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THOMSON REUTERS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Thomson Reuters Second Quarter Earnings conference call.

(Operator Instructions)

As a reminder, today's conference is being recorded. And I would now like to turn the conference over to our host, Head of Investor Relations, Mr. Frank Golden. Please go ahead.

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

Good morning, and thank you for joining us today for our second quarter earnings call. This morning, I'm joined by CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will report our results, and we'll take your questions following our presentation. So they will also discuss our outlook for the third quarter as well as the full year, which takes into account the continued uncertainty resulting from the ongoing global COVID-19 pandemic and its evolving impact on the economy in general and on Thompson Reuters in particular.

(Operator Instructions)

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

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

I'd now like to turn the call over to our CEO, Steve Hasker. Steve?

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

Thank you, Frank, and thanks to all of you for joining us today. Let me begin by expressing my appreciation to our employees, for their flexibility and fortitude and their ongoing support of our customers as they continue to be highly effective with the majority of them working from home.

We've actually seen an improvement in productivity and customer satisfaction. And many of our customers tell me they simply couldn't function in this environment without us. In all of my conversations, they express deep gratitude.

The pressures to adopt new digital way of working have been profound for us all. Yet we've adapted at Thompson Reuters with great speed. Embracing more change these past 4 months that might usually take 4 years. I'm extremely proud of our team's performance.

Let me now turn to our results for the second quarter and our outlook for the balance of the year. I'm very pleased to report that for the second quarter, we met or exceeded each of the revenue guidance metrics we provided in May. Our results reflect what I said last quarter. Thomson Reuters is very well positioned to navigate through the current environment for both an operational and financial perspective. Our business is resilient, and our focus is where it needs to be on, our customers. Revenues on both a consolidated basis and for the Big 3 were at or above our outlook with few negative surprises. This performance reflects the visibility we have into our markets and our customers, and we'll achieve this performance despite the very challenging environment that we've always faced since March. Based on our first half performance and the second quarter in particular, we have increasing confidence as we look to the second half of the year and to 2021. More on this in a moment.

As expected, reported revenues were down 1%. Organic revenues were down 2%, and revenues at constant currency were unchanged. Currency had about a 150 basis points or $21 million negative impact on revenue growth this quarter. Adjusted EBITDA was $479 million, up 35%, with the margin exceeding 34%. This strong growth was primarily due to the cost savings measures we implemented in late March, in response to COVID-19 and to not having incurred stranded or onetime costs as was the case in the prior year period. Mike will discuss the strong EBITDA margin expansion in more detail. Adjusted EPS was $0.44 per share versus $0.29 per share a year ago.

Our legal, Corporates and Tax & Accounting segments, which make up 80% of our revenues, recorded organic revenue growth of 2%. Legal's revenues grew 3% before currency, with organic revenues up 1%. Legal's recurring revenues, 94% of total legal revenues were up 3% organically, but growth was hampered by a 19% decline in organic transaction revenues. Westlaw Edge continues to drive sales. And ended the quarter at a 42% ACV penetration level. We expect to achieve an ACV penetration of about 55% by year-end. Our government business which is managed in our legal segment and has annual revenues of nearly $400 million, continues to exceed expectations, growing 11% on the second quarter and we forecast a similar performance for the second half of the year.

Our Corporates business had a very good quarter. Organic revenues increased 5% and recurring revenues, which are more than 85% of the segment's total revenues were up organically a healthy 7%. Tax & accounting's organic revenues were flat in the quarter as expected. This was primarily due to the delay in paper return filings, which shifted about $6 million in revenue for the third quarter due to the U.S. federal tax filing deadline being extended to July 15.

If the $6 million of paid per return revenue had been recorded in the second quarter versus the third quarter, organic revenue would have been up 3%. We expect third quarter and fourth quarter organic revenue growth for the segment to rebound to 5% plus. Reuters News organic revenues were down 11% and Global Print organic revenues declined 17% as expected.

Given our first half performance and outlook for the second half, we are reaffirming our full year 2020 guidance updated in May and increasing free cash flow guidance to between $1 billion and $1.1 billion from $1 billion previously. We forecast revenue performance to improve in the second half for each of our businesses, which should enable us to achieve total company revenue growth between 1% and 3% and revenue growth for Big 3 between % and 4%. We're also confident that we'll end the year at the upper end of the EBITDA margin range of between 31% and 32%. We'll continue to aggressively manage through this challenging environment, and we believe we can achieve revenue growth, strong margins and substantial free cash flow for the full year and can build on this performance in 2021, a testament to the resilience of our businesses.

