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PRESENTATION

Operator

Good day, everyone, and welcome to the Thomson Reuters third-quarter earnings call. Today's conference is being recorded. At this time, I'd like to turn the call over to Gary Bisbee, Head of Investor Relations. Please go ahead.

Gary Bisbee - Thomson Reuters Corp - Head of Investor Relations

Thanks, Jenny. Good morning, and thank you for joining us today for our third-quarter 2025 earnings call. 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. To enable us to get to as many questions as possible, we would appreciate it if you'd limit yourself to a question, one follow up each when we open the phone lines.

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

Today's presentation contains forward-looking statements and non-IFRS and other supplemental financial measures, which are discussed on this special note slide. 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.

Let me now turn it over to Steve Hasker.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Thank you, Gary. Thanks to all of you for joining us today. Momentum continued in the third quarter, with revenue in line and margins modestly ahead of our expectations. Total company organic revenues rose 7%, with the Big 3 segments growing by 9%. In addition, healthy revenue flow-through, beneficial revenue mix and good cost discipline, boosted margins driving profit ahead of expectations.

We are reaffirming our full year 2025 revenue and profit outlook including our expectation for approximately 9% organic revenue growth for the Big 3 segments.

For the full year, our total and organic revenue growth is trending closer to 3% and 7%, respectively, rather than the higher end of the ranges at 3.5% and 7.5% for 3 reasons that are unrelated to our AI innovation momentum. First, a slower ramp of commercial print volumes. Secondly, several recent U.S. federal government cancellations and downgrades; and third, slightly softer bookings trends at corporates following internal sales organizational changes aimed at improving future cross-selling. We see these as temporary factors not related to our growing innovation and AI-driven momentum, which continues to build.

This is best illustrated by our Legal Professionals segment accelerating to 9% organic revenue growth in the quarter, up from 8% in the first half of 2025 and 7% last year. and this is driven by continued Westlaw momentum and strong double-digit growth from both CoCounsel and CoCounsel drafting. Outside of legal, we continue to see double-digit growth from a number of key franchises, including SafeSend, Confirmation, Pagero, Indirect Tax and our international businesses to name a few.

Looking to next year, we're updating our 2026 financial framework. We continue to expect organic revenue of 7.5% to 8%, including approximately 9.5% for the Big 3 and we now see larger year-over-year margin expansion and higher free cash flow than in our prior outlook. On the product front, Customer feedback on the Agentic AI launches over the summer has been very positive and initial sales trends are encouraging, especially for the CoCounsel legal integrated offer, Westlaw advantage and CoCounsel for tax audit and accounting. The competitive dynamics for our core content-enabled technology offerings for Westlaw, Practical Law and our tax engines remains stable. We see incremental competition in the AI assistant space, which is an exciting white space growth opportunity in which CoCounsel remains a clear market leader.

Our capital capacity and liquidity remain an asset that we are focused on deploying to create shareholder value. We recently completed the \$1 billion share repurchase program. announced in mid-August, and we remain extremely well capitalized with a net leverage of only 0.6x at quarter end. We remain committed to a balanced capital allocation approach and we continue to assess additional inorganic opportunities. With our estimated \$9 billion of capital capacity through 2027, after the completion of the buyback, we are positioned to be both aggressive and opportunistic.

Now to the results for the quarter. Third quarter organic revenues grew 7%, in line with our expectations. Organic recurring and transactional revenue grew at 9% and 4%, respectively, while print revenue declined 4%. Adjusted EBITDA increased 10% to \$672 million, reflecting a 240 basis point margin increase to 37.7%, higher than anticipated due to healthy operating leverage and good cost discipline.

Turning to the third quarter results by segment. The Big 3 segments delivered 9% organic revenue growth. Legal organic revenue grew 9%, improving from 8% in the first half of 2025 and 7% for all of last year. Continued momentum from West floor and CoCounsel were key drivers. Organic revenues in corporates grew 7%, driven by offerings in our legal, tax and risk portfolios, and the segment's international businesses.

Tax & Accounting organic revenues grew 10%, driven by our Latin American and U.S. businesses. Reuters News organic revenues rose 3% driven by growth in the agency business and our contract with LSEG. And lastly, Global Print organic revenues declined 4% year-on-year. In summary, we're pleased with our Q3 results.

I'll now comment briefly on questions that we've heard in recent months about the value of our content, specifically Westlaw in an AI environment and whether it could be replicated by large language models or newer AI competitors.

We remain very confident in Westlaw's differentiation, which we believe has increased significantly with the development of deep research in Agentic AI and the recent launch of Westlaw Advantage. It is very important to understand that litigation is high stakes work with no room for (inaudible) and significant consequences for being wrong.

As a result, professional grade legal research and workforce tools -- workflow tools need to deliver comprehensive, accurate and up-to-date outputs through trusted solutions with robust data privacy commitments. This is a very high bar, particularly given the scale, complexity and constant change of the legal ecosystem.

In the United States, there are hundreds of court systems and tens of millions of annual rulings. We collect content from more than 3,500 sources in multiple formats, and it is completely unstructured. On an annual basis, we process more than 300 million documents into Westlaw. In addition, we have valuable and proprietary second source content, including practical law. Collection of [sort] content is just step 1.

Our more than 1,500 attorney editors armed with cutting-edge technologies turn the massive volume of unstructured data into structured proprietary content and intelligence. This includes linking cases qualifying statutes and regulations authoring head notes and increasingly creating new content for our AI offerings. In total, our team delivers more than 1.6 million editorial enhancements per year. Primary law content, including (inaudible), statutes and regulations is a significant majority of what users search in Westlaw and 85%, I repeat, 85% of this content has been editorially enhanced.

