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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Thomson Reuters third quarter earnings conference call. (Operator Instructions) And as a reminder your conference is being recorded.

I would now like to turn the conference over to your host, Frank Golden, Head of Investor Relations. Please go ahead.

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

Good morning, and thank you for joining us today for our third quarter earnings call. This morning, I'm joined by our CEO, Steve Hasker; and our CFO, Mike Eastwood, each of whom will report our results and will take your questions following our presentation. They will also set up our outlook of the balance of the year. (Operator Instructions)

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

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

Now I'll pass to our CEO, Steve Hasker.

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

Thank you, Frank, and thanks to all of you for joining us today. We're very pleased to report our markets and businesses continue to prove resilient in the face of a challenging broader macro environment. Our third quarter results were above our expectations across the group from the top line to the bottom line.

Our customers are adapting to a new cadence in this environment, and we continue to adapt and support them in their evolving ways of working, and this partly explains our strong performance.

In the third quarter, we exceeded each of the revenue guidance metrics we previously provided. Revenues on a consolidated basis and for the Big 3 were well above our outlook. Total company recurring revenues and transaction revenues each increased 4% organically. And the Big 3 businesses, Legal, Corporates and Tax & Accounting, posted solid organic revenue growth of nearly 5%. Based on our performance for the first 9 months of the year, we have increasing confidence as we look for the balance of the year and 2021.

Let me now turn to the results for the third quarter. Reported revenues were up 2%. Organic revenues were up 2.5%, and revenues at constant currency were up 3%. Adjusted EBITDA increased 42% to $491 million, reflecting a margin of 34%.

Strong revenue growth, the effective implementation of cost-saving measures we began at the end of the first quarter in response to COVID-19 and not having incurred onetime costs in Q3, as was the case in the prior year period, all contributed to strong EBITDA growth. This strong performance resulted in adjusted earnings per share of $0.39 versus $0.27 per share in the third quarter of last year.

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

Steve, I'm going to interrupt you for a moment if I could and ask if we can dial back in because I'm being told we're getting a very bad echo.

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

Okay. So if you could just bear with me for one moment.

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

We apologize, but we're going to dial back in because evidently, there's a very bad echo that we understand people are receiving. So bear with us for a moment.

Operator

I believe we have it handled.

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

You have it handled?

Operator

Yes.

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

Okay. Very good. We'll go back and have Steve start over again.

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

Thank you. We're very pleased to report our markets and businesses continue to prove resilient in the face of a challenging broader macro environment. Our third quarter results were above our expectations across the group from the top line to the bottom line. Our customers are adapting to a new cadence in this environment, and we continue to adapt and support them in their evolving ways of working, and this partly explains our strong performance.

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Turning to the segments. As I mentioned, the Big 3 businesses achieved organic revenue growth of 5%. Legal had a terrific quarter, with revenues up 4% before currency and organic revenues up 3%. Legal also achieved its strongest net sales quarter since Q2 2016. And Legal recurring revenues, which are 93% of its total revenues, increased 4% organically.

Westlaw Edge continues to drive strong year-to-date sales growth and ended the quarter at a 46% ACV penetration level. We expect to achieve a penetration rate of between 50% and 55% by year-end. Edge has now been adopted by all U.S. federal government courts and 39 state courts.

In Practical Law, our legal solutions offering that provides comprehensive insights and answers to attorneys' how do I questions, is having another good year with strong sales and double-digit revenue growth. It's the perfect solution for the work-from-home environment.

Our Government business, which is managed within our Legal segment, continues to exceed expectations and grew 9% organically in the third quarter. We forecast a similar performance for the fourth quarter.

Turning to the Corporates business. Organic revenues again grew 5% driven by organic recurring revenue growth of 5.5%. Recurring revenues comprised 86% of the segment's total revenues.

And Tax & Accounting's organic revenues bounced back in the third quarter and were up 10%, benefiting from the pay-per-return filings in the first 2 weeks of July. You'll recall about $6 million of revenue shifted to the third quarter from the second quarter due to the U.S. federal tax filing deadline being extended to July 15. Sales were also strong for the quarter, following the completion of tax season on July 15. And one additional point to mention, in a recent survey, we found that more than half of those working at small and mid-sized accounting firms are now working in the office, a hopeful sign of a return to normalcy.

