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EDITED TRANSCRIPT

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PRESENTATION

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

Welcome, everyone. I'm Andrew Steiner, your business and information services analyst here at JPMorgan for more than 2 decades. This is the Ultimate Services Investor Conference, and we're kicking off with Thomson Reuters. What a great way to start.

Just as a quick reminder to everybody, we publish our information services data book quarterly. We published it today. You are already on the digital conference book watching this video. And so you could actually get our digital information services data book right on that platform itself.

So anyhow, starting the day. Thank you, Steve and Mike. This is Steve Hasker and Mike Eastwood, CEO and CFO of Thomson Reuters. I'm going to be interviewing them today. And thanks for joining.

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

Thanks for having us, Andrew. Good to be here.

QUESTIONS AND ANSWERS

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

Okay. Great. So Steve, you've been in that role now for 2 years. Obviously, you and I know each other through info services for much longer period of time. But just for the people that are a little newer to the Thomson Reuters or the new Thomson Reuters story, just tell us what you think has worked so far 2 years in. And what are some of the things that have been challenging for you in the first 2 years that you want to resolve and make better and enhance?

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

Yes. Thanks, Andrew. Well, look, I count myself as very lucky when I joined almost 2 years ago, obviously inherited the big -- which we call them the Big 3 franchises in Legal, Tax & Accounting and Corporates business and a great business that serves government agencies and obviously the Reuters News Agency. And these are terrific franchises. They really are extraordinarily high-quality businesses that provide information and software to the end customers.

So the starting point in the underlying businesses held well, and we've been very lucky. And that really is a product of the divestiture of the Financial & Risk business, which is now called Refinitiv, part of London Stock Exchange Group, before I joined. So we have a much simpler and, I think, extraordinarily valuable franchises to manage.

So we've done two things over the last 2 years as part of our Change Program. The first is we've said we're going to move from a content company to a content-driven technology company. And the second is we're going to move from a holding or portfolio company to an operating company.

We're halfway through the 2-year Change Program and it's going well. I would say we're at or even a little ahead of where I expected us to be as we round the turn from year 1 into year 2. And really what it's about is fundamentally rewriting, transforming and improving the customer experience that we provide.

The unpleasant sort of surprise that we've all faced has been the pandemic, Andrew, to your question. But that's (inaudible), particularly in 2020 when I joined, to talk to Mike and others and really understanding our business with a level of depth and granularity, perhaps would have taken a bit longer, have I been traveling around and (inaudible) all the things that we already do. So here, we are a year in the Change Program at or ahead of where we expected to be. We've been able to call out seven growth initiatives. We've been able to attract a tremendous amount of talent. And I think we're poised for -- not only for [growing] our Change Program, but we're poised for, I think, a pretty exciting future.

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

Great. So what really intrigues me is the innovation that you brought to the organization. So my question is how do you track and measure innovation? And obviously, I'm very intrigued that you decided to introduce an NPS score at Thomson Reuters. It didn't exist before. And I'm a huge fan of Net Promoter Scores. So just kind of how do you track and measure innovation and then talk about your introduction of the NPS score.

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

Yes. So a nice question. I think as many of you know, one of the first hires here was David Wong, who came to us from Facebook. And then we coupled and partnered with David Wong, elevated Shawn Malhotra, who's Head of Engineering. So they're both Toronto-based, extraordinarily talented young executives. And then coupled with them, of course, Kirsty Roth, who runs operations and technology; Sarah Wilkinson, who leads our infrastructure and migration to the cloud. So we've set out a very, very specific objective, which is we want to be the best, innovative, organic product builder in business information services.

And within that, it really does require that we better understand our customer needs, and we're able to translate those back into our products in a much more efficient and effective way. Today, Andrew, the focus on just how we measure it is the speed at which we bring products and how much products resonate. And so if you look at Westlaw Edge 2.0, we'll do a release of 2.0 on the back of 1.0 sometime next year, that is a very significantly accelerated timeframe to that which existed prior. We released Practical Law Dynamic last year. And I talked about on our earnings call a few weeks ago putting together (inaudible) Contract Express, HighQ and Practical Law into an integrated offering.