The 85% is editorially enhanced. These enhancements are proprietary to Westlaw and make the source content far more valuable. Let me provide a few brief examples. First, the West Key Number System is our proprietary taxonomy or subject classification of the law. It covers more than 140,000 precise legal topic categories, capturing the law at an extremely granular level.

The organization of Case Law, statutes and regulations against this taxonomy is key to the delivery of comprehensive and accurate results, allowing Westlaw users to 0 in on very specific points of law.

Second, KeyCite, our proprietary citation network has more than 1.4 billion connections linking legal matter with the taxonomy. KeyCite verifies whether a case statute or regulation is still good law and finds accurate citing references to support legal arguments. And lastly, head notes are summaries of the important issues of law within a case and are indexed against the key number system. This allows users to efficiently and accurately pinpoint the cases that best match their facts and desired outcome.

To illustrate how the Westlaw content and editorial capabilities deliver value in an AI world, this slide outlines the key steps in our Agentic approach for Westlaw Advantage. As you can see, our AI agents leverage Westlaw's breadth and depth of content and critically, the extensive expertise of our editorial teams and the significant editorial enhancements that we create differentiates our agents the output of which is (inaudible) professional-grade research that lawyers can trust.

This graphic highlights another important differentiator for Westlaw. When doing legal research, validating research results is a key final step in the process. This is doubly important with any AI outputs which need to be checked for inaccuracies and hallucinations.

In Westlaw, we have the leading tool set to deliver these validations, bringing confidence to our users that their citations are accurate and their legal arguments are correctly characterizing the law. The validation process leverages several tools I've already mentioned, including key number system, KeyCite and head notes. In addition, litigation document analyzer, reviews legal briefs before they are submitted to the court identifying inaccurate citations and misstatements of law.

Combined with the industry's most robust editorial curated content set. The Westlaw tools provide lawyers with assurance that their legal arguments are on point, and they have done all that they can to prepare for (inaudible).

While general purpose models can find cases and potentially make a legal argument, delivering against the industry's need for comprehensive, accurate and current research is an extremely high bar. Our market-leading content, our editorial enhancement and our sophisticated tool set have been built over decades to consistently deliver this standard while meeting the industry's data privacy and security needs.

Looking forward, we see the (inaudible) of AI for an information retrieval and summation to more complex Agentic workflows as an opportunity for Thomson Reuters, that reinforces the value and critical importance of our content and editorial expertise.

In complex multistep work, quality content to ground the outputs and subject matter expertise to train and fine-tune the AI are critical to delivering professional grade results. Our innovation focus is squarely on leveraging these assets, leading content and the deepest bench of domain experts in our end markets to deliver identic solutions that are difficult, if not impossible, to replicate.

I'll now turn it over to Mike to review our financial performance.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Thanks, Steve. Thanks again 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 third quarter revenue performance for our Big 3 segments. Organic revenue grew 9% in the third quarter, continuing the strong trend from recent periods.

Legal Professionals organic revenue grew 9%, improving from 8% in the first half, driven primarily by Westlaw, CoCounsel, CoCounsel Drafting and our international businesses. Government grew 9% in the quarter. In our Corporate segment, organic revenues grew 9%. Recurring revenue grew 9% and while transactional rose 5%. Direct and Indirect Tax, Pagero, Practical Law and our international businesses were key contributors.

Looking forward, the Corporate segment growth rate is likely to moderate in the fourth quarter due to the softer-than-planned bookings growth Steve mentioned. Tax & Accounting delivered another strong quarter with organic growth of 10%. Recurring and transactional revenues grew 9% and 12%, respectively. Our Latin America business, SafeSend, UltraTax and the Cloud Audit family of products were key drivers.

Moving to Reuters News. Organic revenue rose 3% for the quarter, driven primarily by growth at the agency business and from the news agreement with the data and analytics business of LSEG. Reuters revenue included approximately \$7 million of transactional generative AI content licensing revenue in the quarter compared to \$8 million in the prior year quarter. Finally, Global Print revenues decreased 4% on an organic basis. On a consolidated basis, third quarter organic revenues increased 7%.

At the end of Q3, the percent of our annualized contract value for ACV from products that are Gen AI-enabled was 24%, up from 22% last quarter.

Turning to our profitability. Adjusted EBITDA for the Big 3 segments was \$606 million, up 9% from the prior year period with the margin rising 220 basis points to 41.7%. Moving to Reuters News. Adjusted EBITDA was \$42 million, with a margin of 19.9%. Global Print's adjusted EBITDA was \$46 million with a margin of [37.1%].

In aggregate, Total company adjusted EBITDA was \$672 million, a 10% increase versus Q3 2024, reflecting a 240 basis point margin increase to 37.7%. Turning to earnings per share. Adjusted EPS was \$0.85 for the quarter versus \$0.80 in the prior year period. Currency had a \$0.01 positive impact on adjusted EPS in the quarter.

Let me now turn to our free cash flow -- for the first 9 months of 2025, our free cash flow was approximately \$1.4 billion, down 3% from the prior year. changes in working capital, which are largely timing related, were the largest driver of the decrease. I will also provide a quick update on our capital allocation. In late October, we completed the \$1 billion NCIB or share repurchase program we announced in mid-August acquiring approximately [6 million] of our shares.