Reuters News organic revenues declined 2%, and Global Print organic revenues declined 7%, which was better than the ranges previously provided. Given our year-to-date performance and outlook for the remainder of the year, we are increasing guidance for adjusted EBITDA margin and free cash flow for the full year. We now forecast our consolidated adjusted EBITDA margin will be about 32%, and the Big 3 adjusted EBITDA margin will range between 37% and 38%. And free cash flow is now expected to be about $1.1 billion. We're also slightly increasing our forecast for depreciation and amortization expense and CapEx as a percentage of revenue for the full year, which Mike will speak to.

All other guidance metrics we previously provided remain unchanged. We're confident we will continue to effectively manage through the ongoing challenging environment, and we'll build on this performance in 2021.

Speaking of building on this performance, it's been more than 7 months since I joined the company, and many of you have been asking what's next. During that period, I've dedicated time to learn about our products, to evaluate our markets and competitive position, to develop a good understanding of our organization structure, sales dynamics, product development cadence and technology architecture, and I've also been assessing our talent.

I can say with confidence there's no doubt we have strong market positions. Our customers love our products, and we're in a solid operating position as evidenced by our year-to-date results. Moreover, our organization is now approaching an exciting crossroads as we begin the transition from a holding company to an operating company. We view the direction we're headed as a logical progression from -- for our organization as we seek to continually strengthen our businesses, elevate our value proposition, enhance the customer experience and maximize our performance.

Let me explain. I continue to be impressed with how strong and resilient our businesses are and how dedicated our people are to serving our customers, particularly over the past 7 months. And our performance during that time has only served to reinforce our view that we have tremendous strengths. We start in a position -- in a strong position and with customer access across the legal, tax and accounting and regulatory ecosystems. And our domain expertise and content is mission-critical to our customers' workflows.

We're also uniquely positioned to build on our history. We have an opportunity to combine our unique content with world-class AI machine learning and software to be a leading content-enabled technology company and positioning us to become a true partner and innovator, not just a vendor or a cost of doing business. I believe many of our customers would welcome that partnership, given our long-term and deep relationships.

We also believe increasing regulatory complexity, new competitive entrants and COVID-19-induced structural changes create challenges for our existing customers that will likely expand our addressable markets and drive further growth. Markets are moving in our direction. Those strengths are solid foundation on which to build.

The work we've done over the past 7 months has also enabled me to begin to prioritize the areas where I believe we can leverage our strength and focus our time, talent and investments to capitalize on the fundamental opportunities in front of us. A few examples. We have over 350 products that have been acquired, built, maintained, sold and priced separately, some in slow-growth markets. We now have an opportunity to follow a logical path to build a more focused and integrated set of products that incorporate AI machine learning and software to serve higher-growth segments where we can delight customers and drive valuable outcomes for them.

Second, we still have excessive complexity for a company of our size. We have an opportunity to significantly improve customer experience and Net Promoter Score with knock-on benefits that include greater cross-selling, higher retention and higher revenue growth. Not easy, but certainly achievable.

And third, we maintain dozens of distinctly underlying technology architectures, which require investment and consume capital. We have an opportunity to create shared technology platforms that support agile product development and a significantly enhanced customer experience. It's abundantly clear to me that we have a game-changing opportunity to transition to a simple -- simpler, more integrated, innovative and agile operating company.

Now a few takeaways before I conclude. First, we're building on a very solid foundation. Our plan reflects the logical progression for our organization that's aimed at further enhancing and optimizing an already strong set of businesses. Our markets are stable and growing, and we're not contending with regulatory issues or crippling competitive dynamics.

Second, we believe capturing growth opportunities will not require transformational M&A or miracle growth bets. Much of our success will be organically driven where there's substantial runway in our current markets. Organic growth will be supplemented inorganically within our current verticals. And we have significant capacity, which is only expected to increase following the closing of the Refinitiv/LSEG transaction.

And third, this transition and our ability to capture greater efficiencies will require rigorous execution. The good news is that it will not require us to reinvent the wheel. Our businesses are healthy and strong, putting us in an enviable position to drive further operating excellence.

