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TRI.TO - Thomson Reuters Corp to Host Investor Webcast on Pagero Acquisition M&A Call

EVENT DATE/TIME: JANUARY 19, 2024 / 1:30PM GMT

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CORPORATE PARTICIPANTS

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

Michael Eastwood *Thomson Reuters Corporation - CFO*

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

CONFERENCE CALL PARTICIPANTS

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

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

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

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

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

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

Vince Valentini *TD Securities Equity Research - Analyst*

PRESENTATION

Operator

Good day and welcome to the Thomson Reuters-Pagero call. I would like to turn the conference over to the Head of Investor Relations, Gary Bisbee. Please go ahead.

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Thank you, Jennifer. Good morning, everyone, and thanks for joining us today to discuss our acquisition of Pagero. I'm joined by our CEO, Steve Hasker; and CFO, Mike Eastwood, who will discuss this announcement and take your questions following their remarks.

Please note that our intention today is to discuss only the Pagero acquisition and not comment on our fourth quarter financial performance or 2024 outlook. We plan to discuss these topics when we report our fourth quarter results on February 8. (Operator Instructions)

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

Now let me now turn it over to Steve Hasker.

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

Thank you, Gary, and good morning, everyone, and thanks for joining us today. I'm excited to announce our acquisition of Pagero, a global leader in e-invoicing and indirect tax solutions. Pagero brings important capabilities that in combination with our ONESOURCE indirect tax offerings provides both meaningful benefits for our customers and stronger growth potential for Thomson Reuters.

Before providing a more detailed description of the company and why we're excited about the combination, I'll briefly review the transaction details. After initially making a public offer to acquire Pagero at SEK 40 on January 11, we updated our offer Monday to SEK 50, valuing the company at approximately USD 800 million. On Monday, we also announced that we had acquired 54% of Pagero's shares and that our offer was now

unconditional. Since then, we've increased our ownership to approximately 60%. And yesterday, we were pleased to see Avalara withdraw their competing offer and state they plan to tender their shares.

So let's turn to a quick overview of the company. Pagero is a global leader in e-invoicing and indirect tax solutions. The company is based in Sweden and operates around the globe, serving more than 90,000 customers. Annual recurring revenue as of September 30 was approximately \$70 million, and 87% of revenue is recurring. Pagero has a strong track record of growth with revenue expanding at a 25% CAGR in recent years.

The company follows a land-and-expand approach to growth with existing customers as is demonstrated through a robust net revenue retention of 122% as of September 30. It also delivered strong new customer growth, which benefits from a rich partner ecosystem. Pagero is slightly unprofitable, though this masks strong profitability in its established markets, offset by its investment markets, where it is investing heavily to support future demand. We are confident that total profitability will ramp strongly in the most -- in the next several years as revenue scales.

We began a strategic partnership with Pagero last February and introduced product integration in October. The partnership to date has been a success and provides confidence in both the commercial and cultural fit. Looking forward, the acquisition accelerates our joint vision to deliver a connected suite of global indirect tax reporting and e-invoicing capabilities that provides enhanced compliance and workflow automation benefits to our customers.

Before we discuss the strategic rationale, let's briefly review the e-invoicing opportunity and why we find it so attractive. I'll start with some basics. E-invoicing is a digitized form of billing, where companies send and receive invoices in a structured digital format. This replaces what are often manual and analog processes.

In an attempt to reduce noncompliance and increase revenue, governments around the world are increasingly introducing legal requirements for e-invoicing and digital tax reporting, where the invoices must be shared with tax authorities. E-invoicing offers many benefits: for governments, increased transparency and tax compliance; and for buyers and sellers, improved efficiency and accuracy through automation and digitization and improved working capital management.

The invoicing opportunity is significant with more than 80 countries having announced or introduced regulations. As these mandates come into effect over the next several years, we expect a wave of regulatory-driven demand to drive continued strong adoption and growth of e-invoicing compliance solutions, including those from Pagero. We size the addressable market opportunity at \$7 billion with 20% mended growing at 18%.

There are several types of e-invoicing digital tax reporting mandates, ranging from sharing the invoices on a post-audit basis to real-time transmission, which is known as continuous transactional controls, or CTC. In either case, the compliance burden on corporations is significant and legacy systems and analog processes pose a challenge.

