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Presentation

Operator

Good day, everyone, and welcome to the Thomson Reuters Q4 2023 Earnings Call. Today's conference is being recorded.

At this time, I'd like to turn the call over to Gary Bisbee. Please go ahead, sir.

Gary Elftman Bisbee  Thomson Reuters Corporation - Head of IR

Thank you, Jennifer. Good morning and thank you, everyone, for joining us today for our fourth quarter 2023 earnings call. I'm joined today by our CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will discuss 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 before currency as well as on an organic basis. We believe this provides the best basis to measure the underlying performance of the 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 to regulatory agencies. You may access these documents on our website or by contacting our Investor Relations department.

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

Thank you, Gary, and thanks to all of you for joining us today. 2023 was a year of continued progress at Thomson Reuters. So let me start by reviewing some of our key accomplishments.
Firstly, we delivered another year of good financial results, meeting or exceeding our key financial targets. Full year organic revenue grew 6% with the fourth quarter growing at 7%. The Big 3 segments also accelerated in Q4, growing 8% versus 7% for the full year. Despite lingering inflationary pressures and heavy investment, our full year adjusted EBITDA margin rose by 420 basis points to 39.3%. And we delivered $1.9 billion of free cash flow, slightly ahead of target.

Although the macroeconomic and geopolitical backdrop remains uncertain, we have many areas of strength in our portfolio. Westlaw Precision's strong performance continues. Our international businesses maintained their growth trajectory in the teens, and we have many other products delivering double-digit revenue growth, including Practical Law, Confirmation, SurePrep and HighQ.

2023 saw significant and important progress from an innovation perspective. The clear highlight was our efforts around generative AI, culminating in the November launch of the AI-assisted research capability within Westlaw Precision. But the progress is far broader than just Westlaw. We have integrated our new colleagues from the August acquisition of Casetext, launched CoCounsel Core to extend the reach of Casetext’s legal AI assistant offering, and we are working to deliver against a robust product road map that includes several key launches in the next few months.

Our capital capacity and liquidity remain a key asset that we are focused on deploying to create shareholder value, and we made strong progress on this during 2023. We monetized nearly $5.5 billion of our stake in LSEG and returned more than $3 billion to shareholders. Since the beginning of 2023, we have invested nearly $2.1 billion in 6 acquisitions, including our purchase of a majority stake in e-invoicing leader, Pagero. These acquisitions bolster key franchises and improve the quality and growth prospects of our portfolio.

Looking forward, our conviction around the medium-term growth potential for Thomson Reuters is rising. As we stated last quarter, we're accelerating investment in 2024 to take advantage of our potential, particularly around our generative AI offerings and recent acquisitions. As Mike will discuss in more detail, we are guiding for organic revenue growth of approximately 6% in 2024, and we're focused on driving acceleration from that level in 2025 and beyond. To that point, we're also introducing a financial framework for 2025 and 2026 in which we see organic revenue growth of 6.5% to 8%.

Now to the results for the quarter. Our fourth quarter organic revenues grew 7%, improving from 6% in recent quarters. Organic recurring and transactional revenue grew 7% and 16%, respectively, while print revenue declined modestly as expected. Reported revenue grew 3% with currency a slight drag in net divestitures having a 4% negative impact.

Adjusted EBITDA increased 12% to $707 million, reflecting a 300 basis point margin improvement to 38.9%. The margin expansion was driven by Change Program expenses in the prior year and high margin contribution from Reuters transactional revenue. Adjusted earnings per share grew 31% from the prior year period to $0.98.

Turning to the fourth quarter results by segment. The Big 3 businesses delivered 8% organic revenue growth, an all-time high and up from 7% in recent quarters. Legal organic revenue growth improved to 7% driven by continued Westlaw Precision momentum. Demand for our key offerings remains healthy, led by Westlaw, Practical Law, Casetext and strong performance in our international markets.

Customer interest in our AI-driven offerings and product road map remains extremely strong with several additional launches coming in the next few months. Corporates organic revenue growth was 7%, in line with the growth last quarter. Both recurring and transactional revenues grew 7%. Practical Law, Indirect Tax, CLEAR and our international regions remain key growth drivers. Tax & Accounting organic revenues grew 10%, driven by recurring and transactional growth of 10% and 14%, respectively.

Our Latin America operations, UltraTax and SurePrep each contributed meaningfully to growth. Reuters News organic revenues rose a robust 9%, driven primarily by generative AI-related content licensing revenue that was largely transactional in nature. Sluggish digital advertising and events growth continued amid uneven macro conditions and a change in the timing of events versus last year. And lastly, Global Print organic revenues met our expectations, declining to 4% year-over-year. In summary, we’re pleased with our results and the solid momentum in the business.

Full year organic revenues rose 6%. Reported revenue grew 3% with currency a slight negative impact and net divestitures a 3% drag. Adjusted EBITDA increased 15% to $2.7 billion with a 39.3% margin, up 420 basis points year-over-year. Revenue growth and having Change Program...
expenses in the prior year drove the margin gain. Adjusted earnings per share for the year was $3.51 compared to $2.62 per share in the prior year. And let me finish on the financials for the full year by noting we met or exceeded all of our 2023 guidance metrics.

