & Risk business is classified as a discontinued operation and will continue to be shown that way until we close the transaction with Blackstone. Therefore, adjusted earnings per share do not reflect any revenue or operating income contribution from the Financial & Risk business.

Now, as you will hear from Jim, we expect the F&R transaction with Blackstone to close early in the fourth quarter and although we are not yet in a position to provide specifics regarding the planned tender offer or SIB, we do expect to be able to provide details once we have greater clarity on the actual closing date of the transaction.

Lastly, in today's press release, we include a schedule with Financial & Risk's results for the second quarter and year to date. The information included in this schedule will be provided each quarter following the close of the transaction.

And as a reminder, throughout today's presentation, when we compare performance period on period, we discuss revenue growth rates before currency as we believe this provides the best basis to measure the underlying performance of the business.

Now today's presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties that we discuss in reports and filings that we provide to the regulatory agencies. You can access these documents on our website or by contacting our Investor Relations department. I'd now like to turn the call over to Jim Smith.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Good morning. Thank you for joining us today. I plan to cover three topics this morning. First, I will review our results for the quarter. Second, I will provide a preview of the new organization l structure we announced several weeks ago and lastly, I will update you on the timing and status of the partnership venture with Blackstone.

Now to the results. I'm pleased with our results for the quarter as we are tracking to plan. We are also pleased to reaffirm our full-year 2018 outlook. The reported results include our Legal, Tax and Reuters News businesses and they exclude Financial.

Let me start by pointing out that currency had no impact on our consolidated results for the quarter as a 100 basis point positive impact on Legal's reported revenue growth was offset by a 100 basis point negative impact on Tax & Accounting. Revenues rose 2% to $1.3 billion with Legal and Tax both up 3% on a reported basis. And as expected, both EBITDA margin and earnings per share declined from the prior-year period due to higher corporate costs related to the transaction with Blackstone and investments being made to reposition the Company post close.

Adjusted EBITDA for the quarter was down 8% to $348 million and the margin was 26.5% versus 29.7% a year ago. Adjusted EPS came in at $0.17, a $0.02 decline from a year ago. Lastly, the financial business grew by 3% both organically and on a reported basis during the quarter. Stephane will provide more detail in a moment related to the results of the Financial business.

Now following the close of the deal with Blackstone, Thomson Reuters will be in a position to play offense with the businesses where we already have a leading position and where we are considered a trusted partner by our customers. We now have a chance to further build upon these positions and to help facilitate that objective, we recently put in place a new organizational structure.

This new structure includes our three core customer segments -- Legal Professionals, Tax Professionals and Corporate -- in addition to Reuters News. We will also report our Global Print businesses as a separate segment as the growth dynamics in these businesses are quite different from the other segments and they need to be managed differently.

We will begin reporting on this new basis starting with our fourth-quarter results. This new structure is intended to move decision-making closer to the customer and allow us to serve customers better with the full suite of our offerings.

In June, we announced the appointment of Brian Peccarelli and Neil Masterson as Co-Chief Operating Officers. Brian is managing three customer-facing operations -- Legal Professionals, Tax Professionals and Corporates -- which comprise about 80% of our total revenues. He has managed the Company's fastest-growing business, Tax & Accounting, for more than seven years and brings a proven track record of successfully leading organizations that deliver sustained profitable growth.

Neil Masterson will manage commercial technology operations, including helping to build sales capabilities, expanding the digital customer experience and delivering simplified scalable approaches to product and content development. As most of you on this call know, Neil has successfully managed the Company's transformation efforts since 2013. He brings a proven track record of driving efficiencies and productivity and I am confident Neil will have similar success in this new role.

Now let me move to the next slide and look at each of the segments in a bit more detail. The chart on the left side reflects our current reporting structure, which represents a more product-centric focus. The chart on the right reflects the way we will report fourth-quarter results in February, representing a customer-centric focus. I want to draw your attention to the chart on the right and in particular the Legal Professionals, Tax Professionals and Corporate segments that comprise 80% of our total revenues. They grew 4.4% in 2017.

To ensure that we continue to effectively serve our professional clients and the power of their success, we plan to ramp up investment both organically and inorganically in these segments. Our already strong positions in these markets, coupled with further investment, means these segments will comprise an increasing proportion of our total revenues, which is expected to lead to higher growth. We are fortunate to have solid businesses, as well as the capital required to execute on our ambition.

Now as I said last quarter, we have a bright future doing what we do best -- combining information, technology and human expertise to provide trusted answers. It is the combination of these three capabilities fused together that provide the core strength of our business. These capabilities are evident in the launch of our new and innovative legal product, Westlaw Edge, which is a prime example of the advanced technology we are bringing to our legal customers.