And so the first thing we're focused on is just increasing our speed of iteration and release on our products. The next step will be, particularly as the underpinnings get stronger through the Change Program, will be to actually set out some sort of financial and customer impact goals (inaudible) on the investment side. One of those will be NPS to your point. Also, that NPS is we're starting from a modest point. It's the sort of B2B, average is around 27. We're below that. And we have an objective to be very significantly higher than that. Now we have pockets of the business like our Government business that had extraordinarily high NPS. But we also have pockets that's just not good enough. And that's really where we're focusing the Change Program investments.

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

Okay. And just one more because I love NPS. How long do you think it will take before we see that kind of significant rise in NPS? Like at next year's Ultimate Services Conference, are you going to be above 27?

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

Yes. I think we've set some ambitious goals. I think we want to see -- at next year's conference, we want to see significant movement. So when we see you next time, we want to have seen improvement, particularly in some of our softer spots but across the board. And I'm hopeful that we'll be, if not at, be very close to 27 but more importantly moving in a really solid direction.

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

Right. Steve, you kind of made a choice last conference call to talk about the legal end market, which obviously is your biggest and maybe arguably your best business in data and analytics. You tried to say like, "Hey, we analyze the legal industry and some investors might think of this as a sleepy business and it really isn't."

Obviously, the legal industry is doing very well right now. Maybe M&A is one helpful characteristic. But why did you think that last month was like kind of an important juncture to like kind of maybe reeducate info services investors about the legal end market? And does the legal industry need to have strong tailwinds for you to make your 3-year goals?

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

Yes. So I don't look at the Legal business as sort of any better or worse than our other couple of franchises. I think if you look at Tax & Accounting, if you look at the Corporates, the opportunity in Corporates, when you look at Government, which, of course, is reported as part of Legal, I'm equally excited about those. But the point I was making is I think there has been a bit of a narrative that the segments that we serve, including Legal, which is our biggest business, is a little on the slower growth side.

So this is a great franchise with a set of products that are extraordinarily highly valued by customers, but that it's relatively slow growth. And I don't believe that's the case, which is why I talked about that on the last earnings call. There's the sort of an outsider narrative that suggests within the Legal bucket of spend, (inaudible) or thereabouts. And then there's a software bucket of spend, and that's 11%, 12%, 13% or something like that.

And I think if you look at Westlaw Edge, look at Practical Law Dynamic, what we're doing is putting them together, where [we add in] machine learning. We're getting (inaudible) legal profession, not just litigators but also the court system, also the general counsel and (inaudible). And that is bringing together this sort of previously thought-about growth area with a much higher spend. And you add to that the pandemic, and through the pandemic, I've had a great chance to speak with the heads of hundreds and hundreds of law firms in the last 1.5 years or so.

And what they've told me to a person is versions of this, which is, "Look, we've spent too much over time on real estate and not enough on information and technology." And I think as their labor costs are going up, that sort of trend is even more [intensified] because they're starting to say, "Okay, if I can -- if I can use information and technology as a way to reduce my dependence on high-cost associates, particularly as those costs are starting to spiral up, that will be a good thing."

So this is money well spent, no matter what happens in the economic cycle, no matter how the sort of the profitability the firm develops over the next couple of years. So I think it just adds up, Andrew, to I think the segment that we're thrilled to be serving, that if we get our product innovation road map by, we think we'll see some growth on the back of meeting and exceeding customer needs.

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

Okay. Mike, maybe you could just kind of review at a high level the organic revenue growth and kind of goals for the kind of, say, the 3-year plan and why these are the right ambitions for a transformative info services company like Thomson.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Sure, Andrew. We're certainly pleased with the progress and momentum that we've built throughout 2021. And we're optimistic about achieving the high end of the range we provided for the full year, which would be roughly 5% for Q4 there. If you think about the 3-year horizon, back at our March Investor Day, we highlighted that by 2023, we expect to grow Corporates between 7% and 9%. We said for Tax & Accounting Professionals, 6% and 8%, and for the Legal Professionals, 5% to 6%.