Now I'll spend a few minutes discussing 2023 product highlights and progress executing on our M&A strategy. Product and innovation remains an important focus, and 2023 was a year of tremendous progress for our product and engineering organizations. The emergence of GPT-4, and advanced generative AI technologies, ushered in significant change for our product organization, which had to reprioritize on the fly, reimagine customer experiences and then quickly deliver TR-quality product innovations.

Our teams have moved with a speed and decisiveness never seen before at Thomson Reuters, and we're beginning to see tangible results from these efforts. The launch of the AI-assisted research capability within Westlaw Precision in November has gone well. Customer feedback remains positive, and fourth quarter sales set records for the Westlaw franchise. We have also made good progress with Casetext, including the launch of CoCounsel Core, a robust package of legal workflow tools offered through Casetext's legal AI assistant. 2023 also featured a broad range of expanded features, new capabilities and design enhancements across our portfolio, including several listed on the slide.

Looking into 2024, we're excited about our product road map, which includes a series of important launches and capability enhancements. This includes adding generative AI capabilities to Practical Law and Checkpoint and the launch of Practical Law Course Finder, and also an intelligent drafting solution delivered through Microsoft Word. We also plan to bring CoCounsel Core and Westlaw gen AI capabilities to several key international markets and add a number of new skills for the CoCounsel legal AI assistant. We look forward to highlighting a number of our product innovations at our upcoming Investor Day.

2023 was also an eventful year for Thomson Reuters from a capital allocation perspective. I'll leave the discussion of shareholder returns to Mike and focus here on our progress at putting capital to work through acquisitions. Since the beginning of 2023, we have invested nearly $2.1 billion in 6 acquisitions. Through these purchases, we've added important capabilities to each of the Big 3 segments, complemented -- we completed 2 strategic tuck-ins at Reuters News, and taken full control of Westlaw Japan after buying out our former joint venture partner.

A few summary thoughts. Casetext added critical capabilities and talent to accelerate our gen AI aspirations in Legal Professionals and over time, more broadly across the entire TR portfolio. SurePrep and Pagero have added leading-edge technology that complements existing capabilities and allow us for truly end-to-end workflow automation solutions for our Tax & Accounting and Corporates markets, respectively. At Reuters, we've added a compelling media asset management technology for our agency business through Imagen and subscription professional content focused on the insurance industry, both aligned with the growth strategy of this business unit.

These acquisitions been our focus on content-enabled technology, which is what we do best. They also continue our efforts to execute the TR acquisition playbook. This entails acquiring high-quality businesses, integrating them into TR's product suite, investing behind their growth and leveraging our extensive distribution and customer relationships to drive profitable, long-term growth. And while it remains early, integration efforts are off to a good start. Customer feedback has been strong, and we are retaining key talent at a very high rate.

When we consider these acquisitions in total, we've added approximately $200 million of revenue growing at strong double digits. This is slightly more than the revenue divested through the sale of a majority stake in Elite, which was not growing. As a result, our portfolio today is stronger, more strategically aligned with better growth prospects than it had 18 months ago.

Let me provide a bit more discussion of the Pagero acquisition. Note that we went into significant detail about Pagero on an investor call on January 19. So I'll just summarize a few points here.

First, the e-invoicing opportunity is significant, and we see strong growth continuing as planned implementation of digital tax regulations in more than 80 countries brings a wave of regulatory-driven demand growth. Second, Pagero is a market leader with what we believe are differentiated solutions. In addition to offering a single global platform, which is unique in the market, the company's modern technology and robust compliance capabilities are market-leading in our view.
Third, Pagero is a compelling product fit with Thomson Reuters. The combination of Pagero’s e-invoicing compliance offerings with our ONESOURCE Indirect Tax solutions should yield significant benefits for our customers, including enhanced compliance capabilities, better end-to-end workflow automation and global scale through a single trusted vendor.

And fourth, Pagero has an attractive financial model with strong long-term growth and profit potential. The company has a proven track record of double-digit revenue growth and is highly profitable in its scaled markets. We see a pathway to robust overall profitability in the next few years as its investment markets scale up.

And finally, our current ownership of Pagero is approximately 85%. Assuming we acquire 90% or higher ownership by the end of our tender offer period, we will look to undertake a squeeze-out process in order to take full ownership of the business. We’ll consolidate Pagero’s financials as of January 17, the day we achieved majority ownership of the company.

Mike, over to you.

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 fourth quarter revenue performance for our Big 3 segments.

Organic revenues improved sequentially from 7% in recent quarters to 8% in the fourth quarter, a new high watermark for the Big 3. Total revenue was 3%, excluding the impact of divestitures. Legal Professionals organic revenue grew 7% driven by continued Westlaw Precision momentum. Key drivers from a product perspective remain Westlaw, Practical Law, HighQ and our international businesses with Casetext also contributing. Government grew 7% in the quarter, while FindLaw was a modest headwind to the segment growth rate. We expect good momentum for Legal Professionals to continue into 2024.

Our Westlaw Precision AI-assisted research launch in November contributed to another strong quarter for Westlaw Precision sales. I am happy to announce Precision penetration continues to rise, hitting 26% as of December 31, which on a dollar basis is approximately 50% ahead of Edge.

In our Corporates segment, organic revenues again grew 7%, driven by 7% growth in both recurring and transactional revenue. Practical Law, CLEAR and our international businesses were key drivers. Tax & Accounting had another good quarter, growing 10% organically. Recurring and transactional revenue grew 10% and 14%, respectively. Latin America remains a key driver for our Tax & Accounting segment. Looking to 2024, we expect transactional revenue growth will continue to outpace recurring revenue as higher-growth products, including Confirmation and SurePrep, are transactional in nature.