Furthermore, our company has a strong record of successful execution and achieving targets. In fact, Mike has led many of those successful initiatives over the past few years. Let me assure you that we'll execute with urgency, and we'll provide ongoing transparency against the defined set of milestones. I'm confident we'll be successful.

Finally, our plan is being built with 2 primary objectives: driving higher revenue growth and capturing greater efficiencies. Success will be measured by a world-class customer experience, which I'm confident will translate to higher sales, greater retention, more cross-sell and upsell opportunities and lower costs to serve our customers. The definition of success will be higher organic growth, higher margins, lower CapEx intensity and significantly higher free cash flow generation.

Success will put us on a path toward achieving the value creation model reflected on this slide, which we previously shared and against which we measure our progress. It's a model we are determined to achieve. We look forward to providing you with more detail regarding our priorities, our execution plans and the financial metrics to track our progress when we report our fourth quarter results in February 2021.

Let me now turn it over to Mike.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Thank you, Steve, and thanks to all of you for joining us today. As a reminder, I will talk to revenue growth before currency and on an organic basis. Let me start by providing some color on the revenue performance of our Big 3 segments.

Revenue growth for the Big 3 was up nearly 5%, with organic revenues also up nearly 5% for the quarter, both above the ranges we provided in the second quarter. For the quarter, Legal Professionals revenues increased 4%, and organic revenues were up 3%.

Recurring organic revenue growth of 4% was partially offset by a 4% decline in transaction revenues. This decline was due to a timing delay in our FindLaw business. And Westlaw Edge continues to contribute over 100 basis points to Legal's organic growth while continuing to maintain a healthy premium.

Our Government business had another strong quarter with total revenue growth of 12%, of which 9% was organic growth. In our Corporates segment, both total revenues and organic revenues were up 5% driven by our legal and tax solutions.

And finally, Tax & Accounting's total revenues grew 3% with organic revenues up 10%. The difference between total growth of 3% and organic growth of 10% was mainly related to the sale of our Government Tax business in November 2019. Also, Tax & Accounting's organic revenues were boosted 380 basis points due to the shift in pay-per-return filings to Q3 from Q2 related to the extension of the U.S. federal tax filing deadline to July 15. Excluding this benefit, organic revenues were still up a healthy 6%. We expect Tax & Accounting's organic revenues will increase between 5% and 7% in the fourth quarter.

Moving to Reuters News. Revenues declined 1% with organic revenues down 2% mainly due to softness in the agency business. This performance was slightly better than we had anticipated due to the conversion of 16 in-person conferences to virtual events. As a result, we now anticipate Reuters full year revenue to decline between 2% to 4% and organic revenue to decline between 6% and 8%.

And Global Print revenues declined 7% in the quarter, with organic revenues also down 7%. This performance was at the better end of the range we provided last quarter of minus 7% to minus 15%. We expect full year Global Print revenue to decline between 7% and 11%. And on a consolidated basis, third quarter revenues grew 3% with organic revenues up 2%.

Before turning to profitability, let's look closer at recurring and transaction revenue results for the third quarter. Starting on the left side, total company organic revenue for the third quarter in 2020 was up 2.5% compared to 3.6% growth in the third quarter of 2019. But if we delve deeper and look at the Q3 2020 performance for the Big 3, you will see organic revenues increased nearly 5%, a strong performance and in line with the performance in Q3 2019. And as you can see on the top right of the slide, the recurring revenue growth continues to be very encouraging as organic revenues for total company grew 4% and the Big 3 grew 5%, slightly less than last year's third quarter.

Turning to the graph on the bottom right of the slide. Transaction revenues were up over 600 basis points year-over-year mainly due to the pay-per-return timing that was recorded in Q3 and which I previously mentioned. So despite the COVID-19-related disruptions, we continue to remain encouraged by the momentum we carry into the fourth quarter and 2021, especially for recurring revenues giving us confidence in the trajectory of the business.

Turning to our profitability performance in the third quarter. Adjusted EBITDA for the Big 3 segments was $439 million, up 22% from the prior year period. And the margin was up 560 basis points, reflecting strong revenue growth and the cost savings programs implemented late in the first quarter related to COVID-19.