And this is where Pagero comes in. It is a leading provider of e-invoicing and indirect tax solutions, which it provides through its Smart Business Network. The company's platform links customers, suppliers and institutions, allowing for the automated, compliant and secure digital exchange of orders, invoices and other business documents. It does this through a modern, secure and open network that seamlessly integrates with the ERP or financial software of customers, vendors and taxing authorities. By using the network, customers will comply with the e-invoicing and CTC controls in more than 75 countries.

A key advantage of Pagero is that it operates through a single global network, which provides meaningful benefits versus the regional or even country-specific solutions offered by many competitors. We see a compelling strategic fit between Pagero and Thomson Reuters that will provide meaningful benefits for our customers and long -- strong long-term value creation for our shareholders.

I'll highlight 4 key investment positives. The first point I've already covered. E-invoicing is a significant and attractive growth opportunity. Second, Pagero is a market leader with what we believe are differentiated solutions. In addition to offering a single global platform, which is unique in the market, the company's modern technology and robust compliance capabilities are market-leading in our view. The company's Smart Business Network links its 90,000 customers with over 14 million connected companies, providing emerging network effects that we expect to build as it continues to scale.

Third, Pagero is a compelling product fit with Thomson Reuters. The combination of Pagero's e-invoicing compliance offerings with our ONESOURCE indirect tax determination and reporting capabilities should yield significant benefits for customers, including enhanced compliance capabilities, better end-to-end workflow automation and global scale through a single trusted vendor. Over time, we see a number of opportunities leverage Pagero's network to deliver additional compliance offerings, including the global trade management, supply chain and vendor risk.

Lastly, Pagero has an attractive financial model with strong long-term growth and profit potential. Pagero has a high-quality revenue mix with 87% recurring and a proven track record of double-digit revenue growth. It is highly profitable in scaled markets and has a pathway to robust overall profitability in the next few years as its investment markets scale.

Let me dive a bit deeper into the complementary product fit and opportunities Pagero brings. I'll start by describing the strong fit of Pagero's e-invoicing capabilities with our ONESOURCE indirect tax offerings. Corporations are subject to a wide range of indirect taxes, including VAT, sales and excise taxes. Rules and regulations vary from jurisdiction to jurisdiction and change frequently, which creates significant regulatory and compliance complexity.

Our ONESOURCE indirect tax determination offering calculates these taxes on a global scale and in real time, producing the tax amounts that need to be invoiced to customers. Our ONESOURCE indirect tax compliance offerings span reporting, tax filing and other tax compliance capabilities that support periodic reporting to tax authorities.

Pagero's e-invoicing and compliance offerings fit squarely between our tax determination and reporting capabilities, allowing for a true end-to-end automated indirect tax and e-invoicing solution. Taxes are calculated, can be digitally transmitted in a compliant manner, and transaction activity then supports periodic tax reporting and compliance activities. The resulting end-to-end workflow solution is highly automated, more accurate, compliant and global in scale.

While we're extremely excited about e-invoicing, we're equally enthusiastic about several longer-term opportunities unique to TR to leverage the Pagero network for additional automation and compliance use cases. For example, Pagero offers a supplier profiles app that in combination with our CLEAR risk offering could provide enhanced vendor screening capabilities. And in addition, we see the opportunity to combine Pagero's transportation management app with elements of our global trade management offer, an offering to provide incremental supply chain insights for customers. These and other future opportunities beyond e-invoicing will take some investment and some time to bring to market, but we see them as important opportunities to sustain strong growth from Pagero over the long term.

And now I'll turn it over to Mike to provide a few thoughts on the financials and the transaction time line.

Michael Eastwood - Thomson Reuters Corporation - CFO

Thanks, Steve. I will start by reiterating our excitement about the opportunity to acquire Pagero. This acquisition continues our efforts to execute the TR acquisition framework we have discussed in the past. This entails acquiring high-quality businesses, integrating them into TR's product suite, investing behind their growth and leveraging our extensive distribution and customer relationships to drive profitable long-term growth.

As Steve stated, Pagero has a strong track record of growth with revenue expanding at a 25% CAGR in recent years. It has slightly negative EBITDA with strong profitability in established markets, offset by its investment markets where it is investing heavily to support future demand. We see the acquisition being accretive to our organic growth but modestly dilutive to our adjusted EBITDA margins. This includes operating expenses, which we did not add back to our adjusted earnings metrics.