Moving to Reuters News. Organic revenue increased 9% for the quarter, driven primarily by growth from generative AI content licensing revenue. We expect additional licensing revenue in the first quarter of 2024, which will likely drive at least mid-teens growth for the segment in Q1. The revenue from these agreements is largely transactional. Lastly, Global Print organic revenues declined 4%. This was in line with our expectations. On a consolidated basis, fourth quarter organic revenues grew by 7%.

Turning to our profitability. Adjusted EBITDA for the Big 3 segments was $624 million, 1% better than the prior year period with a 43.1% margin declining 80 basis points. The year-over-year decline results from timing normalization of certain expenses, select growth investments and productivity initiatives as well as dilution from 2023 M&A.

Moving to Reuters News. Adjusted EBITDA was $61 million, up $21 million from the prior year period with a margin of 27.9%. The AI content licensing agreement I mentioned earlier contributed meaningfully to profit growth, adding approximately 6.5% to Reuters segment margin in the quarter.

Global Print’s adjusted EBITDA was $55 million with a margin of 36.4%, an increase of 30 basis points. Excluding foreign exchange impacts, segment margins would have eased lower. In aggregate, total company adjusted EBITDA was $707 million, a 12% increase versus Q4 2022. The combination
of Reuters AI revenue and a slight favorability in some of our expenses, contributed to a better-than-expected adjusted EBITDA margin for the fourth quarter.

Turning to earnings per share. Fourth quarter adjusted EPS was $0.98, up from $0.75 in the prior year period. Higher adjusted EBITDA, a lower share count and lower interest expense drove the year-over-year growth. Currency had a $0.02 favorable impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the full year. Reported free cash flow was $1.87 billion, up 40% from $1.34 billion 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 upwards, the cash inflow from discontinued operations was $14 million, which is an $81 million improvement from the prior year period. Also in the 12 months, we made $90 million of Change Program payments as compared to $324 million in the prior year period. If you adjust for these items, comparable free cash flow from continuing operations was $1.94 billion, $216 million higher than the prior year period, primarily due to higher EBITDA.

I will now provide an update on our capital structure and several capital allocation items. As you can see, our capital structure and liquidity position remained quite strong as we exited 2023. We had $1.3 billion of cash on hand at December 31. We have an undrawn $2 billion revolving credit facility, and we also have approximately $1.9 billion of availability on our $2 billion commercial paper program.

Our December 31 leverage ratio was 0.8x, below our 2.5x internal target, as noted in our value-creation model. We will use approximately $800 million of cash on hand to fund the Pagero acquisition, leaving our leverage ratio well below our target.

Next, I will provide several updates on our London Stock Exchange Group holding. In 2023, we sold 56 million shares for nearly $5.5 billion of gross proceeds. Of the remaining 16 million shares we own, 2.6 million could be sold through exercise of the call options we sold in September, and we have 6.1 million additional shares that are eligible for sale in 2024. Our tax basis on the remaining 16 million shares is approximately $650 million. For your math, we would assume a 25% capital gains tax rate on gains above $650 million. Lastly, the value of foreign exchange hedges held against our LSEG stake were $26 million as of December 31. We currently have approximately 86% of our remaining LSEG position hedged.

From a liquidity and capital structure standpoint, we remain in an enviable position with below-target leverage and strong cash flow, bolstered by proceeds from the monetization of our LSEG stake. We remain focused on value creation, and we expect to continue with our balanced capital allocation approach that includes annual dividend growth, strategic M&A and capital returns. We have ample capacity to pursue all 3 of these strategies in 2024 and beyond.

Steve touched on our approach to M&A and recent Pagero acquisition, so I will focus on the 2 other key components of our balanced capital allocation approach. We are progressing with the $1 billion NCIB or share buyback we announced last November, having repurchased approximately $500 million worth of our shares as of the end of January. We anticipate completing the program in the second quarter.

And finally today, we announced a 10% increase in our annual dividend to $2.16 per share, up $0.20 from $1.96 in 2023. This marks the 31st consecutive year of annual dividend increases for the company and the third consecutive 10% increase. The increase will be effective with our Q1 dividend payable next month.

Let me conclude with a discussion of our 2024 outlook and a financial framework for our expectations in 2025 and 2026. Starting with 2024, we forecast organic revenue growth of approximately 6%. We see total revenue growth approximately 6.5%, slightly outpacing the organic growth rate due to the benefit from recent M&A, net of the Elite divestiture. We see the Big 3 segments growing revenue by approximately 7.5%, continuing the strong trend of modest acceleration we have seen in recent years.

One point to note on the revenue outlook. It is negatively impacted by accounting for the hyperinflationary environment in Argentina, which dilutes our organic revenue growth calculation by approximately 40 basis points. Absent this impact, our outlook would call for modest organic revenue growth acceleration in 2024, driven by underlying improvement from all gen AI initiatives and acquisitions. M&A is expected to contribute approximately 50 basis points to our 2024 growth.
We are forecasting a 2024 adjusted EBITDA margin of approximately 38%, down from 39.3% in 2023. Our M&A activity since mid-2023 is expected to be roughly 120 basis points dilutive to 2024 margins, which includes 35 basis points of integration expenses that we expect to fall off within 24 months. As we previewed last quarter, we are choosing to reinvest our underlying operating leverage in 2024 into accelerated organic investments, particularly in the generative AI area. We do not take this decision lightly, but we see significant opportunity through these investments to expand our medium- to longer-term growth profile.

