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PRESENTATION

Operator

Good day and welcome, everyone, to the Thomson Reuters First Quarter 2022 Earnings Call. My name is Matt, and I will be your operator today. (Operator Instructions) I'd like to advise all parties that this conference is being recorded.

And with that, let me hand it over to Gary Bisbee, Head of Investor Relations. Please go ahead, sir.

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

Thank you, Matt. Good morning, everyone, and thank you for joining us today for our first quarter 2022 earnings call. I'm joined by our CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will report our results and take your questions following their remarks. (Operator Instructions)

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

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

Let me now turn it over to Steve Hasker.

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

Thank you, Gary, and thanks to all of you for joining us today. Before I begin with a review of our Q1 results, I must recognize our Reuters News colleagues and express our great appreciation for the difficult but important work that they are doing on the ground in Ukraine to provide us all with unbiased and reliable news, video and imagery. Their efforts, which come at significant personal risk, exemplify the best of our company purpose, which, as you know, is to inform the way forward and the principles of trust and transparency that all of us at Thomson Reuters aspire to achieve.

Now on to our Q1 highlights. I'm pleased to report that the momentum that built throughout 2021 continued in the first quarter of 2022 with both sales and revenue exceeding our expectations. 4 of our 5 business segments again recorded organic revenue growth of 6% or greater, and the total company organic revenues grew 7%. Our Big 3 business segments also grew 7% organically.

We have growing conviction that our businesses are benefiting from a significant prevailing tailwind driven by a step change in the complexity of regulation and compliance in our legal, tax and risk-related markets. The resulting need for trusted, accurate and actionable content and technology plays to our strengths as to the accelerating trends of digitization and changing ways of working.

When combined with our Change Program progress to date and an increased focus on innovation, these tailwinds position us well to continue our recent momentum. Due to the Q1 revenue strength and healthy book of business or ACV growth, we are raising our full year revenue outlook. We now see total revenue rising by 5.5% and Big 3 revenue by 6.5%, up from our prior views of 5% and 6% to 6.5%, respectively. We maintained our margin outlook as we continue to invest in our businesses and customer success and also absorb heightened inflationary pressures. Overall, the strong start to the year provides confidence that we're on the right path to achieve our 2022 and 2023 targets.

Turning to our Change Program. We continue to make steady progress on key initiatives. As of March 31, we've achieved annualized operating expense run rate savings of $305 million, and we're on a path to achieve $500 million by year-end and the full targeted $600 million by year-end 2023.

And lastly, we remain in a strong position, ample capital capacity. We continue to assess inorganic opportunities to strengthen our Big 3 customer markets. And share repurchases remain another option based on the timing of these inorganic opportunities.

Now to the results for the quarter. First quarter reported revenues rose 6% with organic revenues up 7%. As Mike will explain in more detail, our revenue growth benefited by close to 1% from transactional revenue that is unlikely to recur at this level and, to a lesser extent, timing. But even adjusting for these items, organic revenue grew at a healthy 6% driven by organic recurring revenue growth of 7%. This recurring revenue growth is an improvement from 6% in Q3 and Q4 of 2021.

Adjusted EBITDA increased to $600 million, reflecting 50 basis point margin improvement to 35.8%. Excluding costs related to the Change Program, the adjusted EBITDA margin was 37.9%. This strong performance resulted in adjusted earnings per share of $0.66, up $0.58 in the prior year period.

Turning to first quarter results by segment. The Big 3 businesses achieved organic revenue growth of 7%, reflecting broad strength. Legal continued its recent momentum, delivering a fourth consecutive quarter of 6% organic growth. The legal market remains healthy across all key sectors: small-, mid- and large-sized U.S. firms, corporate general counsel, government clients in key overseas markets. For instance, Westlaw Edge adoption continues to drive revenue, and we continue to expect annual contract value, or ACV, penetration to approach 75% of by year-end from 65% at the end of 2021.

Second, Practical Law as reported in the Legal segment had a terrific quarter, growing mid-teens. We forecast this growth to continue for the remainder of the year, and I'll discuss Practical Law in more detail shortly. Third, our Government business, which is managed within our Legal segment, grew 9% organically in Q1, and we see acceleration as likely in the balance of the year. Fourth, our Legal businesses in Canada and Asia also both grew organically at double-digit rates.

Turning to Corporates. Organic growth momentum continued with revenue up 8%. While transactional revenue contribute, underlying growth trends continue the improvement seen in the second half of 2021. We remain confident in the Corporate segment achieving 7% to 9% organic growth in 2023, as discussed during our March 2021 Investor Day.

Tax & Accounting had another healthy quarter with organic revenue growth of 11% or 10% excluding the timing benefit of a return to historical tax filing deadlines. Our Latin American business, Dominio, grew nearly 30% in the quarter and remains a key growth driver.