I will conclude with a discussion of our 2025 outlook and 2026 financial framework. As Steve outlined, we are reaffirming our 2025 outlook across all metrics. Our total and organic revenue growth is trending closer to 3% and 7%, respectively, rather than the higher end of the ranges at 3.5% and 7.5% and for 3 reasons unrelated to our AI innovation momentum, as Steve mentioned.

I will provide a bit more color. First, our Global Print segment has seen a slower-than-expected ramp in commercial print volumes thus far in 2025, which we believe will impact total organic revenue growth by approximately 25 basis points for the year. As a reminder, 10% of Print revenues from commercial where we print books for third-party publishers. Second, our government business while holding up well overall has faced a handful of recent downgrades and losses related to the federal efficiency programs that we believe will be an approximate 20 basis point drag to full year organic revenue growth.

Third, as I mentioned earlier, we have seen softer bookings trends at our corporate segment, reflecting the impact of internal sales organizational changes aimed at supporting an increasingly integrated product proposition and driving improved future cross-selling. While these changes have contributed to a slower sales build in 2025 versus our initial expectations, we remain confident in our corporate product portfolio and the segment's growth potential. Note, these organizational changes were only made at our corporate segment and do not impact our legal professionals or Tax & Accounting segments, which have separate sales organizations.

Despite these headwinds, we remain confident in achieving our 9% Big 3 organic revenue growth outlook for the year, with strong innovation-led momentum continuing in our legal professionals and tax and accounting professionals businesses and from our international markets.

Turning to the fourth quarter. We expect organic revenue growth of approximately 7%, including approximately 9% for the Big 3. Legal Professionals is likely to again deliver 9% organic revenue growth, assuming no incremental government headwinds materialize. We expect the Q4 adjusted EBITDA margin to be approximately 39%, which includes select onetime investments we are making to transform and increasingly automate how we work.

Looking beyond 2025 we are updating our 2026 financial framework to incorporate a more positive margin expansion and free cash flow outlook. We reiterate our outlook for 7.5% to 8% organic revenue growth, driven by approximately 9.5% growth at the Big 3 segments. We are confident in delivering the revenue acceleration this implies driven by positive underlying momentum, the execution of our innovation road maps and, to a lesser extent, easier comparisons in several areas, including at Reuters News and corporates. We now expect to deliver approximately 100 basis points of adjusted EBITDA margin expansion, up from our prior view of 50 or more basis points.

Healthy operating leverage, combined with early benefits from using AI and technology to reengineer how we work, provide confidence in this outlook. We are also raising our free cash flow outlook for 2026 to approximately \$2.1 billion, which is the upper end of the prior range of \$2 billion to \$2.1 billion. Our expectations for capital intensity and tax rate remain unchanged. We are currently in our 2026 planning cycle, and we'll provide more detailed 2021 guidance on our Q4 conference call in February.

I will now turn it back to Gary for any questions.

Gary Bisbee - Thomson Reuters Corp - Head of Investor Relations

Thanks. Jenny, we're ready to start the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Drew McReynolds, RBC.

Drew McReynolds - RBC Capital Markets Inc - Equity Analyst

Appreciate all the detail as usual. Two questions for me. I guess, first on government and corporate headwinds. I guess the question is ultimately what's kind of recurring into next year? And for corporates, I believe the organic revenue growth target is 9% to 11%.

Just wondering how comfortable you still are with that? And then secondly, Steve, great kind of run down essentially of the moat within Westlaw. I know it's early days on Agent AI. Can you comment on the customer kind of reaction to what Agentiv is doing from their perspective? And are they able in these first iterations to notice the difference between what you're offering and maybe some others don't have the deep content access.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. Drew, great questions. Let me start with corporates and then I'll ask Mike to supplement that, then I'll go to government, then I'll go to Westwood. So please be patient, but we'll work our way through these questions.

So look, the corporate sales softness is a bit frustrating because it's temporary and it's self-inflicted. So two points. One, we remain even more confident in the end market opportunity. We've said for a while that the TAM is the biggest opportunity for us in corporates relative to other segments. And it's the area in which we have the lowest penetration of our legal, tax and risk products.

So we think it's our biggest opportunity and our product set is, we think, pristine and well received by customers. And so we started to see glimpses of this promise last year, as you'll remember, with 10% growth. And underpinning that, we've seen a really nice escalation in our NPS scores across the segments and including in corporates.

But what we haven't seen is an uptick in cross-sell. So at the start of this year, we expanded our global account footprint, and we asked our salespeople to sell more than one product grouping. And I think in retrospect, we got a little ahead of our sort of commercial systems and our infrastructure in doing that. So we've let some of our salespeople, I think a little disorganized relative to the opportunities and relative to where they were last year. So not up to our high standards.

We're through this, we'll learn from it and we'll be better for it. We've got no more changes in the pipeline and very confident in the 9% to 11% for next year. So that's on the corporate side.

Mike, what would you add to that before we go to government?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Terrific summary, Steve.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Okay. All right. So government -- so I'd say a couple of things. Our solutions in government, whether they be related to the legal side or the sort of law enforcement risk side are very well aligned with the administration's agenda around efficiency and law enforcement. And we've seen good growth in state and local.

And on a federal level, I think the teams have done a very good job this year in asserting the must-have status of our solutions. And so I think up until the end of the third quarter was so far so good. And we had a couple of downgrades and cancellations at the end of the third quarter, which I think has had -- has us watching this one (inaudible).