As I mentioned last quarter, we expect our effective tax rate to rise in 2024 driven primarily by the implementation of OECD global minimum tax regulations across several key markets. We now expect an effective tax rate of approximately 18% this year, up from 16.5% in 2023 but below our initial expectation for 19% discussed last quarter.

Moving to capital intensity. We see 2024 accrued CapEx as a percent of revenue of approximately 8.5%. This is broadly a continuation of the level for 2023 with a slight increase related to Pagero. This level of spend includes incremental investments in M&A-related integration and more broadly in product development, including in support of our generative AI product road map. We forecast 2024 free cash flow of approximately $1.8 billion. This includes an expected increase in cash taxes of roughly $90 million, higher year-over-year CapEx of approximately $90 million and lower dividends from our LSEG stake resulting from the 2023 monetizations. For the CapEx increase, note that approximately 2/3 of the increase results from integration costs and growth investments in Casetext and Pagero.

Let me call out one other modeling note for 2024. We expect to transition approximately $20 million of revenue from our Global Print business into our Legal Professionals segment in 2024. This content has been added to Westlaw, which we believe will provide customers with a richer experience. We see this transition aiding our Legal Professionals segment organic revenue growth by approximately 80 basis points and reducing the growth rate of our Global Print segment by approximately 400 basis points. This transition is expected to be substantially complete by the end of 2024.

Turning to the first quarter. We expect organic revenue growth to be approximately 8%, boosted by the expectation for additional AI licensing revenue at Reuters. We see our first quarter adjusted EBITDA margin at approximately 40%, benefiting from normal seasonal strength from our Tax & Accounting Professionals segment and the Reuters licensing revenue, partially offset by M&A dilution and select growth investments.

Looking beyond 2024, we are focused on delivering further revenue growth acceleration and a return to margin expansion. For the 2025 to 2026 period, we forecast an organic revenue growth range of 6.5% to 8% driven by 8% to 9% for the Big 3 segments. We will work to deliver acceleration within this range over the next few years as our gen AI investments pay off and recent M&A scales.

For margins, we anticipate delivering 75 basis points of expansion in 2025, followed by at least 50 basis points annually thereafter. I would note this is an organic outlook and could be impacted by future M&A. We expect our capital intensity to remain at approximately 8%, relatively stable with the recent trend, after some of our acquisition integration spending moderates. We expect our free cash flow to remain robust over the next several years, growing to a range of $2 billion to $2.1 billion in 2026. This assumes some further increase in our effective and cash tax rates beyond 2024, stable capital spending and rising margins.

We are also providing medium-term targets for several capital strategy-based metrics. This includes maintaining our 2.5x leverage target and a dividend payout ratio of 50% to 60% of free cash flow. We would expect our returns to continue to rise on an organic basis. We look forward to providing more detail around the drivers of this outlook at our planned Investor Day on March 12 in New York City.

With that, I will hand it back to Gary for questions.

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Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Thank you, Jennifer, we're ready to begin the Q&A.
QUESTIONS AND ANSWERS

Operator
(Operator Instructions) And we'll go first to Scott Fletcher from CIBC.

Scott Fletcher - CIBC Capital Markets, Research Division - Research Analyst

Mike, I appreciate you just mentioned that you'll share some of the drivers at the Investor Day, but I'm wondering if you could -- just looking at the 2025 and 2026 acceleration in organic growth, particularly in the Big 3, could you sort of give us an idea of which segments specifically are going to be driving that acceleration? Is it mostly Legal given that gen AI rollout is first there? Or any color there would be helpful.

Michael Eastwood - Thomson Reuters Corporation - CFO

Sure, Scott. Thanks for the question. We see growth acceleration across all the Big 3 segments over the time horizon, '25 to '26. Certainly, to your point, within Legal with gen AI and the road map that we started there, Westlaw Precision with the CoCounsel Core, the as Practical Law AI and the Practical Law Course Finder certainly, Legal has a head start there on the gen AI road map. But just given the opportunities across the horizon, Scott, to achieve that 6.5% to 8% organic growth, we see acceleration across all 3 segments.

And I think, Scott, just as a reminder, if you think about that acceleration to 6.5% to 8%, the product road map, the investments we made in '23, the investments in '24, but also the recent acquisitions in the last 13 months with SurePrep, Tax & Accounting, Casetext and Legal and then Pagero within Corporates with the invoicing and Indirect Tax, given that those acquisitions cross the Big 3 segments, that's what gives us the additional confidence that we'll see acceleration across the Big 3, Scott.

Scott Fletcher - CIBC Capital Markets, Research Division - Research Analyst

Okay. And then as a follow-up, if we're thinking about that in the Big 3, 8% to 9% organic growth in '25 and '26, is that something you see as sustainable at those levels? Or is that a function somewhat of the price increases rolling out over the contract lengths given you've got sort of 3-year terms that would take you into 2026?