Reuters News organic revenues increased 9% in Q1. Growth occurred across all lines of business, particularly benefiting from the segment's Professional business, which includes digital advertising, custom content and Reuters Events and the increase in our London Stock Exchange Group, LSEG News agreement. Finally, Global Print organic revenues flat compared with the prior period, which were better than expected due to higher third-party print revenues and timing benefits that we expect to normalize in the remainder of 2022.

One other update. We recently closed the acquisition of ThoughtTrace, which brings key talent and legal contract analysis technologies. We believe ThoughtTrace will accelerate our time to market with a key capability set in AI-based contract analysis, which we see as a powerful combination in our editorial content. We see these capabilities bolstering both our Legal workflow and Practical Law offerings over time.

We also recently closed the acquisition of Gestta, an accounting-focused software provider in Brazil that enhances client automation and integrates seamlessly with our Dominio offering. We welcome the ThoughtTrace and Gestta teams to TR, and we look forward to working with them to build a very significant potential. In summary, we're very pleased with our results, and we're excited about the momentum building within our businesses.

Now let me take a few minutes to discuss several key contributors to the recent momentum in our Legal Professional segment and why we are confident in its forward prospects. I want to provide a bit more transparency around our Legal Professionals revenue mix and what is driving the strengthening performance. As background, organic revenue growth of Legal has accelerated 4% in 2018 and '19 to 6% in 2021 in Q1 2022 driven by several factors.

First, we have seen solid acceleration in recent years from our key Westlaw brand, which has benefited from rising adoption of the higher-value Westlaw offering. Second, we have several other offerings within Legal that are increasingly contributing to our growth. This includes 3 of our 7 strategic growth focus areas: Practical Law; Risk, Fraud & Compliance; Legal workflow solutions. In total, our non-Westlaw businesses comprise nearly half of Legal's revenue and a growing high single-digit base. Like Westlaw, these businesses have accelerated in recent years.

Looking forward, we remain confident in the growth potential of both Westlaw and the non-Westlaw offerings, supported by healthy market demand and a robust product roadmap. For Westlaw, key drivers include continued penetration of the premium Edge offering and the future launch of Westlaw Edge 2.0. Outside of Westlaw, we expect continued double-digit growth from our RFC franchise, Legal workflow and Practical Law offerings. As a result, we believe the positive mix shift toward the higher-growth non-Westlaw offerings is likely to continue in the next few years, which we expect to sustain our recent revenue momentum.

Building upon this Legal Professional discussion, I will extend -- expand a little bit on Practical Law, which has been a terrific and, in many ways, underappreciated story and an important growth driver for our Legal Professionals and Corporate segments. Like Westlaw, Practical Law provides strong value to both (inaudible) and corporate tenant councils through a plan premium content, technology and analytics. Our 650 Practical Law attorney editors to bring very significant practice experience (inaudible) over a broad range of practice areas, jurisdiction and industry sectors leveraging technology unique search capabilities and analytics. They create and maintain a wealth of know-how resources, including standard documents and clauses, how-to guides and explanations, checklists and legal and regulatory updates, among others.

Practical Law has proven to be a key resource for both lawyers and corporate users as it helps these professionals work more effectively and efficiently with both law firms and corporations facing tight labor markets and cost pressures, the efficiency benefits of Practical Law resonate particularly well today. However, Practical Law's success is not a recent phenomenon. Since its acquisition by Thomson Reuters in 2013, Practical law has grown revenue at a 16% compound annual growth rate, more than tripling in total. This includes mid-teens growth in both 2021 and Q1 2022. Today, the business approaches $500 million in revenue with roughly 60% in Legal Professionals to 40% Corporates.

Looking forward, we remain bullish on Practical Law's potential. We expect revenue growth to continue. In addition to opportunities to further penetrate both the law firm and corporate markets, deep product innovation and content enhancements are key drivers. This includes 2 recent major upgrades, featuring both enhanced and expanded content, technology and analytics.

We recently launched the Global Customer Experience, which brings expanded international editorial content, global product integration and an improved user experience. Also, the Practical Law Dynamic Package that launched last summer brings incremental content, improved search capabilities and advanced enhanced analytics. In both cases, the expanded content enhanced capabilities command a premium price point, which like the Westlaw Edge rollout, should contribute nicely to growth as adoption is expected to increase over the next few years. With meaningful white space in both the legal and corporate markets, executing our go-to-market strategies remains another key driver practical.

Slide 12 illustrates the broad appeal of Practical law across customer performance personas. Rather than going through these details, I'll wrap up my commentary by explaining a real-world example of how Practical Law can drive meaningful ROI on law firm customers.

In our scenario, a large corporate client needs to understand non-compete laws in all 50 states. With a modest labor and employment practice, an associate lawyer is assigned to research statutes and case laws and prepare a 50-state survey on noncompetes. This associate could easily spend in excess of 100 hours on this project with a partner spending several more reviewing the work.