In fact, let me spend a little more time on this new platform, which is by far our biggest and most innovative product launch since WestlawNext in 2010. Westlaw Edge has been developed for all parts of the legal market, including large, mid and small law firms, corporate counsels, as well as government attorneys. It is built on more than 100 years of attorney-edited annotations and it is powered by state-of-the-art artificial intelligence.

The product was built in-house by our AI team in Toronto, working hand in glove with our legal expert team in Eagan, Minnesota and they have done a truly terrific job. It has been extremely well-received by customers and the media alike as you can see from some of the quotes on the slide.

Westlaw Edge is being offered at a premium to WestlawNext and we expect that it will contribute to the improving overall revenue growth dynamics of our Legal business.

Now a few specifics. Westlaw Edge leverages the latest AI and sophisticated editorial enhancements to deliver four new innovations. First, it's powered by a new and enhanced search engine. It can answer thousands of legal questions and find the most responsive text for user questions rather than simply serving up the relevant documents.

Second, litigation analytics enables lawyers to find insights and information about how a specific judge ruled for certain types of cases and provides data about an opposing counsel's experience with a particular type of matter and it delivers information regarding how long it may take for a judge to rule on a motion or a case, which enables an attorney to provide better representation.

Third ,the new key site overruling risk feature tackles one of the hardest problems for lawyers, recognizing invalid law that has not been exclusively overruled. It warns attorneys about invalid or questionable cases saving time and increasing certainty.

And fourth, the Statutes Compare allows users to easily compare the language of a statute to its prior version, which saves a lot of time when dealing with lengthy and the numerous statutory changes. These powerful tools enable customers to more effectively practice law while further strengthening our leading position. We look forward to sharing more with you at our Investor Day in the fourth quarter.

Let me now update you on our transaction with Blackstone. We continue to make good progress and expect the transaction to close early in the fourth quarter subject to the customary closing conditions given that substantially all required regulatory approvals have been received. The operational readiness work streams that were required for both companies to stand on their own on day one are well on track and since July, we have essentially been operating as two separate companies having designated people, cost, real estate, data centers and other resources to each business.

We also have work streams in process to assess how much and how quickly we can reduce or eliminate stranded costs. And from a debt raise standpoint, Blackstone continues to move forward with arrangements for the financing and expects to commence the roadshow in September.

Now as a refresher, this is a chart we showed last quarter that reflects how we expect to utilize the proceeds from the transaction with Blackstone. There are no changes to what we previously disclosed. We continue to expect a return between $9 billion and $10 billion of capital to shareholders and a significant portion of this return is likely to be in the form of a tender offer or a substantial issuer bid. We are still discussing the exact structure and timing of this return with both our advisors and our Board and we expect to have more to share with you in the coming weeks.

We also continue to expect Woodbridge to participate on a pro rata basis in the substantial issuer bid in order to maintain an attractive level of [public float] and market liquidity post transaction.

With that, let me now turn it over to Stephane.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Thank you, Jim and good morning or good afternoon to all of you. Before I turn to the results, let me remind you once again that our Financial business is now excluded from our consolidated results and is reported as a discontinued operation. Since this business represented more than half of our revenue base, our financial results are currently distorted as we navigate through the transition towards a smaller, but more focused business.

Specifically our profitability metrics at the consolidated level are depressed by stranded costs and charges resulting from the separation. As discussed previously, we intend to gradually eliminate most of these stranded costs over the next 18 months. And importantly, virtually all of these costs are held within the corporate center meaning that the performance by business unit will remain relatively clean throughout this transition period.

Also, while our EBITDA performance no longer includes the contribution from our Financial business, our debt level and share count both remain essentially unchanged until after the transaction closes, at which point we expect to use a large portion of the cash proceeds to buy back shares and to reduce our outstanding debt. And this will in turn allow us to bring down our interest expense and improve both earnings per share and free cash flow per share.

We tried to give you as much transparency and we will continue to try to give you as much transparency as possible on these various distorting factors, but it will take a few quarters before their impact fully dissipates.

Now as we always do, I will talk to revenue growth before currency. So on a constant currency basis, second-quarter revenues were up 2%. Adjusted EBITDA was down 8% with the margin down about 300 basis points versus the restated prior-year period. This was driven, as Jim mentioned earlier, primarily by additional costs and investments related to the separation of the two companies and also due to lower margins at the business unit level and I will provide some additional color on these factors in the next few slides.