Before I turn it over to Michael, let me wrap up by saying, I've been in my new role since mid-March, having joined on the cusp of the outbreak of COVID-19, pandemic in North America. Needless to say, it's been a bit of a trial by fire. Nevertheless, this period has supported me the opportunity again to know and collaborate with our business leaders to utilize our products and to conduct deep dives in each of our businesses. We're working in a virtual environment has allowed me to speak with many of our customers on a near daily basis and look at the company from an outside-in lens, which has been very instructive. The insights gained through these conversations have been very helpful in assessing our position, designing our strategy going forward and setting out our priorities as we focus on accelerating the transition from a holding company to an operating company. This transition will involve an intense focus on technology and product across the company and the creation of products that both make our customers' lives simpler and are additive to our customer experience.

To achieve this, we must make important choices on where we increase our focus and investment. Furthermore, this transition requires that we accelerate our efforts to reimagine the end-to-end customer experience through simplification, innovation and enhanced product integration. Given our work thus far, I'm very confident that there are opportunities to fuel further growth and to realize substantial efficiencies.

To help in this transition, we recently announced the appointment of Kirsty Roth as our Chief Operations and Technology Officer; and David Wang as our Chief Product Officer. We're determined to enhance both the innovation and integration across the company, and to do so, it means we must attract world-class talent to drive the businesses forward. To Kirsty and David, I'm confident we have 2 season performance will enable us to achieve our objectives.

Our opportunity is to serve customers with solutions that are more digital, virtual, real-time and automated. I'm looking forward to having more to share with you as our strategic and operating plans become more concrete over the next several months.

Let me now hand over to Mike to discuss our financials in further detail.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you, Steve, and thanks to all of you for joining us today. As a reminder, I will talk to revenue growth before currency and on an organic basis. Let me start by providing some color on the revenue performance of our Big 3 segments. Revenue growth for the Big 3 was up 3% for the quarter and increased 2% organically, both in the ranges we provided in the first quarter. For the quarter, legal professionals revenues increased 3% and organic revenues were up 1%. Recurring organic revenue growth of 3% was partially offset by a 19% decline in transaction revenues, which I will discuss in more detail in a moment.

Our government business had another strong quarter with revenue growth of 11%, and our global legal businesses grew 3%. And despite COVID-19, Westlaw Edge again contributed over 100 basis points to organic growth and maintain a healthy premium. In our corporate segment, revenues were up 6%, including confirmation, which was acquired in July 2019, and organic revenues were up 5%, driven by our legal and tax solutions. And finally, Tax & Accounting revenues were down 4%, in part due to divesting of government business in November 2019.

On an organic basis, Tax & Accounting professionals revenues were flat for the quarter. This was due to a 300 basis point negative impact due to the delay in pay for return filings resulting from the extension of the U.S. federal tax filing deadline to July 15. The this was timing-related, and we saw those revenues recorded in the first 2 weeks of July. We expect tax and accounting's revenues to rebound in the third and fourth quarter to 5% plus.

Moving to Reuters News. Revenues were flat in the second quarter, with organic revenues down 11%, mainly due to the cancellation of important conferences at Reuters Events due to COVID 19. This performance was slightly better than we had anticipated due to the conversion of 6 in-person conferences to virtual events. I will discuss this in more detail in a moment.

And Global Print revenues declined 17% in the quarter, with organic revenues also down 17%, as expected, due to the temporary delay in shipments of content. We continue to believe we will be able to recoup most of this revenue in the second half of the year as law firms and government agencies continue to reopen, and we can again, chip. So on a consolidated basis, second quarter revenues were flat with organic revenues down 2%.

Before turning to profitability, let's look closer at recurring and transaction revenue results for the first half. Starting on the left side. Total company organic revenue for the first half of 2020 was flat as compared to 4% growth in the first half of 2019. The however, organic revenues for the Big 3 increased 3% for the first half of this year, a good performance. And as you can see on the top right of the slide, the recurring revenue growth continues to be very encouraging as organic revenue for both total company and of the Big 3 grew about 4%, slightly less than last year's half year period. The recurring revenue decline was especially evidenced in tax and accounting, which was partially impacted by the shift of the UltraTax state software release to Q4 2019 from Q1 2020, which we mentioned last quarter. Adjusting for the permanent UltraTax software release change, tax and accounting's recurring revenues would have been up 6% for the first half, and the Big 3 recurring revenues would have grown 5%.