Looking forward, we expect Pagero's profitability to scale strongly with revenue over the next few years and see profitability in achieving our total company margins over the long term. We're also excited about the revenue synergy potential to cross-sell Pagero solutions into our customer base and to bring ONESOURCE capabilities to Pagero's customers. We target delivering \$50 million or more of revenue synergies by 2027 and for the Pagero business to deliver healthy growth for many years into the future.

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For your modeling purposes, we expect to consolidate Pagero's results into our financial reporting by the end of the first quarter. Pagero will be recorded within our Corporates segment. We will provide more details during our February 8 earnings call.

Lastly, on the time line from here, the acceptance period for our offer runs through February 9 with settlement for shares tendered on or about February 16. We will provide updates on our ownership after the acceptance period ends.

Let me now turn it back to Gary for questions.

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Thanks, Mike. Jennifer, we're ready to begin the Q&A.

QUESTIONS AND ANSWERS

Operator

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

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

I wanted to ask a question. Pagero, in their own documents, had targets of an ARR CAGR somewhere in the range of 37% into 2025 with 20% EBITDA margins. Would those still be targets post acquisition? Or do you think -- so you can meaningfully exceed some of those targets through the combination by 2025?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Scott, thanks for your time here. We want to provide more detail in regards to the long-term projections during our February 8 earnings call as we have time to work more closely with the Pagero leadership team. But we're certainly encouraged by the growth prospects. And as Steve and I mentioned in our prepared remarks, we're encouraged with long-running reverts to the profitability.

I would just emphasize the established markets versus the investment markets. I think if you look at the Pagero filings, they indicated that they're around mid-30% in regards to the EBITDA margin for the established markets. So we'll provide more details both on the revenue trends longer term and the EBITDA margin trajectory during the February 8 earnings call, Scott.

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

Okay. And then a follow-up to that. Sort of you mentioned the established versus the investment markets. Under -- like as you own Pagero, would you think there would be any shift in the sort of focus on investment markets? Or is it all really determined by the regulatory backdrop?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. I think where we sit, Scott, we -- please, go ahead.

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

No, go ahead, Mike. Sorry.

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. Scott, we do not anticipate any near-term changes in regards to the product road map and the rollout. Certainly, the regulatory requirements in the various countries and jurisdictions is a really key factor in regards to prioritization, but we're very supportive of the current road map that Pagero has and the rollout plan. Steve?

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

Yes. That's well said, Mike. I mean one of the -- this -- as Mike said in his remarks, Scott, one of the many attractive parts of this acquisition is it's very consistent with our playbook. So it takes a product that we think is best in market and combines it with our distribution. And so we'll be looking for opportunities to to expand the application of Pagero's e-invoicing capabilities and using our sales networks and customer relationships to do that. But ultimately, there is a guide here, which is the introduction of regulations around e-invoicing. So we'll obviously be very focused on that as well.

Operator

We'll go next to Kevin McVeigh from UBS.

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

Congratulations on just really -- looks like a terrific transaction. Could you help maybe frame how this came together? I mean pretty interesting in the sense of there were multiple suitors, and it seems like a pretty unique asset. So maybe -- Steve or Mike or Gary, maybe how it came together, timing-wise? And again, there were multiple suitors for this. So it seems like it's a pretty special asset. I just wanted to start there, maybe understand that a little bit.

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

Yes. I'll start, and Mike and Gary can add. We've all obviously been closely involved in this process, including some time on the ground in Gothenburg in Sweden with Bengt Nilsson and his team at Pagero. Essentially, it's a similar playbook, Kevin, that we employed with with SurePrep, where in SurePrep, we struck a partnership with Dave Wyle and his team and realized there was a cultural fit and there was a product fit. And it was very much the same here.

As I mentioned in my remarks, we struck a partnership last year, and we've seen good results in market. And certainly, our sales teams across the world celebrated the formation of that partnership and have certainly been big fans of it since it's been in place. So it was really with that in mind that we moved the conversations with Bengt and his group to acquisition.

And obviously, we weren't the only interested party, which I think both validates sort of what Bengt and his team have built and validates our interest in it. And -- but we felt strongly that the synergies with TR were very, very strong and justified our approach. And maybe more importantly, I think Bengt made a decision that we were the right partner for that -- for he and his group. And so really, it's -- it's been one of the more interesting processes we've been involved with, and we couldn't be more delighted with the outcome.