But first, let me provide additional detail on the revenue growth performance of both Thomson Reuters and the Financial business. For Thomson Reuters, reported revenues grew 2% and currency had no impact. And for Financial & Risk business, reported revenues grew 3% with 1% of the improvement coming from currency.

Breaking down the growth rate further by revenue type, in Thomson Reuters, our core recurring revenue base grew 4% while transaction and print revenues declined as we had expected. In Financial & Risk, transaction revenues had another very strong quarter, up 7% and recurring revenue growth, excluding recoveries, exhibited the improvement that we had been anticipating, growing 2% during the quarter.

As I stated last quarter, revenue growth is the number one priority for both businesses. In the case of Thomson Reuters, our core subscription base is already growing at 4% today and with leading positions, investment and focus, we are confident in our ability to improve the growth trajectory of the Company over the next several quarters.

For Financial & Risk, the strategic partnership with Blackstone is expected to help accelerate the growth trajectory of the business given Blackstone's deep and strategic relationships with the financial services industry.

Now let me provide some additional color on the performance of our individual segments starting with Legal. Overall Legal revenues were up 2% for the second consecutive quarter and were up 4%, excluding Print. While this growth rate is still below our aspirations, Legal's performance in the first half of the year was at its strongest level since 2015.

Recurring revenues, which make up almost 3/4 of the total, were up a healthy 4%. Transactions representing 9% of the total were flat and Global Print, which makes up the remaining 18% of revenues, was down 5%.

From a profitability perspective, Legal's margin was 36.4%, down 150 basis points. This was driven primarily by product and marketing investments associated with the launch of Westlaw Edge.

Here is a more detailed look at Legal's revenue performance. Global Print declined 5% versus the prior year. On an organic basis, these print revenues declined 6%. Our Global Solutions businesses, which are about 40% of the total, grew 6% versus the prior year.

Encouragingly, recurring revenues in the Global Solutions businesses grew 7% during the quarter, which was a slight acceleration from an already consistent strong performance in recent quarters. And our U.S. Online Legal Information segment was up 2% and it represented 42% of total revenues.

As Jim said earlier, with the launch of Westlaw Edge, we have once again revolutionized legal research, using advanced artificial intelligence capabilities to help our customers more effectively practice the law. This new platform is being very well-received by our customers and we believe that it will allow us to accelerate growth in our US online information segment going forward.

Now turning to our Tax & Accounting business. Second-quarter revenues grew 4%. Recurring revenues, which are about 77% of the total, were up 4% in the quarter while transaction revenues, representing 20% of the total, were flat. Adjusted EBITDA was down 12% with the margin down about 400 basis points versus the prior-year period, primarily due to charges we incurred during the quarter on a long-term contract in the government business as we work to deliver on some key milestones later this year.

I will remind you once again that Tax & Accounting is our most seasonal business with nearly 60% of full-year revenues typically generated in the first and fourth quarters. As such, the margin performance of this business is generally weaker in the second and third quarters as costs are incurred in a more linear fashion for the year.

For the full year, we continue to expect margins for Tax & Accounting business to be in line with or slightly higher than last year.

Now looking at Tax & Accounting's results by subsegment, our Professional business delivered another strong quarter, growing 10%. The Corporate business grew 2%, which was lower performance than we would typically expect for this business resulting from a tough prior-year comparable when revenues grew 12%. Knowledge Solutions were 1% while the small government segment grew 5%.

Moving on to Reuters News, results from this segment do not yet reflect any payment from the Financial & Risk business. Once the transaction closes, Reuters News revenues will increase by about $325 million annually, but this additional revenue will have little, if any, EBITDA benefit as it is essentially covering the cost of providing the new service to the partnership. So during the quarter, Reuters News revenues were down $2 million and EBITDA declined $1 million from the prior-year period.

Let me now speak for a moment to the performance of our Financial & Risk business, which is reported as a discontinued operation. As I mentioned last quarter, the information presented on this slide reflects the metrics that we will continue to report once the transaction closes, which should allow you to value our 45% interest ownership in the partnership.

So F&R revenues grew 2% in the second quarter to $1.6 billion and on an organic basis, revenues increased 3%. Continued market volatility led to a 7% growth in transaction revenues driven by our foreign exchange business and by Tradeweb and importantly, on an organic basis, transaction revenues grew 14% during the quarter.

Adjusted EBITDA rose 3% to $472 million with the margin down 10 basis points to 30.4%. On a constant currency basis, the margin was up 50 basis points driven by profitable transaction revenue growth, partly offset by costs related to the separation from Thomson Reuters. So if you exclude these separation costs, as well as the impact of currency, adjusted EBITDA increased an impressive 13% and the margin increased 300 basis points.