Turning to the graph in the bottom right of this slide, transaction revenues were down over 1,000 basis points year-over-year. This was driven by the delay in 4 items installations in our legal segment; tax & Accounting paid for return filings shift into Q3; a slowing of transaction type sales and the cancellation of some events. We believe much of this is timing delayed and will be realized as companies and firms return to office. So despite the COVID-19 related disruptions, we are encouraged by our first half results especially for recurring revenues, giving us confidence in the trajectory of the business.

Similar to last quarter's call, we thought it was important to provide more granularity around our expectations for the third quarter. Starting with the total TR chart on the top left, we estimate third quarter total revenues and organic revenues will grow between 1% and 2% and will continue to be negatively affected by Reuters News and Global Print. The Big 3 total and organic revenues are forecast to grow 3% to 4% in the third quarter. Growth will benefit from a rebound in Tax & Accounting revenue, partly due to a projected increase in transaction revenues of between 15% and 20% related to the shift of a pay per return revenues from Q2 to Q3.

Moving to Reuters News. We forecast third quarter total revenues to decline between 2% and 4%, and all Reuters Events in-person conferences have been postponed through Q3. This will have a nominal impact in the third quarter since the events were held during these months. The Events team is aggressively working to host virtual events for the second half of the year, although, this is expected to recruit only a small portion of the planned lost revenues. We continue to assess when we can resume in-person sense based on what local health exercises and feedback from our customers. And lastly, Global Print third quarter revenues are expected to decline between 7% and 15%. This is primarily due to an expected continuing delay in shipping some of our print materials as customers are unlikely to be at their offices to sub shipments due to the phase and pause reopening of the U.S. and various other countries. We continue to believe we will be able to recruit most of this revenue in the second half of the year as the economy begins to return to normal.

As a reminder, these print materials have historically been considered critical content by law firms and government agencies. We expect Print revenues to decline between 7% and and 11% for the full year.

Turning to our profitability performance in the second quarter. Adjusted EBITDA for the Big 3 segments was $426 million, up 10% from the prior year period, and the margin was up over 300 basis points, reflecting the cost savings programs implemented late in the first quarter related to COVID-19. Legal professionals adjusted EBITDA margin in the second quarter grew 310 basis points to 40.9% compared to the prior year period due to higher revenues, and COVID-19 related cost mitigation efforts. Corporate adjusted EBITDA margin was up 500 basis points to 35.9%, mainly driven by revenue growth and COVID-19 related cost mitigation efforts.

And finally, Tax & accounting, adjusted EBITDA margin decreased 40 basis points to 31.9% due to the decline in revenue.

Moving to Reuters News. Adjusted EBITDA was $25 million, $6 million more than the prior year period, mainly due to some onetime items and currency. Global Print adjusted EBITDA margin for the quarter declined by about 360 basis points due to the decline in revenues, but remained strong at above 40%. And although corporate costs were only $59 million year-to-date, we did have some timing benefits in the first half that are not expected to continue. Therefore, we continue to expect corporate costs to range between $140 million to $150 million for the full year. So in aggregate, reported adjusted EBITDA was $479 million, up 35%, benefiting from not having encourage stranded or onetime costs that had been the case in the prior year period and also to our cost savings initiatives.

This next slide provides a bit more color on the various factors impacting our adjusted EBITDA margin in the second quarter. As you can see, our reported 2020 second quarter adjusted EBITDA margin was 34.1%. There were several factors in the quarter that contributed to the significant increase.

M&A activity and lower revenues related to COVID-19 combined for about 300 basis points negative impact on margin. However, the savings from the $100 million cost savings initiative we announced last quarter led by 490 basis point benefit, more than offsetting the dilution from M&A and the COVID-19 impact. We are about 2/3 of the way through this program, and we are confident we will achieve the full $100 million savings by year-end.

And lastly, currency added about 70 basis points to the quarter. So on an underlying basis, excluding stranded and onetime costs in the prior year, the adjusted EBITDA margin expanded about 300 basis points, which was primarily related to the cost-saving measures as a response to COVID-19. We believe these savings will be permanent. We encourage you to focus on our adjusted EBITDA margin on an annual basis. Overall, we continue to believe we have good visibility into the levers at our disposal to achieve the upper end of our margin target of 31% to 32%. We believe we're on track to complete the savings targets while still preserving the flexibility to make the necessary investments in 2020 to accelerate organic revenue growth and margin improvement in 2021.