In the medium to long term, Drew, we are very confident in the value proposition, both the federal, state and local because tools like Westlaw Advantage and CoCounsel and our various tax solutions drive efficiencies for the government agencies. And of course, our law enforcement work through CLEAR and TRSS is very well aligned with the agenda of this administration, as I said. So medium to long term, we're confident about government, but it is a turbulent environment. And we just wanted to signal that unclear as to what it will look like for the next 12 months. But medium to longer term, we're very confident.

So let me turn to Westlaw. So as you know, we put in the marketplace Westlaw Advantage, which is the first deep research and Agentic research product. The reaction has been very, very strong from customers, as it has been to CoCounsel legal and the integrated -- the integration of those products.

I'll give you an example of one customer that I've spent some time with that I think is emblematic of the broader environment. He is the managing partner of a major firm in New York City. He has spent his career as a litigator and is well known as such. And he was describing how his career has

been spent in conference rooms going back and forth with his colleagues and his partners refining his arguments. Since he's had access to Westlaw Advantage, he is doing much more of that back and forth with our tool than he is with his partners.

And so in the early going, there is a change to his behavior in terms of getting to the best most refined arguments, anticipating the opponents rebuttals and arguments and anticipating the likely judges reaction.

So we're very excited by the work that Mike, Dan and Omar and others have done in developing this product, and we're going to keep investing behind it so that the verification and validation tools that I alluded to get better and better and the product itself gets richer and deeper.

Mike, would you add anything there?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Nothing to add, Steve.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

All right. Thanks, Drew. I hope that addresses the questions.

Operator

Vince Valentini, TD Cowen.

Vince Valentini - Cowen and Company LLC - Analyst

Can I just go back to the government for a second. I just want to make sure I'm clear on what the driver is. Is the government shutdown having an impact or these cancellations happened before that? And can you clarify, do you do work for ICE?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Vince, in regards to the first question, the downgrade cancellations occurred prior to the shutdown, the shutdown has very minimal impact on our monthly quarterly revenue based on what we know today. So this occurred prior to the government shutdown. Steve, do you want to address the ICE question?

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. I mean Vince, I won't go into the specifics of the work we do with various government agencies because it's subject to confidentiality clauses. But we do work with a number of departments on a range of law enforcement matters, and we do that consistent with our trust principles at all time.

Vince Valentini - Cowen and Company LLC - Analyst

Can maybe rephrase it, maybe I shouldn't have in so specific. Is there any chance that the government spending is being temporarily redirected and that's impacting some of the contracts with you and that will ebb and flow over time, but should come back?

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

It's a little -- I mean I definitely think that this administration is putting much more emphasis on some things rather than others. And there is a sort of a process of adjustment to that, Vince. But as I said in response to Drew's question, our tools achieved 2 things for government agencies. One is efficiency and the other is they are essential tools for law enforcement. So we're confident that our must-have status will be enhanced -- be maintained and enhanced over time.

But there is a level of turbulence as some programs get cut adjustment.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yes, Dan, we're continuing -- we'll continue to work with our federal customers on kind of 3 big areas: efficiency, national security and fraud prevention. We are confident our tools and offerings will be able to support the midterm, long term.

Vince Valentini - Cowen and Company LLC - Analyst

I'm going to count that as one, Gary, I apologize, but it was one. Just the second question. You got a nice call-out on the Amazon call last week on being one of their key customers for their transform product, they call it. They say Thomson Reuters has been able to manipulate 1.5 million lines of code per month 4x faster than they could with previous systems. I'm wondering, is this part of an initial effort to automate more of your internal cost structure and processes?

And is there more of this to come over the next couple of years? And what could that potentially mean for future margins? .

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. Thanks, Vince. So we're determined to be on the forefront of this AI transformation in 2 ways. One, in terms of our product development, particularly in and around Agentic AI and deep research. And it's an example in the -- first example in the legal space with the launch is back at [UltraCon] in August.

Second example, ready to review and then in December, January, ready to advise in our tax and accounting, and we're excited about those. We were pleased to see the reference from Amazon. This relates to the internal application of AI and automation tools. So we are applying our own tools. So CoCounsel Legal and CoCounsel for Tax, Accounting and Audit to Norie Campbell's General Counsel team and also to Mike's finance, audit and accounting teams, and we're seeing really promising results from the application of our own tools.

We're also, as Amazon alluded to, working with the best tools available to drive automation. I'll defer to Mike as to sort of financial implications of this, Vince. But rest assured, we're going to be at the forefront in terms of automating everything we do with a singular goal of being able to scale faster and more efficiently and deliver better products and services to our customers.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

You've asked a few thoughts. As noted in my prepared remarks, we do anticipate some onetime investment in Q4 2025 to help us transform and increasingly automate how we work. To Steve's point, as we look into 2026, certainly, we view the example that you questioned and Steve addressed as opportunities to help us expand our EBITDA margin. It's one of the reasons why we were able today to expand our EBITDA margin expectations for 2026 by 100 basis points. We're not discussing guidance today beyond 2026.

But I think these developments certainly are encouraging for the long term. Vince, while we have the mic, it might be helpful for everyone if I just clarify, when we say for 2026 increasing margin by 100 basis points, that will be 100 basis points off the actual result for fiscal year 2025. Just wanted to clarify that point.

Vince Valentini - *Cowen and Company LLC - Analyst*

I was going to make on the third question, but I was trying to be nice, but thanks, Mike.

Operator

Jason Haas, Wells Fargo.

Jason Haas - *Wells Fargo Securities LLC - Analyst*

In the prepared remarks, you made a comment about seeing some incremental competition in AIS system space. So I was curious if you could just unpack that comment a little bit more what was meant by that exactly? .