Legal Professionals adjusted EBITDA margin in the third quarter grew over 600 basis points to 42.8% compared to the prior year period due to higher revenues and COVID-19-related cost-mitigation efforts. Corporates adjusted EBITDA margin was up 300 basis points to 36.0% mainly driven by revenue growth. And finally, Tax & Accounting's adjusted EBITDA margin increased more than 800 basis points to 28.5% also due to COVID-19 cost-mitigation efforts and the sale of the lower-margin Aumentum business in November of last year.

Moving to Reuters News. Adjusted EBITDA was $23 million, $7 million more than the prior year period mainly due to COVID-19 cost-mitigation efforts. Global Print's adjusted EBITDA margin for the quarter declined about 120 basis points due to decline in revenues but remained strong at about 41%. So in aggregate, adjusted EBITDA was $491 million, up 42%, benefiting from revenue growth, cost savings initiatives and not having incurred onetime costs as had been the case in the prior year period.

This next slide provides a bit more color on the various factors impacting our adjusted EBITDA margin in the third quarter. As you can see, our reported 2020 third quarter adjusted EBITDA margin was 34%. There were several factors in the quarter that contributed to the significant increase over the prior year period.

M&A activity had a 50 basis point positive impact on margin in the quarter, and lower revenues related to COVID-19 had a 230 basis point negative impact on margin. However, the savings from the $100 million cost savings initiative we announced in the first quarter led to a 500 basis point benefit, more than offsetting the dilution from the COVID-19 impact.

We have now exceeded our $100 million target but anticipate reinvesting the additional savings in the fourth quarter. Therefore, our full year net savings in response to COVID-19 will be approximately $100 million. And lastly, currency negatively impacted margin by about 40 basis points in the quarter. So on an underlying basis, excluding stranded and onetime costs in the prior year, the adjusted EBITDA margin expanded about 400 basis points, which was primarily related to the cost savings measures as a response to COVID-19. We continue to expect these savings will be permanent.

With the completion of our $100 million cost savings initiative, we believe we're making the necessary investments in the fourth quarter to accelerate organic revenue growth and margin improvement in 2021. We continue to encourage you to focus on our adjusted EBITDA margin on an annual basis. Overall, we believe we have good visibility into the levers at our disposal to achieve the new adjusted EBITDA margin target of about 32% Steve mentioned earlier.

Now let me turn to our earnings per share and free cash flow performance. Starting with earnings per share, adjusted EPS increased by $0.12 to $0.39 per share during the third quarter. The increase was driven by higher adjusted EBITDA, partially offset by 3 items: first, an increase in depreciation and amortization mainly related to acquisitions and asset impairment charges related to office closures in Q3; second, higher interest expense largely due to lower interest income; and third, higher income taxes. Finally, currency had a $0.01 negative impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow performance for the first 9 months. Our reported free cash flow was $881 million versus a negative $50 million in the prior year period, an improvement of over $900 million. Consistent with previous quarters, this slide removes the distorting factors impacting free cash flow performance. Working from the bottom of the page upwards, the Refinitiv-related component of our free cash flow was better by $145 million from the prior year period. 2019 included residual payments for employee cost and tax expenditures related to the operations of our former F&R business.

Also in the first 9 months, we made $87 million of payments for separation costs incurred in 2019 related to our transformation program. In the prior year period, we made a pension contribution and other payments totaling $542 million primarily related to the Refinitiv transaction.

So if you adjust for these items, comparable free cash flow from continuing operations was $840 million, $190 million better than the prior year period. This increase was primarily due to higher EBITDA and lower income taxes, slightly offset by higher capital expenditures.

Now an update on our investment in Refinitiv. The agreement to sell Refinitiv to the London Stock Exchange Group is now expected to close in the first quarter of 2021. Regarding our investment stake when the proposed deal closes, our expected interest was worth about $8.8 billion pretax as of the market close yesterday. And we now expect to incur a tax of about $600 million at closing due to the continued rise in the LSE stock price.

I will remind you we have several options available regarding how we will fund the tax payment aside from free cash flow, cash on hand or drawing under our revolver, including some noncore minority investments. Our future equity interest in the LSE will represent a store value, which can be monetized over time. We believe it will provide us with a significant level of financial flexibility in the foreseeable future. As a reminder, after the deal closes, we expect to receive annual dividends from the LSE estimated at $60 million per year based on the LSE's current annual dividend payout.