We remain very confident in these targets for 2023 from an organic growth perspective. We think there are opportunities in each of these segments. A couple of examples within Corporates, we think Indirect Tax and global trade management provide us the opportunity to further up-sell. Within Tax & Accounting, we think we have the opportunity to expand with SMB. And for the (inaudible), a nice progression this year. Given our relationships with many firms, we can continue to up-sell Practical Law and workflow solutions. So all in all, Andrew, we remain confident for 2023 in achieving 6%, 7% growth for our Big 3 segments.

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

Yes. Mike, on the last conference call, I think it was I who asked you about price increases historically really like for this year. And I just felt like when you went through the price increases realized for your segments, like now they're already kind of healthy price increases. So my question is to get to those '23 organic revenue growth goals, are you going to increase price more and with a value proposition tied to it? Or is it more about selling more products into those same end markets?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. As I mentioned on the earnings call, I believe, Andrew, the pricing levels that we're seeing in 2021 are consistent with recent years. If you look over the time horizon for '22, '23, we're assuming consistent level of price increases. So over the time horizon will be price increases coupled with volume. And we'll continue to improve our retention, up-sell, cross-sell, along with product innovation. So pricing has been fairly stable. And that's the assumption over the time horizons. In regards to that, Andrew, pricing is important but also as a reminder, if we increase our retention by 100 basis points, that's \$50 million approximately in revenue or 90 basis points of revenue growth for us.

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

Right. So I think what you said is you want the same price increases, but to have increased retention is another way of driving organic revenue growth as well as selling more products to the same customer.

Michael Eastwood - Thomson Reuters Corporation - CFO

Right. Selling more product, up-sell or cross-sell. Certainly, if there is opportunity for us to further optimize our pricing, we will. The pricing is just one of the many levers that we have to sustain and accelerate our organic growth over the time horizon.

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

Right. And do you think that higher client retention is part of Steve's ambition of having a higher NPS score, having higher customer satisfaction? Or is it about choosing better clients, maybe clients that are just not going to go out of business?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Andrew, I'm a strong believer that we're going to see a very strong correlation between the improvement in our Net Promoter Score and our retention. We've seen slight improvements thus far in '21. But with the continued investments in the overall end-to-end customer experience, quite optimistic that we'll see improvement in NPS and thus improvement in our retention rates across each of our businesses. Just as a reminder, retention does vary by our customer size using legal illustrative fleet, normally see lower retention with the smaller law firms and higher retention with the large law firms.

Andrew Charles Steiner - JPMorgan Chase & Co, Research Division - MD

Right. That's what I sort of said. Like are you going to shy away from serving small law firms because obviously small law firms have bigger risk to them? Or that's not particularly a mindset? That's that was sort of part of my last question.

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Just for clarity, we are absolutely not shying away from small oil firms. We have a great leader in Mark Haddad, who drives our small law firm business for us, part of Paul Fischer's team. And we're quite optimistic, Andrew, as we continue to evolve with our digital offerings, we'll be able to provide even better support and higher retention for smaller clients, including small law firms.

Andrew Charles Steiner - JPMorgan Chase & Co, Research Division - MD

Right. So you already went over, Mike, that you have already healthy price increases and you want to drive higher innovation. I don't know if you guys use this thing called Rule of 40. We have it in our information services data book that's margin plus organic revenue growth. But if you look at your '23 goals, you're going to go from a Rule of 40 for being kind of below average in the info service land to notably above average.

And as you know, this is a rock star block to be on. What do you think Thomson is doing relative to the average info services company, which is again a tough benchmark that you're going to become an above-average Rule of 40 company?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes, Andrew, just to remind everyone, in 2023, our guidance for total organic growth is 5% to 6%, coupled with an EBITDA margin of 38% to 40%. And I'll also mentioned the free cash flow of \$1.8 billion the \$2 billion. We remain very confident in achieving those items. Andrew, I think Steve mentioned earlier that pivot to the operating company.