Finally, free cash flow for the first six months of the year was $380 million, an increase of about $100 million driven by higher EBITDA.

Now let me turn to our earnings per share and free cash flow performance and I will also update you on our expectations for corporate costs over the balance of the year. So starting with our earnings per share, our adjusted EPS in the quarter decreased by $0.02 to $0.17 per share. As shown on this slide, this was driven by lower adjusted EBITDA resulting primarily from stranded and one-time separation costs, which amounted to about $45 million in the second quarter of 2018. Currency had no impact on earnings per share during the quarter.

As I stated earlier, our earnings-per-share performance is impacted by Financial & Risk being classified as a discontinued operation and removed from our consolidated results. We expect earnings per share to improve in 2019 as we deploy the $17 billion in cash proceeds to reduce both our share count and our outstanding debt as Jim outlined earlier.

I will now turn to our free cash flow performance for the first six months of the year. Our reported free cash flow was $675 million during the first half versus a negative $5 million in the prior-year period, so that was an improvement of a little under $700 million.

As shown on this slide, there are a number of distorting factors which impact our free cash flow performance. So this slide should give you a clear picture of the underlying free cash flow performance.

Working from the bottom of the page upwards, the Financial & Risk component of our free cash flow was up over $100 million from the prior year primarily due to higher EBITDA. Also, in the first half of last year, we had $49 million in costs related to the IP & Science transaction. We also made a $500 million pension contribution and we also made payments related to the charge we took in the fourth quarter of 2016. If you exclude these items, comparable free cash flow from continuing operations was $297 million, a slight reduction from the prior-year period.

This next slide represents our current expectations of the phasing of corporate costs for the second half of this year, as well as for 2019 and 2020. Let me start by saying that none of the annual estimates have changed from what we showed you last quarter.

Spend in the second quarter was lower than we had anticipated at $72 million and this is primarily timing-related. As you can see on this slide, we are increasing the estimated spend in both Q3 and Q4 by $35 million each. So we now anticipate that total corporate costs in the third quarter will be a bit above $200 million and in Q4, it will range between $175 million and $275 million. Again, no change to the full-year amount.

The ramp-up in spending is driven by an increase in stranded costs as we approach the separation time and also by the timing of investments and charges that we take in the ongoing business to replicate functions, to eliminate stranded costs and to build digital capabilities for the new Thomson Reuters.

What's reflected on this slide is our current best estimate and these numbers are very likely to fluctuate somewhat based on a number of factors. We will, of course, firm up the numbers after the transaction closes at which time we should have a much greater visibility regarding the exact timing of these costs.

And finally, as Jim said in his introduction, we are reaffirming our full-year 2018 outlook, which we provided during our first-quarter earnings call.

With that, let me turn the call back over to Frank to take some of your questions.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

Thanks, Stephane and Jim, for those remarks and now we would like to open it up, operator, for questions. So if we could have the first question, please.

QUESTIONS AND ANSWERS

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Hi, good morning. In one of your recent filings, you stated that F&R can achieve up to $650 million of run rate cost savings by the end of the five-year period following the close of the transaction. I was hoping you could talk about how much you are planning to reinvest and maybe just give a little bit more on what's included in that $650 million. Like you have done a lot of cost-cutting in F&R over the years and I was just wondering how you could identify an additional $650 million? So just wanted to know if it was a result of a new strategy or if you could just give any color, that would be helpful. Thank you.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

So we would work with our partners at Blackstone, obviously, to decide how much of the amount of savings we will generate over the next five years will be reinvested into the business.

To be completely frank with you, I don't think that we have an absolutely firm idea at this point in time. We will evaluate the reinvestment opportunities and decide on that basis.

Now where the amount comes from, I would say a portion of the amount was very much included in our future plans and you see some of the savings continuing to flow through the results this year. You have seen in the second quarter the margin was up a very healthy amount as a result of some of these cost savings. And so they are reflecting that $650 million and I think one of the benefits that the partnership with Blackstone brings is that, obviously, they are helping us to relook entirely at the cost structure of the financial business and certainly are able to add additional contributions to what we would have planned ourselves in terms of cost savings.

But you remember from our earlier remarks last year that we did expect the potential for the business to continue to improve its margin beyond the 30% that we had achieved and that we had targeted five years ago. And in Q2 alone, I think the margin was about 33%, so continuing improvement and we expect it to continue going forward.