Michael Eastwood - Thomson Reuters Corporation - CFO

Certainly, as we get into that '25-'26 time horizon, the 8% to 9% for the Big 3 will be sustainable. Price increase is certainly a component of that, Scott. I think I shared in the November earnings call, on a weighted average basis, about $0.035 on the composite, which was up about 30 to 40 basis points versus calendar year '22. The multiyear contracts that you mentioned certainly play a factor into the time of when we increase our prices, but roughly 3.5% for 2023, Scott, on the prices.

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

Just to -- Scott, it's Steve. Just to add to that, I think the confidence around the sustainability of that elevated growth comes from both our organic investments and inorganic. So on the organic front, what we're starting to see, and it is very early days, is an expanded role in serving the professionals that are in our customer bases. And we think that that's going to make us an even more relevant and larger part of their working lives.

And then on the inorganic, I made reference in my remarks to the portfolio shift to some higher-growth assets and businesses. So it's really the combination of those 2 things that gives us confidence around the sustainability of those higher growth rates going forward.
Michael Eastwood - Thomson Reuters Corporation - CFO

Scott, I might be anticipating questions from you or others. Just a reminder, within the gen AI revenue, I think Gary, Steve and I plan to provide additional metrics as we progress during '24 on that. But the revenue will certainly lag the sales of gen AI, which we anticipate revenue from the gen AI beginning to pick up more in the second half '24, and that goes into 2025, if helpful.

Operator

We'll go next to Drew McReynolds from RBC.

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

Can you hear me?

Michael Eastwood - Thomson Reuters Corporation - CFO

Very well, Drew.

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

Okay. Super. My question is just around the competitive landscape, specifically either new entrants or your peers that are also deploying gen AI. Just would love to get an update on kind of what your assessment of that would be just given the pace of change and everybody kind of launching their own gen AI versions of different products.

And then maybe a follow-up to that. Steve, in the past, you've talked a little bit about the end markets that you serve and the transition or transformation that inevitably will be taking place at law firms and tax and accounting firms. What have you seen to date? And presumably not a lot. But if not, when do you think those end markets begin to accelerate their pace of transition?

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

Yes. Thanks, Drew. Great questions. So with regard to the competitive landscape, I think we're seeing -- I'm sure you're seeing sort of the flurry of announcements of new entrants of some of our traditional competitors making moves. I can only really comment on the conversations that I have and my colleagues have with our customers, be they existing customers or new prospects. And the feedback we're getting on our both launches to date and our product road map is extremely positive and growing.

And I think that's based on a couple of different things, particularly for those customers who had a chance to really kick the tires on our offerings and test the accuracy and incremental value of our offerings relative to some of the competitors. Our repositories of content are deeper and broader than anyone else in the industries that we serve, particularly in legal. And that is being recognized as a key value component in any gen AI-driven solution.

Secondly, we enjoy but don't take for granted very deep and broad customer relationships, and they're trust-based customer relationships. So in terms of doing it right and predicting client proprietary information and all the sort of data privacy rules that will inevitably come as gen AI evolves, there's a level of trust in TR's plans and exhibition -- and execution, I should say.

And then thirdly, talent. We've -- as you know, we've put a lot of effort into making sure that we have the best product and engineering and labs teams. And we're just starting to scratch the surface in terms of the results of that. So those 3 things give us a lot of confidence coming out of 2023 into 2024.
But I would also say it's early days. I think this sort of gen AI-driven transformation will be a multiyear journey, and we're certainly not going to rest on our laurels based on what we've been able to achieve in the early going. And that sort of, I think, leads to the second part of the question.

The good news is, as we as we explore with our customers, the role of Thomson Reuters content-driven technology in their work lives, we just see that role expanding, as I said, in response to Scott's question. And we see a world in which a customer in a year or two's time, perhaps longer, perhaps shorter, says, well, that was Thomson Reuters, who I traditionally -- my Chief Knowledge Officer or my librarian leaned on for many, many years to provide great content. And now I'm really running my practice, I'm running my business, I'm running my department on their content-driven technology. We see a fairly clear line to that expanded role.

But your point about adoption, we also see -- as that role expands, we see a greater need for change management at the customer site. And some customers are expecting us to be very much front and center to that change management program, and others are keen to sort of navigate a lot of that themselves.

I think it's early days, Drew, in terms of that -- their scoping out of that change management and figuring out what it looks like and what resources will be required over what period of time, but we'll certainly be shoulder to shoulder with them as they figure that out.

Operator

We'll go next to Kevin McVeigh from UBS.

Kevin Damien McVeigh - UBS Investment Bank, Research Division - Analyst

It's Kevin McVeigh from UBS. I just want to start and just -- I typically don't do this, but just congratulate the execution you folks have had because it's been a major transformation in the business, and it's really gone flawlessly. So I just -- I wanted to call that out because I think it's really important.

I don't know if this is for Steve or Mike, but when you think about those medium-term targets kind of going from 6% to 6.5% to 8%, is there any way to think about -- build that up a little bit, how much of that is retention versus pricing? And then you've done a lot of high-growth acquisitions that are in the base now, maybe how that contributes. Because it feels like a first step to me as opposed to a ceiling, if you would. But maybe can we start there?

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

Yes. Can I just -- I'll just make a comment on -- or reaction to Kevin, to your questions and then turn it over to Mike. So thanks for your points about execution, Kevin. We're proud but I hope not arrogant about what we've been able to -- the work we've been able to get through. We were very deliberate back in -- way back in 2020 in saying we're going to go through this Change Program. And in doing so, we'll make a 2-part pivot: first, from portfolio operating; and the second from holding to -- sorry, from holding company to portfolio -- to operating company and then from content to content-driven technology. And we're -- we've achieved a lot in getting through that.