Now let me turn to our earnings per share and free cash flow performance. I will also provide an update on our capital structure. So starting with earnings per share, adjusted EPS increased by $0.15 to $0.44 per share during the second quarter. The increase was driven by higher adjusted EBITDA, partially offset by 4 items: an increase in depreciation and amortization, mainly related to acquisitions; new product releases; higher interest expense, largely due to lower interest income and higher income taxes.

Finally, currency had a $0.01 positive impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the first half. Our reported free cash flow was $340 million versus a negative $176 million in the prior year period, an improvement of just over $500 million. Consistent with previous quarters, this slide removes the distorting factors impacting free cash flow performance. Working from the bottom of the page upwards, the Refinitiv-related component of our free cash flow was better by $112 million from the prior year period. This was primarily due to costs incurred in 2019, including residual employee-related costs and tax related to the operations of our former Evenor business. Also in the first half, we made $76 million in payments for separation costs incurred in 2019 related to our transformation program. Was $76 million compares to $372 million in the prior year period for the transformation program and a pension contribution. So if you adjust for these items, comparable free cash flow from continuing operations was $381 million, $63 million better than the prior year period. This increase was primarily due to higher EBITDA and lower income taxes, slightly offset by higher CapEx and unfavorable working capital movements. As we did last quarter, we want to provide an update on our capital structure and liquidity. And as you can see on this slide, our capital structure and liquidity position remains strong. We expect to generate about $1 billion to $1.1 billion of free cash flow this year. We had over $900 million of cash on hand at June 30, and we had an undrawn $1.8 billion revolving credit facility, and we also have a $1.8 billion commercial paper program. So from a liquidity standpoint, we believe we're in a very strong position.

And we remain in a very strong position from a capital structure standpoint as we are modestly leveraged with a net debt to adjusted EBITDA ratio of 1.9x, comfortably below our 2.5x internal target, and our credit facility ratio is 1.7x, well below the credit line maximum of 4.5x. And we have no debt maturing until 2023. I am pleased to report that in June, Moody's affirmed our credit ratings and raised our outlook to stable to negative siding the strength of our business and strong liquidity position.

Let me point out that in May, we completed a 5-year a CAD 1.4 billion bond offering. We swapped it into the equivalent of about USD 1 billion. The bond carries an interest rate of 2.25% and matures in 2025.

Now an update on our investment in Refinitiv. The agreement to sell Refinitiv to the London Stock Exchange Group is still expected to close by the end of 2020 or early in 2021. Regarding our investment stake when the proposed deal closes, our expected interest was worth about $9.1 billion pretax as of the market close yesterday. Our future equity interest in the LSE will represent a store value, which can be monetized over time. We believe it will provide us with a significant level of financial flexibility in the foreseeable future.

As a reminder, after a deal closes, we expect to receive annual dividends from the LSE estimated at $60 million per year based on the LSE's current annual dividend payout. Now let me turn to our outlook for the balance of the year. As Steve mentioned, we are reaffirming our 2020 full year outlook for both total TR and the Big 3. We anticipate being in the upper end of the adjusted EBITDA margin guidance of 31% to 32% for total TR. Also, we are increasing our guidance for free cash flow for the full year from $1 billion to a range of $1 billion to $1.1 billion.

Let me now hand it back to Frank Golden.

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

Thanks very much, Mike. That concludes our formal remarks and recap of the quarter. And now operator, we'd like to open the call for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question will come from the line of Drew McReynolds of RBC Capital Markets.

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

Just a couple of housekeeping and then a bigger picture for you, Steve. On the housekeeping, maybe for you, Mike. Can you quantify in the quarter the onetime positive impact here for Reuters News? And on the free cash flow guidance, what's driving that $100 million increase? And then the bigger question here for Steve. Obviously, the business is tracking on a good trajectory. What known unknowns are still left out there related to COVID-19 that management team and the Board are still wary of as we go into the back half of the year?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thanks, Drew. I'll start with the first 2 questions and then pass it to Steve. In regards to our free cash flow, Drew, we've been monitoring our collections really on a daily, weekly basis. And we've got the benefit now of 3 additional months of collection since we last spoke to you in May. As we look at the collections from April through July, each month increased by roughly $25 million, which was very helpful for us. And with the benefit of the July collections that just closed, we had the strongest month in the last 4 for us. So looking at the Collections experience drew in the last 4 months, plus our daily contacts with our customers and the forecast for Q3, Q4, we felt confident increasing that to $1 billion to $1.1 billion. But certainly, we'll continue to monitor that for the rest of this year, eyes wide open with that. We'll continue to support our customers as we have been in regards to payment terms. Consistent with our May 5 message, we're not opening up contracts for customers, but we are working with customers within reason in regards to the payment terms. So we're confident, as we sit today, Drew on the $1 billion to $1.1 billion of free cash flow.