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Yes. Jason, thanks for the question. So the point that I'm trying to make is that we are not seeing any additional competition in our core franchises. So that's legal research and legal know-how and the tax calculation engine, whether that's UltraTax [go system tax] or ONESOURCE. So those core franchises are -- have the same competitive dynamics today as they did 12 months ago or 3 years ago.

Where we have seen the entrance of new players is in the AI assistance space. Now that is a greenfield sort of white space opportunity for us. And it was the reason that we went out and acquired case text and then added material and the fantastic team from Materia on the top of that. So that's a white space opportunity for us around CoCounsel, and that's where we see the entry of new players. We're happy with where we sit in the marketplace.

We've got some very aggressive product development plans. And I think most importantly, customers are responding well to CoCounsel and its various offerings. So I hope that clarifies.

Jason Haas - *Wells Fargo Securities LLC - Analyst*

That's very helpful. And then I wanted to follow up on the Tax & Accounting business. It looks like the organic consequence (inaudible) from 11% to 10%. I know there's rounded numbers. But I was curious if you could comment on that.

And then can you just talk about your confidence in that accelerating to the 11% to 13% organic growth that you expect in 2026? .

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Yes, Jason, we do have some fluctuations quarter-by-quarter within the tax and accounting professional business. We remain confident in delivering to 11% for calendar year 2025. And then for 2026, as a reminder, our guidance is 11% to 13%. We work very closely with Elizabeth Beaström and her team there. We have very strong confidence in delivering 11% to 13% for 2026.

We referenced SafeSend in our prepared remarks, which was the acquisition in January of this year, which is performing incredibly well. We expect that to continue into 2026. Steve mentioned Materia, they're additive, which is the recent acquisitions that we did. So we remain quite confident, Jason, with tax and accounting professionals.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. I would just supplement that the end market is very healthy. One, we start our synergy customer conferences down in Florida tomorrow. And we're very much looking forward to that and getting excited about getting together with thousands of our customers in person. The Tax & Accounting and order spaces remain a very robust end market with a critical need, and that's shortages of talent.

And so Jason, as we develop ready to review and ready to advise and continue to refine those propositions, we think that, that is going to meet or even exceed the needs of our customers. and that gives us confidence around the 11% to 13% going forward.

Operator

Manav Patnaik, Barclays.

Manav Patnaik - Barclays Services Corp - Analyst

Steve, I appreciate the slide with the data and the more stacks I think we've heard that as well. But to an earlier answer on the competition is more on the workflow side than what you acquired Casetext, et cetera. Can you help us with any sense of sizing of workflow for you guys and the growth rates there because obviously, a lot of these legal tech companies are raising a lot of money at high valuations siding high both rates. So just trying to get a sense of your business there.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. Manav, I mean it's all a bit squishy at the moment, right? We sort of probably monitor the same sort of in terms of how competitors are performing and what sort of growth rates they're seeing what their ARR levels are at the moment. And what I would tell you is that our counsel is at least on par or outpacing everybody else in terms of its size and its growth rate. So it is a competitive landscape in so far as there are lots of promises being made by lots of different new entrants.

Where we differentiate ourselves is in the integration of our content and our expertise.

So it's not only the content Westlaw particular and so forth, checkpoint on the Tax & Accounting side. It's the expertise that 1,500 reference attorneys bring that are able to train the behaviors of an agent to produce a more accurate, more reliable outcome that is supported by data, pristine data privacy and protection. So a long way of saying, in the early going, we're at or outpacing the newer competitors and (inaudible) confident. I hope not arrogant, but we're very confident about the sort of medium to longer-term prospects given the assets that we bring to this competition.

Mike, what would you add?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

That's a good summary.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Okay. All right. I hope that helps.

Manav Patnaik - *Barclays Services Corp - Analyst*

Yes, that was helpful. And I guess just on -- I just had one question on M&A. So I think we all get a sense of all the tuck-in type of deals that you guys are doing and probably that continues. But in the past, Steve, you've talked about potentially larger ones. So just trying to get an update on where the market is at.

Is it valuation, timing, like just some more thoughts there.

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Yes. We're sort of happy -- we're very happy with the tuck-ins that we've done over the last couple of years, each and every one of them in different ways has performed and been additive to the experience that we're providing in the Big 3. So we'll continue to look for those opportunities centered around our big 3 segments. -- if we were to do something larger, it would be in the areas where we really see great promise. So areas like risk fraud compliance, building on [CLEAR, CLEAR] data set and areas like IDT, Indirect Tax and e-invoicing, where Pagero is showing really good growth and growth that looks to be pretty considerably above some of the some of the market comparables.

And so those are the areas where we'd be prepared to go a bit bigger.

I think at the moment, the assets that are of interest are still fully valued in the sort of portfolios in which they sit. So the question is, do we see a bit of an adjustment and some price that would allow us to create value for our shareholders, not just the exiting shareholders. And that's what we'll just continue to monitor. And stay rigorous and disciplined around.

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Steve, in addition to indirect tax risk for and compliance, I would just add, international certainly will be very selective out there, as we've discussed in the past. But [Adrian Fanini] who leads our international business, we are looking at a few potential assets internationally.

Operator

George Tong, Goldman Sachs.

George K. Tong - *Goldman Sachs Group Inc - Analyst*

You're continuing to target 9% to 11% organic growth in corporate next year. Can you elaborate on how achievable that growth is without any additional changes to the sales organization or the pace of cross-selling? .