Kudos to Kirsty Roth and Jason Skava, to Marasco San Mahata and a legion of others who have really driven a lot of that hard work and executed along the way. And as a group, I think we've learned a lot and we're getting stronger and stronger.

As it pertains to some of the key metrics that we're very focused on, like Net Promoter Score and net recurring revenue, the sort of broader set of customer success metrics, we're just getting started. I think there's sort of an appropriate level of modesty as to how much progress we've made and how much upside there is for our Big 3 segments should we be able to accelerate and build more momentum.

Over to you, Mike.
Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Kevin, you touched on the key building blocks. I would just emphasize retention, price, M&A and new product. In regards to retention as I’ve shared in prior calls, we’re roughly 91% of revenue. That’s based on -- I’m sorry, retention. That’s based on revenue of total TR. That significantly varies between small customers, midsized customers and large customers, with our largest customers having the largest -- or the highest retention rate.

I would anticipate pricing being relatively stable over the time horizon. If you look at the recent acquisitions in the last 13 months, SurePrep, Casetext and Pagero, certainly, they are a key component of that acceleration as we go into '25 and '26. I would just call out Dave Wyle, who is the co-Founder, leader, CEO of SurePrep. We’re into 14 months now with Dave and incredibly pleased and proud of Dave and the team being part of TR. Then we go to Casetext with Jake Heller and his team. We have 5, 6 months into a great progress there, and then most recently with Pagero. So as we do that Walker build to 6.5% to 8%, those recent acquisitions are certainly key factors.

And then we go to the fourth vector with the new products. We’re quite confident, probably more confident than my tenure at TR and our product road map. We’ve talked a hell of a lot about Legal and Emily Colbert, Mike Dane, Jake Heller, done a great job and others with the product road maps for Legal. But then if you think about Tax & Accounting Professionals, already double digit with Purita and team, leading the product road maps there and in Corporates with Ray Grove and IDT. I think that gives us just the confidence.

If you think about those 4 main levers of retention price, acquisition and new product, it is the combination of those 4, Kevin, that gives us the confidence to achieve that 6.5% to 8%. The one that we will provide you with more visibility on as we progress during 2024 is our gen AI as that evolves and really builds up a lot of momentum, a lot of confidence there, but we’ll provide additional quantitative information on gen AI evolution during the course of '24.

Operator

We'll go next to Tim Casey with BMO.

Tim Casey - BMO Capital Markets Equity Research - Telecom, Media & Cable Analyst

Can you talk a little bit about your international aspiration? It seems there's more commentary on expanding into international markets on this call. I don't know if I'm overthinking that. But in the past, you've -- I think the strategy has been to grow with your multinational corporates internationally. And now it seems some of the product sets, and certainly Pagero, have a more international footprint. Any thoughts there would be helpful.

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

Yes. Thanks, Tim. We -- as you've seen over a number of years now, our international assets are a source of pride in so far as they've been growing in the mid-teens, certainly Latin America higher than that and AEM a little bit lower. And this reflects the focus of [Adrian Fanini] in Latin America and Jackie Rhodes in AEM, where the customers can be basing here in Canada (inaudible) Europe the same.

So while today, it's around about 20% of our revenues in international. So it's a relatively modest part of the overall. We do see higher growth prospects in those markets. And that really comes from, to say, the opportunity in Corporates to better serve corporations across the world with our legal and our Tax & Risk solutions.

Pagero is an asset that's heavily focused in the international markets on e-invoicing space. So we see lots of potential, really that as a core driver. And of course, Casetext with its CoCounsel product, that is perhaps not constrained in the same way that traditional research products have been to common law markets and sort of cash flow-precedent market. The CoCounsel skills are just as relevant civil war markets as they are anywhere...
else. So really on the back of those and the continued performance of the Dominio assets in Brazil, the acquisition of Westlaw Japan, we're increasingly bullish about what we can do in international markets.

And I would add one other thing, which is the higher those growth prospects become and the more sort of organic and inorganic opportunities we see, I think the more exciting career paths that provides to many of our talented folks who want to spend time in markets and some of the international talent who want to spend time in North America. And certainly, Mary Alison and her team have been very focused on creating those pathways for our people.

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Tim, I would say there are 2 points. Our Latin America revenue has doubled in the last 3-year period driven by Dominio. And at our March 12 Investor Day, McKean, we have a section dedicated to international businesses and international growth aspirations.

Operator

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

Keen Fai Tong - Goldman Sachs Group, Inc., Research Division - Research Analyst

You're guiding to organic revenue growth of 8% to 9% for the Big 3 in '25 and '26, which would be a nice acceleration from [sentiment] and a half this year. Can you provide additional details at the segment level on where most of that growth acceleration should come from?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. George, I think we covered quite a bit of that in the earlier comments. I'll just reemphasize those points. Also during the Investor Day, we will have each of our segment presidents presenting on each of their businesses. And consistent with what we did at the March 2021 Investor Day, whereby we provided organic growth ranges for each of the Big 3 segments, we will once again provide that on March 12 for '25-'26 for each of the Big 3. The core points that we mentioned earlier is our product road map. Significant investments in '23, even more investments in 2024 across the Big 3 segments. So new product introductions, features, capabilities, including gen AI across the Big 3.