In regards to Reuters News in regards to the EBITDA, we had about $7 million worth of onetime nonrecurring items, Drew, that helped us in Q2.

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

Drew, this is Steve. Thanks for the question. With regard to known and unknown. Look, I think we get a sense for the resiliency of our business through the Q2 results. And I think Mike and I and the team have confidence in our forecast for the rest of the year. There aren't a lot of known unknowns in that. The Big 3, in particular, we have great visibility into the sort of likely results and levels of activity. I think if there is known, unknown, it's sort of how much momentum we can build into 2021. And we'll have more to say on that when we next step together and report Q3 and have a look into 2021. But I would say that's the main known unknown with regards to the Big 3. And then, of course, print, the question is what happens to the -- any holds that are there in terms of shipments? And in Reuters, the question is how much can we transition to digital and virtual environments in the Events business? But we've been conservative on both of those fronts and we think we're in a reasonable position given the prevailing conditions.

Operator

We'll go next to the line of Aravinda Calipage with Canaccord Genuity.

Unidentified Analyst

I wanted to focus a little bit on the progress with Westlaw Edge. You obviously provided an update on the penetration numbers. In terms of the competitive impact...

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

Aravinda, could we interrupt to just ask you to get a little closer to your phone. It's a little hard to hear.

Unidentified Analyst

Will do. Can you hear me a little bit better?

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

That's a bit better, yes.

Unidentified Analyst

Okay. I just wanted to focus on Westlaw Edge. You provided obviously the penetration numbers and update on that. I wanted to get a sense of the competitive environment there. Have you seen any kind of response to that from the other players in terms of upgrades to their own products? And are you seeing sort of any kind of changeovers from your sort of lead competitors in terms of sort of market share gains, et cetera, I want to get your thoughts on that?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Arvinda. I'll start and pass it to Steve. We're certainly aware of the latest competitive update that you're referring to. We remain keenly focused on Westlaw Edge. We think we have an incredibly strong product. We have an incredibly strong sales and account management organization that's working with our customers every day. Further evidence of the strength of Westlaw Edge is performance in the month of July. Very pleased to share that our sales volume and premium continued in July, very consistent with the first half of this year. So we remain quite optimistic that we'll achieve the 55% penetration by year-end, still leaving significant runway for us in 2021 for Westlaw Edge. I have great leadership there from Paul Fisher, Andy Martin, Midan in leading Westlaw Edge from a product development standpoint for us, and we're continuing to invest in Westlaw Edge, but feeling really confident. Steve?

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

Yes. Look, the only thing I'd add either is, as we sit here today, we have a pretty significant lead, and we're excited about furthering that lead by making the next set of site investments in and around Westlaw Edge.

Operator

We'll go next to the line of Kevin McVeigh of Crédit Suisse.

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

Great. I know it's a little early, but any thoughts as to the framework for organic growth in 2021? And then just total overall, obviously, it sounds like there will be some catch-up on the print side, but just any thoughts as how we think about that into 2021?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Kevin, let me start with that. I think there was just one question in regards to 2021 organic growth. It was hard to hear there, Frank, did I get that correct?

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

Yes. We heard the the beginning portion of the question, Kevin, in terms of 2020 on organic growth. We didn't hear the latter portion.