The same work with Practical law would take 4 hours. And using the Quick Compare Tool from the Practical Law Dynamic Package, the law firm could illustrate the findings in a compelling visual schematic. This example illustrates the efficiency and accuracy benefits from Practical law can be very significant. We believe they provide a growing tailwind for demand given rising pressure on law firms to do more with less while managing increasing risk and complexity.

Let me now turn it over to Mike, who will provide more details on the first quarter financial results.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you, Steve, and thanks for joining us today. As a reminder, I will talk to revenue growth before currency and on an organic basis.

Let me start by discussing the first quarter revenue performance of our Big 3 segments. Revenues rose 7% organically and at constant currency for the quarter. This marks the fourth consecutive quarter our Big 3 segments have grown at least 6%. Legal Professionals total revenues increased 5% and organic revenues increased 6%. Organic growth was driven by Practical Law, FindLaw and our government RFC business. Westlaw Edge continues to add about 100 basis points to Legal's organic growth rate, is maintaining a healthy premium and is expected to continue to contribute at a similar level going forward, supported by the planned release of Westlaw Edge 2.0 during the second half of this year.

In our Corporate segment, total and organic revenues increased 8% for the quarter with both recurring and transactional growing 8%. Corporate growth benefited from transactional revenue strength that is unlikely to recur at Q1 levels. However, recurring revenue growth of 8% continues the momentum that began in the second half of 2021. Recurring revenue was driven by CLEAR, Practical Law and Indirect Tax. And finally, Tax & Accounting's total and organic first quarter revenues grew 11% with Latin America, again, leading the momentum. Please note the return to April tax filing deadlines last from May in 2021 increased growth by approximately 1.5%, which were the first in Q2.

Moving to Reuters News. Total and organic revenues increased 9%, primarily due to our Professional business and the increase in our LSEG use agreement. Lastly, Global Brand total and organic revenues were flat to prior year period, ahead of expectations. Higher third-party revenues for printing services and timing of new sales drove the outperformance, but we expect both to normalize in the remainder of 2022. On a consolidated basis, first quarter total and organic revenues each increased 7%. One last note on revenue. As it relates to the Russia-Ukraine conflict, our exposure to the region is immaterial at less than $10 million annually.

Turning to our profitability. Adjusted EBITDA for the Big 3 segments was $584 million, up 11% from the prior year period, a 42.9% margin, rising 190 basis points. Improvement was driven by Legal and Tax & Accounting due to higher revenues and Change Program savings. I will remind you the Change Program operating costs are reported at the corporate level.

Moving to Reuters News. Adjusted EBITDA was $37 million, $9 million more than the prior year period, driven primarily by revenue growth. Global Print's adjusted EBITDA was $53 million with a margin of 37%, a decline of 290 basis points due to the dilutive impact of lower-margin third-party rent revenue. In aggregate, total company adjusted EBITDA was $600 million, a 7% increase versus Q1 2021. Excluding costs related to the Change Program in both periods, adjusted EBITDA increased 11%. The first quarter's adjusted EBITDA margin was 35.8% or 37.9% on an underlying basis, excluding cost related to the Change Program.

Moving on to earnings per share. First quarter adjusted EPS was $0.66, up from $0.58 in the prior year period. The increase was mainly driven by higher adjusted EBITDA.

Let me now turn to our free cash flow performance for the first quarter. Reported free cash flow was $86 million versus $239 million in the prior year period. Consistent with previous quarters, this slide removes the distorting factors impacting our free cash flow.

Working from the bottom of the page of. The cash outflows from the discontinued operations component of our free cash flow was $22 million more than the prior year period. This was due to payments to the U.K. tax authority related to the operations of our former preventative business. Also in the current quarter, we made $114 million of Change Program payments as compared to $12 million in the prior year period. If you adjust for these items, comparable free cash flow from continuing operations was $259 million, $29 million lower than the prior year period, primarily due to annual incentive plan bonuses.

We reaffirm our 2022 full year free cash flow outlook of approximately $1.3 billion. Speaking of our free cash flow, I wanted to provide an update to a disclosure we initially made at our 2018 Investor Day. We continue to expect our free cash flow to exceed our adjusted earnings by a comfortable margin as it has in recent years. This pattern of converting more than 100% of our adjusted earnings into free cash flow backs up well versus our information services peers and indicates a high-quality earnings stream as the earnings are more than backed up our free cash flow.

Three factors drive the strong conversion. First, we expect our capital expenditures will be less than our depreciation and amortization by approximately $140 million to $170 million in 2023 as the reduction in capital intensity has a quicker impact to free cash flow due to the timing of the depreciation runoff. Second, we expect our cash taxes to be lower than our P&L taxes by approximately $100 million to $150 million in 2023. As mentioned last quarter, we expect our effective tax rate to decline to the upper teens in 2023. And as a rule of thumb, our cash tax rate is forecast to be approximately below our effective tax rate..