Toni Kaplan - *Morgan Stanley - Analyst*

Okay, great. And just for my follow-up, we saw earlier in the week that a competitor of yours won a large contract away in wealth management away from your F&R business. I guess what happened there? Was it price or service-driven and how will you I guess prevent it from happening going forward? Thanks.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

I will take that one, Toni. Look, we were very disappointed with the result of that process. We serve 180,000 wealth management professionals in 2000 firms around the world and we hate to lose any of them. That particular contract was a unique event. It was the result -- the decision was made at the end of a nearly year-long [RFP] process that was highly competitive and at the end of the day, we were not successful and we are disappointed not to be successful, but we are -- we remain committed to serving those 2000 firms that rely upon us for wealth management tools and we will do everything that we can to keep serving all of those clients.

And furthermore, we have shifted our focus more to the overarching relationship that we have with Bank of America Merrill Lynch, the parent company and where we see a lot of opportunities to improve that overall relationship. So all in all, we have a good relationship with Bank of America Merrill Lynch. We were disappointed to lose this bit of the business, but optimistic about the future.

Toni Kaplan - *Morgan Stanley - Analyst*

Okay, thanks. Sorry my questions were all F&R-focused this time. I'm sure I'll focus on the other ones in the future.

Operator

Paul Steep, Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Good morning. So could we maybe talk -- Jim, you've made a comment or two I think this morning about acquisitions and I think we've had that as a question. Can you talk about how you are thinking about it in terms of -- you've obviously said no new segments, but should we think about these more as deals like a Clarient or a REDI, or are these more strategic deals? I know it's a hard question, but any insight there would be helpful. And then I've got a follow-up.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Sure, thank you very much. I'd just start by saying, as I always do, we will not let cash on the balance sheet burn a hole in our pockets and race to spend it. We will be as judicious as we ever have been about making those investments, so that's the backdrop.

I will reiterate what I said before. We are not looking for new frontiers to conquer. We believe we have great opportunity in the businesses we have today. But I do think we are analyzing in the light of the fact that we are in a fundamentally different place than we were. With a couple of the acquisitions that you just mentioned, we're essentially plugging gaps in our product offerings.

Post close, we're going to have the unique position of being market leaders and what we're looking at are the kinds of acquisitions that could support those market-leading positions by perhaps adding features, functionalities, bringing a certain kind of even talent into the organization, the skills that we don't necessarily have today, but not plug in gaps that we have in our offerings, but rather supplementing and supporting positions of strength.

Paul Steep - *Scotia Capital - Analyst*

Great. The quick follow-up would be, I guess for Stephane or either of you, on Legal within the Global Solutions segment, the first half of the year has been exceptionally strong I guess versus our expectation. Can you talk a little bit about what's driven that in particular? Thanks, guys.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Sure, we were very pleased to see actually the growth rate accelerate in the Legal Solutions business. These are the businesses -- this really (inaudible) the future of our Legal businesses. So having seen this acceleration and (inaudible) having seen the acceleration happening in the recurring revenue base of the Solutions business was very encouraging.

And it's a number of factors. As you know, the Solutions business is not one business; it includes -- (inaudible) very strong performance from CLEAR, or government-related product. Elite and FindLaw are doing better than they were last year. So I would say it was pretty consistent across the Solutions business that we saw improvement.

As we look forward to the second half of the year and maybe beyond, what we hope to see is a continuation of strong performance in the Solutions business and hopefully an acceleration, a slight acceleration of our performance in the US online business, which would be triggered by the introduction of Westlaw Edge, which, as Jim said, is the most profound and innovative product introduction we've done since WestlawNext.

So if we can keep the solutions business continuing to deliver as it has and accelerate slightly the growth rate in our US online business, we think we can be well-positioned in the overall Legal segment.

Operator

Peter Appert, Piper Jaffrey.

Peter Appert - *Piper Jaffray - Analyst*

So Jim, I'm wondering if you could just talk a little bit about how you think about the trade-off between your plans for increased investment spending, the desire for faster growth versus profitability. And specifically I'm wondering if -- how important improving margins is in the context of driving faster revenue growth.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Well, that's the $64,000 question, as they say, I guess and it's something we try to balance all the time, Peter. I would say the way I look at it is you look at the core growth in our business and remember the dynamics of our business. We have a high fixed cost business and as we've always said, you kind of get over that 3% organic revenue growth number, you start to see a lot of flow-through and that should help us on the margin front.