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

Just if there's a way to maybe think about that within the context of total revenue growth. And obviously, it sounds like there'll be some catch-up on the print side, hopefully, into 2021, just any thoughts on organic growth would be helpful?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes Kevin, I'll share with you the way that we're thinking about it in its 3 to 4 big blocks. First of all, I'll start with the net sales activity. As you know, 80% of our revenue is driven by recurring. So the net sales performance that we have in Q3, Q4 will be a significant indicator for us as we prepare for our guidance in February with the Q4 earnings call. We have about 75% of our renewals completed thus far this year, Kevin. We have about 75% of our price lift already completed. So as we go into Q3, Q4, the volume component of net sales will be in a really important factor for us. July looks good. So that's the first area is net sales driving the recurring. As you mentioned, Print is a significant piece for us. And as our clients, not just in the law firms, but also the general counsel and government agencies return to the office that will influence the timing of the print shipments between 2020 and 2021. And then the Reuters Events that Steve referred to earlier, we will be prepared in 2021 for in-person conferences. Likewise, we'll be prepared for virtual conferences or hybrid or a combination of those. And the last leg is the transactional revenue, including the Reuters Events is there that we have across the business, which is about 10%. So those are the 4 key factors, Kevin. And I think the one that I focus on the most is the net sales activity for the Big 3.

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

Super helpful. Just any thoughts on my guess to just client behavior overall? I mean it sounds like clients are in a much better position in this cycle as opposed to last. But maybe just help us frame that a little bit in terms of how clients have been able to weather COVID environment as opposed to the GFC, just within the complex of the business environment overall?

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

Yes. So Kevin, this is Steve. I have excellent the opportunity to speak with customers most days. And I think what we're seeing is a combination of 2 things. Firstly, we're getting on with their work and serving their clients, whether that's in the legal profession or a tax accounting profession. First and second, adn there's a lot of activity from government agencies and transition from new courts in various statements, virtual courts and so on and so forth. So the first thing is just a focus on their work and serving their clients and getting things moving in a very difficult and uncertain environment. I think the second is look, everyone's looking at virus case counts and spikes in various states in various countries, reemergence of the virus in some parts of the world with a degree of trepidation. So our business continues to perform as we expected. And we expect that to continue to happen. But it's not easy for our customers. And I think we paced that. Our reaction to that has been unequivocal, and it's been to double and triple down on our customer service and our support. Hundreds and hundreds of our reps reach out unsolicited and offer support to our customers in various forms. And we whether that's helping the core cost management system and moving commercial costs, whether that's offering expertise and insights around various stimulus packages or whether it's just going the extra mile. And that, I think, holds us in good step come what May as we head into the -- through the third quarter and into fourth and into 2021. So we're not overconfident, Kevin, but so far, so good.

Operator

We'll go next to the line of Gary Bisbee of Bank of America.

Gary Elftman Bisbee - *BofA Merrill Lynch, Research Division - MD & Research Analyst*

Steve, so I guess the first question for you. You mentioned last quarter and again, a bit more detail this quarter, this concept of transitioning from more of a holding company structure to an operating company. What are the sort of key steps to that or advantages in that you see? And a lot of times when I've seen other companies pursue this type of thing, there's spending that happens first that delivers savings later. I guess as you think about the strategic priorities, is that something that could happen here?

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

Thanks, Gary. So if I just take half a step back and provide a little bit of context, I think what Jan and step on pace as it was a very different portfolio of assets to one that Mike and I have. So specifically, you have the financial and risk segment. And now we're into sort of took a lot of the oxygen in terms of time and energy and capital and so on and so forth. We don't have that business. So we're much more focused, so we're much more focused specifically on our Big 3 segments. And as we've had a chance in this virtual work environment to really peel back the onion and understand what we've gotten and (inaudible). What we found is that the business was understandably. And I think really correctly, manages the portfolio, target set business is able to sort of put their own products and tech stakes together, conduct their own customer service and support mechanisms in disparate ways. And I think we have a pretty big opportunity to look across the portfolio, look at that the activities are really common, if not identical. And embed best-of-breed next-generation technologies is to fundamentally transform the customer experience. And that's the task ahead of us, and that's why we've asked Kirsty Roth to join us. The Chief Operations and Technology Officer. She had a lot of experience in doing that. We think it's a big opportunity. Quite what the financials look like, I don't know. We've obviously started that process and are a lot smarter today than we were 3 months ago and will be considerably smarter in 3 months' time when we had a chart back to you and describe a little bit more about that.

Gary Elftman Bisbee - *BofA Merrill Lynch, Research Division - MD & Research Analyst*

Great. And then the follow-up, if I could. You also mentioned, obviously, the COVID environment is accelerating digital strategies for a lot of businesses, and you're focused on helping clients weather the challenge remote work and everything else, are there new product opportunities in that, that are worth calling out? Or are there products within the portfolio that are seeing growing traction in see as a real opportunity to upgrade clients and help them be productive in this environment? Any color would be helpful.