Lastly, we expect $25 million to $50 million of miscellaneous items that drive the variance between the P&L and free cash flow. We expect annual pension cash contributions to be lower than annual pension expense. In addition, expenses related to our employee stock purchase plan and equity-based compensation has no impact on free cash flow. We also expect to receive dividend from LSEG that are part of our free cash flow.

I will now provide an update on the progress related to our Change Program. In the first quarter, we achieved $88 million of annual run rate operating expense savings. This brings the cumulative annual run rate Change Program operating expense savings to $305 million. This increases our confidence in reaching approximately $500 million of annualized savings by year-end and $600 million gross operating expense savings by 2023. As a reminder, we anticipate reinvesting $200 million of the projected $600 million of savings back into the business for net savings of $400 million.

Now an update on our Change Program costs for the first quarter and remainder of 2022. Let me start by saying none of the annual estimates have changed from what we provided last quarter. Expenditure during the fourth quarter was $62 million, comprised of $34 million of OpEx and $28 million of CapEx. We anticipate $130 million to $150 million of total spend in the first half and $160 million to $180 million in the second half of 2022.

For the full year, we continue to expect $305 million of Change Program investments, which would bring total 2021 and 2022 cumulative investments to approximately $600 million. We also continue to anticipate a split of approximately 60% OpEx and 40% CapEx.

Let me conclude with our outlook for 2022 and 2023. As Steve outlined, we have increased our full year 2022 outlook for total TR and Big 3 revenue growth. We now forecast total organic revenue rising by approximately 5.5% and Big 3 by approximately 6.5%, up from the prior 5% and 6% to 6.5%, respectively. We are maintaining our adjusted EBITDA margin outlook of approximately 35% as we continue to monitor potential inflationary impacts and assess investment opportunities to drive continued success and revenue momentum. There is no change to other 2022 outlook items, and we reaffirm our 2023 targets.

Looking to the second quarter. We expect revenue growth for total TR and the Big 3 to be comparable to our updated full year forecast of approximately 5.5% and 6.5%, respectively. We expect our adjusted EBITDA margin to be approximately 200 basis points below the full year outlook of approximately 35% due to the normal seasonality in our Tax & Accounting segment and the cadence of Change Program investments. We also see our effective tax rate at the midpoint of our 19% to 21% full year range.

In summary, we remain confident in achieving our 2022 and 2023 targets, aided by the strong start to the year and healthy underlying momentum in our key businesses. Over time, we continue to believe we can achieve faster revenue growth, higher profitability and significantly higher free cash flow as we benefit from transforming to a content-driven technology company.

Let me now turn it back to Gary for questions.

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

Thanks, Steve and Mike. Matt, we're ready to begin the Q&A portion of the call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first one is coming from the line of Vince Valentini from TD Securities.

Vince Valentini - *TD Securities Equity Research - Analyst*

Great quarter. I'll leave it to others to ask about that. I just -- given the environment in the tech sector and multiples collapsing in a lot of spaces, I'm wondering if you can give us any update on acquisition targets. I assume this is a potentially good news scenario for you guys with cash rate with a strong balance sheet and looking for strategic acquisitions that will bolster your growth. Is there any hope that these things are getting more imminent given more -- what valuations are doing?

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

It's Steve. Thanks for the question. Look, I think we're closer for 2 reasons. One, we're another quarter through the Change Program and building confidence in our -- in the capabilities we're building and the -- and our execution team. And we think that the further we get along that journey, the more of an advantage to acquire we will be. And so we're making good progress there.

And second, as you say, there's been some pretty significant changes in public valuations and potentially toward the end of this year, private technology-related valuations. So I think both of those 2 things provide us with some optimism that we'll be able to do one or more acquisitions that are additive to the customer experience that we provide.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Vince, I'll just supplement it as a reminder to everyone, the first tranche of the LSEG state, the lockup expires Q1 2023. As we've previously stated, it's our intent to monetize the first da, which is approximately 1/3 in Q1 '23. The second item I would emphasize, Vince, as Steve mentioned in his prepared remarks, depending on the cadence or sequencing of acquisitions, we still have the option of considering additional share buybacks comparable to what we did in 2021.

Vince Valentini - *TD Securities Equity Research - Analyst*

Can I just clarify one thing you said, Steve, that public valuations have come down, you're expecting private valuations could come down later this year. Does that imply you haven't seen them come down yet?

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

Well, there's always a gap between the sort of the expectations of sellers, which tend to lag and the expectations of buyers, which sort of pricing any declines pretty quickly. So we haven't seen any significant transactions that would indicate just yet that, that correction has occurred, but we think it might.

Operator

And the next question is coming from Heather Balsky from Bank of America.

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

Can you share some color in terms of the demand you're seeing from your customer base in legal and accounting as well? And there's general concern about sort of state of the economy and things slowing with rising rates. I'm curious just sort of what you've seen in the past in terms of your customers' demands in a slower economic environment.