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Sure, George. Happy to start there. I think we've discussed with you and others in the past that Q4 is our largest quota period for a given year. That applies to Q4 2025 for corporates October net sales and bookings were quite encouraging, George.

And if we look at our sales pipeline coverage ratio for both the remainder of Q4 and also Q1 2026, once again encouraging, given that those changes have now been solidified and the focus is on execution, the way I think about it, George, a very simple some formula, if you have great products and you have strong customer demand and you have a growing TAM, the likelihood of success is pretty damn good if you execute and have the right talent I think you can check the boxes on each of those variables in the formula that I just mentioned there. So that gives me quite confidence.

But if you look very tangibly, the October net sales and bookings, secondly, again, the November, December pipeline coverage and then also the Q1 pipeline coverage gives us confidence in achieving that 9% to 11% as we go into 2026, George.

George K. Tong - *Goldman Sachs Group Inc - Analyst*

Got it. Very helpful. And then can you talk a bit about your pricing strategy in light of the increasing value that you're providing with your AI products, so do you have plans for accelerated pricing increases, for example, in your multiyear contracts? And how overall do you expect pricing to evolve going forward? .

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Yes, George, look, it's a great question, and it's 1 we very focused on, and we have some fairly vigorous debates amongst ourselves, particularly between the product folks and the commercial excellent folks and our salespeople. Our principle is to price to value. So the extent to which we're driving significant efficiencies in the practice of law or in the practice of order to tax and accounting. We want to make sure that the products and services are aligned to that.

We -- just a reminder, we do not price on a per seat basis, to the extent to which work is able to be done by fewer people. We will be a beneficiary of that, not a victim of that, if you like. And so it's a work in progress. I think in the early going, our pricing has proven to be competitive and is driving growth for us. It is profitable growth.

I would say so far so good. But this is one of those ones where we're just constantly looking for signals from the market and refining our approaches.

Michael Eastwood - *Thomson Reuters Corp - Chief Financial Officer*

Yes, George, I would just supplement. As we go into '26, I'm somewhat optimistic that we could have some additional opportunity over the spectrum.

Operator

Aravinda Galappathige, Canaccord Genuity.

Aravinda Galappathige - *Canaccord Genuity Corp - Analyst*

I wanted to discuss sort of the where we are in terms of the rate of innovation and product intensity. Obviously, we've seen a lot of activity from Thomson and even the industry in general. Is it fair to sort of characterize the present sort of position us getting close to peak in terms of new product launches and so forth and sort of the next phase will be more about penetration I mean, I'm trying to sort of connect that with the underlying tone of margin expansion you're talking about. I know that you've been, I think last disclosed number was about \$200 million in incremental investments to sort of drive these growth opportunities. I'm trying to sort of assess whether we may be at sort of that -- the sort of the crest of that.

Any thoughts that you carry share on that front? .

Steve Hasker - *Thomson Reuters Corp - President, Chief Executive Officer, Director*

Yes, Aravinda. I'll start, and Mike may want to add. I obviously stay very close to David Wang and (inaudible) product innovation plans and also our [TR Ventures] fund, who are looking across the landscape of different start-ups and also the sort of everything that our partners are doing I would say -- you're going to see (inaudible) innovation accelerate and improve over the next few quarters and well into '26 and '27 based on that which

we've previously invested in and that was is coming through the pipeline. What I think, though, will happen in the broader landscape, and it's hard to tell.

So this is looking at a crystal ball, is that the rate of event for the highly specialized tools like ours that are trained on reservoirs of content and thousands of expertise will continue to improve. I think where things might flatten out is in the sort of general purpose horizontal tools. And certainly, our customers are starting to understand the difference. And so that, I think, will be 1 change in the sort of landscape. But again, I think anyone who will tell you they know exactly what's going to happen in this environment is probably slightly diluted.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yes. Aravinda, a couple of points there. Please, please do not correlate our confidence in expanding our margin in 2026 with us investing less. We will invest over \$200 million [in] calendar year '25 in AI, [Gen AI]. That will continue into 2026. We're able to expand our margins in 2026.

One, you're aware of our operating leverage. But we have opportunity back to the prior questions to automate how we work. I think it was advanced to ask the question illustratively about AWS reference. So we will continue to invest. And to Steve's point, the rate of innovation and intensity will continue.

That \$200 million plus will continue into 2026.

Aravinda Galappathige - Canaccord Genuity Corp - Analyst

And maybe my follow-up for Mike. I mean, on the last call, Mike, I think you talked about sort of your framework for capital allocation and how that potentially leaves \$400 million to \$500 million for buybacks obviously, given the movement in the stock, you've sort of shown the flexibility to step up beyond that. Should we sort of take that forward even in the -- going into '26 at notwithstanding that framework, you have the ability and the willingness to sort of step up in terms of your repurchase program? .

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yes. I think, Aravinda, I would maintain the framework when you think about mid- to long term, but I think the key there is when we see the opportunity to step up, we will, which I think -- that was very tangible with our decision in mid-August to announce the \$1 billion NCIB share buyback, which we completed at the end of October. We constantly discuss capital strategy, capital allocation with our Board.

In our next Board meeting, we'll have the next discussion in regards to capital strategy, capital allocation. Could we step up, again, possibly no decision has been made there. So I would maintain the framework of the \$400 million to \$500 million. But also, I would kind of supplement that framework with our ability and willingness to step up when we deem appropriate. On the topic of capital allocation, I would just remind you, Aravinda and others that as we go into the January board meeting, we will propose another 10% increase in our common dividend, which would be the fifth year consecutively on that.