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

Yes. I mean we're seeing new product opportunities in a couple of different places. The one that springs to mind is, we're turning the (inaudible) in our government segment. So the the capabilities that we acquired through Pondera in terms of core detection around entitlement programs, that's a growth area for us. Transition to virtual courts is a growth area for us, and I call out our government team for really leading in and supporting that process in a number of states. So that's just a couple of examples. We see the same in in legal, particularly in sort of adoption of technology and workflow tools. And in Tax & accounting, there's real demand to automate non-value-added activities to allow our Tax & Accounting customers to focus on value-adding for their clients. And so we're looking at this environment, Gary is saying, there's more opportunity than there is anything else across our our Big 3 segment. So we're excited about accelerating our orders to pursue those opportunities.

Operator

We'll go next to the line of George Tong of Goldman Sachs.

Ryan Charles Johnson - *Goldman Sachs Group, Inc., Research Division - Business Analyst*

This is Ryan on for George today. I guess I just had a question on how has the current environment impacting your ability to lean on pricing? I know you had mentioned that Westlaw Edge is still commanding a premium. But have you paused price increases on contract renewals in any of the segments or offerings?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Ryan, our pricing is very consistent in 2020 thus far with 2019. Through June 30, we have completed overall about 75% of our pricing actions that we had anticipated at the beginning of this year. So very consistent thus far with last year. And (inaudible), just as a reminder, our price increases occur when the contracts come up for renewal, so they happen throughout the year.

Ryan Charles Johnson - *Goldman Sachs Group, Inc., Research Division - Business Analyst*

Okay. Great. And then to that point, so how have the renewal rates been performing in 2Q relative to your internal expectations? And then how do you see them evolving over the quarters ahead?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Overall, for total TR renewal rates of approximately 90% thus far in 2020 consistent with 2019. Our internal forecast based on our pipeline reviews indicate we'll see similar experience during the remainder of the year. We anticipate ending 2020 with flat renewals in this year versus 2019, composite weighted average of about 90%. And and Ryan, we calculate that based on revenue dollars, not customers.

Operator

Our next question will come from the line of Vince Valentini of TD Securities.

Vince Valentini - *TD Securities Equity Research - Analyst*

Let's shift to the cost side and impressive results there and getting a lot of the $100 million of cost savings already. Can you just flush out a bit where those savings have come from so far? And how much of it is stuff like travel and entertainment that probably comes back at some point? And then an update on how you replace those cost savings in 2021 to stay at the $100 million level?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. Vince. We completed $67 million of the $100 million through June 30. We're very confident in completing the remainder during Q3, Q4, possibly going forward the $100 million. The confidence level relates to the discretionary expenses. You mentioned travel entertainment, where he also been consulting and advisory. And we also, Vince, been very tightly managing our headcount. We are making selective hires, critical areas,

areas such as go-to-market resources for Brian Peccarelli segments, AI, machine learning, digital are illustrative areas where we are doing some selective hiring. Vince, I am quite optimistic as we go into 2021, we will sustain the $100 million of savings. As we go into next year, there could be a mix change. It could be a little bit more T&E next year than this year, but we'll be able to offset that in other areas. So very confident that of sustaining that in 2021.

Vince Valentini - *TD Securities Equity Research - Analyst*

And can you just clarify on your free cash flow slide, there's a $32 million positive this quarter from the other category, which was definitive and pension stuff last year, but what would the $32 million be this year?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

I think I just point out that slide, Vince, I think that was a nonrecurring item, whereby we received some proceeds during Q2.

Operator

And there are no further questions in queue at this time.

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

Okay. We so late Q&A quarter. So we're happy to take that in August whether everybody get on with their holiday, if there are holidays any longer. But many of them, we'd like to thank you all for joining us today, and please feel free to follow-up with myself or Mike, if you have any additional questions. Enjoy the rest of the summer. Bye-bye.

Operator

And ladies and gentlemen, today's conference will be available for replay at our 10:30 a.m. Eastern Time today running through Wednesday, August 12 at midnight. You may access the AT&T replay system by dialing 1 (866) 207-1041 and entering the access code of 2097427. International participants may dial (402) 970-0847. Those numbers again are 1 (866) 207-1041 and (402) 970-0847 with the access code of 2097427. That does conclude our conference for today. Thank you for your participation and for using the AT&T conferencing service. You may now disconnect.