While at the same time, we will make some conscious decisions to invest in things and some of our newer businesses often come out at lower margins and some of our new offerings require some added investment, but we try to balance that mix and once we can get the organic revenue growth accelerating somewhere at or above 3%, we certainly have a lot more room to see margin expansion or to invest in higher top-line growth without margin degradation. And that's kind of the way we look at it and we try to balance that every single day.

Peter Appert - *Piper Jaffray - Analyst*

Could I ask you then specifically on Westlaw Edge, you saw a little bit of margin degradation because I think you mentioned the incremental marketing rollout costs, etc. Longer term, is Westlaw Edge accretive to the margin and how big do you think the opportunity is?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Absolutely. I couldn't size it because it is early days now. We are really encouraged about that. The important thing to remember about the Westlaw Edge launch is this is not like a lot of product launches you've seen in the past where we are going to migrate customers to a new platform. These are new tools and capabilities that are built on the existing Westlaw platform and it's being offered as a premium sale to the new Westlaw.

So we do not envision a forced migration or a migration strategy and the way we are bringing this product out is a new set of tools that runs on top of the same platform, so therefore the launch costs and some of the early development costs are in -- they will not be -- those are not ongoing costs and as we see uptake at a premium price, we think that's going to be accretive.

Operator

Manav Patnaik, Barclays.

Manav Patnaik - *Barclays Capital - Analyst*

Thank you. Good morning, gentlemen. My first question is just your decision to make the corporate line sort of a separate line. Just wondering what the composition there is and how we should think about the opportunity.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Are you speaking about the corporate costs or the Corporate segment?

Manav Patnaik - *Barclays Capital - Analyst*

No, the Corporate segment that you just -- you are going to break out new.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Oh, sure. Look, I think what we've tried to do is to reflect in the new reporting segments the way we want to manage the business and the way we look at the business. And really to get our organization focused around and organized around the customer segments as opposed to the product groups.

And so that's why the [role] looks like Tax Professionals, Legal Professionals and Corporations because if you look at the suite of tools that we are providing to corporations, they are different and we share some of the same underlying content. We share some of the same underlying legal and tax research products and things like that.

But we have specific tools for corporate tax departments that we only sell to corporate tax departments. We have specific tools for compliance professionals that are largely sold into compliance officers. We have specific tools for general councils, things that allow them to manage their legal affairs and control the kind of flow of matters with outside counsel, track their spending with outside counsel, analytics around all that kind of stuff and those are sold into corporations.

And frankly, we think we have an opportunity with greater focus on those corporations to expand our relationships in each of those corporations by increasing the cross-selling and upselling that will be possible with the right kind of focus.

Manav Patnaik - *Barclays Capital - Analyst*

Okay, got it. And then just on the $1 billion to $3 billion that you plan on using for M&A, just for perspective, are these deals that you have been tracking for a while and now that the separation of F&R is happening, you can actually use the cash or just some perspective on was it something you would've done before or is this just being enabled now with the proceeds?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

No, I don't think we have ever felt constrained in the past by financial limits or stricters. We have always been looking at opportunities in the market. We have been really focused on organically driving the business forward, getting off of the kind of growth by acquisition train that we were on.

We never ever intend to go back to the days of doing two dozen acquisitions a year, but we have always been looking at a couple of moves that could really strengthen our leading positions and should those things come to pass, we -- and the opportunity be right and the investment makes sense, we would move on them, but we would have in the past anyway. It just gives us even greater I guess flexibility in doing that.

And I would say, again, we are not going to go back to the days of doing tons of small fold-in acquisitions, but rather there will be some tactical things that we will do, but we are looking at other moves that can strengthen the leading market positions we have.

Operator

Andrew Steinerman, JPMorgan.

Andrew Steinerman - *JPMorgan Chase - Analyst*

Hi, Jim, could you give a sense of the current selling environment of Thomson's Legal Professional market and when I look at slide 17, which is the Legal revenue by segment, how much is Thomson Legal revenue growth tied to Legal Professional headcount and does the pricing mechanism of Westlaw Edge position any shift away from ties to headcount?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Look, I think what we are seeing in the competitive environment in Legal is a bit of a tale of two cities. If we look at overall Legal demand, overall Legal demand was up in the second quarter over the first quarter, which is encouraging to see and the first quarter was up over the preceding quarter. So we are seeing an increase in demand there.

But it is a tale of two cities in that the largest law firms in say the AmLaw 100, the Magic Circle, are benefiting disproportionately through -- from this increased demand and we are seeing more pressure in the medium and smaller law firms.

I'd rather not go into the specific pricing around Westlaw Edge because we are just introducing it. We have had great success in selling it as a premium product. We would hope that it would be a bit of insurance against any headcount-related reductions just because of the must-have nature of those tools.