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

Yes. Heather, let me start. It's Steve. Let me start, and perhaps Mike can provide some more historical context because he was at TR during the '08-'09 financial crisis. We continue -- I alluded to this in my remarks. We continue to see robust demand for our solutions in all Big 3 segments. And it's really being driven by a need to automate and simplify their workflows and access content that gives them a competitive advantage and allows them to be more efficient and effective in their work.

And sort of coming through and coming out of COVID, that trend continues unabated. So far, the sort of turbulence in the broader geopolitical and macroeconomic environment has not translated into any softening of that demand in any of the 3 segments. And I'd just point to the fact that 80% of our revenues are recurring. And so that gives us, I think, real confidence through the rest of this year and justification for raising our revenue guidance.

So of all of the businesses you follow, we're in a robust category because of that 80% revenue recurring revenue. But let me ask Mike to supplement based on our historical experience through difficult economic times.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Heather, I'd additional 2 points, in addition to Steve's point on 80% recurring growth, the key factor with that 80% recurring is about multiyear contracts. As a reminder, approximately 60% of our Legal revenue is under multiyear contracts; about 40% of our Corporates revenue, multiyear; and 10% of Tax & Accounting is multiyear. That's a key point.

The second point, Heather, we saw really strong Q1 net sales. And thus far, early indicators of a strong April results there. So based on that, Heather, remain positive. We'll have to continue to monitor it, obviously, throughout Q2 and the full year. But I think the strength of our multiyear contract certainly helps us.

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

And a follow-up question on the margin guide. You talked about inflation being one of the factors that led you to maintain at this quarter for the full year. Curious as sort of your ability to take price against that. And is it a timing issue? I'm just curious sort of what's going on there.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Certainly, Heather. In regards to the margin, I'll mention a few items. You touched on the potential for inflationary headwinds. But another key factor business is to support our customers. That's something that we'll continue to assess.

Specifically in regards to inflation, I'll touch on 2 aspects: pricing that you mentioned; I'll also add some color in rear in regards to the cost side. On pricing, our pricing in Q1 was fairly consistent with prior years. It was up slightly, but the strength of the revenue was really the underlying performance of the business. So a slight uptick in pricing. As we go through the full year, our current estimate is a slight uptick versus 2021, but not hugely significant.

As a reference point in 2021, our price increases, which vary by segment. Tax & Accounting was 5%; our Corporate segment, 3%; in Legal, 2.5%, yielding the weighted average there. On the cost side, we did provide higher merit increases in April of this year, which is our annual increase there. And if you look at the supply -- traditional supply chain impact, our print business, we refer to it as the 3Ps: print, paper and postage. Certainly, we're seeing higher price and costs there in the print business, which is about 10% of our total revenue. Given all of those potential inflationary factors, Heather, we have considered those in our updated guidance for 2022 and when we reaffirmed our guidance for 2023. So based on what we know, on the potential inflationary factors, Heather, we think we've been prudent in factoring into our margin and full guidance for '22 and '23.

Operator

The next question is coming from Drew McReynolds from RBC Capital Markets.

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

Two follow-ups for me. Just following up on Vince's M&A question. First, thanks for the drill-down on the Legal and particularly Legal solutions business, very, very helpful. I think for those that have followed some of your M&A over the years, finding things like Practical Law are just amazing assets that generate that kind of growth over years and years. Wondering, I guess, for you, Steve, if you've identified Practical Law-like assets out there. Or are these more difficult to find, just in general? Just would love to get that context.

And then second follow-up, we've all known kind of complexity drives the end markets for Legal, Tax & Accounting. You're going through a kind of post-COVID work-from-home period. Just even bigger picture than that, where else is the complexity growing in these end markets? Just wanted to just better understand more of that bigger-picture structural tailwind.

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

Yes. Thanks, Drew. Great questions. Look, no 2 acquisitions are the same, obviously. But what we're seeing amongst our law firm customers in particular, but increasingly, the general counsels' offices as well is a real need to invest in technology and workflow software and to have the content flow seamlessly through that software. So we think this sort of combination of unique content, AI machine learning and software is a very valuable play at this time. And it plays to some degree in your second question.

The law firms like all firms, financial institutions and Thomson Reuters and business information services are sort of finding their footing in a post-COVID world, but certainly a world that involves more time back in office than the last 2 years. And with that comes more technology investment, potentially less real estate investment and more technology investment. So we think that there will be quite a few opportunities for us to build organically and buy inorganically in the space.

I think the one, while not a direct parallel to Practical law, is ThoughtTrace. We look at this area of contract analysis, it's enormously time-consuming for general counsels and for law firms to go through hundreds, if not thousands, of contracts when the law and the regulation changes and be able to quickly and seamlessly update them and have confidence that, that process has been effectively and correctly done. And so it's a big area of demand.