And then the second big vector, George, is the M&A; SurePrep in Tax & Accounting; Casetext in Legal; and then Pagero within the Corporates, specifically e-invoicing Indirect Tax. So the product pipelines and the M&A, big contributors to our growth profile for '25 and '26. Also back to Kevin's question earlier, retention will certainly play a factor as we expand or increase our retention rates going into '25-'26.

Keen Fai Tong - Goldman Sachs Group, Inc., Research Division - Research Analyst

Got it. That's helpful. And then sort of a similar question but around margins. As you look out to 2025-’26, how would you rank order the margin expansion opportunity across Big 3? And do you see any reason why structurally, long-term margin should be different across the Big 3 segments?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. We will see some margin expansion across each of our Big 3 segments by the time we reach '25 and '26. I think over the long term, we will continue to see some deltas or differences between margin across the three. Specifically within Legal Professionals, we have Westlaw. Westlaw is about $1.8 billion for total TR, of that about $1.5 billion is within Legal Professionals. So that provides a significant amount of scale if you look at Legal Professionals, which is circa $2.9 billion to $3 billion of current revenue. So I think we – if you look over the long-term time horizon, we'll
continue to see a delta between Legal Professionals & Corporates and also TAP and Corporates. You'll see Legal and TAP with the higher margins long term there.

Operator
We'll go next to Heather Balsky from Bank of America.

Wahid Nuhash Amin - BofA Securities, Research Division - Research Analyst

It's Wahid Amin on for Heather. Just wanted to talk more about your M&A. You guys have been pretty aggressive in the last year. So can you just talk about your M&A platform moving forward? And is the strategy still the same as growth for higher-growth companies are going after gen AI-based companies? Or have you exhausted that already?

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

Yes. Thanks, Wahid. So look, as I remarked, we spent about $2.1 billion over the last 12 or 18 months on half a dozen acquisitions. And they've really sort of met or exceeded our criteria. And we think that criteria is pretty rigorous and robust. So starting with additive to the customer experience, predominantly in the Big 3, but we've also seen a couple of tuck-ins in Reuters, firstly.

Secondly, bringing -- not bringing tech debt. So we have a lot of work to clean up our tech debt through the Change Program. We don't plan to add to it. Thirdly, and I think equally importantly, the ability to take a product which is valued highly valued by our customers and prospective customers and really leverage our distribution and our customer relationships to accelerate this growth rate. And that's been a playbook that served Thomson Reuters well, way back to Practical Law -- Westlaw and Practical Law, and certainly been the case with SurePrep. We're optimistic about the likes of Pagero and Casetext against that playbook as well.

We also look at the culture of the acquired businesses. And it's not to say that we're not looking to diversify our culture and inject new aspects to it. But we want to make sure that the incentives are right, and that the new team will gel with our existing folks. And that's certainly been the case with these recent acquisitions to date.

And then last but not least, we want to make sure that there's value creation for our shareholders, not just the selling shareholders. So those deals have very much been against that playbook. And we have a pipeline that we sort of continually clinician and refresh. That's very consistent with that. Some of those potential acquisitions are gen AI-based, but not all of them. But what we do try to make sure is that we're not going to acquire businesses that will be significantly disrupted by AI.

So for example, if we look at content assets, we want to make sure that it's content that has a relevant and robust valuable role in a large language model environment, not vice versa. So I would say you'll see more of the same over the next year or 2, very -- sort of very much consistent with that playbook, some of which directly leveraging gen AI and some we think will have value in that environment over time.

Operator
We'll go next to Manav Patnaik from Barclays.

Manav Shiv Patnaik - Barclays Bank PLC, Research Division - MD, Business & Information Services Equity Research Analyst.

I think we've asked the question on acquisitions a lot, but I just wanted to revisit kind of the portfolio that you saw today. You've done a bunch of divestitures the last 2 years. Just should we be thinking of more coming down the road? I think you might have considered print at some point. So just wanted to address that topic.
Stephen John Hasker - Thomson Reuters Corporation - President, CEO & Director

Yes. Nothing imminent, nothing to announce today, Manav. But look, as you've seen, we're pretty rigorous in sort of going through the portfolio on an ongoing basis and making sure that each of the franchises they're in plays a key role in serving our customers and that the returns on any investment are the best they can possibly be relative to the alternative. So again, nothing to announce today, Manav. But it is an ongoing effort and I think it always will be, to be candid.

Manav Shiv Patnaik - Barclays Bank PLC, Research Division - MD, Business & Information Services Equity Research Analyst.

Got it. And then I apologize if I missed this, but just on the topic of gen AI, just trying to appreciate the feed off between the expenses or the investments versus the growth benefit, I guess, that you're embedding in your '25-'26 guidance. I think you said you'd spend like $100 million a year on gen AI or something like that. Is that still the case? And is the right way to think about it that you've made some of the big investments, acquisitions this year. And so now any growth will just help you leverage to the bottom line, and hence your guidance?

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

Yes. So you're right, with regard to the $100 million investment in '23. We plan to continue about that intensity. We will constantly sort of revisit whether that's the right number and whether we're getting adequate and exciting returns from that. A couple of things, though, and I don't have the split. But it's worth noting that, that pertains to a couple of different things. One is the development of a gen AI platform. So Sean Maharani and his team and Joe Herron have built a gen AI platform that serves, firstly, Westlaw Precision, our research memo; but also the other Legal products, and can and will be extended into other parts of the business, including Reuters News. And so there's a level of sort of common and shared capabilities. It's not discrete products.