That has been an important lever for us but also the talent that we have added in the nearly 2 years as Steve and I have been in our respective roles. So I think the talent additions of Kirsty Roth, David Wong, et cetera, really, really important for us. But '23 is just one milestone, Andrew. If we go beyond '23, we'll continue to work very diligently to improve beyond that but very confident in the 5% to 6% and the 38% to 40%.

Andrew Charles Steiner - JPMorgan Chase & Co, Research Division - MD

Right. But again, let me just ask again, do you think about the info services industry as a whole? Does it seem like Thomson is going to be in a position for above-average pricing, above -- and that has to do with the competitive landscape, too, above-average cross-sell, above-average client retention? It's like -- it's kind of a tough benchmark. Or do you just sort of play your own game and compare Thomson with (inaudible)?

Michael Eastwood - Thomson Reuters Corporation - CFO

Sure. Certainly, we follow very closely the business information services group. We follow very closely all of the work that you and your team provide for the biz group. We are very well positioned, and we'll just continue to be better in (inaudible)

Andrew Charles Steiner - JPMorgan Chase & Co, Research Division - MD

Yes. So Steve, you guys started a corporate venture capital business just recently, kind of a sizable VC fund. And my question is a simple one. What's the purpose of it? Is it to learn more about adjacencies? Is it to prospect for potential M&A down the line? Is this more like something you want to learn about and help you become highly innovative in your core? Or is this also a financial proposition to their returns?

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

Andrew, it's all of the above. I mean, I would say that, in my mind, the sort of priority would be something like, first and foremost, to open our aperture to all of the innovations that are going on at the periphery of our Big 3. That's the first. I think the second is to just open our aperture to -- or enlighten us to what some of the other step-out growth opportunities for us might be. As a funnel for M&A, sure. As a sort of a talent retention tool, to the extent to which we have young product and technology executives who will be advisers on some of these companies -- to some of these companies and gain exposure to the investment process, we view that as a really interesting way to scale up some of our incoming talent.

And then last but not least, the financial returns. We're in the market looking for a very talented leader of this corporate venture capital fund. And that person's -- the world-class investors expect to make world-class returns and get paid accordingly. So we don't want to sort of, in any way, shape or form, impair their ability to do that. But certainly, for me, this is about opening the aperture of the company and making sure that our knowledge of the latest and greatest innovation is as good as it can be and is as informative as it can be on our own efforts.

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

So did you say, Steve, do you think acquisitions are going to come from this? Is it more like we want to be a partner?

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

I think as we all know, I think particularly in the current environment that you've got to look everywhere for acquisitions. And I don't think we can sort of sit back and wait for assets to be auctioned. I think we're going to be very proactive in terms of where we're going and what we're looking at, what we're assessing and the relationships we're building in the ecosystem. So it's not the only -- it certainly won't be the only source of M&A opportunities, but it ought to be one of them for sure.

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

That makes sense. How about the London Stock Exchange position? Obviously, through divestiture of Refinitiv, now you have a \$7 billion stake in London Stock Exchange stock. How do you think of that position? And I know there's sort of a 2-year unlock underway also. But how do you think of that position. And let me say specifically, how important is it for the London Stock Exchange stock to do well for you to drive value back at Thomson?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Andrew, we view our stake in the London Stock Exchange Group as a financial investment. We do intend to develop our positions when we're allowed. We do have three respective lockup periods that are in place. The lockup periods are January 23, January 24, January 25. Based on our current thinking, we would monetize upon the respective expirations of those lockup periods. As a reminder, we do generate about \$75 million in dividends on an annual basis prior to any monetization.