I've had a conversation with a number of our legal customers and sort of described ThoughtTrace and described the investments that we're going to make in it and what the outcome of that will be, and they're excited about it. So we'll see how that plays out.

In terms of your second question, look, I -- whether good for humanity or not, we certainly see lots of examples of increasing compliance-related complexity. So cyber is one area. We're getting comfortable with sort of data management, privacy and management of cyber-related risks. The legal landscape gets more complicated in terms of rules and regulations, not less, for corporations, big, small and medium. And we don't know as many tax codes that are getting simpler. And so it really is across our business that we see this sort of rise in complexity.

And what that presents in a inflationary environment and a talent-constrained marketplace is that companies need reliable partners to help them handle that complexity and, in a sense, take it off of their plate. And that's what we're here to do. And we think we're one of the few players who can do it effectively at scale in a truly trusted and transparent manner.

Operator

And the next question is coming from Kevin McVeigh from Credit Suisse.

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

Congratulations on the Change Program. I wonder -- can you give us a sense as -- because obviously things have changed a lot since you started the Change Program. I want to talk about maybe retention a little bit across the enterprise. Can we talk about that? And then maybe pricing expectations kind of today versus kind of when you started the Change Program, maybe just a little more color around, again, retention and pricing as we're kind of working our way through change.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Kevin. Let me start with regards to retention. I believe, Kevin, back at March of '21 at Investor Day, we estimated that we could improve our overall retention for total TR by roughly 100 basis points over the time horizon. We're at approximately 91% today, which is a slight uptick over the last 12 to 15 months. We have 100 basis points left. And I think it's directly correlated to the work that we're doing with Kirsty Roth, Andrew Pearce, Crystal and others in regards to our customer experience. And we're continuing to do that. So I think we're on the right trajectory, Kevin, on improving our retention. As we've discussed before, our retention does vary by customer size with significantly higher retention for large customers, lower retention for the smallest customers, but that's where the work that we're doing with digital self-serve and the overall end-to-end customer experience. We remain optimistic that will help us not only with retention, but also attract new customers and new logos.

Second question there in regards to pricing, consistent with what I shared with Heather, let me just repeat that for everyone's benefit, Kevin: a slight uptick in our pricing in Q1 versus 2021. It does vary by segment. As I mentioned, Tax & Accounting, about 5%; Corporates, 3%; and Legal, 2.5%. Based on what we see right now over the course of the year, we see a slight uptick for the full year compared to last year. One factor there is the multiyear contracts that we talked about earlier in one of the questions. As we do implement some price increases for multiyear contracts, there'll certainly be a timing impact as to when that price is realized. I think those were the 2 questions on retention and pricing. And Steve may want to touch on the last one.

Kevin, you initially talked about the Change Program. If we largely look at the work streams that we started on the Change Program around 15 months ago, we're continuing to march on each of them. There are, and we pivot along the way as you would expect us to there. But we remain on track. And a lot of heavy lifting remaining for the year, but I think we'll be in a really good spot, Kevin, at the end of '22 on the Change Program.

Steve may want to add some comments.

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

Yes. Kevin, just to supplement, I think everything Mike said, with the Change Program, I'm sort of surprised at how correct our assumptions were going in. I don't say that with any arrogance. But when you design one of these programs, there's a lot you don't know and there's a lot of assumptions you have to make. And I give credit to Kirsty Roth and Andrew Pearce and many others for that sort of initial design work. But in each of the work streams, the sort of customer experience upgrade, the modernization of ops and tech and the sort of organ location we bought, all of those have changed to some degree and all of those have required problem solving and some pivots. Perhaps the biggest one has been the org design and location. I think we're staring at a very significantly more fluid and flexible working environment than we were when we launched the program through the pandemic.

There was an assumption that things would return to some version of what they were before, whereas I think as we sit here today, we realize that we're in a hybrid working environment that just won't resemble the 2019 work environment. We've got very significant -- we're providing our colleagues with much more flexibility in terms of where they -- from where they work and how they work together in service of our customers. And that affords us a company with flexibility in terms of investing in real estate and physical locations.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Kevin, the last point I would make with some of the sound like crates arm that we've joined and looking at our product development road maps and the timing of the releases and frequency thereof, to me, that's probably one of the positive factors that we have as we think about our product development road map over the next couple of years. So I think that's a key factor.

Operator

The next question is coming from Andrew Steinerman from JPMorgan.

Stephanie L. Yee - *JPMorgan Chase & Co, Research Division - Analyst*

This is Stephanie Yee sitting in for Andrew. Just a question on your public cloud migration. Can you give us an update there? Is it progressing on track? Is it accelerating? Just any color you can provide on that front?

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

Yes. Stephanie, it's ahead of track. So as you may remember, we got to about 33%, I think, by the end of last year, and that continues to accelerate. And we're looking at -- we're at about 50% or more now. We're looking to get 90% plus by the -- in the back end of 2023. So we're on track with that.