And then, of course, there are the investments required in developing and launching the specific applications like Westlaw AI research memory like Practical Law Course Finder and so forth, some of the things I mentioned. So there's 2 of those things. And the investment in the platform side of things is probably a little heavier in the early going, and then lightens up as we start to start to leverage that across more and more product launches.

Operator

We'll go next to Maher Yaghi from Scotiabank.

Maher Yaghi - Scotiabank Global Banking and Markets, Research Division - MD of Telecom & Media Analyst

I wanted to go back to one of the slides at the end of your presentation talking about your expected debt leverage over the medium term. You're focusing on 2.5. That's like -- to get there, it's about $4 billion of additional acquisitions. So my question is when we think about return on invested capital for Thomson, how should we think about the movement on that metric as you undertake these kind of significant acquisitions over the medium term?

And a follow-up question on organic growth for '25-'26. How much of the acceleration in organic growth is coming from adding on these companies that you have been buying recently, like Casetext and Pagero, versus your existing portfolio seeing acceleration in its revenue growth itself?
Michael Eastwood - Thomson Reuters Corporation - CFO

Break those down in regards to your questions there. I think you're referring to Page 29 and of the presentation. And first, the net debt leverage 2.5x over the long run, those of you who have followed us for many years, we've consistently provided our value-creation model, which reflects that we're currently below 1x.

To your point, Maher, we have significant flexibility, significant optionality. And to Steve's point on his discussions today on M&A, given the opportunities that we see with the pipeline, we have a lot of flexibility. So not much more I can say there that we're going to be very, very prudent in deploying our capital given that we are roughly at 1x today, and 2.5x is our internal target. Our bank covenants provide up to 4.5x, a lot of flexibility.

On ROIC, additional focus on that in recent years. Certainly, as we make acquisitions, might there be times where you have some ebb and flows given the impact of M&A on the ROIC. But I think over the long run, focusing on 2x (inaudible), we feel very comfortable on achieving recognizing that acquisitions can have some near-term impact on that.

Your third question on organic growth for '25-'26. I'll refer back to Kevin's question earlier today. I think '25-'26 revenue growth acceleration, the 4 vectors I mentioned earlier: tension; pricing; the product roadmap; and then the M&A. You mentioned the M&A specifically in your question. I stated in my prepared remarks about 50 basis points of contribution in calendar year '24. If you look at '25-'26, there will be additional contribution from the M&A.

Operator

We'll go next to Doug Arthur from Huber Research.

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

Mike, can you hear me?

Michael Eastwood - Thomson Reuters Corporation - CFO

Very well, Doug.

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

Just quickly on your margin guidance specifically for 2024. I mean you -- company has been notably conservative in their guidance that far out. What do you see as sort of the main puts and takes? I know you went through the investment emphasis. But where could you be conservative in that margin guide, I guess, is my question.

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. The approximately 38% is our best lens, Doug, as of today. I'd just emphasize two points. One, as stated in the prepared remarks, the M&A that we've done recently will dilute our margin by about 120 basis points in calendar year '24. The other point, Doug, I mentioned during the November earnings call, about 75 basis points is the operating leverage contribution for us. If you assume 6% organic growth, 4% increase in our fixed costs, which are 65% and then variable costs flow through, that yields about 75%. So given the M&A dilution of 120 basis points and we're reinvesting the operating leverage, that gets us to that approximately 38%. And if there's any variation there, too, Doug during the course of the year, Doug, we'll keep you posted. But that's our best transparent lens today given those 2 key items.
Douglas Middleton Arthur - Huber Research Partners, LLC - MD & Research Analyst

No, it makes sense. Interesting framework.

Operator

We'll go to Sami Kassab from BNP Paribas.

Sami Kassab - BNP Paribas Exane, Research Division - Media Research Director, Co-Head of the European Media Team & Analyst of Media

Can you hear me?

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

Yes, Sami.

Sami Kassab - BNP Paribas Exane, Research Division - Media Research Director, Co-Head of the European Media Team & Analyst of Media

We talked a lot about the gen AI contribution to the time. But can you help us understand the cost efficiencies that this technology may help the company achieve in the next 2 or 3 years and perhaps highlight a few initiatives you have ongoing to deploy gen AI internally?

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

Yes. It's great question, Sami. Thank you. So Kirsty Roth and (inaudible) are spearheading an effort to look end-to-end at our core operations and our functions to figure out where we can successfully apply generative AI tools. In some cases, with our Legal department under Norie Campbell's leadership, it will be the internal applications of our own tools. Whereas within the engineering and content and editorial areas, it will be some of the off-the-shelf tools that we're all starting to read about and understand.

We're not here to quantify what the sort of financial impact of that will be today. But we're pretty excited about the ability to improve employee sentiment, improve the sort of underlying productivity of the various parts of our company and the team as a whole. And ultimately, see some interesting financial benefits. But I think it's too early, Sami, for us to put a stake in the ground. But as we all -- under Mike's leadership, we'll be very focused on ensuring that any investments we make in applying those tools across the company, there's an attractive return for our shareholders.

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Great. Thank you. Jennifer, we'll leave it there.

Operator

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