Now let me turn to our outlook for the balance of the year. As Steve mentioned, we are reaffirming our 2020 full year guidance for consolidated revenue growth and organic revenue growth for the Big 3, and we are revising 4 guidance metrics. First, we are increasing our adjusted EBITDA margin guidance to 32% for total TR. We are also increasing our margin guidance for the Big 3 to between 37% and 38%. Second, we are increasing our free cash flow guidance to $1.1 billion for the full year, up from $1 billion to $1.1 billion.

Third, just as we're making additional operating expense investments in Q4, we also plan to make additional CapEx investments. Both are intended to better position us for 2021. CapEx as a percentage of revenue is now forecast to range between 8% and 8.5%. As I've said before, we continue to expect CapEx to decline as a percentage of revenue over the next several years beginning in 2021. And fourth, guidance for depreciation and amortization is increasing by $25 million, primarily due to asset impairment charges related to the office closures I previously mentioned. These closures reflect our intention to continue to shrink our global real estate footprint. Finally, we are reaffirming our effective tax rate guidance of between 17% and 19%.

Let me now hand it back to Frank.

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

Thanks very much, Mike and Steve, and that concludes our formal remarks. So operator, we'd like to open the call now for questions, please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) There are no questions in queue at this time. (Operator Instructions)

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

Let's give it a moment, Lois. I think we're having some technical difficulties.

Operator

Our first question comes from Andrew Steinerman with JPMorgan.

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

Okay. Could you hear me?

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

Andrew, we can hear you loud and clear.

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

Okay, great. So for 2020 to have the EBITDA margin guide to be, let's just say, just 32%, the fourth quarter implied guide is below 30%. So I was wondering if you could give us a sense of the level of stepped-up OpEx investments for growth initiatives. And are those specific to fourth quarter?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, Andrew, we will have 3 categories of OpEx investments in Q3. As you referenced, there will be a portion that's related to organic growth. I'll give you a few examples. Within our Legal business, our Practical Law, which supports both our Legal Professionals and Corporates segments, that's led by Elizabeth Beastrom, we are increasing our investments in Practical Law in Q4. Sticking with Legal, HighQ, which we acquired in July of 2019, will receive incremental investments.

In the Government business, which is reported as Legal, we'll continue to make investments there, which is led by Steve Rubley. Within Tax & Accounting professionals, the (inaudible) business led by Charlotte Rushton, we're continuing to make investments there. And lastly, within the Corporates segment, indirect tax with Brian Peccarelli. So a number of organic growth investments, Andrew, in Q4.

In addition to those organic product investments, we will also make some investments to improve our end-to-end customer experience. And lastly, Andrew, we're making some investments to drive some efficiency initiatives. So to your point, there is a sizable amount of investments in Q4 related to OpEx.

While on the topic of Q4 investments, we're also making some incremental investments on the capital side in Q4. And those would be correlated to the product investments I referenced earlier, so both some capital and OpEx investments on the product organic growth side, Andrew.

Operator

Our next question is from Toni Kaplan from Morgan Stanley.

Toni Michele Kaplan - *Morgan Stanley, Research Division - Senior Analyst*

Your new sales in Legal looked pretty strong this quarter. Just hoping you could give a little more color on what you're attributing it to. Is there anything onetime in there? And I know you mentioned the Government business was strong, not sure if you're expecting that to continue at that pace. I know you just mentioned that you're investing in it, but that was pretty strong at 9%. And just wanted to understand how much is price-driven versus cross-selling and how much is taking market share from competitors or mix? Just any color on the Legal environment in new sales?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Toni, I'll start and ask Steve to supplement. I'll start on the macro, Toni. In Q3, we were very pleased that our overall total TR net sales for Q3 actually exceeded our original plan this year. We did have a shortfall in Q2, but Q3, we actually exceeded the original plan. That's for total TR.

To your point, Toni, Legal experienced a very strong Q3 from a revenue and sales perspective. The Government business, as you mentioned, was a key contributor, and we expect that to continue to grow at double digit. It was 9% organic in Q3. We'd expect similar performance in Q4.

Toni, Westlaw Edge continues at the same pace in Q3 and actually also in October, the Westlaw Edge sales, both from a volume perspective and a price premium perspective, continue there. From the standpoint of pricing for total TR, Toni, we have completed about 85% of our price actions through Q3 for the full year. We're seeing similar price increases for total TR in 2020 that we experienced in 2019. Steve?