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

For sure, Steve. Everyone wants to play with the Yankees. I guess -- and then Mike, can you just -- I think, Mike, you mentioned -- did you mention or -- I just missed it, it would be good. Did you mention a revenue synergy number? And what year was that? I apologize if I just missed it.

Michael Eastwood - Thomson Reuters Corporation - CFO

Sure. We discussed that \$50 million in revenue synergies by 2027. Kevin, that is supplemented by what we view as strong double-digit underlying revenue growth for Pagero over the time horizon. And then on top of that, we would have the \$50 million of revenue synergies by 2027.

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

Terrific. Congrats.

Operator

We'll go next to Drew McReynolds Grand from RBC.

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

Can you hear me?

Gary Eftman Bisbee - Thomson Reuters Corporation - Head of IR

Very well, Drew.

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

Okay. Excellent. Just a couple for me. Certainly, indirect tax is not something I live and breathe every day. Maybe, Steve, on the CTC models that are being implemented globally, like where -- inning-wise, where in kind of the stages of that kind of regime are we globally? Is it early innings, kind of middle innings or late innings? Because obviously, that's a pretty big tailwind here.

And then secondly, just the \$50 million in revenue synergies, does that incorporate some of the additional opportunities that you want to do above and beyond the e-invoicing and indirect tax with this asset? Or over time, would that be even incremental to the \$50 million of revenue synergies?

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

Yes. Thanks, Drew. I'll try to address the first question and then defer to Mike on the second in terms of the -- a bit more color on the synergies. So I would say, at a high level, we're somewhere between the early and mid-innings. We're probably closer to early. And I say that because we've now got sort of 80 countries who have mandated data or introduced CTT or CTC-like regulations in their markets. So this is real, and it is something that's very much in the interest of governments to do because it streamlines the collection of VAT sales and excise taxes and is a great revenue generator in a sort of a global environment where fiscal situations are often upside down or extremely strained.

It started in Latin America and Europe and is sort of rolling through those territories. It's now moving -- starting to show signs in Southeast Asia and throughout Asia. So I'd say qualitatively speaking, Drew, it's between -- without distribution. Mike, over to you on the synergies.

Michael Eastwood - Thomson Reuters Corporation - CFO

Sure. Drew, in regards to the synergies, the \$50 million or more by 2027, that reflects the core cross-selling activity of Pagero solutions into our TR customer base and bringing our TR ONESOURCE capabilities into Pagero's customers. The other opportunities that you referenced would be incremental. However, we're working on the time line on which that would occur. And we'll provide more details over the time horizon with that \$50 million as it relates to the core cross-selling activities with the customer bases of the respective companies.

Operator

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

Heather Nicole Balsky - BofA Securities, Research Division - VP

I wanted to touch on your broader M&A strategy. You talked about your playbook, but it would be great to have more color just to help us understand the businesses you're deciding to pursue within the Big 3 and given what -- how many businesses in accounting, tax and risk and fraud are out there. And just how do you think about your broader vision around sales growth and margin? If we were to jump forward 10 years, kind of what -- well, all this M&A that you've done kind of due to enhance your growth story and add value for shareholders. Appreciate it.

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

Yes. Thanks, Heather. It's a great question. So look, as you know, the first thing I would say is we're both consistent and rigorous in terms of our M&A approach. We look -- we like this playbook where we take our distribution and presence globally, and we add best-of-breed products, digital products, particularly those that don't come with tech debt that are additive to the customer experience and companies that we think will be a good cultural fit.

Certainly, SurePrep fitted into that, Casetext fitted into that, and we think now Pagero does too. So I hope we're being sort of boring and consistent in terms of applying that rigor and that playbook, and we'll continue to look for those opportunities.

We are very focused on the Big 3. We're very focused on opportunities to further automate the Tax & Accounting processes, both Indirect and Direct Tax up for our customers, be they corporations or tax and accounting professionals. We're focused on legal workflow automation, particularly in the sort of -- in an era of generative AI. And that was obviously the basis of the the Casetext acquisition.

We'd like to expand internationally. So we have an eye on sort of the international footprint of these businesses, and that's why Pagero was even more attractive. And we're being a little bit more opportunistic in looking at Risk, Fraud & Compliance and ESG and those areas that we think we have a right to play given the relationships with heads of tax and general counsels and risk and compliance offices and our ability to take large amounts of disparate information and add AI and push it through best-of-breed software.