Operator

Maher Yaghi, Scotiabank.

Maher Yaghi - Scotiabank GBM - Analyst

Great. Steve, you have very well articulated by Westlaw has a strong standing to benefit from AI. But can you tackle maybe how you see AI advances affecting your tax business? Do you believe that business has similar defensive capabilities to continue to gain market share as well as you're doing in legal. And the second question is the revenue acceleration you're expecting in 2026 versus 2025.

I know it's maybe too early, but can you maybe just let us know which segment of the Big 3 you're expecting to see most of the acceleration coming from? .

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

I'll defer the second question to Mike. On the first one, yes, we're sort of equally excited about the application of AI, Agentic AI, deep research to our tax business as we are legal for a couple of reasons. So in terms of the end market, the tax accounting profession does not need to undertake the same sort of magnitude of change management. So for example, many tax and accounting audit engagements are not priced on a per hour basis. and not on a billable hour.

They are value based. And so there's not that same business model hurdle to overtop that the legal profession is currently working its way through firstly. Secondly, there is, as I said before, a pretty acute talent shortage that technology needs to address. So we actually think our Tax & Accounting customers are even more receptive to AI and technology in terms of improving their outputs and work and enabling, for example, tax professionals to automate the tax return process and move to more value-added advisory services for their clients and the technology enables that.

So that's the first part. As we think about applying AI, particularly Agentic AI product set. The sort of narrative up until now is that generative AI doesn't do math. Well, our tax calculation engines do the math and what the agents enable us to do is automate all of the shoulder activities.

So the document ingestion, all of the preparation and then they work with the tax calculation engine, whether it's UltraTax ecosystem tax on ONESOURCE. and then they're able to do the follow-up, all of the calculation checks and the e-filing. And so that's really what ready to advise it's the addition of agents to our pre-existing tax calculation engine and then ready to advise is the use of agents to find all of the opportunities or a tax and accounting professional to provide advisory services on more efficient tax strategies to their clients. And so we think that the AI will enable us to expand the role that we play in the success of the tax and accounting profession enable them to get into more advisory services and achieve growth on that basis, while at the same time, overcoming this talent shortage. Mike, the question on revenue .

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Sure. In regards to 2026, just to remind everyone, we do have ranges for 2026 for each of our Victory segments. Legal for 2026 is 8% to 9%. Corporate is 9% to 11%, tax and accounting, 11% to 13%. And part of your question, Maher, is in regards to which segment would have the largest absolute growth.

Tax and accounting professional, I believe, will have the largest absolute increase and organic growth rate for 2026 versus 2025. Just to reiterate those reasons, number one, the recent acquisitions of SafeSend and additive Materia will continue to scale for us.

Next, Steve's mentioned ready to advise and ready to review, which are new launches for us. We consistently talk about our Latin America business (inaudible), which we remain quite optimistic about over the last 11 years, it's grown a 20% CAGR over that time horizon. We expect that to continue. And then lastly, kind of underpinning UltraTax continues to perform well.

Operator

Kevin McVeigh, UBS.

Kevin McVeigh - UBS AG - Analyst

Great. I think in the slide deck, you talked about AI-driven innovation, the momentum continuing. On the legal side, I guess just the timing like the genetic launches you did over the summer of 25, are they already starting to kind of permeate the base? Or is that something that continues to

scale over the back half of '25 and into '26, I guess just trying to understand the sequencing of maybe things that have already been launched as opposed to things were launched over the summer.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yes, Kevin, really good question, great timing there. For everyone's benefit, we launched those in mid late August as part of [UltraCon]. We're already seeing the benefit, and we'll just see more penetration, Kevin, in Q4 and throughout 2026. I would call out each of our general managers within legal professionals are really driving hard, which is indicative of the 9%. Aaron Rademacher, who is driving the small law firm, Liz; [Zmich and Misal, Steve as with our largest firms].

And then we have [John Shotwell] in Europe, which I think each of these segments, we're seeing progression already with the launches. And with the momentum we have with the launches of CoCounsel Legal, Westlaw Advantage. That will continue. October, we had another great month of sales with these new product launches. We expect that to continue for the remainder of Q4 and then throughout 2026.

So we're already reaping the benefits, Kevin.

Kevin McVeigh - UBS AG - Analyst

And then just the comments on the Tax & Accounting, -- is there any way to think about the experiences of maybe the Big 4 as opposed to maybe the top 10 and maybe mid-market as you think about the go-to-market motion with the enhanced product from [a Gen AI] perspective.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Yes. Kevin, just to remind everyone, the Big 4 and the next 3 largest firms, we call it the Global 7, they are included within our corporate segment, not tax and accounting professionals. But Steve, you may want to comment in regards to the different motion. If you think about those G7 versus the remainder of Elizabeth Tax & Accounting.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Yes. I mean what I would say is there's increasing similarity across the G7 as we call them, relative to the big 4. In other words, firms 5, 6 and 7 are very sophisticated, increasingly global and investing heavily in technology, and we think we'll be a beneficiary of that going forward. I think though the mix does change a little bit as you get to the sort of top of the latter there. In that they're more likely to take an API from us and build on the top of it versus take the sort of full end-to-end product.

So the kinds of work we do in the go to market motion slightly different, Kevin. But the opportunity, I think, is equally weighted across that customer base.

And if you go all the way into the smaller firms, which [Brian Wilson] serves from a go-to-market perspective, he and his teams. They're ready for turnkey solutions that work that are reliable and that build upon their existing tax calculation engine. And so -- and so there's a lot of receptivity at that end as well.