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

Yes. Toni, just to add to that. I think we -- when COVID hit, we just simplified our playbook and put an exhaustive focus on our customers. And I think the Legal team as one example, the Government team as another example have done very good job of focusing on our customers. And they supported, of course, by some strong products like Westlaw Edge and Practical Law and the recent acquisitions in and around our Government segment. So kudos to the teams for taking that playbook and really executing it. And I think that's been reflected in the strong Q3.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

And Toni, I make a final point. As a reminder, Q4 of 2020, similar to prior years, is always our largest quota quarter for any given year. So we're closely monitoring it. October is trending well thus far.

Operator

The next question is from Sami Kassab from Exane.

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

I also have a question on the competitive environment with regards to Westlaw. It seems that on the one hand side, we are fast scaling trying to push up market. We have Lexis Plus and their bundling strategy. To what extent would you characterize the competitive environment as being similar to what it has always been or perhaps to be somewhat more intense, given competitors' movement, please?

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

Yes, Sami, I'll start, and I'm sure Mike will add. Look, we're very focused on Westlaw Edge, continuing to innovate around Westlaw Edge and partnering with our customers, big and small, to make sure that those innovations are solving our customers' issues and making their lives more productive and more efficient. We're more focused on that than we are on any of the competitive issues. And what I would say is that we haven't really seen much change in the market dynamics in recent times.

Operator

Our next question is from the line of Tim Casey from BMO.

Tim Casey - *BMO Capital Markets Equity Research - Equity Research Analyst*

I was wondering, could you just break out a little the investments you're making in the near term between CapEx and OpEx, what you're trying to drive there. And you mentioned you do expect capital intensity to decline. Maybe you could just flesh out a little bit there maybe by how much or what's going to lead to that decline? Is it going to be revenue growth against a flat CapEx? Or would you expect CapEx in absolute dollars to decline? And if so, where would you see that decline?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. Tim, we will be providing our 2021 full year guidance in February when we report Q4. As we go into '21, '22, '23, I think the overall capital intensity percentage capital as a percent of revenue will decline there. I think we'll see continued top line growth. As part of that, with the recent additions to our leadership team of Kirsty Roth and David Wong, we're quite optimistic that our efficiency productivity per dollar invested will continue to improve and scale as we move forward. We are intentionally doing some additional investments in Q4 because we think we have the opportunity to capitalize on some near-term opportunities and also address some recent feedback from our customers.

Operator

And our next question is from the line of George Tong from Goldman Sachs.

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

You have Ryan on for George. I was just wondering if you guys could give monthly transaction revenue trends (technical difficulty) and how those progressed as in November. And then I was also wondering if you guys mentioned what the kind of Legal customers that migrated to Westlaw Edge (technical difficulty) as of today. And then you guys are planning to deal with those by the end of 2020 or (technical difficulty) 2021, if you look that far.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. In regards to transactional revenue, it's certainly quite seasonal. And that varies by not only our segments but by our subsegments within. Transactional revenue continues to be about 10% of our total revenue, and it is a little choppy month-to-month or quarter-to-quarter for us.

In regards to our Legal Westlaw Edge, through 9/30, we were at 46% penetration from an annual contract value, ACV, perspective. As we approach December 31, we're estimating 50% to 55%. Consistent with my comment to Toni, Q4 is a heavy quota period for us within our Legal business. So the trend there could be in the 50% to 55% range by year-end. We will share an update, Ryan, for 2021 Westlaw Edge penetration in February Q4 earnings call.

Operator

Our next question is from Gary Bisbee from Bank of America.

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

The -- I guess if I could ask first on just the Q4 investments. Can you help us frame out a little more? Should we think that this is really onetime opportunistic because you're ahead of plan and you've got a pipeline of opportunities you can invest in to help growth in the future? Or are some of these investments that, Steve, with your time there as you're flushing out your strategy, you see areas where you need investment that could persist beyond Q4?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes. Gary, a combination of both. Certainly, we've been focused on it this year. We said externally our target for $100 million for our cost savings. We were optimistic that we could at least hit the $100 million. And with great leadership from throughout our team, we saw trends as we approached early Q3 that we could exceed the $100 million. So we quickly pivoted to the areas that we could accelerate in Q4, things that we certainly thought we could do in 2021.