I think what it does is provide us a bit of flexibility as to whether to continue to invest in that and accelerate it further or to use some of that sort of progress that's a little ahead of where we thought we'd be to accelerate some other areas. And that's one of the areas that we'll solve for in the next few months. But we are very happy with the way that's going, and it is ahead of track. And I think it provides us with increased confidence that we can use it to support the rate of innovation, particularly for our top couple of dozen products.

Stephanie L. Yee - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. Okay. Great. And if I can just ask one more on Practical Law. Can you talk about the geography difference in terms of the traction you're gaining? So I think it had great adoption in the U.K. It was a little bit more nascent in the U.S. a few years ago. Have you seen most of the pickup in adoption being in the U.S.? Or can you just comment on kind of the geographic split in terms of the customer mix?

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

Yes. I mean when we bought the company, it was a predominantly, if not entirely, U.K.-based offering. So it was built on practical know-how of U.K. law. And one of the things that Thompson Reuters has been able to do is bring that to the United States and ramp it up very significantly. So we've done the same in other markets like Australia and so forth.

So I think a big -- it's an interesting proof point for us because it does suggest that we can take an acquired asset that's perhaps a bit constrained to a single market -- geographic market and we can really make -- create great great value by bringing it to other markets. I think the other example where we're well underway in doing that is HighQ, right, which we bought back in 2019. And one of the things -- that's also a U.K.-focused legal workflow software offering. And some of the biggest growth we've seen for HighQ have been with law firms and general counsels' offices here in the United States. So we've taken that and replicated it with HighQ as well.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Stephanie, I'd add one additional dimension. You asked specifically about geography and maturity and penetration there. Kind of a dual path there is the maturity level with law firms versus the general counsels that Steve just referenced. We have stronger growth right now with general counsels as there's additional opportunity to further the penetration there. So think of it as a dual access, Stephanie, geographic expansion, but also general counsel versus law firm.

Operator

And the next question is coming from Aravinda Galappatthige from Canaccord Genuity.

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

I wanted to ask you a little bit about SME exposure. I mean staying within the subject of some concerns around macro level slowdowns, I wanted to get a sense of how you're seeing sort of the traction in the SME space. And can you just update us or remind us about sort of the exposure you have to SME-level customers?

And then a quick follow-up. To the extent that you can discuss this on Westlaw Edge 2.0, very generally, how much of a step-up are we talking about in terms of the product? Obviously, that would sort of manifest itself in pricing and [ARPU] as well. But any kind of color you can provide on that front would be useful.

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

Yes. Aravinda, I'll start and, Michael, supplement here. So on SME, we have strong presence among small law firms, strong presence among small tax -- particularly small tax and accounting firms. We have, I think, modest but very promising presence amongst small to medium enterprises in the corporate sector. So you have to sort of differentiate as to where you're talking about the professional services firms and their size versus the corporates. We think the SME sector itself, and that's within corporates, is led by an executive called Brad Roe. Brad and his team are doing a good job, but it's a modest -- we have a modest starting point. We think there's lots of upside there. We're not overly exposed to that segment should have taken disproportionate hit hitting more difficult economic climate. I'm sure Michael will supplement that.

Just on Westlaw Edge, what we won't do today is to sort of go into any significant detail as to what that product is for sort of competitive reasons. But the sort of early testing we've done with customers is very, very promising and suggest that, that will sort of continue the trajectory that we and our customers have enjoyed in terms of Westlaw Edge 1.0 that 2.0 will be at least that sort of value add to customers and the experience they have with the product.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Aravinda, we plan to launch Westlaw Edge 2.0 in the second half of this year. At that time, Paul Fischer, president of Legal Professionals; David Wong, our Chief Product Officer, will do some external launches there with and will share more there. I think from a financial lens perspective, Westlaw Edge 1.0, we've been sharing consistently, has been generating about 100 basis points of organic growth for us very consistently over the last 4 years since we launched it in July of 2018. We fully assume and we have strong confidence that Westlaw Edge 2.0 will continue that. So the 6% organic growth that Legal has now achieved for 4 consecutive quarters, we believe, will continue for the full year '22 and into 2023. So we do not believe there will be any drop-off in Legal Professionals organic growth as we shift into Westlaw Edge 2.0.

Operator

The next question is from Toni Kaplan from Morgan Stanley.

Gregory Scott Parrish - *Morgan Stanley, Research Division - Research Associate*

This is Greg Parrish on for Toni. Congrats on the quarter. Wanted to ask about Government. It's been a strong growth driver for you for some time now. Can you talk about what's driving the strong growth, what you're expecting for the next few years and just maybe broadly about the sustainability of the growth?