Operator

Andrew Steinerman, JPMorgan.

Unidentified Participant

This is [Justin Wembley] on for Andrew. Most of my questions have been answered, so maybe I'll circle back on the government headwinds, just to clarify. Am I correct in saying your updated guidance only contemplates cancellations that you saw at the end of the third quarter. And I guess maybe just to give us a little bit more comfort on the go forward. Could you maybe talk a little bit more about if those cancellations were driven by reductions in spending in certain departments you serve?

Or was it layoffs? Just any color there would be great.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Certainly, in regards to our forecast, and we always contemplate what has occurred, plus we always look at the upcoming pipeline. So we have contemplated in our forecast, any other activity that might transpire in Q4. So we believe that has been reflected already -- and then in regards to the reasons for there's been a reduction in the actual spending levels in these agencies, which was the main driver.

Operator

Stephanie Price, CIBC.

Stephanie Price - CIBC World Markets Corp - Analyst

Just a few quick clarifications for me. Mike, I think you've kind of alluded to it for a few times in the call, but can you talk about the drivers that are causing the increase to the fiscal '26 EBITDA guide to 100 basis points versus 50 basis points prior. I think you mentioned some efficiencies. Is there anything else you wanted to add on that? .

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

I would say 2, Stephanie, 2 primary drivers. One is the operating leverage at roughly 7%, 7.5%. We generate about 110 basis points of natural operating leverage, which is sustained in our business. The second key factor is our focus on transforming and automate how we work. So if you take those 2, that would be more than 100 basis points that leads to a third key factor which relates to a question earlier, is we're continuing to make investments.

And we'll continue to make investments wherever we see the returns are sufficient there. But the 2 key drivers of margin expansion, operating leverage and then our internal initiatives to transform and automate how we work.

Stephanie Price - CIBC World Markets Corp - Analyst

Perfect. And then for the Legal segment, organic growth accelerating quarter-over-quarter to I think in the prior question, you mentioned some new product launches. Just curious if there's anything else you wanted to call out there in terms of chips in demand or adoption rates within legal?

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

I think the new product launches certainly help us significantly there. Retention rates continue to be very good within that business. Pricing is relatively stable there. Certainly, Stephanie, we always add talent as part of our operating mechanism. So I think those are the key drivers for us.

Steve, you may want to --

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

The only thing I'd add is way back at our Investor Day a couple of years ago, where we started to talk about this AI journey, we did, at that time, speculate that the TAM in legal would grow, and it would grow on a sustained basis. I think we're starting to see that. What we're starting to see is law first wrestle with the idea of spending more on technology and potentially less on real estate. -- and still trying to sort of work their way through the head count implications. I think it's too early to sort of call that 1 way or another.

But we're starting to see that TAM expand and we think that that's going to be a multiyear phenomenon and 1 that we plan to have the products and the propositions to fully benefit from.

Operator

Doug Arthur, Huber Research.

Douglas Arthur - Huber Research Partners LLC - Equity Analyst

Yes. I think most things (inaudible). Steve, you mentioned the acute talent shortage issues in some of the big accounting firms. Is that -- is there a similar narrative in legal or not so much? .

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Not so much, Doug. It's as someone who started my career at [PW] was called then, Mike did the same. It's just not as enamored of the profession as they were in our day. And so whether it's the big accounting firms or the midsize or even the smaller shops, they're just having a really hard time getting talent into -- in the door at the entry level and then going through the apprenticeship that's required. And it's an acute problem et have been it's been growing for a number of years.

If you look at the number of people who are getting qualified as CPAs, it has fallen dramatically in recent years. And all the while the number of audits goes up, the complexity of audits goes up, the number of tax returns goes up, the complexity of those returns go up. And the advice that small, medium and large businesses need from their tax and accounting professionals intensifies. So the demand characteristics are really healthy. It's the supply of talent that's the problem.

And that's where the technology has a really, I think, exciting and important role to play and that's why we're investing heavily to meet or exceed those demands.

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - Morgan Stanley - Analyst

Your large competitor in legal has talked about 1 of the benefits of its partnership with Harvey as increasing distribution. I was hoping you could talk about, Steve, how you're thinking about partnerships right now. you have the content, you have the AI capabilities. So it doesn't seem like you need to partner with others, but is there an advantage to doing that because of increasing distribution? Or is there a disadvantage of going that route?

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Toni, I won't comment on their approach. But what I will say is that we're very confident in our position of having CoCounsel for Legal, which is now fully integrated with our content and editorial [expertise]. So we don't see the need for partnerships, the likes of which one of our competitors has entered into or two of our competitors have ended into together.

Where we are partnering is where there are point solutions, AI-driven point solutions, for example, in sort of the debt capital markets and its application to legal profession or in very, very specific area of the law, where we think an innovative team has developed a solution that can work in with CoCounsel. So we're keen to explore that ecosystem. But in terms of distribution, we obviously have the leading distribution in the industry at the moment. So we don't see a need there. But thanks for the question, Toni.

Gary Bisbee - Thomson Reuters Corp - Head of Investor Relations

All right. I think that brings us to the end of our time. So thanks, everybody. Have a good day.

Steve Hasker - Thomson Reuters Corp - President, Chief Executive Officer, Director

Thank you.

Michael Eastwood - Thomson Reuters Corp - Chief Financial Officer

Thank you.

Operator

And this concludes today's call. We appreciate your participation. You may now disconnect.

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