So we are making some intentional pivots, Gary, to accelerate some items that we had slated for early 2021. And our viewpoint is they would benefit our customers and shareholders. So let's move forward with them now. As we go into 2021, are there additional areas that we feel like we'll need to invest in? Definitely yes. We're in the process now of sequencing those investments with our leadership team.

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

Gary, just to provide a bit more color to that. I think when we saw COVID hit and like everyone anticipated sort of hoped for the best and prepared for the worst. Mike was very quick to look at some areas of spend that we didn't think were productive, and that was the $100 million cost target. We well and truly exceeded that as we sit here today on November 3, and that's enabled us to reinvest. And as we said, some of it is onetime, and some of it leads into a broader transformation program for us.

As I mentioned, we've got 350 products. We've got dozens of websites, e-commerce sites, document management systems, call centers. And they add up to a customer experience that has room for improvement. And so what you'll see us do is start that now, that investment program now and continue it. And we're very confident that the end result will be a dramatically improved customer experience.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Gary, if I could just add just a little bit more color for transparency. I stated back on August 5 through Q2, we had achieved roughly $70 million worth of the savings target. Through 9/30, we're at roughly $130 million, Gary, just to give you magnitude. And we'll continue to work on that through Q4, which is providing us with the funding capacity to drive these investments in Q4.

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

That's really helpful. And if I could just ask one more sort of bigger picture question. While you're still -- it sounds like you're still developing the plans here going forward. Three things that have -- you've said since you arrived, both of you into your roles, changing the customer experience or improving that is important, opportunities to invest in technology for several different outcomes and significantly reducing complexity are sort of 3 of the key themes you're working on. How do we think about, at this point, time line? I mean, is each of the 3 of those multi-year type process that it will take to get where you want to be or one or more of them areas where you can have meaningful success more quickly? I realize you'll probably lay out plans for us in the future. But any color on how we think about how quickly you can achieve real progress on those 3 key initiatives?

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

Yes. Gary, as you said, those are sort of integral to the -- to our aspirations and to the plans. And the first one is the most important, which is the customer experience. The customers value our content. And they value -- in a lot of cases, they value our people and the relationships they have with our people, but the customer experience isn't as good as it needs to be. So that's really the principal area of investment. In terms of timing, Kirsty Roth has been with us 3 months. David Wong has been with us a bit longer than that. And we're working very closely as a team on developing that program.

The only thing I'd say about timing is that we'll have a lot more to say about it in 2021, obviously. We're going to execute with urgency. So we're going to move through it as fast as we can. And the urgency of the team, I think, is there, and we'll continue to work on that. We don't want to make any sort of a transformation program longer than it needs to be.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Gary, I would just add in the 3 themes that you mentioned, customer experience, tech investments and decreasing complexity, digital really permeates all 3 and will be a really, really key aspect as we move forward. At the same time, with Brian Peccarelli and the go-to-market leaders, Gary, things like cross-sell, in addition to those areas you mentioned, we're still in the early innings there, Gary.

Operator

Our next question is from the line of Kevin McVeigh from Crédit Suisse.

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

Great. And realizing it's early, but you talked about the transition of the operating company. Any sense of what that means for revenue growth and just margins over time kind of beyond what you framed already?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Yes, Kevin, a little bit early yet. So we'll have more detail in February. I would reference 2 items, Kevin, that we've talked about in the past with you, value creation model that we initiated back in December 2018, and Steve referenced again today. We remain committed to that value creation model in the upper-left quadrant in regards to organic and inorganic growth opportunities there.

And then the second pointing to December '18 Investor Day. We shared at that time for Tax & Accounting Professionals by 2020 6% to 8% organic; Corporates, 6% to 8%; and Legal, 4% to 5%. I think those broad ranges that we provided at the December '18 Investor Day are reasonable kind of metrics for you to think about as we move into 2021.

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

Got it. And then just real quick, as you talked about just streamlining the number of products, is that in the core Big 3? Or would that be a potential sale of Print or Reuters News, like would they fall on the 350? Are they outside of that band?

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

The 350 are in the Big 3.