So those are not big step-outs for us, but they do represent slightly new areas. But very focused on our customers in the Big 3 and the opportunities to sort of further streamline and automate core activities and in a sense, really help corporations and their advisers handle and simplify, increasingly complex compliance and regulatory landscapes.

In terms of what it all adds up to, we're very focused on driving our growth -- our organic growth rates beyond the levels that we currently enjoy and doing so with our sort of customary leverage. And obviously, many or most of these acquisitions require careful integration and investment in the early years to make sure that we get it right. But ultimately, what we'd like to do is have an organic -- a profile that's both higher in growth rates and sees us able to expand our margins in natural ways.

Mike and Gary, anything to add on that?

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. I would just supplement, Heather. At our February 8 earnings call and March 12 Investor Day, we'll paint the picture further in regards to the longer-term horizon that you referenced with specific focus on 2024 to 2026.

Just as a reminder, after completing the current \$1 billion NCIB share buyback program, which we completed about \$400 million, so we have \$600 million to go. And after completing the Pagero acquisition, we estimate about \$8 billion of additional capital capacity between now and 2026. So your question about driving continued organic/inorganic growth, Heather, a lot of opportunities for us to explore the areas that Steve outlined.

Heather Nicole Balsky - BofA Securities, Research Division - VP

I appreciate that. And I'll slip in a follow-up specific to Pagero. You talked about scaling margins over the next few years. You also spoke about investing behind the businesses you acquire. And I know you're still kind of diligencing and digging into the business. But the company has been going through an investment cycle. Could we see another year of sort of investment cycle for the company before we start seeing margin scale or you think there's an opportunity to start scaling this year?

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

I'll start, Heather, with just sort of qualitative comment and then turn it over to Mike. We're very impressed by what Bengt Nilsson and his team have done in recent years in terms of their product, their technology and their traction in the marketplaces where e-invoicing is rolling out. So we're planning to invest behind them and really sort of look to strengthen and further accelerate their existing playbook.

And Mike, maybe with that in mind, turn it over to you.

Michael Eastwood - Thomson Reuters Corporation - CFO

Yes. I agree, Steve, with your comments there. And Heather, one additional item just to remind everyone, we do not add back integration expenses, which normally typically expand over 24 months. So when you think about the ramp-up in the EBITDA margin, it will be a multiyear journey there. But we're quite optimistic and confident, as we mentioned in our prepared remarks, that we will reach total TR margins over the time horizon. But that will be a ramp-up over multiple years given the investments that Steve referenced and also the integration expenses.

Operator

We'll go next to Vince Valentini from TD Cowen.

Vince Valentini - TD Securities Equity Research - Analyst

I wanted to try to understand the TAM of \$7 billion that you gave us a little bit more. You say it's 20% penetrated. Does that mean 80% of companies who are supposed to be doing this type of compliance are just fumbling through doing it with internal IT systems and haven't outsourced to a professional like Pagero yet? Or does that mean this 80% is all these countries that haven't mandated it yet?

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

It's a mix of the 2. It's a mix of the 2, Vince, predominantly homegrown solutions to meet the existing requirements. And one of the things that I talked about in my remarks was just the sort of the strains of taking those analog and unautomated processes and extending it into the -- when

an e-invoicing mandate comes down. And what customers are finding is that it just doesn't work very well. It puts an enormous strain on their finance and tax departments. And so that's really one of the main sources of the demand for Pagero and other e-invoicing solutions.

Vince Valentini - *TD Securities Equity Research - Analyst*

Excellent. So then just a quick follow-up. The current market share of that addressable market for Pagero. I assume if we just simply take their current revenue run rate divided into 20% of \$7 billion or \$1.4 billion, we get the approximate market share. And the rest is held by competing firms that do a similar type of solution?

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

Yes, very roughly. As an emerging market, you've got to give a bit of room to move in terms of the numbers. But yes, that's -- I think that's a fair place to start.

Michael Eastwood - *Thomson Reuters Corporation - CFO*

And (inaudible) the March 12 Investor Day, what we call transactional compliant, which includes traditional indirect tax, e-invoicing global trade management, we're going to expand on your questions there in regards to TAM, total vended, et cetera. Great question, but we're going to be more expensive on March 12 in this area.