Operator

Aravinda Galappatthige, GE Canaccord Genuity.

Aravinda Galappatthige - *GE Canaccord Genuity - Analyst*

Good morning, thanks for taking my question. With respect to Westlaw Edge, obviously with the development of software and AI and machine learning, we are seeing in that landscape a lot of startups and maybe some semi-mature companies emerging with lots of interesting products for law firms.

Jim, I was wondering if you can talk to sort of how on one hand that's an opportunity because it gives you targets for M&A, it gives you targets for partnerships, but on the other hand potentially represents a threat down the road as some of these entities sort of develop into genuine players in that space. Just wanted to get your thoughts on that longer-term picture. Thanks.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Sure. Look, I think it's a very exciting place to be and I think Westlaw Edge is a great example of what you can do if you have a market-leading position and you continue to innovate. I mean we built this thing in-house but we built it based on 100 years of attorney-edited content. We built it on far and away the greatest collection of legal data in the world.

So we can develop the same kind of tools that many of these startups are developing, yes and we've worked with them, we look to partner with them. We considered acquiring them, but, in this case, we were actually able to build a better tool than we could buy and one that could scale.

And if you just think about the breadth of what we are able to do by pointing those cutting-edge contemporary tools at an absolutely unrivaled set of content, we are pointing these analytics at 8 million federal dockets, the whole Delaware Chancery and 100 million state court dockets that we have. No one has anything close to that.

So I think it is a great example of what you can do if you have an established position and you continue to innovate. Remember, we really think our secret sauce is a combination of the content we have, the human expertise to make that content relevant and the application of the technology to do that.

Aravinda Galappatthige - *GE Canaccord Genuity - Analyst*

Thanks for that. And just a quick follow-up for Stephane, if I may, on the corporate costs. I know you have elucidated that quite well in the prior conference call, but just wanted to get a sense of the one-time cost in that $600 million number. Included in that is a lot of restructuring intended to bring down stranded costs and part of it is also I know that sort of [facilities], which you are developing, which also might be one-time in nature.

I was wondering if you can sort of break that out for us, Stephane, in terms of what is really one-time just by the nature of that cost? Thanks.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Sure. And I think no change to what we said earlier. These costs, which will total between $500 million and $600 million, I would say over the next few quarters really, four to five quarters, are really broken down into three main categories.

About a third represent investments we get to make to reestablish capabilities we are losing as we separate Financial & Risk. About a third represent costs that we will incur to bring down -- also to generate savings that will essentially bring down the stranded costs to the level and the targets that we have outlined, which is -- bring them down to less than $50 million in 2020.

And the last third represents new investments we are making in what we call New TR, which is really things like digital capabilities and other things like that. So we are taking this opportunity to really try to reposition the business for success going forward in a pretty short period of time and accelerating investments we would otherwise have done over a longer period of time.

Operator

David Chu, Bank of America.

David Chu - *Bank of America Merrill Lynch - Analyst*

Hi, thanks. So in the quarter, how much in incremental costs were there for the Legal investment?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

You mean for Westlaw Edge?

David Chu - *Bank of America Merrill Lynch - Analyst*

Yes.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

It was not huge in the quarter. I think it was maybe about $5 million or around that number. It is probably going to pick up a little in the third quarter and that would be the bulk of it, I would say.

David Chu - *Bank of America Merrill Lynch - Analyst*

Okay. And then just in terms of F&R and subscriber count, have you seen any material changes since the Blackstone news?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

No, I don't think we have seen any material changes. If we think about it, look, the last quarter net sales were positive and we have been net sales positive in 16 over the last 17 quarters and so that's [rolling].

Operator

Doug Arthur, Huber Research.

Doug Arthur - *Huber Research - Analyst*

Yes, thanks. Two questions. Stephane, just to go back to Legal, not to beat a dead horse here, but given the incremental marketing and new product investment, do you expect margins in the second half for Legal to be slightly below a year ago or is that not the expectation?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

We would expect the margins for the Legal business in the second half to be very much in line with what they were in the first half.

Doug Arthur - *Huber Research - Analyst*

Okay. And then, Jim, in terms of -- I mean you talked about a fourth-quarter potential close of the F&R deal. Are there any other significant regulatory kind of benchmark timeline events you are waiting for here in the next couple of months? Anything specific to get this in --?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

So obviously, a deal of this size has a number of regulatory hurdles to get through. I am pleased to report that we are substantially through all of the required regulatory approvals. All of the largest regulators have ruled, not surprisingly, most countries have their own individual regulators and we are down to the last mile of regulatory hurdles and we don't anticipate problems. It just takes time.