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

Yes. Thanks, Greg. So Look, I think what sort of drives the growth and will sustain the growth is an extraordinarily -- extraordinary and enduring set of relationships with key government agencies. Steve Rubley and his team have been out in a long time and have a fantastic set of relationships that are bipartisan, that are enduring, and they're built on trust and they're built on delivery. So we think that, that sort of positioning and the growth trajectory are eminently sustainable.

The business today includes a number of things, including the CLEAR franchise, which is a unique data set and a unique franchise; Thompson Reuters Special services, TRSS, who a security-cleared set of analysts very, very talented set of analysts with a track record of highly impactful work; and of course, the Pondera acquisition that we made in 2020 amongst other things. We see real sort of growth and upside in all 3 of those. And in fact, we'd love to further invest in those businesses in the -- within the sort of rubric about Risk, Fraud & Compliance broader franchise, both apply that to government agencies and to the corporate sector.

The last part of it is our -- it was the acquisition of CaseLines, which is the automation of the activities of courts. And we see lots of promise and activity outside of the United States, in the court systems. We see some inside the United States, states like Arizona removed quite quickly. A number of other states court systems are sort of very much analog in their appearance today and are moving quite slowly toward a digital future. So we'll be there with them and for them when they're ready. But certainly, the progress we've seen in the U.K., in Canada and in places like South Africa has been more robust in the court systems.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Greg, I'll add 2 additional points. Westlaw is also a contributor to the Government growth. Steve Rubley and team have done a great job with penetration of Westlaw Edge in at the state and federal level.

And you specifically asked, Greg, about sustainability in the next few years. We have strong confidence there based on the visibility of current pipelines, product road maps, et cetera, at 9% organic growth for Government in Q1. We anticipate double-digit for the full year. And if you look into 2023, we would expect a similar 10%-type organic growth for Government, Greg.

Gregory Scott Parrish - *Morgan Stanley, Research Division - Research Associate*

Great. That's very helpful. And for my follow-up, I wanted to talk about cross-sell. I think, Mike, you talked about the 15% of your revenue being generated from cross-sell. This is maybe a year ago that you said that, I guess. Wondered -- maybe there's an update there. And then, I guess, broadly, where do you think that figure could get to over time? How big of a driver can it be? Does digital self-serve, can that sort of bring that number higher? And then if you can just talk about kind of how much that can contribute to organic growth.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Greg, about 15 months ago, I shared that roughly 15% of our gross sales activity driven by cross-sell activity. That's in the 20% range today, Greg, and we do see that continuing to rise. We've made additional investments in talent and tools and systems in regards to our commercial excellence, commercial policy area that will help fuel that.

A little early today, Greg, for me to give you a long-term view on what it could be. But I can safely say I see sustained increased opportunity as we move over the time horizon in each of our segments there.

You mentioned the digital self-serve. That will definitely help us with cross-sell activity, but also the work that we're doing with product, once again, with David Wong, Charlie Claxton on the design side. So I think as part of that product innovation, that's also an element of cross-sell that will definitely help us that, Greg.

Gregory Scott Parrish - *Morgan Stanley, Research Division - Research Associate*

Congrats again.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you, Greg.

Operator

And the next question is coming from Douglas Arthur from Huber Research.

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

Steve, a lot of your information services peers have lowered guidance for 2022. Arguably, your business mix is a lot more resilient, as shown by your guidance change. So I guess the question is, on the margin, what sort of -- if some softness in demand develop later in the year in Legal or Corporates, particularly, what sort of areas would you be tracking to see if there was any softness in demand? I assume that's mostly on the project side.

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

Yes. I mean you have (inaudible). It's worth remembering, 80% of our revenues are recurring. So I understand your question, but it is a very small portion of our business. And that's not to say we're not focused on winning every customer every day and increasing our retention, taking price where we can and fundamentally improving the customer experience to sort of drive better NPS and more receptivity to our innovation. We're focused on all those things. And I don't want to let the 80% recurring revenue sort of be a source of arrogance or complacency. It's not. So please don't take that from my answer. But this is a business that provides an enormous amount of forward visibility.

So I can't give you a good answer. I don't think there are particular areas that we look at and say that could be a problem. Reuters views, to the extent we're selling advertising, will involve -- will always involve a sort of a transactional nature to it and rise and fall as ad markets do. And print, of course, is in a long-term secular decline. And so we're always carefully monitoring sort of trajectory of that, and we see that being on a fairly manageable glide path at the moment.

Then our transactional revenue, yes, there's a degree of variability to it. We had some benefits from that in the first quarter. But you have to remember, I mean, these are -- although they are transactional, they're essential sort of services and software and content for our customers. So much of it is not optional. So that gives us some confidence as well.

Operator

And there are no further questions in the queue.

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

Okay. Great. Well, thanks, everyone, for their time. And we're around for follow-ups as needed. Have a nice day.

Operator

Thank you so much, everyone. That marks the end of your conference call for today. You may now disconnect. Thank you for joining, and enjoy the rest of your day.