Operator

Our next question is from Manav Patnaik from Barclays.

Gregory R. Bardi - *Barclays Bank PLC, Research Division - VP*

This is actually Greg calling in. I was just hoping to get an update on Checkpoint Edge and the momentum on the sales there?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. Checkpoint Edge launched on Q3 of 2019. We're continuing to make progress with it. Not as significant as progress as Westlaw Edge, but it's a key product for us, well received by our customers. And as we move forward, I think we'll continue to see continued momentum there. It's another product that our engineering team really leveraging AI for us. So pleased with the progress, but we have more opportunity.

Operator

Our next question is from the line of Drew McReynolds from RBC.

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

Maybe for you, Mike, in terms of capital returns -- sorry, I'm getting a big echo, but I'll continue here. You have a cash tax bill that will come with the closing of the LSE stake. Maybe can you provide an update on where you stand on share repurchases?

And maybe one for you, Steve, on the M&A environment. Can you comment to what extent how it's trended through COVID here for the first 7 months? And what kind of opportunities you see out there?

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure. Let me address the first part, Drew. Just in regards to the cash taxes with LSEG, we do have multiple options there in regards to the payment of the estimated $600 million. Just to remind everyone, we do have the option to sell proportional amount of our LSEG shares upon closing in Q1 of 2021. So that's an option for us. We also have some other noncore minority investments that we can monetize to pay that.

And then certainly, we have $1.3 billion of cash on hand today, Drew, and a significant amount of capacity with our credit facility. So we're very comfortable in managing through all of those cash needs.

Drew, in regards to share repurchases, we do not anticipate any additional share buybacks this year. As we go into 2021, we have our January Board meeting. So we'll be discussing with our Board at that time.

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

And then, Drew, in terms of the M&A, as you know, we've done 2 small acquisitions this year. And we're very happy with the progress of those. We've been very focused on ensuring that they perform as they should or even better than our expectations. When COVID hit, we certainly saw seizing up of M&A activity across the board. I think in recent months, things have returned. There is M&A activity that we can point to in and around our Big 3.

We have both a short list and a long list of things within the Big 3 that we're interested in, but we're being very rigorous about pursuing acquisitions, and we will continue to be very rigorous. We look at, first and foremost, will they enhance our customer experience, and so is it in our customers' experience. Secondly, we want to acquire, make acquisitions that reduce our complexity, not increase our complexity. And we want to make sure, thirdly, that we're an advantaged owner. And that from a valuation standpoint, it all adds up. And obviously, valuations have stayed high. So we're going to continue to work on that list and refine our thinking. But we'll be very rigorous about any acquisitions we pursue.

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

Operator, we'll take one more question, please.

Operator

And that question is from Aravinda Galappatthige from Canaccord Genuity.

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

I wanted to touch on the Legal segment again, given the strength there. Remind us that the exposure to the small (technical difficulty) within the division as well as how that subspace did during the last couple of quarters, including collections and as such.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

Sure, Aravinda. I will start and ask Steve to supplement. In regards to small law, it's roughly 1/3 of our total revenue, Aravinda. That's led by market add on Paul Fischer's team there. Certainly, back in March, April, there were some choppiness in our FindLaw business as COVID-19, but we quickly rebounded. As we ended Q2, we had a very good Q3 with the overall small law firm business.

Collections, we identified collections within small law tax and legal as an area of focus. Very pleased with the collections that we've incurred over the last 7 months from all of our customers, including the small law legal and tax there. So small law overall doing very well.

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

Yes. Just to add to that, Aravinda, I think as Mike said, we're monitoring this very carefully. And I would say, so far, so good. And that's illustrated, as Mike said, in our third quarter results. And we're going to continue -- I think we're sort of cautiously optimistic, but we're cautious as to what we'll see.

I do think in the longer term, the smaller segment, whether that's in Legal, Tax & Accounting or Corporates, is an opportunity for us. And as we improve that customer experience and make that customer experience more digital, we expect to see some broader upside, but that is a longer-term aim rather than shorter-term aim for us.

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

So that will be our final question, and that will conclude our call. We'd like to thank you all for joining us. As Mike and Steve said, we'll provide you with an update on our 2020 plans and our guidance in February when we report Q4. So until then, take care. Thanks very much.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.