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Doug Arthur - *Huber Research - Analyst*

Okay, so you would hope to have that wrapped up sort of in terms of a regulatory review by sometime in September, I would assume?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Yes, absolutely. We would hope it would be actually before that, but it certainly should be. And as we said earlier, I think we said earlier, our anticipation would be to get all those regulatory hurdles cleared by Labor Day and then Blackstone's intention would be to begin marketing the bonds after Labor Day.

Doug Arthur - *Huber Research - Analyst*

Terrific, thank you.

Operator

George Tong, Goldman Sachs.

George Tong - *Goldman Sachs - Analyst*

Hi, thanks, good morning. I'd like to revisit your recent launch of Westlaw Edge. Can you elaborate on when you expect your salesforce to be productive in selling this product and what the phasing of revenue benefits from this launch will look like?

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Sure. Well, we had a big session this summer for our salesforce, getting folks trained up and familiar with the product. We have [sponsors] that are supporting it. It does take more training, it does -- it takes a bit of time because we have to show people how to use the new power in the tool, so I suspect it will be a gradual launch and buildup.

We also are going to make certain that we are really successful on the early installations and that the folks who take this product understand how to fully use it. But our salesforce has already been trained up on the [floors] and selling features and we will begin -- we have begun rolling it out. I am delighted to report that the uptake amongst customers who have trialed it has been extremely encouraging and we will continue to roll it out and we think there is a substantial -- there is a chance that we could have a material number of our customers take this by the end of next year.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

I think we will take one more call, operator.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - *RBC Capital Markets - Analyst*

Yes, thanks very much. Good morning. Stephane, just a question for you. Within F&R, you flagged $39 million in separation costs in the quarter. Is that the $35 million in rough quarterly costs that we were adding to F&R per guidance a quarter or so ago?

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

No, those are really separation costs or one-time costs. So it may include -- it's not including the run rate. It's things like -- it's not $39 million, but things like branding cost and things like that.

Drew McReynolds - *RBC Capital Markets - Analyst*

Okay, okay, no, that's great. And then the bigger question I guess either for you, Stephane or Jim, when we look at M&A, I think for those that have covered the Company for quite a long time, when you've done M&A in the past of a certain size, we haven't really got a lot of financial detail around those acquisitions. So I am just wondering could you update us on the financial criteria that you will stick through as you redeploy that $1 billion to $3 billion in proceeds. And particularly within the context of what presumably will be kind of higher multiple transactions just given the nature of the M&A market at this point in the cycle. Thank you.

Jim Smith - *Thomson Reuters Corporation - President & CEO*

Sure. And look, it's difficult to give you exact levels of hurdles. Even in the past, the way we have looked at all acquisitions is on a range of factors and those factors had to do with the return, the time to integration and a number of factors and it has always been a traffic light kind of thing. This clearly clears the hurdles. This is questionable, ooh, this one doesn't hit the hurdle, but no one traffic light necessarily throws you off if it's the right thing to do strategically or financially for the whole Company.

I would say that the -- in the future, the kinds of strategic things we're looking at right now, we would look at more holistically in what they do for the whole of the business than necessarily what that individual investment will do as a standalone business under our ownership in the future because we are looking at things we can either quickly integrate and put on our broader platform as with Practical Law, which is a great example of bringing that in-house. And then that suddenly supercharged the whole of our online legal research business and drug along a lot of Westlaw sales and took Westlaw from decline back to growth. And that's encouraging.

And that's the way we will look at any other businesses that we have. Can we draft them onto our platform and what does the whole of the business look like or is there a platform that we can draft some of our things onto and what that whole business will look like?

So I think we will take a more holistic impression of how businesses would fit in our current structure. We are going to be religious about understanding how quickly we can integrate these things. I have always said I don't want another office building, I don't want another business system, I don't want another accounting system, another payroll system. All that stuff still applies, but we will be thinking a lot about how we can support the whole of the business, not just making another acquisition to hold it in a portfolio.

Drew McReynolds - *RBC Capital Markets - Analyst*

That's great. Thanks.

Frank Golden - *Thomson Reuters Corporation - SVP, IR*

So I guess we can tell it's August because that's our last question in the queue. So we'd like to thank you all for joining us today and we will be following up with you. Feel free to give us a call with any questions you have and we will speak to you again for the third-quarter call. Take care.

Stephane Bello - *Thomson Reuters Corporation - EVP & CFO*

Thank you.