So given the already significant free cash flow that we'll generate, as I mentioned, \$1.8 billion to \$2 billion in 2023, coupled with monetization of the London Stock Exchange, we're going to have significant capacity, providing a lot of optionality to do acquisitions, as Steve just discussed, but also additional share buybacks. We did complete the \$1.2 billion buyback that we initiated in August. And we'll also have the flexibility to consider higher dividends as we move forward. All in all, Andrew, a nice position to be in. And it creates a lot of optionality for us. Certainly, any appreciation in the London Stock Exchange will just give us more firepower and more capital to deploy to grow our business.

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

So I want to go back to innovation at Legal. Obviously, Steve, you whet my appetite by saying Westlaw Edge 2.0 will be introduced next year or sometime next year. My question is, with so much success in Westlaw Edge, and surely, I know you have lots of AI and core analytics and Westlaw Edge is a premium product from -- for Westlaw users that's been adding 100 basis points of organic revenue growth to your Legal segment, do you expect to introduce a Westlaw Edge 2.0 that is like a second premium on top of Westlaw Edge customers?

Like what do you expect to be putting in Westlaw Edge 2.0, where they could pay another premium? And I'll remind you since Westlaw Edge was introduced, you keep on adding modules to that. And so like it's hard for me to imagine what Westlaw Edge 2.0 is going to look like and why that's going to be a second premium on top of the first premium.

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

Yes. I mean, I won't sort of give away any competitive trade secrets here, Andrew. But what I will say is a couple of things. Firstly, Westlaw Edge 2.0 includes a pretty significant step-up in terms of the content and the practice area modules. It includes a pretty significant step-up in terms of the application of AI and machine learning and the core search functionality. So we've tested it with a very large number of customers. And the feedback has been extraordinarily positive. So we put a beta version in front of a very large number of customers and got very, very robust feedback.

So I think as we sit here today, it's early days. We haven't launched it. We won't launch it until sometime next year. We haven't announced a launch date. We've still got a lot of work to do. But we see it as a sort of a continuation of the tailwinds that Westlaw Edge 1.0 has provided our Legal Professionals business. And that's an exciting prospect. And I think it's an exciting prospect for our customers in the industry, given the value of that product as it is for our shareholders.

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

Right. But what I noted is the Westlaw Edge historically inspired competitors to also innovate. So I just wanted to make sure that I said it right. Like you expect Westlaw Edge customers to pay really two premiums, right, for Westlaw Edge 1.0 and then Westlaw Edge 2.0 is like a double upgrade. And will the market be receptive to that type of premium pricing, again assuming the value proposition is there?

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

Well, look, we're not asking for anything that doesn't deliver value to customers. And so if a customer's -- if the quality of the answer that Westlaw platform provides is significantly better and the time to get to that answer is materially less, then we think that deserves a premium. And how much that premium is and which customers to take it up, we'll have to see. But certainly, in terms of the quantifiable material improvements that Westlaw 2.0 promises, we're pretty intrigued by what we see. And as I said, we'll work our way through '22 and see what happens.

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

Okay. Last question, Steve. Give us a little peek to a year from now, when we're sitting here at the Ultimate Services Investor Conference in November '22, what is something that investors maybe don't appreciate as much now, maybe it's really just not kind of, let's call it, there yet or something that you think a year from now, you and I can be talking about?

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

Yes. I think this time next year, we need to be drawing to a close most of our Change Program. We'll still have bits and pieces of work to do in 2023, completion of the cloud migration and some other things. But this time next year, we need to be talking about a materially better customer

experience, first and foremost. We need to be talking about being poised to, therefore, to Mike's earlier point, see that translate into better retention and therefore better growth rates.

And as long as we're talking about those things, then I think that gives us the license and we will have earned the right to be starting to explore some other growth opportunities over and above the Big 3 or in and around the Big 3. And we ought to be starting to talk a little bit about those. But we are very focused on earning the right to have that conversation with you and we're not confused. We've got another 12 months to go. So there's lots and lots of hard work to get through.

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

I love it. Okay. That's a wrap. Thank you, Steve and Mike. We much appreciate the conversation.

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

Thanks, Andrew. Thanks, everyone.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you.

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