Vince Valentini - *TD Securities Equity Research - Analyst*

I would expect nothing less. Just one comment being here in Toronto. It seems like everybody wants to play for the Dodgers, not the Yankees.

Operator

We'll go next to Manav Patnaik from Barclays.

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

Just 2 questions for me. First, in terms of the market and the market share Pagero has, is this an area that you'll keep rolling up? Or is Pagero the solution? Because I noticed Sovos also acquired like an e-invoicing business. I was just curious if this is kind of a roll-up within this market.

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

Yes. Manav, we don't have any current plans to do further acquisitions. But I think as you can sense, we very much like this space. We think the combination of ONESOURCE and Pagero gives us a great position. But we very much like the space. And as we see other opportunities to do inorganic activity, as long as it makes -- creates value for our shareholders, we'll be excited about pursuing those.

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

Got it. And then just a follow-up on kind of the timing. Just judging from the Pagero share price, I mean, it doesn't look like investors were too excited about what was going on before. And then suddenly, the 3 big players get into a bidding war. Was there something that you guys saw in the industry, whether it was all these regulations coming through that nobody noticed? Or what was the catalyst for this to happen so quickly, I suppose?

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

Yes. Manav, I'd sort of -- I'd defer to Gary in terms of the preexisting valuation and what happened and why it happened. For us, we have, for quite some time, been looking to expand organically and inorganically our Indirect Tax franchise. And it was with that that we sort of did a pretty comprehensive piece of work a scan some time ago. That led us to the partnership with Pagero and the launch of a product last year.

And we were very focused on the sort of end-market success of that partnership, and that led us to the acquisition. So I can't speak for the interest of the other suitors, but certainly for us, it was a fairly sort of natural path from some heavy-duty strategy work to explanation of a partnership to the crash of the partnership to in-market success nearly going from that to the acquisition-related activities.

Operator

We'll go next to Toni Kaplan from Morgan Stanley.

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

I wanted to ask a question about Pagero has 90,000 customers, but there's 14 million companies in the network. I guess, what does it mean to be in the network and not a customer? What's the incentive for a company to join the network? Could companies be part of multiple networks? Just trying to understand what this means.

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

Yes. Toni, the incentive for customers to be in the network is really to help streamline the sort of remittance of indirect taxes and the associated invoices and to streamline that paperwork. So what Pagero have done is built this one globe solution and a network surrounding that and created sort of a fairly seamless system by which a company can opt in and be part of that network.

And it's in their interest to sort of do so because it reduces the friction associated with their transactions. Companies can be part of multiple networks. There is only one truly single global network at the moment. That's Pagero's. And obviously, tax departments are stressed and strained in terms of their capacity. So while in theory, they can join multiple, assuming that they're part of Pagero and it's working for them, the incentives to do so aren't quite as high.

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

I guess why aren't the 14 million companies in the network customers?

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

It's certainly something, Toni, we'll be looking to address.

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

Okay. Got it. And then, I guess, is there -- what is the real unique differentiator? Like I definitely understand that having a global network makes a lot more sense for your business than having regional network. But is there something in the technology that makes it difficult to replicate? Is there any sort of -- is there an exclusivity? Is there -- just why can't someone just start a new network up tomorrow?

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

Well, if you think about -- it's really a question of sort of the -- similar to a lot of software businesses, right, once -- if you have a -- competing with Pagero and you've got multiple country-by-country e-invoicing solutions and you've got customers who are using those, getting them to switch to a new global solution that you introduce is possible, but it's not easy and it sort of creates an opportunity for that customer to go back into the market and look at alternatives.

And so Pagero from the start built this sort of single global network, where as I said in my remarks, the competitors have put together through acquisition or organic builds disparate solutions in different markets. And we think that's a pretty significant source of competitive advantage for Pagero.

Operator

There are no further questions in the queue at this time.

Gary Elftman Bisbee - Thomson Reuters Corporation - Head of IR

Okay. Great. Thanks, Jennifer, and thanks, everyone, for joining us today. If you have any follow-ups, reach out to the IR team. Have a good weekend.

Michael Eastwood - Thomson Reuters Corporation - CFO

Thank you.

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

Thanks, everyone.

Operator

That concludes today's call. Thank you for your participation. You may now disconnect

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